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DIRECTORS' REPORT

To
The Members
Sterling Biotech Limited

We have great pleasure in presenting the 26th Annual Report of the Company together with the audited statements of accounts for the year ended 31st December, 2011.

FINANCIAL HIGHLIGHTS

(₹ In Million)

| Particulars | Year Ended | |
|--|--------------------|--------------------|
| | 31st December 2011 | 31st December 2010 |
| Sales | 16,619.54 | 16,165.78 |
| Total Income | 16,712.62 | 16,272.16 |
| EBIDTA | 6,467.15 | 7,077.20 |
| Interest | 2,704.31 | 2,304.70 |
| Depreciation | 2,522.25 | 1,976.22 |
| PBT and Extraordinary item | 1,240.59 | 2,796.28 |
| Extraordinary items | (962.27) | (631.05) |
| PBT | 278.32 | 2,165.23 |
| Provision for Current Tax | 57.00 | 402.00 |
| Provision for Deferred Tax | 30.00 | 310.00 |
| PAT | 191.32 | 1,453.23 |
| Proposed Dividend | 0.00 | 133.94 |
| Dividend Tax | 0.00 | 22.76 |
| Transfer to Debenture Redemption Reserve | 107.14 | 107.14 |
| Balance carried to Balance Sheet | 92.34 | 1,198.23 |
| EPS (₹) | 0.71 | 5.69 |

DIVIDEND

In view of sharp decline in profit and with a view to conserve the resources, the Board of Directors do not recommend any dividend.

OPERATIONS

During the year under review, net sales increased to ₹ 16,619.54 million, an increase of 2.81 percent, while total Income grew 2.71 Percent to ₹ 16,712.62 million from the previous year. Net Profit decreased to ₹ 191.32 Million as compared ₹ 1,453.23 million for the previous year. Earning per share decreased to ₹ 0.71 from ₹ 5.69 for the previous year.

CURRENT SCENARIO

Gelatin being a natural product has extensive usage in the Pharma industry. The recent overdrive for the better environmental management has put up the plant operations under stringent conditions & thereby partially affecting the plant operations. This has necessitated the improvement in Effluent Treatment Plants (ETP).

Besides, following are some of the key reasons contributing to the present scenario

1. Increase in Cost of Fuel.
2. Increase in Bone prices.
3. Increase in Effluent Treatment Cost.

SUBSIDIARY COMPANY

During the year, the Company have formed Overseas Subsidiary namely, Sterling Fincom Private Limited, Mauritius and there are no business operations in the said subsidiary.

QUALITY

Meeting the stringent quality standards required by our international clientele, our facilities have earned certifications including:

- Hazardous Analysis and Critical Control Point Certification (HACCP)
- ISO 9001
- ISO 14001
- European Directorate For Quality of Medicine Certification (EDQM).
- Sepharbi Kosher Certificate
- IFANCA Halal Certificate
- Trading House Certificate





MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Management Discussion and Analysis pursuant to Clause 49 of the Listing Agreement entered with stock exchanges is enclosed as a part of this Directors' Report.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered with stock exchanges, a separate section on Corporate Governance is attached to the Annual Report.

DIRECTORS

Shri R. B. Dixit and Shri N. B. Patel, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) That in the preparation of the Annual Accounts for the year ended 31st December, 2011 the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the Annual Accounts for the year ended 31st December, 2011 on a going concern basis.

FIXED DEPOSITS

The Company did not accept any deposits from the Public during the year under review.

AUDITORS

M/s. H. S. Hathi & Co., Chartered Accountants, Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224(1B) of the Companies Act, 1956, are eligible for re-appointment. The Board recommends their re-appointment. In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

INDUSTRIAL RELATIONS

The industrial relations of the Company continued to remain cordial. The Directors wish to place on record their sincere appreciation for the co-operation extended and the valuable contribution made by the employees at all levels.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in annexure to the Director's Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may inspect at or write to the Company's Registered Office address.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Out go required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are given in the Annexure to this Report in the prescribed Format under these Rules.





ACKNOWLEDGEMENTS

We appreciate the valuable co-operation extended by the Central and State Government Authorities and all other Regulatory Authorities and are extremely grateful to Financial Institutions, ECB Lenders, Facility Agent(s), FCCB Holders and our bankers for their continued assistance and guidance. We are also grateful to our employees, shareholders, GDR Holders, Depositories, customers for their co-operation and look forward to their support in the future.

For and on behalf of the Board of Directors

NITIN J. SANDESARA
Chairman and Managing Director

Place: Mumbai
Date: 29th February, 2012





ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31st December, 2011.

A. CONSERVATION OF ENERGY

Energy Conservation Measures taken: The Company has undertaken various measures for conservation and saving of energy in critical areas including

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combustion efficiency of boilers
4. Reuse of Steam condensate as boiler feed water
5. Optimum use of utility depending upon process requirement.

As in earlier years, your Company continued to envisage and implement energy conservation measures in various manufacturing operations leading to saving of quantitative consumption of power, fuel and oil etc. The Company is also carrying on continuous education and awareness program for its employees for Energy conservation and optimum use.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company:

- Improvement of product quality
- Process improvements
- Cost effectiveness
- Elimination of waste in the systems

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

Improvement in yield and product quality, cost effectiveness and reduction in consumption of raw material and utilities.

3. Future plan of action:

The Company's effort will continue in the areas of product quality, process improvement technology with the aim of offering better products to meet consumer needs.

4. Expenditure on R & D:

- a. Capital: ₹ 141.69 million
- b. Recurring: ₹ 432.56 million
- c. Total: ₹ 574.25 million
- d. Total R & D Expenditure as a percentage of total turnover: 3.46%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

After full absorption of technology imparted by foreign collaborations, innovations in process control, cost reduction and quality improvements are being made on a continuous basis.

2. Benefits derived as a result of the above efforts:

Improvements in productivity cost of manufacturing, quality, waste elimination and flexibility in manufacturing.

3. Information regarding technology imported during last 5 years: Nil.

C. FOREIGN EXCHANGE EARNED AND USED

- a. Earned: ₹ 5140.77 million
- b. Used: ₹ 176.95 million





MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Gelatin has been a safe food source for hundreds of years, going back to the time of the pharaohs — a 4,000 year history. The earliest commercial manufacture of gelatin seems to have been in Holland in the mid 17th century. Not long after (around 1700) it also began in England. During the Napoleonic era, claims were made about the food value of gelatin. This possibly led to its manufacture in France in the late 18th century. It was first made in North America in 1808. Today, gelatin is made worldwide, in areas including Europe, North and South America, Asia, Asia Minor and Australasia. Gelatin is a unique and valuable protein.

The food industry uses gelatine in numerous products. Here are a few examples : Gelatine gives fruit gums their elasticity and the desired chewy consistency. It stabilizes the butter cream in gateaux. Yogurts and curd cheese dishes owe their creaminess to gelatine. And its gelling property makes it possible to prepare visually attractive aspics and brawn. Gelatine also plays an important role in low-calorie diets. It can bind water and is therefore indispensable for the manufacture of light products.

The pharmaceuticals industry is another sector that uses the extraordinary properties of gelatine. Gelatine capsules protect the active agents and vitamins from the air, light and moisture and prevent annoying odour and taste sensations.

In addition to edible and pharmaceutical gelatine there is also technical gelatine. It is used by the photographic industry and in printing shops.

The manufacturing process of Gelatine is broken down into several complex stages from the extraction of gelatine from the collagen containing raw materials, filtration, to the final sterilization at 140°C. The combination of the individual manufacturing stages makes gelatine a healthy and safe product.

The worldwide gelatin market is benefiting from growing demand for cosmetics, pharmaceutical and nutraceutical industries, fueled by robust economic development witnessed in emerging economies, particularly in Asia. In addition, the fast-expanding ageing demography of the global population is boosting demand from the pharmaceutical industry for gelatin and derivatives products such as gelatin hydrolysates.

