Annual Report 2011-12

Orchid Chemicals
& Pharmaceuticals Ltd.

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.

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INDUSTRY OVERVIEW

Global pharmaceutical industry

The global pharmaceutical industry grew by of 6.6% in 2011, compared to 4.5% in 2010, and reached a market size of US$ 880 billion. The transformation of the global pharmaceutical market continues unabated, with focus steadily shifting from developed to developing countries and from patented drugs to generics. The overall pharmaceutical market is anticipated to reach US$ 1.1 trillion by 2014 (Source: IMS Data).

Growth in the global pharmaceutical market

(Source: IMS, Networth Research)

The US is the major pharmaceutical market, globally. The contribution of the US to the global pharmaceutical growth increased to 20% in 2011, compared to 17% in 2010. Ageing population and constant demand for innovative therapies have triggered the pharmaceutical demand in 2011 and will continue in the years to come.

Regulated markets

US

The US (US$ 320 billion market size) is the largest pharmaceutical market in the world growing at a CAGR of around 3%. It is also the largest generic market with a sizeable generic substitution (75% in terms of volume).

The US is expected to face the highest patent expiries (to the tune of US$ 100 billion) over the next five years (Source: ICRA, March 2012). The share of the US in global pharmaceutical spending is set to decline to 31% in 2015, from 41% in 2005.

The US market is experiencing significant drug shortages in recent times. A total of 168 drugs are facing acute shortages. The major reasons for the drug shortages include manufacturing constraints, stringent manufacturing norms, consolidation in the generic drug industry and limited supplies of some vital ingredients (Source: IMS, Drug Shortage).

Executive orders passed by the US government

- USFDA to take measures to reduce current and future supply disruptions. It must inform the drug manufactures in advance in case of production discontinuation.
- USFDA to expedite regulatory reviews, evaluate new drug suppliers, manufacturing sites, and production changes to mitigate potential drug shortages.
- USFDA to inform The Department of Justice (DoJ) of any findings due to shortages that have led market participants to stockpile the affected drugs or sell them at exorbitant prices.

(Source: Motilal Oswal Research report, November 2011)

European Union

The EU5* markets have registered growth of 1-3% in 2011 and are poised to grow at an average CAGR of 2.5% up to US$ 220 billion by 2016. The European pharmaceutical market ranks second in the world following USA. It accounts for around 17% of the total global pharma market. In most of the European countries a considerable share of healthcare expenditure is public expenditure. However, there has been significant regulatory changes over the past years on account of austerity measures and attempts to reduce healthcare expenditure. Focus is on price reduction and increasing generic substitution. (Source: Jefferies)

*(German, France, Italy, Spain and UK)

Japan

In 2011, Japan's pharmaceutical industry registered a growth of 5.7%. The overall Japanese Pharmaceutical Industry is projected to grow at a CAGR of 2.6% from 2012- 2016.

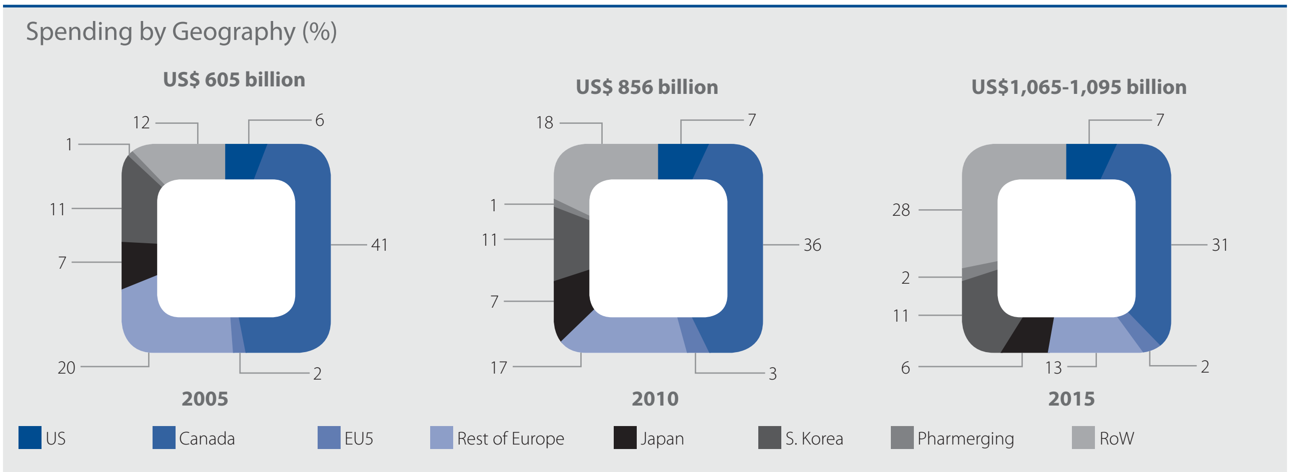
Regulated market trends

Patent expiries of blockbuster drugs

Cost containment strategies implemented by various governments

Shift towards affordable generics

Pharmaceutical spending (by geography)



(Source: IMS Health)

Pharmerging market

The 17 'Pharmerging' countries* are expected to contribute 28% to global pharmaceutical spending by 2015. They registered a growth of 15-17% in 2011 to reach a market value of ~US$ 170 billion. The value contribution of the Pharmerging market has substantially increased from US$ 73 billion in 2005 to US$ 154 billion in 2010 (Source: IMS Health).

(*India, China, Brazil, Venezuela, Poland, Argentina, Turkey, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan, Ukraine and Russia.)

Pharmerging market trends

- Relatively low entry barriers in terms of product registration requirements and intellectual property rights.
- Price sensitivity.
- Favourable regulatory environment.
- Rising disposable incomes.
- Likely increase in health insurance schemes.
- Low manufacturing cost.
- Competitive local industry presence.

Performance of Pharmerging countries

Tier	Countries		2009 GDP based on PPP * valuation (Trillion US$)	Incremental Pharma Market Growth from 2009-13 (Billion US$)
Tier 1	1. China		9	40
Tier 2	2. India		2-4	5-15
	3. Russia			
	4. Brazil			
Tier 3	5. Venezuela	12: Thailand	<2	1-5
	6. Poland	13: Indonesia		
	7. Argentina	14: Romania		
	8. Turkey	15: Egypt		
	9. Mexico	16: Pakistan		
	10: Vietnam	17: Ukraine		
	11: S. Africa			

(Source IMS Health)
* Purchasing power parity (PPP)

Active Pharmaceutical Ingredients (APIs)

Active Pharmaceutical Ingredients (API) or bulk drugs are the principal ingredients for finished pharmaceutical products. APIs cannot be administered directly to the patient, and other inactive substances called excipients are added to stabilise the mixture into an end product, which is called formulation.

The global API market can broadly be divided into regulated and semi-regulated markets. The semi-regulated markets offer low entry barriers in terms of regulatory requirements and intellectual property rights.

The highly regulated markets, like the United States, Europe and Japan have high entry barriers in terms of intellectual property rights and regulatory requirements, including facility approvals. As a result, there is a premium for quality and regulatory compliance, along with relatively greater stability for both volumes and prices.

The API growth will be fuelled by rise in demand of generics and biological drugs. The API market was valued at US$ 101.08 billion in 2010, and is expected to grow at a CAGR of 7.9% from 2012 to 2016. Globally, Asia-Pacific is the third largest regional market for APIs by revenue after the US and Europe.

API growth drivers

- API suppliers in Europe and the US are facing increasing pricing pressures due to presence of low-cost providers in developing markets, excess big pharma capacity and backward integration by certain generic companies.
- The API outsourcing trend within the global pharmaceutical industry remains intact as pharmaceutical companies are increasingly looking to maintain focus on core competencies, access new technologies, preserve capital and ensure multiple sources of raw material supply.
- China remains the largest manufacturer of APIs in the world, aided by large scale manufacturing capabilities and Government support. However, quality concerns as reflected by instances of product recalls due to contamination continue to hamper the ability of Chinese manufacturers to source APIs to advanced markets. This works as an advantage for the Indian API Industry.

(Source: Pharmaceutical Bulk Drug Industry: Trends & Outkook by ICRA, May 2011)

API market trend

Impending patent expiries and greater generic penetration likely to provide growth opportunities for domestic bulk drug manufacturers

Evolving presence of domestic bulk drug manufacturers in the global pharmaceutical supply chain

High therapeutic / product concentration due to focus on manufacture of smaller basket of APIs to ensure economies of scale

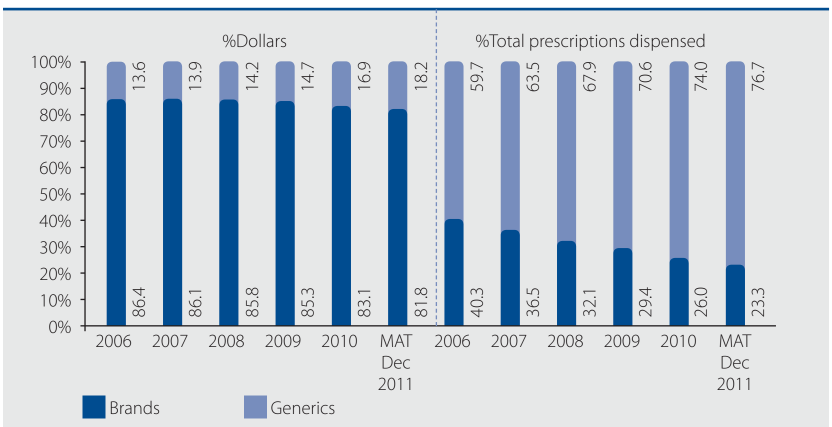
Increasing instances of pure-play bulk drug players foraying into generic formulations through filing of ANDAs and vice-versa, generic companies opting for backward integration.

(Source: Pharmaceutical Bulk Drug Industry: Trends & Outkook by ICRA, May 2011)

Generic drug (Formulations) industry

The global generics market reached a value of US$ 225 billion in 2011 (Source: IMS Health: Pharma Voice, 2012). The patent expiries of blockbuster drugs commencing from 2012 provides a solid base for robust growth of generics. According to IMS, the global generics market is anticipated to reach US$ 400-450 billion by 2015. Nearly 70% of this demand will be contributed by Pharmerging economies. The cost containment strategies implemented by governments, shift towards affordable generics, ageing population and chronic diseases will catalyze the generics markets (Source: IMS Health, Global Use of Medicines, 2011, Pharma Voice, 2012).

Generics share



Source, IMS Health, National Sales Perspective, Dec 2011

Contract Research and Manufacturing Services (CRAMS)

The Contract Research and Manufacturing Services (CRAMS) segment involves research services outsourced on a contractual basis to aid the pharmaceutical and biotechnology industries. Going ahead, these services are anticipated to grow substantially as innovators are focusing on outsourcing pharmaceutical research and manufacturing to attain cost efficiencies.

Factors driving growth

- Increasing outsourcing trends in niche and high value segments.
- US healthcare reforms.
- Government support for the development of infrastructure and SEZ policy.
- Requirement of affordable medications.
- Strategic alliances.

(Source: Frost and Sullivan, Global contract manufacturing trends, 2010)

CRAMS market trend

The global CRAMS market is expected to maintain a sustained growth rate.

India, China, Russia and Brazil are the major markets for CRAMS.

India has the highest number of USFDA approved plants (200+ as of November 2011) outside the US.

Majority of outsourcing is done from the US and European markets to emerging Asian markets.

(Source: Networth Research)

INDIAN PHARMACEUTICAL INDUSTRY

India ranks third in manufacturing pharma products by volume. India's pharmaceutical industry is gaining its position as a global leader clearly topping the charts among the Indian science-based industries with significant expertise in the complex field of drug manufacture and technology. India's pharmaceutical market has registered a strong growth of 16% in 2012. This has been the highest growth in the past three years (Source: Edelweiss Monthly, April 2012). The Indian pharmaceuticals sector is poised to reach US$ 55 billion by 2020, from US$ 12.6 billion in 2009 (Source: Mckinsey, India Pharma 2020: Propelling access and acceptance realising true potential, 2010).

India tops in exporting generic medicines. The Indian pharma industry produces around 20% to 24% of the global generic drugs. Around 40% of the total pharmaceutical produce is exported (55% formulation and 45% APIs).

The Indian pharmaceutical market is expected to witness rapid and significant growth on the back of greater acceptance and penetration of generics, enhanced export opportunities, increasing global demand, and a large share of off-patent drugs in the future.

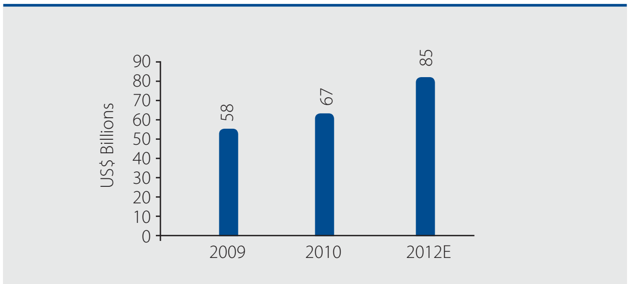
Outlook

India's pharmaceutical industry is at an advantageous position compared to other emerging countries. With the advantage of being a highly organised sector, the Indian pharmaceutical companies are growing at the rate of 8-9% annually.

ABOUT ORCHID

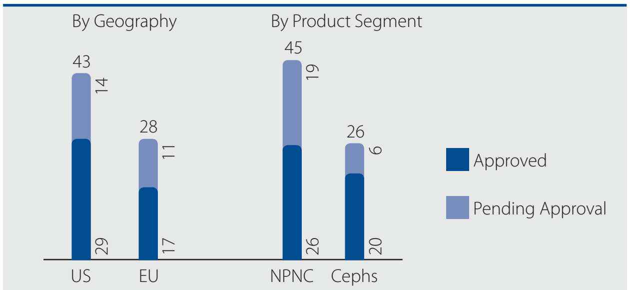
Incorporated in 1992, Orchid Chemicals & Pharmaceuticals Ltd. (Orchid) is a vertically integrated company, spanning the entire pharmaceutical value chain from discovery to delivery with established credentials in research, manufacturing and marketing. We have created niche pharmaceutical products and manufacturing platforms, ensuring sustainable growth and profitability.

Global CRAMS market



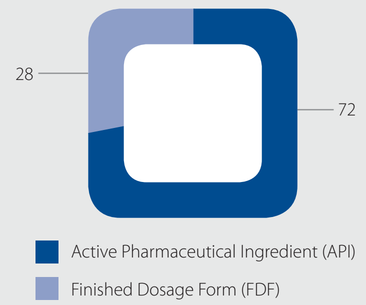
(Source: IMS, Networth Research, February 2012)

Finished Dosage Forms: Regulatory status

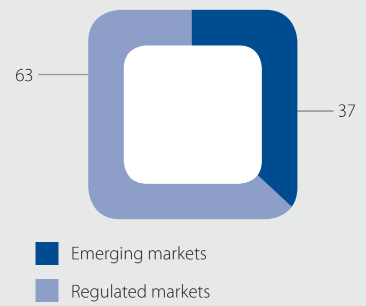


Revenue pie in 2011-12

Product-wise (%)



Geography-wise (%)



Highlights 2011-12

- Received USFDA approval for several products including Venlafaxine ER Capsules, Olanzapine Tablets and Levofloxacin Tablets, among others.
- Received the initial US$ 1.5 million from Merck on the completion of a milestone in its anti-infectives research collaboration.
- Successfully completed in Europe, Phase I trial of its orally administered PDE4 (phosphodiesterase 4 inhibitor) molecule OCID 2987, positioned for the treatment of inflammatory disorders, including COPD (Chronic Obstructive Pulmonary Disease).
- Redeemed the outstanding Foreign Currency Convertible Bonds (FCCBs), including yield-to-maturity, aggregating to US$ 167.64 million on the due date, February 28, 2012.
- The state-of-the-art Cephalosporin API manufacturing facility was successfully re-inspected by USFDA.
- Awarded with OHSAS 18000:2007 (Occupational Health and Safety Management System) certification for the API manufacturing facility at Alathur.
- The API manufacturing facility at Alathur was re-assessed and was certified with ISO 9001:2008 (Quality Management System) and ISO 14001:2004 (Environmental Management System).

The Road Ahead

The road ahead is challenging for the global and Indian pharmaceutical sector. Orchid is confident of continuing with a sustainable growth with long-term partnerships with major pharma companies assuring consistent revenue streams. The company's state-of-the-art integrated infrastructure, skilled professionals and cutting-edge technology at all production and research facilities have enabled it to be a preferred partner to several multinational pharmaceutical companies to associate with at any stage of its product life cycle.

Orchid continued its focus on US regulatory markets with the number of regulatory filings steadily increasing. Also, Orchid's investments in R&D over the years have started yeilding results. With a focus on innovation and invention, Orchid aims to become a leading science and technology player, going forward.

Moving ahead, Orchid plans to ramp up the existing business verticals and establish footprints in new niche high growth thrapeutic segments, delivering value to all stakeholders. Orchid plans to:

- Diversify and further enhance reach in the regulated generics business.
- Consolidate its presence in the API business segment by focusing on regulated markets.
- Expand relationships with marque clients with additional new products.
- Enhance market penetration with existing products.
- Focus on long-term partnerships with major pharma companies.
- Increase its operations in emerging markets.
- Enhance its presence in the domestic formulations market.
- Progress on drug discovery programmes.

FINANCIAL REVIEW

In 2011-12, Orchid delivered a stable and sustainable performance, achieving a 4.38% increase in the revenue with a profit of Rs 103.12 crore, as against Rs 159.48 crore in the previous year, despite adverse events such as closure of the Alathur API plant for more than one month and the fire accident at the R&D centre, Shozhanganallur.

A) Profit and loss account

Revenue

Revenue increased from Rs 1,663.34 crore in the year 2010-11 to Rs 1,736.33 crore in 2011-12. This increase was largely due to continuing supply of APIs to Hospira, contractual business with other large global pharmaceutical players in regulated markets, namely Europe and Japan and contribution from Karalex Pharma, a front end marketing organisation in the US.

Profitability

The EBIDTA stood at Rs 411.73 crore as on March 31, 2012 as against Rs 397.32 crore as on March 31, 2011. After providing for tax, the PAT stood at Rs 103.11 crore for 2011-12 as compared to Rs 159.48 crore for the previous financial year. This decline in profit was due to shrinking product margins, the API plant closure at Alathur and higher interest costs.

Expenditure

Total operational costs increased from Rs 1,314.84 crore in 2010-11 to Rs 1,380.41 crore in 2011-12 owing to overall increase in key operational parameters.

Power and fuel expenses increased to Rs 85.72 crore in 2011-12 as compared to Rs 72.53 crore in 2010-11 owing to an increase in fuel costs.

Material costs marginally decreased from Rs 787.95 crore in 2010-11 to Rs 785.86 crore due to decrease in production volumes and raw material consumption on account of the API plant closure during the year.

Employee costs increased to Rs 154.64 crore in 2011-12 as compared to Rs 141.38 crore in 2010-11, primarily due to the normal annual increments/promotions and additional recruitment.

Other expenditure including Directors' remuneration increased from Rs 312.94 crore in 2010-11 to Rs 354.18 crore in 2011-12, mainly on account of increase in R&D expenses, conversion charges, insurance charges and travelling & conveyance expenses.

Interest and finance charges increased from Rs 115.76 crore in 2010-11 to Rs 179.05 crore in 2011-12, due to a rise in borrowings on account of the FCCBs redemption and a steep rise in interest rates and finance charges.

Depreciation and amortisation expenses stood at Rs 149.05 crore in 2011-12 as compared to Rs 128.45 crore in 2010-11.

B) Balance sheet

The capital employed in the business increased about 25.69% from Rs 1,984.08 crore as on March 31, 2011 to Rs 2,493.94 crore as on March 31, 2012. This increase was largely due to a rise in the term loans and reserves and surplus balance.

Net worth

Shareholders' fund (net worth) increased from Rs 1,134.02 crore as on March 31, 2011 to Rs 1,194.55 crore as on March 31, 2012.

Reserves

Balance in the reserve and surplus accounts stood at Rs 1,124.10 crore as on March 31, 2012 as against Rs 1,063.58 crore as on March 31, 2011. The Company ploughed 58% of the net profit to its reserves in 2011-12. Free reserves accounted for more than 98% of the reserves as on March 31, 2012.

The book value per share stood at Rs 169.58 as on March 31, 2012 as against Rs 160.99 as on March 31, 2011.

External funds

	2011-12	2010-11
Total borrowings	Rs 1,999.30 crore	Rs 2,069.12 crore
Debt equity ratio	1.67	1.82

INFORMATION TECHNOLOGY (IT)

Information Technology plays a key role in a knowledge intensive industry like Pharmaceuticals. Information Technology at Orchid plays a key role in business to be responsive and effective, enabling it to be more competitive. Information Technology ensures seamless integration and connectivity across all domains and locations, enhancing productivity. A number of Information Technology policies in the area like energy conservation, data integrity etc, have been automated leading to lower manual intervention, thereby enhancing service levels to users. Orchid continues to incorporate Information Technology developments in its business processes to derive higher levels of productivity and operational excellence.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Human Resources (HR) function of the Company is aligned with the overall growth vision. The HR team diligently and continuously caters to the recruitment and selection policies, disciplinary procedures, rewards and recognition, learning and development sessions and all-round development of employees.

The Company has provided a safe and conducive environment that attracts and retains a dynamic and talented team. The employees are continuously engaged in delivering exceptional results to the stakeholders. Orchid is reinforcing motivation and commitment of employees by scrutinising, developing and introducing a comprehensive and consistent employment value proposition to the current and prospective employees. The key objective is to align the overall selection, talent management, employee engagement and recognition processes to facilitate the corporate growth objectives.

During the year, the Company successfully maintained a very balanced and pleasant environment at all the manufacturing units. No instances of labour unrest hampered the overall operations. The Company has approximately 4,455 permanent employees, comprising corporate and managerial staff, along with sales employees at the manufacturing facilities, including our joint ventures and subsidiaries.

RISK MANAGEMENT

All businesses are subject to internal as well as external risks. The internal risks are controllable risks and Orchid has identified such risks and formulated such actions to mitigate the effect of such risks. The external risks like change in government and regulatory policies are not within the control of the Company. Stringent regulatory norms, delay in obtaining regulatory approvals for key products, patent litigations, currency fluctuations, pricing guidelines in the domestic market are certain risks that can affect the Company's prospects.

Orchid's integrated risk management approach comprises prudential norms, structured reporting and controls. This approach conforms to the Company's strategic direction and is consistent with stakeholders' desired total returns, credit rating and risk appetite.

Review of compliance monitoring systems, application risk management system in the business units, periodic assessment of regulatory compliance, risk assessments in multiple areas such as talent management, information security and intellectual property are done regularly. The risk management activities also include assessment and review of financial risks, such as currency risks, credit risks and liquidity.

INTERNAL AUDIT AND CONTROL

Orchid believes that sound internal control systems are necessary prerequisites to good and sound governance. The management is committed to ensuring an effective internal control environment, commensurate with the size and complexity of the business, which provides assurance on the efficiency of the Company's operations and the security of its assets.

Orchid's internal control systems and procedures are designed to enable the reliable reporting of financial statements, reporting timely feedback on the achievement of operational or strategic goals and ensure compliance with laws and regulations. In addition to the statutory audit, the financial and operating controls at various locations of the Company are reviewed by internal auditors, who report significant findings to the Audit Committee of the Board. Compliance with various laws and regulations are also monitored continously.

Directors' Report

Dear Members,

Your Directors take pleasure in presenting the report on business and operations of your Company along with the audited statement of accounts for the financial year ended March 31, 2012. The highlights of the financial results for the year 2011-12 are given below:

(Rs crore)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Sales & Operating Income	1,736.33	1,663.34
Other Income	55.81	48.79
Total Expenditure	1,380.41	1,314.81
Gross Profit	411.73	397.32
Interest & Finance Charges	179.05	115.76
Gross Profit after Interest but before Depreciation and Taxation	232.68	281.56
Depreciation	149.05	128.45
Profit / (Loss) before Tax, Exceptional and Extraordinary Items	83.62	153.11
Exceptional Item	83.88	(20.69)
Profit / (Loss) Before Tax and Extraordinary Items	(0.26)	173.80
Extraordinary Items	(80.00)	-
Profit Before Tax	79.74	173.80
Provision for Taxation		
- Current & Deferred Tax	(23.37)	14.32
Profit / (Loss) After Tax	103.11	159.48

PERFORMANCE

During 2011-12, your Company achieved a turnover and operating income of Rs 1,736.33 crore as compared to Rs 1,663.34 crore in 2010-11 recording a growth rate of 4.38%. The gross profit before interest, depreciation and taxes stood at Rs 411.73 crore (23.71% of turnover) as compared to Rs 397.32 crore (23.88% of turnover) of last fiscal. After providing for interest expense of Rs 179.05 crore (Rs 115.76 crore previous fiscal), depreciation of Rs 149.05 crore (Rs 128.45 crore previous fiscal), Exceptional item Rs 83.88 crore (Rs Nil previous fiscal) and Extraordinary item Rs 80 crore (Rs Nil previous year), the profit before tax of the Company was Rs 79.74 crore (Rs 173.81 crore previous fiscal). The net profit after tax stood at Rs 103.11 crore (5.94% of turnover) compared to the net profit after tax of Rs 159.48 crore (9.6% of turnover) in the previous fiscal.

BUSINESS OVERVIEW

During the year, your Company continued to record a strong growth in its operational performance inspite of its API plant in Alathur being closed for more than a month owing to the closure order from the Tamil Nadu Pollution Control Board (TNPCB), fire accident at the R&D centre and liquidity constraints on account of redemption of outstanding Foreign Currency Convertible Bonds. The business model change that your Company had initiated post the injectable business transfer to Hospira in 2010 continues to augur well with the several long-term supply contracts entered into with large global players paving the way for continued robust earnings. Our Active Pharmaceutical Ingredient (API) supply arrangement continued to perform significantly well, registering higher than expected business volumes.

Your Company is planning to launch several products during the current financial year 2012-13 for the EU and US markets, which are expected to strengthen the revenue streams for regulated generics business of the Company from the current financial year 2012-13.

