

ANU'S

ANU'S LABORATORIES LIMITED

MAKING THE RIGHT MOVES



Annual Report 2009-2010

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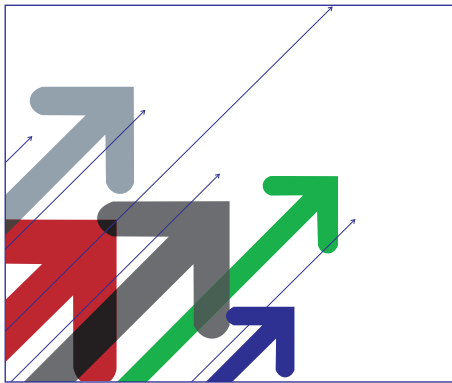


We are at a key inflection point.

We have created a solid foundation for the new Anu Labs to build upon, one that is well positioned to deliver significant future value.

We are building huge capacity and are climbing the value chain to be a vertically integrated manufacturer, from fine chemicals to active pharmaceutical ingredients. We have made progress in transforming Anu Labs into a focused pharma player with a steady growth trajectory.

We have made the right moves. The results will be visible soon.



From the Desk of the Managing Director

Making the right moves

Dear friends,

The year under review saw us delivering higher volumes, increasing our export earnings and improving capacity utilization with a gratifying climb in revenues. In the context of high raw material prices, the margins were under pressure. Yet, as we look back, 2009-10 was a significant period as we managed to do well under daunting external challenging and competitive environment.

We achieved a turnover of Rs.2179.83 million for the year, an increase of approximately 23.7% over Rs.1761.16 million in 2008-09. We have reported a net profit of Rs.211.65 million which was higher by 29.7%, when compared to Rs.163.19 million in the previous year. Our fully diluted EPS for the year was Rs.0.88.

The performance is a reflection of our conviction to accomplish objectives we set out to achieve. Anu Labs has a track record of steady growth and we wish to accomplish initially a 30% to 35 % improvement in the top line in 2010-11. Members will appreciate that Anu Labs has had a top line growth at a compounded annual growth rate (CAGR) of 40.6% over the past 6 years from FY04 to FY10. We believe that we shall gather momentum when all our assets perform to the targeted capacity in 2011-12.

In addition to above performance, we focused on capacity building for future growth and deployed funds to initiate some strategic measures such as acquiring Nitya Laboratories, purchase from IFCI led consortium of banks and institutions of assets formerly belonging to Stilbene Chemicals at Pydhibhimavaram, near Visakhapatnam, expansion in capacity at our Shadnagar facility and a green field project for a large active pharmaceutical ingredients (API) manufacturing facility at JNPC, Visakhapatnam.

We are confident that these major initiatives will enhance

the Company's performance and growth prospects in the near future.

We believe that capacity building and imparting training to staff are crucial and shall fuel the future growth of the Company. We have now people who are ready for future challenges. We have added more capacity in Q-acid, SMO and other chemicals. R&D division of the Company has been strengthened and is focused on results. This division is working hard to develop new products to meet the market demands which shall ensure Company's higher rate of growth.

We are gearing up with greater preparedness for intensified long term marketing and partnership programs with many key customers for both drug intermediates and APIs. In line with these strategic initiatives, we are further enhancing our R&D efforts and focus to generate added value for our long term business relationship with customers, to support their product demand through our cost and quality competitiveness coupled with timely deliveries. In the process, we intend to spread business risks and enhance durable relationships to improve our earnings etc.

I feel reassured that we have what it takes. We have a well-defined plan and with our proven capability to deliver improved results through competencies, built over the past several years viz:

- ✓ Broad based leading-edge product range and service offering;
- ✓ Presence in wider markets and products with reliable long-term demand growth;
- ✓ Sizeable market share for our existing products and a diversified customer base;
- ✓ Focus on continuous improvement of key business processes, especially quality product standards;
- ✓ Commitment to invest in product and process development programs;



- ✓ Sustainable relationship with our key customers;
- ✓ Attracting and managing talent pool of well-trained and motivated technical and other professional managers and employees;
- ✓ Experienced set of professional management teams committed to the sustainable success of Anu Labs.

While the past has been rewarding, we believe that our best is yet to come. One point illustrates our confidence. As is well known, India holds a major advantage in pharmaceutical product manufacturing over several Asian and European countries with its cost competitiveness, quality consciousness, transparency, predictability and adherence to regulatory norms. Manufacturers such as Anu Labs would be able to demonstrate this strength and convert opportunities into good business. Indeed, Anu Labs with its vertically integrated manufacturing systems is confident of producing on par with the best-in-class across the world at prices that will be cost competitive. This is an enormous advantage that will be encashed in the best interests of all its stakeholders.

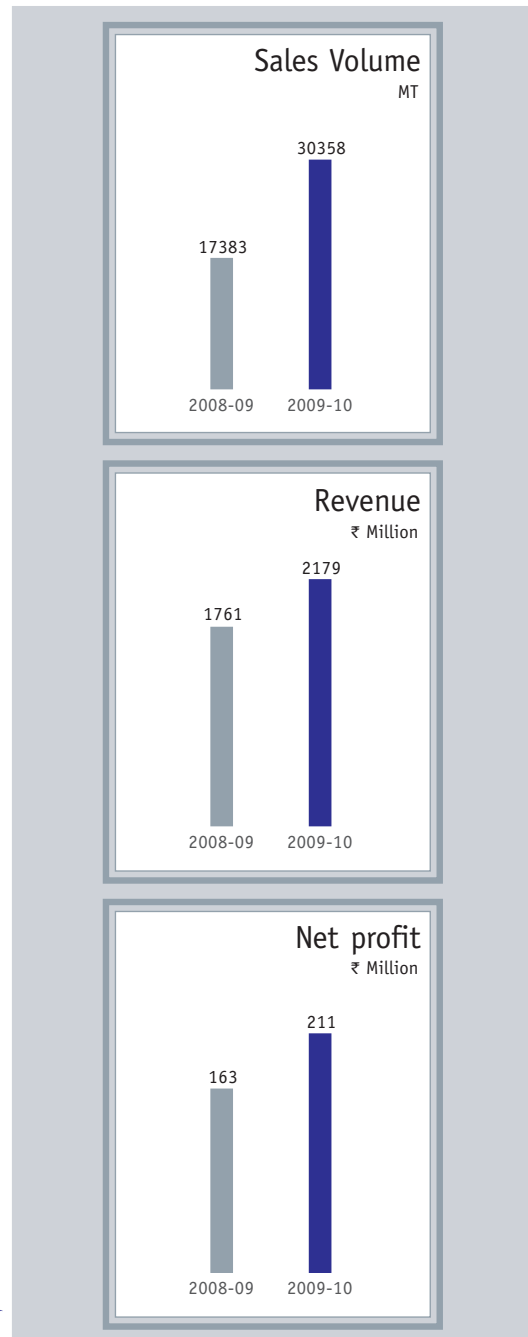
We have several growth drivers and adequate management bandwidth to execute the plans on hand. We have reasonably good visibility of our revenues with fine tuned and confirmed working plans to actualize them.

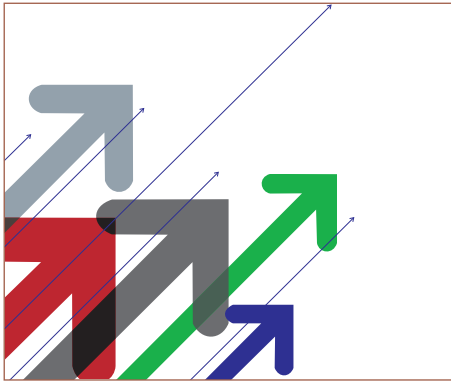
I would like to thank all my colleagues for extending their persistent efforts with dedication and commitment to further develop Anu Labs. I would also extend warm thanks to our discerning customers with whom we have the privilege to collaborate and with whose trust we keep improving our performance. Whether tapping of new markets or for introducing new products or in generating fresh marketing ideas, Anu Labs is on a secure path to the future.

Warm regards

K. Hari Babu

Annual Report 2009-10





Review of operations

Growth in Revenue

Year-on-year 2009-10

23.7%

Growth in Net Profit

Year-on-year 2009-10

29.7%

Return on Equity

2009-10

13.4%

Success for Anu Labs is ensuring that the customers are totally satisfied with our products and services while at the same time, improving our profitability. Achieving these two interrelated objectives requires nothing less than flawless execution.

Our customers, some of the best names in the pharma industry in India and across the globe, have been always stringent in their demand for quality products and service level. Despite the complexity of manufacturing products that ultimately become a key ingredient in producing drugs, our customers expect us to deliver on time, a quality product with the highest reliability standards.

The final product is a reflection of how we execute all phases of the manufacturing processes. We recognize that our ability to understand and properly respond to the needs of our customers enhances their overall positive experience. Our strength is to deliver high quality products and services to the customer and to continually make the things that we are good at, even better.

In 2009-10, we have performed and achieved the objectives that we set out to do. We have increased the production capacity of many of our key fine chemicals and intermediates, besides introduction of new products. Most of the enhancements were stabilized and reflected in the fourth quarter of the financial year.

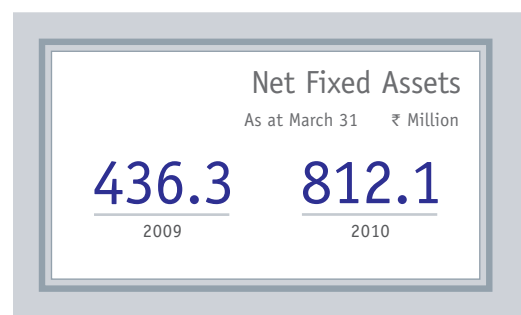
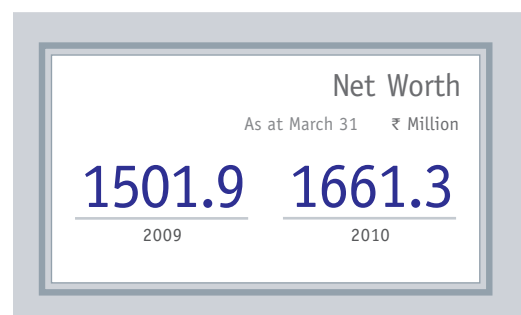


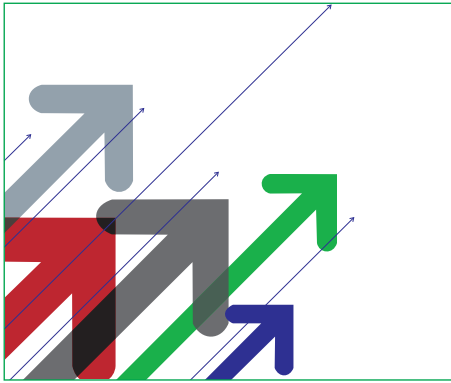
The capacity utilization was approximately 70%. The constraint during the year was the timely availability of certain key raw materials from China. Going forward this issue is planned to be resolved by expanding the vendor list and by a backward integration project to be implemented at the Pydibheemavaram unit. When these projects are completed in early 2011 as planned, Anu Labs would minimize dependence on external sourcing and improve the certainty of supply pipelines.

As one of our focus areas in 2009-10 was improvement in quality of products, the Company improved its quality for the largest selling products, in consultation with all the large customers.

Certain core changes were made in processes to improve product yields, including recycling of solvents. Similarly usage of production unit based services and utilities were consistently reviewed to identify shortcomings and measurable improvements were made from time to time.

Overall, Anu Labs recognized challenges in the external environment and initiated concrete steps to create new vistas of growth. In fact, our actions and results demonstrate our total commitment to deliver better shareholder value.





Added engines of growth



At every step, we at Anu Labs plan and execute diligently. Understand and estimate market needs. Establish state-of-the-art production facilities. Introduce several new products. Streamline supply chain. Be cost effective in manufacture. Closely work with the existing customers. Widen the market reach. Build excellent relationships with vendors. Deliver improved results. Generate higher revenue. Increase cash flow. We do it all. We promise, we deliver. Visions become reality.

As we leap ahead, nothing in this approach shall change. They are part of the organizational DNA at Anu Labs.

The Company sees opportunities in climbing the value chain and has taken several initiatives to scale up the business mix and improve its revenue streams. While backward integration into basic chemicals and amalgamation with Nitya Laboratories would enable Anu Labs to strengthen its positioning in the intermediates market, the commissioning of the JNPC and Pydhibheemavaram facilities would power the Company into the API segment of the pharma industry.

The strength of the Company is its competitiveness and the cornerstones of the business approach, which are built on well-crafted methods and processes which can be better summarized as:



- ✓ Customer aligned approach being the foundation for our current and future success in business;
- ✓ Result oriented culture and professional team;
- ✓ Leveraged on product offerings to achieve strong earnings growth;
- ✓ State-of-the-art technologies and robust business model set the stage for long term operational success.

The changing dynamics at Anu Labs are transformational. Value creating expansions and 'perfect fit' acquisitions would increase volumes and revenues in both the intermediates and API market, foster and strengthen relationships with customers, and contribute to stability, competitive differentiation and long term value.

As we complete the integration of each project and scale them up commercially, we will have a global footprint, an extensive product portfolio, enhanced R&D capabilities, expanded manufacturing capacity and

operations that are integrated both vertically and horizontally.

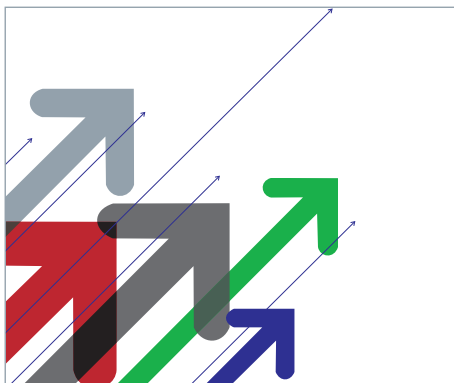
Every production facility would be a powerful engine of growth and change the foundation of the Company's growth equation. As a result of these strategic moves, Anu Labs will have the scale and resources needed for maintaining the present traction.

More significant, Anu Labs would be able to spread the risk while improving earnings.

We continue to pave the way for growth through the steadfast execution of our strategy with dedicated timelines. We are vigorously investing in building competencies such that assets and capacities are made to sweat in the best interest of Anu Labs and its stakeholders.

Revenue and earnings visibility from the new initiatives would be better in 2010-11, while significant traction in top and bottom line can be anticipated in 2011-12.





R&D is the game changer

We stay focused on our R&D efforts to remain competitive over the long term as we continually invest in adding to our pipelines and refine existing ones.

Over the past few years, we have been opening new possibilities for chemical engineering, process chemistry, and more selectivity, small, inexpensive, independent, and versatile devices to ensure efficient reactions, achieve maximum selectivity, produce with shorter lead time, minimize waste, have a better control of the processes and ensure safe manufacturing. Research is a game changer for the Company and offers value adding products to the customers.