The global market is expected to witness steady gains driven by stable consumption patterns, rising standards of living and easier access to healthcare services. However, outbreaks of BSE (Bovine Spongiform Encephalopathy) have historically squeezed manufacturer profit margins, crippled business climates, have resulted in temporary tightness for bovine sources, and pushed up raw material prices. The impact has been especially pronounced in Europe where gelatin is mainly manufactured from bovine bones or skin. Ravaged by repeated outbreaks of BSE, foot and mouth disease as well as societal and religious pressures, the gelatin industry is attempting to reach for firmer grounds by combating the negative publicity over the safety and efficacy of this animal-derived ingredient. The industry, over the years, has borne the brunt of tightened regulations, and legislative riders governing the use of gelatin in supplements. France for instance, issued an immediate ban on food-grade gelatin derived from bovine bone until EU safety guidelines related to BSE are put into practice.





In the face of growing concerns, government strictures and general apprehensions over animal-sourced gelatin among consumers in different parts of the world, the industry is showing immense interest in the search for alternatives. Manufacturers are increasingly looking at producing vegetarian substitutes such as non-animal or vegetarian/plant-based gelatin. Increasing trend towards vegetarianism and shift towards a healthy lifestyle are believed to be major reasons fueling the rise in demand for non-gelatin capsules. The vegetarian movement has additionally intensified the search for alternatives to gelatin, which appear in the form of Carrageenan, agar, and certain starches. In the US, about 25% of the population is showing a marked shift towards vegetarianism with more than 60% of vegetarians preferring dietary supplements over non-vegetarian food stuff for gaining vital nutrients. The long term market potential of non-gelatin capsules is also enhanced as most new vegetarians belong to the 18 to 35 year age group. However, while these alternatives meet some gelatin characteristics, none is yet available that matches all the functions such as gelling, binding, thickening, stabilizing, film forming, and aerating properties.

As stated by Global Industry Analysts' market research report, Europe continues its domination over the worldwide Gelatin market in terms of production and consumption volumes, with Germany and Russia taking the lead as major gelatin markets in Western Europe. On the other hand, China and India tilt the growth balance in favor of Asia Pacific with a projected CAGR of about 3.7% through 2017. In terms of annual consumption volume, the Food & Beverage represents the largest end -use segment. The food industry is largely governed by health-related regulatory issues and growing emphasis on healthy, low fat food as well as increasing vegetarianism, prompting the growth of gelatin substitutes free from animal content Gelatin is also widely used as an adhesive agent in the Pharmaceuticals industry for tableting medicines in the form of both hard and soft capsules. The pharma segment is set to outpace the overall industry average with a growth rate of 4.4% over the analysis period.

PRODUCTS

Sterling Biotech's manufacturing facilities employ the latest innovations in technology for the production of gelatin. It operates two manufacturing facilities in Vadodara, Gujarat and one in Ooty, TN. The company's facilities at Karakhadi and Ooty are engaged in manufacturing gelatin while Masar plant manufactures pharma products namely Co-enzyme Q10, Lovastatin, DOXO Rubicin, EPI Rubicin, Daunorubicin, IMATINIB, IDARUBICIN, DACARBAZINE etc through microbiological fermentation process. In a highly capital-intensive industry, Sterling has developed world-class technology for gelatin by establishing state-of-the-art-facilities. Sterling is one of the very few manufacturers having high Lovastatin manufacturing capacity. The existing manufacturing facility serves as a multi product manufacturing facility which can manufacture various pharma products.

Brief overview of pharma products manufactured by the Company is as under:

Lovastatin is a cholesterol-lowering agent that belongs to the class of medications called statins

Co-enzyme Q10 is a fat soluble vitamin substance which is produced naturally in the human body. It serves as a coenzyme for several of the key enzymatic steps in the production of energy and has antioxidant effects

DOXO Rubicin is an anti-cancer chemotherapy drug and is classified as an anthracycline anti-biotic

EPI Rubicin is an anthracycline drug used for chemotherapy

Daunorubicin is used to treat acute lymphocytic and myelocytic leukemias.

IMATINIB is a drug used to treat certain cancers

IDARUBICIN is an anti-cancer (antineoplastic or cytotoxic) chemotherapy drug. This medication is classified as an anthracycline antitumor antibiotic





DACARBAZINE It is used to treat Hodgkin disease and malignant melanoma

Temozolamide It is an oral alkylating agent used for the treatment of Grade IV astrocytoma

RESEARCH & DEVELOPMENT

Sterling Biotech undertakes research & development activities at its in-house R&D centres which look after at specific areas of improvement of product quality, process improvements, cost effectiveness and elimination of waste in the systems. The company also carries out R&D work on fermentation products, API and intermediates.

The company has invested significant amount of resources on Research & Development and has set up a state-of-the-art R&D facility in the name of "Sterling Biotech Research Centre" at its Masar plant, Vadodara, which is engaged in development of complex and niche generic active substances for leading generic players from Europe and other regulated market. For company, the R&D is an integral part of process and product development.

The Company also has a microbiology laboratory which is equipped with all facility to handle culture maintenance, inoculums preparation and propagation, in - process batch analysis, shake flask trials.

QUALITY CERTIFICATIONS

In accordance with Sterling's policy to achieve and maintain the highest standards of quality the Company has the following quality certifications.

- **Kosher Certifications** : This certifies that the Jewish population can consume Sterling's gelatin and that the inputs used for gelatin production are in accordance with the religious standard of the Jewish community.
- **Ifanka Certification** : This is required for Halal certification, which certifies that the gelatin is manufactured using Halal-defined processes and can be used by the Muslim population.
- **HACCP (Hazardous Analysis and Critical - Control Point) Certification** : This certifies the manufacturing process with the highest and most consistent quality and safety of product. Also ensures the availability of fallback measures in case of unfortunate events.
- **ISO 9001** - denotes that the production process is in accordance with standards laid down by the International Standards Organizations.
- **ISO 14001** - Signifies that the environment management system is in compliance with the Environmental Management System Standard.
- **EDQM (European Directorate for Quality of Medicare)** - this certification denotes that the product is in compliance with the European Union pharmacopeia.

HUMAN RESOURCES

Sterling recognizes its employees as its most valuable assets. As such, they are encouraged to enhance their aptitude through on the job training programs to further their prospects within the company. Sterling continues to induct competent professionals for its present and future needs.

OPERATING AND FINANCIAL PERFORMANCE

The highlights of Sterling Biotech's financial performance during 2011 were:

- 3% increase in sales from ₹ 16,165.78 million in 2010 to ₹ 16,619.54 million in 2011
- 58.2% of the total sales is Export where as 41.8% is domestic sales
- Gelatin sales contributed 65.3%, DCP sales contributed 14.4% and Pharma products contributed 14.4% of total sales
- Extra ordinary items amounting to ₹ 962.27 million consists of FCCB issue expenses and inventory write off





- Net profit before tax (after extraordinary items) stood at ₹ 278.32 million in 2011 as compared to ₹ 2,165.23 million in 2010.
 - Net Profit after Tax stood at ₹ 191.32 million in 2011 as compared to ₹ 1,453.23 million
 - Net worth as at 31st December 2011 stood at ₹ 24,908.89 million
 - Total debt as at 31st December 2011 stood at ₹ 42,548.00 million
 - During the year outstanding amount of Company's FCCBs remained same at USD 134.5 million
 - Company's new production facility at Bharuch SEZ near Jambusar having a gelatin manufacturing capacity of 9000 mtpa is expected to commence commercial operations during 2012
- Few of the major reasons contributing to the reduction in profitability during 2011 are as under:
- Slowdown in European, USA and Japanese markets which lead to slow off take of gelatin and Allient products, increase in receivables and inventory levels. It also required inventory write down during 2011.
 - Change in the effluent discharge standards / norms by the State pollution control board. This has necessitated the improvement in our effluent treatment capabilities by improving our Effluent Treatment Plants (ETP) which frequent variations in the effluents. This has led to intermittent shut-down of the plant during the second half of 2011.
 - Stringent regulation / norms required to be followed by slaughter houses for meat exports to EU countries and other developed countries lead to temporary closure of many slaughter houses for improvement in the facility to meet those norms. It led to poor availability of Raw materials. Further it also led to increase in Raw Material prices resulting in impact on gross margin.
 - Dumping of Chinese made Co-Enzyme Q10 into the markets at a cheaper price. It made production of CO Q10 non profitable.
 - Increase in Cost of Fuel (Furnace oil & HSD) resultant increase in Cost of production.

