HIKAL

Annual Report 2012

Responsible Chemistry

Maya lives in Jigani, in the vicinity of the Hikal plant. She studies at a school supported by Hikal. Hundreds of children from underprivileged families go to the school with Maya. Like her, they aspire to become professionals. We are changing the lives of our constituents, ensuring the safety of our employees and protecting the interests of the environment. We believe that chemistry holds the key to sustainability. Growth can be sustainable only when business is committed to transform society.

Hikal is proud to become the first 'Responsible Care' custom manufacturing life sciences company in India.

Since inception, Hikal has endeavored to achieve inclusive growth. Our motto of 'Responsible Chemistry' helps us reconcile growth with the welfare of society and protection of the environment.

In May 2012, Hikal was certified by the International Council of Chemical Associations as a 'Responsible Care' company for upholding global standards in health, safety and environmental performance. Hikal is proud to become the first 'Responsible Care' custom manufacturing life sciences company in India. This recognition encourages us to strive for higher performance and create better value for our stakeholders.

Chairman's Message

Dear Shareholders,

2011-12 was a very successful year for Hikal, where overall sales increased by 41%. It is positive to note that the Crop Protection business grew by 42% after many years of slow growth. The Pharmaceutical business continued to grow and recorded an increase of 40% in revenues. EBIDTA increased by 47% to ₹ 1,884 million from ₹ 1,282 million, and PAT increased by 22% from ₹ 443 million to ₹ 541 million.

The shareholders' funds of the company increased from ₹ 4,217 million to ₹ 4,598 million, an increase of 9%. The long-term debt has decreased by ₹ 57 million despite the revaluation of our dollar denominated loans due to the depreciation of the Rupee versus the US dollar. The debt to equity ratio has improved from 0.99 to 0.92.

In view of the positive results, we recommend to maintain the dividend at 60%.

The outlook for the Crop Protection business is encouraging and we see a similar growth trend continuing in the coming year. The growth in Crop Protection and Pharmaceuticals will come from our existing as well as new product pipeline under development, where our customer and geographical base is increasing.

We completed the demerger of Acoris Research into Hikal, which was a 100% subsidiary. Acoris will continue to undertake contract research business for major multi-national clients at the early stage of their products. This integration will help in the seamless transfer of technology, scale-up and commercialization of products when transferred to Hikal's manufacturing sites. Acoris has built a reputation as an efficient process-development facility. It has enabled Hikal to become a full service provider from 'grams to tons scale'. Hikal's focus and strategy is to become a technology driven company and the integration will further strengthen the technology base and offerings along the life sciences value chain.

The loss in our foreign exchange due to hedging of forward exchange contracts was higher than we expected during the year. It was primarily due to the significant devaluation of the rupee in the last two quarters of the year 2011-12. Most of the forward contracts will expire during the first two quarters of the coming year and we expect significant improvement in profitability in the second half of the year ahead.

Our strategy exercise with a leading global consulting company was completed in the first half of this year. We have reviewed the recommendations in detail and have initiated the implementation in a phase- wise manner. We expect the benefits of this study to be realized over the years to come.

Hikal is also working towards sustainability by adopting green chemistry and reducing our carbon footprint. We believe that sustainable development is a core strategic guideline as it combines environmental protection, social responsibility and helps generate business. Sustainable development at Hikal drives innovation in research and development all the way through to commercial manufacturing while preserving the natural resources around us. This is the future growth driver for the company.

Hikal is continuously working towards being a responsible chemical company and has recently got the 'Responsible Care' certification. We are one of the few companies who have received this globally recognized certification for our safety and environmental standards.

Despite the challenging global economic environment, Hikal is expected to grow in the coming year. Once again, I would like to thank all our stakeholders for their support.

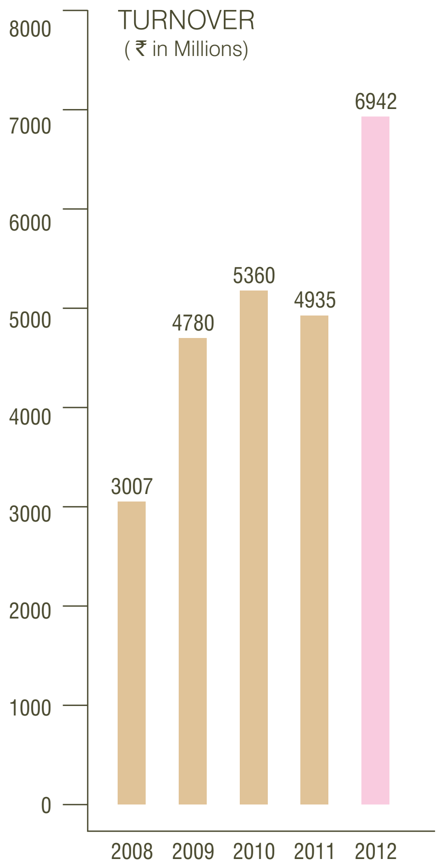
With regards,

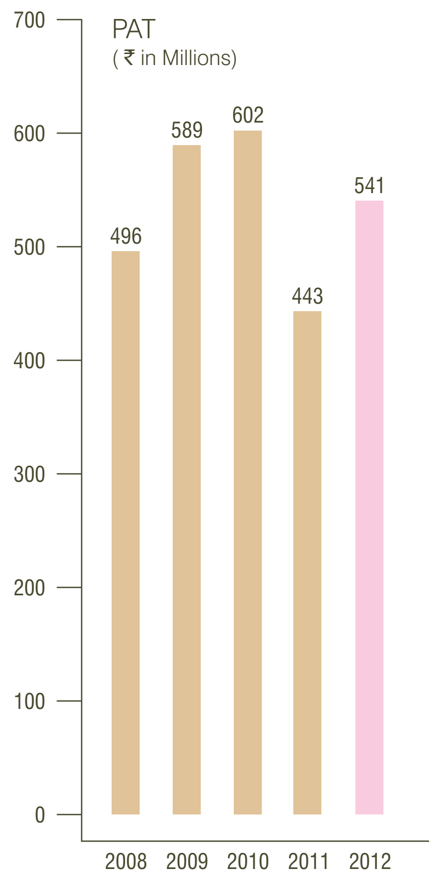
Jai Hiremath
Chairman and Managing Director

Hikal At A Glance

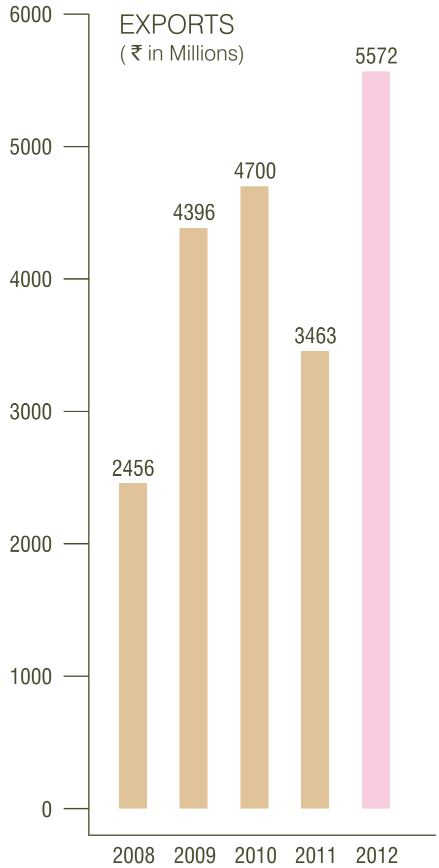
Highlights

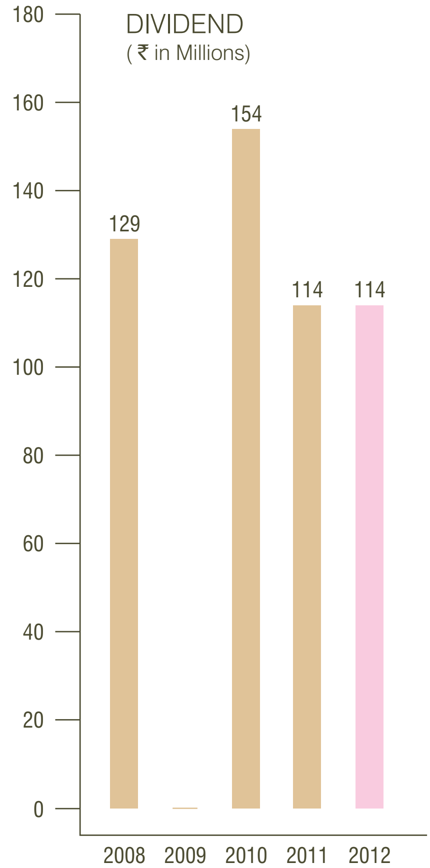
- Net sales - Up by 41% to ₹ 6,942 million as compared to ₹ 4,935 million in the previous year
- EBIDTA - Up by 47% to ₹ 1,884 million as compared to ₹ 1,282 million in the previous year
- Pharmaceutical sales - Up by 40% to ₹ 4,477 million as compared to ₹ 3,201 million in the previous year
- Crop Protection sales - Up by 42% to ₹ 2465 million as compared to ₹ 1734 million in the previous year
- PAT - Up by 22% to ₹ 541 million as compared to ₹ 443 million in the previous year
- Hikal becomes the first Indian custom manufacturing life sciences company to receive the 'Responsible Care' certification





Financial Highlights		₹ in Million		Growth
		March 31, 2012	March 31, 2011	%
Turnover		**6,942**	4,935	40.67
Operating profit before exceptional item (PBIDT)		**1,884**	1,282	46.96
Interest		**640**	412	-
Gross profit		**1,244**	870	42.99
Depreciation		**424**	382	-
Exceptional item		**218**	32	-
Profit after tax		**541**	443	22.12
Paid-up equity share capital		**164**	164	-
Earnings per share (EPS)	₹.	**32.90**	26.94	-
Cash earnings per share (EPS)	₹	**58.69**	50.18	-
Dividend per share	₹	**6.00**	6.00	-
Payout (including tax)		**114**	114	-





Board Of Directors

Jai Hiremath is the Chairman and Managing Director of Hikal Ltd. A Chartered Accountant from England and Wales, he has completed the Advanced Management Program for professionals and entrepreneurs from Harvard University, USA in 2004. He has more than 35 years of experience in the chemical and pharmaceutical industry. Mr. Hiremath established the company in 1988 and under his leadership; Hikal has grown to become one of the leading life sciences companies globally.

Mr. Hiremath is the past President of the Indian Chemical Council (ICC) and the former Chairman of the Chemical Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI). Mr. Hiremath is also a board member of Novartis (India) Ltd and National Safety Council (NSC) of India. Most recently, he has been elected to serve as a board member of DCAT (Drug, Chemical and Associated Technology Association) headquartered in New Jersey, U.S.A.

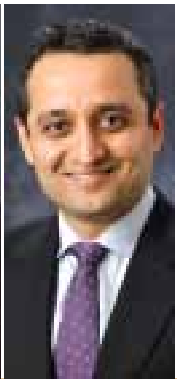
Baba Kalyani is the Chairman and Managing Director of Bharat Forge Ltd. Mr. Kalyani is an M.E. from Birla Institute of Technology & Sciences, Pilani and an M.S. from Massachusetts Institute of Technology, USA. Mr. Kalyani has been awarded CEO of the year 2004 by Business Standard, Entrepreneur of the Year (Manufacturing) 2005 by Ernst & Young and Businessman of the Year 2006 by Business India magazine. He has been honored by the Government of India which conferred the Padma Bhushan on Mr. Kalyani in 2008 and by the French Government which honored him with the distinction, Chevalier l'Ordre de la Légion d'Honneur (Knight of the National Order) in 2011 in recognition of his important contribution to enhance relations between India and France in the economic and commercial fields.

Sameer Hiremath is the President & Joint Managing Director of Hikal Ltd. His responsibilities include overseeing the day to day operations of the company. Mr. Hiremath did his Chemical Engineering from MIT (Maharashtra Institute of Technology), Pune and an MBA cum M.S. degree in Information Technology from Boston University, USA. Over the years, he has held various positions at Hikal including that of Executive Director. He has over 16 years of experience in plant operations and manufacturing at Hikal.

Jai Hiremath

Baba Kalyani

Sameer Hiremath



Kannan Unni graduated in agriculture and holds a Diploma in Marketing from the University of Mumbai. He is a pioneer in crop protection and increasing the farm yield in India. Mr. Unni was the Chairman of Bilag Industries Pvt. Ltd., a 100% subsidiary of Bayer CropScience. He was also the CEO of Aventis CropScience in India. He brings a wealth of experience in technology and marketing in the Crop Protection industry.

Dr. Peter Pollak is a Ph.D. in Chemistry from the Swiss Federal Institute of Technology, Zurich. He is internationally recognized as a pioneer in the development of the modern fine chemicals industry. He has more than 38 years of experience in fine chemicals, notably at Lonza in Switzerland and U.S.A. He has published numerous articles in several prestigious chemical publications worldwide. He is a consultant to some of the world's leading fine chemical and pharmaceutical companies and has recently published the second edition of his book 'Fine Chemicals, the Industry and the Business'.

Dr. Wolfgang Welter started his career in 1977 at Hoechst AG where he held a number of senior positions in Crop Protection and Fine Chemicals divisions. He served as the Head of Production at AgrEvo after which he took on the role of overseeing manufacturing operations at Aventis CropScience in France. Prior to his retirement, Dr. Welter was the Head of Industrial Operations at Bayer CropScience AG. He has served the industry for more than 30 years and brings a wealth of experience to Hikal.

Prakash Mehta graduated in law from the University of Mumbai in 1963. He has extensive experience in corporate law both in India and overseas. Mr. Mehta is on the boards of several conglomerates and is a member of the Managing Committee of The Bombay Incorporated Law Society. He is a senior partner at M/s. Malvi Ranchoddas & Co., Advocates & Solicitors, one of the leading law firms in Mumbai.

Shivkumar Kheny has extensive industry experience, specifically in steel and infrastructure development. Mr. Kheny sits on the board of several reputable companies, some of which are listed on the Bombay Stock Exchange.

Sugandha Hiremath has more than 25 years experience in finance. She serves as an independent director on the board of several companies.

Amit Kalyani received his Bachelor's in Mechanical Engineering from Bucknell University, Pennsylvania, USA, in 1998. He is currently an Executive Director on the board of Bharat Forge Limited, the flagship company of the US $ 2.4 billion Kalyani Group. He is involved in the company's strategic planning & global business development initiatives and he also oversees the entire group's strategy. He serves on the Boards of several companies and is an additional director on the Hikal Board.

Kannan Unni

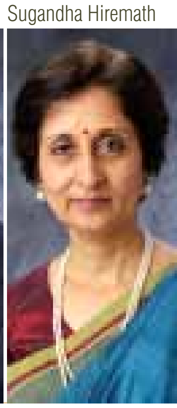
Dr. Peter Pollak

Dr. Wolfgang Welter

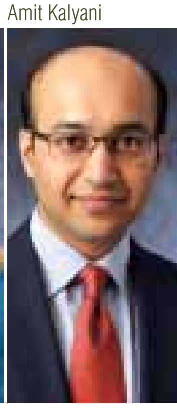
Prakash Mehta

Shivkumar Kheny

Sugandha Hiremath



Amit Kalyani



Management Committee

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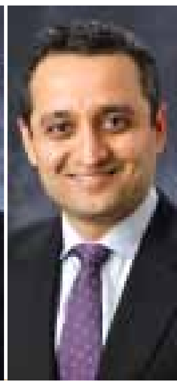
Sham Wahalekar, Senior Vice President, Finance and Company Secretary has more than 36 years of experience. He is an M.Com (Hons), L.L.B, and ACS. He has extensive knowledge in Corporate Law and Financial Management.

Dr. Peter Nightingale, President, Acoris Research is a Ph.D. in Chemistry from the University of Manchester, United Kingdom. He is a process development chemist with over thirty years of global experience in development, scale up, technology transfer in the pharmaceutical, agrochemical and fine chemical sectors. His expertise ranges from small scale process development to large scale operations. He is an experienced scientist who has held senior managerial positions at Development Chemicals, USA; Synprotec Ltd., and Coalite Group, UK. He has been with Acoris since late 2011.

Jai Hiremath

Sameer Hiremath



Ashok Anand, President, Pharmaceuticals has more than 37 years of experience in the pharmaceutical industry. He is a pharmacy graduate with a post graduate degree in marketing management. He joined Hikal in 2004 and serves as its President responsible for the Pharmaceutical business. Prior to joining Hikal, Mr. Anand held senior marketing positions in various pharmaceutical companies such as Nicholas Piramal and Johnson & Johnson.

Satish Sohoni, Senior Vice President, Crop Protection joined Hikal in 2007. Mr. Sohoni holds a Bachelor's Degree in Commerce from the University of Mumbai and an MBA from Pune University. Prior to joining Hikal, he held senior positions in Hindustan Lever and its parent company, Unilever in Central and Eastern Europe; Rallis India and Tata Chemicals.

Anish Swadi, Vice President, Business Development joined Hikal in 2005. Apart from Corporate Strategy, he oversees IT. Prior to joining Hikal, he worked as an International Financial Advisor with Merrill Lynch. He holds a Bachelor's Degree in International Business and Finance.

Ravi Khadabadi, Vice President, Procurement has more than 27 years of experience in the industry. He joined Hikal in 1997. He has a double Master's Degree in Chemistry and Polymers.

Sulabha Sawant, Head HR & Administration joined Hikal in 2012 and has 30 years of experience in Human Resource Management and Administration. She has a Master's Degree in English and in Personnel Management and Industrial Relations from Tata Institute of Social Sciences. Prior to joining Hikal, she held various senior positions in companies such as Dubai Port World Limited, P&O Ports, Tata Infotech, TCS and Nocil. She has been the recipient of several awards such as Women Super Achiever Award, Shine HR Leadership Award and the HR Warrior Award for her contributions in the area of HR.

Sham Wahalekar

Dr. Peter Nightingale

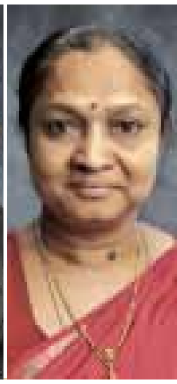
Ashok Anand

Satish Sohoni

Anish Swadi

Ravi Khadabadi

Sulabha Sawant




Dr. Takayuki Shioiri


Dr. Axel Kleemann


Prof. Goverdhan Mehta


Dr. K. Nagarajan

Scientific Advisory Board

Prof. Goverdhan Mehta is a distinguished organic chemist. He is a National Research Professor, Eli Lilly Chair, School of Chemistry at the University of Hyderabad and a Bhatnagar Fellow. He is the former President of the International Council for Science (ICSU), past director of the Indian Institute of Science, Bangalore. He holds a D.Sc. from the University of Marseilles, France; Ph.D. in Organic Chemistry from Pune University - National Chemical Laboratory; and a Ph.D. from Michigan State University and Ohio State University USA.

He has been awarded the Padma Shri in 2000 by the President of India and Chevalier de la Légion d'Honneur in 2004. He is a Fellow of the Royal Society and a member of the Scientific Advisory Committee to the Prime Minister of India. He has many prestigious awards and innumerable honors to his credit.

Dr. Takayuki Shioiri, a Ph.D. from the University of Tokyo, is Professor Emeritus of the Nagoya City University and an adjunct Professor of the Graduate School of Environmental and Human Sciences, Meijo University. He is the Honorary President of the Japanese Society for Process Chemistry. Dr. Shioiri is the recipient of the Pharmaceutical Society of Japan (PSJ) Award, the Abbott Prize and the Japanese Peptide Society Award.

Dr. K. Nagarajan obtained his B.Sc. (Hons) in Chemistry from Loyola College, Madras, and Ph.D. from the University of Madras. He is a postdoctoral Fellow from Wayne State University, California Institute of Technology, Pasadena and Zurich University, Switzerland. He has held various positions as Head, Medicinal Chemistry, Ciba Research Center; Director, R&D of Searle India, among others. He is the recipient of the Bhatnagar Prize in Chemistry and Lifetime Research Award from the Chemical Research Society of India. Dr. K. Nagarajan spearheads the scientific efforts at Hikal.

Prof Axel Kleemann holds a Ph.D. in Chemistry from the Johann Wolfgang Goethe University, Frankfurt am Main, where he is the Honorary Professor of Chemistry. Prof. Kleemann was a member of the Management Board of ASTA Medica AG from 1987 to 2000. He was responsible for research and development, production, engineering and drug safety. Apart from being a board member in various organizations and scientific societies in Germany, Prof. Kleemann is also the Chairman of the Board of Directors of Protagen AG and a member of the Board of Directors of several non-listed and listed biotech and fine chemical companies. Prof. Kleemann is the co-author of the standard reference book, 'Pharmaceutical Substances'.


PUNK

Project for Upgradation of Safety, Health and Environment

At the heart of 'Responsible Chemistry' is Hikal's Project for Upgradation of Safety, Health and Environment (PUSHe). Its primary objective is to improve operations across the company to achieve superior performance.

We have invested in advanced safety systems to mitigate risks and enhance process reliability. Every year, we celebrate Safety Week to inculcate safe work practices and improve emergency preparedness across all our sites.

We accord the highest priority to the health and wellbeing of our employees and communities in which we operate. We have completed 4.77 million man hours in 11 years without any lost time injury or accident at the Taloja facility.

water sprinkler system

Hi Quality program

Hikal believes that Chemistry can become a catalyst for sustainable growth only when the company is geared for high performance. Our High Quality (Hi Q) program is anchored by a corporate council that comprises of senior leaders in the management team.

Our core team monitors the progress of the program as well as the deployment of quality control tools and techniques. At each facility, an implementation committee mentors employees on continuous improvement in quality for higher productivity, increased cost savings, and lower energy costs.