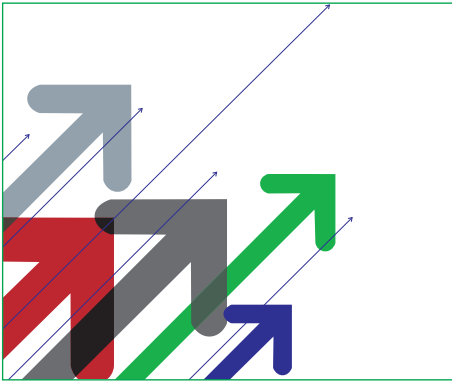
Anu Labs has recently developed computational chemistry and new derivatives as intermediates. This strengthens the efforts of the in-house R&D team to design and modify new synthetic routes and processes for existing compounds and to analyze potential compounds before beginning laboratory work.

During 2009-10, process validation was completed for 12 intermediates and also for 4 APIs that are part of the backward and forward integration projects. Validation batches were also completed at the pilot level for commercialization on plant scale.

Going forward, in 2010-11, the R&D team plans to scale up 15 APIs to the pilot level and commercialize 5 of them. The year is also likely to witness commercialization of a few APIs some of which are low-volume high-value products.

The R&D process is a time consuming and value adding exercise where the benefits often follow in subsequent time scales. For instance, the efforts of 2008 and 2009 are now enabling the Company to commercialize 8 new intermediates and 5 APIs. This trend will ensure that the present efforts create a robust pipeline of products for 2011 and 2012.





Aligned to environment, health & safety

Our priority is to provide a safe and healthy work environment for every employee. We have initiated a company-wide set of policies, standards, programs and management systems to improve awareness amongst the employees and enhance the level of protection for each one of them.

Anu Labs strives to create an incident free workplace and the on-going efforts can be summarized as follows:

- ✓ Manage workplace exposure effectively with particular attention to all inherently high-risk operations;
- ✓ Institute and supervise safety related rules are followed to protect the people and the assets of the Company;
- ✓ Continuously improve the design, processes, practices and equipment to enhance the safety of people and the plant with a suitable system of review;
- ✓ Conduct periodic in-depth review of all incidents/accidents that have occurred within our units and major accidents that have occurred in other chemical factories as well. The lessons learnt from these reviews are suitably adopted.
- ✓ Organize training programs on-site on EHS parameters for the employees at regular intervals



Each and every employee has been trained and is committed to create and maintain an accident free work place. Every employee is hence encouraged to be proactively involved in the following actions:

- ✓ Be aware of and identify unusual occurrence/ functioning of equipment or plant which may lead to safety hazard. Immediately address such issue personally or report to the supervisor;
- ✓ Advice/correct the colleagues if there is any non-compliance in safety practices.
- ✓ Report promptly to the supervisor every industrial injury or occupational illness;
- ✓ Suggest improvements in the safety and security of the plant and machinery.
- ✓ Refrain from interfering with any work practice designed to protect from injuries.

Anu Labs continues to be dedicated to minimizing the environmental footprint and has been upgrading its equipments, systems and processes. Pro-actively the Company has been working on developing technologies that reduce and minimize the generation of waste (solid and liquid). The efforts have resulted in reduction of water consumption.

Approximately 40% of the R&D efforts are directed at developing processes for reducing or eliminating waste. Similarly, a significant part of all investments is made into projects for recovery of by-products or for effluent treatment. The in-house treatment facilities include gas

scrubbers, solar evaporation ponds, elaborate settling tanks, etc.

During 2009-10, several new initiatives were taken up to upgrade the production facilities, reduce consumption of resources and minimise the generation of waste. Actions taken during the year include:

- ✓ Developed processes that enable reduce the consumption of water by 40%. This move has minimized the generation of effluents and exposure to atmosphere.
- ✓ Solid waste and by-products, wherever possible, are converted to usable materials and recycled in the manufacturing process. This effort has reduced generation of waste by 40%.
- ✓ All residual solids are treated and instead of incinerating as in the past, such organic compounds with high calorific value are mixed with coal ash and put to productive use by selling them to the cement industry. While the pollution load is minimized, the initiative has provided ancillary benefits to the society.
- ✓ The installation of Multiple Effect Evaporation System with 100 KL capacity enables recovery of waste water as well as steam condensate for use as in-feed after pumping through the cooling tower. There is near zero discharge and the most minimum waste after pre-treatment is transferred to the external common effluent treatment plant.





Integrated Management System is another major initiative presently being implemented with a focus on enhancing standards and integrating with Quality Management System and GMP with an on-line link to the MIS. While complying with the ISO 9001:2008 standards, the endeavor is to comply with OHSAS 18000, an international occupational health and safety management system and with ISO 14001, an internationally accepted standard that sets out an effective Environmental Management System (EMS).

Anu Labs is addressing the delicate balance between maintaining profitability and reducing environmental

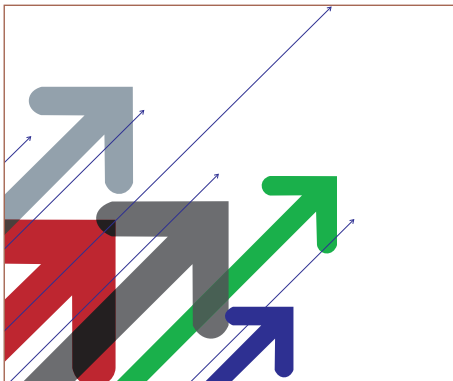
impact; with the alignment of the entire organization to achieve both objectives.

Every activity is being reviewed for its outcome, its regulatory and statutory compliance and an impact chart is prepared to further improve as well as put in place corrective and pre-emptive approach to protecting environment, the society and optimizing the use of resources.

All the efforts made and being implemented, supplement the quality and consistency of products and increase the assurance level to the customers.

Corporate goals

| | |
|---|---|
| <p>CUSTOMER FIRST</p> <p>We understand and focus on the needs of our customers. We work for their success.</p> | <p>DELIVER EXCELLENCE</p> <p>We are passionate about our products and services and are dedicated to deliver excellence.</p> |
| <p>EMBRACE RESPONSIBILITIES</p> <p>We strive to ensure that all people can work safely and live healthy, now and in the future. We care for our environment and manage our business ethically.</p> | <p>ADD VALUE</p> <p>We will grow faster than industry average in both revenue and earnings. We will earn a higher return on capital every successive year.</p> |



An engaged workforce

Anu Labs is made of able and committed professionals who know the business and are keen to do their utmost to reach the Company's objectives. Time and again we have demonstrated that we set high targets, build a stretch, take risks and deliver. We are known for our reliability and shall strive to be the best in what we do.

The Company has an empowered team that works with commitment to external parties and accountability to the corporate plans. The annual business plan is central to the managerial system with growth process as the main driver.

The managerial system developed over the years has the following attributes:

- ✓ Set ambitious goals and delegate effectively through clarity of objectives, encouragement and support;
- ✓ Make decisions, act and be willing to take risks;
- ✓ Involve people, motivate them by holding them responsible, and reward their positive results;
- ✓ Communicate openly, respect and trust the employees;
- ✓ Provide and accept feedback with a need to develop continuously;

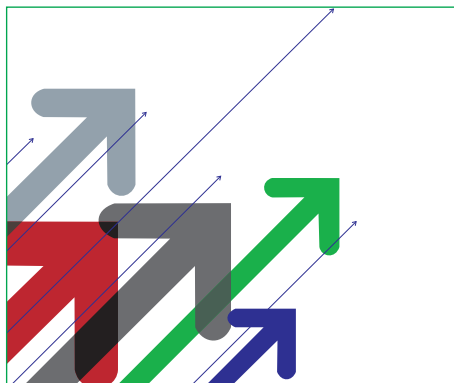
- ✓ Develop and upgrade the skills of the employees and in particular of the core team.

Our people's collective efforts over an extended period of time have favorably impacted our effectiveness, response levels and quality for which we are well-known in the pharma industry.

With the ongoing efforts to improve preparedness for the huge capacity increase, the present plans are to recruit with rigorous selection standards, provide development programs for the new recruits to integrate better, and ensure domain expertise. The teams in each of the facilities are being empowered across all managerial levels, with enhanced decision making corridor, identified responsibility for increased productivity, raised expectations on the standards of performance and the top graded achievers duly recognized and rewarded.

Human resource management is an enabler that lays emphasis on the Company being systems and process driven, where results count as much as customer satisfaction. Our energized people at all levels are engaged in fully realizing our ambitious targets. At Anu Labs, people are the competitive advantage and are encouraged to move up the value chain in what they deliver.





Securing the future

Anu Labs has charted a three pronged strategy for the medium term. The key elements of this approach are as follows:

- ✓ Ensure continuous growth higher than the industry average
- ✓ Expand and reinforce market presence
- ✓ Strengthen competitiveness in operations

A clear goal for the medium term is to maintain the competitiveness of Anu Labs while responding to the challenges of the changing business environment. Presently, there is a good marketing structure for its intermediates and reinforcing this position will remain a priority. Plans are to introduce newer products every year and improve market share for all the existing products.

Backward integration into fine chemicals will make the Company more reliable as well as become vertically integrated. Both the JNPC and Pydhibheemavaram facilities would enable the Company to forge ahead into the APIs market. Significant advantage is expected to be achieved with the vertical integration. Anu Labs would hold an edge in its manufacturing and marketing thrust.





The recent ramping up of capacity for intermediates has started impacting revenues. Today, Anu Labs is able to meet volume expectations of customers. With the recent improvement in raw material availability, there is increased visibility in improved revenues from both fine chemicals and intermediates.

The capacity expansions and efficiency upgrading especially with the proposed amalgamation of the Nitya unit would enable Anu Labs to be cost effective and enlarge margins. The interplay of higher volumes and enhanced margins will impact bottom line in 2010-11.

The JNPC facility will position Anu Labs into the API segment. The Company is working in alliance with its customers to offer products that are in demand by them and have significant growth prospects. The initial shipments would commence in September 2010 with step-up planned for January 2011.

The Pydhibheemavaram facility is being modified to increase the level of automation and vertically integrate the manufacture right from the initial fine chemicals stage. With in-house uninterrupted supply of consistent quality materials, the continuous manufacturing platform for key intermediates and APIs is anticipated to be commissioned in early 2011.

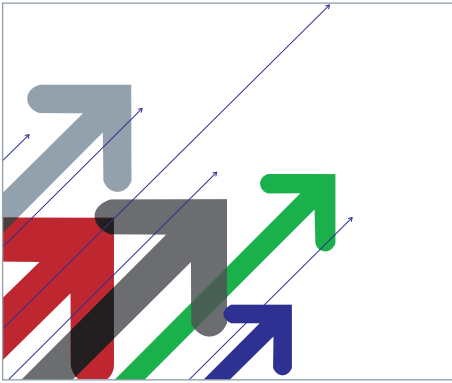
We have embarked on necessary change, retooling our

organizational skill sets and business practices. We believe we are capable of identifying new ways of doing more with fewer resources. We will further enhance our efficiencies and productivity to remain responsive, agile and focused on our strategies.

In the near term, our goal every year is to clearly surpass our revenues and profits by 30% year-on-year. In 2010-11, the full year consolidation of the proposed amalgamation with Nitya Laboratories will have a positive impact. The JNPC and Pydhibheemavaram facilities will add traction to the top line during the year. Full benefits of all the present moves are likely to be visible in 2011-12.

Increased business volumes can ordinarily have an impact on managing finances. Hence, at Anu Labs working capital management will remain a key focus area. The team is conscious of the need to protect the balance sheet and is better organized, especially with the huge ramping up of capacity and the potential for delivering on the opportunities. All arrangements will be in place in Q4 of 2010-11.

One thing is for sure. Anu Labs is transforming with large volumes, climbing the value chain and positioning for making an impact in the pharma market. The gains to stakeholders are likely to be visible quarter-on-quarter as we move ahead.



Management of Risks

Every business carries inherent risks and uncertainties that can affect financial conditions, results of operations and prospects. Anu Labs has been conscious of its risk factors and has been taking proactive steps to mitigate/minimise them.

The risk management goal is to identify and evaluate risks as early as possible and limit business losses by taking suitable measures. Overall, the Company aims to avoid risks that pose a threat to its sustainable growth. The management of Anu Labs understands that risks can negatively impact the attainment of both short term operational and long term strategic goals. Risk management is a part of the business planning and

controlling process and is vital to ensure effectiveness in business success.

The following factors are considered for determining the materiality:

- a. Some events may not be material individually but may be found material collectively.
- b. Some events may have material impact qualitatively instead of quantitatively.
- c. Some events may not be material at present but may have material impact in future.

