

**Shifting Gears...**

*Clarís*

*Clarís Lifesciences Limited*

## On the Cover

# *SHIFTING* **GEARS...**

"Shifting gears" denotes change in the course of action. It is a strategy to respond to changing market dynamics capitalizing on the organizational strength. Claris has always remained alert & agile in shaping organizational strength to best fit with the changing market needs.

Yes, Claris is shifting gears... bringing back the focus on hospital centric products, emerging markets and innovations in IV delivery systems.

This strategy of change is a conscious decision and is based on evaluation of market dynamics vis-a-vis base competency & technological advantage that Claris has...

Instead of putting all eggs in one basket, we have opted to diversify our strength of innovation, people & technology for the benefits of various markets & customers at large to sustainably deliver growth and value.

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## **Attendance Slip & Proxy Form**

# Corporate Information

## BOARD OF DIRECTORS

**Dr. Pravin P. Shah**  
Chairman & Independent Director

**Mr. Arjun S. Handa**  
Managing Director & CEO

**Mr. Aditya S. Handa**  
Director

**Mr. Chetan S. Majmudar**  
Whole Time Director

**Mr. Chandrasingh Purohit**  
Whole Time Director

**Mr. Amish Vyas**  
Whole Time Director

**Mr. T.V. Ananthanarayanan**  
Independent Director

**Mr. Surrinder Lal Kapur**  
Independent Director

**Mr. Nikhil Mohta**  
Additional Director

## COMPANY SECRETARY

Pradyotsen Shukla

## AUDITORS

Deloitte Haskins & Sells,  
Ahmedabad

## CORPORATE OFFICE & GLOBAL HEADQUARTERS

Claris Corporate Headquarters, Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad - 380006, India  
Tel: +91-79-26563331, 66309330  
Website: [www.clarislifesciences.com](http://www.clarislifesciences.com)

## MANUFACTURING FACILITY

Village: Chacharwadi, Vasna  
Taluka: Sanand  
Ahmedabad - 382213, India

## BANKERS

1. Canara Bank
2. Indian Overseas Bank
3. Punjab National Bank
4. Andhra Bank
5. Allahabad Bank
6. Central Bank of India
7. United Bank of India
8. Lakshmi Vilas Bank
9. Barclays Bank PLC

# Managing Director & CEO's Message

## Dear Stakeholders,

I am happy to share with you the first annual report after Claris' going public.

The year 2010 will always be remembered as the year of milestones & point of strategic shift in the history of Claris. The year provided us the opportunity to go public for the first time, it placed us on a height of recognition & pride on various aspects, and despite several challenges it showed us adequate business growth.

Looking back upon past half decade, the company focused mainly on specialty injectables business, concentrating on penetrating in regulated markets. The strategy paid us significantly until a regulatory issue befell for the USA market in 2010. However, we are confident of resolving the issue with the USA regulatory authority. In fact, the issue did not significantly hamper our sales as we timely shifted our gears to our base business i.e. hospital centric products to be marketed in India and other emerging markets. 'Shifting gears' has helped us sail through the business growth expectations by the year end. Thanks to our vision of having diversified portfolio of products across geographies, it has helped us build a relatively de-risked business model. Claris has always remained a niche & innovative player in injectables space and we are sure that it will take us to newer heights.

During the year, the company further enhanced its presence in international markets by commercializing 75 registrations. We are looking forward to another 331 registrations which are in the



Arjun S. Handa | MD & CEO

pipeline. This year, in Russia, we started with one product registration while 10 more registrations are in the pipeline. On the domestic front, we introduced 5 new products.

Throughout the year, the company continued to uphold its people oriented approach and its intrinsic worth – the rich culture, the practices & camaraderie. Our

people practices were recognized by industry experts & made us the 'Best Place to Work For' in India. We follow a culture of continuously upgrading best practices in corporate governance and management quality.

I am confident that our strategy, capabilities and commitment will lead us to next trajectory of growth, and in becoming the most admirable Indian generic injectables company, globally. As we are continuing in our journey, the belief in ourselves is growing stronger. We are committed to help patients get access to affordable and modern products, the world over, at the same time creating value for the stakeholders.

We are encouraged by your trust in us.

Arjun S. Handa  
Managing Director & CEO



# Notice To Shareholders

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Notice is hereby given that the 16th Annual General Meeting of the Members of CLARIS LIFESCIENCES LIMITED will be held on Thursday, The 12th May, 2011 at 4.00 p.m. at H T Parekh Convention Centre, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015, Gujarat, INDIA to transact the following businesses:

## ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Balance Sheet as at 31st December, 2010, the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
- 2) To declare a dividend on the equity shares for the financial year ended 31st December, 2010.
- 3) To appoint a Director in place of Dr. Pravin P. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. T.V. Ananthanarayanan, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint Statutory Auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

## SPECIAL BUSINESS:

- 6) **To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:**  
"RESOLVED THAT Mr. Nikhil Mohta who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By order of the Board  
For Claris Lifesciences Limited

Place : Mumbai  
Date : 24th February, 2011

Pradyotsen Shukla  
Company Secretary

**Registered Office :**  
Claris Corporate Headquarters,  
Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad - 380006, India.

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## Notes:

- 1) An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- 2) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY NEED NOT BE A MEMBER.**
- 3) Members are requested to kindly bring their copy of the Annual Report with them at the Annual General Meeting, as no extra copy of Annual Report would be made available at the Annual General Meeting.
- 4) The Board of Directors in their meeting held on 24th February, 2011 has recommended a dividend of Rs.2 per Equity Share of Rs. 10 each for the financial year ended 31st December, 2010. Dividend, if declared, at the Annual General Meeting, will be paid on or Before 30th May, 2011
- 5) The Register of Members and Share Transfer Books will remain closed from 7th May, 2011 to 12th May 2011 (both days inclusive).
- 6) The shareholders are requested to intimate immediately, any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Share Transfer Agent, M/s. Link Intime India Private Limited, if the shares are held by them in physical certificate form.
- 7) The shares of the Company are at present listed at Bombay Stock Exchange Limited (BSE). The listing fee for the year 2010-2011 has been paid to BSE.
- 8) Pursuant to the Initial Public offering of Equity shares, the Company had in respect of certain shares allotted therein, in view of mismatch in particulars of those allottees, parked the same in a demat suspense account. The aggregate number of shares so lying initially was 1,249 Equity Shares of 16 Investors. Since then 7 investors for 761 Equity Shares have already approached for transfer during the year which has been done. The aggregate number of the shareholders as at the year end whose shares were lying in demat suspense account was 9 for 488 Equity shares. The voting rights of the aforesaid shares have been frozen till the rightful owner of such shares claims the shares.

# Notice To Shareholders

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- 9) Pursuant to Section 109A of the Companies Act, 1956, shareholders are entitled to make a nomination in respect of shares held by them in physical form. Shareholders desirous of making a nomination are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the Registrar and Share Transfer Agent of the Company.
- 10) Members desiring any information relating to the accounts are requested to write to the Company at least 10 days before the meeting so as to enable the management to keep the information available at the meeting.
- 11) The brief profile of the Directors proposed to be appointed / re-appointed is given in the section on Corporate Governance.

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## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS

### ITEM NO. 6

The Board of Directors of the Company at their meeting held on February 24, 2011 had appointed Mr. Nikhil Mohta as an Additional Director of the Company upto the forthcoming Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. The Company has received notice in writing under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. Nikhil for the office of Director.

Mr. Nikhil Mohta earlier was the Nominee Director on the Board of the Company representing First Carlyle Ventures III. He is presently also in the Board of Newgen Knowledge Works Private Limited, Global Publishing Solutions Limited (U.K.), Newgen North America, Inc. (U.S.A.) and Carlyle Ventures.

The Board recommends the resolution set forth in item no. 6 for approval of the members.

None of the Directors of the Company other than Mr. Nikhil Mohta are deemed to be concerned or interested in the above resolution.

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By order of the Board  
For Claris Lifesciences Limited

Place : Mumbai  
Date : 24th February, 2011

Pradyotsen Shukla  
Company Secretary

Registered Office :  
Claris Corporate Headquarters,  
Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad - 380006, India.



# Directors' Report

Dear Members,

Your Directors are pleased to present the 16th Annual Report of the Company and Audited Accounts for the financial year ended 31st December, 2010.

## Financial Results

The financial highlights of the Company for the fiscal year 2010 as compared to the previous fiscal year on Consolidated and Standalone basis are as below:

(Rupees in Mn)

Particulars	Consolidated		Standalone	
	2010	2009	2010	2009
Income	7,677.66	7,594.01	6,405.39	6,458.04
Profit before Interest, depreciation and tax	2,433.82	2,294.71	1,803.00	1,874.56
Interest	361.96	409.58	361.94	407.29
Depreciation	467.16	448.07	463.78	444.60
Provision for tax	190.28	133.41	187.04	132.04
Profit after tax	1,414.42	1,303.65	790.24	890.63
Balance brought forward from previous year	3,370.82	2,189.23	3,073.15	2,304.58
<b>Balance available for Appropriation</b>				
Transferred to General Reserve	62.50	90.00	62.50	90.00
Proposed Dividend	127.64	102.37	127.64	102.37
Corporate tax on dividend	21.20	17.40	21.20	17.40
Reversal of Dividend no longer payable	-	(75.09)	--	(75.09)
Reversal of Tax on Dividend no longer payable	-	(12.62)	--	(12.62)
Balance carried to Balance Sheet	4,573.90	3,370.82	3,652.05	3,073.15

## Results of Operations

During the current financial year, your company took various strategic initiatives to improve its volumes and profitability, which helped the Company to post an impressive performance for the year inspite of product recall from the US and the import alert. The income from net sales stood at Rs. 7,523.35 Mn (Rs 7,435.25 Mn in the previous year) which increased marginally by 1.18% compared to previous year. Our income from net sales in the international markets stood at Rs. 4,372.53 Mn compared to Rs. 4,068.19 Mn in previous fiscal year which is increased by 7.48 % equivalent to Rs. 304.34 Mn. During the year, our exports revenue, which as a percentage of net sales, stood at 58.12% compared to 54.71% of previous fiscal year.

EBITDA, PBT and PAT reached to Rs. 2,433.82 Mn, Rs. 1,604.70 Mn and Rs. 1,414.42 Mn respectively (Rs. 2,294.71 Mn, Rs. 1,437.06 Mn and Rs. 1,303.65 Mn respectively, in the previous year) registering 6.06% , 11.67% and 8.50% growth over the previous fiscal year.

As a percentage of net sales, our EBITDA margin increased to 32.35% in fiscal year 2010 compared to 30.86% of previous fiscal year. As a percentage of net sales, our PBT margin increased to 21.33% in fiscal year 2010 compared to 19.33% of previous fiscal year. As a percentage of net sales, our PAT increased to 18.80% in the fiscal year 2010 compared to 17.53% in previous fiscal year.

Out of the issue proceeds of Rs. 3,000 Mn, your company utilized the issue proceeds for repayment of an identified term loan of Rs. 459.14 Mn and Rs. 174.77 Mn towards the issue expenses. The remaining proceeds will be utilized for growth capex.

## Dividend

Your company has a consistent dividend policy of balancing the dual objective of appropriately regarding shareholders through dividends and retaining capital to maintain a healthy capital adequacy ratio to support future growth. It has a consistent track record of moderate but steady increases and expansions in dividend declarations over its history.

Considering the achievement of targets for the year and growth of the business, Directors are pleased to recommend dividend of Rs. 2 per equity share for the financial year ending 31st December, 2010.

## Transfer to Reserves

Your company proposed to transfer Rs. 62.50 Mn to the General Reserves. An amount of Rs. 4,573.90 Mn is proposed to be retained in the profit and loss account.

## Share Capital

The paid up equity share capital of your company increased to Rs. 638,177,650 due to allotment of 12,632,477 Equity Shares of Rs. 10 each at a premium of Rs. 283 per share to Anchor Investors and Rs. 218 per share to investors other than Anchor Investors in the Initial Public Offer of the Company.

## Subsidiaries

With a view to market the products of the Company across the globe, your company has 13 International subsidiaries. Apart from International subsidiaries, there are 4 Indian subsidiaries. During the year under review, one additional International subsidiary Claris Pharmaservices was incorporated. The subsidiaries are well positioned in the global market and facilitating in the growth of the Company.

## Accounts of Subsidiaries

The Company has obtained approval from the Ministry of Corporate Affairs, New Delhi under Section 212(8) of the Companies Act, 1956 and accordingly the individual Annual Accounts of all the Indian and International subsidiaries for the year ended 31st December, 2010 have not been attached to the Annual Report. Copies of these annual accounts and related information will be made available on request. The annual accounts of the subsidiary companies will be available at the registered office of the Company and also at the venue during the Annual General Meeting.

## Listing at Bombay Stock Exchange Limited

During the year under review, your company has successfully launched its Initial Public Offer of 12,632,477 equity shares of Rs. 10 each for cash at a price of Rs. 228 per equity share to all investors other than Anchor investors amounting to Rs. 2,460 Mn and at a Price of Rs. 293 per Equity share to Anchor investors amounting to Rs. 540 Mn, aggregating upto Rs. 3,000 Mn. The issue constituted 19.79 % of the post issue paid-up share capital of the Company. The equity shares of the company were listed in Bombay Stock Exchange Ltd (BSE) and the trading in the shares of the Company commenced on 20th December, 2010 on BSE.

## Product Recall

During the year your company received complaints in relation to certain of the products, namely, Ciprofloxacin, Metronidazole and Ondansetron that were contaminated or suspected to be contaminated; pursuant to which the Company and the partners/distributors recalled some or all of products from the United States, Denmark, Finland, Canada, Australia and New Zealand. The recalls were initiated by the Company and the partners in Australia and the United States pursuant to receipt of complaints of contamination in some of the products. Further, the USFDA has imposed an import alert on the Company and the products,

# Directors' Report

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which is subsisting. Further, USFDA issued a warning letter dated 1st November, 2010. The Company vide its letter dated 19th November, 2010, responded to the Warning Letter issued by the USFDA. The Company is working on addressing the USFDA issue and post a productive meeting with the USFDA, the Company is optimistic on resolving the issue.

## Fixed Deposits

Your company has not accepted any fixed deposit under Section 58A of the Companies Act, 1956 and hence no amount of principal or interest were outstanding as at the Balance Sheet date.

## Insurance

The assets of the Company are adequately insured against the loss of fire, riots, earthquake, terrorism, loss of profits, etc, and other risks that are considered necessary by the management. Apart from the above, your company has also Statutory Public Liability Insurance Policy and Director's and Officer's Liabilities Policy.

## Directors

Dr. Pravin P. Shah and Mr. T.V. Ananthanarayanan retire by rotation at the conclusion of this Annual General Meeting and being eligible offer themselves for reappointment. Mr. Nikhil Mohta has resigned as Nominee Director w.e.f 12th January, 2011 and was appointed as an Additional Director w.e.f 24th February 2011.

During the year, Mr. Arvind Bansal has tendered his resignation as Independent Director. The Board appreciated the valuable contribution made by Mr. Arvind Bansal during his tenure as Independent Director of the Company.

## Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the Accounts for the Financial Year ended 31st December, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st December, 2010 on 'going concern' basis.

## Auditors

The Statutory Auditors of the Company M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Statutory Auditors, if reappointed. The Audit Committee and the Board of Directors recommended reappointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company for the financial year 2011 for shareholder's approval.

## Cost Auditor

Pursuant to Section 233B of the Companies Act, 1956, M/s. Kiran J. Mehta & Co., Cost Accountants, Ahmedabad was appointed as Cost Auditors of the Company in respect of cost audit of the Company's Bulk Drug division and Formulation division for the year ended 31st December, 2010. Report of the Cost Auditor in respect of Cost Audit for the year under review would be filed with the Central Government as per timeline.

## Energy, Technology and Foreign Exchange

The information required under the Companies Act (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in the Annexure – I.

## Particulars of Employees

Particulars of employees covered under section 217(2A) of the Companies Act, 1956 are attached read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per Section 219(1)(b)(iv) of the Companies Act, 1956, the annual report is being sent to all shareholders excluding the said Annexure. Any shareholder interested in obtaining the particulars may obtain the same in writing to the Company Secretary or the same is available for inspection at the registered office during working hours.

## Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure – II.

## Management Discussion & Analysis

Management Discussion & Analysis is given separately and forms part of this annual report.

## Acknowledgment

The Board greatly appreciates the commitment and dedication of employees at all levels who have contributed to the growth and success of the Company. We would also thank all our clients, vendors, investors, bankers and other business associates for their continued support and encouragement during the year.

We also thank the Government of India, Government of Gujarat, Ministry of Commerce and Industry, Ministry of Finance, Customs and Excise Departments, Income Tax Department, and all other Government Agencies for their support during the year and look forward to their continued support in the future.

## For and on Behalf of Board

Arjun S. Handa  
Managing Director & CEO

Chandrasingh Purohit  
Whole Time Director

Place : Mumbai  
Date : 24th February, 2011

# Annexure-I to the Directors' Report

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Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

## I. CONSERVATION OF ENVIRONMENT

The Company has been active in conservation of environment, apart from conservation of energy.

### a. Measures of energy conservation

Energy conservation refers to efforts made to reduce energy consumption. Energy conservation can be achieved through increased efficient energy use, in conjunction with decreased energy consumption and/or reduced consumption from conventional energy sources.

Your company believes that reducing emissions & conserving energy are important parts for curbing climate change effects. The Company has experienced that energy conservation is the most economical solution to energy shortages, and is a more environmentally benign alternative to increased energy production.

The Company has always been looking for cost effective measures to conserve energy, to reduce the energy consumption and thereby reduce the substantial energy cost.

Energy conservation is a way of life at Claris. An energy conservation team works on the Clarion manufacturing campus, to increase awareness of energy conservation. Suggestion platforms like Spark are available to team members at Corporate Headquarters and Clarion manufacturing campus. A committee of decision makers evaluates the suggestions received, and feasible ideas are converted into action points and implemented.

The manufacturing campus, Clarion, is an example of corporate green consciousness, with natural lighting and ventilation that reduces the air conditioning and lighting loads to such an extent that the company saves about 2,300 tons of Co<sub>2</sub> emissions annually through this green architecture. The campus has a large landscaped garden with a planned natural pool to act as a wetland for birds, and a miniature bamboo forest, which are again aimed at environmental protection.

The Clean Development Mechanism project is a shining example of company's commitment towards the environment. It's company's vision to reduce use of fossil fuels in a sustainable manner. The company has 2.0 MW Co-Generation based Power Plant to generate Steam & Power for the captive use within its manufacturing campus.

The main fuel for co-generation based power plant is Castor De Oil Cake supported by Saw Dust, which is a biomass residue and accounts no carbon emission in to the atmosphere. Among the strengths of the project, the first is that it is a renewable energy intervention in a thoroughly industrial environment.

### b. Additional investments and proposals being implemented for reduction of energy consumption.

The project of 2.0 MW captive power plant has been registered by Executive Board of United Nations Framework for Climate Change on 21st February, 2009. The project has generated about 90,000 Voluntary Emission Reduction units and approximately 30,000 Carbon Emission Reduction units since its Registration.

Your company also has a plan to expand the existing co-generation power plant by installing an additional boiler, which would operate on saw dust and de-oiled cake as the primary source of fuel.

The company has already started taking steps to set up a 2.0 MW solar power plant under the Jawaharlal Nehru National Solar Mission in its existing campus for captive consumption. This initiative would be the Company's another step towards replacement of non-renewable energy source with a renewable energy source.

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

The above measures have reiterated the company's initiative in the area of Corporate Social Responsibility. The power and steam consumption in 2010 increased as compared to 2009, as a result of increase in production, which resulted in increase in cost of goods produced.

However, with the implementation of Phase II of the co-generation power plant and the solar power plant initiatives mentioned above as well as efficiencies in the existing co-generation power plant, the costs per unit of power and steam generation are expected to reduce in future years.

On one hand, the above initiatives will help in countering the escalation in the power and fuel costs, and on the other hand they will result in additional income for the Company by way of sale of carbon credits.

Below is the cost of power and steam generation for the year ending on 31st December, 2010 and that for the year ending on 31st December, 2009.

# Annexure-I to the Directors' Report

Particulars	2010	2009
<b>Power and Fuel Consumption</b>		
Electricity Purchased Units (kwh)	24,292,680	20,942,880
Total Amount (Rs.)	152,317,474	134,661,473
Rate/Unit (Rs.)	6.27	6.43
Own generation [D G Set]		
Through diesel generator		
Units generated (kwh)	38,118	23,880
Total Amount (Rs.)	623,938	473,390
Cost/Unit (Rs.)	16.37	19.82
Furnace Oil		
Quantity (Ltr)	270,079	288,212
Total Amount (Rs.)	8,683,033	7,193,668
Rate/Unit (Rs.)	32.15	24.96
<b>Co-generation(Power Plant)</b>		
<b>Power</b>		
Unit generated (kwh)	6,445,000	5,295,300
Total Amount (Rs.)	53,487,503	38,591,732
Rate/Unit (Rs.)	8.30	7.29
<b>Steam</b>		
Unit generated (kgs)	98,736,600	75,082,130
Total Amount (Rs.)	161,523,557	99,201,758
Rate/Unit (Rs.)	1.64	1.32

## II. RESEARCH AND DEVELOPMENT

There were certain key advances made in the development of new products and innovative delivery systems during the year 2010. These developments will benefit the Company not only in the short term but also in the long term due to the nature of investment made in such development.

### a. Main Area of Focus

New Drug Delivery System:

- Research and Development activities were carried out in New Drug Delivery Systems (NDDS) like Liposomal (Docetaxel, Gemcitabin and Erythropoietin liposome injection), Emulsion (Propofol with Preservative Injection) and Nano particle to improve selected oncology, anti-fungal, anti-cancer drug formulation and recombinant protein products. The team also worked on projects to develop non infringing routes in selected niche injectables, with special delivery system, formulation and stabilization needs.
- A proprietary multi-layer film has been developed for bag manufacturing.

### Development in Active Pharmaceutical Ingredient (API)

- Research and Development activities were also carried out in development of generic molecule like Ferric carboxy maltose for the treatment for iron deficiency anemia.
- Specific bulk drugs development (API) like Hydroxyethyl starch, Iron sucrose, Iron Dextran and Pamidronic Acid makes Claris, one of the few manufacturers of such drugs in the world.

### Development of new products

- Specific drug development of generic molecules like Alpha - ketoanalogue amino acids, calcium salt for the prevention and therapy of damages due to faulty or deficient protein metabolism in chronic renal insufficiency.

Claris is one of the few manufacturers of such drugs in the world.

- Development of generic formulations for ANDA filing in Regulated Market Submission like US, UK, Europe Australia etc.
- Development of products like TNA / TNA-Peri / PNA (Triple /Double Chamber Nutrition System), Glutammune (l-glutamine), Glutammune forte, Glutammune Total.
- A team of qualified scientists with background in pharmaceutical sciences & allied areas networks with the global scientific community including companies, universities and scientists with similar interest areas.

# Annexure-I to the Directors' Report

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## b. Benefits Derived

1. Claris has a basket of 128 products out of which 48 products have been commercialized in the international markets. As on 31st December, 2010 the total registrations of the Company stood at 1166 and another 331 in the pipeline.
2. During the year, the Company further expanded its presence by commercializing 75 registrations in the international market and introducing 5 new products in the Indian Market.
3. In 2010, the Company obtained 21 ANDAs in its name and also filed for ANDA approval for Propofol in the US Market. With this, the Company has obtained 25 ANDAs and 12 ANDAs are pending for approval.
4. The Company received additional 29 registrations in EU Markets and has filed for 28 new applications with which the total registrations have increased to 114 with another 114 pending approval in European Union.
5. Claris has become one of the leading companies which developed Liposomal drug delivery system. This is long acting targeted drug delivery system with reduced dose and decreased side effects.
6. Claris developed an innovative delivery system of combining certain injectables along with syringes, connector, catheter, etc. in one kit and making it more user-friendly for doctors and patients.

## c. Future Plan of Action

1. Expanding current infrastructure on R&D, New Products for emerging opportunity. This will also lead to the recruitment of young talented scientists as well as experienced doctors.
2. The expansion is envisaged in the area of Oncology, Nano technology and area of Biotechnology specifically recombinant DNA technology in the next 5-10 years.
3. The development will also focus on introducing oncology drug in new innovative drug delivery systems thus generating significant IP.
4. The Company will focus on filing some PCT for lipid emulsion delivery.

## d. Expenditure on R & D

Total expenditures for our Research and Development ("R&D") activities relating to continuing operations, including product development costs, were Rs. 378.36 Mn and Rs. 633.40 Mn for the financial years ended 31st December, 2010 and 31st December, 2009 respectively.

