



**15th
Annual Report
2009-2010**



Farmax India Limited

Welcome to the New World of



Farmax India Limited



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CORPORATE INFORMATION

Board of Directors:

1. Mr. I. Srinivasa Raju	–	Independent Director
2. Mrs. P. Hymavathi	–	Independent Director
3. Mr. M. V. Rama Sastry	–	Independent Director
4. Mr. A. V. Rama Raju	–	Independent Director
5. Mr. M. Srinivasa Reddy	–	Chairman and Managing Director
6. Mr. M. Malla Reddy	–	Executive Director
7. Mr. K. B. Prasanth Reddy	–	Executive Director
Mr. R.V. Radhakrishna	–	Company Secretary

Registered Office:

Farmax House, 4th Floor, Alluri Trade Centre,
Opp. KPHB, Kukatpally, Hyderabad–500 072

Factory:

Bowrampet Village, Qutubullapur Mandal
(Sub-urban of Hyderabad) Ranga Reddy Dist.
Andhra Pradesh

Auditors:

M/s. K. Prahlada Rao & Co
1-1-401/2/A, Gandhi Nagar
Hyderabad - 500 080

Audit Committee:

- 1) Mr. I. Srinivasa Raju
- 2) Mr. M. V. Rama Sastry
- 3) Mrs. P. Hymavathi

Employee Compensation Committee:

- 1) Mr. M. V. Rama Sastry
- 2) Mrs. P. Hymavathi
- 3) Mr. I. Srinivasa Raju
- 4) Mr. A. V. Rama Raju
- 5) Mr. M. Malla Reddy

Remuneration Committee:

- 1) Mr. M.V. Rama Sastry
- 2) Mrs. P. Hymavathi
- 3) Mr. I. Srinivasa Raju

Investor Grievance Committee:

- 1) Mr. I. Srinivasa Raju
- 2) Mr. K. B. Prasanth Reddy
- 3) Mrs. P. Hymavathi

Bankers:

- 1) State Bank of India
- 2) Union Bank of India
- 3) Axis Bank
- 4) ICICI Bank

Listing:

- 1) National Stock Exchange of India Limited (*with effect from August 17, 2010*)
- 2) Ahmedabad Stock Exchange Limited
- 3) Bombay Stock Exchange Limited (*For trading under Indo Next segment with effect from June 25, 2009*)
- 4) Luxembourg Stock Exchange (*with effect from June 30, 2010*)

Registrars & Share Transfer Agents:

M/s. Venture Capital and Corporate Investments Private Limited







NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the Shareholders of **FARMAX INDIA LIMITED** will be held on Thursday the 9th day of December 2010 at 10.00 AM at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad-500034, AP to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report, the Audited Profit and Loss Account and the Cash Flow statement for the year ended 31st March, 2010, and the Balance Sheet as at that date.
2. To appoint a director in place of Mrs. P. Hymavathi who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a director in place of Mr. I. Srinivasa Raju who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint statutory auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if though fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and is hereby altered by inserting Articles 46A, 46B immediately after existing Article 46 and Article 97A immediately after existing Article 97 which shall read as follows:

Article 46A:

A Common form of transfer shall be used. The instrument of transfer of any Share shall be in the prescribed form under the Companies (Central Governments) General Rules and Forms, 1956 and in accordance with the requirements of Section 108 of the Act.

Article 46B:

The registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Issuer on any account whatsoever.

Article 97A:

No unclaimed dividend shall be forfeited by the Board unless the claim becomes barred by law and dividends and unpaid dividend will be dealt with according to the provisions of Sections 205A and 205B of the Companies Act, 1956.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its sole and absolute discretion deem necessary or expedient and to settle any question, difficulty or doubt that may arise in regards thereto.”

BY ORDER OF THE BOARD

Hyderabad
November 08, 2010

SD/-
M. SRINIVASA REDDY
Chairman & Managing Director

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. PROXY FORMS TO BE VALID SHALL BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business under Item No.5 set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 7th December 2010 to Thursday, 9th December 2010, both days inclusive.
4. M/s. Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad - 500018, AP is the Registrars and Share Transfer Agent (RTA) of the Company. All communications in respect of the share transfers and change in the address of the members may be communicated to them.
5. Members / Proxies should bring the Attendance slip duly filled in for attending the meeting.
6. The Company has designated an exclusive e-mail ID called cs@farmax.co.in for redressal of shareholders' complaints/grievances. In case, you have any queries/complaints or grievances, then please write to us at cs@farmax.co.in



EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO. 5:

The Board of Directors of your Company proposes to alter the Articles of Association of the Company as per an Undertaking given by the Company to the National Stock Exchange of India Limited at the time of making Listing Application for listing of equity shares of the Company.

According to Section 31 of the Companies Act, 1956 prior approval of the shareholders is necessary for alteration of Articles of Association by passing a Special Resolution.

The Board of Directors of the company accordingly commends this resolution for your approval.

A Copy of the Memorandum of Association as altered is kept open for inspection by the shareholders at the Registered Office of the Company during the business hours of the Company.

The Board of Directors of the company may be deemed to be concerned or interested in the resolution as set out in the Notice to the extent of shares held by them in the Company.

BY ORDER OF THE BOARD

Hyderabad
November 08, 2010

SD/-
M. SRINIVASA REDDY
Chairman & Managing Director

Details of Directors seeking appointment/retiring by rotation and seeking re-appointment of Directors: (In pursuance of Clause 49 of the Listing Agreement)

Particulars	Mrs. P. Hymavathi	Mr. I. Srinivasa Raju
Date of Birth	July 09, 1967	June 01, 1965
Date of Appointment	July 03, 2007	September 29, 2006
Expertise in specific functional areas	Over 10 years of experience in Accounts, and Finance	Over 17 years of experience in Accounts, Finance , and Capital Markets
Qualifications	B. Com.,	M. Com.,
No. of Shares held in the Company	NIL	90,800 equity shares
Directorships held in other companies (excluding private limited and foreign companies)	NIL	Remidicherla Infra & Power Ltd.
Positions held in mandatory committees of other companies	NIL	Remidicherla Infra & Power Ltd. Member: a) Audit Committee b) Remuneration Committee c) Investor Grievance Committee



DIRECTORS' REPORT

To
The Members

We have pleasure in presenting the 15th Annual Report with Audited Statements of Accounts for the year ended 31st March 2010.

FINANCIAL RESULTS:

(Rupees in Lakhs)

Particulars	2009-10 (for 12 months)	2008-09 (for 7 months)
Gross Sales	6445.22	1989.97
Earnings before Interest, Depreciation, and Tax (EBIDT)	731.92	205.87
Finance Expenses	243.11	59.92
Depreciation	166.82	78.05
Profit Before Tax (PBT)	321.99	67.90
Provision for taxation including deferred tax and fringe benefit tax	77.77	25.45
Profit After Tax (PAT)	244.23	42.45

PERFORMANCE REVIEW:

During the year under review your Company achieved sales of Rs.64.45 Crores as against Rs.19.89 Crores in the previous year. The Company made a net profit after tax of Rs.2.44 Crores as against Rs.42.45 Lakhs in the previous year.

DIVIDEND:

Keeping the Company's expansion and growth plans in mind, your Directors have decided not to recommend dividend for the year.

EXTENSION OF TIME TO HOLD AGM:

The Board of Directors of your Company inform you that your Company has been granted permission from the Office of the Registrar of Companies, Andhra Pradesh for extension of time of 2 months and 11 days to hold Annual General Meeting for the financial year 2009-10.

For a million dollar smile





CHANGE OF NAME OF THE COMPANY:

During the year the Name of your Company has been changed to Farmax India Limited and the Fresh Certificate of Incorporation in this regard was granted by the Registrar of Companies, Andhra Pradesh on November 09, 2009.

AUTHORIZED CAPITAL:

During the year under review the Authorized Share Capital of your Company was increased to Rs.50 Crores.

TRADING PERMISSION FOR EQUITY SHARES:

During the year the equity shares your Company admitted as permitted securities for trading under Indo Next Segment category of the Bombay Stock Exchange Limited with effect from June 25, 2009.

LISTING OF EQUITY SHARES AT NATIONAL STOCK EXCHANGE OF INDIA:

The Board of Directors of your Company pleasure to inform you that the equity shares of the Company got listed at National Stock Exchange of India Limited (NSE) with effect from August 17, 2010.

SUB DIVISION OF THE FACE VALUE OF EQUITY SHARES:

Members are aware that during the year under review the face value of equity shares of the Company was sub-divided from Rs. 10/- each into two equity shares of Rs.5/- each. Further, the face value of equity shares was again sub-divided from Rs.5/- each into five equity shares of Re.1/- each by passing necessary resolution through postal ballot process conducted on June 24, 2010.

PREFERENTIAL ISSUE OF SHARES:

During the year under review your Company has issued and allotted 1,60,00,000 equity shares of Re.1/- each upon conversion of 16,00,000 equity warrants issued in July 2009 on preferential basis.

ISSUE OF GLOBAL DEPOSITORY RECEIPTS (GDRs):

Your Directors are pleasure to inform you that the Company has successfully concluded placement of 51,00,000 GDRs at USD 14.1 per GDR (Representing 12,75,00,000 underlying equity shares of Re.1/- each) totaling to USD 71.91 Million (INR 318.75 Crores) and the said GDRs have been listed on Euro MTF market of Luxembourg Stock Exchange.



CHANGE IN PAID-UP CAPITAL:

On account of issue of shares on preferential basis, the paid-up capital was increased from Rs.11 Crores to Rs.12.60 Crores as on March 31, 2010. Further, on account of issue of GDRs the paid-up capital of the Company was increased from Rs. 12.6 Crores to Rs.25.35 Crores which were allotted on June 29, 2010 and August 14, 2010.

ISO 9001: 2008:

Your Company continues to maintain its Certification as per International Standards ISO 9001:2008 Quality Management System and your Company is fully committed to continually improve upon the implemented QMS.

DIRECTORS:

During the year under review Mr. A. N. Sarma, Mr. N. Naveen and Mr. K. V. Chalapati Reddy have resigned as Directors of the Company and Mr. G. Raju has resigned as Director with effect from July 05, 2010.

Members are aware that Mr. K B Prasanth Reddy, Mr. M V Rama Sastry who were inducted on the Board on July 30, 2009 and Mr. A V Rama Raju who were inducted on October 01, 2009 were regularized as Directors of the Company under Section 257 of the Companies Act, 1956 in the postal ballot process conducted on October 04, 2010. Further, the Company has approved through postal ballot process conducted on October 04, 2010 the re-appointment of Mr. Srinivasa Reddy as Managing Director, Mr. Prasanth Reddy and Mr. Malla Reddy as Executive Directors of the Company.

