

# SCHEDULES

annexed to and forming part of the Consolidated Financial Statements

	As at 31-Mar-2010	(Rs. in lacs) As at 31-Mar-2009
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
150,000,000 Equity Shares of Rs. 5 each	<b>7,500.00</b>	7,500.00
2,500,000 Preference Shares of Rs. 100 each	<b>2,500.00</b>	2,500.00
	<b>10,000.00</b>	10,000.00
<b>Issued and Subscribed</b>		
84,625,360 Equity Shares of Rs. 5 each	<b>4,231.27</b>	4,231.27
<b>Paid-up</b>		
84,611,360 Equity Shares of Rs. 5 each	<b>4,230.57</b>	4,230.57
Amount originally paid up on 14,000 Equity Shares forfeited	<b>0.35</b>	0.35
	<b>4,230.92</b>	4,230.92

## Notes :

- (1) 70,980,592 Equity Shares of Rs. 5 each were allotted as fully paid up bonus shares; out of which 42,305,680 shares were allotted by way of capitalisation from Capital Redemption Reserve and 28,674,912 Equity shares were allotted by way of capitalisation from General Reserve.
- (2) 1,244,768 Equity Shares of Rs. 5 each were allotted without payment being received in cash pursuant to the schemes of amalgamation.
- (3) 43,057,736 Equity Shares (previous year 43,057,736 Equity Shares) of Rs. 5 each are held by holding company Torrent Private Limited.

	As at 31-Mar-2010	(Rs. in lacs) As at 31-Mar-2009
<b>SCHEDULE - 2 : RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Balance as per last Balance Sheet	<b>626.54</b>	596.54
Add : Capital Subsidy received	-	30.00
	<b>626.54</b>	626.54
<b>Capital Redemption Reserve</b>		
Balance as per last Balance Sheet	<b>384.71</b>	384.71
<b>Share Premium Account</b>		
Balance as per last Balance Sheet	<b>4,279.88</b>	4,279.88
<b>General Reserve</b>		
Balance as per last Balance Sheet	<b>55,708.99</b>	41,208.99
Add : Transfer from Profit and Loss Account	<b>5,600.00</b>	14,500.00
	<b>61,308.99</b>	55,708.99
<b>Foreign Currency Translation Reserve</b>		
Balance as per last Balance Sheet	<b>(446.30)</b>	(72.05)
Add : Foreign Currency Translation Reserve for the year	<b>809.00</b>	(374.25)
	<b>362.70</b>	(446.30)
<b>Balance in Profit and Loss Account</b>		
	<b>11,904.11</b>	304.43
	<b>78,866.93</b>	60,858.25

	As at 31-Mar-2010	(Rs. in lacs) As at 31-Mar-2009
<b>SCHEDULE - 3 : SECURED LOANS</b>		
Long Term Loans [Note: 2]		
from Banks [Note: 1(a)]	<b>25,110.36</b>	23,312.30
from a Financial Institution [Note: 1(b)]	<b>3,680.00</b>	6,015.00
Short Term Loans from Banks [Note: 1(c)]	<b>7,673.80</b>	2,500.00
	<b>36,464.16</b>	31,827.30

**Notes :**

(1) Loans are secured by :

- (a) First equitable mortgage of immovable fixed assets and hypothecation of moveable fixed assets, present and future, located at formulation manufacturing facilities, Village Indrad; research facilities, Village Bhat; and corporate office, Ahmedabad, all in Gujarat, on pari passu basis.
- (b) First equitable mortgage of immovable fixed assets and hypothecation of moveable fixed assets, present and future, located at formulation manufacturing facilities in Baddi, Himachal Pradesh.
- (c) Hypothecation of inventories and book debts.

(2) The future annual repayment obligations on principal amount for the above long term loans are as under:

2010-11	Rs.	3,838 lacs
2011-12	Rs.	10,779 lacs
2012-13	Rs.	4,743 lacs
2013-14	Rs.	5,306 lacs
2014-15	Rs.	1,500 lacs
2015-16	Rs.	2,062 lacs
2016-17	Rs.	562 lacs
<b>Total :</b>		<b>Rs. 28,790 lacs</b>

	As at 31-Mar-2010	(Rs. in lacs) As at 31-Mar-2009
<b>SCHEDULE - 4 : UNSECURED LOANS</b>		
Long Term Loans [Note : 1]		
from Banks	<b>9,792.63</b>	10,486.04
from Department of Science and Technology	<b>793.60</b>	892.80
from Department of Bio-Technology	<b>314.06</b>	-
Short Term Loans		
from Banks	<b>4,875.12</b>	54.12
from a Financial Institution	<b>-</b>	5,000.00
	<b>15,775.41</b>	16,432.96

**Note :**

(1) The future annual repayment obligations on principal amount for the above long term loans are as under :

2010-11	Rs.	99 lacs
2011-12	Rs.	131 lacs
2012-13	Rs.	3,426 lacs
2013-14	Rs.	3,426 lacs
2014-15	Rs.	3,426 lacs
2015-16	Rs.	162 lacs
2016-17	Rs.	131 lacs
2017-18	Rs.	99 lacs
<b>Total :</b>		<b>Rs. 10,900 lacs</b>

**SCHEDULE - 5 : FIXED ASSETS**

(Rs. in lacs)

