SYNGENE INTERNATIONAL LIMITED

STATUTORY AUDIT FOR THE Y/E MARCH 31, 2009
AND AUDITORS' REPORT

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

12th & 13th Floor
"UB City", Canberra Block
No. 24, Vittal Mallya Road
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Auditors' Report

To
The Members of Syngene International Limited

1. We have audited the attached Balance Sheet of Syngene International Limited ('the Company') as at March 31, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, profit and loss account and 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.

   v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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S.R. BATLIBOI & ASSOCIATES

Annexure referred to in paragraph 3 of our report of even date

Re: Syngene International Limited

(i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification. There was no substantial disposal of fixed assets during the year.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) As informed, the Company has neither granted nor taken loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act').

(iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of fixed assets are of special nature for which alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and inventory and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

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

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

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in thousands)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	82,010*	PY 2005-2006	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	52,581*	PY 2004-2005	Commissioner of Income Tax (Appeals)

*Net of Rs. 134,591 paid.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

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(xiv) As informed to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis for long-term investment. The Company has obtained short term loans amounting to Rs 1,397,895 thousands as of March 31, 2009. These loans, repayable within six months, have been used for the purchase of fixed assets.*

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

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

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

S.R. Batliboi & Associates

For S.R. Batliboi & Associates
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership No.: 208382

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

Bangalore
April 27, 2009

SYNGENE INTERNATIONAL LIMITED
BALANCE SHEET AS AT MARCH 31, 2009

(All amounts in Indian Rupees thousands)

	Schedule	March 31, 2009	March 31, 2008
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share capital	3	28,750	28,750
Reserves and surplus	4	1,624,632	1,849,595
		1,653,382	1,878,345
SECURED LOANS	5	2,421,370	387,800
DEFERRED TAX LIABILITY	6	55,843	41,877
		4,130,595	2,308,022
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	7	3,242,050	1,801,517
Less: Accumulated depreciation		607,767	377,075
Net book value		2,634,283	1,424,442
Capital work-in-progress [including capital advances of Rs 79,829 (March 31, 2008 - Rs.80,318)]		1,332,989	734,631
		3,967,272	2,159,073
INVESTMENTS	8	396,667	151,290
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	9	59,999	70,313
Sundry debtors	10	449,761	225,704
Other current assets	11	35,394	28,945
Cash and bank balances	12	462	6,451
Loans and advances	13	309,769	174,325
		855,385	505,738
LESS: CURRENT LIABILITIES AND PROVISIONS	14		
Current liabilities		1,059,955	487,135
Provisions		28,774	20,944
		1,088,729	508,079
NET CURRENT ASSETS		(233,344)	(2,341)
		4,130,595	2,308,022

The accompanying notes 1 to 26 form an integral part of this balance sheet.

As per our report of even date

S.R. Batliboi & Associates

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership No: 208382

S.R. BATLIBOI & ASSOCIATES ★ BANGALORE ★ CHARTERED ACCOUNTANTS

Bangalore
April 27, 2009

For and on behalf of the Board of Directors of
Syngene International Limited

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

M.B Chinnappa
President - Finance

Prateek Hiremath
Company Secretary

SYNGENE INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

(All amounts in Indian Rupees thousands, except share data including per share data)

	Notes	March 31, 2009	March 31, 2008
INCOME			
Contract research fees		1,581,509	1,154,765
Sale of compounds		449,868	425,849
Gain on sale of investments, net		313	222
Dividend income		20,827	23,419
Other Income		12,298	28
		2,064,815	1,604,283
EXPENDITURE			
Contract research and other operating expenses	15	1,458,080	1,086,988
Interest and finance charges	16	32,034	4,620
		1,490,114	1,091,608
PROFIT BEFORE DEPRECIATION, EXCEPTIONAL ITEM AND TAX		574,701	512,675
Depreciation	7	230,692	158,023
PROFIT BEFORE TAX AND EXCEPTIONAL ITEM		344,009	354,652
Provision for taxation			
Current tax		-	23,261
Less - MAT credit entitlement		-	(19,154)
Deferred tax	6	13,966	17,176
Fringe benefits		3,245	1,597
PROFIT AFTER TAXES AND BEFORE EXCEPTIONAL ITEM		326,798	331,772
Exceptional item, net of tax of Rs Nil (Refer Note 19)		(551,761)	-
PROFIT/ (LOSS) AFTER TAXES		(224,963)	331,772
Balance brought forward from previous year		1,803,802	1,472,030
BALANCE, END OF THE YEAR		1,578,839	1,803,802
Earnings / (loss) per share (Equity shares, par value Rs 10 each) Basic and diluted (in Rs.)		(78.25)	115.40
Weighted average number of shares used in computing earnings / (loss) per share, basic and diluted		2,875,000	2,875,000

The accompanying notes 1 to 26 form an integral part of the profit and loss account.