REGULATORY FILINGS AND APPROVALS

In the generic formulations domain, Orchid's cumulative Abbreviated New Drug Application (ANDA) filings for the US market stood at 43. This includes 8 Para IV FTF (First–To–File) filings. The break-up of the total ANDA filings is 13 in Cephalosporins segment and 30 in NPNC space. Few more ANDAs which are in the later stages of development are expected to be filed in ensuing quarters.

In the EU region, the cumulative count of Marketing Authorisation (MA) filings stood at 28. The break-up of the total MA filings is 13 in the Cephalosporin segment and 15 in the NPNC segment.

In the Active Pharmaceutical Ingredients (API) domain, Orchid increased the cumulative filings of its US Drug Master Files (DMF) count to 89. The break-up of the total filings is 28 in

"Your Company is planning to launch several products during the current financial year 2012-13 for the EU and US markets, which are expected to strengthen the revenue stream for regulated generics business of the Company from the current financial year 2012-13"

the Cephalosporin Segment, 47 in NPNC segment, 2 in the Betalactam segment and 12 in the Carbapenems segment. In the European market space the cumulative filings of CoS (Certificate of Suitability) count remained at 21 which includes 14 in cephalosporin segment, 6 in NPNC segment and 1 in the betalactam segment. With staunch efforts on product development, the count of filing and approval is set to increase in the current financial year.

DIVIDEND

Your Directors recommend a 30% dividend (Rs 3/- per equity share of Rs 10/- each) for the year ended March 31, 2012, subject to the approval of shareholders at the ensuing Annual General Meeting. Under the Income Tax Act, 1961, the receipt of dividend is tax-free in the hands of the shareholders.

AWARDS

During the year, your Company was conferred with the following awards:

- Export Excellence Award 2010-11 by MEPZ – Special Economic Zone, Government of India.
- EXIM Achievement Award 2011 for meritorious export performance under the category Air Exports by The Tamil Chamber of Commerce, Chennai.
- Gold Patent Award for the year 2010-11 in recognition of its commendable contribution to R&D in Drug Discovery Sector by the Pharmaceutical Export Promotion Council.
- IGCW – 2011 Green Innovation Award for the outstanding research in the field of Green Chemistry & Engineering.

INTELLECTUAL PROPERTY RIGHTS (IPR)

During the year, Orchid continued to accelerate the Intellectual Property Rights work on a number of products. The total number of patent applications filed by Orchid in various national and international patent offices so far is 904 (including Process, Formulation, NCE, NDDS, Biotech and Generics). As of March 31, 2012, 722 patent applications have been published while 170 patents have been granted cumulatively.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

Your Company had issued Foreign Currency Convertible Bonds amounting to US$ 175 million in February 2007, which was listed on the Singapore Stock Exchange. During the years 2008-09 and 2009-10, the Company bought back FCCBs amounting to US$ 37.80 million and US$ 19.778 million respectively. The outstanding bonds due for redemption in February 2012 was US$ 117.422 million.

Accordingly, your Company redeemed the aforesaid outstanding FCCBs, including yield-to-maturity, aggregating to US$ 167.64 million (Rs 824.08 crore), on the due date i.e. February 28, 2012.

EMPLOYEES STOCK OPTION PLAN (ESOP)

The details of options granted to employees under the ORCHID - ESOP 2010, ORCHID - ESOP Directors 2011, ORCHID - ESOP Senior Management 2011 schemes and the status of such options as on March 31, 2012 are given in Annexure IV to this Report.

Your Company formulated a stock option plan viz., ORCHID - ESOP 2010 Scheme for grant of 1,000,000 options to the employees of the Company including Whole Time Director(s) of the Company but excluding the Promoter Director(s). The said scheme was approved by the shareholders at the Annual General Meeting held on July 21, 2010. Your Company granted 901,000 options during the year 2010-11 and as on March 31, 2012, the total number of options in force under the said scheme are 854,000.

Your Company has also formulated the following schemes which were approved by the shareholders at the Annual General Meeting held on July 29, 2011.

- ORCHID - ESOP Directors 2011 Scheme – grant of 500,000 options to the Directors of the Company including Whole Time Director(s) but excluding Promoter Director(s). Your Company granted 300,000 options during the year and as at March 31, 2012, the total number of options in force under the said scheme are 250,000.
- ORCHID - ESOP Senior Management 2011 Scheme - grant of 1,000,000 options to the employees in the grade of Senior Manager and above out of which 750,000 options will be granted to the employees of Orchid and 250,000 options to the employees of various subsidiary companies of Orchid, either in India or abroad. Your Company granted 42,700 options during the year and as at March 31, 2012, the total number of options in force under the said scheme are 42,700.

AMALGAMATION OF WHOLLY OWNED SUBSIDIARY WITH THE COMPANY

During the year, Orchid Research Laboratories Limited (ORLL) a wholly-owned subsidiary was merged with your Company with effect from April 01, 2010 i.e. 'the Appointed Date'. The Hon'ble High Court of Madras had vide its Order dated March 20, 2012, sanctioned the Scheme of Amalgamation of ORLL with your Company. The scheme became effective from March 30, 2012 upon filing the certified true copy of High court orders with the Registrar of Companies, Chennai, Tamil Nadu.

OVERSEAS JOINT VENTURES

NCPC Orchid Pharmaceutical Company Limited, China

Your Company's 50:50 joint venture in China, NCPC Orchid Pharmaceuticals established for manufacture of sterile cephalosporin Active Pharmaceutical Ingredients (API) continued to perform well. The joint venture is profitable with a significant sales turnover of US$ 52.11 million during the year under review.

SUBSIDIARIES

Bexel Pharmaceuticals Inc., USA (Bexel)

During the year, Bexel became a 100% subsidiary of your Company upon amalgamation of Orchid Research Laboratories Limited with your Company. Bexel was incorporated basically to conduct Research & Development activities in New Drug Discovery segment. Bexel provides all scientific documentation to Orchid Research Laboratories Limited, which as of March 30, 2012, stands amalgamated with your Company. The current Bexel IP portfolio is being maintained by Orchid global Intellectual Property (IP) unit. During the year, Bexel has conducted advanced studies on BLX-1002, while Phase IIa clinical studies has been initiated for the indication of Non-alcoholic fatty liver disease (NAFLD) / Non-alcoholic Steatohepatitis (NASH).

Orchid Pharmaceuticals Inc., USA

Orchid Pharmaceuticals Inc., is a wholly owned Delaware based subsidiary of your Company and also the holding Company in the US, under which all the operational business subsidiaries have been structured. The Company currently has two operating Subsidiaries, namely Orgenus Pharma, Inc., and Orchid Pharma, Inc., in the US.

Orgenus Pharma Inc., is the entity that provides all business development and operational services for the parent Company including the initiation of marketing alliances with partner companies, filing of your Company's Drug Master Files (DMFs) and Abbreviated New Drug Applications (ANDAs) as the Importer of record for your Company with the FDA. It continues to represent your Company for all matters relating to the review and approval of such filings by the FDA and handling of logistics and product importation into the US as the Importer of Record for the US Customs.

Orchid Pharma, Inc., is the commercial entity that started directly marketing and selling your Company's products in the US generics market place. Orchid Pharma Inc. has established a strong corporate image for your Company in the US and will be launching all future (unpartnered) generics products under the Orchid label.

Diakron Pharmaceuticals Inc., USA

During the year, your Company increased its stake in Diakron Pharmaceuticals Inc., and holds 76.4% in the Company. Orchid's stake in Diakron has been a part of the original transaction which includes direct investment and Master Services Agreement (MSA). Your Company has completed most of its MSA obligations to develop and supply clinical quantities of Active Pharmaceutical Ingredients (API) and extended release formulations.

Orchid Europe Limited, United Kingdom

Your Company's subsidiary in Europe namely Orchid Europe Limited (OEL) is a wholly owned subsidiary which provides liaising support to the parent Company and its customers in Regulatory, Pharmacovigilance, Testing & Release, Retention of samples, Service Providers and Business Development in Europe.

Orchid Pharmaceuticals (South Africa) Pty Ltd., South Africa

Your Company's wholly owned subsidiary, Orchid Pharmaceuticals (South Africa) Pty Ltd., was incorporated mainly to register and market your Company's products in South Africa. The Company is in the process of submitting dossiers for obtaining marketing approval from the regulatory authority, MCC for various oral products and the applications are at various stages of the registration process.

Orchid Pharma Japan K K

The subsidiary Company in Japan has continued to make noteworthy progress during the year. At the end of the fiscal year 2011-12, there are 9 Drug Master Files (DMFs) filed with Pharmaceutical and Medical Devices Agency (PMDA) of Japan and additional Drug Master Files (DMFs) will be filed in the current financial year to meet the market needs.

During the year under review, the Company successfully started supplies to few Japanese Pharma Companies and business discussions are on with various companies for supply of new products and the Company is expected to make good progress on both business and regulatory fronts during the current year.

GENERAL EXEMPTION FROM CENTRAL GOVERNMENT

The Ministry of Corporate Affairs, Government of India vide its circular dated February 8, 2011 has provided general exemption to companies from attaching the balance sheets of their subsidiary companies as required under Section 212(8) of the Companies Act 1956.

The exemption is available provided the companies publish the audited consolidated financial statements in the Annual Report. The consolidated financial statements duly audited are presented along with the accounts of your Company. The statement as required under Section 212 is given as part of the consolidated accounts in this report. The annual accounts of subsidiary companies are kept at the Company's registered office and also at the respective registered office of the subsidiaries for inspection and shall be made available to the members seeking such information.

FIXED DEPOSIT

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet date.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- o That in the preparation of the annual accounts for 2011-12 the applicable accounting standards were followed along with proper explanation relating to material departures, if any.
- o That the Directors selected such accounting policies and applied them consistently and made judgments and estimates that were 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 (March 31, 2012) and of the profit or loss of the Company for that period (2011-12).
- o That the Directors took 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.
- o That the Directors prepared the annual accounts for 2011-12 on a going concern basis.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company's constant focus has been on community development as part of its corporate social responsibility initiative. As a part of CSR your Company has created a Trust - 'Orchid Trust', which has adopted 24 villages and 6 panchayats and works continuously in implementing several welfare schemes in key-identified thrust areas like community health development, children education, women empowerment, youth development, community asset creation and a greener environment, self employment and capacity building.

ENVIRONMENT

Environment Management has been a prime focus area of your Company. Your Company has employed a state of the art technology, zero discharge liquid trade effluent treatment plant and world class treatment facilities for its liquid and gaseous pollutants generated from the production processes. The effluent treatment plant comprising Membrane Bio Reactor, Nano Filtration, Reverse Osmosis, Solvent Stripping Column, Thermal Evaporation & Crystallisation plant treats the entire trade effluent and recycles it back into the utility process.

Your Company was the first bulk drug manufacturing company in the country to get ISO – 14001 certification in the year 1999 by Dutch Council and has retained the certification continuously for its Environment Management System. Your Company's Active Pharmaceutical Ingredient (API) manufacturing facility at Alathur was re-assessed and was certified with ISO 9001: 2008 (Quality Management System) and ISO 14001: 2004 (Environmental Management System).

SAFETY EXCELLENCE JOURNEY

Safety is a part of the corporate culture in your Company. This includes infrastructural, employee, environmental and community safety. Starting with the employee induction programme, training programmes on various aspects of operational safety are periodically conducted. In association with a global expert on safety procedures, a number of initiatives have been designed to ensure that all manufacturing processes and systems are executed in the safest manner. These include:

- Use of high-end technologies to recycle discharge and make it toxic free through a series of processes thereby leading to zero discharge manufacturing
- Three-tier safety committees to monitor safety initiatives, standard operating procedures (SOPs), processes and working standards for R&D and manufacturing units
- Round-the-clock medical care and safety training for all employees
- Use of sophisticated equipment in mobile vans to monitor air quality inside and outside plants

  In 2011, Orchid's Active Pharmaceutical Ingredient (API) manufacturing facility at Alathur was awarded with OHSAS 18000: 2007 (Occupational Health and Safety Management System) certification.

The year 2011–2012 saw an all-round improvement in various elements of Safety in the Company. By focusing on repeat incidents and carrying out necessary corrective and preventive actions, your Company was able to achieve considerable reduction in incidents. The Central Safety Committee continued to monitor safety, health and environment performance and provide necessary direction for improvement through regular monthly reviews.

CONSERVATION OF ENERGY

Your Company has always been striving hard in the field of energy conservation. Several measures to conserve energy and to reduce associated costs were taken during the fiscal under review as well. The particulars in respect to conservation of energy as required under Section 217 (1) (e) of the Companies Act, 1956, are given in Annexure I to this report.

TECHNOLOGY ABSORPTION

The particulars in respect of R&D/Technology absorption as required under Section 217 (1)(e) of the Companies Act, 1956, are given in Annexure II to this report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars in respect of Foreign Exchange Earnings and Outgo as required under Section 217 (1)(e) of the Companies Act, 1956, are given in Annexure III to this report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining a copy of the particulars may write to the Company Secretary at the Registered Office of the Company.

CORPORATE GOVERNANCE

The spirit of good Corporate Governance remains integral to the Company's corporate philosophy. The Company follows the code of Corporate Governance issued by the stock exchanges for listed companies. For 2011-12 all information relating to Corporate Governance is given in Annexure V to this Report. A compliance certificate from the Statutory Auditors is appended to this report.

GREEN INITIATIVE

To augment the green initiative of the Ministry of Corporate Affairs and to reduce carbon foot print, your Company sends various communication including the Annual Reports in electronic form, to the members who have opted for the same. This helps in reducing the number of physical copies to be printed, thereby contributing to a greener environment. The full text of the current year's (2011-12) annual report will also be available in an easily navigable format on our website, www.orchidpharma.com. As a member of the Company, you will always be entitled to receive all such communication in physical form, upon request.

DIRECTORS

Resignation of Directors

Shri R Sankaran, who has been a Director of Orchid, resigned from the Board with effect from January 9, 2012. The Board places on record its appreciation for the contribution made by Shri R. Sankaran during his tenure as Director.

Retirement of Directors by rotation

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri Deepak Vaidya retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Reappointment of Chairman & Managing Director

The tenure of Shri K Raghavendra Rao as Chairman & Managing Director of the Company expires on June 30, 2012. The Board of Directors at their meeting held on May 14, 2012 reappointed Shri K Raghavendra Rao as the Chairman & Managing Director of the Company for another period of 5 (five) years with effect from July 01, 2012 subject to the approval of members in the ensuing Annual General Meeting. The notice convening the Annual General Meeting includes the proposal for reappointment of Shri K Raghavendra Rao.

None of the Directors of the Company are disqualified under Section 274(1)(g) of the Companies Act, 1956.

AUDITORS

The existing Statutory Auditors, M/s SNB Associates, Chartered Accountants retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. M/s. SNB Associates, Chartered Accountants have furnished certificate under Section 224(1B) of the Companies Act, 1956 of their eligibility for the appointment.

AUDITORS' REPORT

In reference to the point no. 5 of the Auditors' Report on the standalone accounts, the Company will be making an application to the Central Government seeking approval for the remuneration paid.

COST AUDIT

The Central Government has prescribed that an audit of the cost accounts maintained by the Company in respect of bulk drugs and formulations be conducted under Section 233B of the Companies Act, 1956. Consequently, your Company has appointed Shri V Kalyanaraman, B.Sc., FICWA, as Cost Auditor for 2012-13 and 2013-14, with the consent of the Central Government, for the audit of cost accounts maintained by the Company in respect of both bulk drugs and formulations.

For the year ended March 31, 2011, the due date of filing the cost audit report was September 30, 2011 and the actual date of filing the cost audit report was August 20, 2011.

ACKNOWLEDGEMENTS

Your Directors are thankful to various public sector and private sector banks and institutions for meeting the long term and working capital needs of the Company's expanding operations and also the holders of Foreign Currency Convertible Bonds (FCCBs) and Global Depositary Receipts (GDRs) for their support.

The Directors are grateful to the Central and State Governments and the Central DCGI and State FDAs for their continued support to the Company's expansion plans. Your Board places on record its appreciation of the support provided by the customers, suppliers and equipment vendors to the Company. Your Directors are also thankful to the vendors, distributors and agents for their continued support.

Your Directors are thankful to the esteemed shareholders for their support and encouragement. The Directors acknowledge the commitment and contribution of all employees to the growth of the Company.

For and on behalf of the Board

Place: Chennai
Date: May 14, 2012

K Raghavendra Rao
Chairman & Managing Director

Annexure to the Directors' Report

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012.

ANNEXURE I – CONSERVATION OF ENERGY

a) Energy conservation measures taken

The following energy conservation measures were taken by your Company during the year under review at its manufacturing facilities

- o Optimisation of solvents, process steps involved and water usage in Active Pharmaceutical Ingredient (API) process, resulting in reduction of mother liquor generation and energy saving.
- o Temperature feedback control given to radiator fans resulted in energy saving.
- o Gravity line provided for few process in RO and ETP and thus eliminating the usage of motor, resulting in energy saving.
- o Conversion of all vessel lamps from incandescent lamp to 3W LED lamp.
- o Control switch of fans relocated resulting in reduction of running hours of fan leading to energy savings.
- o Recycling of condensate liquid resulted in energy savings and less impact on environment.
- o For condensing solvent vapours, CT water was used instead of +10^{0}C.
- o Mercury Lamps were replaced with CFL Lamps in the plant, in order to save power.
- o Set point of air conditioner increased from 23^{0}C to 26^{0}C thereby saving power.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Some of the proposals that are considered / being implemented for saving energy are:

- o Operation of Hydraulic power packs was optimised resulting in saving potential.
- o Sparkler filter for utility.
- o Reduction in consumption of purified water in WFI generation.
- o Provision of +10 circulation line for UPS room instead of -10 so as to reduce power consumption.
- o Sparger arrangement in reactors resulting in less consumption of water.
- o Intake air duct for atlas copco compressor.
- o Implementation of feasible energy conservation suggestions selected from employee suggestion scheme with saving potential.
- o Hydro jet cleaning for process equipments being used, in order to reduce water consumption.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- o Due to the various energy conservation activities implemented, mentioned in (a) above, there was a reduction in power consumption by around 3762 units per day and 5.10 tons of steam per day, leading to a saving of around Rs 158 lakhs annually.
- o Further, the energy conservation measures proposed to be taken up by the Company as mentioned in (b) above are expected to bring in savings of around Rs 170 lakhs annually.

d) Total Energy Consumption and energy consumption per unit of production:

(i) Active Pharmaceutical Ingredient (API)

	Year ended March 31, 2012	Year ended March 31, 2011
A Power and fuel consumption		
1 Electricity		
a) Purchased		
Units	91,992,236	90,885,162
Total Amount (Rs lakhs)	4,733.19	4,358.81
Rate per Unit (Rs)	5.15	4.80
b) Own generation		
i) Through Diesel Generator		
Units	3,486,523	25,34,932
Units per litre of diesel oil	3.40	3.31
Cost per unit (Rs)	11.56	10.61
ii) Through Furnace Oil Generator		
Units	5,750,435	85,32,400
Units per litre of fuel oil	4.01	4.15
Cost per unit (Rs)	8.05	6.03
2 Coal		
Quantity (tonnes)	21,549.36	21,600.35
Total Cost (Rs lakhs)	1,196.48	974.92
Average Rate per tonne (Rs)	5,552.26	4,513.43
3 Furnace Oil		
Quantity (K litres)	6,201.63	6,154.69
Total Cost (Rs lakhs)	2,189.99	1,575.33
Average rate (Rs per KL)	35,313.12	25,595.51
4 Others / Internal Generation		
a) Windmills *		
Quantity (in units)	310,803	11,23,265
Cost per unit (Rs)	2.75	2.75
b) Gas based *		
Quantity (in units)	46,974,479	46,362,258
Cost per unit (Rs)	4.40	4.37
B Consumption Per Unit Of Production		
Products with details:		
a) Bulk Drugs - Oral & Sterile (in MT)	904.30	1,025
Electricity (Rs lakhs per MT)	5.03	5.02
Furnace Oil (Rs lakhs per MT)	0.51	1.54
Coal (Rs lakhs per MT)	1.32	0.95
Others	Nil	Nil

* Units generated are wheeled to our manufacturing facilities

(ii) Formulations

It is not practical to classify energy consumption data on the basis of product, since the Company manufactures finished dosages in various forms and pack sizes with different energy requirements

ANNEXURE II - TECHNOLOGY ABSORPTION

I. Research and Development (R&D)

1. Specific areas in which research and development activities have been carried out by the Company during the year

- Process development of certain molecules in the non-penicillin non-cephalosporin segment (NPNC) has been carried out by your Company's R&D. These molecules belongs to different therapeutic categories like antihypertensive, anti-cancer, anti-ulcerative, cholesterol lowering agents, anti-asthmatic, treatment of narcolepsy, anti-migraine, treatment of urinary incontinence, anti-psychotic, treatment of insomnia, anticoagulant, cardiac arrhythmias, multiple sclerosis, over bladder etc., Most of the projects except a few were successfully scaled up and technology has been transferred to the Company's GMP compliant manufacturing facility at Aurangabad. Cost reductions for already approved projects in Active Pharmaceutical Ingredient (API) pipeline have been taken up to make the projects not only cost effective but also environmental friendly.

2. Benefits derived as a result of the above R&D activities

- Development and scale up of new Active Pharmaceutical Ingredient (API) molecules will not only cater to the requirements of formulation research but also help in strengthening our overall product pipeline.
- Created intellectual property for the Company by developing non-infringing and innovative processes. 14 patents have been filed for the innovations carried out during the development.
- Several technically complex scale-up challenges like hygroscopic and sensitive polymorph were handled for smooth scale-up.

3. Future plan of action

The focus of your Company's research and development will continue to be on quality, reduction of process time and cost of manufacturing. Your Company through its wholly owned research subsidiary has been keenly working on proprietary, novel drug discovery research in the following therapeutic areas namely, anti-infectives, anti-inflammatory, anti-cancer, metabolic disorders and Central Nervous System (CNS). In addition, the focus will also be on new chemical entities (NCEs) in various therapeutic areas.

4. Expenditure on R&D

The R&D outlay was as follows

(Rs lakhs)

	Year ended March 31, 2012	Year ended March 31, 2011
a) Capital	1,449.10	642.78
b) Recurring	6,471.18	3,326.62
c) Total	7,920.28	3,969.40
d) Total R&D expenditure as a percentage of the total turnover	4.42%	2.36%

II Technology absorption, adaptation and innovation

I. Research and Development

1. Efforts in brief, made towards technology absorption, adaptation and innovation

- Development of new Active Pharmaceutical Ingredient (API) processes for a few Cephalosporin and Penem products have been carried out in the laboratory.
- To ensure that our products remain competitive in various markets, the development of cost reduction exercise has been carried out for key carbapenems like Meropenem, Imipenem, Cilastatin and Tazobactam.

- o The drug discovery division has been working on a robust pipeline of 4 drug development projects to address unmet medical needs. During the year, a first proprietary molecule in PDE IV inhibitor class completed Phase I clinical studies in healthy subjects in the Netherlands targeted for treatment of Chronic Obstructive Pulmonary Disease (COPD). Work on another molecule BLX 1002 reached a Phase IIa clinical trial in Malaysia for the treatment of non-alcoholic fatty liver disease.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc

- o Development of new Active Pharmaceutical Ingredient (API) molecules will not only cater to the requirements of formulation research but will also help in strengthening the Company's overall product pipeline.
- o The initiatives towards cost reduction of existing Active Pharmaceutical Ingredient (API) molecules will not only make the product cost effective but also the processes eco-friendly thus improving the overall efficiency.
- o The drug discovery division has designed and synthesised more than 800 New Chemical Entities (NCEs) in various therapeutic areas and significant molecules are under various biological profiling to strengthen the existing pipeline. A significant number of patents amounting to 35 have been filed in various therapeutic areas to provide protection of intellectual property generated by the division towards eventual monetisation of promising compounds in future.
- o Your Company in alignment with environmental friendly practices, successfully promoted carbon foot print campaign supported by green chemistry practices for laboratory processes. In addition, significant energy and water conservation approaches were adopted to achieve efficient use of resources and reduce waste. Chemical use and solvent consumption was monitored routinely and conservation approach instituted to reduce cost to the Company and to the environment.