Particulars	Gross Block (At Cost)			Depreciation, Amortisation and Impairment				Net Block		
	As at 1-Apr-09	Additions during the year	Deductions during the year	As at 31-Mar-10	Foreign Exchange Translation	As at 1-Apr-09	For the year	On deduction during the year	As at 31-Mar-10	As at 31-Mar-09
<b>I. TANGIBLES :</b>										
Free Hold Land [Note 2]	4,349.32	146.80	-	4,496.12	-	-	-	-	-	4,496.12
Lease Hold Land	2,242.83	1,397.40	-	3,640.23	-	0.47	35.12	-	35.59	3,604.64
Buildings	18,779.75	948.98	12.35	19,716.38	(5.35)	3,398.25	563.22	1.58	3,959.89	15,756.11
Plant and Machineries (Including Laboratory Equipments)	28,873.51	5,442.95	58.26	34,258.20	23.29	9,671.70	3,307.92	34.12	12,945.50	21,330.21
Electrical Equipments	5,894.95	467.37	62.88	6,299.44	-	2,087.00	451.27	23.30	2,514.97	3,784.47
Furniture and Fixtures, Office Equipments	6,259.34	706.69	50.84	6,915.19	24.29	3,488.85	871.65	32.77	4,327.73	2,607.44
Vehicles	1,574.47	186.36	205.42	1,555.41	9.64	476.77	149.64	103.93	522.48	1,040.41
<b>II. INTANGIBLES :</b>										
Computer Software	1,315.68	311.10	-	1,626.78	(20.47)	830.26	267.27	-	1,097.53	1,082.18
Product Licenses [Note 4]	2,772.56	286.14	-	3,058.70	(304.76)	983.72	968.83	-	1,952.55	1,782.54
<b>TOTAL</b>	<b>72,062.41</b>	<b>9,893.79</b>	<b>389.75</b>	<b>81,566.45</b>	<b>(273.36)</b>	<b>20,937.02</b>	<b>6,614.92</b>	<b>195.70</b>	<b>27,356.24</b>	<b>54,114.93</b>
Previous Year	64,610.77	8,642.11	1,376.19	71,876.69	185.72	17,619.33	4,227.97	979.01	20,868.31	51,125.39

**Notes :**

(1) Foreign Exchange Translation represents foreign exchange difference arising due to translation of all foreign subsidiaries' fixed assets at closing exchange rate.

(2) Freehold Land includes pro rata cost of Land amounting to Rs. 2,379.06 lacs (previous year Rs. 2,379.06 lacs) owned jointly in equal proportion with a Company under the same management, Torrent Power Limited.

(3) Depreciation, Amortisation and Impairment for the year includes Rs. 6.31 lacs (previous year Rs. Nil) transferred to capital work in progress as pre-operative expenses.

(4) The healthcare reforms in Germany has brought about significant changes in the market conditions. Insurance companies are now allowed to float tenders and several companies have floated tenders including AOK, the largest insurance company in Germany. Due to this there is a drastic fall in price realisations of finished products. The Group carried out impairment testing of its acquired product licenses and has recognised Rs. 726.93 lacs (previous year Rs. 64.04 lacs) towards impairment of product licenses.

		(Rs. in lacs) As at 31-Mar-2009
	<b>As at 31-Mar-2010</b>	
<b>SCHEDULE - 6 : INVESTMENTS</b>		
	<b>No. of Units</b>	
<b>LONG TERM INVESTMENTS [At Cost]</b>		
<b>Trade Investments, Unquoted</b>		
York Pharma Plc.- Fully paid up Equity Shares of United Kingdom's Sterling 0.05 each	63056	155.60
Less: Provision for diminution in Value		155.60
		-
GPC Cayman Investors I Ltd. - Fully paid up Equity Shares of USD 10 each	442918	1,901.49
Shivalik Solid Waste Limited - Fully paid up Equity Shares of Rs. 10 each	20000	2.00
<b>Non-Trade Investments, Unquoted</b>		
National Savings Certificates		1.10
Aggregate Long Term Investments	<b>1,904.59</b>	1,904.59
<b>CURRENT INVESTMENTS [At lower of cost or market value]</b>		
<b>Non-Trade Investments, Unquoted</b>		
Mutual Funds [Note 1]		12,044.06
Aggregate Investments - Unquoted	<b>14,117.55</b>	13,948.65

**Note :**

(1) Aggregate NAV of investment in Mutual Funds as on 31-Mar-2010 is Rs. 12,306.01 lacs. [previous year Rs. 12,067.66 lacs]

		(Rs. in lacs) As at 31-Mar-2009
	<b>As at 31-Mar-2010</b>	
<b>SCHEDULE - 7 : INVENTORIES</b>		
[At lower of cost or net realisable value]		
Raw Materials	<b>10,521.62</b>	6,913.09
Packing Materials	<b>1,504.68</b>	1,340.38
Goods in Process	<b>3,628.12</b>	4,099.94
Finished Goods	<b>9,718.97</b>	9,193.09
Traded Goods	<b>6,989.54</b>	4,907.31
	<b>32,362.93</b>	26,453.81
<b>SCHEDULE - 8 : SUNDRY DEBTORS</b>		
[Unsecured]		
Debts over six months		
Considered Good	<b>3,224.61</b>	3,086.05
Considered Doubtful	<b>1,986.42</b>	1,824.01
Less :- Provision	<b>1,986.42</b>	1,824.01
	<b>3,224.61</b>	3,086.05
Other Debts - Considered Good	<b>26,591.36</b>	23,571.81
	<b>29,815.97</b>	26,657.86

