

ANNUAL REPORT 2008



2008 HIGHLIGHTS

Total Revenue Up 54%
Operating Income from continuing business Up 96%



India Partnerships Up 97%

ATM Up 104%

R & D / Licensing income Up 55%

Brands

Grandix Up 134%

Formula Naturelle Up 100%



International

Asia - Pacific Up 282% Europe Up 121%

North America / Africa Up 100+%



PARTNERSHIPS WITH MORE THAN 10 OF THE WORLD'S TOP 50 PHARMA MAJORS.

PRESENCE IN OVER 50 COUNTRIES.

12 MANUFACTURING SITES WORLDWIDE.

730 PRODUCT REGISTRATIONS.

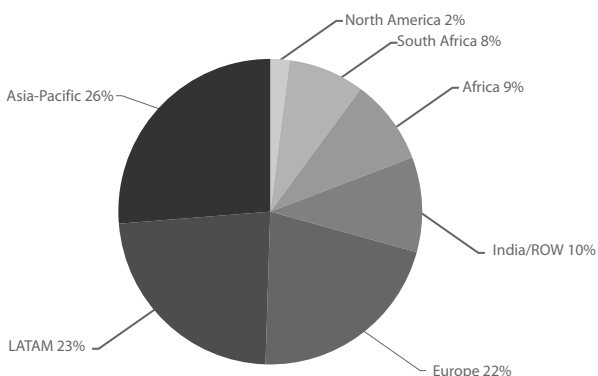
IN EXCESS OF 120 PRODUCTS UNDER DEVELOPMENT.

CAPACITY TO DELIVER OVER 50 GENERIC PRODUCTS ANNUALLY.

70+ FILINGS IN REGULATED MARKETS IN THE LAST TWO YEARS.

TALENT POOL OF 2500 PROFESSIONALS.

Revenue Geographical Distribution, 2008



Vision

To be a profitable provider of high quality pharmaceutical products and solutions that create strategic value to our partners and to provide a rewarding work place for our employees.

Overview

Since we began operations in 1990, we have steadily put in place key drivers for accelerated growth across the drug value chain.

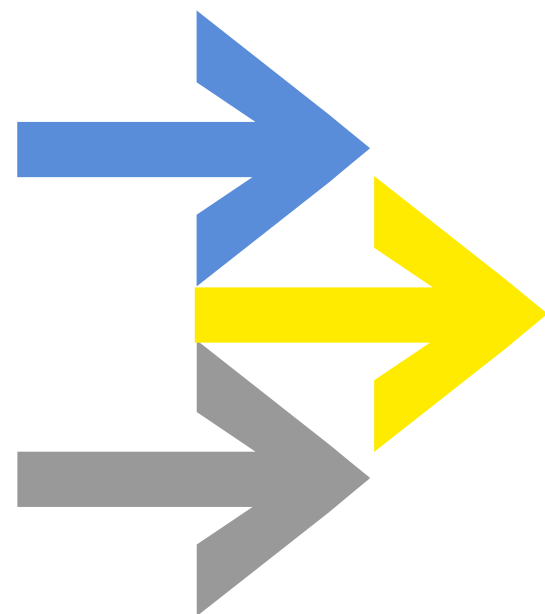
Today, we have an outstanding team of professionals that focuses on niche value R & D, builds our robust product portfolio and takes it to high value international markets as global generic products. Our multi-locational, pan-geographical manufacturing facilities continue to receive approvals from country specific regulatory agencies while offering clients a wide and impressive range of manufacturing capabilities across dosage forms.

In 2007, Strides entered the high growth Indian market with a host of successful brands through the acquisition of Grandix, a leading brand marketing company.

Addressing key therapeutic gaps and supporting it with differentiated prophylactic medicines, we have been pioneers in launching innovative and uniquely positioned brands into the domestic market. Our branded business is on the threshold of quantum growth driven by a basket of products that are ready for launch.

The year gone by has also seen our inorganic growth strategy yield rich results through effective partnerships that have strengthened our foothold in lucrative emerging markets. Key international deals with global majors continue to offer enhanced market penetration and a swelling product portfolio through licensing and site variations. Strides' ongoing AIDS, Tuberculosis and Malaria business is also poised for emphatic growth owing to critical approvals for its anti-retroviral products.

In 2008, Strides took a strategic business decision to create an International Business Group (IBG) to support growth by streamlining and strengthening our international operations through efficient partnership, systems & processes and information management.



Investments in multiple avenues of growth along the drug development chain now enable us to accelerate towards 2009 with confidence in our collective strength to translate novel ideas into innovative medicine.



Letter from the Group CEO

Dear Stakeholder,

Fiscal 2008 has been a truly transformational year for Strides. It has witnessed Strides' impressive growth into an important player in the businesses it operates in. We are now ready to convert opportunities as they emerge.

During the last few years, we executed specific targets for our Company by exiting businesses that did not deliver strategic value for our stakeholders and acquiring those that consolidate our ability to introduce products worldwide.

The year 2008 saw us complete a significant transaction with Aspen – our strategic partner. We exited our Latam business to them while acquiring their business in South Africa and UK for OTC and generics respectively. Aspen has also become an equal and strategic partner in our Oncology business. This partnership has been further strengthened by a transformational deal announced in July 2008 where we licensed 10 Strides and OTL products to GSK to distribute in over 95 countries.

The financial results of 2008 are a testimony to our clear strategy and execution skill sets:

Total revenues increased to Rs. 1,136 crores from Rs. 762 crores in 2008: an all-time high of 49% surpassing the key milestone of Rs. 1000 crores.

Most heartening was that operational EBITDA moved from a modest Rs. 15 crores in 2007 to Rs. 186 crores in 2008: an increase of 100+%.

EBITDA at 16.34% is in line with our expectations despite challenges with currencies in the various markets we operate.

FY 2008 has also been a landmark year for the number of product filings and approvals received. We have

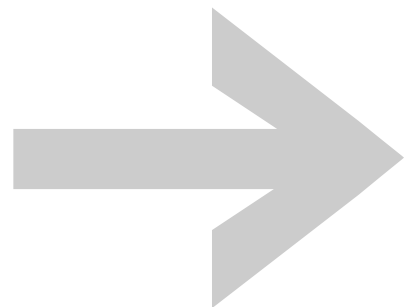
commenced launching our products in North America and expect the years ahead to give us consolidated revenues and profits from a robust niche product portfolio.

We are also on the verge of completing an important capacity expansion in our steriles capabilities, funded by FCCB and internal accruals. We expect revenues to flow from this plant in the coming quarters. A 500% capacity increase in the highly attractive steriles space is now available to the Company for consistent growth and profits.

Another milestone achieved in the year gone by is the acquisition of 55% interest in Ascent PharmaHealth [APH] – an ASX listed company and a major generics player in Australia. This significant business initiative enhances Strides' Australasian presence providing sales in excess of AUD 100 million in its first year of operations. We believe that APH along with DHA [Drug Houses of Australia – a business in Singapore which became a part of APH] will dramatically drive our Asia focus under the able leadership of Dennis Bastas, Founder APH.

In a move to invigorate our Africa presence, we established Quantum Remedies Private Limited [QRPL], our Africa dedicated operation under the stewardship of Sinhue Noronha, a veteran in the African business. With his leadership, we are confident that we will reposition ourselves as a strong player in this emerging market.

In 2007, we took our first tentative step in the Indian domestic market by acquiring the branded business of Grandix. I am delighted that Grandix has brought to Strides a strong capability of brand promotion, a significant positive cash flow and has already delivered 30% increase in sales in its full year of operations. With its plans for rapid expansion into an All India player, I am confident that Grandix will emerge as an important part of our business. Renerve – Grandix's flagship brand is already among the





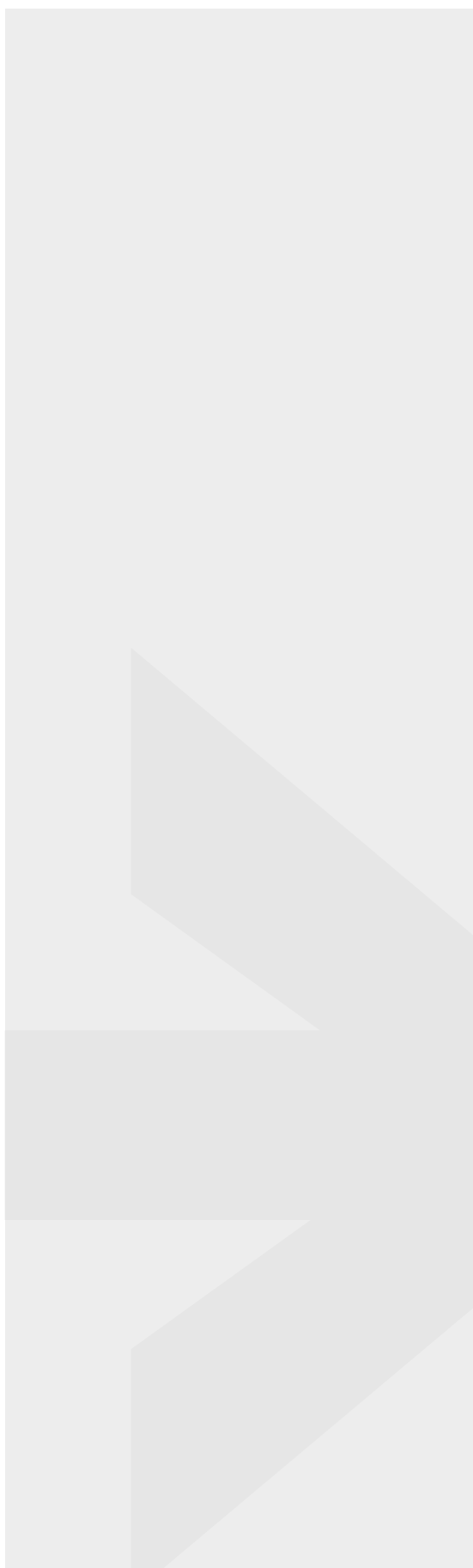
top 20 branded products in India even though Grandix operates in only 30% of the domestic space.

Strides continues to commit itself to the global initiative for better health care. In the worldwide procurement for AIDS, TB and Malaria (ATM) drugs, we are swiftly becoming one of the largest players. We partner Clinton Foundation and the US Government's PEPFAR program in this space. Our ATM business grew by 100% to reach sales of INR 2000 million in 2008.

At this juncture, I am pleased to mention that we have constituted a Scientific Advisory Board comprising eminent scientists and key global opinion leaders. They will share with us their considerable network and guide us on multiple platforms of business, science, technology and academia.

On behalf of Strides' Board of Directors and Senior Management Team, I would like to thank every co-worker across Strides' India and global operations. Together with the dedicated efforts of our new colleagues at APH / QRPL, I firmly believe we will rise to new levels and enhance value for our shareholders.

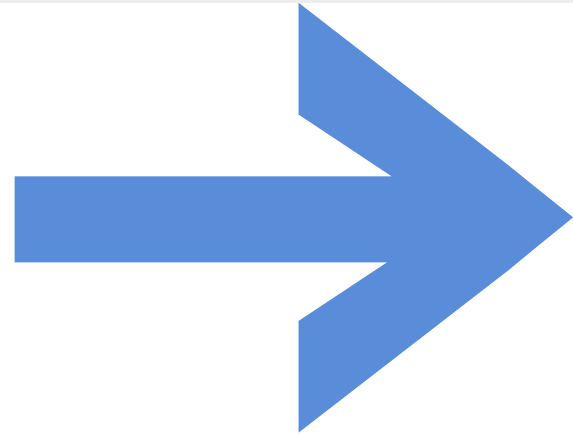
Arun



India operations

Manufacturing

BUILDING GLOBAL SCALE



“This year we have completed capexes and built niche capabilities to take us to the next level. Today, we are leaders in the sterile space and are rapidly evolving into key global players in the manufacture of dosage forms.”



Venkat S Iyer - CEO, India Operations

Manufacturing capacities increased five fold with 20,000 sq mtrs of new facilities.

We are among the emerging global producers of sterile injectables, including lyophilized products and injectables for oncology.

Our lyophilised manufacturing capacity has been increased from 6 million to 40 million vials per annum.

We have entered new niches with the establishment of control substances manufacturing in Poland and a dedicated oncology facility in Bangalore.

Strides' manufacturing operations is now global in scale with a bandwidth to manufacture across dosage forms. All our facilities have been approved by almost every major international regulatory agency. Adopting a generics growth strategy, we have the capacities, capabilities and approvals to focus on niche products. Our India plants have been audited and approved by the US FDA (USA), MHRA (UK), TGA (Australia), MCC (South Africa) and ANVISA (Brazil).

INDIA Manufacturing:

In India, we have three major locations and within them a total of eight world class plants including dedicated facilities for β -lactams, cephalosporins, anti-TB products and injectables respectively. Over the last fiscal, our facilities have been further automated and capacities increased manifold to meet the demands of national and international markets. In the niche segment of **oncotherapeutics**, we have recently commissioned a new facility for

injectables in a JV with Aspen. This state-of-the-art, high capacity facility is considered to be the only one of its kind in India today. Already registered with TGA (Australia) in Oct 2008, we have filed for approvals from the remaining major agencies and await commencement of regulatory audits.

GLOBAL Manufacturing:

To meet regional regulatory requirements, counter country-specific import restrictions and eventually supply to markets around the world, Strides acquired a facility in Poland for the manufacture of non-pen, non-cef injectables. The plant, currently in expansion stage to increase capacity threefold, will be ready for commercial supplies by 2009.

Manufacture for the EU region is covered by our facility in Italy that is dedicated to ointments and liquids. In Africa, our Nigeria plant has been expanded and its capacity doubled for the manufacture of tablets and

capsules for the region. Catering to the high growth South East Asia markets is our Singapore plant that continues to add considerable value to our regional business strategy.

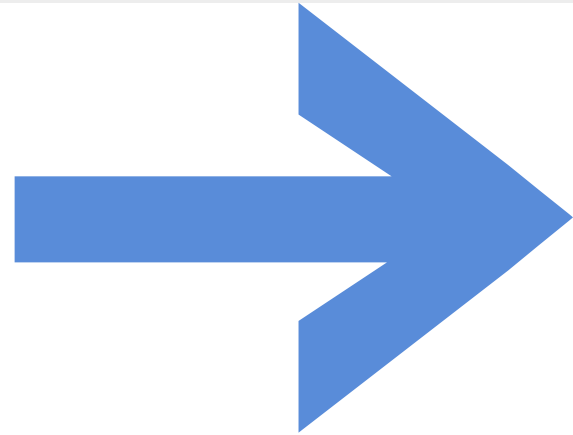
Strides is geared to focus on niche areas that require manufacturing criticality. Looking ahead, we aim to specialize in high technology molecules for oncology, immuno-suppressants and hormones – areas that demand differentiated skills and high investment. In parallel, we are targeting the development of effervescent tablets at our Bangalore plant. Acquisitions across the globe have given Strides a ready regional presence, increased capacities and synergistic partnerships to realise R&D value and project the company's impressive growth trajectory.



India operations

R & D

CREATING VALUE R & D



“We are working towards moving up the value chain to deliver IP-led R & D under the expert guidance of an eminent scientific advisory board. R & D is poised to put Strides on an accelerated path to future profitable growth.”



M. S. Mohan - Chief Scientific Officer

Record submissions of 33 Abbreviated New Drug Applications (ANDAs) with the US FDA, including 21 sterile injectable submissions.

366 dossiers filed with other regulatory bodies.

A large part of the recent success of Strides has been driven by the speed and skill of its R & D and its ability to dovetail with manufacturing. In the last fiscal, R & D primarily focused on developing generic drugs for the regulated markets with major emphasis on execution excellence, improving efficiency and accelerating throughput. Capacity estimations were re-established, the process of identifying product opportunities was streamlined, more sophisticated project management was put in place to oversee the vast product pipeline, a coordination, communication and review mechanism was refined, all functions were IT enabled and systems were activated to facilitate speedy regulatory approvals for product commercialization.

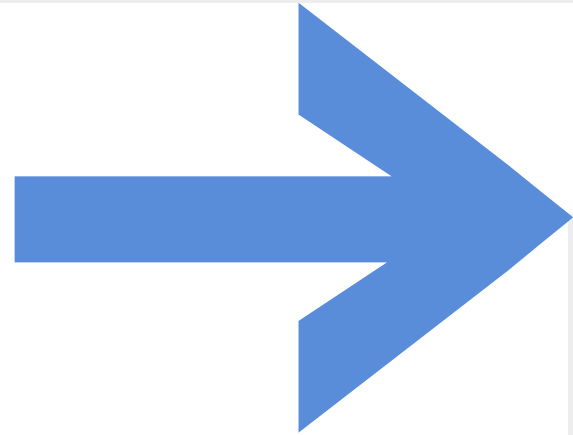
R & D is focused on accelerating the pace of filings and rushing them to high value international markets as global generic products. The team's unique technical skills and competencies enable Strides to explore low competition and entry barrier products, difficult to develop technically complex products and novel formats in niche segments. These new frontiers in medicine will ultimately differentiate us in the competitive global marketplace and catalyze our ambitious growth plans for the future.



India operations

Marketing and Business Development

NURTURING TRANSFORMATIONAL
PARTNERSHIPS



“Partnerships are the cornerstone of our business philosophy. We have more than doubled our businesses with key partners on a global basis. The transformational product licensing and supply agreement announced with GSK for 95 countries in emerging markets stands testimony to the differentiated value proposition we offer.”



Aloka Sengupta
President - Business Development, India Operations

We work with four of the top ten generics players in the world.

Our overall partnership business has grown 97% in the last year.

The marketing and business development function at Strides has facilitated some exceptional growth accelerators for R & D and manufacturing over the past fiscal. Strides has deepened its relationship with two key account customers – Aspen Pharmacare, South Africa's leading generic pharma player and Sandoz (the generic wing of the Novartis group) encompassing wider geographies and an enhanced product portfolio through licensing and site variations for both oral solids and injectables.

Onco Therapies Ltd.:
Strides established a JV with Aspen Pharmacare to create Onco Therapies Ltd. The JV will develop and produce oncolytic products for the global market.

The GSK Initiative:
This milestone agreement marks our very first partnership in the branded pharma space and GSK's foray into branded generics. Strides through Onco Therapies Ltd. entered into a transformation deal with GSK International, the second largest pharma major in the world, for licensing of products for a fee and subsequent supply of finished products on profit share model. The product portfolio is expected to grow to 45 products, mainly injectables, over a period of four years. 95 emerging market countries will be covered by this agreement. GSK expects that by 2018, 70% of its business will accrue from emerging markets.

Corporate Social Responsibility:

"As part of our corporate social responsibility, we ensure that our medicines meet the most stringent regulatory standards and are supplied at truly affordable prices to least developing and middle income countries in sub Saharan Africa and Asia."

- Aloka Sengupta

AIDS, Tuberculosis and Malaria (ATM):

Strides is one of the largest Indian suppliers of donor-funded projects and is an approved supplier to global procurement agencies under the aegis of PEPFAR (President's Emergency Programme For AIDS Relief) and GFTF/ATM projects. Strides is also a Clinton Foundation partner.

FY 2008 witnessed over 100% growth in the therapeutic segment covering the three global pandemics – AIDS, Tuberculosis and Malaria. This dramatic growth was largely triggered by regulatory approvals from the US FDA under PEPFAR. From 2009, PEPFAR funding will treble to US\$ 45 billion of which TB/ Malaria will benefit considerably. With ten of our anti-retrovirals (ARVs) approved by US FDA and another nine under review, this segment will be a major accelerator for our India operations.



Branded Business

FROM VALUE CREATION
TO VALUE MAXIMIZATION

“Grandix is well positioned to become a significant player in India and globally. In its very first year of operations, the scale of success has been impressive, ably supported by Strides' outstanding manufacturing and R & D capabilities.”



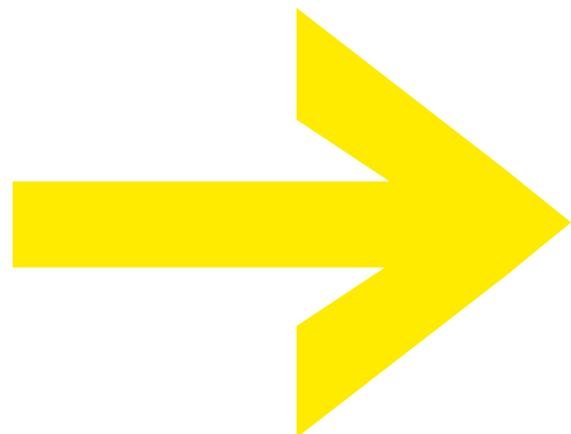
S.A. Manikandan - CEO, Branded Business

Expansion in network of medical representatives.

Uniquely positioned, differentiated products awaiting launch.

Inorganic growth strategy within India and select markets overseas.

Renew among top 15 brands in India.



In 2007, Strides acquired Grandix, an innovative, brand marketing company, to spearhead its India strategy and create a promising domestic branded business. Over the past year, Strides has leveraged Grandix's core competency in identifying differentiated products for the marketplace and launching them as uniquely positioned brands through a penetrative, proactive and productive domestic marketing network.

Grandix now takes Strides forward with its experience and expertise in building brands of growing value for India. Strides enjoys Grandix's existing

portfolio of products and is ready to introduce a niche pipeline that addresses gaps in key therapeutic segments and supportive care. In the fiscal past, Grandix has worked with R & D to prepare 15 products for roll out. Unique in design, composition and positioning, these products cover the therapeutic areas of Diabetes, Cardio-Vascular diseases, Neurology and Female Healthcare. Plans are in place to launch across India through a larger and stronger network of 600+ medical representatives. Grandix will be the launch pad and key differentiator in Strides' value maximization

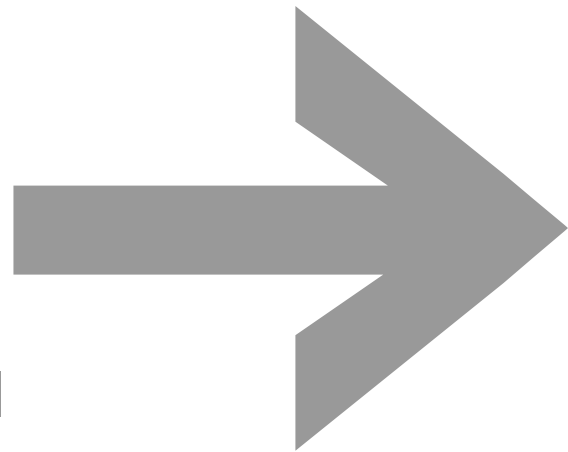


International operations

“Strides' International Operations have grown by an impressive 240% over the past year. Each geography is now ably led by an expert team experienced in overcoming regional challenges, capitalizing on investments made and building on strategies for the future.”



Ravi Seth - CEO, International Operations



According to the revised business strategy adopted by Strides at the beginning of the year, it was decided to create an International Business Group (IBG) as a strategic business unit. In furtherance of that objective, Strides' international business has been geographically divided and CEOs appointed to drive business and profitability of their respective regions.

Regional CEOs are now working towards adopting systems and processes that will support local strategies, create and capture new business opportunities, attract and retain a highly committed and motivated talent pool, drive efficiency in operations and manage key customer relationships.

Each region has a differentiated business model strongly supported by Strides'

R&D and manufacturing capabilities. With Europe and North America being the foremost regulated markets with the highest expectations in terms of regulatory compliance, Strides business model in these markets is to create value partnerships with players having strong capabilities in marketing, sales and distribution. These two regions saw a number of filings in the last three years and are witnessing commercialization of products with approvals coming through. Over time they will see a dramatic growth in terms of their share of the overall business and profitability of the Strides group.

In less regulated parts of the world, Strides' own front-ending presence supported by regional manufacturing facilities enables cost competitiveness. Already a strong player in these markets with very profitable operations,

North America will witness a quantum jump in revenue and profits given 75 ANDA filling of which 14 ANDA approvals have been received. The remaining fillings will provide us with a number of additional products scheduled for launch in 2009.

Europe's growth drivers will be the recently commissioned and upgraded sterile parenterals facility in Poland, several new product launches based on expected approvals and overall operating efficiency improvements.

Africa business has been revitalised with an expanded product pipeline and footprint supported by dedicated plants, including a new facility in Lagos, Nigeria.

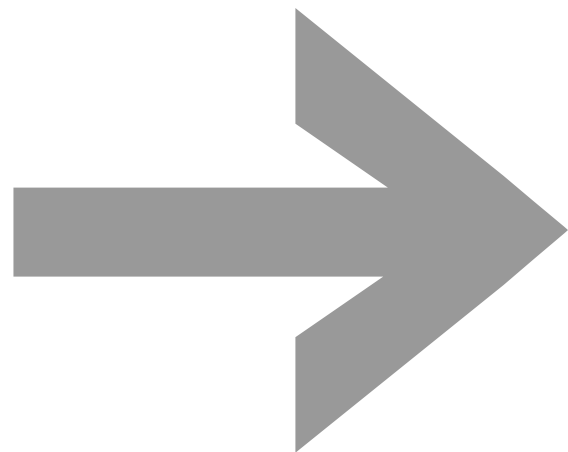
Australasia became a very significant-sized operation in the current year with the acquisition of a majority stake in Ascent Pharmahealth Ltd. New initiatives planned for



International operations

Americas

“These are very exciting times for Strides in the Americas. The list of approved products is rapidly growing and will drive a sharp profit curve. Strides' state-of-the-art facilities combined with our partners' ability to identify product opportunities and smartly develop and manufacture them has well positioned us for near and long term growth in the US and Canada.”



Adam Levitt - CEO, Americas

The Americas is headed by Adam Levitt whose career spans almost three decades in the global pharmaceutical industry.

This business is wholly based on the model of partnership. Alliances have been entered into with key players in USA and Canada wherein Strides provides its expertise on product selection, development and manufacturing with a collaborative approach on regulatory approvals. Once a product has been approved, marketing, sales and distribution execution is managed through partner organizations. In all cases, a profit sharing business model is in place, however, depending on partner need and regional influences, collaborations are managed through incorporated Joint Ventures or un-incorporated alliances.

The Strides-Akorn JV began to receive FDA approvals and launched a limited range of products from its pipeline in Q3 of this year. These products have already registered very healthy profits. The partnership has received 14 ANDA approvals as on date. We should see additional approvals, filing of ANDAs, and a significant number of launches in the next year resulting in strong growth of revenues and profits.

The Sagent Pharma Partnership has submitted 10 ANDA filings to date with a number of approvals expected in the coming year.

Strides' Canadian Partnership has also launched products in Q2 of this year thus continuing to generate very healthy profits.

Strides started its US filings in 2006 with a record 30 ANDAs by 2007. To date, we have a total of 75 ANDAs of which approval has been received in 24 cases. Approvals comprise injectable as well as oral products in different therapeutic categories.

Total products represent a market size of approximately USD 7 billion. Some pertain to HIV products which are still under patent protection and hence will be commercialized as soon as patent expiry or regulatory approvals are received.

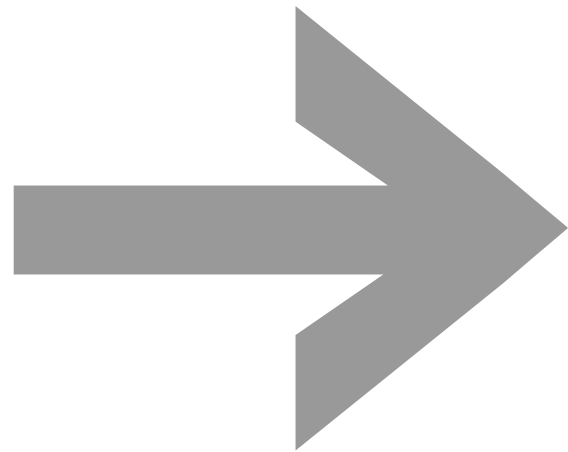
Based on the understandings arrived at till date or those under active discussion, a total of 50+ products are



International operations

Europe

“Since 2008, we have put in place a pan-European business plan that will lay the foundation for future growth and profitability in this region. I feel privileged to lead this division and thereby help Strides achieve its global ambitions.”



Rudi Jansen - CEO, Europe

Europe is headed by Rudi Jansen, a veteran in the pharmaceutical industry with several years of international work experience.

Strides' European business comprises a mix of marketing and sales through Strides subsidiaries and Joint Ventures, partnerships and global manufacturing facilities in Milan, Italy and Warsaw, Poland. The business geography for this region spans the UK, Italy, Scandinavia, Spain, Portugal and Poland. Infrastructure is in the process of being expanded to cover more European countries.

Our UK Business Partnership has as its strategic intent the launch of Strides' own portfolio and to improve profitability through transfer of existing licenses for manufacture at Strides' own plants. Execution of this strategy is currently in progress.

Our subsidiary in Milan, Italy comprises a global plant for the manufacture of semi-solids and oral liquids. Continuous and significant investments have been made to upgrade this facility to meet all regulated market standards. This highly profitable operation sells its own products while also manufacturing branded products for the European and African markets. Over time, with approvals coming through for Strides' own pipeline of semi-solids for regulated markets, operations are expected to scale up considerably with major capacity being reserved for high margin regulated markets.

Our Poland Presence comprises a recently upgraded global sterile

injectables plant which will manufacture ampoules, vials, PFS with lyophilization capabilities and some very specialized formats. The ampoules and PFS line are commercially operational with the vial line ready to come on stream in Q2 2009. The PFS line is dedicated to one of the largest global pharmaceutical companies and is representative of a very significant partnership covering development and manufacturing of intensive care and controlled drugs. This plant will become a significant contributor to the revenue and profits of the region in the next two years.

Our Partnerships with Lesvi in Spain, Portugal and Scandinavia is underway in the areas of product development and regulatory filings. Product launches in the Spanish market are scheduled for H1 2009. We also have partnerships with large global pharmaceutical companies comprising license and supply agreements.

This region represents huge potential in terms of manufacturing and marketing of Strides' own product portfolio. A pan European integrated strategy is being worked out to introduce Strides' own portfolio in the oral, injectable and semi-solid segments using key strategic partnerships. Further



International operations

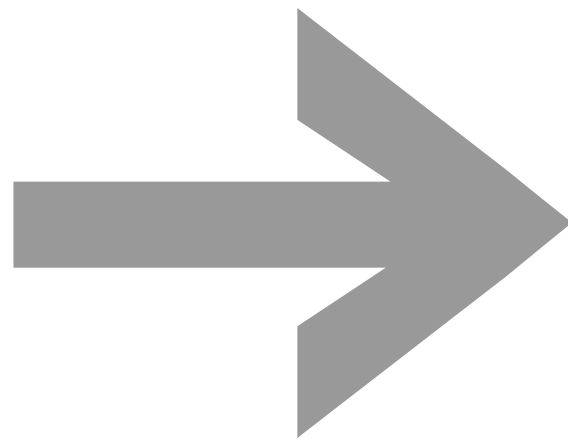
Africa

“Africa was one of the first markets we entered into and over time, Strides has established a strong presence here. Today, a local manufacturing facility in Lagos , Nigeria combined with Strides' manufacturing infrastructure in India, a robust portfolio of over 300 products and an expanding regional footprint will ensure that we are amongst the top five companies in each of the markets we serve.”



Sinhue B Noronha - CEO, Africa

Africa is headed by Sinhue Noronha who comes to Strides with considerable experience as an entrepreneur in the Africa pharmaceutical industry.





Our Africa business spans the entire African continent, excepting the SADC countries. As the region is vast and diverse, the business models are varied and customized to meet the needs of each country. In some markets, we have direct front-ending presence. In others, we use a distribution network and participate in tenders. This business is directly supported by manufacturing facilities in Lagos, Mumbai and Hosur with respect to orals and semi-solids. Injectables and softgels are sourced from Strides' other manufacturing facilities in India.

Our Presence in West and French African Markets continues to be strong. We are rapidly exploring potential growth in Central and East Africa.

Our Nigerian Business Partnership is our largest and most profitable in Africa. Strides has majority stake and

the business comprises branded generics, commodity generics and OTC products which are marketed through our own sales team in partnership with local distributors. To meet the demands of the Nigerian and neighbouring markets, a plant was commissioned in the current year with capabilities to manufacture semi-solids, tablets and hard gelatin capsules.

Our French Africa Business is highly profitable and front-ended comprising ethically promoted and OTC products. A presence in some East and Central African markets now in the process of expansion through new product registrations and a larger footprint.

Our Aspen Partnership gives us direct presence in South Africa for marketing and distribution of our nutraceutical / OTC products and some traditional medicines.

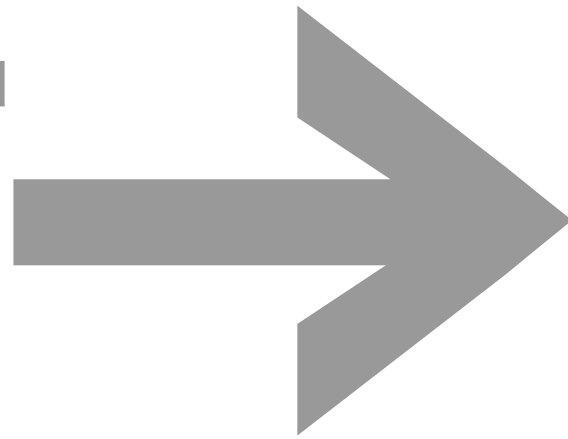


International operations

Australasia

“Strides' presence in Australia and Asia through Ascent Pharmahealth represents a unique sales and marketing channel that brings high quality generic pharmaceuticals and consumer healthcare products to leading Australasian markets.

The group currently has market leading operations in Australia and Singapore and sees strong growth prospects and new market opportunities across the region in the medium to long term.”



Dennis Bastas - CEO, Australasia

Australasia is headed by Dennis Bastas, founder promoter of Ascent Pharmahealth Ltd. Dennis has extensive senior management experience in business development, retail services and supply chain management.

Strides' interests in Australasia are represented through its 55% equity stake in Ascent Pharmahealth Limited (APH), an Australian Stock Exchange listed company. Strides' majority interest in APH was acquired in August this year. With regional headquarters in Melbourne, the business comprises a regional manufacturing facility in Singapore and a strong pipeline of generic prescription pharmaceuticals and consumer health brands which are marketed in Australia, Singapore, Malaysia, Hong Kong, Vietnam and other Asian countries. The merger of Strides' Asian operations into APH has also seen Mark Bisset, previously CEO of Strides Australia and Regional Director of Strides Asia, take on the key executive role of COO at APH.

Genepharm (Australia) Ltd. supports our Australian presence. Among Australia's leading suppliers of healthcare products into pharmacies, Genepharm is ranked amongst the top five generics companies in that market. It registered a turnover of A\$ 65.6 million in the year ended June 30, 2008, and its business comprises

different product lines, including ethically promoted generic pharmaceuticals, OTC and skin care (prescription and consumer) products with some very strong and well established consumer brands such as Avene (Skincare) , Hairy Lemon (OTC) and Estelle (Prescription Medicine). During the year, Genepharm also launched its own range of organic skin care products under the brand name, Dermorganics. The business has built very strong ties with the Australian pharmacy community based on trust and a unique value proposition. Operations are spread all over Australia and products are sourced from India and across the world.

APH's Asia Business is managed from Singapore and markets products across the region backed by a strong sales and distribution network, sourcing from a regional manufacturing facility in Singapore and from India. Its Singapore business - Drug Houses of Australia (Asia) Ltd - is the largest generics company in that market with some very respected and successful brands. This business is highly profitable and has



Ravi Seth, Arun Kumar, Dennis Bastas
Mark Bisset, Andrew Burgess





Dr. C. M. Gupta
Member
Ex Director,
Central Drug Research Institute, Lucknow India



Dr. B. Suresh
Member
Vice Chancellor – JSS University, India
President, Pharmacy Council of India



Dr. S. P. Vyas
Member
Professor & Head,
Dr. Harisingh Gour Vishwavidyalaya, Sagar, India



Dr. Elias David Neto
Member
Associate Professor of Medicine,
Director of Clinical Research Renal Transplant
University of Sao Paulo School of Medicine, Brazil



Dr. Gopakumar Nair
Member
Gopakumar Nair Associates,
IPR Consultants and Advisors



Mr. Venkat S Iyer
Chair Person
CEO, Strides Arcolab Ltd., India



Mr. M.S. Mohan
Coordinator
CSO, Strides Arcolab Ltd., India

In 2008, Strides instituted a Scientific Advisory Board consisting of eminent scientists and key opinion leaders in their respective subject domains.

Objectives of the Board:

To review and evaluate business opportunities that fulfill the company's long-term strategic goals.

To identify and discuss emerging science and technology issues and trends.

To review global research trends and appropriately realign corporate research strategy.

To help Strides network with subject knowledge experts, research institutions, academic institutes and identify collaborative win-win alliances.

To advise on academic collaborations that can be commercially explored.

To identify and direct novel concepts, approaches towards innovation in developing new products/ methodologies.

To help Strides shift into more advanced knowledge domains.

This fiscal, Members of the Board met in February and August and deliberated on a number of opportunistic areas.

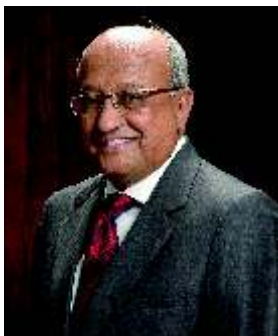
Contents

Section 1

Board of Directors, Management Team, Directors' Report, Corporate Governance Report, Management Discussion & Analysis, Auditors' Report, Financial Statements prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP).

Section 2

Auditors' Report on Consolidated Financial Statement, Consolidated Financial Statement, Breakup of Cash and Bank Balances, Statement Pursuant to section 212 of the Companies Act, 1956 relating to Subsidiary Companies, Additional Information, Historical Perspective.



Mr. Deepak Vaidya

Appointed to the Board in January, 1998 and Chairman of the Board in December, 2005. Mr. Vaidya was country head of Schroder Capital Partners (Asia) Pte., Ltd., for over 12 years and now Chairman of Arc Advisory Services Pvt. Ltd. He has got valuable corporate experience in the financial services industry in India and abroad.



Mr. Arun Kumar

Founder and Promoter Director of Strides, Mr. Arun Kumar is on the Board as Managing Director since inception. He has rich experience and deep knowledge of the pharmaceutical industry and his earlier stints include being the General Manager of British Pharmaceuticals



Mr. K.R. Ravishankar

On the Board since March 1994. Mr. Ravishankar was an entrepreneur before he joined the Board and carries with him nearly two decades of experience in the pharmaceutical industry.



Mr. Virtanes Saatci

Has served as Director since February, 1995. Mr. Virtanes Saatci carries with him over four decades of experience in pharmaceutical industry and has contributed significantly in developing the overseas market of the Company.



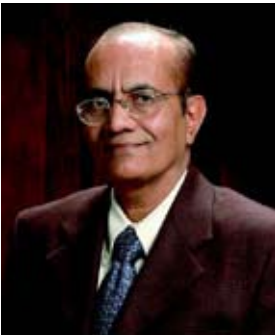
Mr. M. R. Umarji

A Consummate banking professional, Mr. Umarji has held key positions at the Reserve Bank of India, Corporation Bank and Dena Bank. He is the Chief Legal Advisor to the Indian Banks Association, and also a Director of UTI Advisory Services Limited.



Dr. Ronald Ling

Nominee of Symphony Capital Partners (Asia) Pte Ltd. (previously known as Schroder Capital Partners (Asia) Pte. Ltd.). Dr. Ling has more than 16 years of rich experience in the pharma and the health care industries and in management consultancy. Dr. Ling has been associated with Symphony Capital Partners (Asia) Pte. Ltd since 2001. He has also held leadership positions at Eastman Kodak Company, Singapore, McKinsey & Company, F. Hoffmann - La-Roche AG, Switzerland.



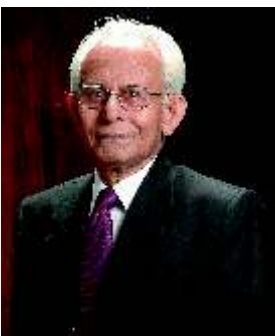
Mr. D G Prasad

Has been a career banker for over 32 years. After being with Canara Bank for over 8 years, Mr. Prasad joined Exim Bank in 1983, in its formative phase. He holds considerable expertise in trade finance, international finance, merchant banking, corporate strategies, mergers and acquisitions, loan syndications, forfaiting, international negotiations and co-financing with multilateral agencies. He was trained in 'Treasury Management' at Credit Suisse, Switzerland; 'International Banking and Development' at Dublin and London by IDI, Ireland and 'Advanced Agribusiness Management' at Cornell University, Ithaca, New York, USA. He has been a guest faculty at business schools on international finance and international marketing.



Mr. A.K. Nair

An Engineer by profession and a Management Graduate from Cochin University, Mr. Nair is a Director of Kerala Chemicals and Proteins Limited, a joint venture of KSIDC and Nitta Gelatin Inc. & Mitsubishi Corporation, Japan. Previously he was Executive Director & Managing Director of KSIDC and was also Managing Director of Kerala Chemicals and Proteins Limited.



Mr. P.M. Thampi

Has over 43 years of working experience in the Indian chemical industry. 29 years with ICI India, and 14 years as Chairman and Managing Director with BASF India. Currently Mr. Thampi is the Chairman of Pioneer Balloon India Pvt. Limited and Director of several leading companies including HDFC Asset Management Company Limited. An active member of Indo German Chamber of Commerce, he has served as its Vice President and President.

Management Team



Adam Levitt , CEO, Americas Operations:

Mr. Adam Levitt has over 27 years of rich and wide ranging experience in the pharmaceutical industry. In his last assignment, Adam was Executive Vice President and General Manager for Perrigo's Pharmaceutical Business. Prior to Perrigo Adam was Executive Vice President, Pharmaceutical Business with Dr.Reddy's. Adam holds a B.S. in Pharmacy from Massachusetts College of Pharmacy, and a Masters Degree in Management from Johns Hopkins University. He is a former member of the board of directors for the GPHA (Generic Pharmaceutical Association).