As per our report of even date

S.R. Batliboi & Associates

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership No: 208382

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

Bangalore
April 27, 2009

For and on behalf of the Board of Directors of
Syngene International Limited

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

M.B. Chinappa
President - Finance

Prateek Hiremath
Company Secretary

SYNGENE INTERNATIONAL LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009

(All amounts in Indian Rupees thousands)

		March 31, 2009	March 31, 2008
I	**CASH FLOWS FROM OPERATING ACTIVITIES :**		
	Net profit before tax after exceptional item	(207,752)	354,652
	Adjustments for		
	Add: Non cash item/items required to be disclosed separately:		
	Depreciation	230,692	158,023
	Unrealised exchange (gain)/loss	4,363	12,796
	Unrealised mark to market loss on foreign exchange forward contracts	167,267	-
	Employee Stock Compensation Expense	-	276
	Interest expense	30,127	2,218
	Dividend earned	(20,827)	(23,419)
	Gain on sale of investment	(313)	(250)
	Loss on sale of assets	-	3,916
	Changes in working capital and other provisions		
	Inventories	10,314	25,515
	Sundry debtors	(207,758)	7,921
	Loans and advances	(41,049)	(38,625)
	Current liabilities and provisions (including book overdraft)	247,766	61,529
	Cash generated from operations	212,830	564,552
	Tax paid (net of refunds)	(97,740)	(96,325)
	Net cash provided by operating activities	115,090	468,227
II	**CASH FLOWS FROM INVESTING ACTIVITIES :**		
	Purchase of fixed assets	(1,886,998)	(1,214,991)
	Dividend received	20,827	23,419
	Sale of investments	2,341,312	2,277,356
	Purchase of investments	(2,586,376)	(1,933,178)
	Net cash used for investing activities	(2,111,235)	(847,394)
III	**CASH FLOWS FROM FINANCING ACTIVITIES :**		
	Long term borrowings from banks	355,272	27,880
	Short term borrowings from banks	1,657,920	359,920
	Interest paid	(23,036)	(2,218)
	Net cash generated from financing activities	1,990,156	385,582
IV	**NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)**	(5,989)	6,415
V	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	6,451	36
VI	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)**	462	6,451
	COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR		
	Cash on Hand	68	43
	Balance with Banks - in current account	394	6,408
		462	6,451

As per our report of even date

S. R. Batliboi & Associates

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership No: 208382

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

Bangalore
April 27, 2009

For and on behalf of the Board of Directors of
Syngene International Limited

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

M.B Chinappa
President - Finance

Prateek Hiremath
Company Secretary

SYNGENE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

(All amounts in Indian Rupees thousands, except share data and per share data)

1. Background

Syngene International Limited ('Syngene' or 'the Company') was promoted by Biocon and Ms Kiran Mazumdar Shaw, a promoter of Biocon Limited ('Biocon'), and was incorporated at Bangalore in 1993. On March 30, 2002, the Company became the subsidiary of Biocon.

The Company is engaged in providing contract research services to overseas customers in the field of synthetic chemistry, molecular biology and custom synthesis.

2. Statement of significant accounting policies

a. (i) Basis of preparation

The financial statements have been prepared to comply in all material respects with the accounting standards, notified by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use.

(ii) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(iii) Changes in Accounting Policies

Exchange Differences on Long Term Foreign Currency Monetary Items

Upto March 31, 2008, the Company was charging off exchange differences arising on foreign currency monetary assets and liabilities to the profit and loss account. During the year ended March 31, 2009, pursuant to Companies (Accounting Standards) Amendments Rules, 2009, notified on March 31, 2009, the Company has exercised the option of deferring the charge to the Profit and Loss Account arising on exchange differences, in respect of accounting periods commencing on or after 7th December, 2006, on long-term foreign currency monetary items (i.e. monetary assets or liabilities expressed in foreign currency and having a term of 12 months or more at the date of origination). As a result, such exchange differences so far as they relate to the acquisition of a depreciable capital asset have been adjusted with the cost of such asset and would be depreciated over the balance life of the asset, and in other cases, have been accumulated in Foreign Currency Monetary Item Translation Difference Account and would be amortized over the balance period of such long term asset/liability but not beyond, accounting period ending on or before 31st March 2011.