Some of the industry specific risks need a review:

| TYPE OF RISK | MITIGATION |
|---|---|
| <p>Product risk</p> <p>Our revenues are dependant on a few products, where four of them account for approximately 70% of the business.</p> | <p>While these four products continue to add to the revenue stream, the Company has been widening the portfolio by introducing new products and new customers. This initiative will continue with several more products being launched in 2010-11. When the JNPC facility near Visakhapatnam goes fully operational in the second half of 2010, the Company would add APIs to its product portfolio, as well as add larger number of intermediates. The reliance on fewer products would stand reduced.</p> |
| <p>Quality risk</p> <p>The Company has multi-stage manufacturing process conducted at high temperatures and pressures, and any failure in them can create delivery problems.</p> | <p>Adequate quality assurance checks have been instituted which ensures that product quality and delivery are protected. More important, Anu Labs is able to offer impurity levels better than pharmacopoeia norms and often better than what the customer wants.</p> |

| TYPE OF RISK | MITIGATION |
|--|---|
| <p>Competition risk</p> <p>The intermediates product line is inherently competitive, and the Company could face higher competitive threats.</p> | <p>Anu Labs has selected products that have higher complexity, manufacturing hazards and therefore built-in entry barriers. For instance, manufacturing process of 2,4 Dichloro 5 Fluoro Acetophenone (DCFA) involves Friedel-Crafts reactions, which need to be done in highly controlled environment. The critical processes at the facility include handling hazardous fine chemicals, chiral resolutions, high vacuum distillations etc. While these can be sensitive for many entrants, Anu Labs takes care to manage them well. There are adequate entry barriers for the business.</p> <p>More important, Anu Labs has been ensuring that its product quality and customization aligns the Company with the customers. They get what they need which helps manage competitive pressures.</p> |
| <p>Customer concentration risk</p> <p>The Company has 23% of revenues from one customer and 70% revenues from 10 customers. Loss of anyone of these can make an impact on the performance.</p> | <p>The Company has been having long term relationship with its customers. While the relationships have been healthy and cordial, the Company is widening its reach and adding customers for its products to minimize the risk. This approach is an ongoing process, given the fact that Anu Labs is a preferred vendor for most of its customers. As at present, the Company has built up a sizable customer base.</p> <p>The Company has been having a dominant position in the domestic market, where the customers have seen their own sales growing. Anu Labs will strive to maintain the market leadership and the confidence of its customers. Indeed, customizing its products to their specific needs has enhanced the customer loyalty towards the Company.</p> <p>Introduction of newer products would also increase the Company's customer base.</p> <p>The credit concentration risk that arises due to sale of goods is reduced by diversifying receivables with credit worthy customers and trading partners.</p> |
| <p>Geographic risk</p> <p>About 87% of the business is from domestic markets, and the balance from Israel, US, France, Japan, Singapore, Iran and others. Any recession in any market, could affect the business performance and financial results.</p> | <p>The Company has been spreading its business year-on-year, with 13% being outside India and with no country having an overriding position in the portfolio. Efforts are being made to expand presence in emerging markets and the investments being made in Jawaharlal Nehru Pharma City would enable the Company to compete in the regulated markets and further derisk the business.</p> |

| TYPE OF RISK | MITIGATION |
|--|--|
| <p>Environmental risk</p> <p>The manufacturing process has high temperature, high pressures and use of hazardous materials with pollution discharge. These can have unfavorable impact on the business.</p> | <p>Anu Labs has taken proactive steps and has environmental protection systems that take care of the generation of the waste material on a day to day basis. Andhra Pradesh Pollution Control Board has paid cash incentive for implementing projects for recovery of byproducts and for demonstrating commitment towards 'Cleaner Production.' The existing systems in production process not only meet the present environmental norms but are also geared up to face stricter norms and cater to future needs.</p> |
| <p>People risk</p> <p>In a growing business, there can be delays in getting talented and skilled employees.</p> | <p>The Company has commenced recruitment process for its future needs of skilled employees at the new JNPC facility near Visakhapatnam. They have been trained, in the meantime, in the Anu Labs way of doing business. The best practices of the present manufacturing facilities could be carried forward at the new facility. Talented personnel recruited ahead of the needs at JNPC have been deployed in research and development, process improvements and development of new products.</p> |
| <p>Liquidity and interest rate risk</p> <p>In a rising interest regime, it may be difficult to arrange funds.</p> | <p>Out of the proceeds of the IPO, the Company has planned and successfully raised funds with the IPO including the working capital requirements. The operations of the Company are cash positive, and such accruals would cushion the corporate needs.</p> |
| <p>Economic trends</p> <p>Operations may be negatively affected by sustained sluggishness in the economy, including lower selling prices.</p> | <p>While every business is subject to changing trends, pharmaceutical industry is reasonably protected. Products of the Company are essential raw materials of the pharmaceutical industry and demographic needs sustain the necessity for these products. Demand elasticity is low for pharmaceutical products, given the need for therapeutic drugs to address the needs of patients.</p> |
| <p>Policy risks</p> <p>The industry is subject to several regulations. Any adverse move by policy makers can adversely impact the business.</p> | <p>The government has been proactive to support the pharmaceutical industry since it has not only to meet the needs of a large sub-continental population, India is strengthening its footprint in US and European markets. The global approach is towards harmonization and free trade, while the developed markets have been keen to take their manufacturing and research to offshore locations such as India. Risk, if any, appears minimal with Indian government keen to encourage Indian pharmaceutical industry.</p> |

Notice

Notice is given that the Fourteenth Annual General Meeting of the members of ANU'S LABORATORIES LIMITED will be held on September 30, 2010 at the Nice Conference Hall, 7-1-621/2/3, above ICICI Bank Limited, Srinivasa Nagar East, between SR Nagar & Ameerpet, Hyderabad at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2010, the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the year ended March 31, 2010.
3. To re-appoint Mr. O.M. Kejriwal, Director of the Company, who retires by rotation and being eligible, offers him for re-appointment.
4. To re-appoint Dr. K. Rajeswara Rao, Director of the Company, who retires by rotation and being eligible, offers him for re-appointment
5. To re-appoint M/s. Karumanchi & Associates (Firm Registration No.001753S), Chartered Accountants, Hyderabad, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

6. Appointment of Wholetime Director

To consider and if deemed fit, to pass the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval is hereby given to the appointment of Mr. M. S. S. V. Satyanarayana, Director of the Company, as a Wholetime Director of the Company for a period of 5 years effective from August 14, 2010 on the following terms and conditions:

1. Basic Salary : ₹62,500 per month.
2. Perquisites : In addition to the above, Mr. M. S. S. V. Satyanarayana shall be entitled to the following perquisites:

Category A

- a. **House Rent Allowance:** House Rent Allowance to the extent of ₹25,000 per month (i.e. 40% of the basic salary);

- b. **Medical Reimbursement:** Expenses incurred for self and his family subject to a ceiling of one month's basic salary per year;
- c. **Leave Travel Allowance:** ₹87,500 per annum towards leave travel allowance for self and family.

Category B

- a. Contributions by the Company to Provident Fund as per the rules of the Company;
- b. Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.

Category C

- a. The Company shall provide a car with driver and a telephone at the residence.

Car for use of Company's business and telephone and other communication facilities at residence will not be considered as perquisites.
- b. The Company shall provide Group Insurance Scheme and the same will not be regarded as perquisite.

"RESOLVED FURTHER THAT the Wholetime Director, subject to the overall superintendence and control of the Managing Director, shall be in charge and in control of Unit-III, which is located at Plot No.12, Jawaharlal Nehru Pharmacy (J.N.P.C.), Paravada Mandal, Visakhapatnam District and Unit-IV which is located at IDA in the Pydibhimavaram Village, Srikakulam Taluk & District in the State of Andhra Pradesh and shall be reporting to the Managing Director regularly on the activities under his control and supervision and to perform all other duties that the Managing Director may delegate to the Wholetime Director from time to time.

Minimum Remuneration

In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service and the payment of salary and other allowances shall be governed by the limits prescribed under Section II(A) of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, as may, for the time being, be in force."

By the Order of the Board of Directors
For ANU'S LABORATORIES LIMITED



K. Hari Babu
Managing Director

Hyderabad, August 14, 2010

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY TO BE EFFECTIVE MUST BE DEPOSITED WITH THE COMPANY AT ITS REGISTERED OFFICE/CORPORATE OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and Share Transfer books of the Company will remain closed from September 29, 2010 to September 30, 2010 (both days inclusive) for the purpose of Dividend & Annual General Meeting. The dividend as recommended by the Board of Directors for the financial year ended March 31, 2010, when declared at the Annual General Meeting will be paid within 30 (thirty) days to the members whose names appear:
 - i. As Beneficial Owners as per list to be furnished by the depositories in respect of the shares held in demat form; and
 - ii. As members on the Register of Members of the Company on September 30, 2010 after giving effect to all valid share transfers in physical form which would be received by the Company up to end of business hours on September 28, 2010.
3. Members are requested to notify change, if any, in their address to the Registrar and Share Transfer Agent viz, M/s. Karvy Computershare Private Limited, at Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500 081. All communications regarding shares are to be addressed to our Registrars and Share Transfer Agent at the address mentioned above.
4. Information required under Clause 49 of the Listing Agreement with Stock Exchange in respect of Directors seeking re-appointment at the Annual General Meeting is provided in the Report on Corporate Governance forming part of this Annual Report.
5. Members/Proxies are requested to hand over the enclosed Attendance Slip duly filled in, at the entrance for attending the meeting.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company addressed to the registered office at A-49, Madhapur, Vengalrao Nagar, Hyderabad - 500038, for attention of Mr. Chinmoy Patnaik, Company Secretary at least 7 (seven) days prior to the date of the Meeting.
9. In order to provide protection against fraudulent encashment of the Dividend Warrants, shareholders holding shares in physical form are requested to intimate the company under the signature of the sole/first & joint holder, the following information to be incorporated on the Dividend Warrants:
 - a. Name of the sole/first & joint holder and the folio number.
 - b. Particulars of Bank Account:
 - i. Name of the Bank, Branch and Complete Address of the Bank;
 - ii. Account type, whether Savings (SB) or Current Account (CA);
 - iii. Bank Account Number allotted by the bank.
10. Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their respective depositories to the Company will be printed on the dividend warrants and the Company will not entertain any direct request from such shareholders for deletion of/change in such bank account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Shareholders who wish to change such bank account details are therefore requested to advise their depository participants about such change along with details of bank account.
11. Electronic Clearing Service (ECS) Facility:

With respect to payment of dividend, the Company provides the facility of ECS to the shareholders holding shares in demat form.

Shareholders holding shares in physical form, who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form provided on the Company's website (www.anulabs.com) and requests for payment of dividend through ECS should be lodged with the Company's Registrar & Share Transfer Agent, namely, M/s. Karvy Computershare Private Limited by September 28, 2010.
12. Pursuant to provisions of sub-section (5) of Section 205A the Companies Act, 1956 the dividend, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend and the last date for claiming the same are given below:

| Financial year ended | Date of declaration of Dividend | Last date for claiming unpaid Dividend |
|----------------------|---------------------------------|--|
| 2007-08 | September 25, 2008 | September 24, 2015 |
| 2008-09 | September 30, 2009 | September 29, 2016 |

Shareholders, who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited immediately. Shareholders are requested to note that no claims lie against the Company or the said fund in respect of any amounts which were unclaimed and unpaid beyond seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.

13. Non-resident Indian shareholders are requested to inform M/s. Karvy Computershare Private Limited immediately:
 - i. The change in the residential status on return to India for permanent settlement; and

- ii. The particulars of bank account maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.

14. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
15. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form No. 2B in duplicate to the Company.
16. The Register of Directors' shareholdings shall be open for inspection to any Member of the Company during the period beginning 14 days before the date of Company's Annual General Meeting and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the Annual General Meeting to any person having a right to attend the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item 6

Mr. M. S. S. V. Satyanarayana has been a Director of the Company since May 11, 1998. His contribution to the growth and development of the Company is commendable. Your Company intends to avail his services on a whole time basis by appointing him as Wholetime Director of the Company. He shall be in charge and in control of Unit - III, which is located at Plot No .12, Jawaharlal Nehru Pharmacy (J.N.P.C), Paravada Mandal, Visakhapatnam District and Unit - IV which is located at IDA in the Pydibhimavaram Village, Srikakulam Taluk & District in the State of Andhra Pradesh and shall be reporting to the Managing Director regularly on the activities under his control and supervision and to perform all other duties that the Managing Director may delegate to the Wholetime Director from time to time. A detail on his remuneration is given in the Resolution proposed in the Notice of the 14th Annual General Meeting.

Mr. M. S. S. V. Satyanarayana's appointment as Wholetime Director of the Company has been approved by the Board of Directors at its meeting held on August 14, 2010 in accordance with the recommendation of the Remuneration Committee of the Board.


Mr. M. S. S. V. Satyanarayana is a graduate from Nagarjuna University and one of the promoters of the Company. He holds 8,284,000 shares in the Company and does not hold directorship in any other Company.

Your Directors recommend for approval of the Resolution by way of Ordinary Resolution.

None of the Directors is interested in the proposed resolution except Mr. M.S.S.V. Satyanarayana as Director of the Company.

The terms of appointment of the Wholetime Director as stated in the notice, may be treated as an abstract under Section 302 of the Companies Act, 1956. The copies of relevant resolutions of the Board in respect of appointment is available for inspection by members at the Registered Office of the Company during working hours on any working day till the date of this Annual General Meeting.

By the Order of the Board of Directors
For ANU'S LABORATORIES LIMITED



K. Hari Babu

Managing Director

Hyderabad, August 14, 2010

Directors' Report



Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited accounts of the Company for the financial year ended March 31, 2010 and the Auditors Report thereon.

FINANCIAL RESULTS

₹ Million

| | 2009-10 | 2008-09 |
|---|-----------------|----------|
| Income from operations | 2179.83 | 1761.16 |
| Excise duty | (141.62) | (164.07) |
| Other income | 29.04 | 26.35 |
| Total Income | 2067.25 | 1623.44 |
| Expenditure | 1682.24 | 1272.31 |
| Profit before interest and depreciation and tax | 385.01 | 351.13 |
| Interest | 105.87 | 74.82 |
| Profit before depreciation and tax | 279.14 | 276.31 |
| Depreciation | 19.24 | 16.99 |
| Profit before tax | 259.90 | 259.32 |
| Provision for taxation | 48.25 | 96.13 |
| Profit after tax | 211.65 | 163.19 |
| Income tax - Prior period | (32.17) | - |
| Add: Balance brought forward from previous year | 378.86 | 270.91 |
| Appropriations | 558.34 | 434.10 |
| Provision for proposed dividend | 24.15 | 19.32 |
| Provision for dividend tax | 4.10 | 3.28 |
| Transfer to General Reserve | 42.34 | 32.64 |
| Balance carried to Balance Sheet | 487.75 | 378.86 |
| Total | 558.34 | 434.10 |

REVIEW OF OPERATIONS

Your Board is pleased to report another set of strong results for 2009-10. This was made possible despite the global recessionary trends and challenging conditions in the pharmaceutical industry, both domestic and international.

Your Company achieved a turnover of ₹2179.83 million for the year under review compared to ₹1761.16 million in 2008-09, representing an increase of approximately 23.7%. Net profit after tax of ₹211.64 million during 2009-10 was higher by 29.7%, when compared to ₹163.20 million in the previous year.

The year under review saw higher volumes, rise in export earnings, improved capacity utilization and significant climb in revenues and in the context of high raw material prices, the margins were under pressure. There was lower incidence of tax and your Company could report enhanced profit after tax.

EXPORTS

Your Company has achieved an export turnover of ₹298.68 million during the year when compared with the export turnover of ₹178.99 million in the previous year, an increase of 66.87%. Exports constituted 13.7% of the turnover in the year under review as compared to 10.1% in the previous year.

In 2010-11, your Company plans to consolidate its presence in global markets with efforts being taken to deepen the penetration in the existing markets while improving geographical footprints to explore new markets. New products added to the portfolio are expected to provide further thrust to the marketing efforts.

DIVIDEND

Your Directors are pleased to recommend a dividend of 10% on the paid up capital of the Company for the financial year ended March 31, 2010. The total outgo on account of dividend inclusive of dividend tax is ₹28.25 million.

TRANSFER TO RESERVES

Your Company proposes to transfer ₹42.34 million to the General Reserve out of the amount available for appropriations.

CHANGE IN EQUITY CAPITAL

During the year under review, the equity capital of the Company was restructured by sub-dividing the face value of the equity shares of ₹10 each into face value of ₹1 per share to facilitate more liquidity to the shares in the stock market and make it more affordable to the small investors. Further, your Company issued fully paid bonus shares in the ratio of one equity share for every share held in the Company.

