

# **RANBAXY DRUGS AND CHEMICALS COMPANY**

(A Public Company with unlimited liability)

Registered Office : 12<sup>th</sup> Floor, Devika Tower, Nehru Place, New Delhi-110 019

## **REPORT OF THE DIRECTORS**

Your Directors have pleasure in presenting Sixteenth Annual Report of the Company and Audited Accounts for the year ended December 31, 2010.

### **Operations**

The Company is not carrying any business activity. During the year under review, the Company has earned a gross income of Rs. 2,49,40,614, incurred expenditure of Rs. 3,53,480 and profit after tax was Rs. 2,33,92,383, which has been transferred to the Reserves. The Board of Directors has not recommended any dividend.

### **Particulars with respect of Conservation of Energy/Technology Absorption and Foreign Exchange Earnings and Outgo**

There are no particulars relevant to be furnished pertaining to conservation of energy/ technology absorption as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. Foreign exchange earnings and outgo was nil, during the year.

### **Fixed Deposits**

The Company has not invited/received any fixed deposits during the year.

### **Particulars of Employees**

As the Company did not pay any remuneration during the year, there are no particulars to be furnished under Section 217 (2A) of the Companies Act, 1956, and the Rules made thereunder.

### **Directors' Responsibility Statement**

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, (Act) your Directors confirm that :

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, wherever applicable;
- (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 as at the end of the accounting year and of the profit of the Company for that period;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts on a going concern basis.

# **RANBAXY DRUGS AND CHEMICALS COMPANY**

(A Public Company with unlimited liability)

Registered Office : 12<sup>th</sup> Floor, Devika Tower, Nehru Place, New Delhi-110 019

## **Directors**

Mr. Omesh Sethi and Mr. Arun Sawhney resigned from the directorship of the Company effective June 24, 2010. The Directors place on record their appreciation for valuable services rendered by them during their tenure as Directors of the Company.

Mr. Sanjeev Mahna and Mr. T. L. Easwar were appointed as Additional Directors of the Company effective June 24, 2010 and hold office upto the date of this Annual General Meeting. The Company has received notices alongwith requisite deposit from a member under section 257 of the Companies Act, 1956, proposing the candidatures of Mr. Sanjeev Mahna and Mr. T. L. Easwar as Directors of the Company.

In accordance with Articles of Association of the Company, Mr. Sandeep Mehandroo, Director, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

## **Auditors**

M/s. B S R & Co., Chartered Accountants, retire as Auditors at the conclusion of the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed.

## **Audit Committee**

The Company has an Audit Committee comprising of Mr. Sandeep Mehandroo, Mr. T.L. Easwar and Mr. Sanjeev Mahna.

On behalf of the Board of Directors

Place: Gurgaon  
Dated: March 22, 2011

Sd/-  
(SANDEEP MEHANDROO)  
DIRECTOR

Sd/-  
(SANJEEV MAHNA)  
DIRECTOR

# BSR & Co.

(Registered)

Chartered Accountants

Building No.10, 8th Floor, Tower-B  
DLF Cyber City, Phase - II  
Gurgaon - 122 002 (India)

Telephone: +91-124-2549191  
Fax: +91-124-2549101

## Auditors' Report

To the Members of  
**Ranbaxy Drugs and Chemicals Company**  
(a Public Company with unlimited liability)


We have audited the attached Balance Sheet of Ranbaxy Drugs and Chemicals Company (a Public Company with unlimited liability) ('the Company') as at 31 December 2010 and also the Profit and Loss Account and the Cash Flow Statement (collectively referred to as 'financial statements') 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.

- a) 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- b) 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 paragraph 4 and 5 of the said Order.
- c) Further to our comments in the annexure referred to above, we report that:
  - i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - iv) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
  - v) on the basis of written representations received from the directors as on 31 December 2010, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31 December 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

*[Handwritten Signature]*

- vi) in our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, in the manner so required and gives 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 December 2010; and
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the Cash Flow Statement, of the cash flows for the year ended on that date.