3. Imported technology (imported during the last 5 years reckoned from the beginning of the financial year):

a) Technology	No new technology has been imported by Orchid during the year
b) Year of import	Not applicable
c) Has this technology been fully absorbed	Not applicable
d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	Not applicable

ANNEXURE III - FOREIGN EXCHANGE EARNINGS & OUTGO

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans

The Company is focusing to increase the sale and distribution of its cephalosporin and the non-penicillin non cephalosporin Active Pharmaceutical Ingredients (API) and generics in regulated markets including United States, Canada, Europe, Japan and Australia, as applicable.

b) Total foreign exchange earnings and outgo

(Rs lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
1.	**Earnings in foreign exchange during the year**		
	F.O.B value of exports	84,665.93	72,585.33
	Export of services (net of TDS)	4,617.97	6,092.06
2.	**C.I.F. value of imports (on cash basis)**		

(Rs lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
	Raw materials	45,945.16	47,157.56
	Capital goods	23,049.70	7,841.27
	Spare parts, components and consumables	1,894.84	2,732.76
3.	**Expenditure in foreign currency during the year (on cash basis)**		
	Travelling expenses	179.76	202.20
	Interest and bank charges	5,040.30	1,688.64
	Professional / Consultancy fees	2,160.28	3,425.17
	Royalty / technical knowhow	-	-
	Others	3,920.21	3,211.77
4.	**Dividend remittances in foreign currency during the year**		
	Net dividend	0.45	317.67
5.	**Total foreign exchange used (2+3+4)**	82,190.70	66,577.04

ANNEXURE IV - DETAILS OF STOCK OPTIONS - PURSUANT TO SEBI GUIDELINES ON STOCK OPTIONS: - ORCHID EMPLOYEE STOCK OPTION SCHEMES

S. No.	Description	ORCHID ESOP 2010 Scheme	ORCHID ESOP -Directors 2011 Scheme	ORCHID ESOP -Senior Management 2011 Scheme
a.	No. of shares available under ORCHID ESOP	1,000,000	500,000	1,000,000
b.	Options granted during the year (Net of Lapses)	Nil	250,000	42,700
c.	Pricing formula	The closing prices for the Company's Equity Shares quoted on the Bombay Stock Exchange and / or National Stock Exchange preceding the date of grant of the options.		Rs 10/-
d.	Options vested during FY 2011-12	854,000	Nil	Nil
e.	Options Exercised during FY 2011-12	Nil	Nil	Nil
f.	Total No. of shares arising as a result of Exercise of Option	Nil	Nil	Nil
g.	Options lapsed during FY 2011-12	47,000	50,000	Nil
h.	Variation of terms of Options	Due to fall in the share prices, the Compensation Committee revised the price of the options from Rs 329.55 to Rs 166.15 as per the closing price of Orchid at NSE on October 31, 2011.	Nil	Nil
i.	Money realized by exercise of options	Nil	Nil	Nil
j.	Total No. of options in force as on March 31, 2012	854,000	250,000	42,700
k.	Grant details to			

S. No.	Description		ORCHID ESOP 2010 Scheme	ORCHID ESOP -Directors 2011 Scheme	ORCHID ESOP -Senior Management 2011 Scheme
	(i)	Members of Senior Managerial personnel/Directors during the year	Nil	1. S Krishnan 2. Deepak Vaidya 3. R Sankaran 4. Bharat D Shah 5. Bala V Balachandran	1. Dr B Gopalan 2. A Suresh Babu
	(ii)	Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year.	Nil	Nil	Nil
	(iii)	Identified employees who were granted option during the year equal to or exceeding 1 % of Issued capital of the company at the time of grant.	Nil	Nil	Nil
l.	Diluted EPS as per Accounting Standard 20		Rs 14.46		
m.	i)	Method of calculation of employee compensation cost	The company has calculated the employee compensation cost using the intrinsic value of the stock options.		
	ii)	Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options	Rs 58.03 lakhs		
	iii)	The impact of this difference on profits and on EPS of the company on the current year profits (Amortized Amount)	Profit (Loss) after Tax : Rs 10,311.16 lakhs Less: Additional Employee compensation cost of Fair Value over Intrinsic Value : Rs 58.03 lakhs Adjusted PAT (loss) : Rs 10,253.13 lakhs Adjusted EPS : : Rs 14.53		

n.	Weighted average exercise price and fair value of Stock Options granted:			
	Stock Options granted on	Weighted average Exercise Price (in Rs)	Weighted average Fair Value (in Rs)	Closing market price at NSE on the preceding day of the date of grant (in Rs)
	October 28, 2010 (Employees)	166.15	176.01	166.15
	November 01, 2011 (Directors)	166.15	187.70	166.15
	November 01, 2011 (Senior Management)	10.00	157.87	166.15
o.	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information.		The Black-Scholes Option Pricing Model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.	
p.	The main assumptions used in the Black-Scholes Option Pricing Model during the year were as follows:			
	(i) Risk free interest rate		8.00%	
	(ii) Expected Life of Options		2 years	
	(iii) Expected Volatility		0.46%	
	(iv) Dividend yield		2.53%	

Management Discussion & Analysis

Directors' Report

Report on Corporate Governance

ANNEXURE V TO THE DIRECTORS' REPORT

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

At Orchid, we are committed to practicing good Corporate Governance norms. Orchid firmly believes in adhering to Corporate Governance code to ensure protection of its investor's interest as well as healthy growth of the Company. The Company has been complying with Corporate Governance norms right from its inception. We endeavor to enhance the long term stake holding value of our investors. The Company complies with the Corporate Governance Code as enshrined in Clause 49 of the Listing agreement.

2. BOARD OF DIRECTORS

- **Composition of Board**

  The Chairman of the Board of Directors is an Executive Director. As on March 31, 2012 the Board had a composition of six Directors, comprising of two Executive Directors and four Non-executive & Independent Directors. None of the Directors are related to each other.

  The composition of Board and the details of the Directors with regard to Directorships in other Companies and Committee positions during the year ended March 31, 2012 are as follows:

S.No	Name	Category	Number of Directorships held in other companies @	Number of Board Committee positions in other companies held as *	
				Member	Chairman
1	Shri K Raghavendra Rao	Promoter & Executive Director	1	None	None
2	Shri S Krishnan	Executive Director	1	None	None
3	Shri Deepak Vaidya	Non-Executive – Independent	4	2	3
4	Shri T A Ganesh	Non-Executive – Independent (Nominee of IDBI Bank Ltd)	None	None	None
5	Shri Bharat D Shah	Non-Executive– Independent	5	None	3
6	Prof Bala V Balachandran	Non-Executive– Independent	2	None	None
7	Dr M R Girinath$	Non-Executive– Independent	None	None	None
8	Dr I Seetharam Naidu$	Non-Executive– Independent	None	None	None
9	Shri R Sankaran#	Non-Executive– Independent	4	2	None

@ Excludes foreign companies, private limited companies, Section 25 Companies and alternate Directorships.

* Includes only membership/Chairmanship in Audit and Investor Grievance Committee across all public limited companies

$ Resigned from the Board with effect from July 29, 2011.

Resigned from the Board with effect from January 09, 2012.

o Board Meetings & Attendance Record of the Directors

The Board meets at least once in a quarter to review the quarterly financial results and operations of your Company. It also meets as and when necessary to address specific issues relating to the business of your Company. During the year the Board met 5 times on May 18, 2011, July 29, 2011, November 01, 2011, January 07, 2012 and February 08, 2012. The attendance records of all the Directors are as under:

Name	Number of Board Meetings Attended	Last AGM Attendance
Shri K Raghavendra Rao	5	Present
Shri S Krishnan	5	Present
Dr M R Girinath[1]	2	Not Present
Dr I Seetharam Naidu[1]	2	Not Present
Shri Deepak Vaidya	4	Present
Shri T A Ganesh	5	Present
Shri R Sankaran[2]	2	Present
Shri Bharat D Shah	4	Not Present
Prof Bala V Balachandran[3]	2	Present

1. Resigned from the Board with effect from July 29, 2011.
2. Resigned from the Board with effect from January 09, 2012.
3. Appointed as Additional Director with effect from May 18, 2011.

- **Code of Conduct**

  The Board of Directors has laid down a Code of Conduct ("the Code") for all Board members and senior management personnel of your Company. The Code is posted on your Company's website www.orchidpharma.com. All Board members and senior management personnel have confirmed compliance with the Code. A declaration signed by the Chairman & Managing Director is attached and forms part of this Report.

3. AUDIT COMMITTEE

In accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee with Non-Executive Independent Directors. All the members of the committee are financially literate and the Chairman of the Committee being a Chartered Accountant is an expert in Accounting and Financial Management matters. The terms of reference of the Audit Committee include:

a. Review of :

o Financial statements before submission to the Board.

o Draft financial statements and Auditors' Report (before submission to the Board).

o Accounting policies and practices.

o Risk management policies and practices.

o Compliance with stock exchange and legal requirements concerning financial statements.

o Related party transactions.

o Internal control systems and internal audit reports and their compliance thereof

o Compliance with accounting standards, and

b. Recommending the appointment of Auditors and fixing their fee.

The Audit Committee met four times during the year on May 18, 2011, July 29, 2011, November 01, 2011 and on February 08, 2012.

The composition of the Committee and the attendance of each member of the Committee in the meetings are given below:

Name	Category	Number of Meetings Attended
Shri Deepak Vaidya	Non-Executive – Independent	4
Dr M R Girinath[1]	Non-Executive – Independent	2
Dr I Seetharam Naidu[1]	Non-Executive – Independent	2
Shri T A Ganesh	Non-Executive – Independent	4
Shri Bharat D Shah[2]	Non-Executive – Independent	2
Prof Bala V Balachandran[2]	Non-Executive – Independent	2

1. Resigned w.e.f. July 29, 2011.
2. Appointed w.e.f. May 18, 2011.

The Chairman of the Audit Committee, Shri Deepak Vaidya was present at the Annual General Meeting of the Company held on July 29, 2011.

The Company Secretary is the Secretary of the Audit Committee.

4. REMUNERATION COMMITTEE

The Company has a Remuneration Committee which determines and recommends the remuneration payable to the Executive Directors/Whole Time Directors on the basis of their performance as well as Company's performance, subject to consents as may be required. The remuneration to the Executive Directors consists of a fixed salary and other perquisites. Wherever applicable the perquisites are considered as a part of remuneration and taxed as per the Income Tax laws.

The Non-Executive Directors are not paid any remuneration except sitting fees for attending the Board Meetings/Committee Meetings. The Remuneration Committee deals with all elements of remuneration package, stock options, service contracts, etc. of all Executive Directors/Whole Time Directors.

During the year the committee met once on May 18, 2011 and all the members of the committee attended the meeting.

The composition of the Committee and the attendance of each member of the Committee to the meeting are given below:

Name	Category	Number of Meetings Attended
Dr M R Girinath[1]	Non-Executive – Independent	1
Dr I Seetharam Naidu[1]	Non-Executive – Independent	1
Shri Deepak Vaidya	Non-Executive - Independent	1
Shri T A Ganesh	Non-Executive – Independent	1
Shri Bharat D Shah[2]	Non-Executive – Independent	*
Shri R Sankaran[3]	Non-Executive – Independent	*

1. Resigned w.e.f. July 29, 2011.
2. Appointed w.e.f. May 18, 2011
3. Appointed w.e.f. May 18, 2011 and resigned w.e.f January 09, 2012

* Were not in the Committee at the time of the meeting held on May 18, 2011.

Details of remuneration paid to Directors for the year 2011-12 are given below:

Name	Remuneration paid during the year 2011-12 (Rs In lakhs)				No. of Stock Options
	Salary	Commission/ bonus	Sitting fees	Total	
Shri K Raghavendra Rao	527.60	0.10	-	527.70	-
Shri S Krishnan	130.00	0.10	-	130.10	4,00,000
Dr M R Girinath[1]	-	-	1.00	1.00	-
Dr I Seetharam Naidu[1]	-	-	1.00	1.00	-
Shri Deepak Vaidya	-	-	2.00	2.00	50,000
Shri T A Ganesh	-	-	2.40	2.40*	-
Shri R Sankaran[2]	-	-	1.00	1.00	50,000
Shri Bharat D Shah	-	-	1.20	1.20	50,000
Prof Bala V Balachandran	-	-	0.80	0.80	50,000

* Sitting fees of Rs 2.40 lakhs paid directly to IDBI Limited

1. Resigned w.e.f. July 29, 2011.
2. Resigned w.e.f. January 09, 2012.

The shares held by Directors as on March 31, 2012 are given below:

Name	Number of Shares
Shri K Raghavendra Rao	6,925,173
Shri S Krishnan	9,200
Shri Deepak Vaidya	Nil
Shri T A Ganesh	Nil
Shri Bharat D Shah	Nil
Prof Bala V Balachandran	Nil

5. COMPENSATION COMMITTEE

Pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, a Compensation Committee was constituted in the year 1999 to consider the following matters:

1. Quantum of options to be granted to each employee and in aggregate.
2. The conditions under which options vested in employees may lapse in case of termination of employment due to misconduct.
3. The exercise period within which the employee should exercise the option.
4. The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
5. The right of an employee to exercise all the options vested in him at once or at various points of time within the exercise period.
6. The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issue, bonus issues and other corporate actions.
7. The grant, vest and exercise of option in case of employees who are on long leave.
8. The procedure for cashless exercise of options, if any.

The Compensation Committee has met two times during the year i.e. on May 18, 2011 and November 01, 2011. The composition of the Committee and the attendance of each member of the Committee to the meetings are as given below:

Name	Category	Number of Meetings Attended
Shri K Raghavendra Rao	Promoter & Executive Director	2
Shri S Krishnan	Executive Director	1
Shri T A Ganesh	Non-Executive – Independent	2
Shri Deepak Vaidya[1]	Non-Executive – Independent	1

1. Appointed w.e.f. November 01, 2011

6. ALLOTMENT COMMITTEE

The Allotment committee of the Board was constituted in the year 2001. The purpose of this committee is to consider allotment of equity shares whenever the need arises. Consequent to the resignation of Dr M R Girinath and Dr I Seetharam Naidu from the Board with effect from July 29, 2011, the Board appointed Shri S Krishnan and Shri R Sankaran as members of the Committee. At present, the Committee comprises of Shri K Raghavendra Rao and Shri S Krishnan as Shri R Sankaran has resigned from the Board with effect from January 09, 2012. The committee has not met during the year under review.

7. SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

The Company has a Share Transfer and Investors Grievance Committee of Directors to look into the redressal of complaints of investors such as share transfers or credit of shares, non-receipt of dividend/notices/annual reports, etc. During the year 2011-12, the committee met 13 times to consider the transfers in the physical segment.

Name	Category	Number of meetings Attended
Shri K Raghavendra Rao	Promoter & Executive Director	13
Shri S Krishnan	Executive Director	13
Shri R Sankaran[1]	Non-Executive – Independent	3
Shri Bharat D Shah[2]	Non-Executive – Independent	-

1. Resigned w.e.f. January 09, 2012.
2. Appointed w.e.f. February 08, 2012

The Board has designated Smt. Bhoomijha Murali, Company Secretary as the Compliance Officer.

The following table shows the nature of complaints received from shareholders during 2010-2011 and 2011-2012, all of which have been responded within one month.

S.No	Nature of complaints	Received and Resolved	
		2011-2012	2010-2011
1.	Non-receipt of share certificates sent for transfer/bonus shares	10	11
2.	Non-receipt of dividend warrants	35	73
3.	Complaints from SEBI, Stock exchanges and Government departments	5	2
	TOTAL	**50**	**86**

8. DETAILS OF ANNUAL/EXTRAORDINARY GENERAL MEETINGS AND LOCATION AND TIME OF THE GENERAL MEETINGS HELD IN THE PAST THREE (3) YEARS

Year	AGM / EGM	Location	Special resolutions passed	Date	Time
2011	AGM	The Music Academy Old No.306, New No.168 TTK Road, Chennai – 600 014	1. ORCHID - ESOP Senior Management 2011 Scheme 2. ORCHID - ESOP Directors 2011 Scheme 3. Alteration of Articles of Association of the Company	July 29, 2011	10.00 AM
2010	AGM	Sathguru Gnanananda Hall, Narada Gana Sabha, 314,TTK Road,Alwarpet Chennai-600018.	Employees Stock Option Scheme 2010	July 21, 2010	11.00 AM
2009	AGM	Kalaignar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	Nil	September 30, 2009	10.00 AM

All the resolutions including the special resolutions set out in the respective notices were passed by the shareholders unanimously.

None of the resolutions passed at the above meetings were required to be passed through postal ballot.

Postal Ballot

There were two postal ballots conducted during the year 2011-2012 pursuant to Section 192A of the Companies Act, 1956. The Postal Ballot was conducted by Ms S Lalitha, practising Company Secretary who was appointed by the Board of Directors as the Scrutiniser.

I) Postal Ballot Notice dated May 18, 2011 contained the following resolutions:

Item No.1: Special Resolution for raising of Long term funds under Section 81(1A) of the Companies Act, 1956

Item No.2: Ordinary Resolution for Increase of Authorised Capital under Section 94(1)(a) of the Companies Act, 1956

Item No.3: Special Resolution for Amendments to Memorandum and Articles of Association consequent to the increase of Authorised capital under Section 16 and 31 of the Companies Act, 1956

Results of the aforesaid Postal Ballot are here under:

	Particulars	Resolution No. 1 u/s 81(1A) of Companies Act, 1956		Resolution No. 2 u/s 94(1)(a) of Companies Act, 1956		Resolution No.3 u/s 16 and 31 of Companies Act, 1956	
		No of postal ballot forms	No of shares	No of postal ballot forms	No of shares	No of postal ballot forms	No of shares
A	No of valid postal ballot forms and shares	1,110	32,587,007	1,059	32,570,117	1,054	32,569,702
B	Total Postal Ballots / votes in favor of resolutions	1,040	29,467,162	997	30,255,748	996	29,632,127
	Percentage (B/A)	-	90.43%	-	92.89%	-	90.98%
C	Total Postal Ballot / votes against the resolution	70	3,119,845	62	2,314,369	58	2,937,575
	Percentage (C/A)	-	9.57%	-	07.11%	-	9.02%
D	Invalid Postal Ballots / Votes	42	6,374	93	23,264	98	23,679

The resolutions have, therefore, been approved by the shareholders with requisite majority

II) Postal Ballot Notice dated November 01, 2011 contained only one Special Resolution for variation in terms by revising the price of options granted under ORCHID – ESOP 2010 Scheme, in accordance with Securities & Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999:

Results of the aforesaid Postal Ballot are here under:

	Particulars	SPECIAL RESOLUTION	
		No of postal ballot forms	No of shares
A	No of valid postal ballot forms and shares	943	25,237,589
B	Total postal ballots / votes in favor of the resolution	746	21,886,416
	Percentage of (B/A)	-	86.72%
C	Total postal ballot / votes against the resolution	197	3,351,173
	Percentage of (C/A)	-	13.28%
D	Invalid postal ballots / votes	57	15,060

The resolution has therefore been approved by the shareholders with requisite majority

9. DISCLOSURES

- No transaction of material nature conflicting with the Company's interest was entered into by the Company with related parties i.e. Company's subsidiaries, Directors or management or relatives.
- Transactions with the related parties are disclosed in Note no. 34 to the financial statements in the Annual Report.
- There were no instances of non-compliance by the Company on any matter related to capital markets during the preceding three years. Hence, there were no penalties, strictures imposed by SEBI / Stock Exchanges or any other statutory authorities against the Company.
- Presently the Company does not have a whistleblower policy. No employee has been denied access to approach the Audit Committee to report any serious concerns.
- No differential treatment from the Accounting Standards was followed in preparation of the financial statements of the Company.
- The Company complies with all mandatory requirements and has also adopted some of the non-mandatory requirements / Corporate Governance Voluntary Guidelines 2009, as detailed below.

10. MEANS OF COMMUNICATION

- Financial Results are published by the Company in Financial Express, Economic Times and Makkal Kural.
- Results are also displayed in URL www.orchidpharma.com. Official news releases are also updated in the site.
- Presentations made during the year are available on the Company's website www.orchidpharma.com.
- The Company has an intranet portal to communicate with its employees.
- Key developments are communicated to the Stock Exchanges and media as and when they occur.

11. MANAGEMENT DISCUSSION & ANALYSIS (MD&A) REPORT

The MD&A Report has been appended to this Report. All matters pertaining to industry structure, developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control and systems, etc. are discussed in the said report

12. GENERAL SHAREHOLDER INFORMATION:

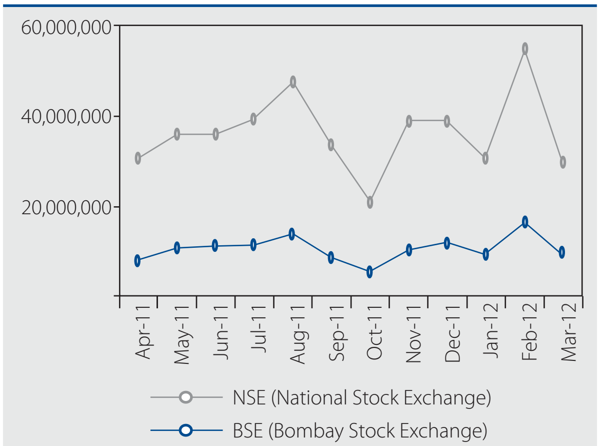
Registered Office	'Orchid Towers', 313, Valluvar Kottam High Road, Nungambakkam, Chennai - 600 034, Tamil Nadu, India.
Date, time and venue of 20th Annual General Meeting (AGM)	Thursday, September 20, 2012, 10.30 AM at Sathguru Gnanananda Hall, Narada Gana Sabha, No.314, TTK Road, Chennai - 600 018.
Dividend Payment Date for fiscal 2012	Fourth week of September 2012 subject to approval of shareholders
Dates of book closure	September 15, 2012 to September 20, 2012 (both days inclusive)
Financial Calendar	
Financial reporting for	
Quarter ending June 30, 2012	Second week of August 2012
Quarter ending September 30, 2012	First week of November 2012
Quarter ending December 31, 2012	First week of February 2013
Year ending March 31, 2013	Last week of May 2013
The equity shares of Rs 10/- each are listed at	**Madras Stock Exchange Limited** No.30, Second Line Beach, Chennai - 600 001, Tamil Nadu, India Tel : 91-44-25228951, Fax : 91-44-25244897 **National Stock Exchange of India Limited** "Exchange Plaza", Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India Tel : 91-22-26598100, Fax : 91-22-26598120 **Bombay Stock Exchange Limited** Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001, Maharashtra, India Tel : 91-22-22721233, Fax : 91-22-22721919
Global Depository Receipts	
Global Depository Receipts (GDRs) are listed at	Luxembourg Stock Exchange Bourse de Luxembourg, BP 165, L-2011 Luxembourg Tel :+352 47 79 36-1: Telefax: +352 47 32 98 London Stock Exchange Registered Office: 10, Paternoster Square, London EC4M 7LS
Listing Fees	Listing Fees have been paid for all the above Stock Exchanges for the year 2011-2012 and 2012-2013.
Stock Exchange Security Code and other related information	
Madras Stock Exchange Limited	OCL
Bombay Stock Exchange Limited	524372
National Stock Exchange of India Limited	ORCHIDCHEM
Depository ISIN No.	INE191A01019
Corporate Identification Number (CIN)	L24222TN1992PLC022994

Stock Market data

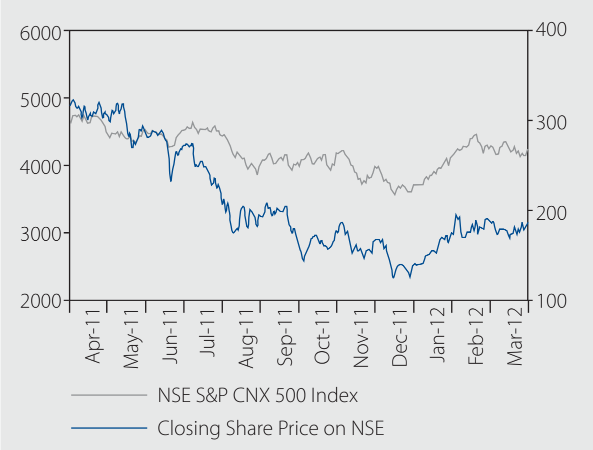
i) Monthly high and low quotations along with the volume of shares traded at NSE and BSE for 2011-2012 are:

Month	NSE High (Rs)	NSE Low (Rs)	NSE Volume of Shares (Nos)	NSE S&P CNX 500 INDEX (Avg)	BSE High (Rs)	BSE Low (Rs)	BSE Volume of Shares (Nos)	BSE 500 INDEX (Avg)
Apr-11	324.70	291.55	30,435,174	4681	324.65	291.40	8,349,851	7534
May-11	321.50	265.65	36,207,710	4424	321.50	265.65	10,955,933	7124
Jun-11	293.95	215.05	35,575,091	4420	293.75	214.50	11,390,802	7113
Jul-11	275.75	201.70	39,040,882	4517	275.00	201.95	11,330,931	7263
Aug-11	214.00	165.00	47,152,646	4109	213.00	165.00	13,585,867	6606
Sep-11	210.40	156.30	33,590,895	4054	210.45	156.60	8,548,640	6513
Oct-11	173.95	143.05	21,066,517	4060	174.00	143.20	5,375,269	6477
Nov-11	189.10	142.55	39,012,194	3962	188.65	142.70	10,177,471	6360
Dec-11	171.00	112.40	38,910,420	3736	171.00	112.25	11,932,706	5999
Jan-12	174.25	124.25	30,653,251	3849	174.20	124.30	9,549,410	6180
Feb-12	197.40	163.20	54,754,799	4274	197.20	165.75	16,444,461	6853
Mar-12	192.15	165.65	29,787,322	4214	192.20	165.50	10,083,294	6756
TOTAL			**436,186,901**				**127,724,635**	