Consequently, Earnings per Share for the year after sub-division of shares and bonus issue worked out to ₹0.88 per share as against ₹1.35 in the previous year.

EXPANSION PLANS

Your Company is in the process of acquiring a Company viz., Nitya Laboratories Limited, a company manufacturing SMO in India, through a Scheme of Arrangement. Members had given their approval on May 29, 2010 for the amalgamation. Your Company has since filed a petition before the Hon'ble High Court of Andhra Pradesh for approval of the proposed amalgamation.

Further, your Company has also acquired the assets including land, building, plant & machinery of M/s. Stillbene Chemicals Limited, located at Pydibhimavaram, Srikakulam District, Andhra Pradesh under SARFAESI Act, 2002 from IFCI Limited led consortium of banks and institutions.

During the financial year, the new plant of the Company at Jawaharlal Nehru Pharma City, Visakhapatnam, Andhra Pradesh was commissioned and has since commenced commercial production.

OUTLOOK

Your Company will continue to demonstrate good progress in the coming years. As in the past, Anu Labs will work closely with all its customers and endeavour to improve both volume and revenue growth. In all its addressable markets, your Company's good reputation and reliability, profound understanding of the products and expertise in customer service shall be further leveraged to improve the competitiveness and market share. The forward plans are to work to accomplish a compounded annual growth rate of 28% over the next three years.

Drivers for growth will be through manufacture of active ingredients at the JNPC facility and ramping up of volume of existing products at both the Shadnagar and Nitya facilities in 2010-11. The acquisition of assets at the Pydibhimavaram facility and with modernisation and expansion through capital investments is expected to contribute to production volumes and revenues in early 2011. While all facilities will add to volume and revenues in 2010-11, the full benefits are likely to be visible in 2011-12.

In the ultimate analysis, the strategic aim of your Company is to achieve profitable growth and increase shareholder value while keeping business risks under control.

RESEARCH & DEVELOPMENT

The Company has incurred an expenditure of ₹6.99 million on research and development during the year.

DIRECTORS

Mr. M. S. S. V. Satyanarayana, Director of the Company, has been appointed as Wholetime Director of the Company effective from August 14, 2010. Approval of the Members for his appointment is being sought and forms part of the Notice of the ensuing 14th Annual General Meeting of the Company to be held on September 30, 2010.

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 Mr. O.M. Kejriwal and Dr. K. Rajeswara Rao will retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Their re-appointments are proposed in the Notice convening the 14th Annual General Meeting of the Company.

Mr. N. S. Walimbe, Wholetime Director of the Company has resigned from the Board of the Company effective from July 27, 2010. Your Board is grateful to him for his contribution to the growth and development of Anu Labs during his tenure with the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 your Directors confirmed that:

- i. in the preparation of the accounts for the financial year ended March 31, 2010, the applicable accounting standards have been followed and there were no material departures;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates which 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. 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;
- iv. the Directors have prepared the accounts for the financial year ended March 31, 2010 on a going concern basis.

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance. As required under Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance as well as Auditors Certificate on the Compliance of Corporate Governance are annexed and form part of the Annual Report.

With a view to strengthen the Corporate Governance framework, the Ministry of Corporate Affairs has issued a set of Voluntary Guidelines in December 2009 for adoption by companies. Your Company is already complying with various requirements of the guidelines and has initiated appropriate action for compliance.

IPO UPDATE

Your Company had successfully concluded an Initial Public Offer during the financial year 2008-09 to fund the project at the Jawaharlal Nehru Pharma City, Visakhapatnam to venture into production of active pharmaceutical ingredients (APIs) and intermediates. During the year under review, your Company has commissioned the plant and commenced production on March 25, 2010. A brief summary of the utilization of the IPO proceeds as on March 31, 2010 is given below:

| | As per Prospectus | ₹ Million Actuals |
|--|-------------------|----------------------|
| Setting up a new plant at Vizag for manufacture of drug intermediates under progress | 550.90 | 433.80 |
| Setting up of pilot plant for carrying out CRAMS at Vizag under progress | 83.44 | 5.00 |
| Long term working capital requirements | 166.70 | 166.70 |
| General corporate purposes | 41.49 | 41.49 |
| Issue expenses | 79.66 | 79.40 |

MANAGEMENT DISCUSSION AND ANALYSIS

A separate section titled 'Management's Discussion and Analysis Report' forms part of this Annual Report.

AUDITORS

The Statutory Auditors of the Company, M/s. Karumanchi & Associates, Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has not invited/accepted deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

During the year under review, the Company maintained the cordial relations with the employees. Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1998 and forming part of report for the year ended March 31, 2010 are as follows:

| Name | Designation | Salary ₹ Million | Nature of duties | Qualification and experience | Date of commencement of employment | Age (Yrs) | Last Employment |
|---------------------|--------------------------------|---------------------|---------------------------------------|--|---|--------------|-------------------------------------|
| Mr. K. Hari Babu | Managing Director | 7.33 | Management of the Company | Chartered Accountant and 29 years of experience | Re-appointed as Managing Director effective from April 1, 2007 | 54 | Suven Pharmaceuticals Limited |
| Mr. G. V. R. Nagesh | Vice President - Operations | 2.40 | Head and Incharge of Operations | M.Sc and 21 years of experience | April 16, 2009 | 47 | Wanbury Limited |

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

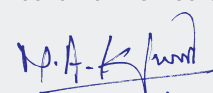
Particulars required to under Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules are given in Annexure - I.

ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude for the valuable support and co-operation extended by the Karur Vysya Bank Limited, Jammu & Kashmir Bank Limited, Andhra Pradesh State Financial Corporation, IDBI Bank Limited, State Bank of India, ING Vysya Bank Limited and several departments of state and central government as well as the vendors to the Company. The customers of your Company have been encouraging and have inspired your Company to produce some of the best quality products. Your Board is grateful and shall always work harder to reciprocate their trust.

Your Directors also wish to place on record their sincere appreciation of the contribution made by the employees of the Company and are thankful to the shareholders for their continued patronage and support.

For and on behalf of the Board



M. Ajaya Kumar
Chairman

Hyderabad
August 14, 2010

Annexure to the Directors' Report

Details as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, read with clause (e) of subsection (1) of Section 217 of the Companies Act, 1956.

A. Conservation of Energy

The Company is making necessary efforts for conservation of energy.

FORM - A

Form for disclosure of particulars with respect to conservation of energy

| Particulars | 2009-10 | 2008-09 |
|--------------------------------------|--------------|---------|
| A. Power and fuel consumption | | |
| 1. Electricity | | |
| a. Purchased units (Nos./Million) | 3.52 | 2.99 |
| Total amount (₹ Million) | 13.70 | 11.30 |
| Rate/unit (₹) | 3.89 | 3.77 |
| b. Own generation | | |
| Through diesel generator | | |
| Unit (Nos./Million) | 0.47 | 0.48 |
| Unit per litre of oil | 2.90 | 3.68 |
| Cost/unit (₹) | 10.68 | 10.04 |
| 2. Coal (C grade used for boiler) | | |
| Quantity (MT) | 1751 | 1680 |
| Total cost (₹ Million) | 4.12 | 3.93 |
| Average rate (₹) | 2354 | 2336 |
| 3. Other/Internal generators (Husk) | | |
| Quantity (MT) | 4790 | 3673 |
| Total cost (₹ Million) | 11.72 | 7.75 |
| Average rate (₹) | 2450 | 2109 |

B. Consumption per unit of production (Kg.)

Consumption per unit of production

Production

Electricity (No. of units)

Furnace oil

Coal (Kg.)

Husk

As the Company uses the same manufacturing facilities for various products, it is not practicable to give consumption per unit.

FORM - B**Form for disclosure of particulars with respect to technology absorption, Research and Development (R&D)**

| A. Research & Development | |
|--|--|
| 1. Specific areas in which R&D is carried out by the Company | Development of API, intermediates and fine chemicals |
| 2. Benefits derived as a result of the above R&D | Cost reduction and process optimization |
| 3. Future plan of action | Development of new molecules and invention of new compounds |
| 4. Expenditure on R&D | ₹6.99 million |
| 5. Total R&D expenditure as percentage of sales | 0.32% |
| B. Technology absorption, adaptation and innovation | |
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | Process development for manufacture of intermediates and APIs, whereby achieved cost competitiveness and process efficiencies on existing products. Developed processes for newer APIs and intermediates. No technology absorption is involved. The Company has its own DSIR recognised R&D Centre which has been developing and improving processes for manufacture of intermediates. |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, substitution etc. | Processes for several new chemical entities have been developed. Process optimization has been achieved in production, which resulted in lower cost of production and scaling up of volumes. |
| 3. In case of imported technology, (imported during the 5 years reckoned from the beginning of the financial year), following information may be furnished | There is no import of technology |
| a. Technology imported | Nil |
| b. Year of import | N.A. |
| c. Has technology been fully absorbed | N.A. |
| d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action | N.A. |
| C. Foreign Exchange Earnings and Outgo | |
| Activities relating to export initiatives taken to increase exports, development of new export markets for production and service, and export plans | Mentioned in the Notes to Accounts |
| | Ongoing initiatives are regularly made to explore and widen the reach of the products, by regular interaction with customers and participation in exhibitions and trade fairs. |

For and on behalf of the Board



M. Ajaya Kumar
Chairman

Hyderabad
August 14, 2010

Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENT

North America remains the largest market for pharmaceutical sales worldwide with approximately 46% of the global market, with Europe accounting for the second spot with 31% and Japan constitutes 9%. In recent times, measures to reign in health care costs have distinctly slowed down the growth in sales in all major markets. On the other hand, the emerging markets such as India and China are rapidly increasing their share.

Emerging markets are expected to grow by 14% to 17% between 2010 and 2014, compared with 3% to 6% in developed markets during the same period, according to a report published in April 2010 by IMS Health, a research services firm in Norwalk, Conn. It is anticipated that the pharmaceutical industry globally is set to add \$300 billion in revenues to reach \$1.1 trillion by 2014, the report stated.

India is currently regarded as a high-quality, low-cost and skilled producer in the world and Indian pharmaceutical industry has made a mark in the global arena in this aspect. It is seen not only as an API and formulation manufacturing base, but also as an emerging hub for biotechnology, bioinformatics, contract research, clinical data management and clinical trials. The country's pharmaceutical industry has shown tremendous progress in terms of infrastructure development, technology base creation and a wide range of production.

Indian pharmaceutical industry produces approximately 22% of the global generic drugs and vaccines. The sector has witnessed exponential growth rates over the past two decades, growing on an average, at 15% for active ingredients and 20% for formulations. The sector has an overall production value of \$21 billion, ranks 4th in production volume worldwide and 13th in value. At the same time, India's export potential has also steadily been on the rise. Approximately 400 active ingredients and almost all formulations that are sold worldwide are made in India.



In a short period of time, Indian industry not only upgraded its standards but demonstrated its competence with all the international regulatory authorities and presently holds the second largest number of product and facility approvals outside USA. India has retained the advantage of one of the most competitive producers of products throughout the value chain from intermediates to branded generics. Pharmaceutical companies in both North America and Europe have increasingly shown a trend towards outsourcing to Indian quality conscious regulatory compliant manufacturers.

Indian companies have now moved up the value chain and are emerging as a reliable source for drug discovery and development and biopharmaceuticals. In fact, India has already emerged as the preferred hub in the global pharmaceutical market capitalizing on India's high levels of scientific expertise as well as low wages.

Indian owned firms currently account for 70% of the domestic market, up from less than 20% in 1970. Also, nine of the top ten companies in India are domestically owned compared with just four in 1994. Today, the pharmaceutical industry manufactures the entire range of therapeutic products and is capable of producing raw materials for a wide range of drugs from the basic stage as well as a range of pharmaceutical machinery and equipment.

ACTIVE PHARMACEUTICAL INGREDIENTS - AN OVERVIEW

The Active Pharmaceutical Ingredient (API) industry in India is gearing up to grab the fast growing global market opportunities through quality manufacturing and R&D activities even as global pharma majors are looking towards low cost quality manufacturing centers in the emerging nations.

According to the latest figures from the Bulk Drug Manufacturers Association (BDMA), the size of the API industry is about ₹3200 billion (\$6.61 billion). Out of the total API business, almost ₹1500 billion (\$3.1 billion) comes from exports.

As per BDMA estimates, the industry has maintained almost 10% to 15% growth both in API and its exports business. Increase in production volume for the domestic pharma industry, the increasing number of companies exploring overseas market and the growth of generics in the developed markets has created a huge opportunity for Indian companies. There is also an increasing demand from the emerging markets, creating further traction to the Indian growth story.

The Indian API industry has further leveraged its low cost manufacturing and R&D capabilities and is focusing on quality of research, development and production to climb the value-generation chart.

While the cost of API manufacture in India is low, the growth in demand for generics has compelled the need for further reduction in raw material costs of formulators, thereby generating fierce competition between Indian and overseas companies. The ongoing price and margin pressure for API products dictated by both the market and the customers has become a major challenge. Several strategies are being taken by manufacturers to overcome the challenges.

COMPANY PERSPECTIVE

Given that demand for high quality products are likely to increase, and all markets are expected to seek products on par with regulated markets, manufacturers with ability to offer consistently high-end products are likely to thrive and become the preferred supplier to the industry. Anu Labs has worked closely with some of the best names in the industry and in an improving environment perceives an opportunity to ramp up its revenue model and become a sustainable partner to the global pharmaceutical industry.

Anu Labs has established itself as one of the cost competitive and high quality manufacturers of a range of fine chemicals, advanced intermediates and is now foraying in to manufacture of a larger number of APIs. The Company is currently one of the leading manufacturers of 2, 4-Dichloro- 5 Fluoro Acetophenone, CIS + Hydroxy Lactam, Chlorohexanone 2-one, Q Acid, Sodium Methoxide solution and powder. The in-house process development and synthesizing capabilities include Friedel Crafts reactions, high vacuum fractional distillation and optical resolution and the Company carries out special reactions as per customer specific requirements.

Anu Labs is also engaged in contract manufacture of APIs and has gained reputation as a dependable quality product supplier for some of the leading pharmaceutical companies, both in India and abroad.

The strong in-house research & development (R&D) team is supported by state-of-the-art facility which is recognized by DSIR, Government of India. The R&D team is engaged in non-infringing synthesis of APIs and intermediates, process development for APIs and intermediates and custom synthesis.

Anu Labs is in the process of acquiring a well known company, Nitya Laboratories Limited, a leader in manufacturing SMO in India, through a Scheme of Arrangement. The Company has already filed a petition before the Hon'ble High Court of Andhra Pradesh for approval of the proposed amalgamation.