*For B S R & Co.*  
*Chartered Accountants*  
Registration No.: 101248W



**Vikram Aggarwal**  
*Partner*  
Membership No.: 089826

Place: *Cusgaon*  
Date: *22/02/2011*

**Annexure to the Auditors' Report**  
(Referred to in our report of even date)

- (i) The Company does not have any fixed assets. Accordingly, provisions of clause 4(i) of the Order are not applicable to the Company.
- (ii) The Company does not have any inventory. Accordingly, provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act during the year, except for an investment made by the Company in earlier years, in non-interest bearing optionally convertible debentures (OCDs) issued by Rexcel Pharmaceuticals Limited (Rexcel), a Company covered in the register maintained under Section 301 of the Act. During the current year, OCDs have been redeemed upon exercise of redemption option by the Company. Therefore, year-end balance is Rs. nil and the maximum amount outstanding during the year in respect of these OCDs was Rs. 33,000,000.
  - (b) As explained to us, the above mentioned OCDs were non-interest bearing instruments due to inclusion of conversion option therein. This transaction had been duly approved by the Board of Directors of the Company. Accordingly, the terms and conditions on which investment had been made in the above mentioned interest-free OCDs were prima facie, not prejudicial to the interest of the Company.
  - (c) Repayments of the above mentioned loan had fallen due during the current year upon exercise of redemption option by the Company. Accordingly, these OCDs were redeemed on 30 April 2010.
  - (d) There is no overdue amount of more than Rupees one lakh in respect of the above mentioned loan.
- (iv) The activities of the Company do not involve purchase of inventories or sale of goods and services. There was no purchase of fixed assets during the year. Accordingly, the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (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 nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.
- (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 and Income-tax 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 Employees' state insurance, Investor Education and Protection Fund, Sales-tax, Customs duty, Wealth tax and Excise duty, service tax and other material statutory dues.



There are no dues on account of Cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income-tax and other material statutory dues were in arrears as at 31 December 2010 for a period of more than six months from the date they became payable.

- (b) In our opinion and according to the information and explanations given to us, there are no dues of Income-tax which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year or in the immediately preceding financial year.
- (xi) The Company did not have any dues to financial institutions, bankers and debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion 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 Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the Company did not have any term loans outstanding during the year.
- (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 during the year to parties and 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 during the year.

V. Aggarwal

BSR & Co.

- (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 BSR & Co.*  
*Chartered Accountants*  
Registration No.: 101248W



**Vikram Aggarwal**  
*Partner*  
Membership No.: 089826

Place: *Cusgaon*  
Date: *22/02/2011*

**Ranbaxy Drugs and Chemicals Company**  
**(A public company with unlimited liability)**  
**Balance Sheet as at 31 December 2010**  
**(Amount in Rupees)**

	Schedule/ Note	As at 31 December 2010	As at 31 December 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	62,000,000	62,000,000
Reserves and surplus	2	29,781,420	6,389,037
<b>Loan funds</b>			
Unsecured Loans	3	-	5,500,000
<b>TOTAL</b>		<b>91,781,420</b>	<b>73,889,037</b>
<b>APPLICATION OF FUNDS</b>			
<b>Investments</b>	4	-	67,302,650
<b>Current assets, loans and advances</b>			
Cash and bank balances	5	85,786,953	1,142,103
Loans and advances	6	3,694,867	5,500,000
Other current assets	7	3,296,311	205,887
		<b>92,778,131</b>	<b>6,847,990</b>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	8	37,363	206,756
Provisions	9	959,348	54,847
		<b>996,711</b>	<b>261,603</b>
<b>Net current assets</b>		<b>91,781,420</b>	<b>6,586,387</b>
<b>TOTAL</b>		<b>91,781,420</b>	<b>73,889,037</b>
<b>Significant accounting policies</b>	13		
<b>Notes to the financial statements</b>	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