Mrs. P. Hymavathi, and Mr. I. Srinivasa Raju retire by rotation and are eligible for re- appointment and brief particulars of these persons, are given in the Explanatory Statement to the Notice of this Meeting.

The Board commends the re-appointment of these persons as Directors of the Company.



Refreshing smile



AUDITORS:

Members are aware that Mr. S. Kishore Kumar, Chartered Accountant, Hyderabad has resigned as statutory auditor due to non-compliance of the Peer Review Process as required under Clause 41 (l) (h) of the Listing Agreement with Stock Exchanges. Accordingly, M/s. K. Prahlada Rao & Co., Chartered Accountants, Hyderabad have been appointed by the Shareholders through postal ballot process conducted on October 04, 2010 as Statutory Auditors of the Company to hold office up to the conclusion of the ensuing Annual General Meeting. Further, M/s. K. Prahlada Rao & Co., Chartered Accountants will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment as statutory auditor for the financial year 2010-11. They have furnished a certificate to the effect that their proposed re-appointment, if made, would be within the limit prescribed under section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Companies Act, 1956.

EXPLANATION TO OBSERVATIONS IN THE AUDITOR'S REPORT:

With respect to the audit observations in point no.7 and 9 (a) of the Annexure to Auditor's Report for the financial year, the Board of Directors of your Company explain as follows:

- 1) For point no.7 with regard to appointment of Internal Auditor: The Board has noted the observation and hereby inform the Members that the Company has appointed Mr. S. Kishore Kumar, Chartered Accountant, Hyderabad as Internal Auditor.
- 2) For point no.9 (a) with regard to outstanding due of Rs.29.74 Lakhs towards CST payable: The Board noted the same and decided to pay the said amount.

DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm

- i) That the directors in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.





EMPLOYEE STOCK OPTION SCHEME:

Pursuant to the Special Resolution passed by the Members at the Extra-ordinary General Meeting held on October 24, 2009, Farmax has introduced Employees Stock Option Scheme-2009 (Farmax ESOS – 2009) to enable the employees of the Company to participate in the future growth and financial successes of the Company. Out of 11,00,000 stock options under 'Farmax ESOS – 2009' with each option convertible into one equity share of Rs.10/- each, the Board of Directors of your Company, based on the recommendations of the Compensation Committee, granted 6,00,000 stock options to its eligible employees, on October 31, 2009. The disclosure required under SEBI Guidelines, in this regard, is furnished in the Annexure.

SUBSIDIARY COMPANY:

In April, 2010 your Company has incorporated a subsidiary company in the name of Farmax International FZE in Dubai, to expand its products in overseas market.

PARTICULARS OF EMPLOYEES:

No employee was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 and the rules framed there under, as amended to date.

PUBLIC DEPOSITS:

Your company has not accepted any deposits falling under Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules 1975 during the year.

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988:

A. Conservation of Energy

Efforts are being made to control energy cost wherever possible even though energy cost forms only negligible proportion of total cost of manufacture of the products.

B. Technology absorption

Research & Development

Research & Development (R&D) center set-up in Hyderabad has been concentrating in developing products and production process/ system to improve the quality of the product at minimal cost. R&D enhancements, innovative process and production technology bring additional value to all our customers. R&D continually concentrate to improve products, service and processes using the effective quality management system and testing methodology, by implementing changes required to maintain the quality standard.

Technology absorption, adaptation, and innovation

Efforts in brief, made towards technology absorption, adaptation and innovation: Installation of sophisticated instrument for R & D, testing and process control measures. Technology has been fully absorbed and adapted for all types of products of the Company.





Benefits derived as a result of the efforts, e.g.: product improvement, cost reduction, and product quality maintenance etc.

- (a) Improvement of designs.
- (b) Import Substitution.
- (c) Cost Reduction
- (d) Product Quality Maintenance & Improvement.
- (e) New products development.

C. Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings	:	Nil
Foreign Exchange Outgo	:	Nil

CORPORATE GOVERNANCE:

A separate section on Corporate Governance and a certificate from the statutory auditors of the Company regarding compliance of the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges form a part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS:

A separate section on Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms a part of this Annual Report.

ACKNOWLEDGMENTS:

Your Directors place on record their gratitude to the Central Government, State Governments, Statutory Authorities and Company's Bankers for the assistance, co-operation and encouragement they extended to the Company. Your Directors also wish to place on record their sincere thanks and appreciation for the continuing support and unstinting efforts of Investors, Dealers, Business Associates and Employees in ensuring an excellent all around operational performance.

Hyderabad
November 08, 2010

BY ORDER OF THE BOARD

**SD/-
M. SRINIVASA REDDY
Chairman & Managing Director**



ANNEXURE TO DIRECTORS' REPORT

Disclosure under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999

Particulars	Grant 1		
a) Options Granted	6,00,000		
b) Pricing and pricing formula	Rs.40/- per share (Face value: Rs.10/- each) Exercise price shall not be less than 15% of the market price		
c) Options vested as on date	4,80,000		
d) Options exercised	Nil		
e) Total number of shares arising as a results of exercise of option	Not Applicable now		
f) Option lapsed	Not Applicable		
g) Variation of terms of options	Not Applicable		
h) Money realized by exercise of options	Not Applicable now		
I) Total number of options in force	6,00,000		
j) Employee wise details of options granted to: i) Senior Managerial Personal:			
	Name	Designation	No. of options granted
	K.B. Prasanth Reddy	Director – Marketing	1,00,000
	I. Srinivasa Raju	Independent Director	1,00,000
	A.V. Ramaraju	Independent Director	1,00,000
	S. Pulla Reddy	GM- Purchase	25,000
	Muralidhar Rao	Manager (Purchase)	20,000
	YVLN Prasad	Manager- Accounts	20,000
	Ch. Siva Sankar	Manager – Finance	20,000
	PSR. Vara Prasad	Manager - Factory	20,000
	Gautam Mishra	Manager –Marketing	20,000
	G. Sanjeeva	Manager – (QC)	20,000
	P. Rajyalakshmi	Manager – Costing	20,000
	M. Subhash	Manager – Admn	20,000
	P. Prabhakar	Manager – Sales	20,000
	P. Ramesh	Manager – Mechanical	20,000
	Ch. Koteswara Rao	Sr. Executive	15,000
	D. Gopala Krishna	Sr. Executive	15,000
	P. Ranga Reddy	Sr. Executive	15,000
	P. Mahesh	Sr. Executive	15,000
	D. Srihari	Sr. Executive	15,000
ii) Employees receives a grant of 5% or more of options granted during that year	1) Mr. K.B. Prasanth Reddy 2) Mr. I. Srinivasa Raju 3) Mr. A.V. Rama Raju		
iii) Employees receives grant of 1% or more of Issued Capital	None		
k) Diluted Earning per share(EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard AS –20 ‘EPS’	Not Applicable, as amortization will be made in FY 2010-11.		
l) Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed.	Rs.2.26 Crores		
The impact of this difference on profits and on EPS of the Company shall be disclosed.	Not Applicable, amortization will be made in FY 2010-11		
m) Weighted average exercise prices and weighted average fair values of Options shall be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable		



n) A description of the method and significant assumptions used during the year to estimate fair value of options including following weighted average information:

- i) Risk free interest rate
- ii) Exercise Price
- iii) Expected Life of the Option
- iv) Expected Volatility
- v) Dividend Yield
- vi) Price of the underlying share in the market at the time of the Option grant
- vii) Fair Value of the Option (Rs.)

Black Scholes Model

- 6%
- Rs.40/- per share of nominal value of Rs.10/-each
- 365 days
- 21.52%
- No dividend rights during vesting period
- Rs.143.65 (Nominal Value of Rs.10/-each)
- Rs.105.99/-(Nominal Value of Rs.10/-each)





MANAGEMENT DISCUSSION AND ANALYSIS (Forming part of Directors' Report)



Forward-Looking Statements:

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectation may be forward-looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include a downward trend in the domestic FMCG industry, rise in input costs, exchange rate fluctuation, and significant change in political and economic environment in India, environment standards, tax laws, litigation and labour relation.

Industry Scope, Structure and Analysis:

The Indian FMCG sector with a market size of US\$13.1 billion is the fourth largest sector in the economy. A well-established distribution network, intense competition between the organized and unorganized segments characterize the sector. FMCG Sector is expected to grow by over 60% by end of 2010. That will translate into an annual growth of 10% over a 5-year period. It has been estimated that FMCG sector will rise from around Rs 56,500 crores in 2005 to Rs 92,100 crores in 2010. Hair care, household care, male grooming, female hygiene, and the chocolates and confectionery categories are estimated to be the fastest growing segments, reported by HSBC. Though the sector witnessed a slower growth in 2002-2004, it has been able to make a fine recovery since then.

Growth Prospects:

With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG companies. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth.

And if the companies are able to change the mindset of the consumers, i.e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future. It is expected that the rural income, boosting purchasing power in the countryside. However, the demand in urban areas would be the key growth driver over the long term. Also, increase in the urban population, along with increase in income levels and the availability of new categories, would help the urban areas maintain their position in terms of consumption. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

Large Market:

India has a population of more than 1.150 Billions which is just behind China. According to the estimates, by 2030 India population will be around 1.450 Billion and will surpass China to become the World largest in terms of population. FMCG Industry which is directly related to the population is expected to maintain a robust growth rate.

Spending Pattern:

An increase in spending pattern has been witnessed in Indian FMCG market. There is an upward trend in urban as well as rural market and also an increase in spending in organized retail sector. An increase in disposable income of household mainly because of increase in nuclear family where both the husband and wife are earning has leads to growth rate in FMCG goods.

Changing Profile and Mind Set of Consumer:

People are becoming conscious about health and hygienic. There is a change in the mind set of the Consumer and now looking at "Money for Value" rather than "Value for Money". We have seen willingness in consumers to move to evolved products/ brands, because of changing lifestyles, rising disposable income etc. Consumers are switching from economy to premium product even we have witnessed a sharp increase in the sales of packaged water and water purifier. Findings according to a recent survey by A. C. Nielsen shows about 71 percent of Indian take notice of packaged goods labels containing nutritional information compared to two years ago which was only 59 per cent.