Hikal is the first Indian company to be certified by Rx-360, a global pharmaceutical supply chain consortium, for upholding world-class quality standards in the pharmaceutical and biotechnology supply chain.

analytics nmr

Rx 360 An International Pharmaceutical Supply Chain Consortium

Research & Development

Our R&D team realizes Hikal's vision of 'Responsible Chemistry'. Hikal has partnered with an innovator pharmaceutical company to supply a drug for the treatment of a tropical disease. It is part of a World Health Organization (WHO) program to provide drugs at a subsidized cost.

We leverage our R&D capabilities to implement Green Chemistry. We use bio catalysis to minimize or eliminate the use of chemicals in our manufacturing processes. Enzyme catalyzed transformations help us develop environment-friendly processes for our products.

We are investing at our Taloja, Mahad and Jigani facilities to migrate from fossil fuel to bio mass. By next year, these renewable energy sources will significantly reduce emissions resulting in a lower carbon footprint.

our scientists

Corporate Social Responsibility

At Hikal, 'Responsible Chemistry' helps improve the quality of life of the residents living in villages where our facilities are located. We undertake projects in the areas of education and healthcare.

Hikal organized a poster competition at a school in Tondare village. Our program creates awareness about safety.

Hikal supports government schools in Nosenoor, Dyavasandra and Manchenhally villages. We contribute stationery and school uniforms to students.

Acoris

The contract research division of Hikal

The state-of-the-art facility is focused on chemical research, process development and scale up.

Research & Development

A chemical synthesis and process development center

The center focuses on technology transfer, process development and scale up.

Panoli

An advanced intermediate and regulatory starting material manufacturing facility

The facility has been upgraded to comply with USFDA manufacturing standards.

Jigani

An USFDA manufacturing facility

In 2011, the facility was audited successfully by the USFDA for the third time. A new multi-purpose API manufacturing block is scheduled to be commissioned by 2013.

Taloja

An integrated multi-purpose crop protection manufacturing facility

The facility is ISO 9001 2008, ISO 14001, ISO 17025 and OHSAS 18000 2007 certified.

HIKAL

Responsible Care®

Financials

To

The Members,

The Directors are pleased to present the 24th Annual Report with the Audited Accounts for the financial year ended March 31, 2012.

₹ in Millions

1. FINANCIAL RESULTS

	2011-12	2010-11
Turnover	6,942	4,935
Profit before interest and depreciation and exceptional items	1,884	1,282
Interest	640	412
Profit before depreciation	1,243	870
Depreciation	424	382
Profit after depreciation before exceptional items	819	488
Exchange loss	256	127
Reversal of cashflow hedge reserve	(37)	(96)
Profit before taxation after exceptional items	601	457
Provision for taxation		
- Current tax	123	90
- Less MAT tax credit	(123)	(90)
- Deferred tax liability	60	14
Profit after tax	541	443
Reserves and surplus	4,434	4,052
Dividend on equity share	99	99
Tax on dividend	16	16
Transfer to general reserve	100	100

2011-12 was a successful year for Hikal, with an overall sales growth of 41%. Total revenues stood at ₹6,942 million versus ₹4,935 million from the year before. The company has achieved a net profit of ₹541 million compared to ₹443 million in the previous year, an increase of 22%. The increase in profit can be attributed to the larger sales volumes of existing products and operational efficiencies in the manufacturing plants. EBIDTA increased by 47% to ₹1,884 million from ₹1,282 million. The shareholders' funds of the company increased from ₹4,217 million to ₹4,598 million, an increase of 9%. The long-term debt has decreased by ₹57 million despite the revaluation of our dollar denominated loans due to the depreciation of the Rupee versus the US dollar. The debt to equity ratio has improved from 0.99 to 0.92.

In 2011-12, the revenues of the Crop Protection division increased substantially by 42% to ₹2,465 million as compared to ₹1,734 million from the year before. The increase in sales was primarily due to the larger off take of products by our customers. Our new products which were in the R&D stage are expected to be commercialized in the next financial year leading to additional growth in the years to come.

Our Pharmaceutical division recorded its highest turnover at ₹4,477 million as compared to ₹3,201 million in the previous year, a growth of 40%. Much of the growth can be attributed to the increase in sales of our existing product portfolio as we captured a larger market share and added new customers.

One of our leading API products in the Pharmaceutical division experienced higher than expected volumes from existing customers as well as from newer indications that have been approved for the product. We received clearance to manufacture two contract manufacturing products which are expected to grow in volume over the next few years. This will further improve the capacity utilization at our Panoli and Jigani facilities considerably.

The contract manufacturing of these molecules will add stable revenues and margins for the division over the next few years.

The construction of our newest multipurpose API plant which is capable of manufacturing 4 APIs simultaneously is underway at our USFDA facility in Bangalore. This plant is expected to be ready in 2013 and will cater to the new products under development at Hikal R&D and contract manufacturing requirements of our existing customers.

2. **EXPORTS**

Exports for the year increased to ₹5,572 million (80% of total sales) from ₹3,463 million (70% of total sales) in the previous year; an increase of 61% versus the last fiscal year. It is due to the increase in overall revenues and the addition of customers in different geographies as compared to last year.

3. **OPERATIONS**

Crop Protection Division:

Our Crop Protection division revenues are primarily driven from contract manufacturing products for multinational innovator companies. The past year saw a volume increase of a fungicide produced for a major European multinational company. An intermediate for the same customer produced at our Mahad facility has grown in volume and based on future forecasts given by the customer, we expect it to grow further.

We have added two customers for commercial manufacturing which is expected to commence next year. The lab trials for these molecules have been completed. We worked on multiple late stage research projects for Japanese Crop Protection companies which are expected to fructify over the next two years. It will lead to additional revenues in the Crop Protection division. We are currently working on an intermediate to be manufactured at our Mahad facility for the Japanese market. It is a solvent for the electronic chemical market with extremely stringent quality requirements. The success of this project along with others has opened up a new market in the fast growing specialty chemicals field for the company.

We have invested incrementally in debottlenecking our plants at Taloja and Mahad to cater to the additional demand of our customers. Going forward, we are focusing on maximum capacity utilization at our manufacturing facilities which will improve our profitability. We have successfully completed Safety, Health and Environment audits with our multinational customers who have reinforced our high standards and quality systems. It should lead to additional business in the years to come. In addition, we have invested in increasing the capacity of our R&D personnel and equipment at our Taloja plant which focuses on process improvements and new product development. The on-patent molecule that we are contract manufacturing for a European multinational innovator customer has grown substantially over last year's volume. Based on our customer's forecast, we expect that this molecule will further grow as our customer's registration gets approved in new markets for this new generation product.

Pharmaceutical Division:

One of our leading API products in the Pharmaceutical division experienced higher than expected volumes from existing customers as well as from newer indications that have been approved for the product. As one of the largest suppliers of this product in the world, our R&D has worked tirelessly to improve the process and reduce the production cost of this product in the face of increased competition and declining market prices.

We received final clearances from a European innovator multinational company to commence commercial production of multiple products at our Panoli and Jigani facilities. We had built dedicated facilities for the production of these molecules which are expected to be commercialized in the second quarter of the next financial year. These are both large volume products and are expected to grow in volume over the next few years. This will further improve the capacity utilization of both sites considerably.

Commercial quantities of an API product that we had under development has been successfully manufactured and approved by an innovator company in the US. This product will be contract manufactured at our USFDA plant in Bangalore and supplies are expected to start in the second quarter of the next financial year.

Validation trials of two new APIs under development have been completed. We expect commercial quantities to begin in the next financial year. These products are in the process of being approved by our customers as they go off patent.

Construction of our newest multipurpose API plant which is capable of manufacturing 4 APIs simultaneously is underway at our USFDA facility in Bangalore. This plant is expected to be ready in 2013 and will cater to the new products and contract manufacturing requirements of our existing customers.

On the regulatory front, we had two milestones. Our Bangalore USFDA facility passed its third audit successfully receiving zero 483s (zero regulatory deviances). It is an accomplishment for the company from a regulatory, quality, environment, and health and safety perspective. It bears testimony to the high standards that we uphold. As part of the company's initiative to become an integral component of the global supply chain, we were audited and certified by the globally recognized voluntary supply chain consortium, Rx360. We are the first Indian life sciences company to be successfully audited by this organization. A significant number of leading multinational innovator, biotech and chemical companies are members of this supply chain which is a clear differentiator to become a supplier to these companies.

Bangalore R&D

In continuation of our efforts to develop a strong pipeline, our R&D team at Bangalore concluded several new projects successfully during the year. Novel manufacturing processes were developed for 2 APIs, which were validated and the corresponding DMFs are in the process of being filed. One of these APIs is aimed at supporting World Health Organization (WHO) initiatives in treating Lymphatic Filariasis. In the area of contract manufacturing, technology transfers by our customers were successfully transferred to our production facilities and small quantities were validated. Efficient manufacturing processes were also utilized for a number of pharmaceutical advanced intermediates and transferred to the respective production units.

In order to ensure that our current manufacturing processes are environment-friendly and sustainable, consumption of organic solvents was reduced and in certain cases eliminated. Effluent streams were processed to recover valuable products that can be recycled. These initiatives have been transferred and implemented in commercial production. It is part of the company's initiative to become a sustainable business. Capacity building in the area of scale up has also been undertaken and new equipment and reactors have been added to R&D labs. These initiatives are expected to translate into new business opportunities and leads in the near future.

4. DEMERGER OF SUBSIDIARY OPERATIONS

As per the scheme of arrangement approved by the Registrar of High Court Judicature of Bombay High Court, with effect from 1st April 2012, the Research and Development activity of Acoris has been demerged with Hikal.

During the year, Acoris has further strengthened its capabilities, both in terms of manpower as well as technical capabilities. With a professional team of approximately 116 people, most of them qualified scientists, Acoris helps customers innovate during the early lifecycle of products with a comprehensive suite of offerings. Acoris provides customized services, from Route Scouting, Contract Research, Process Development, Scale up, Analytical Method Development and cGMP (kilo scale) Manufacturing under Full Time Equivalent (FTE) to Fee for Service (FfS) contracts.

Acoris registered significant growth in the year and has added a number of major multinational clients from Western Europe and Japan. Acoris has completed over fifty laboratory scale projects and five major pilot plant developments on behalf of clients during 2011-12 and has a strong pipeline of projects for the coming year. These projects range from Phase I to Phase III in the life sciences value chain. The success of these projects depends on the regulatory approvals from the USFDA. A majority of these projects are from repeat customers which highlights the successful track record of the company.

The Japanese market has been a lead source of enquiries and projects for Acoris. We have signed contracts for process development, process intensification and scale up with several companies for new chemical entities and molecules going off patent in the next few years. Our strategy to offer a full development and scale up service to innovator companies, generic and biotech companies is leading to new possibilities for future long-term contract manufacturing opportunities for the Hikal group. These development contracts will translate into revenues in the years to come.

Acoris has received ISO certification for its Quality Management System as well as the local Drug Manufacturing License and the GMP certificate for its cGMP kilo lab for small scale manufacturing. The system has been successfully audited by clients and has already manufactured small volume of products under cGMP conditions.

The underlying concept of the value proposition to potential clients by creating a long-term relationship starting at early development at Acoris all the way through to manufacturing at Hikal has been established with several examples, where products developed at Acoris were successfully scaled up at Hikal manufacturing sites. This is a future source of revenue for the Hikal group and the demerger will only increase business opportunities.

5. DIVIDEND

The Board has recommended a final dividend of 60% (previous year interim dividend of 30% and final dividend of 60 % including interim dividend).

6 AWARDS

During the year, the company received the following awards:

3rd USFDA audit was completed successfully at Bangalore

'Responsible Care' certification – First Indian Life Sciences company

Hikal is the first Indian company to receive the Rx-360 certification, a global supply chain consortium

Hikal Acoris has won the 2011 BloombergUTV CXO award for implementation of Green IT

7. **SUBSIDIARY ACCOUNTS**

In terms of the approval granted by the Government of India, Ministry of Company Affairs under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Report of the Auditors of the subsidiary companies viz., Hikal International B.V. and Acoris Research Limited have not been attached with the Balance Sheet of the company. The company will make available these documents / details upon request made by any shareholder of the company interested in obtaining the same and the same can also be inspected at the Registered Office of the company as well as of the subsidiaries. Pursuant to the approval, a statement of the summarized financials of all the subsidiaries is attached along with the Consolidated Financial Statements. Pursuant to Accounting Standard (AS) – 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the company includes the financial information of its subsidiaries.

8. **DIRECTORS**

Mr. B.N.Kalyani, Chairman of Hikal since 1992, has expressed his desire to step down as Chairman of the Board. He will continue as a Board Member. The Board of Directors places on record the valuable guidance and remarkable progress made by company under his leadership. The Board of Directors appointed Mr. Jai Hiremath as Chairman and Managing Director.

Mr. Sameer Hiremath was designated as President and Joint Managing Director w.e.f. 10th November 2011

Mr. Amit B. Kalyani, who is alternate director to Dr. Peter Pollak, was appointed as additional Director w.e.f. 9th February 2012. The shareholder's approval will be sought in the forthcoming Annual General Meeting.

Mr. Prakash Mehta, Mr. K.K.Unni and Mrs. Sugandha Hiremath, Directors on Board retire by rotation and being eligible, offer themselves for re-appointment.

9. **DIRECTOR'S RESPONSIBILITY STATEMENT**

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

i) In the preparation of the annual accounts, the applicable accounting standards have been followed.

ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended March 31, 2012 and of the profit of the company for that year.

Iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

iv) The annual accounts have been prepared on a going concern basis.

10. **AUDITOR'S REPORT**

With regard to the emphasis of matters and qualification contained in the Auditors' Report, explanations are given below:

i) Note no 4 of the Auditor's Report - Refer Note no. b to Note 27

The company has entered into certain forward / option contracts with the banks to hedge its exposure against fluctuations in foreign exchange. 80% of the company's revenues are exports realized in foreign currencies. Majority of these exports are in US dollars. These contracts account for approximately 20% of its total exports.

The forward covers have been spread over the next one year. These covers were taken to ease the effects of volatile movements in foreign currency, as a major percentage of the company's turnover is realized from exports in foreign currencies.

The company has MTM losses of ₹453 Million as on March 31, 2012 and for the future years which have not been provided for in the books. The company is of the opinion that the unrealized losses as a result of these transactions are notional in nature and will not affect the ongoing business or operations of the company. The company has adequate long-term export contracts to cover the entire value of the forward covers. The losses on these contracts are being accounted for as and when they fall due.

The company is also of the opinion that these losses are not actual losses as the US dollar is highly volatile and unpredictable versus the Indian Rupee. For the FY 2012, the US dollar has appreciated by 15% versus the Indian Rupee.

11. **AUDITOR**

The members have appointed M/s B S R & Company Chartered Accountants as the auditor of the company in the last Annual General Meeting of the company.

M/s B S R & Company Chartered Accountants is the retiring auditor, offer themselves for re-appointment

12. **COST AUDIT**

The company has re-appointed Prof. V.J. Talati of V.J. Talati & Co., as the Cost Auditor.

13. **PUBLIC DEPOSITS**

The company has not accepted any deposits and as such there are no overdue deposits outstanding as on March 31, 2012.

14. **LISTING FEES**

The company has paid requisite annual listing fees to Bombay Stock Exchange and National Stock Exchange where its securities are listed.

15. **EMPLOYEES**

The company considers its human capital as an invaluable asset. The company continued to have cordial relationships with all its employees. Management and employee development programs and exercises were conducted at all sites. Employees had various team building exercises and were sponsored for various external seminars and other developmental programs to enhance their skill sets. The total workforce of the company stood at 1,015 as on March 31, 2012.

As required by the provisions of the section 217 (2A) of the Companies Act, 1956, read with companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees form part of the Directors' Report. However, as per the provisions of the Sec. 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the company excluding the aforesaid information, any shareholders interested in obtaining such particulars may write to the Company Secretary at the corporate office of the company

16. **CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

In accordance with the requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement showing particulars with respect to conservation of energy, technology absorption and foreign earnings and outgo forming part of the Directors' Report, is given in the enclosed annexure which forms part of this report.

17. **SAFETY & ENVIRONMENT**

The company continued to maintain the highest standards of safety and environment control. The company has become the first Indian life sciences company to receive the 'Responsible Care' certification. It is applicable to all manufacturing and research sites of the company. Continuous training and awareness programs for the employees are undertaken on a frequent basis.

18. **CORPORATE GOVERNANCE**

A report on the Corporate Governance Code along with a certificate from the Auditor of the company regarding the compliance of the code of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under clause 149 of the Listing Agreements are annexed to this Report.

19.. **ACKNOWLEDGEMENTS**

The Board of Directors place on record their appreciation of the active involvement and sincere support extended to the company by our bankers, financial institutions and esteemed customers and suppliers.

The Board also places on record its appreciation for the impeccable service and generous efforts rendered by its employees at all levels, across the board towards the overall growth and success of the company.

For and on behalf of the Board of Directors

Place: Mumbai	**Jai Hiremath**	**Kannan Unni**
Date: May 14, 2012	**Chairman & Managing Director**	**Director**

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

I. CONSERVATION OF ENERGY

Energy conservation is an important element of our Energy Policy. Hikal has undertaken various measures to implement energy conservation at all sites:

Various measures

- Energy audits conducted by M/s Cholamandalam Energy Management Services and M/s Forbes Marshall.
- Various training programs and active participation in energy week
- Suggestion schemes from employees.
- Use of latest technology for better monitoring of energy sources and implementation of various schemes for energy conservation

Measures adopted:

- Use of variable frequency drives for high power consuming pumps.
- Online efficiency monitoring system for boilers on site
- Heat recovery from waste stream to preheat the feed in LLE plant.
- Condensate recovery in boilers

FORM A

₹ in Millions

A.	Power and Fuel Consumption			
1.	Electricity		**2011-12**	2010-11
	Purchased			
	Unit (KWH in thousands)		**49,973**	44,560
	Total amount (₹ in Mio)		**300.69**	252.68
	Rate / KWH (₹)		**6.02**	5.67
2.	Furnace oil			
	Quantity (K. Ltrs.)		**9,962**	8,500
	Total Cost (₹ in Mio)		**357.89**	242.33
	Average rate / Ltrs. (₹)		**35.92**	28.55
3.	Others			
	LSHS / LDO / GAS / HSD			
	Quantity (K. Ltrs.)		**2,107**	1,659
	Total Cost (₹ in Mio)		**58.15**	40.15
	Rate / Ltrs. (₹)		**27.59**	24.20
B.	Consumption per unit of Production			
	Product Unit			
	(Intermediate for dyes, pesticides and pharmaceuticals)			
	Electricity	KWH	**10.80**	11.83
	Furnace oil	Ltrs.	**2.16**	2.26
	LSHS / LDO /GAS	Ltrs.	**0.46**	0.44

II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

(a) Specific areas in which R&D is carried out by the company and benefits accrued

1. Our R&D team has successfully concluded several new projects during the year. Two manufacturing processes were developed for APIs, validated and DMFs for the same are being filed. One of these APIs is aimed at supporting a World Health Organization (WHO) initiative to treat *Lymphatic Filariasis*. In intermediates for pharmaceutical APIs, three products have been successfully scaled up and two of them have already been approved by potential customers
2. In contract manufacturing, technology transferred by the customer was successfully scaled up and transferred to the production facilities. This product will be commercialized in the next year.
3. Several efficient manufacturing processes were also developed and implemented for a Crop Protection Active Ingredient.
4. In order to ensure that our current manufacturing processes are environment-friendly and sustainable, consumption of organic solvents was either reduced or eliminated in two of our key products. Effluent streams were processed to recover valuable products that could be recycled. These initiatives have been transferred and implemented in production.

(b) Future plans

1. The company's plan to increase Drug Master Files (DMF) every year continues to generate its own Intellectual Property through process patents. Many new projects have been initiated. New project management and product selection systems have been implemented.
2. The management's vision is to position Hikal as a company of choice both as a preferred supplier and as an employer. The company has adopted a sustainable business model which will reduce the harmful effects on the environment by reducing the amount of solvents and developing greener processes in mainstream R&D and manufacturing processes. The company has positioned itself as a leader in contract manufacturing and research.
3. Acoris Research Limited (a 100% subsidiary) at the International Biotech Park, Pune has been integrated into Hikal as a division. It is a part of the initiative to strengthen Hikal's R&D activities and offer seamless and complementary services for development, scale up and manufacture. With this integration of R&D services, the total R&D strength of Hikal has doubled. It is expected to increase efficiencies and provide our customers with an integrated research and manufacturing platform.

₹ in Millions

(c) Expenditure on R & D	2011-12	2010-11
i) Capital	5.05	5.81
ii) Recurring	128.32	96.21
Total	133.37	102.02
iii) Total R&D expenditure as a percentage of total turnove	1.92%	2.07%

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Total foreign exchange used and earned:

Used : ₹ **1,887** Million (Previous year ₹ 1,329 Million)

Earned : ₹ **5,572** Million (Previous year ₹ 3,463 Million)

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 14, 2012

Jai Hiremath
Chairman & Managing Director

Kannan Unni
Director

Report on Corporate Governance : 2012

The Company has complied with the provisions clause No. 49 of the listing agreement with the stock exchanges relating to the Corporate Governance. The Company has constituted various committees and discloses various information to the public through its Annual Reports, web-site, press releases, etc.

I. COMPANY'S PHILOSOPHY OF CODE OF GOVERNANCE

Hikal's philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, Government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance.