The Company has also acquired all the assets including land, building, plant & machinery of M/s. Stilbene Chemicals Limited, a Company located at Pydibhimavaram, Srikakulam District, Andhra Pradesh through SARFAESI Act, 2002 from IFCI Limited led consortium of banks and institutions.

During 2009-10, the new plant of the Company at Jawaharlal Nehru Pharma City (JNPC), Visakhapatnam, Andhra Pradesh was commissioned and has commenced commercial production.

The production facilities operate with WHO-GMP guidelines as basis for quality assurance. The quality management systems of the Company are certified to ISO 9001-2000 standards.

OPPORTUNITIES AND CHALLENGES

The Company has the requisite capabilities to capitalize on increasing demand for APIs and emerging contract manufacturing demands of multinational companies. At the same time, demand for its portfolio of intermediates is expected to increase with rising demand for API from domestic and international players. New drug development pipelines in different therapy segments, expirations of drug patents, increased R&D spending and significant growth in generics industry contribute to promising outlook for API which in turn has a perfect correlation to the requirements for intermediates.

The pharmaceutical industry is known to be very demanding and is characterized by tough competition and steady growth. Anu Labs responds to the market challenges by working in close and active partnership with other pharmaceutical companies with a clear objective of achieving higher than industry growth.

The focal point and basis of the business is intermediates and with the addition of active ingredients and new compounds to the portfolio, there is a greater assurance of stable revenues. The Company will stay focused and work on its competencies to make a meaningful impact in the domestic market, and create footprints in premium and emerging markets.

With the commissioning of the JNPC facility at Vizag and with prospects of the acquired facility at Pydibhimavaram (formerly belonged to M/s. Stilbene Chemicals Limited) estimated to go live in early 2011, Anu Labs plans to add to its range of products and services including APIs, contract research and custom synthesis to cater to a wider client base.

The Company believes that the ensuing competition in the market needs to be met squarely by developing production systems based on cost competitiveness, high productivity, modern technology, quality assurance and timely deliveries. Anu Labs is gearing itself by developing innovative product process and applications. Constant efforts are being made to meet the stringent quality requirements of all its addressable markets. New geographies are being explored to widen the reach as well as efforts being made to cement the relationships with the existing customers.

OUTLOOK

For the products manufactured by Anu Labs, the market appears to be geared for growth and the product pipeline is well stocked with a balance mix of intermediates and active ingredients. The products are stable revenue contributors and the Company is devoting particular attention to costs competitiveness and enhancing margins.

Anu Labs has created a space for itself in the pharmaceutical industry by focusing on two key strengths:

- Cost effective and competitive manufacture of intermediates and APIs; and
- Shared values and mutual trust with customers and associates.

While there will be a positive and stable growth in volumes and revenues in 2010-11 primarily due to scaling up of the business in recent times, better demand conditions need to be met with managing costs of raw materials and other input costs. The Company is cognizant of the dynamics of the market forces and would strive to mitigate the impact by improved volumes, enhanced efficiencies, improved yields and thereby reduce the cost per MT of product.

INTERNAL CONTROL SYSTEMS

The Company has proper and adequate internal control system commensurate with the size and complexity of the organization. The internal control on transactions is supplemented by an extensive program of internal audits which is designed to ensure that the financial and other records are reliable for preparing financial statements and other data.

HUMAN RESOURCES

The Company recognizes the immense value addition made by its employees and the contribution they have made to its growth and development. In turn, the Company has been committed to train and develop its people and motivate them to find their potential.

Industrial relations have been cordial and mutually beneficial. As on March 31, 2010, the Company had 250 employees.

FINANCIAL PERFORMANCE

During 2009-10, the Company achieved a turnover of ₹2179.83 million compared to ₹1761.16 million constituting an increase of around 23.7%. Net profit after tax for the year was ₹211.64 million during 2009-10, when compared with a profit after tax of ₹163.20 million during 2008-09 resulting in an increase of 29.7%.

CAUTIONARY STATEMENT

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

Readers are advised to kindly note that the above discussion contains statements about risks, concerns, opportunities, etc., which are valid only at the time of making the statements. A variety of factors known/unknown expected or otherwise may influence the financial results. These statements are not expected to be updated or revised to take care of any changes in the underlying presumptions. Readers may therefore appreciate the context in which these statements are made before making use of the same.



Report on Corporate Governance

1. COMPANY'S PHILOSOPHY

Corporate Governance is about commitment to values and ethical business conduct. It is journey for constantly improving sustainable value creation and is an upward moving target.

We believe that good Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for its shareholders. It is also our belief that Corporate Governance does not only mean ensuring compliance with regulatory requirements, but also means being responsive to aspirants of customers and expectations of the society. We always strive for excellence in quality of goods and services with the twin objectives of enhancing customer satisfaction and shareholders value.

We are committed to upgrade our systems, processes and disclosure norms to achieve high standards of Corporate Governance.

2. BOARD OF DIRECTORS

Composition of the Board

As on March 31, 2010, the Board consisted of five Directors, of whom four are Non-Executive and Independent Directors with one Managing Director.

| Name | Category | Board Meetings Attendance | Attendance at the last AGM | No. of other Directorships | No. of other committee positions held | |
|----------------------------|--|---------------------------|----------------------------|----------------------------|---------------------------------------|----------|
| | | | | | Member | Chairman |
| Mr. M. Ajaya Kumar | Chairman/ Non-Executive Independent Director | 4 | Yes | 3 | 3 | 2 |
| Mr. K. Hari Babu | Promoter, Managing Director | 7 | Yes | 1 | 1 | Nil |
| Mr. N.S. Walimbe* | Promoter, Wholtime Director | Nil | No | 3 | 1 | Nil |
| Mr. M.S.S.V. Satyanarayana | Promoter, Independent Director | 7 | Yes | Nil | Nil | Nil |
| Dr. K. Rajeswara Rao | Non-Executive Independent Director | 3 | Yes | 1 | 2 | Nil |
| Mr. O.M. Kejriwal | Non-Executive Independent Director | 6 | Yes | Nil | 2 | 1 |

* Resigned with effect from July 27, 2009.

Number of Board Meetings

Seven Board Meetings were held during the year on June 3, 2009; June 29, 2009; July 31, 2009; October 30, 2009; December 4, 2009; January 30, 2010 and March 10, 2010. The maximum time gap between any two board meetings during the year was less than four months.

Detail of shares held by Directors (as on date of report):

| Name | Number of Shares |
|----------------------------|------------------|
| Mr. M. Ajaya Kumar | 11,200 |
| Mr. K. Hari Babu | 48,008,280 |
| Mr. N.S. Walimbe | 9,552,980 |
| Mr. M.S.S.V. Satyanarayana | 8,284,000 |
| Dr. K. Rajeswara Rao | - |
| Mr. O. M. Kejriwal | - |

Directors' Compensation and Disclosures

Sitting fees were paid to the Non-Executive Directors for attending the meetings of the Board or any committee thereof as per the Articles of Association of the Company. Further, reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings were also paid. Other than the above, no other component of remuneration was paid to Non-Executive Directors.

Remuneration paid to Executive Directors is disclosed in the 'Notes on Accounts' forming part of this Annual Report.

Brief Profile of the Directors being re-appointed

As required by Clause 49 of the Listing Agreement on Corporate Governance, particulars of the Directors being re-appointed are provided hereunder:

Mr. O.M. Kejriwal, aged 54 years, has completed his Chemistry Honors from Sambalpur University, Orissa and is a qualified Chartered Accountant. He had completed his LL.B from M.S. Law College, Cuttack. He is a practicing Chartered Accountant and a senior partner in O.M. Kejriwal & Company, Chartered Accountants since 1983 and has varied experience in audit, finance, taxation and management advisory services.

Mr. O.M. Kejriwal did not hold any shares in the Company as on March 31, 2010.

Dr. K. Rajeswara Rao, aged 62 years, is a practicing doctor having done his MBBS from Andhra University in 1970. He did his post graduation in pediatrics in UCLA Medical Centre, USA, is certified by American Board of Medical Specialties, USA in the field of paediatrics. Subsequently, he completed his Fellowship in Allergy and Immunology from UCLA Medical Centre, USA and also got certification by the American Board in allergy and immunology in 1993, which was recertified in 2001.

He was also a part-time faculty member at UCLA School of Medicine during 1990-91. During 1991 to 2005 he was practicing in USA. Since 2006, he is advising pharmaceutical companies in implementation of various strategies for launch of new products. He is a citizen of America and is an Overseas Citizen of India.

Dr. K. Rajeswara Rao did not hold any share in the Company as on March 31, 2010.

Code of conduct

The Board has approved a code of conduct for Board Members and senior management personnel of the Company. The code of conduct has been posted on the website of the Company. All Directors and senior management personnel have affirmed compliance with the code of conduct and submitted declarations in this behalf for the year ended March 31, 2010.

3. AUDIT COMMITTEE

Brief description of terms of reference

- i. Oversight of Company's financial reporting process and disclosure of financial information;
- ii. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- iii. Review of financial statements before submission to Board;
- iv. Review of adequacy of internal control systems and internal audit functions;
- v. Review of Company's financial and risk management policies.

Composition

Mr. O. M. Kejriwal, Chairman

Mr. M. Ajaya Kumar, Member

Dr. K. Rajeswara Rao, Member

Meetings and attendance during the year

During the financial year ended March 31, 2010, Audit Committee meetings were held on May 25, 2009; June 29, 2009; July 30, 2009; October 29, 2009 and January 29, 2010.

| Name | No. of Meetings attended |
|----------------------|--------------------------|
| Mr. O. M. Kejriwal | 4 |
| Mr. M. Ajaya Kumar | 3 |
| Dr. K. Rajeswara Rao | 3 |

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Composition

Mr. M. Ajaya Kumar, Chairman

Mr. K. Hari Babu

During the year under review, 21 complaints were received and resolved to the satisfaction of the shareholders and there were no pending complaints as at March 31, 2010. No request for transfer was also pending as on March 31, 2010.

5. REMUNERATION COMMITTEE

Brief description of terms of reference

To formulate a remuneration policy and approve the remuneration or revision in the remuneration payable to the wholetime Directors.

Composition

Mr. M. Ajaya Kumar

Dr. K. Rajeswara Rao

Mr. O.M. Kejriwal

During the financial year ended March 31, 2010, no meeting of the Committee was held.

Remuneration Policy

The remuneration Committee reviews and recommends the remuneration package of the Managing Director & Wholetime Director(s). The remuneration policy is in consonance with the existing industry practice and also with the provisions of the Companies Act, 1956.

Details of remuneration paid during the year ended March 31, 2010 to the Directors are furnished hereunder:

₹ Million

| Name | Designation | Salary & Commission | Perquisites | Sitting Fees | Total |
|----------------------------|------------------------|---------------------|-------------|--------------|-------|
| Mr. M. Ajaya Kumar | Non-Executive Director | – | – | 0.04 | 0.04 |
| Mr. K. Hari Babu | Managing Director | 7.33 | – | – | 7.33 |
| Mr. N.S. Walimbe | Wholetime Director | 0.16 | – | – | 0.16 |
| Mr. M.S.S.V. Satyanarayana | Non-Executive Director | – | – | 0.04 | 0.04 |
| Dr. K. Rajeswara Rao | Non-Executive Director | – | – | 0.03 | 0.03 |
| Mr. O.M. Kejriwal | Non-Executive Director | – | – | 0.06 | 0.06 |

The Company does not have any stock option plan or performance linked incentive for the Executive Directors.

The appointments were made for a period of five years on the terms and conditions in the respective resolution passed by the Members in the general meetings, which do not provide for severance fees.

Mr. N.S. Walimbe, Whole-time Director of the Company, has resigned from the Board effective from July 27, 2009.

6. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as under:

| Financial Year | Date | Venue | Time |
|----------------|--------------------|---|------------|
| 2008-09 | September 30, 2009 | The Nice Conference Hall, 7-1-621/2/3, Above ICICI Bank Limited, Srinivas Nagar East, Ameerpet, Hyderabad | 11.00 a.m. |
| 2007-08 | September 25, 2008 | Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, E Block, Hyderabad | 3.00 p.m. |
| 2006-07 | September 28, 2007 | A-49, Madhuranagar, Vengal Rao Nagar, Hyderabad | 11.00 a.m. |

The Company has not passed any special resolution in the previous three Annual General Meetings.

One special resolution pertaining to raising additional funds upto ₹2,500 million by way of issue of debt instrument, equity or any other security pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956 was passed on July 15, 2009 through postal ballot under section 192A of the Companies Act, 1956. A detail on the voting pattern is given in the table provided herein below:

| Total No. of members | Total number of postal ballots sent by the Company | Total number of valid postal ballots received | % to the total number of members | Total number of members not availed the postal ballot | % to the total number of members |
|----------------------|--|---|----------------------------------|---|----------------------------------|
| 25,710 | 25,710 | 239 | 0.93 | 25,436 | 98.93 |

Mr. S. Chidambaram, Company Secretary in Practice, Hyderabad was appointed as the scrutinizer for the postal ballot and the same was conducted in accordance with provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions through postal ballot) (Amendment) Rules, 2001.

No special resolution is being proposed at the ensuing AGM.

Further, an Extraordinary General Meeting of the shareholders of the Company was held on April 29, 2009 whereat the following proposals were approved:

- Enhancement of Authorised Equity Share Capital from ₹150 million to ₹500 million.
- Sub-division of Equity Shares of ₹10 each into ₹1 each per share.
- Increase in remuneration of the Managing Director.

7. DISCLOSURES

- a. No transaction of material has been entered into by the Company with the Directors/management and their relatives etc that have potential conflict with the interest of the Company.
- b. No penalties have been imposed and strictures passed on the Company by the stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- c. The Company does not have a Whistle Blower Policy in place but affirms that during the year 2009-10 no personnel has been denied access to the Audit Committee.
- d. All the mandatory requirements stipulated in the Corporate Governance Report have been complied.

8. MEANS OF COMMUNICATION

Quarterly reports

The Company communicates quarterly and annual results and other statutory reports by disseminating the details to Bombay Stock Exchange Limited.

The Company also publishes its financial results normally in Business Standard (all India editions) and Andhra Prabha.

9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Date : September 30, 2010

Time : 11:00 a.m.

Venue : The Nice Conference Hall, 7-1-621/2/3, above ICICI Bank Limited, Srinivas Nagar East, Between SR Nagar & Ameerpet, Hyderabad.

Financial Calendar 2010-11 (Tentative & subject to change)

| Unaudited financial results for the quarter ending | Proposed date |
|--|-------------------|
| June, 2010 | August 15, 2010 |
| September, 2010 | November 15, 2010 |
| December, 2010 | February 15, 2011 |
| March, 2011 | May 15, 2011 |

Date of Book Closure

September 29 to September 30, 2010 (Both days inclusive)

Payment of Dividend

Within 30 days from the date of declaration at the Annual General Meeting.