Aloka Sengupta, President – Business Development India Operations:

Ms. Aloka Sengupta has a Masters Degree in Clinical Biochemistry from the University of Birmingham, UK. She then worked with Charing Cross Hospitals, University of London before returning to India to join the pharmaceutical industry. She has more than 25 years experience in pharmaceutical marketing and business development. She is currently in charge of our initiatives in the AIDS / TB / Malaria segment and also handles key manufacturing partnerships



N Balachandar, Chief Human Resources Officer:

Mr. Balachandar brings with him over 20 years of HR experience with global exposure. In his last assignment, Bala was Executive Vice President, Human Resources of GE Money, Asia based in Tokyo. In his role of Chief Human Resources Officer, Bala will lead all Human Resource functions across Strides globally. Bala holds a M.S. in Industrial Management from IIT Chennai and is a post graduate from Loyola College, Chennai.



Dennis Bastas, Founder, Managing Director and CEO of Ascent Pharmahealth Limited:

On formation of the Company in December 2003, Dennis was the founding force behind the initial strategy and creation of the Company. He has extensive senior management experience in business development, retail services and supply chain management with companies including Coles Myer Limited, Mannesmann AG and Village Roadshow Limited.



S.A.Manikandan, CEO – Brand Business:

Mr. Manikandan started his career in 1988 with Ranbaxy then changed over to Duphar Interfron Limited a Multinational Company holding various Managerial Positions. In 1996, he joined hands with 450 doctors and started GRANDIX Pharmaceuticals Ltd and within six months became Executive Director. On the academic front, he has M. SC in Chemistry, Master of Psychotherapy & Counseling, and MBA.



Mark Bisset, COO, Ascent Pharamhealth and Regional Director – Asia:

Mark qualified as a Pharmacist in 1981 in Melbourne, Australia. He worked for a number of years in hospital and retail pharmacy in Australia and the UK. Mark joined Bristol-Myers Squibb Australia in 1989 and AMRAD Pharmaceuticals. In 1999, Mark joined Mayne Pharmaceuticals held a number of global Business Development and Management positions. Mark also holds a post-graduate business degree from Monash University (David Syme School of Business) and is a member of a number of professional Pharmaceutical Societies.



M.S. Mohan, Chief Scientific Officer:

Mr. Mohan has a Masters Degree in Pharmaceutical Technology. He brings with him a rich experience of 20+ years in R&D function of Pharmaceutical companies like Lupin, Astra Zeneca, Ranbaxy and Dr.Reddys. His previous assignment was with Dr. Reddy's as Vice-President responsible for the research activities of products in the Regulated Market. He is a professional member of American Association of Pharmaceutical Scientists and Indian Pharmaceutical Association.



Nitin Ghadiyar, President - Strategic Initiatives:

Mr. Nitin Ghadiyar is a graduate in Economics and Statistics from St.Xavier's College, Mumbai and has a Master's Degree in Management from the Jamnalal Bajaj Institute, Mumbai with specialization in Marketing. He has experience of over 29 years working with and leading top notch pharmaceutical and consumer companies like Glaxo, Colgate Palmolive, Parke-Davis, Reckitt Piramal, Johnson & Johnson and Dabur. Nitin brings to Strides a vast background of multitasking and delivering significant results for the companies he has worked earlier.



T.S. Rangan, Group CFO:

Mr. Rangan has over twenty years of experience in leading NYSE listed companies such as Xerox India, Proctor & Gamble India, Astra Zeneca and Dr. Reddy's Laboratories Ltd. His previous assignment was with PI Industries, a large diversified organization as President and CFO. On Academics, he is PhD, Mphil, MS, and MBA. He is a Six Sigma specialist. He is also a Government Nominee on the Central Council of the Institute of Cost and Works Accountants of India.



Ravi Seth, CEO – International Operations:

Mr. Ravi Seth is a qualified as a Chartered Accountant. During his career he worked in a number of industries including Hotels, Financial Services, Real Estate, Media and Pharmaceuticals. Mr.Seth joined Strides Arcolab Limited in May 2006 as Group CFO. In March 2008 Mr Seth became CEO – International Operations of Strides Arcolab Limited with responsibility for International Operations.



Rudi Jansen, CEO Europe:

Mr. Rudi Jansen is a marketing graduate from the Dutch "Institute of Social Sciences" and holds a post graduate certificate "Infectious Diseases" from the University of Leiden/Boerhaave, Holland. Rudi has worked in the pharmaceutical industry for well over 30 years and has been active in executive staff and general management assignments for companies such as Pharmacia & Upjohn in the USA, Europe, North Africa, the Middle & Far East and Latin America, Wockhardt Europe, Deloitte & Touche UK and Marsing Group.



Sinhue B. Noronha - CEO Africa:

Mr. Sinhue comes to Strides with a rich pharmaceutical industry experience of almost 28 years, out of which 8 years have been in domestic marketing (companies like Lupin, Concept and Indchemie) and the balance in international marketing. a large portion of his business management experience has been in the Africa continent. he also posses good domain knowledge in procurement, manufacturing and supply chain management. he will be driving the business of SAL in the African continent. he is a BSC from Mumbai university and holds an MBA from NMIMS



Sridhar S Rao, President – QA:

Mr.Sridhar S Rao has over 29 years of working experience in the field of Quality Control and Quality Assurance of pharmaceuticals and nutritional. His previous assignments were with companies like Nicholas Piramal, FDC, Glenmark and Blue Cross Labs. Mr.Rao is with Strides for over 10 years and is currently responsible for Quality function. On academics, he is a graduate in Pharmacy from Bombay College of Pharmacy, Masters in Pharmaceutical Operations and Management from BITS Pilani and has completed an advance Management Program from IIM, Bangalore.



Venkat S Iyer, CEO – India Operations:

Mr. Venkat Iyer has over 28 year experience in the field of formulations, natural products, nutraceuticals, herbal extracts and natural drugs. His previous assignments were with companies like Ranbaxy, Kancor Flavors and Extracts, GSK India and Searle India. Mr. Venkat Iyer is with Strides since 1999. He is Master of Science [Chemistry] and has Diploma in Business Management.



Section 1

Directors' Report	1.01
Corporate Governance Report	1.09
Management Discussion and Analysis	1.20
Auditors' Report	1.25
Financial Statements prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP)	1.28
Balance Sheet Abstract	1.69

Section 2

Auditors' Report on Consolidated Financial Statements	2.01
Consolidated Financial Statements	2.02
Breakup of Cash & Bank Balances	2.43
Statement Pursuant to Section 212 of the Companies Act, 1956, Relating to subsidiary Companies	2.45
Additional Information	2.49
Historical Perspective	2.50

Dear Shareholders,

We present herewith the Eighteenth Annual Report together with the Audited Accounts for the year ended December 31, 2008.

1. Financials

(figures in millions)

Particulars	For the year ended			
	December 31, 2008		December 31, 2007	
	Rupees	US \$ *	Rupees	US \$ *
1.1 Financial Results				
Income	6,621.33	135.99	4,312.48	109.45
Operating Profit (EBIDTA)	1,353.74	27.80	38.18	0.97
Cash Profit / (Loss)	229.12	4.71	(1,029.96)	(26.14)
Net Profit / (Loss) (PAT)	61.35	1.26	(1,152.14)	(29.24)
Retained earnings	61.35	1.26	Nil	Nil
1.2 Profits				
Operating Profit (EBIDTA)	1,353.74	27.80	38.18	0.97
Less : Interest	654.27	13.44	454.96	11.55
Depreciation & amortization	188.77	3.88	188.88	4.79
Exceptional Items including AS 30	466.33	9.58	574.60	14.58
Profit / (Loss) - before tax	44.37	0.91	(1,180.26)	(29.96)
Less: Provision for Tax				
Current	14.00	0.29	35.00	0.89
Deferred	(21.00)	(0.43)	(66.70)	(1.69)
Fringe Benefit Tax	4.02	0.08	3.58	0.09
Mat credit entitlement	(14.00)	(0.29)	Nil	Nil
Profit / (Loss) after tax	61.35	1.26	(1,152.14)	(29.24)
Add : Balance in Profit & Loss account	(109.03)	(2.24)	1,045.19	26.53
Differential tax on equity dividend of previous year	Nil	Nil	(2.08)	(0.05)
Available for appropriation	(47.68)	(0.98)	(109.03)	(2.77)
1.3 Appropriations				
Dividend				
on Equity Shares (proposed)	Nil	Nil	Nil	Nil
on Preference Shares	Nil	Nil	Nil	Nil
Dividend Tax	Nil	Nil	Nil	Nil
Transfer to General Reserve	Nil	Nil	Nil	Nil
Balance carried to Balance Sheet	(47.68)	(0.98)	(109.03)	(2.77)

Note: * 1 USD = Rs. 48.69 (Exchange Rate as on December 31, 2008).

1 USD = Rs. 39.40 (Exchange Rate as on December 31, 2007).

Previous year figures have been regrouped/ restated wherever necessary to make them comparable with those of the current year.

2. Turnover and Profits

The total income during the year under review was Rs. 6,621.33 Million as against Rs. 4,312.48 Million in the previous year, an increase of approx 53%. The Company has posted a net profit of Rs. 61.35 Million for the year ended December 31, 2008 as against a net loss of Rs. 1,152.14 Million for the year ended December 31, 2007.

On a consolidated basis, the income stood at Rs.13,777.05 Million against Rs. 8,696.25 Million.

Detailed analysis on financial performance is given in the Management Discussion and Analysis Report which forms part of this Report.

3. Dividend

In view of the inadequacy of profit during the year, the Board has not recommended any dividend for the Equity / Preference shares for the year ended December 31, 2008.

4. Capital

Authorized Share Capital

During the year under review, the authorized capital remained unchanged at Rs. 1,320 Million consisting of 70,000,000 equity shares of Rs. 10/- each and 620,000 cumulative redeemable preference shares of Rs.1,000/- each.

Issued and Paid-up share capital

On March 8, 2008, the Company allotted 4,000,000 equity shares of Rs. 10/- each at a premium of Rs. 390.00 per equity share to M/s. Dobliss Holdings Limited (3,111,440 shares) and Blissup Holdings Limited (888,560 shares) against conversion of fully convertible debentures.

On June 17, 2008, the Company allotted 1,045,725 equity shares of Rs. 10/- each at a premium of Rs.390.00 per equity share to M/s. Blissup Holdings Limited against conversion of fully convertible debentures.

Consequent to the above allotments, as on date, the issued, subscribed and paid up share capital of the Company is Rs. 892,106,140 constituting 40,050,014 equity shares of Rs. 10/- each and 491,606 cumulative redeemable preference shares of Rs. 1,000/- each.

Forfeiture of warrants

During the year, the Company forfeited the upfront money received against 5,550,000 warrants allotted on May 23, 2007 to Agnus Holdings Private Limited, a promoter group company as the option to convert these warrants into equity shares was not exercised, which was due for conversion in November 22, 2008,

5. Business & Outlook

During the year, the Company completed a series of divestments and acquisitions and rearranged its business on 3 specific business segments:

- Manufacturing and R & D
- International Front-ended Business - Generics
- Brands and Nutraceuticals Business

The Company has completed consolidation phase, exited all businesses that do not have strategic value going forward and are focusing on execution excellence.

Year 2008 has also been a landmark year for the number of product filings and for the approvals. The Company will be launching these products in North America and expect the years ahead to give us consolidated revenues and profits from our niche portfolio of products.

The Company is also in the verge of completing a capacity expansion by new Capex, all in steriles space which was funded by FCCB and internal accruals. The facilities are now completed and we expect revenues to flow from these plants in the coming quarters.

A 500% increase of capacities in our highly attractive sterile space is now available to the company for consistent growth and production. The Company received USFDA approval for its Oral Dosage Form Facility at Bangalore (KRS Gardens).

GSK transaction

During the year, Onco Therapies Limited (OTL), the joint venture between the Company and Aspen Group concluded an outlicensing and supply agreement with leading multinational pharmaceutical corporation, GlaxoSmithKline, UK (GSK). In terms of the agreement, OTL will license intellectual property and supply finished dosage form pharmaceuticals to GSK. The licensing and supply agreement is for 95 emerging market countries excluding Sub-saharan Africa and India. OTL will recover intellectual property development costs from GSK in addition to sharing profits with GSK from the commercialization of the products. The first of the products commercialised under this arrangement is expected to be launched in 2010.

6. Acquisitions / Investments / Subsidiaries / Joint Ventures

Acquisition of controlling stake in Ascent Pharmahealth Limited, (previously known as Genepharm Australasia Limited)

The Company acquired controlling stake (55.46%) in Ascent Pharmahealth Limited (previously known as Genepharm Australasia Limited), a ASX listed Company. The stake was acquired by Linkace Limited, a wholly owned subsidiary of the Company in Cyprus. The shares were acquired against vending of the Company's Australian and Asian (other than India) business in exchange for the shares in Ascent Pharmahealth Limited.

Consequent to this transaction, Ascent Pharmahealth Limited emerged as Australia's 4th largest generic company and will have revenue in excess of USD 90 Million in combined proforma basis.

Latam operations restructuring

The Company ceded controlling interest in the LATAM Operations to Aspen Group and now holds 49% equity in Lakerose Limited, Cyprus., holding company for LATAM operations.

The Company will hold this 49% for a transition period until June 30, 2009 when the company intends to sell this to Aspen Group in a pre-arranged multiple of EBITDA.

The shares were held by Starsmore Limited, Cyprus, a wholly owned subsidiary of the Company.

Divestment of non-core fermentation business

As part of its continuous effort to concentrate and strengthen the core business the Company divested its stake in Strides Italia S.r.l. The shares were held by Linkace Limited, Cyprus, a wholly owned subsidiary of the Company

Investments during the year

- a) the Company made additional investment of Rs. 117.89 Million in the share capital of Onco Therapies Limited, a subsidiary of the Company. This investment was made by way of transfer of assets pertaining to Oncology plant which is under construction.
- b) the Company made additional investment of Rs. 2.36 Million in the share capital of Grandix Pharmaceuticals Limited, Chennai, taking the total stake to 99.98%.

Subsidiaries

Quantum Remedies Private Limited (QRPL), a company incorporated by Quantum Life Sciences Private Limited, became a wholly owned subsidiary of the Company. QRPL acquired assets of a 100% EOU at Palghar, Maharashtra to cater to the African Market.

Strides CIS Limited, Cyprus became a subsidiary of the Company through Linkace Limited, Cyprus. This Company was formed for operating in the Ukranian market.

Consequent to the acquisition of controlling stake in Ascent Pharmahealth Limited, the following Companies became subsidiaries of the Company.

- Genepharm Australia Limited, New Zealand.
- Genepharm Pty Limited, Australia.

7. Research & Development

Detailed write-up on Research & Development activity forms part of the annexure to this Directors' report.

8. Consolidated financials

In accordance with Accounting Standard 21 on consolidated financial statements read with Accounting Standard 27 on Accounting for Joint Ventures, the audited consolidated financial statements are provided in this Annual report.

The Company has received approval under Section 212(8) of the Companies Act, 1956 from the Ministry of Company Affairs, New Delhi granting exemption from the provisions of Section 212(1) of the said Act and accordingly the Annual Report does not contain the financial statements of the subsidiaries. The Company will make available the audited annual accounts and related information of the subsidiary companies, upon request by any investor of the Company/Subsidiary. These documents will also be available for inspection by any Investor during business hours at the Registered Office and Corporate Office of the Company.

9. Corporate Governance

The Company has complied with all the mandatory requirements of Corporate Governance specified by the Securities & Exchange Board of India through clause 49 of the Listing Agreement. As required by the said clause, a separate Report on Corporate Governance forms part of the Annual Report of the Company. A certificate from the Statutory Auditors of the Company regarding compliance with the conditions of Corporate Governance also forms part of this Report.

10. Management Discussion and Analysis

Pursuant to clause 49 of the Listing Agreement entered into with the Stock Exchanges, Management Discussion and Analysis report forms part of this Report.

11. Fixed deposits

The Company has not accepted any fixed deposits and accordingly no amount is outstanding as on the balance sheet date.

12. Employee Stock Option Scheme

The Company has granted ESOPs to few eligible employees under the Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008, particulars of which are provided in the Corporate Governance Report forming part of this report. Further, Statement giving additional information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to this Directors' Report.

On October 31, 2008, the Board of Directors of the Company approved introduction of a new Employee Stock Option Scheme titled 'Strides Arcolab ESOP-2008 (Director)' for issuance of upto 500,000 Options. The Scheme was approved by the shareholders through postal ballot on January 12, 2009. The Company has not granted any options under the said scheme as on date.

13. Board of Directors

Mr. Elcemar Almeida ceased to be a director of the Company w.e.f November 12, 2008 consequent to his resignation.

Mr. Virtanes Saatci, Mr. A.K. Nair and Mr. P.M. Thampi are the Directors who retire by rotation and being eligible, offer themselves for reappointment.

14. Personnel

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars relating to Employees) Rules, 1975 will be provided on request.

15. Directors' Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act 1956, the Directors state that they have:

- a) followed the applicable accounting standards in the preparation of annual accounts, with proper explanation relating to material departures.
- b) selected such accounting policies and applied them, except as referred in Note A.1.11 of Schedule 'P' of Notes to Accounts, consistently and made adjustments 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 and of the profit of the Company for that year.
- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- d) prepared the annual accounts on a going concern basis.

16. Conservation of energy, R & D, technology absorption and foreign exchange earning / outgo

The particulars as prescribed under 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 are set out in the Annexure to the Directors' Report.

17. Statutory Auditors

The Statutory Auditors viz., Deloitte Haskins & Sells, Chartered Accountants, Bangalore retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

18. Depository System

As the Members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

19. Acknowledgement

Your Directors place on record their sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment and the trust and confidence reposed on us by the medical profession and trade.

We also acknowledge the support and wise counsel extended to us by the bankers, financial institutions, Government agencies, analysts, shareholders and investors at large.

For and on behalf of the Board of Directors

Place: Bangalore, India

Date: February 25, 2009

Arun Kumar – Vice Chairman & Managing Director

K.R. Ravishankar – Director

1. Conservation of Energy**(a) Measures taken during the period for conservation of energy**

- Improving the average Power Factor from 0.97 to 0.99 at ODF facility.
- Reduction in Reverse Osmosis (RO) reject from existing 55% to 20% by replacing existing RO system with improved one.
- Supply of treated effluent from Bilekahalli site to IIM, Bangalore.
- Common header for compressed air commissioned for Sterile complex.
- Steam Condensate recovery for the Sterile Product Division plant.
- Process waste water recovery and treatment for usage in toilets.

(b) Plans for the future for conservation of energy

- Feasibility study for gelatin net recovery.
- Reduction in aluminum foil waste generation by introduction of online printing of aluminum foil in strip packing machine.
- Replacement of present air conditioning chilling system with more efficient system to achieve power savings.
- Rain water harvesting study completed, implementation planned.

2. R & D Activities**Areas of R & D activities**

R & D at Strides was designed primarily to develop various dosage forms like tablets, capsules, ointment, oral liquids and injectables for both regulated and emerging markets.

However, with time, the capabilities have matured and the R & D centre has extended its focus beyond generics development. Hence R & D has now gone much beyond the routine generic development activities.

The internal processes have been streamlined and measurement methods have been improved to assess the performance of R & D as a separate strategic business unit.

The R & D Centre has successfully completed more than 70 filings in the regulated market of which 33 were ANDA filings for US market. It has also received 17 approvals from regulated market of which 14 are ANDAs.

Few of the activities continued during the year 2008 were proof –of-concept studies, co-development partnerships and in-licensing of technologies. In the year 2008, some key ground work was initiated on the creation of Intellectual Property value by identifying and developing "Value R & D" in about seven to eight spaces.

Key Benefits derived out of R & D activities

- Increased business opportunities in the form of approvals.
- Continued creation of intellectual property.
- Employment of better technology to manufacture various dosage forms.
- Improved throughput in R & D and measurement methods.
- Improved customer acceptance and satisfaction.
- Expansion of business in the domestic markets with niche product basket.

The future plan is to

- Increase of focus on niche areas to build the business by creating "Value R & D" pipeline.
- Improve on the current efficiencies for better resource utilization for competitive edge.
- Extension of skill sets to meet the future challenges.
- Transform from being a contract developer to a self sustained business unit and intellectual value creator for the organization

Expenditure on R & D

(Rupees in Millions)

Particulars	Year ended Dec 31, 2008	Year ended Dec 31, 2007
Capital	11.58	26.69
Revenue	520.86	348.30
Total	532.44	374.99
% to turnover	8.04%	8.69%

FORM A
Form of Disclosure of Particulars with respect to Conservation of Energy

A.	Power and Fuel Consumption	December 31, 2008	December 31, 2007
1. Electricity			
(a)	Purchased		
	Units	14,651,140	16,270,782
	Total Amount (Rs. in Million)	72.15	77.30
	Rate / Unit (Rs.)	4.92	4.75
(b)	Own generation		
(i)	Through diesel generator		
	Units	2,642,923	1,747,637
	Diesel consumed in litres	815,328	680,561
	Unit per ltr., of diesel oil	3.24	2.57
	Cost / Unit (Rs.)	10.12	11.64
(ii)	Through steam turbine / generator		
	Units	Nil	Nil
	Units per ltr., of fuel oil / gas	Nil	Nil
	Cost / Units	Nil	Nil
2. Coal (specify quality and where used)			
	Quantity	Nil	Nil
	Total Cost	Nil	Nil
	Average Rate	Nil	Nil
3. Furnace Oil			
	Quantity (k. ltr)	446.06	473.21
	Total amount (Rs.)	13.84	12.29
	Average Rate	31.02	25.97
4. Others (Diesel)			
	Quantity (in k. ltr)	Nil	Nil
	Total Amount (Rs.)	Nil	Nil
B.	Consumption per unit of production (with details)	Current Year	Previous Year
a)	Softgel & Tablets Division		
	Electricity units per Million	4,610	6,978
	Furnace oil units per Million	Nil	Nil
	Diesel units per Million	595	326

b)	Sterile Products Division		
	Electricity units per Million	114,236	117,785
	Furnace oil units per Million	Nil	Nil
	Diesel units per Million	28,952	32,462
c)	Antibiotics Division		
	Electricity units per Million	3,752	6,702
	Furnace oil units per Million	Nil	Nil
	Diesel units per Million	2,204	2,560

FORM B

Form of Disclosure of Particulars with respect to absorption

1. Technology Absorption, Adaptation and Innovation & Benefits derived as a result of the above efforts

- Vial inspection system through vision technology has been introduced in Sterile complex.
- High speed inspection system for softgels commissioned.
- High speed softgel printing machine under commissioning.
- New ventilated autoclave commissioned for taking care of temperature sensitive terminally sterilized products.
- Online batch code printing of Omega H3 foil avoiding preprinting and losses due to the same.
- Conversion of Fluid Bed drier to Fluidized Bed processor to enhance capacity of ARV production.

These initiatives have led to increase in capacity, handling of difficult to manufacture products and much higher level of quality assurance in our products.

2. Pollution Control Measures

The Company accords utmost priority to ensure a clean and pollution free environment in all its operations. The Company's manufacturing activities do not result in any significant release of pollution in the environment. The steps taken by the Company proactively to augment and improve Effluent Treatment Plant at Sterile Complex, Bilekahalli has been appreciated and we are today providing treated effluent to IIM, Bangalore campus for their horticulture needs. Our Oral Dosage Form facility has once again been given ISO14001 Certification for this year for maintaining high standards of Environment, Health and Safety compliance.

3. Foreign Exchange earnings and outgo

Foreign exchange earned on FOB basis	Rs. 5,779.07 Million
Foreign exchange used	Rs. 1,768.93 Million

Details of Stock Options under ESOP schemes of the Company

Sl. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008
A	Options granted as on December 31, 2008	1,000,000	665,000
B	The pricing formula	Decided by the Compensation Committee from time to time, which shall not be less than 85% of the Market Price of the shares on the date of grant of option.	
C	Options vested	80,000	None
D	Options exercised	None	None
E	The total number of shares arising as a result of exercise of option;	None	None
F	Options lapsed	80,000	None
G	Variation of terms of options	None	None
H	Money realised by exercise of options	None	None
I	Total number of options in force	920,000	665,000
J	Employee wise details of options granted to		
(i)	Senior managerial personnel		
	Mr. V.S. Iyer	100,000	
	Mr. Ravi Seth	100,000	
	Mr. Mark Bisset	100,000	
	Mr. S.A. Manikandan	100,000	
	Mr. Adam Levitt	100,000	
	Mr. M.S. Mohan	100,000	
	Mr. Anil Kumar Gupta		100,000
	Mr. T S Rangan		100,000
	Mr. S B Noronha		50,000
	Ms. Aloka Sengupta		50,000
	Mr. Sridhar S Rao		50,000
(ii)	Others	None	315,000
(iii)	Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	None	None
(iv)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	None	None
K	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20 'Earnings Per Share'.	Anti dilutive as on Dec 31, 08	
L	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	If fair value of Options were to have been used, the Net Profit and EPS would have been as follows: Net Profit: Rs. 30.04 Million Basic EPS: Rs. (0.12) Diluted EPS: Rs. (0.12)	
M	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	None of the options were exercised.	
N	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk-free interest rate (ii) expected life (iii) expected volatility (iv) expected dividends and (v) the price of the underlying share in market at the time of option grant.	7.25% 3 Years 33.32% 0.50% Rs. 214.45	7.25% 3 Years 47.86% 0.59% Rs. 143.70

1. Company's philosophy on Corporate Governance

Corporate Governance at Strides is not just the adherence to mandatory rules and guidelines. The Company has been committed to the highest standards of corporate governance practices right from its inception. The Company believes that good governance is a sine qua non to healthy business growth and a robust and vibrant capital market, besides being an important instrument of investor protection.

2. Board of Directors

Composition of Board of Directors:

The Board currently comprises of 9 Directors, out of which 1 is an executive director and 8 are non-executive directors. Out of the 8 non-executive directors, 4 are independent directors.

The Board represents a mix of professionalism, knowledge and experience. All the directors on the Board are highly experienced professionals in their respective fields and known personalities in the corporate world.

Number of Board Meetings:

During the year ended December 31, 2008, 7 Board Meetings (including one adjourned meeting) were held. They were held on February 06, 2008 (adjourned to February 08, 2008), March 07, 2008, March 08, 2008, April 28, 2008, July 22, 2008 and October 31, 2008.

Directors' attendance record and directorships held:

Name	Category of Directorship*	Board meetings attended during the year	Whether attended last AGM	No. of other Directorships held	No. of other Committees of which Chairman / Member
Mr. Deepak Vaidya (Chairman)	NED	6	Y	13	4 (Chairman of 3)
Mr. Arun Kumar (Executive Vice Chairman & Managing Director)	P & ED	7	Y	10	1
Mr. K.R. Ravishankar	P & NED	5	Y	14	2 (Chairman of 1)
Mr. Virtanes Saatci	NED	4	N	Nil	Nil
Dr. Ronald Ling	NED	5 [^]	N	Nil	Nil
Mr. Elcemar Almeida **	NED	Nil	N	N.A	
Mr. D.G. Prasad***	NED & ID	5	Y	1	1 (Chairman of 1)
Mr. M.R. Umarji	NED & ID	4	Y	3	Nil
Mr. A.K. Nair	NED & ID	4	Y	10	2 (Chairman of 1)
Mr. P.M. Thampi	NED & ID	7	N	5	3

*P = Promoter; NED = Non Executive Director; ED = Executive Director; ID = Independent Director.

** = Ceased to be a Director w. e. f November 12, 2008.

*** = Nominee Director of Export Import Bank of India.

[^] = Includes one meeting attended through conference call.

Note

- For the purpose of considering the limit of directorship, foreign companies have been excluded. Further, for the purpose of considering limit of committee membership, private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 have been excluded.
- None of the Directors is related to any other Director.

3. Audit Committee

i) Brief description of terms of reference

The Audit Committee has been constituted in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee include:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issues and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
14. To investigate any activity within its terms of reference.
15. To seek information from any employee.
16. To obtain outside legal or other professional advice.
17. To secure attendance of outsiders with relevant expertise, if it considers necessary.

ii) Composition and attendance details

The Audit Committee comprises of Mr. M. R. Umarji as the Chairman and Mr. D.G. Prasad, Mr. A. K. Nair, Mr. P. M. Thampi, Mr. Deepak Vaidya and Dr. Ronald Ling as Members.

The Audit Committee met five times during the year, i.e., on February 06, 2008, March 07, 2008, April 28, 2008, July 22 2008 and October 31, 2008.

The details of attendance at the audit committee:

Sl. No.	Name	Designation & Category	Meetings attended
1	Mr. M. R. Umarji	Chairman & Member (NED & ID)	4
2	Mr. D. G. Prasad	Member (NED & ID)	5
3	Mr. A. K. Nair	Member (NED & ID)	4
4	Mr. P. M. Thampi	Member (NED & ID)	5
5	Mr. Deepak Vaidya	Member (NED)	5
6	Dr. Ronald Ling	Member (NED)	4

Mr. Kannan. N, the Company Secretary is the Secretary of the Committee.

4. Remuneration Committee

i) Brief description of terms of reference

The Company has constituted a Remuneration Committee. The terms of reference of the Committee is to recommend the remuneration by way of salary, perquisites, allowances and commission for executive directors including pension rights and any compensation payment.

The Committee also functions as the Compensation Committee as prescribed under SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

ii) Composition

The Remuneration Committee comprises of Mr. M. R. Umarji as the Chairman and Mr. Deepak Vaidya, Mr. P M Thampi and Mr. A. K. Nair as Members.

The Remuneration Committee met four times during the year, i.e., on March 07, 2008, April 28, 2008, July 22, 2008 and October 31, 2008.

All the members were present during the meetings except Mr. A. K. Nair who could not attend the meeting held on March 07, 2008.

iii) Remuneration Policy

The remuneration of the employees consists of fixed pay i.e., Basic pay, allowances, perquisites etc. and a variable pay and varies with different grades and is related to the industry pattern, qualification, experience and responsibilities handled by the employee etc., The objectives of the remuneration policy is to motivate employees and recognise their contribution, reward merit and to attract and retain talent in the organisation.

iv) Details of remuneration to all directors

Details of Remuneration paid / payable to directors for the year ended December 31, 2008 are as follows:

(Amount in Rs.)

Name of the Director	Position	Sitting fee	Salary & Perquisites	Total
Mr. Deepak Vaidya	Chairman	220,000	Nil	220,000
Mr. Arun Kumar	Executive Vice Chairman & Managing Director	Nil	4,800,000	4,800,000
Mr. K. R. Ravishankar	Director	100,000	Nil	100,000
Mr. Virtanes Saatci	Director	80,000	Nil	80,000
Dr. Ronald Ling	Director	160,000	Nil	160,000
Mr. Elcemar Almeida	Director *	Nil	Nil	Nil
Mr. D. G. Prasad	Director	200,000	Nil	200,000
Mr. M. R. Umarji	Director	160,000	Nil	160,000
Mr. A.K. Nair	Director	160,000	Nil	160,000
Mr. P.M. Thampi	Director	240,000	Nil	240,000

* Ceased to be a Director w.e.f. November 12, 2008.

Total Managerial Remuneration paid to the Managing Director during the year amounts to Rs. 30.66 Million. The excess remuneration amounting to Rs. 24.39 Million is subject to approval of the Central Government in respect of which the company is in the process of making an application.

5. Shareholders' / Investors' Grievances Committee

i) Composition

The Shareholders' / Investors' Grievances Committee has been constituted to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and comprises of Mr. Deepak Vaidya as the Chairman and Mr. M. R. Umarji and Mr. K. R. Ravishankar as Members.

The Shareholders' / Investors' Grievance Committee met four times during the year, March 07, 2008, April 28, 2008, July 22, 2008 and October 31, 2008. All the members were present during the meetings except Mr. Ravishankar who could not attend the meetings on April 28, 2008 and July 22, 2008.

Mr. Kannan. N, the Company Secretary acts as the Compliance Officer.

ii) Investor / Shareholder Complaints

During the year ended December 31, 2008, there were 56 complaints from shareholders, all of which were resolved to the satisfaction of the shareholders.

iii) Secretarial Audit

The Company conducts a secretarial audit on a quarterly basis in accordance with requirements of Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 & SEBI Circular No. D&CC/FITTC/CIR-16/2002 dated December 31, 2002.

The Secretarial Audit Report obtained from a Company Secretary in Wholetime Practice, which has been submitted to the Stock Exchanges within the stipulated period, certifies that the equity shares of the Company held in the dematerialized form and in the physical form confirms to the issued and paid up equity shares capital of the Company.

iv) Secretarial Compliance Certificate

As per provisions of the clause 47 (c) of the Listing Agreement entered with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited by the company, the company has obtained the Secretarial Compliance Certificate on half-yearly basis from a Company Secretary in Wholetime Practice to the effect that all transfer of shares are effected within stipulated time. The certificate has been submitted to the Stock Exchanges within the prescribed time limit.

6. General Body Meetings

The venue and time of the Annual General Meetings held during last three years are as follows:

Meeting / Date /Time	Venue	No of Special Resolutions passed
15th Annual General Meeting 15th June, 2006 at 12.00 noon	Hotel Days Inn, Plot No. L-1, Sector-19, Vashi, Navi Mumbai - 400 705.	5
16th Annual General Meeting 20th June, 2007 at 11.00 a.m.	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703	None
17th Annual General Meeting 27th June, 2008 at 11.00 a.m.	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703	1

During the year, five special resolutions were passed by the shareholders through Postal Ballot on June 18, 2008 and two special resolutions through Postal Ballot on January 12, 2009. Voting pattern for these resolutions are as under:

Resolutions passed on June 18, 2008

Number of valid postal ballot forms received: 381

S.No.	Item	No. of valid votes polled	Votes Cast	
			For	Against
1	Special Resolution pursuant to Section 372A of the Companies Act, 1956 – inter corporate investment upto Rs.60 crores in Onco Therapies Limited	20,000,565	19,997,052 (99.98%)	3,513 (0.02%)
2	Special Resolution pursuant to Section 372 A of the Companies Act, 1956 – inter corporate investment upto USD 800,000 in Akorn Strides LLC USA	19,997,078	19,994,208 (99.99%)	2,870 (0.01%)

S.No.	Item	No. of valid votes polled	Votes Cast	
			For	Against
3	Special Resolution to accord approval to the Strides Arcolab ESOP 2008	19,996,228	19,795,345 (98.99%)	200,883 (1.01%)
4	Special Resolution to accord approval to extending the Strides Arcolab ESOP 2008 to permanent employees of the company's subsidiaries	19,996,228	19,795,317 (98.99%)	200,911 (1.01%)
5	Special Resolution to amend Strides Arcolab ESOP 2006	19,994,462	19,993,747 (99.99%)	715 (0.01%)

Resolutions passed on January 12, 2009

Number of valid postal ballot forms received: 306

S.No.	Item	No. of valid votes polled	Votes Cast	
			For	Against
1	Special Resolution to accord approval to the Strides Arcolab ESOP – 2008 (Director)	27,177,182	26,918,496 (99.05%)	258,686 (0.95%)
2	Special Resolution to accord approval to extend the Strides Arcolab ESOP – 2008 (Director) to the directors of the Company's subsidiaries (whether in India or abroad)	27,169,312	26,907,946 (99.03%)	261,366 (0.97%)

Mr. Giji Joseph K.J., Company Secretary in Wholetime Practice was appointed as Scrutinizer for overseeing the postal ballot process. All resolutions were passed with requisite majority.

The Company has complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto.

7. Disclosures

- i) There are no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
Transactions with the related parties are disclosed in Note B.22 of Schedule P to the financial statements in the Annual Report.
- ii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on matters relating to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any statutory authorities relating to the above.
- iii) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.
- iv) As regards the adoption of non-mandatory requirements as contained in Annexure I-D to clause 49 of the Listing Agreement, the Company has implemented the requirements with relation to constitution of Remuneration Committee and matters related therewith.
- v) The Company has early adopted AS 30: Financial Instruments: Recognition and Measurement and the consequential limited revisions to other applicable AS as have been announced by the ICAI.
Accordingly, the Company has changed the designation and measurement principles for all its significant financial assets and liabilities including FCCBs and ECBs. In case where there are conflicts between provisions of AS 30 and Companies Act, 1956, provisions of Companies Act, 1956 has been followed.
Detailed disclosures in this regard has been made in Note 1.11 of Part A, Note 6 and 33 of Part B of Schedule –'P' to the financial statements forming part of the Annual Report.

8. Reappointment of Directors

The requisite details in terms of clause 49 (IV) (G) of the Listing Agreement in respect of the Directors getting reappointed at the ensuing AGM are as under:

Mr. Virtanes Saatci

- Has served as Director since February, 1995
- Carries with him over four decades of experience in pharmaceutical industry and has contributed significantly in developing the overseas market of the Company.

- Mr. Saatci holds directorship in Arcolab S.A., Geneva, Switzerland and is not a member of any committee.
- Mr. Saatci is not related to any other Director in the Company.

Mr. A. K. Nair

- An Engineer by profession and Management Graduate from Cochin University.
- He was the Managing Director of Kerala Chemicals and Proteins Limited, JV of KSIDC and Nitta Gelatin Inc., and Mitsubishi Corporation, Japan.

Details of companies in which Mr. A K Nair holds directorships and memberships in Committees:

S.No.	Name of the Companies	Committee Membership
1	Kerala Chemicals & Proteins Limited, Cochin	
2	CII Guardian International Limited, Cochin	
3	Geojit Credits Pvt. Ltd., Cochin	
4	Kerala Balers Pvt. Ltd., Alleppey	
5	Toroid India Pvt. Ltd., Trivandrum	
6	Merchem Ltd., Cochin	Audit Committee – Member
7	The Alleppey Co. Ltd., Alleppey	
8	The Travancore Cochin Chemicals Limited, Udyogamandal	Audit Committee – Chairman
9	William Goodacre & Sons India Pvt. Ltd., Alleppey	
10	Guardian Controls Ltd., Cochin	
11	Nitta Gelatin India Limited, Cochin	Project Committee – Chairman

Mr. A. K. Nair is not related to any other Director in the Company.

Mr.P M Thampi

- Has over 43 years of working experience in the Indian Chemical Industry; 29 years with ICI India and 14 years as Chairman and Managing Director with BASF, India.
- Currently he is the Chairman of Pioneer Balloon India Pvt. Limited and Director of several leading companies including HDFC Asset Management Company Limited.
- An active member of Indo German Chamber of Commerce and has served as its Vice President and President.

Details of companies in which Mr. P. M. Thampi holds directorships and memberships in Committees:

S.No.	Name of the Companies	Committee Membership
1	Brigade Enterprises Limited	Audit : Member Remuneration : Chairman
2	HDFC Asset Management Company Limited	Audit : Member Customer Grievance : Member Remuneration : Chairman
3	PI Drugs and Pharmaceuticals Limited	Audit : Member
4	Pioneer Balloon India Private Limited	
5	Sequent Scientific Limited	

Mr. P.M. Thampi is not related to any other Director in the Company.

9. Disclosure of shareholding of non-executive directors

In terms of Clause 49(IV) (E)(iv) of the Listing Agreement, the shares held by Non-Executive Directors are as under:

Non-Executive Directors	No. of Shares held
Mr. K. R. Ravishankar	1,232,406
Mr. Virtanes Saatci	175,000
Mr. P. M. Thampi	1,000

10. Means of Communication:

Apart from being published in 'The Economic Times', 'Business Standard' and "Lokmath" the quarterly and half-yearly results of the Company were also submitted to the Stock Exchanges where the Company's shares are listed. These were also put up on the Company's website www.stridesarco.com. The website of the Company also displays the official news releases and presentations made to the institutional investors and analysts from time to time.

11. General Shareholders Information

a) Annual General Meeting – Day / Date / Time / Venue

Day / Date	Friday / April 24, 2009
Time	11.00 A.M.
Venue	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703

b) Financial Calendar

Financial Reporting Period ended	During
March 31, 2009	April, 2009
June 30, 2009	July, 2009
September 30, 2009	October, 2009
December 31, 2009	March, 2010

c) **Date of Book closure** : April 18, 2009 to April 24, 2009 (both days inclusive)

d) Listing of Equity shares in Stock Exchanges

The equity shares of the Company are listed on the:

- The Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 023 and
- The National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

e) Stock Code

National Stock Exchange of India Limited : STAR
Bombay Stock Exchange Limited : 532531

f) ISINs

ISIN of Company's Equity : INE939A01011
ISIN of FCCB USD 40 Million : XS0216943638
ISIN of FCCB USD 100 Million : XS0305351891

g) **Corporate Identification No** : L24230MH1990PLC057062

h) Market Price Data

The High and Low prices of the shares of the Company at National Stock Exchange of India Limited, Mumbai (NSE) and The Bombay Stock Exchange, Mumbai (BSE) for the year ended December 31, 2008 is as under.

Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Total Traded Qty	High (Rs.)	Low (Rs.)	Total Traded Qty
January, 2008	293.00	120.00	1,947,463	292.60	120.00	506,419
February, 2008	178.00	148.50	869,381	174.00	149.00	452,609
March, 2008	178.50	130.00	885,424	177.50	130.00	1,061,810
April, 2008	218.80	164.60	2,090,905	207.10	166.10	1,555,606
May, 2008	218.00	156.40	3,519,684	216.50	156.00	1,396,498
June, 2008	175.95	137.00	2,564,668	175.50	137.00	562,065
July, 2008	192.90	116.05	2,553,470	195.95	112.00	1,033,944
August, 2008	206.00	170.15	1,088,149	201.00	170.65	395,758
September, 2008	205.55	151.00	1,152,614	206.70	151.00	339,084
October, 2008	183.00	90.00	1,473,141	182.00	90.00	253,045
November, 2008	144.30	87.50	1,403,271	145.00	90.30	410,335
December, 2008	110.00	88.10	707,920	101.60	88.00	444,670

i) Performance of Strides Arcolab Limited Share Price to Broad Based Index (BSE Sensex)



j) Registrar and Transfer Agent :

Karvy Computershare Private Limited,
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081.