## III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief have been made towards technology absorption, adaptation and innovation. The Company has embraced state-of-art technology for its manufacturing facility. The technology has been developed in co-operation with world-renowned technology leaders across the globe. With this level of automation and technology, the Company is equipped to compete with the global competitors in terms of product quality and cost.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

New products broadened the product basket of the Company and further strengthened the Company's image as research-based organization.

## Foreign Exchange Earnings and outgo

The export earnings during the year amounted to Rs. 2,991.91 Mn (previous year Rs. 2,969.01 Mn) Expenditure (gross) in foreign currency during the year amounted to Rs. 220.57 Mn (previous year Rs. 574.97 Mn). Expenditure is on accrual basis.

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For and on Behalf of Board

Arjun S. Handa  
Managing Director & CEO

Chandrasingh Purohit  
Whole Time Director

Place : Mumbai  
Date : 24th February, 2011

# Annexure-II

## Report on Corporate Governance

### COMPANY'S PHILOSOPHY

Claris Lifesciences Limited philosophy envisages the attainment of the highest standards of Corporate Governance by timely disclosures, transparent accounting policies, responsibility and fairness. Its endeavour is to maximize the long term value of the Shareholders of the Company.

### BOARD OF DIRECTORS

The Board of Directors comprises of 9 directors as on 31st December, 2010.

Composition, Category & Designation of Directors

Name of Director	Category	Designation
Dr. Pravin P. Shah	Independent Non-Executive Director	Chairman
Mr. Arjun S. Handa	Promoter, Executive Director	Managing Director & CEO
Mr. Aditya S. Handa	Non-Executive Director	Director
Mr. Chetan S. Majmudar	Executive Director	Whole Time Director
Mr. Chandrasingh Purohit	Executive Director	Whole Time Director
Mr. Amish Vyas	Executive Director	Whole Time Director
Mr. T. V. Ananthanarayanan	Independent Non Executive Director	Director
Mr. Surrinder Lal Kapur	Independent Non Executive Director	Director
Mr. Arvind Bansal*	Independent Non Executive Director	Director
Mr. Nikhil Mohta**	Additional Director	Director

Name of Director	Attendance Particulars		Number of other Directorships and Committee Memberships/ Chairmanships		
	Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Dr. Pravin P. Shah	5	No	14	14	3
Mr. Arjun S. Handa	6	Yes	3	-----	-----
Mr. Aditya S. Handa	2	Yes	15	-----	-----
Mr. Chetan S. Majmudar	3	Yes	2	-----	-----
Mr. Chandrasingh Purohit	7	No	7	-----	-----
Mr. Amish Vyas	2	No	6	-----	-----
Mr. T. V. Ananthanarayanan	0	No	3	-----	-----
Mr. Surrinder Lal Kapur	3	No	6	7	5
Mr. Arvind Bansal*	1	No	7	-----	-----
Mr. Nikhil Mohta	7	Yes	3	-----	-----

\* Mr. Arvind Bansal has resigned w.e.f 14th September, 2010.

\*\* Mr. Nikhil Mohta has resigned as Nominee Director w.e.f 12th January, 2011 and was appointed as an Additional Director w.e.f 24th February, 2011.

### NUMBER & DATES OF BOARD MEETINGS

The Company got listed with Bombay Stock Exchange Limited on 20th December, 2010. Prior to the Listing, the Company has complied with the provisions of Section 285 of the Companies Act, 1956. Seven meetings of Board of Directors were held during the year, on 23rd February, 2010, 6th April, 2010, 7th April, 2010, 17th April, 2010, 7th September, 2010, 16th September, 2010 and 20th December, 2010. Henceforth, the meeting will be held as per Listing Agreement.

### BRIEF RESUME OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Dr. Pravin P. Shah is the Non-Executive Chairman of the Board and is an Independent Director of the Company. He was appointed as a Director on 27th April, 1999. He holds a Bachelor's Degree in Commerce and Doctorate in Finance from Mumbai University and is also a qualified Chartered Accountant and Costs and Works Accountant. He is a partner in Pravin P. Shah & Company, a chartered accountancy firm and sole proprietor of Pravin P. Shah and Associates, Chartered Accountants. He has authored several books on costing, management strategies and taxations. He has over 40 years of experience in the areas of financial consultancy, valuations, taxation, property matters, accounting and auditing, corporate laws and laws relating to foreign exchange. He has also taught many courses including Business Planning in the U.S.A. and Tax Planning at the Jamanlal Bajaj Institute of Management at Mumbai.

# Report on Corporate Governance

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He has also been serving as an Independent Director on the board of eminent public limited companies including JM Financial Ltd., Adani Enterprises Ltd., Jai Corp Ltd., Bombay Rayon Fashions Ltd., Milestone Capital Ltd., Raheja Universal Ltd. and Benchmark Trustee Company Private Limited. He is also acting as a member and/ or chairman of various committees of companies where he is a director. As on 31st December, 2010, he is holding NIL shares of the Company.

**Mr. T. V. Ananthanarayanan** is the Non-Executive and Independent Director of the Company and was appointed as Director of the Company on 28th January, 2008. He holds a Master of Science degree in Biomedical Engineering from the Indian Institute of Technology, Chennai, and is a graduate in Mechanical Engineering from the Indian Institute of Technology, Chennai. Mr. T. V. Ananthanarayanan is a Trained Behavioural Scientist, Yoga Teacher and an Engineer; Founder of the consulting firm "FLAME TAO Knoware"—a team of functional experts all of whom are Behavioural Scientists focusing on Organizational Transformation, Alignment and Optimization; and Chairperson Sumedhas Academy for Human Context—a non profit organization focusing on developing behavioral scientists. His consulting experience spans three decades: organization turnarounds, leadership coaching, culture transformations. His clients include TCS, Infosys, Laxmi Machine Works, ITC and EPCOS. He pioneered the use of Yoga and Theatre in process work. He has published many papers and two books: Learning through Yoga and The Totally Aligned Organization. His goal is to develop a unique approach to management at a personal level and at an organizational level based on the three streams of his expertise namely, Lean Management, Yoga and Behavioural Sciences. As on 31st December, 2010, he is holding NIL shares of the Company.

**Mr. Nikhil Mohta** is an Additional Director of the company as on date of this report and holds a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He has nearly 10 years of experience. Prior to joining Carlyle, Mr. Mohta was an associate at McKinsey & Company, India. Mr. Mohta has worked on consulting engagements with senior managements of leading companies in various industries such as chemicals, oil and gas, banking and telecommunications industries. He worked across multiple functions such as strategy, operations, business building and organisation. As on 31st December, 2010, he was holding 1421 Equity Shares of the Company.

## CODE OF CONDUCT

The Board of Directors of the Company has laid down a Code of Conduct for all board members and senior management group of the Company. The code of conduct is available on the website of the Company [www.clarislifesciences.com](http://www.clarislifesciences.com). All board members and senior management group have affirmed compliance with the code of conduct. A declaration signed by the Managing Director & CEO to this effect is enclosed as a part of this report.

## AUDIT COMMITTEE

The Board of Directors have constituted the Audit Committee to assist the Board in discharging its responsibilities effectively. The constitution of the Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

### Composition and Terms of Reference

The Board has constituted Audit Committee comprising four Directors namely Dr. Pravin P. Shah, Mr. Arjun S Handa, Mr. Surrinder Lal Kapur, Mr. T V Ananthanarayanan. Dr. Pravin P. Shah is the Chairman of the Audit Committee. Except Mr. Arjun S. Handa all other members are Independent. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956.

The Committee deals with accounting matters, financial reporting and internal controls. Terms of reference of Audit Committee specified by the Board are as contained in section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement with Stock Exchanges.

### Meetings and attendance during the year

The Equity shares of the Company got listed with Bombay Stock Exchange Ltd on 20th December, 2010. The Company, henceforth will comply with the Listing Agreement. However as a part of Good Governance, the Committee met two times on 6th April, 2010 and 7th September, 2010. Dr. Pravin P Shah was present in both the meetings. Mr. Arjun S Handa and Mr. Surrinder Lal Kapur were present once in both the meetings.

## REMUNERATION/ COMPENSATION COMMITTEE

### Composition and other details

The Board has constituted Remuneration/ Compensation Committee comprising of three independent non-executive directors namely, Dr. Pravin P Shah, Mr. Surrinder Lal Kapur and Mr. TV Ananthanarayanan.

### Terms of reference

The Committee evaluates and determines the Company's remuneration policy, having regard to performance standards and existing industry practice and benefits for Executive Director(s)/ Senior Management Group and frames policies and systems of the Stock Option and look after the issues relating to major HR policies.

### Attendance during the year

During the year there were no meetings held.

The Remuneration Committee determines our company's remuneration policy, having regard to performance standards and existing industry practice. Under the existing policies of our Company, the Remuneration Committee, inter alia, determines the remuneration payable to our Directors.

Apart from discharging the above-mentioned basic functions, the Remuneration Committee also discharges the following functions:

- Framing policies and compensation including salaries and salary adjustments, incentives, bonuses, promotion, benefits, stock options and performance targets of the top executives; and
- Formulating strategies for attracting and retaining employees and employee & development programmes

# Report on Corporate Governance

## DETAILS OF REMUNERATION PAID TO DIRECTORS DURING THE YEAR.

### a. Executive Directors

The remuneration paid to Directors during the financial year ended 31st December, 2010 are as follows:

Executive Directors	Salary (Rs.)	Other Allowances (Rs.)	Perks (Rs.)
Mr. Arjun S. Handa	8,741,520	6,267,840	-
Mr. Chetan S. Majmudar	1,689,120	1,500,240	270,000
Mr. Chandrasingh Purohit	1,534,428	1,345,112	30,000
Mr. Amish Vyas	1,462,428	1,297,112	30,000
<b>TOTAL</b>	<b>13,427,496</b>	<b>10,410,304</b>	<b>330,000</b>

### b. Non-Executive Directors

The sitting fees paid to Non-Executive Directors for attending meetings during the financial year ended December, 31, 2010 are as follows:

Non-Executive Directors	Amount in Rs.
Dr. Pravin P. Shah*	25,000
Mr. Surrinder Lal Kapur	15,000
Mr. T. V. Ananthanarayanan**	NIL
Mr. Arvind Bansal	5,000
<b>TOTAL</b>	<b>45,000</b>

\*Dr. Pravin P Shah, being a partner of M/s. Pravin P. Shah & Company, Chartered Accountants, has been paid Rs. 4,468,060 for rendering professional services to the Company.

\*\*Mr. T. V. Ananthanarayanan, being a director on the board of FLAME TAO Knoware Private Limited, is interested to the extent of Rs. 1,155,751 paid by the Company to FLAME TAO Knoware Private Limited for rendering consultancy services to the Company.

## SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

As a measure of good Corporate Governance and focusing on strengthening the relation with the stakeholders, the Board has formed Shareholders/ Investors' Grievance Committee.

### Constitution and Composition

The Committee was constituted comprising of the following directors as members: Dr. Pravin P Shah, Mr. Chandrasingh Purohit, Mr. Arjun S. Handa and Mr. T. V. Ananthanarayanan.

### Compliance Office

Mr. Pradyotsen Shukla, Company Secretary & Compliance Officer.

### Terms of Reference

The Committee was constituted to look into the Investors' complaints and to redress the same expediently. The Committee meets as and when there are any complaints from investors. The Company Secretary of the Company is the Compliance Officer. There were nil complaints as on 31st December, 2010.

In order to expedite the process of share transfers, the Board has delegated the powers to officers of the Company. The delegated authority is attending to share transfer formalities at least once a fortnight, as required.



# Report on Corporate Governance

## GENERAL BODY MEETINGS

Location and time for the Annual General Meetings held in the last three financial years:

Year	Date / Time	Venue	Special Resolution
2009	7th April, 2010/11.00 A.M.	Claris Corporate Headquarters, Near Parimal Rly. Crossing, Ellisbridge, Ahmedabad – 380 006	1. Resolution for IPO of Equity Shares and other related activities. 2. Amendment in MOA by reorganising Authorised Share Capital of the Company. 3. Amendment in AOA by reorganising Authorised Share Capital of the Company. 4. Issue of Bonus Shares 5. Amendment in AOA by adopting new set of AOA. 6. Termination and amendment of Shareholders' Agreement with First Carlyle Ventures III.
2008	30th September, 2009 /11.00 A.M.	Claris Corporate Headquarters, Near Parimal Crossing, Ellisbridge, Ahmedabad – 380 006	-
2007	26th September, 2008 / 5.00 P.M.	Claris Corporate Headquarters, Near Parimal Crossing, Ellisbridge, Ahmedabad – 380 006	-

## DETAILS OF POSTAL BALLOT

No postal ballots were used/invited for voting at these meetings in respect of special resolution passed.

## DISCLOSURES

Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the Company at large. We have disclosed the related party transactions and others in Notes to Accounts.

Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.  
Nil.

Details of compliance with mandatory requirements and adoption of the non- mandatory requirements of this clause.

All the mandatory requirements has been adopted w.e.f. 20th December, 2010 as the Company got listed on the aforesaid date.

Details of Compliance with Non-Mandatory requirements of this clause

The Company has not adopted the Non-Manadatory requirements.

## Means of Communication

### Results

Since, the Company got listed on 20th December, 2010, the quarterly, half-yearly and yearly un-audited/ audited financial results will be published as per Clause 41 of the Listing Agreement. The results will also be uploaded on Company's website : [www.clarislifesciences.com](http://www.clarislifesciences.com).

# Report on Corporate Governance

## General Information for Shareholders

Date, Time and Venue of Annual General Meeting : 12th May, 2011 at 4.00 p.m. at HT Parekh Convention Centre, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015, Gujarat, INDIA

Financial Year of the Company : 31st December every year.

## Financial Year Calendar for 2011 (tentative)

Annual General Meeting : April – May 2012

Results for the quarter ended 31st March, 2011 : Second Week of May 2011

Results for the quarter ended 30th June, 2011 : Second week of August 2011

Results for the quarter ended 30th September, 2011 : Second week of November 2011

Results for the last quarter Ended 31st December, 2011 : Second week of February 2012

## Book Closure dates

From 7th May, 2011 to 12th May, 2011 (both days inclusive) for the purpose of the Annual General Meeting and payment of dividend, if approved by the members.

Dividend Payment Date : On or Before 30th May, 2011

## Listing on Stock Exchanges

The Company's Shares got listed with The Bombay Stock Exchange Limited, Mumbai on 20th December, 2010. The listing fee for the year 2010-11 has been paid to the above stock exchange. The Listing fee for the year 2011-12 will be paid before the due date.

## Stock Code

a. Scrip code Bombay Stock Exchange : 533288

Scrip ID Bombay Stock Exchange : CLARIS

b. Demat ISIN Numbers in NSDL & CDSL for Equity Shares : INE562G01018

Monthly high / low closing stock quotations at BSE (Figure in Rs.)

Month and Date*	BSE	
	High	Low
From 20th December, 2010 to 31st December, 2010	223.35	202.75

\*The Company got listed with BSE on 20th December, 2010.

## Share price performance in comparison to broad based indices – BSE Sensex

Particulars	Share Price v/s. BSE	
	Share Price (Rs.)	BSE Sensex
As on 20th December, 2010	205.85	19888.88
As on 31st December, 2010	213.75	20509.09
% Change	3.84	3.12

Total Equity of the Company as on 31st December, 2010 was 63,817,765 of Rs.10 each.

## Registrar and Share Transfer Agents

LINK INTIME INDIA PRIVATE LIMITED

(Unit : Claris Lifesciences Limited)

C-13, Pannalal Silk Mills Compound LBS Road, Bhandup (West) Mumbai – 400 078

Contact Person : Deepali Mohite

Tel No. : 25963838 Ext : 2293

e-mail : deepali.mohite@linkintime.co.in

Website: www.linkintime.co.in

SEBI Registration No: INR00000 4058

# Report on Corporate Governance

## Share transfer system

The Company has a Registrar and Share Transfer Agent. Share transfers, if documents are found to be in order, are registered and certificates are returned in the normal course within two weeks from the date of receipt of the documents. Request for dematerialization of shares are processed and confirmation given to the respective depositories i.e, National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within seven days.

## Distribution of Shareholding as on 31st December, 2010

No. of Equity Shares	No. of Shareholders	% of total shareholders	No. of Shares	% to total Capital
Less than 500	23,189	94.93	2,109,630	3.30
501 - 1000	1,071	4.38	664,982	1.04
1001 - 2000	79	0.32	118,522	0.18
2001 - 3000	17	0.07	42,410	0.07
3001 - 4000	7	0.03	23,537	0.04
4001 - 5000	4	0.02	17,846	0.03
5001 - 10000	17	0.07	119,874	0.19
10000 and above	44	0.18	60,720,964	95.15
<b>TOTAL</b>	<b>24,428</b>	<b>100.00</b>	<b>63,817,765</b>	<b>100.00</b>

## Shareholding Pattern as on 31st December, 2010

Category	No. of shares held	% Shareholding
Company Promoter / Promoter Group	44,034,306	69.00
Mutual Funds / UTI	2,43,106	0.38
Financial Institutions / Banks	719,697	1.13
Foreign Institutional Investors	5,819,249	9.12
Non-Resident Indians	84,216	0.13
Non Resident Non- Repatriable	16,748	0.03
Foreign Company	7,111,095	11.14
Bodies Corporate	2,722,543	4.26
General Public	2,871,519	4.50
Clearing Members	195,286	0.31
<b>TOTAL</b>	<b>63,817,765</b>	<b>100.00</b>

## Dematerialization of Shares

The equity of the Company is in demat form as on 31st December, 2010. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28th August, 2000, as per notification issued by the Securities and Exchange Board of India (SEBI).

**Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity**  
NIL

## Plant Locations

Village : Chacharwadi, Vasna  
Taluka : Sanand  
Ahmedabad - 382213

## Address for Correspondence

*For Shares held in Physical & Demat form*  
LINK INTIME INDIA PRIVATE LIMITED  
(Unit : Claris Lifesciences Limited)  
C-13, Pannalal Silk Mills Compound LBS Road, Bhandup (West) Mumbai-400 078  
Website: [www.linkintime.co.in](http://www.linkintime.co.in) Email : [deepali.mohite@linkintime.co.in](mailto:deepali.mohite@linkintime.co.in)  
SEBI Registration No: INR00000 4058

## Any Query on Annual Report

Claris Lifesciences Limited  
Secretarial Department  
Claris Corporate Headquarters  
Nr. Parimal Railways Crossing, Ellisbridge,  
Ahmedabad - 380006

For any other queries : email : [secretarial.corp@clarislifesciences.com](mailto:secretarial.corp@clarislifesciences.com)

# Report on Corporate Governance

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## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Claris Lifesciences Limited.

We have examined the compliance of the conditions of Corporate Governance by Claris Lifesciences Limited for the year ended 31st December, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

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

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

Place : Ahmedabad  
Date : 24th February, 2011

Ashish C. Doshi  
Practicing Company Secretary  
C.O.P No. : 2356

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## Declaration on Compliance with Code of Conduct

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As provided under clause 49 of the Listing Agreement with the Stock Exchange, the Board Members and the Senior Management Group have confirmed compliance with the Code of Conduct for the year ended 31st December, 2010.

For Claris Lifesciences Limited

Place : Mumbai  
Date : 24th February, 2011

Arjun S. Handa  
Managing Director & CEO

# Management Discussion & Analysis

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After an year of fragile and uneven recovery in the last half of 2009 and the first half of 2010, global economic growth started to decelerate at a global level in mid-2010.

Weaknesses in major developed economies continued to drag the global recovery. The unprecedented scale of the policy measures taken by Governments during the early stage of the crisis had no doubt helped to stabilize financial markets and jump-start a recovery. However, overcoming the structural problems that led to the crisis is proving much more challenging and it seems that it will be a lengthy process.

Even in such adverse circumstances during 2010, the Company continued registering an year on year increase in bottom line margin. Also, one of the greatest landmarks in the history of the Company was achieved in 2010 when the Company got listed on Bombay Stock Exchange Limited.

Following are the key highlights of the business of the Company and financial front in the year 2010:

- The Company went public on 20th December, 2010 and successfully raised Rs. 3,000 Mn from the capital markets primarily for capacity expansion and prepayment of certain debt.
- The Company entered into Russia by obtaining the first registration in this territory in 2010.
- The product registrations increased to 1166 and there were 331 product registrations under pipeline as on 31st December, 2010.
- The Company obtained registrations for 21 more ANDAs in the United States during 2010.
- The long term credit rating was upgraded by Fitch Ratings India Pvt. Ltd. from BBB+ (ind) to A- (ind) indicating sustainable and strong financial fundamentals along with robust business growth prospects.
- The Company received the "Best Place to Work For" award from the Economic Times and was rated the #1 Company to Work For in the Healthcare Sector.

## Global Pharmaceutical Industry 2011 and onwards

The levels of innovation at "Big Pharma" companies are slowing, as players in Europe and the US are increasingly turning their attention to complex products and are even entering the generics market to supplement their growth. Looking at the next five years, investment in long-term opportunities like niche generics is critical; this should support growth as opportunities in plain-vanilla generics recede.

The manufacturers of generic drugs will continue to be a strong players for the year 2011 and beyond, largely due to the following reasons:

1. Important drug patents of top-selling brands are expiring in the US and EU over 2011-15, offering significant growth opportunities for Indian companies. It is estimated that USD 18 Bn incremental opportunity in the US will arise over this period, of which Indian companies could take approximately 20% market share; the EU opportunity is additional upside.
2. India's pharmaceutical market continues to expand at a robust pace due to favorable demographics and economic growth – a sales forecast at CAGR of 16% over FY10-FY13 is estimated.
3. Sales in emerging markets are growing strongly as well. Companies that are well positioned in some of the larger and faster-growing markets like Russia, South Africa, Brazil and Mexico have a huge opportunity at hand.  
(Source – HSBC Global Research – Healthcare India Pharmaceutical January 2011)

## India Market

Over the last five years, the Indian domestic formulations market has expanded from USD5 Bn in 2005 to over USD 9.5 Bn (a CAGR of 14%). Most therapeutic areas are growing in double digits on the back of new launches, line extensions and increasing penetration of existing brands in semi-urban and rural areas. McKinsey and company estimates suggest that the market will be more than double to USD20bn in 2015 and move into the top 10 pharmaceutical markets globally, implying a CAGR of 12.3%. (Source – HSBC Global Research – Healthcare India Pharmaceutical January 2011)

India is fast becoming awash with lifestyle-related illnesses. Demographic change and unhealthy nutrition and habits are giving rise to new killer diseases. This will provide Indian pharma companies sustainable golden opportunities in specific segments. Firms that are well placed in this space will realize better growth, profitability and returns on capital employed. According to IMS Health, the Indian pharma industry grew 17% YoY to reach USD 9.8 Bn in 2009. Chronic therapies, with their superior growth profiles, are likely to comprise more than 50% of the market by 2020 from the current 31%, and will push up overall growth. With increasing affordability and improving healthcare access, it is also expected that volume growth will rise, especially as domestic firms enhance penetration in tier-I and tier-II cities, while pricing remains a marginal contributor. (Source: CLSA Indian Pharma)

## Emerging Market

Emerging markets will present a meaningful opportunity for generic drug sales, especially in countries that have so far seen low generic penetration and have loose price controls. Indian generics that have been successful in the domestic market are likely to use their skills in marketing and branding in some of the similar markets. The focus will be to grab increasing share in these markets and not worry about the competitive scenario that may eventually emerge. On an average, emerging market growth should be in the 15-20% range over the next five years. With a strong track record and sound strategy, Indian companies should be able to achieve 20% growth in this area, especially as they already have a strong presence in some of the key markets like Russia, CIS, Africa and Mexico. Indian generics are replicating their domestic success in these markets.  
(Source: HSBC Global Research Healthcare Indian Pharmaceuticals January 2011)

Emerging Markets such as the BRIC countries, South Africa, Mexico, Turkey, Poland, Indonesia and Romania, are growing faster than developed markets. According to IMS, a well-known industry research firm, emerging markets like Russia, Brazil and Mexico will increase their share in global pharma from 16% in 2009 to 25% in 2014-15.