	SCHEDULE	As at 31-Mar-2010	(Rs. in lacs) As at 31-Mar-2009
<b>SCHEDULE - 9 : CASH AND BANK BALANCES</b>			
Cash on hand		<b>11.63</b>	10.26
With Scheduled Banks in :			
(a) Current Accounts	21 [10]	<b>977.43</b>	1,038.78
(b) Term Deposit Accounts	21 [10]	<b>33,517.05</b>	17,105.05
		<b>34,494.48</b>	18,143.83
With Non-Scheduled Banks in :			
(a) Current Accounts		<b>2,436.91</b>	4,833.70
(b) Term Deposit Accounts		<b>1,889.51</b>	11.44
		<b>4,326.42</b>	4,845.14
		<b>38,832.53</b>	22,999.23
<b>SCHEDULE - 10 : OTHER CURRENT ASSETS</b>			
[Unsecured and considered good, unless otherwise stated]			
Export Benefits Receivable		<b>2,479.46</b>	1,851.89
Claims Receivable : Indirect tax / Insurance			
Considered Good		<b>939.49</b>	563.38
Considered Doubtful		<b>143.97</b>	-
Less :- Provision		<b>143.97</b>	-
		<b>939.49</b>	563.38
Interest accrued on Loans and Deposits		<b>257.02</b>	144.72
Assets held for sale [At lower of cost or net realisable value]		-	569.20
Others		<b>5.12</b>	303.09
		<b>3,681.09</b>	3,432.28
<b>SCHEDULE - 11 : LOANS AND ADVANCES</b>			
[Unsecured and considered good, unless otherwise stated]			
Advances recoverable in cash or in kind or for value to be received		<b>10,290.00</b>	9,797.97
Balance with Excise and Customs Department / VAT		<b>546.28</b>	248.49
Advance Tax paid, net of Provisions		<b>542.47</b>	460.99
MAT Credit Entitlement	21 [8]	-	5,286.32
		<b>11,378.75</b>	15,793.77
<b>SCHEDULE - 12 : CURRENT LIABILITIES</b>			
Sundry Creditors		<b>37,818.22</b>	31,341.22
Book Overdraft		<b>1,497.41</b>	503.26
Investor Education and Protection Fund [not due] :			
Unclaimed Dividend		<b>46.42</b>	188.26
Unclaimed Share Application Money		<b>0.45</b>	0.45
Unclaimed Matured Debentures		-	7.51
Unclaimed Debenture Interest		-	0.46
		<b>46.87</b>	196.68
Other Liabilities		<b>1,346.85</b>	1,285.53
Advances from Customers		<b>1,279.62</b>	3,862.13
Interest accrued but not due		<b>168.74</b>	242.68
		<b>42,157.71</b>	37,431.50

**Note :** The Investor Education and Protection Fund is credited by the amounts unclaimed and outstanding on the relevant due date.

		(Rs. in lacs)	
SCHEDULE		<b>As at 31-Mar-2010</b>	As at 31-Mar-2009
<b>SCHEDULE - 13 : PROVISIONS</b>			
Proposed Dividend		<b>5,076.68</b>	3,384.45
Add : Tax on Distributed Profits		<b>843.17</b>	575.19
		<b>5,919.85</b>	3,959.64
Provision for Taxation, net of Advance Tax		<b>550.04</b>	17.71
Provision for Employee Benefits (Gratuity, Long term Compensation, Leave Benefits)		<b>6,331.01</b>	5,155.39
		<b>12,800.90</b>	9,132.74
		<b>Year ended 31-Mar-2010</b>	Year ended 31-Mar-2009
<b>SCHEDULE - 14 : SALES AND OPERATING INCOME</b>			
<b>Sales</b>			
Sales in India		<b>92,060.89</b>	79,357.38
Sales outside India		<b>94,669.23</b>	82,332.59
		<b>186,730.12</b>	161,689.97
Less : Excise Duty / ICMS collected	21 [5]	<b>3,437.57</b>	3,037.96
		<b>183,292.55</b>	158,652.01
<b>Operating Income</b>			
Export Benefits		<b>2,635.37</b>	1,717.71
Income from Product Registration Dossiers		<b>3,112.11</b>	1,604.53
Net Foreign Exchange Gain	21 [11]	<b>1,206.29</b>	-
Other Operating Income		<b>1,357.46</b>	1,091.51
		<b>8,311.23</b>	4,413.75
		<b>191,603.78</b>	163,065.76
<b>SCHEDULE - 15 : OTHER INCOME</b>			
Profit on Sale of Non-Trade Investments [Net of Provision for diminution in value of Current Investment Rs. Nil (previous year Rs. 292.37 lacs)]		<b>889.25</b>	313.77
Miscellaneous Income		<b>14.55</b>	37.33
		<b>903.80</b>	351.10
<b>SCHEDULE - 16 : MATERIALS COST</b>			
<b>Materials Consumed</b>			
Raw Materials		<b>35,489.92</b>	33,568.94
Packing Materials		<b>5,574.51</b>	4,772.64
		<b>41,064.43</b>	38,341.58
<b>Purchase of Traded Goods</b>		<b>18,169.38</b>	17,153.30
<b>(Increase) / Decrease in Stock</b>			
Opening Stocks			
Finished Goods		<b>9,193.09</b>	7,649.94
Traded Goods		<b>4,907.31</b>	5,016.06
Goods in Process		<b>4,099.94</b>	3,524.34
		<b>18,200.34</b>	16,190.34
Less : Closing Stocks			
Finished Goods		<b>9,718.97</b>	9,193.09
Traded Goods		<b>6,989.54</b>	4,907.31
Goods in Process		<b>3,628.12</b>	4,099.94
		<b>20,336.63</b>	18,200.34
<b>Net (Increase) / Decrease in Stock</b>		<b>(2,136.29)</b>	(2,010.00)
		<b>57,097.52</b>	53,484.88