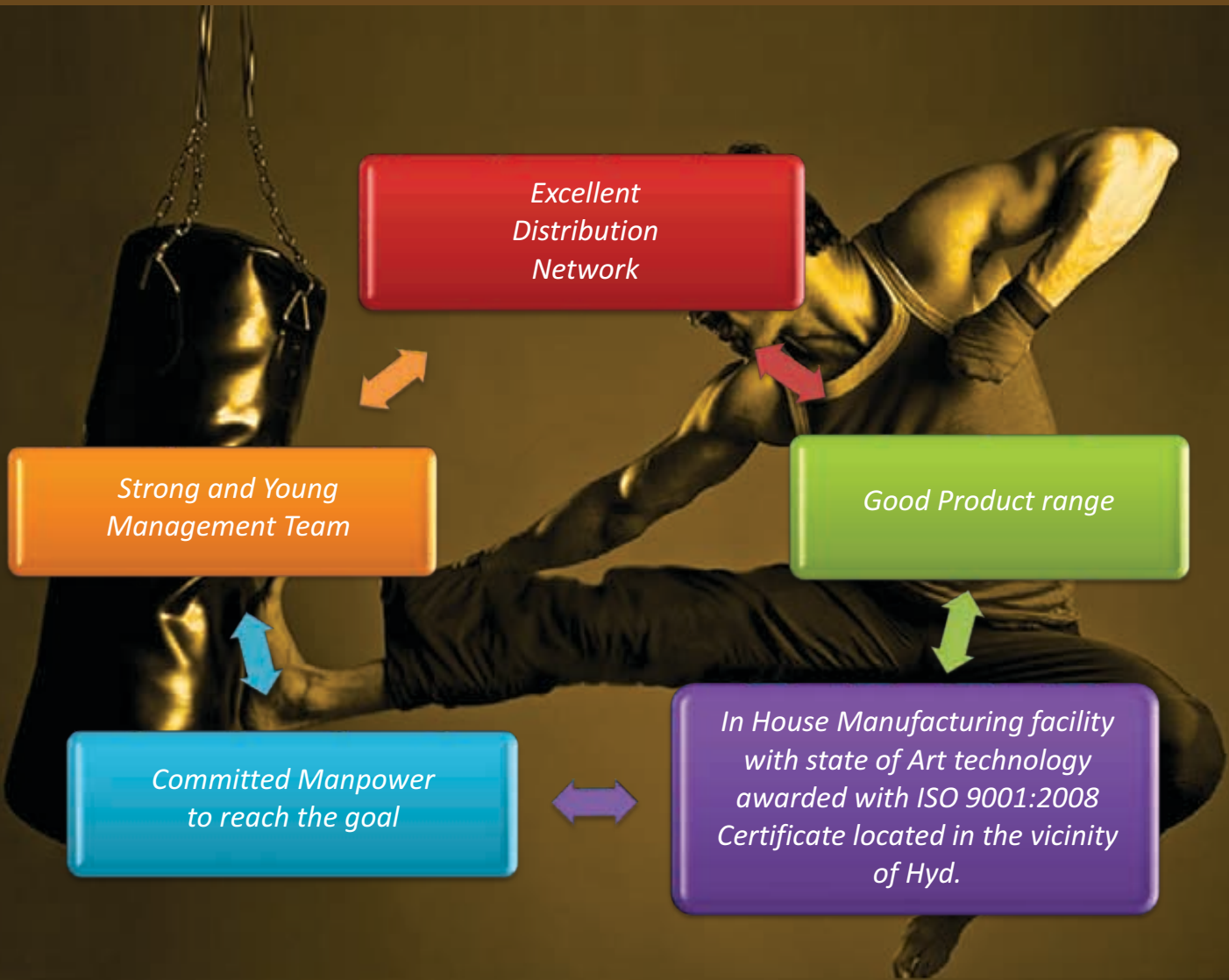


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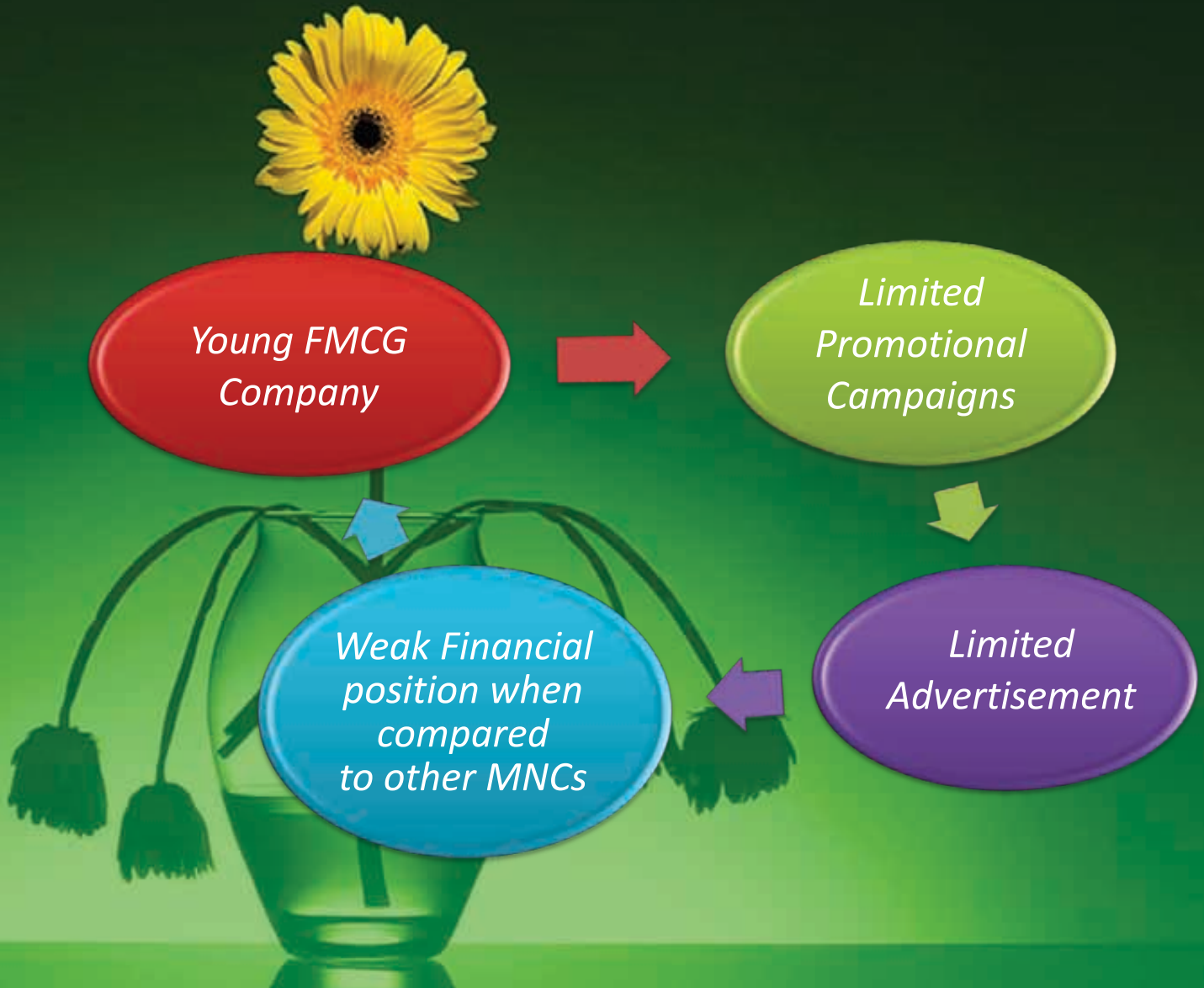




Strength



Weakness





Opportunity



Brand image

Excellent market size with Avg Growth of appx. 20% year to year

Wide product range of daily usage

Product line extension

Affordable & Penetrative pricing System



Threat

*Competition
with Other MNC's*

*Price war with
local
competitors*





Market Opportunities:

Vast Rural Market

Rural India accounts for more than 700 Million consumers, or 70 per cent of the Indian population and accounts for 50 per cent of the total FMCG market. The working rural population is approximately 400 Millions. And an average citizen in rural India has less than half of the purchasing power as compared to his urban counterpart. Still there is an untapped market and most of the FMCG Companies are taking different steps to capture rural market share. The market for FMCG products in rural India is estimated 52 per cent and is projected to touch 60 per cent within a year.

Export - "Leveraging the Cost Advantage"

Cheap labor and quality product & services have helped India to represent as a cost advantage over other Countries. Even the Government has offered zero import duty on capital goods and raw material for 100% export oriented units. Multi National Companies out-source its product requirements from its Indian company to have a cost advantage.

Internal Control:

The company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes & corporate policies are duly complied with, the internal audit function has been structured to continuously review the adequacy and efficacy of the internal controls. The audit committee reviews the internal audit reports at regular intervals.

Discussion on Financial Performance with respect to Operational Performance:

During the year under review Farmax has achieved a turnover of Rs.64.52 Crores and Profit after tax of Rs.2.44 Crores and the earning per share (EPS) as on 31-03-2010 is Rs.0.97/-. The paid-up capital of Farmax as on 31-03-2010 is Rs. 12,60,00,000/- comprising of 25,20,000 equity shares of Rs. 5/- each.

Human Resources Development and Industrial Relations:

The Company's HRD policy provides an innovative and responsive employment system for recruitment, hiring and retention of talented employees to Strengthen Employee Capabilities and Reputation of the Organization. Provides a positive and supportive work environment that increases employee satisfaction, rewards excellent performance and promotes multitasking efforts to reinforce commitment to be a employee-centered Organization.

The company's Corporate HRD policy emphasizes on continuous, increased quality and commitment of its employees in order to succeed in the achievement of the corporate goals. The company provides employee development opportunities by conducting training programs to equip the employee with upgraded skills enabling them to adapt to the contemporary technological advancements.

The HRD Team strive for the enhancement of Human Resources Organization , systems, processes and procedures, using the principles of continuous quality improvement that incorporate quality service and excellent performance standards, increased accountability and maximizes cost-effectiveness.





REPORT ON CORPORATE GOVERNANCE (Forming part of Directors' Report)

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company seeks to adopt good corporate governance practices and to ensure compliance with all relevant laws and regulations. The Company conducts its activities in a manner that is fair and transparent and also perceived to be such by others.

II. BOARD OF DIRECTORS

As on March 31, 2010, Farmax's Board consists of 8 Members of whom four are Non-Executive Independent Directors. The Composition of the Board is in conformity with the listing requirements.