# Management Discussion & Analysis

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Over the past decade, as the Indian industry has diversified into formulation exports, non-US/EU markets have contributed to a quarter of incremental sales: as much as the domestic market. For the Indian companies to maintain their 20% YoY sales growth trajectories and the stocks to justify their 18-20x Forward P/E multiples, success in Emerging Markets will be critical. These are fast growing markets, expected to drive up to two-thirds of incremental global sales until 2015. (Source: Credit Suisse Pharma - Emerging Markets Jan 2011)

## Regulated Market

The global generic pharmaceuticals market recorded revenues of around USD 80 Bn in 2009, about 10% of the total prescription pharmaceutical market globally (USD 800 Bn). However, generics growth over the last five years has outpaced prescription pharma growth. The global generics sales CAGR was just above 10% over 2005-09, against 6% for branded pharma. According to industry estimates, sales of generic drugs are expected to grow to over USD 130 Bn by 2015 due to an increase in the number of products (including blockbusters like Lipitor, Plavix, Nexium and Advair) going off patent and increasing penetration of existing generics in regulated as well as unregulated markets. Generics represent close to 73% of global pharmaceutical volume and this is expected to increase given wide acceptance in big markets like the US and EU. The governments of developed markets with publicly funded healthcare plans want to increase the use of generics in order to cut healthcare costs. In the US alone, 72% of prescriptions are written for generics. However, in the US, in sales terms generic drugs account for just 17%, despite the fact that generics sales have risen three-fold since 2000. (Source: HSBC Global Research Healthcare Indian Pharmaceuticals January 2011)

## Injectables within Pharmaceutical Industry

Generics Investment in drug delivery systems has so far not had a big impact on growth levels, largely because the segment represents a minority share of global pharma sales. However, with blockbuster expiries in oral formulations in regulated markets, increasing emphasis on injectables, we believe this gap in some companies could prove costly for future sustainable growth in generics. Some 70% of generics sales in 2009 were oral products while injectables added another 20%. The remaining 10% came from delivery formulations like nasal, topical, ophthalmic and inhalational. The dominance of oral and injectables is here to stay. Injectables account for 20% of generics. The overall market in injectables as of 2009 is USD 200 Bn, with about 40% of this coming from the US. The market has registered a CAGR of +20% over the last five years. The generic market in injectables is smaller at USD 15 Bn (20% share) but this should increase going forward.

The growth in injectables is expected to outpace that in oral preparations as a result of:

- Increasing emphasis on shift towards specialty segments like oncology, hormones and blood-related disorders.
- Growth in segments like biologics, therapeutic proteins and vaccines, all of which are injectables.
- Limited pricing pressure in injectable generics as against plain-vanilla orals.
- Injectable oncology patents to start expiring post 2015, just when the opportunity in orals may register a huge decline.

The US and EU together account for 90% of the regulated markets in injectables and the US represents nearly half the share in non-biologics injectables. In the non-biological segment, therapy areas like anti infective, anesthetics and cardiovascular are important categories.

## Limited Competition and high entry barriers

The Company believes a limited number of players will compete in this market, which should improve margins. Entry barriers are high as the segment involves building a large and complex product portfolio across various therapeutics, based on multiple technology platforms and delivery mechanisms. The lion's share of this market is controlled by Hospira/Mayne, Fresenius, Baxter, Bedford and Teva/Sicor. These top five covered 57% of the US generic injectables market in 2007.

Global generics injectables are expected to grow to USD 33 Bn by 2014, a CAGR of 17% over the next five years. The Company expects this to be driven by a large number of innovator injectable products in oncology going off patent after 2014-15. The price erosion in these products may not be as high as 90%+ two years after launch, as is the case with vanilla generics in the oral segment. Competition may gradually increase in a limited number of molecules based on the opportunity size (higher competition in bigger molecules in terms of sales). (Source: HSBC Global Research Healthcare Indian Pharmaceuticals January 2011)

The growth in the key therapies and oncology segments, penetration of health insurance, government support and the need for more efficacious products will set the wheels turning for the injectables market.

While the concept of injectables was revolutionary when discovered, the innovation in this segment has been evolutionary. Drug delivery systems with various biotechnology drugs brought new innovations in the industry. Also, the kinds of deals witnessed in this segment are indicators of the prospects that lie in this area. Indian players have made themselves regulatory compliant to attract the world markets. The high end injectable deals indicate that the injectables and Parenterals market is in tumult. These deals are signs that MNC players are keen to work with Indian manufacturers to provide a boost to the injectable generics market. MNCs are closely monitoring the market changes in this segment. Likewise, a number of Indian pharma companies have successfully gained FDA approval for a growing portfolio of injectables generics, to gain foothold in the US generics market.

International markets where generics injectables have a huge market share include US, Germany and UK. These countries have seen maximum penetration of generic injectables in the oncology area. However, there are European markets such as Spain and Italy, where generic penetration is still low. In case of US, the generic penetration is about 65 percent by volume and 45 percent by value and continues to grow.

Most of these markets are growing at a rate close to or more than 20 percent, except for injectables in the antibiotic and pain management segment, which are growing at a rate close to 15 percent. These market segments are expected to grow at a similar rate in the coming three to five years, which will drive the usage of Parenterals. According to a KPMG report, it is expected that two million hospital beds and 4,00,000 physicians will be added by 2015, which will set the market to grow. With this there will be an emergence of newer and more sophisticated devices, which are cost-effective, and safe for use. (Source: <http://www.expresspharmaonline.com/20100515/market01.shtml>)

# Management Discussion & Analysis

## Opportunities and Threats

While healthcare service providers and insurance companies abroad continue to drive prices down, injectable products, because of their higher regulatory standards and the complexity of development or manufacturing process, tend to command higher margins and price stability as compared to oral products. It is therefore expected that this market will continue to attract pharma and biotech companies which will focus on new product innovation as well as cost-cutting to improve their overall profit margins. With modernization and new hospitals, the number of quality conscious customers who prefer to buy dependable Parenteral products for their modern healthcare setup is steadily rising and will continue to rise for the next few years. Accordingly, the parenteral segment will enjoy excellent growth in the coming years. The key challenge, to emerge successful in this segment, is to provide consistent quality. These trends indicate that over a period of time more players will emerge in this segment either as independent entities or collaboration that will bring new high-end products.

## FINANCIAL HIGHLIGHTS

### Overview

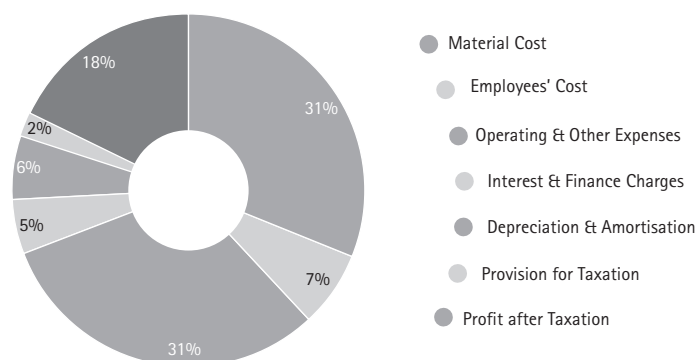
The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

Consolidated Profit and Loss account for the year ended 31st December, 2010

(Rupees in Mn)

	Year ended on 31st December, 2010	Year ended on 31st December, 2009	%
<b>INCOME</b>			
Gross Sales	7,559.86	7,468.21	1%
Less : Excise Duty	36.51	32.96	11%
Net Sales	7,523.35	7,435.25	1%
Other Income	154.31	158.76	-3%
<b>TOTAL</b>	<b>7,677.66</b>	<b>7,594.01</b>	<b>1%</b>
<b>EXPENDITURE</b>			
(Increase) in Stock of Finished and Process stock	(158.83)	(62.28)	155%
Material Cost	2,519.71	2,498.92	1%
Employees' Cost	515.84	425.60	21%
Operating & Other expenses	2,367.12	2,437.06	-3%
Interest and Finance Charges	361.96	409.58	-12%
Depreciation and Amortisation	467.16	448.07	4%
<b>TOTAL</b>	<b>6,072.96</b>	<b>6,156.95</b>	<b>-1%</b>
<b>Profit Before Taxation</b>	<b>1,604.70</b>	<b>1,437.06</b>	<b>12%</b>
<b>Provision for Taxation</b>			
Current Tax	203.35	189.40	7%
Deferred Tax	36.73	(4.64)	-892%
Fringe Benefit Tax	-	1.72	-100%
Excess Provision of tax in Earlier Years	(49.80)	(53.07)	-6%
	<u>190.28</u>	<u>133.41</u>	<u>43%</u>
<b>Profit After Taxation</b>	<b>1,414.42</b>	<b>1,303.65</b>	<b>8%</b>

### Distribution of Revenues



Claris' total income for the year ended comprises of three components

- Domestic Sales
- Export Sales, and
- Other Income

The following table sets out the contribution of each of the above component in Claris' income expressed as percentage of Claris' total income for the year ended 31st December, 2010 and 31st December, 2009

Total Income	(Rupees in Mn)	
	2010	2009
Domestic Sales	3,150.82	3,367.06
Exports Sales	4,372.53	4,068.19
Other Income	154.31	158.76
<b>Total Income</b>	<b>7,677.66</b>	<b>7,594.01</b>

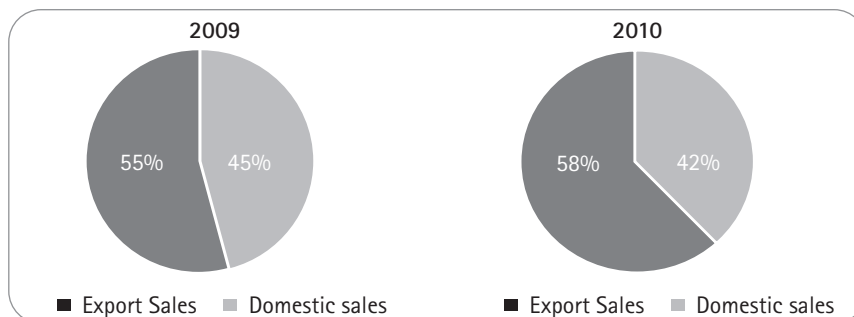
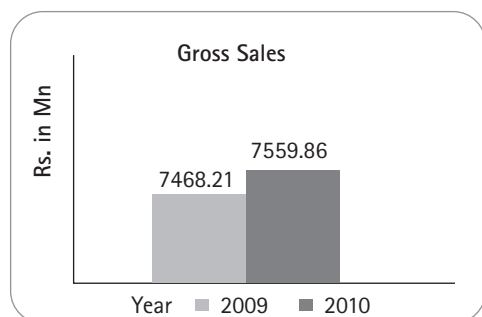
# Management Discussion & Analysis

Share of revenues from net sales between domestic and export market is as follows

Key Ratios	2010		2009	
	Rs. in Mn	%	Rs. in Mn	%
Domestic Sales	3,150.82	41.88%	3367.06	45.29%
Exports Sales	4,372.53	58.12%	4068.19	54.71%
Net Sales	7,523.35	100.00%	7,435.25	100.00%

The total revenues increased marginally by Rs. 83.65 Mn or 1.10% from Rs. 7,594.01 Mn in fiscal 2009 to Rs. 7,677.66 Mn in 2010. Income from net sales also increased marginally by Rs. 88.10 Mn, or 1.18% in fiscal 2010 compared to that in fiscal 2009. This increase was due to increase in export sales. The income from net sales in Domestic market has decreased by Rs. 216.24 Mn, or 6.42% in the fiscal 2010 compared to that of 2009. This decrease is primarily on account of our continuing reduction in sales efforts for certain of our low margin products. However, niche/specialty injectables portfolio, continued to accelerate on the back of introduction of new products and increasing market share. Post the FDA issue, the company has shifted the business strategy to concentrate on the base business (hospital care) as well taking into account the robust growth of hospital beds in India. Going forward, both the base business and the specialty injectables business would be important growth drivers for us.

The incomes from net sales in international market increased significantly by Rs 304.34 Mn, or 7.48% in fiscal 2010 compared to fiscal 2009. The export revenue, as a percentage of net sales stood at 54.71% in fiscal 2009 which increased to 58.12% in 2010. Even though the Company faced with an import alert and warning letter imposed by the USFDA, the Company overcame the adversities by increasing its sales to countries other than the United States, thus ensuring achievement of growth targets in the exports market.



## OTHER FINANCIAL DATA

### Other Income

The other income registered a decrease of 2.81% compared to the previous year. Other income consists primarily of Foreign exchange rate difference of Rs. 81.61 Mn as compared to Rs 119.62 Mn in fiscal 2009. It also includes retainership charges of Rs. 46.00 Mn recovered, Sales tax refund of Rs. 14.70 Mn and miscellaneous income of Rs. 12.00 Mn.

### Increase in stock

The inventory of finished goods and process stock increased by Rs. 158.83 Mn in the fiscal 2010 compared to an increase of Rs. 62.28 Mn in the fiscal 2009 primarily due to increase in production. However, the inventory holding period has reduced in 2010 compared to 2009.

### Material Costs

Materials costs have increased by 0.83% from Rs 2,498.92 Mn to Rs 2,519.71 Mn over the previous year. However, as a process of our continuous effort of material cost optimization, material cost as a percentage of net sales has decreased mainly on account of reduction in purchase of traded goods.

### Employee costs

Staff cost comprises:

- Salaries, Wages, Bonus Et Gratuity;
- Contributions to provident fund and other funds; and
- Staff Welfare

Employee costs increased by 21.20%, from Rs. 425.60 Mn for the fiscal year 2009 to Rs 515.84 Mn for the fiscal year 2010. The increase in employee costs is due to staff salary increments and increase in staff welfare expense.

### Operating and other expenses

Operating and other expenses comprises of traveling; communication; professional charges; power and fuel; laboratory expenses; repairs and maintenance; selling expenses like freight outwards; sales promotion and commissions; research and development costs, provision for doubtful debts; exchange fluctuations and other general expenses etc. Operating and other expenses have decreased by 2.87% from Rs 2,437.06 Mn for the year 2009 to Rs 2,367.12 Mn for the year 2010 mainly on account of :-

- Decrease in stores and spares consumed from Rs 79.83 Mn to Rs 43.10 Mn.
- Decrease in laboratory expense from Rs 256.68 Mn to Rs 60.34 Mn on account of reduced research and development expense.
- Also there was significant reduction in expenses in legal fees and charges, professional charges and general charges.



# Management Discussion & Analysis

This decrease was offset by increase in the following expenses

- Increase in power and fuel cost from Rs 238.95 Mn to Rs 385.36 Mn due to increase in production and rate of power and fuel cost.
- Increase in Marketing and Sales Promotion Expenses from Rs 205.79 Mn to Rs 313.77 Mn.
- Increase in conversion charges from Rs 26.92 Mn to Rs 82.46 Mn on account of increase in certain loan licensed products.

## Interest and Finance charges

Interest and Finance charges include both interest expense and interest earned. The net interest expense decreased by Rs. 47.62 Mn or 11.63% from Rs. 409.58 Mn in fiscal 2009 to Rs. 361.96 Mn in fiscal 2010, mainly on account of repayment of certain debt and reduction in interest rates during the year.

## Depreciation

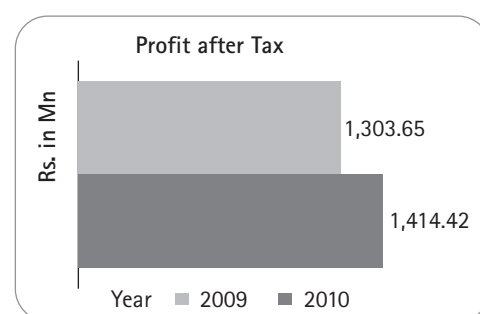
During the fiscal year 2010 depreciation increased by Rs 19.09 Mn an increase of 4.26% over fiscal 2009 on account of additional capitalization of assets. Depreciation as a percentage of sales remains at 6.03% and 6.21% respectively for the fiscal year 2009 and 2010.

## Provision for Taxes

The provision for taxation increased by Rs. 56.87 Mn, or 42.63% from Rs 190.28 Mn in the year ended December 31, 2010 as against Rs 133.41 Mn, net of provision for current tax and deferred tax in fiscal 2009. This movement was largely on account of increase in profitability and in MAT rates from 15% in 2009 to 18% in 2010.

## Net Profit

Net profit for fiscal year 2010 increased by 8.50% from Rs. 1,303.65 Mn in the fiscal 2009 to Rs 1,414.42 Mn in 2010, resulting in basic EPS of Rs 27.34 in the year 2010. As a percentage to net sales, profit margin increased from 17.53% in 2009 to 18.80% in 2010.



## Abbreviated consolidated profit and loss statement

(Rupees in Mn)

Particulars	Year ended 31st December	
	2010	2009
Net Sales	7,523.35	7,435.25
Other Income	154.31	158.76
Earning Before Interest, Tax, Depreciation and Amortization	2,433.82	2,294.71
EBITDA margin	32%	31%
Profit Before Tax	1,604.70	1,437.06
PBT margin	21%	19%
Profit after Tax	1,414.42	1,303.65
Net profit margin	19%	18%

## Key Ratios

(Rupees in Mn)

	2010	2009
Debt Equity ratio	0.39	0.62
Current Ratio	2.53	1.54
Return on Capital Employed	15.42%	22.40%
Return on Equity	15.47%	25.55%
Diluted EPS	27.34	25.47

## Following is the summary of Cash Flow

(Rupees in Mn)

	2010	2009
Net Cash Generating from Operating activities (A)	696.66	3,807.97
Net Cash Used for:		
Net Cash used in investment activity (B)	(1,918.58)	(1,038.07)
Capital Expenditure	(1,931.37)	(1,044.18)
Interest Received	12.79	6.10
Cash from Financing Activities (C)	2,808.59	(569.54)
Issue of Equity Shares	126.33	-
Share Premium	2,664.05	-
Proceeds from borrowings (Net)	479.46	(126.58)
Interest paid	(358.88)	(415.68)
Dividend paid	(102.37)	(27.28)
Net Cash Equivalent (A+B+C)	1,586.67	2,200.36
Cash at Beginning of the year	2,369.42	169.06
Cash at End of the year	3,956.09	2,369.42

# Management Discussion & Analysis

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## Human Resources

During the year, the Company was ranked 37th Best Place to Work For and 1st in the Healthcare sector by the Great Place to Work Institute. The company conducted C Bash activity, celebrated festivals like Uttarayan, Navaratri, and Dussehra and also conducted in-house sports tournaments to bolster the sporting spirit at Claris. Apart from this, the Company also celebrated Mother's Day, World Environment Day and World Health Day.

The Company believes on youth and develop their capabilities to make them future leaders through a journey of endless learning about self and others. The Company identified role models for self learning and relentless practice to sharpen their skills and to develop expertise in what they are aspired for. The Company has built an excellent platform that provides opportunities for developing and acquiring knowledge. As a part of Human Philosophy, Claris undertook several initiatives to boost our human potential. The Company increased its focus on capability enhancement and learning & development. Various training programs were conducted for overall development of varied level of employees through in-house as well as through external programs. HR realigns training framework with changing functional & cultural needs. Key members are provided customized training programs & workshops at renowned institutions like IIMS, ISB, TMTC and MDI. This year, focus of capability enhancement remained on enhancing managerial, leadership & soft skills.

Human Capital... A well known HR magazine published Claris' Training Practices in its article "Effective Front Line Sales Training" in Oct 2010 issue. The article shows how Claris effectively implements the strategies to meet organizational goals using training programs, especially concerning the sales force.

## E-Learning Programme

The Company started online English learning program wherein 'easy to learn' lessons are sent to members, followed by tests through e-mail so that they can improve their language skills.

## LIFE – Movie Series

LIFE, a break-free video watch series, was initiated at Claris. LIFE showcases those movies through which one can Learn (L), Inculcate (I) the learnings, Follow (F) them, and Excel (E).

## Culture Building/Enhancement Initiatives

### GHP Series

GHP (Good Habits Programme), a series of one point lessons covering different aspects of basic office etiquettes was initiated for educating employee with simple behavioral tips so as to improve the Claris' work culture. This distinguished GHP Series encompassed - workplace etiquettes, aspects of self discipline, systematic working methodology, camaraderie among members etc.

## 5S campaign

Based on the Japanese principle of "5S", the Company intensely conducted a cleanliness and orderliness campaign throughout the company for creating a neat work culture and inculcating good work practices among members.

## Launch of "My Briefcase"

The Company has intranet portal "myClaris", an online platform to share company news, strategic decisions, notices, business process applications, fun & development matters etc.

This year, the Company developed "My Briefcase" through which each employee had the online access to all their Personnel information/records like their salary statements, leave balance, attendance etc. As on 31st December, 2010, total employees of the organization was 1614.

## Risks and Concern

The Company is exposed to certain risks such as competition, Government price controls, Litigation relating to Intellectual Property Rights & Product quality, Foreign Exchange fluctuation, Economic and Political environment etc. The Company has a Risk Management Team consisting of professionally qualified people who are empowered to examine/audit the adequacy, relevance and effectiveness of the control systems, compliance with policies, plans and statutory requirements.

## Internal control systems and their adequacy

The company has had a system-based approach to risk management and a well-defined framework of checks and balances, to ensure effective internal controls. It has in place adequate systems of internal control, commensurate with its size and the nature of operations. Company also has well defined organizational structure, documented policy guidelines, predefined delegation of power with authority levels for approving revenue as well as capital expenditure.

## CAUTIONARY STATEMENT

*Certain statements in the Management Discussion & Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. These statements being based on certain assumptions and expectations of future event, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting domestic demand supply conditions, finished goods prices, changes in Government Regulations and Tax regime etc. The Company assumes no responsibility to publically amend, modify or revise any forward looking statements on the basis of subsequent developments, information or events.*

# Auditors' Report

To the Members of Claris Lifesciences Limited

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- 1) We have audited the attached Balance Sheet of Claris Lifesciences Limited, ("the Company") as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, both 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 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in Paragraph 3 above, we report as follows:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956;
  - e. In our opinion and to the best of our information and according to the explanations 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 December 31, 2010;
    - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
- 5) On the basis of written representations received from the Directors as on December 31, 2010 and taken on record by the Board of Directors, none of the Directors is disqualified as on December 31, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

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For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 117365W)

Gaurav J. Shah  
Partner  
(Membership No : 35701)

Place : Ahmedabad  
Date : 24th February, 2011

# Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date

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- 1) Having regard to the nature of the Company's business / activities, clauses (xiii) and (xiv) of CARO are not applicable.
- 2) In respect of its fixed assets :
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The Company has a program of verification of fixed assets to cover all the items over a period of three years which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- 3) In respect to its inventory :
  - a. According to the information and explanations given to us, inventories, excluding materials in transit and materials lying with third parties, were physically verified during the year by the management at all locations at reasonable intervals. In our opinion, the frequency of verification is reasonable.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. As explained to us, the discrepancies noticed on physical verification of inventories as compared to the book records have been properly dealt with in the books of account.
- 4) In respect of the loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956:
  - a. The Company has granted unsecured loans to six parties covered in the register maintained under section 301 of the Companies Act, 1956. At the year-end, the outstanding balances of such loans aggregated to Rs. Nil and the maximum amount involved during the year was Rs 113.61 Mn.
  - b. According to the information and explanations given to us, the aforesaid loans are interest free and the other terms and conditions are not, in our opinion, prima facie, prejudicial to the interest of the Company.
  - c. The aforesaid loans are repayable on demand and no repayment schedules have been stipulated. Under the circumstances, the question of regularity of the principal amounts does not arise.

The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register under section 301 of the Companies Act, 1956
- 5) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- 6) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - a. The particulars of contracts or arrangements that needed to be entered into the register have been so entered.
  - b. In our opinion, and according to the information and explanations given to us, having regard to the fact that the services received by the Company pursuant to the contracts or arrangements are of a specialized nature for which suitable alternative sources do not exist for obtaining comparative market prices prevailing at the relevant time, we are unable to comment as to whether these transactions were made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 7) According to the information and explanations given to us, during the year, the Company has not accepted any deposits from public.
- 8) The Company has appointed a firm of Chartered Accountants for carrying out internal audit. On the basis of the reports made by them to the management, in our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.
- 9) We have broadly reviewed the books of account and records maintained by the Company relating to manufacture of formulation and bulk drug products pursuant to the Order made by the Central Government for maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records for any other product of the Company.
- 10) According to the information and explanations given to us in respect of statutory dues :
  - a. The Company has generally been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
  - b. There were no undisputed amounts payable in respect of the aforesaid statutory dues were outstanding, as at December 31, 2010 for a period of more than six months from the date they became payable.

# Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date

c. Details of dues in respect of income tax, sales tax and excise duty which have not been deposited as at December 31, 2010 on account of disputes are given below :

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in Mn*)
Income Tax Act, 1961	Income Tax	High Court of Gujarat	A.Y. 2000-01	1.09
West Bengal Sales Tax Act, 1994	Sales Tax and Surcharge	Deputy Commissioner, Commercial Taxes	A.Y. 2003-04	0.10
Uttar Pradesh VAT Act, 2008	Sales Tax	Additional Commissioner, Appeal and Deputy Commissioner, Commercial Taxes	2009 – 2010	0.15
Andhra Pradesh VAT Act, 2005	Sales Tax	Sales Tax Appellate Tribunal	2006 – 2010	0.89
Central Excise Act, 1994	Excise Duty	Commissioner of Central Excise	2008 – 2009	3.43

\* Net of amounts paid under protest or otherwise

- 11) The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- 12) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions or banks. The Company has not issued any debentures.
- 13) In our opinion and according to the explanations given to us and based on the information available, no loans have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- 14) In our opinion and according to the explanations given to us, during the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 15) In our opinion and according to information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- 16) 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.
- 17) During the year, 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.
- 18) The Company has not issued any debentures during the year.
- 19) The Management has disclosed end use of money raised by public issue in the note no.3 of schedule - 19 and we have verified the same.
- 20) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 117365W)

Gaurav J. Shah  
Partner  
(Membership No : 35701)

Place : Ahmedabad  
Date : 24th February, 2011

# Balance Sheet

as at 31st December, 2010

(Rupees in Mn)

Particulars	Schedule	As at 31-12-2010	As at 31-12-2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	638.18	341.24
Reserves and Surplus	2	7,578.40	4,443.58
		<u>8,216.58</u>	<u>4,784.82</u>
<b>Loan Funds</b>			
Secured Loans	3	3,606.30	2,968.81
Unsecured Loans	4	-	171.26
		<u>3,606.30</u>	<u>3,140.07</u>
<b>Deferred Tax Liability (Net)</b> (See Note - 17 Schedule -19 )		522.43	518.49
	<b>TOTAL</b>	<u><u>12,345.31</u></u>	<u><u>8,443.38</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	7,116.42	6,273.89
Less : Depreciation		1,829.93	1,376.29
Net Block		<u>5,286.49</u>	<u>4,897.60</u>
Capital work-in-progress		1,857.15	1,232.29
		<u>7,143.64</u>	<u>6,129.89</u>
<b>Investments</b>	6	170.57	170.57
<b>Current Assets, Loans &amp; Advances</b>			
Interest accrued on deposits		3.27	0.99
Inventories	7	1,366.00	1,216.36
Sundry Debtors	8	2,533.43	2,413.60
Cash and Bank Balances	9	2,906.43	435.33
Loans and Advances	10	1,082.69	1,200.40
		<u>7,891.82</u>	<u>5,266.68</u>
<b>Less : Current Liabilities &amp; Provisions</b>	11	2,860.72	3,123.76
<b>Net Current Assets</b>		<u>5,031.10</u>	<u>2,142.92</u>
	<b>TOTAL</b>	<u><u>12,345.31</u></u>	<u><u>8,443.38</u></u>
Significant Accounting Policies	18		
Notes on Accounts	19		
The schedules referred to above form an integral part of Balance Sheet			

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Gaurav J. Shah  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

For and on behalf of Board of Directors

Arjun S. Handa  
Managing Director

Chandrasingh Purohit  
Whole Time Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

# Profit & Loss Account

For the year ended on 31st December, 2010

(Rupees in Mn)

Particulars	Schedule	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>INCOME</b>			
Gross Sales		6,292.43	6,280.34
Less : Excise Duty		36.51	32.96
Net Sales		<u>6,255.92</u>	<u>6,247.38</u>
Other Income	12	149.47	210.66
	<b>TOTAL</b>	<u><b>6,405.39</b></u>	<u><b>6,458.04</b></u>
<b>EXPENDITURE</b>			
(Increase) in Stock of Finished and Process stock	13	(132.31)	(71.96)
Materials Cost	14	2,447.00	2,239.27
Employees' Cost	15	476.63	386.47
Operating & Other expenses	16	1,811.07	2,029.70
Interest and Finance Charges	17	361.94	407.29
Depreciation and Amortisation		463.78	444.60
	<b>TOTAL</b>	<u><b>5,428.11</b></u>	<u><b>5,435.37</b></u>
<b>Profit Before Tax</b>		<b>977.28</b>	<b>1,022.67</b>
<b>Provision for Taxation :</b>			
Current Tax		200.00	189.20
Deferred Tax		36.57	(5.79)
Fringe Benefit Tax		-	1.70
Excess Provision of Tax in Earlier Years		(49.53)	(53.07)
		<u>187.04</u>	<u>132.04</u>
<b>Profit after taxation</b>		<b>790.24</b>	<b>890.63</b>
Balance Brought Forward From Previous Year		3,073.15	2,304.58
<b>Balance carried to Balance Sheet</b>		<u><b>3,863.39</b></u>	<u><b>3,195.21</b></u>
<b>Appropriations</b>			
Transferred To General Reserve		62.50	90.00
Proposed Dividend		127.64	102.37
Tax on Dividend		21.20	17.40
Reversal of Dividend no longer payable		-	(75.09)
Reversal of Tax on Dividend no longer payable		-	(12.62)
Balance carried to Balance Sheet		3,652.05	3,073.15
	<b>TOTAL</b>	<u><b>3,863.39</b></u>	<u><b>3,195.21</b></u>
Basic Earnings Per Share (In Rs.)		15.27	18.33
Diluted Earnings Per Share (In Rs.)		15.27	17.40
[Face Value of Rs. 10 per share]			
(See note-16 Schedule-19)			
Significant Accounting Policies	18		
Notes on Accounts	19		
The schedules referred to above form an integral part of the Profit and Loss Account			

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Gaurav J. Shah  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

For and on behalf of Board of Directors

Arjun S. Handa  
Managing Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

Chandrasingh Purohit  
Whole Time Director

# Cash Flow Statement

For the year ended on 31st December, 2010

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before taxation and extraordinary items	977.28	1,022.67
<u>Adjustments for :</u>		
Depreciation and Amortisation	463.78	444.60
Loss on sale of fixed assets	4.84	72.11
Provision for doubtful debts and advances	18.43	85.21
Provision for Product Recall	74.35	-
Bad Debts Written off	-	17.20
Unrealised exchange (gain) / loss (Net)	(10.35)	9.41
Exchange (gain) / loss on restatement of foreign currency loans	(24.78)	(41.57)
Interest income	(15.07)	(6.09)
Interest and finance charges	377.01	413.38
Operating Profit before Working Capital Changes	<u>1,865.48</u>	<u>2,016.92</u>
<u>Adjustments for :</u>		
Decrease / (Increase) in Trade and Other Receivables	(23.60)	(445.58)
Decrease / (Increase) in Inventories	(149.65)	(168.69)
(Decrease) / Increase in Trade and Other Payables	(368.16)	893.81
Cash generated from Operations	<u>1,324.07</u>	<u>2,296.46</u>
Direct Taxes Paid	(221.69)	(422.72)
Net cash generated from Operating Activities	<u>1,102.37</u>	<u>1,873.74</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(1,489.29)	(1,059.84)
Proceeds from sale of fixed assets	6.92	49.65
Investment (Capital contributions) made in a Subsidiary Company	-	(6.42)
(Decrease)/Increase in trade payables (for capital expenditure)	29.70	(27.39)
Interest Received	12.79	6.58
Net cash used in Investing Activities	<u>(1,439.88)</u>	<u>(1,037.42)</u>
<b>C. Cash Flow from Financing Activities</b>		
Issue of Equity Shares	126.33	-
Share premium received (Net off Expenses in connection with issue of Equity Shares Written Off)	2,664.05	-
Proceeds from borrowings (Net)	479.47	(122.06)
Interest and finance charges paid	(358.86)	(418.30)
Dividend paid	(102.37)	(27.28)
Net cash generated from Financing Activities	<u>2,808.60</u>	<u>(567.64)</u>
Net increase/(decrease) in Cash & Cash Equivalents (A+B+C)	2,471.10	268.68
Cash & Cash Equivalents at the beginning of the Year	435.33	166.65
Cash & Cash Equivalents at the end of the Year	<u>2,906.43</u>	<u>435.33</u>



# Cash Flow Statement

For the year ended on 31st December, 2010

(Rupees in Mn)		
Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>Notes :</b>		
1. Components of Cash & Cash Equivalents		
Cash on hand	0.31	0.19
Cheques on hand	266.73	137.72
Balances with banks		
- In Current Accounts	189.22	128.48
- In Margin Money and Fixed Deposit Accounts	2,446.09	168.94
- Unclaimed share application money lying in escrow account	4.08	-
	<u>2,906.43</u>	<u>435.33</u>
2. Cash and cash equivalents include amount not available for immediate use		
a. In Margin Money and Fixed Deposit Accounts	86.49	65.97
b. Unclaimed share application money lying in escrow account	4.08	-
3. Interest paid is exclusive of and purchase of fixed assets is inclusive of interest capitalised		
	146.99	43.83
4. The above cashflow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.		

As per our report of even date  
For Deloitte Haskins & Sells  
Chartered Accountants

Gaurav J. Shah  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

For and on behalf of Board of Directors

Arjun S. Handa  
Managing Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

Chandrasingh Purohit  
Whole Time Director

# Schedules forming part of the Balance Sheet

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
12,05,10,000 (Previous year 60,174,000) Equity Shares of Rs. 10 each	1,205.10	601.74
NIL (Previous year 603,360) Cumulative Preference Shares of Rs. 1,000 each	-	603.36
	<u>1,205.10</u>	<u>1,205.10</u>
<b>Issued, Subscribed, &amp; Paid up :</b>		
63,817,765 (Previous year 34,123,525) Equity Shares of Rs.10/- each fully paid - up	638.18	341.24
See note 3- of Schedule - 19	<u>638.18</u>	<u>341.24</u>
<b>Notes:</b>		
Of the above Equity Shares :		
(i) 39,978,319 (Previous year 22,916,556) Equity Shares of Rs. 10 each were allotted as fully paid-up bonus shares by capitalisation of Share Premium Account Rs. 170.62 Mn (Previous year Rs. NIL) and Surplus in Profit and Loss Account Rs. 229.17 Mn (Previous year Rs. 229.17 Mn).		
(ii) 23,780,172 (Previous year 15,853,448 )Equity Shares are held by Sarjan Financial Private Limited, which company was the holding company of the Company till September 2009.		
(iii) NIL (Previous year 1,000 )Equity Shares of Rs. 10 each issued to First Carlyle Ventures - III (See note - 4 of Schedule -19) carried differential rights as regards voting and right of dividend.		
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>General Reserve</b>		
Balance as per last balance sheet	355.39	265.39
Add : Transferred from Profit & Loss Account	62.50	90.00
	<u>417.89</u>	<u>355.39</u>
<b>Share Premium Account</b>		
Balance as per last balance sheet	965.03	409.34
Less : Capitalised by Issue of Bonus Shares	170.62	-
Add : Premium on Issue of Equity Shares (See Note -3 of Schedule - 19)	2,873.68	-
Less :Expenses in connection with Issue of Equity Shares Written Off ( Net of tax ) (See Note -3 of Schedule - 19)	209.63	-
Add : Amount received on conversion of Preference Shares (See Note -4 of Schedule - 19)	-	555.70
	<u>3,458.46</u>	<u>965.04</u>
<b>Capital Redemption Reserve</b>		
Balance as per last balance sheet	50.00	50.00
<b>Surplus in Profit &amp; Loss Account</b>		
	3,652.05	3,073.15
	<u>7,578.40</u>	<u>4,443.58</u>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>From Banks</b>		
<b>Term Loans</b>		
- In Foreign Currency		
External Commercial Borrowing		
From Barclays Bank PLC.	448.10	700.20
From Canara Bank	-	49.80
- In Domestic Currency	1,370.14	768.09
Cash Credit accounts	1,758.43	1,433.91
Vehicle Loans	7.67	9.08
Interest accrued and due on above loans	16.46	4.92
<b>From Others</b>		
Vehicle Loan from Finance Companies	5.50	2.81
	<u>3,606.30</u>	<u>2,968.81</u>
<b>Notes:</b>		
1. Refer Note 5 of Schedule-19 for the disclosure of nature of security in respect of the above loans.		
2. Out of the above loans, ammount repayable within 1 year is Rs. 729.01 Mn (P.Y. Rs. 321.95 Mn)		
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Short term loan from a bank	-	171.26
	<u>-</u>	<u>171.26</u>

# Schedules forming part of the Balance Sheet

## SCHEDULE 5

(Rupees in Mn)										
FIXED ASSETS										
Sr. Description No. of Assets	Gross Block (At cost)			Depreciation and Amortisation				Net Block		
	As at 01-01-10	Additions during the year	Deductions during the year	As at 31-12-10	Upto 01-01-10	For the Year	On Deduction during the year	Upto 31-12-10	As at 31-12-10	As at 31-12-09
<b>A. Tangible Assets</b>										
1 Freehold Land	153.08	-	-	153.08	-	-	-	-	153.08	153.08
2 Buildings	1,149.02	168.82	-	1,317.84	100.20	39.61	-	139.81	1,178.03	1,048.82
3 Improvement to leasehold property	26.55	-	-	26.55	24.75	0.48	-	25.23	1.32	1.80
4 Plant & Machinery	4,333.45	667.77	11.56	4,989.66	1,082.78	371.11	4.07	1,449.82	3,539.84	3,250.67
5 Electrical Installation	299.91	7.35	0.69	306.57	40.68	14.30	0.07	54.91	251.66	259.23
6 Furniture & Fixtures	79.78	1.40	-	81.18	15.84	5.18	-	21.02	60.16	63.94
7 Office Equipments	13.14	3.79	0.22	16.71	3.01	2.38	0.07	5.32	11.39	10.13
8 Vehicles	73.44	8.97	5.25	77.16	22.80	7.06	2.81	27.05	50.11	50.64
9 Data Processing Equipments	89.37	6.33	4.18	91.52	53.42	12.43	3.12	62.73	28.79	35.95
<b>B Intangible Assets</b>										
Facility Inspection Fees	5.17	-	-	5.17	4.14	1.03	-	5.17	0.00	1.03
Computer Software	50.98	-	-	50.98	28.67	10.20	-	38.87	12.11	22.31
<b>TOTAL</b>	<b>6,273.89</b>	<b>864.43</b>	<b>21.90</b>	<b>7,116.42</b>	<b>1,376.29</b>	<b>463.78</b>	<b>10.14</b>	<b>1,829.93</b>	<b>5,286.49</b>	<b>4,897.60</b>
Previous Year	5,847.02	562.90	136.03	6,273.89	945.97	444.60	14.28	1,376.29		
<b>C Capital Work in Progress</b>									<b>1,857.15</b>	<b>1,232.29</b>
									<b>7,143.64</b>	<b>6,129.89</b>

- Note
- Additions during the year include interest of Rs. 50.42 Mn (Previous year Rs. NIL) capitalised in respect of qualifying assets.
  - Vehicles include Rs. 27.51 Mn (Previous year Rs. 29.30 Mn) being cost of vehicles purchased under loan agreements on which the Finance Company has lien.
  - Capital Work in Progress include advances for capital goods and expenditure on projects under implementation of Rs. 808.96 Mn (Previous year Rs. 696.83 Mn) and Pre-operative expenses of Rs. 140.60 Mn (Previous year Rs. 43.83 Mn).
  - Additions during the year include Capital Expenditure of Rs. 29.20 Mn (Previous Year Rs. 0.64 Mn) incurred in respect of approved in house research and development facility

Particulars	As at	
	31-12-2010	31-12-2009
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>Long Term – Trade</b>		
<b>Shares (Unquoted)</b>		
<b>In Subsidiary Companies</b>		
(i) Catalys Venture Cap Limited, Mauritius 11,40,600 Ordinary Shares of US\$ 1 each fully paid-up	50.49	50.49
(ii) Claris Produtos Farmaceuticos do Brasil Ltda, 46,42,248.46 of Real 1 each fully paid-up	93.50	93.50
(iii) Claris Lifesciences Venezuela C.A. 1,000 Common Shares of Bolivar Fuerte 1,000 each fully paid-up	0.04	0.04
(iv) Pt. Claris Lifesciences Indonesia 1,00,000 Shares of Indonesia Rupiah 9,108 each fully paid-up	4.51	4.51
(v) Claris Lifesciences Colombia Ltda 271,661 Quotas of Colombian Pesos 1,000 each fully paid-up	7.37	7.37
(vi) Claris Lifesciences Philippines INC. 1,02,000 Shares of Philippine Pesos 100 each fully paid-up	9.40	9.40
(vii) Claris Lifesciences de Mexico SA de CV 50 Shares of Mexican Pesos 1,000 each fully paid-up	0.20	0.20
(viii) Claris Lifesciences Inc., USA 200 Shares of US\$ 1 each fully paid-up	0.01	0.01
(ix) Claris Lifesciences (UK) Limited 100 Ordinary Shares of GBP 1 each fully paid-up	0.01	0.01
(x) Claris Lifesciences (Aust) Pty Ltd 100 Ordinary Shares of AUD 1 each fully paid-up	0.00	0.00
(xi) Claris Lifesciences Et CIA Chile Limitada 100% of Social Rights	2.85	2.85
(xii) iCubix Infotech Limited 49,940 Equity Shares of Rs.10 each fully paid-up.	0.50	0.50
(xiii) Claris Lifesciences International Limited 50,000 Equity Shares of Rs. 10 each fully paid-up.	0.50	0.50
(xiv) Claris Biosciences Limited 50,000 Equity Shares of Rs. 10 each fully paid-up.	0.50	0.50
(xv) Claris Infrastructure Limited 50,000 Equity Shares of Rs. 10 each fully paid-up	0.50	0.50
<b>In Other Company</b>		
(i) Indian Renal Foundation 19,400 Equity Shares of Rs. 10 each fully paid	0.19	0.19
	<b>170.57</b>	<b>170.57</b>

# Schedules forming part of the Balance Sheet

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
Raw Materials	118.22	138.97
Packing Materials	145.56	107.47
Work in Process	63.51	91.21
Finished Goods	1,038.71	878.71
	<u>1,366.00</u>	<u>1,216.36</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Exceeding Six Months	841.39	778.16
Considered Good*	18.19	71.54
Considered Doubtful	859.58	849.70
<b>Others</b>		
Considered Good*	1,692.04	1,635.44
Considered Doubtful	16.59	10.59
	<u>1,708.63</u>	<u>1,646.03</u>
Less : Provision for Doubtful Debts	34.78	82.13
	<u>2,533.43</u>	<u>2,413.60</u>
*Include amounts due from Subsidiary Companies		
Claris Produtos Farmaceuticos do Brasil Ltda.	46.10	-
Catalys Venture Cap Limited	188.13	-
PT Claris Lifesciences Indonesia	20.51	21.89
Claris Lifesciences Philippines INC	21.58	10.92
Claris Lifesciences & CIA Chile Limitada	2.72	2.84
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	0.31	0.19
Cheques on Hand	266.73	137.72
<u>Balances with Scheduled Banks</u>		
Current Accounts	189.22	128.48
Margin Money Accounts	121.32	151.34
Fixed Deposit Accounts {Rs. 17.60 Mn (Previous Year Rs. 17.60 Mn) pledged with bank as margin}	2,324.77	17.60
Unclaimed Share application money lying in escrow account	4.08	-
	<u>2,906.43</u>	<u>435.33</u>
<b>SCHEDULE 10</b>		
<b>LOANS AND ADVANCES (Unsecured)</b>		
<u>Considered Good</u>		
Loans to Subsidiary Companies	39.54	304.57
Advances recoverable in cash or in kind or for value to be received	129.80	99.91
Advances to suppliers	859.21	686.18
Balance with Government Authorities	23.51	8.88
Earnest Money Deposits & Tender Deposits	11.31	11.16
Inter Corporate Deposits	-	73.41
Electricity and other deposits	19.32	16.29
	<u>1,082.69</u>	<u>1,200.40</u>
<u>Considered doubtful</u>		
Loans to Subsidiary Companies	2.62	3.08
Less : Provision for doubtful advances	2.62	3.08
	<u>1,082.69</u>	<u>1,200.40</u>

# Schedules forming part of the Balance Sheet

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b>SCHEDULE 11</b>		
<b>Current liabilities</b>		
Sundry Creditors		
Micro & Small Enterprise	12.76	17.68
Others	1,212.08	1,091.66
For Capital Goods	303.19	273.49
	<u>1,528.03</u>	<u>1,382.83</u>
<b>Other Current liabilities</b>		
Advances from Customers	392.79	532.21
Advances from Subsidiary Companies	200.74	515.66
Security Deposits	352.67	388.71
Investor Education and Protection Fund *		
Unclaimed Share Application Money	4.08	-
Interest accrued but not due on loans	17.03	10.43
	<u>967.31</u>	<u>1,447.01</u>
* Note: There is no amount due and outstanding as at the Balance Sheet date to be credited to Investor Education and Protection Fund		
<b>Provisions</b>		
For Taxation (Net of Payments)	100.01	122.21
For Employees Benefits	70.66	51.94
For Product Recall	45.87	-
For Proposed Dividend	127.64	102.37
For Dividend Tax	21.20	17.40
	<u>365.38</u>	<u>293.92</u>
	<u><u>2,860.72</u></u>	<u><u>3,123.76</u></u>

# Schedules forming part of the Profit & Loss Account

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Foreign Exchange Rate Difference (Net)	77.43	45.68
Provision for Doubtful Debts & Advances made in earlier years no longer required	-	127.77
Sale of Voluntary Carbon Reduction Units	-	21.44
Retainership Charges paid in earlier years recovered	46.00	-
Insurance Claim Received	-	5.91
Sales Tax Refund	14.70	-
Miscellaneous Income	11.34	9.86
	<u>149.47</u>	<u>210.66</u>
<b>SCHEDULE 13</b>		
<b>(INCREASE) IN STOCK OF FINISHED AND PROCESS STOCK</b>		
Stocks at the beginning of the year		
Work-in Progress	91.20	45.25
Finished Goods	878.71	852.71
	<u>969.91</u>	<u>897.96</u>
Less : Stock at the end of the year		
Work-in Progress	63.51	91.21
Finished Goods	1,038.71	878.71
	<u>1,102.22</u>	<u>969.92</u>
	<u>(132.31)</u>	<u>(71.96)</u>
<b>SCHEDULE 14</b>		
<b>MATERIALS COST</b>		
<b>Raw Materials</b>		
Opening Stock	138.97	70.41
Add : Purchase	1,399.97	884.85
Less : Stocks at close	118.22	138.97
	<u>1,420.72</u>	<u>816.29</u>
<b>Packing Materials</b>		
Opening Stock	107.47	79.30
Add : Purchase	748.74	802.38
Less : Stocks at close	145.56	107.47
	<u>710.65</u>	<u>774.21</u>
Purchase of Finished Goods	315.63	648.77
	<u>2,447.00</u>	<u>2,239.27</u>
<b>SCHEDULE 15</b>		
<b>EMPLOYEES COST</b>		
Salaries, Wages, Bonus & Gratuity	447.90	364.50
Contribution to Provident and other funds	16.57	14.38
Staff Welfare	12.16	7.60
	<u>476.63</u>	<u>386.48</u>

# Schedules forming part of the Profit & Loss Account

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>SCHEDULE 16</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Conversion Charges	82.46	26.92
Stores & Spares Consumed	43.10	79.83
Contract Labour Charges	86.79	75.67
Power & Fuel	385.36	238.95
Insurance	4.76	8.16
Outward Freight	327.37	287.30
Commission	69.70	67.19
Marketing and Sales Promotion Expenses	130.97	185.00
Laboratory Expenses	60.34	254.27
Travelling	129.31	138.12
Stationery & Printing	7.30	7.04
Communication Expenses	25.16	23.74
Rent	43.14	41.05
Rates and Taxes	1.90	2.22
Repairs to		
- Building	6.93	5.83
- Plant & Machinery	11.21	5.53
- Others	25.09	19.25
Bank Charges & Commission	89.24	114.93
Bad Debts Written-Off	-	17.20
[net of provision for doubtful debts made in earlier years Rs. 66.24 Mn (Previous Year Rs. 72.71 Mn)]		
Provision for Doubtful Debts and Advances	18.43	85.21
Provision for Product Recall	74.35	-
Excise Duty	6.96	3.98
Consultancy Fees	67.77	41.10
Legal Fees & Charges	6.01	97.02
Professional Charges	14.15	36.54
General Charges	87.37	93.90
Loss on Sale of Fixed Assets	4.84	72.11
Donations	1.06	1.64
	<u>1,811.07</u>	<u>2,029.70</u>
<b>SCHEDULE 17</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
On Fixed Deposits	-	2.00
On Fixed Loans	56.72	93.39
On Others	320.29	317.99
	<u>377.01</u>	<u>413.38</u>
Less: Interest Earned (Gross)		
[Tax deducted at source of Rs. 1.07 Mn (Previous Year Rs. 1.24 Mn) ]	15.07	6.09
	<u>361.94</u>	<u>407.29</u>

# Significant Accounting Policies

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## SCHEDULE '18'

### SIGNIFICANT ACCOUNTING POLICIES

#### 1) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the requirements of the Companies Act, 1956, including the accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956.