		(Rs. in lacs)
	SCHEDULE	Year ended 31-Mar-2010
		Year ended 31-Mar-2009
<b>SCHEDULE - 17 : EMPLOYEES COST</b>		
[Other than those included in Research and Development Expenses]		
Salaries, Wages and Bonus [includes prior period item Rs. 139.34]		21,106.60
Contribution to Provident and other Funds		2,998.04
Gratuity Cost		511.37
Welfare Expenses		1,033.77
		<b>25,794.52</b>
		<b>4,438.44</b>
		<b>279.87</b>
		<b>1,103.17</b>
		<b>31,616.00</b>
<b>SCHEDULE - 18 : MANUFACTURING AND OTHER EXPENSES</b>		
[Other than those included in Research and Development Expenses]		
Power and Fuel		2,528.90
Stores and Spares Consumed		1,169.84
Labour Charges		989.38
Job Work Charges		811.51
Laboratory Goods and Testing Expenses		547.74
Excise Duty	21 [5]	43.59
Repairs and Maintenance :		
Machinery		225.24
Buildings		150.46
Others		185.00
		<b>801.44</b>
Selling, Publicity and Medical Literature Expenses		18,522.37
Commission on Sales		1,025.61
Sales and Turnover Taxes		187.97
Provision for Doubtful Debts		1,289.12
Bad Debts Written-off		28.01
Travelling, Conveyance and Vehicle Expenses		5,246.14
Net Foreign Exchange Loss	21 [11]	4,119.82
Communication Expenses		845.57
Printing and Stationery Expenses		265.66
Rent		1,592.89
Rates and Taxes		353.32
Registration Expenses		1,174.75
Insurance		411.20
Loss on Sale / Discard / Write-off of Fixed Assets		321.11
Provision on Asset held for Sale		25.57
Auditors Remuneration and Expenses		68.55
Cost Audit Fees		2.40
Commission to Non Executive Directors		18.75
Donation		217.09
General Charges		4,500.52
		<b>4,944.00</b>
		<b>48,790.92</b>
<b>SCHEDULE - 19 : NET BORROWING COST</b>		
[Other than those included in Research and Development Expenses]		
Expenses		
Interest on Fixed Period Loans		2,653.78
Other Borrowing Cost	21 [11]	1,275.85
		<b>2,444.40</b>
		<b>465.78</b>
		<b>2,910.18</b>
Interest Income		3,929.63
		<b>1,259.29</b>
		<b>1,650.89</b>

## SCHEDULE - 20 : SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP

### 1. Basis for Preparation of Financial Statements

The consolidated financial statements have been prepared and presented under the historical cost convention on accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles (GAAP) in India. GAAP includes provisions of the Companies Act, 1956, Accounting Standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India and guidelines issued by Securities and Exchange Board of India. Except where otherwise stated, the accounting principles are consistently applied.

### 2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions and estimates, which it believes are reasonable under the circumstances that affect the reported amounts of assets, liabilities and contingent liabilities on the date of financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the period in which the results are known or materialise.

### 3. Principles of Consolidation

The consolidated financial statements comprise the financial statements of Torrent Pharmaceuticals Limited and its wholly owned subsidiaries.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealized profits / losses in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the consolidated entities.

The excess / shortfall of cost to the parent company of its investment over its portion of equity in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill / capital reserve.

These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

### 4. Fixed Assets

- (a) Tangible fixed assets are stated at cost of acquisition or construction less accumulated depreciation. The cost of fixed asset includes non-refundable taxes & levies, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing cost attributable to acquisition or construction of qualifying fixed assets are capitalised to respective assets when the time taken to put the assets to use is substantial.
- (b) Pre-operative expenditure comprising of revenue expenses incurred in connection with project implementation during the period up to commencement of commercial production are treated as part of project costs and are capitalised. Such expenses are capitalised only if the project to which they relate, involve substantial expansion of capacity or upgradation.
- (c) Acquired Product Licenses costs are capitalised. Cost includes direct costs of purchase and expenses directly attributable to the purchase of Product Licenses.
- (d) Certain software costs are capitalised and recognised as intangible assets based on materiality, accounting prudence and significant economic benefits expected to flow there from for a period longer than one year.
- (e) Fixed Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.
- (f) Fixed Assets that have been retired from their active use and held for disposal, are classified as current assets, and are stated at lower of their cost or net realisable value.