II. BOARD OF DIRECTORS

The present strength of the Board of Directors is 10, whose composition is given below:

A Composition and category :

BABA KALYANI	Non-Executive Director
JAI HIREMATH	Chairman & Managing Director
SAMEER HIREMATH	President and Joint Managing Director
PRAKASH MEHTA	Independent, Non-Executive Director
PETER POLLAK	Independent, Non-Executive Director
SHIVKUMAR KHENY	Independent, Non-Executive Director
KANNAN UNNI	Independent, Non-Executive Director
SUGANDHA HIREMATH	Non-Executive Director
WOLFGANG WELTER	Independent, Non-Executive Director
AMIT KALYANI	Non-Executive Director

The attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committees of each Director in various Companies is as under:

Name of Director	Attendance		Directorships (excluding Directorship in Private Companies)*	Committee Memberships#	Committee Chairmanships
	Board Meeting	Last AGM			
BABA KALYANI Director	1	No	14	3	3
JAI HIREMATH Chairman & Managing Director	4	Yes	2	-	1
SAMEER HIREMATH President & Joint Managing Director	4	Yes	1	-	-
PRAKASH MEHTA Director	4	Yes	9	8	-
PETER POLLAK Director	1	No	-	-	-
SHIVKUMAR KHENY Director	4	Yes	11	2	1
KANNAN UNNI Director	3	Yes	5	4	-
SUGANDHA HIREMATH Director	4	Yes	-	2	-
AMIT KALYANI Additional Director	1	No	13	5	-
WOLFGANG WELTER Director	3	No	-	-	-

* excludes directorship in own Company

\# includes membership/chairmanship in own Company

B Board Procedure :

Board members are given appropriate documents and information in advance of each Board and Committee meeting. To enable the Board to discharge its responsibilities effectively, the Chairman & Managing Director reviews Company's overall performance.

C Details of Board of Directors Meetings held during the year :

Four (4) Meetings of the Board of Directors were held during the year ended March 31, 2012.

These were held on : (1) May 12, 2011 (2) July 28, 2011 (3) November 10, 2011 (4) February 9, 2012

D Remuneration Policy :

In framing its remuneration policy, the Remuneration Committee / Board of Directors take into consideration the remuneration practices of companies of a size and standing similar to the Company.

The Executive Directors are paid remuneration as per the Agreements entered between them and the Company. These Agreements are placed for approval before the Remuneration Committee, Board and the shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors comprises of salary, commission, perquisites and allowances, contributions to provident fund and gratuity. The non-executive Directors do not draw any remuneration from the Company except sitting fees.

Remuneration to Directors for the year ended March 31, 2012.

i) Remuneration to Non-Executive Directors

The Non-executive Directors are paid sitting fees of ₹15,000/- (Rupees Fifteen Thousand) for each meeting of the Board, Audit Committee, Shareholders' Grievance Committee, and Remuneration Committee meetings attended by them:

Director	Sitting Fees (₹)
Baba Kalyani	15,000/-
Prakash Mehta	1,20,000/-
Peter Pollak	15,000/-
Shivkumar Kheny	60,000/-
Kannan Unni	1,05,000/-
Sugandha Hiremath	1,35,000/-
Amit Kalyani	15,000/-
Wolfgang Welter	45,000/-

ii) Remuneration to Executive Directors

₹ in Millions

Name of the Director	Salary & Perquisites	Commission	Total
Jai Hiremath	13.61	6.21	19.82
Sameer Hiremath	8.67	6.21	14.88

Shareholding of Non Executive Directors in the Company:

Name of the Director	Number of shares held
Baba Kalyani	3,000
Prakash Mehta	1,970
Peter Pollak	Nil
Shivkumar Kheny	6,350
Kannan Unni	5,000
Sugandha Hiremath	13,09,000
Amit Kalyani	Nil
Wolfgang Welter	Nil

III. COMMITTEES OF THE BOARD

A. Audit Committee

Composition

The Committee consists of Mr. Kannan Unni, Chairman, Mr. Prakash Mehta who are Non-Executive Independent Directors and Mrs. Sugandha Hiremath, who is a Non-Executive Director.

The terms of reference of the Audit Committee include :

1. To review the company's systems of internal control and to ensure that adequate system of internal audit exists and is functioning.
2. To ensure compliance of internal control systems and action taken on internal audit reports.
3. To establish accounting policies.
4. To review financial statements and pre publication announcements before submission to the Board.
5. To apprise the Board on the impact of accounting policies, accounting standards and legislation.
6. To review the Company's financial and risk management policies.

The Company Secretary acts as the Secretary to the Committee.

The Statutory auditors, Internal Auditor and Cost Auditor are invited to attend and participate at the meeting of the Committee.

Meetings and Attendance

In 2011-12, the Audit Committee met 4 times viz; on May 12, 2011, July 28, 2011, November 10, 2011, and February 9, 2012.

The attendance of the Committee meetings is as under:

Name of the Director	No. of meetings attended
Kannan Unni	3
Prakash Mehta	4
Sugandha Hiremath	4

B. Share Transfer Committee

The Share Transfer Committee consists of Mr. Jai Hiremath, Chairman & Managing Director (Executive), Mrs. Sugandha Hiremath, Director (Non-Executive) and Mr. Sameer Hiremath, President & Joint Managing Director (Executive).

During the year 2011-2012, 3 meetings were held.

C. Shareholders' & Investors' Grievance Committee

The Committee consists of Mr. Kannan Unni - Independent Non-Executive Director, (Chairman of the committee), Mr. Prakash Mehta - Independent Non-Executive Director and Mrs. Sugandha Hiremath – Non -Executive Director. The Committee looks into redressing of shareholders/investors' complaints. During the year 4 complaints were received from shareholders / investors and the same were resolved. No complaints were outstanding as on March 31, 2012.

During the year 2011–2012, 1 meeting was held.

Compliance Officer

The Board has designated Mr. Sham Wahalekar, Sr. V.P Finance and Company Secretary as the Compliance Officer.

D. Remuneration Committee

The Committee consists of Mr. B.N. Kalyani Non Executive Director, Mr. Kannan Unni - Independent Non-Executive Director, and Mr. Prakash Mehta - Independent Non-Executive Director. The terms of reference of Remuneration Committee includes remuneration for fixation and revision of remuneration packages of Chairman & Managing Director and President & Joint Managing Director to the Board for approval and review.

No meeting took place during the year 2011 – 12.

IV. GENERAL BODY MEETING

The details of Annual General Meetings held in the last 3 years are as under:

Annual General Meeting	Day	Date	Time	Venue
21st	Thursday	August 27, 2009	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005
22nd	Wednesday	August 18, 2010	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005
23rd	Thursday	August 18, 2011	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005

Details of special resolutions passed during last three years:

1. Resolution under section 314 (1B) of the companies Act, 1956 passed for holding place of profit by a relative of directors. The Resolution was passed with the requisite majority at the 22nd Annual General Meeting of the company held on August 18, 2010.

   In addition to Annual General Meetings, the Company holds Extra-Ordinary General Meetings of the Shareholders as and when need arises.

V. DISCLOSURES

(i) The Company has entered into related party transactions as set out in the Notes to Accounts, which are not likely to have a conflict with the interest of the Company. The details of all significant transactions with the relevant parties are periodically placed before the audit committee.

(ii) No penalties or strictures have been 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.

(iii) In the preparation of financial statements, the Company has followed the Accounting Standards notified under section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except as stated in the auditors' report.

(iv) The Company has laid down the Risk Management Policy defining risk profiles involving Strategic, Technological, Operational, Financial, Organisational, Legal and Regulatory risks within well defined framework. The Board periodically reviews the business related risks.

(v) The Company has a code of conduct for Board members and senior management of the Company, which is posted on the Company's website. The employees covered by code of conduct, affirm on annual basis the compliance with the said code. The Company does not have a whistle blower policy. No personnel of the Company have been denied access to the grievance redressal mechanism and audit committee of the Board of the Company.

(vi) The company has complied with non-mandatory requirement of Clause 49 pertaining to Corporate Governance, in respect of formation of remuneration Committee.

(vii) In relation to the audit qualifications, the note to accounts referred to in Auditor's Report are self explanatory and therefore do not call for any further comments.

VI. MEANS OF COMMUNICATION

The quarterly, half yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are published in leading Financial/Non-financial newspapers viz: in Economic Times and Maharashtra Times.

These results and shareholding pattern of the company at the end of each quarter are simultaneously posted on the web site of the Company at www.hikal.com The Annual Report has detailed Chapter about Management Discussion and Analysis Report.

In line with the Listing Agreement, the Company has created a separate e-mail address viz. secretarial@hikal.com to receive complaints and grievances of the investors.

VII. GENERAL SHAREHOLDERS INFORMATION

(A) Annual General Meeting

Date : August 23, 2012
Time : 11.00 A.M.
Venue : Centrum Hall 'A', 1st Floor
Center 1, World Trade Center, Cuffe Parade
Mumbai – 400 005

(B) Financial Calendar : April 01 to March 31

(C) Book Closure : August 17, 2012 to August 23, 2012 (both days inclusive)

(D) Listing of Shares & Other Securities

The Shares are listed on the Stock Exchanges at Mumbai and National Stock Exchange.

The Company has paid the listing fees to these Exchanges.

(E) Stock Code

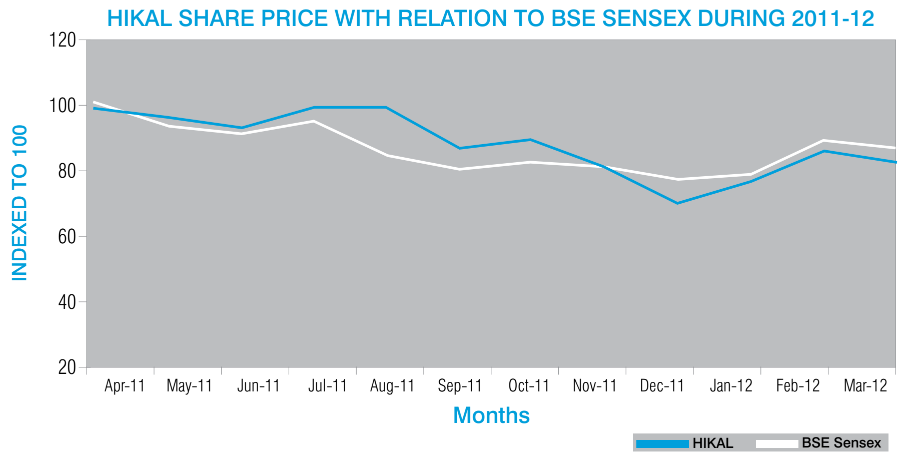
Trading Symbol at :

Stock Exchange, Mumbai	524735
National Stock Exchange	HIKAL
Demat ISIN Number in NSDL & CDSL	INE 475 B 01014

(F) Market Price Data

The details of high/low market price of the shares at the Stock Exchange, Mumbai, are as under:

Year	Month	High(₹)	Low(₹)
2011	April	338	286
	May	318	289
	June	315	275
	July	334	285
	August	348	270
	September	298	265
	October	310	265
	November	296	237
	December	259	226
2012	January	279	234
	February	303	255
	March	280	260



(G) Share Transfer Agents

Universal Capital Securities Pvt. Ltd.
(Formerly known as Mondkar Computers Pvt. Ltd.)
21, Shakil Niwas, Mahakali Caves Road
Opp. Satya Sai Baba Mandir, Andheri (East),
Mumbai – 400 093
Phone : 022- 28366620 Fax : 022- 28262920

(H) Share Transfer System

Shares sent for transfer in physical form are registered by our Registrars and Share Transfer Agents within 30 days of receipt of the documents, if the documents are found to be in order. Shares under objection are returned within one week. The Share Transfer Committee meets generally twice in a month to consider the transfer request, if there are any.

(I) Distribution of Shareholding (Equity) as on March 31, 2012

Shareholding Range(s)		No. of Shareholders		Equity Shares held	
From	To	Number	Percentage	Number	Percentage
1	500	7,613	92.89	7,58,055	4.61
501	1000	288	3.51	2,16,719	1.32
1001	2000	139	1.70	1,97,916	1.20
2001	3000	55	0.67	1,39,237	0.85
3001	4000	17	0.21	61,824	0.38
4001	5000	20	0.24	92,112	0.56
5001	10000	29	0.35	2,10,398	1.28
10001 & above		35	0.43	1,47,63,839	89.80
Total		**8,196**	**100.00**	**1,64,40,100**	**100.00**

(J) Shareholding pattern as on March 31, 2012 is as under :

Category of Shareholders	No. of Equity Shares	Percentage
Promoters	1,13,14,137	68.82
Resident Individuals	24,16,643	14.71
Mutual Funds / UTI	9,47,618	5.76
FIIs	31,969	0.19
Foreign National	24,310	0.15
Non Resident Indians	75,871	0.46
Corporate Bodies	2,69,552	1.64
Foreign Corporate Bodies	13,60,000	8.27
Total	**1,64,40,100**	**100.00**

(K) Dematerialisation of Shares

77.26% (1,27,01,249 shares) of total equity capital is held in dematerialized form with NSDL and 21.89% (35,99,426 shares) of total equity capital is held in dematerialized form with CDSL as on March 31, 2012.

(L) Plant Locations

(a) MIDC, Taloja, Dist. Raigad, Maharashtra
(b) MIDC, Mahad, Dist. Raigad, Maharashtra
(c) GIDC, Panoli, Dist. Bharuch, Gujarat
(d) KIADB, Jigani, Bangalore, Karnataka
(e) Bannerghatta, Bangalore, Karnataka
(f) Hinjewadi, Pune, Maharashtra

(M) Investor Correspondence

(i) Universal Capital Securities Pvt. Ltd
(Formerly known as Mondkar Computers Pvt. Ltd.)
21 Shakil Niwas,
Mahakali Caves Road,
Andheri (East), Mumbai – 400 093.
Tel: 022- 28366620,
Fax: 022-28262920

(ii) **Investors Relation Center**
Mr. Sham Wahalekar – Sr.VP. Finance & Company Secretary
603-A, Great Eastern Chambers, 6th Floor,
Sector 11, CBD Belapur, Navi Mumbai - 400 614.
Tel: 022-27574276,
Fax: 022-27574277

CEO/CFO Certification Issued Pursuant to The Provisions of Clause 49 of the Listing Agreement

The Board of Directors, May 14, 2012
Hikal Ltd.

Sub: **CEO/CFO Certificate**

We have reviewed financial statements, read with the cash flow statements of Hikal Ltd. for the year ended March 31, 2012 and that to the best of our knowledge and belief, we state that:

(a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

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

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee

(i) significant changes in internal control during the year;

(ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements, and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director

Sham Wahalekar
Sr. V.P Finance & Company Secretary

DECLARATION

To The Members,

Hikal Ltd.

Sub: Declaration under Clause 49 of the Listing Agreement

I hereby declare that all the Directors and the designated employees in the Senior Management of the Company have affirmed compliance with their Codes for the financial year ended March 31, 2012.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director

Mumbai,

May 14, 2012

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Hikal Limited

We have examined the compliance of conditions of Corporate Governance by **Hikal Limited** ("The Company ") for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company during the year for ensuring the compliance of 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 Knowledge and according to the information and explanations given to us, we report that the Company is in compliance with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Vijay N. Bhatt
Partner
Membership No: 036647

Mumbai
14 May 2012

Management Discussion & Analysis Report

Industry Overview, Opportunity and Outlook

PHARMACEUTICAL MARKET

In 2011, the global pharmaceutical market grew by 4.5% to reach approximately US$ 900 billion registering growth of US$ 45 billion over 2010[1]. Currently, the pharmaceutical industry is dominated by the US, which accounted for about 26% of global sales in 2011, followed by the EU, accounting for nearly 15%, and Japan for 12%. Together, these three markets represent nearly 55% of the global industry. The top five pharmaceutical markets in the world are the US, Japan, Germany, France and China.

Demand for medicines and the world pharmaceutical markets grew in 2011; competition and price erosion of products made it a challenging marketplace for pharmaceutical companies. The global pharmaceutical industry is projected to grow at a CAGR of around 6.5% during 2012-2013[2]. The growth will be driven by the prevalence of diseases worldwide, and rising per capita income of consumers. Sales of generic drugs will emerge as the most prominent segment of the pharmaceutical market during the forecast period, indicating sizeable opportunities for generics and contract manufacturing companies.

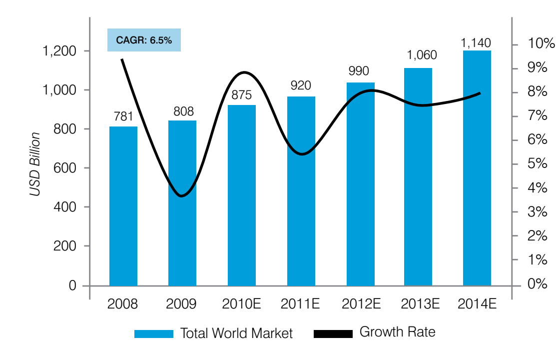
Drugs with sales of more than US$ 30 billion are expected to face generic competition as in the case of Lipitor in 2011 which accounted for US$ 11 billion in sales. Governments will continue to reduce drug costs. Going forward, it will also be crucial for understanding how healthcare reform efforts in major markets develop and shape up amid the foreseen macroeconomic rebound. Industry returns are under pressure from declining R&D productivity and intensifying pricing pressures, particularly in established markets which are facing rising healthcare costs.

For pharmaceutical manufacturers such as Hikal, there is a focus on achieving differentiated value through cost advantages and efficiency both in terms of R&D development and commercial manufacturing which will be instrumental to manage this dynamic market.[3]

PHARMACEUTICALS – OPERATIONAL PERFORMANCE

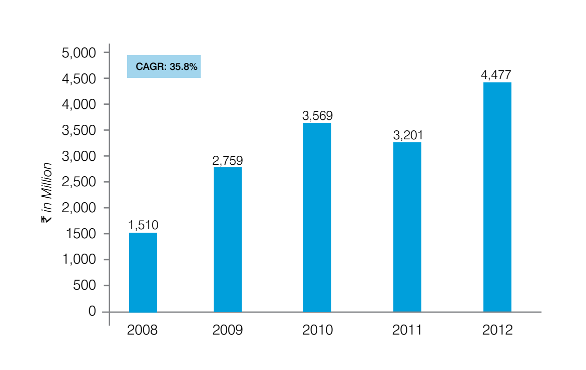
Our pharmaceutical division recorded its highest turnover at ₹4,477 million as compared to ₹ 3,201 million in the previous year, a growth of 40%. Much of the growth can be attributed to the increase in sales of our existing product portfolio as we captured a larger market share and added new customers.

Global Pharmaceutical Market Estimate



Source :IMS Health, IMAP

Pharmaceuticals Turnover of Hikal



One of our leading API products in the pharmaceutical division experienced higher than expected volumes from existing customers as well as from newer indications that have been approved for the product. As one of the world's largest suppliers of this product, our R&D has worked tirelessly to improve the process and reduce the production cost in the face of increased competition and declining market prices. We continue to improve the throughput in the plant in order to stay ahead of the competition while maintaining the quality and delivery timelines. We expect the product to stabilize in volumes over the next few years.

We received final clearances from a European innovator biopharmaceutical company to start commercial production of multiple products at our Panoli and Jigani facilities. We had built dedicated facilities for the production of these molecules which are expected to be commercialized in the third quarter of the next financial year. These are both large volume products and are expected to grow over the coming years. It will further improve the capacity utilization of both sites significantly. The contract manufacturing of these molecules will add stable revenues and margins for the division over the next few years. Additionally, it will create new business opportunities for newer molecules in the future.

Commercial quantities of an API product that we had under development have been successfully manufactured and approved by an innovator company in the US. This product will be contract manufactured at our USFDA plant in Bangalore and supplies are expected to start in the second quarter of the next financial year.

Some of our legacy lifecycle extension molecules that were manufactured a few years ago have been re-introduced into the pipeline at the request of our customers. These products are increasing in volumes and prices are more or less stable. As there are fewer competitors, we expect these molecules to diversify the current product pipeline while serving as a business development tool for adding newer customers.

Validation trials of two new APIs under development have been completed. We expect commercial quantities to begin in the next financial year. These products are in the process of being approved by our customers as they go off patent.

Construction of our newest multipurpose API plant which is capable of manufacturing 4 APIs simultaneously is under way at our USFDA site in Bangalore. This plant is expected to be ready in 2013 and will cater to the new products under development at Hikal R&D and contract manufacturing requirements of our existing customers.

On the regulatory front, we achieved two significant milestones. Our Bangalore USFDA facility passed its third audit successfully receiving zero 483s (zero regulatory deviances). It is an accomplishment for the company from a regulatory, quality, environment, and health and safety perspective. It bears testimony to the high standards that we uphold. As part of the company's initiative to become an integral component of the global supply chain, we were audited and certified by the globally recognized voluntary supply chain consortium, Rx360. We are the first Indian life sciences company to be successfully audited by this organization. A large number of leading multinational innovator, biotech and chemical companies are members of this supply chain which is a clear differentiator for us to become a supplier to these companies.

Overall, the pharmaceutical division has recorded substantial growth this year. While the fundamentals of the industry remain strong, we expect growth to remain stable over the next few years. Globally, rising healthcare costs and continued austerity measures by local governments have put pressure on prices of medicines. From a regulatory perspective, global requirements are becoming more stringent. Although, this is a challenging scenario, we see it as an opportunity to showcase our technical abilities and world-class manufacturing capabilities. As we continue to expand our pipeline with newer molecules under development, we are extending our existing relationships to garner additional business on the contract manufacturing and generics side. We expect the growth in the pharmaceutical division to continue in the future.

CROP PROTECTION MARKET

In 2011, the global crop protection market recorded significant growth. The market for conventional crop protection products (excluding sales of herbicide tolerant and insect resistant seed) is estimated to have increased by 14.9% to reach US$ 44 billion and the overall value of the agrochemical market for the use of products in the non-crop sector is estimated to have grown by 7.0% to US$ 6.2 billion[4]. As a whole, the market increased 13.8% over 2010 for an estimated value of approximately US$ 50 billion.

Figure 3: Agrochemical Market Growth in 2011

Agrochemical Markets in 2011 (Distributors level - $m.)