#### 2) Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

#### 3) Fixed assets and depreciation

- a. Fixed assets are capitalized at cost including all direct costs and other expenses incurred in connection with acquisition of assets and are net of CENVAT.
- b. Capital work-in-progress includes advances for capital goods and expenditure on projects under implementation.
- c. Depreciation on Fixed Assets is provided on the straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.
- d. Leasehold improvements are amortized over a period of 36 months.
- e. Intangible assets are stated at cost and are amortized equally over a period of five years from the year in which incurred.

#### 4) Investments

- a. Long-term investments are stated at cost. Any diminution in the value, other than temporary, is provided for.
- b. Investments in shares of foreign subsidiary companies are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

#### 5) Inventories

Inventories are valued at lower of cost and net realisable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The method of determining cost of various category of inventories as follows:

- a. With respect to the raw materials and packing materials the cost (net of CENVAT credit availed) is computed on Moving Average basis.
- b. The cost of work in progress and finished goods is determined on absorption cost basis and comprises of cost of materials, direct labour and manufacturing overheads

#### 6) Revenue recognition

- a. Sales include sales of products, dossiers and marketing rights. Sales include excise duty and exchange differences on sales transactions, but are net of sales tax. Sales are recognized at the time when significant risks and reward of ownership in the goods are transferred.
- b. Revenue in respect of other income is recognized when no significant uncertainty as to its determination or realization exists.

#### 7) Export benefits

Export benefits arising on account of entitlement of duty free import under Duty Entitlement Pass Book Scheme are estimated and accounted in the year of exports if the same can be estimated with reasonable certainty.

#### 8) Retirement benefits

##### Defined Contribution Plan

The Company's contributions paid/payable for the year to Provident Fund and ESIC are charged to the profit and loss account for the year.

##### Defined Benefit Plan

The Company's liabilities towards gratuity and leave encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.



# Significant Accounting Policies

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**9) Foreign currency transactions**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

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

Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

**10) Research and development expenses**

Revenue expenditure on Research and Development is expensed as incurred. Expenses of capital nature are capitalized and depreciation is provided thereon as per the policy stated above.

**11) Expenditure on product registration**

Expenditure incurred for registration of products for overseas markets and for product acquisitions are charged to the profit & loss account.

**12) Borrowing costs**

Borrowing costs that are attributable to acquisition / construction of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the profit & loss account.

**13) Leases**

Lease rentals in respect of assets taken on operating leases are charged to the profit and loss account on accrual and straight-line basis over the lease term.

**14) Taxes on income**

Current taxation

Current tax provision is determined on the basis of taxable income computed as per the provisions of the Income Tax Act.

Deferred taxation

Deferred tax is recognized for all timing differences that are capable of reversal in one or more subsequent periods, subject to consideration of prudence and by applying tax rates that have been enacted or substantively enacted as on the balance sheet date.

**15) Provisions, contingent liabilities and contingent assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to the financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

# Notes to the Financial Statements

## SCHEDULE '19'

### NOTES TO THE FINANCIAL STATEMENT

#### 1. Contingent Liabilities

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
Claims against the Company not acknowledged as debts in respect of sales tax and other matters	13.45	7.27
Guarantees given by the bankers on behalf of the Company	124.89	6.30
Disputed demand under Income tax	15.22	8.35
Bills discounted	251.40	117.28
Letters of credit outstanding	437.53	674.59

#### 2. Commitments & Obligations

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
Estimated amount of contracts remaining to be executed on capital account and not provided for	90.80	526.47
Outstanding obligation to export goods worth Rs. 3,660.13 Mn (Previous year Rs. 4,809.49 Mn) within the stipulated period as per Export Promotional Capital Goods Scheme, failing which additional custom duty payable would amount to	459.93	562.73

#### 3. Initial Public Offering (IPO):

During the year, the Company has completed its Initial Public Offering (IPO) comprising of 12,632,477 Equity Shares of Rs.10 each, of which 1,843,003 Equity Shares were issued to anchor investor at a price of Rs.293 and 10,789,474 Equity Shares were issued to investor other than anchor investor at a price of Rs.228, aggregating to Rs. 3,000 Mn. The Share Premium amounting to Rs. 2,873.68 Mn has been credited to Share Premium Account. The expenses in connection with Issue of Equity Shares amounting to Rs. 209.63 Mn (Net of Tax of Rs. 32.63 Mn) have been adjusted to Share Premium Account.

The details of funds raised through the IPO and the utilization thereof till 31st December,2010 are as under:

(Rupees in Mn)

Particulars	Amount	Amount
Funds raised through the IPO		3,000.00
<u>Utilisation of Funds</u>		
Prepayment of an identified term loan	459.14	
Payment of Equity Shares Issue expense	174.77	
		633.91
Balance as on 31st December 2010, temporarily lying with Banks in :		
a. Fixed Deposit Accounts	2,307.17	
b. Escrow Accounts	58.92	
		2,366.09
		3,000.00

4. In March 2006, the Company and its founders entered into a Share Subscription and Shareholders Agreement ("the Agreement") with First Carlyle Ventures III, Mauritius and other Co-investors (collectively "Investors"). As per the terms of the Agreement, in March 2006, the Company issued 1,000 equity shares Rs. 10 each at par ("Investor equity shares") and 603,360 Cumulative Preference Shares of the face value of Rs. 1,000 each at a premium of Rs. 500 each ("the Securities") to the Investors.

In accordance with the terms and conditions of the Agreement, in September 2009, the aforesaid 603,360 Cumulative Preference Shares of the face value of Rs. 1,000 each were converted into 4,766,269 Equity Shares of the face value of Rs. 10 each resulting into share premium of Rs. 555.70 Mn. As per the terms and conditions of the Agreement, the Investor Equity Shares and the Securities, till their conversion into Equity Shares as stated above, carried differential rights as regards voting and right of dividend.

#### 5. Secured Loans as stated in Schedule-3 are secured by below stated nature of securities:

- Term Loans in Foreign Currency and Domestic Currency are secured by first pari passu charge by hypothecation of specified moveable fixed assets, mortgage over immovable fixed assets and second pari passu charge over stocks, receivables and specified immovable properties in favor of the Banks. The formalities of creating mortgage over specified immoveable fixed assets in respect of loan of Rs. 1,432.80 Mn are in process.
- Cash Credit Accounts are secured by first pari passu charge by hypothecation of all current assets of the Company (present and future); second pari passu charge by hypothecation of movable fixed assets (present and future), by mortgage on specified immovable fixed assets of the Company (present and future) and by first pari passu charge through equitable mortgage on specified immovable property of the Company.
- Vehicle loans from banks and finance companies are secured by hypothecation of respective vehicles.

# Notes to the Financial Statements

6. Excise duty shown as deduction from Sales represents the amount of excise duty collected on sales. Excise duty expenses under Schedule-16, "Operating and Other Expense", represents the difference between excise duty element in the amounts of closing stocks and opening stocks and excise duty paid on materials manufactured for captive consumption.

7. Capital Work In Progress includes preoperative expenditure pending allocation to projects under implementation, the break up of which is as under:

	(Rupees in Mn)	
Preoperative Expenses	As at 31-12-2010	As at 31-12-2009
Opening Balance	43.83	3.49
Add: Interest and Finance Charges	146.99	43.83
Consultancy / Professional Fee	0.19	-
Material Consumed	-	0.01
Other Expenses	-	0.68
Less: Capitalised during the year	(50.42)	(4.18)
<b>Closing Balance</b>	<b>140.59</b>	<b>43.83</b>

Details of Preoperative Expenses capitalised during the year:

	(Rupees in Mn)	
Fixed Asset	For the year ended on 31-12-2010	For the year ended on 31-12-2009
Building	-	3.72
Plant & Machinery	50.42	0.46
<b>TOTAL</b>	<b>50.42</b>	<b>4.18</b>

8. Profit and Loss Account includes:

	(Rupees in Mn)	
Particulars	For the year ended on 31-12-2010	For the year ended on 31-12-2009
<b>a) Managerial Remuneration Paid to Directors</b>		
Salary	23.80	20.13
Contribution to Provident Fund	0.04	0.03
Perquisites	0.33	0.30
<b>TOTAL</b>	<b>24.17</b>	<b>20.46</b>
<b>Note:</b> Provision for leave encashment and gratuity benefits which is based on actuarial valuation done on an overall company basis is not included in the above.		
<b>b) Payment to Auditors</b>		
Audit Fees	1.66	1.66
Certification and Other Services	1.78	0.69
In connection with the IPO (Included in expenses in connection with the issue of equity shares adjusted to Share Premium)	3.86	-
<b>TOTAL</b>	<b>7.30</b>	<b>2.35</b>

9. The provision for current tax has been made as per the provisions of Section 115 JB under the Income Tax Act, 1961. The tax year for the Company being the year ending 31st March, the provision for current tax for the year is the aggregate of the provision required for the three months ended 31st March, 2010 and the provision required for the remaining nine months up to 31st December, 2010, the ultimate tax liability of which has been estimated on the basis of the actual / projected figures for the period from 1st April, 2010 to 31st March, 2011

10. Disclosures required by Micro, Small and Medium Enterprises Development Act, 2006 ("MSM Act") are as under: - (Rupees in Mn)

Particulars	For the year ended on 31-12-2010	For the year ended on 31-12- 2009
- Principal amount remaining unpaid to any supplier as at the year end.	12.76	17.68
- Interest due on the above mentioned principal amount remaining unpaid to any supplier as at the year end	1.00	0.56
- Amount of the interest paid by the Company in terms of Section16 of MSM Act along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
- Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the MSM Act.	-	-
- Amount of interest accrued and remaining unpaid at the end of the accounting year	3.26	2.27

**Note:** The above information has been determined to the extent such parties could be identified on the basis of information available with the Company.

# Notes to the Financial Statements

## 11) Disclosures regarding Derivative Instruments:

- The company uses forward exchange contracts to hedge its exposure in foreign currency. There are no contracts entered into for the purpose of speculation.
- The information on derivative instruments as on 31st December, 2010 is as follows

Exposure hedged by derivative instruments: -

(Amount in Mn)

Particulars	No. of Contracts		Foreign Currency	Foreign Currency Amount		Reporting Currency Amount (INR)	
	2010	2009		2010	2009	2010	2009
	- Forward cover for repayment of term loan in foreign currency	-		1	USD	-	1.03
- Outstanding Currency Swap to hedge against fluctuation in exchange rate and interest rate change.	-	-	JPY	1,779.38	1759.80	649.36	888.87

Unhedged Exposures

(Amount in Mn)

Particulars	Foreign Currency Amount		Reporting Currency Amount (INR)	
	2010	2009	2010	2009
	<u>Loan Outstanding</u>			
USD	10.00	16.01	448.10	748.03
<u>Accounts Receivable</u>				
USD	45.19	34.77	2,025.14	1,623.03
EUR	2.35	0.93	140.37	62.02
GBP	0.44	0.10	30.28	7.50
CHF	-	0.02	-	0.99
AUD	1.10	0.12	50.97	4.85
NZD	0.05	0.05	1.79	1.72
SEK	0.10	0.10	0.67	0.65
JPY	4.19	4.70	2.31	2.37
CAD	0.08	0.08	3.67	3.60
<u>Accounts Payable</u>				
USD	23.73	17.42	1,063.13	813.17
EUR	6.59	5.78	394.41	387.41
GBP	0.31	0.01	21.24	0.36
AUD	1.28	0.68	59.40	28.53
CHF	0.07	1.20	3.29	3.61

Expenditure on account of Premium on forward exchange contracts to be recognized in Profit & Loss Account of subsequent accounting period aggregates to Rs. NIL (Previous Year Rs. 0.33 Mn).

## 12. Employee Benefits

### a. Defined Benefit Plans

(Rupees in Mn)

i. Expenses recognized in Profit & Loss Account for the year ended on 31st December	Gratuity		Leave Encashment	
	2010	2009	2010	2009
Current service cost	7.98	6.71	7.02	7.13
Interest Cost	2.40	2.04	1.96	2.10
Expected return on plan assets	-	-	-	-
Net actuarial losses (gains)	(0.35)	2.70	12.86	2.98
<b>TOTAL EXPENSES</b>	<b>10.03</b>	<b>11.45</b>	<b>21.84</b>	<b>12.21</b>

# Notes to the Financial Statements

(Rupees in Mn)

ii. Reconciliation of Closing balances of changes in present value of the Defined Benefit Obligation	Gratuity		Leave Encashment	
	2010	2009	2010	2009
Opening defined benefit obligation	28.58	24.49	23.36	25.22
Service Cost	7.98	6.71	7.02	7.13
Interest Cost	2.40	2.04	1.96	2.10
Actuarial losses ( gains)	(0.35)	2.70	12.86	2.98
Losses ( gains) on curtailments	-	-	-	-
Liabilities extinguished on settlements	-	-	-	-
Benefits paid	(2.47)	(7.35)	(10.68)	(14.06)
<b>Closing defined benefit obligation</b>	<b>36.14</b>	<b>28.58</b>	<b>34.53</b>	<b>23.37</b>
<b>iii. Reconciliation of Opening and Closing balances of changes in fair value of plan assets</b>				
Opening fair value of plan assets	-	-	-	-
Expected return on plan assets	-	-	-	-
Actuarial gains and (losses)	-	-	-	-
Assets distributed on settlements	-	-	-	-
Contributions by employer	-	-	-	-
Benefits paid	-	-	-	-
<b>Closing balance of fair value of plan assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>iv. Net Liability recognized in the Balance sheet</b>				
Defined Benefit Obligation	36.14	28.58	34.53	23.37
Fair value of plan assets	-	-	-	-
<b>Present Value of unfunded obligation recognized as liability</b>	<b>36.14</b>	<b>28.58</b>	<b>34.53</b>	<b>23.37</b>
<b>v. Past four years data for define benefit obligation and fair value of plan assets are as under:</b>				
	For the year ended 31st December			
	2009	2008	2007	2006
<b>Gratuity</b>				
Defined Benefit Obligation	28.58	24.49	16.76	11.93
Fair value of plan assets	-	-	-	-
<b>Present Value of unfunded obligation recognized as liability</b>	<b>28.58</b>	<b>24.49</b>	<b>16.76</b>	<b>11.93</b>
<b>Leave Encashment</b>				
Defined Benefit Obligation	23.36	25.21	17.51	12.02
Fair value of plan assets	-	-	-	-
<b>Present Value of unfunded obligation recognized as liability</b>	<b>23.36</b>	<b>25.21</b>	<b>17.51</b>	<b>12.02</b>
<b>vi. Actuarial Assumptions</b>				
	<b>31-12-2010</b>	<b>31-12-2009</b>		
Discount Rate	8.40%	8.34%		
Expected Rate of Salary Increase	6.00%	6.00%		
Mortality	LIC (1994-96) published table of mortality rates	LIC (1994-96) published table of mortality rates		
Withdrawal Rates	3 % younger age reducing to 1 % old age	3 % younger age reducing to 1 % old age		
Retirement Age	58 Years	58 Years		
Actuarial Valuation Method	Projected Unit Credit Method	Projected Unit Credit Method		

## b Defined Contribution Plans

Rs. 16.57 Mn (Previous Year Rs. 15.28 Mn) recognised as an expense and included in the Schedule 15 of Profit and Loss Account under the head "Contribution to Provident and other funds".

## 13. Segment Information

### i. Primary Segment:

In accordance with the requirements of Accounting Standard -17 on Segment Reporting, the Company has determined its business segment as "Drugs & Pharmaceuticals". Since all of the Company's business is from "Drugs and Pharmaceuticals", there are no other primary reportable segments. Thus the segment revenue, segment result, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, the total amount of charge for depreciation during the year are all reflected in the financial statements as of and for the year ended 31st December, 2010.

# Notes to the Financial Statements

## ii. Secondary Segment (Geographical Segment)

(Rupees in Mn)

Particulars	India	Outside India	Total
Revenue	3,150.82 (3,345.09)	3,105.10 (2,902.29)	6,255.92 (6,247.38)
Carrying amounts of segment assets	13,834.55 (9,996.59)	1,371.47 (1,570.53)	15,206.02 (11,567.12)
Capital expenditure	1,489.28 (1,059.84)	- (-)	1,489.28 (1,059.84)

Note: Figures in brackets are in respect of previous year.

14. Related party disclosures as required by Accounting Standard 18, " Related Party Disclosures", issued by the Institute of Chartered Accountants of India are given below.

### (A) Particulars of related parties and nature of relationships:

Name of the Related Parties	Name of the Related Parties
<b>A. Holding Company</b> - Sarjan Financial Private Limited (Upto 3rd September, 2009)	<b>C. Key Management Personnel</b> - Mr. Arjun S. Handa - Mr. Chetan S. Majmudar - Mr. Amish Vyas - Mr. Chandrasingh Purohit
<b>B. Subsidiary Companies</b> - Claris Lifesciences Venezuela C. A - Claris Produtos Farmaceuticos Do Brasil Limitada - Pt. Claris Lifesciences Indonesia - Claris Lifesciences Colombia Limitada - iCubix Infotech Limited - Catalys Venture Cap Limited - Claris Lifesciences International Limited (Formerly known as Claris International Limited) - Claris Lifesciences Philippines INC - Claris Lifesciences De Mexico SA de CV - Claris Lifesciences (UK) Limited - Claris Lifesciences Inc. - Claris Lifesciences Et CIA Chile Limitada - Claris Lifesciences (Aust) Pty Limited - Claris Infrastructure Limited - Claris Biosciences Limited - Claris SteriOne - Claris Pharmservices	<b>D. Relatives of Key Management Personnel</b> - Mr. Sushilkumar Handa - Mrs. Beena S. Handa - Mr. Aditya S. Handa
	<b>E. Companies over which Key Management Personnel or their relatives are able to exercise significant influence</b> - Sarjan Financial Private Limited (Since 4th September, 2009) - Cygnus Laboratories Limited - Medical Technologies Limited - Abellon Agrisciences Limited (Formerly known as Olive Agrisciences Limited) - Levana Financial Services Limited - Darshnil Financial Private Limited - Red Bricks Junior Education Limited - Prarabdh Financial Private Limited - Xcelris Labs Limited - Accelarities Technologies Limited.

### (B) Related party transactions

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
(A)	<b>Nature of Transactions</b>		
1	<u>Sales -</u>		
	To Subsidiary Companies		
	- Claris Produtos Farmaceuticos Do Brasil Limitada	129.32	6.33
	- Claris Lifesciences Inc.	9.99	79.49
	- Catalys Venture Cap Limited	897.30	223.32
	- Others	149.88	47.25

# Notes to the Financial Statements

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
2	<u>Services Purchased</u>		
	From Subsidiary Companies		
	- iCubix Infotech Limited	23.94	19.89
	From Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Xcelris Labs Limited	-	21.71
	From Relative of Key Management Personnel		
	- Mrs. Beena S. Handa	-	0.75
3	<u>Retainership Charges paid in earlier years recovered</u>		
	From Relative of Key Management Personnel		
	- Mr.Sushilkumar Handa	46.00	-
4	<u>Expense Reimbursed</u>		
	To Subsidiary Companies		
	- Claris Produtos Farmaceuticos Do Brasil Limitada	-	29.65
	- Claris Lifesciences De Mexico SA de CV	10.08	-
	- Claris Lifesciences Inc.	24.60	-
	- Others	2.05	4.10
5	<u>Remuneration Paid</u>		
	To Key Management Personnel		
	- Mr. Arjun S. Handa	15.01	15.00
	- Mr. Chandrasingh Purohit	2.91	1.48
	- Mr. Amish Vyas	2.79	1.42
	- Mr. Chetan S. Majmudar	3.46	2.57
6	<u>Dividend Paid</u>		
	To Key Management Personnel		
	- Mr. Arjun S. Handa	15.60	4.14
	- Mr. Aditya S. Handa	-	4.14
	To Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Sarjan Financial Private Limited	47.56	11.20
	- Medical Technologies Limited	9.01	2.48
	To Relative of Key Management Personnel		
	- Mr. Aditya S. Handa	15.60	-
	- Mrs. Beena S. Handa	-	0.04
7	<u>Bad/Doubtful Debts/Advances Written off During the year</u>		
	Of Subsidiary Companies		
	- Claris Lifesciences Venezuela C.A	-	17.20
8	<u>Provision for Doubtful Debts/Advances no longer required</u>		
	Of Subsidiary Companies		
	- Pt.Claris Lifesciences Indonesia	-	14.75
	- Claris Lifesciences De Mexico SA de CV	-	51.57
	- Claris Lifesciences Colombia Limitada	-	21.58
	- Claris Lifesciences Venezuela C.A.	-	28.04
	- Claris Lifesciences International Limited (Formerly known as Claris International Limited)	0.18	-
	- Others	-	11.83

# Notes to the Financial Statements

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
9	<u>Doubtful Debts/Advances Provided for the year</u> Of Subsidiary Companies		
	- Pt. Claris Lifesciences Indonesia	0.36	18.35
	- Claris Biosciences Limited	0.06	0.26
	- Claris Lifesciences International Limited (Formerly known as Claris International Limited)	-	0.37
10	<u>Inter Corporate Deposits taken / received back during the year</u> To / From Holding Company		
	- Sarjan Financial Private Limited	-	1.87
	To / From Subsidiary Companies		
	- iCubix Infotech Limited	-	30.34
	To / From Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Cygnus Laboratories Limited	11.28	144.82
	- Prarabdh Financial Private Limited	53.30	46.46
	- Accelaries Technologies Limited	51.71	119.04
	- Others	10.26	20.41
11	<u>Inter Corporate Deposits repaid / granted during the year</u> To Holding Company		
	- Sarjan Financial Private Limited	-	1.87
	To Subsidiary Companies		
	- iCubix Infotech Limited	-	37.17
	To Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Medical Technologies Limited	7.20	120.45
	- Cygnus Laboratories Limited	-	155.53
	- Prarabdh Financial Private Limited	-	49.27
	- Accelaries Technologies Limited	45.94	106.51
	- Others	-	3.06
12	<u>Advances Granted during the Year</u> To Subsidiary Companies		
	- Claris Produtos Farmaceuticos Do Brasil Limitada	52.86	14.77
	- Claris Lifesciences Inc.	18.67	11.53
	- Claris Lifesciences De Mexico SA de CV	18.84	-
	- Others	0.75	6.08
	To Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Xcelris Labs Limited	-	144.07
13	<u>Advances Received during the Year</u> From Subsidiary Companies		
	- Catalys Venture Cap Limited	521.39	-
	- Claris Lifesciences De Mexico SA de CV	-	92.14
	- Claris Lifesciences Inc	0.04	41.05
	- Others	4.30	19.64
	To Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Xcelris Labs Limited	-	103.29



# Notes to the Financial Statements

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
14	<u>Investments made during the year</u> In Subsidiary Companies - Claris Lifesciences Colombia Limitada	-	6.43
(B)	<b>Balances at the end of the Year</b>		
1	<u>Inter Corporate Deposit Receivable</u> From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Prarabdh Financial Private Limited - Cygnus Laboratories Limited - Others	- - -	53.30 11.28 8.84
2	<u>Outstanding Payables</u> To Subsidiary Companies - Claris Lifesciences Colombia Limitada - Claris Lifesciences Inc - Claris Lifesciences De Mexico SA de CV - Others To Key Management Personnel - Mr. Chetan S. Majmudar To Relative of Key Management Personnel - Mrs. Beena S. Handa To Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited	19.49 119.03 - 7.51 - - -	44.77 109.48 224.69 43.13 0.22 3.19 21.75
3	<u>Outstanding Receivables</u> From Subsidiary Companies - Claris Productos Farmaceuticos Do Brasil Limitada - Catalys Venture Cap Limited - Others	46.10 188.13 44.80	- - 36.27
4	<u>Provision for doubtful Debts</u> - Pt. Claris Lifesciences Indonesia	16.59	15.89
5	<u>Advances Received Outstanding</u> To Subsidiary Companies - Claris Lifesciences Philippines INC - Claris Lifesciences Et CIA. Chile Limitada - Claris Lifesciences De Mexico SA de CV - Claris Lifesciences Venezuela C.A. - Claris Productos Farmaceuticos Do Brasil Limitada. - Claris Lifesciences Inc. - Others	8.74 6.20 31.28 12.67 - 3.09 0.07	5.08 6.46 41.44 13.20 12.59 21.99 0.06