Listing on Stock Exchange

| Name of the Stock Exchange | Address | Code |
|-------------------------------|---|--------|
| Bombay Stock Exchange Limited | Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 | 532981 |

Market Price Data

Monthly high and low prices of the Company's equity shares at the Bombay Stock Exchange Limited (BSE) and performance in comparison to broad-based indices for the year ended March 31, 2010 are furnished hereunder. The Company was listed in June 2008.

| Month | Bombay Stock Exchange | | | |
|-----------------------------|-----------------------|--------|----------|----------|
| | Share Price (₹) | | SENSEX | |
| | High | Low | High | Low |
| 2009 April (Face Value ₹10) | 415.00 | 260.00 | 11492.10 | 9546.29 |
| May (Face Value ₹1) | 450.00 | 28.70 | 14930.54 | 11621.30 |
| June | 39.45 | 25.80 | 15600.30 | 14016.95 |
| July | 32.00 | 13.40 | 15732.81 | 13219.99 |
| August | 15.40 | 11.24 | 16002.46 | 14684.45 |
| September | 12.95 | 10.60 | 17142.52 | 15356.72 |
| October | 11.54 | 8.15 | 17493.17 | 15805.20 |
| November | 9.60 | 7.75 | 17290.48 | 15330.56 |
| December | 10.15 | 7.00 | 17530.94 | 16577.78 |
| 2010 January | 9.25 | 7.30 | 17790.33 | 15982.08 |
| February | 8.09 | 6.43 | 16669.25 | 15651.99 |
| March | 7.67 | 6.55 | 17793.01 | 16438.45 |

Registrar & Transfer Agents

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Ph: + 91 40 2342 0818 - 828
Fax: + 91 40 2342 0814

Share transfer system

The share transfers are processed and the share certificates are returned to the shareholders within 30 days, subject to the documents being complete in all respects.

Distribution of shareholding as on March 31, 2010

| Category | Total | | Total | |
|-----------------|----------------|--------|---------------------|--------|
| | No. of holders | % | Value of Shares (₹) | % |
| 1 - 5000 | 59,713 | 95.70 | 47,467,266 | 19.65 |
| 5001 - 10000 | 1,556 | 2.49 | 11,725,162 | 4.85 |
| 10001 - 20000 | 641 | 1.03 | 9,444,686 | 3.91 |
| 20001 - 30000 | 186 | 0.30 | 4,681,287 | 1.94 |
| 30001 - 40000 | 80 | 0.13 | 2,875,310 | 1.19 |
| 40001 - 50000 | 40 | 0.06 | 1,786,551 | 0.74 |
| 50001 - 100000 | 96 | 0.15 | 6,927,013 | 2.87 |
| 10000 and above | 87 | 0.14 | 156,612,725 | 64.84 |
| TOTAL | 62,399 | 100.00 | 241,520,000 | 100.00 |

Shareholding Pattern as on March 31, 2010

| Category | No. of holders | No. of Shares held | Percent to Capital |
|-------------------------------------|----------------|--------------------|--------------------|
| Promoters | 6 | 118,713,780 | 49.15 |
| Mutual Funds/Financial Institutions | 2 | 1,955,170 | 0.81 |
| Bodies Corporate | 613 | 37,661,019 | 15.59 |
| Indian public & others | 61,778 | 83,190,031 | 34.45 |
| Total | 62,399 | 241,520,000 | 100.00 |

Dematerialisation of shares and liquidity

The Company's shares are available for dematerialisation on both the depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 93% of shares have been dematerialized as on March 31, 2010.

ISIN: INE450H01022

Address for correspondence

For share related services/transfer of physical shares/change of address of Members:

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad - 500 081
Ph: + 91 40 2342 0818 - 828
Fax: + 91 40 2342 0814

For queries relating to Dividends, Annual Reports etc.

Mr. Chinmoy Patnaik
Company Secretary
Anu's Laboratories Limited
Plot No. 68B, Pragathinagar,
Yousufguda, Hyderabad - 500 045
Ph: + 91 40 2374 1677
Fax: + 91 40 2374 1678

Outstanding GDRs/ADRs/Warrants or any Convertible instruments

There is no outstanding GDRs/ADRs/Warrants or any convertible instruments issued by the Company.

Plant Locations

Chilakamarri Village
Shadnagar
Mahaboobnagar District
Andhra Pradesh

Plot No 12,
Jawaharlal Nehru Pharmacy (J.N.P.C.)
Paravada Mandal,
Vishakhapatnam - 530 021
(Operational in part)

IDA, Pydibhimavaram Village,
Srikakulam Taluk & District
Andhra Pradesh
(Formerly belonged to
M/s. Stilbene Chemicals Limited)

Registered Office

A-49, Madhuranagar,
Vengalrao Nagar,
Hyderabad - 500 038
Ph: + 91 40 2374 1677
Fax: + 91 40 2374 1678

Email ID for investor grievances: ir@anulabs.com

Compliance Certificate of the Auditors

Certificate from the Statutory Auditors of the Company, M/s. Karumanchi & Associates, Chartered Accountants confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed.

The above report was approved by the Board of Directors at their meeting held on August 14, 2010.

Auditors' Certificate on compliance of Corporate Governance

The Members,
Anu's Laboratories Limited,
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by Anu's Laboratories Limited, for the year ended March 31, 2010 as stipulated in Clause 49 of the listing agreement of the Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We state that in respect of investor grievances received during the year ended March 31, 2010 as per the records maintained by the Company and presented to the Investors/Shareholders 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 **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.001753S



K. Peddabbai
Partner
Membership No.25036

Hyderabad,
August 14, 2010

Certificate of Compliance with the Code of Conduct

I hereby declare that all the Board Members and senior management personnel have affirmed compliance with the code of conduct adopted by the Company and have submitted declarations in this behalf for the year ended March 31, 2010.

Hyderabad,
May 29, 2010



K. Hari Babu
Managing Director

CEO/CFO Certification

As required by sub clause V of Clause 49 of the Listing Agreement with the Stock Exchange, we have certified to the Board that for the financial year ended March 31, 2010 the Company has complied with the requirements of the said sub-clause.

Hyderabad,
May 29, 2010



M. Madhusudhan Rao
Chief Financial Officer




K. Hari Babu
Managing Director

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, K. Hari Babu, Managing Director and M. Madhusudhan Rao, Chief Financial Officer of Anu's Laboratories Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account and all its schedules and notes on accounts as well as the Cash Flow Statements for the year ended March 31, 2010.
2. To the best of our knowledge and belief,
 - i. these statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. the financial statements and other financial information included in this report present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws and regulations.
3. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
5. We have indicated to the Company's auditors and the Audit Committee of the Company's board of directors that during the year:
 - i. there are no significant changes in internal control over financial reporting;
 - ii. there are no significant changes in accounting policies, and,
 - iii. there are no frauds, whether or not material that involves management or other employees who have significant role in the Company's internal control system over financial reporting.

Hyderabad,
May 29, 2010


K. Hari Babu
Managing Director


M. Madhusudhan Rao
Chief Financial Officer

Auditors' Report

The Members of
Anu's Laboratories Limited

We have audited the attached Balance Sheet of ANU'S LABORATORIES LIMITED, as at March 31, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. 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 to the extent applicable.
 2. 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 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 and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- e. On the basis of written representations received from the directors/companies, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f. Attention is invited to Note 7 of Schedule N of accounts relating to the liability of interest and required disclosures under the Micro, small and Medium Enterprises Development Act, 2006. The Company is in the process of compiling information regarding measurement and disclosures prescribed under the Act. In view of the above, we are unable to comment on the impact of the same on the accounts.
 - g. In our opinion and to the best of our information and according to the explanation given to us, the said accounts 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, 2010;
 - ii. In the case of the Profit and Loss Account, 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 **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.001753S



K. Peddabbai
Partner
Membership No.25036

Hyderabad, May 29, 2010

Annexure to Auditors' Report

(Referred to in paragraph 1 of our Report of even date)

- i. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. The Fixed Assets have been physically verified by the management in accordance with regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c. Fixed assets disposed off during the year were not substantial. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.
- ii. a. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. The procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.
- iii. The Company has not granted or taken loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c), (d), (f) & (g) are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v. a. As per information and explanation and on basis of records maintained by the company we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year. Therefore, the provisions of Clause 4(vii) of the Order are not applicable to the Company.
- 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 account relating to materials, labour and other items of cost 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 we 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, provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it have generally been regularly deposited during the year with the appropriate authorities though there has been a small delay in a few cases. According to the information and explanation given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31, 2010 for a period of more than six months from the date on which they became payable.

- b. According to the information and explanations given to us, the details of dues of sales tax, income tax which have not been deposited on account of any dispute are given below:

| Nature of due | Nature of the statute | Amount ₹ Million | Period to which amount relates | Forum where dispute is pending |
|---------------|-----------------------|---------------------|--------------------------------|--------------------------------|
| Income Tax | Income Tax Act, 1961 | 0.27 | A.Y. 2004-05 | Commissioner Appeals |
| Sales Tax | Sales Tax Act | 1.00 | A.Y. 2001-02 | ADC (CT) |
| Sales Tax | Sales Tax Act | 0.67 | A.Y. 2003-04 | ADC (CT) |
| Sales Tax | Sales Tax Act | 1.82 | A.Y. 2004-05 | ADC (CT) |
| Sales Tax | Sales Tax Act | 2.21 | A.Y. 2005-06 | ADC (CT) |

- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution or Bank.
- xii. Based on our examination of the records and the information and explanations given to us, the Company has not granted any 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 or a nidhi/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 not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- 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 investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. In respect of the end-use of money raised by public issue as disclosed in the schedules to the financial statements, in our opinion and based on the explanations given to us and certified by the management, the Company has utilized an amount of ₹726.40 million for purposes as stated / specified in the offer document for the issue. The unutilized money of ₹75.80 million have been in usage for working capital.
- xx. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.001753S



K. Peddabbai
Partner
Membership No.25036

Hyderabad, May 29, 2010

Balance Sheet as at March 31, 2010

₹ Million

| Particulars | Schedule No. | As at March 31, 2010 | As at March 31, 2009 |
|--|--------------|-------------------------|-------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 241.52 | 120.76 |
| Reserves & Surplus | 2 | 1,368.77 | 1,338.30 |
| Loan Funds | | | |
| Secured Loans | 3 | 701.34 | 395.10 |
| Unsecured Loans | 4 | 110.35 | 11.35 |
| Deferred Tax Liability | | 51.01 | 42.84 |
| | | 2,472.99 | 1,908.35 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 894.26 | 499.17 |
| Less: Depreciation | | 82.12 | 62.88 |
| Net Block | | 812.14 | 436.29 |
| Investments | 6 | 26.92 | 26.92 |
| Current Assets, Loans & Advances | | | |
| Inventory | 7 | 744.95 | 702.50 |
| Sundry Debtors | 8 | 670.13 | 620.11 |
| Cash & Bank Balances | 9 | 45.26 | 35.70 |
| Loans & Advances | 10 | 453.40 | 356.84 |
| | | 1,913.74 | 1,715.15 |
| Less: Current Liabilities & Provisions | 11 | 345.15 | 333.93 |
| Net Current Assets | | 1,568.59 | 1,381.22 |
| Miscellaneous Expenditure (To the extent not written off) | | 65.34 | 63.92 |
| | | 2,472.99 | 1,908.35 |
| Significant Accounting Policies and Notes to Accounts | 18 | | |

As per our report of even date

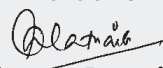
For and on behalf of the Board


for **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.0017535



K. Peddabbai
Partner
Membership No.25036

Hyderabad, May 29, 2010


M. Madhusudhan Rao
Chief Financial Officer


Chinmoy Patnaik
Company Secretary


K. Hari Babu
Managing Director


M.S.S.V. Satyanarayana
Director


Profit and Loss Account for the year ended March 31, 2010

₹ Million

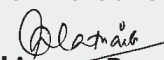
| Particulars | Schedule No. | 2009-10 | 2008-09 |
|---|--------------|-----------------|----------|
| INCOME | | | |
| Sales | | 2,179.83 | 1,761.16 |
| Less: Excise Duty | | 141.62 | 164.07 |
| Net Sales | | 2,038.21 | 1,597.09 |
| Jobwork Income | | 6.43 | 10.72 |
| Other Income | | 22.61 | 15.63 |
| Stock Increase | 12 | 45.60 | 150.50 |
| | | 2,112.85 | 1,773.94 |
| EXPENDITURE | | | |
| Raw Material Consumption | 13 | 1,364.09 | 1,103.11 |
| Manufacturing Expenses | 14 | 164.91 | 168.67 |
| Payments & Benefits to Employees | 15 | 52.22 | 33.13 |
| Administrative & Selling Expenses | 16 | 129.94 | 101.90 |
| Financial Charges | 17 | 105.87 | 74.82 |
| Depreciation | | 19.24 | 16.99 |
| Preliminary Expenses written off | | 16.68 | 16.00 |
| | | 1,852.95 | 1,514.62 |
| Profit before Tax | | 259.90 | 259.32 |
| Provision for Taxation | | | |
| - Current year | | 40.08 | 87.77 |
| - Fringe Benefit Tax | | - | 0.55 |
| - Deferred Tax | | 8.17 | 7.81 |
| Net Profit | | 211.65 | 163.19 |
| - Income Tax - Prior Period | | (32.17) | - |
| Brought forward Profit | | 378.86 | 270.91 |
| | | 558.34 | 434.10 |
| Appropriations | | | |
| Transfer to General Reserve | | 42.34 | 32.64 |
| Proposed Dividend | | 24.15 | 19.32 |
| Provision for Dividend Tax | | 4.10 | 3.28 |
| Net Profit carried over to Balance Sheet | | 487.75 | 378.86 |
| | | 558.34 | 434.10 |
| Earnings per Share | | | |
| Face value per Share (₹) | | 1.00 | 1.00 |
| Earnings per Share (Weighted Average) Diluted (₹) | | 0.88 | 1.35 |
| Significant Accounting Policies and Notes to Accounts | 18 | | |