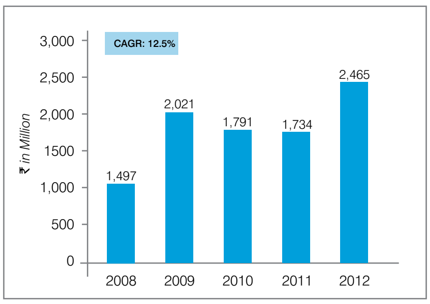
Sales	2010	%Change 2011/2010	2011
Conventional Crop protection	38315	14.9	44015
Non-crop agrochemical Market	5880	7.0	6290
Total	44195	13.8	50305

The global Crop Protection industry has had flat to sluggish growth over the past 6 years which can be seen from the chart below.

Conventional Crop Protection Market (Distributor Level)- 2005/2011

	2005	2006	2007	2008	2009	2010	2011
World Crop Protection market ($m.)	31190	30425	33390	40475	37860	38315	44015
Nominal change on previous year (%)	1.5	-2.5	9.7	21.2	-6.5	1.2	14.9
Real change on previous year (%)	-2.5	-6.5	2.8	10.2	-1.5	0.2	5.9

Crop Protection Turnover of Hikal



Demand for crop and non crop chemicals continued to rise considerably. This coupled with higher prices for agricultural commodities, high oil prices and adverse weather conditions such as the drought in Mexico, Northern China and Vietnam, dry weather in the US towards the end of the season and the tsunami affecting the Japanese rice market brought about a significant improvement in demand. It was reflected in increased investment in seeds and crop protection products.

In 2011, crop planting benefitted for improving crop commodity prices but was hampered due to adverse weather conditions. The main factor behind the positive forecasts for crop protection market going forward is stronger demand in developing nations such as India, China and Brazil. The economic and population growth as well as dietary changes are expected to increase demand and prices substantially. The non crop sector which recorded growth of 7% in 2011 was driven more by economic development, product price and volume. The driver of growth in 2011 was attributed to markets in Latin America and Asia. The future of the Crop Protection market is positive from a demand and price perspective. With rising incomes and demand in the BRIC countries and increased productivity in farmland, we expect the next few years to have a positive effect on Hikal's product portfolio which will result in increased revenues for the company's Crop Protection division.

CROP PROTECTION – OPERATIONAL PERFORMANCE

In 2011-12, the revenues of the Crop Protection division increased substantially by 42% to ₹ 2,465 million as compared to ₹1,734 million in the year before. The increase in sales was primarily due to the larger off take of products by our customers. Our new products which were in the R&D stages are expected to be commercialized in the next financial year leading to additional growth in the years to come.

Our Crop Protection division revenues are primarily driven from contract manufacturing products for multinational innovator companies. The past year saw a volume increase of a fungicide produced for a major European multinational company. An intermediate for the same customer produced at our Mahad site has grown in volume and based on future forecasts of the customer, we expect it to grow further. Thiabendazole (TBZ), a fungicide for which we have a dedicated manufacturing facility at Taloja, is sold to Syngenta's crop protection division. The volume has been steadily increasing over the past few years and we expect it to further increase next year which will considerably improve the plant capacity utilization. This fungicide has additional uses in animal health which is also a growing market for the crop protection division.

Our product 'Diuron' which is an herbicide manufactured at our Mahad facility is mainly used to control weeds in agriculture and irrigation channels. Diuron is also used in non crop segments such as the fast growing paint industry as an antifungal agent. The additional usage of this product helps grow the market and demand both in India as well as globally.

The on-patent molecule that we are contract manufacturing for a European multinational innovator customer has grown substantially over last year's volume. Based on our customer's forecast, we expect that this molecule will further grow as our customer's registration gets approved in new markets for this new generation product.

This year, our new business development in the Japanese market made significant inroads. We are already supplying large commercial quantities of an insecticide to a leading Japanese company from our Panoli crop protection plant. We have added two customers for commercial manufacturing which is expected to start next year. The lab trials for these molecules have been completed. We worked on multiple late stage research projects for Japanese Crop Protection companies which are expected to fructify over the next two years. It will lead to additional revenues in the Crop Protection division. We are currently working on an intermediate to be manufactured at our Mahad site for the Japanese market. This is a solvent for the electronic chemical market with extremely stringent quality requirements. The success of this project along with others has opened up a new market in the fast growing speciality chemicals field for the company.

We have invested incrementally in de-bottlenecking our plants at Taloja and Mahad to cater to the additional demand of our customers. Going forward, we are focusing on maximum capacity utilization at our manufacturing sites which will improve our profitability. We have successfully completed Safety, Health and Environment audits with our multinational customers who have reinforced our high standards and quality systems. It should lead to additional business in the years to come. In addition, we have invested in increasing the capacity of our R&D personnel and equipment at our Taloja plant which focuses on process improvements and new product development.

We expect long-term contracts with our innovator customers to yield constant streams of revenue. Our new products under development will add to more business opportunities as well as the acquisition of customers in new geographies.

CONTRACT RESEARCH AND MANUFACTURING

The contract research and manufacturing services (CRAMS) market in India has been seeing robust growth over the past five years and is expected to maintain its upward growth trajectory. This growth is being reinforced by new opportunities as companies are looking to reduce costs and serve emerging markets. Globally, Asia Pacific is the fastest growing CRAMS market, with India and China as the major hubs. In India, pharmaceutical companies have adapted well to the changing industry scenario, speeding up the deliverables and timelines when it comes to research and development. The highly skilled labor pool is also ramping up the prospects for the CRAMS market in India. Fast-approaching patent expiries have made pharmaceutical companies speed up the need to explore more research collaborations with Indian companies.

The CRAMS sector in India is expected to almost double to US$ 7.6 billion in 2012, up from US$ 3.8 billion in 2010. Contract manufacturing accounted for US$ 2.3 billion worth of sales[5]. The segment will grow at 41.4% CAGR during fiscal years 2010-12. In contrast, the global outsourcing market is expected to grow at a far lower 12.6% CAGR.

Sourcing products and services from Indian companies will also reduce the expenses by more than 50% for the global pharmaceutical companies[6]. The forecast for the Indian CRAMS sector is healthy on the back of custom manufacturing and increasing presence in contract research.

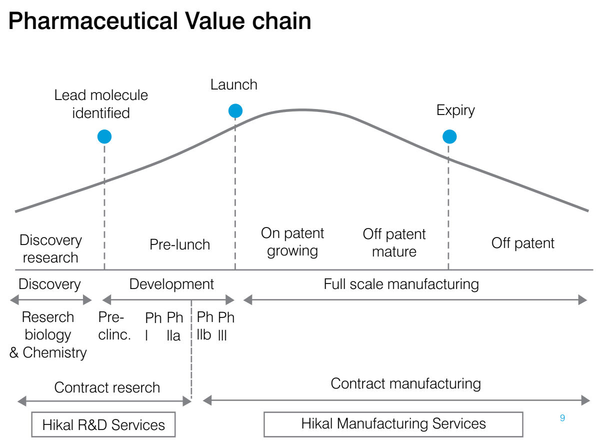
Custom or contract manufacturing will be the leader of the segment in outsourcing as the value of contracts is higher than those in research. Skilled manpower coupled with inherent cost advantages, will enable India to capture a significant chunk of the US$ 67 billion global pharmaceutical outsourcing market[7].

In 2010, global contract manufacturing was about 64% of the total CRAMS market. The global contract research market was US$ 25 billion with a CAGR of 19% over 2007-10. For the same period, the Indian contract research industry grew to around US$ 1.5 billion at a CAGR of 65% taking into account a much smaller base. There is a huge scope for growth as only around 20% of global pharmaceutical R&D expenditure is being outsourced.

As Big Pharma look for measures to cut costs and maintain their profitability, they are expected to outsource activities to the extent of US$ 85 billion by fiscal year 2012. This is due to the loss of patents and pricing pressure from generic medicines in the developed countries. As drugs worth US$ 90 billion go off-patent in the next 3-4 years, there will be fewer product launches in relation to R&D spends and these new launches cannot fill the revenue loss from blockbuster drugs that go off patent.

Hikal offers the right combination of capabilities and cost arbitrage for companies that are looking at reducing costs and improve productivity. The company's strength in chemistry-based services differentiates itself in the CRAMS market. Our customers are looking to expand their relationships both in research and manufacturing. As regulations become stricter and barriers to entry stronger, it is becoming more and more challenging to add new customers and develop long-term relationships. Our existing customers range from fine chemical to pharmaceutical and biotech companies. Our commitment to acting responsibly along with adhering to stringent timelines and quality deliverables has reinforced trust with our customers. We are uniquely positioned in the value chain to offer services both in R&D as well as manufacturing to global life sciences companies as can be seen in Figure 5. We see our contract manufacturing and research business as a growth driver of future revenue.

Figure 5: Services across the Pharmaceutical Value Chain[8]



CONTRACT RESEARCH & DEVELOPMENT - OPERATIONAL PERFORMANCE

This year, the global pharmaceutical market was severely affected by price pressures with the onslaught of generics, government reimbursement policies for medicines and economic instability. Global companies are changing their focus from diminishing blockbuster drugs to penetrating emerging markets and their growing middle class for future growth, collaborating with biotech companies and licensing in late stage molecules to fill their pipelines.

In continuation with our efforts to create a healthy pipeline for Hikal, our R&D team at Bangalore concluded several new projects successfully during the year. Novel manufacturing processes were developed for 2 APIs, which were validated and the corresponding DMFs are in the process of being filed. One of these APIs is aimed at supporting a World Health Organization (WHO) initiative to treat Lymphatic Filariasis. In contract manufacturing, technology transfers by our customers were successfully transferred to our production facilities and small quantities were validated. Efficient manufacturing processes were also developed for several pharmaceutical advanced intermediates and are being transferred to the respective production units.

We are leveraging our capabilities to implement green processes for the molecules under development. We use bio catalysis to minimize the use of chemicals in our manufacturing processes. Enzyme catalyzed transformation help us develop environment-friendly processes for our new product pipeline. In order to ensure that our current manufacturing processes are environment-friendly and sustainable, consumption of organic solvents was reduced and in certain cases eliminated. Effluent streams were processed to recover valuable products that can be recycled. These initiatives have been transferred and implemented in commercial production. It is part of the company initiative to become a sustainable business. Capacity building in the area of scale up has also been undertaken and new equipment and reactors have been added to R&D labs. All these initiatives and actions are expected to create new business opportunities and business leads in the near future.

As part of our integration efforts, we have demerged Acoris Research, formerly a 100% subsidiary, into a division of Hikal. It will enable a smoother transition from contract R&D to scale up and manufacturing at a Hikal commercial site.

Acoris as a provider of early stage support services to the life sciences industry has recorded a 61% increase in revenues over the last year to ₹153 million.

Acoris has again shown significant growth in the year and has added a number of major multinational clients from Western Europe and Japan. Acoris has completed over fifty laboratory scale projects and five major pilot plant development projects on behalf of clients during 2011-12. There is a strong pipeline of projects in the coming year. These projects range from Phase I to Phase III in the pharmaceutical value chain. The success of these projects depends on the regulatory approvals from USFDA. A majority of these projects are from repeat customers which highlights the successful track record of the company.

The Japanese market has been a lead source of enquiries and projects for Acoris. We have signed contracts for process development, process intensification and scale up with several companies for new chemical entities. Our strategy to offer a full development and scale up service to innovator companies, generic and biotech companies is leading to new possibilities for long-term contract manufacturing opportunities for the Hikal group. These development contracts will translate into revenues in the years to come.

FUTURE OUTLOOK

India as a manufacturing and research service industry is driven by cost competitiveness, robust chemistry capabilities supported by a talent pool of skilled professionals and R&D infrastructure. India's R&D policy has been focused on the development of generics for western markets, which involved developing non-infringing process and cost-effective routes. As an industry, we have been able to leverage this capability in research chemistry, especially in the areas of analytical chemistry and compound synthesis.

Hikal has developed robust capabilities in process chemistry, analytical chemistry, process development and scale up capabilities for clinical and commercial APIs for the pharmaceutical industry and AIs for the crop protection industry. We offer significant cost arbitrage in end-to-end research and development with potential high double digit savings as compared to the US, Europe and Japan.

As a company, we are focusing on world-class productivity, increased collaboration, stronger customer orientation and operational efficiency with a competitive cost base. Our integrated R&D and manufacturing coupled with world-class infrastructure, quality project management systems, and highly qualified staff positions us among the leading contract research and manufacturing organizations globally.

Cautionary Note

The statements forming part of the Directors' report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

Sources

1 IMS Health, Market Prognosis, December 2011

2 RNCOS Global Pharmaceutical Market Forecast to 2012

3 IMAP Pharmaceuticals & Biotech Industry Global Report — 2011

4 Phillips McDougall Industry Overview 2011, March 2012

5 ICRA Pharmaceuticals Report March 2012

6 ICRA Pharmaceuticals Report March 2012

7 ICRA Pharmaceuticals Report March 2012

8 OPPI & E&Y Report, Taking wings, coming of age of the Indian pharmaceutical outsourcing industry 2009

Auditors' Report

To the members of Hikal Limited

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

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

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

4. *The Company has not provided for a "mark-to-market" loss on derivative contracts/receivables aggregating to Rs.452.63 million as at 31 March 2012. (31 March 2011: Rs.295.28 million) (Refer Note 27 (b) to financial statements) for the reasons stated by the management in the said note. Consequently, without considering the tax effect, the profit before tax for the year and reserves and surplus are overstated by Rs.452.63 million (31 March 2011: Rs. 295.28 million), short term loans and advances are overstated by Rs.70.10 million (31 March 2011: Rs.80.10 million) and other current liabilities are understated by Rs.382.53 million (31 March 2011: Rs.215.18 million). Had the effect of observation made by us above been considered, the profit before tax for the year would have been Rs.148.08 million (31 March 2011: Rs.161.54 million) (as against the reported figure of Rs.600.71 million) (31 March 2011: Rs.456.82 million), the reserves and surplus would have been Rs.3,981.15 million (31 March 2011: Rs.3,757.13 million) (as against the reported figure of Rs.4,433.78 million) (31 March 2011: Rs.4,052.41 million) and short term loans and advances would have been Rs.416.44 million (31 March 2011: Rs.345.66 million) (as against reported figure of Rs.486.54 million)(31 March 2011: Rs.425.76 million) and other current liabilities would have been Rs. 1,444.99 million (31 March 2011: Rs.1,262.96 million) (as against reported figure of Rs.1,062.46 million) (31 March 2011: Rs.1,047.78 million).*

5. Further to our comments in the Annexure referred to Paragraph 3 above, we report that:

   a) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

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

   d) in our opinion, subject to our comments in paragraph 4 above, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;

   e) on the basis of written representations received from the directors of the Company as at 31 March 2012 and taken on record by the board of directors, none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act; and

   f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, subject to our comments in paragraph 4 above, give the information required by the Act, 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 31 March 2012;

      ii. in the case of the statement of profit and loss, 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

For **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Vijay N. Bhatt
Partner
Membership No: 036647

Mumbai
14 May 2012

Annexure to Auditors' Report

(Referred to in our report of even date)

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.

ii. (a) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material and have been dealt with in the books of account.

iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4 (iii) (b) to (d) of the Order are not applicable.

(e) The Company has taken loans from five companies covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs.47.5 million and the year-end balance of such loans was Rs.43.5 million.

(f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.

(g) In the case of loans taken from companies listed in the register maintained under section 301, the Company has been regular in repaying the principal amounts as stipulated and in the payment of interest.

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.

v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The Company has not accepted any deposits from the public.

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

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

Annexure to Auditors' Report (Continued)

ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Sales-tax / VAT, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax / VAT, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.

x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.

xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by subsidiary from banks are not prejudicial to the interest of the Company.

xvi. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.

xix. The Company did not have any outstanding debentures during the year.

xx. The Company has not raised any money by public issues.

xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit

For **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Vijay N. Bhatt
Partner
Membership No: 036647

Mumbai
14 May 2012

Financial Statements

Balance Sheet

As at March 31, 2012

(Currency: Indian Rupees in Millions)

	Notes	As At March 31, 2012		As At March 31, 2011
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital	3	164.40		164.40
Reserves & surplus	4	4,433.78		4,052.41
			4,598.18	4,216.81
NON-CURRENT LIABILITIES				
Long-term borrowings	5	2,268.77		2,325.87
Deferred tax liabilities	34	86.71		26.80
Long-term provisions	6	64.19		62.83
			2,419.67	2,415.50
CURRENT LIABILITIES				
Short-term borrowings	7	2,054.67		1,913.41
Trade payables	8	1,139.26		819.94
Other current liabilities	8	1,062.46		1,047.78
Short-term provisions	9	129.68		131.27
			4,386.07	3,912.40
TOTAL			11,403.92	10,544.71
ASSETS				
NON-CURRENT ASSETS				
FIXED ASSETS				
(i) Tangible assets	10	5,783.96		5,755.32
(ii) Intangible assets	10	-		-
(iii) Capital work-in-progress	10	747.56		512.13
Non-current investments	11	181.67		181.67
Long-term loans and advances	12	1,236.00		1012.22
			7,949.19	7,461.34
CURRENT ASSETS				
Inventories	13	1,918.53		1,715.06
Trade receivables	14	987.34		852.21
Cash and bank balances	15	59.19		88.03
Short-term loans and advances	16	486.54		425.76
Other current assets	17	3.13		2.31
			3,454.73	3,083.37
TOTAL			11,403.92	10.544.71

Summary of Significant Accounting Policies 2

The accompanying notes 2-41 are an integral part of this balance sheet

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Statement of Profit and Loss

for the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

	Notes		Year Ended March 31, 2012	Year Ended March 31, 2011
INCOME				
Revenue from Operations (gross)	18		7,089.28	5,114.85
Less: Excise duty			146.93	179.74
Revenue from Operations (net)			6,942.35	4,935.11
Other Income	19		49.57	59.58
TOTAL REVENUE (I)			6,991.92	4,994.69
EXPENSES				
Cost of materials consumed	20		2,945.77	2,246.58
Purchases of Stock-in-trade			-	37.97
Changes in inventories of finished goods and work-in-progress	21		161.50	(170.74)
Employee benefits expense	22		556.86	526.95
Other expenses	23		1,444.04	1,071.31
Finance costs	24		640.32	412.38
Depreciation and amortization expense	10	431.92		389.57
Less: Transfer from revaluation reserve		(7.69)		(7.69)
Net depreciation and amortization expense			424.23	381.88
TOTAL EXPENSES (II)			6,172.72	4,506.33
PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (I-II)			819.20	488.36
Exceptional Items	25		218.49	31.54
PROFIT BEFORE TAX			600.71	456.82
Tax Expenses				
- Current tax			122.80	90.39
- Less: MAT tax credit			(122.80)	(90.39)
- Deferred tax			59.91	13.89
Total tax expenses			59.91	13.89
PROFIT AFTER TAX			540.80	442.93
Basic earnings per share ₹	32		32.90	26.94
Diluted earnings per share ₹	32		32.90	26.37
Face value per share ₹10/-				

Summary of significant accounting policies 2

The accompanying notes 2-41 are an integral part of this statement of profit and loss

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Notes to Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

Note 1

BACKGROUND

Hikal Limited ('Hikal' or 'the Company') was incorporated as a public limited Company on 08 July 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 21.

The Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, Active pharma ingredients and Contracts Research activities.

The Company is operating in the crop protection and pharmaceuticals space.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of preparation of financial statements**

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, except for certain financial instruments which are measured at fair values, in accordance with the provisions of the Companies Act 1956 ("the Act") and accounting principles generally accepted in India ("GAAP") and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The accounting policies followed in preparation of these financial statements are consistent with those followed in the previous year.

During the year ended March 31, 2012 (effective April 1, 2011), the revised Schedule VI notified under the Act has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI.

b. **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements, actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. **Fixed assets and capital work-in-progress**

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs and exchange gain/loss on long term foreign currency loans attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalized. Other pre-operative expenses for major projects are also capitalized, where appropriate.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the year end.

d. **Depreciation and amortization**

Depreciation on tangible fixed assets other than on leasehold land is provided pro rata to the period of use on straight-line method, at rates and in the manner prescribed under Schedule XIV to the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets.

Leasehold land is amortized over the primary period of the lease.

Assets individually costing upto ₹ 5,000 are fully depreciated in the year of purchase.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to Profit and Loss Account.

Summary of significant accounting policies (Continued)

The management estimates the useful lives of intangible assets viz. computer software, of 5 years and expects economic benefits from such assets to be consumed evenly over the period of its useful life. Accordingly, intangible assets are amortized over a period of five years on a straight-line basis.

e. **Impairment of assets**

In accordance with AS 28 'Impairment of Assets' ,the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the profit and loss account or against revaluation surplus, where applicable.

f. **Investments**

Long term investments are carried at cost. Provision for diminution, is made to recognize a decline, other than temporary in the value of long term investments and is determined separately for each individual investment. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment.

g. **Inventories**

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realizable value. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

h. **Revenue recognition**

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer, which coincides with dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognized based on date of bill of lading.

Interest income is recognised on time proportion basis.

Income from services is accounted for when the services are rendered.

Excise duty collected on sales is separately reduced from turnover.

i. **Foreign currency transactions**

- Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

- Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets and foreign currency loans taken for hedging purposes.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 31 March, 2009, the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 “The Effect of Changes in Foreign Exchange Rates” to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets in so far as it relates to the acquisition of such assets and in other cases, by transfer to “Foreign currency monetary item translation difference reserve”, to be amortized over the balance period of such long term foreign currency liabilities or 31 March, 2020, whichever is earlier.

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Summary of significant accounting policies (Continued)

j. **Employee benefits**

- Gratuity

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable, except for Panoli plant staff, in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the Profit and Loss account. Gratuity for Panoli staff is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

- Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

- Leave encashment / compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

- Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees provident fund and miscellaneous provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

- Short term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

k. **Leases**

Assets acquired under the finance leases are capitalized at fair value of the leased asset at the inception of lease and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note (d) above. Liabilities under finance leases less interest not yet charged are included under lease obligations in the financial statements. Finance charges are debited to the profit and loss account over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

l. **Provision for Taxation**

Tax expense comprises current income tax and deferred tax charge or credit. Current tax provision is made annually based on the tax liability computed in accordance with provision of the Income tax Act, 1961.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization. Deferred tax assets are reviewed as at each Balance Sheet date to reassess realization.