Tel. No. +91-40-2342 0815 to 824

Fax No. +91-40-2342 0814

e-mail id: svraju@karvy.com

k) Share Transfer System

The Company has appointed Karvy Computershare Private Limited, Hyderabad, as its Registrar and Share Transfer Agents to expedite the process of share transfers. The share transfers lodged are being processed on a day-to-day basis and Memorandum of Transfers is generated on a fortnightly basis.

l) Distribution of Share holding as on December 31, 2008

Slab of Shareholding	No. of Shareholders	% to Total Number of Shareholders	Amount	% to paid up capital
1 – 5000	20,532	96.44	11,727,660	2.93
5001 - 10000	396	1.86	3,076,010	0.77
10001 - 20000	160	0.75	2,383,450	0.60
20001 - 30000	48	0.23	1,201,530	0.30
30001 - 40000	25	0.12	928,460	0.23
40001 - 50000	20	0.09	913,420	0.23
50001 - 100000	42	0.20	3,098,730	0.77
100001 and Above	67	0.31	377,170,880	94.17
Total	21,290	100.00	400,500,140	100.00

m) Shareholding Pattern as on December 31, 2008

S.No.	Category	No. of shares held	% to total shareholding
1	Indian Promoters	10,342,928	25.83
2	Mutual Funds	1,796,311	4.49
3	Banks, Financial Institutions, Insurance Companies	37,412	0.09
4	Foreign Institutional Investors	5,772,086	14.41
5	Private Corporate Bodies	817,834	2.04
6	Indian Public	2,394,375	6.47
7	Non resident Indians / Overseas Corporate Bodies	6,436,511	15.58
8	Foreign Venture Capital	12,452,557	31.09
	Total	40,050,014	100.00

n) Dematerialization of Shares & Liquidity

The Company shares are compulsorily traded in dematerialized form. The Company has established connectivity with both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the Registrars, Karvy Computershare Private Limited.

As on 31st December, 2008, 99.41% of the paid-up share capital of the Company representing 39,811,760 shares have been dematerialized.

o) Outstanding Warrants or any Convertible instruments

Foreign Currency Convertible Bonds

(a) The Company had on April 18, 2005 issued USD 40,000,000, 0.5% Foreign Currency Convertible Bonds (FCCBs) due 2010 at an initial conversion price of Rs. 358.70 per share with a fixed rate of exchange on conversion of Rs. 43.7767 = USD 1.00 and further upon the terms & conditions as specified in the FCCB Offering Circular. The FCCBs are listed at the Singapore Stock Exchange.

(b) The Company had on June 26, 2007 issued USD 100 Million 'Zero Coupon Convertible Bonds due 2012' at an initial conversion price of Rs. 461.553 per share with a fixed rate of exchange on conversion of Rs. 40.70 = USD 1.00 and further upon the terms and conditions as specified in the FCCB Offering Circular. The FCCBs are listed at the Singapore Stock Exchange.

None of the bonds under (a) and (b) above have been offered for conversion.

Warrants

A total of 5,600,000 warrants were allotted to Agnus Holdings Private Limited, a Promoter Group Company on preferential basis on May 23, 2007 @ Rs. 342.10 per warrant, being the price calculated as specified in Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

Out of the 5,600,000 warrants, 50,000 warrants were converted into equity shares on July 5, 2007.

During the year, the Company forfeited the upfront money received against the balance 5,550,000 warrants allotted as the option to convert these warrants into equity shares was not exercised, which was due for conversion on November 22, 2008.

Employee Stock Options

Strides Arcolab ESOP 2006

The Company has granted 600,000 options under the Strides Arcolab ESOP 2006 on March 31, 2008 to eligible employees at Rs. 133.00 per option (exercise price). The shares covered by such options are 600,000 and will vest in a phased manner over a period of three years from the date of grant of option. 80,000 options granted under the Strides Arcolab ESOP 2006 lapsed during the year.

Strides Arcolab ESOP 2008

The Company has granted 665,000 options under the Strides Arcolab 2008 on July 22, 2008 to eligible employees at Rs.122.15 per option (exercise price). The shares covered by such options are 665,000 and will vest in a phased manner over a period of three years from the date of grant of option.

Strides Arcolab ESOP 2008 (Directors)

On October 31, 2008, the Board of Directors of the Company approved introduction of a new Employee Stock Option Scheme titled 'Strides Arcolab ESOP-2008 (Directors)' for issuance of upto 500,000 Options, subject to applicable statutory / regulatory requirements. The Scheme was also approved by the shareholders through postal ballot on January 12, 2009. The Company has not granted any options under the said scheme as on date.

Fully convertible debentures

The Company has during the year ended December 31, 2008, converted the outstanding 5,045,725 Fully Convertible Debentures as under. These debentures were originally issued on June 8, 2008 at a price of Rs. 400.00 per FCD on preferential basis. The FCDs carried a coupon of 5 per cent per annum and were convertible into an equivalent number of our fully paid-up equity shares of Rs. 10 each, in one or more tranches, at any time within a period of 18 months from the date of issue.

Date	Allottee	No. of equity shares
March 8, 2008	Dobliss Holdings Limited	3,111,440
	Blissup Holdings Limited	888,560
June 17, 2008	Blissup Holdings Limited	1,045,725

p) Plant Locations

- KRS Gardens, Suragajakkanahalli, Kasaba Hobli, Anekal Taluk, Bangalore – 562 106 (Soft Gelatin capsules, Tablets & hard Gelatin Capsules)
- Bilekahalli, Bannerghatta Road, Bangalore – 560 076 (Sterile Products, Antibiotics Plant and Star Technology & Research Centre [STAR])

q) Investors Correspondence

To the Registrars & Share Transfer Agents: Karvy Computershare Private Limited, Plot No. 17 to 24, Vittalrao Nagar Madhapur, Hyderabad - 500 081 Tel: +91-40 - 23420815 to 824, Fax +91-40 - 23420814 Email id: svraju@karvy.com	To the Company: Mr. Kannan. N (Company Secretary) Corporate Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560 076 Tel. No. +91-80-66580751, Fax No. +91-80-66580800 e-mail id. :kannan.n@stridesarco.com investors@stridesarco.com
Contact Persons : Mr. S.V. Raju / Mr. Mohan	Regd. Office : No. 201, 'Devavrata' Sector 17, Vashi, Navi Mumbai - 400 705. Tel. No. +91-22-27895247, Fax No. +91-22-27892924

The Company's designated email id for investor complaints is investors@stridesarco.com

12. Code of Conduct

The Board has prescribed Code of Conduct ('Code') for all Board Members and Senior Management of the Company, which is also put on the website of the Company.

All Board Members and senior management personnel have confirmed compliance with the Code for the year 2008. A declaration to this effect signed by the CEO of the Company is given below:

"I confirm that the Company has in respect of the year ended December 31, 2008, received from its Board Members as well as senior management personnel affirmation as to compliance with the code of conduct."

CERTIFICATE

To the members of Strides Arcolab Limited

We have examined the compliance of conditions of corporate governance by Strides Arcolab Limited ('the Company'), for the year ended on December 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the said stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

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

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
V. Balaji

Partner

Membership No. 203685

Place : Bangalore, India

Date : February 25, 2009

1. Industry Overview and Trends

The total global pharma market is approximately USD 675 billion and has enjoyed a CAGR of approximately 6% for many years. Growth in the global pharma market, is however slowing down and is estimated to grow at 5% between 2008 and 2011. The big pharma industry is predominantly divided into global pharma companies and the generic pharma companies. Global pharma players are suffering from poor R & D productivity and increasing stringent regulatory environment limiting growth. The generic continues to grow strongly and is enjoying CAGR in excess of 10% and has been strategically increasing share by value and volume.

The generic pharma is estimated to be worth USD 125 billion in 2008. We are entering an era where the generic sales are also seeing a fall and this is mainly attributed to fierce price battles in most of the major markets. Generics growth profile varies by geographic regions and by the need for affordable medicines due to high costs of social security which major Governments spends in Medicare. Added with significant products going off-patent in the next couple of years, the Generic Pharma will continue to be an important part of the pharma industry albeit with lower margins.

2. Recent Industry Trends

We find the pharmaceutical sector continue to consolidate both in the pharma and generic space. The recently announced transactions of Pfizer and Teva with Barr, Ranbaxy with Daiichi are good examples of continued sector consolidations. We also see big pharma generic convergence. Big pharma is seeing value in the branded generics.

Recent transactions in the space include a significant transaction by Strides and its JV partner Aspen to license products to GSK – one of worlds largest pharmaceutical players who have commenced a determined entry in the branded generics space. The recent acquisition of Zentiva by Sanofi is a clear example of other big pharma companies wanting to lead the generic convergence.

3. Generic Sector Updates

The generic sector in which Strides is emerging to be an important player also sees a continued sector consolidation. 5 of the top 10 [by revenue] generic companies in 2004 have since been acquired as of 2008 and with further larger players likely to be acquired in the next round of consolidation that we anticipate.

While the acquisition rationale continues on operational skill, leverage to access high quality and complimentary product portfolio and niche manufacturing capabilities continue to drive the factor for consolidation. Further to consolidation, the sector through licensing agreements are achieving synergies for cost extraction or revenue expansion.

4. Strides Overview and Position

By developing high quality and niche products, mainly in the sterile injectables space (market size USD 150 billion) and with strong partnership with some of the larger companies both in the big pharma [recently announced deal with GSK] and in the generic space, delivers a high quality business model that is de-risked and valuable for its stake holders.

With continued focus on product sales, regulatory filings [over 200 regulated market filings in the last 3 years], significant capex completed where capacities have been expanded significantly, we believe that we are well positioned to face competition and at the same time emerge as an agile player to service the challenges the industry faces.

5. The Markets we Operate

The Strides business model is focused on 3 significant operating units:

- a. Indian manufacturing and R & D globally with partnerships with big pharma and larger Generic Companies;
- b. Front ended sales and marketing operations manufacturing in Australasia, Americas, Africa and Europe;
- c. The branded business under the Grandix umbrella to cater to the domestic opportunity for Brands and then to expand globally the branded business.

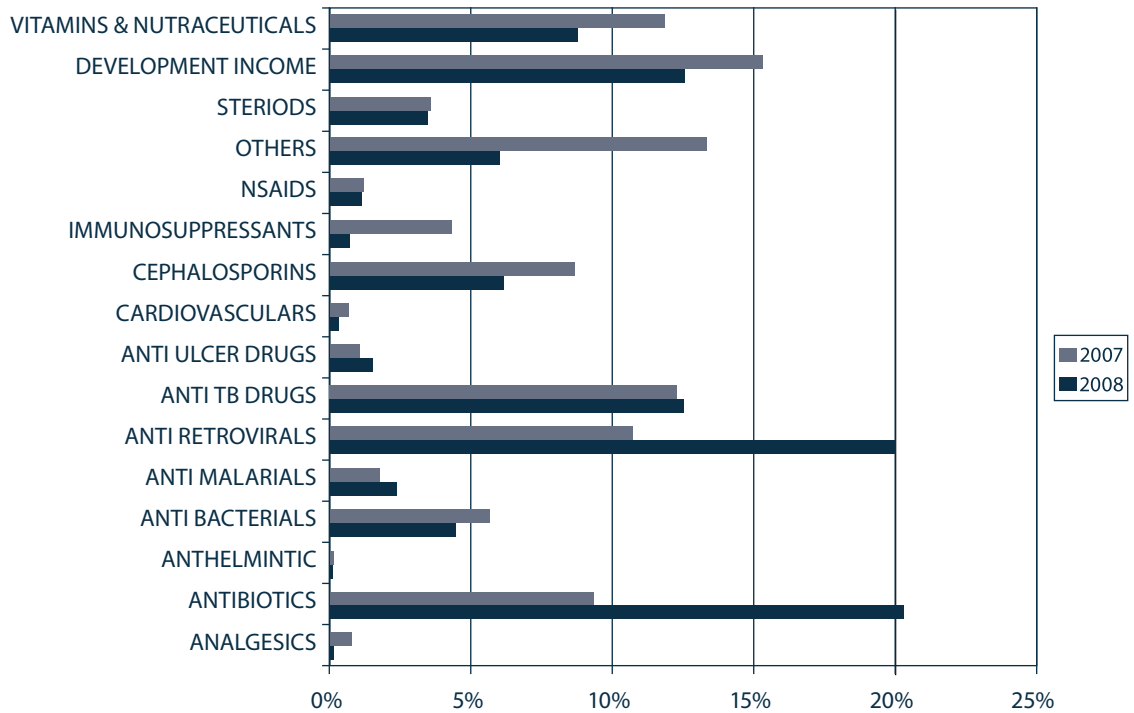
Strides strategy for these markets have been to have dedicated P&L owners and build a strong management team to focus on execution excellence in our operations. By developing and supplying niche products where there are very few players, Strides partnership model is rewarding both to our partners and ourselves as we move away from commodity generic operations.

Our R & D spends are funded through licensing income that we receive from our partners and we have been very successful with a significant regulatory market product filing. In 2008 we had the highest number of sterile injectables approved by the USFDA and the manufacturing facilities have had successful inspections by various international regulatory authorities.

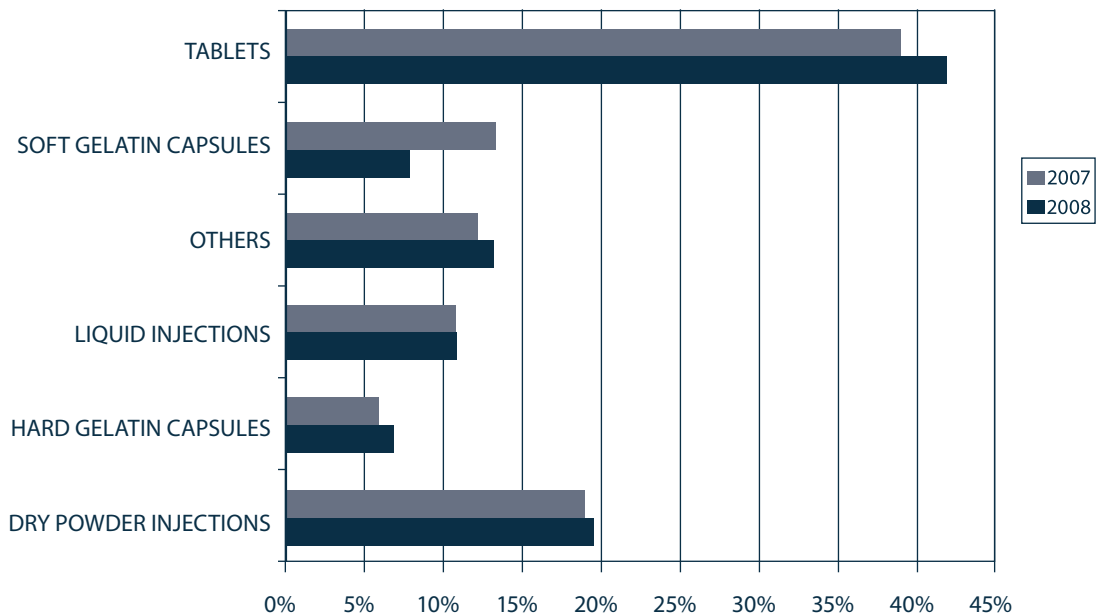
Strides has followed a principle of defocusing and shying away from markets that are not conducive to profit maximization and in such markets prefer to front end the business or emerge as a branded player.

Graphical representation of performance:

Therapeutic Distribution

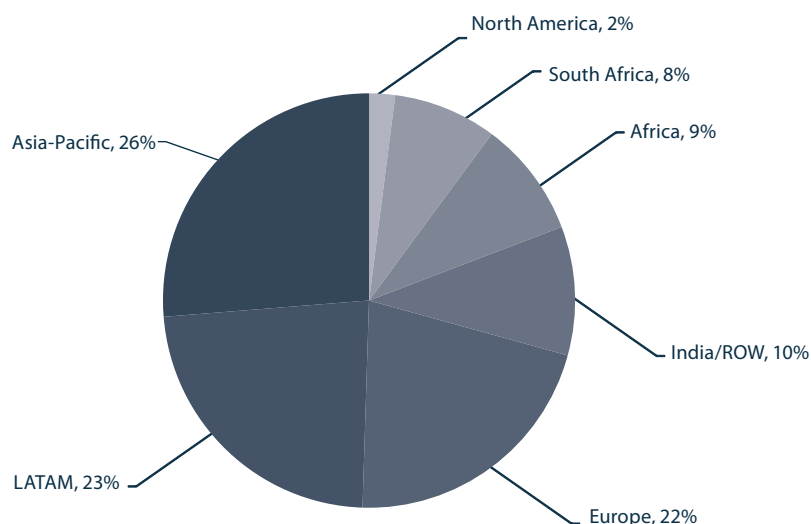


Dosage Forms



Revenue Geographical Distribution

Year 2008



Does Not includes Rs. 2,006 Million sales in ATM division (AIDS, TB and Malaria) supplies to Multilateral agencies like Unicef, USAID, USPEPFAR & WHO.

Regulatory Filing Status [US]

Particulars		Steriles	Orals	Total
1.	No. of NDAs / ANDAs Filed till 2008	51	24	75
2.	No. of NDAs / ANDAs Approved till 2008	14	10	24

6. Opportunity and Threats / Risks and Concerns

We operate in highly regulated environment where our manufacturing, R & D process and quality standards have to meet increasing stringent requirements on a daily basis. Having successfully licensed our products to various companies including big pharma, at Strides, we have highly efficient process and quality system with a high level of commitment which are the pillars of our partnering philosophy.

We have extensive training of staff and an independent corporate QA which adopts a policy to anticipate and mitigate risk. Our manufacturing plants meet the highest level of compliance and have had successful audits by various international regulatory bodies. Nonetheless, the increasing and stringent requirements for product approvals do pose threats to the industry and reduce our ability for time to market advantage.

We also believe that while the current global recession makes capital available scarce, we are pleased with our position of having completed our growth investments in India and overseas and will require very little capex going forward to meet our global ambition to be an important successful player. However, working capital availability may be a concern.

The threat to we carry in our model of partnership is the very existence of our partner due consolidation or even a changing focus in their strategy. We believe we have mitigated these by partnering with strong players and IP ownership while stays with Strides in most cases. We recently completed the investments of over 350 crores in new manufacturing plants which will start delivering results in the coming quarters and will be fully operational in the year 2010.

7. Internal Control Systems and Adequacy

At Strides we have invested significant amount of money and time and have built a world-class team to ensure adequate internal controls for our business process and practices across our functions. We have a strong internal audit program within our system and is also supported by an Indian Firm of Chartered Accountants which regularly cover various operations on a continuous basis.

Our Audit Committee reviews all internal audit comments on a regular basis and we have further invested in people by strengthening the department to risk mitigation. We have conducted a risk mitigation exercise and are implementing a worldwide risk mitigation program which is being supported by an enhanced IT system.

8. Financial Summary

Strides delivered record setting results in fiscal 2008. We have delivered on de-risked business model. We have delivered on specific strategic objectives and have met our goals for 2008. We have completed consolidation phase, exited all businesses that do not have strategic value going forward and are focusing on execution excellence.

Financials - Executive Summary

(Rupees in Millions)

Particulars	Consolidated financials		Standalone financials	
	YTD-08	YTD-07	YTD-08	YTD-07
Revenues	11,364	7,621	6,621	4,312
Operational EBITDA	1,857	(46)	1,354	133
Non-Operational Income	2,413	1,316	-	-
Reported EBITDA	4,270	1,270	1,354	133
Exceptional Items (Net)	1,874	540	(466)	(575)
EBT after Exceptional Items	1,149	(346)	44	(1,180)
PAT / (Loss) after Minority Interest	1,080	(501)	61	(1,152)

Revenue from Operating SBUs

(Rupees in Millions)

Operating SBU's	Year 2008			Year 2007			% Growth in Sales	
	Sales	EBITDA	%	Sales	EBITDA	%		
India	6,250	1,109	18%	4,247	284	7%	47%	↑
International	3,744	447	12%	1,087	203	19%	244%	↑
Brands	801	207	26%	274	58	21%	192%	↑

Exceptional and Non Operational Income - Consolidated for 2008

(Rupees in Millions)

SI No	Particulars	Positive Impact	Negative Impact
A	Net Exchange loss on FCCB's, ECB's and Forward Exchange Contracts		670
B	Gain in Fair Value of options embedded in FCCB's	452	
C	LATAM restructuring	654	
D	Australasia restructuring	2,104	
E	Strides Italia Divestment		345
F	Impairment of LATAM Investment		1,656
	Total	3,210	2,671
	Net Impact (Positive)	539	

9. Early adoption of Accounting Standard 30 and IFRS convergence

The Company has early adopted Accounting Standard 30: Financial Instruments: Recognition and Measurement and the consequential limited revisions to other applicable Accounting Standards as have been announced by the ICAI.

Accordingly, the Company has changed the designation and measurement principles for all its significant financial assets and liabilities including FCCBs and ECBs. In case where there are conflicts between provisions of AS 30 and Companies Act, 1956, provisions of Companies Act, 1956 has been followed.

Detailed disclosures in this regard has been made in Note 1.11 of Part A, Note 6 and 33 of Part B of Schedule - 'P' to the financial statements forming part of the Annual Report.

Accounting Standard 30, 31 and 32 are New accounting Standards, to be made mandatory from April 01, 2011. These are global standards in line with IAS 39, is a prelude to IFRS Convergence. By adopting Accounting Standard 30 the company is progressing towards IFRS convergence.

10. Accelerating People capacity & capability for Global Growth.

At the beginning of the year the Company announced a new organisation structure and provided P & L ownership and larger challenging roles for our accomplished leaders at the top. Today, Venkat Iyer leads the Indian Operations as CEO and Ravi Seth smoothly moved on job rotation from a Group CFO role to CEO for International Operations. As senior leaders grow within Strides and take larger roles they gain diverse exposure and insights about our businesses, products, markets and about our customers. It helps us enhance their commitment to building the organisation and build a culture of collaborative leadership at the top to accelerate our growth.

Of significant relevance is our ability to attract key Leadership Talent over the last 12-18 months from some of the best companies globally. At the group level, we successfully inducted senior leadership in R & D, Finance, Strategic Initiatives and in HR during the year. In International market we now have a Regional Director in Europe and in North America. All of them have come with a minimum 20 years of diverse experience from well known companies. The Company also added key talent through acquisitions during the year - Dennis Bastas as the CEO for Australasia who is also the founder promoter of Ascent Pharmahealth Ltd, Australia and Sinhue Noronha, an entrepreneur, who now leads Africa business.

The Company launched a rigorous process of Balance score card as a means for goal setting and to get senior management aligned to the strategy of the company. We are seeing initial gains in teaming and cross functional engagement. We also continued our investment in leadership & technical competency development and our engagement with BITS Pilani, IIM Bangalore and JSS Mysore got strengthened over the year. The Stock options were also granted to few employees under the Strides Arcolab ESOP 2006 scheme and Strides Arcolab ESOP 2008 scheme.

As of December 31, 2008, the Company had 1447 permanent employees in its India operations with 311 Post Graduates including 7 Doctorates. Of these 370 of them were engaged in Research & Development activities.

TO THE MEMBERS OF STRIDES ARCOLAB LIMITED

We have audited the attached Balance Sheet of **STRIDES ARCOLAB LIMITED** as at December 31, 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance 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 the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books;
- (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) the Company has early adopted Accounting Standard 30 'Financial Instruments: Recognition and Measurement', along with the limited revision to Accounting Standard 2 'Valuation of Inventories', Accounting Standard 11 'The Effect of Changes in Foreign Exchange Rates', Accounting Standard 21 'Consolidated Financial Statements and Accounting for Investment in Subsidiaries in Separate Financial Statements', Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', Accounting Standard 26 'Intangible Assets', Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures', Accounting Standard 28 'Impairment of Assets', and Accounting Standard 29 'Provisions, Contingent Assets and Contingent Liabilities, arising from the announcement of the Institute of Chartered Accountants of India on 29 March 2008, as stated in Note B.6 of Schedule P to the financial statements. Pursuant to the above, as detailed in note B.6.6 of Schedule P to the financial statements, certain US Dollar investments in subsidiaries and joint ventures have been designated as hedged items in a fair value hedge for changes in spot rates and have been restated at the closing exchange rate at December 31, 2008 and a credit of Rs. 923.40 Million has been recognised in the Profit and Loss Account, as compared to the earlier policy of valuing these investments at cost less diminution that is other than temporary, as required under Accounting Standard 13 'Accounting for Investments', notified under section 211 (3C) of the Companies Act, 1956.
- (e) read with our comments in paragraph (d) above, in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956.
- (f) on the basis of the written representations received from the directors, as on December 31, 2008, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 December, 2008 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- (g) attention is invited to Note B.17.1 of Schedule P regarding the excess managerial remuneration paid and the Company's proposal regarding the same.
- (h) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

V. Balaji
Partner

Place : Bangalore
Date : February 25, 2009

Membership No. 203685

Annexure to the Auditors' Report

(Referred to in our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses, iii (d), (f) and (g), vi, xii, xiii, xiv, xix and xx of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) Although some of the fixed assets of the Company have been disposed off during the year, in our opinion and according to the information and explanation given to us, the ability of the Company to continue as a going concern is not affected.
- (iii) In respects of its inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion, and according to the information and explanation given to us, the procedures for physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has granted loan to one party. As at the year-end, the outstanding balances of such loan granted is Rs. Nil and the maximum amount involved during the year was Rs. 74.39 Million.
 - (b) The rate of interest and other terms and conditions of such loan are in our opinion, prima facie, not prejudicial to the interests of the Company.
 - (c) The receipt and payment of principal amounts and interest have during the year been regular as per stipulations.
- (v) Accordingly to the information and explanation given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items of inventory and fixed assets purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in the internal control systems.
- (vii) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief, and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register maintained under the said section have been so entered.
 - (b) In our opinion and having regard to our comments in paragraph (vi) above, with regard to purchases of certain items of inventory for which comparative quotes are not available, transactions (excluding loans covered by our comments under paragraph (iv) above) made in pursuance of such contracts or arrangements, in excess of Rs. 5 lakhs in respect of any party, have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.
- (viii) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the management has been commensurate with the size of the Company and the nature of its business.
- (ix) We have broadly reviewed the books of account and records maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (x) In respect of statutory dues:
 - (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year and there are no undisputed statutory dues as noted above which are outstanding for a period more than six months from the date they became payable.

- (b) According to the information and explanations given to us, details of disputed income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess, which have not been deposited as on 31 December, 2008 on account of any dispute are given below:

Name of statute	Nature of the dues	Amount (Rs. In Millions)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act	Income Tax (incl. interest)	10.11	AY 1998-99	Income Tax Appellate Tribunal
Income Tax Act	Income Tax (incl. interest)	22.71	AY 1999-00	Income Tax Appellate Tribunal
Income Tax Act	Penalty	0.70	AY 2001-02	Commissioner of Income Tax (Appeals)
Income Tax Act	Income Tax (incl. interest)	73.33	AY 2002-03	Income Tax Appellate Tribunal
Income Tax Act	Penalty	6.77	AY 2002-03	Income Tax Appellate Tribunal
Income Tax Act	Income Tax (incl. interest)	91.96	AY 2004-05	Commissioner of Income Tax (Appeals)
Income Tax Act	Income Tax (incl. interest)	141.85	AY 2005-06	Commissioner of Income Tax (Appeals)
Customs and Excise Laws	Excise duty	3.86	August 2005	Customs and Excise Service Tax Appellate Tribunal

- (xi) The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks.
- (xiii) We draw attention to note B.2.1 of Schedule P to the financial statements regarding the Company providing a guarantee upto a maximum amount of Rs. 746 million in respect of loans given by financial institutions to Sequent Scientific Limited, a Company which was a wholly owned subsidiary of the Company at the time such guarantee was given. Consequent to disposal of the investment in Sequent Scientific Limited during the previous year, the Company has charged a guarantee commission during the year and has initiated procedures to cancel the above referred guarantees.
In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by subsidiary companies from financial institutions, are not prima facie prejudicial to the interests of the Company.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on a short term basis to the extent of approximately Rs. 533.14 Million have been used during the year for long term investment.
- (xvi) According to the information and explanations given to us, the price at which the Company has made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 is not prima facie prejudicial to the interests of the Company.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

V. Balaji
Partner

Place : Bangalore
Date : February 25, 2009

Membership No. 203685

Balance Sheet as at

(Rupees in Millions)

	Schedule	Dec 31, 2008	Dec 31, 2007
I. SOURCES OF FUNDS			
1. Shareholders' funds			
a) Share capital	A	892.11	841.65
b) Monies pending allotment (Refer Note B.7, Schedule 'P')		-	189.87
c) Employees stock options outstanding account	B	17.89	4.73
d) Reserves & surplus	C	2,897.33	1,603.29
		3,807.33	2,639.54
2. Loan funds			
a) Secured loans (Refer Note B.6, Schedule 'P')	D	3,737.35	2,993.97
b) Unsecured loans (Refer Note B.6, Schedule 'P')		7,237.27	7,633.72
		10,974.62	10,627.69
3. Deferred tax liability (Net)			
(Refer Note B.21, Schedule 'P')		58.50	79.50
Total		14,840.45	13,346.73
II. APPLICATION OF FUNDS			
1. Fixed assets			
a) Gross block	E	2,674.67	2,541.81
Less : Accumulated depreciation		1,062.04	886.30
Net block		1,612.63	1,655.51
b) Capital work-in-progress & advances		1,454.08	504.62
		3,066.71	2,160.13
2. Investments			
	F	9,395.80	8,361.69
3. Current assets, loans and advances			
a) Inventories	G	869.71	722.07
b) Sundry debtors (Refer Note B.6, Schedule 'P')		2,084.40	1,241.61
c) Unbilled revenues		778.84	560.59
d) Cash & bank balances		163.82	1,255.92
e) Loans and advances		1,176.28	1,662.49
		5,073.05	5,442.68
Less: Current liabilities & provisions			
a) Current liabilities	H	1,985.96	2,325.07
b) Provisions		709.15	292.70
		2,695.11	2,617.77
Net current assets		2,377.94	2,824.91
4. Profit & loss account			
Less : Transferred to General Reserve as per Contra		47.68	109.03
		-	-
Total		14,840.45	13,346.73

Accounting policies and notes on accounts
The above schedules form an integral part of the financial statements.

As per our report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Balaji
Partner
Membership No. 203685

Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director
K.R.Ravishankar - Director
Kannan.N - Company Secretary

Profit & Loss Account

for the year ended

(Rupees in Millions)

	Schedule	Dec 31, 2008	Dec 31, 2007
I. INCOME			
1. Sales & services (including export incentives)	I	5,931.38	4,132.26
2. Other income	J	689.95	180.22
Total		6,621.33	4,312.48
II. EXPENDITURE			
1. Materials consumed	K	3,464.85	2,418.65
2. (Increase)/Decrease in stock	L	(44.24)	(93.73)
3. Personnel cost	M	631.45	516.23
4. Operating and other expenses	N	1,215.53	1,337.85
5. Finance charges	O	654.27	454.96
6. Loss on sale of long term investment		-	95.30
Total		5,921.86	4,729.26
III. PROFIT/ (LOSS) BEFORE DEPRECIATION, EXCEPTIONAL ITEMS AND TAX		699.47	(416.78)
7. Depreciation	E	188.77	188.88
IV. PROFIT / (LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		510.70	(605.66)
8. Impairment in investment in subsidiaries		-	815.32
9. Exchange losses / (gain) on FCCB, ECB & Forward Exchange contracts (net) (Refer Note B.6, Schedule 'P')		1,841.94	(240.72)
10. Exchange Gains on restatement of Hedged Investments (Refer Note B.6, Schedule 'P')		(923.40)	-
11. Changes in fair value of embedded derivatives in FCCBs (Refer Note B.6, Schedule 'P')		(452.21)	-
V. PROFIT / (LOSS) BEFORE TAX		44.37	(1,180.26)
Less: Provision for tax - Current		14.00	35.00
- Deferred [Net]		(21.00)	(66.70)
- Fringe Benefit Tax		4.02	3.58
- MAT Credit entitlement		(14.00)	-
VI. PROFIT / (LOSS) AFTER TAX		61.35	(1,152.14)
Balance brought forward		(109.03)	1,045.19
Differential tax on equity dividend		-	2.08
VII. BALANCE CARRIED TO BALANCE SHEET		(47.68)	(109.03)
VIII. EARNINGS / (LOSS) PER SHARE			
(Face value of Rs.10 each)			
- Basic (in Rs.)		0.69	(33.98)
- Diluted (in Rs.)		0.69	(33.98)
(Refer Note B.29, Schedule 'P')			
Accounting policies and notes on accounts	P		
The above schedules form an integral part of the financial statements.			

As per our report of even date

For DELOITTE HASKINS & SELLS

Chartered Accountants

V. Balaji

Partner

Membership No.203685

Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director

K.R.Ravishankar - Director

Kannan.N - Company Secretary

Cash Flow Statement

for the year ended

(Rupees in Millions)

Dec 31, 2008 Dec 31, 2007

A. Cash flow from Operating Activities

Net Profit / (Loss) before tax		
Adjustments for:	44.37	(1,180.26)
Add: Depreciation and amortisation	188.77	188.88
Provision for doubtful debts	9.60	2.57
Unbilled Debtors written off	55.14	203.10
Loss on sale of investments	-	95.30
Impairment in Long term investments	-	815.32
Impairment in Brands & Registrations / Obsolescence in Assets	14.22	13.24
Loss on sale of assets	2.93	3.27
Interest Expenses	592.64	406.76
Compensation under ESOP Scheme	13.16	4.73
Unrealised Exchange Loss (net)	1,381.48	-
Less: Dividend received	20.82	23.00
Unrealised Exchange Gain (net)	-	40.94
Interest received	43.25	137.21
Profit on Sale of Investment	2.21	-
Exchange Gains on restatement of Hedged Investments	923.40	-
Changes in fair value of embedded derivatives in FCCBs	452.22	-
Operating profit before working capital changes	860.41	351.76
Changes in working capital		
(Increase)/Decrease in Trade and other receivables	515.49	(567.62)
(Increase)/Decrease in Inventories	(147.63)	(83.76)
Increase/(Decrease) in Trade and other payables	(259.85)	831.48
(Increase)/Decrease in Margin money	(5.33)	(17.94)
Net change in working capital	102.68	162.16
Cash generated from operations	963.08	513.92
Direct taxes paid	(14.31)	(31.95)
Net cash from Operating Activities	A	948.78
Net cash from Operating Activities		481.97
B. Cash flow from Investing Activities		
Purchase of fixed assets / CWIP	(1,116.41)	(657.40)
Investment in subsidiaries / Joint Ventures	(1,342.71)	(5,983.80)
Sale of Long term Investments / Refund of share application money	1,231.69	55.20
Sale of fixed assets	30.76	2.53
Dividend / Interest received	74.74	160.21
Net cash used in Investing Activities	B	(1,121.93)
Net cash used in Investing Activities		(6,423.26)
C. Cash flow from Financing Activities		
Proceeds from issue / (Repayment) of Share / Warrants (Net)	-	(111.60)
Proceeds from Foreign Currency Convertible Bonds	-	3,998.70
Proceeds from 5% Fully Convertible Debentures	-	2,018.29
Proceeds from long term borrowings	-	591.00
Proceeds from / (Repayment of) short term borrowings	(434.50)	1,183.28
Proceeds from / (Repayment) of long term borrowings	(59.86)	(233.30)
Equity Dividend paid	-	(69.10)
Tax paid on dividends	-	(16.02)
Interest paid on borrowings	(429.98)	(377.25)
Net cash generated from Financing Activities	C	(924.34)
Net cash generated from Financing Activities		6,984.00

Cash Flow Statement

for the year ended

(Rupees in Millions)

	Dec 31, 2008	Dec 31, 2007
Net Increase/(Decrease) in cash and cash equivalents during the year (A+B+C)	(1,097.49)	1,042.71
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	0.06	37.87
Cash and cash equivalents at the beginning of the year	1,154.05	73.47
Cash and cash equivalents at the end of the year	56.62	1,154.05

Note: Refer Note B.30, Schedule 'P' for notes on Cash Flow Statement

As per our report of even date

For DELOITTE HASKINS & SELLS

Chartered Accountants

V. Balaji
Partner

Membership No. 203685

Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director

K.R.Ravishankar - Director

Kannan. N - Company Secretary

(Rupees in Millions)

Dec 31, 2008

Dec 31, 2007

A**SHARE CAPITAL**

1. Authorised		
a) Equity		
70,000,000 equity shares of Rs.10 each	700.00	700.00
b) Preference		
620,000 cumulative redeemable preference shares of Rs.1,000 each	620.00	620.00
	1,320.00	1,320.00
2. Issued, subscribed and paid-up		
a) Equity		
40,050,014 (Previous year 35,004,289) equity shares of Rs.10 each fully paid .		
Of these:	400.50	350.04
i) 3,118,875 equity shares of Rs.10 each were allotted to the Promoters and their associate companies on exercising of the Warrants.		
ii) 210,955 equity shares of Rs.10 each were allotted to the erstwhile share holders of Bombay Drugs & Pharmas Ltd., consequent to amalgamation with the Company.		
iii) 1,251,000 equity shares of Rs.10 each were issued as bonus shares by capitalisation of General Reserve.		
iv) 1,912,500 equity shares of Rs.10 each were issued consequent to amalgamation to the shareholders of erstwhile Remed Laboratories (India) Ltd and Plama Laboratories Ltd.		
b) Preference		
491,606, 6% cumulative redeemable preference shares of Rs.1,000 each fully paid (Refer Note B.4 Schedule 'P')	491.61	491.61
Total	892.11	841.65

B**EMPLOYEE STOCK OPTIONS OUTSTANDING**

Employee Stock Options Outstanding (Refer Note B.8, Schedule 'P')	42.83	18.08
Less : Deferred employee compensation expenses	24.94	13.35
Closing Balance	17.89	4.73

C**RESERVES AND SURPLUS**

1. General Reserve		
Opening Balance	251.34	255.56
Less : Adjustment under transitional provisions of AS-15 (Revised) (Refer Note B.9, Schedule 'P')	-	4.22
Less : Adjustment under transitional provisions of AS-30 (Refer Note B.6, Schedule 'P')	60.08	-
	191.26	251.34
Less: Debit balance in Profit & Loss Account as per contra	47.68	109.03
Closing Balance	143.58	142.31
2. Capital Reserve		
Opening Balance	35.74	35.74
Add : Forfeiture of amount received towards Share Warrants (Refer Note B.7., Schedule 'P')	189.87	-
	225.61	35.74
3. Capital Redemption Reserve	60.00	60.00
4. Debenture Redemption Reserve (Refer Note B.4 and B.6, Schedule 'P')		
Opening Balance	934.71	651.15
Add: Transfer from Securities Premium account (Refer Note B.4, Schedule 'P')	-	355.06

(Rupees in Millions)

	Dec 31, 2008	Dec 31, 2007
Less: Adjustment for exchange fluctuation on restatement of Debenture Redemption Premium (transferred to Securities Premium Account)	-	71.50
Less: Reserves created for redemption of FCCBs transferred to Securities Premium Account (Refer Note B.6, Schedule 'P')	934.71	-
Closing Balance	-	934.71
5. Securities Premium		
Opening Balance	430.53	772.78
Add: Additions during the year on fresh issue of shares (Refer Note B.5, Schedule 'P')	1,967.83	16.61
Add: Transfer from Debenture Redemption Reserve Account (Refer Note B.4 and B.6, Schedule 'P')	934.71	71.50
Less : Expenses relating to issue of Foreign Currency Convertible Bonds	-	75.30
Less : Transferred to Debenture Redemption Reserve (Refer Note B.5, Schedule 'P')	-	355.06
Less : Amortisation of Premium on redemption of FCCB's and issue expenses (Refer Note B.4, Schedule 'P')	864.93	-
Closing Balance	2,468.14	430.53
Total	2,897.33	1,603.29

D

LOAN FUNDS

A. SECURED LOANS

1. Long term loans		
a) From banks	1,094.43	928.59
b) From others	15.00	25.00
	1,109.43	953.59
2. Short term loans		
a) From banks (Refer Note 'e' below)	2,627.92	2,040.38
	2,627.92	2,040.38
Total	3,737.35	2,993.97

Notes :

- Long term loans (other than hire purchase loans) are secured by a pari passu first charge on all movable properties and the immovable properties at certain facilities of the Company. Hire purchase loans from Banks are secured by hypothecation of assets acquired there under.
- Long term loans (other than hire purchase loans) due within one year Rs.231.13 Million (Previous year Rs.50.93 Million). Hire purchase loans from banks due within one year Rs.2.48 Million (Previous year Rs.2.93 Million).
- Short term loans from banks are working capital loans, which are secured by a pari passu first charge on the Company's immovable property located at Navi Mumbai and the current assets of the Company and by a pari passu second charge of certain other immovable properties.
- Some of the above loans amounting to Rs.165.00 Million (Previous year Rs.268.86 Million) are guaranteed by some of the Directors of the Company in their personal capacities.
- Short term loans from Banks includes Bills discounted with various Banks for Rs.974.61 Million (Previous year Rs.Nil) (Refer Note B.2.4 and B.6, Schedule 'P'). These loans are secured by the respective debtors.

B. UNSECURED LOANS

1. Long term loans		
a) Foreign Currency Convertible Bonds (FCCB's) (Refer Note B.6, Schedule 'P')		
- Debt Portion of FCCB's	7,051.07	5,516.00
- Fair value of embedded derivatives in FCCB's	134.20	-
b) Fully Convertible Debentures (Refer Note B.5, Schedule 'P')	-	2,018.29
	7,185.27	7,534.29
2. Short term loans		
a) From banks	52.00	99.43
	52.00	99.43
Total	7,237.27	7,633.72

Notes :

- Unsecured loans from Banks represents Short term loans payable within a year.