In response to above increase in cost, the selling price had no matching upward effect which only grew by approximately 10% -12% causing drastic erosion in the profitability.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO/CFO certification provided in the report discusses the adequacy of our internal control systems and procedures.





Report on Corporate Governance

I) CORPORATE GOVERNANCE PHILOSOPHY

At Sterling Biotech Limited, we view sound corporate governance as an integral part of our efforts to enhance shareholders value. We endeavor to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of society in general. We adopt a philosophy of Professionalism, transparency and accountability in all areas.

II) BOARD OF DIRECTORS (BOARD)

Presently, the Board comprises of 6 Directors of whom 4 are Non-executive Directors and a majority of them being independent. All Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board

a. Composition of the Board

| Name | Designation | No. of other Directorships and Committee Memberships / Chairmanships | | | Relationships with other Directors |
|-----------------------|--|--|-----------------------|-------------------------|------------------------------------|
| | | Other Directorships | Committee Memberships | Committee Chairmanships | |
| Nitin J. Sandesara | Chairman & Managing Director - Executive | 32 | - | - | Brother of Chetan J. Sandesara |
| Chetan J. Sandesara | Joint Managing Director & Executive | 63 | - | - | Brother of Nitin J. Sandesara |
| R. B. Dixit | Independent & Non-Executive Director | 4 | 2 | 2 | None |
| Vilas D. Joshi | Independent & Non-Executive Director | 6 | - | - | None |
| Priyadarshan B. Mehta | Independent & Non-Executive Director | 6 | - | - | None |
| Narendrabhai B. Patel | Independent & Non-Executive Director | 1 | - | - | None |





b. Number of Board Meetings :

During the year under review the Board of Directors met 13 times on the following date: 03-01-2011, 14-02-2011, 29-03-2011, 14-05-2011, 31-05-2011, 02-06-2011, 10-06-2011, 12-08-2011, 19-08-2011, 29-08-2011, 14-09-2011, 14-11-2011, 27-12-2011.

c. Attendance of Directors

| Name | Meetings Attended | Attended last AGM on 30 th June 2011 |
|-----------------------|-------------------|---|
| Nitin J. Sandesara | 5 | No |
| Chetan J. Sandesara | 11 | No |
| R. B. Dixit | 10 | Yes |
| Vilas D. Joshi | 5 | No |
| Priyadarshan B. Mehta | 4 | No |
| Narendrabhai B. Patel | 2 | No |

III) CODE OF CONDUCT

The Board lays down code of conduct for Board members and senior management of the Company and is posted on the website of the Company. The Board members and senior management personnel affirm compliance to the code of conduct.

IV) COMMITTEE OF DIRECTORS

The involvement of Non-executive Directors in providing guidance on policy matters to the operating management is formalized through constitution of committees of the Board. The Committees provide periodical and regular exchange of information and ideas between the Directors and the Operating Management. The Board constituted following committees.

AUDIT COMMITTEE

The Committee reviews the Company's financial reporting process, disclosure norms, internal control systems, accounting policies and practices, reports of the Company's Internal Auditors, quarterly/half yearly financial statements as well as its financial risk policies. It also recommends appointment of statutory auditors, fixes audit fees and reviews internal control systems, scope for observations of the auditors and adequacy of the internal audit function. During the year under review, the committee met five times on 14-02-2011, 14-05-2011, 31-5-2011 (Adoption of Annual Account), 12-08-2011, 14-11-2011 and the meeting was attended by all the Directors of the Audit Committee Namely Shri R. B. Dixit, Shri V. D. Joshi and Shri P. B. Mehta.

INVESTORS/SHAREHOLDERS GRIEVANCE COMMITTEE

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel. The Committee redresses shareholder and investors complaints like a delay in transfer of shares, non-receipt of dividend, non-receipt of balance sheet etc. During the year the committee met two times.

REMUNERATION COMMITTEE OF THE BOARD

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel to recommend and review the remuneration package of Directors based on performance, industry practice and defined criteria. During the year, the Committee met two times.





DETAILS OF REMUNERATION TO DIRECTORS FOR THE YEAR

The aggregate value of salary and perquisites payable for the year ended 31st December, 2011 to Nitin Sandesara, Chairman and Managing Director is ₹ 69.50 lacs and to Chetan Sandesara, Joint Managing Director is ₹ 50.41 lacs.

V) GENERAL BODY MEETINGS

| Year | Venue | Date | Time | Any special Resolution | Kind of Meeting |
|------|---|-----------------------------|-----------|------------------------|-----------------|
| 2011 | Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P. D. Scheme, Vile Parle(W) Mumbai – 400 056 | 30 th June, 2011 | 10.30 A.M | No | AGM |
| 2010 | Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056 | 30 th June, 2010 | 10.30 A.M | Yes | AGM |
| 2009 | Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056 | 30 th June, 2009 | 10.30 A.M | Yes | AGM |

Special Resolution if any passed by postal ballot :

NIL

VI) DISCLOSURES

1. As required under the Companies Act, 1956 the Directors disclose the name of the Companies/Parties in which they are interested. In terms of Accounting Standard AS -18, details of related party transaction during the year have been set out under Note 11 of Schedule 15(B) annexed to the Balance Sheet and Profit and Loss Account. However, they are not having any potential conflict with the interests of the Company at large.

2. There has been no non - compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI, on any matters relating to the capital market, over the last three years.

VII) MEANS OF COMMUNICATION

- Quarterly financial results are forwarded to the Stock Exchanges where the shares of the Company are listed and published in the Free Press Journal in English and the Nav Shakti paper in Marathi
- The Company has not made any presentations to any Institutional Investors/Analysts during the year.
- A Management's Discussion & Analysis Report is annexed to the Directors' Report to the Shareholders.





VIII) GENERAL SHAREHOLDER INFORMATION

A. ANNUAL GENERAL MEETING

Date : 30th day of June, 2012

Time : 10.30 A.M.

Venue : Bhakti Kala Kshetra, International Society for Krishna Consciousness (ISKCON) Founder Acharya : His Divine Grace A.C. Bhaktivedanta Swami Prabhupada, Hare Krishna Land, Juhu, Mumbai - 400 049.

B. DATE OF BOOK CLOSURE

Tuesday, the 26th day of June, 2012 to Saturday, the 30th day of June, 2012 (both days inclusive)

C. FINANCIAL CALENDAR 2012

Board Meeting

| | |
|---|-----------------------------|
| Unaudited Results – Qtrly. March 2012 | : May 2012 |
| Unaudited Results – Qtrly. June 2012 | : August 2012 |
| Unaudited Results – Qtrly. September 2012 | : November 2012 |
| Unaudited Results – Qtrly. December 2012 | : February 2013 |
| Audited Accounts December 2012 | : February/March 2013 |
| Annual General Meeting | : May/June 2013 (Next Year) |

D. STOCK EXCHANGES WHERE SECURITIES ARE LISTED

The Company's equity shares are listed on the BSE and NSE. Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. Foreign Currency Convertible Bonds 2012 are listed on the Singapore Stock Exchange. 12.00% Secured Redeemable Non-Convertible Debentures are listed on the Bombay Stock Exchange Limited (BSE) in Debt Segment.

| Name of Stock Exchange | Code/Symbol |
|---|---|
| Bombay Stock Exchange Limited (BSE) (Equity) | 512299 |
| National Stock Exchange of India Limited (Equity) | STERLINBIO |
| Luxembourg Stock Exchange (GDRs) | CUSIP No. : 85916G108 Common Code : 017757709 ISIN : US85916G1085 |
| Singapore Stock Exchange FCCB due 2012 | Common Code : 029812535 ISIN : XS0298125351 |
| Bombay Stock Exchange Limited (BSE) (Debentures) | 945828 |