*For B S R & Co.*  
*Chartered Accountants*  
 Registration No: 101248W

*For* and on behalf of the Board of Directors

Sd/-  
**Vikram Aggarwal**  
*Partner*  
 Membership No.: 089826

Sd/-  
**Sanjeev Mahna**  
*Director*

Sd/-  
**Sandeep Mehanderoo**  
*Director*

Place : Gurgaon  
 Date: 22/02/2011

Place : Gurgaon  
 Date: 22/02/2011

**Ranbaxy Drugs and Chemicals Company**  
**(A public company with unlimited liability)**  
**Profit and Loss Account for the year ended 31 December 2010**  
**(Amount in Rupees)**

		For the year ended 31 December 2010	For the year ended 31 December 2009
	<b>Schedule / Note</b>		
<b>INCOME</b>			
Interest on deposits with banks (gross of tax deducted at source Rs. 422,778, previous year Rs. Nil)		3,958,894	7,950
Interest on loan (gross of tax deducted at source Rs. 15,913, previous year Rs. 59,100)		159,123	372,493
Commission income (gross of tax deducted at source Rs. 12,500 previous year Rs. 35,499)		125,000	408,564
Profit on sale of investment		20,697,350	-
Excess provision written back		247	-
		<u>24,940,614</u>	<u>789,007</u>
<b>EXPENDITURE</b>			
Personnel expenses	10	121,110	85,338
Operating and other expenses	11	70,861	35,288
Interest expenses	12	161,509	364,732
		<u>353,480</u>	<u>485,358</u>
<b>Profit before tax</b>		<b>24,587,134</b>	303,649
Provision for tax - current tax		4,896,070	147,713
Minimum alternate tax credit entitlement		(3,694,867)	-
Tax - earlier years		(6,452)	-
<b>Profit after tax</b>		<b>23,392,383</b>	155,936
<b>Surplus brought forward from previous year</b>		<b>6,389,037</b>	6,233,101
<b>Surplus carried forward to Balance Sheet</b>		<b>29,781,420</b>	6,389,037
<b>Basic and diluted earnings per equity share</b> (refer to note 2 of schedule 14)		3.77	0.03
Significant accounting policies	13		
Notes to the financial statements	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

For **BSR & Co.**  
Chartered Accountants  
Registrarion No. : 101248W

For and on behalf of the Board of Directors

Sd/-  
**Vikram Aggarwal**  
Partner  
Membership No.: 089826

Sd/-  
**Sanjeev Mahna**  
Director

Sd/-  
**Sandeep Mehanderoo**  
Director

Place: Gurgaon  
Date: 22/02/2011

Place: Gurgaon  
Date: 22/02/2011

**Ranbaxy Drugs and Chemicals Company**  
**(A public company with unlimited liability)**  
**Cash Flow Statement for the year ended 31 December 2010**  
**(Amount in Rupees)**

	For the year ended 31 December 2010	For the year ended 31 December 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes	24,587,134	303,649
Adjustments for:		
Profit on sale of investement	(20,697,350)	-
Interest on deposit with bank	(3,958,894)	(7,950)
Interest on loan	(159,123)	(372,493)
Interest expense	161,509	364,732
<b>Operating (loss)/profit before working capital changes</b>	<b>(66,724)</b>	<b>287,938</b>
Adjustments for:		
Increase/(decrease) in other current asset	48,217	(48,217)
(Decrease)/increase in current liabilities	(22,792)	46,672
<b>Cash flow from operations</b>	<b>(41,299)</b>	<b>286,393</b>
Direct taxes paid	(3,985,117)	(147,957)
<b>Net cash generated from/(used in) from operating activities</b>	<b>(4,026,416)</b>	<b>138,436</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of investments	88,000,000	-
Loan given	-	(5,500,000)
Loan received back	5,500,000	-
Increase in fixed deposit with original maturity of more than 90 days	(84,300,000)	(700,000)
Interest received	979,376	222,773
<b>Net cash generated from/(used in) investing activities</b>	<b>10,179,376</b>	<b>(5,977,227)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan received	-	5,500,000
Loan repaid	(5,500,000)	-
Interest paid	(308,110)	(218,131)
<b>Net cash (used in)/flow from financing activities</b>	<b>(5,808,110)</b>	<b>5,281,869</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>344,850</b>	<b>(556,922)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>442,103</b>	<b>999,025</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>786,953</b>	<b>442,103</b>
<b>Add:</b>		
Fixed deposit with original maturity of more than 90 days	85,000,000	700,000
<b>Cash and bank balance as at year end</b>	<b>85,786,953</b>	<b>1,142,103</b>