FIXED ASSETS

(Rupees in Millions)

SI No	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As on 01.01.2008	Additions During the year	Deletions	As on 31.12.2008	Up to 31.12.2007	For the Year	On Deletions / Adjustments	Up to 31.12.2008	As on 31.12.2008	As on 31.12.2007
1	FREEHOLD LAND	55.94	0.75	34.58	22.11	-	-	-	-	22.11	55.94
2	LEASEHOLD LAND	19.80	4.82	-	24.62	-	-	-	-	24.62	19.80
3	BUILDING	567.04	10.90	0.37	577.57	97.59	22.76	0.07	120.28	457.29	469.45
4	FURNITURE & FIXTURES	74.80	5.51	4.34	75.97	27.75	5.17	1.61	31.31	44.66	47.05
5	OFFICE EQUIPMENT & COMPUTERS	85.31	5.53	5.54	85.30	34.32	9.35	2.41	41.26	44.04	50.99
6	PLANT & MACHINERY	1,634.10	159.11	15.64	1,777.57	685.53	132.62	5.10	813.05	964.52	948.57
7	MOTOR VEHICLES	24.71	1.57	5.31	20.97	6.74	2.06	3.84	4.96	16.01	17.97
8	REGISTRATIONS & BRANDS (Refer note 'f')	35.85	0.13	-	35.98	17.79	7.19	-	24.98	11.00	18.06
9	SOFTWARE LICENCES	44.26	10.32	-	54.58	16.58	9.62	-	26.20	28.38	27.68
	TOTAL	2,541.81	198.64	65.78	2,674.67	886.30	188.77	13.03	1,062.04	1,612.63	1,655.51
	Previous Year	2,344.33	281.62	84.14	2,541.81	725.70	188.88	28.28	886.30	1,655.51	1,618.63
	Capital work in progress at cost and advance payments against capital expenditure									1,454.08	504.62
	Total									3,066.71	2,160.13

Notes :

- Addition to Freehold Land includes compensation paid to the original owners of land amounting to Rs.0.75 Million (Previous year Rs.2.35 Million).
- Deletion of Freehold land during the year includes part of land acquired by Karnataka Industrial Area Development Board (KIADB) at cost (Rs.13.45 Million) and the same was allotted on lease cum sale basis to the Company.
- Leasehold land represents land allotted by the KIADB on lease-cum-sale basis. During the previous year the Company entered into an agreement for transfer of a portion of this land to Onco Therapies Limited, a subsidiary, for a consideration of Rs.13.26 Million. This transfer of land is approved by KIADB during the year.
- Buildings include buildings on leasehold land Rs.177.60 Million (Previous year Rs. 173.00 Million).
- Motor Vehicles include Vehicles purchased under Hire purchase schemes amounting to Rs.14.88 Million (Previous year Rs.18.62 Million).
- Deletions / Adjustments under Gross Block and Depreciation relating to previous year includes amounts relating to Brand that were impaired during the previous year. The net block of such Brand that were charged to the profit and loss account was Rs. 13.24 Million.
- Additions / Capital work in progress includes interest on borrowings Rs.26.87 Million (Previous year Rs. 8.61 Million).

(Rupees in Millions)

Dec 31, 2008

Dec 31, 2007

F**INVESTMENTS (Unquoted)** (Refer Note B.6, Schedule 'P')

	Shares	Face Value	Nos	Value	Nos	Value
1. Long term investments						
Trade investments						
A) Subsidiaries						
i) Global Remedies Ltd	Equity	Rs.10/-	10,579,876	119.40	10,579,876	119.40
ii) Quantum Life Sciences Pvt. Ltd	Equity	Rs.10/-	12,600,000	126.00	12,600,000	126.00
iii) Arcolab SA, Switzerland	Equity	SFR 1000	1,000	45.00	1,000	45.00
iv) Strides Africa Ltd, British Virgin Islands	Equity	US\$ 1/-	4,522,911	219.87	4,522,911	198.68
(Refer Note B.6, Schedule 'P')						
v) Strides Arcolab International Ltd, UK	Equity	GBP 1/-	1,000,000	78.38	1,000,000	78.38
vi) Strides Arcolab International Ltd., UK	Equity		-	2,449.60	-	2,458.47
(Share application money)						
vii) Quantum Life Sciences Pvt. Ltd.	0.1% Redeemable Preference	Rs.100/-	200,000	200.00	200,000	200.00
viii) Medgene Pharmaceuticals Private Ltd	Equity	Rs.10/-	90,000	5.25	90,000	5.25
ix) Strides Latina, Uruguay	Equity	US\$ 1/-	-	-	1,959,918	1,191.34
(Refer Note B.11.1, Schedule 'P')						
x) Strides SA Pharmaceutical Pty.Ltd., South Africa	Equity	Rand 1/-	510	4.69	510	4.69
xi) Strides Inc, USA	Equity	US\$ 1/-	13,605,000	614.23	13,605,000	614.23
xii) Strides Inc, USA	6% Redeemable Preference	US\$ 1/-	4,010,883	183.87	4,010,883	183.87
xiii) Grandix Pharmaceuticals Limited	Equity	Rs.10/-	4,626,000	1,052.39	4,615,900	1,050.03
(Refer Note B.10 a, Schedule 'P')						
xiv) Starsmore Limited	Equity	EUR 1	2,000	0.12	2,000	0.12
xv) Starsmore Limited	Equity		-	4,674.54	-	2,589.14
(Share application money)						
(Refer Note B.6, Schedule 'P')						
xvi) Onco Therapies Limited	Equity	Rs.10/-	683,468	364.74	478,429	246.85
B) Joint Ventures						
i) Akorn Strides LLC, USA	Equity		-	73.04	-	65.56
(Refer Note B.6 and B.12, Schedule 'P')						
				- 10,211.12	- 9,177.01	
Less :						
Diminution in value of Investments						
i) Strides Inc, USA	Equity	US\$ 1/-	13,605,000	614.23	13,605,000	614.23
ii) Strides Inc, USA	6% Redeemable Preference	US\$ 1/-	4,010,883	183.87	4,010,883	183.87
iii) Arcolab SA, Switzerland	Equity	SFR 1000		17.22		17.22
				815.32	815.32	
Total				9,395.80	8,361.69	
Aggregate value of unquoted investments				9,395.80	8,361.69	
Additions during the year :				Shares	Nos	Cost
i) Grandix Pharmaceuticals Limited	Equity		10,100	2.36	-	-
ii) Onco Therapies Limited	Equity		205,039	117.89	-	-
iii) Starsmore Limited	Application money		-	1,684.30	-	-
iv) Strides Arcolab International Limited, UK	Application money		-	29.27	-	-
Deletion during the year :						
i) Strides Latina, Uruguay	Equity		1,959,918	1,191.34	1,193.55	2.21
Refunds during the year :						
i) Starsmore Limited	Application money		-	373.24	-	-
ii) Strides Arcolab International Limited, UK	Application money		-	38.14	-	-
Notes : All the investment in shares are fully paid.						

(Rupees in Millions)

Dec 31, 2008

Dec 31, 2007

G**CURRENT ASSETS, LOANS & ADVANCES****A. Current assets****1. Inventories**

a) Raw materials and packing materials	652.10	548.70
b) Work-in-process	88.80	107.88
c) Finished goods	128.81	65.49

Total	869.71	722.07
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2. Sundry Debtors (unsecured)

a) More than Six months		
- Considered Good	103.00	226.25
- Considered Doubtful	24.85	15.25
b) Others		
- Considered Good	1,981.40	1,015.36

2,109.25	1,256.86
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Less : Provision for Doubtful Debts	24.85	15.25
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Total	2,084.40	1,241.61
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3. Unbilled Revenues	778.84	560.59
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4. Cash and bank balances

a) Cash in hand	0.87	0.73
b) Balance with scheduled banks		
i) In current account	54.74	1,107.98
ii) in margin money account	107.20	101.87
iii) in fixed deposit account	0.09	40.53
c) Balance with other banks		
i) In current account [Maximum amount during the year - Deutsche Bank, Singapore Rs. 288.15 Million (Previous year Rs.48.92 Million) and Yes Bank Rs.1.23 Million (Previous year Rs.18.01 Million)]	0.92	4.81

Total	163.82	1,255.92
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B. Loans and advances

(unsecured, considered good)

a) Advance recoverable in cash or in kind or for value to be received	224.65	253.36
b) Advance income tax and tax deducted at source	246.86	232.55
c) Deposits with and dues from Government departments	179.05	216.23
d) Deposits with others	102.79	163.86
e) Loan to an erstwhile subsidiary	-	72.36
f) Loans and Advances to subsidiaries	422.93	724.13

Total	1,176.28	1,662.49
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Total	5,073.05	5,442.68
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H**CURRENT LIABILITIES AND PROVISIONS****A. Current liabilities**

a) Sundry Creditors		
- Dues to Micro / Small Enterprises	-	0.59
- Dues to Others	1,649.58	1,686.50
b) Unclaimed dividend	1.54	1.59
c) Interest accrued but not due	14.24	41.98
d) Other Liabilities	19.67	44.97
e) Advances received from customers	300.93	549.44

Total	1,985.96	2,325.07
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(Rupees in Millions)

	Dec 31, 2008	Dec 31, 2007
B. Provisions		
a) Leave salary	58.83	37.73
b) Income taxes including FBT	214.19	196.17
c) Gratuity	39.79	13.01
d) Preference Dividend (Refer Note B.4, Schedule 'P')	45.79	45.79
e) Provision for MTM losses on Forward Exchange Contracts (Refer Note B.6, Schedule 'P')	350.55	-
Total	709.15	292.70
Total	2,695.11	2,617.77

Schedules forming part of the Profit and Loss Account for the year ended

Dec 31, 2008 Dec 31, 2007

I
SALES & SERVICES

a) Sale of products [including sale of traded goods Rs.467.36 Million (Previous year Rs.306.92 Million) Less: Excise duty on domestic sales	5,190.40	3,476.04
Net sales	5,161.49	3,473.75
b) Sale of Product Dossiers	374.75	113.04
c) Development Income	370.88	518.05
d) Contract manufacturing services	24.26	23.85
e) Export licences & incentives (Net)	-	3.57
Total	5,931.38	4,132.26

J
OTHER INCOME

a) Dividend from Long Term Investments	20.82	23.00
b) Exchange fluctuation gain (Net)	384.85	-
c) Other Income (Refer Note B.11 (ii), Schedule 'P')	238.82	20.00
d) Profit on Sale of Investment	2.21	-
e) Interest Received [TDS Rs.4.59 Million (Previous year Rs.4.61 Million)]	43.25	137.22
Total	689.95	180.22

K
MATERIALS CONSUMED

Raw materials, packing materials & consumables		
Opening stock	548.70	558.66
Add: Purchases including purchase of traded goods Rs.380.43 Million (Previous year Rs.283.62 Million)	3,568.25	2,408.69
Less: Closing stock	652.10	548.70
Total	3,464.85	2,418.65

L
(INCREASE) / DECREASE IN STOCK

i) Opening stock		
Work in process	107.88	45.94
Finished goods	65.49	33.70
	173.37	79.64
ii) Closing stock		
Work in process	88.80	107.88
Finished goods	128.81	65.49
	217.61	173.37
Total	(44.24)	(93.73)

Schedules forming part of the Profit and Loss Account
for the year ended

(Rupees in Millions)

Dec 31, 2008 Dec 31, 2007

M

PERSONNEL COST

(Refer Note B.17.5 & 19, Schedule 'P')

Salaries, wages and allowances	543.00	440.61
Contribution to provident and other funds	38.41	30.51
Staff welfare expenses	50.04	45.11
Total	631.45	516.23

N

OPERATING AND OTHER EXPENSES

(Refer Note B.17.5 & 19, Schedule 'P')

Power, fuel & water	140.20	131.08
Consumables	205.19	125.05
Conversion & Processing charges	92.90	98.68
Freight & forwarding	249.41	128.38
Rent	51.36	47.59
Rates & taxes	13.66	11.85
Communication charges	13.03	12.18
Repairs & maintenance		
- Buildings	10.78	10.40
- Machinery	18.94	12.45
- Others	57.51	56.77
Insurance	5.89	9.23
Travelling & conveyance	32.77	57.15
Advertisement & Selling expenses	29.41	56.59
Commission on sales	51.57	11.93
Legal & Professional fees	47.83	56.81
Other expenses	53.99	49.73
Impairment in brands / Obsolescence in Assets	14.22	13.24
Loss on sale of assets	2.93	3.27
Assets written off	-	8.64
Provision for Doubtful Debts	9.60	2.57
Unbilled Debtors written off	55.14	203.10
Bio Study	59.20	49.96
Exchange fluctuation Loss (Net)	-	181.20

Total	1,215.53	1,337.85
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O

FINANCE CHARGES

(Refer Note B.17.5 & 19, Schedule 'P')

Bank charges & commission	61.63	48.20
Interest on working capital & other facilities	258.28	251.92
Amortised Interest on Fixed loans and Foreign Currency	334.36	154.84
Convertible Bonds		

Total	654.27	454.96
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P

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

1.1 Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis except for certain financial assets, liabilities which are measured on fair value basis and in accordance with the Generally Accepted Accounting Principles in India, the Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 and the Standards issued by the Institute of Chartered Accountants of India.

1.2 Revenue

1.2.1 Revenue from export sales is recognized on the basis of the shipping bills for exports. Revenue from domestic sales is recognized based on the passage of title to goods which generally coincides with dispatch. Sales includes excise duty and are stated net of discounts, other taxes, and sales returns.

1.2.2 Revenue from development services:

- a) In respect of contracts which require development on end to end basis, revenue is recognised based on technical estimates of the stage of work.
- b) In respect of other development contracts, revenue is recognised on the basis of the performance milestones provided in the contract.

1.2.3 Revenue from sale of dossiers is recognised on percentage completion method. The extent of completion is determined based on costs incurred and the total cost for completion of the contracts.

1.2.4 Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

1.2.5 Export incentives are accounted on accrual basis and include estimated realisable values/benefits from special import licenses and benefits under Duty Entitlement Pass Book schemes, wherever applicable.

1.2.6 Dividend income is recognized whenever the right to receive dividends is established.

1.2.7 Other income is recognised when such income accrue to the Company.

1.3 Fixed Assets

Fixed assets and intangibles (other than in-house product development costs) are recorded at their acquisition cost and subsequent improvements thereto. Cost includes related pre-operative project expenditure and interest on borrowings attributable to the funds borrowed in respect of qualifying assets, for the period up to completion of construction or when the assets are ready to be put to use, as applicable. In-house product development costs are capitalised in accordance with Paragraph 1.8 below.

1.4 Impairment of Assets

As at each Balance Sheet date, the carrying amount of fixed assets is tested for impairment if impairment conditions exist. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- a) in the case of an individual asset, at the higher of the net selling price and value in use.
- b) in the case of cash generating units, at the higher of the unit's net selling price and the value in use.
Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

1.5 Depreciation

Depreciation is provided under the straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates.

In the case of the following assets, depreciation is provided under the straight line method over the useful life of the assets as follows:

Dies and Punches	:	4 years
Registrations and Brands	:	5 years
Software Licenses	:	5 years

Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

1.6 Inventories

Inventories comprise raw materials, packing materials, consumables, work in process and finished goods. These are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials, packing materials and consumables	:	weighted average basis
Work in process	:	at material cost and an appropriate share of production overheads
Finished Goods	:	material cost and an appropriate share of production overheads and excise duty, wherever applicable

1.7 Employee benefits

The Company's contribution to Provident Fund is charged to revenue on accrual basis.

Leave balances standing to the credit to the employees that are expected to be availed in the short term are provided for on full cost basis. Liability for unavailed leave considered to be long term is carried based on an actuarial valuation. Liability for gratuity is funded with SBI Life Insurance Company Limited. Gratuity expenses for the year are accounted based on actuarial valuation carried out as at the end of the fiscal year. The obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short term employee benefits like medical, leave travel, etc are accrued based on the terms of employment on a time proportion basis.

1.8 Research & Development Expenditure

Development expenses incurred on specific / identified in-house developed products are capitalised from the date on which the Company is able to demonstrate technical feasibility and probable future economic benefits in respect of the products. The amount capitalised comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

Other development and research expenses are charged to the Profit and Loss account.

Fixed assets acquired for Research & Development activities are capitalised and depreciated in accordance with the policy of the Company in paragraph 1.3 and 1.5 above.

1.9 Foreign currency transactions

The transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate prevailing on the date of the balance sheet. Exchange differences on settlement or restatement are adjusted in the profit & loss account.

1.10 Investments

Current investments are carried at lower of cost and fair market value. Provision is made to recognize decline, if any, in the carrying value.

Long-term investments are valued at cost less impairment considered to be other than temporary, except for investments which are designated as hedged items for changes in the spot rate of the foreign currency underlying in the investment. Such investments are carried at fair values by restating the underlying foreign currency at the closing spot rates.

1.11 Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting

a) The Company classifies its financial assets into the following categories: financial instruments at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Company mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Company mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets / liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under other Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a Fair value hedge relationship, where such changes are recognised in the Profit and Loss account. Loans and receivables, considered not to be in the nature of Short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through profit and loss.

Other financial liabilities are carried at amortized cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognized when extinguished.

b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

c) Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets and liabilities. The Company

limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange financial instruments where the counterparty is a bank. Changes in fair values of these financial instruments that do not qualify as a Cash flow hedge accounting are adjusted in the Profit and Loss.

d) Hedge Accounting

Some financial instruments and derivatives are used to hedge interest rate, exchange rate, commodity and equity exposures and exposures to certain indices. Where derivatives are held for risk management purposes and when transactions meet the criteria specified in Accounting Standard 30, the Company applies fair value hedge accounting or cash flow hedge accounting as appropriate to the risks being hedged.

e) Fair value hedge accounting

Changes in the fair value of financial instruments and derivatives that qualify for and are designated as fair value hedges are recorded in the Profit and Loss Account, together with changes in the fair value attributable to the risk being hedged in the hedged assets or liability.

If the hedged relationship no longer meets the criteria for hedge accounting, it is discontinued.

1.12 Employee Stock Option Schemes

Employee stock options are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed under 'Personnel cost'.

1.13 Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognized for the future tax consequences arising out of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realised. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognized in the income statement in the period of enactment of the change.

1.14 Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Examples of such estimates include the useful life of fixed assets (including intangible assets), provision for doubtful debts/advances, provision for employee benefits, allowances for slow moving / non moving inventory, provision for tax, estimate of percentage of completion of work under contracts for development services and sale of dossiers.

Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

1.15 Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation. Contingent liabilities are not recognised but are disclosed in the notes to financial statements.

B. Notes on Accounts

1. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) - Rs. 283.99 Million (Previous year -Rs. 134.90 Million). Also refer Note 10. (b).

2. Contingent Liabilities

2.1 The Company has given the corporate guarantees to financial institutions and other parties towards credit facilities / advances, on behalf of subsidiaries up to Rs. 1,592.39 Million (Previous Year Rs.1,739.85 Million). However the subsidiaries have used facilities to an extent of Rs.1,296.52 Million (Previous Year 1,140.13 Million) as at the year end. The Company's fixed assets (pari-passu second charge) and some of investments in the respective subsidiaries have been offered as security in respect of some of these facilities.

In addition to the above, the Company has provided guarantees up to of Rs.746.00 Million (Previous year Rs. 746.00 Million) in connection with borrowings of Sequent Scientific Limited (Sequent), which was a subsidiary at the time issuing such guarantee. However, Sequent had utilized up to Rs.146.00 Million (Previous Year Rs. 161.27 Million) of such facility as at the year end. The company is in the process of withdrawing such guarantees.

2.2 The Company has, arising from the assessment proceedings relating to earlier years, received demands totaling to Rs.245.49 Million (Previous year Rs. 224.83 Million) from the income tax authorities on account of certain disallowances considered by them. The Company has disputed the disallowances and has, preferred appeals against these demands. Pending resolution of the same, no provision has been made in the accounts for such disputed amounts.

2.3 The Company preferred appeal with the CESTAT against the order of the Commissioner of Central Excise for

disallowing transfer of cenvat credit of Rs. 3.86 Million (Previous year Rs 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.

- 2.4 Bills discounted with Banks which are outstanding as on December 31, 2007 was Rs.651.04 Million. Consequent to adoption of Accounting Standard 30, such balances at December 31, 2008 have been included under the short term secured loan from Banks

3. Foreign currency convertible bonds

- (a) During the accounting year ending December 31, 2007, the Company issued Foreign Currency Convertible Bonds (FCCB) amounting to USD 100 Million (Rs.4,070 Million) on June 26, 2007. These bonds carry zero coupon and are to be redeemed on June 27, 2012 (unless converted into Equity Shares) at 145.058 per cent of the Principal amount.

The bonds may be redeemed in whole, but not in part at the option of the Company at any time on or after July 18, 2010 and on and prior to June 20, 2012 with a redemption premium of 7.575 per cent (which is identical to the gross yield in case of redemption at maturity) calculated on a semi annual basis. Up to December 31, 2007, Premium payable on maturity (along with related exchange fluctuation) was transferred from Securities Premium on a pro-rata basis to Debenture Redemption Reserve Account. However, consequent to the adoption of AS 30, the amortization of redemption premium up to December 31, 2008 have been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried in the Debenture Redemption Reserve has been transferred back to Securities Premium Account.

The Bonds are convertible at any time on or after August 6, 2007 and up to the close of business on June 20, 2012 by the holders of the Bonds into Shares at the option of the Bondholder, at an initial conversion price of Rs.461.553 per Share with a fixed rate of exchange of Rs.40.70 per USD on conversion. The bonds are listed on Singapore Exchange Securities Trading Limited, Singapore.

- (b) During the accounting year ending December 31, 2005, the Company had issued Foreign Currency Convertible Bonds (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 40 Million. These bonds carry an interest rate of 0.5 % p.a. and are to be redeemed on April 19, 2010 (unless converted into Equity Shares) at 136.78 percent of the Principal amount.

The Bonds may be redeemed in whole, but not in part, at the option of the Company at any time on or after April 18, 2008 but prior to April 19, 2010 with a redemption premium of 6.8% per annum (which is identical to the gross yield in case of redemption at maturity), calculated on bi-annual basis.

The Bonds are convertible by the Bond holders into shares at any time on or after May 18, 2005 at an initial price of Rs. 358.70 per share with a fixed conversion rate of Rs.43.7767 = US \$ 1.00. The initial conversion price will be subject to adjustment by the Company for Bonus issue, division, consolidation and reclassification of shares etc., as defined in the terms of issue of the Bonds.

In 2005, a reserve for the entire amount of premium payable on redemption was created under Debenture Redemption Reserve with a corresponding adjustment to Securities Premium Account. However, consequent to the adoption of AS 30, the amortization of redemption premium up to December 31, 2008 has been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried under Debenture Redemption Reserve has been transferred back to Securities Premium Account.

- (c) As at December 31, 2008, none of the above bonds had been offered for conversion.

4. Cumulative Redeemable Preference Shares

During the year ending December 31, 2005, the Company had issued 491,606 Cumulative Redeemable Preference shares of Rs.1,000/- each fully paid to KV Pharmaceuticals, USA (KV). The Cumulative Redeemable Preference shares carry dividend of 6% (Rs.60 per share) per annum. The Preference shares are redeemable at par along with accrued unpaid dividend on or before December 31, 2012. If any of these shares are not redeemed on the said date, the redemption price subsequent to December 31, 2012 shall contain an increasing default premium which shall be 10%, if redemption occurs in the year 2013 and an additional 10% per each year thereafter in which the shares are redeemed. These shares are entitled to dividends at the rate of 15%, (Rs. 150 per share) after 2012.

Preference Dividend unpaid as at December 31, 2008 represents dividends on these preference shares for the years 2005 and 2006. While these dividends have been declared, in accordance with the Share Purchase Agreement with KV, they are due and payable only on or after December 31, 2010, without interest thereon. In the absence of adequate profits, the preference dividend of Rs. 29.50 Million each for 2007 and 2008, has not been declared.

5. Fully convertible debentures

On June 8, 2007, the Company allotted 5,045,725 fully convertible debentures (FCDs) at a price of Rs.400 per debenture, on preferential basis, to Dobliss Holdings Limited (3,111,440 FCDs) and Blissup Holdings Limited (1,934,285 FCDs), associate companies of Mr.Elcemar Almeida, a non resident and non executive director of the Company. The Company has paid interest on FCDs accrued during the fiscal year 2008 amounting to Rs. 24.73 Million (Previous Year Rs. 55.86 Million).

During the year, the Company has allotted 5,045,725 equity shares pursuant to conversion of the debenture at a premium of Rs. 390 per share.

6. Adoption of Accounting Standard-30: Financial Instruments: Recognition and Measurement, issued by Institute of Chartered Accountants of India

Arising from the Announcement of the Institute of Chartered Accountants of India (ICAI) on March 29, 2008, the Company has chosen to early adopt Accounting Standard (AS) 30: 'Financial Instruments: Recognition and Measurement'.

Coterminous with this, in the spirit of complete adoption, the Company has also implemented the consequential limited revisions in view of AS 30 to AS 2, 'Valuation of Inventories', AS 11' The Effect of Changes in Foreign Exchange Rates', AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements', AS 26 'Intangible Assets', AS 27 'Financial Reporting of Interests in Joint Ventures', AS 28 'Impairment of Assets' and AS 29 'Provisions, Contingent Liabilities and Contingent Assets' as have been announced by the ICAI.

Consequent to adoption of AS 30 and the transitional provision under the standard:

The Company has changed the designation and measurement principles for all its significant financial assets and liabilities existing as at January 1, 2008. The impact on account of the above measurement of these is as described below:

6.1 Foreign Currency Convertible Bonds (FCCBs or Bonds)

On adoption of AS 30, the FCCBs are split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs.

The debt component is recognized and measured at amortized cost while the fair value of the option component is determined using a valuation model with the below mentioned assumptions.

Assumptions used to determine fair value of the options:

Valuation and amortization method — The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

Stock Price as at the date of valuation — The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

Strike price for the option — has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

Expected Term — The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

Expected Volatility — Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

Risk-Free Interest Rate —The risk-free interest rate used in the Black-Scholes valuation method is assumed at 7%.

Expected Dividend — Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

Measurement of Amortized cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has been amortized to the Securities Premium Account as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Profit and Loss Account.

Consequent to change in policy for accounting of FCCBs,

- a) Rs. 934.71 Million being the previously accrued Debenture Redemption Reserve out of the Securities Premium Account has been credited back to Securities Premium Account.
- b) Rs. 124.68 Million being the amount of FCCB issue expenses previously debited to Securities Premium Account has been reversed.
- c) Rs. 443.20 Million and Rs. 546.41 Million has been debited to Securities Premium Account as at December 31, 2007 and during the year 2008, respectively towards the amortized interest attributable to the effective yield pertaining to the redemption premium and FCCB issue expenses.
- d) Rs. 202 Million being the excess of amortized interest chargeable to Profit and Loss Account as per the policy adopted by the Company over the previously recognized interest cost upto December 31, 2007 has been debited to General Reserve Account.
- e) Interest expense for the year debited to Profit and Loss Account is higher by Rs. 216.48 Million, and Profit Before Tax for the year is lower by the corresponding amount.
- f) The difference between the fair value of the option component on the date of issue of the FCCBs and December 31, 2007 amounting to Rs. 427.10 Million has been credited to the General Reserve Account.
- g) Rs. 452.21 Million being the difference in the carrying amount of the option component between December 31, 2008 and December 31, 2007 has been credited to the Profit and Loss Account of the year.
- h) Rs. 63.31 Million being the incremental exchange difference upto December 31, 2007 arising out of the accounting treatment of FCCBs described above has been debited to General Reserve Account.

- i) Exchange loss on restatement of FCCBs is lower and Profit Before Tax for the year is higher by Rs. 101.54 Million.
- 6.2 Consequent to change in policies for accounting for External commercial borrowings (another financial liability), excess of amortized interest cost of Rs. 0.53 Million and Rs. 0.79 Million chargeable to Profit and Loss Account as per the policy adopted by the Company over the previously recognized interest cost for the period upto December 31, 2007 and for year ended December 31, 2008, respectively, has been debited to General Reserve Account and the Profit and Loss account respectively.
- 6.3 The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 or the fair values on the measurement date. At December 31, 2008, the fair values of such financial assets are equal to such liabilities and have been set off in the financial statements.
- 6.4 As required under the Companies Act, 1956, Redeemable Preference Shares are included as part of share capital and not as debt and dividend on the preference shares will be accounted as dividend as part of appropriation of profits and have not been accrued as interest cost. Further, due to inadequate profits, the Company has not accrued dividend of Rs. 29.50 Million each for the year ended December 31, 2007 and December 31, 2008, and the related Dividend distribution taxes.
- 6.5 Fully convertible debentures are considered as borrowings and are not disclosed as part of shareholder funds, and interest thereon of Rs. 24.73 Million is debited to the Profit and Loss Account as interest cost as required under the Companies Act, 1956 and has not been treated as dividend.

6.6 Hedge Accounting:

The Company had prior to December 31, 2007 designated its investments in Starsmore Limited, Cyprus, Strides Africa Limited, British Virgin islands and Akorn Strides LLC, USA, whose functional currency is US dollars as hedged items in a fair value hedge and to the extent of the hedge items, designated FCCB's availed in US dollars as hedging instruments, to hedge the risk arising from fluctuations in the foreign exchange rate between the Indian Rupee and the US dollar. The carrying values of the designated hedged items and the hedging instruments as at December 31, 2008 is USD 100.55 Million and USD 69.20 Million as at December 31, 2007.

Accordingly, applying the fair value hedge accounting principles, the exchange gains / losses on the hedging instrument is recognized in Profit and Loss Account along with the associated exchange gains / losses on the restatement of the designated portion of the investments. The impact of exchange loss arising on restatement of designated portion of the USD investments as of December 31, 2007 amounted to Rs. 120.42 Million and has been debited to the General Reserve Account.

The exchange gains arising on restatement of designated portion of the USD investments for the year ended December 31, 2008 amounting to Rs.923.40 Million has been treated as an effective fair value hedge since the loss arising on the dollar loans designated as hedging instruments amounted to a similar amount and such gains have been credited to the Profit and Loss account for year ended December 31, 2008.

Prior to the adoption of the AS 30 'Financial Instruments: Recognition and Measurement', and the limited revisions to AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', investments in subsidiaries were valued at cost less diminution in value that was other than temporary as per the provisions of Accounting Standards 13 'Accounting for Investments' that was notified under section 211(3C) of the Companies Act, 1956. As a result of above change in accounting policy, carrying value of investments as at December 31, 2008 is higher by Rs. 802.98 Million, profit for the year is higher by Rs. 923.40 Million and General Reserve is higher by Rs. 802.98 Million.

- 6.7 The Company has availed Bill Discounting facility from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the Debtors since they are with recourse to the Company. Accordingly, as at December 31, 2008, Sundry Debtor balances includes such amounts and the corresponding financial liability to the Banks is included as part of short term secured loans.
- 6.8 All the open derivative positions as on January 1, 2008 not designated as hedging instruments have been classified as held for trading and gains/losses recognized in the Profit and Loss Account. The incremental negative fair value of such derivatives over and above provision carried was Rs. 100.92 Million as at December 31, 2007 which has been debited to the General Reserve Account. Incremental negative fair value of the open derivatives position as at December 31, 2008 amounting to Rs. 346.08 Million has been debited to Profit and Loss Account for the year.

7. Share Warrants

As authorized by the shareholders of the Company in the Extra-Ordinary General meeting held on May 3, 2007, the Company, on May 23, 2007, issued 5,600,000 warrants convertible into an equivalent number of fully paid up equity shares of Rs. 10 each at a price of Rs. 342.10 per warrant, on preferential basis to Agnus Holdings Private Limited, a promoter group Company. These warrants were convertible in one or more tranches, at any time within a period of 18 months from the date of issue.

On July 5, 2007, the Company allotted 50,000 shares to Agnus Holdings Private Limited, pursuant to conversion of an equivalent number of warrants. Agnus Holdings Private Limited has not exercised its right for conversion of balance 5,550,000 warrants within the time stipulated under the preferential allotment guidelines. Accordingly, the aforesaid 5,550,000 warrants stood lapsed and upfront money (Rs.189.87 Million) received against these warrants were forfeited and credited to Capital Reserve Account.

8. Employee Stock Option Scheme

- a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the scheme titled "Strides Arcolab ESOP 2006". The Strides Arcolab ESOP 2006 replaced an earlier option scheme, namely, Strides ESOP 2006, which was approved by the shareholders on June 15, 2006 but was never implemented.

The Strides Arcolab ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

As per the Scheme, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the "Market Price" as defined in the guidelines referred above. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Scheme. Options may be exercised within 30 days of vesting.

The difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period. Consequently an amount of Rs. 9.46 Million (net of reversal due to lapses Rs.3.62 Million) has been charged to the Profit and Loss account for the year under Personnel costs.

- b) The ESOP scheme titled "Strides Arcolab ESOP 2008" was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares.

The Remuneration Committee of the Company, on July 22, 2008 has granted 665,000 options under the Strides Arcolab ESOP 2008 scheme to few eligible employees of the Company. The shares covered by such options were 665,000 equity shares. The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting. An amount of Rs. 3.70 Million has been charged to the Profit and Loss Account representing Stock compensation expense for the year ended December 31, 2008.

- c) Employee stock options details as on the balance sheet date are as follows:

Particulars	During the year 2008		During the year 2007	
	Options (Nos)	Weighted average exercise price per option (Rs)	Options (Nos)	Weighted average exercise price per option (Rs)
Option outstanding at the beginning of the year			-	-
- Strides Arcolab ESOP 2006	400,000	256.35		
Granted during the year:				
- Strides Arcolab ESOP 2006	600,000	133.00	400,000	256.35
- Strides Arcolab ESOP 2008	665,000	122.15	-	-
Vested during the year:				
- Strides Arcolab ESOP 2006	80,000	256.35		
- Strides Arcolab ESOP 2008				
Exercised during the year:				
- Strides Arcolab ESOP 2006				
- Strides Arcolab ESOP 2008				
Lapsed during the year:				
- Strides Arcolab ESOP 2006	80,000	256.35		
- Strides Arcolab ESOP 2008				
Options outstanding at the end of the year				
- Strides Arcolab ESOP 2006	920,000	208.08	400,000	256.35
- Strides Arcolab ESOP 2008	665,000	122.15		
Options available for Grant				
- Strides Arcolab ESOP 2006	80,000		600,000	
- Strides Arcolab ESOP 2008	835,000		-	

The impact on the Earning per share, if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under: (Rupees in Millions)

Particulars	Dec 31,2008	Dec 31,2007
STRIDES ARCOLAB ESOP:		
Net Profit/(loss) (as reported)	61.35	(1,152.14)
Add: stock based employee compensation (intrinsic value)	13.16	4.40

Particulars	Dec 31,2008	Dec 31,2007
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)	(44.47)	(6.92)
Net Profit/(loss) (proforma)	30.04	(1,154.66)
	Rs.	Rs.
Basic earning/(loss) per share (as reported)	0.69	(33.98)
Basic earning/(loss) per share (proforma)	(0.12)	(34.06)
Diluted earning/(loss) per share (as reported)	0.69	(33.98)
Diluted earning/(loss) per share (proforma)	(0.12)	(34.06)

Note: The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	ESOP 2006	ESOP 2008
Risk Free Interest Rate	7.25%	7.25%
Expected Life	3 Years	3 years
Expected Annual Volatility of Shares	33.325%	47.865%
Expected Dividend Yield	0.50%	0.59%

9. Effective from January 1, 2007, the revised Accounting Standard 15 (AS-15) -“Employee Benefits”, was applicable to the Company. As per the transitional provisions of revised AS –15, an amount of Rs.4.22 million was adjusted to the opening balance of General Reserve as on January 1, 2007, being the net incremental liability towards employee benefits, i.e. leave salary and gratuity.

10. During the accounting year ending December 31, 2007:

- (a) The Company entered into a share purchase agreement with the shareholders of Grandix Pharmaceuticals Limited (Grandix), Chennai, India on June 9, 2007 for acquisition of 100% holding in that Company. As at December 31, 2007, the Company had acquired 99.59% of the total share holding in Grandix, making Grandix a subsidiary of the Company. With this acquisition, Grandix Laboratories Limited, a subsidiary of Grandix Pharmaceuticals Limited has become subsidiary of the Company. Pending satisfactory completion of certain conditions referred in the Share Purchase agreement, the Company has retained Rs.18.40 Million of the total consideration and the same is included under Sundry creditors as at December 31, 2008.

During the year, the Company has acquired further shares of Grandix for a consideration of Rs.2.36 Million. Consequently, the Company's share holding in Grandix is at 99.98% at December 31, 2008.

The Company has a commitment of Rs. 2.06 Million towards purchase of balance 0.02% of the outstanding capital in Grandix Pharmaceuticals Limited.

The investment value as on December 31, 2007 in Grandix was net-off an amount of Rs.11.62 Million, relating to the dividends received pertaining to pre acquisition period and to the extent considered to be a recovery of the investment cost.

- (b) The Company entered into a Subscription and Shareholders agreement with Aspen Pharmacare Holdings Limited (Aspen) under which Aspen subscribed to 49% of the share capital of Onco Therapies Limited (Onco), a subsidiary of the Company. Onco is set up to operate in the Oncology products line of business that the Company is in the process of building up.

In accordance with the agreement referred above, the Company has assigned the voting rights relating to 1% of the share capital of Onco to Aspen under a Voting Rights assignment agreement. Under this agreement, the voting rights in respect of such 1% of the total issued and outstanding share capital of Onco shall be exercised by Aspen from the date of signing of such Voting Rights agreement, in a manner which deem fit.

The Company has entered into another Agreement with Onco to set up an Oncology manufacturing facility in Bangalore, for a consideration of USD 32.50 Million (payable by Onco in equivalent Indian Rupees). Under this agreement the Company has:

- o transferred the moveable and immoveable assets relating to the Oncology manufacturing facility and the contracts awarded to various suppliers in connection with the facility; and
- o undertaken the obligations of completing the facility, including all financial obligations related thereto.

As at December 31, 2008, the Company has estimated the financial commitment to complete the Oncology facility to be about Rs 333.59 Million (Previous year Rs.568.13 Million)

An amount of Rs.10.00 Million (Previous year Rs.20.00 Million) representing Project management fees under the above arrangement has been accrued under Other Income.

During the year ended December 31, 2008, Company transferred certain Dossiers to Onco in lieu of certain Preferred Supply Agreement entered between the Company and Onco.

11. During the year the:

- (i) Company transferred its shareholding in Strides Latina SA, Uruguay to Lakerose Limited, Cyprus, then a step down subsidiary, for a consideration of USD 30.10 Million (equivalent to Rs.1,193.55 Million). Consequently, profit on sale of investment of Rs.2.21 million has been accounted during the year.
- (ii) Company sold certain supply contracts in respect of customers in South East Asian markets to Ascent Pharmahealth Pte Limited, a step down subsidiary, at a consideration of Rs. 208.15 Million.

12. Interest in Joint ventures

In terms of the Joint Venture agreement entered into between the Company and Akorn Inc., USA, the Company holds 50% of the total share capital of the joint venture, Akorn Strides LLC, USA. As at December 31, 2008 an investment of Rs.137.14 Million (at cost) (Previous year Rs.65.56 Million at cost) was made by the Company towards its equity share in the Joint Venture. The investment of Rs.137.14 Million includes investment of Rs.71.58 Million made by Strides Arcolab International Limited, UK, a wholly owned subsidiary of the Company. As on the balance sheet date, the pending capital commitment towards its share in the equity of the joint venture amounts to USD Nil (Rs.Nil) (Previous year USD 0.89 Million – Rs.39.31 Million)

During the year, the joint venture started its commercial activity. The Company's aggregate share of the Assets and Liabilities (as at December 31, 2008) in the above Joint Venture and the share in the income and expenses of the Joint Venture for the year ended December 31, 2008 are as follows: (Rupees in Millions)

	Particulars	Dec 31, 2008	Dec 31, 2007
A	Assets	169.24	67.41
B	Liabilities	33.26	1.08
C	Income	41.25	Nil
D	Expenses	6.78	Nil

The above figures are based on the un-audited financial statements of the Joint Venture entity and have been compiled by the management and relied upon by the Auditors.

13. Unbilled revenue includes income recognised on development services contracts and contracts for production of dossiers, against which no invoices are raised, and are net of advances received against the respective contracts.

14. Particulars of materials consumed and percentage to total consumption of Imported and Indigenous materials. Since none of the individual items of raw materials and packing materials constitute more than 10% of the consumption, quantitative details in respect of the same have not been given.

Percentage of total consumption of imported and indigenous materials (including packing material and consumables)

Particulars	For the year ended Dec 31, 2008		For the year ended Dec 31, 2007	
	%	Value (Rs. in Million)	%	Value (Rs. in Million)
Imported	34	1,054.53	34	722.42
Indigenous	66	2,029.89	66	1,412.61
Total	100	3,084.42	100	2,135.03

15. Quantitative Details

15.1 Licensed and Installed Capacities

Particulars	Units	Licensed Capacity		Installed Capacity	
		As at Dec 31, 2008	As at Dec 31, 2007	As at Dec 31, 2008	As at Dec 31, 2007
Soft Gelatin Plant Softgel Capsules	Numbers in Million	** N.A	** N.A	2,645	2,645
Hard Gelatin Plant Capsules	Numbers in Million	** N.A	** N.A	450	450
Tablet Plant Tablets	Numbers in Million	** N. A	** N. A	2,160	2,160
Beta-lactam Plant Capsules and Tablets Dry Powder Vials	Numbers in Million	** N. A	** N. A	350 20	350 20
Sterile Products Ampoules Liquid Vials Pre-filled Syringes Dry Powder Vials	Numbers in Million	** N. A ** N. A ** N. A ** N. A	** N. A ** N. A ** N. A ** N. A	48 48 7.5 16	48 48 7.5 16

Installed Capacities are as certified by the management and relied upon by the Auditors. The installed capacities serve multiple purposes and will vary according to product mix.

** Not applicable as the products have been delicensed.

15.2 Particulars of Production, Sales and Stock in Trade

(Rupees in Millions)

Particulars	Opening Stock		Actual Production	Sales (gross of excise duty)		Closing Stock	
	Qty	Value	Qty	Qty	Value	Qty	Value
Tablets (in 000's)	64,079 (36,568)	29.01 (18.19)	1,285,100 (1,301,321)	1,315,658 (1,273,810)	2,099.44 (1,326.16)	33,521 (64,079)	47.31 (29.01)
Capsules (in 000's)	23,150 (23,757)	17.86 (12.42)	664,774 (753,635)	680,278 (754,242)	866.92 (565.20)	7,646 (23,150)	40.43 (17.86)
Injectibles (in '000's)	1,275 (2,120)	18.62 (3.05)	66,690 (49,485)	65,661 (50,330)	1,754.16 (1,164.61)	2,304 (1,275)	40.96 (18.62)
Others	- (-)	- (0.04)	3,525 (-)	3,436 (-)	2.52 (113.15)	89 (-)	0.11 (-)
Total		65.49 (33.70)			4,723.04 (3,169.12)		128.81 (65.49)

Note :

- Actual production includes quantities produced by loan licensee on behalf of the Company as well as quantities produced by the Company as a loan licensee for others.
- Figures in brackets related to previous year.