E. STOCK PRICE DATA

| Month | BSE | | NSE | |
|----------------|--------|-------|--------|-------|
| | High ₹ | Low ₹ | High ₹ | Low ₹ |
| January 2011 | 106.80 | 97.00 | 106.60 | 93.40 |
| February 2011 | 105.50 | 95.10 | 104.00 | 96.00 |
| March 2011 | 101.60 | 93.35 | 104.45 | 93.25 |
| April 2011 | 97.95 | 90.55 | 97.55 | 90.15 |
| May 2011 | 97.00 | 85.50 | 96.90 | 84.25 |
| June 2011 | 101.00 | 80.00 | 99.45 | 70.20 |
| July 2011 | 92.20 | 72.40 | 92.25 | 72.00 |
| August 2011 | 87.30 | 56.60 | 87.15 | 56.05 |
| September 2011 | 89.00 | 67.00 | 90.50 | 67.25 |
| October 2011 | 81.00 | 61.00 | 74.75 | 61.75 |
| November 2011 | 78.00 | 44.50 | 69.65 | 47.60 |
| December 2011 | 74.40 | 21.30 | 69.80 | 21.40 |

F. SHARE TRANSFER SYSTEM

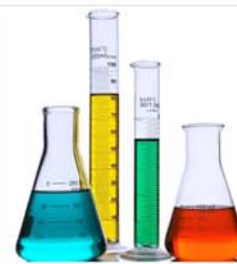
Share sent for physical transfers are registered and returned within a stipulated time frame, if the documents filed are clear in all respects. Officers/ Directors of the Company have been authorized to approve transfers. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 26-02-2001. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within a stipulated time frame. Upto 31-12-2011, 95.64% equity shares of the company have been dematerialized.

Total Number of shares transferred in the non-dematerialized form during the year 2011 i.e. from 01.01.2011 to 31.12.2011 were 32,000.

G. SHAREHOLDING PATTERN - AS ON 31ST DECEMBER 2011

| Sr. No. | Category | No. of Shareholders | Percentage | No. of Equity Shares | Percentage |
|---------|--------------------------------|---------------------|---------------|----------------------|---------------|
| 1. | Indian Promoters | 33 | 0.15 | 90,840,135 | 33.91 |
| 2. | FIs/ MFs/Banks | 8 | 0.03 | 141,491 | 0.05 |
| 3. | Indian Companies | 629 | 2.93 | 86,559,509 | 32.31 |
| 4. | Resident Individuals | 20,305 | 94.92 | 15,235,120 | 5.69 |
| 5. | Clearing Members | 83 | 0.39 | 2,532,105 | 0.95 |
| 6. | NRIs/OCBs/FIIs/FCs | 423 | 1.97 | 27,392,865 | 10.23 |
| 7. | Underlying Shares out of GDR's | 1 | 0.00 | 45,172,365 | 16.86 |
| | TOTAL | 21,482 | 100.00 | 267,873,590 | 100.00 |





Distribution of Shareholding - as on 31st December 2011

| Sr. No. | No. of shares Held | No. of Shareholder | % of Holders | Holding | % of Holding |
|---------|--------------------|--------------------|--------------|-------------|--------------|
| 1 | 1 – 5000 | 20,907 | 97.33 | 12,524,588 | 4.68 |
| 2 | 5001– 10000 | 268 | 1.25 | 2,116,945 | 0.79 |
| 3 | 10001– 20000 | 61 | 0.28 | 918,544 | 0.34 |
| 4 | 20001– 30000 | 28 | 0.13 | 682,874 | 0.25 |
| 5 | 30001 - 40000 | 17 | 0.08 | 602,732 | 0.23 |
| 6 | 40001– 50000 | 11 | 0.05 | 501,453 | 0.19 |
| 7 | 50001- 100000 | 33 | 0.15 | 2,470,653 | 0.92 |
| 8 | 100001 & Above | 157 | 0.73 | 248,055,801 | 92.60 |
| | TOTAL | 21,482 | 100.00 | 267,873,590 | 100.00 |

H. DEMATERIALISATION OF SHARES

ISIN Number for Equity Shares of the Company in NSDL & CDSL: INE324C01038

Total No. of Shares dematerialized upto 31-12-2011: 259,756,817

With NSDL 181,272,446

With CDSL 78,283,371

I. OUTSTANDING GDRS, FCCBS OR OTHER CONVERTIBLE AND NON-CONVERTIBLE INSTRUMENTS

As of date, the Company has the following outstanding instruments:

1. GDRs:

7,528,727 GDRs representing in aggregate 45,172,365 equity shares of ₹ 1/- each.

2. FCCBs:

(a) Zero Coupon FCCB due 2012 aggregating to USD 134.5 Million. FCCBs are convertible into equity shares at the option of the bond holders at a price of ₹ 163.13 and fixed rate of exchange is ₹ 42.00.

The outstanding FCCBs if converted into equity shares will increase the equity capital by approx. 34,628,823 equity shares and post conversion capital of the Company would reach approx. 302,502,413 equity shares of Re. 1 each.

3. Debentures:

(a) 12.00% Secured Redeemable Non-Convertible Debentures due 2015 of ₹ 285 Crores.

J. PLANT LOCATION

1. ECP Road, Village Karakhadi - 391 450, Tal. Padra, Dist. Baroda, Gujarat.
2. Village Masar, Jambusar Road, Tal. Padra, Dist. Vadodara, Gujarat
3. Sandyanalla, Sholur Gram Panchayat, Ottacamund, Dist. The Nilguries, Tamilnadu

K. ADDRESS FOR CORRESPONDENCE

Shareholders can correspond at the Registered Office of the Company at Mumbai. Investor complaints may be addressed to: investorscomplain@stergel.com





L. COMPLAINTS BY SHAREHOLDERS & THEIR REDRESSAL

| Nature of Complaints | Received | Solved |
|---|-----------------|---------------|
| Non-receipt of Share Certificate | 2 | 2 |
| Non-receipt of Dividend Warrants | 26 | 26 |
| Non-receipt of Demat Credit/Remat Certificate | 6 | 6 |
| Non-receipt of Rejected DRF | 8 | 8 |
| Non-receipt of Exchange Certificates | 2 | 2 |
| Others | 12 | 12 |





CERTIFICATE

To
The Members
Sterling Biotech Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31st December, 2011, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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 explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance 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 H. S. Hathi & Co.
Chartered Accountants
Firm Reg. No.: 103596W

HEMANT S. HATHI
Partner
Membership No.: 37109

Place: Mumbai
Date: 29th February, 2012





CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

I, Shri Nitin Sandesara, in my capacity as Chief Executive Officer (CEO) of the Company hereby certify that -

a. I have reviewed the financial statements and the cash flow statement for the year ended December 31, 2011 and that to the best of my knowledge and belief:

i) These statements do not contain any material untrue statement or omit any material fact or contain statement that might be misleading.

ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violated the Company's code of conduct.

c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.

d. I have indicated to the Auditors and the Audit committees:

i) Significant changes in internal control over financial reporting during the year;
ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

iii) Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Sterling Biotech Limited

Place: Mumbai

Date: 29th February, 2012

NITIN SANDESARA

Chairman and Managing Director

DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING COMPLIANCE WITH CODE OF CONDUCT

In Accordance with Clause 49 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 with the Code of Conduct, as applicable to them, for the Financial Year ended on 31st December, 2011.

For Sterling Biotech Limited

Place: Mumbai

Date: 29th February, 2012

NITIN SANDESARA

Chairman and Managing Director





FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Members of

STERLING BIOTECH LIMITED

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on this financial statement based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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 enclose in the annexure 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 in paragraph 3 above, we state 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 & Loss Account 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 & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 31st December, 2011 and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2011 from being appointed as a Director in terms of Clause (g) of the sub - section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give, the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st December, 2011;
 - ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Mumbai

Dated : 29th February, 2012

For H. S. HATHI & CO.
Chartered Accountants
Firm Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No. 037109





ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH LIMITED ON THE ACCOUNTS AS AT AND FOR THE PERIOD ENDED 31st DECEMBER, 2011.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examinations of records of inventories, we are of the opinion that the company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
- (iii) (a) The Company has granted unsecured loan to companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was ₹ 396.31 crore and the year end balance of loans granted to such parties was ₹ 221.46 crore.
- (b) In our opinion, terms and conditions on which loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
- (c) There are no overdue amounts of Loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (d) According to the information and explanations given to us, the company has not taken any unsecured loan from companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sales of Goods and service. We have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to ₹ 5,00,000/-or more in respect of each party.
- (vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In our opinion, the Company has an internal audit System commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the companies Act, 1956 and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales Tax / VAT, Wealth tax, Service Tax, Custom duty, Cess and other statutory dues.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December, 2011 for a period of more than six months from the date they became payable.