Note:

The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 'Cash Flow Statement' specified in Companies (Accounting Standards) Rules, 2006.

As per our report attached

For **BSR & Co.**  
Chartered Accountants  
Registration No.: 101248W

For and on behalf of the Board of Directors

Sd/-  
**Vikram Aggarwal**  
Partner  
Membership No.: 089826

Sd/-  
**Sanjeev Mahna**  
Director

Sd/-  
**Sandeep Mehandroo**  
Director

Place: Gurgaon  
Date: 22/02/2011

Place: Gurgaon  
Date: 22/02/2011

**Ranbaxy Drugs and Chemicals Company**  
**(A public company with unlimited liability)**  
**Schedules forming part of the financial statements**  
**for the year ended 31 December 2010**  
**(Amount in Rupees)**

	As at 31 December 2010	As at 31 December 2009
<b>SCHEDULE - 1</b>		
<b>Share capital</b>		
<b>Authorised</b>		
25,000,000 (previous year 25,000,000) equity shares of Rs. 10 each	<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued, subscribed and paid up</b>		
6,200,000 (previous year 6,200,000) equity shares of Rs. 10 each, fully paid up (Of above, 3,100,000 (previous year 3,100,000) shares are held by Ranbaxy Laboratories Limited, the holding Company along with its nominees, 3,100,000 (previous year 3,100,000) shares are held by Ranbaxy Drugs Limited, a subsidiary Company of Ranbaxy Laboratories Limited, Daiichi Sankyo Co., Ltd., Japan is the ultimate holding Company)	<u>62,000,000</u>	<u>62,000,000</u>
	<u>62,000,000</u>	<u>62,000,000</u>
<b>SCHEDULE - 2</b>		
<b>Reserves and Surplus</b>		
Surplus in Profit and Loss Account	<u>29,781,420</u>	<u>6,389,037</u>
	<u>29,781,420</u>	<u>6,389,037</u>
<b>SCHEDULE - 3</b>		
<b>Unsecured Loans</b>		
Loan from Ranbaxy Laboratories Limited, the holding company	<u>-</u>	<u>5,500,000</u>
	<u>-</u>	<u>5,500,000</u>
<b>SCHEDULE - 4</b>		
<b>Investments</b>		
<b>Long term</b>		
<b>Unquoted, non-trade</b>		
Nil (previous year 167,330) equity shares of Rs. 10 each, fully paid up of Sidmak Laboratories (India) Private Limited	<u>-</u>	<u>34,302,650</u>
Optionally Convertible Debentures Nil (previous year 33,000) Optionally Convertible Debentures of Rs.1,000 each of Rexcel Pharmaceuticals Limited (refer note 7 of schedule 14)	<u>-</u>	<u>33,000,000</u>
	<u>-</u>	<u>67,302,650</u>
<b>SCHEDULE - 5</b>		
<b>Cash and Bank balance</b>		
Balance with scheduled bank in		
- Current account	786,953	442,103
- Fixed deposits	85,000,000	700,000
	<u>85,786,953</u>	<u>1,142,103</u>
<b>SCHEDULE - 6</b>		
<b>Loans and advances</b>		
(Unsecured, considered good)		
Minimum alternate tax credit entitlement	3,694,867	-
Loan to Sidmak Laboratories (India) Private Limited	<u>-</u>	<u>5,500,000</u>
	<u>3,694,867</u>	<u>5,500,000</u>
<b>SCHEDULE - 7</b>		
<b>Other current assets</b>		
Interest accrued but not due on deposits	3,296,311	157,670
Commission receivable	<u>-</u>	<u>48,217</u>
	<u>3,296,311</u>	<u>205,887</u>
<b>SCHEDULE - 8</b>		
<b>Current liabilities</b>		
Sundry creditors* (refer note 6 of schedule 14)	35,295	30,126
Interest accrued but not due	<u>-</u>	<u>146,601</u>
Other liabilities**	<u>2,068</u>	<u>30,029</u>
	<u>37,363</u>	<u>206,756</u>
* Includes employees related payable amounting to Rs. Nil (previous year Rs. 8,371)		
** Includes employees related payable amounting to Rs. Nil (previous year Rs. 1,331)		
<b>SCHEDULE - 9</b>		
<b>Provisions</b>		
Provision for tax [(net of advance tax Rs. 4,090,652 (previous year Rs. 690,153)]	<u>959,348</u>	<u>54,847</u>
	<u>959,348</u>	<u>54,847</u>