16. Particulars of Traded Goods

None of the items individually account for more than 10% of the total value of the purchases, stock or turnover, hence quantitative details have not been furnished.

17. Other information
17.1 Managerial remuneration

(Rupees in Millions)

Particulars	For the year ended Dec 31, 2008	For the year ended Dec 31, 2007
Computation of Net Profits in accordance with Section 349 of the Companies Act, 1956.		
Profit / (Loss) before Tax as per Profit & Loss Account	44.37	(1,180.26)
Add / (Less) :		
Managerial Remuneration	4.80	9.60
Contribution to Provident Fund & other funds	1.47	2.06
Director's Sitting Fees	1.32	1.24
Profit from services rendered to Onco Therapies Limited (Refer Note B.10.b, Schedule 'P')	(10.00)	(20.00)
Profit on sale of contracts (Refer Note B 11.ii, Schedule P)	(208.15)	-
Loss on sale of Long term investments	-	95.30
Impairment in Investment in subsidiaries	-	815.32
Loss on sale of assets / Impairment in Assets	17.15	-
Profit on sale of investments	(2.21)	-
	(195.62)	903.52
Net Profit / (Loss) u/s 349 of the Companies Act, 1956	(151.25)	(276.74)
Maximum managerial remuneration available to the Managing Director and other whole time Directors (including Commission)	4.80	9.60
Commission payable to Managing Director and other whole time Directors	-	-
Remuneration paid by the Company to the Managing Director and Whole-time Director*		
Salary & Allowances	29.19	36.65
Contribution to Provident fund and other funds	1.47	2.06
Total (A)	30.66	38.71
Sitting Fees paid to Non-whole time Directors	1.32	1.24
Total (B)	1.32	1.24
Total [(A) + (B)]	31.98	39.95

* Mr. K R Ravishankar, ceased to be executive director with effect from January 01, 2008.

The excess managerial remuneration paid to Managing Director during the year ended December 31, 2008 amounting to Rs. 24.39 Million, is subject to the approval of the Central Government, for which an application is being made. The excess is included in advances recoverable under Schedule G.B (a) of the financial statements.

Excess managerial remuneration paid to Managing director and Whole time Director during year ended December 31, 2007 amounting to Rs.27.05 Million has been included in Advances recoverable under Schedule G.B.(a) of the Financial Statements. The Company's application to the central government in this connection is pending with the authorities as on date.

Note: The details of managerial remuneration stated in the above table exclude leave encashment and gratuity costs (for which separate actuarial valuations are not available).

17.2 CIF Value of Imports

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Capital goods	432.62	265.71
Raw materials	1,093.50	713.94
Other goods	23.67	14.22
Total	1,549.79	993.87

17.3 Expenditure in foreign currency

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Travel expenses	10.35	12.13
Commission	49.06	11.38
Interest	73.41	70.77
Brand fees	3.74	10.86
Professional fees	14.99	4.25
FCCB issue expenses (charged to Securities premium account)	-	70.88
Others	48.17	51.70
Business Development Expenses	19.42	40.07
Total	219.14	272.04

17.4 Earnings in foreign exchange

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
FOB Value of exports of goods / contract	4,629.04	3,222.07
Development Income & Income from Product Dossier sales	745.63	427.99
Interest	17.55	42.55
Local sales (proceeds received/receivable in foreign currency)	386.85	139.89
Total	5,779.07	3,832.50

17.5 Expenditure debited to the Profit & Loss Account excludes the following expenditure capitalised

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Interest	26.87	8.61
Product development costs	75.35	41.53
Personnel Cost	11.64	3.59
Rent	18.05	-
Others	0.10	1.73
Total	132.01	55.46

17.6 Remittance in Foreign Currency on account of dividend

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Number of non-resident Shareholders	Nil	6
Number of equity shares held by them	Nil	13,870,532
Amount of dividend paid – gross (Rs.)	Nil	27,741,064
Year to which dividend relates	-	2006

18. Remuneration to Auditors

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Audit fees (including fees for undertaking Limited reviews)	3.50	3.00
Other matters	1.76	1.35
Certification work etc in connection with Issue of FCCBs (debited to Securities Premium)	-	3.50
Service tax	0.59	0.97
Out of pocket expenses	0.30	0.05

19. Details of Research and Development expenditure incurred

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Salaries	157.49	122.54
Materials	128.82	25.29
Professional fees	2.86	4.70
Bio Study Expenses	59.20	49.96
Consumables	80.58	55.40
Interest	0.01	0.25
Traveling expenses	5.81	5.97
Advertisement expenses	5.71	0.78
Rent	18.10	18.16
Depreciation	26.72	24.53
Others	35.56	40.72
Total	520.86	348.30

The above include costs associated with the development services undertaken for customers and are as certified by the management and relied upon by the Auditors.

20. Previous year's figures have been recast / restated, wherever necessary, to conform to the current year's classification.

21. Taxation

- Provision for deferred tax has been made in accordance with the requirements of Accounting Standard 22 "Accounting for taxes on income".
- The net deferred tax liability comprises the tax impact arising from timing differences on account of :

(Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Depreciation	(573.97)	(527.27)
Section 43B disallowances	23.38	8.09
Business losses and unabsorbed depreciation	378.46	285.29
	(172.13)	(233.89)
Deferred Tax liability (net) relating to the above	58.50	79.50

Recognition of Deferred tax assets with respect to unabsorbed depreciation has been done only in cases where there are corresponding timing differences creating Deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities. Deferred Tax assets in respect of business losses are recognized based on the criteria of virtual certainty.

22. Related Party Transactions :

Names of Related Parties:

<p>Wholly owned subsidiaries :</p>	<p>Direct Holding: Arcolab Limited SA, Switzerland Global Remedies Limited, India Medgene Pharmaceuticals Private Limited, India Quantum Life Sciences Private Limited, India Starsmore Limited, Cyprus Strides Africa Limited, British Virgin Islands Strides Arcolab International Limited, U.K (SAIL)</p> <p>Indirect Holding: Cellofarm Ltda, Brazil (upto March 3, 2008) Drug Houses of Australia (Asia) Pte. Limited, Singapore (upto July 31, 2008) Lakerose Limited, Cyprus (upto March 3, 2008) Linkace Limited, Cyprus Quantum Remedies Private Limited, India (w.e.f March 22, 2008) Solara SA De CV, Mexico (upto March 3, 2008) Strides Arcolab Hong Kong Limited, Hong Kong (upto July 31, 2008) Strides Arcolab Malaysia SDN. BHD, Malaysia (upto July 31, 2008) Strides Arcolab Polska Sp.z o.o, Poland Strides Arcolab SDN BHD, Brunei (upto July 31, 2008) Strides Arcolab UK Limited, UK Strides Australia Pty Limited, Australia Strides Italia S.r.l, Italy (ceased to be a subsidiary w.e.f August 1, 2008) Strides Latina SA, Uruguay (upto March 3, 2008) Strides Mexicana SA De CV, Mexico (upto March 3, 2008) Strides Singapore Pte. Limited, Singapore (upto August 1, 2008)</p>
<p>Other subsidiaries</p>	<p>Direct Holding: Grandix Pharmaceuticals Limited, India Onco Therapies Limited, India Strides Inc. USA Strides S.A. Pharmaceuticals Pty. Limited, South Africa</p> <p>Indirect Holding: Ascent Pharmahealth Limited, Australia (w.e.f August 1, 2008) Ascent Pharmahealth Asia Pte Limited, Singapore (Previously known as Strides Singapore Pte. Limited, w.e.f August 1, 2008) Beltapharm S.p.A., Italy Casa de Representaciones Sumifarma CA, Venezuela (upto March 3, 2008) Drug Houses of Australia (Asia) Pte. Limited, Singapore (w.e.f August 1, 2008) Formule Naturelle (Pty) Limited , South Africa Genepharm Newzealand Limited, Newzealand (w.e.f August 1, 2008) Genepharm Pty Limited, Australia (w.e.f August 1, 2008) Grandix Laboratories Limited, India Pharma Strides Canada Corporation, Canada Strides Arcolab Hong Kong Limited, Hong Kong (w.e.f August 1, 2008) Strides Arcolab Malaysia SDN. BHD, Malaysia (w.e.f August 1, 2008) Strides Arcolab SDN BHD, Brunei (w.e.f August 1, 2008) Strides CIS Limited, Cyprus (Previously known as Raycom Limited) Strides Vital Nigeria Limited, Nigeria</p>

Joint Ventures (JV)	<p>Akorn Strides LLC, USA Casa de Representaciones Sumifarma CA, Venezuela (from March 4, 2008 to June 30, 2008) Cellofarm Ltda, Brazil (from March 4, 2008 to June 30, 2008) Farma Plus AS, Norway Laboratorios Domac Spain Lakerose Limited, Cyprus (from March 4, 2008 to June 30, 2008) Plus Farma ehf, Iceland Powercliff Limited, Cyprus Sagent Strides LLC, USA Solara SA De CV, Mexico, (from March 4, 2008 to June 30, 2008) Strides Latina, SA, Uruguay (from March 4, 2008 to June 30, 2008) Strides Mexicana SA De CV, Mexico (from March 4, 2008 to June 30, 2008)</p>
Key Management Personnel	<p>Mr. Arun Kumar (Vice Chairman & Managing Director) Mr. K.R Ravishankar (Resigned as Executive Director w.e.f January 01, 2008)</p>
Enterprises owned or significantly influenced by key management personnel and relatives of key management personnel	<p>Agnus Global Holdings Pte Limited Agnus Holdings Private Limited Arcolab (India) Private Limited Atma Projects Caryl Pharma Private Limited Chayadeep Properties Private Limited Everron Systems (India) Limited Fraxis Life Sciences Limited Keerthapathi Ravishankar – HUF Mrs. Deepa Arunkumar Mrs. K Saraswathi Net Equity Ventures Private Limited Nous Infosystems Private Limited Patsys Consulting Private Limited PI Drugs & Pharmaceuticals Limited Sequent Research Limited Sequent European Holdings Limited Sequent Scientific Limited Vedic Elements Private Limited Xlensea Products Private Limited</p>
Associates	<p>Albatross, an associate of Plus Farma (ceased to be an associate w.e.f. September 30, 2008) Casa de Representaciones Sumifarma CA, Venezuela (w.e.f July 1, 2008) Cellofarm Ltda, Brazil (w.e.f July 1, 2008) Lakerose Limited, Cyprus (w.e.f July 1, 2008) Solara SA De CV, Mexico (w.e.f July 1, 2008) Strides Latina, SA, Uruguay (w.e.f July 1, 2008) Strides Mexicana SA De CV, Mexico (w.e.f July 1, 2008)</p>

Note: Related parties are as identified by the Company and relied upon by the Auditors.

(Rupees in Millions)

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
Sales of materials/services												
1 Akorn Strides LLC							51.58	14.44				
2 Arcolab Limited SA	1.30	9.99										
3 Casa De Representaciones Sumifarma CA			0.27	128.84	59.75	-	85.18	-				
4 Cellofarm Ltda	41.08	904.61			630.72	-	329.05	-				
5 Co-Pharma Limited			14.61	-								
6 Drug Houses of Australia (Asia) Pte Ltd.,	0.88	1.40	-	-								
7 Grandix Pharmaceuticals Limited			160.06	5.22								
8 Onco Therapies Limited			10.00	20.00								
9 Powercliff Limited							374.75	54.37				
10 Quantum Life Sciences Private Limited	3.17	1.73										
11 Quantum Remedies Private Limited	0.12	-										
12 Sagent Strides LLC							117.65	88.27				
13 Sequent Scientific Limited											1.09	-
14 Solara S.A. de C.V.	27.11	62.13			15.09	-	59.31	-				
15 Strides Arcolab Polska sp.z.o.o	0.02	0.04										
16 Strides Singapore Pte Limited			98.86	-								
17 Strides Inc.			-	0.11								
18 Strides Vital Nigeria Limited			325.42	24.27								
19 Strides Italia S r L	-	94.45										
Sales Return												
1 Cellofarm Ltda					88.52	-						
Sales of fixed assets												
1 Cellofarm Ltda	0.25	0.11					0.08	-				
2 Drug Houses of Australia (Asia) Pte Ltd.,	0.69	-	0.02	-								
3 Onco Therapies Limited			567.07	439.57								

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
4 P I Drugs & Pharmaceuticals Limited											0.18	-
5 Sequent Scientific Limited											0.02	-
6 Solara S.A. de C.V.	-	1.70		-	1.26	-	-	-				
7 Strides Arcolab Polska sp.z.o.o	-	17.74										
8 Strides Vital Nigeria Limited			9.34	-								
Transfer of supply contracts												
1 Strides Singapore Pte Limited			208.15	-								
Interest and Other Income												
1 Cellofarm Ltda	3.09	19.39			0.49	-	6.45	-				
2 Sequent Scientific Limited	-	3.48									23.38	1.04
3 Solara S.A. de C.V.	0.54	3.33					1.12	-				
4 Strides Arcolab International Limited	14.41	20.09										
5 Strides Arcolab Polska sp.z.o.o	1.18	-										
Purchase of materials												
1 Arcolab Limited SA	0.01	0.01										
2 Cellofarm Ltda					0.27	-						
3 Laboratorios Domac S L							1.55	-			0.67	0.84
4 P I Drugs & Pharmaceuticals Limited												
5 Pharma Strides Canada Corporation			0.53	-								
6 Quantum Life Sciences Private Limited	24.81	5.44										
7 Quantum Remedies Private Limited	13.56	-										
8 Sequent Scientific Limited	-	8.03									16.74	-
9 Strides Inc.			0.60	3.12								
10 Strides Italia S r L	0.43	-										
11 Sequent Research Limited											7.79	-

(Rupees in Millions)

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
Purchase of machinery												
1 Cellofarm Ltda					16.62	-						
2 Strides Inc.			164.06	-								
Jobwork Chrges payable												
1 Global Remedies Limited	54.00	72.00										
2 Quantum Life Sciences Private Limited	62.16	55.93										
3 Quantum Remedies Private Limited	0.19	-										
4 Sequent Scientific Limited	-	1.65								0.30		-
Payment of Brand Fees												
1 Strides Africa Limited	5.91	10.86										
Managerial Remuneration												
1 Arun Kumar									4.80	4.80		
2 K.R.Ravishankar									-	4.80		
Reimbursement of Expenses Incurred by												
1 Beltapharm S.p.A			2.10	2.19								
2 Casa De Representaciones Sumifarma CA			0.86	14.45								
3 Cellofarm Ltda					112.03	-	0.11					
4 Grandix Pharmaceuticals Limited			0.76	-								
5 Onco Therapies Limited			0.50	-								
6 Quantum Life Sciences Private Limited	0.02	-										
7 Sequent Scientific Limited												
8 Strides Arcolab Polska sp.z.o.o	0.07	-									0.01	
9 Strides Inc.			0.19	0.20								
10 Strides SA Pharmaceuticals Pty Limited			2.78	7.43								
11 Strides Arcolab International Limited	1.63	-										

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
Sales Discount												
1 Strides CIS Limited			5.29	-								
Rent Paid												
1 Atma Projects											20.28	-
2 Chayadeep Properties Private Limited											40.35	38.50
Loans / advances given / Repaid by Company												
1 Ascent Pharmahealth Limited			1.00	-								
2 Arcolab Limited SA	-	0.08										
3 Atma Projects											64.30	-
4 Casa De Representaciones Sumifarma CA			-	6.22	0.36	-	0.02	-				
5 Cellofarm Ltda	0.06	11.31		-	0.78	-	4.74	-				
6 Drug Houses of Australia (Asia) Pte Ltd.,	-	0.51										
7 Global Remedies Limited	3.47	-										
8 Grandix Pharmaceuticals Limited			2.02	0.59								
9 Lakeroose Limited	-	0.19										
10 Linkace Limited	0.70	0.19										
11 Medgene Pharmaceuticals Private Limited	2.51	13.79										
12 Onco Therapies Limited			0.05	230.12								
13 Powercliff Limited							5.85	-				
14 Quantum Life Sciences Private Limited	216.48	64.98										
15 Sequent Scientific Limited	-	25.72									2.93	-
16 Solara S.A. de C.V.	-	1.41		-	2.15	-	0.07	-				
17 Strides Africa Limited	1.88	-										
18 Strides Inc.			-	1.18								
19 Strides Italia S r L	2.87	-										
20 Strides Latina S.A	-	0.11			0.09	-						
21 Strides Singapore Pte Limited			0.15	-								

(Rupees in Millions)

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
22 Strides Vital Nigeria Limited			0.34	-								
23 Strides Arcolab Polska sp.z.o.o	6.12	0.16										
24 Strides Arcolab International Limited	99.77	-										
25 Arun Kumar							24.39	18.30				
26 K.R.Ravishankar							-	8.75				
Loans / advances taken by Company / repaid to Company												
1 Cellofarm Ltda	-	61.99			289.24	-	1.76	-				
2 Global Remedies Limited	0.40	-										
3 Medgene Pharmaceuticals Private Limited	8.88	-										
4 Quantum Life Sciences Private Limited	45.30	-										
5 Sequent Scientific Limited	-	50.00									119.17	-
6 Solara S.A. de C.V.					51.11	-						
7 Strides Arcolab International Limited	201.77	229.07										
Investments during the period												
1 Grandix Pharmaceuticals Limited			2.36	1,050.03								
2 Onco Therapies Limited			117.90	246.85								
Refund of share application money												
1 Starsmore Limited	1,929.56	2,589.26										
2 Strides Arcolab International Limited	363.18	2,344.01										
Diminution in value of Investments												
1 Arcolab Limited SA	-	17.22										
2 Strides Inc.			-	798.10								
Receipt of Share application monies against warrants												
1 Agnus Holdings Private Limited											-	206.97
Refund of application monies received against share warrants												
1 Agnus Holdings Private Limited											-	318.58

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
Refund of application monies received from												
2 Starsmore Limited	618.49	-										
3 Strides Arcolab International Limited	372.68	-										
Guarantees given on behalf of												
1 Cellofarm Ltda	-	199.17			219.11	-						
2 Global Remedies Limited	-	100.00										
3 Quantum Life Sciences Private Limited	-	84.00										
4 Sequent Scientific Limited											746.00	746.00
5 Solara S.A. de C.V.	-	132.78										
6 Strides Arcolab International Limited	-	578.35										
7 Strides Arcolab Polska sp.z.o.o	642.93	599.97										
8 Strides Inc.			-	123.00								
9 Linkace Limited	730.35	-										
Investments sold												
1 Fraxis Life Sciences Limited												55.20
2 Strides Latina S.A	1,193.55	-										
Forfeiture of amount received for share warrants												
1 Agnus Holdings Private Limited											189.87	35.74
Deposits given												
1 Atma Projects											20.70	85.00
Advances Receivable/(Payable) as at												
1 Arcolab S.A Limited	-	0.49										
2 Atma Projects											83.14	85.00
3 Casa de Representaciones Sumifarma			-	2.81	3.78	-						
4 Cellofarma Ltda	-	106.20	-	-	(2.36)	-						
5 Chayadeep Properties Pvt Ltd.,											41.97	44.89

(Rupees in Millions)

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
	6	(0.20)	(16.08)									
7			0.11	0.57								
8	-	0.19			0.23	-						
9	1.03	0.19										
10	32.71	27.86										
11			-	73.31								
12											(0.41)	(0.84)
13	187.85	51.85										
14	-	47.36									(3.67)	-
15	-	6.94			2.43	-						
16			(5.29)	-								
17	(15.72)	(14.17)										
18	(2.61)	(25.83)										
19	7.36	(1.12)										
20			(39.34)	10.83								
21	-	3.82		4.82	-							
22											-	0.45
23	(13.75)											
24											(0.96)	-
25			(7.67)	-								
26			1.36	-								
27					0.49	-						
28			(1.89)	-								
29			0.36	-								
30									42.68	18.30		
31									8.75	8.75		

Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07	Year Ended 31.12.08	Year Ended 31.12.07
Loans receivable as at												
1 Strides Arcolab International Ltd.,	185.81	254.21										
2 Sequent Scientific Ltd	-	25.00										
3 Cellofarm Ltda	-	257.73										
4 Solara S.A. de C.V.	-	45.75										
Debtors Balance as at (Net of advance received)												
1 Akom Strides LLC							(46.99)	12.85				
2 Arcolab SA Limited	1.12	0.91										
3 Casa de Representaciones Sumifarma			-	112.09	66.95	-						
4 Cellofarm Ltda	-	375.52			454.83	-						
5 Grandix Pharmaceuticals Limited		(23.49)	5.22									
6 Onco Therapies Limited		69.96	-									
7 Powercliff Limited							(585.45)	(591.00)				
8 Quantum Life Sciences Pvt. Ltd	-	38.83										
9 Sagent Strides LLC							(47.96)	(57.20)				
10 Solara S.A. de C.V.	-	62.47	15.74			-						
11 Strides Arcolab Polska sp. z. o.	2.85	2.25										
12 Strides Inc, USA			(5.42)	(4.88)								
13 Strides Italia S r L	-	97.12									(2.30)	-
14 Strides Polska, poland	16.78	13.95										
15 Strides Vital Nigeria ltd			201.89	187.46								
16 Co-Pharma Limited			12.06	-								
17 Quantum Remedies Private Limited	0.12	-										
18 Strides Singapore Pte Ltd			59.77	-								
19 Sequent Scientific Ltd												(5.75)
20 Sequent European Holdings Limited												114.67

23. Leases

The Company's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Profit and Loss account is Rs.51.36 Million (Previous year Rs. 47.58 Million).

The Company has entered in to non-cancelable lease agreements for its facilities and office premises. The tenure of lease ranges from 3 years to 15 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an increment ranging from 6% to 15%. Details of the lease commitment at the year end are as follows:

(Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Up to one year	63.80	35.91
From one year to five years	289.74	166.55
Above five years	574.41	443.23
Total	927.95	645.69

The Company has given on an operating lease for a initial term of 5 years, certain plant and machinery to its wholly owned subsidiary Strides Arcolab Polska sp.z.o o. Details relating these assets are as follows:

(Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Gross carrying amount of assets leased as at December 31, 2008	44.96	44.96
Accumulated depreciation as at December 31, 2008.	4.32	0.99
Future minimum lease income under the initial term:		
Not later than one year	0.97	0.79
Later than one year but not later than 5 years	32.13	26.00
Later than 5 years	8.03	6.50

24. Loans and advances include amounts due from Directors, Rs. 51.76 Million (Previous year Rs.28.66 Million). Maximum amount due during the year Rs. 51.76 Million (Previous year Rs. 31.95 Million). The amount due from Directors of Rs.51.76 Million (Previous year Rs. 28.66 Million) includes Rs.51.44 Million (previous year Rs. 27.05 Million), being excess managerial remuneration referred in clause 17.1 above.
25. The information disclosed in Schedule H.A (a) to the financial statements with regard to Micro and Small enterprises is based on information collected by the management based on enquiries made with the creditors which have been relied upon by the auditors.
26. Disclosures in respect of Contracts in Progress (relating to Contracts for Production and Sale of Dossiers).
Aggregate amount of Costs incurred and recognised profits (less Losses) up to December 31, 2008, in respect of such contracts – Rs. 423.63 Million (Previous year Rs.54.39 Million)
Amount of Advances received in respect of such contracts – Rs. 591.00 Million (Previous year Rs.591.00 Million)
27. Since the Company prepares consolidated financial statements, segment information has not been provided in these financial statements.
28. As required under Section 205(C) of the Companies Act, 1956 the Company has transferred Rs. 0.08 Million (Previous Year Rs.0.07 Million) to the Investor Education and Protection Fund (IEPF) during the year. As on December 31, 2008, no amount was due for transfer to the IEPF.
29. Earnings / (Loss) per Share (Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Profit/(Loss) after tax as per the Profit & Loss Account	61.35	(1,152.14)
Differential tax on equity dividend of previous year	-	(2.07)
Preference Dividend and tax there on	(34.51)	(34.51)
Profit / (Loss) attributable to Equity Shareholders	26.84	(1,188.72)
Interest on Foreign Currency Convertible Bonds (FCCBs) and Fully Convertible Debentures (FCDs)	251.94	67.34
Profit / (Loss) attributable to Equity Shareholders (on dilution)	278.78	(1,121.38)
Weighted Average number of Shares for Basic EPS	38,837,769	34,978,947
Add: Effect of FCCB, Warrants, FCDs and Employee Stock Options outstanding.	13,693,439	12,349,421
Weighted Average Number of equity shares for diluted EPS	52,531,208	47,328,368

Particulars	Dec 31, 2008	Dec 31, 2007
	Rs.	Rs.
Nominal value of equity shares	10.00	10.00
Earnings / (Loss) Per Share		
- Basic	0.69	(33.98)
- Diluted	0.69	(33.98)

Note:

- In the absence of profits in 2007 and 2008, no preference dividends and tax thereon has been accrued for in the Profit and Loss account. However these have been considered for determining Earnings per share in both the years.
- The FCCBs, Warrants and Stock options outstanding are anti dilutive and hence ignored for the purposes of computing Diluted Earnings per share.

30. Cash flow statement

- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on “Cash Flow Statements” issued under Section 211 (3C) of Companies Act, 1956.
- Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised Rs. 26.87 Million (Previous year Rs. 8.61 Million).
- Reconciliation of Cash and Cash Equivalents to Cash and bank balances included in Schedule G.A.4.

(Rupees in Millions)

Particulars	As at Dec 31, 2008	As at Dec 31, 2007
Cash in hand	0.87	0.73
Balance with Scheduled banks	54.74	1,107.98
Balance with other banks -represents unutilized monies out of the issue of Foreign Currency Convertible Bonds. These monies can be utilized for certain specified purposes for which the Bonds were issued.	0.92	4.81
Fixed Deposits	0.09	40.53
Cash and Cash equivalents	56.62	1,154.05
Margin money not included above	107.20	101.87
Cash and bank balances as per Schedule G	163.82	1,255.92

31. Transfer Pricing

The Finance Act, 2001, has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations ('regulations') for computing the income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant which is to be filed with the Income tax authorities.

The Company has undertaken necessary steps to comply with the Transfer Pricing regulations. The Management is of the opinion that the international transactions are at arm's length, and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

32. Employee Benefits (Gratuity):

(Rupees in Millions)

Sl.No.	Particulars	2008	2007
I	Components of employer expense		
1	Current Service cost	6.08	4.95
2	Interest cost	2.76	2.37
3	Expected return on plan assets	(1.72)	(0.09)
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	25.41	(2.14)
8	Total expense recognised in the Statement of Profit & Loss	32.53	5.08

Sl.No.	Particulars	2008	2007
II	Actual Contribution and Benefits Payments for year ended December 31, 2008.		
1	Actual benefit payments	3.30	2.56
2	Actual Contributions	5.46	4.95
III	Net asset/(liability) recognised in balance sheet as at December 31, 2008		
1	Present value of Defined Benefit Obligation (DBO)	64.39	34.51
2	Fair value of Plan Assets	24.60	21.50
3	Funded status [Surplus/(Deficit)]	(39.79)	(13.01)
4	Unrecognised Past Service Costs	-	-
5	Net asset/(liability) recognised in balance sheet	(39.79)	(13.01)
IV	Change in Defined Benefit Obligations during the year ended December 31, 2008		
1	Present Value of DBO at beginning of period	34.51	29.62
2	Current Service cost	6.08	4.94
3	Interest cost	2.76	2.37
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	24.33	0.14
9	Benefits paid	(3.29)	(2.56)
10	Present Value of DBO at the end of period	64.39	34.51
V	Change in Fair Value of Assets during the year ended December 31, 2008		
1	Plan assets at beginning of period	21.50	16.74
2	Acquisition Adjustment	-	-
3	Actual return on plan assets	0.94	2.37
4	Actual Company contributions	5.46	4.95
5	Benefits paid	(3.30)	(2.56)
6	Plan assets at the end of period	24.60	21.50
VI	Assumptions		
1	Discount Rate	8%	8%
2	Expected Return on plan assets	8%	8%
3	Salary escalation	7%	7%

33. Disclosures relating to Financial instruments to the extent not disclosed elsewhere in Schedule P

33.1 Breakup of Allowance for Credit Losses is as under:

(Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Provision for Bad and Doubtful Debts at the beginning of the Year	15.25	13.03
Additional Provision during the year	11.03	2.77
Provision reversed during the year	1.43	0.55
Provision for Bad and Doubtful Debts at the end of the Year	24.85	15.25

33.2 Details on Derivatives Instruments & Unhedged Foreign Currency Exposures

The following derivative positions are open as at December 31, 2008. While these transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets, they have not qualified as hedging instruments in the context of the rigour of such classification under Accounting Standard 30. These instruments are therefore classified as held for trading and gains/losses recognized in the Profit and Loss Account.

I. The Company has entered into the following derivative instruments:

- (a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on December 31, 2008.

Currency	Amount	Buy/Sell	Cross Currency
US Dollar	1,000,000	Buy	Rupees

- (b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : No of contract :3, Notional Principal: USD 20 Million)

- (c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate.

No. of contracts: Nil (Previous Year: No of contract 6, Notional Principal: USD 80 Million)

II. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below: (Figures in Millions)

Receivable / (Payable) in INR	Receivable / (Payable) In Foreign currency		Receivable / (Payable) in INR	Receivable / (Payable) In Foreign currency	
At December 31, 2008			At December 31, 2007		
(7,356.18)	USD	(151.08)	(4,961.65)	USD	(125.94)
174.40	EUR	2.55	269.29	EUR	4.64
68.56	AUD	2.03	60.25	AUD	1.74
(7.32)	CAD	(0.18)	(17.10)	CAD	(0.43)
50.32	GBP	0.71	38.52	GBP	0.49
3.48	JPY	6.46	0.59	JPY	16.74
0.29	CHF	0.00	-	-	-

III. Derivative Instruments (causing an un-hedged foreign currency exposure): Nil (Previous Year USD 8 Million – Sell).

IV. Losses on Forward Exchange Derivative contracts (Net) included in the Profit and Loss account for year ended December 31, 2008 amounts Rs. 454.27 Million.

33.3 Categories of Financial Instruments

a. Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortized cost less impairment if any.

The carrying amounts are as under: (Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Sundry Debtors	2,084.40	1,241.62
Advance recoverable in cash	93.53	172.04
Loan to an erstwhile subsidiary	-	72.36
Loans and Advances to subsidiaries	422.93	724.12
Cash and Bank Balances	163.82	1,255.92

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

b. Financial Liabilities Held at Amortized Cost

The following financial liabilities are held at amortized cost. The Carrying amount of Financial Liabilities is as under: (Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Secured Loans:		
Long term loans	1,109.43	953.59
Short term loans	2,627.92	2,040.38
Unsecured Loans:		
Long term loans:		
Foreign currency convertible bonds (debt component)	7,051.07	5,516.00
Fully convertible debentures	-	2,018.29
Short term loans:		
From banks	52.00	99.43
Current Liabilities:		
Sundry Creditors	1,649.58	1,687.09
Unclaimed dividend	1.54	1.59
Interest accrued but not due	14.24	41.98
Other Liabilities	19.67	44.97
Provision For:		
Leave salary	58.83	37.73
Gratuity	39.79	13.01
Preference dividend	45.79	45.79

Note: Interest expense calculated using effective interest rate method as prescribed in Accounting Standard 30 for financial liabilities that are carried at amortized cost is Rs. 227.02 Million.

c. Financial Liabilities Held for Trading

The option component of Foreign Currency Convertible Bonds (FCCBs) has been classified as held for trading, being a derivative under Accounting Standard 30. Refer Note B.6 of Schedule P on FCCBs. The carrying amount of the option component was Rs 134.20 Million as at December 31, 2008 and Rs. 586.42 Million as at December 31, 2007. The difference in carrying value between the two dates, amounting to Rs 452.21 Million is taken as gain to the Profit and Loss Account of the year in accordance with provisions of Accounting Standard 30.

The fair value of the option component has been determined using a valuation model. Refer to Note B.6 above on FCCBs for detailed disclosure on the valuation method.

d. There are no financial assets in the following categories:

- Financial assets carried at fair value through profit and loss designated as such at initial recognition.
- Held to maturity
- Available for sale
- Financial liabilities carried at fair value through profit and loss designated as such at initial recognition

33.4 Financial assets pledged

The following financial assets have been pledged:

(Rupees in Millions)

Financial Asset	Carrying value Dec 31, 2008	Carrying value Dec 31, 2007	Liability / Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Margin Money with Banks				
A. Margin Money for Letter of Credit	80.89	82.87	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	26.31	6.29	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
C. Other Margin Money	-	11.82	Margin Money as Guarantee for Loan to Subsidiary	The Margin Money is interest bearing deposit with Banks. This Deposit is against Guarantees for Loan advanced to Subsidiary. This deposit has been withdrawn on the repayment of the Loan by the Subsidiary.
II. Sundry debtors	974.61	651.04	Bills discounted	The Bills discounted with Banks are secured by the Receivable

33.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2008 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the company to cash flow risk. Debt issued at fixed rate exposes the company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Financial Assets / Liabilities

(Rupees in Millions)

Particulars	2008	2007
Fixed		
Financial Assets	301.02	745.74
Financial liabilities	(7,123.32)	(7,665.91)
	(6,822.30)	(6,920.17)
Floating		
Financial Assets	229.20	192.26
Financial liabilities	(3,717.10)	(2,961.78)
	(3,487.90)	(2,769.52)

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation. Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of undiscounted contractual cash flows payable under financial liabilities and derivatives as at December 31, 2008: (Rupees in Millions)

Financial Liabilities	Due within				
	1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years
Bank Borrowings	2,860.74	369.43	279.97	182.59	91.29
Interest payable on borrowings	0.08	-	-	-	-
Hire Purchase liabilities	2.48	2.23	0.41	0.13	-
Other Borrowings	-	2,306.64	-	4,744.43	-
Trade and other payables not in net debt	1,985.95	-	-	-	-
Fair Value of Options embedded in FCCBs	-	11.06	-	123.15	-
Fair value of Forward exchange derivative contracts	174.12	165.61	-	-	-
Total	5,023.37	2,689.36	280.38	5,050.30	91.27

For the purposes of the above table, undiscounted cash flows have been applied. Undiscounted cash flows will differ from fair values. Foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

Foreign exchange risk

The Company is exposed to foreign exchange risk principally via:

- o Debt availed in foreign currency
- o Net investments in subsidiaries and joint ventures that in foreign currencies
- o Exposure arising from transactions relating to purchases, revenues, expenses etc to be settled in currencies other than Indian Rupees, the functional currency of the respective entities.

33.6 The Company has designated its investments in certain subsidiaries whose functional currency is US dollars as hedged items in a fair value hedge and certain loans availed in US dollars as hedging instruments to hedge the risk arising from fluctuations in the foreign exchange rate between the Indian Rupee and the US dollar. The carrying values of the financial liabilities designated as hedging instruments as at December 31, 2008 is Rs 4,897.97 Million.

33.7 The loss arising on the dollar loans designated as hedging instruments recognized in the Profit and Loss Account for the year ended December 31, 2008 is Rs 923.40 Million. The gain arising from investments in certain subsidiaries designated as hedged items as much as is attributable to the hedged foreign exchange risk recognized in the Profit and Loss Account for the year ended December 31, 2008 is Rs 923.40 Million.

33.8 Sensitivity analysis as at December 31, 2008

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Secured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be Rs. 108.29 Million assuming the loans as of December 31, 2008 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs, External Commercial Borrowings (ECBs), investments in subsidiaries, loans in foreign currencies to erstwhile subsidiaries and loans to subsidiaries and joint ventures. The company considers US Dollar and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Income / (Loss) in 2008	Increase /(Decrease) in Equity in 2008
A 5% appreciation in the US dollar	(123.02)	(123.02)
A 5% depreciation in the US dollar	123.02	123.02
A 5% appreciation in the Euro	8.72	8.72
A 5% depreciation in the Euro	(8.72)	(8.72)
A 5% appreciation in the Australian Dollar	3.43	3.43
A 5% depreciation in the Australian Dollar	(3.43)	(3.43)
A 5% appreciation in the GBP	2.52	2.52
A 5% depreciation in the GBP	(2.52)	(2.52)

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at December 31, 2008.

In the opinion of the management, impact arising from changes in the values of trading assets (including derivative contracts, trade receivables, trade payables, other current assets and liabilities) is temporary and short term in nature and would vary depending on the levels of these current assets and liabilities substantially from time to time and even on day to day basis and hence are not useful in an analysis of the long term risks which the Company is exposed to.

- 33.9** This is the first year of adoption of Accounting Standard 30, consequently comparative figures relating to 2007 in respect of disclosures under Accounting Standard 30 have been provided only where such information is available.

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director

K.R.Ravishankar - Director

Kannan.N - Company Secretary

Bangalore, February 25, 2009

1. Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	11-57062
State Code	11
Balance Sheet Date	31.12.2008

(Rupees in thousands)

II. Capital Raised during the year

Public Issue	Nil
Bonus Issue	Nil
Rights Issue	Nil
Private Placement (Equity & Preference)	Nil

III. Position of mobilisation and development of Funds

Total Liabilities	14,840,441
Total Assets	14,840,441

Sources of Funds

Share Capital	892,106
Monies pending allotment	-
Employee Stock Options Outstanding	17,888
Reserves and Surplus	2,897,330
Secured Loans	3,737,344
Unsecured Loans	7,237,272
Deferred Tax Liability	58,500

Application of Funds

Net Fixed Assets	3,066,739
Investments	9,395,794
Net Current Assets	2,377,907
Miscellaneous Expenditure	Nil

IV. Performance of the Company

Turnover (Total Income)	6,621,319
Total Expenditure	6,576,935
Profit Before Tax	44,366
Profit After Tax	61,346
Earnings per share (Rs.) (on profit after taxes)	0.69
Dividend Rate (%)	Nil

V. Generic Names of three Principal Products / Service of the Company (as per monetary terms)

Item Code No.	30039090
Product Description	Lamivudine
Item Code No.	30039090
Product Description	Efavirenz
Item Code No.	30042092
Product Description	Rifampicin

2. Disclosure as per clause 32 of the listing agreement

Loans and advances in the nature of loans given to subsidiaries, associates and others:

(Rupees in Millions)

Name of the Company	Relationship	Amount outstanding at December 31, 2008	Maximum balance outstanding during the year
Strides Arcolab International Limited	Wholly – Owned subsidiary	185.81	229.08
Cellofarm Ltda	Associates	-	291.34
Solara S.A de C.V	Associates	-	51.68
Sequent Scientific Limited	Enterprises owned or Significantly influenced by Key management personnel	-	74.39

For and on behalf of the Board

Arun Kumar – Vice Chairman & Managing Director

K.R.Ravishankar – Director

Kannan. N – Company Secretary

Bangalore, February 25, 2009

TO THE BOARD OF DIRECTORS OF STRIDES ARCOLAB LIMITED

1. We have audited the attached Consolidated Balance Sheet of **STRIDES ARCOLAB LIMITED** ("the Company") and its subsidiaries and joint ventures and associates ("the Group") as at December 31, 2008, the consolidated Profit and Loss account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, joint ventures and associates, whose financial statements reflect total assets (net) of Rs. 18,734.75 Million as at December 31, 2008 and total revenues of Rs. 10,297.54 Million and net cash outflows amounting to Rs. 2,980.68 Million for the year ended on that date. In respect of these subsidiaries, joint ventures and associates :
 - (a) the financial statements of the subsidiaries, whose financial statements reflect total assets (net) of Rs. 15,182.60 Million as at December 31, 2008 and total revenues of Rs. 8,595.89 Million and net cash outflows amounting to Rs. 2,752.46 Million for the year ended on that date, have been audited by other auditors and where applicable, their conversion based on accounting principles generally accepted in India have been reported by other accountants. These reports have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of these subsidiaries is based solely on the audit report of other auditors/accountants;
 - (b) the financial statements of the subsidiaries and joint venture and associates, whose financial statements reflect total assets (net) of Rs. 3,552.15 Million as at December 31, 2008 and total revenues of Rs. 1,701.65 Million and net cash outflows amounting to Rs. 228.22 Million for the year ended on that date, have been compiled by the management and have not been subject to audit by independent auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements' and Accounting Standard 27, 'Financial reporting of interests in Joint Ventures'.
5. Attention is invited to Note C.24 of Schedule Q regarding the excess managerial remuneration paid and the Company's proposal regarding the same.
6. We draw reference to note C.6 of Schedule Q regarding the early adoption of Accounting Standard 30 'Financial Instruments: Recognition and Measurement' and the consequential accounting of Foreign Currency Convertible Bonds and exchange differences in loans that have been designated as hedging instruments for net investment in foreign operations.
7. Subject to our comments in paragraph 3(b) above, based on our audit and on consideration of the reports of other auditors and accounts, on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India,
 - i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at December 31, 2008;
 - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

V. Balaji
Partner

Membership No. 203685

Place : Bangalore

Date : February 25, 2009

Consolidated Balance Sheet as at

(Rupees in Millions)

	Schedule	Dec 31, 2008	Dec 31, 2007
I. SOURCES OF FUNDS			
1. Shareholders' funds			
a) Share capital	A	892.11	841.65
b) Monies pending allotment (Refer Note C.7, Schedule 'Q')		-	189.87
c) Employees stock options outstanding account	B	17.89	4.73
d) Reserves & surplus	C	3,244.11	1,729.65
		4,154.11	2,765.90
2. Minority Interest			
		1,802.84	169.34
3. Loan funds			
	D		
a) Secured loans (Refer Note C.6, Schedule 'Q')		5,660.11	4,904.88
b) Unsecured loans		7,360.01	7,869.01
		13,020.12	12,773.89
4. Deferred tax liability (Net) (Refer Note C.17, Schedule 'Q')			
		87.42	106.76
Total		19,064.49	15,815.89
II. APPLICATION OF FUNDS			
1. Fixed Assets			
	E		
a) Gross block		5,991.11	5,947.48
Less : Accumulated Depreciation		2,201.23	1,659.75
Net block		3,789.88	4,287.73
b) Capital work-in-progress & advances		2,595.53	3,140.18
		6,385.41	7,427.91
2. Goodwill (on consolidation)			
		5,905.35	5,527.48
3. Investments			
	F	3,464.01	19.45
4. Deferred Tax Asset (Net)			
		43.36	2.50
5. Current assets, loans and advances			
	G		
a) Inventories		1,731.20	2,011.11
b) Sundry debtors (Refer Note C.6, Schedule 'Q')		3,375.11	1,603.12
c) Unbilled revenues		542.17	495.24
d) Cash & bank balances		569.55	1,917.58
e) Loans and advances		1,257.18	1,326.23
		7,475.21	7,353.28
Less: Current liabilities & provisions	H		
a) Current liabilities		3,599.23	3,720.23
b) Provisions		610.59	800.87
		4,209.82	4,521.10
Net current assets		3,265.39	2,832.18
6. Miscellaneous expenditure (To the extent not written off or adjusted)			
	I	0.97	6.37
Total		19,064.49	15,815.89

Basis of Consolidation,

Accounting policies and notes on accounts

Q

The above schedules form an integral part of the financial statements.