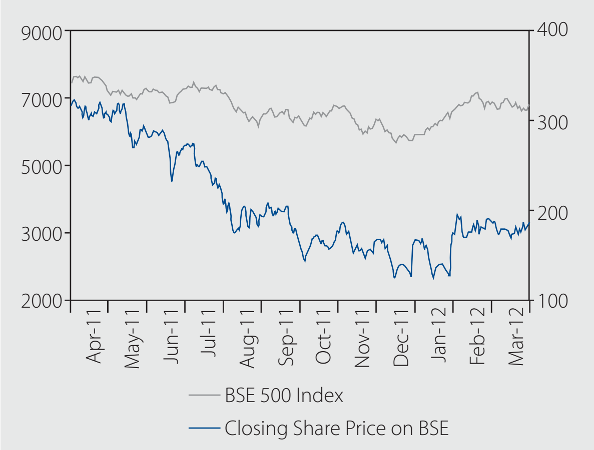
ii) Graphical representation of Volume of Shares traded of Orchid during April 2011 - March 2012:



iii) Comparison - NSE Index vs Share Price of Orchid



iv) Comparison - BSE Index vs Share Price of Orchid



Build Up of Equity Share Capital of the Company since Incorporation

Date	Particulars	Number of Shares Issued	Number of Shares Cumulative
13-Jul-92	Subscribers to Memorandum	70	70
26-Nov-92	Issued to Promoters on Private Placement basis	249,930	250,000
27-Feb-93	Issued on Private Placement basis	1,451,800	1,701,800
04-Nov-93	Issued on Private Placement basis	1,798,200	3,500,000
08-Nov-93	Public Issue	2,500,000	6,000,000
18-Jul-94	Issued on Private Placement basis	1,200,000	7,200,000
01-Nov-94	Issued to Foreign Institutional Investors on Private Placement basis	250,000	7,450,000
03-Nov-94	Issued on Private Placement basis	1,223,000	8,673,000
21-Apr-95	Rights Issue (1:1)	8,673,000	17,346,000
09-Dec-99	Issued to Foreign Companies on Private Placement basis	10,653,192	27,999,192
21-Nov-02	Allotment pursuant to conversion of FCCBs	4,382,727	32,381,919
01-Mar-05	Allotment pursuant to conversion of warrants	1,750,000	34,131,919
27-Apr-05	Allotment pursuant to exercise of ESOS	11,800	34,143,719
02-Aug-05	Allotment pursuant to exercise of ESOS	59,485	34,203,204
02-Aug-05	Allotment pursuant to conversion of warrants	180,000	34,383,204
31-Aug-05	Allotment pursuant to exercise of ESOS	300,676	34,683,880
31-Aug-05	Allotment pursuant to conversion of warrants	70,000	34,753,880
21-Sep-05	Bonus Issue (1:2)	17,376,940	52,130,820
13-Oct-05	Allotment pursuant to conversion of warrants	105,000	52,235,820
02-Nov-05	Allotment pursuant to conversion of GDRs	9,250,000	61,485,820
23-Dec-05	Allotment pursuant to exercise of ESOS	19,649	61,505,469
01-Mar-06	Allotment pursuant to conversion of FCCBs	184,330	61,689,799
07-Mar-06	Allotment pursuant to conversion of FCCBs	460,827	62,150,626
20-Mar-06	Allotment pursuant to conversion of FCCBs	1,751,146	63,901,772
20-Mar-06	Allotment pursuant to conversion of warrants	50,000	63,951,772
31-Mar-06	Allotment pursuant to conversion of FCCBs	652,531	64,604,303
31-Mar-06	Allotment pursuant to conversion of FCCBs	13,879	64,618,182
18-Apr-06	Allotment pursuant to conversion of FCCBs	414,744	65,032,926
28-Apr-06	Allotment pursuant to conversion of FCCBs	737,325	65,770,251
28-Apr-06	Allotment pursuant to exercise of ESOS	3,475	65,773,726
31-May-06	Allotment pursuant to conversion of warrants	35,000	65,808,726
31-May-06	Allotment pursuant to exercise of ESOS	3,015	65,811,741
19-Oct-06	Allotment pursuant to exercise of ESOS	4,000	65,815,741
19-Jan-07	Allotment pursuant to exercise of ESOS	550	65,816,291
03-May-07	Allotment pursuant to exercise of ESOS	6,085	65,822,376
17-Jul-07	Allotment pursuant to exercise of ESOS	5,650	65,828,026
18-Oct-07	Allotment pursuant to exercise of ESOS	6,000	65,834,026
20-Dec-07	Allotment pursuant to exercise of ESOS	3,000	65,837,026
17-Jan-08	Allotment pursuant to exercise of ESOS	13,750	65,850,776
26-Apr-08	Allotment pursuant to exercise of ESOS	9,425	65,860,201
29-May-08	Allotment pursuant to exercise of ESOS	16,375	65,876,576
13-Aug-08	Allotment pursuant to conversion of warrants	381,000	66,257,576
13-Aug-08	Allotment pursuant to exercise of ESOS	4,000	66,261,576
29-Aug-08	Allotment pursuant to conversion of warrants	4,179,000	70,440,576
29-Aug-08	Allotment pursuant to exercise of ESOS	1,500	70,442,076
	TOTAL	**70,442,076**	

Changes in the Authorised Share Capital of the Company since Incorporation

S.No	Particulars
1	Increased Authorised Capital from Rs 2,500,000 to Rs 60,000,000 in the Extra-ordinary General Meeting of shareholders held on December 04, 1992
2	Increased Authorised Capital from Rs 60,000,000 to Rs 160,000,000 in the Annual General Meeting of shareholders held on July 06, 1994
3	Increased Authorised Capital from Rs 160,000,000 to Rs 180,000,000 in the Extra-ordinary General Meeting of shareholders held on October 31, 1994
4	Increased Authorised Capital from Rs 180,000,000 to Rs 300,000,000 in the Extra-ordinary General Meeting of shareholders held on October 21, 1999
5	Increased Authorised Capital from Rs 300,000,000 to Rs 340,000,000 in the Extra-ordinary General Meeting of shareholders held on February 23, 2001
6	Increased Authorised Capital from Rs 340,000,000 to Rs 450,000,000 in the Extra-ordinary General Meeting of shareholders held on April 10, 2004
7	Increased Authorised Capital from Rs 450,000,000 to Rs 550,000,000 in the Annual General Meeting of shareholders held on July 18, 2005
8	Increased Authorised Capital from Rs 550,000,000 to Rs 900,000,000 in the Extra-Ordinary General Meeting of shareholders held on August 18, 2005
9	Increased Authorised Capital from Rs 900,000,000 to Rs 1,000,000,000 in the Annual General Meeting of shareholders held on June 02, 2006
10	Increased Authorised Capital from Rs 1,000,000,000 to Rs 1,250,000,000 through Postal Ballot Notice Dated May 18, 2011
11	Increased Authorised Capital from Rs 1,250,000,000 to Rs 1,500,000,000 pursuant to Scheme of Amalgamation of wholly owned subsidiary, Orchid Research Laboratories Limited with the Company and as approved by the Honorable High Court of Madras Vide its order dated March 20, 2012.

Dematerialisation of Shares

The shares of the Company are in compulsory demat segment and are available for trading in both the depository systems, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares dematerialised upto March 31, 2012 are as under:

No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
70,105,072	99.52	70,179	97.23

Reconciliation of Share Capital Audit:

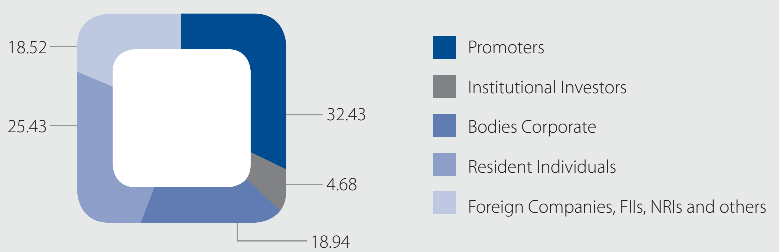
A qualified practising Company Secretary carries out reconciliation of share capital audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

Shareholding Pattern as on March 31, 2012

Category			No of Shares Held	Percentage of Shareholding
A	PROMOTER HOLDING			
	1	Promoters / Promoter Group		
	a)	Indian	22,840,781	32.43
	b)	Foreign	Nil	Nil
	Sub-Total (1)		**22,840,781**	**32.43**

Category			No of Shares Held	Percentage of Shareholding
B	NON-PROMOTER HOLDING			
2	Institutional Investors			
	a)	Mutual Funds	97,500	0.14
	b)	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	3,198,840	4.54
	c)	Foreign Institutional Investors (FIIs)	9,181,598	13.03
	Sub-Total (2)		**12,477,938**	**17.71**
3	Others			
	a)	Private Corporate Bodies	13,342,559	18.94
	b)	Indian Public (Resident Individuals)	17,911,417	25.43
	c)	Non Resident Indians / Overseas Corporate Bodies	627,693	0.89
	d)	Foreign Companies (including Depository Receipts (GDRs))	3,241,688	4.60
	Sub Total (3)		**35,123,357**	**49.86**
	GRAND TOTAL (1+2+3)		**70,442,076**	**100.00**

Shareholding Pattern Chart (%)



Distribution of Shareholding as on :

No of equity shares held	March 31, 2012			March 31, 2011		
	No of Shares	No of Shareholders	% of Shareholders	No of shares	No of Shareholders	% of Shareholders
1-500	6,682,345	67,495	93.51	5,719,489	58,347	93.45
501-1000	2,006,009	2,528	3.50	1,653,541	2,088	3.34
1001-2000	1,594,801	1,058	1.47	1,404,591	931	1.49
2001-3000	879,047	342	0.47	764,808	295	0.47
3001-4000	619,727	173	0.24	539,486	150	0.24
4001-5000	570,011	121	0.17	541,673	115	0.18
5001-10000	1,566,344	209	0.29	1,614,721	215	0.34
10001 & above	56,523,792	250	0.35	58,203,767	294	0.47
TOTAL	**70,442,076**	**72,176**	**100.00**	**70,442,076**	**62,435**	**100.00**

Outstanding GDRs/FCCBs and conversion dates :

Name of the Instrument	Total Issued	Converted into equity so far	Bought Back/ Redeemed upto March 31, 2012	Outstanding as on March 31, 2012	Likely Conversion Date
Foreign Currency Convertible Bonds (FCCBs) (issued during 2006-07)	US$ 175,000,000 *	Nil	US$ 175,000,000*	Nil**	N.A

* FCCBs are represented in value till the time they are converted into equity shares.

** FCCBs including yield-to-maturity, aggregating to US$ 167.64 million (Rs 82408.00 lakhs) that were outstanding were fully redeemed on the due date i.e February 28, 2012.

Global Depositary Receipts (GDRs)

The number of GDRs outstanding as on March 31, 2012 are 3,226,688 out of the total number of 70,442,076 equity shares of the Company . Each GDR is represented by an underlying equity share.

Legal Proceedings

There are a few pending cases relating to the disputes on the title of the shares. The Company has been made a party to the disputes but these, however, are not material in nature.

Share Transfer System

M/s Integrated Enterprises (India) Limited are the Registrar and Share Transfer Agents for servicing activities relating to both physical and electronic segments. The share transfer committee met 13 times during the year 2011-2012 to consider physical share transfers.

Unclaimed Dividends

Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend amounting to Rs.5,91,920 pertaining to the financial year 2003-04 was transferred to the Investor Education and Protection Fund (IEPF) in September 2011.

Unclaimed dividend for the financial year 2004-2005 is due for transfer to IEPF in September 2012. The dividends for the years from 2004-2005 onwards, which remain unclaimed for seven years will be transferred to IEPF established by the Central Government under Section 205C of the Companies Act, 1956 as and when they become due. Shareholders who have not encashed their dividends for these periods are requested to write to the Company.

Equity Shares in the Suspense Account

As per Clause 5A(II) of the Listing Agreement, the Company reports the following details in respect of equity shares lying in the suspense account which were issued pursuant to the public issue/Bonus Issue/Rights Issue of the Company and unclaimed as on March 31, 2012:

Particulars	Number of Shares holders	Number of equity shares
Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on April 1, 2011	---	---
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	---	---
Number of shareholders to whom shares were transferred from the suspense account during the year	---	---
Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2012	208	12,391

The voting rights on the shares outstanding in the suspense account as on March 31, 2012 shall remain frozen till the rightful owner of such shares claims the shares. As per Clause 5A(II) of the Listing Agreement, three reminders were issued for shares issued in physical form, which remain unclaimed. The Company has transferred these shares into one folio in the name of "Unclaimed Suspense Account" and dematerialised the same with one of the Depository participant as on 31st March, 2012.

ECS Mandate

To service the investors better, the Company requests all its members who hold shares in electronic form to update their bank particulars with their respective depository. However in respect of members who hold shares in physical form they are requested to update their addresses and Bank account details in which they wish their dividend to be credited with the Registrar & Share Transfer agents of the Company for better services.

Plant Locations:

a) Active Pharmaceutical Ingredient Facilities

i) **Alathur Works**
Plot Nos. 85-87, 98-100, 126-131, 138-151 and 159-164
SIDCO Industrial Estate, Alathur
Kancheepuram Dist,
Pin 603 110 Tamil Nadu, India

ii) **Aurangabad Works**
L-8 & L-9 MIDC Industrial Area
Waluj, Aurangabad District, Pin 431 136
Maharashtra, India

b) Formulations (Finished Dosage Form) Facilities

i) A10/A11, SIDCO Industrial Estate, Alathur, Kancheepuram Dist, Pin 603 110, Tamil Nadu, India

ii) Plot Nos. B5 (Part) and B6 (Part), SIPCOT Industrial Park, Irungattukottai, Sriperumbudur, Kancheepuram Dist, Pin 602 105, Tamil Nadu, India

iii) B-77, SIDCO Industrial Estate, Alathur, Kancheepuram Dist, Pin 603 110 Tamil Nadu, India

c) Research and Development Centre
Plot No. 476/14, Old Mahabalipuram Road,
Shozhanganallur, Chennai 600 119, Tamil Nadu, India

Investor Contacts:

a) **Corporate Communications & Investor Relations**

Mr Ch Ram
Head, Corporate Communications & Investor Relations
Orchid Chemicals & Pharmaceuticals Ltd
'Orchid Towers', 313, Valluvarkottam High Road, Nungambakkam,
Chennai-600034
Phone: (044)-28244908;
Fax: 91-44-28211002
E-mail : ram@orchidpharma.com

b) **Investor Correspondence/Compliance Officer**

Ms Bhoomijha Murali
Sr. GM - Legal & Company Secretary
Orchid Chemicals & Pharmaceuticals Ltd
'Orchid Towers', 313, Valluvarkottam High Road, Nungambakkam, Chennai-600034
Phone : (044) - 28284232
Fax : (044) - 28275960
E-mail : bhoomijha@orchidpharma.com

c) **Registrar and Share Transfer Agent(s)**

Integrated Enterprises (India) Limited
2nd Floor, Kences Towers,
No.1 Ramakrishna Street,
North Usman Road. T.Nagar,
Chennai - 600 017,
Tel : 91-44-28140801 - 03
Fax : 91-44-28142479
E-mail : corpserv@iepindia.com
Website : www.iepindia.com

13. CEO/CFO CERTIFICATION:

In terms of Clause 49 of the Listing Agreement the Chairman & Managing Director and the Executive Director-Finance give annual certification on financial reporting and internal controls to the Board. The Chairman & Managing Director and the Executive Director-Finance also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement. Accordingly the Chairman & Managing Director and Executive Director-Finance have certified to the Board inter alia the accuracy of financial statements and adequacy of internal controls for the financial reporting purpose for the year ended March 31, 2012.

COMPLIANCE OF NON-MANDATORY REQUIREMENTS AS PER CLAUSE 49 OF THE LISTING AGREEMENT AND CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

1. Audit Committee

The Company has an Audit Committee functioning with the constitution, roles and responsibilities as envisaged under the Corporate Governance Voluntary Guidelines 2009. The terms of reference of the Committee have been described at Serial No.3 herein above.

Management Discussion & Analysis
Directors' Report
Report on Corporate Governance

2. **Remuneration Committee**
   The Company has constituted a Remuneration Committee. The terms of reference of the Committee have been described at Serial No.4 herein above.

3. **Independent Directors**
   None of the Independent Directors are involved in the day to day affairs of the Company.

4. **Number of Companies in which an Individual may become a Director**
   The Company has appraised its Board Members about the restriction on number of other Directorships and the same is being complied with.

5. **Statutory Auditors**
   The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

6. **Internal Control**
   The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

7. **Shareholders' Rights**
   The quarterly financial results are published in the newspapers as mentioned in Serial No.10 above. The results are also displayed on the web site of the Company.

CODE OF CONDUCT CERTIFICATION

(Under Clause 49 of the Listing Agreement)

In accordance with Clause 49 sub-clause I(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2012.

For and on behalf of the Board

Place: Chennai
Date: May 14, 2012

K Raghavendra Rao
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
ORCHID CHEMICALS & PHARMACEUTICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by Orchid Chemicals & Pharmaceuticals Limited (the Company), for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure 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, 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 state that in respect of investor grievances received during the year ended March 31, 2012, no investor grievances are pending against the Company for more than one month as per the records maintained by the Company and presented to the Investor Grievance/ Share Transfer Committee.

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

For **SNB ASSOCIATES**
Chartered Accountants
Firm Registration No. 015682N

(B Mahalingam)
Partner
Membership No. 210408

Place: Chennai
Date: May 14, 2012

Corporate Information

BOARD OF DIRECTORS

Chairman and Managing Director
Shri K Raghavendra Rao

Executive Director & Chief Financial Officer
Shri S Krishnan

Directors

Shri Deepak Vaidya
Shri K Biju George* (IDBI Nominee)
Shri Bharat D Shah
Prof Bala V Balachandran

** Appointment w.e.f June 06, 2012*

Company Secretary

Ms Bhoomijha Murali

Management Team

Dr B Gopalan	Chief Scientific Officer
Ms Edna Braganza	Chief Operating Officer – API
Mr M S Rangesh	Chief Human Resources Officer
Mr V Vijayendran	Chief Executive – Domestic Formulations
Mr S Mani	President – Process Research, SH&E and CSR
Dr R Buchi Reddy	Executive Vice President – Process Research
Mr P N Deshpande	Executive Vice President – Manufacturing
Dr Shridhar Narayanan	Executive Vice President – Biology
Mr S Sridharan	Executive Vice President – IT & IE
Mr V S Padalkar	Senior Vice President – Engineering & Production
Mr K V V Raju	Senior Vice President – Technical Operations
Dr U P Senthil Kumar	Senior Vice President – Process Research
Dr Shashank Narayanrao Lulay	Senior Vice President – QA
Dr C V Srinivasan	Senior Vice President – Medicinal Chemistry
Dr J Surya Kumar	Senior Vice President – Formulation Development
Mr Deepak M B Nayyar	Vice President – Domestic Formulations
Mr Gurmeet Singh	Vice President – Commercial
Mr V C Nagaraj	Vice President – Human Resources
Mr Sampath Parthasarathy	Vice President – Domestic Formulations
Mr P Sreenivasa Rao	Vice President – QA & RA
Mr A Suresh Babu	Vice President – Corporate Affairs

Board Committees

Audit Committee

Shri Deepak Vaidya, Chairman
Prof Bala V Balachandran
Shri Bharat D Shah
Shri K Biju George

Compensation Committee

Shri K Raghavendra Rao, Chairman
Shri Deepak Vaidya
Shri K Biju George

Investors' Grievance Committee

Shri Bharat D Shah, Chairman
Shri K Raghavendra Rao
Shri S Krishnan

Remuneration Committee

Shri Deepak Vaidya, Chairman
Shri Bharat D Shah
Shri K Biju George

Allotment Committee

Shri K Raghavendra Rao, Chairman
Shri S Krishnan

Bankers

Allahabad Bank
Andhra Bank
Axis Bank Limited
Bank of India
Bank of Baroda
Canara Bank
Central Bank of India
ICICI Bank Limited
IDBI Bank Limited
Indian Bank
Indian Overseas Bank
Punjab National Bank
State Bank of India
State Bank of Hyderabad
State Bank of Travancore
The Federal Bank Limited
Union Bank of India

Auditors

Statutory Auditors

SNB Associates
Chartered Accountants
No 12, 3rd Floor, Gemini Parsn Complex
121, Anna Salai ,
Chennai 600 006
Tamil Nadu, India

Cost Auditors

Shri V Kalyanaraman
Cost Accountant
No.4 (Old No.12), Second Street, North Gopalapuram
Chennai 600 086,
Tamil Nadu, India

Auditors' Report

Report of the auditors to the members

1. We have audited the attached Balance Sheet of Orchid Chemicals & Pharmaceuticals Limited (the Company) as at March 31, 2012 and also the Profit and Loss statement of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annexe hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to 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 appears from our examination of those books;

   c. The Balance Sheet, Profit and Loss statement and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. In our opinion, the Balance Sheet, Profit and Loss Statement and Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e. On the basis of written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

5. The Company has paid remuneration to the Managing Director and the Whole time Director in excess of minimum remuneration prescribed under schedule XIII of the companies act amounting to Rs 196.31 lakhs and the same is subject to the approval of the general meeting and Central Government.

6 Subject to Note no 5 above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, specifically note no 1(i)(4) 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 March 31, 2012;

   ii. In the case of the Profit and Loss Statement, of the profit for the year ended on that date; and

   iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SNB Associates
Firm Registration No. 015682N
Chartered Accountants

(B Mahalingam)
Partner
Membership No 210408

Place: Chennai
Date: May 14, 2012

Annexure to Auditors' Report

Referred to in Paragraph 3 of our Report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. According to the information and explanations given to us, the fixed assets have been physically verified by the Management at regular intervals. In our opinion, the frequency of such physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification as compared to the available records. There was no substantial disposal of fixed assets during the year.

2. Physical verification of Inventory has been conducted by the Management at reasonable intervals. The procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the company and nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3. a. The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

   b. As informed to us, the company has not granted any loans secured or unsecured loans to companies, firms, or other parties for which entries are required to be made under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanation given to us, there is adequate internal control system 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. During the course of our audit, no continuing weakness has been noticed in the internal control system.

5. In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

   The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices / Joint Venture agreements at the relevant time.

6. The company has not accepted any deposits from the public.

7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of the 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.

9. The company is generally regular in depositing undisputed Statutory Dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it with the appropriate authorities.

10. According to the information and explanations given to us, no undisputed amounts payable in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess were outstanding at the year end for a period of more than 6 months from the date they became payable.

11. According to the records of the company, there are no disputed amounts that have not been deposited with appropriate authorities on account of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess except the following:

Name of the Statute	Nature of dues	Period for which amount relates	Amount Rs in lakhs	Forum where the dispute is pending
Central Excise Act,1944	Excise Duty	2004-2007	3.05	CESTAT
		2007-2010	5.22	Commissioner (Appeals)
		2004-2009	128.22	Commissioner
		2007-2009	6.76	Asst. Commissioner
		2009-2011	12.19	Deputy Commissioner
		2005-2007	20.93	Joint Commissioner
		2007-2011	132.68	Addl. Commissioner
		2004-2007	439.46	Commissioner Chennai III
Finance Act,1994	Service Tax	2007-2010	22.23	Asst. Commissioner
		2005-2010	153.45	Commissioner
Income Tax Act,1961	Income Tax	2006-2007	293.13	High Court of Madras
		2007-2008	1,276.98	High Court of Madras
		2009-2010	20.72	High Court of Madras
		2010-2011	2,464.16	High Court of Madras

12. The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and in the immediately preceding financial year.
13. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayments of dues to banks / financial institutions. The company does not have any borrowings by way of debentures.
14. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
15. In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/societies.
16. Based on our examination of records and the information and explanations given to us, the company has not dealt / traded in any shares, securities, debentures and other investments during the year.
17. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions except a guarantee given on behalf of wholly owned subsidiary.
18. The term loans obtained by the company were applied only for the purposes for which the loans were obtained.
19. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us on an over all basis, the funds raised on short-term basis, prima facie, aggregating to Rs 40,681.61 lakhs have been used during the year for long-term purposes.
20. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year.
21. The company did not have any outstanding debentures / bonds during the year for which creation of securities is required.
22. The company has not raised any money through public issue during the year.
23. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For SNB Associates
Firm Registration No 015682N
Chartered Accountants

(B Mahalingam)
Partner
Membership No 210408

Place: Chennai
Date: May 14, 2012

Balance Sheet as at March 31, 2012

Rs lakhs

Particulars			Note	March 31, 2012	March 31, 2011
I	**EQUITY AND LIABILITIES**				
	1	**Shareholders' Funds**			
	a	Share capital	5	7,044.21	7,044.21
	b	Reserves and Surplus	6	112,410.88	106,358.27
	2	**Non-current liabilities**			
	a	Long term borrowings	7	107,414.70	60,406.11
	b	Deferred tax liabilities (Net)	35	17,118.34	19,455.56
	c	Other Long term liabilities	8	4,634.08	4,179.96
	d	Long term provisions	9	771.97	964.29
	3	**Current liabilities**			
	a	Short term borowings	10	63,788.32	48,986.09
	b	Trade payables	11	35,763.29	26,150.47
	c	Other current liabilities	12	40,654.62	99,377.82
	d	Short term provisions	13	5,089.10	15,916.10
	Total			**394,689.51**	**388,838.88**
II	**ASSETS**				
	1	**Non-current assets**			
	a	Fixed Assets	14		
		Tangible assets		188,413.67	155,548.84
		Intangible assets		4,720.27	4,042.04
		Capital work in progress		32,709.08	31,982.92
		Intangible assets under development		2,334.35	1,062.72
	b	Non-current investments	15	14,890.29	13,041.83
	c	Foreign currency Monetary item Translation difference Account	1 (i)	4,824.13	-
	d	Long term loans and advances	16	16,782.68	28,774.84
	e	Other non-current assets	17	303.64	1,678.71
	2	**Current assets**			
	a	Inventories	18	62,359.91	58,026.33
	b	Trade receivables	19	9,130.93	48,110.61
	c	Cash and Bank Balances	20	16,958.51	19,317.68
	d	Short term loans and advances	21	41,262.05	27,252.36
	Total			**394,689.51**	**388,838.88**

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Profit & Loss Statement for the year ended March 31, 2012

Rs lakhs

	Particulars	Note	March 31, 2012	March 31, 2011
I	Revenue from operations	22	173,633.06	166,334.50
II	Other income	23	5,581.17	4,879.96
III	**Total Revenue**		**179,214.23**	**171,214.46**
IV	Expenses			
	Cost of materials consumed		80,241.50	87,619.69
	Purchases of Stock-in-Trade		4,546.38	3,414.38
	Changes in inventories of finished goods, Work-in-Progress and Stock-in-Trade		(6,201.86)	(12,238.24)
	Employee benefits expense	24	15,464.59	14,138.46
	Finance costs	25	17,905.29	11,576.50
	Depreciation and amortisation expenses	14	14,905.56	12,845.43
	Other expenses	26	43,990.69	38,546.84
	Total Expenses		**170,852.15**	**155,903.06**
V	Profit before exceptional and extraordinary items and tax		8,362.08	15,311.40
VI	Exceptional items	27	8,388.14	(2,069.09)
VII	Profit before extraordinary items and tax		(26.06)	17,380.49
VIII	Extraordinary items	44	(8,000.00)	-
IX	Profit before tax		7,973.94	17,380.49
X	Tax expense			
	Current tax		-	2,357.51
	Deferred tax	35	(2,337.22)	(925.38)
XI	Profit / (Loss) for the period		10,311.16	15,948.36
XII	Earnings per share			
	Basic (Rs)		14.64	22.64
	Diluted (Rs)		14.46	18.71

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No.015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Auditors' Report
Balance Sheet
Profit and Loss Account
Notes
Cash Flow Statement

Notes to the Accounts as at March 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The Financial Statements are prepared under historical cost convention. The presentation of the accounts is based on the Revised Schedule VI of Companies Act 1956, applicable from the current financial year with effect from April 1, 2011. Accordingly, previous year figures are re-aligned to make it comparable with the current year figures. Revenues are recognised and expenses are accounted on their accrual with necessary provisions for all known liabilities and losses.

b) Fixed Assets

(i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.

(ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard (AS 10).

(iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.