BOARD MEETINGS:

The Board of Directors met 11 times during the year on May 02, 2009, May 12, 2009, May 18, 2009, July 16, 2009, July 30, 2009, August 27, 2009, October 01, 2009, October 31, 2009, December 02, 2009, January 11, 2010, and January 30, 2010 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

The details of directors' attendance at Board Meetings, AGM and details of other directorships, committee chairmanships/memberships held by the Directors during the year are as follows:

Name of Directors	Category and Designation	Board Meetings attended during the year	No. of directorships held in other Indian public limited companies	No. of Committee positions held in other Companies	
				Chairman	Member
M. Srinivasa Reddy	Promoter, Chairman & Managing Director	10	1	1	1
M. Malla Reddy	Promoter, ED	09	0	0	0
K.B. Prasanth Reddy +	Non-promoter, ED	07	0	0	0
G. Raju	Non-promoter, ED	06	0	0	0
I. Srinivasa Raju	NED (I)	11	1	2	1
P. Hymavathi	NED (I)	10	0	0	0
N. Naveen *	NED (I)	0	0	0	0
M.V. Rama Sastry +	NED (I)	06	1	0	1
A.V. Rama Raju +	NED (I)	05	0	0	0
A.N Sarma*	NED (I)	06	1	1	1
K.V. Chalapati Reddy*	NED (I)	03	0	0	0

ED – Executive Director ; NED (I) – Non Executive Independent Director



**NOTE:**

- 1) + Appointed Mr. Prasanth Reddy and Mr. Rama Sastry as Additional Directors w.e.f July 30, 2009 and Mr. A.V. Rama Raju w.e.f. October 01, 2009 and all these persons were regularized w.e.f. October 04, 2010.
- 2) * Ceased to be Director w.e.f October 01, 2009, July 30, 2009 and January 30, 2010 respectively.
- 3) All Directors except Mr. N. Naveen and Mr. Chalapati Reddy, had attended the last Annual General Meeting held on June 12, 2009.

The Board has adopted Code of Conduct for all its Directors and members of Senior Management in its meeting held on July 17, 2007. The same has been displayed on the Company's website.

All the Directors and members of Senior Management have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2010.

III. AUDIT COMMITTEE**Composition, meetings and the attendance during the year:**

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. During the financial year 2009-2010, (4) four meetings of the Audit Committee were held on the May 12, 2009, July 30, 2009, October 31, 2009, and January 30, 2010.

The details of the composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category	No. of meetings attended
I. Srinivasa Raju	Chairman	NED (I)	4
P. Hymavathi	Member	NED (I)	4
M.V. Rama Sastry *	Member	NED (I)	2
N. Naveen *	Member	NED (I)	0

- The Managing Director, Director (Finance), and the Statutory Auditors are also invited to the meetings.

* The Committee was re-constituted on July 30, 2009 by induction of Mr. Rama Sastry on resignation of Mr. N. Naveen as Member of the Committee.



Terms of reference:

The terms of reference of the Committee, inter alia covers all the matters specified under Clause 49 of the Listing Agreement with the Stock Exchange as well as those specified in Section 292 (A) of the Companies Act, 1956. Besides, in additions to other terms as may be referred by the Board of Directors, the Audit Committee has the power inter alia, to investigate any activity within its terms of reference and to seek information from any employee of the Company and seek legal and professional advice.

IV. REMUNERATION COMMITTEE

The details of composition of the Committee are given below:

Name	Designation	Category
I. Srinivasa Raju	Chairman	NED (I)
P. Hymavathi	Member	NED (I)
M.V. Rama Sastry *	Member	NED (I)

* The Committee was re-constituted on July 30, 2009 by induction of Mr. Rama Sastry on resignation of Mr. A N Sarma.

Terms of reference:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director of the Company and while approving:

- To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

Remuneration Policy:

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit.

The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered, individual performance etc.

The details of remuneration paid to the Executive Directors for the financial year 2009-10 are given below:

Mr. M. Srinivasa Reddy, Managing Director	: Rs.4,80,000/-
Mr. M. Malla Reddy, Executive Director	: Rs.4,80,000/-
Mr. G. Raju, Whole-time Director	: Rs.1,60,000/-
Mr. K.B. Prasanth Reddy, Executive Director	: Rs.3,20,000/-





EMPLOYEE COMPENSATION COMMITTEE:

During the year under review the Company has constituted an Employee Compensation Committee (ECC) to formulate detailed terms and conditions of the Employee Stock Option Scheme of the Company called Farmax ESOS - 2009, administer, and supervise the same in accordance with SEBI Guidelines. Subject to the provisions of the Scheme, and subject to the approval of relevant authorities, the Compensation Committee shall:

- ❖ Determine the quantum of option to be granted under the Scheme per employee and in aggregate.
- ❖ Determine the conditions under which option vested in employees may lapse in case of termination of employment for misconduct.
- ❖ Determine the exercise period under which the employees should exercise the option.
- ❖ Provide the specified time period within which the employees shall exercise the vested options in the event of termination or resignation of an employee.
- ❖ Provide the specified time period within which the employees shall exercise the vested options in the event of termination or resignation of an employee.
- ❖ Determine the right of an employee to exercise all options vested in him at one time or at various points of time within the exercise period.
- ❖ Determine the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions.
- ❖ Grant, vest and exercise of option in case of employees who are on long leave.
- ❖ Determine the procedure for cashless exercise of options.

The details of composition of the Committee are given below:

Name	Designation	Category
M.V. Rama Sastry	Chairman	NED (I)
P. Hymavathi	Member	NED (I)
I. Srinivasa Raju	Member	NED (I)
A.V. Rama Raju	Member	NED (I)
M. Malla Reddy	Member	Promoter ED

During the year the Compensation Committee met on October 31, 2009 to grant stock options under Farmax ESOS – 2009.





V. INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE

Composition, meetings and the attendance during the year:

The Investors Grievance and Share Transfer Committee was constituted to look into the redressing of Shareholders and Investors complaints concerning transfer of shares, non receipt of Annual Reports, and non receipt of Dividend and other allied complaints.

During the financial year 2009-2010 (4) four meetings of the Committee were held.

The Details of composition of the Committee and attendance of the members at the meetings are given below:

Name of the Director	Designation	Category
K. B. Prasanth Reddy	Chairman	ED
P. Hymavathi	Member	NED (I)
I. Srinivasa Raju	Member	NED (I)

The Board has designated Mr. R.V. Radhakrishna, Company Secretary as the Compliance Officer.

The Company has designated an exclusive e-mail ID called cs@farmax.co.in for redressal of shareholders' complaints/grievances.

Complaints received and redressed by the Company during the financial year:

During the year under review, (4) four complaints of general nature were received from the shareholders which were attended promptly and replied/resolved to the satisfaction of the concerned shareholders. There were no pending complaints at the close of the financial year.

VI. GENERAL BODY MEETINGS:

Details of location, date and time of Annual General Meetings held during the last three years:

Financial Year	Venue	Date and Time
2006-2007	MIG-397, Road No. 5, KPHB, Kukatpally, Hyderabad- 500072	29-06-2007 10.00 AM
2007-2008	Hotel Swagath, Alluri Trade Centre, Opp. KPHB, Bhagyanagar Colony, Kukatpally, Hyderabad-500072	17 -10-2008 10.00 AM
2008-2009	Hotel Swagath, Alluri Trade Centre, Opp. KPHB, Bhagyanagar Colony, Kukatpally, Hyderabad-500072	12-06-2009 10.00AM

- ❖ No Special Resolutions were passed in the previous three Annual General Meetings.
- ❖ No Ballots Papers were used for voting at above meetings.





Resolutions passed through postal ballot during the Financial Year 2009-2010:

- 1) In June 2009, a Special Resolution under Section 81 (1A) of the Companies Act, 1956 read with the SEBI (DIP) Guidelines seeking the consent of Members for issue of 16,00,000 equity warrants on preferential basis to the Investors under non-promoter category, was passed through postal ballot conducted by Mr. M. Srinivasa Reddy, Managing Director under the overall supervision of the Scrutinizer Mr. B.L. Chandrasekhar Sarma, Practicing Company Secretary, Hyderabad.

Details of the Voting pattern:

Date of Special Resolution	Votes cast in Favour	Votes cast Against	Result
June 22, 2009	82,54,121	NIL	Passed with requisite majority

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, has been followed for the postal ballot conducted for Special Resolution mentioned above. The results of the postal ballot was announced by Mr. M. Srinivasa Reddy, Managing Director, at the Registered Office of the Company, and advertised in the newspaper.

- 2) In October 2009, 3 (three) Special Resolutions under Section 16, 17 and 21 seeking the consent of Members for alteration main objects clause, ancillary objects clause of the Memorandum of Association and for change of name of the Company to Farmax India Limited, were passed through postal ballot conducted by Mr. M. Srinivasa Reddy, Managing Director under the overall supervision of the Scrutinizer Mr. B.L. Chandrasekhar Sarma, Practicing Company Secretary, Hyderabad.

Details of the Voting pattern:

Date of Special Resolutions	Votes cast in Favour	Votes cast Against	Result
October 01, 2009	1) Alteration of main Objects clause: 81,38,200 2) Alteration of ancillary objects clause: 81,38,200 3) Change of name of the Company: 81,38,200	1) Alteration of main Objects clause: 1000 2) Alteration of ancillary objects clause: 1000 3) Change of name of the Company: 1000	All three Special Resolutions were passed with requisite majority

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, has been followed for the postal ballot conducted for Special Resolution mentioned above. The results of the postal ballot was announced by Mr. M. Srinivasa Reddy, Managing Director, at the Registered Office of the Company, and advertised in the newspaper.

None of the Resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.





VII. OTHER DISCLOSURES

- (a) There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) In the preparation of financial statements, no treatment materially different from that prescribed in Accounting Standards had been followed.
- (c) There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.
- (d) The Company has complied with all the mandatory requirements of Clause 49. As regards the non-mandatory requirements, the extent of compliance has been stated in this report against each item.
- (e) There were no material pecuniary relationships or transactions of the non-executive directors vis-à-vis the Company, other than payment of Board fees/commission and investments (if any) in shares / securities of the Company.
- (f) Managing Director and Chief Financial Officer of the Company have furnished the requisite Certificates to the Board of Directors under Clause 49 of the Listing Agreement.