# Notes to the Financial Statements

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
6	<u>Advances Granted Outstanding</u> (Net of provision for Doubtful advances)		
	From Subsidiary Companies		
	- Catalys Venture Cap Limited	-	304.57
	- Claris Produtos Farmaceuticos Do Brasil Limitada	39.24	-
	- Others	2.92	3.08
	From Key Management Personnel		
	- Mr. Amish Vyas	0.30	0.20
	- Mr. Chetan S. Majmudar	0.45	-
	- Mr. Chandrasingh Purohit	1.21	0.48
	From Relatives of Key Management Personnel		
	- Mr. Sushilkumar Handa	-	0.58
	From Companies in which Key Management Personnel or their relatives are able to exercise significant influence		
	- Xcelris Labs Limited	33.54	45.11
7	<u>Provision for Doubtful Advances</u>		
	- Pt. Claris Lifesciences Indonesia	2.11	2.45
	- Claris Lifesciences Interntational Limited (Formerly known as Claris International Limited)	0.19	0.37
	- Claris Biosciecnes Limited	0.32	0.26
8	<u>Investments Balance at the end of the year</u>		
	From Subsidiary Companies		
	- Claris Produtos Farmaceuticos Do Brasil Limitada	93.50	93.50
	- Catalys Venture Cap Limited	50.49	50.49
	- Others	26.38	26.38

# Notes to the Financial Statements

## 15) Disclosure for operating leases under Accounting Standard 19 – “Accounting for Leases”

The company has entered into agreements for taking on lease and license basis residential / office premises including furniture and fittings therein, as applicable, for a period ranging from 11 to 60 months. The specified disclosure in respect of these agreements is given below:

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
1 Lease payments recognized in the profit and Loss account for the year	27.83	26.27
2. Minimum lease payments under the agreements are as follows.		
a. Not later than one year	28.13	28.05
b. Later than one year but not later than 5 Year	116.91	110.31
c. Later than five year	61.59	90.51

## 16) Computation of Earnings per Share (EPS):

(Rupees in Mn, Except per share data)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>Basic EPS</b>		
<b>Computation of Profit (Numerator)</b>		
Net Profit for the year	790.24	890.63
Less: Dividend and tax thereon on shares deemed to be allotted on exercise of options to convert Series "A" Cumulative Preference Shares allotted to First Carlyle Ventures-III and their nominees upto the date of conversion of Investor Securities.	-	11.27
Net Profit for the year attributable to Equity Shareholders	790.24	879.36
<b>Weighted Average Number of Shares (Denominator)</b>	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of Equity Shares of Rs. 10 each used	51,739,040	30,911,190
Add: Bonus shares issued (Refer note below )	-	17,061,763
Weighted average number of Equity shares of Rs. 10 each used For calculation of Basic Earning Per Share	51,739,040	47,972,953
<b>Basic EPS (in Rs.)</b>	<b>15.27</b>	<b>18.33</b>
Face value per share (in Rs.)	10.00	10.00
<b>Diluted EPS</b>		
Net Profit attributable to Equity Shareholder's as above		
<b>Add:</b> Dividend on dilutive potential Equity Shares which have been deducted in arriving at the Net Profit attributable to Equity Shareholder's.	790.24	879.36
Adjusted Net Profit	-	11.27
	790.24	890.63
	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of Equity Shares as above	51,739,040	47,972,953
<b>Add:</b> Weighted average number of shares deemed to be allotted on exercise of options to convert Series "A" Cumulative Preference Shares allotted to First Carlyle Ventures-III and their nominees upto the date of conversion of Investor Securities.	-	3,212,335
Total weighted average number of Shares used for calculating diluted Earning per share.	51,739,040	51,185,288
<b>Diluted EPS (in Rs.)</b>	<b>15.27</b>	<b>17.40</b>
Face value per share (in Rs.)	10.00	10.00
<b>Note:</b> The Company, on 7th April 2010, has issued 17,061,763 bonus shares to its existing shareholders in the proportion of one equity share for every two equity shares held by capitalization of Share Premium Account.		

# Notes to the Financial Statements

## 17) Break-up of opening and closing balances of net deferred tax liability into major components of Deferred Tax Assets and Deferred Tax Liabilities: (Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<u>Deferred tax liability</u>		
Timing difference on account of difference between book depreciation and depreciation under Income-tax Act, 1961	(590.09)	(564.35)
<u>Deferred tax asset</u>		
Timing difference on account of disallowance of provisions / expenses	35.03	45.86
Timing difference on Share issue Expenses set off against share premium allowable u/s 35 - D of Income Tax Act in Subsequent years	32.63	-
<b>Net Deferred Tax Liability</b>	<b>(522.43)</b>	<b>(518.49)</b>

## 18) Provision for loss due to products recalled:

The Company had initiated a voluntary recall of certain products as a precautionary measure against possible contamination due to the packaging integrity of such recalled products. The provision for loss due to products recalled is based on estimates made by the management by applying principles laid down in Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets". Further it is not possible to estimate the timing / uncertainty relating to the outflow. The movement in the provision during the period is as under: -

(Rupees in Mn)

Balance as on 1st January, 2010	For the year ended 31st December, 2010			Balance as on 31st December, 2010
	Provision made	Utilised	Reversal	
-	74.35	28.48	-	45.87

## 19) a. Quantitative information in respect of capacities and actual production.

(Units in Mn)

Class of Goods	Units	Installed capacity		Actual production	
		As at	As at	For the year ended	For the year ended
		31-12-2010	31-12-2009	31-12-2010	31-12-2009
Large Volume Parenterals	Nos.	195.83	187.46	147.26	162.34
Small Volume Parenterals	Nos.	77.88	74.56	27.91	23.63

### Notes:

- Installed capacities stated above are based on the product-mix and are as certified by the plant manager, but not verified by the auditors, being a technical matter.
- Actual production includes quantities produced in the factories and excludes quantities of LVP Nos.135.75 Mn (Previous Year Nos. 40.12 Mn) produced in the factories of third parties on loan and license basis.
- Licensed capacity is not indicated as the Company's products are exempt from licensing requirement.

## b. Quantitative details of Opening Stock, Purchases, Sales Turnover and Closing Stock of each class of goods

(Figures in Mn)

Class of Goods	Units	Opening Stock		Production Qty.	Purchase		Sales		Closing Stock	
		Qty.	Value		Qty.	Value	Qty.	Value	Qty.	Value
Large Volume Parental	Nos	95.76	766.84	283.00	20.34	221.26	297.39	3,926.83	101.71	888.80
		(70.60)	(640.77)	(202.46)	(21.87)	(389.42)	(199.18)	(3,774.10)	(95.76)	(766.84)
Small Volume Parental	Nos	2.76	56.74	27.91	1.16	76.53	25.44	1,091.78	6.38	93.94
		(6.82)	(149.33)	(23.63)	(2.13)	(166.19)	(29.82)	(1,622.48)	(2.76)	(56.74)
Others (Bulk Drugs, Chemicals, Dossiers and Marketing rights etc.)	Nos	-	55.13	6.28	-	17.84	-	1,273.83	-	55.97
		-	(62.61)	(4.72)	-	(93.17)	-	(883.76)	-	(55.13)
<b>TOTAL</b>			<b>878.71</b>	<b>317.19</b>		<b>315.63</b>		<b>6,292.43</b>		<b>1,038.71</b>
<b>Previous year</b>			<b>(852.71)</b>	<b>(230.81)</b>		<b>(648.77)</b>		<b>(6,280.34)</b>		<b>(878.71)</b>

Note: . Turnover Includes exchange Gain/(Loss) (net) Rs. (3.05) Mn (Previous year exchange Gain/(Loss) (net) Rs. (102.14) Mn.

ii. Figures in brackets are in respect of previous year.

# Notes to the Financial Statements

## 20) a. Break-up of consumption of Raw materials into imported and indigenous (Rupees in Mn)

Particulars	For the Year ended on 31-12-2010		For the Year ended on 31-12-2009	
	Value	Total Consumption %	Value	Total Consumption %
Indigenous	920.80	64.81	653.18	63.64
Imported	499.91	35.19	373.27	36.36
<b>TOTAL</b>	<b>1,420.71</b>	<b>100.00</b>	<b>1,026.45</b>	<b>100.00</b>

## b. Quantity and value of consumption of raw materials.

(Figures in Mn)

Raw Materials	Units	For the Year ended on 31-12-2010		For the Year ended on 31-12-2009	
		Qty	Value	Qty	Value
Glass Bottle	Nos.	32.58	71.16	23.19	67.24
Amino Acid	Kgs.	0.03	34.96	0.02	30.80
Plastic Granules	Kgs.	8.16	780.70	5.22	480.75
Egg-Lecithin	Kgs.	0.00	46.05	0.00	52.99
Dextrose Anhydrous	Kgs.	3.87	182.37	1.53	56.36
Other		-	305.48	-	338.32
<b>TOTAL</b>		<b>44.64</b>	<b>1,420.72</b>	<b>29.96</b>	<b>1,026.45</b>

## 21) C.I.F. Value of Imports:

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
Purchase of goods traded-in	107.75	90.12
Raw Materials	355.50	180.78
Packing Material	178.40	289.80
Plant & Machinery	110.24	95.19
Stores and Spares	15.71	7.90

## 22) Expenditure in foreign currency:

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
Consultancy Fees	20.47	32.13
Testing Charges	4.19	210.77
Legal Fees & Charges	1.10	91.14
Traveling	31.42	23.79
Commission	43.53	24.13
Interest	26.45	33.80
Others (Product Registration Fees, Sales Promotion Expenses, Advertisement - Marketing etc.)	93.41	159.21

## 23) Research and Development Expenditure :

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
Expenditure on research and development charged to revenue	47.41	26.24

## 24) Earnings in foreign exchange:

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
FOB value of Exports	2,991.91	2,947.57
Sales of Voluntary Carbon Reduction Units	-	21.44

# Notes to the Financial Statements

## 25) Debtors & Loans and advances include

a. Amount due from directors or other officers of the company Rs. 2.37 Mn Previous Year Dec-2009 is Rs.1.00 Mn). Maximum amount outstanding at any time during the year Rs. 4.01 Mn Previous Year Dec-2009 Rs. 1.62 Mn).

b. Amounts due from the companies under the same management within the meaning of Sec. 370 (1B).

(Rupees in Mn)

Particulars	As at 31-12-2010	Maximum Balance outstanding at any time during the year 2010	As at 31-12-2009	Maximum Balance outstanding at any time during the year 2009
<b>A) Loan and Advances</b>				
- Sarjan Financial Private Limited	-	-	-	1.87
- Xcelris Laboratories Limited	33.54	45.11	45.11	109.44
- Cygnus Laboratories Limited	-	11.28	11.28	110.57
- Claris Biosciences Limited	0.32	0.32	0.26	0.26
- Claris Lifesciences Colombia Limitada	-	-	-	8.50
- Pt. Claris Lifesciences Indonesia	2.12	2.43	2.45	3.34
- Claris Lifesciences de Mexico SA de CV	-	-	-	51.57
- Claris Produtos Farmaceuticos Do Brasil Limitada	39.24	39.24	-	27.22
- Claris Lifesciences Inc	-	-	-	18.86
- Claris Lifesciences (U.K.) Limited	-	-	-	0.14
- Claris Lifesciences (Aust) Pty Limited	-	-	-	0.12
- Prarabdh Financial Private Limited	-	53.30	53.30	92.41
- Medical Technologies Limited	-	7.20	-	9.41
- Red Bricks Junior Education Limited	-	0.06	0.06	0.06
- Claris Lifesciences International Limited (Formerly known as Claris International Limited)	0.48	0.48	0.37	0.37
- Catalys Venture Cap Limited	-	304.57	304.57	307.76
- Accelaries Technologies Limited	-	38.77	5.78	120.97
- Abellon Agrisciences Limited (Formerly known Olive Agrisciences Limited.)	-	3.00	3.00	3.00
<b>B) Debtors</b>				
- Claris Produtos Farmaceuticos Do Brasil Limitada	46.10	66.55	-	93.56
- Claris Lifesciences Colombia Limitada	-	-	-	49.25
- Claris Lifesciences Philippines INC	21.58	27.04	10.92	11.82
- Pt. Claris Lifesciences Indonesia	20.51	47.16	21.89	32.47
- Claris Lifesciences & CIA Chile Limitada	2.72	2.82	2.84	3.10
- Claris Lifesciences Venezuela C.A.	-	-	-	34.35
- Claris Lifesciences Inc	-	-	-	91.54
- Catalys Venture Cap Limited	188.13	423.66	-	-

# Notes to the Financial Statements

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26) Current Asset, Loans and Advances as at 31st December, 2010 have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

27) Remittance in foreign currency during the year on account of dividend.

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
Number of non resident shareholders	1	1
Number of equity shares on which dividend was paid (Units in Mn)	4.74	3.95 & 4.74
Year ended to which the dividend related	2009	2007 & 2008
Amount remitted (Rupees in Mn)	14.20	11.84 & 3.79

28) Figures of the previous year have been regrouped, whenever necessary, so as to make them comparable.

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Signature to Schedule 1 to 19

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

For and on behalf of Board of Directors

**Arjun S. Handa**  
Managing Director

**Pradyotsen Shukla**  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

**Chandrasingh Purohit**  
Whole Time Director

# Balance Sheet abstract & Company's general business profile

<b>1</b>	<b>Registration Details</b>	
	Registration No.	022543
	State Code No.	04
	Balance Sheet Date	31st December, 2010
<b>2</b>	<b>Capital Raised during the Period</b>	<b>(Rupees in Mn)</b>
	Public Issue (Issue through the prospectus)	3,000.00
	Right Issue	-
	Bonus Issue	-
	Private Placement	-
<b>3</b>	<b>Position of Mobilisation and Deployment of Funds</b>	
	Total Liability	12,345.31
	Total Assets	12,345.31
	<b>Sources of Funds</b>	
	Paid up capital	638.18
	Reserves and Surplus	7,578.40
	Secured Loans	3,606.30
	Unsecured Loans	-
	Advance against Capital Contribution	-
	<b>Application of Funds</b>	
	Net Fixed Assets	7,143.64
	Investments	170.57
	Net Current Assets	5,031.10
	Miscellaneous Expenditure	-
	Accumulated Losses	-
<b>4</b>	<b>Performance of company</b>	
	Turnover	6,292.43
	Total Expenditure	5,428.11
	Profit / (Loss) before Tax	977.28
	Earning per Share (Rs.)	
	Basic	15.27
	Diluted	15.27
	Dividend Rate	20%
<b>5</b>	<b>Generic Name of Principal Products, Services of the Company</b>	
	Item Code (ITC Code)	300320
	Product Description	Injectables
	Item Code (ITC Code)	300320
	Product Description	Infusions

For and on behalf of Board of Directors

Arjun S. Handa  
Managing Director

Chandrasingh Purohit  
Whole Time Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011



# Auditors' Report

On Consolidated Financial Statements

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To The Board Of Directors,  
Claris Lifesciences Limited

- 1) We have audited the attached Consolidated Balance Sheet of Claris Lifesciences Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st December, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2) We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 2,150.26 Mn as at 31st December, 2010, total revenue of Rs. 2,429.97 Mn and net cash outflows amounting to Rs. 884.79 Mn for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these subsidiaries, is based solely on the reports of the other auditors.
- 4) We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
- 5) Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company and the aforesaid subsidiaries, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2010;
  - b. In the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - c. In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 117365W)

Gaurav J. Shah  
Partner  
(Membership No : 35701)

Place : Ahmedabad  
Date : 24th February, 2011

# Consolidated Balance Sheet

As at 31st December, 2010

(Rupees in Mn)

Particulars	Schedule No.	As at 31-12-2010	As at 31-12-2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	638.18	341.24
Reserves and Surplus	2	8,507.62	4,760.83
		<u>9,145.80</u>	<u>5,102.07</u>
<b>Loan Funds</b>			
Secured Loans	3	3,606.30	2,968.81
Unsecured Loans	4	-	171.26
		<u>3,606.30</u>	<u>3,140.07</u>
Deferred Tax Liability (Net) (Refer note 14 of Schedule 19)		521.20	517.49
<b>TOTAL</b>		<u><u>13,273.30</u></u>	<u><u>8,759.63</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>GOODWILL (on consolidation)</b>			
Fixed Assets	5	0.32	0.32
Gross Block		7,149.84	6,307.18
Less : Depreciation		<u>1,844.16</u>	<u>1,387.14</u>
Net Block		5,305.68	4,920.04
Capital work-in-progress		<u>2,335.73</u>	<u>1,232.29</u>
		<u>7,641.41</u>	<u>6,152.33</u>
<b>Investments</b>	6	0.19	0.19
<b>Current Assets, Loans &amp; Advances</b>			
Interest accrued on deposits		3.27	0.99
Inventories	7	1,528.06	1,351.88
Sundry Debtors	8	2,463.88	2,647.75
Cash and Bank Balances	9	3,956.09	2,369.42
Loans and Advances	10	1,352.12	1,035.49
		<u>9,303.42</u>	<u>7,405.53</u>
Less : Current Liabilities & Provisions	11	3,672.04	4,798.74
<b>Net Current Assets</b>		<u>5,631.38</u>	<u>2,606.79</u>
<b>TOTAL</b>		<u><u>13,273.30</u></u>	<u><u>8,759.63</u></u>
Significant Accounting Policies	18		
Notes on Accounts	19		

The schedules referred to above form an integral part of the Consolidated Financial Statements.

As per our attached report of even date

For and on behalf of Board of Directors

For Deloitte Haskins & Sells  
Chartered AccountantsArjun S. Handa  
Managing DirectorChandrasingh Purohit  
Whole Time DirectorGaurav J. Shah  
PartnerPradyotsen Shukla  
Company SecretaryPlace : Ahmedabad  
Date : 24th February, 2011Place : Mumbai  
Date : 24th February, 2011

# Consolidated Profit & Loss Account

For the year ended on 31st December, 2010

(Rupees in Mn)

Particulars	Schedule No.	Year ended on 31-12-2010	Year ended on 31-12-2009
<b>INCOME</b>			
Sales (Gross)		7,559.86	7,468.21
Less : Excise duty on sales		36.51	32.96
Net Sales		7,523.35	7,435.25
Other Income	12	154.31	158.76
<b>TOTAL</b>		<b>7,677.66</b>	<b>7,594.01</b>
<b>EXPENDITURE</b>			
(Increase) in Stock of Finished & Processed stock	13	(158.83)	(62.28)
Material Cost	14	2,519.71	2,498.92
Employment Cost	15	515.84	425.60
Operating and Other expenses	16	2,367.12	2,437.06
Interest and Finance charges	17	361.96	409.58
Depreciation and Amortisation		467.16	448.07
<b>TOTAL</b>		<b>6,072.96</b>	<b>6,156.95</b>
<b>Profit Before Taxation</b>		<b>1,604.70</b>	<b>1,437.06</b>
<b>Provision for Taxation</b>			
Current Tax		203.35	189.40
Fringe Benefit Tax		-	1.72
Deferred Tax		36.73	(4.64)
Excess Provision of Tax in Earlier Years		(49.80)	(53.07)
		190.28	133.41
<b>Profit After Taxation</b>		<b>1,414.42</b>	<b>1,303.65</b>
Balance brought forward from Previous Year		3,370.82	2,189.23
<b>TOTAL</b>		<b>4,785.24</b>	<b>3,492.88</b>
<b>Appropriations</b>			
Transfer to General Reserve		62.50	90.00
Proposed Dividend		127.64	102.37
Tax on Dividend		21.20	17.40
Reversal of Dividend no longer payable		-	(75.09)
Reversal of Tax on Dividend no longer payable		-	(12.62)
Balance carried to Balance Sheet		4,573.90	3,370.82
<b>TOTAL</b>		<b>4,785.24</b>	<b>3,492.88</b>
Basic Earnings Per Share		27.34	26.94
Diluted Earnings Per Share		27.34	25.47
[Face Value of Rs. 10 per share] (Refer Note 13 of Schedule 19)			

The schedules referred to above form an integral part of the Consolidated Financial Statements.

As per our attached report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Gaurav J. Shah  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

For and on behalf of Board of Directors

Arjun S. Handa  
Managing Director

Chandrasingh Purohit  
Whole Time Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

# Consolidated Cash Flow Statement

For the year ended on 31st December, 2010

(Rupees in Mn)

Particulars	For the Year Ended 31-12-2010	For the Year ended on 31-12-2009
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before taxation and extraordinary items	1,604.70	1,437.06
<b>Adjustments for :</b>		
Depreciation and amortisation	467.16	448.07
Loss on sale of fixed assets	4.84	72.60
Provision for doubtful debts and advances	18.19	66.24
Provision for Product Recall	74.35	-
Unrealised exchange loss / (gain)	(69.05)	27.44
Exchange (gain) / loss on restatement of foreign currency loans	(24.78)	(41.57)
Interest income	(15.07)	(6.10)
Interest and finance charges	377.03	415.68
	<u>832.67</u>	<u>982.36</u>
Operating Profit before Working Capital Changes	2,437.37	2,419.42
<b>Adjustments for :</b>		
Decrease / (Increase) in Trade and Other Receivables	(94.11)	(371.76)
Decrease / (Increase) in Inventories	(176.18)	(159.00)
(Decrease) / Increase in Trade and Other Payables	(1,245.24)	2,343.50
	<u>(1,515.53)</u>	<u>1,812.74</u>
Cash Generated from Operations	921.84	4,232.16
Direct Taxes Paid	(225.18)	(424.19)
<b>Net cash generated from Operating Activities</b>	<u>696.66</u>	<u>3,807.97</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(1,967.99)	(1,066.44)
Proceeds from sale of fixed assets	6.92	49.66
(Decrease)/Increase in Trade Payables (for Capital Expenditure)	29.70	(27.39)
Interest income	12.79	6.10
<b>Net cash used in Investing Activities</b>	<u>(1,918.58)</u>	<u>(1,038.07)</u>
<b>C. Cash Flow from Financing Activities</b>		
Issue of Equity Shares	126.33	-
Share Premium Received (Net off Expenses in connection with issue of Equity Shares Written Off)	2,664.05	-
Proceeds from borrowings (Net)	479.46	(126.58)
Interest paid	(358.88)	(415.68)
Dividend paid	(102.37)	(27.28)
<b>Net cash generated from/(used in) Financing Activities</b>	<u>2,808.59</u>	<u>(569.54)</u>
<b>Net increase/(decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<u>1,586.67</u>	<u>2,200.36</u>
- Cash & Cash Equivalent at the beginning of the year	2,369.42	169.06
- Cash & Cash Equivalent at the end of the year	<u>3,956.09</u>	<u>2,369.42</u>

# Consolidated Cash Flow Statement

For the year ended on 31st December, 2010

(Rupees in Mn)

Particulars	For the Year Ended 31-12-2010	For the Year ended on 31-12-2009
<b>Notes :</b>		
1. Components of Cash & Cash Equivalents		
Cash on hand	0.39	0.41
Cheques on hand	266.73	137.71
Balances with banks		
- In Current Accounts	1,238.80	2,062.36
- In Margin Money Accounts.	121.32	168.94
- In Fixed Deposit Accounts	2,324.77	-
- Unclaimed Share application money lying in escrow account	4.08	-
	<u>3,956.09</u>	<u>2,369.42</u>
2. Cash and cash equivalents include amount not available for immediate use		
a. In Margin Money and Fixed Deposit Accounts.	86.49	65.97
b. Unclaimed Share application money lying in escrow account	4.08	-
3. Interest paid is exclusive of and purchase of fixed assets is inclusive of interest capitalised.	146.99	43.83
4. The above cashflow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.		