## 5. Depreciation and Amortisation

- (a) Depreciation on fixed assets is provided on straight line method on the basis of the depreciation rates prescribed under the respective domestic laws or based on useful life of the asset as estimated by the management, whichever is higher.

The management estimates of the useful life of various categories of fixed assets are given below:

Office Buildings	58 years
Factory Buildings	28 years
Plant and Machinery	10 to 20 years
Laboratory Equipments	5 to 20 years
Electrical Equipments	10 to 20 years
Furniture & Fixtures	3 to 10 years
Office Equipments	10 years
Computer Equipments	2 to 5 years
Vehicles	10 years

- (b) Cost of leasehold land (except for lease of long tenure) is amortised over the period of the lease. Cost of lease hold land where lease period is of long tenure and substantial rights of ownership are with lessee, is not amortised.
- (c) The capitalised Software costs are amortised using the straight-line method over estimated useful life of 3 to 5 years, as estimated at the time of capitalisation.
- (d) Product Licenses costs are amortised using the straight-line method over estimated useful life of 10 years, as estimated at the time of capitalisation.

## 6. Investments

- (a) Long Term Investments are stated at cost. Provision is made to recognise any diminution in value, other than that of a temporary nature.
- (b) Current investments are carried at lower of cost and fair value. Diminution in value is charged to the profit and loss account.

## 7. Cash Flow Statement

The Cash Flow Statement is prepared under the "Indirect Method" as set out in Accounting Standard 3 Cash Flow Statements issued by the Institute of Chartered Accountants of India.

## 8. Inventories

Inventories are valued at the lower of cost and net realisable value. Provision for impairment is made when there is high uncertainty in salability of an item. Costs of inventories are determined on the following basis :

- (a) Cost of raw material and packing material is determined on moving average basis.
- (b) Work in process is determined on weighted average basis.
- (c) Cost of finished goods produced is determined on weighted average basis.
- (d) Cost of finished goods (traded) is determined on moving average basis.

## 9. Revenue Recognition

- (a) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods are transferred to the customer. Sales are net of discounts, sales tax, value added tax and returns; excise duty and ICMS collected on sales are shown by way of deduction from sales. Accrual for chargeback, rebates and medicaid payments are estimated and recorded as reduction from revenue in the year of sales.
- (b) Income from services is recognised when the services are rendered or when contracted milestones have been achieved.
- (c) Revenue from arrangements which includes performance of obligations is recognised in the period in which related performance obligations are completed.
- (d) Export entitlements are recognised as income when right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.
- (e) Dividend income is recognised when the right to receive dividend is established.
- (f) Interest income is recognized using the time-proportion method, based on rates implicit in the transaction.
- (g) Revenue in respect of other income is recognised when a reasonable certainty as to its realisation exists.

## 10. Employees Retirement and Other Benefits

- (a) The accruing liability on account of gratuity (retirement benefit in the nature of defined benefits plan), is actuarially valued every year. The current service cost, interest cost, expected return on plan assets and the actuarial gain / loss are expensed to the profit and loss account of the year as Employees Costs.
- (b) Contribution in case of defined contribution plans (Provident Fund, Superannuation benefit, Social Security schemes and other fund / schemes) of the company and certain overseas subsidiaries is charged to profit and loss account as and when it is incurred as Employee Costs.
- (c) Long term compensation plan to employees (being deferred compensation paid 12 months or more after the end of the period in which it is earned) are expensed out in the period to which the costs relate at present value of the benefits under the plan.
- (d) The liability for compensated absences and leave encashment is provided on the basis of actuary valuation, as at Balance Sheet date.

## 11. Government Grants

- (a) Government grants are recognised when there is reasonable assurance that the grant will be received and all relevant conditions are complied with.
- (b) Grants received by way of investment subsidy scheme in relation to total investment are credited to capital reserve and are treated as part of owners' fund.
- (c) Grants that compensate expenses are recognized on receipt basis and are shown as deduction from the related expenses for which they are intended to compensate.

## 12. Borrowing Costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

## 13. Research and Development

Research and Development expenses are charged to revenue. Capital expenditure on research and development is reported as fixed assets under the relevant head. Depreciation on research and development fixed assets are not classified as research and development expenses and instead included under depreciation expenses.

## 14. Leases

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

## 15. Accounting for Taxes

- (a) Current tax is the aggregation of the tax charge appearing in the group companies.
- (b) Deferred Tax resulting from "timing differences" between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. Deferred tax assets and liabilities are arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

## 16. Foreign Currency Transactions and Balances

- (a) Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction.
- (b) The net gain or loss on account of exchange differences arising on settlement of foreign currency transactions are recognised as income or expense of the period in which they arise.
- (c) In case of forward contracts, to which AS11, The Effects of Changes in Foreign Exchange Rate applies, the difference between the forward rate and the exchange rate on the date of the contract is recognised as income or expense over the life of the contract. Exchange differences on such a contract are recognised in the profit and loss account in the period in which the exchange rates change. Derivatives not covered under AS11 are marked to market at balance sheet date and resulting loss, if any, is recognised in the profit and loss account in view of the principle of prudence as per Announcement on Accounting of Derivatives by The Institute of Chartered Accountants of India dated 29-Mar-2008.