2. Summary of significant accounting policies (Continued)

m. Research and Development

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are charged to Profit and Loss account under the respective heads of expenses.

n. Export incentives

Export incentives principally comprises of Duty Drawback, Duty Entitlement Pass Book credit and Excise Duty rebate. The benefits under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. These incentives are recognized as revenue on accrual basis to the extent it is probable that realization is certain.

o. Provisions and contingencies

The Company creates a provision when there exists a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

p. Earnings per share (EPS)

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive.

q. Cash and cash equivalent

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with a maturity of less than or three months

r. Proposed Dividend

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General meeting.

Notes to Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 3		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of ₹10/- each (31 March, 2011 : 25,000,000 Equity Shares of ₹10/- each)	250.00	250.00
5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each (31 March, 2011 : 5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each)	500.00	500.00
	750.00	750.00
Issued, subscribed and paid up capital		
Equity shares		
16,440,100 Equity Shares of ₹ 10/- each fully paid-up (31 March, 2011: 16,440,100 equity Shares of ₹10/- each fully paid up)	164.40	164.40
	164.40	164.40

a. **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares

	March 31, 2012		March 31, 2011	
	No. millions	₹ in millions	No. millions	₹ in. millions
At the beginning of the year	16.44	164.40	16.44	164.40
Outstanding at the end of the year	16.44	164.40	16.44	164.40

b. **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012 the amount of per share dividend recognized as distributions to equity shareholders was ₹6/- (March 31, 2011: ₹ 6/-).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. **Details of shareholders holding more than 5% shares in the company**

	March 31, 2012		March 31, 2011	
	No. millions	% holding in the Class	No. millions	%holding in the Class
Equity shares of ₹10 each fully paid				
Kalyani Investment Company Ltd.	5.16	31.36	5.16	31.36
Shri Badrinath Investment Pvt. Ltd.	2.65	16.15	2.65	16.15
Shri Rameshwara Investment Pvt. Ltd.	1.31	7.96	1.30	7.95
International Finance Corporation	1.36	8.27	1.36	8.27
Sugandha J Hiremath	1.32	8.02	1.32	8.02

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 4		
RESERVES AND SURPLUS		
Capital Reserve	0.44	0.44
Capital redemption reserve	509.82	509.82
Securities premium account		
Balance as per the last financial statements	431.88	469.29
Less: Amortised cost of issue expenses of foreign currency Convertible Bonds ('FCCB') and Preference Share Capital	-	1.91
Less: Provision for premium on redemption of 0.5% of 'FCCB'	-	35.50
	431.88	431.88
Revaluation reserve on Land		
Balance as per the last financial statements	1,094.04	1,101.73
Less: Amount transferred to the statement of Profit and Loss as reduction from depreciation	7.69	7.69
	1,086.35	1,094.04
State subsidy	5.50	5.50
Contingency reserve	30.00	30.00
General reserve		
Balance as per last year	323.62	223.62
Add: Transfer from surplus in the statement of profit and loss	100.00	100.00
	423.62	323.62
Cash flow hedge reserve	-	37.10
Surplus in the statement of profit and loss		
Balance as per last financial statements	1,620.01	1,391.22
Profit for the year	540.80	442.93
Less: Appropriations		
Proposed Interim dividend on equity shares (amount per share ₹ NIL (March 31, 2011 ₹3))	-	49.32
Proposed Final dividend on equity shares (amount per share ₹6 (March 31, 2011: ₹3))	98.64	49.32
Tax on proposed equity dividend	16.00	15.50
Transfer to general reserve	100.00	100.00
Total appropriations	214.64	214.14
Net surplus in the statement of profit and loss	1,946.17	1,620.01
Total reserves and surplus	4,433.78	4,052.41

Notes to Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 5		
LONG-TERM BORROWINGS		
SECURED LOANS		
Term loans		
From banks	849.30	712.62
From financial institutions	1,359.87	1,600.24
Deferred payment liabilities		
Vehicle Loan	4.62	5.97
	2,213.79	2,318.83
UNSECURED LOANS		
Term loans from banks	50.00	-
Deferred sales tax liability	4.98	7.04
	54.98	7.04
Total	2,268.77	2,325.87

a. Nature of Security :

i) Terms loans from banks and financial institutions are secured by hypothecation of plant & machinery, first charge on the immovable properties and second charge on current assets situated at Taloja, Panoli and Bangalore

ii) Terms of repayment are as under :

I	ECB	US $ in Mio	₹ in Mio	Repayment Terms	Interest Rate
	a	0.75	38.38	Repayable halfyearly in full on 27.04.2012	Libor +100 Bps
	b	1.25	63.96	Repayable halfyearly in full on 28.06.2012	Libor +99 Bps
	c	14.00	716.38	Repayable half yearly - 14 instalments of 1 Mio US $ starting from 15.07.2012	Libor +300 Bps
	d	11.00	562.87	Repayable quarterly - 12 instalments of US $ 0.9166 Mio starting from 15.01.2013	Libor +300 Bps

II	Rupee Loans	₹ in Mio	Repayment Terms	Interest Rate
	a	99.99	Repayable quarterly - 3 instalments of ₹ 33.33 Mio starting from 20.06.2012	PLR Minus 150 Bps p.a
	b	37.50	Repayable quarterly - 3 instalments of ₹12.50 Mio starting from 20.06.2012	PLR Minus 150 Bps p.a
	c	187.50	Repayable quarterly - 9 instalments of ₹20.83 Mio starting from 20.04.2012	LTMLR Plus 275 Bps p.a
	d	650.00	Repayable quarterly -12 instalments of ₹ 54.17 Mio starting from 20.10.2012	LTMLR Plus 250 Bps P.a
	e	100.00	Repayable quarterly -12 instalments of ₹25.00 Mio starting from 20.03.2014	LTMLR Plus 275 Bps p.a
	f	400.00	Repayable quarterly -12 instalments of ₹33.33 Mio starting from 20.11.2012	BBR Plus 300 Bps p.a
	g	4.62	Repayable monthly EMI of ₹0.16 Mio	9.61% p.a
III	Unsecured Term Loans / deferred sales tax liability			
	a	150.00	Repayable monthly - 12 instalments of ₹12.50 Mio starting from 31.08.2012	SBH base rate Plus 300 Bps p.a
	b	4.98	Repayable yearly in 5 equal installment, starting after 10 years from the year of deferreal	Nil

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 6		
OTHER LONG TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	25.53	25.44
Provision for leave encashment	38.66	37.39
	64.19	62.83
Note 7		
SHORT TERM BORROWINGS		
Secured Borrowings		
Loans repayable on demand		
Working capital loan from banks	1,851.17	1,813.41
	1,851.17	1,813.41
Unsecured Borrowings		
Loans repayable on demand		
Inter corporate deposits		
- From related parties	43.50	-
- From others	160.00	100.00
	203.50	100.00
	2,054.67	1,913.41

a. Nature of Security and terms of repayment for secured/unsecured borrowings :

i)	Working Capital Loans from banks are secured by hypothecation of present and future stock of raw materials, stock-in-process, finished and semi finished goods, stores, spares and book debts and second charge on properties situated at Taloja, Mahad, Panoli and Bangalore	Working capital loans are repayable on demand and carries interest @ 5% to 14.50 % p.a.
ii)	Inter Corporate Deposits	Repayable on demand and carries interest @ 12% to 15% p.a.

	As At March 31, 2012	As At March 31, 2011
Note 8		
OTHER CURRENT LIABILITIES		
Trade payables (Refer note 33 for details of dues to Micro, Small and Medium Enterprises)	1,139.26	819.94
	1,139.26	819.94
Other payables		
Current maturities of long-term borrowings	750.82	823.30
Interest accrued but not due on borrowings	16.31	17.86
Others		
Payables for capital purchases	149.05	87.36
Advances from customers	84.69	81.26
Book overdraft	18.52	0.19
Statutory dues		
- Tax deducted at Source	8.96	11.16
- Others	1.08	0.06
Employee benefits expenses	33.03	26.59
	1,062.46	1,047.78
	2,201.72	1,867.72
Note 9		
SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	2.84	4.17
Provision for leave benefits	12.20	12.46
	15.04	16.63
Other provisions		
Proposed equity dividend	98.64	98.64
Provision for tax on proposed equity dividend	16.00	16.00
	114.64	114.64
	129.68	131.27

Notes to Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

Note 10

FIXED ASSETS

[At cost less (depreciation / amortisation) and impairment provision]

Description	Gross block					Depreciation/amortisation				Net block	
	As at April 01, 2011	Additions	Deductions/ Adjustments	Adjustments of borrowing cost and exchange difference	As at March 31, 2012	Upto March 31, 2011	For the year	Deductions/ Adjustments	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets											
Freehold land	786.52	0.86	-	-	787.38	-	-	-	-	787.38	786.52
Leasehold land	705.90	-	-	-	705.90	27.95	8.65	-	36.60	669.30	677.95
Buildings	1,209.05	48.97	-	-	1,258.02	226.18	39.91	-	266.09	991.93	982.87
Plant and machinery	4,892.82	271.06	-	125.68	5,289.56	1,843.51	360.71	-	2,204.22	3,085.34	3,049.31
Electrical installation	196.87	7.50	-	-	204.37	82.29	7.62	-	89.91	114.46	114.58
Office equipment	98.00	2.28	-	-	100.28	68.58	5.66	-	74.24	26.04	29.42
Furniture and fixtures	84.71	1.31	-	-	86.02	32.77	5.18	-	37.95	48.07	51.94
Vehicles	25.87	3.16	0.74	-	28.29	12.08	2.25	0.48	13.85	14.44	13.79
Ships	56.00	-	-	-	56.00	7.06	1.94	-	9.00	47.00	48.94
	8,055.74	335.14	0.74	125.68	8,515.82	2,300.42	431.92	0.48	2,731.86	5,783.96	5,755.32
Intangible assets											
Computer software	5.49	-	-	-	5.49	5.49	-	-	5.49	-	-
	8,061.23	335.14	0.74	125.68	8,521.31	2,305.91	431.92	0.48	2,737.35	5,783.96	5,755.32
Previous year											
Tangible assets	7,534.58	554.41	33.25	-	8,055.74	1,910.85	390.13	0.56	2,300.42	5,755.32	
Intangible assets	5.49	-	-	-	5.49	5.49	-	-	5.49	-	
Total	7,540.07	554.41	33.25	-	8,061.23	1,916.34	390.13	0.56	2,305.91	5,755.32	
Capital work-in-progress										747.56	512.13
Total										6,531.52	6,267.45

Note:

a. In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 millions (2011: ₹7.69 million) on account of revaluation has been charged to Profit and Loss account and a similar amount has been withdrawn from the Revaluation Reserve and credited to Profit and Loss Account.

b. Other adjustments include adjustments on account of exchange differences.

	As At March 31, 2012	As At March 31, 2011
Note 11		
NON CURRENT INVESTMENTS		
Trade Investments (valued at cost)		
Unquoted Equity Investments		
223,164 (March 31, 2011: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
30,000 (March 31, 2011: 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up.	0.30	0.30
14,494 (March 31, 2011:14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
16% (March 31, 2011: 16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
	30.95	30.95

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
NON CURRENT INVESTMENTS		
Non Trade Investments (valued at cost)		
Quoted Equity Investments		
2,000 (March 31, 2011: 2,000) Equity Shares of Bank of Baroda of ₹10/- each fully paid up.	0.17	0.17
2,900 (March 31, 2011: 2,900) Equity Shares of Union Bank of India ₹10/- each fully paid up.	0.05	0.05
In subsidiary companies		
15,050,080 (March 31, 2011:15,050,080) Equity Shares of Acoris Research Limited of ₹10/- each, fully paid up.	150.50	150.50
.	150.72	150.72
	181.67	181.67
Aggregate amount of quoted investments	0.22	0.22
Aggregate market value of quoted investments	2.26	2.87
Aggregate amount of unquoted investments	181.45	181.45

Note 12

LONG TERM LOANS AND ADVANCES

Secured and considered good unless other wise stated		
Advances and loans to subsidiaries		
Considered good	51.50	81.50
	51.50	81.50
Unsecured and considered good unless other wise stated		
Capital advances	48.75	43.95
Security Deposits [Refer Note a]	99.35	96.77
	148.10	140.72
Loans and advances to related parties	632.42	473.31
Other loans and advances		
Advance tax	399.82	309.55
Loans to employees	4.16	7.14
	1,236.00	1,012.22

a. Security Deposits includes deposit given to Directors of ₹50 million (2011: ₹50 million)

Note 13

INVENTORIES

(At lower of cost and net realisable value - Also refer note 2 (g))

Raw materials [includes goods in transit of ₹185.62 Million (2011: ₹64.35 Million)]	1,044.79	687.66
Packing materials	9.01	8.34
Work-in-progress	481.86	447.31
Finished goods	293.37	489.42
Stores, spares and consumables	89.50	82.33
	1,918.53	1,715.06

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

		As At March 31, 2012	As At March 31, 2011
Note 14			
TRADE RECEIVABLES			
(Unsecured)			
Considered good			
Outstanding for a period exceeding six months from the date they are due for payment		32.54	48.53
Others		954.80	803.68
	(A)	987.34	852.21
Considered doubtful			
Outstanding for a period exceeding six months from the date they are due for payment		17.36	19.86
Others		-	-
		17.36	19.86
Less : Provision for doubtful recivables		17.36	19.86
	(B)	-	-
	Total (A+B)	987.34	852.21

Note 15

CASH AND BANK BALANCES

	As At March 31, 2012	As At March 31, 2011
Cash and cash equivalents		
Balance with banks:		
on current accounts	18.84	57.82
Cash on hand	1.02	0.56
	19.86	58.38
Other bank balances		
Deposits with original maturity for more than 3 months but less than 12 months (refer note a)	39.33	29.65
	39.33	29.65
	59.19	88.03

a. **Margin money deposits given as security**

Margin money deposits with a carrying amount of ₹ 39.33 million (31 March, 2011: ₹29.65 million) are subject to first charge to secure the company's cash credit loans.

Note 16

SHORT TERM LOANS AND ADVANCES

	As At March 31, 2012	As At March 31, 2011
Unsecured and considered good unless other wise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good	123.42	122.51
Considered doubtful	17.91	14.91
	141.33	137.42
Less: Provision for doubtful advances	17.91	14.91
	123.42	122.51
Other loans and advances		
Balances with customs, excise, etc	171.01	140.39
Prepaid expenses	27.61	20.44
VAT receivable	164.25	140.39
Loans to employees	0.25	2.03
	486.54	425.76

Note 17

OTHER CURRENT ASSETS

	As At March 31, 2012	As At March 31, 2011
Unsecured and considered good unless other wise stated		
Others		
Interest accrued on fixed deposits	3.13	2.31

(Currency: Indian Rupees in Millions)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Note 18		
REVENUE FROM OPERATIONS		
Sale of products		
Finished goods	7,063.07	5,033.54
Traded goods	-	39.23
Sale of services	16.21	33.71
Other operating revenue		
Scrap sales	10.00	8.37
Revenue from operations (gross)	7,089.28	5,114.85
Less: Excise duty	146.93	179.74
Revenue from operations (net)	6,942.35	4,935.11
Note 19		
OTHER INCOME		
Interest income on		
Bank deposits	3.89	0.79
Others	42.53	28.10
Dividend on long term investments	0.06	0.05
Net gain on sale of assets	-	0.06
Other non-operating income	0.59	0.72
Provision for doubtful debts written back	2.50	26.10
Foreign exchange gain	-	3.76
	49.57	59.58
Note 20		
COST OF MATERIALS CONSUMED		
Raw materials at the beginning of the year	687.66	967.24
Add : Purchases	3,290.40	1,963.50
	3,978.06	2,930.74
Less : Closing stock	1,044.79	687.66
Provision for diminution in value of inventory	12.50	3.50
	2,945.77	2,246.58
Note 21		
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(Increase)/ decrease in stocks		
Inventories at the end of the year		
Work-in-progress	481.86	447.31
Finished goods	293.37	489.42
Total A	775.23	936.73
Inventories at the beginning of the year		
Work-in-progress	447.31	381.24
Finished goods	489.42	384.75
Total B	936.73	765.99
(Increase)/ decrease in stocks (B-A)	161.50	(170.74)

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Note 22		
EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	477.16	448.85
Contribution to provident and other funds	24.27	21.44
Gratuity expenses	0.58	9.57
Staff welfare expenses	54.85	47.09
	556.86	526.95
Note 23		
OTHER EXPENSES		
Consumption of stores and spares	99.34	82.50
Processing charges	33.55	2.53
Power & fuel	733.49	542.19
Advertisement	3.46	1.05
Rent	13.30	11.99
Rates and taxes	6.82	5.81
Insurance	9.43	8.34
Repairs and maintenance		
- Plant & Machinery	45.40	44.37
- Buildings	16.92	15.60
- Others	16.64	16.40
Printing and stationery	8.89	7.82
Legal and professional charges		
- Legal charges	5.25	2.38
- Professional charges	76.36	55.60
Travelling and conveyance	35.88	28.82
Vehicle expenses	9.38	9.00
Postage, telephone and telegrams	8.98	7.20
Auditors remuneration (Refer note 38)	4.26	3.55
Director's fee	0.51	0.51
Sales and distribution expenses	126.59	80.29
Commission on sales	20.61	46.16
Security service charges	13.32	12.33
Provision for doubtful debts	-	6.50
Provision for doubtful advances	35.50	12.89
Excise duty on closing stock	0.78	0.04
Loss on sale of assets (net)	0.15	-
Foreign exchange loss (net)	63.16	-
Bad debts written off (net)	8.96	28.25
Miscellaneous expenses	47.11	39.19
	1,444.04	1,071.31
Note 24		
FINANCE COSTS		
Interest on fixed period loans	241.56	224.97
Other interest	185.52	141.07
Bank charges	50.50	46.34
Exchange difference to the extent considered as an adjustment to borrowing costs	162.74	-
	640.32	412.38
Note 25		
EXCEPTIONAL ITEMS		
Exchange loss	255.59	127.49
Reversal of cashflow hedge reserve	(37.10)	(95.95)
	218.49	31.54

(Currency: Indian Rupees in Millions)

Note 26

	As At March 31, 2012	As At March 31, 2011
Contingent liabilities		
Bills discounted with banks	774.41	815.45
Guarantee provided to DBS Bank for borrowing made by subsidiary	250.73	301.46
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	152.65	67.56

Note 27

a) From the year ended 31 March 2009 the Company had adopted principles of hedge accounting as set out in Accounting Standard 30 – "Financial Instruments Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent that the adoption did not conflict with the existing mandatory accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. With effect from April 1, 2011, the Company changed its method of accounting related to forward contracts and long term foreign currency monetary items by recognizing exchange difference in the profit and loss account in the period in which it arise in accordance with Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates. Had Company continued following principles of Accounting Standard 30, the profit before tax for the year ended March 31, 2012 would have been higher by ₹231.60 millions.

b) The Company has entered into forward/options contracts to hedge its exposure to fluctuations in foreign exchange for approx 30% of future exports. These contracts have been staggered over the next four years as the major percentage of the Company's turnover is realized from exports. The management is of the opinion that the mark to market losses of these transactions represents unrealized losses that are notional in nature and will not affect its ongoing business as the Company has requisite long term export orders to cover these contracts. The management is of the opinion that the fluctuation in currency movements against hedged contracts gets compensated by realization of a higher value of sales realizations and therefore, the actual profit/loss against such outstanding contracts crystallizes only on maturity of such contracts. The gain/ loss on these contracts will be recognized as and when they fall due. The mark to market valuation loss is at ₹452.63 millions as at March 31, 2012 (March 31, 2011: ₹295.28 millions).

c) The Honb'le High Court of Mumbai has approved the Scheme of Arrangement between Acoris Research Limited and Hikal Limited and their respective share holders and creditors on March 30, 2012. As per sanctioned scheme, Research business of Acoris Research Limited will merge into Hikal Limited w.e.f April 1, 2012.

Note 28

Capitalization of expenditure

During the year, the company has capitalized the following expenses of revenue nature to the cost of fixed asset/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

	Year ended March 31, 2012	Year ended March 31, 2011
Salaries, wages and bonus	6.49	6.80
Staff welfare expenses	1.66	1.39
Raw Material Consumption	3.96	0.07
Power & Fuel	13.36	3.87
Insurance	0.05	0.18
Rates & Taxes	0.47	4.72
Travelling & Conveyance	0.68	1.14
Finance Cost	26.14	29.65
Total	52.81	47.82

Notes to Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

Note 29

Segment reporting

The Company's financial reporting is organized into two major operating divisions viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information.

Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Segment assets include all operating assets used by a segment comprising debtors, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities.

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA & Canada and South East Asia.