During the year ended March 31, 2009, the Company has adjusted foreign exchange losses incurred on long term foreign currency monetary items so far as they relate to acquisition of a depreciable capital asset, to the cost of such asset. Had the Company continued to use the earlier basis of accounting for exchange differences arising on long-term foreign currency monetary items, the charge to the Profit and Loss Account after tax for the current year would have been higher by Rs. 35,270 and net block of fixed assets and capital work in progress would have been lower by the same amount.

b. Fixed assets and depreciation

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Fixed assets are stated at cost less impairment loss, if any, and accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets. Fixed assets are depreciated pro rata to the period of use, on the straight line method at the annual rates based on the estimated useful life of the assets, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher, as follows.

	Per cent
Buildings	4.00
Plant and machinery	11.11 - 33.33
Furniture and fixtures	16.67
Vehicles	16.67

Assets individually costing less than Rs 5 are fully depreciated in the year of purchase.

c. Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

d. Inventories

Inventories comprise chemicals and reagents, and are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

e. Revenue recognition

(i) *Contract research fee*

Contract research fees are recognised as services are rendered, in accordance with the terms of the contracts in case of services performed on "time and material basis". Revenues relating to fixed price contracts are recognised based on the percentage of completion method.

(ii) Sale of compounds

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, and comprise of amounts invoiced for goods sold.

f. Investments

Investments that are readily realisable and intended to be held for not more than twelve months are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value and determined on an individual investment basis.

g. Retirement benefits

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(i) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the government funds are due.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The gratuity benefit of the Company is administered by a trust formed for this purpose through the group gratuity scheme. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(iii) Leave encashment liability is in accordance with the rules of the Company. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method made at the end of each financial year.

h. Foreign currency transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on the settlement of monetary items or on the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year. However, exchange difference in respect of accounting period commencing on or after December 7, 2006 arising on the forward exchange contract undertaken to hedge the long term foreign currency monetary item, in so far as they relate to the acquisition of depreciable capital asset, are added to or deducted from the cost of asset and in other cases, are accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term asset / liability but not beyond March 31, 2011.

i. Income tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

j. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

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BANGALORE
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k. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

l. Operating lease

Where the Company is a Lessee:
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

m. Segment reporting

Identification of segments:

The Company's operating businesses are organised and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products and services to different markets. The analysis of geographical segments is based on the areas in which the major operating divisions of the Company operate.

Inter-segment Transfers:

The Company generally accounts for inter-segment sales and transfers made to third parties at current market prices.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated Items:

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

Segment policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

n. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

o. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

p. Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

q. Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the profit and loss account. Net gains are ignored.

S.R. BATLIBOI & ASSOCIATES
BANGALORE
CHARTERED ACCOUNTANTS

3. Share capital	March 31, 2009	March 31, 2008
Authorised:		
3,500,000 (March 31, 2008 - 3,500,000) equity shares of Rs 10 each	35,000	35,000
Issued, subscribed and paid up :		
2,875,000 (March 31, 2008 - 2,875,000) equity shares of Rs 10 each fully paid	28,750	28,750

Of the above, 2,874,830 (March 31, 2008 - 2,874,830) equity shares are held by Biocon Ltd, the holding company.

4. Reserves and surplus		
General reserve	45,600	45,600
Securities premium	193	193
Balance in profit and loss account	1,578,839	1,803,802
	1,624,632	1,849,595

5. Secured loans	March 31, 2009	March 31, 2008
From banks		
Long Term		
Buyer's credit	383,187	27,880
[Amount payable within one year - Rs. 7,071 (March 31, 2008 - Rs Nil)]		
Short Term		
Cash credit, pre-shipment credit and buyer's credit	2,038,183	359,920
	2,421,370	387,800

(i) The Company has obtained foreign currency denominated pre-shipment credit loan facility from State Bank Of India (SBI) for Rs.800 Million (March 31, 2008 - Rs.800 Million), which is secured by a pari passu charge on the present and future movable movable assets and fixed assets. The Company has utilised Rs.702,481 (US$ 13.75 Million) as of March 31, 2009, [March 31, 2008 - Rs 119,910 (US$ 3 Million)]

(ii) The Company has obtained foreign currency denominated buyers' credit loans (short term and long term) of Rs.755,707 (US$ 14.85 million) as of March 31, 2009, [March 31, 2008 - Rs Nil] and pre-shipment credit loans of Rs.686,745 (US$ 13.5 million) as of March 31, 2009 [March 31, 2008 - Rs 119,910 (US$ 3 Million)] with Hongkong and Shanghai Banking Corporation (HSBC), which are secured by a pari passu charge on the present and future movable assets and fixed assets. .