- (d) Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the rate prevailing as on that date. The resultant exchange differences are recognised in the profit and loss account. The Group has not exercised the option for capitalisation or amortisation of exchange differences on long term foreign currency monetary items as provided by notification dated 31-Mar-2009, issued by the Ministry of Corporate Affairs.
- (e) Investments in shares of foreign entities are expressed in reporting currency at the rates of exchange prevailing at the time when the original investments were made.

### **17. Translation of Financial Statements of Foreign Subsidiaries**

Classification of all foreign subsidiaries is treated as non-integral foreign operations considering the way in which they are financed and operate in relation to the Parent Company. Consequently, translation of their respective financial statements is effected as under:

- (a) Revenues and expenses are translated at the average annual exchange rates based on the daily closing rates for the year. Inventories are translated at the average exchange rates based on the daily closing rates for the period of six months to the date of balance sheet.
- (b) All assets and liabilities, both monetary and non-monetary, are translated at the exchange rate prevalent at the date of the balance sheet.
- (c) The resulting net exchange differences are recognised as foreign currency translation reserve as part of Shareholders' Funds.

### **18. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Liabilities which are of contingent nature are not provided but are disclosed at their estimated amount in the notes forming part of the accounts. Contingent assets are neither recognised nor disclosed in the financial statements.

## SCHEDULE - 21 : NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements comprise the financial statements of the parent company, Torrent Pharmaceuticals Limited (TPL) and the following wholly owned subsidiaries / step-down subsidiaries (together referred to as Group) :

Name of Subsidiary	Country of Incorporation
Zao Torrent Pharma	Russia
Torrent Do Brasil Ltda	Brazil
Torrent Pharma GmbH (TPG)	Germany
Torrent Pharma Inc.	USA
Torrent Pharma Philippines Inc.	Philippines
Heumann Pharma GmbH & Co. Generica KG (Wholly owned subsidiary of TPG)	Germany
Laboratorios Torrent, S.A. de C.V.	Mexico
Torrent Pharma Japan Co. Ltd	Japan
Torrent Australasia Pty Ltd.	Australia
Heunet Pharma GmbH (Wholly owned subsidiary of TPG)	Germany
Norispharm GmbH (Wholly owned subsidiary of TPG)	Germany
Torrent Pharma Canada Inc.	Canada
Torrent Pharma (Thailand) Co., Limited	Thailand

	(Rs. in lacs)
	As at 31-Mar-2010
	As at 31-Mar-2009
2. Estimated amount of unexecuted capital contracts (net of advances) not provided for	2,381.81
3. Contingent Liabilities not provided for in respect of Claims against the Group not acknowledged as debts :	
Disputed Demand of Income Tax for which appeals have been preferred	846.55
Disputed Employee State Insurance Contribution Liability under E.S.I. Act, 1948	248.71
Disputed Legal Cases for Supply of Goods and Services	1.78
Disputed Demand of Excise and Service Tax	23.80
Disputed Demand of Local Sales Tax and C.S.T	23.00
Disputed cases at Labour Court / Industrial Court	-
	<b>801.33</b>
4. The components of the deferred tax balance are set out below:	
<b>Deferred Tax Liabilities</b>	
Excess of depreciation claimed under the income tax law over that debited to profit and loss account in the earlier years	7,871.94
Unrealised foreign exchange gain	77.11
<b>Deferred Tax Assets</b>	
Sundry creditors	(194.18)
Provision for Employee Benefits	(586.22)
Provision for Doubtful Debts	(473.48)
Provision for Doubtful Claim Receivables	-
Sundry Debtors	(67.34)
Other Current Assets	(33.59)
Inventories	(48.07)
Unrealised foreign exchange loss	(77.16)
Tax losses of Subsidiaries	(629.33)
<b>Deferred tax liability, net</b>	<b>5,839.68</b>
The net deferred tax liability of Rs. 4,989.80 lacs (Previous year: Rs. 5,839.68 lacs) has been presented in the balance sheet as follows :	
Deferred tax assets	993.44
Deferred tax liabilities	(6,833.12)
	<b>(4,989.80)</b>
5. Excise Duty / ICMS shown as deduction from Sales represents the amount of excise duty collected on sales. Excise duty expensed under Schedule-18, "Manufacturing and Other Expenses", represents the difference between excise duty element in closing stocks and opening stocks, excise duty paid on samples and on inventory write-off which is not recoverable from sales.	