VIII. MEANS OF COMMUNICATION

The un-audited quarterly results and audited results for the year are generally published in one English newspaper (Business Standard/Financial Express) and at least one vernacular newspaper (Andhra Bhoomi,/Andhra Prabha) shortly after its submission to the Stock Exchanges. The results are also displayed on the Farmax's web-site i.e. www.farmax.co.in

IX. GENERAL SHAREHOLDERS INFORMATION

A) 15th Annual General Meeting:

Date and Time	Thursday, the 9 th December 2010 at 10.00 AM
Venue	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad-500034, AP





B) Book Closure Date : December 07, 2010 to December 09, 2010 (inclusive of both days)

C) Financial Year and Calendar (Tentative) 2010-11:

The Company follows April to March as its Financial Year. The results of every quarter beginning from April are declared in the first month following each quarter as per the provisions of Listing Agreement.

D) Listing on Stock Exchanges:

i) For equity shares:

- 1) Ahmedabad Stock Exchange Limited
- 2) National Stock Exchange of India Limited (with effect from August 17, 2010)
- 3) Bombay Stock Exchange Limited (for trading under IndoNext Segment with effect from June 25, 2009)

ii) For Global Depository Receipts:

Luxembourg Stock Exchange (with effect from June 30, 2010)
Societe de la, Bourse de Luxembourg, L-2227 Luxembourg

Overseas Depository for GDRs : The Bank of New York Mellon
Domestic Custodian for GDRs : DBS Bank Limited, Mumbai

E) Listing Fees : Listing fee for the year 2010-11 has been paid

F) Stock Code : For equity shares:- ASE: 8284; NSE: FARMAXIND; BSE: 590094
For GDRs:- US30768A1060

G) ISIN : For equity shares:- INE890I01035
For GDRs:- US30768A1060

H) Stock Price Data : The table gives the details of stock market data traded in Bombay Stock Exchange

Month	High (Rs.)	Low (Rs.)	Volumes (No. of Shares)
April 2009	-	-	-
May 2009	-	-	-
June 2009	86.40	50.00	117335
July 2009	162.50	100.00	1287323
August 2009	175.00	117.20	1163605
September 2009	143.25	95.00	1897879
October 2009	155.00	121.30	2038102
November 2009	159.35	135.55	1158272
December 2009	182.00	141.00	2559383
January 2010 *	184.80	75.65	2065420
February 2010 *	106.40	78.00	3476462
March 2010 *	112.50	92.00	5922005

* Face value was sub-divided from Rs.10/- to Rs.5 each with effect from January 27, 2010.



I) Registrar & Share Transfer Agents (for shares held in both physical and demat mode):

Venture Capital and Corporate Investments Private Limited
 12-10-167, Bharat Nagar, Hyderabad -500018
 Phones: 040-23818475, 23818476, 23868023,
 Fax: 040-23868024
 Email: info@vccilindia.com
 Website: www.vccilindia.com

J) Share Transfer System:

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization and shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

K) Shareholding Pattern as on 31st March, 2010:

Category	No. of Shares of Rs.5/- each held	Percentage
Promoters	14205000	56.37
Mutual Funds & UTI	Nil	NA
Banks, Financial Institutions, Insurance Companies, & FII	Nil	NA
Private Corporate Bodies	3587775	14.24
Indian Public	7374965	29.26
NRIs / OCBs	32260	0.13
Foreign Nationals	Nil	NA
Any other (please specify)	NA	NA
Total	25200000	100.00




L) Distribution of Shareholding as on 31st March, 2010:

No. of Shares		No. of Shareholders	% of Shareholders	No. of Shares	% to Total
(1)		(2)	(3)	(4)	(5)
Up to	500	498	65.26	73,547	0.29
	501 1000	58	7.60	49,980	0.19
	1001 2000	38	4.98	64,395	0.25
	2001 3000	15	1.96	41,162	0.16
	3001 4000	21	2.75	76,974	0.30
	4001 5000	10	1.31	45,764	0.18
	5001 10000	26	3.40	2,01,954	0.80
	10001 and above	97	12.71	2,46,46,224	97.80
Total		763	100.00	2,52,00,000	100.00

M) Dematerialization of Shares:

The Company's Equity Shares are held in dematerialized form by National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) under ISIN No.INE890I01035. As on 31st March, 2010, 86.54% of the totals shares of the Company have been dematerialized.

N) Outstanding: GDR / ADR / Warrants / Options / any convertible instruments:

As on March 31, 2010 the Company has granted 6,00,000 stock options to the eligible employees/Directors of the Company on October 31, 2009. Each option entitles the holder thereof to apply for and be allotted one Equity Share of Rs10/- each upon payment of the exercise price during the exercise period as stipulated in the Scheme and as on March 31, 2010 no employee exercised the option and no other outstanding GDR / ADR /Warrants / Options /any convertible instruments as March 31, 2010.

However, as on date the Company has issued 51,00,000 Global Depository Receipts underlying 12,75,00,000 equity shares of Re.1/- each and outstanding GDRs for conversion into equity shares as on November 08, 2010 are 51,00,000. Each GDR represents 25 equity shares of Re.1/- each.



**O) Factory Location:**

Bowrampet Village, Qutubullapur Mandal (Sub-urban of Hyderabad)
Ranga Reddy Dist. Andhra Pradesh

P) Address for Investors Correspondence:

Shareholders may address their communications/suggestions/grievances/queries pertaining to share transfer/demat including physical transfer requests and Demat Requisition Forms, to the Company's Registrar and Share Transfer Agents and/or to the Company at the following address:

Company:**Farmax India Limited**

Farmax House, 4th Floor, Alluri Trade Centre
Opp. KPHB, Kukatpally, Hyderabad- 500072
Phones: 040-23065762, 23060762
Fax: 040-23065762
Email: cs@farmax.co.in
Website: www.farmax.co.in

Registrar and Share Transfer Agents:**Venture Capital and Corporate****Investments Private Limited**

12-10-167, Bharat Nagar, Hyderabad -500018
Phones: 040-23818475, 23818476
Fax: 040-23868024
Email: info@vccilindia.com
Website: vccilindia.com

Q) CEO & CFO Certification:

As required by the clause 49 (V) of the Listing Agreement, the certificate from CEO & CFO was placed before the Board of Directors.

R) Compliance Certificate of the Auditors:

The Statutory Auditor has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the statutory auditor will be sent to the stock exchange along with the Annual Report of the Company.

Hyderabad
November 08, 2010

BY ORDER OF THE BOARD

SD/-
M. SRINIVASA REDDY
Chairman & Managing Director

DECLARATION

To

The Members of Farmax India Limited

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

Hyderabad
November 08, 2010

For **FARMAX INDIA LIMITED**

SD/-
M. SRINIVASA REDDY
Chairman & Managing Director





AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Farmax India Limited

We have examined the compliance of conditions of corporate governance by Farmax India Limited for the year ended on 31st March 2010 as stipulated in clause 49 of the listing agreement of the said company with concerned Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management, our examination has been limited a review of the procedures and implementation thereof adopted by the company for ensuring the compliance the conditions of corporate governance. It is neither an audit nor expression of opinion on the financial statements of the company

In our opinion and best of our information and according to the explanation given to us and the representations made the Directors and Management, we certify that the company has complied with the conditions of corporate governance as stipulated in the aforesaid listing agreement.

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

For **K. PRAHLADA RAO & CO**
Chartered Accountants

Hyderabad
November 08, 2010

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477





AUDITOR'S REPORT

To
The Members of
FARMAX INDIA LIMITED

1. We have audited the attached Balance sheet of M/s. FARMAX INDIA LIMITED, Hyderabad as at 31st March 2010 and also the profit and Loss Account for the period 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.

2. We conducted the 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.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India, in terms of section 227(4A) of the Companies Act, 1956 and as amended from time to time, we enclose a statement on the matters specified in Paragraphs 4 and 5 of the said Order to the extent applicable.

4. Further to my comments in the Annexure referred to in paragraph (3) above, we report that:

- i. 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.
- ii. 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 the Books and proper returns and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
- iii. The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the Books of account of the Company and with the returns from the Branches.
- iv. 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.
- v. On the basis of written representations received from the Directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a director in terms of Clause (g) of sub-section (1) of the section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a) In the case of the Balance Sheet, of the state of the Company as at March 31, 2010 and
 - b) In the case of the Profit and Loss Account, of the profit for the period ended on that date.

For **K. PRAHLADA RAO & CO**
Chartered Accountants

Hyderabad
October 11, 2010

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477



ANNEXURE TO AUDITOR'S REPORT:

Referred to in Paragraph 3 of our Report of even date:

1) In respect of Fixed Assets:

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management at regular intervals during the year, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In our opinion, the Company had not disposed of any substantial part of fixed assets during the year.

2) In respect of Inventory:

- a) As explained to us, the inventory comprises of Raw – Material and finished goods have been verified and reconciled during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to the information as explanations given to us, the procedures of verification of inventory comprises of raw material, finished goods and packing material, followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company has maintained proper records of inventory comprise of raw-material and finished goods. As explained to us, there were no discrepancies noticed on verification of such securities when compared to the book records.

3) In respect of Loans given and taken:

- a) According to the information and explanations given to us, the Company has not granted loans (Secured or unsecured) to the Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956.
- b) Company has taken unsecured loans from the directors of the company to an extent of Rs.42.05/- Lakhs during the year. Rate of interest and other terms and conditions of such loans are not prima-facie not prejudicial to the interest of the company.

4) In our opinion and according to the information and explanations given to us, there are adequate internal, control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods.

5) In respect of transactions covered under Section 301 of the Companies Act, 1956:

- a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered,
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public and therefore the provisions of Section 58 A and 58 AA of the Companies Act, 1956 and Rules there under are not applicable to the company.



- 7) In our opinion, and according to the information and explanations given to us, the Company does not have internal audit system commensurate with its size and nature of its business. We have been informed by the company that, they are in the process of appointing internal auditors to commensurate with the size and nature of its business.
- 8) As per the information and explanation provided to us, the Central Government has not prescribed maintenance of Cost Records under section 209(1) (d) of the Companies Act, 1956 in respect of activities carried out by the company.
- 9) In respect of statutory dues:
 - a) The Company has dues amounting to Rs.29.74 Lakhs towards CST payable which is more than 6 months old.
 - b) According to the information and explanation given to us, there are no statutory dues of any nature, which have not been deposited on account of any dispute.
- 10) The Company does not have accumulated losses at the end of the financial year more than 50% of its net worth and the Company has not incurred cash loss during the financial year covered by our Audit and in the financial year immediately preceding the financial year.
- 11) Based on our audit procedures and as per the information and explanations given to us by the management. We are of the opinion that the company has not defaulted in repayment of dues to a financial institution and bank or debenture holders.
- 12) According to 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.
- 13) The provisions of any Special statue applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Society are not applicable to the Company.
- 14) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly Provisions of Paragraph 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- 16) According to information and explanations given to us, in my opinion the term loans were applied for the purpose for which they were obtained.
- 17) According to information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term, funds have been used to finance short-term assets except permanent working capital.
- 18) 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, during the year.
- 19) According to the information and explanations given to us the company has not issued any debentures during the period covered by our audit report.