**Ranbaxy Drugs and Chemicals Company**  
**(A public company with unlimited liability)**  
**Schedules forming part of the financial statements**  
**for the year ended 31 December 2010**  
**(Amount in Rupees)**

	For the year ended 31 December 2010	For the year ended 31 December 2009
<b>SCHEDULE - 10</b>		
<b>Personnel expenses</b>		
Salary	117,084	82,236
Contribution to provident fund	4,026	3,102
	<u>121,110</u>	<u>85,338</u>
<b>SCHEDULE - 11</b>		
<b>Operating and other expenses</b>		
Legal and professional	25,920	12,524
Auditors' remuneration (including service tax)		
- Statutory audit fees	20,681	20,681
- Other services	6,894	-
- Out of pocket expenses	3,861	-
Rates and taxes	3,000	1,500
Miscellaneous	10,505	583
	<u>70,861</u>	<u>35,288</u>
<b>SCHEDULE - 12</b>		
<b>Interest expenses</b>		
Interest on loan	157,579	364,732
Interest - others	3,930	-
	<u>161,509</u>	<u>364,732</u>

**Ranbaxy Drugs and Chemicals Company**  
**(a public company with unlimited liability)**  
**Schedules forming part of the financial statements for the year 31 December 2010**  
**(Amount in rupees)**

**SCHEDULE –13**

**Significant accounting policies**

***Basis of accounting***

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India, and the relevant provisions of the Companies Act, 1956 and to the extent applicable.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

***Revenue recognition***

Commission income is recognized on accrual basis in accordance with the term of the relevant agreement.

Interest income is recognized using a time proportion method.

Dividend income is recognized when the right to receive the income is established.

***Investments***

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost less any other-than-temporary diminution in value, determined, separately in respect of each category of investment.

***Taxes on income***

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the Income-tax law) and deferred tax charge or credit.

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Minimum alternate tax payable under the provisions of the Income Tax Act, 1961 is recognized as an asset in the year in which credit becomes eligible and is set off to the extent allowed in the year in which the Company becomes liable to pay income taxes at the enacted tax rates.

**Ranbaxy Drugs and Chemicals Company**  
**(a public company with unlimited liability)**  
**Schedules forming part of the financial statements for the year 31 December 2010**  
**(Amount in rupees)**

**SCHEDULE – 13 (Cont'd)**

*Provisions, contingent liabilities and contingent assets*

A provision is created when there is 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 the likelihood of outflow of resources is remote, no provision or disclosure is made.

The Company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognised in the financial statements of the period in which the change occurs.

*Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**Ranbaxy Drugs and Chemicals Company**  
**(a public company with unlimited liability)**  
**Schedules forming part of the financial statements for the year 31 December 2010**  
**(Amount in rupees)**

**SCHEDULE – 14**

**Notes to the financial statements**

**1. Background**

The Company was set up on 17 March 1998 to carry on the business of pharmaceuticals and related products of all kinds and descriptions. The Company earns commission income from selling active pharmaceutical ingredient on behalf of Ranbaxy Laboratories Limited, a holding Company and Solrex Pharmaceuticals Company, an enterprise under the common control of the holding company.

**2. Earnings per share**

<b>Particulars</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2009</b>
Weighted average number of shares	6,200,000	6,200,000
Net profit after tax attributable to equity shareholders	23,392,383	155,936
Basic and diluted earnings per share	3.77	0.03
Nominal value per equity share	10	10

**3. Segment information**

In the opinion of the management, there is only one segment as envisaged by Accounting Standard 17 “Segment Reporting”. Accordingly, no disclosure for segment reporting has been made in the financial statements.

**Ranbaxy Drugs and Chemicals Company**  
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**Schedules forming part of the financial statements for the year 31 December 2010**  
**(Amount in rupees)**

**SCHEDULE – 14 (Cont'd)**

**4. Related party disclosures**

**a) Transactions during the year**

<b>Related party</b>	<b>Nature of transactions</b>	<b>Description of relationship</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2009</b>
Daiichi Sankyo Co., Ltd., Japan	-	Ultimate holding company	-	-
Ranbaxy Laboratories Limited	Commission income	Holding company	-	354,989
	Loan taken		-	5,500,000
	Loan repaid		5,500,000	
	Interest on loan		157,579	364,732
Solrex Pharmaceuticals Company	Commission income	Enterprise under the common control of the holding company	125,000	53,575
Rexcel Pharmaceuticals Limited	Redemption of OCDs	Fellow subsidiary	33,000,000	-

**b) Balances outstanding**

<b>Related party</b>	<b>Nature of transactions</b>	<b>Description of relationship</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Rexcel Pharmaceuticals Limited	Investment (Optionally convertible debenture)	Fellow subsidiary	-	33,000,000
Solrex Pharmaceuticals Company	Commission Income	Enterprise under the common control of the holding company	-	48,217

**Ranbaxy Drugs and Chemicals Company**  
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**Schedules forming part of the financial statements for the year 31 December 2010**  
**(Amount in rupees)**

**SCHEDULE – 14 (Cont'd)**

**5. Deferred tax**

The Company estimates the deferred tax charge/credit using applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The component of deferred tax as at 31 December 2010 is as under:

	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Deferred tax asset arising on account of:		
Long term capital loss	510,214	-
	<b>510,214</b>	<b>-</b>
<b>Deferred tax asset</b>	<b>510,214</b>	<b>-</b>

However, in the absence of virtual certainty of realization, deferred tax asset has not been recognized.

6. The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Based on the information available with the management, there are no overdues outstanding to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Further, the Company has not received any claim for interest from any supplier under the said Act.
7. The Company had made investment in 33,000 non - interest bearing Optionally Convertible Debentures (OCD) of Rs 1,000 each, fully paid of Rexcel Pharmaceuticals Limited (Rexcel), a fellow subsidiary on 11 December 2007. As per the original terms and conditions of the instrument, each OCD, at the option of the OCD holder, was convertible into 25 Equity Shares of Rs 10 each at a premium of Rs 30 or redeemable at par anytime after 18 months from the date of allotment but before the period of 60 months from the date of allotment by giving a 30 days prior written notice. In case conversion option is not exercised by the OCD holder within the period of 60 months, the OCD's will be redeemed at par from the date of allotment. During the current year, these OCDs have been redeemed at par upon exercise of redemption option by the Company.

*For and on behalf of the Board of Directors*

Sd/-  
**Sanjeev Mahna**  
*Director*

Sd/-  
**Sandeep Mehandroo**  
*Director*

Place: Gurgaon  
Date: 22/02/2011