(iii) The Company has obtained foreign currency denominated buyers' credit loans (short term and long term) of Rs.51,437 (US$ 1.01 million) as of March 31, 2009 [March 31, 2008 - Rs.28,512 (US$ 0.70 million)] and pre-shipment credit loans of Rs.225,000 [March 31, 2008 -Rs 119,820 (US$ 3 Million)] as of March 31, 2009 from ABN Amro Bank, secured by a pari passu charge on the present and future movable assets and fixed assets. Of the above, only the buyers' credit loan is denominated in foreign currency.

6. Deferred tax liability

	Deferred tax (asset) / liability as at April 1, 2008	Current year charge / (credit)	Deferred tax (asset) / liability as at March 31, 2009
Depreciation	48,103	17,521	65,624
Employee retirement benefits	(6,226)	(3,555)	(9,781)
	41,877	13,966	55,843
Year ended March 31, 2008	*24,701*	*17,176*	*41,877*

The Company has export oriented units which claim deduction of income under the provisions of the Income tax Act, 1961. Deferred tax asset/liability is recognised in repect of timing differences which originate in the reporting period but is expected to reverse after the tax holiday period.

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S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

7. Fixed Assets

	Balance at the beginning of the year	Additions during the year	Deletions during the year	Balance at the end of the year
Cost				
Buildings	364,999	296,571	-	661,570
Plant and machinery	1,400,537	1,131,215	-	2,531,752
Furniture and fixtures	34,538	12,747	-	47,285
Vehicles	1,443	-	-	1,443
	1,801,517	1,440,533	-	3,242,050
Year ended March 31, 2008	*969,911*	*840,735*	*9,129*	*1,801,517*
Accumulated depreciation				
Buildings	28,568	17,651	-	46,219
Plant and machinery	329,824	204,480	-	534,304
Furniture and fixtures	18,245	8,319	-	26,564
Vehicles	438	242	-	680
	377,075	230,692	-	607,767
Year ended March 31, 2008	*224,265*	*158,023*	*5,213*	*377,075*
Net book value				
Buildings	336,431			615,351
Plant and machinery	1,070,713			1,997,448
Furniture and fixtures	16,293			20,721
Vehicles	1,005			763
	1,424,442			2,634,283
Year ended March 31, 2008	*745,646*			*1,424,442*

Note:-

a. Effective April 1, 2008, foreign exchange loss of Rs 35,270 on long term foreign currency monetary liabilities relating to acquisition of a depreciable capital asset has been adjusted with the cost of such asset and is being depreciated over the balance life of the asset. Also refer note 2 (a) (ii).

b. Additions to Fixed Assets and Capital Work In Progress during the year ended March 31, 2009, include Rs 43,177 (March 31, 2008 - Rs.Nil) being interest and Rs. 73,201 (March 31, 2008 - Rs. 1,963) being foreign exchange loss, incurred on foreign currency denominated loans capitalized under AS 16 - Borrowing costs.

c. Additions to fixed assets and capital work in progress during the year ended March 31, 2009 include direct expenses of power and utility expenses amounting to Rs 28,016 [March 31, 2008- Rs. Nil] and Rs 2,537 [March 31, 2008- Rs. Nil], respectively, attributable to the construction of the assets.

d. The Company has entered into an agreement with a customer, which grants the latter an option to purchase fixed assets with gross block of Rs 1,314,320 as at March 31, 2009 relating to a particular project, upon satisfaction of certain terms and conditions.

S.R. BATLIBOI & ASSOCIATES
BANGALORE
CHARTERED ACCOUNTANTS

	March 31, 2009	March 31, 2008
8. Investments		
Short term		
Current and unquoted (at lower of cost and fair market value) (Non trade)		
5,487,927 units (March 31, 2008 - Nil) of Rs 10 each in Tata Floater Fund [Market Value Rs 55,075 (March 31, 2008 - Rs Nil)]	55,075	-
16,140,657 units (March 31, 2008 - Nil) of Rs 10 each in ICICI Flexible Income Plan [Market Value Rs 170,633 (March 31, 2008 - Rs Nil)]	170,663	-
17,039,269 units (March 31, 2008 - Nil) of Rs 10 each in HDFC Cash Management Fund [Market Value Rs 170,929 (March 31, 2008 - Rs Nil)]	170,929	-
Nil units (March 31, 2008 - 5,097,457) of Rs 10 each in ABN AMRO Liquid Fund [Market Value Rs Nil (March 31, 2008 - Rs 50,976)]	-	50,976
Nil units (March 31, 2008 - 9,550,985) of Rs 10 each in Tata Mutual Fund - FMP [Market Value Rs Nil, (March 31, 2008 - Rs 100,314)]	-	100,314
	396,667	151,290
Aggregate amount of unquoted Investments	396,667	151,290