As per our report of even date

for **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.001753S


K. Peddabbai
Partner
Membership No.25036
Hyderabad, May 29, 2010


M. Madhusudhan Rao
Chief Financial Officer


Chinmoy Patnaik
Company Secretary


K. Hari Babu
Managing Director


M.S.S.V. Satyanarayana
Director

For and on behalf of the Board

Cash Flow Statement for the year ended March 31, 2010


₹ Million

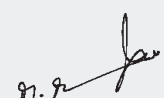
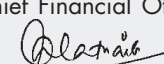
| Particulars | 2009-10 | 2008-09 |
|--|-----------------|----------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax and Extraordinary Items | 259.90 | 259.32 |
| Adjustment for: | | |
| Depreciation | 19.24 | 16.99 |
| Interest on Borrowings | 105.87 | 74.82 |
| Miscellaneous Expenditure Amortised | 16.68 | 16.00 |
| | 141.79 | 107.81 |
| Operating Profit before working capital changes | 401.69 | 367.13 |
| Adjustment for: | | |
| Trade and other Receivables | (161.98) | (571.60) |
| Inventories | (42.45) | (154.37) |
| Trade Payables and other Liabilities | 36.43 | 68.59 |
| Decrease in Net Current Assets | (168.00) | (657.38) |
| Cash Generated from operations | 233.69 | (290.25) |
| Adjustment for: | | |
| Prior Period Adjustments | (15.00) | - |
| Income Tax & Fringe Benefit Tax | (88.43) | (133.43) |
| | (103.43) | (133.43) |
| Net cash from operating activities (A) | 130.26 | (423.68) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (395.08) | (187.25) |
| Net cash used in investing activities (B) | (395.08) | (187.25) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Borrowings | | |
| a. Term Loans | 184.35 | (54.49) |
| b. Working Capital Loans | 121.90 | 54.03 |
| c. Unsecured Loans | 99.00 | - |
| Interest Paid on borrowings | (105.68) | (70.30) |
| Issue of capital with Premium | - | 802.20 |
| Misc. Expenses | (2.58) | (79.32) |
| Dividend Payouts (including Dividend Tax) | (22.61) | (18.11) |
| Net cash used in financing activities (C) | 274.38 | 634.01 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | 9.56 | 23.08 |
| Cash and Cash Equivalents at the beginning of the year | 35.70 | 12.62 |
| Cash and Cash Equivalents at the end of the year | 45.26 | 35.70 |

As per our report of even date


For and on behalf of the Board

for **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.001753S


K. Peddabai
Partner
Membership No.25036
Hyderabad, May 29, 2010


M. Madhusudhan Rao
Chief Financial Officer

Chinmoy Patnaik
Company Secretary


K. Hari Babu
Managing Director


M.S.S.V. Satyanarayana
Director

Schedules to the Balance Sheet

₹ Million

| Particulars | As at March 31, 2010 | As at March 31, 2009 |
|--|-------------------------|-------------------------|
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 500,000,000 Equity Shares of ₹1 each (2009: 150,000,000 Equity Shares of ₹1 each) | 500.00 | 150.00 |
| Issued, Subscribed & Paid up | | |
| 241,520,000 Equity Shares to ₹1 each fully paid up (Includes 120,760,000 Equity Shares of ₹1 each by a bonus issue during 2009-10 on July 31, 2009) | 241.52 | 120.76 |
| | 241.52 | 120.76 |
| SCHEDULE 2 | | |
| RESERVES AND SURPLUS | | |
| Securities Premium Account | | |
| Opening Balance | 860.84 | 96.84 |
| Less: Issue of Bonus Shares during the year | 120.76 | 764.00 |
| | 740.08 | 860.84 |
| Subsidies | 2.63 | 2.63 |
| General Reserve | | |
| Opening Balance | 95.97 | 63.33 |
| Add: Transfer from Profit and Loss Account | 42.34 | 32.64 |
| Profit and Loss Account | 487.75 | 378.86 |
| | 1,368.77 | 1,338.30 |
| SCHEDULE 3 | | |
| SECURED LOANS | | |
| Term loan | 298.32 | 113.97 |
| The above loans are secured by a pari-passu first charge on the immovable properties and pari-passu charge on movable properties (subject to the prior charge in favour of the Company's bankers on specified moveables, created/to be created for securing borrowings for working capital requirements) and further guaranteed by the Managing Director, Mr. K. Hari Babu and Director, Mr. M.S.S.V. Satyanarayana, in their personal capacities. | | |
| Working Capital | 403.02 | 281.13 |
| Working Capital Loans from bank is secured by hypothecation of inventory, book debts and other movable current assets of the company, both the present and future, and also second charge on all fixed assets of the Company, apart from unconditional and irrevocable personal guarantees of promoters and their relatives. These facilities are also covered by collateral security by way of equitable mortgage of agricultural and urban land and buildings. | | |
| | 701.34 | 395.10 |

₹ Million

| Particulars | As at March 31, 2010 | As at March 31, 2009 |
|------------------------|-------------------------|-------------------------|
| SCHEDULE 4 | | |
| UNSECURED LOANS | | |
| Sales Tax Deferement | 11.35 | 11.35 |
| Loans from Others | 99.00 | – |
| | 110.35 | 11.35 |

SCHEDULE 5
FIXED ASSETS

₹ Million

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|------------------------------|---------------------------|-----------|-----------|----------------------------------|--------------------------|-----------------|-----------|---------------------------|----------------------------|----------------------------|
| | As at April 1, 2009 | Additions | Deletions | Total as at March 31, 2010 | Upto April 1, 2009 | for the year | Deletions | Upto March 31, 2010 | As at March 31, 2010 | As at March 31, 2009 |
| Land | 9.85 | 55.78 | – | 65.63 | – | – | – | – | 65.63 | 9.85 |
| Buildings | 19.28 | 39.86 | – | 59.14 | 3.42 | 1.25 | – | 4.67 | 54.47 | 15.86 |
| Plant & Machinery | 252.90 | 74.72 | – | 327.62 | 46.37 | 14.31 | – | 60.68 | 266.94 | 206.53 |
| Electrical Equipment | 13.94 | 9.23 | – | 23.17 | 2.89 | 0.67 | – | 3.56 | 19.61 | 11.05 |
| Lab Equipment | 14.30 | 1.64 | – | 15.94 | 2.13 | 0.74 | – | 2.87 | 13.07 | 12.17 |
| Vehicle | 9.02 | 2.33 | – | 11.35 | 4.04 | 0.94 | – | 4.98 | 6.37 | 4.98 |
| Data Processing Equipment | 4.29 | 0.43 | – | 4.72 | 2.52 | 0.72 | – | 3.24 | 1.48 | 1.77 |
| Software Package | 2.27 | 0.80 | – | 3.07 | 0.77 | 0.42 | – | 1.19 | 1.88 | 1.50 |
| Office Equipment | 1.63 | 0.42 | – | 2.05 | 0.36 | 0.08 | – | 0.44 | 1.61 | 1.27 |
| Furniture & Fixtures | 1.35 | 2.45 | – | 3.80 | 0.38 | 0.11 | – | 0.49 | 3.31 | 0.97 |
| Capital Work-in-Progress | 170.34 | 284.92 | 77.49 | 377.77 | – | – | – | – | 377.77 | 170.34 |
| Total | 499.17 | 472.58 | 77.49 | 894.26 | 62.88 | 19.24 | – | 82.12 | 812.14 | 436.29 |
| Previous Year | 312.06 | 212.45 | 25.34 | 499.17 | 46.03 | 16.99 | 0.14 | 62.88 | 436.29 | |

₹ Million

| Particulars | As at March 31, 2010 | As at March 31, 2009 |
|---|-------------------------|-------------------------|
| SCHEDULE 6 | | |
| INVESTMENTS | | |
| Unquoted | | |
| Nitya Laboratories Limited | | |
| 170,000 2% Non-Cumulative Optionally Redeemable-cum-Convertible Shares of ₹100 each fully paid | 17.00 | 17.00 |
| 982,099 Equity Shares of ₹10 each fully paid | 9.82 | 9.82 |
| Share application money | 0.10 | 0.10 |
| | 26.92 | 26.92 |

₹ Million

| Particulars | As at March 31, 2010 | As at March 31, 2009 |
|---|-------------------------|-------------------------|
| SCHEDULE 7 | | |
| INVENTORY (As certified by the management) (at cost) | | |
| Stores | 4.29 | 6.04 |
| Raw Materials | 75.81 | 77.21 |
| Work in Progress | 474.41 | 435.26 |
| Finished Goods | 190.44 | 183.99 |
| | 744.95 | 702.50 |
| SCHEDULE 8 | | |
| SUNDRY DEBTORS (Unsecured considered good) | | |
| Due over six months | 25.66 | 8.45 |
| Others | 644.47 | 611.66 |
| | 670.13 | 620.11 |
| SCHEDULE 9 | | |
| CASH & BANK BALANCES | | |
| Cash on hand | 0.55 | 0.90 |
| Balances with Scheduled Banks | 44.71 | 34.80 |
| | 45.26 | 35.70 |
| SCHEDULE 10 | | |
| LOANS AND ADVANCES | | |
| (Unsecured, considered good recoverable in cash or in kind) | | |
| Deposits | 12.75 | 11.64 |
| Advances for Goods & Services | 364.87 | 292.96 |
| Others Advances | 75.78 | 52.24 |
| | 453.40 | 356.84 |
| SCHEDULE 11 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| (A) Current Liabilities | | |
| Creditors for Goods Supplied | 213.04 | 201.79 |
| Creditors for Expenses | 8.72 | 4.52 |
| Creditors for Other Liabilities | 37.85 | 16.66 |
| Total (A) | 259.61 | 222.97 |
| (B) Provisions | | |
| Dividend Payable | 24.19 | 19.36 |
| Income Tax | 61.35 | 91.60 |
| Total (B) | 85.54 | 110.96 |
| Grand Total (A + B) | 345.15 | 333.93 |

Schedules to the Profit and Loss Account

₹ Million

| Particulars | 2009-10 | 2008-09 |
|---|-----------------|----------|
| SCHEDULE 12 | | |
| STOCK INCREASE | | |
| Opening Stock (Finished Goods & Work-in-Progress) | 619.25 | 468.75 |
| Closing Stock (Finished Goods & Work-in-Progress) | 664.85 | 619.25 |
| | 45.60 | 150.50 |
| SCHEDULE 13 | | |
| RAW MATERIAL CONSUMPTION | | |
| Opening Stock | 77.21 | 74.24 |
| Add: Purchases | 1,362.69 | 1,106.08 |
| Less: Closing Stock | 75.81 | 77.21 |
| | 1,364.09 | 1,103.11 |
| SCHEDULE 14 | | |
| MANUFACTURING EXPENSES | | |
| Jobwork Charges | 66.62 | 85.53 |
| Power & Fuel | 31.96 | 28.92 |
| Repairs & Maintenance | 1.29 | 0.86 |
| R&D Expenses | 6.99 | 5.07 |
| Stores & Consumables | 23.21 | 18.58 |
| Security Services & Factory Maintenance | 15.83 | 18.06 |
| Freight | 19.01 | 11.65 |
| | 164.91 | 168.67 |
| SCHEDULE 15 | | |
| SALARIES AND WAGES | | |
| Salaries & Wages | 40.81 | 25.65 |
| Staff Welfare | 7.53 | 4.64 |
| Contribution to P.F. & E.S.I. | 3.39 | 2.80 |
| Gratuity A/c LIC | 0.49 | 0.04 |
| | 52.22 | 33.13 |

₹ Million

| Particulars | 2009-10 | 2008-09 |
|--------------------------------|---------------|---------|
| SCHEDULE 16 | | |
| ADMINISTRATION EXPENSES | | |
| Rent, Rates & Taxes | 2.23 | 1.27 |
| Printing & Stationary | 0.95 | 1.15 |
| Postage & Telephones | 1.72 | 1.64 |
| Travelling & conveyance | 6.96 | 5.07 |
| Vehicle Maintenance | 1.27 | 1.29 |
| Directors Remuneration | 7.49 | 4.78 |
| Audit Fee & Expenses | 0.50 | 0.50 |
| Insurance | 3.78 | 2.74 |
| Legal & Professional Charges | 11.05 | 6.15 |
| Selling Expenses | 15.56 | 13.12 |
| Clearing Charges | 5.42 | 3.64 |
| Annual Maintenance Charges | 0.54 | 0.42 |
| Office Maintenance | 0.59 | 0.79 |
| Sales Tax | 68.85 | 56.38 |
| Other Expenses | 3.03 | 2.96 |
| | 129.94 | 101.90 |
| SCHEDULE 17 | | |
| FINANCIAL CHARGES | | |
| Interest on Term Loans | 15.09 | 23.74 |
| Interest on Unsecured Loans | 8.33 | - |
| Interest on Working Capital | 79.75 | 47.09 |
| Bank Charges | 2.70 | 3.99 |
| | 105.87 | 74.82 |

Notes to Accounts

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. Significant Accounting Policies

A. Basis of Accounting

Financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

B. Revenue Recognition

- i. Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and sales tax.
- ii. The export incentives are accrued and accounted on the basis of the actual exports made during the year.
- iii. Income from job work services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

C. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise in respect of finished goods is accounted for as and when goods are cleared from the factory and stock of finished goods are valued inclusive of excise duty where applicable.

D. Fixed Assets

- i. Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties (net of CENVAT & VAT), taxes, incidental expenses relating to acquisition and the cost of installation/erection as applicable.
- ii. Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956. Depreciation is charged on pro rata basis for assets purchased/sold during the year.
- iii. Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of commencement of production. All other borrowing' costs are charged to revenue.

E. Investments

Long term investments are carried at cost. However, provision for diminution in value, if any, is made to recognize a decline other than temporary in the value of investments.

F. Foreign Currency Transactions

- a. Transactions in foreign exchange are accounted for at the exchange rate prevailing on the date of transaction. Gains and losses arising thereon are recognized in the Profit and Loss Account;
- b. Foreign currency monetary items are reported using the closing rate, Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate .at the date of the transaction.

G. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary, Work-in-progress is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average method.

H. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961. Deferred tax resulting from 'timing differences' between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is a reasonable certainty that asset will be realized in future. The provision for the current year has been made taking into consideration of merger with Nitya Laboratories Limited.

II. Notes to Accounts

I. Contingent liabilities

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

2. Segment Reporting

- Company's operations are predominantly related to the manufacture of bulk drugs intermediates, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks, returns and internal reporting system.
- As a part of secondary reporting, revenues are attributed to geographical areas based on the location of Customers as detailed below:

₹ Million

| | 2009-10 | | 2008-09 | |
|----------|----------------|---------------|---------|--------|
| | Revenue | % | Revenue | % |
| Domestic | 1881.15 | 86.30 | 1582.17 | 89.84 |
| Exports | 298.68 | 13.70 | 178.99 | 10.16 |
| Total | 2179.83 | 100.00 | 1761.16 | 100.00 |

- The Company does not track its assets and liabilities by geographical area.