As per our report of even date

For DELOITTE HASKINS & SELLS

Chartered Accountants

V. Balaji

Partner

Membership No. 203685

Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director

K.R.Ravishankar - Director

Kannan.N - Company Secretary

Consolidated Profit & Loss Account

for the year ended

(Rupees in Millions)

	Schedule	Dec 31, 2008	Dec 31, 2007
I. INCOME			
1. Sales & services	J	10,203.31	7,442.51
2. Other income	K	3,573.74	1,253.74
Total		13,777.05	8,696.25
II. EXPENDITURE			
1. Materials consumed	L	5,596.31	4,210.18
2. Increase/(Decrease) in stock	M	(356.29)	(617.40)
3. Personnel cost	N	1,800.05	1,625.47
4. Operating and other expenses	O	2,466.97	2,448.56
5. Finance charges	P	846.97	698.87
Total		10,354.01	8,365.68
III. PROFIT BEFORE DEPRECIATION, AMORTISATION & INCOME TAX		3,423.04	330.57
6. Depreciation	E	398.97	363.84
7. Amortisation of miscellaneous expenditure		1.66	13.30
IV. PROFIT / (LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		3,022.41	(46.57)
8. Exceptional Items			
- Plant shut down cost & Impairment in Investments (Refer Note C.10.1, c (i) and (iii), Schedule 'Q')		-	539.85
- Impairment in Investments (Refer Note C.3, Schedule 'Q')		1,655.94	-
- Exchange loss/ (gain) on FCCBs, ECBs & Forward exchange contracts (net) (Refer Note C.6, Schedule 'Q')		669.90	(240.73)
- Changes in Fair value options embedded in FCCB's (Refer Note C.6, Schedule 'Q')		(452.22)	-
V. PROFIT / (LOSS) BEFORE TAX		1,148.79	(345.69)
Less : Provision for tax :			
- Current		115.68	119.23
- Deferred (Net)		(23.50)	(67.39)
- Fringe benefit tax		7.76	3.98
- MAT Credit entitlement		(14.00)	-
- Prior year taxes		22.00	115.03
VI. PROFIT / (LOSS) AFTER TAX BEFORE SHARE OF MINORITY INTEREST AND ASSOCIATE		1,040.85	(516.54)
Profit / (Loss) from Continuing operations			
		1,148.79	(350.38)
Less: Tax expense			
		107.94	167.87
		1,040.85	(518.25)
Profit / (Loss) from Discontinued operations (Refer Note C.15, Schedule 'Q')			
		-	4.69
Less: Tax expense			
		-	2.98
		-	1.71
VII. PROFIT / (LOSS) AFTER TAX BEFORE SHARE OF MINORITY INTEREST AND ASSOCIATE		1,040.85	(516.54)
Less: Share of Profit / (Loss) of Minority Interest			
		(38.78)	(15.27)
Add: Share of Profit in Associate (net)			
		-	0.06
PROFIT / (LOSS) AFTER MINORITY INTEREST AND SHARE FROM ASSOCIATE		1,079.63	(501.21)
Balance brought forward			
		243.97	839.96
Consolidation adjustment			
		(547.28)	(66.67)
VIII. PROFIT AVAILABLE FOR APPROPRIATIONS		776.32	272.08
IX. APPROPRIATIONS			
Dividend paid in subsidiaries			
		-	0.17
Tax on dividends			
		4.75	8.78
Transfer to General reserve in subsidiaries			
		6.10	19.16
Balance carried to balance sheet			
		765.47	243.97
Total		776.32	272.08
X. EARNINGS / (LOSS) PER SHARE			
(Face value of Rs.10 each)			
- Basic (in Rs.)		26.91	(15.57)
- Diluted (in Rs.)		24.70	(15.57)
(Refer Note C.21, Schedule 'Q')			
Basis of Consolidation,			
Accounting policies and notes on accounts			
	Q		
The above schedules form an integral part of the financial statements			

As per our report of even date

For DELOITTE HASKINS & SELLS

Chartered Accountants
V. Balaji
Partner
Membership No. 203685
Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director
K.R.Ravishankar - Director
Kannan.N - Company Secretary

Consolidated Cash Flow Statement

For the year ended

(Rupees in Millions)

Dec 31, 2008 Dec 31, 2007

A. Cash flow from Operating Activities

Net Profit/(Loss) before tax	1,148.79	(345.69)
Adjustments for:		
Add: Depreciation and Amortisation	404.36	366.37
Compensation under ESOP Scheme	13.16	4.73
Bad debts written off and Provision for doubtful debts	96.91	144.07
Unbilled debtors written off	64.42	186.38
Impairment / Obsolescence in Assets	14.22	632.47
Interest on borrowings	771.23	604.87
Impairment in investments	1,655.94	17.22
Unrealised Exchange Loss	216.31	61.07
Less: Changes in fair value of embedded derivatives in FCCB's	452.22	-
Profit on sale of investments (Net)	2,509.04	980.15
Profit on sale of assets (Net)	1.02	13.84
Interest received	79.58	102.11

Operating profit before working capital changes 1,343.48 575.39

Changes in working capital

(Increase)/Decrease in Trade and other receivables	(287.84)	(268.41)
(Increase)/Decrease in Inventories	(611.22)	(570.57)
Increase/(Decrease) in Trade and other payables	817.69	1,223.42
(Increase)/Decrease in Margin money	14.05	(16.13)

Net change in working capital (67.32) 368.31

Cash generated from operations 1,276.16 943.70

Direct taxes paid (97.95) (50.69)

Net cash from Operating Activities A 1,178.21 893.01

B. Cash flow from Investing Activities

Purchase of fixed assets / CWIP	(3,028.38)	(2,512.73)
Sale of fixed assets	49.50	94.26
Subsidy received on investment	-	0.10
Purchase of investments	(4,034.76)	(4,728.43)
Sale/redemption of investments	4,744.78	1,130.76
Dividend / Interest received	79.58	102.11

Net cash used in Investing Activities B (2,189.28) (5,913.93)

C. Cash flow from Financing Activities

Proceeds from issue of share capital / Share warrants	-	206.97
Proceeds from issue of FCCB/ Debentures	-	6,016.99
Proceeds from long term borrowings	1,308.87	591.00
Repayment of long term borrowings	(499.32)	(244.38)
Proceeds from short term borrowings (Net)	(59.12)	787.55
Dividends paid	(6.89)	(81.79)
Tax paid on equity and preference dividend	-	(49.60)
Interest paid on borrowings	(609.20)	(580.69)

Net cash generated from Financing Activities C 134.34 6,646.05

Consolidated Cash Flow Statement

For the year ended

(Rupees in Millions)

		Dec 31, 2008	Dec 31, 2007
Net Increase /(Decrease) in Cash and Cash Equivalents	(A+B+C)	(876.73)	1,625.13
Cash and cash equivalents at the beginning of the year		1,794.30	267.90
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		0.06	37.87
Consolidation adjustment		(457.26)	(136.60)
Cash and cash equivalents at the end of the year		460.37	1,794.30

Note: Refer Note C.23, Schedule 'Q' for notes on Cash Flow Statement

Basis of Consolidation,
Accounting policies and notes on accounts – Schedule 'Q'

As per our report of even date

For DELOITTE HASKINS & SELLS

Chartered Accountants

V. Balaji

Partner

Membership No. 203685

Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director

K.R.Ravishankar - Director

Kannan.N - Company Secretary

(Rupees in Millions)

Dec 31, 2008

Dec 31, 2007

A**SHARE CAPITAL****1. Authorised****a) Equity**

70,000,000 equity shares of Rs.10 each 700.00 700.00

b) Preference

620,000 cumulative redeemable preference shares of Rs.1,000 each 620.00 620.00

1,320.00 1,320.00**2. Issued, subscribed and paid-up****a) Equity**

40,050,014 (Previous year 35,004,289) equity shares of Rs.10 each fully paid. Of these: 400.50 350.04

i) 3,118,875 equity shares of Rs.10 each were allotted to the Promoters and their associate companies on exercising of the Warrants.

ii) 210,955 equity shares of Rs.10 each were allotted to the erstwhile share holders of Bombay Drugs & Pharmas Ltd., consequent to amalgamation with the Company

iii) 1,251,000 equity shares of Rs.10 each were issued as bonus shares by capitalisation of General Reserve

iv) 1,912,500 equity shares of Rs.10 each were issued consequent to amalgamation to the shareholders of erstwhile Remed Laboratories (India) Ltd., and Plama Laboratories Ltd

v) 50,000 equity shares of Rs.10 each were issued for consideration other than cash

b) Preference

491,606, 6% cumulative redeemable preference shares of Rs.1,000 each fully paid (Refer Note C.5, Schedule 'Q') 491.61 491.61

Total 892.11 841.65**B****EMPLOYEE STOCK OPTIONS OUTSTANDING**

Employee Stock Options Outstanding (Refer Note C.8, Schedule 'Q') 42.83 18.08

Less : Deferred employee compensation expenses 24.94 13.35

Closing Balance 17.89 4.73**C****RESERVES AND SURPLUS****1. General Reserve**

Opening Balance 265.85 250.26

Add: Transfer from Profit and Loss account 6.10 19.16

Add: Adjustments under transitional provisions of AS - 30 60.35 -

Add: Additional subsidy received - 0.10

Less: Adjustment under transitional provision of AS - 15 (Refer Note C.9, Schedule 'Q') - (3.67)

Closing Balance 332.30 265.85**2. Capital Redemption Reserve 60.00 60.00****3. Debenture redemption reserve (Refer Note C.6, Schedule 'Q')**

Opening Balance 934.71 651.15

Add: Transfer from Securities premium account (Refer Note C.6, Schedule 'Q') - 355.06

Less: Reserves created for redemption of FCCBs transferred to Securities Premium (934.71) -

Less: Adjustment for exchange fluctuation on restatement of Debenture Redemption Premium - (71.50)

Closing Balance - 934.71**4. Securities Premium**

Schedules forming part of the Consolidated Balance Sheet as at

	(Rupees in Millions)	
	Dec 31, 2008	Dec 31, 2007
Opening Balance	430.53	772.78
Add: Additions during the year on fresh issue of shares	1,967.83	16.61
Add: Transfer from Debenture Redemption Reserve Account (Refer Note C.4 & C.6, Schedule 'Q')	934.71	71.50
Less : Expenses relating to issue of Foreign Currency Convertible Bonds	-	75.30
Premium on FCCB accrued for (Refer Note C.6, Schedule 'Q')	864.93	-
Less : Transfer to Debenture Redemption Reserve (Refer Note C.6, Schedule 'Q')	-	355.06
Closing Balance	2,468.14	430.53
5. Exchange Reserve (on consolidation)		
Opening Balance	(335.43)	(52.87)
Add: Transactions during the year	809.43	(282.56)
Closing Balance	474.00	(335.43)
6. Capital Reserve		
On Consolidation	90.64	87.35
On acquisition	-	6.93
Forfeiture of Monies received towards Share Warrants (Refer Note C.7 Schedule 'Q')	225.60	35.74
Closing Balance	316.24	130.02
7. Hedge Reserve (Refer Note C.6, Schedule 'Q')	(1,172.04)	-
8. Profit & Loss Account	765.47	243.97
Total	3,244.11	1,729.65

D

LOAN FUNDS

SECURED LOANS

1. Long term loans

a) From financial institutions	-	788.85
b) From banks	2,807.74	2,006.35
c) From others	15.00	25.00
	2,822.74	2,820.20

2. Short term loans

From banks (Refer Note C.6, Schedule 'Q')	2,837.37	2,084.68
	2,837.37	2,084.68
Total	5,660.11	4,904.88

UNSECURED LOANS

a) From banks	60.90	108.33
b) From others	113.84	226.39
c) Foreign Currency Convertible Bonds:		
- Debt portion of FCCBs (Refer Note C.6, Schedule 'Q')	7,051.07	5,516.00
- Fair value of embedded derivatives in FCCB's (Refer Note C.6, Schedule 'Q')	134.20	-
d) Fully Convertible Debentures	-	2,018.29
Total	7,360.01	7,869.01

Notes on above :

- Loans under different categories are secured against certain moveable and immovable assets of the parent company or concerned subsidiary.
- Some of the above loans are guaranteed by some of the Directors of the Company in their personal capacities.
- Long term loans from financial institutions and banks (other than hire purchase loans) due within one year Rs.436.93 Million (Previous year Rs.773.18 Million). Hire purchase loans due within one year Rs.2.83 Million (Previous year Rs.3.23 Million)
- Short term loans from Banks includes Bills discounted with Banks Rs.974.61 Million (Previous year Nil) (Refer Note C.6, Schedule 'Q'). These loans are secured by the respective debtors.

Schedules forming part of the Consolidated Balance Sheet as at

(Rupees in Millions)

Sl No	Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
		As on 01.01.08	Consolidation adjustment	Additions during the year	Impairment	Deletions / Adjustments	As on 31.12.08	Up to 31.12.07	Consolidation adjustment	For the year	Deletions / Adjustments	Up to 31.12.08	As on 31.12.08
1	Freehold Land	97.07	(9.36)	26.27	-	34.58	79.40	-	-	-	-	79.40	97.07
2	Leasehold Land	36.48	(16.70)	4.82	-	-	24.60	-	-	-	-	24.60	36.48
3	Buildings	1,545.76	(330.55)	77.50	-	0.72	1,291.99	213.23	(31.73)	0.20	237.83	1,054.16	1,332.53
4	Leasehold improvements	20.55	4.85	0.23	-	-	25.63	20.55	5.12	0.04	25.63	-	-
5	Furniture & Fixtures	146.52	73.37	24.93	-	4.40	240.42	57.03	42.74	1.67	117.21	123.21	89.49
6	Office Equipment	221.75	(65.98)	15.86	-	5.66	165.97	105.46	(12.87)	2.42	115.46	50.51	116.29
7	Plant & Machinery	3,186.53	(499.47)	346.12	-	27.84	3,005.34	1,132.81	(33.65)	17.74	1,288.19	1,717.15	2,053.72
8	Motor Vehicles	94.57	(38.35)	25.93	-	21.52	60.63	29.00	1.53	13.58	26.21	34.42	65.57
9	Registrations, brands & trade marks	553.99	231.72	245.38	-	2.50	1,028.59	85.09	206.52	1.87	357.77	670.82	468.90
10	Software licences	44.26	12.78	11.50	-	-	68.54	16.58	2.37	-	32.93	35.61	27.68
	Total	5,947.48	(637.69)	778.54	-	97.22	5,991.11	1,659.75	180.03	37.52	2,201.23	3,789.88	4,287.73
	Previous year	5,667.18	(53.86)	971.82	420.54	217.12	5,947.48	1,427.63	(86.39)	45.33	1,659.75	4,287.73	4,239.55
	Capital Work-in-Progress at cost and advance payments against capital expenditure											2,595.53	3,140.18
	Total											6,385.41	7,427.91

Notes :

- Addition to Freehold Land includes compensation paid to the original owners of land amounting to Rs 0.75 Million (Previous year Rs.2.35 Million).
- Deletion of Freehold land during the year includes part of land acquired by Karnataka Industrial Area Development Board (KIADB) at cost (Rs.13.45 Million) and the same was allotted on lease cum sale basis to the Group.
- Buildings include buildings on leasehold land Rs.190.94 Million (Previous year Rs. 186.35 Million).
- Motor Vehicles include Vehicles purchased under Hire purchase schemes amounting to Rs.14.88 Million (Previous year Rs.18.63 Million).
- Deletions / Adjustments under Gross Block and Depreciation relating to previous year includes amounts relating to Brand that were impaired during the previous year. The net block of such Brand that were charged to the profit and loss account was Rs. 13.24 Million.
- Additions / Capital work in progress includes interest on borrowings Rs.26.87 Million (Previous year Rs. 8.61 Million).
- Impairment adjustments recorded relating to the facility in Somerset, New Jersey, USA that was shut down during 2007 (Refer Note C.10.1.c (i), Schedule 'Q').

(Rupees in Millions)

Dec 31, 2008

Dec 31, 2007

F**INVESTMENTS** (Unquoted)**1. Long term investments****Trade investments** [at cost less permanent diminution in value (if any)]

a) Lakerose Ltd, Cyprus	5,265.54	-
Investment in 9,772 equity shares of Euro 1 each. (Refer Note C.3, Schedule 'Q')		
Less: diminution in value of investments	(1,801.53)	-
	3,464.01	-
b) Albatross	-	19.45
Investment in an Associate (including goodwill of Rs 0.69 Million and is net of share of associate's profit till date of Rs.0.06 Million)		
c) Strides Italia S.r.L, Italy (Refer Note C.10.2. (iii), Schedule 'Q')	62.96	-
Investment in 286,900 equity shares of Euro 1 each.		
Less: diminution in value of investments	(62.96)	-
Total	3,464.01	19.45
Aggregate value of unquoted investments	3,464.01	19.45

G**CURRENT ASSETS, LOANS & ADVANCES****A. Current assets****1. Inventories**

a) Raw materials, packing materials & consumables	812.26	858.18
b) Work-in-process	117.19	172.13
c) Finished goods	801.75	980.80
	1,731.20	2,011.11

2. Sundry debtors (unsecured)

a) More than six months		
- Considered Good	138.53	167.95
- Considered Doubtful	73.79	107.50
b) Others		
- Considered Good	3,236.58	1,435.17
- Considered Doubtful	-	45.71
	3,448.90	1,756.33

Less : Provision for Doubtful Debts

73.79 153.21

3,375.11 1,603.12**3. Unbilled revenues****542.17 495.24****4. Cash and bank balances**

a) Cash in hand	2.08	2.00
b) Balance with banks		
i) In current accounts	453.30	1,707.38
ii) In margin money and deposit accounts	109.18	123.28
iii) In Fixed desposit account	4.99	84.92
	569.55	1,917.58

(Rupees in Millions)

Dec 31, 2008 Dec 31, 2007

B. Loans and advances

(unsecured, considered good)

a) Advance recoverable in cash or in kind or for value to be received	474.04	445.24
b) Advance income tax and tax deducted at source	376.98	286.79
c) Deposits with and dues from Government departments	258.49	316.81
d) Deposits with others	147.67	205.03
e) Loan to an erstwhile subsidiary	-	72.36

	1,257.18	1,326.23
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Total	7,475.21	7,353.28
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H**CURRENT LIABILITIES AND PROVISIONS****A. Current liabilities**

a) Sundry creditors	3,356.39	3,394.92
b) Unclaimed dividend	1.91	1.90
c) Interest accrued but not due	21.92	50.29
d) Other liabilities	114.96	111.51
e) Advances received from customers	104.05	161.61

Total	3,599.23	3,720.23
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B. Provisions

a) Leave salary	86.00	61.25
b) Gratuity and other employee benefits	82.05	166.83
c) Other provisions	-	93.12
d) Taxes	391.99	426.99
e) Proposed equity dividend	-	0.17
f) Tax on equity dividends	4.76	6.72
g) Preference dividend (Refer Note C.5, Schedule 'Q')	45.79	45.79

Total	610.59	800.87
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(A + B)	4,209.82	4,521.10
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MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

a) Other development expenses	0.97	6.37
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Total	0.97	6.37
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(Rupees in Millions)

Dec 31, 2008 Dec 31, 2007

J

SALES & SERVICES

a) Sale of products	9,608.15	6,884.52
Less: Excise duty	-	2.29
Net Sales	9,608.15	6,882.23
b) Sale of Product dossier	233.57	113.04
c) Development Income	320.18	389.80
d) Contract manufacturing services	41.41	53.86
e) Export licences & incentives (net)	-	3.58
Total	10,203.31	7,442.51

K

OTHER INCOME

a) Exchange fluctuation gain (net)	872.13	136.14
b) Miscellaneous income	108.71	17.64
c) Profit on Sale / Disposal of investments (net) (Refer Note C.3 and C.10.2, C.15 & C.10.1.c.(ii) of Schedule 'Q')	2,509.04	978.95
d) Profit on Sale / Disposal of assets	4.28	18.90
e) Interest received	79.58	102.11
Total	3,573.74	1,253.74

L

MATERIALS CONSUMED

Raw materials & packing materials		
Opening stock	858.18	781.05
Consolidation adjustment	(246.24)	9.22
	611.94	790.27
Add: Purchases	5,796.63	4,278.09
Less: Closing stock	812.26	858.18
Total	5,596.31	4,210.18

M

INCREASE / (DECREASE) IN STOCK

i) Opening stock		
Work in process	172.13	168.34
Finished goods	980.80	283.19
	1,152.93	451.53
ii) Consolidation adjustment		
Work in process	(48.05)	(57.71)
Finished goods	(542.23)	141.71
	(590.28)	84.00
iii) Closing stock		
Work in process	117.19	172.13
Finished goods	801.75	980.80
	918.94	1,152.93
Total	(356.29)	(617.40)

Schedules forming part of the Consolidated Profit & Loss Account
for the year ended

(Rupees in Millions)

Dec 31, 2008 Dec 31, 2007

N

PERSONNEL COST

Salaries, wages and allowances	1,551.82	1,336.85
Contribution to provident and other funds	149.09	163.64
Staff welfare expenses	99.14	124.98
Total	1,800.05	1,625.47

O

OPERATING AND OTHER EXPENSES

Power, fuel & water	308.06	311.39
Consumables	275.90	235.81
Conversion & Processing charges	43.67	36.88
Excise duty paid	2.00	8.82
Freight & forwarding	383.30	247.12
Rent	151.14	127.78
Rates & taxes	84.35	50.65
Communication charges	43.18	44.55
Repairs & maintenance		
- Buildings	18.58	19.06
- Machinery	69.92	49.71
- Others	81.26	102.83
Insurance	35.52	34.82
Travelling & conveyance	145.05	125.85
Advertisement & Selling expenses	223.47	158.18
Commission on sales	111.35	48.28
Legal and Professional fees	176.68	219.44
Other expenses	137.99	275.06
Impairment in brands / Obsolescence in Assets	14.22	13.24
Assets written off	-	8.64
Provision for doubtful debts	96.91	144.07
Unbilled debtors written off	64.42	186.38
Total	2,466.97	2,448.56

P

FINANCE CHARGES

Bank charges & commission	75.74	94.00
Interest on working capital and other facilities	359.97	347.31
Interest on Fixed loans and Foreign Currency Convertible Bonds	411.26	257.56
Total	846.97	698.87



Basis of Consolidation, Significant Accounting Policies and Notes on Accounts:

A. Basis of Consolidation

The Consolidated Financial Statements relate to Strides Arcolab Limited (the Company), its subsidiary companies, joint ventures and associates, together "the Group". The Financial Statements of the entities in the Group used in the consolidation are drawn up to the same reporting date as of the Company, i.e. December 31, 2008.

1. Principles of Consolidation:

The Consolidated Financial Statements have been prepared on the following basis:

- a. The Financial Statements of the Company and its subsidiary companies have been consolidated on a line by line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances, intra-group transactions and unrealized profits or losses have been eliminated fully.
- b. Share of profit / loss, assets and liabilities in the jointly controlled entities have been consolidated on a line by line basis by adding together like items of assets, liabilities, incomes and expenses on a proportionate basis to the extent of the Company's equity interest in such entity. The intra-group balances, intra-group transactions and unrealized profits or losses have been eliminated to the extent of the Company's share in the entity.
- c. The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognized as 'goodwill', being an asset in the Consolidated Financial Statements. Where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves & Surplus'.
- d. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.
- e. Investment in Associates has been accounted under the equity method as per Accounting Standard -23, Accounting for investments in Associates in Consolidated Financial Statements.

2. Information on Subsidiary Companies, Associates & Joint Ventures:

- a. The following companies are considered in the consolidated financial statements:

Sl. No.	Name of the entity	Country of Incorporation	Ownership held by	Status	% ownership held either directly or through subsidiaries as at December 31,2008	% ownership held either directly or through subsidiaries as at December 31,2007
1.	Arcolab SA	Switzerland	Strides Arcolab Ltd, India (Strides)	Subsidiary	100%	100%
2.	Global Remedies Ltd.	India	Strides	Subsidiary	100%	100%
3.	Strides, Inc.	USA	84.53% held by Strides and 11.18% held by SAIL, UK	Subsidiary	95.71%	84.53%
4.	Strides S.A. Pharmaceuticals Pty Ltd.	Republic of South Africa	Strides	Subsidiary	51%	51%
5.	Medgene Pharmaceuticals Pvt Ltd.	India	90% held by Strides and 10% held by Quantum Life Sciences Pvt. Ltd.	Subsidiary	100%	100%
6.	Quantum Life Sciences Pvt Ltd.	India	Strides	Subsidiary	100%	100%
7.	Strides Africa Ltd.	British Virgin Islands	Strides	Subsidiary	100%	100%
8.	Strides Latina, SA	Uruguay	Lakerose Ltd, Cyprus	Associate	49%	100%
9.	Pharma Strides Canada Corporation	Canada	Strides Inc	Subsidiary	100%	100%

Sl. No.	Name of the entity	Country of Incorporation	Ownership held by	Status	% ownership held either directly or through subsidiaries as at December 31,2008	% ownership held either directly or through subsidiaries as at December 31,2007
10.	Solara SA De CV	Mexico	Strides Latina SA, Uruguay	Associate	49%	100%
11.	Cellofarm Ltda.	Brazil	Lakerose Ltd, Cyprus	Associate	49%	100%
12.	Akorn Strides LLC	USA	Strides	Joint Venture	50%	50%
13.	Strides Arcolab International Ltd (Formerly known as Strides Arcolab (UK) Ltd)	UK	Strides	Subsidiary	100%	100%
14.	Beltapharm S.p.A	Italy	Strides Arcolab International Ltd, UK (SAIL)	Subsidiary	70%	70%
15.	Strides Australia Pty Ltd	Australia	SAIL	Subsidiary	100%	100%
16.	Strides Arcolab Polska Sp. Zo.o	Poland	Linkace Ltd, Cyprus	Subsidiary	100%	100%
17.	Ascent Pharmahealth (Asia) Pte Ltd (Formerly Known as Strides Singapore Pte Ltd.)	Singapore	Ascent Pharmahealth Ltd, Australia (APH)	Subsidiary	55.46%	100%
18.	Drug Houses of Australia (Asia) Pte Ltd.	Singapore	Ascent Pharmahealth (Asia) Pte Ltd (APHA)	Subsidiary	55.46%	100%
19.	Strides CIS Ltd (Formerly known as Raycom Ltd,)	Cyprus	Linkace Ltd, Cyprus	Subsidiary	51%	-
20.	Strides Arcolab UK Ltd.	UK	SAIL	Subsidiary	100%	100%
21.	Laboratorios Domac SL	Spain	SAIL	Joint venture	50%	50%
22.	Plus Farma ehf	Iceland	SAIL	Joint Venture	50%	50%
23.	Farma Plus AS	Norway	SAIL	Joint Venture	50%	50%
24.	Strides Arcolab Hong Kong Ltd	Hong Kong	APHA	Subsidiary	55.46%	100%
25.	Strides Arcolab Malaysia SDN. BHD	Malaysia	APHA	Subsidiary	55.46%	100%
26.	Starsmore Ltd.	Cyprus	Strides	Subsidiary	100%	100%
27.	Lakerose Ltd.	Cyprus	Starsmore Ltd, Cyprus	Associate	49%	100%
28.	Linkace Ltd.	Cyprus	Starsmore Ltd, Cyprus	Subsidiary	100%	100%
29.	Powercliff Ltd.	Cyprus	Starsmore Ltd, Cyprus	Joint Venture	50%	50%
30.	Casa de Representaciones Sumifarma CA	Venezuela	Lakerose Ltd, Cyprus	Associate	49%	80%
31.	Strides Italia S.r.L	Italy	SAIL	Subsidiary	-	100%
32.	Strides Vital Nigeria Ltd.	Nigeria	Strides Africa Ltd, BVI	Subsidiary	74%	74%

Sl. No.	Name of the entity	Country of Incorporation	Ownership held by	Status	% ownership held either directly or through subsidiaries as at December 31,2008	% ownership held either directly or through subsidiaries as at December 31,2007
33.	Sagent Strides LLC.	Wyoming, USA	SAIL	Joint Venture	50%	50%
34.	Co Pharma Ltd.	UK	43.72% held by Linkace Ltd, Cyprus and 7.28% held by SAIL	Subsidiary	51%	51%
35.	Strides Arcolab SDN. BHD.	Brunei	APHA	Subsidiary	55.46%	100%
36.	Formule Naturelle (Pty) Ltd [formerly known as Aspen Public Health (Pty) Ltd.]	South Africa	Linkace Ltd, Cyprus	Subsidiary	80%	80%
37.	Grandix Pharmaceuticals Ltd	India	Strides	Subsidiary	99.98%	99%
38.	Grandix Laboratories Ltd	India	Grandix Pharmaceuticals Ltd	Subsidiary	99.98%	99%
39.	Onco Therapies Ltd	India	Strides	Joint Venture	51%	51%
40.	Albatross	Iceland	Plus Farma ehf, Iceland	Associate	-	30%
41.	Ascent Pharmahealth Ltd (formerly known as Genepharm Australasia Ltd)	Australia	Linkace Ltd, Cyprus	Subsidiary	55.46%	-
42.	Genepharm (Australia) Ltd	New Zealand	APH	Subsidiary	55.46%	-
43.	Genepharm Pty Ltd,	Australia	APH	Subsidiary	55.46%	-
44.	Strides Mexicana SA De CV	Mexico	99% held by Strides Latina and 1% held by SAIL, UK	Associate	49%	-
45.	Quantum Remedies Pvt Ltd	India	Quantum Life Sciences Pvt Ltd	Subsidiary	100%	-

- In respect of entities in SI No.2, 4, 5, 9, 14, 15, 17, 18, 23, 29, 32, 34, 36, 37, 38, 41 & 42 (previous year 2, 4, 5, 8, 9, 10, 11, 14, 15, 18, 23, 29, 32, 34, 36, 37, 38, 41 & 42) the Company's cost of investment is in excess of its share of equity on the date of investment and the difference has been recognized as Goodwill. In respect of 39 (Previous year 39) the companies net worth is in excess of the cost of investment on the date of acquisition and the difference has been recognized as capital reserve.
- During the year the following changes were made to the holding structure of the group:
 - Strides Arcolab Hong Kong Limited, Hong Kong was shifted from Strides Arcolab International Limited to Ascent Pharmahealth (Asia) Pte Ltd (Formerly Known as Strides Singapore Pte Ltd).
 - Strides Arcolab Malaysia SDN BHD, Malaysia was shifted from Strides Arcolab International Limited to Ascent Pharmahealth (Asia) Pte Ltd (Formerly Known as Strides Singapore Pte Ltd).
 - Strides Arcolab SDN, BHD, Brunei was shifted from Strides Arcolab International Limited to Ascent Pharmahealth (Asia) Pte Ltd (Formerly Known as Strides Singapore Pte Ltd).
 - Ascent Pharmahealth (Asia) Pte Ltd (Formerly Known as Strides Singapore Pte Ltd), Singapore was shifted from Strides Arcolab International Limited to Linkace Limited.
 - Strides Arcolab Polska Sp. Zo.o, Poland was shifted from Strides Arcolab International Limited to Linkace Limited.
 - Strides Italia S.r.L, Italy from Strides Arcolab International Limited to Linkace Limited.
- During the year, the Group divested 81% of the equity in its wholly owned subsidiary, Strides Italia S.r.L with effect from August 1, 2008.
- As part of the Company's plan of restructuring of its Latin American operations, during the year
 - Lakerose Limited acquired the 67% holdings in Strides Latina SA, from the Company.

- (ii) Starsmore Ltd divested 51% shareholding in Lakerose Limited to Aspen group for a net consideration of USD 45.01 Million.
- (iii) the Group entered into a put and call option agreement to sell the balance 49% investment in Lakerose Ltd, based on an earnings based multiple to be determined for the period July 1, 2008 to June 30,2009. During this period, the Group is not eligible to receive dividends from Lakerose Ltd, consequently, the results of the Lakerose Ltd and its subsidiaries are not consolidated with effect from July 1,2008

b. During the year, the Companies stated in the table below were acquired / disposed / agreed for disposal and the Consolidated Financial Statements include / exclude the balances disclosed in the table relating to these companies. (Figures disclosed are as stated in the consolidated financials of the respective subsidiaries at the balance sheet date / date of disposal / discontinuance from consolidation). (Rupees in Millions)

Acquisition		Disposal / Agreed for Disposal	
Particulars	Ascent Pharma	Lakerose Ltd	Strides Italia
Date	01.08.08	01.07.08	01.08.08
Liabilities			
Loans	466.53	1,898.54	570.10
Current Liabilities & Provisions	446.12	1,417.38	619.70
Deferred tax liability	(35.51)	12.82	-
Assets			
Fixed Assets	388.41	3,579.62	734.45
Goodwill	1715.11	5,223.50	-
Investments	2112.18	-	-
Current Assets	1077.18	5,619.16	431.05
Profit / (Loss) after Tax	(42.02)	98.75	(6.30)

- c. The following subsidiaries were set up during the year:
 - Strides CIS Limited, Cyprus (formerly known as Raycom Limited)
 - Strides Mexicana SA De CV, Mexico
 - Quantum Remedies Private Limited, India
- d. For purposes of consolidation under AS21, Onco Therapies Limited (Onco) is treated as a Joint venture, since the Company (which holds 51% of the equity in Onco) has assigned its Voting rights relating to 1% of the outstanding capital of Onco to Aspen Pharmacare Holdings Limited, South Africa (Aspen), an entity that holds 49% equity in Onco. (See note C.10.1.b, schedule Q).
- e. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.
- f. The Consolidated Financial Statements include the share of assets, liabilities, income and expenses aggregating to amounts indicated below, which are included on the basis of un-audited financial statements in respect of the following:
 - Arcolab SA, Switzerland,
 - Strides Inc, USA,
 - Pharma Canada Corporation, Canada,
 - Strides Latina SA, Uruguay,
 - Strides SA Pharmaceuticals Pty Ltd, Republic of South Africa,
 - Strides Africa Ltd, British Virgin Islands,
 - Strides Australia Pty Limited, Australia
 - Akorn Strides LLC, USA
 - Strides Arcolab UK Ltd, UK,
 - Sagent Strides LLC, USA,
 - Strides Arcolab Hong Kong Ltd, Hong Kong,
 - Strides Arcolab Malaysia SDN, BHD, Malaysia,
 - Laboratorios Domac, Spain,
 - Plus Farma ehf, Iceland,
 - Strides Arcolab SDN, BHD, Brunei
 - Powercliff Limited, Cyprus,
 - Albatross, Iceland
 - Strides Mexicana SA De CV, Mexico,

- Strides CIS Limited, Cyprus (Formerly known as Raycom Limited)
- Formule Naturelle Pty Ltd, South Africa
- Strides Italia S.r.L, Italy
- Farma Plus A.S., Norway
- Casa de Representaciones Sumifarm CA, Venezuela
- Strides Arcolab Polska SP. z.o.o., Poland
- Solara SA De CV, Mexico

(Rupees in Millions)

Particulars	Amount
Loans	2,790.09
Fixed Assets	2,491.43
Current Assets	2,562.54
Current Liabilities & Provisions	1,501.82
Income	1,701.65
Expenditure	1,970.37

3. Exchange Adjustments :

On Consolidation,

- in the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve' under Reserves and Surplus.
- in the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Profit and Loss account.

B. Significant Accounting Policies

1.1. Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis except for certain financial assets, liabilities which are measured on fair value basis and in accordance with the Generally Accepted Accounting Principles in India, the Accounting Standards notified under section 211 (3C) of the Companies Act 1956 and the Standards issued by the Institute of Chartered Accountants of India.

1.2 Revenue

1.2.1. Revenue from export sales is recognized on the basis of the shipping bills for exports. Revenue from domestic sales is recognized based on the passage of title to goods which generally coincides with despatch. Sales includes excise duty and are stated net of discounts, other taxes, and sales returns.

1.2.2. Revenue from development services :

- In respect of contracts which require development on end to end basis, revenue is recognised based on technical estimates made by the Company of the stage of work,
- In respect of other development contracts, revenue is recognised on the basis of the performance milestones provided in the contract.

1.2.3. Revenue from sale of dossiers is recognised on percentage completion method. The extent of completion is determined based on costs incurred and the total cost for completion of the contracts.

1.2.4. Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

1.2.5. Export incentives are accounted on accrual basis and include estimated realisable values/ benefits from special import licences and benefits under Duty Exemption Pass Book schemes, wherever applicable.

1.2.6. Dividend income is recognized whenever the right to receive dividends is established.

1.2.7. Other income is recognised when such income accrue to the Group.

1.3. Fixed Assets

Fixed assets and intangibles (other than in-house product development costs) are recorded at their acquisition cost and subsequent improvements thereto. Cost includes related pre-operative project expenditure and interest on borrowings attributable to the funds borrowed in respect of qualifying assets, for the period upto completion of construction or when the assets are ready to be put to use, as applicable. Inhouse product development costs are capitalised in accordance with Paragraph 1.8 below.

1.4. Impairment of Assets

As at each Balance Sheet date, the carrying amount of fixed assets is tested for impairment. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- in the case of an individual asset, at the higher of the net selling price and value in use.

- (b) in the case of cash generating units, at the higher of the unit's net selling price and the value in use. Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

1.5. Depreciation

Depreciation is provided under the straight line method based on the following useful lives

Sl no	Nature of Asset	Useful life (range)
1	Building	4 to 65 years
2	Plant and Machinery	3 to 25 years
3	Furniture's & Fixtures	5 to 16 years
4	Office Equipments	5 to 12 years
5	Motor Vehicles	5 to 12 years
6	Software licences	5 years
7.	Registration & Brands	Not exceeding 10 years

Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

1.6. Inventories

Inventories comprise raw materials, packing materials, consumables, work in process and finished goods. These are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials, packing materials and consumables	on weighted average basis
Work in process	at material cost and an appropriate share of production overheads
Finished Goods	at material cost and an appropriate share of production overheads and excise duty, wherever applicable

1.7. Employee benefits

Contributions to defined contribution schemes are charged to revenue on accrual basis.

Leave balances standing to the credit to the employees that are expected to be availed in the short term are provided for on full cost basis. Liability for unavailed leave considered to be long term is carried based on an actuarial valuation.

Liability for gratuity in respect of Employees in entities within India is funded and are accounted based on actuarial valuation carried out as at the end of the fiscal year. The obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short term employee benefits like medical, leave travel, etc are accrued based on the terms of employment on a time proportion basis.

In respect of foreign subsidiaries, liabilities with respect to Employee benefits are accrued based on the laws applicable in those Countries.

1.8. Research & Development Expenditure

Development expenses incurred on specific / identified in-house developed products are capitalised from the date on which the Company is able to demonstrate technical feasibility and probable future economic benefits in respect of the products. The amount capitalised comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

Other development and research expenses are charged to the Profit and Loss account.

Fixed assets acquired for Research & Development activities are capitalised and depreciated in accordance with the policy of the Company in paragraph 1.3 and 1.5 above.

1.9. Foreign currency transactions

The transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate prevailing on the date of the balance sheet. Exchange differences on settlement or restatement are adjusted in the profit & loss account.

1.10. Investments

Current investments are carried at lower of cost and fair market value. Provision is made to recognize decline, if any, in the carrying value.

Long-term investments are valued at cost less impairment considered to be other than temporary, except for investments which are designated as hedged items for changes in the spot rate of the foreign currency of the underlying investment. Such investments are carried at fair values by restating the underlying foreign currency at the closing spot rates.

1.11. Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting

- a) The Group classifies its financial assets into the following categories: financial instruments at fair value through

profit and loss, loans and receivables, held to maturity investments and available for sale financial assets. Financial assets of the Group mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial assets of the Group mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Group mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets / liabilities are recognized on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under other Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a fair value hedge relationship, where the changes are recognised in the Profit and Loss account. Loans and receivables, considered not to be in the nature of Short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through profit and loss.

Other financial liabilities are carried at amortized cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognized when extinguished.

b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

c) Derivative financial instruments

The Group is exposed to foreign currency fluctuations on foreign currency assets and liabilities. The Group limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Group enters into forward exchange financial instruments where the counterparty is a bank. Changes in fair values of these financial instruments that do not qualify as a Cash flow hedge accounting are adjusted in the Profit and Loss.

d) Hedge Accounting

Some financial instruments and derivatives are used to hedge interest rate, exchange rate, commodity and equity exposures and exposures to certain indices. Where derivatives are held for risk management purposes and when transactions meet the criteria specified in Accounting Standard 30, the group applies fair value hedge accounting, cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

e) Fair value hedge accounting

Changes in the fair value of financial instruments and derivatives that qualify for and are designated as fair value hedges are recorded in the Profit and Loss Account, together with changes in the fair value attributable to the risk being hedged in the hedged asset or liability.

If the hedged relationship no longer meets the criteria for hedge accounting, it is discontinued.

f) Hedges of Net Investments

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of net investment are accounted as follows: the effective portion of the gain or loss on the hedging instrument is recognized in shareholders equity and the ineffective portion recognized in the Profit and Loss Account. The cumulative gain or loss previously recognized in equity is recognized in the Profit and Loss Account on the disposal / partial disposal of the foreign operation.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative financial liability only the foreign exchange risk is designated as the hedged risk.

1.12. Employee Stock Option Schemes

Employee stock options are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed under 'Personnel cost'.

1.13. Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognized for the future tax consequences arising out of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax assets are recognised and

carried forward to the extent that there is a reasonable / virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realised. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognized in the income statement in the period of enactment of the change.