Primary Segment information

Particulars	Crop Protection	Pharmaceuticals	Total
Revenue (external revenue)	2,465.49	4,476.86	6,942.35
	1,734.42	*3,200.69*	*4,935.11*
Segment result	273.43	1,240.54	1,513.97
	151.73	*903.08*	*1,054.81*
Interest expenses			477.57
			412.38
Other unallocable expenditure			217.20
(net of unallocable income)			*154.05*
Profit before tax and exchange loss			819.20
			488.36
Exchange loss	-	-	255.59
			127.49
Reversal of cashflow hedge reserve			(37.10)
			(95.95)
Net Profit before tax			600.71
			456.82
Segment assets	3,166.47	6,247.68	9,414.15
	3,216.95	*5,643.81*	*8,860.76*
Unallocated corporate assets			1,989.77
			1,683.95
Total assets			11,403.92
			10,544.71
Segment liabilities	393.05	970.61	1,363.66
	355.98	*704.43*	*1,060.41*
Unallocated corporate liabilities			5,442.08
			5,267.49
Total liabilities			6,805.74
			6,327.90
Capital expenditure for the year	62.45	578.49	640.94
	153.57	*572.94*	*726.51*
Unallocated capital expenditure			60.12
			30.50
Depreciation for the year	125.22	289.71	414.93
	109.96	*261.63*	*371.59*
Unallocated depreciation			9.30
			10.29

(Currency: Indian Rupees in Millions)

Secondary segment information

Particulars	Sales revenue	Assets employed	Capital expenditure
India	**1,479.50**	**11,403.92**	**701.06**
	1,585.34	*10,544.71*	*757.01*
USA and Canada	**1,105.56**	**-**	**-**
	506.78	-	-
Europe	**1,565.39**	**-**	**-**
	1,010.65	-	-
South East Asia	**2,747.91**	**-**	**-**
	1,756.02	-	-
Others	**43.99**	**-**	**-**
	76.32	-	-
Total	**6,942.35**	**11,403.92**	**701.06**
	4,935.11	*10,544.71*	*757.01*

Note 30

Related Party Disclosures

List of related parties

Parties where control exists :

Subsidiary Companies

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Chairman and Managing Director
Sameer Hiremath	President & Joint Managing Director

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited ("DEPL")

Marigold Investments Private Limited

Iris Investments Private Limited

Karad Engineering Consultancy Private Limited ("KECPL")

Ekdant Investments Private Limited ("EIPL")

Rameshwar Investment Private Limited ("RIPL")

Badrinath Investment Private Limited ("BIPL")

Rushabh Capital Services Private Limited ("RCSPL")

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Transactions with related parties

Nature of Transaction	Subsidiary Companies	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Sales- ARL	**17.25**			
	7.15			
Purchases of fixed assets -				
- ARL	-			
	1.83			
Interest received				
- ARL	**37.71**			
	27.53			
Remuneration				
- Jai Hiremath		**13.61**		
		14.80		
- Sameer Hiremath		**8.67**		
		9.36		
Commission Paid				
- Jai Hiremath		**6.21**		
		4.90		
- Sameer Hiremath		**6.21**		
		3.67		
Sitting fees				
- Sugandha Hiremath			**0.14**	
			0.14	
Interest Paid				
- BIPL				**2.46**
				0.99
- KECPL				**0.32**
				0.29
- DEPL				**0.32**
				0.29
- EIPL				**0.84**
				0.20
- RIPL				**0.72**
				0.14
Dividend paid				
- BIPL				**15.93**
				15.93
- RIPL				**7.85**
				7.84
- Sugandha Hiremath			**7.85**	
			7.91	
- Jai Hiremath		**1.07**		
		1.06		
- Sameer Hiremath		**0.31**		
		0.30		
Lease rent paid				
- Sugandha Hiremath			**2.40**	
			2.40	

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Nature of transaction	Subsidiary Companies	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
- RIPL				0.84
				0.82
- RCSPL				1.08
				0.81
Deposit				
- RIPL				-
				1.28
- RCSPL				-
				1.10
Inter corporate deposits				
Received				
				23.00
- BIPL				17.50
				2.50
- KECPL				2.50
				2.50
- DEPL				2.50
				9.00
- EIPL				4.00
Inter Corporate Deposits				
Repaid				
				1.00
- BIPL				17.50
				-
- KECPL				2.50
				-
- DEPL				2.50
				-
- EIPL				4.00
Guarantee given				
- ARL	250.73			
	301.46			
Loans/advances granted/ (taken) net				
- ARL	159.11			
	177.12			
Outstanding balance debit/(credit)				
- HIBV	4.39			
	4.39			
- ARL	628.03			
	468.92			
- Jai Hiremath		(6.21)		
		(4.90)		
- Sameer Hiremath		(6.21)		
		(3.67)		

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Note 31		
Leases		
Operating Lease		
In respect of assets taken on operating lease on or after April 1, 2001:		
Lease rental charges for the year	8.12	7.33
Future lease rental obligation payable:		
- not later than one year	6.13	7.60
- later than one year but not later than five years	1.28	4.79
- later than five years	-	-

Note 32

Earnings Per Share

Rupees in Million, except per share data

	Year Ended March 31, 2012	Year Ended March 31, 2011
Basic earnings per share		
Profit after taxation	540.80	442.93
Numerator used for calculating basic earnings per share	540.80	442.93
Calculation of weighted average number of equity shares		
Weighted average number of equity shares outstanding during the year used as denominator for calculating basic earnings per share (based on date of issue of shares)	16,440,100	16,440,100
Basic earnings per share (₹)	32.90	26.94
Nominal value of shares (₹)	10.00	10.00
Diluted earnings per share		
Profit after taxation	540.80	442.93
Add: Interest on Foreign Currency Convertible Bonds	-	1.50
Numerator used for calculating diluted earnings per share	540.80	444.43
Calculation of weighted average number of equity shares		
Weighted average number of equity shares outstanding during the year	16,440,100	16,440,100
Add: Equity shares to be issued on conversion of Foreign Currency Convertible Bonds	-	410,430
Weighted average number of shares used as denominator for calculating diluted earnings per share (based on date of issue of shares)	16,440,100	16,850,530
Diluted earnings per share (₹)	32.90	26.37
Nominal value of shares (₹)	10.00	10.00

(Currency: Indian Rupees in Millions)

Note 33

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006

Particulars	As At March 31, 2012	As At March 31, 2011
Principal amount remaining unpaid to any supplier as at the year end	57.00	81.69
Interest due thereon	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED, 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 year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED.	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-

Note34

Deferred Tax

	As At March 31, 2012	As At March 31, 2011
Deferred tax asset:		
Amounts that are deducted for tax purpose when paid	60.62	43.71
Others	5.63	6.60
Unabsorbed depreciation	211.75	279.75
Total deferred tax assets	278.00	330.06
Deferred tax liabilities:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	364.71	356.86
Total deferred tax liabilities	364.71	356.86
Net deferred tax liability	86.71	26.80

Note 35

Disclosure in relation to Derivative Instruments

Category	No. of contracts	Amount in foreign currency (Millions)	Equivalent amount in Rupees (Millions)	Purpose
Forward cover	31	USD 41.85	2,141.46	Hedging of exposure to fluctuations in foreign exchange of future exports/Imports
	48	USD 93.05	4,155.61	
Currency/ interest swaps	3	USD 15.13	774.15	Hedging of term loan/interest
	3	USD 16.63	742.65	

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

The Net foreign currency exposures not hedged as at the year end are as under:

	March 31, 2012			March 31, 2011		
	Foreign Currency		₹Million	Foreign Currency		₹Million
	Curr.	Amt.	Amt.	Curr.	Amt.	Amt.
a. Amount receivable in foreign currency on account of following :						
-Export of goods	USD	25,91	1,325.65	USD	18.45	823.74
	EUR	0.40	27.35	EUR	3.30	208.95
	JPY	-	-	JPY	0.05	0.03
	GBP	0.23	18.75	GBP	-	-
b. Amount payable in foreign currency on account of following:						
(I) Import of goods & Services	USD	7.47	382.13	USD	7.77	346.91
	EUR	0.04	2.83	EUR	0.07	4.19
(Ii) Loan payables *	USD	27.00	1,381.59	USD	26.00	1,161.16
c. Other Advances	USD	0.80	40.92	USD	0.21	9.57
	EUR	0.07	4.91	EUR	0.09	5.75
	JPY	-	-	JPY	0.01	0.01

* excludes Loans payable of ₹ 890.59 million (USD 17.40 million) [2011: ₹1,084.19 million (USD 24.28 million)] assigned to hedging relationship against highly probable forecast sales. The Cash flow is expected to occur and impact the Profit and Loss account within the period of 1 year from drawdown of the loan.

Note 36

Amount due from subsidiaries as at March 31, 2012:

- Hikal International B.V ₹4.39 Million (Previous year ₹4.39 Million) [Maximum amount outstanding during the year ₹ 4.39 Million (Previous year ₹4.39 Million)]
- Acoris Research Limited ₹628.03 Million (Previous year ₹468.92 Million) [Maximum amount outstanding during the year ₹628.03 Million (Previous year ₹468.92 Million)]

Note 37

Research and Development	Year Ended March 31, 2012	Year Ended March 31, 2011
Research and development expenses (including depreciation) included under the relevant heads in the profit and loss account	128.32	92.93

Note 38

Auditor's remuneration

- Audit fees	3.85	3.50
- Tax audit fees	-	-
- Certification and other matters	0.36	-
- Out-of-pocket expenses	0.05	0.05
Total	4.26	3.55

(Currency: Indian Rupees in Millions)

Note 39

Dues relating to Investor Education and Protection Fund

. There are no dues, which needs to be credited as at the year end to the Investor Education and Protection Fund.

Note 40

Disclosure relating to Employee Benefits - As per Revised AS - 15

		2011-2012 Non Funded		2010-2011 Non Funded	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
A.	**Expenses recognized in the statement of Statement of Profit & Loss Account for the year ended March 31**				
	1. Interest cost	3.33	3.99	1.61	1.89
	2. Current service cost	5.67	7.74	4.97	6.79
	3. Expected return on planned assets	(1.10)	-	(0.65)	-
	4. Net actuarial (gain) / loss on obligations	(6.25)	(1.13)	14.03	21.35
	Total expenses recognized in Profit and Loss account	1.65	10.60	19.96	30.03
B.	**Net asset / (liability) recognized in the Balance Sheet**				
	1. Present value of the obligation as on March 31	41.65	48.79	41.68	49.85
	2. Fair value of planned assets as on March 31	(13.30)	-	(12.08)	-
	Unfunded liability recognized in the Balance Sheet	28.36	48.78	29.60	49.85
C.	**Change in Present value of obligation**				
	1. Present value of obligation as on March 31	41.68	49.85	23.04	26.99
	2. Interest cost	3.33	3.99	1.61	1.89
	3. Current services cost	5.67	7.74	4.97	6.79
	4. Benefits paid	(2.78)	(11.66)	(1.97)	(7.17)
	5. Net actuarial (gain) / loss on obligations	(6.25)	(1.13)	14.03	21.35
	Present value of obligation as per actuarial valuation as at March 31	41.65	48.79	41.68	49.85
D.	**Actuarial assumptions**				
	1. Discount Rate	8% p.a.	8% p.a.	7% p.a.	7% p.a.
	2. Rate of Increase in Compensation level	5% p.a.	5% p.a.	4% p.a.	4% p.a.
	3. Rate of Return on Plan Assets				
	a. Funded	9.14%p.a.	N.A.	9.77%p.a.	N.A
	b. Un-funded	N.A.	N.A	N.A	N.A
	4. Mortality rate	LIC (1994-96) ultimate		LIC (1994-96)ultimate	

	E. Experience Adjustment	2012	2011	2010	2009	2008
	1. Defined Benefit Obligation	41.66	41.68	23.04	22.58	18.77
	2. Plan Assets (including bank balance)	13.30	12.08	7.31	5.66	3.75
	3. Surplus/(Deficit)	28.36	29.60	15.73	16.92	15.02
	4. Experience Adjustments of Obligation	6.25	14.03	3.88	4.35	0.19
	5. Experience on Plan Assets	0.14	0.14	0.16	0.09	NIL

On account of defined contribution plans the Company's contribution to Provident Fund and Superannuation Fund aggregating ₹24.90 millions (2011: ₹26.71 millions) has been recognized in the statement of Profit and Loss under the head personnel cost (Refer note 22)

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Note 41

Additional information

	Year ended March 31, 2012	Year ended March 31, 2011
a) Raw material consumption		
Cyclohexane Diacetic Acid	744.07	474.17
SMPGM	458.96	308.48
Iso Propyl Alcohol (IPA)	231.68	154.43
Liquid Bromine	186.52	88.77
Acetone	187.25	86.88
Iso-Butyl Chloro Valeriate	119.02	99.73
Caustic Soda Lye	98.05	54.24
2,6 Di chloro Para Nitro Aniline	50.81	20.44
Others	869.41	959.44
	2,945.77	2,246.58

b) Indigenous and imported consumption	Amount	%	Amount	%
Raw materials				
Indigenous	1,268.75	43.07	1,047.61	46.63
Imported	1,677.02	56.93	1,198.97	53.37
	2,945.77	100.00	2,246.58	100.00
Stores and spares				
Indigenous	96.71	97.35	79.01	95.77
Imported	2.63	2.65	3.49	4.23
	99.34	100.00	82.50	100.00

c) Stocks and Turnover

Class of Goods	Work-in-progress		Finished Goods		Turnover
	Opening stock	Closing stock	Opening stock	Closing stock	
Crop Protection	163.46	138.72	285.33	175.57	2,446.03
	183.32	*163.46*	*315.03*	*285.33*	*1,676.90*
Bulk drugs	277.66	336.80	203.99	117.70	4,247.50
	191.39	*277.65*	*69.49*	*203.99*	*2,985.77*
Others	6.20	6.34	0.10	0.03	379.54
	6.53	*6.20*	*0.11*	*0.10*	*379.24*
Goods for resale in Crop	-	-	-	0.07	-
protection products	-	-	*0.11*	-	*39.23*
Income from	-	-	-	-	16.21
services rendered	-	-	-	-	*33.71*
Total	447.31	481.86	489.42	293.37	7,089.28
	381.24	*447.31*	*384.74*	*489.42*	*5,114.85*

Notes to Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

		Year Ended March 31, 2012	Year Ended March 31, 2011
d)	**CIF value of imports**		
	Raw materials	**1,698.75**	1,171.56
	Capital goods	**35.59**	9.05
	Stores and spares	**2.63**	3.49
e)	**Earnings in foreign exchange**		
	FOB value of exports	**5,572.23**	3,463.03
f)	**Expenditure in foreign currency**		
	Interest	**100.76**	89.13
	Professional charges	**10.68**	18.29
	Commission	**2.14**	3.00
	Traveling expenses	**7.98**	9.47
	Others	**28.17**	24.63
g)	**Remittance in foreign currency on account of dividends**		
	Period to which it relates	**2010-11**	2009-10
	Number of Non Resident Shareholders	**1**	1
	Number of equity shares held on which dividend is due	**24,310**	24,310
	Amount remitted	**0.07**	0.20

The financial statement for the year ended March 31, 2011 had been prepared as per the then applicable pre-revised Schedule VI to the Act. Consequent to the notification of Revised Schedule VI under the Act, the financial statement for the year ended March 31, 2012 are prepared as per the Revised Schedule-VI. Accordingly, the previous year's figures have been reclassified to conform to this year's classification. Also, certain disclosures as per the pre-revised Schedule VI but not required under Revised Schedule VI have not been made for the previous year. The adoption of Revised Schedule VI for previous year's figures does not impact recognition and measurement principals followed for preparation of financial statements.

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Cash Flow Statement

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

		Year Ended March 31, 2012		Year Ended March 31, 2011	
A)	CASH FLOW FROM OPERATING ACTIVITIES				
	Net profit before tax		600.71		456.82
	Adjusted for –				
	Depreciation/amortisation	424.23		381.88	
	Reversal of cashflow hedge reserve	(37.10)		(95.95)	
	Interest income	(46.42)		(28.89)	
	Unrealised (profit / loss) on translation of foreign currency (net)	-		(16.81)	
	Dividend income	(0.06)		(0.05)	
	Interest expense	477.57		412.38	
	Provision for diminution in value of inventory	12.50		3.50	
	Sundry balances written off	32.50		1.90	
	Provision for doubtful advances	3.00		12.89	
	Provision for doubtful debts w/back	(2.50)		(26.10)	
	Provision for doubtful debts	-		6.50	
	Profit /(loss) on sale of fixed assets	0.15		(0.06)	
			863.87		651.19
	Operating profit before working capital changes		1,464.58		1,108.01
	Adjustment for increase/decrease in:				
	Decrease/(increase) in trade and other receivables	(206.21)		190.08	
	Decrease/(increase) in inventories	(215.96)		109.78	
	Decrease/(increase) in trade payables	411.23		(185.48)	
			(10.94)		114.38
	Cash generated from operating activities		1,453.64		1,222.39
	Income tax paid		(86.85)		(90.00)
	NET CASH FROM OPERATING ACTIVITIES		1,366.79		1,132.39
B)	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase of fixed assets (Includes increase in capital work in progress)	(526.18)		(725.49)	
	Sale of fixed assets	0.13		0.10	
	Dividend received	0.06		0.05	
	Increase in investments in fixed deposits (margin money account)	(9.68)		(14.43)	
	Interest received	46.42		28.89	
	NET CASH USED IN INVESTING ACTIVITIES		(489.25)		(710.88)

Cash Flow Statement

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

		Year Ended March 31, 2012		Year Ended March 31, 2011	
C)	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Proceeds from borrowings	677.40		1,687.09	
	Repayment of borrowings	(840.59)		(692.84)	
	Loans given to subsidiaries	(159.11)		(177.12)	
	Interest paid	(479.12)		(411.41)	
	Dividend paid	(114.64)		(153.87)	
	Repayment of FCCB along with premium	-		(724.45)	
	NET CASH USED IN FINANCING ACTIVITIES		(916.06)		(472.60)
	NET INCREASE IN CASH AND CASH EQUIVALENTS		(38.52)		(51.09)
	Cash and cash equivalents as at March 31,2011 (Opening Balance)		58.38		109.47
	Cash and Cash Equivalents as at March 31,2012 (Closing Balance)		19.86		58.38

NOTES TO THE CASH FLOW STATEMENT

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards.
2. Cash and cash equivalents represent :

	Year Ended March 31, 2012	Year Ended March 31, 2011
Cash	1.02	0.56
With Banks		
- Current accounts	18.84	57.82
Total cash and cash equivalents	19.86	58.38

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Notes to financial statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Statement pursuant to approval u/sec. 212(8) of the Companies Act,1956

	Particulars	Hikal International BV	Acoris Research Limited
a	Share Capital	4.92	150.50
b	Reserves	(10.12)	(284.65)
c	Total Assets	0.42	777.35
d	Total Liabilities	0.42	777.35
e	Details of Investment	-	-
f	Turnover	-	153.01
g	Profit before taxation	(1.45)	(88.42)
h	Provision for taxation	(0.09)	(9.09)
i	Profit after Taxation	(1.36)	(79.33)
j	Proposed dividend	-	-

Auditors' Report

To the Board of Directors of Hikal Limited

1. We have examined the attached consolidated Balance Sheet of Hikal Limited ('the Company'or 'the Parent Company') and its subsidiaries (collectively referred to as the 'Hikal Group'), as at 31 March 2012 and the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Hikal Group'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 the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We have audited the financial statements of the parent company, Hikal Limited, whose financial statements reflect total assets of Rs.11,403.92 million (31 March 2011: Rs.10,544.71 million) as at 31 March 2012, total revenues of Rs. 6,942.35 million (31 March 2011: Rs.4,935.11 million) and net cash outflows aggregating Rs.(38.52) million (31 March 2011: net cash outflows Rs.(51.09) million) for the year ended 31 March 2012. Our opinion, in so far as it relates to the amounts included in respect thereof, is based on our Auditors' Report.

4. We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of Rs.777.78 million as at 31 March 2012, total revenues of Rs.153.02 million and net cash outflows aggregating Rs. 3.43 million for the year ended on that date. These financial statements have been audited by another firm of Chartered accountants whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the auditor.

5. We report that the consolidated financial statements have been prepared by the Hikal Group management in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements, specified in the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries.

