56th ANNUAL REPORT 2011

Aventis Pharma Limited

SANOFI

CREATING A SYMPHONY OF SUCCESS

LEADERSHIP WITH COMMITMENT, PASSIONATE FOCUS AND INNOVATION

'He started out on chopsticks, then he learned to play some Bach.
It wasn't long before he knew the blues and classic rock.'

*- Kenn Nesbitt**

The Grand Piano symbolizes the coming of age of a maestro. It is testimony to the journey traversed from thumping on a child's toy Piano, to an electronic keyboard, to finally the Grand Piano – that entertains, educates and ultimately creates a spiritual experience for the musician and his audience.

Spurred on by passion and dedication towards his art, the maestro renders magic with the range of music that he creates and composes.

Today, your Company, Aventis Pharma Limited, too has come of age.

Having come a long way since 1956, by bringing quality pharmaceutical medicines to patients, today, Aventis Pharma has diversified from 'illness to wellness'. In 2011, your Company acquired the domestic business of marketing and distribution of branded nutraceutical formulations of Universal Medicare Private Limited.

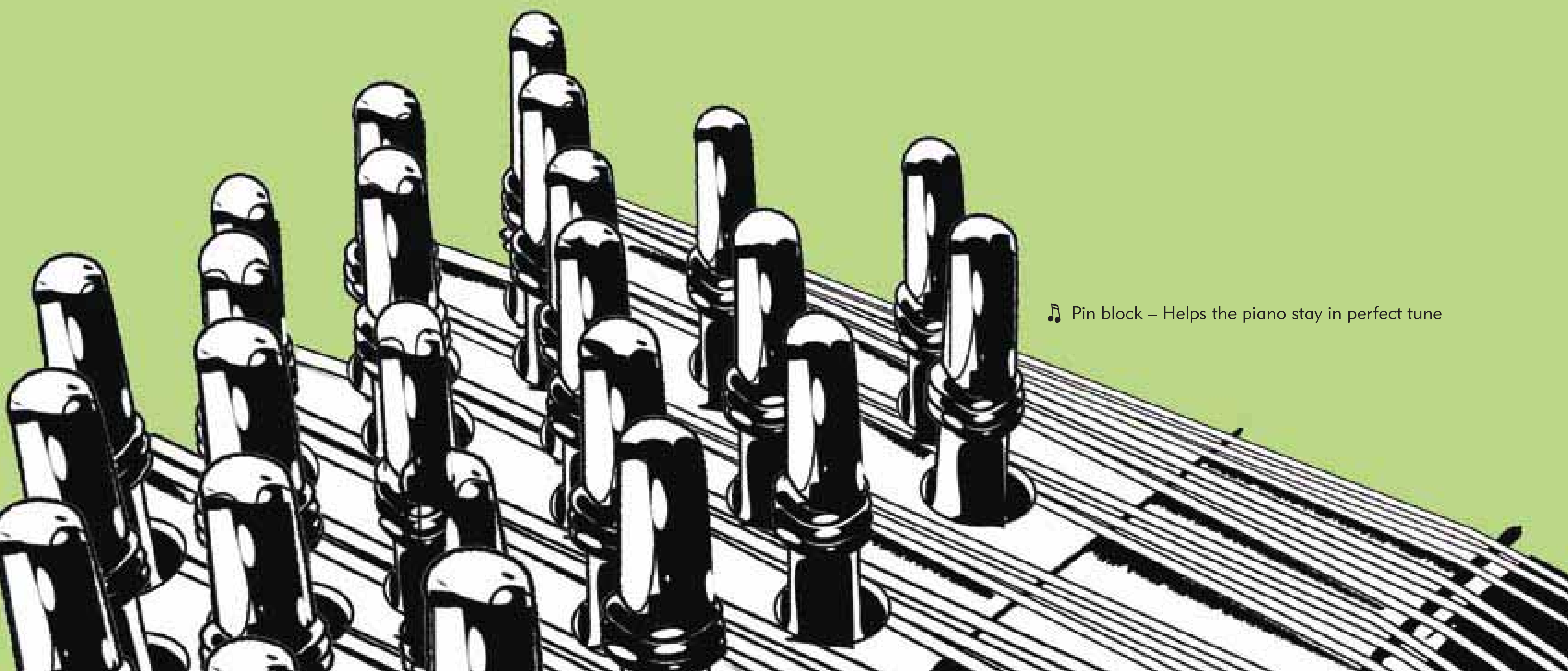
With this acquisition, Aventis Pharma has advanced its sustainable growth strategy by facilitating the creation of a consumer healthcare and wellness platform.

Like the 10,000 multifarious intricate parts of the Grand Piano, your Company continuously strives to produce a wide range of 'melodies' for maladies that affect patients at different stages.

Our symphonies are orchestrated to strike a harmonious balance between strategic planning and execution, to become 'the most admired and diversified healthcare company focussed on patients' needs'.

**Ken Nesbitt is a children's poet from the United States of America. His poems have appeared in magazines, school textbooks, and numerous anthologies of funny poetry, as well as on television and audio CDs. The verse used in this Annual Report has been taken from his poem, 'My Puppy Plays Piano'.*

IN TUNE WITH OUR PATIENTS' NEEDS



♫ Pin block – Helps the piano stay in perfect tune

A holistic approach to diabetes

India is the diabetes capital of the world with approximately 61 million diabetics. Your Company has taken up the challenge to make a difference to the lives of these very patients.

Due to the lack of comprehensive epidemiological data on diagnosed and undiagnosed cases of diabetes and hypertension, your Company conducted a special study called **SITE** (**S**creening **I**ndia's **T**win **E**pidemic), the first cross-sectional study, using a sample size of nearly 16,000 patients who visit general practitioners and consulting physicians across eight states.

The **SITE** Study aims to quantify the concurrent incidence of diabetes and hypertension and to increase awareness of what is called the 'Twin Epidemic', which has alarming implications in this area of healthcare in India.

Your Company's strategy for diabetes, therefore, revolves around building a '360 degree partnership' with diabetics. Through this singular vision, your Company follows an integrated and holistic approach aimed at understanding the patient.

Thus, just like a pin block that helps keep the Piano in tune, your Company, too, is completely in tune with patients' needs, introducing innovative and integrated healthcare solutions.

Your Company's endeavor to reach the smaller towns of India with a population between 5 to 10 lakhs has created a notable impact. This success is dedicated to the fundamental premise of awareness, care and education.

Your Company has now consolidated its position as the third largest diabetes company in the country and strides ahead to touch the lives of more patients every day.

Keeping in mind patient needs, your Company has optimized its product portfolio through:

- Life Cycle Management for key brands (Amaryl® and Cetapin®) with focus on Fixed Dose Combinations.
- The launch of Insuman cartridges which would further our endeavour to provide high quality human insulin to diabetic patients.

Your Company's Patient Service initiative 'SAATH 7' has more than 60 counselors, who continue to support more than 31,000 diabetes patients by giving them tips on lifestyle changes, exercise and the proper use of medication.

'Champions' of Diabetes, who were recognized under the 'I Am A Champ' initiative founded last year, addressed senior citizens and spread the message of diabetes control under a follow up initiative called 'Meethi Baatein', targeted at patients and care-givers.

This was done with a tie-up between Sanofi Diabetes and Harmony for Silvers Foundation, a Non Government Organization (NGO) for senior citizens. As part of 'Meethi Baatein', fun and entertainment which comprised of interactive games, quizzes, etc. were organized in Mumbai, Delhi, Kolkata, Hyderabad and Chennai. The 'Champ' stories were also showcased widely in the media, thereby creating further awareness amongst people.


Senior citizens answer questions at a quiz organized as part of the 'Meethi Baatein' initiative

Sales Force during the walkathon marking World Diabetes Day

The patient awareness activities reached a crescendo on 'World Diabetes Day' on November 14, last year, when your Company held walkathons, diabetes detection camps and this time - a new initiative, making use of public transport such as trains, buses and bus-shelters to display posters creating awareness about diabetes.

Your Company also initiated a month-long radio campaign to create public awareness, reinforcing the commitment of Sanofi Diabetes to foster world standards in diabetes management.

Soothing melodies to counter epilepsy

Your Company launched the 'Seizure-free India Campaign' in collaboration with Neurologists and CRY (Child Rights & You), through its network of 200 NGOs (Non Government Organisation). This helped spread awareness about epilepsy to the remote corners of India.

At awareness camps organized for patients and their care-givers, Neurologists clarified myths about epilepsy, such as:

Myth: People suffering from epilepsy are possessed.

Fact: Patients behave in an uncontrollable manner during an epileptic seizure. They should be given medical treatment and treated normally.

Myth: Children with epilepsy are dull and cannot learn, so they should not be sent to school.

Fact: Children with epilepsy can be extremely intelligent. Therefore, parents should send them to school to achieve their full potential.

At the camps, children suffering from epilepsy were encouraged to showcase their talents through various competitions. Over 1,400 patient awareness activities like education, painting and talent competitions were conducted from July to December last year. Furthermore, around 25,000 economically challenged patients benefitted by the free supply of drug samples (as prescribed by their respective doctors).

Scaling high and reaching out

As you have read in previous Annual Reports, 'PRAYAS' is a knowledge-based initiative that aims to empower doctors in rural India with the latest developments and updates in medicine, thereby bridging the diagnosis and treatment gap.

Since its inception in 2009, 'PRAYAS' has successfully held over 6,000 workshops. Today, 'PRAYAS' has more than 10,000 registered doctors who are regularly trained by nearly 500 specialists.

Key Opinion Leaders undergo a training session under the 'PRAYAS' initiative

'PRAYAS' will continue in its mission to facilitate improved healthcare services in semi-urban and rural geographies. To further reduce the gap in disease management, through a recent endeavor via media, a pilot project on disease awareness was launched in Nagpur to help people understand the causes of common fevers, their prevention and treatment.

Moving ahead, your Company endeavors to develop the 'PRAYAS' Portal - an online tool providing opportunities for learning, thereby creating a virtual network of healthcare providers.

This marks the beginning of a new chapter in our 'PRAYAS' to contribute towards the well being and health of society.

STRIKING THE CHORDS OF TRUST

♫ Hammers – They strike the strings when notes are played

Dedicated to building trustworthy brands

When the pianist strikes a key, he relies on the hammer to produce notes that help transform even the most complex compositions into seamless melodies.

Likewise, doctors trust your Company's products to consistently deliver the desirable efficacy and safety in treating patients. This trust has, in turn, led to some of our leading portfolios such as Amaryl® group, Cardace® group, Insulin portfolio (Lantus®, Apidra® and Insuman®) and Combiflam® range, touching a sales landmark of Rs. 100 crores each.

Your Company is proud that through many of these products, doctors and patients have become advocates for its world-class products. In line with its mission, your Company is committed to both its stakeholders and employees, and, more importantly, to the people who rely on its medicines.

Your Company's wide range of products, addressing a gamut of diseases, ensures that millions of patients across various age groups benefit from its innovations, such as -

Frisium® (Clobazam) is an add-on anti-epileptic drug administered to manage uncontrolled epilepsy. Frisium® is unique due to its fast action, high seizure-free rate and its assurance of a long-term control over epilepsy.

Lantus® (Insulin Glargine) is a long-acting insulin that helps control blood sugar levels in patients with type 1 or type 2 diabetes.

Amaryl® (Glimepiride) is an oral diabetes medicine that helps control blood sugar levels in patients with type 2 diabetes.

Allegra™ (Fexofenadine) is indicated for relief of symptoms associated with Allergic Rhinitis and Chronic idiopathic Urticaria. Allegra™, a non-sedating, anti-histamine drug, does not cause sedation / impairment and improves the quality of life for patients.

Combiflam® is a trusted Non Steroidal Anti-Inflammatory Drug (NSAID) which is widely used in the event of a fever or body ache.

Cardace® has become synonymous with cardiovascular protection since the past two decades. Cardace® has helped patients (with risk of cardiovascular events) lead a confident and 'event free' life.

Note : For more information on the above mentioned products, please refer to the package insert.

♫ Pedals – Used to soften or heighten the sound when stepped on

DIVERSIFYING THE VALUE CHAIN WITH EVERY STEP

From Illness to Wellness

The pedals of a Grand Piano provide different sounds and add effects to an existing melody. Similarly, as a strong attempt to diversify its existing portfolio, your Company has moved from 'illness to wellness'.

With the recent acquisition of the domestic nutraceuticals business of Universal Medicare Private Limited (UMPL), your Company now has a consumer healthcare and wellness platform with an ensemble of more than 40 products. They include well-known brands such as Seacod®, Primosa® and Multivite®, which have touched the lives of many people across all age groups.