The following investments were purchased and sold during the year	March 31, 2009	March 31, 2008
16,978,607 units (March 31, 2008 - 68,228,542) of Rs 10 each in HSBC - Mutual Fund	170,000	683,005
4,976,362 units(March 31, 2008 - 5,434,169) of Rs 10 each in Kotak Mutual Fund-Inst Premium	50,000	54,511
21,998,301 units(March 31 2008 - 51,995,138) of Rs 10 each in ABN Amro Mutual Fund	220,000	519,954
16,010,256 units(March 31 2008 - Nil) of Rs 10 each in TATA Floater Fund	160,672	-
Nil units(March 31 2008 - 393,659) of Rs 15 each in Reliance Mutual Fund	-	6,000
Nil units (March 31, 2008 - 2,999,736) of Rs 10 each in Grindlays Liquid Plan	-	30,005
Nil units (March 31, 2008 - 29,994) of Rs 1000 each in Grindlays Liquid Plan	-	30,000
Nil units (March 31, 2008 - 5,000,000) of Rs 10 each in ING Mutual Fund - FMP	-	50,000
Nil units (March 31, 2008 - 4,998,351) of Rs 10 each in ING Mutual Fund	-	50,000
49,349 units(March 31 2008 - Nil) of Rs 1,115 each in TATA Liquid Super High Investment Fund	55,000	-
39,187,867 units(March 31 2008 - Nil) of Rs 11 each in ICICI Prudential Flexible Income Plan	414,353	-
30,028,789 units(March 31 2008 - Nil) of Rs 10 each in ICICI Prudential FMP	300,288	-
10,999,450 units(March 31 2008 - Nil) of Rs 10 each in ICICI Prudential Liquid Plan - Super Institutional	110,000	-
5,000,000 units (March 31, 2008 - 5,360,576) of Rs 10 each in Kotak Mutual Fund-FMP	50,000	53,606
Nil units (March 31, 2008 - 5,322,283) of Rs 10 each in DWS Liquid Plan	-	53,375
Nil units (March 31, 2008 - 7,563,543) of Rs 10 each in DWS Mutual Fund - FMP	-	75,635
Nil units (March 31, 2008 - 2,341,669) of Rs 10 each in DWS Mutual Fund	-	23,477
4,992,112 units (March 31, 2008 - 13,247,296) of Rs 10 each in Lotus Mutual Fund	50,000	132,560
10,000,000 units (March 31, 2008 - Nil) of Rs 10 each in Lotus Mutual Fund FMP	100,000	-
44,598,065 units (March 31, 2008 - 2,001,118) of Rs 10 each in HDFC Mutual Fund Saving Plus	448,571	20,074
39,999 units (March 31, 2008 - Nil) of Rs 1000 each in Bharati AXA Treasury Plan	40,000	-

S.R. BATLIBOI & A... BANGALORE CHARTERED ACCOUNTANTS

9. Inventories

	March 31, 2009	March 31, 2008
Chemicals and reagents	59,999	70,313

10. Sundry debtors (unsecured and considered good)

Debts outstanding for a period exceeding six-months	3,888	180
Other debts	445,873	225,524
	449,761	225,704

11. Other Current Assets

Unbilled Revenues	35,394	28,945
	35,394	28,945

12. Cash and bank balances

Cash on hand	68	43
Balances with scheduled banks in:		
Current accounts	394	6,408
	462	6,451

13. Loans and advances (unsecured and considered good)

Advances recoverable in cash or in kind or for value to be received	35,030	4,986
Balances with Customs, Excise and Sales Tax Authorities	76,561	65,556
Deposits	2,215	2,215
Advance income-tax, net of provision	175,456	82,414
Fringe Benefit Tax , net of provision	1,353	-
MAT credit entitlement	19,154	19,154
	309,769	174,325

Included under Deposits is rent deposit of Rs 2,135 (March 31, 2008 - Rs 2,135) paid to Biocon Limited, the holding company.

14. Current liabilities and provisions

Current liabilities		
Sundry creditors		
Capital	371,175	214,065
Others	197,743	110,644
Advances from customers	35,002	116,183
Deferred Revenue	161,633	-
Balance in current account with bank represents book overdraft	82,382	26,215
Interest accrued but not due on loans	7,091	-
Other liabilities	204,929	20,028
	1,059,955	487,135
Provisions for		
Leave encashment	23,649	18,319
Gratuity	5,125	2,525
Fringe benefit tax, net of advance tax	-	100
	28,774	20,944
	1,088,729	508,079

(a) Disclosure required as per section 22 of the Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act)		
(i) Principal amount due	15,512	49,050
Interest due thereon remaining unpaid as at the end of year	338	1,234
(ii) Interest, if any paid in terms of Section 16 of the MSMED Act, during the year	-	-
(iii) Interest due and payable for the period of delay in making payment, during the year	354	1,142
(iv) Interest accured and remaining unpaid at the end of the year	-	-
(v) Interest remaining due and payable in succeeding years	-	-

The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/suppliers.