For and on behalf of Board of Directors

As per our attached report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Gaurav J. Shah  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

Arjun S. Handa  
Managing Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

Chandrasingh Purohit  
Whole Time Director

# Schedules forming part of the Consolidated Financial Statements

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
120,510,000 (Previous Year 60,174,000) Equity Shares of Rs. 10 each	1,205.10	601.74
Nil (Previous Year 603,360) Cumulative Preference Shares of Rs. 1,000 each	-	603.36
	<b>1,205.10</b>	<b>1,205.10</b>
Issued, Subscribed and Paid - up :		
63,817,765 (Previous year 34,123,525) Equity Shares of Rs. 10 each fully paid - up (See Note-4 of Schedule 19)	638.18	341.24
	<b>638.18</b>	<b>341.24</b>
<b>Notes:</b>		
<b>Of the above Equity shares: -</b>		
i. 39,978,319 (Previous Year 22,916,556) Equity Shares of Rs. 10 each were allotted as fully paid-up bonus shares by capitalisation of Share Premium Account Rs. 170.62 Mn (Previous Year Rs. NIL) and Surplus in Profit and Loss Account Rs. 229.17 Mn (Previous Year Rs. 229.17 Mn)		
ii. 23,780,172 (Previous year 15,853,448) Equity Shares are held by Sarjan Financial Private Limited, which company was the holding company of the Company till September 2009.		
iii. Nil (Previous year 1,000 )Equity Shares of Rs. 10 each issued to First Carlyle Ventures - III (See note - 5 of Schedule -19) carried differential rights as regards voting and right of dividend.		
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>General Reserve</b>		
Balance as per last balance sheet	355.27	265.27
Add :Transferred from Profit & Loss Account	62.50	90.00
	<b>417.77</b>	<b>355.27</b>
<b>Share Premium Account</b>		
Balance as per last balance sheet	965.03	409.33
Less : Capitalised by Issue of bonus shares	170.62	-
Add : Premium on Issue of Equity Shares (See Note -4 of Schedule -19)	2,873.68	-
Less : Expenses in connection with issue of Equity Shares Written Off (Net of tax ) (See Note -4 of Schedule -19)	209.63	-
Add : Amount received on conversion of Preference Shares (See Note -5 of Schedule - 19)	-	555.70
	<b>3,458.46</b>	<b>965.03</b>
<b>Capital Redemption Reserve</b>		
Balance as per last balance sheet	50.00	50.00
<b>Foreign Currency Translation Reserve</b>		
Surplus in Profit & Loss Account	7.49	19.71
	<b>4,573.90</b>	<b>3,370.82</b>
	<b>8,507.62</b>	<b>4,760.83</b>

# Schedules forming part of the Consolidated Financial Statements

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
From Banks		
Term Loans		
In Foreign Currency Loans		
External Commercial Borrowing:		
- From Barclays Bank PLC	448.10	700.20
- From Canara Bank	-	49.80
In Domestic Currency Loans	1,370.14	768.09
Cash Credit accounts	1,758.43	1,433.91
Vehicle Loans	7.67	9.08
Interest accrued and due on above loans	16.46	4.92
From Others		
Vehicle Loan from Finance Companies	5.50	2.81
	<b>3,606.30</b>	<b>2,968.81</b>
Notes:-		
1. Refer Note no. 6 of Schedule - 19 for the disclosure of nature of security in respect of the above loans.		
2. Out of the above loans, amount repayable within one year is Rs. 729.01 Mn (Previous year Rs. 321.95 Mn)		
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Short term loan from a bank	-	171.26
		<b>171.26</b>

**SCHEDULE 5****FIXED ASSET**

Sr. No.	Description of Assets	Gross Block (At cost)				Depreciation				Net Block	
		As at 01-01-10	Additions during the year	Deductions during the year	As at 31-12-10	Upto 01-01-10	For the Year	On Deduction during the year	Upto 31-12-10	As at 31-12-10	As at 31-12-09
A	<b>Fixed Assets:-</b>										
	<b>Tangible Assets</b>										
	Freehold Land	153.08	-	-	153.08	-	-	-	-	153.08	153.08
	Buildings	1,148.97	168.82	-	1,317.79	100.16	39.61	-	139.77	1,178.02	1,048.81
	Improvement to leasehold property	26.79	-	-	26.79	24.99	0.48	-	25.47	1.32	1.80
	Plant & Machinery	4,350.35	667.87	11.56	5,006.66	1,087.22	372.84	4.07	1,455.99	3,550.67	3,263.13
	Electrical Installation	299.93	7.35	0.69	306.59	40.69	14.30	0.07	54.92	251.67	259.24
	Furniture & Fixtures	84.52	1.43	-	85.95	17.55	5.89	-	23.44	62.51	66.97
	Office Equipments	18.27	3.82	0.22	21.87	3.43	2.60	0.07	5.96	15.91	14.84
	Vehicles	75.48	8.94	5.25	79.17	23.97	7.38	2.81	28.54	50.63	51.51
	Data Processing Equipments	93.64	6.33	4.18	95.79	56.34	12.82	3.12	66.04	29.75	37.30
B	<b>Intangible Assets</b>										
	Facility Inspection Fees	5.17	-	-	5.17	4.13	1.04	-	5.17	0.00	1.04
	Computer Software	50.98	-	-	50.98	28.66	10.20	-	38.86	12.12	22.32
	<b>TOTAL</b>	<b>6,307.18</b>	<b>864.56</b>	<b>21.90</b>	<b>7,149.84</b>	<b>1,387.14</b>	<b>467.16</b>	<b>10.14</b>	<b>1,844.16</b>	<b>5,305.68</b>	<b>4,920.04</b>
	Previous Year	5,874.22	569.00	136.04	6,307.18	953.35	448.07	14.28	1,387.14		
C	<b>Capital Work in Progress</b>									<b>2,335.73</b>	<b>1,232.29</b>
	<b>Total</b>									<b>7,641.41</b>	<b>6,152.33</b>

## Notes:-

- Additions during the year include interest of Rs. 50.42 Mn (Previous year Rs. NIL) capitalised in respect of qualifying assets.
- Vehicles include Rs. 27.51 Mn (Previous year Rs. 29.30 Mn) being cost of vehicles purchased under loan agreements on which the Finance Company has lien.
- Capital Work in Progress include advances for capital goods and expenditure on projects under implementation of Rs. 1,287.53 Mn (Previous year Rs. 696.83 Mn) and Pre-operative expenses of Rs. 140.60 Mn (Previous year Rs. 43.82 Mn).
- Additions during the year include Capital Expenditure of Rs. 29.20 Mn (Previous Year Rs. 0.64 Mn) incurred in respect of approved in house research and development facility.

# Schedules forming part of the Consolidated Financial Statements

(Rupees in Mn)

Particulars	As at 31st Dec 2010	As at 31st Dec 2009
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (AT COST)</b>		
Long Term – Trade		
Shares (Unquoted)		
Indian Renal Foundation	0.19	0.19
19,400 Equity Shares of Rs. 10 each fully paid		
	<u>0.19</u>	<u>0.19</u>
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
Raw Materials	118.22	138.97
Packing Materials	145.56	107.47
Work in process	63.51	91.21
Finished Goods	1,200.77	1,014.23
	<u>1,528.06</u>	<u>1,351.88</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Exceeding Six months:		
Considered Good	938.06	923.95
Considered Doubtful	19.88	67.92
	<u>957.94</u>	<u>991.87</u>
Others:		
Considered Good	1,525.82	1,723.80
	<u>1,525.82</u>	<u>1,723.80</u>
Less : Provision for doubtful debts	19.88	67.92
	<u>2,463.88</u>	<u>2,647.75</u>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	0.39	0.41
Cheques on Hand	266.73	137.71
<b>Balances with Banks:</b>		
Current Accounts	1,238.80	2,062.36
Margin Money Accounts	121.32	151.34
Fixed Deposit Accounts {Rs. 17.60 Mn (Previous Year 17.60 Mn) pledged with bank as margin}	2,324.77	17.60
Unclaimed share application money lying in escrow account	4.08	-
	<u>3,956.09</u>	<u>2,369.42</u>
<b>SCHEDULE 10</b>		
<b>LOANS AND ADVANCES (UNSECURED)</b>		
Considered Good		
Advances recoverable in cash or in kind or for value to be received	317.53	123.00
Advance to Suppliers	926.36	741.20
Balance with Government Authorities	55.32	44.37
Earnest Money Deposits & Tender Deposits	11.31	11.16
Inter Corporate Deposits	-	73.41
Electricity and other deposits	41.60	42.35
	<u>1,352.12</u>	<u>1,035.49</u>



# Schedules forming part of the Consolidated Financial Statements

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b><u>SCHEDULE '11: CURRENT LIABILITIES AND PROVISIONS</u></b>		
<b>Current Liabilities</b>		
<b><u>Sundry Creditors:</u></b>		
Micro & Small Enterprise	12.76	17.68
Others	1,327.80	1,776.45
For Capital Goods	303.19	273.49
	<u>1,643.75</u>	<u>2,067.62</u>
<b><u>Other Current Liabilities</u></b>		
Advances Received from Customers	1,292.31	1,321.44
Security Deposits	352.67	1,115.75
Interest accrued but not due on loans	17.03	10.43
Investor Education and Protection Fund *		
Unclaimed Share Application Money	4.08	-
Bank Overdraft	0.51	1.63
	<u>1,666.60</u>	<u>2,449.25</u>
* Note: There is no amount due and outstanding as at the balance sheet date to be credited to Investor Education and Protection Fund		
<b>Provisions</b>		
For Taxation (Net of Payment)	90.87	105.23
For Employees Benefits	76.11	56.87
For Product Recall	45.87	-
For Proposed Dividend	127.64	102.37
For Dividend Tax	21.20	17.40
	<u>361.69</u>	<u>281.87</u>
	<u>3,672.04</u>	<u>4,798.74</u>
<b><u>SCHEDULE 12</u></b>		
<b>OTHER INCOME</b>		
Foreign Exchange Rate Difference (Net)	81.61	119.62
Retainership Charges paid in earlier years recovered	46.00	-
Sale of Voluntary Carbon Reduction Units	-	21.44
Sales Tax Refund	14.70	-
Miscellaneous Income	12.00	17.70
	<u>154.31</u>	<u>158.76</u>
<b><u>SCHEDULE 13</u></b>		
<b>(INCREASE) IN STOCK OF FINISHED AND PROCESS STOCK</b>		
<b>Stocks at the beginning of the year</b>		
Work-in Progress	91.21	45.25
Finished Goods	1,014.24	997.92
	<u>1,105.45</u>	<u>1,043.17</u>
<b>Less : Stocks at the end of the year</b>		
Work-in Progress	63.51	91.21
Finished Goods	1,200.77	1,014.24
	<u>1,264.28</u>	<u>1,105.45</u>
	<u>(158.83)</u>	<u>(62.28)</u>
<b><u>SCHEDULE 14</u></b>		
<b>MATERIAL COST</b>		
Raw Materials	1,420.71	1,026.45
Packing Materials	710.65	564.05
Purchase of Finished Goods	388.35	908.42
	<u>2,519.71</u>	<u>2,498.92</u>
<b><u>SCHEDULE 15</u></b>		
<b>EMPLOYEE COST</b>		
Salaries, Wages, Bonus & Gratuity	485.30	396.64
Contribution to Provident and Other Funds	17.79	21.67
Staff Welfare	12.75	7.29
	<u>515.84</u>	<u>425.60</u>

# Schedules forming part of the Consolidated Financial Statements

(Rupees in Mn)

Particulars	For the Year ended 31-12-2010	For the Year ended 31-12-2009
<b><u>SCHEDULE 16</u></b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Conversion charges	82.46	26.92
Stores & Spares Consumed	43.10	79.83
Contract Labour Charges	86.79	75.67
Laboratory expenses	60.34	256.68
Power & Fuel	385.36	238.95
Insurance	8.89	11.40
Outward freight	343.80	299.65
Commission	69.70	67.19
Marketing and Sales Promotion Expenses	313.77	205.79
Travelling	129.92	150.37
Stationery & Printing	7.52	7.04
Communication Expenses	26.41	25.50
Rent	49.79	58.79
Rates and Taxes	1.90	2.77
Repairs to		
Building	6.93	9.21
Plant & Machinery	11.21	5.53
Others	26.88	19.60
Bank Charges & Commission	90.53	116.91
Provision for doubtful debts and advances	18.19	66.24
Provision for Product Recall	74.35	-
Excise Duty	6.96	3.98
Consultancy Fees	406.69	363.58
Legal Fees & Charges	8.10	100.55
Professional Charges	15.07	35.07
General Charges	86.56	135.60
Loss on sale of fixed assets	4.84	72.60
Donations	1.06	1.64
	<b>2,367.12</b>	<b>2,437.06</b>
<b><u>SCHEDULE 17</u></b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
On Fixed Deposits	-	2.00
On Fixed Loans	56.72	93.39
On Others	320.31	320.29
	377.03	415.68
Less: Interest earned (Gross)	15.07	6.10
[Tax deducted at source of Rs. 1.07Mn (Previous Year Rs. 1.24 Mn)]		
	<b>361.96</b>	<b>409.58</b>

# Significant Accounting Policies to the Consolidated Financial Statements

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## SCHEDULE 18

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **1) Basis of preparation of financial statements**

The Consolidated financial statements are prepared under the historical cost convention on the accrual basis of accounting, in accordance with the requirements of the Companies Act, 1956, including the accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956.

#### **2) Principles of Consolidation**

The consolidated financial statements include the financial statements of Claris Lifesciences Limited ('the Company'), and its subsidiaries as described in Note No. 1 of Schedule-19 (collectively referred to as 'the Group').

The consolidated financial statements have been prepared on the basis of Accounting Standard 21, 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.

The financial statements of the parent Company and its subsidiaries have been combined on a line- by- line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resultant unrealized profits/ losses in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent Company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries. The excess or deficit of parent's portion of equity in the subsidiary Company over its cost of investment, if any, is treated as a capital reserve or recognized as goodwill respectively.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances except where it is not practicable to do so. Considering that the financial statements of the foreign subsidiaries have been prepared under the laws and regulations applicable to their respective country of incorporation, these consolidated financial statements have been prepared substantially in the same format adopted by the Company to the extent possible, as required by the Accounting Standard AS 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the period. All assets and liabilities are converted at the rates prevailing at the end of the period. Exchange gains/losses arising on conversion are recognized under Foreign Currency Translation Reserve.

#### **3) Use of estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

#### **4) Fixed assets**

i. Fixed assets are capitalized at cost including all direct costs and other expenses incurred in connection with acquisition of assets and are net of CENVAT.

ii. Capital work-in-progress includes advances for capital goods and expenditure on projects under implementation.

#### **5) Depreciation**

##### **Indian Companies**

i. Depreciation on Fixed Assets is provided on the straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

ii. Leasehold improvements are amortized over a period of 36 months.

iii. Intangible assets are stated at cost and are amortized equally over a period of five years from the year in which incurred.

##### **Foreign Companies**

i. Depreciation has been provided by the Foreign Companies on methods and at the rates required / permissible by the local laws so as to write-off assets over their useful life.

# Significant Accounting Policies to the Consolidated Financial Statements

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- 6) **Goodwill**  
Goodwill arising on consolidation is not amortized but is tested for impairment periodically.
- 7) **Investments**  
Long-term investments are stated at cost. Any diminution in the value, other than temporary, is provided for.
- 8) **Inventories**  
i. Inventories are valued at cost or net realizable value, whichever is less.  
ii. In case of Parent Company the cost (net of CENVAT credit availed) for raw materials and packing materials is computed on Moving Average basis.  
iii. The cost of work in progress and finished goods is determined on absorption cost basis and comprises of cost of materials, direct labour and manufacturing overheads.
- 9) **Revenue recognition**  
a. Sales include sales of products, dossiers and marketing rights. Sales include excise duty and exchange differences on sales transactions, but are net of sales tax. Sales are recognized at the time when significant risks and reward of ownership in the goods are transferred.  
b. Revenue in respect of other income is recognized when no significant uncertainty as to its determination or realization exists.
- 10) **Exports Benefits**  
Export benefits arising on account of entitlement of duty free import under Duty Entitlement Pass Book Scheme are estimated and accounted in the year of exports if the same can be estimated with reasonable certainty.
- 11) **Employee benefits**  
Contributions to provident and other funds accruing during the accounting period are charged to the profit and loss account. Provision for liabilities in respect of gratuity and leave encashment are accrued and provided at the end of each accounting period on the basis of actuarial valuation.
- 12) **Foreign currency transactions**  
Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.  
  
Monetary items denominated in foreign currencies at the year-end are restated at the year-end rates. In case of items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.  
  
Non-monetary foreign currency items are carried at cost.  
  
Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.  
  
Revenue items of non-integral foreign operations are consolidated at the average rate prevailing during the period. All assets and liabilities of non-integral foreign operations are converted at the rates prevailing at the end of the period. Exchange gains/losses arising on conversion are recognized under Foreign Currency Translation Reserve.
- 13) **Research and development expenses**  
Revenue expenditure on Research and Development is expensed as incurred. Expenses of capital nature are capitalized and depreciation is provided thereon as per the policy stated above.
- 14) **Expenditure on product registration**  
Expenditure incurred for registration of products for overseas markets and for product acquisitions are charged to the profit & loss account.
- 15) **Borrowing costs**  
Borrowing costs that are attributable to acquisition / construction of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the profit & loss account.
- 16) **Leases**  
Lease rentals in respect of assets taken on operating leases are charged to the profit and loss account on accrual and straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

## 17) Taxes on Income

### Indian Companies

#### Current taxation

Current tax provision is determined on the basis of taxable income computed as per the provisions of the Income Tax Act.

#### Deferred taxation

Deferred tax is recognized for all timing differences that are capable of reversal in one or more subsequent periods, subject to consideration of prudence and by applying tax rates that have been enacted or substantively enacted as on the balance sheet date.

### Foreign Companies

Foreign companies recognize tax liabilities and assets in accordance with the applicable local laws.

## 18) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to the financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

## SCHEDULE 19

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1) Description of the Group

The following subsidiary companies are considered in the consolidated financial statements.

(Rupees in Mn)

Name of the Company	Country of Incorporation	% of Holding either directly/ indirectly or through subsidiary as at 31-12-2010	% of Holding either directly/ indirectly or through subsidiary as at 31-12-2009
iCubix Infotech Limited	India	100	100
Claris Lifesciences International Limited (Formerly known as Claris International Limited)	India	100	100
Claris Biosciences Limited	India	100	100
Claris Infrastructure Limited	India	100	100
Claris Produtos Farmaceuticos do Brasil Ltda.	Brasil	100	100
PT. Claris Lifesciences Indonesia	Indonesia	100	100
Claris Lifesciences Colombia Ltda.	Colombia	100	100
Catalys Venture Cap Limited	Mauritius	100	100
Claris Lifesciences Venezuela C. A.	Venezuela	100	100
Claris Lifesciences Inc.	USA	100	100
Claris Lifesciences (UK) Limited	UK	100	100
Claris Lifesciences & CIA Chile Limitada	Chile	100	100
Claris Lifesciences (Aust) Pty Limited	Australia	100	100
Claris Lifesciences de Mexico S.A. de C.V.	Mexico	100	100
Claris Lifesciences Philippines, INC.	Philippines	100	100
Claris SteriOne	Mauritius	100	100
Claris Pharmaservices	Mauritius	100	-

#### 2) Contingent Liabilities

(Rupees in Mn)

Sr. no	Particulars	As at 31-12-2010	As at 31-12-2009
a	Claims against the company not acknowledged as debts in respect of sales tax and other matters	83.83	7.27
b	Guarantees given by the bankers on behalf of the Company	124.89	6.30
c	Disputed demand under Income tax	15.22	8.35
d	Bills discounted	251.40	117.28
e	Letters of credit outstanding	437.53	674.59

# Notes to the Consolidated Financial Statements

## 3) Commitments & Obligations

(Rupees in Mn)

Sr. no	Particulars	As at 31-12-2010	As at 31-12-2009
a	Estimated amount of contracts remaining to be executed on capital account and not provided for	90.81	526.47
b	Outstanding obligation to export goods worth Rs. 3,660.13 Mn (previous year Rs. 4,809.48 Mn) within the stipulated period as per Export Promotional Capital Goods Scheme, failing which additional custom duty payable would amount to	459.93	562.73

## 4) Initial Public Offering (IPO):

During the year, the Parent Company has completed its Initial Public Offering (IPO) comprising of 12,632,477 Equity Shares of Rs. 10 each, of which 1,843,003 Equity Shares were issued to anchor investor at a price of Rs. 293 and 10,789,474 Equity Shares were issued to investors other than anchor investor at a price of Rs. 228, aggregating to Rs. 3,000 Mn. The Share Premium amounting to Rs. 2,873.68 Mn has been credited to Share Premium Account. The expense in connection with Issue of Equity Shares amounting to Rs. 209.63 Mn (Net of Tax of Rs. 32.63 Mn) have been adjusted to Share Premium Account.

The details of funds raised through the IPO and the utilization thereof till 31st December,2010 are as under :

(Rupees in Mn)

Particulars	Amount	Amount
Funds raised through the IPO		<u>3,000.00</u>
<u>Utilisation of Funds</u>		
Prepayment of an identified term loan	459.14	
Payment of Equity Shares Issue expense	<u>174.77</u>	<u>633.91</u>
Balance as on 31st December 2010, temporarily lying with Banks in :		
a. Fixed Deposit Accounts	2,307.17	
b. Escrow Accounts	<u>58.92</u>	<u>2,366.09</u>
<b>TOTAL</b>		<u><b>3,000.00</b></u>

5) In March 2006, the Company and its founders entered into a Share Subscription and Shareholders Agreement ("the Agreement") with First Carlyle Ventures III, Mauritius and other Co-investors (collectively "Investors"). As per the terms of the Agreement, in March 2006, the Company issued 1,000 equity shares Rs. 10 each at par ("Investor equity shares") and 603,360 Cumulative Preference Shares of the face value of Rs. 1,000 each at a premium of Rs. 500 each ("the Securities") to the Investors.

In accordance with the terms and conditions of the Agreement, in September 2009, the aforesaid 603,360 Cumulative Preference Shares of the face value of Rs. 1,000 each have been converted into 4,766,269 Equity Shares of the face value of Rs.10 each resulting into share premium of Rs. 555.70 Mn. As per the terms and conditions of the Agreement, the Investor Equity Shares and the Securities, till their conversion into Equity Shares as stated above, carried differential rights as regards voting and right of dividend.

6) Secured Loans as stated in Schedule-3 are secured by below stated nature of securities.

- Term Loans in Foreign Currency and Domestic Currency are secured by first pari passu charge by hypothecation of specified moveable fixed assets, mortgage over immovable fixed assets and second pari passu charge over stocks, receivables and specified immovable properties in favor of the Banks. The formalities of creating mortgage over specified immoveable fixed assets in respect of loan of Rs. 1,432.80 Mn are in process.
- Cash Credit Accounts are secured by first pari passu charge by hypothecation of all current assets of the Company (present and future); second pari passu charge by hypothecation of movable fixed assets (present and future), by mortgage on specified immovable fixed assets of the Company (present and future) and by first pari passu charge through equitable mortgage on specified immovable property of the Company.
- Vehicle loans from banks and finance companies are secured by hypothecation of respective vehicles.

7) Excise duty shown as deduction from Sales represents the amount of excise duty collected on sales. Excise duty expenses under Schedule-16, "Operating and Other Expense", represents the difference between excise duty element in the amounts of closing stocks and opening stocks and excise duty paid on materials manufactured for captive consumption.