The portfolio of branded formulations represents key categories within the nutraceutical market, that are primarily antioxidants, vitamins and mineral supplements, anti-arthritics, anti-osteoporotics, liver tonics and other nutrients.

With these products, your Company has diversified and reaches out to wider sections of the country's population.

To ensure that the integration was smooth and the employees from UMPL transition to your Company in a seamless manner, the Managing Director and Senior Director - Human Resources travelled across the nation to personally induct every member of the new team. They shared with them our core values and welcomed them to the family.

As a result, the new portfolio has achieved its objective of uninterrupted sales during this period of transition.

An ensemble of your Company's latest products

BUILDING ON A HARMONY OF ETHICS

♫ The Plate – It forms the basic structural grid and sustains the massive tension of the strings

Committed to Ethics

Your Company's moral Code of Ethics is based on a framework that is as strong as the cast iron plate of a Grand Piano. This foundation inspires confidence in the ability to hit the right notes and create the perfect pitch.

Your Company's Code of Ethics guides its every action with a sense of responsibility towards its employees, competition and the society in general. Your Company, therefore, takes great care to live up to its reputation with regard to transparency and fairness and has systems in place to ensure that the required standards are met at all times.

In 2011, your Company adopted a new 'Code of Ethics' and strengthened the Compliance function dedicated to raising awareness about ethical conduct. Moreover, efforts were made to ensure that all employees received mandatory compliance training to strive for excellence and high standards of ethical behaviour.

While it is important that your Company achieves results, the question of 'how' holds equal importance. The 'Code of Ethics', therefore, is a pledge of your Company's integrity to:

Employees: Your Company ensures diversity, equality of opportunity, health, safety and respect at the workplace.

Patients and Consumers: Your Company is committed to product safety and quality and ensures compliance to all legal, regulatory and statutory requirements.

Healthcare Professionals: Your Company is committed to following applicable legislation regarding the promotion of medicines.

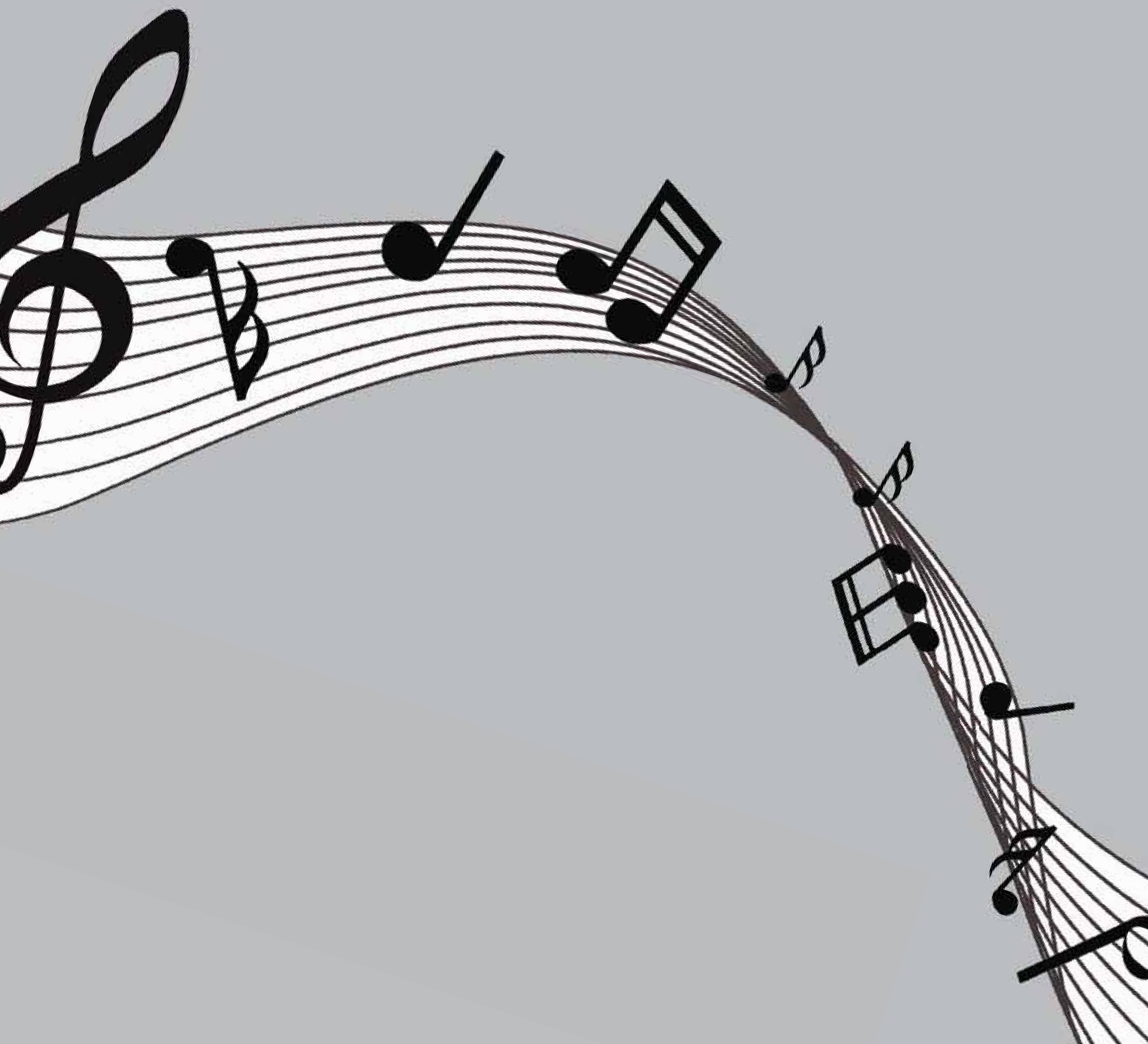
Suppliers and Contractors: In its business dealings, your Company is governed by local legislation, internal charters and standards in terms of human rights, environment and ethical conduct. In particular, the employees are committed to resisting all forms of corruption.

Government Authorities: Your Company is committed to the relationships founded on honesty and integrity and strictly complies with anti-bribery laws and regulations.

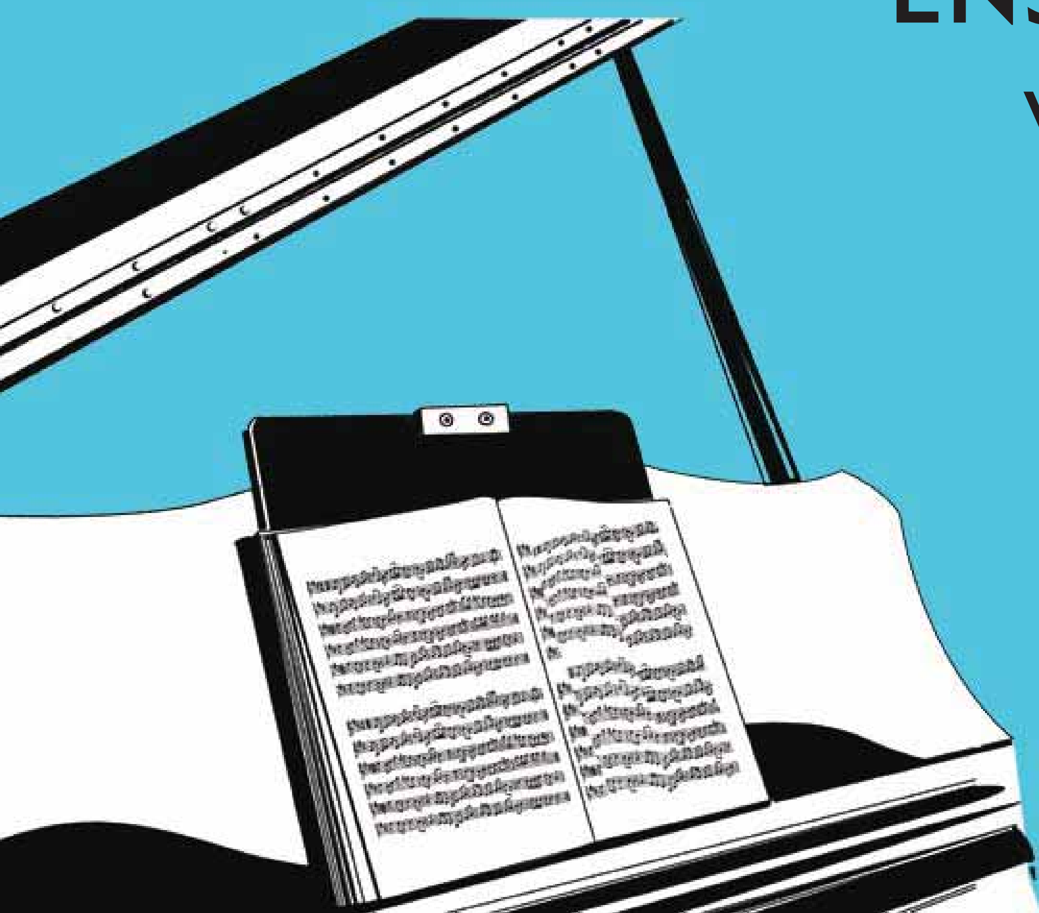
Shareholders and Investors: Your Company provides shareholders and investors with transparent information with regard to its activities, strategies and performance.

Akin to a Grand Piano, your Company synchronizes myriad parts to amalgamate in the over-arching goal of meeting patients' needs. We are proud to have impacted the lives of our patients and society in general. Your Company pledges complete allegiance to enhancing the quality of lives of people for many generations to come. We look forward to the coming year with a hope of striking more notes of success and creating many more 'harmonies of wellness'.

CONTENTS



AN ENSEMBLE OF VIRTUOSOS



♫ Sheet music – Notes on pages read by a pianist to play music

Board of Directors
(as on January 1, 2012)

Dr. Vijay Mallya
Chairman

Dr. Shailesh Ayyangar
Managing Director

Mr. F. Briens

Mr. M. Dargentolle

Mr. J. M. Gandhi

Mr. J. M. Georges

Mr. S. R. Gupte

Mr. A. K. R. Nedungadi

Mr. A. Ortoli

Mr. M. G. Rao
(Alternate to Mr. J. M. Georges)

Company Secretary
Mr. K. Subramani

Registered Office
Aventis House
54/A, Sir Mathuradas Vasanji Road
Andheri (East), Mumbai 400093

Manufacturing Sites
3501-15, 6310, B-14, GIDC Estate
Ankleshwar 393002

GIDC, Plot No. L-121
Phase III, Verna Industrial Estate
Verna, Goa 403722

Registrars & Transfer Agents
Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400078

Auditors
M/s. S.R. Batliboi & Co.

Solicitors
M/s. Crawford Bayley & Co.

Bankers
Citibank N.A.
Deutsche Bank
Hongkong & Shanghai Banking Corpn. Ltd.
State Bank of India
HDFC Bank Limited
BNP Paribas

56th ANNUAL GENERAL MEETING

DATE
Thursday, May 03, 2012

TIME
3.15 P.M.

VENUE
Y.B. Chavan Centre - Auditorium, Gen. J. Bhosale Marg, Nariman Point,
Mumbai 400021

AMPLIFYING THE MESSAGE OF WELLNESS

♫ Soundboard – Amplifies the sound when the hammers are struck

MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholders,

Our journey towards becoming a diversified Healthcare Company that's focussed on patients' needs received further boost on November 3, 2011 when we successfully concluded the acquisition of Universal Medicare's domestic nutraceuticals formulation business. Indeed, 2011 was a very important year for us as we made a foray into this new and growing market to reach out to patients now more aware of the importance of leading a healthy lifestyle and 'wellness' in general.

In a year characterised by a turbulent business environment, high inflation and weakening currency, your Company has once again been able to deliver strong financial results. This has been possible because of the trust your Company enjoys amongst healthcare professionals and patients. The members of our Manufacturing and Commercial teams along with all the support functions deserve the real credit for such a consistent performance.

During the year, your Company intently concentrated on its core growth platforms such as Diabetes, Consumer Healthcare as well as in Tier II markets. The IMS, a syndicated research organization tracking performance of pharmaceutical companies, reported excellent acceptance of our flagship brands which have crossed the milestone of 'Rs.100 Crores' demonstrating your Company's powerful brand building capabilities. The portfolio of products that have entered the 'Rs.100 Crore' club include the Amaryl® group, the Insulin portfolio (Apidra®, Lantus® & Insuman®), the Cardace® group and the Combiflam® range. In the process, we are reaching out to millions of patients across the country and are making a real difference in their lives.

The theme of this Annual Report is an analogy of the Grand Piano. In the coming few pages, you will read about how we have honed our knowledge and skills over the years and are executing with 'excellence' in myriad ways.

We are committed to upholding the highest Standards of Ethics while carrying out business activities and ensuring that 'Patients' Benefit' is always kept upper most in all our dealings.