(iv) INTERNALLY GENERATED INTANGIBLE ASSETS - DMF and ANDA

DMF and ANDA costs represent expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files (DMF) and Abbreviated New Drug Applications (ANDA), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.

The cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs applicable as per terms of agreement or over a period of five years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier

(v) Assets are depreciated on straight line basis at the rates specified in Schedule XIV of the Companies Act, except in respect of the following assets, where the useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The revised useful life of the assets have been determined by the Management based on technical assessment.

Asset Categories	Useful life
Reactors, Pipes, Pipe fittings, Valves, Motors, Pumps, Nitrogen Plant, Gear Boxes, Cables and Centrifuges Evaporator (Indigenous), Jet aeration system (indigenous), Ventilation & Exhaust system, HCL column, ETP (indigenous), scrubber, incenarator (indigenous) & Instrumentation item	9 years

Depreciation is provided at rate arrived based on useful life or schedule XIV rates whichever is higher.

(vi) Leasehold assets cost is amortised over the period of the Lease.

(vii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceeding the month of disposal, as applicable.

(viii) Impairment of assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

c) Borrowing Costs

Borrowing costs includes interest, amortisation of ancillary cost incurred in connection with borrowings. Cost incurred for raising long term borrowings have been amortised over the period of the loan.

Notes to the Accounts as at March 31, 2012

Interest cost on qualifying asset being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalised at the weighted average rate of the funds borrowed and utilised for acquisition of such assets.

d) Treatment of expenditure during construction period.

Expenditure during construction period is included under capital work-in-progress and the same is allocated to the respective fixed assets on the completion of construction.

e) Investments

Investments considered long term are shown at cost. Diminution in the value of investments other than temporary are provided for. Current investments are valued at lower of cost and market value.

f) Inventories

(i)	Stores & Spares	- At weighted average cost.
(ii)	Raw Materials	- At annual weighted average cost
(iii)	Finished Goods @	- At lower of cost or net realisable value
(iv)	Work in Progress & Intermediates @	- At lower of cost or net realisable value

@ After adjustment of unrealised profits on inter division transfer.

g) Revenue Recognition

Sales are recognised on despatch of goods from the factory/ warehouse and price differentials are accounted for at the end of each quarter as per the terms of marketing arrangement. Sales are net of returns, discounts and inter-division transfers. Service income is recognised as per contractual terms. In respect of composite contracts involving development and other activities, income is recognised on the basis of contractual terms after considering the quantum of work completed.

h) Retirement Benefits

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC, SBI and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at March 31 as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.

i) Translation of Foreign Currency items

1) Non - Monetary foreign currency items are carried at cost.

2) All inter-related transactions are recognised at common rates.

3) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.

4) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

   The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated March 31, 2009 (AS 11). The Ministry of Company Affairs vide notification dated December 29, 2011 has extended the amortisation of gains or losses arising on reporting of Foreign Currency Monetary items over the balance period of such long term asset / liability. Accordingly, exchange loss on long term foreign currency loans have been amortised over the balance period of such loans. Adoption of this option has resulted in (a) amount remaining unamortised in the financial statements as on March 31, 2012 is Rs 4,824.13 lakhs (previous year (Rs Nil)) (b) The value of fixed assets adjusted for exchange gain is Rs 467.34 (Previous year Gain of Rs 63.27 lakhs) (c) profit for the year is higher by Rs 4,824.13 lakhs (Previous year - profits higher by Rs 3459.67 lakhs).

Notes to the Accounts as at March 31, 2012

j) Subsidy on Fixed Assets

Subsidy received on fixed assets is credited to the cost of respective fixed assets.

2. During the year, Orchid Research Laboratories Limited (ORLL) was merged with Orchid Chemicals & Pharmaceuticals Limited (OCPL) in terms of High Court Order dated March 20, 2012 vide. Comp Pet No. 28 of 2012 . The Honourable High Court of Madras sanctioned the Scheme of Amalgamation for merger of Orchid Research Laboratories Limited (ORLL) with Orchid Chemicals & Pharmaceuticals Limited (OCPL). The Financial statements have been prepared in accordance with the order of the High Court. The effective date of amalgamation for accounting purposes is March 30, 2012. The appointed date is April 1, 2010.

Orchid Chemicals & Pharmaceuticals Limited was incorporated in India in July 1992 and started commercial production in February 1994. The Company manufactures Active Pharmaceuticals Ingredients as 100% export oriented unit and sells finished dosage forms (formulations) in domestic and export markets. The Company also has a fullfledged R & D facilities.

Orchid Research Laboratories Limited (ORLL), India is engaged in pharmaceutical research and development.

Orchid Research Laboratories Limited was 100% subsidiary of OCPL. The share capital of ORLL was cancelled and no further issue of shares of OCPL was carried out.

The value of difference being surplus between the assets and liabilities of transferor Company transferred to the transferee Company, at book value, after making adjustment for inter corporate loans outstanding between transferor Company and transferee Company and as reduced by the cost of investment of the transferee Company in the equity shares of the transferor Company has been transferred to capital reserve in the books of the transferee Company in accordance with the above referred court order.

3. Sales Tax recoverable has been recorded on the basis of the claims submitted or in the process of being submitted, as per rules relating to EOU and which in the opinion of the Company are recoverable.

4. Excise duty on finished goods has been accounted on removal of goods from factory, wherever applicable. Finished goods at factory have been valued at cost exclusive of excise duty and no provision has been made for excise duty on such goods. The above treatment has no impact on Profit & Loss account.

Rs lakhs

	March 31, 2012	March 31, 2011
5. SHARE CAPITAL		
Authorised:		
Equity shares		
150,000,000 (Previous year 100,000,000) Equity Shares of Rs 10/- each	15,000.00	10,000.00
Issued, Subscribed and Paid-Up		
70,442,076 (Previous year - 70,442,076) equity Shares of Rs 10/- each fully paid. Of the above 17,376,940 Equity shares of Rs10/- each were allotted as fully paid bonus shares by capitalisation of reserves.	**7,044.21**	**7,044.21**
The reconciliation of the number of shares outstanding as at March 31, 2012 and March 31, 2011 is set out below:		
Number of shares at the beginning	70,442,076	70,442,076
Add: Allotment on exercise of ESOP	-	-
Number of shares at the end	70,442,076	70,442,076

Notes to the Accounts as at March 31, 2012

Share Allotments during the preceeding five years

ESOP	**No. of shares**	**No. of shares**
2010-11	Nil	Nil
2009-10	Nil	Nil
2008-09	31,300	31,300
2007-08	34,485	34,485
2006-07	11,040	11,040
FCCB		
2006-07	1,152,069	1,152,069

The details of shareholder holding more than 5% shares is set out below :

	as at March 31, 2012		**as at March 31, 2011**	
Name of the Shareholder	No of shares	% held	No of shares	% held
K Raghavendra Rao	6,925,173	9.83	6,925,173	9.83
R Vijayalakshmi	6,821,155	9.68	4,986,290	7.08
Orchid Healthcare Pvt. Ltd.	3,646,324	5.18	3,646,324	5.18

A) ORCHID-ESOP 2010 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 21, 2010 the shareholders approved the scheme formulated under "ORCHID-ESOP 2010" for allotting 1,000,000 options. Accordingly 901,000 options were granted to the eligible Employees and the Executive Director except the Promoter Director by the Compensation Committee of the Board of Directors at a meeting held on October 28, 2010. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 329.55 per share, being the closing share price of Orchid in the National Stock Exchange on October 27, 2010, the day prior to the date of the meeting.

Considering the fall in the price of the shares of the Company and in the interest of the employees, the Compensation Committee of the Board of Directors at its meeting held on November 1, 2011 considered repricing of 864,500 options in force on the said date from Rs 329.55 to Rs 166.15 as per the closing share price of Orchid at National Stock Exchange on October 31, 2011. Out of the total options granted, 47,000 options have already lapsed and the remaining granted options in force as at March 31, 2012 under ORCHID-ESOP 2010 Scheme are 854,000.

The one year vesting period for the scheme ended on October 27, 2011 and the employees can exercise their right to convert the options into equity shares from October 28, 2011 onwards. The options will lapse on October 28, 2013, if they are not exercised within a period of 2 years from the date of vesting of options. As at March 31, 2012, no options were exercised.

B) ORCHID-ESOP DIRECTORS 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved a scheme formulated as "ORCHID-ESOP Directors 2011 SCHEME" for allotting 500,000 options to the Directors of the Company. Accordingly 300,000 options were granted to the Directors of the Company including the Whole Time Director but excluding the Promoter Director, by the Compensation Committee of the Board of Directors at a meeting held on November 01, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 166.15 per share, being the closing share price of Orchid in the National Stock Exchange on October 31, 2011, the day prior to the date of the meeting. Out of the total options granted, 50,000 options have already lapsed and remaining granted options in force as of March 31, 2012 under ORCHID-ESOP Directors 2011 Scheme are 250,000.

Notes to the Accounts as at March 31, 2012

C) ORCHID-ESOP SENIOR MANAGEMENT 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved the scheme formulated as "ORCHID-ESOP Senior Management 2011 SCHEME" for allotting 1,000,000 options to the senior employees of the Company out of which 750,000 options will be granted to the employees of the Company and 250,000 options will be granted to the employees of its subsidiary companies. Accordingly 42,700 options were granted to the senior employees of the Company by the Compensation Committee of the Board of Directors at a meeting held on November 01, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 10/- each (i.e. At Par). 42,700 options are in force as at March 31, 2012 under ORCHID-ESOP Senior Management 2011 Scheme."

Rs lakhs

	March 31, 2012		March 31, 2011	
6. RESERVES & SURPLUS				
Capital Reserve		894.68		894.68
Securities Premium Account	41,321.16		41,032.43	
Add: Premium on Redemption of FCCBs	(2,254.94)	39,066.22	288.73	41,321.16
Capital Reserve on Amalgamation	-		-	
Add: Created on account of amalgamation	9,004.21	9,004.21	-	-
General Reserve	58,133.05		43,133.05	
Add: Transferred from surplus	6,000.00		15,000.00	
Add: Transferred from amalgmation	(6,599.34)			
Less: Transfers	-	57,533.71	-	58,133.05
Surplus in Profit & Loss Account	6,009.38		5,859.14	
Add: Surplus in Profit & Loss account	10,311.16		15,948.36	
Excess provision of dividend & tax of earlier year written back	482.25		2,174.29	
Less: Carry over on merger of ORLL	(2,404.87)		-	
Balance available for appropriation		14,397.92		23,981.79
Less: Transferred to General Reserve	(6,000.00)		(15,000.00)	
Proposed Dividend and Tax	(2,485.86)	(8,485.86)	(2,972.41)	(17,972.41)
		112,410.88		**106,358.27**

The debit to Share Premium Account for premium on FCCBs and for issue expenses have been made on the gross value without adjusting any tax impact. Tax benefits accruing to the Company on account of claiming such expenses will be credited to the SPA in the year in which the benefit is enjoyed by the Company.

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the loss of Rs 2254.94 lakh (Previous year - Gain of Rs 288.73 lakhs) on account of such restatement during the year is adjusted to the Security Premium Account (SPA).

Notes to the Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012		March 31, 2011	
7. LONG TERM BORROWINGS				
Secured				
Rupee Term loans	57,401.91		51,658.13	
Foreign Currency Term loan	78,414.10		31,489.12	
Foreign Currency Convertible Bonds (FCCB)	-		52,358.47	
Premium payble on redemption of FCCBs	-		22,393.72	
Less:- Current maturities transferred to Current liabilities	28,401.31	107,414.70	97,493.84	60,405.60
Long term maturities of finance lease		-		0.51
		107,414.70		**60,406.11**

Rs lakhs

	Repayment terms	Balance No of instalments due	Rate of interest	Amt due @
Rupee Term Loan	Monthly	118	14.75% to 16.25%	21,556.02
	Quarterly	55	14.75% to 16%	35,845.89
Foreign Currency Term Loan	Half yearly	10	LIBOR + 3.75%	24,226.90
	Quarterly	100	LIBOR + 3 to 4.6%	54,187.20

@ amount due includes for all installments in the respective category

Terms of repayment of loan- All Indian rupee loan from bank carries interest @14.75% to 16.25% p.a. These loans are repayable in 36 to 54 equivated monthly and 8 to 18 quarterly installments from the date of the origination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Shozhanganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 53,652.89 lakhs are additionally secured by personal guarantee of Shri K Raghavendra Rao, Chairman & Managing Director of the Company.

Terms of repayment of loan- All Foreign Currency term loan carries interest @ LIBOR plus 3 to 4.6%. The loan is repayable in 8 to 24 quarterly and 10 half yearly installments from the date of the orgination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Shozhanganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 54,187.20 lakhs are additionally secured by personal guarantee of Shri K Raghavendra Rao, Chairman & Managing Director of the Company. The terms of the foreign currency term loan availed in February 2012 includes covenants pertaning to financial parameters such as limit on aggregate debt outstanding, debt service coverage ratio, ratio of net borrowings to EBDITA, Fixed assets coverage ratio, ratio of net borrowings to tangible networth etc., tested on the consolidated financial statements of the Company.

The Company raised FCCBs during 2006-07 aggregating to US$ 175 million (Rs 77,358.75 lakhs) with an option to the investor to convert the FCCBs into equity shares of the Company at an initial conversion price of Rs 348.335 per share at a fixed rate of exchange on conversion Rs 43.93 = US$ 1, at any time after April 9, 2007 and prior to February 18, 2012. Further the Company had an option of early redemption of these FCCBs in whole at any time on or after February 28, 2010 and prior to February 21, 2012, subject to certain

Notes to the Accounts as at March 31, 2012

conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs were to be redeemed on February 28, 2012 at 142.77 % of their principal amount. During the year 2008-09, the Company bought back FCCBs to the extent of US$ 37.80 million and the outstanding FCCBs as at March 31, 2009 was US$ 137.20 million.

During the year 2009-10, the Company bought back FCCBs to the extent of US$ 19.778 million and the outstanding FCCBs as at March 31, 2011 was US$ 117.422 million.

During the year 2011–12, the Company redeemed the outstanding FCCBs, including yield-to-maturity at 142.77% of the principal amount aggregating to US$ 167.64 million (Rs 82,408.00 lakhs) on the due date ie. February 28, 2012.

The Company raised FCCBs during the year 2005-06 aggregating to US$ 42.50 million (Rs 19,284.50 lakhs) including a green shoe option of US$ 5 million (Rs 2,289.50 lakhs) with an option to the investor to convert the FCCBs into equity shares or global depository receipts at an initial conversion price of Rs 243.80 per share at a fixed rate of exchange on conversion Rs 44.94 = US$ 1. Out of the above, FCCBs amounting to US$ 22.79 million (Rs 10,241.82 lakhs) were converted.

Further, the Company had an option of early redemption of these FCCBs at any time after November 03, 2006 subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs were to be redemeed on November 03, 2010 at 147.1688% of their principal amount.

During 2008-09, the Company bought FCCBs to the extent of US$ 2.25 million and the outstanding FCCBs as at March 31, 2010 was US$ 17.46 million. During the year 2010 – 11, the Company redeemed the outstanding FCCBs, aggregating to US$ 25.69 million (Rs 11,409.52 lakhs) including yield-to-maturity, on the due date i.e. November 03, 2010.

Rs lakhs

	March 31, 2012	March 31, 2011
8. OTHER LONG TERM LIABILITIES		
Trade payables		
Expenses	806.46	1,238.68
Capital creditors	3,827.62	2,941.28
	4,634.08	**4,179.96**

Rs lakhs

	March 31, 2012	March 31, 2011
9. LONG TERM PROVISIONS		
Provision for employee benefits- Gratuity & Leave encashment	771.97	964.29
	771.97	**964.29**

Rs lakhs

	March 31, 2012	March 31, 2011
10. SHORT TERM BORROWINGS		
Secured		
Other loans and advances		
- Rupee & Foreign Currency Packing Credit/Cash credit & Advance against Bills	63,788.32	48,986.09
	63,788.32	**48,986.09**

Packing Credit and Advances against bills from Banks and Working Capital Loans from Banks are secured by first charge on all current assets namely, Stocks of Raw materials, Semi-finished & Finished Goods, Stores and Spares not relating to Plant & Machinery (Consumable

Notes to the Accounts as at March 31, 2012

Stores and Spares), Bills Receivable, Book Debts & all other movable property both present and future excluding such movables as may be permitted by the Banks/ Financial Institutions from time to time and by second charge on immovable properties after charges created/ to be created on immovable assets in favour of Financial Institutions/Banks for securing term loans. The borrowings from banks are additionally secured by personal guarantee of Shri K Raghavendra Rao, Chairman & Managing Director of the Company.

Rs lakhs

11. TRADE PAYABLES	March 31, 2012	March 31, 2011
Supplies	24,389.64	22,545.61
Expenses	11,371.51	3,602.75
Others	2.14	2.11
	35,763.29	**26,150.47**

Rs lakhs

12. OTHER CURRENT LIABILITIES	March 31, 2012	March 31, 2011
Current maturities of Term loans / FCCBs (Refer Note no.7)	28,401.31	97,493.84
Current maturities of finance lease obligations	0.51	25.78
Interest accrued but not due on borrowings	325.35	-
Advances received from Customers	6,858.47	1,149.40
Income received in advance- Customers	4,159.90	-
Unpaid dividends	78.90	76.55
Share Application money refundable	5.42	5.42
Security Deposits received from Agents	432.25	307.75
Statutory liabilities	392.51	319.08
	40,654.62	**99,377.82**

Hire Purchase Loans are secured by the assets acquired through such loans. Deposit represents security deposits received from customers which are repayable on demand and carries interest @9.5% p.a.

Rs lakhs

13. SHORT TERM PROVISIONS	March 31, 2012	March 31, 2011
Provision for employee benefits- Gratuity & Leave encashment	1,303.24	943.69
Rebates / Discounts	1,300.00	12,000.00
Others:-		
- Proposed Dividend	2,138.88	2,557.52
- Tax on Proposed Dividend	346.98	414.89
	5,089.10	**15,916.10**

Notes to the Accounts as at March 31, 2012

14. FIXED ASSETS

(Rs lakhs)

Sl No	Asset Description	Gross Block (At Cost): As at April 01, 2011	Gross Block (At Cost): Additions during the year	Gross Block (At Cost): Deletions during the year	Gross Block (At Cost): As at March 31, 2012	Depreciation/Amortisation: Up to April 01, 2011	Depreciation/Amortisation: For the year	Depreciation/Amortisation: On Deletions	Depreciation/Amortisation: Up to March 31, 2012	Written Down Value: As at March 31, 2012	Written Down Value: As at March 31, 2011
	Tangible Assets										
1	Freehold Land & Site Development@	3,259.29	8.81	-	3,268.10	-	-	-	-	3,268.10	3,259.29
2	Leasehold Land	331.55	-	-	331.55	36.16	3.55	-	39.71	291.84	295.39
3	Buildings	31,546.70	4,691.35	173.37	36,064.68	5,015.18	1,072.72	75.27	6,012.63	30,052.05	26,531.52
4	Plant & Machinery	184,299.83	40,525.60	1,249.98	223,575.45	68,742.78	12,238.59	781.70	80,199.67	143,375.78	115,557.05
5	Factory Equipment	670.78	123.84	68.41	726.21	243.57	26.98	31.33	239.22	486.99	427.21
6	Laboratory Equipment	11,756.96	1,045.35	-	12,802.31	3,107.86	590.61	-	3,698.47	9,103.84	8,649.10
7	Office Equipment	683.52	83.13	1.94	764.71	251.16	33.63	0.78	284.01	480.70	432.36
8	Furniture & Fittings	1,671.16	239.22	0.82	1,909.56	747.21	101.90	0.36	848.75	1,060.81	923.95
9	Vehicles	559.42	17.32	75.87	500.87	191.12	45.81	29.62	207.31	293.56	368.30
10	**Intangible Assets (Disclosure as per AS 26)**										
	Acquired Brands & Trademarks *	2,778.16	-	-	2,778.16	2,682.23	95.93	-	2,778.16	-	95.93
	Internally Generated DMF and ANDA **	5,134.20	1,350.86	-	6,485.06	2,136.36	439.05	-	2,575.41	3,909.65	2,997.84
	Computer Software	2,603.03	122.84	64.75	2,661.12	1,654.75	256.79	61.04	1,850.50	810.62	948.28
	Total	**245,294.60**	**48,208.32**	**1,635.14**	**291,867.78**	**84,808.38**	**14,905.56**	**980.10**	**98,733.84**	**193,133.94**	**160,486.22**
	Tangible Assets	234,779.21	46,734.62	1,570.39	279,943.44	78,335.04	14,113.79	919.06	91,529.77	188,413.67	156,444.17
	Intangible Assets	10,515.39	1,473.70	64.75	11,924.34	6,473.34	791.77	61.04	7,204.07	4,720.27	4,042.05
	Previous Year's Figures***	218,930.86	28,521.77	2,158.03	245,294.60	72,205.05	12,899.28	295.93	84,808.41	160,486.19	

* Represents value of registrations and value of applications filed pending registration

** Refer Note 1 (b) (iv)

*** Includes ORLL Opening balance figures and excludes Intangibles under developed

@Assets acquired pending for registration in favour of the company.

(Rs lakhs)

	March 31, 2012	March 31, 2011
Freehold Land	59.09	59.09
Fixed Assets include assets on Hire Purchase (Gross Block)	8.30	91.05

Notes to the Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
15. NON-CURRENT INVESTMENTS		
Quoted investments		
Others- Non-trade		
Bank of India - 18,600 fully paid up Equity shares of Rs 10/- each	8.37	8.37
Aggregate market value of quoted investments	67.45	88.42
Unquoted investments		
Subsidiary Companies		
Traded		
Orchid Europe Limited, UK 10,000 Common stock of GBP 1 each fully paid up	6.42	6.42
Orchid Pharma Japan KK 600 Common stock JPY 50000 each fully paid up	122.49	122.49
Orchid Pharmaceuticals Inc., USA 200,000 Common stock of US$ 1 each fully paid up	85.07	85.07
Bexel Pharmaceutical Inc.** 9,999,990 Series A & 48,93,750 Series B Convertible Preferred Stock par value US$ 0.001 per share and 9,001,090 Common stock of par value US$ 0.001 per share	8,883.24	8,883.24
11,000,000 Common stock of par value of US$ 0.125 per share	599.09	-
Orchid Pharmaceuticals SA(Proprietary)Limited.South Africa 303,639 Ordinary shares each Rand 1 fully paid up	17.69	17.69
Diakron Pharmaceuticals, Inc. USA 7,033,914 Series A Preferred stock & 322,986 Common stock par value of 0.83595 US$ per share	2,777.50	1,528.13
Orchid Research Laboratories Ltd. 14,876,600 Fully paid up equity shares of Rs 10 each (extinguished on merger)	-	1,487.66
Joint Venture Companies		
NCPC Orchid Pharmaceuticals Company Ltd, China- Traded Common stock representing 50% interest in the Company	2,364.24	2,364.24
Others		
Sai Regency Power Corporation Pvt Ltd - Traded 450,000 fully paid up equity shares of Rs 10 each	45.00	45.00
Madras Stock Exchange Ltd - Non Traded 911,430 fully paid up equity shares of Rs 10/- each	23.98	23.98
MSE Financial Services Ltd 31,936 fully paid up equity shares of Rs 10/- each	3.83	3.83
Total	**14,928.55**	**14,567.75**
Aggregate provision for diminution in value of investments	46.63	1,534.29
Aggregate value of Unquoted investments	14,881.92	13,033.46
Grand Total of Investments	**14,890.29**	**13,041.83**

** Each Series A & B Preferred stock is convertible into One Common stock, at any time, at the option of the Company and will have voting rights equal to one common stock and has the same value as common stock.