6. *The Company has not provided for a "mark-to-market" loss on derivative contracts/receivables aggregating to Rs.452.63 million as at 31 March 2012 (31 March 2011: Rs. 295.28 million (Refer Note 27 (b) to the financial statements) for the reasons stated by the management in the said note. Consequently, without considering the tax effect, the profit before tax for the year and reserves and surplus are overstated by Rs.452.63 million (31 March 2011: Rs.295.28 million), short term loans and advances are overstated by Rs.70.10 million (31 March 2011: Rs.80.10 million) and other current liabilities are understated by Rs.382.53 million (31 March 2011: 215.18 million). Had the effect of observation made by us above been considered, the profit before tax for the year would have been Rs.58.45 million (31 March 2011: Rs.51.86 million) (as against the reported figure of profit before tax of Rs.511.08 million) (31 March 2011: Rs.347.14 million), the reserves and surplus would have been Rs.3,689.00 million (31 March 2011: Rs.3,545.25 million) (as against the reported figure of Rs.4,141.63 million) (31 March 2011: Rs.3,840.53 million), short term loans and advances would have been Rs.492.10 million (31 March 2011: Rs.456.32 million) (as against reported figure of Rs.562.20 million)(31 March 2011: Rs.536.42 million) and other current liabilities would have been Rs.1,528.18 million (31 March 2011: Rs.1341.65 million) (as against reported figure of Rs.1145.65 million) (31 March 2011:Rs.1,126.47 million).*

7. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements, subject to our comments in paragraph 6 above, 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 consolidated state of affairs of the Hikal Group as at 31 March 2012;

   b) in the case of the consolidated statement of profit and loss, of the consolidated results of operations of the Hikal Group for the year ended on that date; and

   c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Hikal Group for the year ended on that date;

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Vijay N.Bhatt
Partner
Membership No.: 036647

Place: Mumbai
Date: 14 May 2012

Consolidated Balance Sheet

As at March 31, 2012

(Currency: Indian Rupees in Millions)

	Notes	As At March 31, 2012		As At March 31, 2011
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital	3	164.40		164.40
Reserves & surplus	4	4,141.63		3,840.53
			4,306.03	4,004.93
NON-CURRENT LIABILITIES				
Long-term borrowings	5	2,456.82		2,572.86
Deferred tax liabilities (Net)	33	8.00		-
Long-term provisions	6	70.15		67.12
			2,534.97	2,639.98
CURRENT LIABILITIES				
Short-term borrowings	7	2,054.67		1,913.41
Trade payables	8	1,144.72		831.24
Other current liabilities	8	1,145.65		1,126.47
Short- term provisions	9	131.22		132.39
			4,476.26	4,003.51
TOTAL			11,317.26	10.648.42
ASSETS				
NON-CURRENT ASSETS				
FIXED ASSETS				
(i) Tangible assets	10	6,393.00		6,352.89
(ii) Intangible assets	10	-		-
(Iii) Capital work-in-progress	10	755.72		512.13
Non-current investments	11	31.17		31.17
Long-term loans and advances	12	554.74		465.35
Deferred tax assets (Net)	33	-		42.83
			7,734.63	7,404.37
CURRENT ASSETS				
Inventories	13	1,927.73		1,722.81
Trade receivables	14	1,019.70		880.27
Cash and bank balances	15	68.78		100.85
Short-term loans and advances	16	562.20		536.42
Other current assets	17	4.22		3.70
			3,582.63	3,244.05
			11,317.26	10,648.42
Summary of significant accounting policies	2			

The accompanying notes 2-34 are an integral part of this consolidated balance sheet

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Statement of Consolidated Profit and Loss

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

	Notes		Year Ended March 31, 2012	Year Ended March 31, 2011
INCOME				
Revenue from Operations (gross)	18		7,225.35	5,202.69
Less: Excise duty			147.24	179.74
Revenue from Operations (net)			7,078.11	5,022.95
Other income	19		14.01	32.96
TOTAL REVENUE(I)			7,092.12	5,055.91
EXPENSES				
Cost of materials consumed	20		2,967.48	2,260.48
Purchases of stock-in-trade			-	37.97
Changes in inventories of finished goods and work-in-progress	21		161.50	(170.74)
Employee benefits expense	22		636.57	588.81
Other expenses	23		1,480.15	1,113.20
Finance costs	24		663.78	437.19
Depreciation/amortisation	10	460.76		418.01
Less: Transfer from Revaluation Reserve		(7.69)		(7.69)
			453.07	410.32
TOTAL EXPENSES (II)			6,362.55	4,677.23
PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (I-II)			729.57	378.68
Exceptional items	25		218.49	31.54
PROFIT BEFORE TAX			511.08	347.14
Tax expenses				
- Current tax			122.80	90.39
- Less: MAT tax credit			(122.80)	(90.39)
- Less : Income tax refund received			(0.09)	(3.68)
- Deferred tax			50.83	(19.39)
Total tax expenses			50.74	(23.07)
PROFIT AFTER TAX			460.34	370.21
Basic earnings per share ₹	32		28.01	22.50
Diluted earnings per share ₹	32		28.01	22.05
Face value per share ₹10/-				

Summary of significant accounting policies 2

The accompanying notes 2-34 are an integral part of this statement of consolidated profit and loss

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Note 1

BACKGROUND

Hikal Limited ('Hikal' or 'the Company') was incorporated as a public limited company on 08 July 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 21.

The Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, Active pharma ingredients and Contracts Research activities.

The Company is operating in the crop protection and pharmaceuticals space.

The Company has following subsidiaries:

a) **Acoris Research Limited :** A 100% subsidiary of the Company engaged in Contract Research activities. Acoris has setup a Research and Development (R & D) facility for carrying out process development, custom synthesis, analytical development & fermentation.

b) **Hikal International BV:** A 100% subsidiary of the Company engaged in trading activities and is based in Netherlands.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, except for certain financial instruments which are measured at fair values, in accordance with the provisions of the Companies Act 1956 (“the Act”) and accounting principles generally accepted in India (“GAAP”) and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The accounting policies followed in preparation of these financial statements are consistent with those followed in the previous year.

During the year ended 31 March, 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI.

The consolidated financial statements relate to Hikal Limited ('the Company'), its subsidiaries and share of profits / losses in associates (collectively referred to as 'the Group'). The consolidated financial statements have been prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the accounting standards. The financial statements of the 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 fully eliminating intra-group balances and transactions and resulting unrealized gain/losses. The financial statements of the associates are considered following equity method.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Minority interests have been excluded. Minority interest represents that part of the net profit or loss and net assets of subsidiaries that is not, directly or indirectly, owned or controlled.

The revenue and expense transactions during the year reflected in profit and loss account have been translated into Indian Rupees at the average exchange rate for the year under consideration. Assets and liabilities in the balance sheet have been translated into Indian Rupees at the closing exchange rate at the year end. The resultant translation exchange gain/loss is disclosed as foreign currency translation reserve.

b. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements, actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Summary of significant accounting policies (Continued)

c. **Fixed assets and capital work-in progress**

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs and exchange gain/loss on long term foreign currency loans attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalized. Other pre-operative expenses for major projects are also capitalized, where appropriate.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the year end.

d. **Depreciation and amortization**

Depreciation on tangible fixed assets other than on leasehold land is provided pro rata to the period of use on straight-line method, at rates and in the manner prescribed under Schedule XIV to the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets.

Leasehold land is amortized over the primary period of the lease.

Assets individually costing upto ₹ 5,000 are fully depreciated in the year of purchase.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to Profit and Loss Account.

The management estimates the useful lives of intangible assets viz. computer software, of 5 years and expects economic benefits from such assets to be consumed evenly over the period of its useful life. Accordingly, intangible assets are amortized over a period of five years on a straight-line basis.

e. **Impairment of assets**

In accordance with AS 28 'Impairment of Assets', the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the profit and loss account or against revaluation surplus, where applicable.

f. **Investments**

Long term investments are carried at cost. Provision for diminution, is made to recognize a decline, other than temporary in the value of long term investments and is determined separately for each individual investment. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment

g. **Inventories**

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realizable value. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

h. **Revenue recognition**

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer, which coincides with dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognized based on date of bill of lading.

Interest income is recognised on time proportion basis

Income from services is accounted for when the services are rendered.

Excise duty collected on sales is separately reduced from turnover.

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Summary of significant accounting policies (Continued)

i. **Foreign currency transactions**

- Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

- Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets and foreign currency loans taken for hedging purposes.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated March 31, 2009, the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates" to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets

-in so far as it relates to the acquisition of such assets and in other cases, by transfer to "Foreign currency monetary item translation difference reserve", to be amortized over the balance period of such long term foreign currency liabilities or March 31, 2020 whichever is earlier.

j. **Employee benefits**

- Gratuity

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable (except for Panoli plant staff) in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the Profit and Loss account. Gratuity for Panoli staff is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

- Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

- Leave encashment / Compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

- Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees provident fund and miscellaneous provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

- Short term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Summary of significant accounting policies (Continued)

k. **Leases**

Assets acquired under the finance leases are capitalized at fair value of the leased asset at the inception of lease and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note (d) above. Liabilities under finance leases less interest not yet charged are included under deferred payment credits/lease obligations in the financial statements. Finance charges are debited to the profit and loss account over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

l. **Provision for Taxation**

Tax expense comprises current income tax and deferred tax charge or credit. Current tax provision is made annually based on the tax liability computed in accordance with provision of the Income tax Act, 1961.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization. Deferred tax assets are reviewed as at each Balance Sheet date to reassess realization.

m. **Research and Development**

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are charged to Profit and Loss account under the respective heads of expenses.

n. **Export incentives**

Export incentives principally comprises of Duty Drawback, Duty Entitlement Pass Book credit and Excise Duty rebate. The benefits under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. These incentives are recognized as revenue on accrual basis to the extent it is probable that realization is certain.

o. **Provisions and contingencies**

The Company creates a provision when there exists a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

p. **Share Issue Expenses**

Preliminary/public issue expenses are written off equally over a period of five years. Expenses incurred on subsequent preferential issue of shares are adjusted against securities premium.

Issue costs of FCCB and preference shares are amortized over the term of the instrument by adjusting against the balance in securities premium account.

q. **Earnings per share**

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive.

r. **Cash and cash equivalent**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with a maturity of less than or three months

s. **Proposed Dividend**

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General meeting.

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 3		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of ₹ 10/- each (31 March 2011 : 25,000,000 equity shares of ₹10/- each)	250.00	250.00
5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each (31 March 2011 : 5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each)	500.00	500.00
	750.00	750.00
Issued, subscribed and paid-up capital		
Equity shares		
16,440,100 Equity Shares of ₹10/- each fully paid-up (31 March 2011:16,440,100 equity Shares of ₹ 10/- each fully paid up)	164.40	164.40
	164.40	164.40

a. **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares

	March 31, 2012		March 31, 2011	
	No. millions	₹ in millions	No. millions	₹ in. millions
At the beginning of the year	16.44	164.40	16.44	164.40
Outstanding at the end of the year	16.44	164.40	16.44	164.40

b. **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹.6/- (March 31, 2011: ₹ 6/-).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. **Details of shareholders holding more than 5% shares in the company**

	March 31, 2012		March 31, 2011	
	No. millions	% holding in the Class	No. millions	%holding in the Class
Equity shares of ₹10 each fully paid				
Kalyani Investment Company Ltd.	5.16	31.36	5.16	31.36
Shri Badrinath Investment Pvt. Ltd.	2.65	16.15	2.65	16.15
Shri Rameshwara Investment Pvt. Ltd.	1.31	7.96	1.30	7.95
International Finance Corporation	1.36	8.27	1.36	8.27
Sugandha J Hiremath	1.32	8.02	1.32	8.02

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Note 4

	As At March 31, 2012	As At March 31, 2011
RESERVE AND SURPLUS		
Capital Reserve	0.44	0.44
Capital redemption reserve	509.82	509.82
Securities premium account		
Balance as per the last financial statements	1,131.99	1,169.40
Less: Amortised cost of issue expenses of foreign currency Convertible Bonds ('FCCB') and Preference Share Capital	-	1.91
Less: Provision for premium on redemption of 0.5% of 'FCCB'	-	35.50
	1,131.99	1,131.99
Revaluation reserve on Land		
Balance as per the last financial statements	1,094.04	1,101.73
Less: Amount transferred to the statement of Profit and Loss as reduction from depreciation	7.69	7.69
	1,086.35	1,094.04
State subsidy	5.50	5.50
Contingency reserve	30.00	30.00
General reserve		
Balance as per last year	328.48	228.48
Add: Transfer from surplus in the statement of profit and loss	100.00	100.00
	428.48	328.48
Cash Flow Hedge Reserve	-	37.10
Foreign currency translation reserve	(30.28)	(30.47)
Surplus in the statement of profit and loss		
Balance as per last financial statements	733.63	577.56
Profit for the year	460.34	370.21
Less: Appropriations		
Proposed Interim dividend on equity shares (amount per share ₹ NIL (March 31, 2011 ₹ 3))	-	49.32
Proposed Final dividend on equity shares (amount per share ₹6 (March 31, 2011: ₹3))	98.64	49.32
Tax on proposed equity dividend	16.00	15.50
Transfer to general reserve	100.00	100.00
Total appropriations	214.64	214.14
Net surplus in the statement of profit and loss	979.33	733.63
Total reserves and surplus	4,141.63	3,840.53

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 5		
LONG-TERM BORROWINGS		
Secured Loans		
Term loans		
From banks	1,037.35	959.37
From financial institutions	1,359.87	1,600.24
Deferred payment liabilities		
Vehicle Loan	4.62	6.21
	2,401.84	2,565.82
Unsecured Loans		
Term loans from banks	50.00	-
Deferred sales tax liability	4.98	7.04
	54.98	7.04
	2,456.82	2,572.86

a. **Nature of Security :**

i) Term loans from banks and financial institutions are secured by hypothecation of plant & machinery, first charge on the immovable properties and second charge on current assets situated at Taloja, Panoli, Bangalore and Pune

ii) Terms of repayment are as under :

I	ECB	US $ in Mio	` in Mio	Repayment Terms	Interest Rate
	a	0.75	38.38	Repayable half yearly in full on 27.04.2012	Libor +100 Bps
	b	1.25	63.96	Repayable half yearly in full on 28.06.2012	Libor +99 Bps
	c	14.00	716.38	Repayable half yearly - 14 instalments of 1 Mio US $ starting from 15.07.2012	Libor +300 Bps
	d	11.00	562.87	Repayable quarterly - 12 instalments of US $ 0.9166 Mio starting from 15.01.2013	Libor +300 Bps
	e	4.90	250.73	Repayable half yearly - 4 instalments of 1.225 Mio US $	Libor +115 Bps

II	Rupee Loans	₹ in Mio	Repayment Terms	Interest Rate
	a	99.99	Repayable quarterly - 3 instalments of ₹ 33.33 Mio starting from 20.06.2012	PLR Minus 150 Bps p.a
	b	37.50	Repayable quarterly - 3 instalments of ₹12.50 Mio starting from 20.06.2012	PLR Minus 150 Bps p.a
	c	187.50	Repayable quarterly - 9 instalments of ₹20.83 Mio starting from 20.04.2012	LTMLR Plus 275 Bps p.a
	d	650.00	Repayable quarterly -12 instalments of ₹ 54.17 Mio starting from 20.10.2012	LTMLR Plus 250 Bps P.a
	e	100.00	Repayable quarterly -12 instalments of ₹25.00 Mio starting from 20.03.2014	LTMLR Plus 275 Bps p.a
	f	400.00	Repayable quarterly -12 instalments of ₹33.33 Mio starting from 20.11.2012	BBR Plus 300 Bps p.a
	g	4.62	Repayable monthly EMI of ₹0.16 Mio	9.61% p.a
III	Unsecured Term Loans / Inter Corporate Deposits			
	a	150.00	Repayable monthly - 12 instalments of ₹12.50 Mio starting from 31.08.2012	SBH base rate Plus 300 Bps p.a
	b	203.50	Repayable on Demand except ₹10 Mio which is due for payment on 26.06.2012	14.50%, 15% & 16%

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 6		
OTHER LONG TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	27.49	26.82
Provision for leave encashment	42.66	40.30
	70.15	67.12
Note 7		
SHORT TERM BORROWINGS		
Secured Borrowings		
Loans repayable on demand		
Working capital loan from banks	1,851.17	1,813.41
	1,851.17	1,813.41
Unsecured Borrowings		
Loans repayable on demand		
Inter Corporate Deposits		
- From related parties	43.50	-
- From others	160.00	100.00
	203.50	100.00
	2,054.67	1,913.41

a. Nature of Security and terms of repayment for secured/unsecured borrowings :

I.	Working Capital Loans from banks are secured by hypothecation of present and future stock of raw materials, stock-in-process, finished and semi finished goods, stores, spares and book debts and second charge on properties situated at Taloja, Mahad, Panoli and Bangalore.	Working capital loans are repayable on demand and carries interest @ 5% to 14.50 % p.a.
II.	Inter Corporate Deposits	Repayable on demand and carries interest @ 12% to 15% p.a

Notes to Consolidated Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 8		
OTHER CURRENT LIABILITIES		
Trade payables	1,144.72	831.24
	1,144.72	831.24
Other payables		
Current maturities of long-term borrowings	813.78	878.43
Interest accrued but not due on borrowings	24.66	28.13
Others		
Payables for capital purchases	152.16	92.88
Advances from customers	86.84	84.13
Book overdraft	18.52	0.19
Statutory dues		
- Tax deducted at source	12.94	14.15
- Others	1.08	0.06
Employee benefits expenses	35.67	28.50
	1,145.65	1,126.47
	2,290.37	1,957.71
Note 9		
SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	3.05	4.32
Provision for leave benefits	13.53	13.43
	16.58	17.75
Other provisions		
Proposed equity dividend	98.64	98.64
Provision for tax on proposed equity dividend	16.00	16.00
	114.64	114.64
	131.22	132.39

(Currency: Indian Rupees in Millions)

Note 10

FIXED ASSETS

[At cost less (depreciation / amortisation) and impairment provision]

Description	Gross block				
	As at April 1, 2011	Additions	Deductions/ Adjustments	Adjustments of borrowing cost and exchange difference	As at March 31, 2012
Tangible assets					
Freehold land	786.52	0.86	-	-	787.38
Leasehold land	715.81	-	-	-	715.81
Buildings	1,494.03	50.14	-	-	1,544.17
Plant and machinery	5,174.34	272.06	-	163.14	5,609.54
Electrical installations	241.45	7.51	-	-	248.96
Office equipments	113.57	2.48	-	-	116.05
Furniture and fixtures	107.47	1.78	-	-	109.25
Vehicles	28.13	3.16	0.74	-	30.55
Ships	56.00	-	-	-	56.00
	8,717.32	337.99	0.74	163.14	9,217.71
Intangible assets					
Computer software	5.48	-	-	-	5.48
	8,722.80	337.99	0.74	163.14	9,223.19
Previous year					
Tangible assets	8,190.06	561.49	34.21	-	8,717.34
Intangible assets	5.48	-	-	-	5.48
Total	8,195.54	561.49	34.21	-	8,722.82
Capital work-in-progress					
Total					

Note:-

a) In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹7.69 millions (2011: ₹7.69 million) on account of revaluation has been charged to Profit and Loss account and a similar amount has been withdrawn from the Revaluation Reserve and credited to Profit and Loss Account.

b) Other adjustments include adjustments on account of borrowing costs and exchange differences.

Depreciation/ amortisation				Net block	
Upto March 31, 2011	For the Year	Deductions/ Adjustments	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
-	-	-	-	787.38	786.52
28.59	8.76	-	37.35	678.46	687.22
246.98	49.43	-	296.41	1,247.76	1,247.05
1,873.53	374.42	-	2,247.95	3,361.59	3,300.81
86.97	9.74	-	96.71	152.25	154.48
72.77	7.38	-	80.15	35.90	40.80
35.98	6.63	-	42.61	66.64	71.49
12.55	2.46	0.48	14.53	16.02	15.58
7.06	1.94	-	9.00	47.00	48.94
2,364.43	460.76	0.48	2,824.71	6,393.00	6,352.89
5.48	-	-	5.48	-	-
2,369.91	460.76	0.48	2,830.19	6,393.00	6,352.89
1,946.44	418.77	0.76	2,364.45	6,352.89	
5.48	-	-	5.48	-	
1,951.92	418.77	0.76	2,369.93	6,352.89	
				755.72	512.13
				7,148.72	6,865.02

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 11		
NON CURRENT INVESTMENTS		
Trade Investments (valued at cost)		
Unquoted Equity Investments		
223,164 (Previous year 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
30,000 (Previous year 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up.	0.30	0.30
14,494 (Previous year 14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
16% (Previous year 16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
	30.95	30.95
Non Trade Investments (valued at cost)		
Quoted Equity Investments		
2,000 (Previous year 2,000) Equity Shares of Bank of Baroda of ₹10/- each fully paid up.	0.17	0.17
2,900 (Previous year 2,900) Equity Shares of Union Bank of India ₹10/- each fully paid up.	0.05	0.05
	0.22	0.22
	31.17	31.17
Aggregate amount of quoted investments	0.22	0.22
Aggregate market value of quoted investments	2.26	2.87
Aggregate amount of unquoted investments	30.95	30.95

Note 12		
LONG TERM LOANS AND ADVANCES		
Unsecured and considered good unless other wise stated		
Capital advances	49.61	46.94
Security deposits [Refer Note a]	100.47	101.09
	150.08	148.03
Other loans and advances		
Advance tax	400.42	310.09
Loans to employees	4.24	7.23
	554.74	465.35

a. Security Deposits includes deposit given to Directors of ₹50 million (2011: ₹50 million)

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

		As At March 31, 2012	As At March 31, 2011
Note 13			
INVENTORIES			
(At lower of cost and net realisable value - Also refer note 2 (g))			
Raw materials [includes goods in transit of ₹185.62 Million] (2011: ₹64.35 Million)		1,053.99	687.66
Packing materials		9.01	8.34
Work-in-progress		481.86	447.31
Finished goods		293.37	489.42
Stores, spares and consumables		89.50	90.08
		1,927.73	1,722.81
Note 14			
TRADE RECEIVABLES			
(Unsecured)			
Considered good			
Outstanding for a period exceeding six months from the date they are due for payment		32.58	48.53
Others		987.12	831.74
	(A)	1,019.70	880.27
Considered doubtful			
Outstanding for a period exceeding six months from the date they are due for payment		17.36	19.86
Others		-	-
		17.36	19.86
Less : Provision for doubtful receivables		17.36	19.86
	(B)	-	-
	Total (A + B)	1,019.70	880.27
Note 15			
CASH AND BANK BALANCES			
Cash and cash equivalents			
Balances with banks:			
On current accounts		22.16	64.83
Cash on hand		1.15	0.60
		23.31	65.43
Other bank balances			
Deposits with original maturity for more than 3 months but less than 12 months		45.47	35.42
		45.47	35.42
		68.78	100.85

a. **Margin money deposits given as security**

Margin money deposits with a carrying amount of ₹ 42.61 million (31 March 2011: ₹32.74 million) are subject to first charge to secure the company's cash credit loans.