# Notes to the Consolidated Financial Statements

8) Capital Work In Progress includes preoperative expenditure pending allocation to a project under implementation as under:

(Rupees in Mn)

Preoperative Expenses	As at 31-12-2010	As at 31-12-2009
Opening balance	43.83	3.49
Add: Interest and finance charges	146.99	43.83
Consultancy / Professional Fee	0.20	-
Material Consumed	-	0.01
Other Expenses	-	0.68
Less: Capitalised during the year	(50.42)	(4.18)
Closing balance	<u>140.60</u>	<u>43.83</u>

Details of Preoperative expenses capitalised during the year:

(Rupees in Mn)

Fixed Asset	For the year ended on 31-12-2010	For the year ended on 31-12-2009
Building	-	3.72
Plant & Machinery	50.42	0.46
<b>TOTAL</b>	<u>50.42</u>	<u>4.18</u>

9) Employee Benefits

a. Defined Benefits Plans:

(Rupees in Mn)

i. Expenses recognized in Profit & Loss Account for the year ended on 31st December	Gratuity		Leave Encashment	
	2010	2009	2010	2009
Current service cost	8.29	6.99	7.47	7.37
Interest Cost	2.52	2.15	2.08	2.21
Expected return on plan assets	-	-	-	-
Net actuarial losses (gains)	(0.10)	2.43	13.12	3.18
<b>Total Expenses</b>	<u>10.71</u>	<u>11.57</u>	<u>22.67</u>	<u>12.76</u>
<b>ii. Reconciliation of Closing balances of changes in present value of the Defined Benefit Obligation</b>				
Opening defined benefit obligation	30.05	25.83	24.76	26.55
Service Cost	8.29	6.99	7.47	7.37
Interest Cost	2.52	2.15	2.08	2.21
Actuarial losses (gains)	(0.10)	2.43	13.12	3.18
Losses (gains) on curtailments	-	-	-	-
Liabilities extinguished on settlements	-	-	-	-
Benefits paid	(2.68)	(7.35)	(10.88)	(14.55)
<b>Closing defined benefit obligation</b>	<u>38.08</u>	<u>30.05</u>	<u>36.55</u>	<u>24.76</u>
<b>iii. Reconciliation of Opening and Closing balances of changes in fair value of plan assets</b>				
Opening fair value of plan assets	-	-	-	-
Expected return on plan assets	-	-	-	-
Actuarial gains and (losses)	-	-	-	-
Assets distributed on settlements	-	-	-	-
Contributions by employer	-	-	-	-
Benefits paid	-	-	-	-
<b>Closing balance of fair value of plan assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>iv. Net Liability recognized in the Balance sheet</b>				
Defined Benefit Obligation	38.08	30.05	36.55	24.76
Fair value of plan assets	-	-	-	-
<b>Present Value of unfunded obligation recognized as liability</b>	<u>38.08</u>	<u>30.05</u>	<u>36.55</u>	<u>24.76</u>

# Notes to the Consolidated Financial Statements

(Rupees in Mn)

v. Past four years data for define benefit obligation and fair value of plan assets are as under:	for the year ended 31st December,			
	2009	2008	2007	2006
<b>Gratuity</b>				
Defined Benefit Obligation	30.05	25.84	18.47	14.66
Fair value of plan assets	-	-	-	-
Present Value of unfunded obligation recognized as liability	30.05	25.84	18.47	14.66
<b>Leave Encashment</b>				
Defined Benefit Obligation	24.76	26.54	19.66	14.54
Fair value of plan assets	-	-	-	-
Present Value of unfunded obligation recognized as liability	24.76	26.54	19.66	14.54

vi. Actuarial Assumptions	31-12-2010	31-12- 2009
Discount Rate	8.40%	8.34%
Expected rate of salary increase	6.00%	6.00%
Mortality	LIC (1994-96) published table of mortality rates	LIC (1994-96) published table of mortality rates
Withdrawal Rates	3 % younger age reducing to 1 % old age	3 % younger age reducing to 1 % old age
Retirement Age	58 Years	58 Years
Actuarial Valuation Method	Projected Unit Credit Method	Projected Unit Credit Method

## b. Defined Contribution Plans

Rs. 17.79 Mn (Previous Year Rs. 21.67 Mn) is recognized as an expense in respect of Defined Contribution Plans and is included in the Schedule-15 of Profit and Loss Account under the head "Contribution to Provident and other funds."

## 10. Segment Information:

### i. Primary Segment:

In accordance with the requirements of Accounting Standard -17 on Segment Reporting, the Group has determined its business segment as "Drugs and Pharmaceuticals". Since all of the Group's business is from "Drugs and Pharmaceuticals", there are no other primary reportable segments. Thus the segment revenue, segment result, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, the total amount of charge for depreciation during the year are all reflected in the consolidated financial statements as at and for the year ended 31st December, 2010.

### ii. Secondary Segment (Geographical Segment)

(Rupees in Mn)

Particulars	India	Outside India	Total
Revenue	3,150.82 (3,367.06)	4,372.53 (4,068.19)	7,523.35 (7,435.25)
Carrying amounts of segment assets	13,885.08 (9,693.58)	3,059.94 (3,864.47)	16,945.02 (13,558.05)
Capital expenditure	1,489.28 (1,059.84)	478.57 (6.10)	1,967.85 (1,065.94)

Note: Figures in brackets are in respect of previous year.

11) Related party disclosures as required by Accounting Standard 18, " Related Party Disclosures", issued by the Institute of Chartered Accountants of India are given below.

### (A) Particulars of related parties and nature of relationships:

Name of the Related Parties	Name of the Related Parties
<b>A. Holding Company</b> - Sarjan Financial Private Limited (Upto 3rd September, 2009)	<b>D. Companies in which Key Management Personnel or their relatives are able to exercise significant influence</b> - Sarjan Financial Private Limited (Since 4th September 2009) - Cygnus Laboratories Limited - Medical Technologies Limited - Levana Financial Services Limited - Darshnil Financial Private Limited - Prarabdh Financial Private Limited - Xcelris Labs Limited - Accelaries Technologies Limited - Abellon Agrisciences Limited (Formerly known as Olive Agrisciences Limited) - Red Bricks Junior Education Limited - Entrills Infotech Limited
<b>B. Key Management Personnel</b> - Mr. Arjun S. Handa - Mr. Chetan S. Majmudar - Mr. Amish Vyas - Mr. Chandrasingh Purohit	
<b>C. Relatives of Key Management Personnel</b> - Mr. Sushilkumar Handa - Mrs. Beena S. Handa - Mr. Aditya S. Handa	



# Notes to the Consolidated Financial Statements

## (B) Related party transactions

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
(A)	Nature of Transactions		
1	<u>Services Purchased</u> From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited	-	21.71
	From Relative of Key Management Personnel - Mrs. Beena S. Handa	-	0.75
2	<u>Retainership Charges paid in earlier years recovered</u> From Relative of Key Management Personnel - Mr. Sushilkumar Handa	46.00	-
3	<u>Remuneration Paid</u> To Key Management Personnel - Mr. Arjun S. Handa - Mr. Chandrasingh Purohit - Mr. Amish Vyas - Mr. Chetan S. Majmudar	15.01 2.91 2.79 3.46	15.00 1.48 1.42 2.57
4	<u>Dividend Paid</u> To Holding Company - Sarjan Financial Private Limited To Key Management Personnel - Mr. Arjun S. Handa - Mr. Aditya S. Handa To Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Sarjan Financial Private Limited - Medical Technologies Limited To Relative of Key Management Personnel - Mr. Aditya S. Handa - Mrs. Beena S. Handa	- 15.60 - 47.56 9.01 15.60 -	11.19 4.14 4.14 - 2.48 - 0.04
5	<u>Inter Corporate Deposits taken / received back during the year</u> From Holding Company - Sarjan Financial Private Limited From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Accelaries Technologies Limited - Cygnus Laboratories Limited - Prarabdh Financial Private Limited - Others	- 51.71 11.28 53.30 10.26	1.87 119.04 144.82 46.46 20.41
6	<u>Inter Corporate Deposits repaid / granted during the year</u> To Holding Company - Sarjan Financial Private Limited To Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Accelaries Technologies Limited - Cygnus Laboratories Limited - Prarabdh Financial Private Limited - Medical Technologies Limited - Others	- 45.94 - - 7.20 -	1.87 106.51 155.53 49.27 120.45 3.06
7	<u>Advances Granted during the Year</u> To Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited	-	144.07

# Notes to the Consolidated Financial Statements

(Rupees in Mn)

Sr. No.	Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
8	<u>Advances Received during the Year</u> From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited	-	103.29
9	<u>Capital Advances Granted during the Year</u> To Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited	67.89	-
<b>(B) Balance at the end of the year</b>			
1	<u>Inter Corporate Deposit Receivable</u> From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Cygnus Laboratories Limited - Prarabdh Financial Private Limited - Others	- - -	11.28 53.30 8.84
2	<u>Outstanding Payables</u> To Key Management Personnel - Mr. Chetan S. Majmudar To Relative of Key Management Personnel - Mrs. Beena S. Handa To Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited - Accelaris Technologies Limited	- - - - 0.02	0.22 3.19 21.74 0.02
3	<u>Advances Granted Outstanding</u> From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited - Others From Key Management Personnel - Mr. Amish Vyas - Mr. Chetan S. Majmudar - Mr. Chandrasingh Purohit From Relatives of Key Management Personnel - Mr. Sushilkumar Handa	33.54 3.59 0.30 0.45 1.21 -	45.11 3.59 0.20 - 0.48 0.58
4	<u>Capital Advances Granted Outstanding</u> From Companies in which Key Management Personnel or their relatives are able to exercise significant influence - Xcelris Labs Limited	0.11	-

## 12) Disclosure for operating leases under Accounting Standard 19 – “Accounting for Leases”

The company has entered into agreements for taking on lease and license basis residential / office premises including furniture and fittings there in, as applicable, for a period ranging from 11 to 60 months. The specified disclosure in respect of these agreements is given below:

(Rupees in Mn)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
Lease payments recognized in the profit and Loss account for the year	27.83	26.27
Minimum lease payments under the agreements are as follows.		
a) Not later than one year	28.13	28.05
b) Later than one year but not later than 5 Year	116.91	110.31
c) Later than five year	61.59	90.51

# Notes to the Consolidated Financial Statements

## 13) Computation of Earnings per Share (EPS).

(Rupees in Mn, Except per share data)

Particulars	For the Year ended on 31-12-2010	For the Year ended on 31-12-2009
<b>Computation of Profit (Numerator)</b>		
Net Profit for the year	1,414.42	1,303.65
Less: Dividend on shares deemed to be allotted on exercise of options to convert Series "A" Cumulative Preference Shares allotted to First Carlyle Ventures-III and their nominees upto the date of conversion of Investor Securities.	-	11.27
Net Profit for the year attributable to Equity Shareholders	1,414.42	1,292.38
<b>Weighted Average Number of Shares (Denominator)</b>	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of Equity Shares of Rs. 10 each	51,739,040	30,911,190
Add: Bonus shares to be issued (Refer note below)	-	17,061,763
Weighted average number of Equity Shares of Rs. 10 each used for calculation of Basic Earning per Share	51,739,040	47,972,953
<b>Basic Earning per Share (in Rs.)</b>	<b>27.34</b>	<b>26.94</b>
Face value per share (in Rs.)	10.00	10.00
<b>Diluted EPS</b>		
Net Profit attributable to Equity Shareholder's as above	1,414.42	1,292.38
Add: Dividend on dilutive potential Equity Shares which have been deducted in arriving at the Net Profit attributable to Equity Shareholder's.	-	11.27
<b>Adjusted Net Profit</b>	<b>1,414.42</b>	<b>1,303.65</b>
Weighted average number of Equity Shares as above	<b>Nos.</b>	<b>Nos.</b>
Add : Weighted average number of shares deemed to be allotted on exercise of options to convert Series "A" Cumulative Preference Shares allotted to First Carlyle Ventures-III and their nominees upto the date of conversion of investors securities	51,739,040	47,972,953
	-	3,212,335
Total weighted average number of Shares used for calculating diluted Earning per share	51,739,040	51,185,288
<b>Diluted Earning per Share (in Rs.)</b>	<b>27.34</b>	<b>25.47</b>
Face value per share (in Rs.)	10.00	10.00
<b>Note:</b> The Parent Company, on 7th April 2010, has issued 17,061,763 bonus shares to its existing shareholders in the proportion of one equity share for every two equity shares held by capitalization of Share Premium Account.		

## 14) Break-up of closing balance of net deferred tax liability into major components of Deferred Tax Assets and Deferred Tax Liabilities:

(Rupees in Mn)

Particulars	As at 31-12-2010	As at 31-12-2009
<b>Deferred Tax Liability</b>		
Timing difference on account of difference between book depreciation and depreciation under Income-tax Act, 1961	(590.09)	(564.35)
<b>Deferred Tax Asset</b>		
Timing difference on account of disallowance of provisions / expenses	36.26	46.86
Timing difference on Share issue Expenses set off against share premium allowable u/s 35 - D of Income Tax Act in subsequent years	32.63	
<b>Net Deferred Tax Liability</b>	<b>(521.20)</b>	<b>(517.49)</b>

# Notes to the Consolidated Financial Statements

## 15) Provision for loss due to products recalled:

The Company had initiated a voluntary recall of certain products as a precautionary measure against possible contamination due to the packaging integrity of such recalled products. The provision for loss due to products recalled is based on estimates made by the management by applying principles laid down in Accounting Standard – 29 "Provisions, Contingent Liabilities and Contingent Assets". Further it is not possible to estimate the timing / uncertainty relating to the outflow. The movement in the provision during the period is as under:

(Rupees in Mn)				
Balance as on 1st January 2010	For the year ended 31st December, 2010			Balance as on 31st Dec 2010
	Provision made	Utilized	Reversal	
-	74.35	28.48	-	45.87

16.) Figures of the previous year have been regrouped, whenever necessary, so as to make them comparable.

Signatures to Schedules 1 to 19

As per our attached report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Gaurav J. Shah  
Partner

Place : Ahmedabad  
Date : 24th February, 2011

For and on behalf of Board of Directors

Arjun S. Handa  
Managing Director

Pradyotsen Shukla  
Company Secretary

Place : Mumbai  
Date : 24th February, 2011

Chandrasingh Purohit  
Whole Time Director

# Information on the financials of the Subsidiary Companies

As per the exemption letter of the ministry of corporate affairs, Government of India

Name of Subsidiary Company	Country	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Total Investments made by Subsidiary	Revenues (Turnover & Other Income)	Profit Before Taxation	Provisions for Taxation	Profit After Tax	Proposed Dividend
Claris Produtos Farmaceuticos do Brasil Ltda	Brazil	Real	27.34	217,805,062	(156,154,989)	310,367,238	248,717,165	-	57,903,919	875,692	-	875,692	-
Claris Lifesciences Colombia Ltda	Colombia	Col. Pesos	0.02	55,747,471	(21,337,393)	51,737,809	17,327,731	-	77,320,209	942,616	-	942,616	-
Claris Lifesciences de Mexico SA de CV	Mexico	Mex. Pesos	3.68	242,721,079	(61,933,523)	184,092,478	3,304,922	-	26,054,666	130,072	-	130,072	-
Claris Lifesciences & Cia. Chile Limitada	Chile	Chilian Pesos	0.10	3,863,682	125,479,677	132,310,618	2,967,259	-	212,732	3,019	513	2,506	-
Claris Lifesciences Venezuela C.A.	Venezuela	Bolivar Fuerte	10.62	10,618	4,118,637	16,260,703	12,131,447	-	6,964,421	6,531,663	1,883,102	4,648,560	-
Catalys Venture Cap Limited	Mauritius	US Dollars	44.81	51,110,286	1,119,766,635	2,732,813,489	1,561,936,569	541,094,731	2,058,971,733	666,475,351	-	666,475,351	-
Claris Pharmservices	Mauritius	US Dollars	44.81	4,481,000	-	4,573,802	92,802	-	278,897	-	-	-	-
Claris SteriOne	Mauritius	US Dollars	44.81	4,481,000	(13,443)	105,044,364	100,576,807	-	440,930	-	-	-	-
PT Claris Lifesciences Indonesia	Indonesia	Rupiah	0.01	4,675,136	(23,384,676)	16,333,025	35,042,565	-	77,549,581	5,136,745	4,971,813	164,932	-
Claris Lifesciences Philippines, INC.	Philippines	Phil. Pesos	1.04	10,814,421	(9,835,318)	26,474,942	25,495,840	-	59,345,618	210,514	63,154	147,360	-
Claris Lifesciences Inc.	USA	US Dollars	44.81	194,932,462	(55,709,271)	187,848,001	48,624,810	-	49,516,260	(55,700,846)	-	(55,700,846)	-
Claris Lifesciences (UK) Limited	UK	Pound	69.29	6,929	-	31,871	24,943	-	-	-	-	-	-
Claris Lifesciences (Aust) Pty Ltd	Australia	Aus. Dollars	46.29	4,629	42,126	88,419	41,663	-	91,196	-	-	-	-
Icubix Infotech Limited	India	Ind. Rupees	1.00	500,000	6,306,278	17,381,502	10,575,223	-	21,701,340	5,412	(225,566)	230,978	-
Claris Lifesciences International Limited	India	Ind. Rupees	1.00	500,600	(685,498)	428,405	613,303	427,355	-	(127,390)	-	(127,390)	-
Claris Biosciences Limited	India	Ind. Rupees	1.00	500,000	(946,097)	1,160	447,257	-	-	(124,150)	-	(124,150)	-
Claris Infrastructure Limited	India	Ind. Rupees	1.00	500,000	(390,503)	255,213	145,716	-	-	(117,700)	-	(117,700)	-

Note : Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, are based on the exchange rates as on 31-12-2010

# Information on the financials of the Subsidiary Companies

Statement pursuant to section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Name of the Subsidiary Company	Claris Produtos Farmaceuticos Do Brasil Limitada	Claris Lifesciences Colombia Limitada	Claris Lifesciences de Mexico SA de CV	Claris Lifesciences Et CIA Chile Limitada
Currency of Presentation	R\$	COL Pesos	Mexican Pesos	Chilian Pesos
Financial year of the Subsidiary Company ended on	31/12/2010	31/12/2010	31/12/2010	31/12/2010
Holding Company's interest				
(i) No. of equity share	4,642,248.46 quotas of Real 1 each	271,661 Social Quotas of COL Pesos 1,000 each	50 shares of Mexican Pesos 1,000 each	100% of Social Rights
(ii) Percentage (%) of Holding.	<sup>1</sup> 100%	<sup>2</sup> 100%	<sup>3</sup> 100%	<sup>4</sup> 100%
The net aggregate amount of the Subsidiary's Profit / Loss so far as it concerns the members of the Holding Company not dealt within the Holding Company's Account				
(i) For the Current Financial year	32,029	40,369,000	35,311	25,417
(ii) For the Previous Financial years since it became subsidiary.	(5,743,498)	(954,176,000)	(16,848,625)	1,272,587,936
The net aggregate amount of Profit / Loss of the Subsidiary which has been dealt within the account of the Holding Company				
(i) For the Current Financial year	NIL	NIL	NIL	NIL
(ii) For the Previous Financial years since it became subsidiary.	NIL	NIL	NIL	NIL
<p>1) 4,642,248.46 quotas of Real 1 each are held by Claris Lifesciences Limited and 3,324,111.54 quotas of Real 1 each are held by Catalys Venture Cap Limited.</p> <p>2) 271,661 Social Quotas of COL Pesos 1,000 each are held by Claris Lifesciences Limited, 15,811 Social Quotas of COL Pesos 1,000 each are held by Claris Lifesciences International Limited and 2,100,000 Social Quotas of COL Pesos 1,000 each are held by Catalys Venture Cap Limited.</p> <p>3) 50 Common registered Shares (Fixed Capital) of Mexican Pesos 1,000 each are held by Claris Lifesciences Limited Et 68,000 Common registered Shares (Variable Capital) of Mexican Pesos 1,000 each at Par Value, are held by Catalys Venture Cap Limited.</p> <p>4) 85,500,000 Chilean Pesos equivalent to 95 % of Social Right by Claris Lifesciences Limited and 4,500,000 Chilean Pesos equivalent to 5% of Social Right by Claris Lifesciences International Limited</p>				

# Information on the financials of the Subsidiary Companies

Statement pursuant to section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Name of the Subsidiary Company	Claris Lifesciences Venezuela C.A.	Catalys Venture Cap Limited	Claris Pharmaservices	Claris SteriOne
Currency of Presentation	Bolivar Fuerte (Bs.F)	USD	USD	USD
Financial year of the Subsidiary Company ended on	31/12/2010	31/12/2010	31/12/2010	31/12/2010
Holding Company's interest				
(i) No. of equity share	1,000 Common Share of Bolivar Fuerte 1 each	11,40,600 Ordinary Shares of US \$ 1 each	1,00,000 Ordinary Shares of US \$ 1 each	1,00,000 Ordinary Shares of US \$ 1 each
(ii) Percentage (%) of Holding.	100%	100%	<sup>1</sup> 100%	<sup>2</sup> 100%
The net aggregate amount of the Subsidiary's Profit / Loss so far as it concerns the members of the Holding Company not dealt within the Holding Company's Account				
(i) For the Current Financial year	437,800	14,873,362	-	-
(ii) For the Previous Financial years since it became subsidiary.	(49,908)	10,115,851	-	(300)
The net aggregate amount of Profit / Loss of the Subsidiary which has been dealt within the account of the Holding Company				
(i) For the Current Financial year	NIL	NIL	NIL	NIL
(ii) For the Previous Financial years since it became subsidiary.	NIL	NIL	NIL	NIL

1) 100,000 Shares of USD 1 each at par value are held by Catalys Venture Cap Limited.

2) 100,000 Shares of USD 1 each at par value are held by Catalys Venture Cap Limited.

# Information on the financials of the Subsidiary Companies

Statement pursuant to section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Name of the Subsidiary Company	Pt. Claris Lifesciences Indonesia	Claris Lifesciences Philippines INC.	Claris Lifesciences Inc.	Claris Lifesciences (UK) Limited	Claris Lifesciences (Aust) Pty Ltd
Currency of Presentation	Indonesia Rupiah	Philippine Pesos	USD	GBP	AUD
Financial year of the Subsidiary Company ended on	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010
Holding Company's interest					
(i) No. of equity share	100,000 Share of Indonesia Rupiah 9,108 each	102,000 Shares of Philippine Pesos 100 each	200 Shares of US \$ 1 each	100 Ordinary Shares of GBP 1 each	100 Ordinary Shares of AUD 1 each
(ii) Percentage (%) of Holding.	100%	100%	<sup>1</sup> 100%	100%	100%
The net aggregate amount of the Subsidiary's Profit / Loss so far as it concerns the members of the Holding Company not dealt within the Holding Company's Account					
(i) For the Current Financial year	32,131,608	141,312	(1,243,045)	-	-
(ii) For the Previous Financial years since it became subsidiary.	(4,587,883,885)	(9,450,393)	(188)	-	910
The net aggregate amount of Profit / Loss of the Subsidiary which has been dealt within the account of the Holding Company					
(i) For the Current Financial year	NIL	NIL	NIL	NIL	NIL
(ii) For the Previous Financial years since it became subsidiary.	NIL	NIL	NIL	NIL	NIL

1) 200 Shares of USD 1 each at par value are held by Claris Lifesciences Limited and 4,350,000 Shares of USD 1 each at par value are held by Catalys Venture Cap Limited.



# Information on the financials of the Subsidiary Companies

Statement pursuant to section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Name of the Subsidiary Company	iCubix Infotech Limited	Claris Lifesciences International Limited	Claris Biosciences Limited	Claris Infrastructure Limited
Currency of Presentation	INR	INR	INR	INR
Financial year of the Subsidiary Company ended on	31/12/2010	31/12/2010	31/12/2010	31/12/2010
Holding Company's interest				
(i) No. of equity share	50,000 Equity Shares of Rs. 10 each	50,060 Equity Shares of Rs. 10 each	50,000 Equity Shares of Rs. 10 each	50,000 Equity Shares of Rs. 10 each
(ii) Percentage (%) of Holding.	100%	100%	100%	100%
The net aggregate amount of the Subsidiary's Profit / Loss so far as it concerns the members of the Holding Company not dealt within the Holding Company's Account				
(i) For the Current Financial year	230,978	(127,390)	(124,150)	(117,700)
(ii) For the Previous Financial years since it became subsidiary.	6,075,300	(558,108)	(821,947)	(272,803)
The net aggregate amount of Profit / Loss of the Subsidiary which has been dealt within the account of the Holding Company				
(i) For the Current Financial year	NIL	NIL	NIL	NIL
(ii) For the Previous Financial years since it became subsidiary.	NIL	NIL	NIL	NIL

Note : Holding Company's interest also includes shares held by the beneficial owners.

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## ATTENDANCE SLIP

### Claris Lifesciences Limited

Registered Office : Claris Corporate Headquarters, Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad-380006, India.

Please fill the Attendance Slip and hand it over at the entrance of the meeting venue  
joint shareholders may obtain additional Attendance Slip request

DP. Id*	
Client Id*	

Regd. Folio No.	
No. of Share(s) held	

Name and Address of the Shareholder

I/We hereby record my/our presence at the 16th Annual General Meeting of Claris lifesciences Limited held on Thursday, The 12th May, 2011 at 4.00 p.m. or soon thereafter as the AGM of Claris Lifesciences Limited convened for the same day shall be over at H T Parekh Convention Centre, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015, Gujarat, INDIA.

Signature of the shareholder or proxy

\*Applicable for investors holding shares in electronic form.

-----TEAR HERE-----

## PROXY FORM

### Claris Lifesciences Limited

Registered Office : Claris Corporate Headquarters, Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad-380006, India.

Please fill the Attendance Slip and hand it over at the entrance of the meeting venue  
joint shareholders may obtain additional Attendance Slip request

DP. Id*	
Client Id*	

Regd. Folio No.	
No. of Share(s) held	

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a member/members of Claris Lifesciences Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 16th Annual  
General Meeting of Claris Lifesciences Limited held on Thursday, The 12th May, 2011 at 4:00p.m. or soon thereafter as the AGM of Claris lifesciences  
Limited convened for the same day shall be over at H T Parekh Convention Centre, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015,  
Gujarat, INDIA.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\*Applicable for investors holding shares in electronic form.

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revenue  
stamp

#### Note

- (1) 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.
- (2) Members holding shares under more than one folio may use photocopy of this proxy form for other folios the company shall provide additional forms on request

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