Notes to the Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
16. LONG TERM LOANS AND ADVANCES		
Unsecured, Considered Good		
Capital advances	12,555.23	27,981.22
Prepaid Financial charges	3,351.61	-
Deposits with Government Agencies	540.39	372.75
Other Deposits	335.45	420.87
Doubtful		
Others	205.33	205.33
Less: Provision for doubtful	(205.33)	(205.33)
	16,782.68	**28,774.84**

Rs lakhs

	March 31, 2012	March 31, 2011
17. OTHER NON-CURRENT ASSETS		
Secured, Considered Good		
Ear-marked balance transferred from Other Bank balances	303.64	1,678.71
	303.64	**1,678.71**

Rs lakhs

	March 31, 2012	March 31, 2011
18. INVENTORIES		
Raw Material	12,196.13	14,384.92
Intermediates & WIP	31,869.91	27,304.92
Finished Goods	11,902.51	10,226.25
Traded Goods	1,072.46	1,111.84
Stores and Spare parts	2,984.26	2,929.96
Chemicals and Consumables	1,359.67	1,159.89
Packing Materials	974.97	908.55
	62,359.91	**58,026.33**

Rs lakhs

	March 31, 2012	March 31, 2011
19. TRADE RECEIVABLES		
Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	32.97	13.38
Unsecured, considered good	2,113.01	40,837.56
Other receivables		
Secured, considered good	624.89	413.77
Unsecured, considered good	6,360.06	6,845.90
	9,130.93	**48,110.61**

Notes to the Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012		March 31, 2011	
20. CASH AND BANK BALANCES				
Cash and Cash Equivalents				
Cash in hand	13.08		12.89	
Balances with Banks				
In current accounts	16,901.44		19,304.79	
Others- Term Deposits	43.99	16,958.51		19,317.68
Other Bank balances				
Ear-marked balances				
Margin Money deposit	100.91		848.47	
Unpaid Dividend	78.90		76.55	
Others- Term Deposits	123.83		753.69	
Less:- Ear-marked balance transferred to non-current assets	(303.64)	-	(1,678.71)	-
		16,958.51		**19,317.68**

Rs lakhs

	March 31, 2012	March 31, 2011
21. SHORT TERM LOANS AND ADVANCES		
UnSecured, Considered Good		
Loans & Advances to related parties (Refer Note no. 34)	4,619.91	7,059.12
Advances to Suppliers	22,091.12	10,215.92
Prepaid expenses	1,368.38	749.13
Balances with Statutory agencies	4,373.60	3,365.08
Rent advances	62.26	61.36
Employees advances	140.62	83.16
Advance Payment of Tax	8,534.51	5,654.89
Other Deposits	71.65	63.70
Doubtful		
Loans & Advances to related parties	99.25	7,599.30
Less: provision for doubtful	(99.25)	(7,599.30)
	41,262.05	**27,252.36**

Notes to the Accounts as at March 31, 2012

Rs lakhs

22. REVENUE FROM OPERATIONS	March 31, 2012	March 31, 2011
Sale of products	162,157.37	157,512.88
Other operating revenues		
Sale of other materials	486.59	432.92
Contract & Technical Research fees	3,462.26	691.88
Development & License fee	867.88	1,775.72
Others	8,088.18	7,667.09
(includes Rs 188.03 lakhs (Previous year Rs 2202.93 lakhs) towards settlement of the Company's claim under Para IV litigation)		
Less: Excise duty	(1,429.22)	(1,745.99)
	173,633.06	**166,334.50**

Rs lakhs

23. OTHER INCOME	March 31, 2012	March 31, 2011
Dividend income from Joint venture	-	264.11
Dividend income	1.59	2.99
Profit on sale of fixed assets	-	125.31
Provision no longer required of Rebates & Discounts written back	2,700.00	-
Provision for diminution in value of investments written back	1,487.66	-
Provision for doubtful advances written back	7,516.55	-
Less: Transfer to Amalgamation Reserve	(9,004.21)	-
Net gain on foreign currency translation and transaction	2,748.37	4,119.85
Other non-operating income	131.21	367.70
	5,581.17	**4,879.96**

Rs lakhs

24. EMPLOYEE BENEFITS EXPENSE	March 31, 2012	March 31, 2011
Salaries & Wages	12,838.53	11,872.37
Contribution to provident and other funds	1,074.64	1,123.09
Staff Welfare expenses	1,551.42	1,143.00
	15,464.59	**14,138.46**

Auditors' Report
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Notes to the Accounts as at March 31, 2012

Rs lakhs

25. FINANCE COSTS	March 31, 2012	March 31, 2011
Interest expenses	17,383.09	10,000.53
Other borrowing costs	522.20	1,575.97
	17,905.29	**11,576.50**

Rs lakhs

26. OTHER EXPENSES	March 31, 2012	March 31, 2011
Power and Fuel	8,572.39	7,253.88
Conversion Charges	6,242.99	4,405.35
Consumption of Stores, Spares & Chemicals	3,233.02	3,915.69
Rent	54.22	35.34
Repairs to buildings	300.88	383.69
Repairs to Machinery	277.91	357.76
Factory maintenance	2,414.10	2,373.40
Insurance	1,728.01	1,282.67
Rates & Taxes	184.86	349.13
Postage, Telephone & Telex	143.61	160.68
Printing & Stationery	304.17	281.87
Vehicle Maintenance	72.43	60.66
Research & Development Expenses (Refer Note no. 40)	6,471.18	2,537.64
Advertisement	9.40	38.48
Recruitment expenses	125.88	139.71
Auditors' Remuneration		
Auditor	67.25	65.00
Taxation	9.75	9.75
For other services	17.42	14.95
For reimbursement of expenses	3.68	3.85
Cost Audit fee	15.00	14.58
Travelling and Conveyance	2,016.29	1,564.12
Directors' Remuneration & perquisites	657.80	897.49
Directors' travelling		
Inland	19.76	14.11
Overseas	72.90	67.82
Directors' sitting fees	9.40	13.20
Loss on sale of Investments	1.93	-
Loss on sale of fixed asset / written-off	555.70	66.50
Freight outward	2,033.41	1,909.79
Commission on Sales	1,622.04	1,329.86
Business Promotion and Selling Expenses	1,749.46	1,421.55
Consultancy & Professional Fees	2,075.08	3,863.10
Provision for Losses of subsidiary companies	-	2,404.87
Miscellaneous expenses	2,928.77	2,140.36
Less : Loss of profit - Insurance claim	-	(830.01)
	43,990.69	**38,546.84**

Notes to the Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
27. EXCEPTIONAL ITEMS		
Exchange rate loss on FCCBs / FCTLs	6,125.51	(3,257.07)
Research & Development expenses	-	1,187.98
One time closure expenses of Alathur Plant	2,262.63	-
	8,388.14	**(2,069.09)**

Rs lakhs

	March 31, 2012	March 31, 2011
28. ESTIMATED AMOUNTS OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT (NET OF ADVANCES) AND NOT PROVIDED FOR	5,837.11	7,341.00

Rs lakhs

	March 31, 2012	March 31, 2011
29. A. OTHER MONIES FOR WHICH COMPANY IS CONTINGENTLY LIABLE :		
- Bills Discounted	34,337.40	29,881.05
- Unexpired Letters of Credit	13,652.80	8,867.50
- Bank Guarantees outstanding	112.22	107.06
- Corporate Guarantee in respect of a Subsidiary Company	1,526.40	
- Claims against the Company not acknowledged as debts		
Excise demands under dispute pending before Excise authorities	748.58	2,186.94
Service Tax dispute pending before High Court of Chennai	175.69	176.53
Income tax dispute pending before High Court of Chennai	4,054.98	-
B. PROVISION AND CONTIGENCIES IN ACCORDANCE WITH AS 29 :		
Opening Balance	12,000.00	4,000.00
Additions during the year	(10,700.00)	-
Closing Balance	**1,300.00**	**4,000.00**

30. The accounts of Bexel Pharmaceuticals Inc., a subsidiary of the Company has been on the basis of Development Stage Company. The Company will provide adequate financing to fund the ongoing projects during 2012-13 for a sum not exceeding Rs 15 crores.

The accounts of Diakron Pharmaceuticals Inc., a subsidiary of the Company has been on the basis of Development Stage Company. The Company will provide adequate financing to fund the ongoing projects during 2012-13 for a sum not exceeding Rs 10 crores.

Notes to the Accounts as at March 31, 2012

	Year ended March 31, 2012	Year ended March 31, 2011
31.		
A) Other Interest and Finance Charges after crediting interest receipts	168.12	526.22
TDS on interest receipts	18.99	33.92
B) Amount of interest capitalised	6,781.48	5,090.45

32. AMOUNTS DUE TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Identification of Micro, Small and Medium Enterprises Suppliers as defined under "The Micro, Small and Medium Enterprises Development Act 2006" is based on the information available with the management. As certified by the Management, the amounts overdue as on March 31, 2012 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to Rs Nil (Previous year Nil).

33. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE :

a) Derivative instruments that are outstanding

Particulars	March 31, 2012	March 31, 2011
Forward	-	35,672.00

b) The purpose for which the instruments have been acquired is for hedging the foreign currency exposures.

c) The Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise

	Currency	March 31, 2012 Foreign Currency	March 31, 2012 Rs lakhs	March 31, 2011 Foreign Currency	March 31, 2011 Rs lakhs
i) Receivables Outstanding					
	US$	21,719,931	11,010.30	79,690,107	37,044.40
	EUR	917,153	621.09	487,939	303.98
	GBP	7,244	5.45	7,244	5.28
ii) Payables Outstanding	US$	743,272	367.67	19,256,881	8,785.98
	EUR	-	-	245,757	188.76
	JPY	23,231,572	142.78	-	-
	Others	-	55.12	-	27.26
iii) Advance Paid	GBP	191,976	156.44	246,425	210.59
	US$	-	-	8,020,283	3,575.44
	EUR	11,554,412	7,405.23	-	-
	CHF	-	-	5,359	2.20
	JPY	-	-	551,539	3.96
iv) FCCB	US$	-	-	117,422,000	52,358.47
v) Loans	US$	154,115,770	78,414.10	70,619,244	31,489.12

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Notes to the Accounts as at March 31, 2012

34.

A) RELATED PARTY TRANSACTIONS

In accordance with Accounting Standard 18, the disclosure required is given below:

Rs lakhs

Nature of Transaction		Subsidiary	Joint venture	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence
Finance - Equity Contribution	Diakron	1,249.37	-	-	-
		(801.91)	(-)	(-)	(-)
- Share application money pending allotment	Diakron	-	-	-	-
		(744.40)	(-)	(-)	(-)
- Loans & Advances	Others	-	-	-	-
		(70.04)	(-)	(-)	(-)
	Orchid Pharmaceuticals Inc	229.00	-	-	-
		(1,017.46)	(-)	(-)	(-)
	ORLL	-	-	-	-
		(3,252.24)	(-)	(-)	(-)
	Bexel	340.74	-	-	-
		(-)	(-)	(-)	(-)
Sale of goods	Karalex	7,295.31	-	-	-
		(4,892.60)	(-)	(-)	(-)
	NCPC, China	-	352.82	-	-
		(-)	(2,611.35)	(-)	(-)
Rendering of Services / Interest Income / Rent	ORLL	-	-	-	-
		(121.20)	(-)	(-)	(-)
Availment of Services / Rent	Orgenus	138.76	-	-	-
		(185.54)	(-)	(-)	(-)
	Orchid Europe	161.89	-	-	-
		(149.30)	(-)	(-)	(-)
	Karalex	-	-	-	-
		(340.82)	(-)	(-)	(-)
	Spectrasoft	-	-	-	268.94
		(-)	(-)	(-)	(215.05)
	R Vijayalaxmi	-	-	-	-
		(-)	(-)	(-)	(-)
- Remuneration		-	-	657.80	-
Amounts due at the end of the year - Debit		4,619.91	2.55	-	(-)
		(13,632.76)	(7.82)	(-)	-
Amounts due at the end of the year - Credit		-	-	-	(-)
		(-)	(-)	(-)	(18.31)

(Figures in brackets are for previous year)

Notes to the Accounts as at March 31, 2012

Names of the related parties and description of relationship.

1	Subsidiary	Orchid Europe Limited, UK
		Orchid Pharmaceuticals Inc., USA
		Orgenus Pharma Inc., USA (Subsidiary of Orchid Pharmaceuticals Inc., USA.)
		Orchid Pharma Inc / Karalex Pharma (Subsidiary of Orchid Pharmaceuticals Inc., USA)
		Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa
		Bexel Pharmaceuticals Inc., USA
		Diakron Pharmaceuticals Inc., USA
		Orchid Pharma Japan KK
2	Joint Venture	NCPC Orchid Pharmaceuticals Company Limited (NCPC, China)
3	Key Management Personnel	Mr K Raghavendra Rao, Chairman & Managing Director
		Mr S Krishnan, Executive Director
4	Relatives of Key Management Personnel	Ms R Vijayalakshmi (wife of Mr K Raghavendra Rao)
		Ms R Divya and Ms R Sowmya (daughters of Mr K Raghavendra Rao)
5	Companies in which relatives of Key Management personnel exercise significant influence	Spectrasoft Technologies Limited, India.

All whole time Directors have been considered as Key Management Personnel as they are involved in planning, directing and controlling the activities of the reporting enterprise.

B) INFORMATION ON LOANS & ADVANCES AS PER CLAUSE 32 OF THE LISTING AGREEMENT

Rs lakhs

		Balance as on March 31, 2012	Maximum amount outstanding during the year
Subsidiary -			
	Orchid Europe Limited, UK	548.83	548.83
	Orchid Pharmaceuticals Inc., USA	1,304.52	1,304.52
	Bexel Pharmaceuticals Inc., USA	2,766.56	2,766.56
Joint Venture -	NCPC Orchid Pharmaceuticals Company Ltd., China	2.55	7.82

Notes to the Accounts as at March 31, 2012

35. CURRENT TAX INCLUDES Rs NIL (PREVIOUS YEAR- Rs 122.70 LAKHS) RELATING TO PRIOR YEARS

Provision for Deferred tax for the year (Rs 2337.22 lakhs) (Previous year Rs 925.38 lakhs)

Deferred Tax liability represents the following

Rs lakhs

	March 31, 2012	March 31, 2011
Timing Difference on account of Depreciation	25,688.51	19,455.56
Timing Difference on account of Financial charges	1,087.43	-
Timing Difference on account of Losses	(9,657.60)	-

In accordance with Clause 29 of Accounting Standard (AS22) Deferred tax Assets and Deferred tax Liabilities have been set off. Deferred tax assets in respect of unabsorbed depreciation and losses under tax laws have been recognised in view of the continued and consistant profitability of the Company.

36. SEGMENTAL REPORTING

The Company was disclosing segment information classifying the business as Bulk drugs and Formulations till the financial year 2004-05. However in view of integration of bulk actives and formulations business, with the commissioning of Generics formulation facilities from the financial year 2005-06 , the Company considers the business as one interrelated and integrated business of "Pharmaceutical products" and hence no separate segmental reporting is provided.

37. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPH 3, 4C & 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

A) Value of Raw Materials, Spare Parts and components consumed during the year

Rs lakhs

	Year ended March 31, 2012		Year ended March 31, 2011	
	Percentage	Amount	Percentage	Amount
Raw Materials				
Imported	57.01%	45,744.02	60.48%	52,989.97
Indigenous	42.99%	34,497.48	39.52%	34,629.72
	100.00%	80,241.50	100.00%	87,619.69
Spare Parts, Consumables & Packing Material				
Imported	14.09%	455.52	12.56%	541.72
Indigenous	85.91%	2,777.49	87.44%	3,772.97
	100.00%	3,233.02	100.00%	4,314.69

Notes to the Accounts as at March 31, 2012

B) Earnings In Foreign Exchange during the year

Rs lakhs

	March 31, 2012	March 31, 2011
F.O.B. Value of Exports	84,665.93	72,585.33
Export of Services including royalty/ knowhow (net of withholding tax)	4,617.97	6,092.06

C) C.I.F Value of Imports (on cash basis)

Rs lakhs

	March 31, 2012	March 31, 2011
Raw Materials	45,945.16	47,157.56
Capital Goods	23,049.70	7,841.27
Spare Parts, Components , Consumables & Packing materials	1,894.84	2,732.76

D) Expenditure in Foreign Currency (on cash basis)

Rs lakhs

	March 31, 2012	March 31, 2011
Travelling Expenses	179.76	202.20
Interest & Bank Charges	5,040.30	1,688.64
Professional/Consultancy Fees	2,160.28	3,425.17
Others	3,920.21	3,211.77

E) Dividend Remittances in Foreign Currency during the year

Rs lakhs

Year to which dividend relates	2010-11 Final	2009-10 Final
No. of Non Resident Share Holders	1	2
No. of Shares held by Non Resident Share Holders	15,000	3,176,713
Gross Dividend (Rs lakhs)*	0.45	317.67
Net Dividend (Rs lakhs)*	0.45	317.67

* represents only shares in respect of which dividend is remitted in foreign currency by the Company

Notes to the Accounts as at March 31, 2012

38. RECONCILIATION OF BASIC AND DILUTED SHARES USED IN COMPUTING EARNINGS PER SHARE (EQUITY SHARES OF RS 10/-EACH FULLY PAID-UP)

		Year ended March 31, 2012	Year ended March 31, 2011
Profit After Tax before extraordinary item	Rs lakhs	2,311.16	15,948.36
Profit After Tax after extraordinary item	Rs lakhs	10,311.16	15,948.36
No of Shares Outstanding	Nos.	70,442,076	70,442,076
Weighted Average Number of shares	Nos.	70,442,076	70,442,076
Earnings per Share - Basic before extraordinary item	Rs	3.28	22.64
Earnings per Share - Basic after extraordinary item	Rs	14.64	22.64
Total No of Equity shares to compute diluted EPS	Nos.	71,296,076	85,250,661
Earnings per Share - Diluted before extraordinary item	Rs	3.24	18.71
Earnings per Share - Diluted after extraordinary item	Rs	14.46	18.71

39.

A) DETAILS OF GROUP COMPANIES

Name of Subsidiary/Joint Venture	Country	Type of Holding	Percentage of holding	Nature of relationship	Nature of Business
Orchid Europe Limited	U.K	Equity	100%	Subsidiary	Marketing
NCPC Orchid Pharmaceuticals Company Limited	China	Equity	50%	Joint Venture	Manufacturing
Bexel Pharmaceuticals Inc.*	USA	Convertible Preferred stock with equal voting rights as Common stock and Common stock	100%	Subsidiary	Research
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	Services
Orgenus Pharma Inc.	USA	-	-	Subsidiary of Orchid Pharmaceuticals Inc.	Services
Orchid Pharma Inc. / Karalex Pharma	USA	-	-	Subsidiary of Orchid Pharmaceuticals Inc.	Marketing
Orchid Pharmaceuticals SA (Proprietary) Limited	South Africa	Equity	100%	Subsidiary	Marketing
Orchid Pharma Japan KK	Japan	Equity	100%	Subsidiary	Marketing
Diakron Pharmaceuticals Inc. *	USA	Convertible Preferred stock and Common stock	76.40%	Subsidiary	Research

* Preferred stock has been considered as common stock for the purpose of calculating the percentage of holding since Preferred stock has the same voting rights as common stock.

Notes to the Accounts as at March 31, 2012

B) THE COMPANY'S SHARE OF INTEREST IN ASSETS, LIABILITIES, INCOME AND EXPENSES OF JOINT VENTURE COMPANIES:

Rs lakhs

	March 31, 2012	March 31, 2011
Fixed Assets	3,466.48	3,164.80
Current Assets	7,943.64	7,544.65
Current Liabilities	3,977.67	4,188.07
Loans	-	1,033.50
Income	13,503.42	12,479.44
Expenses	12,473.64	11,348.60

40. EXPENDITURE ON RESEARCH AND DEVELOPMENT

Rs lakhs

	March 31, 2012	March 31, 2011
Capital expenditure	1,449.10	642.78
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	6,471.18	3,326.62
	7,920.28	**3,969.40**
Revenue Research and Development Expenses include :		
Power and Fuel	424.62	152.51
Consumption of Stores, Spares & Chemicals	795.17	768.33
Salaries,Wages and Bonus	2,593.35	1,683.40
Contribution to Provident & other funds	230.77	138.36
Staff Welfare	202.27	123.17
Rates & Taxes	25.09	21.39
Insurance	33.09	12.57
Postage, Telephone & Telex	20.66	10.30
Printing & Stationery	29.17	16.52
Vehicle Maintenance	12.66	6.03
Recruitment expenses	19.66	27.59
Travelling and Conveyance	89.20	69.42
Loss on Sale of Asset	1.35	0.78
Testing Charges	1,070.10	40.75
Consultancy & Professional Fees	416.92	32.86
Others	507.12	222.64
	6,471.18	**3,326.62**

Notes to the Accounts as at March 31, 2012

41. DISCLOSURE AS REQUIRED BY ACCOUNTING STANDARD 15 (REVISED) ON EMPLOYEE BENEFITS

A) Defined Contribution Plan

i) The Company contributes 12% of the salary for all eligible employees towards providend fund managed by the Central Government.

ii) The Company also contributes a certain percentage of salary for all eligible employees in managerial cadre towards Superannuation Funds managed by Life Insurance Corporation of India.

B) Defined Benefit Plan

Rs lakhs

	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	Gratuity (Funded)		Leave Encashment (Unfunded)	
1) Reconciliation of opening and closing balances of Defined Benefit obligation				
Defined Benefit Obligation at the beginning of the year	1,670	1,338	1,079	824
Current Service Cost	190	358	351	435
Interest Cost	130	100	80	59
Acturial (gain)/ loss	(842)	(13)	(485)	(108)
Benefits paid	(95)	(173)	(152)	(160)
Defined Benefit Obligation at the year end	1,053	1,610	873	1,050
2) Reconciliation of opening and closing balances of fair value of plan assets				
Fair Value of plan assets at the beginning of the year	777	535		
Expected return on plan assets	74	71		
Acturial gain / (loss)	(66)	(70)		
Employer contribution	-	250		
Benefits paid	(86)	(34)		
Fair value of plan assets at year end	697	751		
Actual return on plan assets	7	1		
3) Reconciliation of fair value of assets and obligations				
Fair value of plan assets	697	776	-	-
Present value of obligation	1,053	1,670	873	1,079
Amount recognised in Balance Sheet	354	893	873	1,079
4) Expense recognised during the year				
Current Service Cost	190	358	351	435
Interest Cost	130	100	80	59
Expected return on plan assets	(74)	(71)	-	-
Acturial (gain) / loss	(775)	57	(485)	(108)
Net Cost	(529)	443	(54)	386
5) Investment Details	% Invested			
Funds Managed by Insurer	100%	100%		
6) Acturial assumptions				
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of retun on plan assets (per annum)	10.00%	10.00%	-	-
Rate of escalation in salary (per annum)	10.00%	10.00%	10.00%	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

Notes to the Accounts as at March 31, 2012

42. The Governement of India, Ministry of Corporate Affairs has issued a notification under Section 211(4) of Companies Act, 1956 dated February 08, 2011 exempting the disclosure of the quantitative details in compliance of Paras 3(i)(a), 3(ii)(a), 3(ii)(b) and 3(ii)(d) of Part II of Schedule VI of the Companies Act, 1956.

43. The Company has paid managerial remuneration to its Chairman and Managing Director, and Whole time Director amounting to Rs 657.80 lakhs The said remuneration in respect of the Chairman and Managing Director exceeds the limit prescribed under Schedule XIII by Rs 196.31 lakhs. The excess remuneration paid is subject to the approval of the members in General Meeting and from the Central Government.

44. Extraordinary item -net of tax represents write back of certain provisions made for rebates and discounts as the amounts have been fully realised during the year.

45. Previous year's figures have been re-grouped wherever necessary to conform to current year's classification.

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Cash Flow Statement for the year ended March 31, 2012

Rs lakhs

	For the year ended March 31, 2012	For the year ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	7,973.94	17,380.49
Adjustments for :		
Depreciation	14,905.56	12,845.43
Dividend Income	(1.59)	(267.10)
Provisions for doubtful debts/advances written back	(10,700.00)	-
Loss / (Profit) on sale of investment	1.93	-
Loss/ (Gain) on redemption / cancellation of FCCBs net	4,933.70	-
Loss of subsidiary companies	-	2,404.87
Loss / (profit) on sale of Fixed Assets	5,57.05	(58.02)
Foreign Exchange Rate Fluctuations - Unrealised	(1,046.63)	(1,598.93)
Interest Expense	17,905.29	11,576.50
Operating Profit before Working Capital Changes	34,529.25	42,283.24
Adjustments for :		
Trade and other Receivables	37,311.34	11,193.37
Inventories	(4,333.58)	(17,773.60)
Trade Payables	11,719.27	1,625.15
Cash generated from Operations	79,226.28	37,328.16
Income Taxes Paid	(2,880.47)	(6,116.53)
Net Cash from Operating Activities	76,345.81	31,211.63
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(29,169.40)	(37,688.20)
Proceeds from Sale / Deletion of Fixed Assets	97.99	1920.13
Proceeds from Purchase / Sale of Current Investments(net)	(1.93)	-
Investments in Subsidiaries	(1,848.46)	(685.31)
Dividends received	1.59	267.10
Net cash from Investing Activities	(30,920.21)	(36,186.28)

Cash Flow Statement for the year ended March 31, 2012

Rs lakhs

	For the year ended March 31, 2012	For the year ended March 31, 2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from / (Repayment) of Working Capital Borrowings	14,802.23	(9,515.02)
Proceeds from Long Term Borrowings	71,840.82	49,865.81
Repayment of Long Term Borrowings	(25,090.99)	(11,335.00)
Proceeds from Short Term Borrowings	5,000.00	12,800.00
Cancellation of issue of FCCBs(net of expenses)	(82,408.17)	(11,409.52)
Repayment of Short Term Borrowings	(5,000.00)	(12,800.00)
Proceeds from /(Repayment of) HP Finance	(24.06)	(54.68)
Interest paid	(24,458.44)	(16,666.95)
Dividend paid including dividend distribution tax	(2,490.16)	(8,180.09)
Net cash from Financing Activities	(47,828.77)	(7,295.45)
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,403.17)	(12,270.10)
Cash and Cash equivalents at the beginning of period	19,317.68	31,587.78
Cash and Cash equivalents at the end of period	16,914.51	19,317.68
Reconciliation Statement		
Cash and bank balances as per Balance Sheet	17,262.14	20,996.39
Less : Margin Money Deposit	268.73	1,602.16
Unclaimed Dividend	78.90	76.55
Cash and Cash equivalents as per cash flow	16,914.51	19,317.68

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Consolidated Auditors' Report

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF ORCHID CHEMICALS & PHARMACEUTICALS LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES.

To The Board of Directors
Orchid Chemicals & Pharmaceuticals Limited

1. We have audited the attached Consolidated Balance Sheet of Orchid Chemicals & Pharmaceuticals (the "Company") and its subsidiaries and joint ventures (together the "Group"), as at March 31, 2012 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards in India. These 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 estimate made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. a) The financial statements of four subsidiaries which represent as at March 31, 2012, total Assets (net) of Rs 492.13 lakhs (Previous year Rs 853.83 lakhs) and total revenue for the year ended of Rs 8,011.84 lakhs (Previous year Rs 5,712.13 lakhs) have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our audit of the consolidated Financial Statements and our opinion, in so far as it relates to the amounts included in respect of such subsidiary is based solely on the report of the other auditors.

   b) The audited financial statements for the year ended March 31, 2012 were not available in respect of two subsidiaries and one joint venture of the company. Consequently, such subsidiaries and joint ventures have been accounted for in the Consolidated Financial Statements, on the basis of unaudited financial statements provided by the management of such subsidiaries and joint venture.

   The total assets (net) of Rs 4,714.22 lakhs as at March 31, 2012 (Previous year Rs 2,345.23 lakhs) and total revenue for the year then ended of Rs 13,712.61 lakhs (Previous year Rs 12,655.98 lakhs) in respect of such subsidiaries and share of joint ventures are included in the consolidated Financial Statements.

   Our opinion, in so far as it relates to the amounts included in respect of such subsidiaries and joint ventures, is based solely on the accounts as provided by the management of such subsidiaries and joint venture.