6. (a) Break-up of Research and Development Expenses included in Profit and Loss Account:

	2009-10	(Rs.in lacs) 2008-09
Employees Cost :		
Salaries, Wages and Bonus	<b>3,611.92</b>	3,317.01
Contribution to Provident and other Funds	<b>302.11</b>	275.48
Gratuity Cost	<b>79.93</b>	167.72
Welfare Expenses	<b>99.85</b>	80.97
	<b>4,093.81</b>	3,841.17
Power and Fuel	<b>471.41</b>	516.73
Stores and Spares Consumed	<b>919.99</b>	824.32
Labour Charges	<b>117.86</b>	106.86
Laboratory Goods and Testing Expenses	<b>2,583.42</b>	3,021.75
Clinical Research Expenses	<b>1,840.83</b>	838.91
Repairs and Maintenance	<b>246.65</b>	157.88
Travelling, Conveyance and Vehicle Expenses	<b>231.28</b>	246.17
Communication Expenses	<b>90.21</b>	77.33
Printing and Stationery Expenses	<b>52.44</b>	47.22
Rent	<b>0.22</b>	9.45
Rates and Taxes	<b>109.35</b>	66.32
Insurance	<b>54.87</b>	29.29
Interest on Fixed Period Loans	<b>28.70</b>	26.41
Government Grant Income	<b>(78.52)</b>	-
General Charges	<b>1,259.28</b>	1,380.55
	<b>12,021.80</b>	11,190.39

(b) The Government grant income represents grant received from the Department of Biotechnology for development of Advanced Glycosylation End-Product, a New Chemical Entities [NCE] project.

(c) Depreciation, Amortisation and Impairment includes Rs. 1,919.90 lacs (previous year Rs. 1,142.90 lacs) pertaining to Research and Development assets.

7. The Group has revised the estimated useful life of plant & machinery, laboratory equipments, furniture & fixture and office equipments considering technological obsolescence and wear and tear of such assets. In earlier years, the depreciation was charged as per the rates prescribed in Schedule XIV of the Companies Act, 1956. The changes effected to useful life are as under :

Class of Assets	Revised estimated useful life	Derived useful life as per Schedule XIV
Plant and Machinery	10 to 20 years	20 years
Laboratory Equipments	5 to 20 years	20 years
Electrical Equipments	10 to 20 years	20 years
Furniture & Fixtures	10 years	15 years
Office Equipments	10 years	20 years

Due to this change :

- (i) the depreciation for the current year is higher by Rs. 1,071.15 lacs.  
(ii) the net profit for the current year is lower by Rs. 533.30 lacs.

8. MAT credit entitlement asset of Rs. 5,286.32 lacs recognised in earlier years, was written-off during the year based on amendments made in Income Tax Act, 1961, and other relevant factors, and in terms of the "Guidance Note on Accounting for Credit Available in respect of MAT under the Income-tax Act, 1961" issued by the Institute of Chartered Accountants of India.

9. The Basic and Diluted Earnings Per Share [EPS] are :

		2009-10	2008-09
Net profit for the year	(a) [Rs. in lacs]	<b>23,119.53</b>	18,436.96
Weighted average number of equity shares	(b) [Nos. in lacs]	<b>846.11</b>	846.11
EPS (basic and diluted)	(a) / (b) [Rs.]	<b>27.32</b>	21.79
Nominal value per equity share	[Rs.]	<b>5.00</b>	5.00

10. Cash and cash equivalents includes:		(Rs.in lacs)	
		As at 31-Mar-2010	As at 31-Mar-2009
(a)	Term Deposit lodged with Banks.	3.05	2.05
(b)	Balances with scheduled banks in current accounts for unclaimed dividend, debenture and debenture interest	46.50	196.31
11. Foreign Exchange Gain / Loss included in the net profit for the year :		(Rs.in lacs)	
		2009-10	2008-09
Net Foreign Exchange Gain, included in Sales and Operating Income, as per Schedule 14 [Previous year: Net Foreign Exchange (Loss) included in Manufacturing and Other Expenses, as per Schedule 18]		1,206.29	(4,119.82)
Add / (Less) :			
(a)	Net Foreign Exchange Loss on foreign currency borrowings to the extent regarded as an adjustment to interest cost, included as Other Borrowing Cost in Schedule 19.	(401.78)	(962.18)
(b)	MTM Loss on forward exchange contracts to hedge the foreign currency risk of highly probable forecast transactions accounted in view of the principle of prudence.	13.24	-
Total Foreign Exchange Gain / (Loss) as per Accounting Standard 11		817.75	(5,082.00)

## 12. Segment reporting

The primary and secondary reportable segments considered are Business Segments and Geographical Segments respectively. The group operates in a solitary business segment i.e. pharmaceuticals, comprising mainly manufacture of branded formulations. Accordingly, no further financial information for Business Segments is given.

Reportable Geographical Segments have been identified based on location of customers. Sales are made in various geographical areas with production based in India. The reportable Geographical Segments and Segment revenue (external net sales) for the year is as under:

		(Rs. in lacs)	
		2009-10	2008-09
(a)	India	91,793.26	78,975.00
(b)	Europe	37,081.87	35,826.36
(c)	Brazil	30,061.98	25,656.81
(d)	Rest of the world	24,355.44	18,193.84
		183,292.55	158,652.01

Segment assets are not directly identifiable / properly allocable against each of the above reportable segments. Fixed assets, forming a substantial portion of the total assets of the Group, are interchangeably used between all the segments and cannot be identified against a specific segment. Significant portion of current assets are interchangeable between all the segments and not identifiable against any individual segment. Hence no meaningful disclosure of segment assets and results is possible.