- 20) The Company has vide its Special Resolution in the Extra-ordinary General Meeting dated October 24, 2009 approved to offer 11,00,000 stock options under 'Farmax ESOS – 2009' with each option convertible into one equity share of Rs.10/- each out of which the Board of Directors in their meeting held on October 31, 2009 has granted 6,00,000 stock options with an exercise price of Rs.40/- per share. However, no employee has exercised the options as on March 31, 2010.
- 21) The Company has not raised money by way of public issue during the year. Accordingly provisions of Paragraph 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
- 22) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **K. PRAHLADA RAO & CO**
Chartered Accountants

Hyderabad
October 11, 2010

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477



BALANCE SHEET AS AT 31.03.2010

PARTICULARS	SCHEDULE	Amount in Rupees	
		31.03.2010	AS AT 31.03.2009 (7 Months)
SOURCES OF FUNDS:			
1. Shareholder's funds			
Share Capital	A	126,000,000	110,000,000
Reserves & Surplus	B	<u>188,434,740</u>	140,011,641
2. Loan funds			
Secured Loans	C	153,919,865	107,429,744
Un secured Loans	D	<u>7,368,131</u>	4,364,965
Total		<u>475,722,736</u>	361,806,350
APPLICATION OF FUNDS:			
1. Fixed Assets			
(a) Gross block	E	338,688,178	294,569,532
(b) Less : Depreciation		55,292,910	38,611,088
(c) Net Block		<u>283,395,268</u>	255,958,444
2. Investments			
	F	-	11,460,000
3. Deferred Tax Asset			
		1,968,728	834,739
4. Current assets, loans and advances			
(a) Inventories	G	44,534,470	32,859,253
(b) Sundry Debtors	H	100,901,393	45,010,521
(c) Cash and bank balances	I	1,557,048	2,068,575
(d) Other current assets	J	36,500	-
(e) Loans and advances	K	<u>65,671,721</u>	37,179,490
		<u>212,701,132</u>	<u>117,117,839</u>
Less : Current liabilities & Provisions			
(a) Liabilities	L	7,841,992	20,494,898
(b) Provisions	M	<u>15,520,811</u>	4,345,289
		<u>23,362,803</u>	<u>24,840,187</u>
Net current assets		189,338,329	92,277,652
5. Miscellaneous Expenses			
(To the extent not written off or adjusted)	N	1,020,411	1,275,515
Total		<u>475,722,736</u>	361,806,350
NOTES TO ACCOUNTS	O		

Vide our Report of even date

For **K. PRAHLADA RAO & CO**
Chartered Accountants

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477
Hyderabad
October 11, 2010

For and on behalf of the Board
FARMAX INDIA LIMITED

SD/-
M. SRINIVASA REDDY
Managing Director

SD/-
M. MALLA REDDY
Director (Finance)

SD/-
K.B. PRASANTH REDDY
Executive Director

SD/-
R.V. RADHAKRISHNA
Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

PARTICULARS	SCHEDULE	Amount in Rupees	
		31.03.2010	31.03.2009 (7 Months)
INCOME:			
Sales		645,221,750	198,997,166
Other Income		216,930	-
Increase/(decrease) in Finished Goods Inventory		26,795,433	12,432,617
	Total	672,234,113	211,429,783
EXPENDITURE:			
Raw Material Consumption	1	478,937,332	165,255,272
Other manufacturing Expenses	2	68,880,506	15,817,662
Staff Cost	3	12,138,207	2,171,135
Administrative and other Expenses	4	12,450,729	4,547,625
Selling & Distribution Expenses	5	14,919,994	2,732,212
Financial Expenses	6	24,310,549	5,991,792
Product Development Expenses		255,103	318,879
Loss of Investments		11,460,000	-
Depreciation		16,681,823	7,805,322
	Total	640,034,243	204,639,899
Profit before taxation		32,199,870	6,789,884
Provision for Taxes:			
- Current Tax		8,910,760	2,071,431
- Deferred Tax Liability/(Asset)		(1,133,989)	236,451
- Fringe Benefit Tax		-	237,098
	Total	7,776,771	2,544,980
Profit after Taxation		24,423,099	4,244,904
Balance in Profit & Loss A/C.		15,932,392	11,687,487
Balance carried to Balance Sheet		40,355,491	15,932,391
NOTES TO ACCOUNTS	O		

Vide our Report of even date

For **K. PRAHLADA RAO & CO**
Chartered Accountants

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477
Hyderabad
October 11, 2010

For and on behalf of the Board
FARMAX INDIA LIMITED

SD/-
M. SRINIVASA REDDY
Managing Director

SD/-
M. MALLA REDDY
Director (Finance)

SD/-
K.B. PRASANTH REDDY
Executive Director

SD/-
R.V. RADHAKRISHNA
Company Secretary



SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	Amount in Rupees	
	31.03.2010	AS AT 31.03.2009 (7 Months)
SCHEDULE - A		
SHARE CAPITAL		
Authorised Share Capital		
10,00,00,000 Equity Shares of Rs.5/- each (1,20,00,000 Equity Shares of Rs.10/- each)	<u>500,000,000</u>	<u>120,000,000</u>
Issued Capital		
2,56,67,400 Equity Shares of Rs.5/- each (1,12,33,700 Equity Shares of Rs.10/- each)	<u>128,337,000</u>	<u>112,337,000</u>
Subscribed and Paid -Up Capital		
2,52,00,000 Equity Shares of Rs.5/- each (on split) (1,10,00,000 Equity Shares of Rs.10/- each)	<u>126,000,000</u>	<u>110,000,000</u>
Total	<u><u>126,000,000</u></u>	<u><u>110,000,000</u></u>
SCHEDULE - B		
RESERVES AND SURPLUS		
Share Premium	77,720,000	53,720,000
Capital Reserve	64,649	64,649
Revaluation Reserve	70,294,600	70,294,600
Surplus as per Profit & Loss Account	40,355,491	15,932,392
Total	<u><u>188,434,740</u></u>	<u><u>140,011,641</u></u>
SCHEDULE - C		
SECURED LOANS		
Term Loan from Union Bank of India (against the Security of Plant & Machinery)	96,480,513	63,130,821
Cash Credit from Union Bank of India (against the Security of Stocks & Book Debts)	52,378,739	42,621,895
Other Loans from Banks & Financial Institutions	5,060,613	1,677,028
Total	<u><u>153,919,865</u></u>	<u><u>107,429,744</u></u>
SCHEDULE - D		
UNSECURED LOANS		
Unsecured Loans - Directors	4,204,549	4,364,965
Unsecured Loans - Others	3,163,582	
Total	<u><u>7,368,131</u></u>	<u><u>4,364,965</u></u>



SCHEDULES FORMING PART OF THE BALANCE SHEET

**SCHEDULE - E
FIXED ASSETS**

DESCRIPTION	GROSS BLOCK		ALLOCATION		ADDITIONS	DEPRECIATION		FOR THE YEAR	NET BLOCK	
	AS AT	FROM	AS AT	AS AT		AS AT	AS AT		AS AT	AS AT
	01.04.2009	CAPITAL WIP	31.03.2010	01.04.2009		31.03.2010	31.03.2010		31.03.2010	31.03.2010
Goodwill	20,000,000	-	20,000,000	-	-	-	-	-	20,000,000	20,000,000
Land	90,864,000	-	93,684,000	-	2,820,000	-	-	-	93,684,000	90,864,000
Sheds & Utilities	7,584,215	-	7,584,215	374,602	-	360,481	735,083	360,481	6,849,132	7,209,613
Buildings	22,593,582	3,585,483	32,481,236	1,304,563	6,302,171	1,186,354	2,490,917	1,186,354	29,990,320	21,289,019
Plant & Machinery	108,074,469	20,745,645	162,827,192	33,500,252	34,007,079	12,251,217	45,751,469	12,251,217	117,075,723	74,574,217
Furniture & Office Equipment	3,075,770	-	3,119,270	672,422	43,500	435,972	1,108,394	435,972	2,010,876	2,403,348
Vehicles	2,256,218	-	2,669,584	547,377	413,366	460,011	1,007,388	460,011	1,662,196	1,708,841
Computers	256,247	-	322,897	124,159	66,650	55,509	179,668	55,509	143,229	132,088
Cell Phones	59,085	-	63,485	7,940	4,400	7,116	15,056	7,116	48,429	51,145
Office Equipment	69,188	-	69,188	9,299	-	8,331	17,630	8,331	51,558	59,889
Electrical equipment	3,318,524	-	3,780,004	446,000	461,480	461,480	907,480	461,480	2,872,524	2,872,524
Lab equipment	12,087,106	-	12,087,106	1,624,473	-	1,455,352	3,079,825	1,455,352	9,007,281	10,462,633
Capital work in progress	24,331,128	(24,331,128)	-	-	-	-	-	-	-	24,331,128
Total	294,569,532	-	338,688,178	38,611,087	44,118,646	16,681,823	55,292,910	16,681,823	283,395,268	255,958,445



SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	Amount in Rupees	
	31.03.2010	AS AT 31.03.2009 (7 Months)
SCHEDULE - F		
INVESTMENTS (AT COST)		
Investments	-	11,460,000
Total	-	11,460,000
SCHEDULE - G		
INVENTORIES		
(As per Inventory taken, valued and Certified by the Management)		
Raw Materials	1,804,400	15,579,266
Finished Goods	39,228,050	12,432,617
Packing Material	3,502,020	4,847,370
Total	44,534,470	32,859,253
SCHEDULE - H		
SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding for a period Less than 6 months old	100,901,393	45,010,521
Others	-	-
Total	100,901,393	45,010,521
SCHEDULE - I		
CASH AND BANK BALANCES		
Cash on Hand	1,449,987	1,035,582
Balance with Scheduled Banks in Current Accounts	107,061	1,032,992
Total	1,557,048	2,068,575
SCHEDULE - J		
OTHER CURRENT ASSETS		
(Unsecured and considered good)		
Other Current Assets	-	-
Chit Loss Carried forward	36,500	-
Total	36,500	-


SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in Rupees

PARTICULARS	AS AT	
	31.03.2010	31.03.2009 (7 Months)
SCHEDULE - K		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances for Services & Suppliers	42,290,854	7,143,925
Advances recoverable in cash or in kind	304,596	3,229,739
Advances for Machinery	14,250,000	15,981,012
Advance for purchase of Land	-	5,860,000
Advance for guest House	-	2,400,000
Electricity Deposit	1,380,850	609,270
Telephone deposit	1,000	1,000
Term Deposit	3,025,695	50,000
Other Deposits	-	39,244
Chit Subscriptions	295,920	1,865,300
Deposit with Excise Dept.	300,000	-
Rental Advance	103,100	-
Prepaid Taxes	2,858,700	-
CENVAT	861,006	-
Total	65,671,721	37,179,490
SCHEDULE - L		
CURRENT LIABILITIES		
Liability for Capital goods	540,846	4,075,590
Creditors for Raw- material	5,255,679	14,235,005
Liability for Expenses	1,327,288	894,303
Advances from customers	449,250	1,100,000
Directors remuneration payable	-	90,000
Professional charges payable	-	100,000
Liability on Chit lifted	268,929	-
Professional Tax charges	-	-
Total	7,841,992	20,494,898
SCHEDULE - M		
PROVISIONS		
Provision for Income Tax	11,663,165	2,945,989
TDS payable	348,986	300,000
VAT payable	297,148	862,202
CST payable	2,974,414	-
Other Provisions	237,098	237,098
Total	15,520,811	4,345,289
SCHEDULE - N		
MISCELLANEOUS EXPENSES		
(To the extent of not w.off)		
Product Launch & Promotion expenses	1,275,515	1,594,394
Less : Written off during the year	255,103	318,879
Total	1,020,412	1,275,515


SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
Amount in Rupees

PARTICULARS	FOR THE PERIOD ENDED	
	31.03.2010	31.03.2009 (7 Months)
SCHEDULE - 1		
RAW MATERIALS AND FINISHED GOODS		
Raw Material Consumed		
Opening Stock	15,579,266	23,233,084
Add : Purchases	465,162,466	157,601,454
Less : Closing Stock	1,804,400	15,579,266
Raw Material Consumed	478,937,332	165,255,272
Increase/(Decrease) in stock of Finished Goods		
Opening stock	12,432,617	-
Less: Closing Stock	39,228,050	12,432,617
Increase/(Decrease) in stock of Finished Goods	26,795,433	12,432,617
Total	28,599,833	28,011,883
SCHEDULE - 2		
OTHER MANUFACTURING EXPENSES		
Wages	7,569,578	2,789,462
Packing Material	40,932,681	6,725,231
Freight Inward & Local transport	2,585,121	2,278,370
Design charges	696,804	75,444
Repairs & Maintenance	3,119,638	248,072
Factory maintenance	2,048,861	354,961
Stores & Spares	2,345,371	926,750
Power & Fuel	9,582,451	2,419,372
Total	68,880,506	15,817,662
SCHEDULE - 3		
STAFF COST		
Salaries	11,543,622	2,066,229
Staff Welfare	594,585	104,906
Total	12,138,207	2,171,135
SCHEDULE - 4		
ADMINISTRATIVE AND OTHER EXPENSES		
Directors Remuneration	1,440,000	450,000
Electricity charges	338,523	249,273
Rates & Taxes	629,320	192,254
Insurance	338,602	165,112
Printing & Stationary	384,909	162,069
Traveling Expenditure & Conveyance	1,581,329	758,873
Repairs & maintenance	472,181	68,067
Postage & Courier	32,402	12,375
Books & Periodicals	71,500	970
Miscellaneous expenses	725,861	202,558
Vehicle Maintenance	785,211	187,833
Telephone Expenses	440,129	174,772
Office maintenance	217,880	97,810
Subscription	-	13,611
Professional charges	690,482	100,000
Audit Fee	150,000	50,000
Sales Tax paid	-	1,662,048
ROC Filing fee	2,756,900	-
Audit expenses	2,400	-
Computer maintenance	82,560	-
Security services	300,000	-
Rent	880,000	-
Service charges	4,440	-
Trade Marks	126,100	-
Total	12,450,729	4,547,625


SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
Amount in Rupees

PARTICULARS	FOR THE PERIOD ENDED	
	31.03.2010	31.03.2009 (7 Months)
SCHEDULE - 5		
SELLING & DISTRIBUTION EXPENSES		
Discounts	11,093,287	10,708
Freight outward	3,145,218	1,773,571
Sales Promotion expenses	114,740	330,839
Advertisement expenditure	411,933	617,094
Central Excise	55,666	-
Packing & forwarding charges	99,150	-
Total	14,919,994	2,732,212
SCHEDULE - 6		
FINANCIAL EXPENSES		
Interest on Term Loan	13,990,819	3,324,431
Interest on Cash Credit	7,404,719	1,964,453
Bank Charges	812,122	202,430
Loan processing fee	594,517	425,000
Interest on delayed payment of taxes	440,551	75,478
Other interest	1,067,822	-
Total	24,310,549	5,991,792

SIGNATURES OF SCHEDULES A to N and 1 to 6

Schedules annexed hereto are an integral part of Accounts

 Vide our Report of even date
 For **K. PRAHLADA RAO & CO**
 Chartered Accountants

SD/-
K. PRAHLADA RAO
 Partner
 M. No. 018477
 Hyderabad
 October 11, 2010

 For and on behalf of the Board
FARMAX INDIA LIMITED
SD/-
M. SRINIVASA REDDY
 Managing Director

SD/-
M. MALLA REDDY
 Director (Finance)

SD/-
K.B. PRASANTH REDDY
 Executive Director

SD/-
R.V. RADHAKRISHNA
 Company Secretary



CASH FLOW STATEMENT FOR THE PERIOD ENDING 31ST MARCH 2010

PARTICULARS	Amount in Rupees	
	31.03.2010	31.03.2009 (7 Months)
A) CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit/(loss) before tax and Extra-ordinary items	32,199,870	6,789,884
Add : Non-cash and Non-operating expenses		
Interest on Term Loan	7,404,719	3,324,431
Depreciation	16,681,823	24,086,543
		7,805,322
		11,129,753
Operating Profit before working capital changes	56,286,413	17,919,637
Adjustment for working capital changes:		
Add:(Increase)/Decrease in inventories	(11,675,217)	(9,626,169)
(Increase)/Decrease in sundry Debtors	(55,890,872)	34,888,989
(Increase)/Decrease in loans & advances	(28,492,231)	(7,938,857)
(Increase)/Decrease current assets	(36,500)	-
Total Current Assets	(96,094,820)	17,323,963
Increase/(Decrease) in current liabilities	(12,652,906)	(13,551,187)
Increase/(Decrease) in provisions	11,175,522	(4,512,537)
Total Current Liabilities	(1,477,384)	(18,063,724)
Net Working Capital	97,572,204	739,761
Increase/(decrease) in working capital	(41,285,791)	17,179,876
Less: Taxes paid	(8,910,760)	(2,308,529)
Cash generated from operating activities	(50,196,551)	14,871,347
NET CASH FROM OPERATING ACTIVITIES (A)	(50,196,551)	14,871,347
B) CASH FLOW FROM INVESTMENT ACTIVITIES:		
Less: Purchase of Fixed Assets	(44,118,646)	(31,735,500)
Acquisition of Deferred tax Assets	-	-
Pre-operative expenses/Miscellaneous exp not W.off	(1,020,411)	(1,275,515)
NET CASH GENERATED FROM INVESTMENT ACTIVITIES (B)	(45,139,057)	(33,011,015)
C) CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Share holders including premium	-	-
Proceeds from new borrowings	36,572,861	16,224,728
Interest paid	(7,404,719)	(3,324,431)
CASH GENERATED FROM FINANCING ACTIVITIES (C)	29,168,142	12,900,297
NET CASH FLOW DURING THE YEAR	(66,167,467)	(5,239,371)
CASH AND CASH EQUIVALENTS(OPENING BALANCE)	(2,068,575)	(35,610,540)
CASH AND CASH EQUIVALENTS(CLOSING BALANCE)	(51,118,281)	(40,849,911)

Vide our Report of even date

For **K. PRAHLADA RAO & CO**
Chartered Accountants

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477
Hyderabad
October 11, 2010

For and on behalf of the Board
FARMAX INDIA LIMITED

SD/-
M. SRINIVASA REDDY
Managing Director
SD/-
M. MALLA REDDY
Director (Finance)

SD/-
K.B. PRASANTH REDDY
Executive Director
SD/-
R.V. RADHAKRISHNA
Company Secretary



Schedule : O

Notes on Accounts:

1. Financial statements:

Financial Statements are prepared under historical cost convention and as a going concern, on accrual basis and in accordance with the generally accepted accounting principles and relevant requirements of the Companies Act, 1956.

2. Revenue Recognition:

Revenue from sales is recognized on the basis of invoice raised based on dispatches of products to its customers.

3. Expenses:

It is the policy of the company to provide for all expenses on accrual basis. Similarly, Provisions are made for all known losses and liabilities.

4. Fixed Assets:

i) Tangible Assets: Fixed Assets are stated at Acquisition cost less depreciation. Cost includes the original cost of acquisition and subsequent improvements thereto-including taxes, duties, freight and other identical expenses relating to acquisition and installation of the assets. Fixed Assets are capitalized on the date on which they are ready to put to use. Those Fixed assets that are under construction / installation is shown under capital work in progress. Expenditure for maintenance and repairs are charged to profit & Loss Account.

ii) Depreciation: The Company has the policy to provide depreciation on Tangible Assets on pro rata basis from the date the asset is put to use under Written Down value Method (WDV) at the rates specified in schedule XIV of the Companies Act, 1956.

Individual assets costing less than Rs.5000/- each are fully depreciated in the year of purchase.

iii) Impairment of Assets: Consequent to the Accounting standard 28 on "Impairment of Assets", the Company assesses at each Balance sheet date whether there is any indication of impairment of assets and the effect of such impairment is considered in the books.

5. Investment:

Investments held on the Balance sheet are valued at cost and at the rates reported in previous years. The Company has the policy to write off Permanent Diminution in the value of investments to Revenue. However the company during the year tried to ascertain the value of investment as at date of Balance sheet & has come to the conclusion that the value of such investment has become nil & hence decided to write off as loss on investments (schedule f).

6. Inventory:

The Company has valued stock on Balance sheet date at cost or Net Realizable Value, whichever is lower. However, Consumables and Stores suppliers are charged off to consumption at the time of purchase. They are not carried in the books of inventories since their value is not significant.