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S.R. BATLIBOI & ASSOCIATES
BANGALORE
CHARTERED ACCOUNTANTS

15. Contract research and other operating expenses	March 31, 2009	March 31, 2008
Research material costs		
Chemicals and reagents consumed	524,175	483,715
Employee costs		
Salaries, wages, bonus and incentives	453,980	314,143
Contribution to provident fund	21,322	15,262
Gratuity and leave encashment	14,320	5,664
Employee stock compensation expense	11,996	19,115
Welfare expenses	25,336	12,530
Director's sitting fees	120	120
Selling, general and administrative expenses		
Rent	3,090	2,704
Communication	9,916	7,909
Travelling and conveyance	18,322	15,715
Professional charges	19,732	8,270
Power and water charges [Net of amounts capitalized to fixed assets Rs.28,016] (March 31, 2008 Rs.Nil)	91,267	73,021
Facility charges[net of amounts capitalized to fixed assets Rs.2,537] (March 31, 2008 Rs.Nil)	19,682	26,782
Insurance	2,731	2,704
Rates, taxes and fees	1,914	1,160
Repairs and maintenance		
Plant and machinery	26,477	20,101
Buildings	4,936	2,717
Others	23,279	12,876
Selling expenses		
Freight outwards and clearing charges	8,171	5,471
Sales promotion	15,378	3,808
Membership and Subscription	25,417	9,828
Printing and stationery	6,336	4,092
Bad debts written off	-	276
Loss on sale of assets (net)	-	3,916
Loss/(gain) on forward contract, net	-	14,830
Exchange fluctuation (net)	112,504	11,023
Miscellaneous expenses	17,679	9,236
	1,458,080	1,086,988

16. Interest and finance charges		
Interest expense, net of amounts capitalised to fixed assets Rs 43,177 (March 31, 2008 - Rs.1,025)	30,127	2,218
Bank charges	1,907	2,402
	32,034	4,620

S.R. BATLIBOI & ASSOCIATES ★ BANGALORE ★ CHARTERED ACCOUNTANTS

17. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2008 to March 31, 2009	Balance as at March 31, 2009 Payable / (Receivable)	April 1, 2007 to March 31, 2008	Balance as at March 31, 2008 Payable / (Receivable)
(a)	Biocon Limited	Holding Company					
			Rent expense	3,090	-	2,704	-
			Management charges [Note (iii)]	2,400	2,400	2,400	-
			Rent deposit	-	(2,135)	1,085	(2,135)
			Purchase of goods	14,935	9,828	104	-
			ESOP compensation expense [Note (ii)]	11,996	-	19,115	-
			Power and facility charges [Note (iii)]	156,131	54,525	104,104	-
(b)	Clinigene International Limited	Fellow Subsidiary Company	Services Received	2,512	-	3,502	-

(i) Biocon has given corporate guarantees of Rs 217,500 (March 31, 2008 - Rs 217,500) to the Customs and Excise department ('CED') on behalf of the Company and the Company has furnished a corporate guarantee of Rs 465,000 (March 31, 2008 - Rs 465,000) on behalf of Biocon to the CED.

(ii) Biocon has given stock options in Biocon to certain employees of the Company in respect of which no charges have been made by Biocon under the erstwhile ESOP Plan for the grant made before April 1, 2005. The corresponding compensation cost amortised during the year is Rs Nil (March 31, 2008 - Rs 936), which is recorded in the books of Biocon. On July 18, 2006, Biocon has further granted stock options to the employees of the Company and the corresponding compensation cost has been recorded in the books of the Company.

(iii) Effective January 1, 2004, Biocon has entered into an agreement with the Company to provide general management support, for which an agreed upon management charge has been levied. Effective from October 1, 2006, the Company has entered into service agreement with 'Biocon SEZ Developer' of Biocon Limited for providing of certain facilities and services to its SEZ unit. The facility charges of Rs (March 31, 2008- Rs. 31,284)and power charges of Rs (March 31, 2008 - Rs.72,820) have been charged by Biocon Limited for the year ended March 31, 2008

(iv) Fellow subsidiary companies with whom the Company did not have any transactions during the year - Biocon Biopharmaceuticals Private Limited, Biocon SA, AxiCorp GmbH and Biocon Research Limited.