1.14. Segment Reporting

The accounting policies adopted for the segment reporting are in line with the accounting policies of the Group. Revenue and expenses have been identified to segments on the basis of the nature of their relationship to the business and operating activities of the segment. Revenue and expenses, which relate to the Group as a whole and are not allocable to segments on a reasonable basis, have been included under 'Unallocable income / expenses'. Intersegment sales are made at prevailing market prices.

1.15. Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Examples of such estimates include the useful life of fixed assets (including intangible assets), provision for doubtful debts/advances, provision for employee benefits, allowances for slow moving / non moving inventory, provision for tax, estimate of percentage of completion of work under contracts for development services and sale of dossiers.

Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates

1.16. Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation. Contingent liabilities are not recognised but are disclosed in the notes to financial statements.

1.17. Miscellaneous Expenditure

- a. Preliminary and share issue expenses existing prior to September 30, 2003 are amortised over a period of ten years.
- b. Expenditure on formulation development existing prior to September 30, 2003 are amortised over appropriate periods based on the estimated future revenues and market and other information available with the company.
- c. Other Market development expenses existing prior to September 30, 2003 are amortised over a period of five years.

C. Notes on Accounts

1. Capital Commitments

- 1.1 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances) Rs. 289.78 Million (Previous year Rs 319.34 Million.) Also refer note 10.1.b below.
- 1.2 The Company's subsidiary had entered into a Share Purchase Agreement (SPA) with the promoters of Beltapharm S.p.A, which, inter alia, includes a put option clause. As per this clause, the promoters of Beltapharm S.p.A, have an option to exercise a Put option requiring the Company to acquire the balance 30% of the shares held by the promoters after the expiry of three years from January 1, 2006. Such put option may be exercised by the promoters at any time during twelve months succeeding the end of the three year period. The price payable for the purchase of the put option shares shall be computed in the manner provided for in the SPA. On exercise of the option by the promoters, the minimum capital commitment would be Euro 1.15 Million – (Rs. 78.73 Million). As on date, the option has not been exercised by the promoters.
- 1.3 During the previous year, the company acquired 10% stake in Medgene Pharmaceuticals Private Limited for Rs.10 Million as per share purchase agreement dated October 17,2007 entered into with Mr. K.T Karunakaran, erstwhile promoter of the company, as per the terms of agreement, the balance consideration payable was as under
 - i. Rs. 2,500,000 in December 2008
 - ii. Rs. 2,500,000 in December 2009

During the year, in terms of the Share Purchase Agreement referred above, the company has accrued Rs. 2,500,000/- to the Mr. K.T. Karunakaran. The consideration was payable in December 2008, subject to the erstwhile promoter fulfilling certain conditions. The afore said amount has been settled on January 19, 2009, on fulfillment of conditions referred to in the Share Purchase Agreement

Consequent to the settlement entered between the Company, Quantum Life Science Private Ltd, Medgene Pharmaceuticals Private Ltd., & Mr. K.T. Karunakaran on January 12, 2009, no further consideration is payable to Mr. K.T. Karunakaran, apart from the above.

- 1.4 The Share purchase agreement entered into between Linkace Limited and Aspen Group towards acquisition of Formule Naturelle Ptv Ltd, South Africa, provides for a Put and Call option feature, wherein Aspen Group has the Put option to sell its holding of 20% stake in Formule Naturelle Pty Ltd to Linkace Limited at an agreed multiple of earnings achieved during the prescribed period ended December 31, 2008. The Group is in the process of determining the earnings for the transaction.
- 1.5 The Share purchase agreement entered into between Linkace Limited and Aspen Group provide for a Put option feature on the shares held by Aspen Group in Co Pharma Limited, UK (Co Pharma) for its stake of 49% during the period from 01.07.2009 to 31.12.2011 for a consideration to be calculated on the basis of enterprise value of the Co Pharma which shall be computed by multiplying the EBITDA determined with reference to Co Pharma's then latest audited financial statements by 7 times and adjusted for net debts. The minimum consideration payable for the 49% shareholding is GBP 2.25 Million (Rs.159.21 Million) & the Maximum is GBP 8 Million (Rs. 566.08 Million)

2. Contingent Liabilities

- 2.1 The Group has provided guarantees up to of Rs.746.00 Million (Previous year Rs. 746.00 Million) in connection with borrowings of Sequent Scientific Limited (Sequent), which was a subsidiary at the time issuing such guarantee. Consequent to the disposal of the investment in Sequent in 2007, the Group has initiated procedures to withdraw such guarantees. As at December 31, 2008, Sequent had utilized up to Rs. 146.00 Million (Previous Year Rs. 161.27 Million) of such facilities in respect of which the Guarantees were issued.
- 2.2 The Company has, arising from the assessment proceedings relating to earlier years, received demands totaling to Rs. 245.49 Million (Previous year - Rs. 224.83 Million) from the income tax authorities on account of certain disallowances considered by them. The Company has disputed the disallowances and has, preferred appeals against these demands. Pending resolution of the same, no provision has been made in the accounts for such disputed amounts
The Company preferred appeal with the CESTAT against the order of the Commissioner of Central Excise for disallowing transfer of cenvat credit of Rs. 3.86 Million (Previous year Rs 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.
- 2.3 Claims not acknowledged as debt (employee related) - Nil (Previous year Rs.23.24 Million)
- 2.4 Bills discounted with Banks which are outstanding as on December 31,2007 was Rs.1,471.81 Million. Consequent to adoption of Accounting Standard 30, such balances at December 31,2008 have been included under the short term secured loan from Banks.

3. The Group entered into a strategic alliance with Aspen Pharmacare Holdings Limited, Republic of South Africa (Aspen), under which Aspen became a 50% joint venture partner in respect of the Company's Latin American operations effective March 1, 2008. As part of its obligations under the Joint venture, Aspen is required to buy from Starsmore Limited, Cyprus, (a subsidiary of the Company), a part of its shareholding in Lakerose Limited (the holding Company for the Latin American operations) for USD 58.50 Million and invest a further sum of USD 94 Million in Lakerose Limited, against subscription to fresh shares such that Aspen's shareholding in Lakerose Limited aggregate to 50%.

During the year 50% and an additional 1% shareholding in Lakerose Limited was sold by the Company through Starsmore Limited to Aspen for a net consideration of USD 45.01 Million resulting a profit of Rs. 752.86 Million.

On September 29, 2008 the Group has entered into another agreement with Aspen under which Aspen has a Call option and the Group has a Put option for the Group's balance holding of 49% in Lakerose Ltd, Cyprus, for a consideration of USD 80 Million. The final consideration would be determined based on a multiple of earnings in the period July 1,2008 to June 30,2009 (the Prescribed Period).

During the said Prescribed period commencing from July 1, 2008 to June 30, 2009 the Group is not eligible for any share in profit or dividend on the said holding of 49% in Lakerose Ltd, Cyprus and accordingly has not consolidated the results of Lakerose Limited and its subsidiaries with effect from that date.

Based on estimate of the earnings expected to be achieved for the prescribed period, the Group has recognised an impairment loss of USD 38.14 Million (Rs.1,655.94 Million) in these financial statements.

In connection with the above venture with Aspen, the Company has effective March 1, 2008, provided a guarantee of USD 75 Million to Aspen, which shall, subject to approval from the appropriate authorities, be increased to USD 152.5 Million.

4. Foreign currency convertible bonds:

- (a) During the accounting year ending December 31, 2007, the Company issued Foreign Currency Convertible Bonds (FCCB) amounting to USD 100 Million (Rs.4,070 Million) on June 26, 2007. These bonds carry zero coupon and are to be redeemed on June 27, 2012 (unless converted into Equity Shares) at 145.058 per cent of the Principal amount.

The bonds may be redeemed in whole, but not in part at the option of the Company at any time on or after July 18, 2010 and on and prior to June 20, 2012 with a redemption premium of 7.575 per cent (which is identical to the gross yield in case of redemption at maturity) calculated on a semi annual basis. Up to December 31, 2007, Premium payable on maturity (along with related exchange fluctuation) was transferred from Securities Premium on a pro-rata basis to Debenture Redemption Reserve Account. However, consequent to the adoption of AS 30, the amortization of redemption premium up to December 31, 2008 have been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried in the Debenture Redemption Reserve has been transferred back to Securities Premium Account.

The Bonds are convertible at any time on or after August 6, 2007 and up to the close of business on June 20, 2012 by the holders of the Bonds into Shares at the option of the Bondholder, at an initial conversion price of Rs.461.553 per Share with a fixed rate of exchange of Rs.40.70 per USD on conversion. The bonds are listed on Singapore Exchange Securities Trading Limited, Singapore

- (b) During the accounting year ending December 31, 2005, the Company had issued Foreign Currency Convertible Bonds (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 40 Million. These bonds carry an interest rate of 0.5 % p.a. and are to be redeemed on April 19, 2010 (unless converted into Equity Shares) at 136.78 percent of the Principal amount.

The Bonds may be redeemed in whole, but not in part, at the option of the Company at any time on or after April 18, 2008 but prior to April 19, 2010 with a redemption premium of 6.8% per annum (which is identical to the gross yield in case of redemption at maturity), calculated on bi-annual basis. However, consequent to the adoption of AS 30, the amortization of redemption premium up to December 31, 2008 have been provided in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried value Debenture Redemption Reserve has been transferred back to Securities Premium Account

The Bonds are convertible by the Bond holders into shares at any time on or after May 18, 2005 at an initial price of Rs. 358.70 per share with a fixed conversion rate of Rs.43.7767 = US \$ 1.00. The initial conversion price will be subject to adjustment by the Company for Bonus issue, division, consolidation and reclassification of shares etc., as defined in the terms of issue of the Bonds.

In 2005, a reserve for the entire amount of premium payable on redemption was created as Debenture Redemption Reserve with a corresponding adjustment to Securities Premium Account. However, consequent to the adoption of AS 30, the amortization of redemption premium up to December 31, 2008 have been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried under Debenture Redemption Reserve has been transferred back to Securities Premium Account.

- (c) As at December 31, 2008, none of the above bonds had been offered for conversion.

5. Cumulative Redeemable Preference Shares & Fully convertible debentures:

- a. Cumulative Redeemable Preference Shares:

During the year ending December 31, 2005, the Company had issued 491,606 Cumulative Redeemable Preference shares of Rs.1,000/-each fully paid to K V Pharmaceuticals, USA (KV). The Cumulative Redeemable Preference shares carry dividend of 6% (Rs.60 per share) per annum. The Preference shares are redeemable at par along with accrued unpaid dividend on or before December 31, 2012. If any of these shares are not redeemed on the said date, the redemption price subsequent to December 31, 2012 shall contain an increasing default premium which shall be 10%, if redemption occurs in the year 2013 and an additional 10% per each year there after in which the shares are redeemed. These shares are entitled to dividends at the rate of 15%, (Rs. 150 per share) after 2012.

Preference Dividend unpaid as at December 31, 2008 represents dividends on these preference shares for the years 2005 and 2006. While these dividends have been declared, in accordance with the Share Purchase Agreement with KV, they are due and payable only on or after December 31, 2010, without interest thereon.

In the absence of adequate profits, the preference dividend of Rs. 29.50 Million each for 2007 and 2008, has not been declared.

- b. Fully Convertible Debentures:

On June 8, 2007, the Company allotted 5,045,725 fully convertible debentures (FCDs) at a price of Rs.400 per debenture, on preferential basis, to Dobliss Holdings Limited (3,111,440 FCDs) and Blissup Holdings Limited (1,934,285 FCDs), associate companies of Mr.Elcemar Almeida, a non resident and non executive director of the Company. The Company has paid interest on FCDs accrued during the fiscal year 2008 amounting to Rs. 24.73 Million (Previous Year Rs. 55.86 Million).

During the year, the Company has allotted 5,045,725 equity shares pursuant to conversion of the debenture at a premium of Rs. 390 per share.

6. Adoption of Accounting Standard – 30: Financial Instruments: Recognition and Measurement, issued by Institute of Chartered Accountant of India:

Arising from the Announcement of the Institute of Chartered Accountants of India (ICAI) on March 29, 2008, the Company has chosen to early adopt Accounting Standard (AS) 30: 'Financial Instruments: Recognition and Measurement'. Coterminous with this, in the spirit of complete adoption, the Company has also implemented the consequential

limited revisions in view of AS 30 to AS 2, 'Valuation of Inventories', AS 11 'The Effect of Changes in Foreign Exchange Rates', AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements', AS 26 'Intangible Assets', AS 27 'Financial Reporting of Interests in Joint Ventures', AS 28 'Impairment of Assets' and AS 29 'Provisions, Contingent Liabilities and Contingent Assets' as have been announced by the ICAI.

Consequent to adoption of AS 30 and the transitional provision under the standard:

The Group has changed the designation and measurement of all its significant financial assets and liabilities existing as at January 1, 2008. The impact on account of measurement of these is as described below:

6.1. Foreign Currency Convertible Bonds (FCCBs or Bonds)

On adoption of AS 30, the FCCBs are split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs.

The debt component is recognized and measured at amortized cost while the fair value of the option component is determined using a valuation model with the below mentioned assumptions.

Assumptions used to determine fair value of the options

Valuation and amortization method — The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

Stock Price as at the date of valuation – The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

Strike price for the option - has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

Expected Term — The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

Expected Volatility — Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

Risk-Free Interest Rate — The risk-free interest rate used in the Black-Scholes valuation method is assumed at 7%.

Expected Dividend — Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

Measurement of Amortized cost of Debt component

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and origination costs, the effective yield has been amortized to the Securities Premium Account as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Profit and Loss Account.

Consequent to change in policy for accounting of FCCBs,

- a. Rs. 934.71 Million being the previously accrued Debenture Redemption Reserve out of the Securities Premium Account has been back to Securities Premium Account.
- b. Rs. 124.68 Million being the amount of FCCB issue expenses previously debited to Securities Premium Account has been reversed.

- c. Rs. 443.20 Million and Rs. 546.41 Million has been debited to Securities Premium Account as at December 31, 2007 and during the year 2008, respectively towards the amortized interest attributable to the effective yield pertaining to the redemption premium and FCCB issue expenses.
 - d. Rs. 202.00 Million being the excess of amortized interest chargeable to Profit and Loss Account as per the policy adopted by the company over the previously recognized interest cost upto December 31, 2007 has been debited to General Reserve Account.
 - e. Interest expense for the year debited to Profit and Loss Account is higher by Rs. 216.48 Million, and Profit Before Tax for the year is lower by the corresponding amount.
 - f. The difference between the fair value of the option component on the date of issue of the FCCBs and December 31, 2007 amounting to Rs.427.10 Million has been credited to the General Reserve Account
 - g. Rs. 452.21 Million being the difference in the carrying amount of the option component between December 31, 2008 and December 31, 2007 has been credited to the Profit and Loss Account of the year
 - h. Rs. 63.31 Million being the incremental exchange difference upto December 31, 2007 arising out of the accounting treatment of FCCBs described above has been debited to General Reserve Account.
 - i. Exchange loss on restatement of FCCBs is lower and Profit Before Tax for the year is higher by Rs. 101.54 Million.
- 6.2. Consequent to change in policies for accounting for External commercial borrowings (another financial liability), excess of amortized interest cost of Rs. 0.53 Million and Rs. 0.79 Million chargeable to Profit and Loss Account as per the policy adopted by the Company over the previously recognized interest cost for the period upto December 31, 2007 and for year ended December 31, 2008 respectively, has been debited to General Reserve Account and the Profit and Loss account respectively.
- 6.3. The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 or the fair values on the measurement date. At December 31, 2008, the fair values of such financial assets are equal to such liabilities and have been set off in the financial statements.
- 6.4. As required under the Companies Act, 1956, Redeemable Preference Shares are included as part of share capital and not as debt and dividend on the preference shares will be accounted as dividend as part of appropriation of profits and have not been accrued as interest cost. Further, due to inadequate profits, the Company has not accrued dividend of Rs. 29.50 Million each for the year ended December 31, 2007 and December 31, 2008, and the related Dividend distribution taxes.
- 6.5. Fully convertible debentures are considered as borrowings and are not disclosed as part of shareholder funds, and interest thereon of Rs. 24.73 Million is debited to the Profit and Loss Account as interest cost as required under the Companies Act, 1956 and has not been treated as dividend.
- 6.6. The Company has availed Bill Discounting facility from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the Debtors since they are with recourse to the Company. Accordingly, as at December 31, 2008, Sundry Debtor balances includes such amounts and the corresponding financial liability to the Banks is included as part of short term secured loans.
- 6.7. Hedge of Net Investment in Foreign Operations:**
- The Group has as on January 1, 2008 designated its net investments in the consolidated operations of Starsmore Limited, whose functional currency is US dollars, as hedged items, and certain FCCB's and ECB's payable in US dollars as hedging instruments, to hedge the foreign exchange risk arising out of fluctuations between the Indian Rupee and the US Dollar.
- The carrying values of the loans designated as hedging instruments as at December 31, 2008 is USD 128 Million and as at January 1, 2008 is USD 100 Million. The exchange loss arising from the dollar loans designated as hedging instruments has been recognized in Hedging Reserve account as per the requirements of Accounting Standard 30. The amounts so recognized in Hedging Reserve account as at December 31, 2008 is Rs. 1,172.04 Million.
- If the Company had continued to apply the provisions of AS 11 to the loans designated as hedging instruments, the exchange loss on restatement of the loans would have been recorded in the Profit and Loss Account and the consolidated Profit After Tax for the year ended December 31, 2008 would have been lower by Rs.1,172.04 Million.
- 6.8. All the open derivative positions as on 1 January, 2008 not designated as hedging instruments have been

classified as held for trading and gains/losses recognized in the Profit and Loss Account. The incremental negative fair value of such derivatives over and above provision carried was Rs. 100.92 Million as at December 31, 2007 which has been debited to the General Reserve Account. Incremental negative fair value of the open derivatives position as at December 31, 2008 amounting to Rs. 346.08 Million has been debited to Profit and Loss Account for the year.

7. Share Warrants:

As authorised by the shareholders of the Company in the Extra-Ordinary General meeting held on May 3, 2007, the Company, on May 23, 2007, issued 5,600,000 warrants convertible into an equivalent number of fully paid up equity shares of Rs.10 each at a price of Rs.342.10 per warrant, on preferential basis to Agnus Holdings Private Limited, a promoter group Company. These warrants were convertible in one or more tranches, at any time within a period of 18 months from the date of issue.

On July 5, 2007, the Company allotted 50,000 shares to Agnus Holdings Private Limited, pursuant to conversion of an equivalent number of warrants. Agnus Holdings Private Limited has not exercised its right for conversion of balance 5,550,000 warrants within the time stipulated under the preferential allotment guidelines. Accordingly, the aforesaid 5,550,000 warrants stood lapsed and upfront money (Rs.189.87 Million) received against these warrants were forfeited and credited to Capital Reserve Account.

8. Employee Stock Option Scheme:

- a. In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the scheme titled "Strides Arcolab ESOP 2006". The Strides Arcolab ESOP 2006 replaced an earlier option scheme, namely, Strides ESOP 2006, which was approved by the shareholders on June 15, 2006 but was never implemented.

The Strides Arcolab ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

As per the Scheme, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the "Market Price" as defined in the guidelines referred above. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Scheme. Options may be exercised within 30 days of vesting.

The difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing stock compensation expense, is expensed over the vesting period. Consequently an amount of Rs. 9.46 Million (net of reversal due to lapses Rs.3.62 Million) has been charged to the Profit and Loss account for the year under Personnel costs.

- b. The ESOP scheme titled "Strides Arcolab ESOP 2008" was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares.

The Remuneration Committee of the Company, on July 22, 2008 has granted 665,000 options under the Strides Arcolab ESOP 2008 scheme to few eligible employees of the company. The shares covered by such options were 665,000 equity shares. The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting. An amount of Rs. 3.70 Million has been charged to the Profit and Loss Account representing Stock Compensation Expense for the year ended December 31, 2008.

- c. Employee stock option details as on the balance sheet date are as follows:

Particulars	During the year 2008		During the year 2007	
	Options (Nos)	Weighted average exercise price per option (Rs)	Options (Nos)	Weighted average exercise price per option (Rs)
Option outstanding at the beginning of the year			-	-
- Strides Arcolab ESOP 2006	400,000	256.35		
Granted during the year:				
- Strides Arcolab ESOP 2006	600,000	133.00	400,000	256.35
- Strides Arcolab ESOP 2008	665,000	122.15	-	-
Vested during the year:				
- Strides Arcolab ESOP 2006	80,000	256.35		

Particulars	During the year 2008		During the year 2007	
	Options (Nos)	Weighted average exercise price per option (Rs)	Options (Nos)	Weighted average exercise price per option (Rs)
- Strides Arcolab ESOP 2008				
Exercised during the year:				
- Strides Arcolab ESOP 2006				
- Strides Arcolab ESOP 2008				
Lapsed during the year:				
- Strides Arcolab ESOP 2006	80,000	256.35		
- Strides Arcolab ESOP 2008				
Options outstanding at the end of the year				
- Strides Arcolab ESOP 2006	920,000	208.08	400,000	256.35
- Strides Arcolab ESOP 2008	665,000	122.15		
Options available for Grant				
- Strides Arcolab ESOP 2006	80,000		600,000	
- Strides Arcolab ESOP 2008	835,000		-	

The impact on the Earning per share -if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under: (Rupees in Millions)

Particulars	Dec 31,2008	Dec 31,2007
STRIDES ARCOLAB ESOP:		
Net Profit/(loss) (as reported)	1,079.63	(501.21)
Add: stock based employee compensation (intrinsic value)	13.16	4.40
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)	(44.47)	(6.92)
Net Profit / (loss) (proforma)	1,048.32	(503.73)
	Rs.	Rs.
Basic earning/(loss) per share (as reported)	26.91	(15.57)
Basic earning/(loss) per share (proforma)	26.10	(15.64)
Diluted earning/(loss) per share (as reported)	24.70	(15.57)
Diluted earning/(loss) per share (proforma)	23.89	(15.64)

Note: The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	ESOP 2006	ESOP 2008
Risk Free Interest Rate	7.25%	7.25%
Expected Life	3 Years	3 years
Expected Annual Volatility of Shares	33.325%	47.865%
Expected Dividend Yield	0.50%	0.59%

9. Effective from January 1, 2007, the revised Accounting Standard 15 (AS-15) - "Employee Benefits", was applicable to the Company. As per the transitional provisions of revised AS - 15, an amount of Rs.3.67 million was adjusted to the opening balance of General Reserve as on January 1, 2007, being the net incremental liability towards employee benefits, i.e. leave salary and gratuity.

10.1 During the accounting year ending December 31, 2007:

- a. The Company entered into a share purchase agreement with the shareholders of Grandix Pharmaceuticals Limited (Grandix), Chennai, India on June 9, 2007 for acquisition of 100% holding

in that Company. As at December 31, 2008, the Company held 99.98% of the total share holding in Grandix. Pending satisfactory completion of certain conditions referred in the Share Purchase agreement, the Company has retained Rs.18.40 Million of the total consideration and the same is included under Sundry creditors as at December 31, 2008.

The Company has a commitment of Rs.2.06 Million towards purchase of balance 0.02% of the outstanding capital in Grandix Pharmaceuticals Limited.

- b. The Company entered into a Subscription and Shareholders agreement with Aspen under which Aspen subscribed to 49% of the share capital of Onco Therapies Limited (Onco). Onco is set up to operate in the Oncology products line of business that the Company is in the process of building up.

In accordance with the agreement referred above, the Company is required to sell to Aspen at a future date, 1% of the total issued and outstanding equity share capital of Onco on terms as documented in a Voting rights assignment agreement dated November 26, 2007. Under this agreement, any voting rights that may accrue in respect of such 1% of the total issued and outstanding share capital of Onco shall be exercised by Aspen from the date of signing of such Voting Rights agreement, in a manner which it deems fit,

The Company has entered into another Agreement with Onco to transfer its Oncology manufacturing facility, being put up in Bangalore, for a consideration amounting to USD 32.50 Million (payable by Onco in equivalent Indian Rupees). Under this agreement the Company has:

- transferred, the moveable and immoveable assets relating to the Oncology manufacturing facility and contracts awarded to various suppliers in connection with the facility; and
- undertaken the obligations of completing the facility, including all financial obligations related thereto.

As at December 31, 2008, the Company has estimated the financial commitment to complete the Oncology facility to be about Rs. 163.46 Million (Previous year Rs.278.38 Million).

During the year ended December 31, 2008, Company transferred certain Dossiers to Onco, in lieu of certain Preferred Supply Agreement entered between the Company and Onco.

- c. (i) The soft gelatin manufacturing facility in Somerset, New Jersey, USA, owned by its subsidiary, Strides Inc, USA has been shut down on account of changed regulations which made the operation of the facility unviable. Consequential adjustments was made in the subsidiary's assets and liabilities, resulting in a charge of Rs.522.63 Million for year ended December 31, 2007.
- (ii) Starsmore Limited, a step subsidiary, entered into an agreement with Aspen Pharmacare Holdings Ltd (Aspen) for a sale of 50% of its holding in Powercliff Limited. The profit of Rs.1,075 Million arising from such sale has been included under Other Income (for the year ended Decemeber 31, 2007).
- (iii) As on December 31, 2007, the Company assessed the investment in its wholly owned subsidiary, Arcolab SA, Switzerland for permanent diminution, if any. Based on such analysis, the Company estimated the permanent diminution in value of investment to the extent of Rs.17.22 Million and provided for the same in the year ended December 31, 2007.

10.2. During the year ended December 31, 2008:

- i. the Company signed an Heads of agreement with Genepharma Australasia Limited, Australia (Genepharma) a listed company in Australia. As per the understanding the Company sold its South East Asian business to Genepharma.

Consequent to the Heads of agreement, the Company and Genepharma signed a share purchase agreement on April 30, 2008, where in the Company sold its entire holding in the South east Asia business held through Ascent Pharmahealth (Asia) Pte Ltd (formerly known as Strides Singapore Pte Limited), Singapore, to Genepharma for a net consideration of USD 57.70 Million (AU\$ 61.00 Million) and recorded a profit of Rs.2,104.99 Million (USD. 47.70 Million) on sale of Investments.

- ii. the Group obtained a controlling interest (55.46%) in Ascent Pharmahealth Limited, Australia (formerly Genepharma Australasia Limited, Australia) effective August 2008. This was settled by issue of shares in Genepharma.
- iii. As part of the strategy to exit from non core business segment, Strides Italia was sold by Linkace Ltd, Cyprus for a net consideration of Euro 0.09 Million. The loans given by Strides Arcolab International Ltd amounting to USD 7.8 Million to Strides Italia which was transferred to Linkace Ltd, Cyprus along with the investment has been subsequently assigned by Linkace Ltd to third parties for a net consideration of Euro 0.56 Million. Profit on sale of investments included under Schedule K. (c) is net off loss of Rs.345.45 Million, being the loss incurred on disposal of the investment in Strides Italia S.r.l.

11. Interest in Joint ventures

The Company's aggregate share of the Assets and Liabilities (as at December 31, 2008) in the below mentioned Joint Venture and the share in the income and expenses of the Joint Venture for the year ended December 31, 2008 is as follows:

(Rupees in Millions)

	Particulars	Akorn Strides LLC	Sagent Strides LLC	Onco Therapies Limited	Powercliff Limited	Plus Farma ehf
A	Assets	169.24 (67.41)	71.81 (49.91)	659.73 (397.57)	365.21 (295.50)	265.29 (219.70)
B	Liabilities	33.26 (1.08)	- (2.40)	240.92 (131.51)	3.20 (0.41)	257.50 (225.86)
C	Expenses	6.78 (-)	- (-)	17.91 (-)	2.41 (0.47)	206.45 (68.16)
D	Income	41.25 (-)	- (-)	50.27 (-)	0.02 (-)	199.67 (62.60)

The figures pertaining to Akorn Strides LLC, Sagent Strides LLC, Powercliff Ltd and Plus Farma ehf, are based on the unaudited financial statements of the respective entities compiled by the management of the Company and relied upon by the Auditors.

12. Unbilled revenue includes income recognised on development services contracts and contracts for production of dossiers, against which no invoices are raised, and are net of advances received against the respective contracts
13. Previous year's figures have been recast / restated, wherever necessary, to conform to the current year's classification.
14. Details of Research and Development expenditure incurred: (Rupees in Millions)

Particulars	For the Year ended Dec 31, 2008	For the Year ended Dec 31, 2007
Salaries	157.49	130.88
Materials	128.82	29.49
Bio Study Expenses	59.20	49.96
Professional fees	2.86	5.82
Consumables	84.82	56.31
Interest	0.01	0.57
Travelling expenses	5.81	5.99
Advertisement expenses	5.71	0.78
Rent	18.10	18.16
Depreciation	26.72	26.11
Others	40.35	40.78
Total	529.88	364.85

The above include costs associated with the development services undertaken for customers and are as certified by the management, and relied upon by the Auditors.

15. During the previous year ended December 31, 2007, pursuant to the approval of the Board of Directors, the Company decided to dispose of its subsidiary Sequent Scientific Ltd, Mangalore for a consideration of Rs.55.20 Million, resulting in a loss of Rs. 95.30 Million. The loss on disposal has been netted off under Other income.

The subsidiary formed part of a separate business segment, Contract Research & Manufacturing, under AS 17 (Segment Reporting), prior to the sale. The entire sale consideration was received in cash and the discontinuance of the business was completed on November 26, 2007.

The results of the discontinued business were as under: (Rupees in Millions)

Particulars	For the Year ended Dec 31, 2007
Revenue	421.14
Operating expenses	416.45
Profit / (Loss) before tax	4.69
Tax expense	2.98
Profit / (Loss) after tax	1.71

The net cash flows from the discontinued operations were as under:

Operating activities Rs 49.96 Million

Financing activities Rs 225.96 Million

Investing activities Rs 270.57 Million

16. Consolidated Segment Information

During the year ended December 31, 2008, the Group operated in only one business Segment viz 'Pharmaceuticals' consequently no separate Primary Segment disclosures have been made. During the year ended December 31, 2007 the Group operated broadly in two segments viz Pharmaceuticals and Contract Research and Manufacturing (CRAM) such business segments have been identified considering

- the nature of products and services
- the organisational structure, and
- the internal financial reporting system.

Information about Primary Segments for year ended December 31, 2007

(Rupees in Millions)

Particulars	Pharma	CRAM	Inter-segment adjustments	Consolidated
Sales to external customers	7,025.64	416.87		7,442.51
Other allocable segment income		-0.23		-0.23
Inter-segment sales	-	4.50	-4.50	-
Total Revenue	7,025.64	421.14	-4.50	7,442.28
Segment result before interest & taxes after excluding other unallocable income and exceptional items	-631.14	29.46		-601.68
Unallocable income net of Unallocable expenses				1,392.60
Interest expense				-596.76
Exceptional items [Refer Note.C.10.1.c (i) & (iii)]				-539.85
Profit / (-) Loss before tax and minority interest				-345.69
Provision for taxation :				
- Current				-119.23
- Deferred				67.39
- Fringe benefit tax				-3.98
- Prior year taxes				-115.03
Profit/Loss (-) after tax before minority interest				-516.54

Particulars of Segment Assets & Liabilities for year ended December 31,2007

(Rupees in Millions)

Particulars	Pharma	CRAM	Consolidated
Segment Assets	14,494.40	-	14,494.40
Segment Liabilities	4,039.55	-	4,039.55
Other Information			
Depreciation	347.50	16.31	363.81
Amortization	11.63	1.69	13.32
Other Non-cash expenditure	244.43	-	244.43
Capital expenditure	2,708.27	1.28	2,709.55
Unallocable Assets			
Goodwill (on consolidation)			5,527.48
Investments			19.45
Advance payment against taxes			286.79
Deferred tax assets (Net)			2.50
Miscellaneous Expenditure (to the extent not written off or adjusted)			6.37
Total			5,842.59
Unallocable Liabilities			
Minority Interest [includes Monies pending allotment of shares Rs.Nil (Previous year Rs.Nil Million)]			169.34
Loans - secured			4,904.88
Loans - unsecured			7,869.01
Deferred tax liabilities			106.76
Provisions			481.57
Total			13,531.54

Information about Secondary Segment
Geographic Segment

Revenue attributable to location of customers is as follows:

Geographic location	Revenue from external customers for the year ended Dec 31, 2008		Revenue from external customers for the year ended Dec 31, 2007	
	Rupees in Millions	%	Rupees in Millions	%
Africa	2,333.96	23%	1,238.84	17%
North America & Europe	4,188.18	41%	1,801.69	24%
South & Central America	1,609.32	16%	2,444.29	32%
India	776.81	8%	767.14	11%
Rest of the World	1,295.03	12%	1,190.55	16%
Total	10,203.30	100%	7,442.51	100%

Segment assets based on their location are as follows:

(Rupees in Millions)

Geographic location	Carrying amount of segment assets	Additions to Fixed assets	Carrying amount of segment assets	Additions to Fixed assets
	At Dec 31, 2008		At Dec 31, 2007	
Africa	1,665.40	28.23	356.72	73.06
North America & Europe	5,194.84	926.95	3,644.73	739.87
South & Central America	535.21	-	3,530.48	1,092.88
India	5,554.83	1,388.04	6,440.71	795.39
Rest of the World	533.37	22.21	521.76	8.35
Total	13,483.65	2,365.43	14,494.40	2,709.55

Note: Additions to fixed assets disclosed above do not include assets on the date of acquisition in respect of new subsidiaries that have been consolidated during the year.

17. Deferred Taxation

Tax provision has been made in accordance with the requirements of Accounting Standard 22 "Accounting for taxes on income".

The deferred tax balances included in the balance sheet comprises the tax impact arising from timing differences on account of:

(Rupees in Millions)

Particulars	For the year ended Dec 31, 2008	For the year ended Dec 31, 2007
Depreciation	(622.22)	(626.32)
Section 43B Disallowances	22.69	15.23
Business Loss	330.61	306.68
Others	1.69	(27.82)
	(267.23)	(332.23)
Deferred tax liability (net) relating to the above	87.47	106.76
Deferred tax Assets (net) relating to the above		
Depreciation	(38.45)	-
Section 43B Disallowances	(7.85)	-
Business Loss	118.37	8.32
Others	70.91	-
	142.98	8.32
Deferred tax Assets (net) relating to the above	43.36	2.50

Recognition of Deferred tax assets with respect to unabsorbed depreciation has been done only in cases where there are corresponding timing differences creating Deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities. Deferred Tax assets in respect of business losses are recognized based on the criteria of virtual certainty.

18. Related Party Transactions :

Names of Related Parties:

Joint Venture (JV)	Akorn Strides LLC, USA
	Laboratorios Domac, Spain
	Plus Farma ehf. Iceland
	Farma Plus AS, Norway (Wholly owned subsidiary of Plus Farma ehf, Iceland)
	Powercliff Limited, Cyprus
	Sagent Strides LLC, USA
	Onco Therapies Limited, India
	Casa de Representaciones Sumifarma CA, Venezuela (from March 4, 2008 to June 30, 2008)
	Cellofarm Ltda, Brazil (from March 4, 2008 to June 30, 2008)
	Solara SA De CV, Mexico, (from March 4, 2008 to June 30, 2008)
	Strides Mexicana SA De CV, Mexico (from March 4, 2008 to June 30, 2008)
	Lakerose Limited, Cyprus (from March 4, 2008 to June 30, 2008)
	Strides Latina SA, Uruguay (from March 4, 2008 to June 30, 2008)
Associates	Albatross, an Associate of Plus Farma ehf (a step down joint venture of the Company) (Ceased w.e.f September 30, 2008)
	Lakerose Ltd, an Associate of Starsmore Ltd w.e.f July 1, 2008.
	Cellofarm Ltda, (Wholly owned subsidiary of Lakerose Ltd, Cyprus) an Associate w.e.f July 1, 2008.
	Strides Latina SA, (Wholly owned subsidiary of Lakerose Ltd, Cyprus) an Associate w.e.f July 1, 2008.
	Solara SA De CV (Wholly owned subsidiary of Strides Latina SA, Uruguay) an Associate w.e.f. July 1, 2008.
	Casa de Representaciones Sumifarma CA, Venezuela (a subsidiary of Strides Latina SA, Uruguay) an Associate w.e.f July 1, 2008.
Strides Mexicana SA De CV, (subsidiary of Strides Latina SA, Uruguay) an Associate w.e.f July 1, 2008.	
Key Management Personnel	Mr. Arun Kumar – Vice Chairman & Managing Director
	Mr. K.R. Ravishankar - Director, (Ceased w.e.f January 1, 2008 as Executive Director)
	Mr.Virtanes Saatci
	Mr. V Madhusudhan
	Mr. Lincoln Gomes
	Mr. Elcemar Almeida
	Mr. Mark Bisset
	Mr. Manikandan
	Dr. Carlo Cantabene
	Mr. Mohana Kumar Pillai
Mr Germano Mackrodt	
Enterprises owned or significantly influenced by key management personnel and relatives of Key Management Personnel	Arcolab India Pvt. Limited.
	Keerthapathi Ravishankar – HUF
	Mrs. Deepa Arun Kumar
	Mrs. K Saraswathi
	Vedic Elements Pvt Limited
	Net Equity Ventures Pvt. Limited
	Agnus Holdings Pvt Limited
	Nous Infosystems Pvt. Limited
	Everron Systems (India) Limited
	Chayadeep Properties Pvt. Limited.
	Patsys Consulting Private Limited
	Xlensea Products Private Limited
	Caryl Pharma Private Limited
	Fraxis Life Sciences Limited
	PI Drugs & Pharmaceuticals Limited.,
	Atma Projects
	Sequent Scientific Limited, India w.e.f 26.11.2007
	Sequent European Holdings Limited
	Agnus Global Holdings Pte Limited
	Sequent Research Limited

Details of transactions with Related Parties

(Rupees in Millions)

Nature of transactions	Associates		Joint ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	2008	2007	2008	2007	2008	2007	2008	2007
Sale of materials / services								
Akorn Strides LLC, USA			25.79	7.22				
Sagent Strides LLC, USA			58.83	44.14				
Powercliff Ltd, Cyprus			187.37	27.19				
Onco Therapies Limited			5.00	10.00				
Casa De Representaciones Sumifarma CA	59.75	-	42.59	-				
Cellofarm Ltda	630.72	-	164.53	-				
Solara S.A De CV	15.09	-	29.66	-				
Sequent Scientific Limited							1.09	-
Sales of fixed assets / transfer of undertaking								
Onco Therapies Limited			289.21	224.18				
Solara S A De CV	1.26	-						
Cellofarm Ltda			0.04	-				
P I Drugs & Pharmaceuticals Limited							0.18	-
Sequent Scientific Limited							0.02	-
Sales Return								
Cellofarm Ltda	88.52	-						
Interest and other income								
Sequent Scientific Ltd							23.38	1.04
Cellofarm Ltda	0.49	-	3.23	-				
Solara S A De CV			0.56	-				
Purchase of Materials								
P I Drugs & Pharmaceuticals Ltd							0.67	0.84
Cellofarma Ltda	0.27	-						
Laboratorios Domac SL			0.78	-				
Sequent Scientific Limited							16.74	-
Sequent Research Limited							7.79	-
Purchase of Machinery								
Cellofarm Ltda	16.62	-						
Jobwork Charges payable								
Sequent Scientific Limited							0.30	-
Remuneration and sitting fees								
Mr. Arun Kumar (See note No. 4)					4.80	4.80		
Mr. K R Ravishankar (See note No. 4)					-	4.80		
Mr. Mark Bisset					9.72	-		
Mr. V Madhusudhan					5.64	23.73		
Mr. Lincoln Gomes					2.75	6.95		
Dr. Carlo Cantabene					-	2.22		

(Rupees in Millions)

Nature of transactions	Associates		Joint ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	2008	2007	2008	2007	2008	2007	2008	2007
Mr. Mohana Kumar Pillai					13.09	3.52		
Mr. Manikandan					16.63	7.38		
Mr. Germano Mackrodt					1.29	-		
Reimbursement of Expenses incurred by								
Cellofarm Ltda	112.03	-	0.06	-				
Sequent Scientific Limited							0.01	-
Onco Therapies Limited			0.26	-				
Reimbursement of Expenses incurred on behalf of:								
Strides Mexicana S A De CV	0.40	-						
Onco Therapies Limited			3.00	-				
Rent Paid								
Chayadeep Properties Pvt Ltd							40.35	38.50
Atma Projects							20.28	-
Loans and advances given by / repaid by Company								
Mr. Arun Kumar					24.39	18.30		
Mr. K.R.Ravishankar					-	8.75		
Onco Therapies Limited			0.03	117.36				
Casa De Representaciones Sumifarma C A	0.36	-	0.01	-				
Cellofarm Ltda	0.78	-	2.37	-				
Solara S A De CV	2.15	-	0.03	-				
Strides Latina SA	0.09	-						
Powercliff Ltd			2.93	-				
Atma Projects							64.30	-
Sequent Scientific Limited							2.93	-
Loans and advances taken by / repaid to Company								
Cellofarm Ltda	289.24	-	0.88	-				
Solara S A De CV	51.11	-						
Sequent Scientific Limited							119.17	-
Investments during the year								
Onco Therapies Limited			60.13	125.89				
Albatross	-	19.45						
Refund of Share Application monies received against share warrants								
Agnus Holdings Pvt Ltd							-	206.97
Payment of Share application money pending allotment								
Agnus Holdings Pvt Ltd							-	318.58
Guarantees given								
Cellofarm Ltda	219.11	-						
Sequent Scientific Limited							746.00	746.00
Investment sold during the year								
Fraxis Life Sciences Ltd (See note No. 1)							-	55.20

(Rupees in Millions)

Nature of transactions	Associates		Joint ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	2008	2007	2008	2007	2008	2007	2008	2007
Sequent European Holdings Ltd (See note No.2)							6.18	-
Forfeiture of amount received for share warrants								
Agnus Holdings Pvt Ltd							189.87	35.74
Deposits given:								
Atma Projects							20.70	85.00
Advances Receivable(Payable)as at								
Atma Projects							83.14	85.00
Chayadeep Properties Limited							41.97	44.89
P I Drugs & Pharmaceuticals Limited							(0.41)	(0.84)
Vedic Elements Pvt Ltd.,							-	0.45
Sequent Scientific Ltd							(3.67)	-
Sequent Research Limited							(0.96)	-
Strides Latina	4.82	-						
Strides Italia S.r.l							(2.30)	-
Sequent Global Holdings Limited							17.11	-
Agnus Global Holdings Pte Ltd							38.34	-
Sequent Europeon Holdings Limited							120.83	-
Mr. Arun Kumar					42.68	18.30		
Mr. K.R. Ravishankar					8.75	8.75		
Casa De Representaciones Sumifarma CA	3.78	-						
Cellofarm Ltda	(2.36)	-						
Lakerose Ltd	0.23	-						
Solara SA De CV	2.43	-						
Strides Mexicana SA De CV	0.49	-						
Onco Therapies Ltd			35.68	37.39				
Debtors Balance as at (Net) of advance received								
Akorn Strides LLC			(23.50)	6.43				
Casa De Representaciones Sumifarma CA	66.95	-						
Cellofarm Ltda	454.83	-						
Solara SA De CV	15.74	-						
Powercliff Limited			(292.73)	(295.50)				
Sagent Strides LLC			(23.98)	(28.60)				
Sequent Scientific Ltd							(5.75)	-

Note:

1. Related parties disclosed above are as identified by the Management and relied upon by the Auditors.
2. Investment in Sequent Scientific Limited was sold to Fraxis Life Sciences Limited during the year ended December 31, 2007.
3. Investment in Strides Italia S r L was sold to Sequent European Holdings Limited during the year ended December 31, 2008.
4. Refer note 24 of schedule 'Q' in respect of the excess managerial remuneration paid that is subject to approval.