13. Previous year figures have been regrouped wherever necessary so as to make them comparable with those of the current year

14. The disclosures pertaining to related parties and transactions therewith are set out in the table below :

Particulars	(Rs. in lacs)									
	Enterprises controlled by the Company		Holding Company/Enterprises Controlled by the Holding Company		Key Management Personnel		Enterprises Controlled by Key Management Personnel/Relatives of Key Management Personnel		TOTAL	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>(A) Nature of Transactions</b>										
Sale of Finished Goods	-	-	33.72	35.54	-	-	-	-	33.72	35.54
Purchase of Material, Consumables etc	-	-	-	29.37	-	-	1.31	1.00	1.31	30.38
Remuneration to Key Management Personnel	-	-	-	-	756.35	592.53	-	-	756.35	592.53
Contribution to Gratuity / Superannuation Funds	892.38	771.24	-	-	-	-	-	-	892.38	771.24
Lease Rent Paid	-	-	2.00	2.00	-	-	-	-	2.00	2.00

Particulars	Enterprises controlled by the Company		Holding Company/Enterprises Controlled by the Holding Company		Key Management Personnel		Enterprises Controlled by Key Management Personnel/Relatives of Key Management Personnel		TOTAL	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>(A) Nature of Transactions</b>										
Services received	-	-	526.86	508.90	-	-	758.56	754.34	<b>1,285.42</b>	1,263.24
Commission & Interest paid to carrying & forwarding agents	-	-	-	-	-	-	92.31	83.61	<b>92.31</b>	83.61
Donation	-	-	-	-	-	-	400.00	200.00	<b>400.00</b>	200.00
Interest Income	-	-	0.68	-	-	-	-	-	<b>0.68</b>	-
Expenses Reimbursement	-	-	(3.20)	8.42	-	-	12.93	11.67	<b>9.73</b>	20.09
Purchase of Fixed Assets	-	-	85.91	16.56	-	-	-	-	<b>85.91</b>	16.56
Deposit Given	-	-	45.61	-	-	-	-	-	<b>45.61</b>	-
Recovery of Advances written off	-	-	-	4.03	-	-	-	-	<b>-</b>	4.03
<b>(B) Balances at the end of the year</b>	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09	<b>31-Mar-10</b>	31-Mar-09
Advances Recoverable in Cash or Kind	19.60	18.59	1.25	10.12	-	-	15.58	-	<b>36.43</b>	28.71
Sundry Creditors	-	-	0.39	0.39	300.00	200.00	37.16	16.86	<b>337.55</b>	217.25

**Names of related parties and description of relationship :**

1	Enterprises controlled by the Company	TPL Employee Group Gratuity Trust ,TPL Employee Superannuation Trust		
2	Holding Company / Enterprises Controlled by the Holding Company	Torrent Private Ltd.,Torrent Financiers, Torrent Power Ltd., Torrent Cables Ltd., Gujarat Lease Financing Ltd., Torrent Power Services Pvt. Ltd.Torrent Pipavav Generation Limited,Torrent Energy Ltd,Torrent Power Grid Ltd ,Torrent Power Bhiwandi Ltd,AEC Cements and Constructions Ltd.		
3	Key Management Personnel	Sudhir Mehta Chairman	Samir Mehta Managing Director	Dr. C. Dutt Whole Time Director
4	Relatives of Key Management Personnel	Anita Mehta, wife Shardaben Mehta, mother Varun Mehta, son Jinal Mehta, son Meena Modi, sister Nayna Shah, sister	Sapna Mehta, wife Shardaben Mehta, mother Aman Mehta, son Shaan Mehta, son Meena Modi, sister Nayna Shah, sister	Shobha Dutt, wife Umang Dutt, son Uttang Dutt, son
5	Enterprises Controlled by Key Management Personnel / Relatives of Key Management Personnel	U N Mehta Charitable Trust, D N Modi Charitable Trust, Shardaben Mehta Charitable Trust, Tsunami Tours & Travels Pvt. Ltd., Torrel Cosmetics Pvt. Ltd., Zeal Pharmachem India Pvt. Ltd., Diamond Infrastructure Pvt. Ltd., U. N. Mehta Institute of Cardiology & Research Centre,Dushyant Shah Charitable Trust.		

In terms of our report attached

Signatures to the Schedule 1 to 21

**For C.C. CHOKSHI & CO.**  
Chartered Accountants

**Sudhir Mehta**  
Chairman

**Gaurav J. Shah**  
Partner

**Mahesh Agrawal**  
VP (Legal) & Company Secretary

**Samir Mehta**  
Managing Director

Ahmedabad  
6<sup>th</sup> May, 2010

Ahmedabad  
6<sup>th</sup> May, 2010

**Note :**

The Department of Company Affairs has, for the financial year 2009-10, exempted the Company from the applicability of the provisions contained in sub-section (1) of Section 212 of the Companies Act, 1956, relating to the statements to be attached in respect of subsidiary companies, with the financial statements of the Company. The Department of Company Affairs has informed whilst granting exemption to put the details of the accounts of individual subsidiary companies on the company's web site and provide summarised details of each subsidiary. Accordingly, the Company has put the details of accounts of individual subsidiary companies on its website www.torrentpharma.com and the summarised details required are provided herewith.

Shareholders interested in obtaining the statement of Company's interest in the subsidiaries or stand-alone financial statements of the subsidiaries may obtain it by writing to the Company Secretary. The annual accounts of subsidiary companies are available for inspection by any investor at the registered office of the Company.