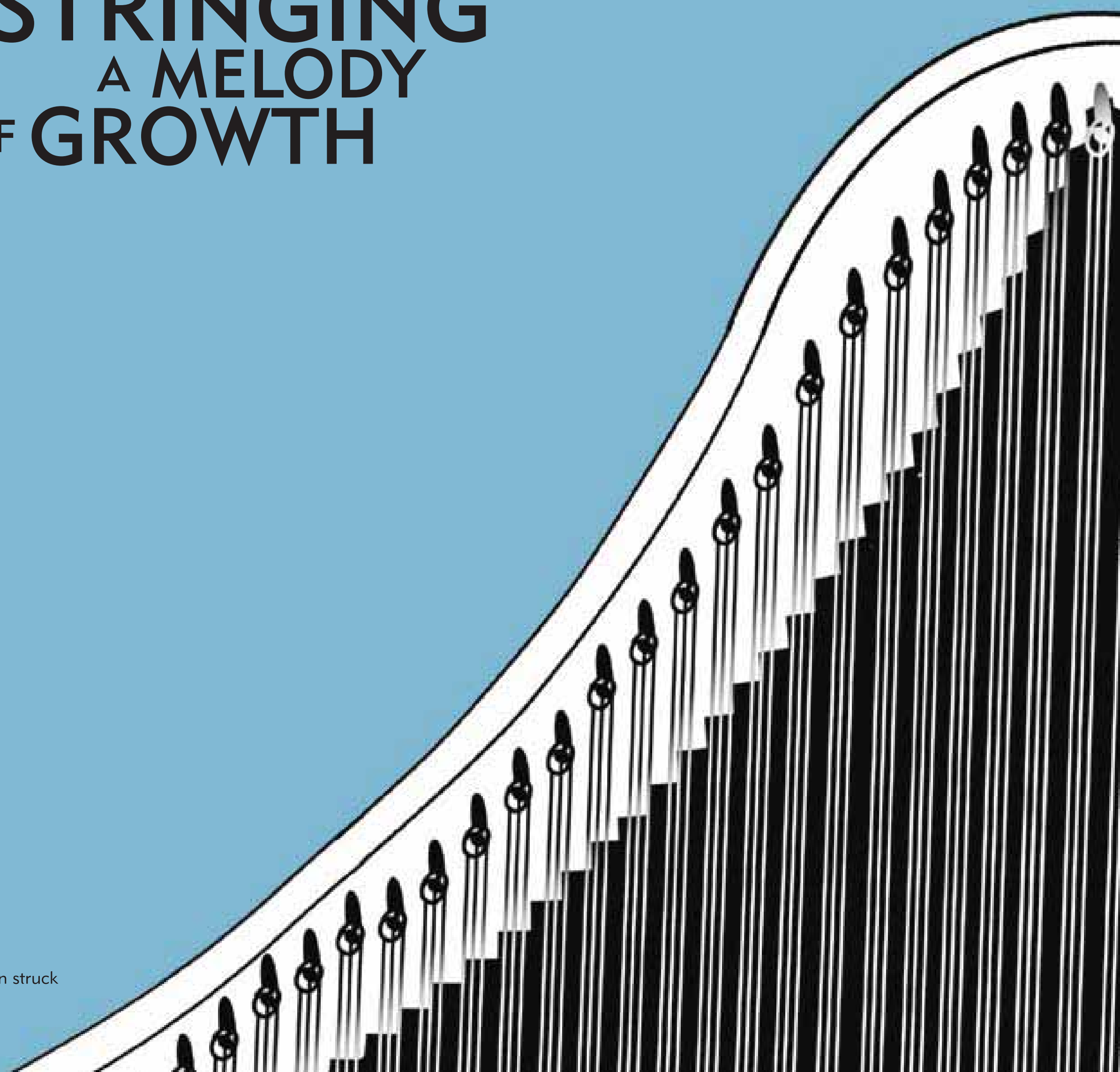
As we aim to continuously raise the bar and commit ourselves to play an even bigger role in India's healthcare agenda, we are grateful for the abundant encouragement and support we have received from you over the years. We will continue to work as a team to create – just like the soothing music of a Grand Piano – healthcare solutions for patients and putting the smiles back on to their faces. For surely just looking at the smiles of patients and their loved ones, is perhaps the single biggest reward for your Company's employees.

I conclude by expressing my gratitude for your constant support. I thank my colleagues on the Board for their guidance. I place on record my deep appreciation towards all the Business Partners, the Healthcare Professionals and Government Agencies for their trust and support. Finally, to all my fellow colleagues, my sincere gratitude for the passion and energy displayed throughout the year to make a real difference.

Yours sincerely,

Shailesh Ayyangar

STRINGING A MELODY OF GROWTH



♫ Strings – They resonate when struck to produce the sound

FINANCIAL SUMMARY

(Rs. in Million)

SALES, PROFITS & DIVIDEND	2011	2010[&&]	2009	2008	2007	2006	2005	2004	2003	2002
Sales (Gross)	12,586	11,073	9,958	10,294	9,317	9,367	8,581	7,904	7,061	6,666
Profit before depreciation interest & tax (PBDIT)	3,155	2,566	2,589	2,781	2,415	2,677	2,536	2,431	1,627	1,081
Profit before interest & tax (PBIT)	2,844	2,369	2,416	2,599	2,230	2,499	2,364	2,263	1,453	911
Profit before tax (PBT)	2,840	2,340	2,415	2,596	2,228	2,497	2,364	2,262	1,451	907
Profit after tax (PAT)	1,912	1,550	1,574	1,662	1,444	1,693	1,451	1,485	986	611
Dividend (Amount)	760	1,267	461	368	368	737	368	368	368	368
Rate (Rs. per share)	33	55**	20	16	16	32 $	16	16	16	16*

SHARE CAPITAL & CAPITAL EMPLOYED	2011	2010[&&]	2009	2008	2007	2006	2005	2004	2003	2002
Share capital	230	230	230	230	230	230	230	230	230	230
Shareholders' funds #	11,166	10,142	9,318	8,291	7,069	6,082	5,238	4,218	3,213	2,692
Capital employed #	11,166	10,142	9,318	8,291	7,069	6,082	5,238	4,218	3,365	3,072
Represented by: Fixed assets (net) & investments #	7,676	1,848	1,772	1,543	1,503	1,509	1,472	1,597	1,701	1,677
Net current & other assets	3,490	8,294	7,546	6,748	5,566	4,573	3,766	2,621	1,816	1,395

RETURN	2011	2010[&&]	2009	2008	2007	2006	2005	2004	2003	2002
On sales (PBT)%	22.6%	21.1%	24.3%	25.2%	23.9%	26.7%	27.5%	28.6%	20.5%	13.6%
On capital employed (PBIT)%	25.5%	23.4%	25.9%	31.3%	31.6%	41.1%	45.1%	53.7%	43.2%	29.7%
On shareholders' funds (PAT)%	17.1%	15.3%	16.9%	20.0%	20.4%	27.8%	27.7%	35.2%	30.7%	22.7%
Per share (PAT) Rs.	83.01	67.31	68.35	72.26	62.71	73.51	63.00	64.48	42.80	26.53
Personnel cost	1,764	1,633	1,440	1,192	1,037	785	735	632	549	521
No. of employees	2,943	2,282	2,106	2,070	2,065	1,811	1,465	1,250	1,284	1,242

&& Figures for the year 2010 exclude the impact of exceptional item of Rs. 958 Million (net of tax Rs. 757 Million) relating to sale of 49,00,000 Equity Shares of Chiron Behring Vaccines Private Limited.

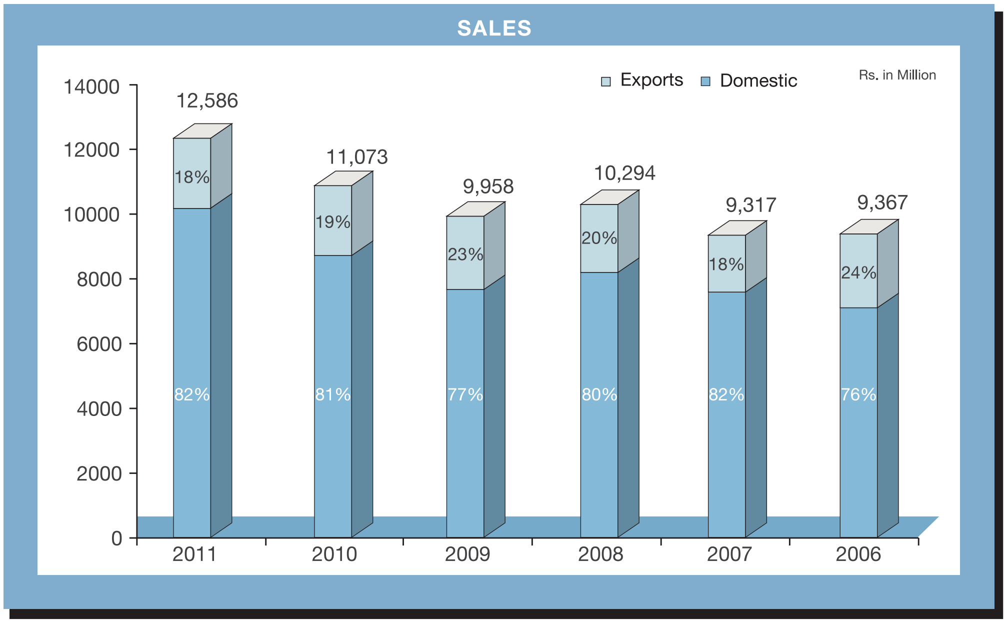
* Includes Special dividend of Rs. 8 per share

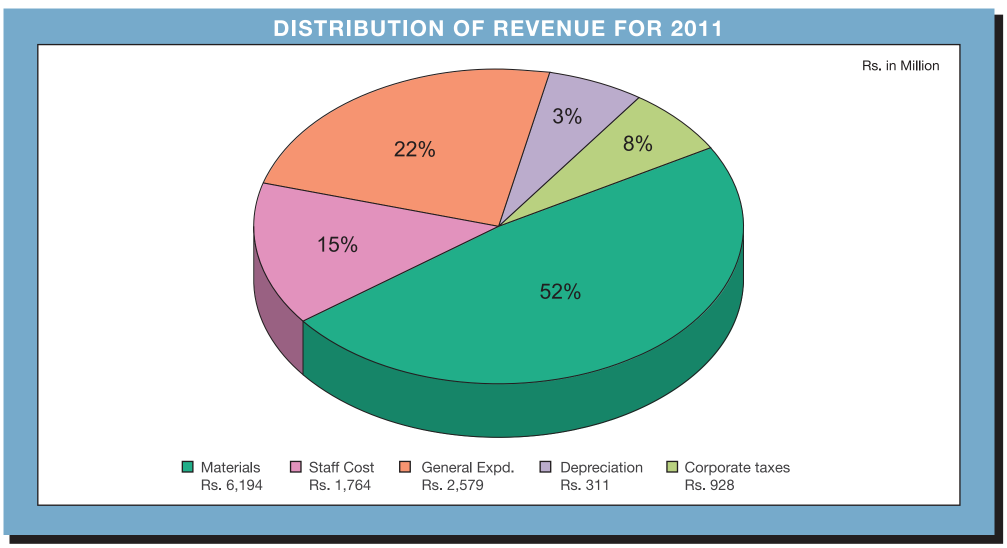
$ Includes Special One - Time Golden Jubilee dividend of Rs. 16 per share

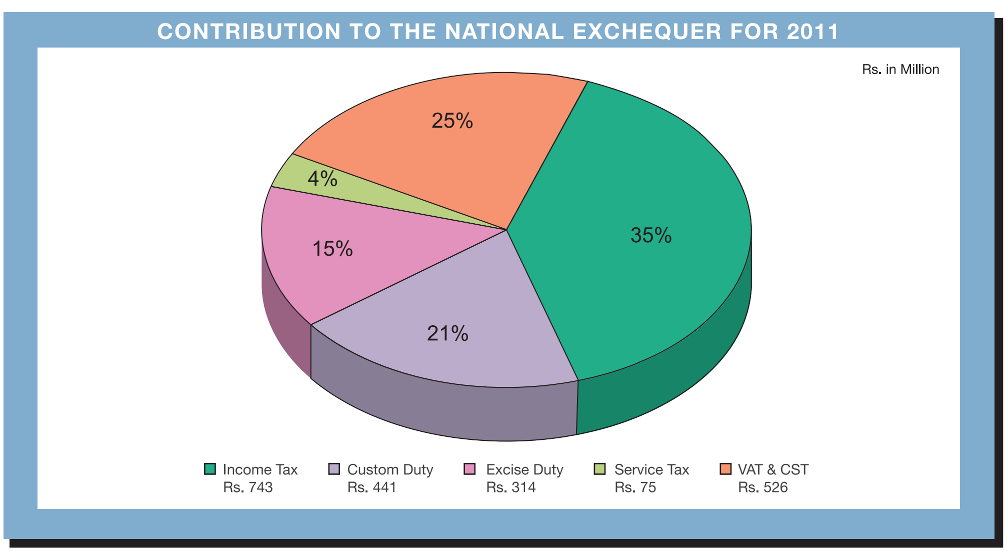
** Includes Special One - Time dividend of Rs. 28 per share

Includes revaluation of fixed assets since 1986

FINANCIAL SUMMARY







Report of the Directors
to the Members of the Company

Your Directors have pleasure in presenting the Audited Accounts of your Company for the Fifty-sixth financial year ended 31st December 2011.