- (c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
- (x) The Company neither has Accumulated losses nor it has incurred any cash losses during the year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us by the management, and on the basis of records examined by us, the company has defaulted in the repayment of the dues to financial institutions or banks or debenture holders. The amount outstanding and overdue for less than 60 days is ₹ 40.92 crores and for more than 60 days is ₹ 306.35 crores.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the company are held in its own name.
- (xv) According to the information and explanations given to us by the management, the company has not given any Guarantee for loan taken by other from banks or financial institutions.
- (xvi) According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
- (xix) During the period covered by our report, the company has not issued any debentures and hence clause 4(XIX) of the companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xx) During the period covered by our report, the company has not raised any money by way of public issue.
- (xxi) According to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

For H. S. HATHI & CO.
Chartered Accountants
Firm Regn No. 103596W

Place : Mumbai
Date : 29th February, 2012

HEMANT S. HATHI
Partner
Membership No. 037109





BALANCE SHEET AS ON 31ST DECEMBER, 2011

(Amount in ₹)

| Sr. No. | Particulars | Schedules | As at 31 st Dec 2011 | As at 31 st Dec 2010 |
|-----------|--|-----------|---------------------------------|---------------------------------|
| I | SOURCES OF FUNDS | | | |
| | 1. Shareholders' Funds | | | |
| | a) Share Capital | 1 | 267,873,590 | 267,873,590 |
| | b) Reserves & Surplus | 2 | 24,641,013,672 | 24,441,528,027 |
| | | | 24,908,887,262 | 24,709,401,617 |
| | 2. Loan Funds | | | |
| | a) Secured Loans | 3 | 32,810,938,396 | 27,911,454,048 |
| | b) Unsecured Loans | 4 | 9,737,058,639 | 9,526,945,000 |
| | | | 42,547,997,035 | 37,438,399,048 |
| | 3. Deferred Tax Liability | | 3,148,201,369 | 3,118,200,000 |
| | TOTAL FUNDS EMPLOYED | | 70,605,085,666 | 65,266,000,665 |
| II | APPLICATION OF FUNDS | | | |
| | 1. Fixed Assets | 5 | | |
| | a) Gross Block | | 39,220,666,951 | 35,726,277,669 |
| | Less : Depreciation | | 9,799,680,382 | 7,277,434,101 |
| | Net Block | | 29,420,986,569 | 28,448,843,568 |
| | Capital Work-In-Progress | | 16,455,063,139 | 12,627,758,148 |
| | | | 45,876,049,708 | 41,076,601,716 |
| | 2. Investments | 6 | 3,650,032,593 | 3,639,291,408 |
| | 3. Current Assets, Loans and Advances | | | |
| | Current Assets | 7 | | |
| | a) Inventories | | 10,087,911,756 | 6,855,104,250 |
| | b) Sundry Debtors | | 7,230,116,749 | 6,764,102,160 |
| | c) Cash and Bank Balances | | 219,872,186 | 1,583,721,345 |
| | | | 17,537,900,691 | 15,202,927,755 |
| | Loans & Advances | 8 | 4,268,516,621 | 6,495,364,558 |
| | Less : | | 21,806,417,312 | 21,698,292,313 |
| | Current Liabilities & Provisions | | | |
| | Current Liabilities | 9 | 659,836,458 | 650,421,760 |
| | Provisions | 10 | 79,764,758 | 558,699,353 |
| | | | 739,601,216 | 1,209,121,113 |
| | Net Current Assets | | 21,066,816,096 | 20,489,171,200 |
| | 4. Miscellaneous Expenditure | 11 | 12,187,269 | 60,936,341 |
| | TOTAL ASSETS | | 70,605,085,666 | 65,266,000,665 |
| | Notes on Accounts | 15 | | |

As per our Report of even date

For **H.S.Hathi & Co.**
Chartered Accountants,
Firm Regn.No.103596W

Hemant S. Hathi
Partner
Membership No. 037109

Place : Mumbai
Date : 29th February 2012

For and on behalf of Board

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

R.B. DIXIT
Director

KIRTIDEV KHATRI
Company Secretary





PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2011

(Amount in ₹)

| Sr. No. | Particulars | Schedules | For the year ended 31 st Dec 2011 | For the year ended 31 st Dec 2010 |
|-----------|--|-----------|--|--|
| I | INCOME | | | |
| | Sales | | 16,619,539,356 | 16,165,784,871 |
| | Other Income | | 93,078,221 | 106,376,483 |
| | TOTAL | | 16,712,617,577 | 16,272,161,354 |
| II | EXPENDITURE | | | |
| | (Increase)/Decrease in Stocks | 12 | (1,483,668,774) | (933,231,890) |
| | Consumption of Raw Material | 13 | 10,279,959,845 | 8,938,790,051 |
| | Employee Cost | | 505,656,257 | 437,149,798 |
| | Manufacturing & Other Expenses | 14 | 943,524,012 | 752,253,758 |
| | Interest and Finance Charges | | 2,704,308,412 | 2,304,705,129 |
| | Depreciation | | 2,522,246,281 | 1,976,216,883 |
| | TOTAL | | 15,472,026,033 | 13,475,883,729 |
| | PROFIT BEFORE EXTRAORDINARY ITEM & TAXATION | | 1,240,591,544 | 2,796,277,625 |
| | Extraordinary Item | | 962,270,850 | 631,048,082 |
| | PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION | | 278,320,694 | 2,165,229,543 |
| | Provision for current tax | | 57,002,200 | 402,000,000 |
| | Provision for deferred tax | | 30,001,369 | 310,000,000 |
| | PROFIT FOR THE PERIOD | | 191,317,125 | 1,453,229,543 |
| | Prior Year Adjustment | | 8,168,520 | 8,839,456 |
| | PROFIT AVAILABLE FOR APPROPRIATION | | 199,485,645 | 1,462,068,999 |
| | PROPOSED DIVIDEND | | - | 133,936,795 |
| | DIVIDEND TAX | | - | 22,762,558 |
| | TRANSFER TO DEBENTURE REDEMPTION RESERVE | | 107,142,857 | 107,142,857 |
| | TRANSFER TO GENERAL RESERVE | | 92,342,788 | 1,198,226,789 |
| | BASIC EARNINGS PER SHARE | | 0.71 | 5.69 |
| | DILUTED EARNINGS PER SHARE | | 0.63 | 5.01 |
| | (Refer Not No. B-5 of Schedule 15) | | | |
| | Notes on Accounts | 15 | | |