(Currency: Indian Rupees in Millions)

	As At March 31, 2012	As At March 31, 2011
Note 16		
SHORT TERM LOANS AND ADVANCES		
Unsecured and considered good unless other wise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good	176.83	204.30
Considered doubtful	17.91	14.91
	194.74	219.21
Less: Provision for doubtful advances	17.91	14.91
	176.83	204.30
Other loans and advances		
Balances with customs, excise, etc	183.09	156.53
Prepaid expenses	29.94	21.75
VAT receivable	171.73	151.28
Loans to employees	0.61	2.56
	562.20	536.42

	As At March 31, 2012	As At March 31, 2011
Note 17		
OTHER CURRENT ASSETS		
Unsecured and considered good unless other wise stated		
Others		
Interest accrued on fixed deposits	3.58	2.62
Unamortised miscellaneous expenses	0.64	1.08
	4.22	3.70

Notes to Consolidated Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Note 18		
REVENUE FROM OPERATIONS		
Sale of products		
Finished goods	7,104.02	5,066.59
Traded goods	-	39.23
Sale of services	111.23	88.45
Other operating revenue		
Scrap sales	10.10	8.42
Revenue from operations (gross)	7,225.35	5,202.69
Less: Excise duty	147.24	179.74
Revenue from operations (net)	7,078.11	5,022.95
Note 19		
OTHER INCOME		
Interest income on		
Bank deposits	4.66	1.49
Others	4.82	0.57
Dividend on long term investments	0.06	0.05
Net gain on sale of assets	-	0.26
Other non-operating income	0.61	0.72
Provision for doubtful debts written back	2.50	26.10
Foreign exchange gain	1.36	3.77
	14.01	32.96
Note 20		
COST OF MATERIALS CONSUMED		
Raw materials at the beginning of the year	687.66	962.46
Add : Purchases	3,321.31	1,982.18
	4,008.97	2,944.64
Less : Closing stock	1,053.99	687.66
Provision for diminution in value of inventory	12.50	3.50
	2,967.48	2,260.48
Note21		
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(Increase)/ decrease in stocks		
Inventories at the end of the year		
Work-in-progress	481.86	447.31
Finished goods	293.37	489.42
Total A	775.23	936.73
Inventories at the beginning of the year		
Work-in-progress	447.31	381.24
Finished goods	489.42	384.75
Total B	936.73	765.99
(Increase)/ decrease in stocks (B-A)	161.50	(170.74)
Note 22		
EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	548.86	503.45
Contribution to provident and other funds	27.21	23.91
Gratuity expenses	1.21	10.20
Staff welfare expenses	59.29	51.25
	636.57	588.81

(Currency: Indian Rupees in Millions)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Note 23		
OTHER EXPENSES		
Consumption of stores and spares	104.20	90.23
Processing charges	33.55	2.53
Power & fuel	736.96	551.03
Advertisement	3.46	1.05
Rent	15.49	15.08
Rates and taxes	6.83	5.82
Insurance	9.96	8.92
Repairs and maintenance		
- Plant & Machinery	47.47	44.37
- Buildings	17.01	15.60
- Others	20.16	19.44
Printing and stationery	9.44	8.61
Legal and professional charges		
- Legal charges	5.25	2.38
- Professional charges	80.45	61.11
Travelling and conveyance	37.66	31.42
Vehicle expenses	10.23	9.82
Postage, telephone and telegrams	9.68	7.96
Auditors remuneration	4.59	3.65
Director's fee	0.51	0.51
Sales and distribution expenses	128.11	81.22
Commission on sales	20.61	46.16
Security service charges	14.42	13.34
Amortisation of miscellaneous expenditure	0.43	0.43
Provision for doubtful debts	-	6.50
Provision for doubtful advances	35.50	12.89
Excise duty on closing stock	0.78	0.04
Loss on sale of assets (net)	0.15	-
Foreign exchange loss	63.16	-
Bad debts written off	8.96	33.89
Miscellaneous expenses	55.13	39.20
	1,480.15	1,113.20
Note 24		
FINANCE COSTS		
Interest on fixed period loans	264.61	249.38
Other interest	185.60	141.30
Bank charges	50.83	46.51
Exchange difference to the extent considered as an adjustment to borrowing costs	162.74	-
	663.78	437.19
Note 25		
EXCEPTIONAL ITMES		
Exchange loss	255.59	127.49
Reversal of cash flow hedge reserve	(37.10)	(95.95)
	218.49	31.54

Notes to Consolidated Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

NOTES 26

	As At March 31, 2012	As At March 31, 2011
Contingent liabilities		
Bills discounted with banks	774.41	815.45
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	152.76	68.29

Note 27

a) From the year ended 31 March 2009 the Company had adopted principles of hedge accounting as set out in Accounting Standard 30 – "Financial Instruments Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent that the adoption did not conflict with the existing mandatory accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. With effect from April 1, 2011, the Company changed its method of accounting related to forward contracts and long term foreign currency monetary items by recognizing exchange difference in the profit and loss account in the period in which it arise in accordance with Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates. Had Company continued following principles of Accounting Standard 30, the profit before tax for the year ended March 31, 2012 would have been higher by ₹ 231.60 millions.

b) The Company has entered into forward/options contracts to hedge its exposure to fluctuations in foreign exchange for approx 30% of future exports. These contracts have been staggered over the next four years as the major percentage of the Company's turnover is realized from exports. The management is of the opinion that the mark to market losses of these transactions represents unrealized losses that are notional in nature and will not affect its ongoing business as the Company has requisite long term export orders to cover these contracts. The management is of the opinion that the fluctuation in currency movements against hedged contracts gets compensated by realization of a higher value of sales realizations and therefore, the actual profit/loss against such outstanding contracts crystallizes only on maturity of such contracts. The gain/ loss on these contracts will be recognized as and when they fall due. The mark to market valuation loss is at ₹452.63 million as at March 31, 2012 (Previous Year: ₹ 295.28 millions).

Note 28

Capitalization of expenditure

During the year, the company has capitalized the following expenses of revenue nature to the cost of fixed asset/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

	Year Ended March 31, 2012	Year Ended March 31, 2011
Salaries, wages and bonus	6.49	6.80
Staff welfare expenses	1.66	1.39
Raw Material Consumption	3.96	0.07
Power & Fuel	13.36	3.87
Insurance	0.05	0.18
Rates & Taxes	0.47	4.72
Travelling & Conveyance	0.68	1.14
Finance Cost	26.14	29.65
Total	52.81	47.82

(Currency: Indian Rupees in Millions)

Note 29

Segment reporting

The Company's financial reporting is organized into two major operating divisions' viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information. Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Segment assets include all operating assets used by a segment comprising debtors, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities.

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA & Canada and South East Asia.

Primary segment information

Particulars	Crop Protection	Pharmaceuticals		Total
		Indian operation	Overseas operation	
Revenue (external revenue)	**2,465.44**	**4,612.67**	**-**	**7,078.11**
	1,734.42	*3,288.53*	-	*5,022.95*
Segment result	**273.43**	**1,213.26**	**(1.50)**	**1,485.19**
	151.73	*847.32*	*(1.85)*	*997.20*
Interest expenses				**501.04**
				437.20
Other unallocable expenditure				**254.58**
(net of unallocable income)				*181.33*
Profit before tax, exceptional expenditure				**729.57**
				378.68
Exchange Loss				**255.59**
				127.49
Reversal of cash flow hedge reserve				**(37.10)**
				(95.95)
Net Profit before tax				**511.08**
				347.14
Segment assets	**3,166.47**	**7,228.87**	**0.42**	**10,395.76**
	3,216.95	*6,601.98*	*1.85*	*9,820.78*
Unallocated corporate assets				**921.50**
				827.64
Total assets				**11,317.26**
				10,648..42
Segment liabilities	**393.05**	**1,210.98**	**0.42**	**1,604.45**
	355.98	*1,070.71*	*(7.26)*	*1,419.43*
Unallocated corporate liabilities				**5,406.78**
				5,224.06
Total liabilities				**7,011.23**
				6,643.49
Capital expenditure for the year	**62.45**	**625.04**	**-**	**687.49**
	153.57	*547.21*	-	*700.78*
Unallocated capital expenditure				**60.12**
				30.40
Depreciation for the year	**125.22**	**318.55**	**-**	**443.77**
	109.96	*290.07*	-	*400.03*
Unallocated depreciation				**9.30**
				10.29

Notes to Consolidated Financial Statements

For the year ended March 31, 2012

(Currency: Indian Rupees in Millions)

Secondary segment information

	Sales revenue	Assets employed	Capital expenditure
India	**1,485.90**	**11,317.84**	**747.61**
	1,578.18	*10,646.57*	*731.18*
USA and Canada	**795.27**	**-**	**-**
	510.63	-	-
Europe	**1,942.55**	**0.42**	**-**
	1,045.37	*1.85*	-
South East Asia	**2,810.39**	**-**	**-**
	1,797.75	-	-
Others	**44.00**	**-**	**-**
	91.02	-	-
Total	**7,078.11**	**11,317.26**	**747.61**
	5,022.95	*10,648.42*	*731.18*

Note 30

Related Parties Disclosures

List of related parties

Entities where control exists

Subsidiary Companies

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Chairman and Managing Director
Sameer Hiremath	President & Joint Managing Director
TMF Netherlands	

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited ("DEPL")

Marigold Investments Private Limited

Iris Investments Private Limited

Karad Engineering Consultancy Private Limited ("KECPL")

Ekdant Investments Private Limited

Rameshwar Investment Private Limited ("RIPL")

Badrinath Investment Private Limited ("BIPL")

Rushabh Capital Services Private Limited ("RCSPL")

(Currency: Indian Rupees in Millions)

Transactions with related parties

Nature of transaction	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Remuneration			
- Jai Hiremath	**13.61**		
	14.80		
- Sameer Hiremath	**8.67**		
	9.36		
Commission Paid			
- Jai Hiremath	**6.21**		
	4.90		
- Sameer Hiremath	**6.21**		
	3.67		
Sitting fees			
- Sugandha Hiremath		**0.14**	
		0.14	
Interest Paid			
- BIPL			**2.46**
			0.99
- KECPL			**0.32**
			0.29
- DEPL			**0.32**
			0.29
- EIPL			**0.84**
			0.20
- RIPL			**0.72**
			0.14
Management fees			
- TMF Netherlands BV	**0.26**	**-**	**-**
	0.32		-
Administration fees			
- TMF Netherlands BV	**0.62**	**-**	**-**
	0.58	-	-
Dividend paid			
- BIPL			**15.93**
			15.93
- RIPL			**7.85**
			7.84
- Sugandha Hiremath		**7.85**	
		7.91	
- Jai Hiremath	**1.07**		
	1.06		
- Sameer Hiremath	**0.31**		
	0.30		
Lease rent paid			
- Sugandha Hiremath		**2.40**	
		2.40	
- RIPL			**0.84**
			0.82
- RCSPL			**1.08**
			0.81
Deposit			
- RIPL			**-**
			1.28
- RCSPL			**-**
			1.10

Notes to Consolidated Financial Statements

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

Nature of transaction	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Inter Corporate Deposits			
Received			
- BIPL			**23.00**
			17.50
- KECPL			**2.50**
			2.50
- DEPL			**2.50**
			2.50
- EIPL			**9.00**
			4.00
Inter Corporate Deposits			
Repaid			
- BIPL			**1.00**
			17.50
- KECPL			**-**
			2.50
- DEPL			**-**
			2.50
- EIPL			**-**
			4.00
Outstanding balance debit/(credit)			
- Jai Hiremath	**(6.21)**		
	(4.90)		
- Sameer Hiremath	**(6.21)**		
	(3.67)		

Note 31
Leases

	Year Ended March 31, 2012	Year Ended March 31, 2011
Operating Leases		
In respect of assets taken on operating lease on or after April 1, 2001:		
Lease rental charges for the year	8.26	7.70
Future lease rental obligation payable:		
- not later than one year	6.12	7.74
- later than one year but not later than five years	1.28	4.79
- later than five years - -	-	-

Note 32
Earnings per share

Rupees in Million, except per share data

	Year Ended March 31, 2012	Year Ended March 31, 2011
Basic earnings per share		
Profit after taxation	460.34	370.21
Numerator used for calculating basic earnings per share	460.34	370.21
Calculation of weighted average number of equity shares		
Weighted average number of equity shares outstanding during the year used as denominator for calculating basic earnings per share (based on date of issue of shares)	16,440,100	16,440,100
Basic earnings per share (₹)	28.01	22.50
Nominal value of shares (₹)	10.00	10.00
Diluted earnings per share		
Profit after taxation	460.34	370.21
Add: Interest paid on Foreign Currency Convertible Bonds	-	1.50
Numerator used for calculating diluted earnings per share	460.34	370.71

(Currency: Indian Rupees in Millions)

Earnings per share

Rupees in Million, except per share data	Year Ended March 31, 2012	Year Ended March 31, 2011
Calculation of weighted average number of equity shares		
Weighted average number of equity shares outstanding during the year	16,440,100	16,440,100
Add: Equity shares to be issued on conversion of Foreign Currency Convertible Bonds	-	410,430
Weighted average number of shares used as denominator for calculating diluted earnings per share (based on date of issue of shares)	16,440,100	16,850,530
Diluted earnings per share (₹)	28.01	22.05
Nominal value of shares (₹)	10.00	10.00

Note 33

Deferred tax

	As At March 31, 2012	As At March 31, 2011
Deferred tax asset:		
Amounts that are deducted for tax purpose when paid	63.06	45.47
Others	5.63	6.60
Unabsorbed depreciation	347.08	388.01
Total deferred tax assets	415.77	440.08
Deferred tax liabilities:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	423.77	397.25
Total deferred tax liabilities	423.77	397.25
Net deferred tax assets/(liabilities)	(8.00)	42.83

Note 34

Disclosure in relation to Derivative Instruments

Category	No. of contracts	Amount in foreign currency (Millions)	Equivalent amount in Rupees (Millions)	Purpose
Forward covers	31 48	USD 41.85 USD 93.05	2,141.46 4,155.66	Hedging of exposure to fluctuations in foreign exchange of future exports/import
Currency / Interest swap	- 4	USD 20.03 USD 23.38	1,024.88 1,044.11	Hedging of term loan/ interest

The consolidated financial statement for the year ended March 31, 2011 had been prepared as per the then applicable pre-revised Schedule VI to the Act. Consequent to the notification of Revised Schedule VI under the Act, the consolidated financial statement for the year ended March 31, 2012 are prepared as per the Revised Schedule-VI. Accordingly, the previous year's figures have been reclassified to conform to this year's classification. Also, certain disclosures as per the pre-revised Schedule VI but not required under Revised Schedule VI have not been made for the previous year. The adoption of Revised Schedule VI for previous year's figures does not impact recognition and measurement principals followed for preparation of consolidated financial statements.

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Consolidated Cash Flow Statement

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

		Year ended March 31, 2012		Year Ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before taxation		511.08		347.14
Adjusted for -				
Depreciation/amortisation	453.07		410.32	
Reversal of cashflow hedge reserve	(37.10)		(95.95)	
Interest income	(8.71)		(1.36)	
Dividend income	(0.06)		(0.05)	
Unrealised (profit)/loss on translation of foreign currency (net)	-		(16.83)	
Interest expense	501.03		437.20	
Amortisation of miscellaneous expenditure	0.43		0.43	
Provision for diminution in value of inventory	12.50		3.50	
Sundry balances written off	32.50		1.90	
Provision for doubtful debts w/back	(2.50)		(26.10)	
Provision for doubtful debts	-		6.50	
Provision for doubtful advances	3.00		12.89	
(Profit)/loss on sale of fixed assets	0.15		(0.20)	
Foreign currency translation reserve-for the year	(0.18)		(0.40)	
		954.13		731.85
Operating profit before working capital changes		1,465.21		1,078.99
Adjustment for increase/decrease in:				
Decrease/(increase) in trade and other receivables	(207.66)		175.75	
Decrease/(increase) in inventories	(212.36)		105.00	
Decrease/(increase) in trade payables	406.79		(193.34)	
		(13.23)		87.41
Cash generated from operating activities		1,451.98		1,166.40
Income tax paid		(86.77)		(86.32)
NET CASH FLOW FROM OPERATING ACTIVITIES		1,365.21		1,080.08
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of fixed assets (includes increase in capital work in progress)	(535.27)		(735.70)	
Proceeds from sale of fixed assets	0.13		2.89	
Dividend received	0.06		0.05	
Increase in investments in fixed deposits (margin money account)	(9.87)		(15.02)	
Interest received	8.71		1.36	
NET CASH USED IN INVESTING ACTIVITIES		(536.24)		(746.42)

Consolidated Cash Flow Statement

For the year ended March 31, 2012
(Currency: Indian Rupees in Millions)

		Year Ended March 31, 2012		Year Ended March 31, 2011
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from borrowings	677.40		1,687.09	
Repayment of borrowings	(929.17)		(752.96)	
Dividend paid (including dividend tax)	(114.64)		(153.87)	
Interest paid	(504.50)		(436.30)	
Repayment of FCCB along with premium	-		(724.45)	
NET CASH USED IN FINANCING ACTIVITIES		(870.93)		(380.49)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(41.94)		(46.83)
Cash and cash equivalents as at March 31, 2011 (Opening Balance)		68.11		114.94
Cash and cash equivalents as at March 31, 2012 (Closing Balance)		26.17		68.11

Notes to the Cash Flow Statement

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards.

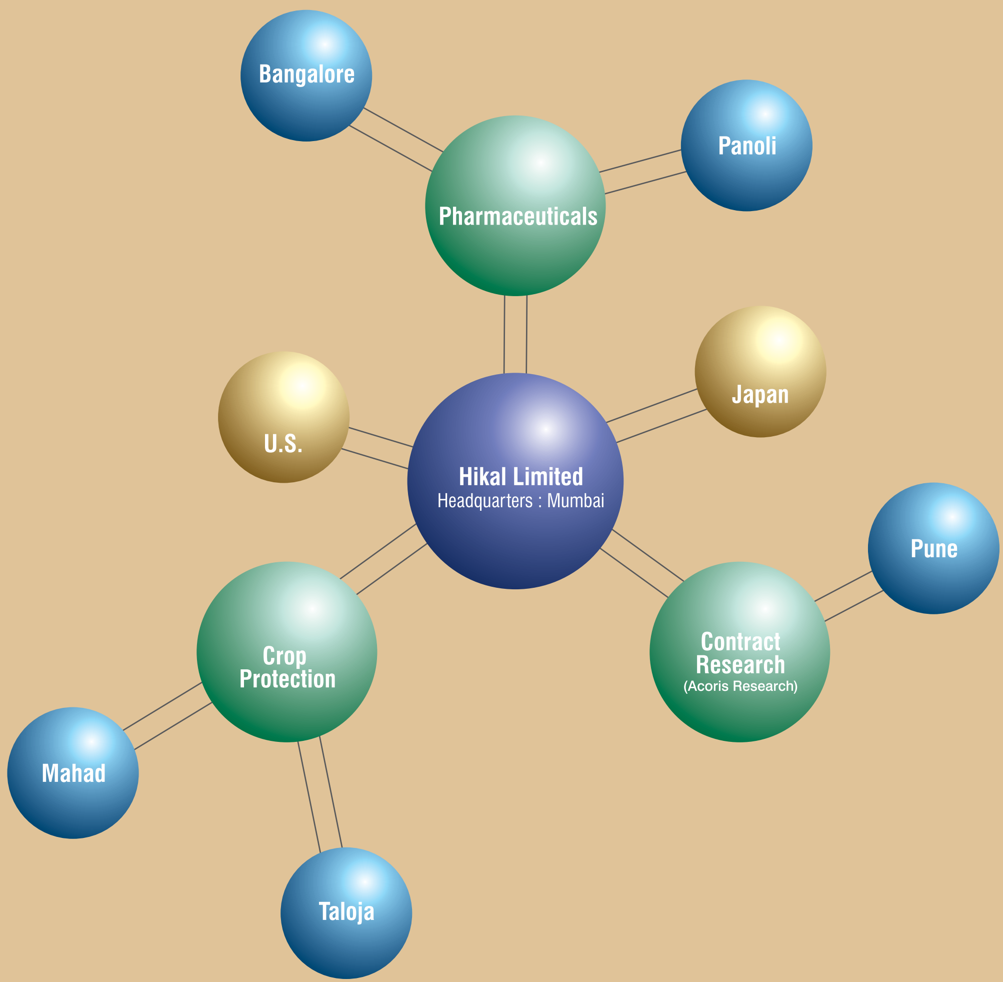
2 Cash and cash equivalents represent :

	Year Ended March 31, 2012	Year Ended March 31, 2011
Cash	1.15	0.60
With Banks		
- Current accounts	22.16	64.83
- Fixed Deposits	2.86	2.68
Total cash and cash equivalents	26.17	68.11

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: May 14, 2012

For and on behalf of the Board of Directors
Jai Hiremath
Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: May 14, 2012

Corporate Information


Bangalore
Panoli
Pharmaceuticals
Japan
U.S.
Hikal Limited
Headquarters : Mumbai
Pune
Crop
Protection
Contract
Research
(Acoris Research)
Mahad
Taloja

Board of Directors

Baba Kalyani

Jai Hiremath - Chairman & Managing Director

Sameer Hiremath - President & Joint Managing Director

Prakash Mehta
Shivkumar Kheny
Kannan Unni
Dr. Peter Pollak
Amit Kalyani
Wolfgang Welter
Sugandha Hiremath

Audit Committee

Kannan Unni
Prakash Mehta
Sugandha Hiremath

Company Secretary

Sham Wahalekar

Auditors

B S R & Company
Chartered Accountants

Bankers & Financial Institutions

Axis Bank Ltd.
Bank of Baroda
Barclays Bank PLC
Central Bank of India
Citi Bank N.A.
DBS Bank Ltd
Export Import Bank of India
HDFC Bank Ltd
International Finance Corporation
ICICI Bank Limited
IDBI Bank Ltd
ING Vysya Bank
Kotak Mahindra Bank Ltd.
Laxmi Vilas Bank
State Bank of India
State Bank of Hyderabad
Standard Chartered Bank
Union Bank of India
Yes Bank Ltd.

Legal Advisor

Malvi Ranchoddas & Co.

Registered Office / Corporate Office

717/718, Maker Chambers V
Nariman Point
Mumbai 400 021

Administrative Office

Great Eastern Chambers, 6th Floor
Sector 11, C. B. D. Belapur
Navi Mumbai 400 614.

Works

Mahad, Maharashtra
Taloja, Maharashtra
Panoli, Gujarat
R&D Unit Bannerghatta, Bangalore Karnataka
Pharmaceutical Unit-I II Jigani, Karnataka
Hinjewadi Pune, Maharashtra

Registrars & Transfer Agents

Universal Capital Securities Pvt. Ltd.
(Formarly known as Mondkar Computers Pvt. Ltd.)
21, Shakil Niwas
Mahakali Caves Road
Andheri (E), Mumbai 400 093.
Tel / Fax : 91-22-2822 1966/ 2825 7641

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Hikal believes that responsible chemistry ensures sustainability - improves safety and health, and protects the environment.

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