3. Related Party Transactions

Disclosures as required by the Accounting Standard -18 are given below:

a. Name of the related parties and descriptions of relationships

| Name | Nature of relationship |
|----------------------------|---------------------------------|
| Nitya Laboratories Limited | Other Related Party (Associate) |
| Zen Consultants | Other Related Party (Associate) |

b. Key Managerial Personnel

Mr. K. Hari Babu, Managing director

Mr. N.S. Walimbe, Wholetime Director

c. Transactions during the year and balances outstanding as at the year end with the related parties are as follows:

₹ Million

| Nature of transactions | Associate | Key Management Personnel | Relative of Key Management Personnel |
|--|--------------------|--------------------------|--------------------------------------|
| Investments in Nitya Laboratories Limited | 26.92 (26.92) | - - | - - |
| Advance paid to Nitya Laboratories Limited | 264.25 (261.89) | - - | - - |
| Consultancy charges/Receivables | 0.30 (-) | - - | - - |
| Remuneration | | | |
| Mr. K. Hari Babu | - - | 7.49 (3.94) | - - |
| Mr. N.S. Walimbe | - - | 0.16 (0.42) | - - |

Figures in brackets pertain to previous year.

4. Earnings per Share - (EPS)

₹ Million

| Computation for basic & diluted Earnings per Share | March 31, 2010 | March 31, 2009 |
|--|----------------|----------------|
| I. Net profit as per Profit and Loss Account available for equity shareholders (₹ Million) | 211.65 | 163.19 |
| II. Earnings per Share (Weighted Average) Basic (₹) | 0.88 | 0.68 |

5. Managerial Remuneration .

a. Managerial Remuneration (excluding the contributions to provident fund, provision for gratuity and leave encashment paid or payable to Directors)

₹ Million

| | 2009-10 | 2008-09 |
|--|-------------|---------|
| A. Minimum remuneration of Managing Director | | |
| Salary | 6.00 | 2.64 |
| Perquisites | - | - |
| Commission | 1.33 | 1.30 |
| Total (A) | 7.33 | 3.94 |
| B. Remuneration of Wholetime Director | | |
| Salary | 0.16 | 0.42 |
| Perquisites | - | - |
| Commission | - | - |
| Total (B) | 0.16 | 0.42 |
| Total Remuneration (A+B) | 7.49 | 4.36 |

b. Computation under Section 349 of the Companies Act, 1956

₹ Million

| | 2009-10 | 2008-09 |
|---|---------------|---------|
| Profit before Tax | 259.90 | 259.32 |
| Add: Provision for depreciation as per Profit and Loss Account | 19.24 | 16.99 |
| Remuneration to Directors | 6.16 | 4.36 |
| Directors Sitting Fees | 0.17 | 0.20 |
| | 285.47 | 280.87 |
| Less: Depreciation under Section 350 of the Companies Act | 19.24 | 16.99 |
| Less: Profit from Short Term Capital Gain | - | 1.92 |
| Profit as per Section 349 of the Companies Act | 266.23 | 261.96 |
| Overall remuneration as per Sections 198 and 309 of the Companies Act | 13.31 | 26.19 |
| Less: Remuneration paid to Wholetime Directors | 7.49 | 4.36 |
| Commission payable as per Sections 198 and 309 of the Companies Act | 5.82 | 21.83 |

6. Employee Benefits**a. Defined Contribution Plan**

The Company's Employee's Provident Fund administered through Government Provident Fund, Employees State Insurance Scheme and Labor Welfare Fund are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contributions plan are recognized as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the trust to the beneficiaries every year is being notified by the government. The Company has no obligation to make good the shortfall, if any, between the return from the investments and the notified interest rate.

b. Defined Benefit Plan

Company's liabilities towards gratuity are considered as defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation.

7. Disclosure Required by Micro, Small and Medium Enterprises (Development) Act, 2006

In the absence of necessary information relating to the suppliers registered as Micro or Small enterprises Under the Micro, Small and Medium Enterprises (Development) Act, 2006, the Company has not been able to Identify such suppliers and the information required under the said Act could not be compiled and disclosed.

8. Deferred Tax

The Company has been recognizing in the financial statements the deferred tax assets/liabilities, in accordance with Accounting Standard 22 - Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India. The position of Deferred Tax Assets and liabilities is as follows:

₹ Million

| | March 31, 2010 | March 31, 2009 |
|--------------------------------------|----------------|----------------|
| Opening Deferred Tax Liabilities | 42.84 | 35.03 |
| Depreciation difference | 4.57 | 7.81 |
| Closing Net Deferred Tax Liabilities | 51.01 | 42.84 |

9. Contingent Liabilities not provided for

₹ Million

| | March 31, 2010 | March 31, 2009 |
|--|----------------|----------------|
| a. Unexpired bank guarantees & Letters of Credit | 105.75 | 173.10 |
| b. Demands of statutory authorities disputed by the Company in appeals with higher authorities in respect of | | |
| i. Disputed Income Tax A.Y. 2004-05 | 0.27 | 0.27 |
| ii. Disputed Sales Tax demands A.Y. 2001-02 | 1.00 | – |
| 2003-04 | 0.67 | 0.67 |
| 2004-05 | 1.82 | 1.82 |
| 2005-06 | 2.21 | 2.21 |
| Other legal claims | | |
| M/s. Sun Moon Chemicals Private Limited filed a suit against the Company for a demand of ₹4.68 million. | 4.68 | 4.68 |

10. Confirmation of balance

In respect of some of the sundry debtors, creditors, loans, advances & other receivables confirmation of balances yet to be received.

11. A. Production Data

Installed capacity, actual production

MT

| Products | Installed capacity | | Actual production | |
|----------------------------|--------------------|---------|-------------------|---------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Bulk drugs & intermediates | – | – | 30,061 | 17,961 |

As certified by the management. Being technical matter accepted by the auditors as correct.

Note: a. Includes contract manufacturing and purchases of finished goods.

b. Installed capacity is flexible as the plant is versatile, enabling the Company to produce in different capacities and therefore it varies depending on the product programmed.

B. Sales

| | 2009-10 | | 2008-09 | |
|-------------------------------------|---------------|----------------|---------|-----------|
| | MT | ₹ Million | MT | ₹ Million |
| Sales - Bulk drugs & Intermediates | 30,358 | 2179.83 | 17,383 | 1761.16 |
| Details of finished goods stocks: | | | | |
| Bulk drugs & intermediates | | | | |
| Opening stock | 816 | 183.99 | 237 | 119.21 |
| Bulk drugs & intermediates | | | | |
| Closing stock | 519 | 190.44 | 816 | 183.99 |
| Details of raw material Consumption | | | | |
| DCFB | 1,490 | 301.92 | 856 | 161.77 |
| Aluminum Chloride | 3,161 | 99.63 | 1,777 | 56.86 |
| Acetyl Chloride | 960 | 82.36 | 568 | 56.66 |
| Others | | 880.18 | | 827.82 |
| Total | | 1364.09 | | 1103.11 |

C. Value of imported and indigenous raw materials and finished goods consumed and percentage of each to total consumption

| | 2009-10 | | 2008-09 | |
|-------------------------------------|---------------|----------------|---------|-----------|
| | % | ₹ Million | % | ₹ Million |
| Imported | 28.00 | 381.93 | 38.75 | 427.45 |
| Local | 72.00 | 982.16 | 61.25 | 675.66 |
| Total | 100.00 | 1364.09 | 100.00 | 1103.11 |
| Value of imports on CIF value basis | | | | |
| Raw material | | 381.93 | | 427.45 |
| Expenditure in foreign currency | | | | |
| Foreign travel | | 1.24 | | 1.42 |

D. Earnings in foreign currency

Export of goods on FOB basis ₹298.68 million (Previous year - ₹178.99 million).

12. Events subsequent to the date of the Balance Sheet

The Board of Directors has approved the merger of M/s. Nitya Laboratories Limited with the Company and the effective date is from April 1, 2009. The Company has filed an application with the Hon'ble High Court for necessary approval. The Hon'ble High Court has admitted the application and called for a meeting of equity shareholders on May 29, 2010 and the process is under progress.

13. Previous year's figures have been regrouped and/or rearranged wherever necessary.

As per our report of even date


for **Karumanchi & Associates**
Chartered Accountants
Firm Regn.No.001753S

K. Peddabbai
Partner
Membership No.25036

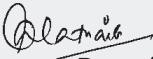
Hyderabad, May 29, 2010

For and on behalf of the Board


M. Madhusudhan Rao
Chief Financial Officer


K. Hari Babu
Managing Director


M.S.S.V. Satyanarayana
Director


Chinmoy Patnaik
Company Secretary

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet abstract and Company's General business profile:

1. Registration details:

Registration No. 0 1 - 2 3 2 8 3 / 9 5 - 9 6
 Corporate Identification No. U 2 4 2 3 0 A P 1 9 9 6 P L C 0 2 3 2 8 3
 State Code 0 1
 Balance Sheet Date 3 1 0 3 2 0 1 0

2. Capital Raised during the year: (Rupees in thousands)

Public Issue NIL Rights Issue NIL
 Private Placement NIL Bonus Issue 1 2 0 7 6 0

3. Position of Mobilisation and Deployment of Funds (Rupees in thousands)

Total Liabilities 2 4 7 2 9 8 4 Total Assets 2 4 7 2 9 8 4
 SOURCES OF FUNDS APPLICATION OF FUNDS
 Sources of Paid up Capital 2 4 1 5 2 0 Net Fixed Assets 8 1 2 1 3 3
 Reserves & Surplus 1 3 6 8 7 6 6 Investments 2 6 9 2 1
 Deferred Tax Liability 5 1 0 1 0 Net Current Assets 1 5 6 8 5 9 1
 Secured Loans 7 0 1 3 4 2 Misc. Expenditure 6 5 3 3 9
 Unsecured Loans 1 1 0 3 4 6

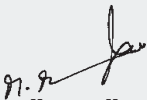
4. Performance of the Company (Rupees in thousands)


Sales and Other Income 2 1 7 9 8 2 9 Total Expenditure 1 8 5 2 9 5 7
 Profit before Tax 2 5 9 8 9 9 Profit after Tax 2 1 1 6 4 3
 Earnings per Share (₹) 0 . 8 8
 Dividend per Share (₹) 0 . 1 0

5. Generic names of three principal products of Company (per monetary terms)

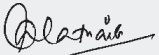
| Item Code | Product Description |
|-----------|------------------------------------|
| 0.1 | 2,4 DICHLORO 5 FLUORO ACETOPHENONE |
| 0.1 | CIS(+) HYDROXY LACTUM |
| 0.1 | CHLOROHEXAN - 2-ONE |

For and on behalf of the Board


M. Madhusudhan Rao
 Chief Financial Officer


K. Hari Babu
 Managing Director


M.S.S.V. Satyanarayana
 Director


Chinmoy Patnaik
 Company Secretary

Hyderabad, May 29, 2010

Board of Directors

As at August 14, 2010



Mr. M. Ajaya Kumar, 63, Chairman, did his Masters in Agriculture and has nearly four decades of experience, of which 24 years is in the top management of the pharmaceutical industry. He has been the Managing Director of SOL Pharmaceutical Limited, subsequently the Managing Director at Natco Pharma Limited and Wholetime Director at Aurobindo Pharma Limited.



Mr. K. Hari Babu, 54, the Managing Director, is a Chartered Accountant and has 28 years of experience in various fields of management out of which 22 years is in the pharmaceutical industry. He has experience in the field of strategic planning, corporate and project financing, human resource development, information systems management, and marketing strategy. He promoted the Company and has played a key role in its growth.



Mr. M.S.S.V. Satyanarayana, 49, is a graduate from Nagarjuna University and is an Agriculturist.



Dr. K. Rajeswara Rao, 62, is a practicing Doctor having done his MBBS. He did his post graduation in pediatrics and completed his Fellowship in allergy and immunology in 1991 from the American Board of Medical Specialties, USA. He is certified by the American board in pediatrics, allergy and immunology. He has been practicing allergy, immunology and clinical research.



Mr. O.M. Kejriwal, 54, is a graduate in Chemistry and did his LL.B. He qualified as a Chartered Accountant and is a senior partner in O.M.Kejriwal & Company, Chartered Accountants, since 1983. He has varied experience in audit, finance, taxation and in preparation of techno feasibility reports. He is a consultant to several companies.

Chief Financial Officer

Mr. M. Madhusudhan Rao

Company Secretary

Mr. Chinmoy Patnaik

Statutory Auditors

M/s. Karumanchi & Associates
Chartered Accountants
Flot No. 301, 7-1-619/A,
Swarganivas Enclave, Ameerpet,
Hyderabad - 500 038

Bankers

IDBI Bank
ING Vysya Bank Limited
Karur Vysya Bank Limited
State Bank of India

ANU'S

ANU'S LABORATORIES LIMITED

Registered Office: A-49, Madhura Nagar, Vengalrao Nagar, Hyderabad - 500 038

Mr./Ms.
.....
.....
.....

MEMBER

PROXY

No. of Shares

(Please tick as applicable)

- Note: 1. Only Members of the Company or their proxies will be allowed to attend the Meeting ON PRODUCTION OF ATTENDANCE SLIP duly completed and signed.
2. Members are requested to bring their copies of Annual Report with them.
3. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.

ATTENDANCE SLIP

Day Thursday
Date September 30, 2010
Time 11.00 a.m.
Venue Nice Conference Hall, 7-1-621/2/3, above ICICI Bank Limited, Srinivasa Nagar East, between SR Nagar & Ameerpet, Hyderabad.

Folio No.

Demat Particulars
DP ID No.

Client ID No.

I hereby record my presence at the 14th ANNUAL GENERAL MEETING of the Company

.....
Signature of the Member or Proxy

ANU'S

ANU'S LABORATORIES LIMITED

Registered Office: A-49, Madhura Nagar, Vengalrao Nagar, Hyderabad - 500 038

No. of Shares

FORM OF PROXY

Folio No.

Demat Particulars
DP ID No.

Client ID No.

I/Weof
(Name of Member)
.....
(Address)
being Member(s) of ANU'S LABORATORIES LIMITED hereby appoint..... of
(Name of proxy)
..... or failing
(Address of proxy)
him/her
(Name of alternate proxy)
of
(Address of alternate proxy)

as my/our proxy to vote for me/us on my/our behalf at the **14th ANNUAL GENERAL MEETING** of the Company to be held **at 11.00 a.m. on Thursday, September 30, 2010** and at any adjournment thereof.

Date.....

Signature.....

Affix a
15 paise
Revenue
Stamp

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting. The Proxy need not be a member of the Company.

Tear Here

FORWARD LOOKING STATEMENTS

This communication contains statements that constitute “forward looking statements” including, without limitation, statements relating to the implementation of strategic initiatives and other statements relating to our future business developments and economic performance.

While these forward looking statements represent our judgements and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that we have indicated could adversely affect our business and financial performance.

Anu’s Laboratories undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances.

Option B



Anu's Laboratories Limited

Registered Office

A-49, Madhura Nagar,
Vengalrao Nagar,
Hyderabad - 500 038

Corporate Office

Plot No. 68B, Pragathinagar,
Yousufguda,
Hyderabad - 500 045