As per our Report of even date

For **H.S.Hathi & Co.**
Chartered Accountants,
Firm Regn.No.103596W

Hemant S. Hathi
Partner
Membership No. 037109

Place : Mumbai
Date : 29th February 2012

For and on behalf of Board

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

R.B. DIXIT
Director

KIRTIDEV KHATRI
Company Secretary





SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011

| Particulars | (Amount in ₹) | |
|---|------------------------------------|------------------------------------|
| | As at 31 st Dec 2011 | As at 31 st Dec 2010 |
| SCHEDULE 1 - SHARE CAPITAL | | |
| AUTHORISED | | |
| 500,000,000 Equity Shares of ₹ 1/- each (Previous year 500,000,000 Equity Shares of ₹ 1/- each) | 500,000,000 | 500,000,000 |
| ISSUED | | |
| 271,597,590 Equity Shares of ₹ 1/- each (Previous year 271,597,590 Equity Shares of ₹ 1/- each) | 271,597,590 | 271,597,590 |
| SUBSCRIBED | | |
| 271,597,590 Equity Shares of ₹ 1/- each (Previous year 271,597,590 Equity Shares of ₹ 1/- each) | 271,597,590 | 271,597,590 |
| PAID UP | | |
| Fully Paid -Up 267,873,590 Equity Shares of ₹ 1/- each (Previous year 267,873,590 Equity Shares of ₹ 1/- each) | 267,873,590 | 267,873,590 |
| TOTAL | 267,873,590 | 267,873,590 |
| SCHEDULE 2 - RESERVE & SURPLUS | | |
| General Reserve | | |
| As per Last Balance Sheet | 11,656,928,373 | 10,458,701,584 |
| Add : Transferred from Profit & Loss Account | 92,342,788 | 1,198,226,789 |
| Add : Transferred from Debenture Redemption Reserve | 37,500,000 | - |
| | 11,786,771,161 | 11,656,928,373 |
| Debenture Redemption Reserve | | |
| As per Last Balance Sheet | 321,428,571 | 214,285,714 |
| Add : Transferred from Profit & Loss Account | 107,142,857 | 107,142,857 |
| Less : Transferred to General Reserve | 37,500,000 | - |
| | 391,071,428 | 321,428,571 |
| Share Premium Account | 12,463,171,083 | 12,463,171,083 |
| TOTAL | 24,641,013,672 | 24,441,528,027 |
| SCHEDULE 3 SECURED LOANS | | |
| Term Loans from Banks | | |
| Term Loans from Banks (Secured by way of charge on Fixed Assets of the company, on pari passu basis) | 7,363,088,639 | 7,421,727,835 |
| Redeemable Non-Convertible Debentures | | |
| Redeemable Non-Convertible Debentures (Secured by way of first charge on Fixed Assets of the company, on pari passu basis) | 3,113,525,521 | 2,850,000,000 |
| External Commercial Borrowings | | |
| a) ECB 2009 aggregating USD 90 million (Previous Year USD 90 Million) (Secured by way of first charge on Fixed Assets of the company, on pari passu basis) | 4,794,300,000 | 4,032,900,000 |
| b) ECB 2010 aggregating USD 147.6 million (Previous Year USD 128.5 million) (Secured by way of first charge on Fixed Assets of the company, on pari passu basis) | 7,851,998,000 | 5,758,085,000 |
| Working Capital Borrowings from Banks | | |
| Working Capital Borrowings from Banks (Secured by way of first charge on Current Assets of the company, on pari passu basis) | 9,688,026,236 | 7,848,741,213 |
| TOTAL | 32,810,938,396 | 27,911,454,048 |





SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011

(Amount in ₹)

| Particulars | As at 31 st Dec 2011 | As at 31 st Dec 2010 |
|---|------------------------------------|------------------------------------|
| SCHEDULE 4 - UNSECURED LOANS | | |
| Foreign Currency Convertible Bonds | | |
| Zero Coupon Convertible Bonds due 2012 (Aggregating to USD 134.50 Million (P.Y.: USD 134.5 Million) Convertible into Ordinary shares or GDRs representing Ordinary Shares) | 7,164,815,000 | 6,026,945,000 |
| Short Term Loan from Banks | 2,572,243,639 | 3,500,000,000 |
| TOTAL | 9,737,058,639 | 9,526,945,000 |



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011

SCHEDULE 5 - FIXED ASSETS

(Amount in ₹)

| Description | GROSS BLOCK | | DEPRECIATION | | NET BLOCK | |
|--|-----------------------|----------------------|----------------------|------------------------|-----------------------|-----------------------|
| | As at 01.01.2011 | As at 31.12.2011 | As at 01.01.2011 | Addition/ Deduction | As at 31.12.2011 | As at 31.12.2011 |
| Land & Development | 341,490,057 | - | - | - | - | 341,490,057 |
| Leasehold Land | 648,448,287 | - | - | - | - | 648,448,287 |
| Building | 2,251,553,788 | 68,616,287 | 430,852,449 | 75,239,570 | 506,092,019 | 1,820,701,339 |
| Plant & Machinery | 32,038,311,030 | 3,375,151,458 | 6,714,379,297 | 2,413,270,996 | 9,127,650,293 | 25,323,931,733 |
| Office Equipments & Furniture | 305,386,221 | 39,856,491 | 88,999,773 | 18,960,576 | 107,960,349 | 216,386,448 |
| Vehicles | 141,088,286 | 10,765,046 | 43,202,582 | 14,775,139 | 57,977,721 | 97,885,704 |
| Grand - Total | 35,726,277,669 | 3,494,389,282 | 7,277,434,101 | 2,522,246,281 | 9,799,680,382 | 28,448,843,568 |
| Previous Year | 29,569,154,615 | 6,157,123,054 | 5,301,217,218 | 1,976,216,883 | 7,277,434,101 | 24,267,937,397 |
| Capital Work -in- Progress (Including Capital Advances) | | | | | 16,455,063,139 | 12,627,758,148 |





SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011

(Amount in ₹)

| Particulars | As at 31 st Dec 2011 | As at 31 st Dec 2010 |
|--|------------------------------------|------------------------------------|
| SCHEDULE 6 - INVESTMENTS | | |
| (At cost/carrying amount unless otherwise stated) | | |
| In Units of Mutual Funds (Market Value ₹ 63 Lacs, Previous year ₹ 435 Lacs) | 14,902,532 | 54,755,836 |
| In Shares (Quoted) (Market Value ₹ 59 Lacs, Previous year ₹ 270 Lacs) | 30,435,921 | 40,885,092 |
| In Shares (Un - quoted at cost) | 3,604,694,140 | 3,543,650,480 |
| TOTAL | 3,650,032,593 | 3,639,291,408 |
| SCHEDULE 7 - CURRENT ASSETS | | |
| a) Inventories | | |
| Raw Materials | 3,306,942,669 | 1,570,957,191 |
| Stock-in -process | 5,475,129,387 | 3,246,534,125 |
| Stores & Spare Parts | 162,417,112 | 149,263,858 |
| Finished Stock | 1,143,422,588 | 1,888,349,076 |
| | 10,087,911,756 | 6,855,104,250 |
| b) Sundry Debtors (Unsecured & considered good) | | |
| Debtors outstanding for a period more than 6 months | 29,164,873 | 26,261,274 |
| Other Debtors | 7,200,951,876 | 6,737,840,886 |
| | 7,230,116,749 | 6,764,102,160 |
| c) Cash & Bank Balances | | |
| Cash in Hand | 2,163,425 | 5,389,727 |
| Bank Balance with Scheduled Banks | | |
| In Current Account | 53,713,306 | 905,842,325 |
| In Fixed Deposits | 163,995,455 | 672,489,293 |
| | 219,872,186 | 1,583,721,345 |
| TOTAL | 17,537,900,691 | 15,202,927,755 |
| SCHEDULE 8 - LOANS AND ADVANCES | | |
| (Unsecured, Considered good) | | |
| Deposits | 42,952,372 | 40,382,024 |
| Balance with Excise and other Government Authorities | 122,308,665 | 111,857,579 |
| Advances recoverable in cash or in kind or for value to be received | 4,103,255,584 | 6,343,124,955 |
| TOTAL | 4,268,516,621 | 6,495,364,558 |
| SCHEDULE 9 - CURRENT LIABILITIES | | |
| Sundry Creditors | 438,788,890 | 501,692,179 |
| Other Liabilities | 221,047,568 | 148,729,581 |
| TOTAL | 659,836,458 | 650,421,760 |





SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2011

(Amount in ₹)

| Particulars | As at 31 st Dec 2011 | As at 31 st Dec 2010 |
|--|------------------------------------|------------------------------------|
| SCHEDULE 10 - PROVISIONS | | |
| Proposed Dividend | - | 133,936,795 |
| Other Provision | 79,764,758 | 424,762,558 |
| TOTAL | 79,764,758 | 558,699,353 |
| SCHEDULE 11 - MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| FCCB Issue Expenses | 60,936,341 | 138,962,238 |
| Add: Addition during the period | - | - |
| | 60,936,341 | 138,962,238 |
| Less: Written off during the period | 48,749,072 | 78,025,897 |
| TOTAL | 12,187,269 | 60,936,341 |