19. Leases

The Group's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Profit and Loss account is Rs. 151.14 Million (Previous year Rs. 127.78 Million).

The Group has entered in to non-cancelable lease agreements for its facilities and office premises. The tenure of lease ranges from 3 years to 15 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an increment ranging from 6% to 15%. Details of the lease commitment at the year end are as follows:

(Rupees in Millions)

Particulars	For the year ended Dec 31, 2008.	For the year ended Dec 31, 2007.
Not Later than one year	92.07	73.25
Later than one year upto five years	338.56	247.11
Later than five years	574.41	443.23

20. Disclosures in respect of Contracts in Progress (relating to Contracts for Production and Sale of Dossiers)

Aggregate amount of Costs incurred and recognised profits (less Losses) upto December 31, 2008, in respect of such contracts, – Rs.211.81 Million (Previous year Rs. 27.19 Million).

Amount of Advances received in respect of such contracts – Rs. 295.50 Million (Previous year Rs.295.50 Million)

21. Earnings / (Loss) per share :

(Rupees in Millions)

Particulars	For the year ended Dec 31, 2008	For the year ended Dec 31, 2007
Profit / (Loss) after tax, minority interest and share from Associate	1,079.64	(501.21)
Differential tax on equity dividend of previous year	-	(2.07)
Dividend tax on equity dividend distributed by Subsidiaries	-	(6.72)
Preference Dividend and tax there on	(34.51)	(34.51)
Profit / (Loss) attributable to Equity Shareholders	1,045.13	(544.49)
Interest on Foreign Currency Convertible Bonds (FCCBs) and Fully Convertible debentures (FCDs)	251.94	67.34
Profit / (Loss) attributable to Equity Shareholders (on dilution)	1,297.07	(477.15)
Weighted Average number of Shares for Basic EPS	38,837,769	34,978,947
Add: Effect of Warrants, FCCBs, FCD's and Employee Stock Options outstanding	13,693,439	12,349,421
Weighted Average Number of equity shares for diluted EPS	52,531,208	47,328,368
	Rs.	Rs.
Nominal value of equity shares	10.00	10.00
Earnings / (Loss) Per Share		
- Basic	26.91	(15.57)
- Diluted	24.70	(15.57)

Note:

- In the absence of profits in 2007 and 2008, no preference dividends and tax thereon has been accrued for in the Profit and Loss account. However these have been considered for determining Earnings per share in both the years.
- The FCCBs, FCDs, Warrants and Stock options outstanding are anti dilutive in 2007 and hence ignored for the purposes of computing Diluted Earnings per share.

22. Loans and advances include amounts due from Directors, Rs. 51.76 Million (Previous year Rs.28.66 Million). Maximum amount due during the year Rs. 51.76 Million (Previous year Rs. 31.95 Million). The amount due from Directors of Rs.51.76 Million (Previous year Rs. 28.66 Million) includes Rs.51.44 Million (previous year Rs. 27.05 Million)

23. Cash flow statement

- a) The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on "Cash Flow Statements", issued under section 211 (3C) of Companies Act, 1956.
- b) Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised Rs.26.87 Million (Previous year Rs. 8.61 Million).

c) Reconciliation of Cash and Cash Equivalents to Cash and Bank balances included in Schedule G.A.4:

(Rupees in Millions)

Particulars	As at Dec 31, 2008	As at Dec 31, 2007
Cash in hand	2.08	2.00
Balance with banks in current accounts [Includes unutilized monies Rs.0.92 Million (Previous year Rs.4.81 Million) out of the issue of Foreign Currency Convertible Bonds. These monies can be utilized for certain specified purposes for which the Bonds were issued].	458.29	1,792.30
Cash and cash equivalents	460.37	1,794.30
Margin money not included above	109.18	123.28
Cash and bank balances as per Schedule G.A.4	569.55	1,917.58

24. The Company has paid excess managerial remuneration of Rs. 24.39 Million to its Wholetime director, which is subject to the approval of the Central Government, for which an application is being made. In 2007, such excess payments to Whole time Directors was Rs. 27.05 Million, in respect of which the Company's application is pending with the Central Government.
25. a. Employee benefits pertaining to overseas subsidiaries have been accrued based on their respective local labour laws.
- b. Details of Gratuity benefits provided to employees in the Company and its subsidiaries in India.

(Rupees in Millions)

Sl.No.	Particulars	2008	2007
I	Components of employer expense		
1	Current Service cost	7.08	5.97
2	Interest cost	3.30	2.84
3	Expected return on plan assets	(2.01)	(0.21)
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	28.81	(2.64)
8	Total expense recognised in the Statement of Profit & Loss	37.18	5.96
II	Actual Contribution and Benefits Payments for year ended December 31, 2008		
1	Actual benefit payments	3.58	2.90
2	Actual Contributions	8.97	5.39
III	Net asset/(liability) recognised in balance sheet as at December 31, 2008		
1	Present value of Defined Benefit Obligation (DBO)	75.79	41.32
2	Fair value of Plan Assets	30.74	24.15
3	Funded status [Surplus/(Deficit)]	(45.01)	(17.17)
4	Unrecognised Past Service Costs	-	-
5	Net asset/(liability) recognised in balance sheet	(45.05)	(17.17)
IV	Change in Defined Benefit Obligations during the year ended December 31, 2008		
1	Present Value of DBO at beginning of period	41.68	35.07
2	Current Service cost	7.08	5.97
3	Interest cost	3.30	2.84

(Rupees in Millions)

Sl.No.	Particulars	2008	2007
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains) / losses	27.66	0.34
9	Benefits paid	(3.57)	(2.90)
10	Present Value of DBO at the end of period	75.79	41.32
V	Change in Fair Value of Assets during the year ended December 31, 2008		
1	Plan assets at beginning of period	24.15	18.54
2	Acquisition Adjustment	-	-
3	Actual return on plan assets	1.20	3.12
4	Actual Company contributions	8.97	5.39
5	Benefits paid	(3.58)	(2.90)
6	Plan assets at the end of period	30.74	24.15
VI	Assumptions		
1	Discount Rate	6% to 8%	8%
2	Expected Return on plan assets	Up to 8%	7.80%
3	Salary escalation	5% to 15%	7.40%

26. Disclosures relating to Financial instruments to the extent not disclosed elsewhere in Schedule Q.

26.1 Breakup of Allowance for Credit Losses is as under:

(Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Provision for Bad and Doubtful Debts at the beginning of the Year	153.21	21.35
Additional Provision during the year	96.91	144.07
Less: Consolidation adjustment	174.90	11.66
Provision reversed during the year	1.43	0.55
Provision for Bad and Doubtful Debts at the end of the Year	73.79	153.21

26.2 Details on Derivatives Instruments & Unhedged Foreign Currency Exposures:

The following derivative positions are open as at December 31, 2008. While these transactions have been undertaken to act as economic hedges for the company's exposures to various risks in foreign exchange markets, they have not qualified as hedging instruments in the context of the rigor of such classification under Accounting Standard 30. These instruments are therefore classified as held for trading and gains / losses recognized in the Profit and Loss Account.

I. The Company has entered into the following derivative instruments:

- a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables

The following are the outstanding Forward Exchange Contracts entered into by the Company as on December 31, 2008.

Currency	Amount	Buy/Sell	Cross Currency
US Dollar	1,000,000	Buy	Rupees

- b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : No of contract :3, Notional Principal: USD 20 Million)
- c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate.

No. of contracts: Nil (Previous Year: No of contract 6, Notional Principal: USD 80 Million)

II. The year end foreign currency exposures that have not been hedged by a derivative instrument or

otherwise are given below:

(Figures in Millions)

Receivable / (Payable) in INR	Receivable / (Payable) In Foreign currency	
As At December 31, 2008		
(7,517.73)	USD	(154.39)
218.23	EUR	3.18
0.58	AUD	19.75
(7.32)	CAD	(0.18)
50.32	GBP	0.71
3.49	JPY	6.46
2.69	CHF	0.06

- III. Derivative Instruments (causing an un-hedged foreign currency exposure): Nil (Previous Year USD 8 Million – Sell)

26.3 Categories of Financial Instruments

a. Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortized cost less impairment if any.

The carrying amounts are as under:

(Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Sundry Debtors	3,375.10	1,603.11
Advance recoverable in cash	288.16	288.88
Loan to an erstwhile subsidiary	-	72.36
Cash and Bank Balances	569.55	1,917.59

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

b. Financial Liabilities Held at Amortized Cost

The following financial liabilities are held at amortized cost. The Carrying amount of Financial Liabilities are as under:

(Rupees in Millions)

Particulars	Dec 31, 2008	Dec 31, 2007
Secured Loans:		
Long term loans	2,822.74	2,820.19
Short term loans	2,837.36	2,084.67
Unsecured Loans		
Long term loans:		
Foreign currency convertible bonds (debt component)	7,051.07	5,516.00
Fully convertible debentures	-	2,018.29
Short term loans:		
From banks	60.90	108.33
From others	113.84	226.39
Current Liabilities		
Sundry Creditors	3,356.39	3,394.92
Unclaimed dividend	1.91	1.90
Interest accrued but not due	21.92	50.29
Other Liabilities	114.96	111.51
Provision For:		
Leave salary	86.00	61.25
Gratuity and other employee benefits	82.05	166.83
Preference dividend	45.79	45.79
Tax on equity dividend	4.76	6.72
Proposed equity dividend	-	0.17

Note: Interest expense calculated using effective interest rate method as prescribed in Accounting Standard 30 for financial liabilities that are not at fair value through Profit and Loss Rs 227.02 Million.

c. Financial Liabilities Held for Trading

The option component of Foreign Currency Convertible Bonds (FCCBs) has been classified as held for trading, being a derivative under Accounting Standard 30. Refer Note C.6 on FCCBs. The carrying amount of the option component is Rs 134.20 Million as at December 31, 2008 and Rs. 586.42 Million as at December 31, 2007. The difference in carrying value between the two dates, amounting to Rs 452.22 Million has been considered as gain in the Profit and Loss Account of the year in accordance with provisions of Accounting Standard 30.

The fair value of the option component has been determined using a valuation model. Refer Note C.6 on FCCBs for detailed disclosure on the valuation method.

26.4 Financial assets pledged

The following financial assets have been pledged:

(Rupees in Millions)

Financial Asset	Carrying value Dec 31, 2008	Carrying value Dec 31, 2007	Liability / Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Investment in Subsidiary	2,546.82	-	Loan from Banks	The Shares have been pledged against specific Borrowing, the charge will be extinguished on repayment of the Loan.
II. Margin Money with Banks				
A. Margin Money for Letter of Credit	80.89	82.87	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	28.29	28.29	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
C. Other Margin Money	-	11.82	Margin Money as Guarantee for Loan to Subsidiary	The Margin Money is interest bearing deposit with Banks. This Deposit is against Guarantees for Loan advanced to Subsidiary. This deposit has been withdrawn on the repayment of the Loan by the Subsidiary.
III. Sundry debtors	933.46	1,471.81	Bills discounted	The Bills discounted with Banks are secured by the Receivable

26.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2008 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the company to cash flow risk. Debt issued at fixed rate exposes the company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Financial assets / (liabilities)

(Rupees in Millions)

Particulars	2008	2007
Fixed		
Financial Assets	460.37	1866.66
Financial liabilities	(7,129.86)	(7,902.41)
	(6,669.49)	(6,035.75)
Floating		
Financial Assets	-	-
Financial liabilities	(5,756.06)	(4,871.47)
	(5,756.06)	(4,871.47)

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

Liquidity risk

Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of undiscounted contractual cash flows payable under financial liabilities and derivatives as at December 31, 2008:

(Rupees in Millions)

Financial Liabilities	Due within					Due
	1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	beyond 5 years
Banks Borrowings	3,403.66	710.58	701.56	518.30	282.39	213.04
Interest payable on borrowings	0.08	-	-	-	-	-
Hire purchase liabilities	2.48	2.23	0.41	0.13	-	-
Other Borrowings		2,306.64		4,744.43		
Trade and other payables not in net debt	3,599.23	-	-	-	-	-
Fair Value of Options	-	11.05	-	123.15	-	-
Fair Value of Forward exchange derivative contracts	174.12	165.61	-	-	-	-
Total	7,179.57	3,196.11	701.97	5,386.01	282.39	213.04

For the purposes of the above table, undiscounted cash flows have been applied. Undiscounted cash flows will differ from carrying values in the financial statements and the fair values. Floating interest rates have been computed by applying interest rates on the Balance Sheet date. Foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

Foreign exchange risk

The company is exposed to foreign exchange risk principally via:

- o Debt availed in foreign currency
- o Net investments in subsidiaries and joint ventures that in foreign currencies
- o Exposure arising from transactions relating to purchases, revenues, expenses etc. to be settled (outside the Group) in currencies other than the functional currency of the respective entities.

26.6 Sensitivity analysis as at December 31, 2008:

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Secured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be Rs. 128.77 Million assuming the loans as of December 31, 2008 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs, External Commercial Borrowings (ECBs), loans in foreign currencies to erstwhile subsidiaries and joint ventures. The Company considers US Dollar, Great Britain Pound and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

	Income / (Loss) in 2008	Increase / (Decrease) in Equity in 2008
A 5% appreciation in the US dollar	(142.88)	(142.88)
A 5% depreciation in the US dollar	142.88	142.88
A 5% appreciation in the Euro	10.91	10.91
A 5% depreciation in the Euro	(10.91)	(10.91)
A 5% appreciation in the Australian Dollar	0.99	0.99
A 5% depreciation in the Australian Dollar	(0.99)	(0.99)
A 5% appreciation in the GBP	2.51	2.51
A 5% depreciation in the GBP	(2.51)	(2.51)

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at December 31, 2008.

In the opinion of the management, impact arising from changes in the values of trading assets (including derivative contracts, trade receivables, trade payables, other current assets and liabilities) is temporary and short term in nature and would vary depending on the levels of these current assets and liabilities substantially from time to time and even on day to day basis and hence are not useful in an analysis of the long term risks which the Company is exposed to.

26.7 This is the first year of adoption of Accounting Standard 30. Consequently, comparative figures relating to 2007 in respect of disclosures under Accounting Standard 30 have been provided to the extent such information is available.

Bangalore, February 25, 2009

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director
K.R.Ravishankar - Director
Kannan.N - Company Secretary

(Rupees in Millions)

Breakup of Cash and Bank balances

Location	Cash on hand		Bank balance		Overnight deposit		Cash and Cash equivalents		Margin Money		Total	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
	Casa De Representaciones Sumifarma CA	-	0.19	-	17.02	-	-	-	17.20	-	-	-
Strides Vital Nigeria Ltd	0.09	0.09	105.17	1.10	-	-	105.25	1.19	-	-	105.25	1.19
Ascent Pharmahealth (Asia) Pte Ltd	-	0.00	7.11	2.07	-	-	7.11	2.07	-	-	7.11	2.07
Strides SA Pharmaceuticals Pty Ltd	0.00	-	0.14	-	-	0.06	0.15	0.06	0.05	-	0.20	0.06
Strides Latina SA	-	0.00	-	0.57	-	-	-	0.57	-	-	-	0.57
Strides Italia S. r. L	-	0.06	-	15.19	-	-	-	15.25	-	-	-	15.25
Strides Inc	0.01	-	2.51	12.66	-	-	2.52	12.66	-	-	2.52	12.66
Strides Australia Pty Ltd	-	0.00	0.13	1.10	-	-	0.13	1.10	-	-	0.13	1.10
Strides Arcolab UK Ltd	-	-	0.00	0.00	-	-	0.00	0.00	-	-	0.00	0.00
Strides Arcolab Polska Sp. Zoo	0.12	0.12	40.93	30.12	-	-	41.04	30.24	-	-	41.04	30.24
Strides Arcolab Ltd	0.87	0.73	55.65	1,112.79	0.09	40.53	56.61	1,154.05	107.20	101.87	163.81	1,255.92
Strides Arcolab International Ltd	-	-	1.46	14.44	-	-	1.46	14.44	-	-	1.46	14.44
Strides Africa Ltd	-	-	4.57	0.46	-	-	4.57	0.46	-	-	4.57	0.46
Starsmore Ltd	-	-	0.88	0.02	3.39	-	4.28	0.02	-	-	4.28	0.02
Solara SA De CV	-	0.26	-	8.77	-	-	-	9.03	-	-	-	9.03
Sagent Strides LLC	-	-	0.02	0.02	-	-	0.02	0.02	-	-	0.02	0.02
Strides CIS Limited	-	-	0.03	-	-	-	0.03	-	-	-	0.03	-
Quantum Remedies Pvt Ltd	0.00	-	2.03	-	0.50	-	2.53	-	-	-	2.53	-
Quantum Life sciences Pvt Ltd	0.00	0.00	2.60	1.80	1.00	-	3.61	1.80	-	1.00	3.61	2.80

(Rupees in Millions)

Breakup of Cash and Bank balances

Location	Cash on hand		Bank balance		Overnight deposit		Cash and Cash equivalents		Margin Money		Total	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
	Powercliff Ltd	-	-	0.01	-	-	-	0.01	-	-	-	0.01
Plus Farma ehf	-	-	2.32	1.50	-	-	2.32	1.50	-	-	2.32	1.50
Onco Therapies Ltd	0.01	-	0.42	0.03	-	-	0.43	0.03	1.40	1.40	1.83	1.44
Medgene Pharmaceuticals Pvt Ltd	0.00	0.00	0.04	0.03	-	-	0.04	0.03	0.02	8.90	0.06	8.93
Linkace Ltd	-	-	4.00	0.06	-	-	4.00	0.06	-	-	4.00	0.06
Laboratorios Domac SL	-	-	0.87	0.43	-	-	0.87	0.43	-	-	0.87	0.43
Grandix Pharmaceuticals Ltd	0.09	0.05	10.58	27.87	-	44.33	10.67	72.25	0.39	-	11.05	72.25
Grandix Laboratories Ltd	0.00	0.01	2.47	4.91	-	-	2.47	4.92	-	-	2.47	4.92
Global Remedies Ltd	0.03	0.00	2.35	2.04	-	-	2.38	2.04	0.11	-	2.49	2.04
Formule Naturelle Pty Ltd	0.00	-	-	200.55	-	-	0.00	200.55	-	-	0.00	200.55
Farma plus AS	-	-	7.85	2.42	-	-	7.85	2.42	-	-	7.85	2.42
Drug Houses of Australia (Asia) Pte Ltd	0.08	0.07	40.62	56.91	-	-	40.70	56.98	-	-	40.70	56.98
Co Pharma Ltd	0.04	-	38.55	74.55	-	-	38.59	74.55	-	-	38.59	74.55
Cellofarm Ltda	-	0.13	-	0.07	-	-	-	0.20	-	10.11	-	10.31
Cash in transit	-	-	11.93	95.37	-	-	11.93	95.37	-	-	11.93	95.37
Beltapharm SpA	0.20	0.29	2.30	0.72	-	-	2.50	1.02	-	-	2.50	1.02
Ascent Pharmahealth Ltd	0.53	-	28.80	-	-	-	29.33	-	-	-	29.33	-
Arcolab SA	-	-	30.93	21.77	-	-	30.93	21.77	-	-	30.93	21.77
Akorn Strides LLC	-	-	46.04	-	-	-	46.04	-	-	-	46.04	-
Total	2.08	2.00	453.30	1,707.38	4.99	84.92	460.37	1,794.30	109.18	123.28	569.55	1,917.58

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES.

(Rupees in Millions)

Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	The net aggregate amount of the subsidiary Companies Profit/ (Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b) Dealt with in holding Company's accounts :	
						i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :	i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :
Arcolab SA	Switzerland	December 31, 2008	April 1, 2001	1,000 (previous year 1,000) Equity shares of the face value of SFR 1000/- each fully paid up.	100%	(13.34)	6.73	Nil	Nil
Ascent Pharmahealth Asia Pte Ltd (formerly known as Strides Singapore Pte Ltd). (subsidiary of Ascent Pharmahealth Ltd)	Singapore	December 31, 2008	July 28, 2006	1 (previous year 1) equity shares of SGD 1 each fully paid up	55.46%	196.87	10.38	Nil	Nil
Ascent Pharmahealth Ltd. (subsidiary of Linkace Ltd)	Australia	December 31, 2008	August 1, 2008	138,335,205 (previous year Nil) equity shares of AUD 1 each fully paid up	55.46%	(2.43)	Nil	Nil	Nil
Beltapharm S.p.A (subsidiary of Strides Arcolab International Ltd)	Italy	December 31, 2008	January 1, 2006	1,019,200 equity shares of EURO 1 each fully paid up	70%	15.62	(1.18)	Nil	Nil
Co Pharma Ltd.,(subsidiary held thru Linkace Ltd.,Cyprus and Strides Arcolab International Ltd, UK)	UK	December 31, 2008	December 1, 2007	7,344 equity shares of GBP 1 each fully paid up	51%	(26.03)	2.73	Nil	Nil
Drug Houses of Australia (Asia) Pte Ltd.(subsidiary of Strides Singapore Pte Ltd)	Singapore	December 31, 2008	September 26, 2006	1,500,000 (previous year 1,500,000) equity shares of SGD 1 each fully paid up	55.46%	131.46	69.16	Nil	Nil
Formule Naturelle (Pty) Ltd., (formerly known as Aspen Public Health (Pty) Ltd.,) (subsidiary of Linkace Ltd.,)	South Africa	December 31, 2008	December 28, 2007	400 equity shares of ZAR 1 each fully paid up	80%	15.84	(0.30)	Nil	Nil
Genepham (Australia) Ltd [subsidiary of Ascent Pharmahealth Ltd]	Newzealand	December 31, 2008	August 1, 2008	100 ordinary shares of AUD 1 each fully paid up.	100%	-	Nil	Nil	Nil

Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	The net aggregate amount of the subsidiary Companies Profit/ (Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b) Dealt with in holding Company's accounts :	
						i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :	i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :
Genepharm Pty Ltd (subsidiary of Ascent Pharmahealth Ltd)	Australia	December 31, 2008	August 1, 2008	200 ordinary shares of AUD 1 each fully paid up.	100%	-	Nil	Nil	Nil
Global Remedies Ltd.	India	December 31, 2008	April 1, 1999	10,579,876 (previous year 10,579,876) Equity shares of the face value of Rs.10/- each fully paid up.	100%	7.13	(10.77)	Nil	Nil
Grandix Laboratories Ltd., (subsidiary of Grandix Pharmaceuticals Ltd.,)	India	December 31, 2008	June 9, 2007	2,361,344 equity shares of Rs. 10 each fully paid up	99.98%	10.60	3.21	Nil	Nil
Grandix Pharmaceuticals Ltd.,	India	December 31, 2008	June 9, 2007	4,615,900 equity shares of Rs. 10 each fully paid up	99.98%	27.13	29.28	Nil	Nil
Linkace Ltd., (subsidiary of Starsmore Ltd.,)	Cyprus	December 31, 2008	August 6, 2007	2,000 ordinary shares of US \$ 1,340915	100%	1,616.00	7.13	Nil	Nil
Medgene Pharmaceuticals Pvt Ltd. (10% held through Quantum Life Sciences Pvt Ltd.,)	India	December 31, 2008	December 16, 2005	100,000 (Previous year 90,000) Equity shares of the face value of Rs.10/- each fully paid up.	100%	(21.08)	(18.13)	Nil	Nil
Onco Therapies Ltd.,	India	December 31, 2008	August 14, 2007	478,429 equity shares of Rs. 10 each fully paid up	51%	32.36	(0.48)	Nil	Nil
Pharma Strides Canada Corporation (subsidiary of Strides Inc)	Canada	December 31, 2008	April 1, 2002	10,000 (previous year 10,000) equity shares of face value CAD 1/- each fully paid up	100%	(26.33)	4.92	Nil	Nil
Quantum Life Sciences Pvt Ltd.	India	December 31, 2008	March 3, 2004	12,600,000 (previous year 12,600,000) Equity shares of the face value of Rs.10/- each fully paid up. 200,000 - 0.1% redeemable preference share of the face value of Rs. 100/- each fully paid up.	100%	(27.71)	(67.08)	Nil	Nil

(Rupees in Millions)

Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	The net aggregate amount of the subsidiary Companies Profit/ (Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b) Dealt with in holding Company's accounts :	
						i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :	i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :
Quantum Remedies Pvt Ltd (subsidiary of Quantum Remedies Pvt Ltd)	India	December 31, 2008	March 12, 2008	10,000 equity shares of Rs 10/- each fully paid up	100%	(1.32)	Nil	Nil	Nil
Starstmore Ltd.	Cyprus	December 31, 2008	July 24, 2007	2,000 ordinary shares of Euro 1 fully paid up	100%	711.45	1,074.45	Nil	Nil
Strides Africa Ltd.	British Virgin Islands	December 31, 2008	October 1, 2003	4,522,911 (previous year 4,522,911) shares of the face value of USD 1/- each fully paid up	100%	(29.94)	(31.30)	Nil	Nil
Strides Arcolab Hong Kong Ltd., [subsidiary of Ascent Pharmahealth Asia Pte Ltd (formerly known as Strides Singapore Pte Ltd)]	Hong Kong	December 31, 2008	March 9, 2007	1 ordinary shares of HKD 1 each fully paid up	55.46%	(0.24)	(0.08)	Nil	Nil
Strides Arcolab International Ltd (Formerly known as Strides Arcolab (UK) Ltd)	United Kingdom	December 31, 2008	December 31, 2005	1,000,000 (previous year 1,000,000) equity shares of GBP 1 each fully paid up	100%	(70.25)	74.40	Nil	Nil
Strides Arcolab Malaysia SDN. BHD [subsidiary of Ascent Pharmahealth Asia Pte Ltd (formerly known as Strides Singapore Pte Ltd)]	Malaysia	December 31, 2008	March 21, 2007	2 ordinary shares of MYR 1 each fully paid up	55.46%	(0.14)	Nil	Nil	Nil
Strides Arcolab Polska sp.z o.o (became subsidiary of Strides Arcolab International Ltd consequent to merger of Strides Polska sp.z o.o with Strides Arcolab Polska sp.z o.o)	Poland	December 31, 2008	May 17, 2006	38,960 equity shares of PLN 50 each (previous year 57,114 equity shares of PLN 500) fully paid up	100%	(70.66)	23.83	Nil	Nil

Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	The net aggregate amount of the subsidiary Companies Profit/ (Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b) Dealt with in holding Company's accounts :	
						i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :	i) For the financial year ended December 31, 2008	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries :
Strides Arcolab SDN BHD [subsidiary of Ascent Pharmahealth Asia Pte Ltd (formerly known as Strides Singapore Pte Ltd)]	Brunei	December 31, 2008	December 24, 2007	1 share of Brunei Dollars 1 each	55.46%	(0.08)	Nil	Nil	Nil
Strides Arcolab UK Ltd. (subsidiary of Strides Arcolab International Ltd)	United Kingdom	December 31, 2008	May 16, 2006	1 (previous year 1) equity shares of GBP 1 each fully paid up	100%	Nil	Nil	Nil	Nil
Strides Australia Pty Ltd (subsidiary of Strides Arcolab International Ltd)	Australia	December 31, 2008	August 23, 2006	100 (previous year 90)equity shares of AUD 1 each fully paid up	100%	(22.42)	(21.83)	Nil	Nil
Strides CIS Ltd (formerly known as Raycom Ltd) (subsidiary of Linkace Ltd)	Cyprus	December 31, 2008	January 1, 2008	1,020 ordinary shares of Euro 1 fully paid up	51%	(0.63)	Nil	Nil	Nil
Strides S.A. Pharmaceuticals Pty Ltd.	Republic of South Africa	December 31, 2008	September 16, 2003	510 (Previous year 510) Equity shares of the face value of ZAR 1/- each fully paid up.	51%	(0.23)	0.31	Nil	Nil
Strides Vital Nigeria Ltd., (subsidiary of Strides Africa Ltd)	Nigeria	December 31, 2008	November 2, 2007	7,400,000 equity shares of NGN 1 each fully paid up	74%	10.10	0.27	Nil	Nil
Strides, Inc.	USA	December 31, 2008	August 30, 1999	13,605,000 (previous year 13,605,000) Equity shares of the face value of USD 1/- each fully paid up. 4,010,883 (previous year 4,010,883) Preference shares of the face value of USD 1/- each fully paid up.	95.71%	(23.42)	(829.06)	Nil	Nil

(Rupees in Millions)

Key Information pertaining to Subsidiary companies Financial Statements as at December 31, 2008

Name of the Subsidiary	Country of Incorporation	Capital (includes Monies pending allotment)	Reserves	Total Assets	Total Liabilities	Investment	Turnover	Profit before Tax	Tax Provision	Profit after Tax	Proposed dividend
Arcolab SA	Switzerland	45.93	(16.02)	29.91	29.91	-	(2.47)	(13.34)	-	(13.34)	-
Beltapharm S.p.A	Italy	100.03	20.23	456.64	456.64	-	528.53	31.65	9.33	22.32	-
Co Pharma Ltd.,	UK	1.02	125.87	126.89	126.89	-	351.46	(49.97)	1.07	(51.04)	-
Drug Houses of Australia (Asia) Pte Ltd.	Singapore	50.71	215.19	273.55	273.55	-	601.72	181.75	28.68	153.06	-
Formule Naturelle (Pty) Ltd., (formerly known as Aspen Public Health (Pty) Ltd.,)	South Africa	0.002	206.95	207.32	207.32	-	156.24	33.19	13.38	19.80	-
Global Remedies Ltd.	India	105.80	(0.83)	104.97	104.97	-	57.07	7.15	0.03	7.13	-
Grandix Laboratories Ltd.,	India	23.75	5.26	28.85	28.85	-	49.93	16.79	6.19	10.60	7.12
Grandix Pharmaceuticals Ltd.,	India	46.35	122.90	218.14	218.14	35.44	609.07	79.16	52.02	27.14	-
Linkace Ltd.,	Cyprus	936.30	1,788.47	3,401.28	3,401.28	4,178.32	2,279.29	1,616.00	-	1,616.00	-
Medgene Pharmaceuticals Pvt Ltd.	India	1.00	(42.55)	(32.45)	(32.45)	-	-	(20.95)	0.13	(21.08)	-
Onco Therapies Ltd.,	India	13.40	807.85	821.25	821.25	-	98.57	96.47	33.02	63.45	-
Pharma Strides Canada Corporation	Canada	0.40	(17.40)	12.65	12.65	-	40.86	(27.34)	(1.00)	(26.33)	-
Quantum Life Sciences Pvt Ltd.	India	146.00	85.21	253.45	253.45	7.60	95.46	(27.53)	0.18	(27.71)	-
Starsmore Ltd.	Cyprus	4,707.94	2,050.32	6,758.26	6,758.26	6,932.20	712.46	711.45	-	711.45	-
Strides Africa Ltd.	British Virgin Islands	220.22	(64.21)	286.44	286.44	126.59	3.84	(29.94)	-	(29.94)	-
Strides Arcolab Hong Kong Ltd.,	Hong Kong	0.39	(0.67)	(0.28)	(0.28)	-	-	(0.44)	-	(0.44)	-
Strides Arcolab International Ltd (Formerly known as Strides Arcolab (UK) Ltd)	UK	2,145.48	(30.02)	2,295.00	2,295.00	379.16	552.86	(75.53)	(5.28)	(70.25)	-
Strides Arcolab Malaysia SDN.BHD	Malaysia	0.20	(0.29)	(0.87)	(0.87)	-	-	(0.26)	-	(0.26)	-
Strides Arcolab Polska Sp.Zoo	Poland	151.88	61.73	882.08	882.08	-	85.59	(84.72)	(14.05)	(70.66)	-
Strides Arcolab SDN BHD	Brunei	0.16	(0.16)	0.00	0.00	-	-	(0.14)	-	(0.14)	-
Strides Australia Pty Ltd	Australia	0.00	(42.56)	(42.55)	(42.55)	-	-	(22.42)	-	(22.42)	-
Strides S.A. Pharmaceuticals Pty Ltd.	Republic of South Africa	0.01	(0.34)	7.99	7.99	-	8.06	0.44	0.90	(0.46)	-
Ascent Pharmahealth (Asia) Pte Ltd., (formerly known as Strides Singapore Pte Ltd.)	Singapore	355.51	155.92	652.24	652.24	525.43	329.84	175.29	2.81	172.48	-
Strides Vital Nigeria Ltd.,	Nigeria	3.60	(13.55)	103.45	103.45	-	595.55	14.07	0.42	13.65	-
Strides, Inc.	USA	978.96	(1,313.36)	387.54	387.54	20.97	207.14	(27.67)	0.05	(27.71)	-
Ascent Pharmahealth Ltd.,	Australia	3,987.48	(789.86)	9,608.37	3,608.37	834.08	950.93	(12.49)	(8.09)	(4.39)	26.62
Quantum Remedies Pvt Ltd.,	Bangalore	0.10	(1.32)	98.94	98.94	-	36.44	(1.29)	0.03	(1.32)	-
Strides CIS Limited (Formerly known as Raycom Ltd.,)	Cyprus	0.14	(1.39)	(1.25)	(1.25)	-	(0.03)	(1.24)	-	(1.24)	-

A HISTORICAL PERSPECTIVE

(Rupees in Millions)

Financials	2008	2008	2007	2006	2005	2003-2004
No. of Months	In USD mio	12 months	12 months	12 months	12 months	15 months
Income, Profit & Dividend						
Total Income	282.95	13,777.05	8,696.25	7,601.98	5,293.44	4,624.50
EBIDTA	87.70	4,270.01	1,029.44	1,409.56	1,158.77	1,061.38
Depreciation & Amortisation	8.23	400.63	377.14	336.18	235.75	214.18
Exceptional Items	38.48	1,873.62	299.12	-	-	-
Profit After Tax (PAT)	22.17	1,079.63	(501.21)	402.29	485.64	439.98
Equity Dividend	-	-	-	69.90	69.90	50.64
Dividend rate %	-	-	-	20.00	20.00	15.00
Assets & liabilities						
Net Worth						
Equity Share Capital	8.23	400.50	350.04	349.54	349.54	337.58
Preference Share Capital	10.10	491.61	491.61	491.61	491.61	-
Monies pending allotment	-	-	189.87	354.31	138.90	-
Reserves & surplus	66.63	3,244.10	1,729.65	2,585.13	2,123.71	1,739.45
Total networth	84.95	4,136.21	2,761.17	3,780.59	3,103.76	2,077.03
Long Term Loans	57.97	2,822.74	2,820.20	2,473.58	1,366.62	1,651.93
Short Term Loans	61.86	3,012.11	2,419.40	1,274.58	1,200.99	536.99
FCCB / FCD's	147.57	7,185.27	7,534.29	1,770.40	1,802.00	-
ESOP	0.37	17.89	4.73	-	-	-
Borrowings:	267.41	13,020.12	12,773.89	5,518.56	4,369.61	2,188.92
Minority Interest	37.03	1,802.84	169.34	527.20	361.91	99.97
Deferred tax Liability	1.80	87.43	106.76	196.22	128.50	168.50
Total liabilities	391.55	19,064.49	15,815.89	10,022.57	7,963.78	4,534.42
Represented by						
Fixed Assets:						
Gross Block	123.05	5,991.11	5,947.48	5,667.18	3,537.06	2,430.68
Net Block	131.14	6,385.41	7,427.91	5,816.32	3,837.10	2,224.66
Goodwill	121.28	5,905.35	5,527.48	1,695.12	1,281.06	30.97
Investments	71.14	3,464.01	19.45	14.97	0.31	614.07
Deferred tax Asset	0.89	43.36	2.50			
Net Current Assets	67.06	3,265.39	2,832.18	2,487.49	2,821.03	1,641.47
Miscellaneous Expenditure	0.02	0.97	6.37	8.67	24.28	23.25
Profit & Loss account	-	-	-	-	-	-
Total Assets	391.55	19,064.49	15,815.89	10,022.57	7,963.78	4,534.42
Key Indicators						
Earnings Per Share (EPS)	0.55	26.91	(15.57)	10.55	13.43	13.13
Cash Earnings Per Share (CEPS)	2.12	103.34	22.60	37.11	31.67	28.75
Book Value	1.87	91.00	32.71	65.33	51.80	61.53
Debt : Equity Ratio	-	2.42:1	3.75:1	1.12:1	1.02:1	0.80:1
Operating Profit Margin (%)	-	30.99%	11.84%	18.54%	21.89%	22.95%
Net Profit Margin (%)	-	7.84	(5.76)	5.29	9.17	9.51
Return on Net Worth (RONW %)	-	26.10	(18.15)	10.64	15.65	21.18

* 1 USD = Rs.48.69 (Exchange rate as on 31.12.2008)

Registered Office:

201, Devavrata,
Sector 17, Vashi,
Navi Mumbai 400 703, India.
Tel.: (91) 22 – 27893199
Fax No. (91) 22 – 27892942

Statutory Auditors

Deloitte Haskins & Sells
Deloitte Centre, Anchorage II,
100/2, Richmond road,
Bangalore 560 025, India.

Advocates & Solicitors

DSK Legal
4th Floor, Express Towers
Nariman Point, Mumbai 400 021, India.

Corporate Office:

'Strides House', Bilekahalli
Bannerghatta Road,
Bangalore 560 076, India.
Tel.: (91) 80 – 66580738/739
Fax No. (91) 80 – 66580700/800
Email: info@stridesarco.com
Website: www.stridesarco.com

Internal Auditors

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1st floor, Annamalai Arcade,
45, 1st cross, Wilson Garden,
Hosur Main Road,
Bangalore 560 027, India.

R & D Centre:

Strides Technology And Research,
Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.
Tel.: (91) 80 – 66580290
Fax No. (91) 80 – 66580200/300

Registrars

Karvy Computershare Private Limited,
No.51/2, TKN Complex, Vani Vilas Road,
Opp: National College, Basavanagudi,
Bangalore 560 004, India.
Tel. No. (91) 80-26613400
Tel. No. (91) 80-26621169

Bankers & Financial Institutions

State Bank of India, State Bank of
Hyderabad, Axis Bank Limited,
State Bank of Indore, Punjab National
Bank, Technology Development Board,
Standard Chartered Bank.

GLOBAL PLANTS:**Soft Gelatin Capsules**

'KRS Gardens', Suragajakanahalli,
Anekal Taluk, Bangalore 560 106, India.

Tablets & Hard Gelatin Capsules

'KRS Gardens', Suragajakanahalli,
Anekal Taluk, Bangalore 560 106, India.

Anti TB Block

'KRS Gardens', Suragajakanahalli,
Anekal Taluk, Bangalore 560 106, India.

Sterile Products

Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.

Antibiotics

Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.

Sterile Products - II

Plot No. 284-A, Bommasandra Jigani Link
road, Industrial Area, Jigani Village, Jigani
Hobli, Anekal Taluk, Bangalore 562 106.
(Under Completion)

Global Remedies Limited

124, Sipcot Industrial Complex,
Hosur – 635 126, India.

Quantum Life Sciences Pvt. Ltd.

No.152/6, 164/11 & 154/16,
Doresanipalya, Bilekahalli,
Begur Hobli, Bannerghatta road,
Bangalore 560 076, India.

Quantum Remedies Pvt. Ltd.

Plot No. 9-12, Dewan & Sons Indl. Area,
Veroor, Palghar, Dist. Thane 401 404
Maharashtra, India.

Solara SA De CV

AV, Paseo De Las Palmas 330
Plant Baja Lomas De Chapultepec,
C.P. 11000, Mexico D.F.

Cellofarm Ltda.,

Rodovia BR-101, KM 271,
(Contorno De Vitoria).
S/N, Tims-Sector Industrial-Q.10-M.03,
Carpina-Serra-ES 29160-970, Brazil.

Nigeria

Gate No. 02, Ladipo Oluwole Avenue,
Opposite Cocoa warehouse, Off Oba
Akran Road, Ikeja Industrial Area, Ikeja
Lagos, Nigeria.

Strides Arcolab Polska Sp.Zo.o

ul.Daniszevska 10 03-230 Warszawa NIP
813-34-15-000, Poland.

Beltapharm SpA

20095 Cusano MIL. (MI) – Via Stelvio, 66
Italy.

Drug Houses of Australia (Asia) Pte Limited

#2 Chia ping road, Haw Par Tiger Balm
Building, Singapore 619968.

Onco Therapies Ltd

Plot No. 284-B, Bommasandra Jigani Link
road, Industrial Area, Jigani Village, Jigani
Hobli, Anekal Taluk, Bangalore 562 106.

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AKWA, Douala, Cameroon.

South Africa

4, Angus Crescent, Longmeadow East,
Modderfontein, 1644,
Republic of South Africa.

Tchad

BP 1167, N'Djamena, Tchad.

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Strides Inc.,

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10B 0369, Oslo, Norway,

Chennai

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Nagar, 100 Feet road, Chennai - 600 094.

Venezuela

Mezzanina, Oficina 15 & 16, Centro
Empresarial La Piramide, Av. Rio Caura,
Urb. Parque, Humboldt, Caracas 1080
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