FINANCIAL RESULTS

	Rs. in Million	
	2011	**2010**
Net Sales	12,297.5	10,849.5
Other Income	1,394.7	1,134.8
Profit before Tax and Exceptional Items	2,839.8	2,340.0
Provision for Taxation	927.9	789.9
Net Profit before Exceptional Items	1,911.9	1,550.1
Exceptional Items (Net of Tax)	-	757.4
Net Profit after Exceptional Items	1,911.9	2,307.5
Balance brought forward from previous year	7,584.5	6,983.4
Available for appropriation	9,496.4	9,290.9
Which your Directors have appropriated as follows:		
Interim Dividend (paid in August 2011)	92.1	92.1
Provision for Final Dividend	667.9	529.7
Provision for Special One-time Dividend	-	644.9
Tax on Interim and proposed Final Dividend	118.7	208.9
Transfer to General Reserve	191.2	230.8
Balance carried to Balance Sheet	8,426.5	7,584.5

DIVIDEND

An Interim Dividend of Rs. 4 per Equity Share of Rs.10 was declared by the Board of Directors and was paid in August 2011.

Your Directors recommend payment of Final Dividend of Rs.29 per Equity Share of Rs.10. If declared by the Shareholders at the Annual General Meeting to be held on 3rd May 2012, the Dividend (including Interim Dividend) will absorb Rs. 760 million representing distribution of 39.75% of the Net Profit of the Company.

The proposed Final Dividend will be paid to:

i) those Members whose names appear on the Register of Members of the Company on 3rd May 2012; and

ii) those whose names appear as beneficial owners as at the close of business on 11th April 2012, as per details to be furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report is appended.

DIRECTORATE

In accordance with the Articles of Association of the Company, Dr. Vijay Mallya retires by rotation and is eligible for re-election.

Mr. O. Charmeil and Mr. F. X. Duhalde resigned as Directors of the Company with effect from 23rd August 2011. Your Directors have placed on record their appreciation of the services rendered by them during their tenures.

Mr. A. Ortoli was appointed a Director in the casual vacancy caused by the resignation of Mr. Charmeil. He holds office till the Annual General Meeting and is eligible for election.

In the casual vacancy caused by the resignation of Mr. Duhalde, the Board has appointed Mr. F. Briens.

Mr. S. C. Ghoge who was Alternate to Mr. F. X. Duhalde resigned as Director with effect from 1st April 2011.

Mr. M. G. Rao was re-appointed as Wholetime Director (being Alternate to Mr. J. M. Georges) for the period from 6th September 2011 to 5th September 2012, subject to the approval of the Shareholders in General Meeting.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexe to this Report.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexe to the Directors' Report.

Your Directors place on record their appreciation of the valuable contribution made by the employees of your Company.

CASH FLOW AND CONSOLIDATED FINANCIAL STATEMENTS

As required by Clause 32 of the Listing Agreement, a Cash Flow Statement is appended.

As the Company does not have any subsidiaries, it is not required to publish Consolidated Financial Statements.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended along with a Certificate of Compliance from the Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, your Directors certify as follows:

1. The annexed accounts for the financial year ended 31st December 2011 have been prepared on a going concern basis.
2. In preparation of the said Accounts all the applicable accounting standards have been duly followed and complied with and which fact has been confirmed by the Auditors of the Company in their Report on these Accounts.
3. Your Directors have selected such accounting policies and applied them consistently along with proper explanation relating to departures, if any and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2011 and of the profit of the Company for that year.
4. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

COST AUDIT

The Central Government had ordered that audit of the cost accounts maintained by the Company in respect of bulk drugs and formulations be conducted by an Auditor with the qualifications prescribed under Section 233B of the Companies Act, 1956. The Board of Directors re-appointed M/s. N. I. Mehta & Co., Cost Accountants, to audit the cost accounts in respect of bulk drugs and formulations for the financial year ended 31st December 2011 and the said appointment was approved by the Central Government. The cost audit reports for the financial year ended 31st December 2011 are due to be filed by 30th June 2012.

AUDITORS

M/s. S. R. Batliboi & Co., your Company's Auditors, are eligible for re-appointment and it is necessary to fix their remuneration.

By Authority of the Board

DR. VIJAY MALLYA
CHAIRMAN

Mumbai, 23rd February 2012

Annexe to the Report of the Directors

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Report of the Directors.

A. CONSERVATION OF ENERGY

Energy Conservation measures undertaken in 2011:

a) Installation of biomass boiler in Goa using agro wastes briquettes as fuel
b) Installation of solar water heater in place of electrical heaters for cafeteria in Goa
c) Installation of lighting transformer for Goa plant lighting resulting in reduction of power consumption
d) Installation of variable frequency drive for motors in Goa
e) Replacement of old boiler with new boiler with economiser in Ankleshwar
f) Replacement of two reciprocating chillers by high efficient chiller in Ankleshwar
g) Generating power from gas engine in Ankleshwar

Energy Conservation measures proposed to be undertaken in 2012:

a) Use of biomass boiler for full plant steam requirement in Goa
b) Use of additional LED based tube lights in Goa plant
c) Installation of variable frequency drive in pharma plant AHU in Ankleshwar
d) Installation of energy efficient pump and 150 HP motor in the pump house
e) Installation of energy efficient pumps for drinking water supply system in Ankleshwar

REQUISITE DATA IN RESPECT OF ENERGY CONSUMPTION ARE GIVEN BELOW:

POWER & FUEL CONSUMPTION		YEAR ENDED 31.12.2011	YEAR ENDED 31.12.2010	REASONS FOR VARIATION
1. ELECTRICITY				
(a) Purchased				
Units	Million KWH	12.495	11.919	
Total Amount	Rs. Million	111.754	93.046	
Rate/Unit	Rs.	8.944	7.807	Increase in rates
(b) Own Generation				
(i) Through Diesel Generator				
Units	Million KWH	0.331	0.189	
Units per litre of Diesel Oil	KWH	4.599	2.621	
Cost/Unit	Rs.	8.022	14.077	Better efficiency by use of new generator
(ii) Through Steam Turbine / Generator		NIL	NIL	
2. COAL		NIL	NIL	
3. FURNACE OIL / LSHS				
Quantity	K.Lit	148	175	
Total amount	Rs. Million	5.359	5.701	
Average rate per K.Lit	Rs.	36,155	32,543	Increase in furnace oil cost
4. NATURAL GAS				
Quantity	M3	5,123,330	4,591,342	
Total Amount	Rs. Million	108.857	77.166	
Average Rate	Rs.	21.247	16.807	Increase in rates

CONSUMPTION PER UNIT OF PRODUCTION

	Product	Unit of Production	Standards (If any)	YEAR ENDED 31.12.2011	YEAR ENDED 31.12.2010	REASONS FOR VARIATION
1.	ELECTRICITY-KWH					
	Bulk Drugs	Tonnes	NONE	7,347	5,563	Consumption
	Bulk Drugs	K.Lits	NONE	-	-	depends on
	Formulations	Million Units	NONE	2,589	2,989	product mix
2.	FURNACE OIL / LSHS (K.LIT)					
	Bulk Drugs	Tonnes	NONE	-	-	Consumption
	Bulk Drugs	K. Lits	NONE	-	-	depends on
	Formulations	Million Units	NONE	0.096	0.150	product mix
3.	NATURAL GAS (IN THOUSAND M3)					
	Bulk Drugs	Tonnes	NONE	0.218	0.199	Consumption
	Bulk Drugs	K. Lits	NONE	-	-	depends on
	Formulations	Million Units	NONE	0.061	0.054	product mix

B. TECHNOLOGY ABSORPTION
RESEARCH & DEVELOPMENT (R&D)

Specific areas in which R&D carried out :

No basic research is carried out by the Company.

The Company, however, carried out process development and clinical trials for existing and future products.

Expenditure on R&D

a) Capital Rs. 27.3 Million

b) Revenue Rs. 40.1 Million

c) Total Rs. 67.4 Million

d) Total R&D Expenditure as a percentage of total turnover : 0.55%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, towards technology absorption, adaptation and innovation:

   The Company interacted with its collaborators who continued to give the latest technology.

2. Benefits derived as a result of the above :

   It has helped the Company to retain its market share.

3. Imported Technology :

   Technology imported, year of import and whether technology has been fully absorbed

   Based on prescriptions received from the collaborators, a number of products were taken up for manufacture and are in regular production. The technology for such products has been fully absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Total Foreign Exchange used Rs. 3,921.39 Million

b) Total Foreign Exchange earned Rs. 3,049.77 Million

MANAGEMENT DISCUSSION AND ANALYSIS

PHARMACEUTICAL MARKET

Total pharmaceutical market during the year ended 31st December 2011 was estimated at Rs. 638 billion. The retail market grew by 16.2% over the previous year.

Key drivers have been volumes (8.7%) and new introductions (6.5%). Prices contributed only 1% to the growth.

Your Company has a market share of 2% in the Pharma market.

Six brands of your Company, **Combiflam®, Cardace®, Lantus®, Clexane®, Amaryl®** and **Allegra™** feature in the top 100 brands of the Indian pharmaceutical market. **Lantus®, Combiflam®** and **Cardace®** are the 23rd, 25th and 28th largest brands, respectively.

OPPORTUNITIES & THREATS

The Indian healthcare industry has evolved rapidly from being a product centric industry to a service driven sector with delivery sector (hospitals) and medical insurance segments gaining prominence. India ranks 12th globally in terms of value and 3rd in volumes. The Indian pharmaceutical market is projected to grow at a Compounded Annual Growth Rate (CAGR) of 12 - 14% to become a size of around US $ 55 billion by 2020.

Rural markets will grow faster driven by step up from the current poor levels of penetration. The hospital segment will increase its share. Non-traditional emerging opportunities - patented products, consumer health care, biologicals, vaccines and public health- offer significant potential going forward.

Price controls and economic slow down could depress the market.

SALES AND PROFITABILITY

During the year ended 31st December 2011, your Company had total net sales of Rs.12,298 million as against Rs.10,850 million in the previous year, representing a growth of 13.34%.

Profit before Tax and Exceptional items increased by 21.37% from Rs. 2,340 million in 2010 to Rs. 2,840 million in 2011.

Higher domestic sales and exports resulted in the increase in Profit before Tax and Exceptional items.

DOMESTIC SALES REVIEW

Domestic sales, which constituted 81.5% of total sales, increased from Rs.8,709 million to Rs.10,024 million reflecting a growth of 15.1%.

MAJOR BRAND PERFORMANCE REVIEW

Cardace® group grew by 7.8 % in 2011. It continues to be the No. 1 ACE inhibitor prescribed by cardiologists, diabetologists and consulting physicians. It has a market share of 30% in the ACE inhibitor market. Growth was affected due to therapy shift to Angiotensin receptor blockers.

Lantus® grew by 32% in value terms. It has a market share of 11.7% and is the 2nd leading brand in the insulin market in terms of value.

Amaryl® group had sales of Rs. 100 crores with a growth of 23 %. It continues to be the leading oral anti diabetic brand.

Clear positioning of **Amaryl®, Amaryl® M, Amaryl® MP** and **Amaryl® P** in diabetes management has been a critical success factor.

Amaryl® P is the 3rd largest brand in the Glimipiride + Pioglitazone category.

Apidra® had a growth of nearly 23%. However, sales were affected towards the end of the year because of restricted supplies from abroad due to manufacturing disruptions.

Cetapin® group grew by nearly 34%. **Cetapin® XR** had a market share of nearly 8% in the Metformin market. It has become the 3rd biggest brand in the Metformin market.

Clexane® grew by 10.5 %. It continues to rank No.1 in the injectable anti-coagulant market with a market share of 27%.

Targocid® had a growth of 5.5% and has a market share of 38.7%.

Brodactam®, which was launched in January 2010, had a growth of 25%.

M-NEM™ which was launched in 2010 is gaining ground in Hospitals.

Allegra™ group registered a growth of nearly 20%. It has a market share of 8.2%. It is ranked No.1 in the total market and solids market.