**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED
31ST DECEMBER 2011**

(Amount in ₹)

| Particulars | For the year ended 31 st Dec 2011 | For the year ended 31 st Dec 2010 |
|---|---|---|
| SCHEDULE 12 - (INCREASE) / DECREASE IN STOCKS | | |
| Stock in trade (At Beginning) | | |
| Finished Goods | 1,888,349,076 | 1,345,529,170 |
| Stock in Process | 3,246,534,125 | 2,856,122,141 |
| | 5,134,883,201 | 4,201,651,311 |
| Stock in trade (At Close) | | |
| Finished Goods | 1,143,422,588 | 1,888,349,076 |
| Stock in Process | 5,475,129,387 | 3,246,534,125 |
| | 6,618,551,975 | 5,134,883,201 |
| (Increase)/Decrease in Stocks | (1,483,668,774) | (933,231,890) |
| SCHEDULE 13- CONSUMPTION OF RAW MATERIAL | | |
| Opening Stock | 1,720,221,049 | 1,442,373,310 |
| Add: Purchases | 12,029,098,577 | 9,216,637,790 |
| | 13,749,319,626 | 10,659,011,100 |
| Less: Closing Stock | 3,469,359,781 | 1,720,221,049 |
| TOTAL | 10,279,959,845 | 8,938,790,051 |
| SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES | | |
| Repair & Maintenance: Buildings | 22,192,752 | 17,295,215 |
| Repair & Maintenance: Plant & Machinery | 88,519,879 | 70,734,658 |
| Travelling & Conveyance | 90,506,074 | 72,397,941 |
| Telephone & Telex | 31,557,297 | 25,718,124 |
| Printing & Stationery | 16,846,752 | 13,272,136 |
| Postage, Telegram & Courier | 22,256,477 | 17,346,022 |
| Office Expenses | 145,797,070 | 117,437,129 |
| Selling & Distribution Expenses | 525,847,711 | 418,052,533 |
| TOTAL | 943,524,012 | 752,253,758 |





SCHEDULE 15 NOTES FORMING PART OF THE ACCOUNTS

A. Significant Accounting Policies

1. **Basis of preparation of Financial Accounts** - The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and the requirements of the Companies Act, 1956, under the historical cost convention and on accrual basis.
2. **Use of Estimates** - The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.
3. **Fixed Assets** - Fixed assets are stated at cost less accumulated depreciation. Fixed assets include all related expenses incurred up to the date of acquisition and installation. Pre-operative expenses incurred up to the date of commencement of production of the project is allocated to building and plant & machinery.
4. **Depreciation** - Depreciation on fixed assets is calculated on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions to / deletions from the fixed assets during the year is provided on pro-rata basis
5. **Inventories** - Inventories are valued as follows -
 - A) Finished Goods at cost or net realisable value whichever is less.
 - B) Work-in-process at cost or net realisable value whichever is less.
 - C) Raw material, packing material, stores and spares, tools and consumables are valued at cost or net realisable value whichever is less.
6. **Foreign Currency Transactions** - Foreign currency transactions during the period are recorded at the exchange rates prevailing on the date of the transaction. Foreign Currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing at the date of the balance sheet. All exchange difference are dealt with in the statement of profit and loss, except for those relating to the acquisition of fixed assets, which are adjusted in the cost of the fixed assets.
7. **Investments** - Investments are stated at cost.
8. **Revenue Recognition** - Sales are recognised at the time of dispatch of the goods.
9. **Research and Development expenditure** - Revenue expenditure on Research and Development is charged to revenue in the respective head of expenditure account
10. **Retirement Benefit** - Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for accrual basis.
11. **Employee Benefits** -
 - a) Short Term Employee benefits
All Short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscovered basis and charged to the Profit & Loss account.





b) **Defined Contribution Plan**

The company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner and contribution of the company is charged to the Profit & Loss account on accrual basis.

c) **Defined Benefit Plan**

The Company's liability towards gratuity to its employees is covered by a group gratuity policy with LIC of India. The contribution paid / payable to LIC of India is debited to Profit & loss Account on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to Profit & Loss Account on accrual basis. Thus charge to the Profit & Loss Account includes premium paid to LIC, current service cost, interest cost, expected return on plan assets and gain/loss in actuarial valuation during the year net of fund value of plan asset as on the balance sheet date. Liability towards leave salary is provided on actuarial basis.

12. **Borrowing Cost** - Borrowing cost attributable to the acquisition of fixed assets is included in the cost of assets. The balance borrowing cost is charged to revenue.
13. **Income Tax** - Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise and deferred tax asset or liability is recorded for the timing differences. The deferred tax asset or liability recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.
14. **Export Benefits** - The company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.
15. **Impairment Loss** - As per Accounting Standard AS 28 'Impairment of Assets' effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.
16. **Provisions, Contingent Liabilities and Contingent Assets** - A Provision is Recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

B. Notes to Accounts

1. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2011 is ₹ 2786.52 Lacs [Previous Year ₹ 3236.18 Lacs].
2. Contingent liabilities not provided for on account of letters of credit as on 31st December, 2011 are of ₹ 4986.00 Lacs [Previous Year ₹ 10,100.00 Lacs].
3. Current income Tax is provided for the year as per provisions of the Minimum Alternate Tax under the Income Tax Act, 1961.
4. The company has provided for a deferred tax liability of ₹ 300.01 Lacs for the year ended December 31st 2011 on additional depreciation on fixed assets under Income Tax Act [Previous year ₹ 3,100.00 Lacs].
5. Calculation of Earnings per share [EPS]

(Amount in ₹)

| Sr. No. | Particulars | 2011 | 2010 |
|---------|---|-------------|---------------|
| 1. | Net Profit after Tax | 191,317,125 | 1,453,229,543 |
| 2. | Face value of each equity share | 1.00 | 1.00 |
| 3. | Weighted average No. of Equity Shares | 267,873,590 | 255,276,440 |
| 4. | Earning Per Share [EPS] Basic | 0.71 | 5.69 |
| 5. | Weighted average No. of Equity Shares for Diluted EPS | 302,503,000 | 289,905,850 |
| 6. | Diluted EPS | 0.63 | 5.01 |





6. Managerial Remuneration

(₹ in Lacs)

| Sr. No. | Particulars | 2011 | 2010 |
|---------|--------------------------------|---------------|---------------|
| 1. | Salary (including Bonus) | 119.91 | 105.62 |
| 2. | Contribution to Provident Fund | - | - |
| 3. | Superannuation Fund | - | - |
| 4. | Perquisites | - | - |
| | Total | 119.91 | 105.62 |

7. The company's operations fall under single segment. Hence Segmental Reporting as defined under AS 17 is not applicable.

8. Foreign Currency Earnings and Expenditure

(₹ in Lacs)

| Sr. No. | Particulars | 2011 | 2010 |
|---------|----------------------|-----------|-----------|
| 1. | FOB Value of Exports | 51,407.73 | 50,350.86 |
| 2. | CIF Value of Imports | 820.64 | 550.33 |
| 3. | Other Expenditure | 948.87 | 294.01 |

9. Based on the information received by the company from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (The Act) there are no amounts due to such vendors during the year and as at the year end. Therefore, disclosures required under the Act have not been given.

10. The Ministry of Corporate Affairs, Government of India vide its General Notification No. S.O. 301(E) dated 8th February 2011 issued under section 211(3) of the Companies Act, 1956 has exempted certain classes of companies from disclosing certain information in their Profit and Loss Account. The Company being an 'Export Oriented Company' is entitled to the exemption. Accordingly, disclosures mandated by paragraphs 3(i)(a), 3(ii)(a), 3(ii)(b) and 3(ii)(d) of Part II, Schedule VI to the Companies Act, 1956 have not been provided.