Consolidated Auditors' Report

4. Subject to our remark in Para 3 (b) above:

   a) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards -

      AS - 21 - Consolidated financial statements

      AS - 27 - Financial Reporting of Interests in Joint ventures,

      on the basis of the separate audited financial statements of Orchid Chemicals & Pharmaceuticals

      Limited and the audited/unaudited financial statements of subsidiary companies and joint venture companies as mentioned above, considered in the consolidated financial statements.

   b) In our opinion, on the basis stated in paragraph (2) above, and on the consideration of separate audit reports on and management approved accounts of individual financial statements of the company, its aforesaid subsidiaries and joint ventures, the 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 March 31, 2012;

      ii. In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and

      iii. In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

5. Attention is drawn to the remarks of the Auditors of a subsidiary company given in the Note No. 31 to the Consolidated Financial Statements

For **SNB Associates**
Firm Registration No. 015682N
Chartered Accountants

B Mahalingam
Partner
Membership No. 210408

Place: Chennai
Date: May 14, 2012

Consolidated Balance Sheet as at March 31, 2012

Rs lakhs

Particulars			Note	March 31, 2012	March 31, 2011
I	**EQUITY AND LIABILITIES**				
	1	**Shareholders' Funds**			
	a	Share capital	6	7,044.21	7,044.21
	b	Reserves and Surplus	7	111,010.41	99,880.21
	2	**Non-current liabilities**			
	a	Long term borrowings	8	107,414.70	60,406.11
	b	Deferred tax liabilities (Net)	34	17,007.41	19,360.29
	c	Other Long term liabilities	9	4,634.08	4,235.35
	d	Long term provisions	10	771.97	964.29
	3	**Current liabilities**			
	a	Short term borowings	11	64,706.04	48,986.09
	b	Trade payables	12	40,066.37	33,516.33
	c	Other current liabilities	13	40,695.82	100,522.89
	d	Short term provisions	14	5,002.84	15,916.10
	4	**Minority Interest**		282.28	192.34
	Total			**398,636.13**	**391,024.21**
II	**ASSETS**				
	1	**Non-current assets**			
	a	Fixed Assets	15		
		Tangible assets		201,738.82	169,117.24
		Intangible assets		5,649.20	5,058.55
		Capital work in progress		32,891.06	32,166.19
		Intangible assets under development		2,334.35	1,062.72
	b	Non-current investments	16	81.19	81.19
	c	Foreign currency Monetary item Translation difference Account	2 (j)	4,824.13	-
	d	Long term loans and advances	17	16,782.68	28,782.40
	e	Other non-current assets	18	303.64	2,125.78
	2	**Current assets**			
	a	Inventories	19	66,872.54	61,762.51
	b	Trade receivables	20	11,323.70	51,347.87
	c	Cash and cash equivalents	21	17,859.52	20,108.37
	d	Short term loans and advances	22	37,975.30	19,411.39
	Total			**398,636.13**	**391,024.21**

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Consolidated Profit & Loss Statement for the year ended March 31, 2012

Rs lakhs

	Particulars	Note	March 31, 2012	March 31, 2011
I	Revenue from operations	23	187,360.17	178,179.02
II	Other income	24	5,619.27	4,471.99
III	**Total Revenue**		**192,979.44**	**182,651.01**
IV	Expenses			
	Cost of materials consumed		89,767.62	95,707.45
	Purchases of Stock-in-Trade		3,438.65	3,688.01
	Changes in inventories of finished goods, Work-in-Progress and Stock-in-Trade		(5,575.39)	(12,506.19)
	Employee benefits expense	25	17,641.35	16,473.24
	Finance costs	26	17,975.31	11,675.19
	Depreciation and amortisation expenses	15	15,373.65	13,350.40
	Other expenses	27	46,426.49	39,175.49
	Total Expenses		**185,047.68**	**167,563.59**
V	Profit before exceptional and extraordinary items and tax		7,931.76	15,087.42
VI	Exceptional items	28	8,388.14	(2,069.09)
VII	Profit before extraordinary items and tax		(456.38)	17,156.51
VIII	Extraordinary items	39	(8,000.00)	-
IX	Profit before tax		7,543.62	17,156.51
X	Tax expense			
	Current tax		129.72	2,457.97
	Deferred tax	34	(2,333.93)	(920.18)
XI	Profit / (Loss) for the period		9,747.83	15,618.72
XII	Earnings per share			
	Basic (Rs)		13.84	22.17
	Diluted (Rs)		13.67	18.32

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Notes to the Consolidated Accounts as at March 31, 2012

1. THE COMPANY AND DESCRIPTION OF BUSINESS

Orchid Chemicals & Pharmaceuticals Limited was incorporated in India in July 1992 and started commercial production in February 1994. The Company manufactures Active Pharmaceutical Ingredients as 100% export oriented unit, and manufactures and sells finished dosage forms (formulations) in domestic and export markets. The Company also has full-fledged R&D facilities. The Company has invested in the following companies :

a) Orchid Europe Limited, a company formed in the United Kingdom initially to market nutraceuticals through mail order/ direct marketing in the United Kingdom and Europe.

b) NCPC Orchid Pharmaceuticals Company Limited incorporated in China, engaged in the business of manufacture and sale of bulk drugs.

c) Bexel Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development.

d) Orchid Pharmaceuticals Inc., USA to provide services in USA. It has a wholly owned subsidiaries "Orgenus Pharma Inc., USA" which provides services in USA and "Orchid Pharma Inc./Karalex Pharma." which sells pharmaceutical products in USA.

e) Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa to register and market formulations in South Africa.

f) Orchid Pharma Japan KK, Japan to market bulk drugs and formulations in Japan.

g) Diakron Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development.

The Company, its Subsidiaries and its Joint Ventures are collectively referred as "the Group".

Consolidation

The Company's consolidated financial statement has been prepared on the following basis.

Name of Subsidiary/ Joint Venture	Country	Type of Holding	Percentage of Holding	Nature of Relationship	Accounting Standard adopted for consolidation of accounts
			%		
Orchid Europe Limited	U.K	Equity	100.00	Subsidiary	AS 21*
Orchid Pharmaceuticals Inc.	USA	Common Stock	100.00	Subsidiary	AS 21*
Orgenus Pharma Inc.	USA	Equity	100.00	Subsidiary of Orchid Pharmaceuticals Inc.,	AS 21*
Orchid Pharma Inc./ Karalex Pharma	USA	Equity	100.00	Subsidiary of Orchid Pharmaceuticals Inc.,	AS 21*
Orchid Pharmaceuticals SA (Proprietary) Limited	South Africa	Equity	100.00	Subsidiary	AS 21*
NCPC Orchid Pharmaceuticals Company Limited	China	Equity	50.00	Joint Venture	AS 27**
Bexel Pharmaceuticals Inc.***	USA	Convertible Preferred stock with equal voting rights as Common stock	100.00	Subsidiary	AS 21**
Orchid Pharma Japan KK	Japan	Equity	100.00	Subsidiary	AS 21*
Diakron Pharmaceuticals Inc.***	USA	Convertible Preferred stock and Common stock	76.40	Subsidiary	AS 21*

Notes to the Consolidated Accounts as at March 31, 2012

* based on the Audited accounts

** based on the Management approved accounts

*** Preferred stock has been considered as common stock for the purpose of calculating the percentage of holding since Preferred stock has the same voting rights as common stock.

Convenience Translation

The accounts of the Subsidiary companies and Joint Venture company have been prepared in their respective currencies. For the purpose of convenience the balances are translated into Indian currency, being the reporting currency in the consolidated financial statements, at the closing rate as at March 31, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The Financial Statements are prepared under historical cost convention. The presentation of the accounts is based on the revised Schedule VI of Companies Act 1956, applicable from the current financial year with effect from April 1, 2011. Accordingly previous year figures are re-aligned to make it comparable with the current year figures. Revenues are recognised and expenses are accounted on their accrual with necessary provisions for all known liabilities and losses.

b) Fixed Assets

(i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.

(ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard (AS 10).

(iii) Brands represent brands acquired by the company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.

(iv) INTERNALLY GENERATED INTANGIBLE ASSETS - DMF and ANDA

DMF and ANDA costs represent expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files("DMF") and Abbreviated New Drug Applications("ANDA"), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.

The cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs applicable as per terms of agreement or over a period of five years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.

(v) Assets are depreciated on straight line basis at the rates specified in Schedule XIV of the Companies Act, except in respect of the following assets, where the useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The revised useful life of the assets have been determined by the Management based on technical assessment.

Asset Categories	Useful life
Reactors, Pipes, Pipe fittings, Valves, Motors, Pumps, Nitrogen Plant, Gear Boxes, Cables and Centrifuges Evaporator (Indigenous), Jet aeration system (indigenous), Ventilation & Exhaust system, HCL column,ETP (indigenous), scrubber, incenarator (indigenous) & Instrumentation items	9 years

Depreciation is provided at rate arrived based on useful life or Schedule XIV rates whichever is higher.

Notes to the Consolidated Accounts as at March 31, 2012

(vi) Leasehold assets cost is amortised over the period of the Lease.

(vii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceeding the month of disposal, as applicable.

(viii) Impairment of assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

c) Borrowing Costs

Borrowing costs includes interest, amortisation of ancillary cost incurred in connection with borrowings. Cost incurred for raising long term borrowings have been amortised over the period of the loan.

Interest cost on qualifying asset being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalised at the weighted average rate of the funds borrowed and utilised for acquisition of such assets.

d) Treatment of expenditure during construction period.

Expenditure during construction period is included under capital work-in-progress and the same is allocated to the respective fixed assets on the completion of construction.

e) The excess of cost to the Company of its interest in subsidiaries / joint ventures over its share of net assets of such subsidiaries / joint ventures at the date of acquisition of interest is recognised as goodwill on consolidation. Goodwill arising on consolidation is not amortised.

f) Investments

Investments considered long term are shown at cost. Diminution in the value of investments other than temporary are provided for. Current investments are valued at lower of cost and market value.

g) Inventories

(i)	Stores & Spares	- At weighted average cost.
(ii)	Raw Materials	- At annual weighted average cost
(iii)	Finished Goods @	- At lower of cost or net realisable value
(iv)	Work in Progress & Intermediates @	- At lower of cost or net realisable value

@ After adjustment of unrealised profits on inter division transfer.

h) Revenue Recognition

Sales are recognised on dispatch of goods from the factory/ warehouse and price differentials are accounted for at the end of each quarter as per the terms of marketing arrangement. Sales are net of returns, discounts and inter-division transfers. Service income is recognised as per contractual terms. In respect of composite contracts involving development and other activities, income is recognised on the basis of contractual terms after considering the quantum of work completed.

i) Retirement Benefits

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC, SBI and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at March 31, as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.

Notes to the Consolidated Accounts as at March 31, 2012

j) Translation of Foreign Currency items

1) Non - Monetary foreign currency items are carried at cost.

2) All inter-related transactions are recognised at common rates.

3) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.

4) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated March 31, 2009 (AS 11). The Ministry of Company Affairs vide notification dated 29th December 2011 has extended the amortisation of gains or losses arising on reporting of Foreign Currency Monetary items over the balance period of such long term asset / liability. Accordingly exchange loss on Long term foreign currency loans have been amortised over the balance period of such loans. Adoption of this option has resulted in (a) amount remaining unamortised in the financial statements as on March 31, 2012 is Rs 4,824.13 lakhs (previous year (Rs Nil)) (b) The value of fixed assets adjusted for exchange gain is Rs 467.34 lakhs (Previous year Gain of Rs 63.27 lakhs) (c) profit for the year is higher by Rs 4824.13 lakhs (Previous year - profits higher by Rs 3459.67 lakhs).

k) Subsidy on Fixed Assets

Subsidy received on fixed assets is credited to the cost of respective fixed assets.

3. During the year, Orchid Research Laboratories Limited (ORLL) was merged with Orchid Chemicals & Pharmaceuticals Limited (OCPL) in terms of High Court Order dated March 20, 2012 vide .Comp Pet No. 28 of 2012 . The Honourable High Court of Madras sanctioned the Scheme of Amalgamation for merger of Orchid Research Laboratories Limited with Orchid Chemicals & Pharmaceuticals Limited. The Financial statements have been prepared in accordance with the order of the High Court. The effective date of amalgamation for accouting purposes is March 30, 2012. The appointed date is April 01, 2010.
Orchid Chemicals & Pharmaceuticals Limited was incorporated in India in July 1992 and started commercial production in February 1994. The Company manufactures Active Pharmaceuticals Ingredients as 100% export oriented unit and sells finished dosage forms (formulations) in domestic and export markets. The Company also has full-fledged R & D facilities.

Orchid Research Laboratories Limited, India is engaged in pharmaceutical research and development.

Orchid Research Laboratories Limited was 100% subsidiary of OCPL. The share capital of ORLL was cancelled and no further issue of shares of OCPL was carried out.

The value of difference being surplus between the assets and liabilities of transferor company transferred to the transferee company, at book value, after making adjustment for inter corporate loans outstanding between transferror company and transferee company and as reduced by the cost of investment of the transferee company in the equity shares of the transferror company has been transferred to capital reserve in the books of the transferee company in accordance with the above referred court order.

4. Sales tax recoverable has been recorded on the basis of the claims submitted or in the process of being submitted, as per rules relating to EOU and which in the opinion of the Company are recoverable.

5. Excise duty on finished goods has been accounted on removal of goods from factory, wherever applicable. Finished goods at factory have been valued at cost exclusive of excise duty and no provision has been made for excise duty on such goods. The above treatment has no impact on Profit & Loss account.

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
6. SHARE CAPITAL		
Authorised :		
Equity shares		
150,000,000 (Previous year 100,000,000) Equity Shares of Rs 10/- each	15,000.00	10,000.00
Issued, Subscribed and Paid-Up		
70,442,076 (Previous year - 70,442,076) equity Shares of Rs10/- each fully paid.	**7,044.21**	**7,044.21**
Of the above 17,376,940 Equity shares of Rs10/- each were allotted as fully paid bonus shares by capitalisation of reserves.		
The reconciliation of the number of shares outstanding as at March 31, 2012 and March 31, 2011 is set out below:		
Number of shares at the beginning	70,442,076	70,442,076
Add: Allotment on exercise of ESOP	-	-
Number of shares at the end	70,442,076	70,442,076

Share Allotments during the preceeding five years

ESOP	**No. of shares**	**No. of shares**
2010-11	Nil	Nil
2009-10	Nil	Nil
2008-09	31,300	31,300
2007-08	34,485	34,485
2006-07	11,040	11,040
FCCB		
2006-07	1,152,069	1,152,069

The details of shareholder holding more than 5% shares is set out below :

	as at March 31, 2012		**as at March 31, 2011**	
Name of the Shareholder	No of shares	% held	No of shares	% held
K Raghavendra Rao	6,925,173	9.83	6,925,173	9.83
R Vijayalakshmi	6,821,155	9.68	4,986,290	7.08
Orchid Healthcare Pvt Ltd	3,646,324	5.18	3,646,324	5.18

A) ORCHID - ESOP 2010 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 21, 2010 the shareholders approved the scheme formulated under "ORCHID-ESOP 2010" for allotting 1,000,000 options. Accordingly 901,000 options were granted to the eligible Employees and the Executive Director except the Promoter Director by the Compensation Committee of the Board of Directors at a meeting held on October 28, 2010. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 329.55 per share, being the closing share price of Orchid in the National Stock Exchange on October 27, 2010, the day prior to the date of the meeting.

Notes to the Consolidated Accounts as at March 31, 2012

Considering the fall in the price of the shares of the Company and in the interest of the employees, the Compensation Committee of the Board of Directors at its meeting held on November 1, 2011 considered repricing of 864,500 options in force on the said date from Rs 329.55 to Rs 166.15 as per the closing share price of Orchid at National Stock Exchange on October 31, 2011. Out of the total options granted, 47,000 options have already lapsed and the remaining granted options in force as at March 31, 2012 under ORCHID-ESOP 2010 Scheme are 854,000.

The one year vesting period for the scheme ended on October 27, 2011 and the employees can exercise their right to convert the options into equity shares from October 28, 2011 onwards. The options will lapse on October 28, 2013, if they are not exercised within a period of 2 years from the date of vesting of options. As at March 31, 2012, no options were exercised

B) ORCHID-ESOP DIRECTORS 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved a scheme formulated as "ORCHID-ESOP DIRECTORS 2011 SCHEME" for allotting 500,000 options to the Directors of the Company. Accordingly 300,000 options were granted to the Directors of the Company including the Whole Time Director but excluding the Promoter Director, by the Compensation Committee of the Board of Directors at a meeting held on November 01, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 166.15 per share, being the closing share price of Orchid in the National Stock Exchange on October 31, 2011, the day prior to the date of the meeting. Out of the total options granted 50,000 have already lapsed and the remaining granted options in force as of March 31, 2012 under ORCHID-ESOP Directors 2011 Scheme are 250,000.

C) ORCHID-ESOP SENIOR MANAGEMENT 2011 SCHEME

In terms of the resolution passed by the company at the AGM held on July 29, 2011, the shareholders approved a scheme formulated as "ORCHID-ESOP SENIOR MANAGEMENT 2011 SCHEME" for allotting 1,000,000 options to the senior employees of the Company out of which 7,50,000 options will be granted to the employees of the Company and 250,000 options will be granted to the employees of its subsidiary companies. Accordingly 42,700 options were granted to the senior employees of the Company by the Compensation Committee of the Board of Directors at a meeting held on November 01, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 10/- each (i.e. At Par). 42,700 options are in force as at March 31, 2012 under ORCHID ESOP – SENIOR MANAGEMENT 2011 Scheme.

Rs lakhs

	March 31, 2012		March 31, 2011	
7. RESERVES & SURPLUS				
Capital Reserve		894.68		894.68
Securities Premium Account	41,321.16		41,032.43	
Add: Premium on Redemption of FCCBs	(2,254.94)	39,066.22	288.73	41,321.16
Capital Reserve on Amalgamation	-	-	-	-
Add: Created on account of amalgamation	9,004.21	9,004.21	-	-
General Reserve	57,712.07		42,712.07	
Add: Transferred from surplus	6,000.00		15,000.00	
Less: Transfers	-	63,712.07	-	57,712.07
Foreign Currency Fluctuation Reserve	1,994.00		1,292.42	
Add: Adjustments	1,197.65	3,191.65	701.58	1,994.00
Surplus in Profit & Loss Account	(240.84)		(61.42)	
Add: Surplus in Profit & Loss account	9,747.84		15,618.71	
Excess provision of dividend & tax of earlier year written back	482.25		2,174.29	
Adjustment on consolidation	(6,361.81)		(1,800.86)	
Balance available for appropriation		3,627.44		15,930.72
Less: Transferred to General Reserve	(6,000.00)		(15,000.00)	
Proposed Dividend and Tax	(2,485.86)	(8,485.86)	(2,972.42)	(17,972.42)
		111,010.41		**99,880.21**

Notes to the Consolidated Accounts as at March 31, 2012

The debit to Share Premium Account for premium on FCCBs and for issue expenses have been made on the gross value without adjusting any tax impact. Tax benefits accruing to the company on account of claiming such expenses will be credited to the SPA in the year in which the benefit is enjoyed by the company.

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the (loss)/gain of (Rs 2254.94 lakhs) (Previous year- Rs 288.73 lakhs) on account of such restatement during the year is adjusted to the Security Premium Account

Rs lakhs

	as at March 31, 2012		as at March 31, 2011	
8. LONG TERM BORROWINGS				
Secured				
Rupee Term loans	57,401.91		51,658.13	
Foreign Currency Term loan	78,414.10		32,522.62	
Foreign Currency Convertible Bonds (FCCB)	-	-	52,358.47	
Premium payble on redemption of FCCBs	-		22,393.72	
Less:- Current maturities transferred to Current liabilities	28,401.31	107,414.70	98,527.34	60,405.60
Long term maturities of finance lease		-		0.51
		107,414.70		**60,406.11**

Rs lakhs

	Repayment terms	Balance No of instalments due	Rate of interest	Amt due @
Rupee Term Loan	Monthly	118	14.75% to 16.25%	21,556.02
	Quarterly	55	14.75% to 16%	35,845.89
Foreign Currency Term Loan	Half yearly	10	LIBOR + 3.75%	24,226.90
	Quarterly	100	LIBOR + 3 to 4.6%	54,187.20

@ amount due includes for all installments in the respective category

Terms of repayment of loan- All Indian rupee loan from bank carries interest @14.75% to 16.25% p.a. These loans are repayable in 36 to 54 equivated monthly and 8 to 18 quarterly installments from the date of the origination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Shozhanganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 53672.89 lakhs are additionally secured by personal guarantee of Shri K Raghavendra Rao, Chairman & Managing Director of the Company.

Terms of repayment of loan- All Foreign Currency term loan carries interest @ LIBOR plus 3 to 4.6%. The loan is repayable in 8 to 24 quarterly and 10 half yearly installments from the date of the orgination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Shozhanganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 54187.20 lakhs are additionally secured by personal guarantee of Shri K Raghavendra Rao, Chairman & Managing Director of the Company.

The terms of the foreign currency term loan availed in February 2012 includes covenants pertaning to financial parameters such as limit on aggregate debt outstanding, debt service coverage ratio, ratio of net borrowings to EBDITA, Fixed assets coverage ratio, ratio of net borrowings to tangible networth etc., tested on the consolidated financial statements of the Company.

Hire purchase Loans are secured by the assets acquired through such loans.

Notes to the Consolidated Accounts as at March 31, 2012

The Company raised FCCBs during 2006-07 aggregating to US$ 175 million (Rs 77,358.75 lakhs) with an option to the investor to convert the FCCBs into equity shares of the Company at an initial conversion price of Rs 348.335 per share at a fixed rate of exchange on conversion Rs 43.93 = US$ 1, at any time after April 9, 2007 and prior to February 18, 2012. Further the Company had an option of early redemption of these FCCBs in whole at any time on or after February 28, 2010 and prior to February 21, 2012, subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs were to be redeemed on February 28, 2012 at 142.77 % of their principal amount. During the year 2008-09, the Company bought back FCCBs to the extent of US$ 37.80 million and the outstanding FCCBs as at March 31, 2009 was US$ 137.20 million.

During the year 2009-10, the Company bought back FCCBs to the extent of US$ 19.778 million and the outstanding FCCBs as at March 31, 2011 is US$ 117.422 million.

During the year 2011-12, the Company redeemed the outstanding FCCBs, including yield-to-maturity at 142.77% of the principal amount aggregating to US$ 167.64 million (Rs 82,408.00 lakhs) on the due date ie. February 28, 2012.

The Company raised FCCBs during the year 2005-06 aggregating to US$ 42.50 million (Rs 19,284.50 lakhs) including a green shoe option of US$ 5 million (Rs 2,289.50 lakhs) with an option to the investor to convert the FCCBs into equity shares or global depository receipts at an initial conversion price of Rs 243.80 per share at a fixed rate of exchange on conversion Rs 44.94 = US$ 1. Out of the above, FCCBs amounting to US$ 22.79 million (Rs 10,241.82 lakhs) were converted.

Further, the Company had an option of early redemption of these FCCBs at any time after November 03, 2006 subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs were to be redemeed on November 03, 2010 at 147.1688% of their principal amount.

During 2008-09, the Company bought FCCBs to the extent of US$ 2.25 million and the outstanding FCCBs as at March 31, 2010 was US$ 17.46 million. During the year 2010-11, the Company redeemed the outstanding FCCBs, aggregating to US$ 25.69 million (Rs 11,409.52 lakhs) including yield-to-maturity, on the due date i.e. November 03, 2010.

		Rs lakhs
	March 31, 2012	**March 31, 2011**
9. OTHER LONG TERM LIABILITIES		
Trade payables		
Expenses	806.46	1,238.68
Capital creditors	3,827.62	2,996.67
	4,634.08	**4,235.35**

		Rs lakhs
	March 31, 2012	**March 31, 2011**
10. LONG TERM PROVISIONS		
Provision for employee benefits- Gratuity & Leave encashment	771.97	964.29
	771.97	**964.29**

		Rs lakhs
	March 31, 2012	**March 31, 2011**
11. SHORT TERM BORROWINGS		
Secured		
Rupee & Foreign Currency Packing Credit/Cash credit & Advance against Bills	64,706.04	48,986.09
	64,706.04	**48,986.09**

Notes to the Consolidated Accounts as at March 31, 2012

Packing Credit and Advances against bills from Banks and Working Capital Loans from Banks are secured by first charge on all current assets namely, Stocks of Raw materials, Semi-finished & Finished Goods, Stores and Spares not relating to Plant & Machinery (Consumable Stores and Spares), Bills Receivable, Book Debts & all other movable property both present and future excluding such movables as may be permitted by the Banks/Financial Institutions from time to time and by second charge on immovable properties after charges created/ to be created on immovable assets in favour of Financial Institutions/Banks for securing Term Loans. The borrowings from banks are additionally secured by personal guarantee of Shri K Raghavendra Rao, Chairman & Managing Director of the Company.

Rs lakhs

	March 31, 2012	March 31, 2011
12. TRADE PAYABLES		
Supplies	28,594.18	28,258.11
Expenses	11,398.40	4,978.39
Others	73.79	279.83
	40,066.37	**33,516.33**

Rs lakhs

	March 31, 2012	March 31, 2011
13. OTHER CURRENT LIABILITIES		
Current maturities of Term loans/FCCBs (Refer Note no. 8)	28,401.31	98,527.34
Current maturities of finance lease obligations	0.51	25.78
Interest accrued but not due on borrowings	325.35	-
Advance received from Customers	6,858.47	1,149.40
Income received in advance- Customer	4,159.90	-
Unpaid dividends	78.90	76.55
Share Application money refundable	5.42	5.42
Security Deposits received from Agents	432.25	307.75
Statutory liabilities	433.71	430.65
	40,695.82	**100,522.89**

Deposit represents security deposits received from customers which are repayable on demand and carries interest @ 9.5% p.a.