Allegra® Suspension is ranked No. 2 in the liquid anti histaminic market.

Combiflam® group had a growth of 5.2%. It is ranked No. 2 in the NSAID market.

Combiflam® Suspension with a market share of 13.3% is ranked No. 2 amongst NSAID oral liquids.

Soframycin® Skin Cream had a growth of 4.4%. It is the 4th largest brand amongst topical antiseptics.

Avil® had a growth of 4.7%. It continues to have volume leadership in the anti- histaminic market.

Frisium® had a growth of 13.3%. It ranks 3rd in the highly competitive anti-epileptic market.

PRAYAS

Your Company had initiated a unique project in 2009 called Prayas which is a knowledge based initiative aimed at empowering doctors in rural India with the latest developments and updates in medicine.

11,500 doctors have been enrolled in Prayas. Over 550 mentors (MD Physicians) conduct workshops in villages and small towns. Nearly 6,000 workshops have been held till December 2011.

Your Company has a vision of forming a National Consensus for Rural Health for which foundation was laid with formation of regional expert groups. The objective is to get together the top medical experts of a region to validate educational material developed for rural doctors and to accredit the modules.

The turnover of products catering to the rural market grew by over 40%.

NUTRACEUTICAL BUSINESS

Your Company entered into a definitive agreement on 24th August 2011 to acquire Universal Medicare Private Limited's business of marketing and distribution of branded nutraceutical formulations in India. The transaction was closed on 3rd November 2011 on fulfillment of all the conditions precedent.

Your Company paid a sum of Rs.5612 million as a lumpsum consideration for the purchase of the said business as a going concern.

The acquisition has enabled your Company to advance its sustainable growth strategy in India and facilitated the creation of a consumer health care and wellness platform. The portfolio of over 40 branded formulations acquired by your Company represent key categories within the nutraceutical market including anti - oxidants, vitamins and mineral supplements, anti-arthritics, anti-osteoporotics, liver tonics and other nutrients.

Seacod®, which is the first national OTC brand of your Company, began a pan India media campaign within a month of its acquisition. It is India's largest selling cod liver oil brand.

EXPORT SALES

Export sales for 2011, which constituted 18.5% of total net sales, were Rs.2,273 million, representing a growth of 6.2% over 2010.

Exports to Russia grew by 14% facilitated by resumption of supplies of **Baralgin® M** tablets along with increased volumes of **Trental**® 400 mg tablets.

High pipeline inventories of **Festal**® were primarily responsible for the decline in exports to Ukraine by over 60%.

Incremental sales of **Festal®, Sofradex**® drops and **Trental**® contributed to the growth of exports by nearly 50% to CIS countries.

Favourable exchange rate and price increases were responsible for growth of nearly 9% in exports to Australia. Export of Panamax tablets, which has a good future potential, commenced in 2011.

Exports to the U.K. grew by nearly 50% and were driven by volumes, price and exchange.

Sales to Sri Lanka grew by 14%.

Exports of Active pharmaceutical ingredients and intermediates grew by 9.7%.

MANUFACTURING OPERATIONS

The Ankleshwar plant produced approximately 4.4 billion tablets.

New products were manufactured and launched in the domestic and export markets **(Amaryl® P, Cardace® Protect, Cetapin® V, Vitahext®, Sofrahext® and Avil® NU)**.

The dispensing area in Ankleshwar has been remodelled to be compliant with the latest regulatory requirements.

Two new high speed compression machines have been put into operation in Ankleshwar to improve efficiency of manufacturing.

Construction of a waste water treatment plant in Ankleshwar has commenced.

The Ankleshwar Site received Certificate of Merit from the Gujarat Safety Council for achieving zero disability with more than 2 million man hours during 2010.

A new CTX-45 station compression machine has been installed in Goa.

The extension of the solid dosage formulation capacity in Goa has been completed.

Changes in pack sizes for **Cardace®** and **Cardace® M** in Goa have reduced machine change over times and increased productivity.

Increase in batch sizes of some products helped to bring in economies of scale in Goa.

MEDICAL, REGULATORY AFFAIRS AND CLINICAL RESEARCH

Six international speakers were invited who shared best practices and recent advances across the country at several medical platforms. Over 130 Continuing Medical Programmes (CMEs) on guidelines for appropriate usage of your Company's products were conducted.

The Medical Affairs team trains the sales force on the medical aspects of a disease, provides medical services to sales and marketing teams and assists with the medical strategies for product promotions. The team also regularly interacts with Key Opinion Leaders (KOLs) to gain insight into the current trends in clinical practice. The KOLs are provided relevant scientific evidence which enables them to scientifically provide information on the utility of your Company's products.

A Memorandum of Understanding (MOU) was signed with the Apollo Hospitals Group covering Awareness (Patient Screening, Disease Understanding and Compliance), Clinical (Biological, Translational Research) and Education (Training of Clinicians and Healthcare workers).

A new ready to use injectable formulation **Taxotere®** was introduced after completing registration formalities.

Data on the SITE (Screening India's Twin Epidemic) Study which was initiated by your Company in 2010 and conducted in more than 16,000 patients across eight states was presented at the Conference of the Research Society for the study of Diabetes in India (RSSDI). The data was also published in national and international journals.

Your Company routinely conducts training workshops called Clinical Excellence Programmes (CEPs) for different stakeholders in clinical research including investigators / physicians, their hospital staff members and Ethics Committee members. Eight training programmes were conducted which were attended by more than 300 persons at renowned hospitals.

PERSONNEL

Your Company had 2,943 employees as on 31st December 2011.

Industrial relations continued to be cordial.

Negotiations are continuing with the Unions representing the Medical Representatives and workmen in the Goa factory on their Charters of Demands.

INTERNAL AUDIT AND CONTROL

Your Company's internal control systems are adequate and commensurate with the size of operations. These controls ensure that transactions are authorised, recorded and reported on time. They ensure that assets are safeguarded and protected against loss or unauthorised disposal.

The Internal Audit department carried out audits in different areas of your Company's operations. Post audit reviews were carried out to ensure that audit recommendations were implemented. The Audit Committee of the Board of Directors reviewed the audit programme and findings of the Internal Audit department.

DRUG POLICY

Government announced the Draft National Pharmaceutical Pricing Policy, 2011 which proposes that regulation of price would be on the basis of essentiality of drugs.

The National List of Essential Medicines (NLEM), 2011 contains 348 medicines as against 74 drugs presently under price control.

The draft Policy proposes to regulate prices of formulations as against the present policy of regulating specified bulk drugs and their formulations.

In February 2012, the Department of Pharmaceuticals of the Ministry of Chemicals and Fertilizers has filed an affidavit in the Supreme Court stating that after considering the views and comments of other Ministries / stakeholders, the final draft Policy would be submitted to the Group of Ministers / Cabinet for their recommendation and approval. It is not possible to estimate any time frame by which changes in Price Control policy of the Government would be implemented.

PRICING ISSUES

Price increases as per norms of the National Pharmaceutical Pricing Authority (NPPA) were obtained for **Avil®** tablets, **Hostacycline®** capsules, **Combiflam®** tablets, **Novalgin®** tablets, **Soframycin®** Cream **and Sofracort®** Eye/Ear drops.

Price reduction was ordered for **Lasilactone®** tablets.

CORPORATE SOCIAL RESPONSIBILITY

Going beyond medicine: Because we care

Your Company is committed to reduce inequalities in local communities by working with civil society partners and ensure that healthcare is more easily accessible to all. Your Company takes pride not only in providing products that facilitate good health and well being but also in giving back to society. Your Company continues to concentrate on the following areas:

- Initiatives in the area of health and health related issues
- Supporting communities in the vicinity of the manufacturing sites in Goa and Ankleshwar
- Creating platforms for volunteering opportunities amongst employees
- Provide relief and rehabilitation support during calamities / disasters

During 2011, your Company supported / partnered with the following NGOs to benefit a wide cross section of society:

SEWA Rural at Ankleshwar

SEWA Rural is a voluntary organisation located in the tribal area of Bharuch district in Gujarat. It provides support for the developmental and health needs of the rural, poor and tribal population. In its continuing efforts, your Company's diabetes patient support programme provides disease testing facilities and educates the general population on diabetes - the prevalence of which is fast increasing in this belt. Over 4,000 patients benefited and over 7,000 tests were conducted.

Health screening camps at Goa

Your Company was instrumental in conducting health camps, twice a month, for nearly 20 schools and 4,000 children in 2011. A team of dermatologists, pediatricians, ophthalmologists and dentists visit the schools and children avail of free health checks and follow up sessions in the villages around your Company's manufacturing site in Verna, Goa. During these camps, health counseling for students, parents and teachers was also organised.

'The Joy of Giving'

Your Company participated in the week-long national movement called 'Joy of Giving' by essentially encouraging 'giving' amongst all employees.

Your Company encouraged employees across all locations in India to participate and donate clothes, stationery, books, toys and toiletries to deserving NGOs. Your Company also generated funds for the needy by holding an NGO Bazaar in the Head Office in Mumbai and at the plant in Ankleshwar.

This gave your Company an opportunity to reaffirm its values and make a difference to lives by 'giving'.

Standard Chartered Mumbai Marathon 2012

For the seventh consecutive year, your Company participated in the Standard Chartered Mumbai Marathon and supported CHILDLINE - a 24-hour, free helpline service for children in distress, as part of its Corporate Social Responsibility initiative.

CRY (Child Rights and You)

As part of the 'Seizure Free India' campaign organised by the Central Nervous System therapy team, your Company partnered with CRY, the reputable NGO working in the area of children's rights and conducted more than 1,400 various patient centric activities to create awareness, such as painting competitions, talent shows and patient education lectures for children with epilepsy.

PROSPECTS FOR 2012

Prospects for 2012 are expected to be reasonable, barring the risks of an unfavourable Drug Price Control Order.

Export turnover is likely to remain at the same level as in 2011.

Your Company has launched Tri-Cardace (a polypack combination of Ramipril + Amlopidine and Atorvastatin).

The waste water treatment plant in Ankleshwar will be commissioned.

There would be capacity expansion in both the manufacturing sites (Ankleshwar and Goa).

Products manufactured in Goa are likely to be exported to Latin America and African countries.

CAUTIONARY NOTE

Certain statements in the above Report may be forward looking and are stated as required by legislations in force. The actual results may be affected by many factors that may be different from what the Directors / Management envisage in terms of future performance and outlook.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below:

A. MANDATORY REQUIREMENTS

1. Company's philosophy on Code of Governance

The Company believes in and practices good corporate governance. The Company's philosophy is aimed at assisting the top management of the Company in the efficient conduct of the business and in meeting its obligations to all its stakeholders.

2. Board of Directors

(As on 31st December 2011)

The Board of Directors comprises of a Non-Executive Chairman, a Managing Director, a Wholetime Director and six other Non-Executive Directors.

An employee of the Company is Alternate for a Director based abroad and is, therefore, deemed to be Executive Director.

During the year ended 31st December 2011, five Board Meetings were held on 16th February 2011, 26th April 2011, 28th July 2011, 23rd August 2011 and 14th November 2011.

Attendance of each Director at the Board Meetings in 2011 and the last Annual General Meeting and the number of Companies and Committees where he is Director/Member (as on 31st December 2011) :

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 26th April 2011	No. of other companies in which Director (including Private Limited companies)	No. of Committees (other than Aventis Pharma Limited) in which Member
Dr. Vijay Mallya	Non - Executive Chairman	5	Yes	19 (In India) 36 (Outside India)	NIL
Dr. Shailesh Ayyangar	Managing Director	5	Yes	2 (In India) 2 (Outside India)	1
Mr. F. Briens*	NED**	-	-	1 (In India) 6 (Outside India)	1
Mr. M. Dargentolle	ED	5	Yes	1 (In India) 2 (Outside India)	Nil
Mr. J. M. Gandhi	Independent NED	5	No	5 (In India)	2***
Mr. J. M. Georges	NED**	-	No	2 (Outside India)	Nil
Mr. S. R. Gupte	Independent NED	5	Yes	8 (In India)	4***
Mr. A.K.R. Nedungadi	Independent NED	4	Yes	8 (In India) 9 (Outside India)	4***
Mr. A. Ortoli*	NED**	-	-	1 (In India) 6 (Outside India)	1
Mr. M. G. Rao*	ED (Alternate to Mr. J. M. Georges)	4	Yes	-	-
Mr. O. Charmeil*	NED**	-	No	-	1
Mr. F. X. Duhalde*	NED**	-	No	-	1
Mr. S. C. Ghoge*	ED (Alternate to Mr. F. X. Duhalde)	1	-	-	-

ED - Executive Director

NED - Non Executive Director

* For part of the year

**Employees of Sanofi Group companies

***Mr. Gupte, Mr. Gandhi and Mr. Nedungadi are also Members of some Committees in other companies which are not specified in Clause 49 of the Listing Agreement or are to be excluded (such as Remuneration Committee, Share Transfer Committee, Committees of Private Limited companies, etc.).