7. Taxes on income:

Current Tax: Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed after considering tax allowances and exemptions.



Deferred Tax: The difference that result between the profit offered for income tax and the profit as per the financial statements are identified, and thereafter a deferred tax asset or liability is recorded for timing differences, namely the differences that originate in one accounting period and get reversed in another, based on the tax effect of the aggregate being considered. The tax effect is calculated on the accumulated timing differences at the accounting period based on prevailing enacted or substantively enacted regulations. Differed tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

The Company has not made any provision for payment of FBT as the said FBT has been skip by the Finance Act 2009.

8. Auditor's Remuneration:

	Current Period (Amount in Rupees)	Previous Period (Amount in Rupees)
Statutory Audit Fees	150000	30000
Other fees	Nil	20000
Total	150000	50000

9. Directors' Remuneration:

The Company has paid Rs.14,40,000/- towards Remuneration of Directors during the period. Further, the company has not computed net profits under Section 349 of the Companies Act,1956 for the purpose of directors remuneration, since no commission is payable to the directors.

10. Retirement Benefits:

- Provident Fund: Contribution to Provident Fund has been charges off to Profit & Loss Account.
- Gratuity and leave Encashment: The Company does have any gratuity and leave Encashment Policy and hence no provision has been made in the books of accounts.

11. Capital Commitments:

Estimated amount of contracts to be executed on capital not provided for (net of advances)-Nil.

12. Contingent assets and liabilities:

There is no Contingent Asset or Liability for or against the Company not acknowledge as debt during the period. The Company has vide its Special Resolution in the Extra-ordinary General Meeting dated October 24, 2009 approved to offer 11,00,000 stock options under 'Farmax ESOS – 2009' with each option convertible into one equity share of Rs.10/- each out of which the Board of Directors in their meeting held on October 31, 2009 has granted 6,00,000 stock options with an exercise price of Rs.40/- per share. However, no employee has exercised the options as on March 31, 2010.

13. Balances appearing under Secured Loans, unsecured loans, sundry Debtors, Sundry Creditors, Loans and advances are subject to confirmation and / or reconciliation, if any.



14. Quantitative Details:

Quantitative details of the principal items of goods traded (Clause 28(a)).

Description of goods	Units	Opening Stock	Purchases	Sales	Closing Stock	Shortage/E excess
Atta	TON	250.3	9521.6	8079.6	1692.3	0
Maida	TON	1524.5	75214.3	4962.2	71776.6	0

Quantitative details of the principal items of Raw Material and by Products

Description of goods	Units	Opening Stock	Purchases	Consumption	Sales	Closing Stock	Shortage/E excess
Ravva	TON	2521	18386	10800	6465	3642	0

Quantitative details of the principal items of finished products

Description of goods	Units	Opening Stock	Purchases	Quantity Manufacture	Sales	Closing Stock	Shortage/E excess
Vermicelli	TON	666.8	0	10303.9	9520	1450.7	0

15. Foreign currency transactions:

The Company has no other Foreign Currency Transactions during the period. Since, the Company has no Foreign exchange Income or Expenditure, disclosures required under Schedule VI of the Companies Act, 1956 is not applicable.

16. EPS:

In determining Earnings per share, the company considers the net profit after tax and includes post-tax effect of extra-ordinary items. The number of shares used in computing Earnings per share is weighted Average Number of equity shares outstanding during the period.

Calculation of EPS	Current Period	Previous Year
Net Profit after taxes	24423099	4244905
Weighted average Number of Equity shares	25200000	11000000
Basis and Diluted EPS	0.97	0.38
Nominal Value of share	5	10

17. Deferred Tax Assets/ Liabilities :

Particulars	Current Period	Previous Year
Depreciation on Tangible and Intangible Fixed Assets	283395268	7805322
Total	283395268	7805322
Depreciation as per income tax act	289187348	8500970
Total	289187348	8500970
Difference	5792080	695648
Deferred tax Assets/(Liabilities)	1968728	236451



18. There are no outstanding over dues to small-scale industrial undertaking and/or ancillary industrial suppliers on account of principal and /or interest at the close of the financial year. This disclosure is based on the documents/information available with the company.

19. Balance sheet abstract and company's general business profile are attached separately.

20. Related Party Disclosures:

- i) Key Management Personnel
Mr. M. Srinivasa Reddy, Managing Director in Remidicherla Infra & Power Limited.
- ii) The transactions are carried out with related parties in the course of business:

Particulars	Key managerial Persons
Loans Taken	Rs.31.64 lakhs

21. Previous year figures have been regrouped wherever necessary.

22. Farmax Employees Stock Option Scheme – 2009 (Farmax ESOS – 2009):

a) The Directors have approved an issue 6,00,000 Stock Option at an exercise price of Rs.40/- per share having a nominal value of Rs.10/- each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Particulars

Options Granted	: 6,00,000
Exercise Price	: Rs.40/- per share of nominal value of Rs.10/- each
Grant Date	: October 31, 2009
Vesting conditions	: 80% on expiry of 12 months from the date of grant 20% on expiry of 24 months from the date of grant
Intrinsic Value	: Rs.143.65/-
Exercise Period	: At the end of each Vesting Period, the Employee has a period of 6 months to exercise the Options with a carry forward facility, whereby Options not exercised at the end of one Vesting Period can be carried forward to the next period and so on, provided however that such carried forward Options have to be exercised within period of 6 months from the final Vesting Period, after which such unexercised Options will lapse.

b) The Company has adopted intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the share is based on the latest available closing market price, prior to the date of meeting of the Board of Directors, in which options were granted, on the stock exchange in which the shares of the Company are traded. The difference between the intrinsic value and the exercise price will be amortized as employee compensation cost in one time in the financial year 2010-2011.

23) Authorized Capital of the Company is enhanced to Rs.50 Crores from Rs. 12 Crores.

Schedules form an integral part of the Balance sheet and the Profit and Loss Accounts.

As per our report of even date

For **K. PRAHLADA RAO & CO**
Chartered Accountants

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477
Hyderabad
October 11, 2010

For and on behalf of the Board
FARMAX INDIA LIMITED

SD/-
M. SRINIVASA REDDY
Managing Director
SD/-
M. MALLA REDDY
Director (Finance)

SD/-
K.B. PRASANTH REDDY
Executive Director
SD/-
R.V. RADHAKRISHNA
Company Secretary

Balance Sheet Abstract & Company's General Business Profile

(Information required under Part IV of the Schedule VI of the Companies Act, 1956.)

I Registration Details

Registration Details

2	2	1	9	0
---	---	---	---	---

State Code

0	1
---	---

Balance Sheet Date

3	1	0	3
---	---	---	---

2	0	1	0
---	---	---	---

II Capital Raised during the year(Amount in Rs. Thousands)

Public Issue

N	I	L
N	I	L

Right Issue

		N	I	L
0	1	6	0	0

Bonus Issue

Private Placement

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

Total Liabilities

4	9	9	0	8	5
---	---	---	---	---	---

Total Assets

4	9	9	0	8	5
---	---	---	---	---	---

Sources of Funds :

Paid up Capital

1	2	6	0	0	0
---	---	---	---	---	---

Reserves & Surplus

1	8	8	4	3	4
---	---	---	---	---	---

Secured loans

1	5	3	9	1	9
---	---	---	---	---	---

Unsecured Loans

0	0	7	3	6	8
---	---	---	---	---	---

Application of Funds :

Net Fixed Assets

2	8	3	3	9	5
---	---	---	---	---	---

Investments

		N	I	L
--	--	---	---	---

Net Current Assets

1	8	9	3	3	8
---	---	---	---	---	---

Miscellaneous Expenditure

0	1	0	2	0
---	---	---	---	---

Accumulated Losses

			N	I	L
--	--	--	---	---	---

IV Performance of Company(Amount in Rs. Thousands)

Turnover

6	4	5	2	2	1
---	---	---	---	---	---

Total Expenditures

6	1	3	0	2	1
---	---	---	---	---	---

Profit/Loss before tax

+	-			
√				
3	2	1	9	9

Profit/Loss after tax

+	-			
√				
2	4	4	2	3

(please tick appropriate box+for profit,-for loss)

Earnings Per share in Rs.

			0	.	9	7
--	--	--	---	---	---	---

Dividend rate %

0	0
---	---

V Generic Names of Three Principal Products/Services of Company(as per monetary terms)

item code No.(ITC Code)

(ITC Code)/Service

3	0	5	
3	0	5	1

Vide our Report of even date

For **K. PRAHLADA RAO & CO**
Chartered Accountants

SD/-
K. PRAHLADA RAO
Partner
M. No. 018477
Hyderabad
October 11, 2010

For and on behalf of the Board
FARMAX INDIA LIMITED

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Managing Director
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Director (Finance)

SD/-
K.B. PRASANTH REDDY
Executive Director
SD/-
R.V. RADHAKRISHNA
Company Secretary



FARMAX INDIA LIMITED

Farmax House, 4th Floor, Alluri Trade Centre, Opp. KPHB, Kukatpally, Hyderabad –500 072

ATTENDANCE SLIP

DP ID No. : _____ Regd. Folio No. : _____

Client ID No. : _____ No. of Shares held : _____

Name of the Shareholder/Proxy Present: _____

I hereby record my presence at the 15th Annual General Meeting of the members of the company to be held on Thursday, the 9th day of December, 2010 at 10.00 A.M at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad- 500034.

Shareholders/Proxy's Signature _____

Note:

Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.



FARMAX INDIA LIMITED

Farmax House, 4th Floor, Alluri Trade Centre, Opp. KPHB, Kukatpally, Hyderabad –500 072

PROXY FORM

DP ID No. : _____ Regd. Folio No. : _____

Client ID No. : _____ No. of Shares held : _____

I/We _____ of _____

being a Member(s) of above named Company, hereby appoint _____ of _____

_____ or failing him/her _____ of _____

_____ as my/our proxy to attend and vote for me/us, on my/our

behalf at the 15th Annual General Meeting of the Company to be held on Thursday, the 9th day of December 2010 at 10.00 A.M at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad- 500034 and at any adjourned meeting thereof.

Signed _____ this _____ of 2010.

Signature of the Shareholder _____

Affix
Re.1/-
Revenue
Stamp.

Note:

The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.







Farmax India Limited

ISO 9001:2008 Certified Company

Regd. Office: Farmax House, 4th Floor, Alluri Trade Centre
Bhagyanagar Colony, Kukatpally, Hyderabad - 72.

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