11. Related Party Information

A. Names of related parties and relationships.

i) Details of Key Management Personnel

- Mr. Nitin J. Sandesara Chairman and Managing Director
- Mr. Chetan J. Sandesara Joint Managing Director

ii) Enterprises in which significant influence is exercised by Key Management Personnel

- Sterling SEZ and Infrastructure Limited
- Sterling Oil Resources Limited
- Sterling Port Limited
- Atlantic Bluewater Services Pvt. Ltd.
- British Oil & Gas Exploration Pvt. Ltd.





B. The aggregate amount of transaction with the related parties is as below:

(₹ in Lacs)

| Sr. No. | Particulars | Nature of Transaction | 2011 | 2010 |
|---------|---|-----------------------|-----------|-----------|
| | Transaction during the period | | | |
| 1. | Mr. Nitin J. Sandesara | Remuneration | 69.50 | 63.55 |
| 2. | Mr. Chetan J. Sandesara | Remuneration | 50.41 | 42.07 |
| 3. | Sterling SEZ and Infrastructure Ltd. | Loans & Advances | 7,612.00 | 12,813.00 |
| | Maximum amount outstanding | | 12,813.00 | 22,066.00 |
| 4. | Sterling Oil Resources Limited | Loans & Advances | 9,278.00 | 18,153.00 |
| | Maximum amount outstanding | | 18,153.00 | 18,153.00 |
| 5. | Sterling Port Limited | Loans & Advances | 5,256.00 | 8,665.00 |
| | Maximum amount outstanding | | 8,665.00 | 8,665.00 |
| 6. | Sterling SEZ and Infrastructure Ltd. | Investment | 18,500.00 | 14,500.00 |
| 7. | Sterling Oil Resources Limited | Investment | 500.00 | 11,900.00 |
| 8. | Sterling Port Limited | Investment | 17,036.00 | 9,036.00 |
| 9. | Atlantic Bluewater Services Pvt. Ltd. | Investment | 5.00 | - |
| 10. | British Oil & Gas Exploration Pvt. Ltd. | Investment | 5.00 | - |

12. Payment to Auditors

(₹ in Lacs)

| Particulars | 2011 | 2010 |
|----------------------------|-------------|-------------|
| Audit Fees | 4.00 | 4.00 |
| Tax Audit Fees | 1.50 | 1.50 |
| Taxation and other matters | 2.00 | 2.00 |
| Service Tax | 0.77 | 0.77 |
| Total | 8.27 | 8.27 |

13. Figures of the previous year have been regrouped, reclassified whenever necessary to make them Comparable with the current year's figures.

As per our Report of even date

For **H.S.Hathi & Co.**
Chartered Accountants,
Firm Regn.No.103596W

Hemant S. Hathi
Partner
Membership No. 037109

Place : Mumbai
Date : 29th February 2012

For and on behalf of Board

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

R.B. DIXIT
Director

KIRTIDEV KHATRI
Company Secretary





CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011

(₹ in Lacs)

| Particulars | For the Year Ended 31 st December, 2011 | For the Year Ended 31 st December, 2010 |
|---|---|---|
| (A) Cash Flow From Operating Activities | | |
| Net Profit Before Tax and Extraordinary Items | 12,405.92 | 27,962.78 |
| <i>Adjustment for:</i> | | |
| Depreciation and Amortisation | 25,222.46 | 19,762.17 |
| Finance Charges | 27,043.08 | 23,047.05 |
| Operating Profit before Working adjustments for | 64,671.46 | 70,772.00 |
| Trade Receivables | (4,660.15) | (8,451.74) |
| Other Receivables | 20,781.54 | (8,930.45) |
| Inventories | (32,328.08) | (12,110.80) |
| Trade Payable (Current Liabilities) | 94.15 | 1,671.14 |
| Direct Tax | (2,451.38) | (2,900.00) |
| Cashflow Before Extra Ordinary Items | 46,107.55 | 40,050.15 |
| Extra-Ordinary Expenses | (9,135.22) | (5,227.35) |
| Net Cash Flow from Operating Activities | 36,972.34 | 34,822.80 |
| (B) Cash Flow From Investing Activities | | |
| Purchase of Fixed Assets | (73,216.94) | (90,482.44) |
| Purchase of Investments | (107.41) | (8,918.02) |
| Sale of Investments | - | - |
| Net Cash Used in Investing Activities | (73,324.35) | (99,400.45) |
| (C) Cash Flow From Financing Activities | | |
| Proceeds from Issue of Share on Conversion of FCCB | - | 176.77 |
| Proceeds from Share Premium on Conversion of FCCB | - | 26,831.04 |
| Proceeds/(Repayment) from Long Term Borrowings | 32,703.13 | 40,158.64 |
| Proceeds/(Repayment) from Working Capital Borrowings | 18,392.85 | 24,835.46 |
| Interest & Finance Charges | (27,043.08) | (23,047.05) |
| Dividend & Dividend Tax | (1,339.37) | (1,463.61) |
| Net Cash used in Financing Activities | 22,713.53 | 67,491.25 |
| Net Increase/(Decrease) in Cash & Cash Eq. (A+B+C) | (13,638.49) | 2,913.60 |
| Cash & Cash Equivalents (Opening) | 15,837.21 | 12,923.61 |
| Cash & Cash Equivalents (Closing) | 2,198.72 | 15,837.21 |

We have Examined the attached Cash Flow Statement of Sterling Biotech Limited for the year ended 31st December, 2011. The statement has been prepared by the company in accordance with the listing agreement of the stock exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the company.

As per our Report of even date

For **H.S.Hathi & Co.**
Chartered Accountants,
Firm Reg. No.103596W

Hemant S. Hathi
Partner
Membership No. 037109

Place : Mumbai
Date : 29th February 2012

For and on behalf of Board

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

R.B. DIXIT
Director

KIRTIDEV KHATRI
Company Secretary





BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional Information under part IV of the schedule VI to the Companies Act, 1956

1 REGISTRATION DETAILS

| | |
|--------------------|-----------------------|
| Registration No. | 35738 |
| CIN No. | L51900MH1985PLC035738 |
| State Code | 11 |
| Balance Sheet Date | 31/12/2011 |

2 CAPITAL RAISED DURING THE YEAR (Amount In ₹ Thousand)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Right Issue | NIL |
| Bonus Issue | NIL | Private Placement | NIL |

3 POSITION OF MOBILISATION & DEPLOYMENT OF FUND (Amount in ₹ Thousand)

| | | | |
|-----------------|----------|--------------|----------|
| Total Liability | 70605086 | Total Assets | 70605086 |
|-----------------|----------|--------------|----------|

Source of Fund

| | | | |
|------------------------|----------|--------------------|----------|
| Paid -up Capital | 267874 | Reserves & Surplus | 24641014 |
| Secured loans | 32810938 | Unsecured Loans | 9737059 |
| Deferred Tax Liability | 3148201 | | |

Application of Fund

| | | | |
|--------------------|----------|---------------------------|---------|
| Net Fixed Assets | 45876050 | Investment | 3650033 |
| Net Current Assets | 21066816 | Miscellaneous Expenditure | 12187 |

4 PERFORMANCE OF COMPANY (Amount In ₹ Thousand)

| | | | |
|-------------------------------|----------|----------------------------|----------|
| Turnover & Other Income | 16712618 | Total Expenditure | 15472026 |
| Profit Befor Tax | 278321 | Profit after Tax | 191317 |
| Earning per share (₹) | 0.71 | Face Value of Share in (₹) | 1 |
| Dividend Rate (Per Share) (₹) | NIL | | |

5 GENERIC NAMES OF PRINCIPAL PRODUCTS

| | |
|-----------|---------------------|
| ITC Code | Product Description |
| 350300.02 | GELATIN |
| 283525.00 | DCP |
| 29146990 | COENZYME Q 10 |

As per our Report of even date

For **H.S.Hathi & Co.**
Chartered Accountants,
Firm Reg. No.103596W

Hemant S. Hathi
Partner
Membership No. 037109

Place : Mumbai
Date : 29th February 2012

For and on behalf of Board

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

R.B. DIXIT
Director

KIRTIDEV KHATRI
Company Secretary