Mr. Nedungadi is Chairman of one Committee of another company. Mr. J. M. Gandhi is the Chairman of one Committee of another company.

3. **Audit Committee**

Terms of Reference and Composition, Names of Members and Chairman:

The Audit Committee comprises of Mr. S. R. Gupte, Chairman, Mr. A.K.R. Nedungadi, Mr. J. M. Gandhi and Dr. S. Ayyangar.

Mr. Gupte, Mr. Nedungadi and Mr. Gandhi are Independent Directors.

The terms of reference of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement.

Four Meetings were held during the year ended 31st December 2011 which were attended by all the Members of the Committee.

4. **Remuneration Committee**

The Company has not formed a Remuneration Committee.

Remuneration of Directors

The details of remuneration paid to the Directors during the financial year January - December 2011 are given below:

a) **Executive Directors**

Names of Directors	Salary and Allowances Rs.	Perquisites** Rs.	Retirement Benefits*** Rs.
Dr. S. Ayyangar	7,960,497	1,417,493	676,800
Mr. M. Dargentolle	1,745,001	1,771,097	156,308
Mr. M. G. Rao*	7,659,327	703,984	384,047
Mr. S. C. Ghoge*	1,437,587	167,140	174,839

*For part of the year

**Evaluated as per Income-tax Rules wherever applicable

***The above excludes provision for leave encashment, gratuity, long service award, pension and provident fund (to extent actuarially valued) which are determined on the basis of actuarial valuation done on an overall basis for the Company.

NOTES

1. The agreement with each of the Executive Directors is for a specified period. Either party to the agreement is entitled to terminate the agreement by giving not less than three months' notice in writing to the other party.
2. No severance pay is payable on termination of contract.
3. Presently, the Company does not have a scheme for grant of stock options either to the Executive Directors or employees. However, Executive Directors and some Senior Executives of the Company are granted stock options of the ultimate holding Company, Sanofi.
4. The Executive Directors are entitled to Performance Bonus with target payouts fixed and payout ranges of 0% to 120% of the target amounts to be paid at the end of the financial year as may be determined by the Board of Directors and are based on certain pre-agreed performance parameters.

b) **Non-Executive Directors**

Non-Executive Directors are paid sitting fees for attending Board and Committee Meetings. They are also paid Commission of an amount as may be determined by the Board of Directors from time to time, subject to a ceiling of one per cent of the net profits of the Company.

Names of Directors	Sitting Fees paid during the year ended 31st December 2011 Rs.	Commission paid during the year ended 31st December 2011 (for the previous financial year ended 31st December 2010) Rs.
Dr. Vijay Mallya*	100,000	700,000
Mr. S. R. Gupte	200,000	400,000
Mr. A. K. R. Nedungadi	180,000	400,000
Mr. J. M. Gandhi	200,000	400,000

*Dr. Vijay Mallya holds 80 Shares of the Company (jointly with Mrs. Ritu Mallya). The other Non-Executive Directors do not hold any Shares.

5. Investors'/Shareholders' Grievance Committee

The Members of the Committee are Mr. S. R. Gupte, Chairman, Mr. A.K.R. Nedungadi and Mr. J. M. Gandhi.

One Meeting of the Committee was held during the year ended 31st December 2011 which was attended by all three Members of the Committee.

Mr. K. Subramani, Company Secretary is the Compliance Officer of the Company.

The Company's Registrars, Link Intime India Private Limited had received 451 letters / requests during the year, dealing with various subjects such as revalidation/non-receipt of dividend warrants, change of address, registration of nominations, non-receipt of share certificates, etc. All these matters were resolved to the satisfaction of the shareholders/investors.

The Company had no transfers pending at the close of the financial year.

The power to approve transfers upto 1000 Shares purchased by one individual has been delegated to the Company Secretary.

6. General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
January - December 2008	28.4.2009	2.45 p.m.	Y.B. Chavan Centre - Auditorium, Mumbai
January - December 2009	27.4.2010	2.45 p.m.	Y.B. Chavan Centre - Auditorium, Mumbai
January - December 2010	26.4.2011	12 Noon	Y.B. Chavan Centre - Auditorium, Mumbai

All the resolutions set out in the respective Notices were passed by the Shareholders.

No special resolutions were required to be put through postal ballot last year.

At this meeting, there are no Special Resolutions for which Clause 49 of the Listing Agreement or Section 192A of the Companies Act has recommended/mandated postal ballot.

7. Disclosures

a) There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Statements of transactions with related parties have been placed periodically before the Audit Committee. Transactions with related parties have also been disclosed in Note no.7 of the Notes to the Accounts.

b) There were no instances of non-compliance nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority during the last three years on any matter related to the capital markets.

c) The Company has also complied with and adopted the mandatory requirements of the amended Clause 49 of the Listing Agreement.

d) In line with the requirements of the amended Clause 49 of the Listing Agreement, the Audit Committee and the Board of Directors reviewed the Management's perception of the risks facing the Company and measures taken to minimise the same.

e) As required by Clause 49(V) of the Listing Agreement, the Managing Director and the Chief Financial Officer have submitted a Certificate to the Board of Directors in the prescribed format for the financial year ended 31st December 2011. The Certificate has been reviewed by the Audit Committee and taken on record by the Board of Directors.

8. Means of Communication

Half yearly report sent to each household of shareholders :
No, as the Results of the Company are published in the Newspapers.

Quarterly Results :
No, as the Results of the Company are published in the Newspapers.

Any Website where displayed:
www.AventisPharmaIndia.com

Whether it also displays official News releases and the presentations made to institutional Investors or to the analysts:
Yes

Newspapers in which Results are normally published in:
i) Economic Times
ii) Maharashtra Times

Whether Management Discussion and Analysis is a part of the Annual Report:
Yes

9. General Shareholder Information

AGM Date, Time and Venue: Thursday, 3rd May 2012 at 3.15 p.m. at Y. B. Chavan Centre - Auditorium, Gen. J. Bhosale Marg, Nariman Point, Mumbai 400 021

Financial Calendar - 2012 /2013

Financial Year	-	January to December
First Quarter Results	-	Between 16th April and 15th May 2012
Half Yearly Results	-	Between 16th July and 14th August 2012
Third Quarter Results	-	Between 16th October and 14th November 2012
Audited Results for the year ending 31st December 2012	-	February 2013

Dates of Book Closure:
12th April 2012 to 3rd May 2012 (both days inclusive)

Dividend payment date:
On 10th May 2012, if declared at Annual General Meeting on 3rd May 2012

Listing on Stock Exchanges:
The Company's Shares are listed on the Stock Exchanges mentioned below and the Company has paid the Listing Fees to them for 2011-2012 and is in the process of paying the fees for 2012-2013.
The Bombay Stock Exchange Limited
The National Stock Exchange of India

Stock Code:
500674 on the Bombay Stock Exchange Limited

Demat ISIN Number for NSDL & CDSL:
INE 058A01010

Market Price Data:

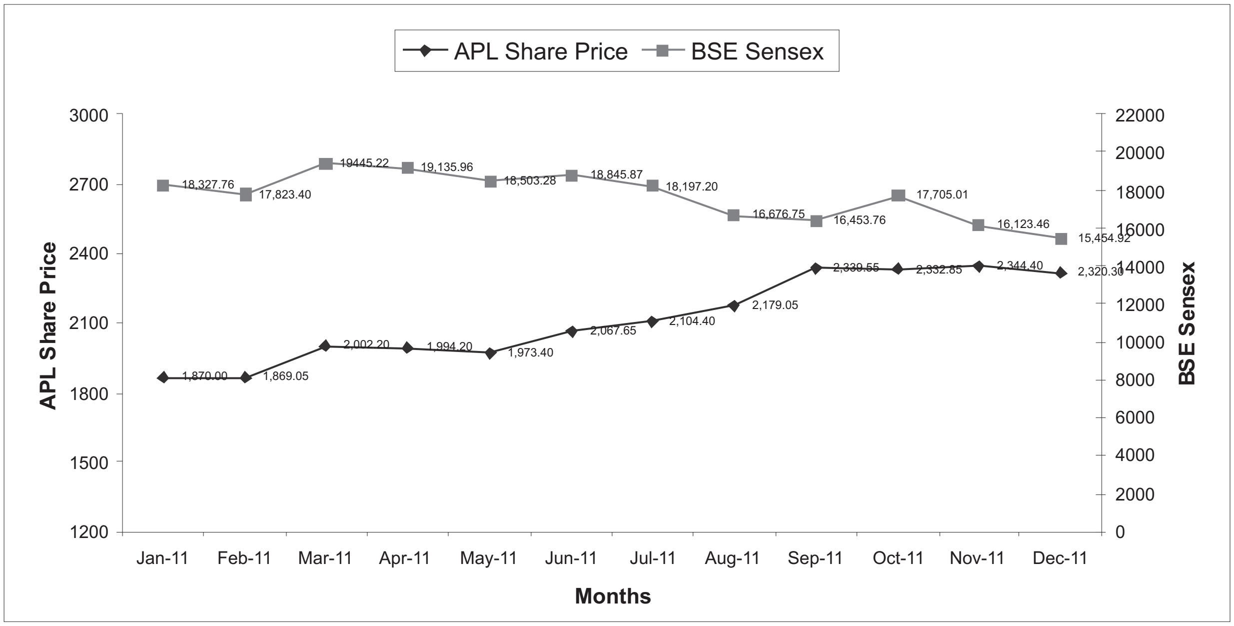
High/Low during year/month in the last financial year

Share Price on the Bombay Stock Exchange Limited (Face Value Rs. 10)

Months	Open Rs.	High Rs.	Low Rs.	Close Rs.
January 2011	1,949.75	1,952.00	1,821.50	1,870.00
February 2011	1,850.00	1,948.95	1,770.00	1,869.05
March 2011	1,919.00	2,099.00	1,801.00	2,002.20
April 2011	2,011.00	2,117.00	1,891.00	1,994.20
May 2011	2,020.00	2,030.00	1,917.00	1,973.40
June 2011	1,988.50	2,190.00	1,925.00	2,067.65
July 2011	2,098.30	2,379.65	1,972.05	2,104.40
August 2011	2,135.00	2,220.00	1,980.00	2,179.05
September 2011	2,172.00	2,424.00	2,111.25	2,339.55
October 2011	2,344.00	2,399.90	2,213.00	2,332.85
November 2011	2,353.00	2,400.00	2,145.00	2,344.40
December 2011	2,311.00	2,388.35	2,150.30	2,320.30

Stock Performance in comparison to broad based indices such as BSE Sensex

	January - December 2011 (in percentage %)
Aventis Pharma Limited	19.02%
BSE Sensex	(-) 24.64%
BSE 200	(-) 26.95%
BSE 100	(-) 25.73%



Registrars & Transfer Agents:

Link Intime India Pvt. Ltd. (formerly called Intime Spectrum Registry Limited), C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup West, Mumbai 400 078

Persons to contact:

Mr. Manohar Shirwadkar/Mr. Dyanesh Gharote / Ms. Sangeeta Lotankar / Mr. Mahadevan Iyer

Telephone No. : (022) 25946970 **Fax No. :** (022) 25946969 **E.Mail :** rnt.helpdesk@linkintime.co.in

Share Transfer System :

The power of approving transfers upto 1000 Shares purchased by any individual has been delegated to the Company Secretary. Transfers are approved every week.

Distribution of Shareholding as on 31.12.2011:

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 to 100	12662	91.34	754532	3.28
101 to 200	636	4.59	114549	0.50
201 to 300	165	1.19	45585	0.20
301 to 400	89	0.64	33444	0.14
401 to 500	75	0.54	36432	0.16
501 to 1000	105	0.76	80381	0.35
1001 to 2000	39	0.28	58211	0.25
2001 to 3000	11	0.08	28753	0.12
3001 to 4000	6	0.04	21200	0.09
4001 to 5000	8	0.06	35985	0.16
5001 to 10000	13	0.10	93125	0.40
10001 and above	53	0.38	21728425	94.35
TOTAL	**13862**	**100.00**	**23030622**	**100.00**

Shareholding Pattern as on 31.12.2011

		Percentage %
a)	Foreign Promoters (Hoechst GmbH/ Sanofi)	60.40
b)	Mutual Funds/ UTI	14.71
c)	Foreign Institutional Investors	9.65
d)	Banks	0.01
e)	Insurance Companies	3.04
f)	Bodies Corporate	5.70
g)	Trusts/Clearing Members	0.03
h)	Individuals holding upto Rs.1 lakh in nominal capital	4.98
i)	Individuals holding more than Rs.1 lakh in nominal capital	0.60
j)	Non-Resident Indians (with repatriation benefits)	0.03
k)	Non-Resident Indians (without repatriation benefits)	0.85
	Total	100.00

Dematerialisation of Shares and liquidity:

As on 31.12.2011, 98.81% of the paid-up Share Capital had been dematerialised.