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S.R. BATLIBOI & ASSOCIATES ★ CHARTERED ACCOUNTANTS ★ BANGALORE

18. Employee Benefit Plans

The Company has defined benefit gratuity plan as per Payment of Gratuity Act 1972.
A summary of the gratuity plan is as follows:

Fund balance

	31-Mar-09	31-Mar-08
Defined benefit obligation	24,905	17,887
Fair value of plan assets	19,780	15,362
Less: Unreognised past service costs	-	-
Plan Liability	5,125	2,525

The change in present value of the defined benefit obligation and funded status of the gratuity plan for the year ended March 31, 2009 and 2008 is as follows:

	31-Mar-09	31-Mar-08
Change in benefit obligation		
Benefit obligation at the beginning of the year	17,887	14,345
Current Service cost	4,173	4,153
Past Service cost	-	-
Interest cost	1,770	1,113
Benefits paid	(952)	(574)
Actuarial (gain) / loss on obligation	2,027	(1,150)
Defined benefit obligation at the end of the year	24,905	17,887
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	15,362	12,456
Expected Return on plan assets	1,393	1,591
Actuarial gain / (loss)	1,452	-
Actual contribution	2,525	1,889
Benefits paid	(952)	(574)
Fair value of plan assets at end of year	19,780	15,362

The company expects to contribute Rs. 5,500 to Gratuity fund in 2009-10.
Net gratuity cost for the year ended March 31, 2009 and year ended March 31, 2008 are as follows:

	31-Mar-09	31-Mar-08
Components of net benefit cost		
Current Service cost	4,173	4,153
Past Service cost	-	-
Interest cost	1,770	1,113
Expected return on plan assets	(1,393)	(1,591)
Net actuarial (gain) / loss recognised during the year	575	(1,150)
Net gratuity cost	5,125	2,525

The principal assumptions used in determining the gratuity plan is shown below:

	31-Mar-09	31-Mar-08
Discount rate	7.00%	8.20%
Expected return on plan assets	8.00%	8.20%
Salary increase	8.00%	9.00%
Attrition rate upto age 44	20.00%	17.00%
Attrition rate above age 44	15.00%	16.00%

The Company evaluates these assumptions based on its long term plans of growth and industry standards. The nature of assets allocation of the Fund is only in debt based mutual funds of high credit rating.

S.R. BATLIBOI & ASSOCIATES * CHARTERED ACCOUNTANTS * BANGALORE

19. Exceptional items

Exceptional items for the year ended March 31, 2009 comprise of the following:

	Gross	Tax effect	Net
Mark to market losses in respect of foreign exchange forward contracts	551,761	-	551,761

During the year ended March 31, 2009, the Company had entered into foreign exchange forward contracts to hedge highly probable forecasted transactions. The Company recorded mark to market losses in respect of forcing exchange contracts including relaised gains / losses on termination / cancellation of said contracts.

20. Supplementary profit and loss data

a. Payment to auditors (included in professional charges)	March 31, 2009	March 31, 2008
Statutory audit	400	425
Tax audit	75	75
Out of Pocket Expenses	47	36
	522	536

b. Consumption of laboratory chemicals

	March 31, 2009		March 31, 2008	
	Quantity	Amount	Quantity	Amount
Chemicals and reagents	*	524,175	*	483,715
	Per cent	Amount	*Per cent*	Amount
Imported	34	178,933	27	129,092
Indigenous	66	345,242	73	354,623
		524,175		483,715

* Due to numerous items classified thereunder, it is not practical to quantify consumption of individual items.

Consumption values have been derived on the basis of opening stock plus purchases less closing stock and therefore include adjustments ascertained during physical count, write off of obsolete items, etc.

	March 31, 2009	March 31, 2008
c. Value of imports on CIF basis		
Chemicals and reagents	156,616	133,870
Capital goods	956,791	502,293
	1,113,407	636,163
d. Expenditure in foreign currency (on accrual basis)		
Travel	3,436	4,026
Interest Expense, including amounts capitalised	68,094	2,211
Others	70,795	18,540
	142,325	24,777
e. Earnings in foreign exchange		
Exports on FOB basis	449,868	425,849
Contract research fees	1,581,509	1,154,765
Other income	4,986	-
	2,036,363	1,580,614

S.R. BATLIBOI & ASSOCIATES
BANGALORE
CHARTERED ACCOUNTANTS

21. Commitments

(a) Capital commitments	March 31, 2009	March 31, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	34,692	844,285

(b) Operating lease commitments

(i) Rent

The Company has entered into lease agreements which expires over a period ranging upto 2013. Gross rental expenses for the year aggregate to Rs. 3,090 (March 31, 2008 - Rs 2,704). The committed lease rental in the future are:

Not later than one year	3,345	3,123
Later than one year and not later than five years	10,528	13,375
Later than five years	-	-

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expire over a period ranging upto December 2012. Gross rental expenses for the year aggregate to Rs 5,054 (March 31, 2008 - Rs 2,983). The committed lease rental in the future are:

Not later than one year	5,906	3,701
Later than one year and not later than five years	10,059	5,778
Later than five years	-	-

22. Derivative Instruments

The Company has entered into foreign exchange forward contracts and option contracts to hedge highly probable forecasted transactions in foreign currency. As at March 31, 2009, the Company has forward exchange contract to sell amounting to US$ 90,000 (March 31, 2008 - US$ 40,000) and buy amounting to US$ 24,000 (March 31, 2008 - US$ Nil) in respect of the forecasted transactions. In addition at March 31, 2009, the Company has European style option contracts of US$ 64,000 (March 31, 2008 - US$ Nil) with periodical maturity dates upto June 2012.

The impact of marked to market of these forward exchange contracts is a loss of Rs 551,761 (March 31, 2008 - Rs 12,721) as at March 31, 2009 which has been recognised in the Profit and Loss account in accordance with the Company's accounting policy. Also refer Note 19 above.

Unhedged foreign currency exposure as at the Balance Sheet date is as given below

	March 31, 2009	March 31, 2008
Sundry Debtors	41,444	7,116
Sundry Creditors	192,217	111,117
Secured Loans	972,471	387,800

S.R. BATLIBOI & ASSOCIATES
BANGALORE
CHARTERED ACCOUNTANTS

23. Contingent liabilities

(a) The Company has given two corporate guarantees in favour of the CED in respect of certain performance obligations of Biocon aggregating to Rs 465,000 (March 31, 2007 - Rs 465,000). The Company has informed that the necessary terms and conditions have been complied with and no liability has arisen till date.

(a) Taxation matters under appeal	269,182	105,391

24. Segmental Information

The Company is primarily engaged in a single business segment of providing contract research services and in some instance as per the terms of the agreement, separately invoices for the resultant sale of compounds arising out of the contract research services, and is managed as one entity, governed by similar sets of risks and returns. The operations of the Company to provide contract research services is primarily catered for the export market, which the management views as a single segment.

25. Employee Stock Incentive Plan

Selected employees are granted stock options of Biocon Limited, the holding company based upon performance, criticality to business and long-term potential to the Company. The options vest ratably over a period of 4 years.

The Institute of Chartered Accountants of India has issued a Guidance Note on Accounting for Employee Share-based Payments, which is applicable to employee share based payment plans, the grant date in respect of which falls on or after April 1, 2005. The management is of the opinion that the schemes detailed above are managed and administered by Biocon for its own benefit and do not have any settlement obligations on the Company. Further the aforesaid schemes pertain to shares of Biocon. The compensation benefits in respect of such schemes is paid by the Company based on the cross charge from Biocon. Accordingly, the Company is of the opinion that there is no further accounting treatment/ disclosure required under the said Guidance Note.

26. Prior year comparatives

The previous years' figures have been re-grouped / reclassified, wherever necessary to conform to the current years' classification.

As per our report of even date

S. R. Batliboi & Associates

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership No: 208382

S.R. BATLIBOI & ASSOCIATES BANGALORE CHARTERED ACCOUNTANTS

Bangalore
April 27, 2009

For and on behalf of the Board of Directors of
Syngene International Limited

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

M.B Chinappa
President - Finance

Prateek Hiremath
Company Secretary

Balance sheet abstract and Company's general business profile

(All amounts in thousands of Rupees)

(a) Registration Details

Registration No.	14937
State Code	08
Balance Sheet Date	March 31, 2009

(b) Capital raised during the year

Public Issue	-
Right Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

(c) Position of Mobilisation and Deployment of Funds

Total Liabilities and shareholders funds	4,130,595
Total Assets	4,130,595

Sources of Funds

Paid up Capital	28,750
Reserves	1,624,632
Secured Loans	2,421,370
Unsecured Loans	-
Deferred tax liability	55,843

Application of Funds

Net Fixed Assets	2,634,283
Capital work in progress	1,332,989
Investments	396,667
Net Current Assets	(233,344)

(d) Performance of the Company

Turnover	2,064,815
Total expenditure	1,720,806
Profit before tax	344,009
Profit after tax	(224,963)
Earnings per share in Rupees	(78.25)
Dividend rate %	-

(e) Generic Name of principal products of the Company

Item Code No (ITC Code)	381500
Product Description	Catalytic Preparation
Item Code No.(ITC Code)	294200
Product Description	Other Organic Compounds

For and on behalf of the Board of Directors of Syngene International Limited

Bangalore
April 27, 2009

Kiran Mazumdar Shaw
Managing Director

John Shaw
Director

M B Chinappa
President - Finance

Prateek Hiremath
Company Secretary