Rs lakhs

	March 31, 2012	March 31, 2011
14. SHORT TERM PROVISIONS		
Provision for employee benefits- Gratuity & Leave encashment	1,216.98	943.69
Rebates/Discounts	1,300.00	12,000.00
Others:-		
- Proposed Dividend	2,138.88	2,557.52
- Tax on Proposed Dividend	346.98	414.89
	5,002.84	**15,916.10**

Notes to the Consolidated Accounts as at March 31, 2012

15. FIXED ASSETS

Rs lakhs

Sl No	Asset Description	Gross Block (At Cost) As at April 01, 2011	Additions / Adjustments during the year	Deletions/ Adjustments during the year	As at March 31, 2012	Depreciation/Amortisation Up to April 01, 2011	For the year	On Deletions	Up to March 31, 2012	Written Down Value As at March 31, 2012	As at March 31, 2011
	Tangible Assets										
1	Goodwill On Consolidation*	9,861.25	-	-	9,861.25	-	-	-	-	9,861.25	9,861.25
2	Freehold Land & Site Development@	3,259.29	8.81	-	3,268.10	-	-	-	-	3,268.10	3,259.29
3	Leasehold Land	331.55	-	-	331.55	36.16	3.55	-	39.71	291.84	295.39
4	Buildings	32,177.33	4,804.53	173.37	36,808.49	5,158.86	1,097.94	75.27	6,181.53	30,626.96	27,018.47
5	Plant & Machinery	187,791.87	41,359.69	1,249.98	227,901.58	70,100.49	12,549.25	781.70	81,868.04	146,033.54	117,691.38
6	Factory Equipment	670.78	123.84	68.41	726.21	243.56	26.98	31.33	239.21	487.00	427.22
7	Laboratory Equipment	11,761.46	1,045.35	-	12,806.81	3,112.33	590.61	-	3,702.94	9,103.87	8,649.13
8	Office Equipment	1,014.48	165.21	1.94	1,177.75	457.49	67.17	0.78	523.88	653.87	556.99
9	Furniture & Fittings	1,757.68	242.49	0.82	1,999.35	780.41	112.36	0.36	892.41	1,106.94	977.27
10	Vehicles	585.88	17.32	75.87	527.33	205.00	46.45	29.62	221.83	305.50	380.88
11	**Intangible Assets (Disclosure as Per AS 26)**										
	Acquired Brands & Trademarks **	2,778.16	-	-	2,778.16	2,682.23	95.93	-	2,778.16	-	95.93
	Patents & Registerations	1,634.84	-	-	1,634.84	618.33	87.58	-	705.91	928.93	1,016.51
	Internally Generated DMF and ANDA ***	5,134.20	1,350.86	-	6,485.06	2,136.36	439.05	-	2,575.41	3,909.65	2,997.84
	Computer Software	2,603.03	122.84	64.75	2,661.12	1,654.75	256.79	61.04	1,850.50	810.62	948.28
	Total	**261,361.80**	**49,240.94**	**1,635.14**	**308,967.60**	**87,185.97**	**15,373.66**	**980.10**	**101,579.53**	**207,388.07**	**174,175.83**
	Tangible Assets	249,211.57	47,767.24	1,570.39	295,408.42	80,094.30	14,494.31	919.06	93,669.55	201,738.87	169,117.27
	Intangible Assets	12,150.23	1,473.70	64.75	13,559.18	7,091.67	879.35	61.04	7,909.98	5,649.20	5,058.56
	Previous Year Figures ****	233,946.28	29,573.56	2,158.04	261,361.80	74,131.50	13,350.40	295.93	87,185.97	174,175.83	

* Refer Note 2 (e)

** Represents value of registrations and value of applications filed pending registration

*** Refer Note 2 (b) (v)

**** Excludes Intangibles under development

@Assets acquired pending for registration in favour of the company.

Rs lakhs

	March 31, 2012	March 31, 2011
Freehold Land	59.09	59.09
Fixed Assets include assets on Hire Purchase (Gross Block)	8.30	91.05

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Rs lakhs

	March 31, 2012	March 31, 2011
16. NON- CURRENT INVESTMENTS		
Quoted investments		
Others- Non-trade		
Bank of India -		
18,600 fully paid up Equity shares of Rs 10/- each	8.37	8.37
Aggregate market value of quoted investments	67.45	88.42
Unquoted investments		
Others		
Sai Regency Power Corporation Pvt.Ltd.- Traded	45.00	45.00
450,000 fully paid up equity shares of Rs10 each		
Madras Stock Exchange Ltd - Non Traded	23.99	23.99
911,430 fully paid up equity shares of Rs10/- each		
MSE Financial services Ltd	3.83	3.83
31,936 fully paid up equity shares of Rs10/- each		
Total	**72.82**	**72.82**
Aggregate value of Un-quoted investments	72.82	72.82
Grand Total of Investments	**81.19**	**81.19**

Rs lakhs

	March 31, 2012	March 31, 2011
17. LONG TERM LOANS AND ADVANCES		
Un Secured, Considered Good		
Capital advances	12,555.23	27,987.31
Prepaid Financial charges	3,351.61	-
Deposits with Government Agencies	540.44	372.80
Other Deposits	335.40	422.29
Doubtful		
Others	205.33	205.33
Less: Provision for doubtful	(205.33)	(205.33)
	16,782.68	**28,782.40**

Rs lakhs

	March 31, 2012	March 31, 2011
18. OTHER NON CURRENT ASSETS		
Secured, Considered Good		
Ear-marked balance transferred from Other Bank balances	303.64	2,125.78
	303.64	**2,125.78**

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
19. INVENTORIES		
Raw materials	12,706.06	14,715.35
Intermediates & WIP	32,502.37	28,919.92
Finished Goods	12,651.69	10,658.75
Traded Goods	3,693.52	2,305.34
Stores and Spare parts	2,984.26	2,956.59
Chemicals and Consumables	1,359.67	1,298.01
Packing Materials	974.97	908.55
	66,872.54	**61,762.51**

Rs lakhs

	March 31, 2012	March 31, 2011
20. TRADE RECEIVABLES		
Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	32.97	13.37
Unsecured, considered good	4,305.78	44,074.83
Other receivables		
Secured, considered good	624.89	413.77
Unsecured, considered good	6,360.06	6,845.90
	11,323.70	**51,347.87**

Rs lakhs

	March 31, 2012		March 31, 2011	
21. CASH AND CASH EQUIVALENTS				
Cash and Cash Equivalents				
Cash in hand	13.23		13.27	
Balances with Banks				
In current accounts	16,902.71		20,095.10	
Others- Term Deposits	943.58	17,859.52	-	20,108.37
Other Bank balances				
Ear-marked balances				
Margin Money deposit	100.91		848.47	
Unpaid Dividend	78.90		76.55	
Others- Term Deposits	123.83		1,200.76	
Less:- Ear-marked balance transferred to non- current assets	(303.64)	-	(2,125.78)	-
		17,859.52		**20,108.37**

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
22. SHORT TERM LOANS AND ADVANCES		
Un Secured, considered good		
Advances to Suppliers	23,172.42	9,256.25
Prepaid expenses	1,607.91	925.73
Balances with Statutory agencies	4,385.93	3,365.08
Rent advances	62.26	61.36
Employee advances	140.62	83.16
Advance Payment of Tax	8,534.51	5,656.09
Other Deposits	71.65	63.72
	37,975.30	**19,411.39**

Rs lakhs

	March 31, 2012	March 31, 2011
23. REVENUE FROM OPERATIONS		
Sale of products	175,844.83	169,743.62
Other operating revenues		
Sale of other materials	486.59	432.92
Contract & Technical Research fees	3,462.26	713.93
Development & License fee	867.88	1,867.50
Others	8,127.83	7,167.04
(includes Rs 188.03 lakhs (Previous year Rs 2202.93 lakhs) towards settlement of the company's claim under Para IV litigation)		
Less: Excise duty	(1,429.22)	(1,745.99)
	187,360.17	**178,179.02**

Rs lakhs

	March 31, 2012	March 31, 2011
24. OTHER INCOME		
Dividend income	1.59	2.99
Profit on sale of fixed assets	4.54	131.73
Provision no longer required of Rebates & Discounts written back	2,700.00	-
Net gain on foreign currency translation and transaction	2,774.22	4,090.77
Other non-operating income	138.92	246.50
	5,619.27	**4,471.99**

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

25. EMPLOYEE BENEFITS EXPENSE	March 31, 2012	March 31, 2011
Salaries & Wages	14,969.97	13,929.79
Contribution to provident and other funds	1,099.72	1,231.56
Staff Welfare expenses	1,571.66	1,311.89
	17,641.35	**16,473.24**

Rs lakhs

26. FINANCE COSTS	March 31, 2012	March 31, 2011
Interest expenses	17,597.53	14,854.31
Other borrowing costs	377.78	(3,179.12)
	17,975.31	**11,675.19**

Rs lakhs

27. OTHER EXPENSES	March 31, 2012	March 31, 2011
Power and Fuel	8,914.21	7,679.67
Conversion Charges	6,242.99	4,405.35
Consumption of Stores, Spares & Chemicals	3,235.10	4,300.08
Rent	199.84	154.35
Repairs to buildings	277.50	383.69
Repairs to Machinery	154.53	357.76
Factory maintenance	2,954.85	2,920.98
Insurance	1,800.83	1,330.18
Rates & Taxes	232.23	388.63
Postage, Telephone & Telex	154.21	194.87
Printing & Stationery	355.79	307.56
Vehicle Maintenance	72.43	63.84
Research & Development Expenses (Refer Note no. 36)	6,932.87	2,599.97
Advertisement	9.48	42.30
Recruitment expenses	125.88	146.18

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
27. OTHER EXPENSES (Contd.)		
Auditors' Remuneration		
Auditor	74.60	85.05
Taxation	9.75	9.75
For other services	17.42	14.95
for reimbursement of expenses	3.68	3.85
Cost Audit fee	15.00	14.58
Travelling and Conveyance	2,155.30	1,677.22
Directors' Remuneration & perquisites	657.80	897.49
Directors' travelling		
Inland	19.76	14.11
Overseas	72.90	67.82
Directors' sitting fees	9.40	13.75
Loss on sale of Investments	1.93	-
Loss on sale of fixed asset/written-off	560.24	66.50
Freight outward	2,267.26	2,220.28
Commission on Sales	1,980.80	1,790.49
Business Promotion and Selling Expenses	2,068.43	1,452.72
Consultancy & Professional Fees	1,790.48	3,950.54
Provision for doubtful debts & advances	-	103.64
Miscellaneous expenses	3,059.00	2,347.35
Less : Loss of profit - Insurance claim	-	(830.01)
	46,426.49	**39,175.49**

Rs lakhs

	March 31, 2012	March 31, 2011
28. EXCEPTIONAL ITEMS		
Exchange rate loss/(gain) on FCCBs / FCTL's	6,125.51	(3,257.07)
Research & Development expenses	-	1,187.98
One time closure expenses of Alathur Plant	2,262.63	-
	8,388.14	**(2,069.09)**

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

	March 31, 2012	March 31, 2011
29. ESTIMATED AMOUNTS OF CONTRACTS REMAINING TO BE EXECUTED ON ACCOUNT OF CAPITAL ACCOUNT (NET OF ADVANCES) AND NOT PROVIDED FOR	5,837.11	7,341.00

Rs lakhs

	March 31, 2012	March 31, 2011
30.		
A) OTHER MONIES FOR WHICH COMPANY IS CONTINGENTLY LIABLE :		
Bills Discounted	34,337.40	-
Unexpired Letters of Credit	13,652.80	-
Bank Guarantees outstanding	112.22	29,881.05
Claims against the Company not acknowledged as debts		
Excise demands under dispute pending before Excise authorities	748.58	2,186.94
Service Tax dispute pending before High Court of Chennai	175.69	176.53
Income tax dispute pending before High Court of Chennai	4,054.98	-
B) PROVISION AND CONTIGENCIES IN ACCORDANCE WITH AS 29 :		
Opening Balance	12,000.00	12,000.00
Additions during the year	(10,700.00)	-
Closing Balance	**1,300.00**	**12,000.00**

31. In the financial statements for the year ended December 31, 2011 of Bexel, prepared as a Development Stage Enterprise, the auditors of the Company have referred to Note 2 to the financial statements and expressed an opinion that the successful completion of the Company's development program and ultimately the attainment of profitable operations is dependant upon future events, including maintaining adequate financing to fulfil its development activities and achieving a level of revenues adequate to support the Company's cost structure. The text of Note 2 referred to is reproduced below.

"The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and assume the Company will continue as a going concern. As a development stage Company, with no commercial operating history, the Company is subject to all of the risks and expenses inherent in the establishment of a new business enterprise. To address these risks and expenses, the Company must, among other things, respond to competitive developments, attract, retain and motivate qualified personnel and support the expense of marketing new products based on innovative technology. To date, the Company has incurred expenses in research and development activities without generating sufficient revenues to offset those expenses. As a result the Company has incurred losses and negative cash flow from operating activities, and as of December 31, 2011, the Company had accumulated net losses of US$ 23,390,189. There can be no assurance that management will achieve the intended results".

32.		
A) Other interest and finance charges is after crediting interest receipts	168.12	154.86
TDS on interest receipts	18.99	33.92
B) Amount of interest capitalised	6,781.48	4,662.27

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Notes to the Consolidated Accounts as at March 31, 2012

33.

A) RELATED PARTY TRANSACTIONS

In accordance with Accounting Standard 18, the disclosure required is given below:

Nature of Transaction		Subsidiary	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
Sale of goods	NCPC China	-	176.41	-	-
		(-)	(1,305.67)	(-)	-
Services Received / Rent Paid		-	-	-	268.94
		(-)	(-)	(-)	(215.05)
Remuneration		-	-	657.80	-
		(-)	(-)	(897.49)	(-)
Amounts Due at the end of the year - Debit		-	1.27	-	-
		(-)	(3.91)	(-)	(-)

Figures in brackets are for previous year

Names of the related parties and description of relationship.

1	Subsidiary	Orchid Europe Limited, UK
		Orchid Pharmaceuticals Inc., USA
		Orgenus Pharma Inc., USA (Subsidiary of Orchid Pharmaceuticals Inc., USA)
		Orchid Pharma Inc./Karalex Pharma (Subsidiary of Orchid Pharmaceuticals Inc., USA)
		Orchid Pharma Japan KK
		Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa
		Bexel Pharmaceuticals Inc., USA
		Diakron Pharmaceucticals Inc., USA
2	Joint Venture	NCPC Orchid Pharmaceuticals Company Limited, China
3	Key Management Personnel	Mr K Raghavendra Rao, Chairman & Managing Director
		Mr S Krishnan, Executive Director
4	Relatives of Key Management Personnel	Ms Vijayalakshmi (wife of Mr K Raghavendra Rao)
		Ms R Divya and Ms R Sowmya(daughters of Mr K Raghavendra Rao)
5	Companies in which relatives of Key Management Personnel exercise significant influence	Spectrasoft Technologies Limited

All whole time Directors have been considered as Key Management Personnel as they are involved in planning, directing & controlling the activities of the reporting enterprise.

B) INFORMATION ON LOANS & ADVANCES AS PER CLAUSE 32 OF THE LISTING AGREEMENT

Rs lakhs

	Balance as on March 31, 2012	Maximum amount outstanding during the year
Joint Venture - NCPC Orchid Pharmaceuticals Company Ltd.	1.27	3.91

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34. PROVISION FOR DEFERRED TAX FOR THE YEAR (Rs 2352.87 LAKHS) (PREVIOUS YEAR Rs 920.18 LAKHS)

Rs lakhs

	Balance as on March 31, 2012	Maximum amount outstanding during the year
Deferred Tax liability represents the following		
Timing Difference on account of Depreciation	25,688.51	19,455.56
Timing Difference on account of Financial charges	1,087.43	-
Timing Difference on account of Losses	(9,768.53)	(95.27)

In accordance with Clause 29 of Accounting Standard (AS22) Deferred tax Assets and Deferred tax Liabilities have been set off.

35. SEGMENTAL REPORTING

The Company was disclosing segment information classifying the business as Bulk drugs and Formulations till the financial year 2004-05. However in view of integration of bulk actives and formulations business, with the commissioning of Generics formulation facilities from the financial year 2005-06 , the Company considers the business as one interrelated and integrated business of "Pharmaceutical products" and hence no separate segmental reporting is provided.

36. RECONCILIATION OF BASIC AND DILUTED SHARES USED IN COMPUTING EARNINGS PER SHARE (EQUITY SHARES OF Rs10/-EACH FULLY PAID-UP)

		Year Ended March 31, 2012	Year Ended March 31, 2011
Profit After Tax before extraordinary item	Rs In Lakhs	1,747.85	15,618.71
Profit After Tax a fter extraordinary item	Rs In Lakhs	9,747.85	15,618.72
No of Shares Outstanding	Nos.	70,442,076	70,442,076
Weighted Average Number of Shares	Nos.	70,442,076	70,442,076
Earnings Per Share - Basic before extraordinary item	Rs	2.48	22.17
Earnings per Share - Basic after extraordinary item		13.84	22.17
Total no of Equity Shares to compute diluted EPS	Nos.	71,296,076	82,550,661
Earnings Per Share - Diluted before extraordinary item	Rs	2.48	22.17
Earnings Per Share - Diluted after extraordinary item	Rs	13.67	18.92

37. EXPENDITURE ON RESEARCH AND DEVELOPMENT

Rs lakhs

	Year Ended March 31, 2012	Year Ended March 31, 2011
Capital expenditure	1,449.10	642.78
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	6,932.87	3,388.95
	8,381.98	**4,031.73**

Notes to the Consolidated Accounts as at March 31, 2012

Rs lakhs

	Year Ended March 31, 2012	Year Ended March 31, 2011
Revenue Research and Development Expenses includes		
Power and Fuel	424.62	152.51
Consumption of Stores, Spares & Chemicals	795.17	768.33
Salaries,Wages and Bonus	2,593.35	1,683.40
Contribution to Provident & other funds	230.77	138.36
Staff Welfare	202.27	123.17
Rates & Taxes	25.09	21.39
Insurance	33.09	12.57
Postage, Telephone & Telex	20.66	10.30
Printing & Stationery	29.17	16.52
Vehicle Maintenance	12.66	6.03
Recruitment expenses	19.66	27.59
Traveling and Conveyance	89.20	69.42
Loss on Sale of Asset	1.35	0.78
Testing Charges	1,531.79	103.08
Consultancy & Professional Fees	416.92	32.86
Others	507.12	222.64
	6,932.87	**3,388.95**

38. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE :

a) Derivative instruments that are outstanding

Rs lakhs

Sl no	Particulars	March 31, 2012	March 31, 2011
	Forward	-	35,672.00

b) Purpose for which the instruments have been acquired is for hedging the foreign currency exposures.

Notes to the Consolidated Accounts as at March 31, 2012

c) Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise

			March 31, 2012		March 31, 2011	
		Currency	**Foreign Currency**	**Rs lakhs**	**Foreign Currency**	**Rs lakhs**
i)	Receivables Outstanding					
		US$	21,719,931	11,010.30	79,690,107	37,044.40
		EURO	917,153	621.09	487,939	303.98
		AUD	7,244	5.45	7,244	5.28
ii)	Payables Outstanding	US$	743,272	367.67	19,256,881	8,785.98
		EURO	-	-	245,757	188.76
		JPY	23,231,572	142.78	-	-
		Others	-	55.12	-	27.26
iii)	Advance Paid	GBP	191,976	156.44	246,425	210.59
		US$	-	-	8,020,283	3,575.44
		EURO	11,554,412	7,405.23	-	-
		CHF	-	-	5,359	2.20
		JPY	-	-	551,539	-
iv)	FCCB	US$	-	-	117,422,000	52,358.47
v)	Loans availed	US$	154,115,770	78,414.10	70,619,244	31,489.12

39. Extraordinary item -net of tax represents write back of certain provisions made for rebates and discounts as the amounts have been fully realised during the year.

40. Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Cash Flow Statement for the year ended March 31, 2012

Rs lakhs

	For the year ended March 31, 2012	For the year ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxation And After Extraordinary Item	7,543.63	17,156.51
Adjustments For:		
Depreciation	15,373.65	13,350.40
Dividend Income	(1.59)	(2.99)
Loss/ (Profit) on Sale of Fixed Assets	557.05	(65.22)
Loss/(Gain) on Redemption/Cancellation of FCCBs-net	4,933.70	-
Provision For Doubtful Debts/Advances Written Back	(10,700.00)	-
Foreign Exchange Rate Fluctuations - Unrealised	5,216.34	(3,610.41)
Interest Expense	17,975.31	11,675.19
Provision For Doubtful Debts	-	103.64
Operating Profit Before Working Capital Changes	40,898.09	38,607.12
Adjustments For:		
Trade And other Receivables	32,318.40	12,654.95
Inventories	(5,110.03)	(19,498.60)
Trade Payables	8,473.95	7,567.21
Cash Generated From Operations	76,580.41	39,330.68
Income Taxes Paid	(2,878.42)	(6,117.73)
Net Cash From Operating Activities	**73,701.99**	**33,212.95**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(29,404.46)	(38,671.40)
Proceeds From Sale / Deletion of Fixed Assets	97.99	1,927.33
Dividends Received	1.59	2.99
	(29,304.88)	**(36,741.08)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Working Capital Borrowings	15,719.96	(9,515.02)
Proceeds from Long Term Borrowings	70,807.32	49,484.61
Repayment of Longterm Borrowings	(25,090.99)	(11,335.00)
Redemption/Cancellation of Issue of FCCBs (net of Expenses)	(82,408.17)	(11,409.52)
Proceeds from Short Term Borrowings	5,000.00	12,800.00
Repayment of Short Term Borrowings	(5,000.00)	(12,800.00)
Proceeds from HP Finance	(24.06)	(54.68)
Interest Paid	(24,528.45)	(16,765.65)
Dividend Paid	(2,490.16)	(8,180.09)
Net Cash From Financing Activities	**(48,014.55)**	**(7,775.35)**

Cash Flow Statement for the year ended March 31, 2012

Rs lakhs

	For the year ended March 31, 2012	For the year ended March 31, 2011
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,617.44)	(11,303.48)
Cash and Cash equivalents at the beginning of period	21,309.14	32,612.62
Cash and Cash equivalents at the end of period	17,691.70	21,309.14
Reconciliation Statement		
Cash and bank balances as per Balance Sheet	18,163.15	22,234.15
Less : Margin Money Deposit	392.56	848.46
Unclaimed Dividend	78.90	76.55
Cash and Cash equivalents as per cash flow	**17,691.70**	**21,309.14**

As per our report of even date
For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

On behalf of the Board

B Mahalingam
Partner
Membership No. 210408

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

S.No	Particulars	Orchid Europe Limited United Kingdom		Orchid Pharmaceuticals Inc., and Subsidiaries USA		Bexel Pharmaceuticals Inc., USA		Orchid Pharma Japan K K Japan		Orchid Pharmaceuticals SA (Propreitary) Limited South Africa		Diakron Pharmaceuticals Inc., USA	
	Financial year of the Subsidiary	**April , 11 - March , 12**		**April , 11 - March , 12**		**Jan , 11 - Dec , 11**		**April , 11 - March , 12**		**Mar , 11 - Feb , 12**		**April , 11 - March , 12**	
		£	Rs lakhs	$	Rs lakhs	$	Rs lakhs	Jpy	Rs lakhs	South African Rand	Rs lakhs	$	Rs lakhs
1	Capital	10,000	8.15	200,100	101.81	18,374,777	9,349.09	30,000,000	183.00	303,638	20.19	7,028,030	3,575.86
2	Reserves	(657,933)	(536.15)	(2,499,448)	(1,271.72)	(24,690,650)	(12,562.60)	(665,224)	(4.06)	(295,925)	(19.68)	(4,677,222)	(2,379.77)
3	Other Liabilities	798,276	650.52	11,388,031	5,794.23	6,463,792	3,288.78	179,930	1.10	3,525	0.23	412,543	209.90
4	Total Liabilities	150,343	122.51	9,088,683	4,624.32	147,919	75.26	29,514,706	180.04	11,238	0.75	2763351	1405.99
5	Total Assets	150,343	122.51	9,088,683	4,624.32	147,919	75.26	29,514,706	180.04	11,238	0.75	2,763,351	1,405.99
6	Details of investment	--	--	--	--	--	--	--	--	--	--	--	--
7	Turnover	258653	210.78	15332282	7801.07	396000	201.48	--	--	--	--	--	--
8	Profit /(Loss) before Taxation	(11,987)	(9.77)	(1,611,095)	(819.73)	(123,560)	(62.87)	1,424	0.01	(13,213)	(0.88)	(1,559,262)	(793.35)
9	Provision for Taxation	4,044	3.30	--	--	--		180,360	1.10	--	--	--	--
10	Profit /(Loss) after Taxation	(16,031)	(13.06)	(1,611,095)	(819.73)	(123,560)	(62.87)	(178,936)	(1.09)	(13,213)	(0.88)	(1,559,262)	(793.35)
11	Proposed Dividend	--	--	--	--	--	--	--	--	--	--	--	--
12	Dealt with or provided for in the accounts of the holding company												
	a) Net aggregate of the profit / (loss) for the current period of the subsidiary		Nil		Nil		Nil		Nil		Nil		Nil
	b) Net aggregate of the profit / (loss) for previous financial years of the subsidiary		Nil		Nil		Nil		Nil		Nil		Nil
13	Not dealt with or provided for in the accounts of the holding company												
	a) Net aggregate of the profit / (loss) for the current period of the subsidiary		(13.06)		(819.73)		(62.87)		(1.09)		(0.88)		(793.35)
	b) Net aggregate of the profit / (loss) for previous financial years of the subsidiary		(523.09)		(452.00)		(11,838.06)		(1.87)		(18.80)		(1,212.02)

i) Indian equivalent of figures have been arrived at by applying the year end rate 1£ = Rs 81.49, 1 South African Rand = Rs 6.65, 1 Japanese Yen = Re. 0.61 and 1US$ = Rs 50.88 and do not form part of the reports of Orchid Europe Limited, Orchid Pharmaceuticals Inc., Bexel Pharmaceuticals Inc., Orchid Pharma Japan K K, Orchid Pharmaceuticals SA (Propreitary) Limited and Diakron Pharmaceuticals Inc.,

i) Holding Company's interest is as stated in Notes to accounts no. 38(a).

iii) Shares held by the holding company in the subsidiary is as stated in note no.15 of the audited accounts

On behalf of the Board

Deepak Vaidya
Director

S Krishnan
Executive Director & CFO

K Raghavendra Rao
Chairman & Managing Director

Place : Chennai
Date : May 14, 2012

Bhoomijha Murali
Sr GM-Legal & Company Secretary

Orchid Chemicals & Pharmaceuticals Ltd.

Shaping A Dream

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