Outstanding GDRs / ADRs / warrants or any Convertible instruments, Conversion date and likely impact on equity :

Not Issued

Plant locations:

Ankleshwar (Gujarat) and Verna (Goa)

Address for correspondence:

Shareholder correspondence should be addressed to the Company's Registrars, Link Intime India Pvt. Ltd. at C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup West, Mumbai 400 078

Investors may also write to or contact the Company Secretary, Mr. K. Subramani at the Registered Office for any assistance that they may need. Telephone No. (022) 28278530 Fax No. (022) 28360862
E.Mail - K.Subramani@sanofi.com; igrc.apl@sanofi.com

Shareholders holding Shares in dematerialised form should address all their correspondence (including change of address, nominations, ECS mandates, bank details to be incorporated on dividend warrants, powers of attorney, etc.) to their Depository Participant.

B. Non-Mandatory Requirements

a) **Chairman of the Board** :

Whether Chairman of the Board is entitled to maintain a Chairman's Office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties:

Yes

b) **Remuneration Committee :**

The Company has not set up a Remuneration Committee.

c) **Shareholder Rights**:

Half yearly declaration of financial performance including summary of the significant events in last six months to be sent to each household of Shareholders:

The Company's half yearly Results are published in English and Marathi newspapers having wide circulation and are also displayed on the Company's website. Hence, same are not sent to the Shareholders.

Second half yearly Results are not taken on record by the Board as audited Results are approved by the Board. The audited Results for the financial year are communicated to the Shareholders through the Annual Report.

d) **Audit Qualifications**:

The Auditors have issued an unqualified opinion for the year ended 31st December 2011.

e) **Training of Board Members**:

All the Directors have expertise in their areas of specialisation.

f) **Mechanism for evaluating Non Executive Directors**:

The Board of Directors may consider adopting this requirement in future.

g) **Whistle Blower Policy**:

The Board of Directors may consider adopting this requirement in future.

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

In accordance with Clause 49 of the Listing Agreements with the Stock Exchanges, the Board Members and Senior Management personnel of the Company have confirmed compliance with the Code of Business Conduct and Ethics for the financial year ended 31st December 2011.

For AVENTIS PHARMA LIMITED

DR. SHAILESH AYYANGAR
MANAGING DIRECTOR

Mumbai, 23rd February 2012

AUDITORS' CERTIFICATE

To

The Members of Aventis Pharma Limited

We have examined the compliance of conditions of Corporate Governance by Aventis Pharma Limited, for the year ended on December 31, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For S.R. BATLIBOI & CO.,
Firm registration number: 301003E
Chartered Accountants
per Vijay Maniar
Partner
Membership No.: 36738

Place : Mumbai
Date: February 23, 2012

AUDITORS' REPORT

To

The Members of Aventis Pharma Limited

1. We have audited the attached Balance Sheet of Aventis Pharma Limited ('the Company') as at December 31, 2011 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) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. 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 Act.

   v. On the basis of the written representations received from the directors, as on December 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011;

      b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and

      c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO
Firm registration number: 301003E
Chartered Accountants
per Vijay Maniar
Partner
Membership No.:36738

Place: Mumbai
Date: February 23, 2012

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

Re: Aventis Pharma Limited ('the Company')

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

(b) 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. No material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) 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.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company had granted loan to a company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 1,840,000 thousands and year-end balance of loan granted to such party was Rs. 340,000 thousands.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest has been regular.

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Act.

(e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company 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.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Act related to the manufacture of formulations and bulk drugs, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) 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 have generally been regularly deposited with the appropriate authorities though *there has been a slight delay in a few cases*.

(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 material 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 information and explanation given to us, there are no dues of wealth tax, income tax, sales tax, customs duty and service tax and cess which have not been deposited on account of any dispute. According to the records of the Company, the dues outstanding of excise duty on account of any dispute, are as follows:

Name of the statute	**Nature of dues**	**Amount (Rs.) '000s**	**Period to which the amount relates**	**Forum where dispute is pending**
The Central Excise Act, 1944	Duty on Samples	529	1994 to 1999	Customs Excise and Service tax Appellate tribunal
	Disallowance of Modvat	1,720	1993	Commissioner of Appeals, Surat
	Disallowance of Modvat	361	1993	Commissioner of Appeals, Surat
Medicinal & Toilet Preparations (Levy of Excise Duty) Act, 1955	Dispute Whether Central or State Excise duty	23,156	1990 to 1997	Central Board of Excise and Customs
	Dispute Whether Central or State Excise duty	13,207	1996 to 1999	Commissioner of State Excise, Maharashtra

(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 banks. The Company does not have any borrowings from financial institutions or by way of debentures.

(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 Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order 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) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

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

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

(xx) The Company has not raised any money 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 year.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants
per Vijay Maniar
Partner
Membership No.:36738

Place: Mumbai
Date: February 23, 2012

Balance Sheet
as at December 31, 2011

	Schedule	31.12.2011 Rupees '000	31.12.2010 Rupees '000
Sources of Funds			
Shareholders' Funds :			
Share capital	1	230,306	230,306
Reserves and surplus	2	10,935,953	9,911,196
Deferred Tax Liabilities (Net)	3	84,558	-
TOTAL		**11,250,817**	**10,141,502**
Application of funds			
Fixed Assets			
Gross block	4	9,679,174	3,754,969
Less: Accumulated depreciation / amortisation		2,309,453	2,044,492
Net block		7,369,721	1,710,477
Capital work-in-progress including capital advances (Refer note 24 of Schedule 17)		302,282	133,028
		7,672,003	**1,843,505**
Investments	5	**3,631**	**3,631**
Deferred Tax Assets (Net)	3	-	98,510
Current Assets, Loans and Advances			
Inventories	6	2,542,721	2,384,703
Sundry debtors	7	729,718	604,352
Cash and bank balances	8	2,342,412	6,553,502
Loans and advances	9	1,670,873	2,567,437
Other Current Assets	10	64,219	28,504
		7,349,943	**12,138,498**
Less: Current Liabilities and Provisions			
Current liabilities	11	2,195,464	1,737,057
Provisions	12	1,579,296	2,205,585
		3,774,760	**3,942,642**
Net Current Assets		**3,575,183**	**8,195,856**
TOTAL		**11,250,817**	**10,141,502**
Notes to Accounts	17		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S. R. Batliboi & Co.
Firm Registration No : 301003E
Chartered Accountants
per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai : February 23, 2012

For and on behalf of the Board of
Directors of Aventis Pharma Limited

Dr. Vijay Mallya	Chairman
Dr. S. Ayyangar	Managing Director
M. Dargentolle	Director
S. R. Gupte	Director
A. K. R. Nedungadi	Director
M. G. Rao	Director
K. Subramani	Company Secretary

Mumbai : February 23, 2012

Profit and Loss Account

for the year ended December 31, 2011

	Schedule	31.12.2011 Rupees '000	31.12.2010 Rupees '000
Income			
Sales (gross)		12,586,110	11,072,583
Less : Excise duty (Refer Note 25 of Schedule 17)		288,638	223,062
Sales (net)		12,297,472	10,849,521
Other income	13	1,394,738	1,134,839
		13,692,210	**11,984,360**
Expenditure			
Material Cost	14	6,193,649	5,389,919
Personnel expenses	15	1,764,203	1,632,517
Operating and other expenses	16	2,578,915	2,395,611
Depreciation / amortisation (Gross)	4	319,810	205,716
Less: Transferred from revaluation reserve		8,359	8,359
Depreciation / amortisation (net)		311,451	197,357
Interest- others		4,160	28,902
		10,852,378	**9,644,306**
Profit before taxation and Exceptional item		**2,839,832**	**2,340,054**
Taxation (Refer note 2 of Schedule 17)			
- Current (Net of excess provision written back for earlier years Rs.Nil (2010: Rs. 65,770 thousand)		743,166	742,696
- Deferred (Includes Rs. Nil (2010:56,925) for earlier years)		184,784	47,210
Total Tax Expense		**927,950**	**789,906**
Profit after taxation and before Exceptional item		**1,911,882**	**1,550,148**
Exceptional item (net of tax) (refer note 27 of Schedule 17)		-	757,375
Profit after taxation and Exceptional item		**1,911,882**	**2,307,523**
Balance brought forward		7,584,543	6,983,372
Profit available for appropriation		**9,496,425**	**9,290,895**
Appropriations :			
Interim dividend		92,122	92,122
Proposed final dividend		667,888	1,174,562
Tax on dividend		118,756	208,915
Transfer to general reserve		191,188	230,753
Surplus carried to balance sheet		**8,426,471**	**7,584,543**
Notes to accounts	17		
Earnings per share-basic and diluted (Refer note 9 of Schedule 17) (Rs.) (Nominal Value of equity share Rs.10 each (2010: Rs.10))			
- Computed on the basis of earnings before exceptional items		83.01	67.31
- Computed on the basis of earnings after exceptional items		83.01	100.19
Number of equity shares		23,030,622	23,030,622

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

As per our report of even date

For S. R. Batliboi & Co.
Firm Registration No : 301003E
Chartered Accountants
per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai : February 23, 2012

For and on behalf of the Board of
Directors of Aventis Pharma Limited

Dr. Vijay Mallya Chairman
Dr. S. Ayyangar Managing Director
M. Dargentolle Director
S. R. Gupte Director
A. K. R. Nedungadi Director
M. G. Rao Director
K. Subramani Company Secretary

Mumbai : February 23, 2012

Cash Flow Statement
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and exceptional items	**2,839,832**	**2,340,054**
Adjustment for :		
Depreciation	311,451	197,357
Unrealised net exchange (gain)/loss	(2,472)	10,595
(Gain)/ Loss on sale of fixed assets	208	1,726
Interest expense	4,160	28,902
Interest income	(538,659)	(340,809)
Provision for doubtful debts and advances	(290)	12,232
Dividends	(106)	(49,219)
Operating profit before working capital changes	**2,614,124**	**2,200,838**
Movements in working capital		
(Increase) in Sundry Debtors	(6,419)	(106,464)
(Increase) in Loans and Advances and Other current assets	(28,765)	(173,251)
(Increase) in inventories	(25,376)	(86,647)
Increase in current liabilities and provisions	289,652	262,163
Cash generated from operations	**2,843,216**	**2,096,639**
Direct taxes paid	(792,974)	(790,049)
Net inflow from operating activities (A)	**2,050,242**	**1,306,590**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Proceeds from sale of fixed assets	3,356	3,267
Dividend received	106	49,219
Interest received	575,057	332,569
Repayment of Loan given	1,500,000	230,000
Loan given	(540,000)	(1,350,000)
Purchase of assets	(656,979)	(333,861)
Business Purchase (Refer note 26 of schedule 17)	(5,670,700)	-
Deposits (with original maturity more than three months)	-	(5,345,000)
Proceeds of deposits matured (with original maturity more than three months)	-	6,455,000
Proceeds from sale of Investments (Refer note 27 of schedule 17)	-	1,007,507
Purchase of Investments	-	(765)
Net cash (outflow) / inflow from investing activities (B)	**(4,789,160)**	**1,047,936**
CASH FLOW FROM FINANCING ACTIVITIES		
Interim and final dividend paid (including tax thereon)	(1,472,172)	(550,544)
Interest paid	-	(1)
Net cash (outflow) from financial activities (C)	**(1,472,172)**	**(550,545)**
Net increase in cash & cash equivalents (A+B+C)	**(4,211,090)**	**1,803,981**
Cash and Cash Equivalents at the beginning of the year	6,553,502	4,749,521
Cash and Cash Equivalents at the end of the year	**2,342,412**	**6,553,502**

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and Bank Balances (as per schedule 8) - (Refer note 3 below)	**2,342,412**	**6,553,502**

Notes:

1) Comparative figures have been regrouped wherever necessary.
2) The cash flow statement has been prepared under the indirect method as set out in the Accounting standard-3 on cash flow statements issued by the Institute of Chartered Accountants of India.
3) Cash and Bank Balance as per Schedule 8 includes Rs 10,950 thousands (2010 : Rs 8,401 thousands) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date

For S. R. Batliboi & Co.
Firm Registration No : 301003E
Chartered Accountants
per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai : February 23, 2012

For and on behalf of the Board of
Directors of Aventis Pharma Limited

Dr. Vijay Mallya	Chairman
Dr. S. Ayyangar	Managing Director
M. Dargentolle	Director
S. R. Gupte	Director
A. K. R. Nedungadi	Director
M. G. Rao	Director
K. Subramani	Company Secretary

Mumbai : February 23, 2012

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
1. SHARE CAPITAL		
Authorised:		
23,500,000 (2010: 23,500,000)		
Equity Shares of Rs.10/- each	235,000	235,000
Issued, subscribed and paid-up:		
23,030,622 (2010: 23,030,622)		
Equity Shares of Rs.10/- each fully paid up.	230,306	230,306
	230,306	**230,306**

Of the above

a) 18,376,831 (2010: 18,376,831) Equity shares were issued as fully paid bonus shares by capitalisation of reserves and security premium

b) 13,904,722 (2010 : 13,904,722) equity shares are held by Hoechst GmbH, Germany, holding company and 4,865 (2010 : 4,865) Equity shares are held by Sanofi S.A., France, ultimate holding company

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
2. RESERVES AND SURPLUS		
Capital reserve	**34,904**	**34,904**
Securities premium account	**20,440**	**20,440**
Revaluation reserve		
Balance as per last balance sheet	127,922	136,281
Less: Transferred to profit and loss account	8,359	8,359
	119,563	**127,922**
General reserve		
Balance as per last balance sheet	2,143,387	1,912,634
Add: Transfer from profit and loss account	191,188	230,753
	2,334,575	**2,143,387**
Profit and Loss Account	**8,426,471**	**7,584,543**
	10,935,953	**9,911,196**
3. DEFERRED TAX (LIABILITIES) / ASSETS (NET)		
Employee retirement and other long term benefits	62,388	80,891
Effect of expenditure debited to Profit & Loss Account in current year but allowed for tax purposes in following years	155,691	161,910
Provision for doubtful debts and advances	10,045	10,361
Gross deferred tax assets	**228,124**	**253,162**
Difference in depreciation and other differences in block of fixed assets as per tax books and financial books	312,682	154,652
Gross deferred tax liabilities	**312,682**	**154,652**
Net Deferred Tax (Liabilities) / Assets	**(84,558)**	**98,510**

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

4. FIXED ASSETS

(Rupees '000)

	COST OR REVALUATION				DEPRECIATION/ AMORTISATION				NET BLOCK AS AT	
	As at 01.01.2011	Additions	Deductions	As at 31.12.2011	As at 01.01.2011	For the Year	Deductions	As at 31.12.2011	31.12.2011	31.12.2010
Intangible Assets										
Goodwill *	-	1,252,871	-	1,252,871	-	-	-	-	1,252,871	-
Brand (1)*	-	4,071,097	-	4,071,097	-	67,852	-	67,852	4,003,245	-
Software (2)	65,732	8,385	340	73,777	61,778	4,843	340	66,281	7,496	3,954
Marketing and technical rights for formulations	200,386	-	-	200,386	200,386	-	-	200,386	-	-
Technical know-how (3)*	104,313	391,502	-	495,815	26,877	36,536	-	63,413	432,402	77,436
Sub Total (A)	**370,431**	**5,723,855**	**340**	**6,093,946**	**289,041**	**109,231**	**340**	**397,932**	**5,696,014**	**81,390**
Tangible Assets										
Freehold Land	34,755	-	-	34,755	-	-	-	-	34,755	34,755
Leasehold Land	52,773	-	-	52,773	7,555	534	-	8,089	44,684	45,218
Buildings (4 and 5)	1,087,409	20,652	-	1,108,061	411,769	42,725	-	454,494	653,567	675,640
Leasehold Improvement	10,532	17,535	-	28,067	3,220	6,920	-	10,140	17,927	7,312
Plant & Machinery	1,835,857	173,466	33,591	1,975,732	1,084,498	122,008	31,253	1,175,253	800,479	751,359
Furniture & Fixtures	93,918	13,446	3,570	103,794	54,091	8,047	2,825	59,313	44,481	39,827
Office Equipment	56,754	2,764	1,220	58,298	41,387	2,672	959	43,100	15,198	15,367
Computers	204,936	30,315	19,692	215,559	150,891	26,500	19,472	157,919	57,640	54,045
Motor Vehicles	7,604	585	-	8,189	2,040	1,173	-	3,213	4,976	5,564
Sub Total (B)	**3,384,538**	**258,763**	**58,073**	**3,585,228**	**1,755,451**	**210,579**	**54,509**	**1,911,521**	**1,673,707**	**1,629,087**
Total (A+B)	**3,754,969**	**5,982,618**	**58,413**	**9,679,174**	**2,044,492**	**319,810**	**54,849**	**2,309,453**	**7,369,721**	**1,710,477**
Previous Year	3,345,749	472,277	63,057	3,754,969	1,896,840	205,716	58,064	2,044,492	1,710,477	

* Refer note 26 of Schedule 17

Notes:
1) Remaining amortisation period upto 118 months.
2) Remaining amortisation period upto 34 months.
3) Remaining amortisation period from 3 months to 58 months.
4) Buildings include investments representing ownership of Office premises and Residential flats in co-operative societies.
5) Buildings include buildings given on operating lease (refer note 10 of Schedule 17).

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
5. INVESTMENTS (AT COST) - LONG TERM		
UNQUOTED		
Trade Investments		
(i) Bharuch Enviro Infrastructure Limited 2,188 (2010: 2,188) Equity shares of Rs 10/- each fully paid up.	22	22
(ii) Bharuch Eco-Acqua Infrastructure Limited 236,000 (2010: 236,000) Equity shares of Rs.10/- each fully paid up.	2,360	2,360
	2,382	**2,382**
QUOTED		
Other Than Trade		
(i) United Breweries (Holdings) Limited 99,636 (2010:99,636) Equity shares of Rs 10/- each fully paid up.	750	750
(ii) United Breweries Limited 332,120 (2010: 332,120) Equity shares of Rs 1/- each fully paid up	499	499
	1,249	**1,249**
Aggregate market Value of quoted Investments Rs.133,552 thousands; 2010: Rs.198,372 thousands)		
	3,631	**3,631**
6. INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)		
Raw Materials and packing materials (Including in transit Rs. 156,569 thousands; 2010 : Rs. 161,322 thousands)	1,005,258	948,618
Work-in-progress	279,229	236,525
Finished goods (Including in transit Rs. 39,515 thousands; 2010 : Rs. 98,712 thousands)	1,258,234	1,199,560
	2,542,721	**2,384,703**

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
7. SUNDRY DEBTORS (UNSECURED)		
Outstanding over six months		
Considered - good	16,844	14,223
- doubtful	18,967	16,860
	35,811	31,083
Others - considered good	712,874	590,129
- doubtful	-	7,444
	712,874	597,573
	748,685	628,656
Less : Provision for doubtful debts	18,967	24,304
	729,718	**604,352**
Includes dues from Companies under the same management:-		
Sanofi Winthrop Industrie S.A.	-	254,404
P T Aventis Pharma (Indonesia)	-	988
Sanofi-Aventis Australia Pty Ltd.	-	14,075
Sanofi-Aventis Deutschland Gmbh	19,605	144,024
sanofi-aventis Lanka Limited	47,114	32,083
Sanofi-Aventis Singapore Pte Ltd.	315,513	701
Winthrop Pharmaceuticals UK Ltd.	-	19,279
Sanofi-aventis Vietnam Company Limited	-	869
sanofi-aventis Bangladesh Limited	-	378
sanofi-aventis (Malaysia) Sdn Bhd.	-	1,489
sanofi-aventis Pakistan limited	11,710	-
8. CASH AND BANK BALANCES		
Cash on hand	233	292
<u>With scheduled banks in</u>		
Current accounts	611,229	174,809
Term deposits	1,720,000	6,370,000
Unpaid dividend accounts	10,950	8,401
	2,342,412	**6,553,502**

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
9. LOANS AND ADVANCES (UNSECURED)		
Considered doubtful		
Advances recoverable in cash or in kind or for value to be received	12,498	7,451
Less: Provision for doubtful advances	12,498	7,451
	-	-
Considered Good		
Advances recoverable in cash or in kind or for value to be received	244,098	173,938
Advance tax (net of provision)	483,331	433,523
Balances with customs, excise, etc. (refer Note 3 of Schedule 17)	133,411	176,593
VAT credit (input) receivable	11,440	2,109
Inter Corporate Loan	340,000	1,300,000
Rs. 340,000 thousand (2010:1,300,000 thousand) due from Shantha Biotechnics Limited, a company under same management and in which one director is interested [Maximum balance due during the year Rs. 1,840,000 thousand (2010: 1,300,000 thousand)]		
Deposits Others	140,411	149,233
Other Receivables (Services / Recovery of expenses)#	311,142	291,445
Interest Accrued on Fixed Deposits	768	37,166
Margin money deposit	6,272	3,430
	1,670,873	**2,567,437**
# Other Receivables (Services / Recovery of expenses) includes dues from Companies under the same management -		
Sanofi-Aventis Recherche Et Développement S.A. {(maximum amount outstanding during the year Rs. 302 thousands (2010: Rs.105 thousands)}	124	102
Sanofi-Aventis Singapore Pte. Ltd. {(maximum amount outstanding during the year Rs. 564,683 thousands (2010: Rs. 1,021 thousands)}	209,717	-
Sanofi-Aventis Groupe S.A. {(maximum amount outstanding during the year Rs 2,033 thousands (2010: 2,163 thousands)}	397	-
Sanofi Winthrop Industrie S.A. {(maximum amount outstanding during the year Rs.520,605 thousands (2010: Rs. 526,988 thousands)}	20,405	200,787
Sanofi-Synthelabo (India) Ltd. {(maximum amount outstanding during the year Rs.100,327 thousands (2010: Rs. 78,193 thousands)}	46,856	57,333
Sanofi Pasteur India Pvt. Ltd. {(maximum amount outstanding during the year Rs.25,831 thousands (2010: Rs.13,560 thousands)}	6,454	13,560
Sanofi-Aventis US Inc. {(maximum amount outstanding during the year Rs.964 thousands (2010: Rs.81 thousands)}	677	-
Sanofi-Aventis Egypt SAE {(maximum amount outstanding during the year Rs.1,033 thousands (2010: Rs.804 thousands)}	373	-

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

		31.12.2011 Rupees '000	31.12.2010 Rupees '000
10.	**OTHER CURRENT ASSETS**		
	Physician samples	64,219	28,504
		64,219	**28,504**
11.	**CURRENT LIABILITIES**		
	Sundry creditors		
	- Micro and Small Enterprises (refer note 13 of Schedule17)	5,942	6,717
	- Others	1,509,224	1,234,512
	Employee related and other current liabilities	450,688	379,202
	Other liabilities	123,704	81,989
	Security deposits	74,730	20,086
	Advances from customers and others	19,626	4,027
	Unclaimed dividend which shall be credited to Investor Education and Protection Fund as and when due	10,950	8,401
	Unamortized discount on forward contract	600	2,123
		2,195,464	**1,737,057**
12.	**PROVISIONS**		
	Employees' retirement and other long term benefits (Refer Note 8 of Schedule 17)	130,261	193,186
	Employees' Retirement benefits - Pension (Refer Note 8 of Schedule 17)	16,728	16,250
	Employees' Retirement benefits - Provident fund (Refer Note 8 of Schedule 17)	49,921	37,529
	Proposed final dividend	667,888	1,174,562
	Tax on proposed dividend	108,348	195,080
	Other provisions (Refer Note 11 of Schedule 17)	606,150	588,978
		1,579,296	**2,205,585**

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
13. OTHER INCOME		
Interest		
Bank deposits (tax deducted at source Rs. 46,329 thousands; 2010: 31,102 thousands)	371,381	273,337
Others (refer note 29 of Schedule 17) (tax deducted at source Rs. 13,381 thousands ; 2010: 4,351 thousands)	167,278	67,472
Income from services rendered (net of service tax)	596,167	513,070
Rent	103,324	108,836
Export Incentives	62,767	75,150
Indirect taxes set off/ refunds	47,935	19,908
Insurance claims	1,567	3,090
Reversal of provision for doubtful debts and advances (net)	290	-
Miscellaneous Income	43,923	24,757
Income from Long Term investments:		
i) Trade - dividends	6	49,000
ii) Other - dividends	100	219
	1,394,738	**1,134,839**
14. MATERIALS COST		
Raw material and packing material consumed		
Opening stock	948,618	1,014,228
Add: Purchases	4,972,242	4,398,779
Less: Closing stock	1,005,258	948,618
	4,915,602	4,464,389
Purchase of finished goods	1,353,943	1,045,777
(Increase) in inventories		
Opening Stock		
Work-in-progress	236,525	213,380
Finished goods	1,199,560	1,083,779
	1,436,085	1,297,159
Closing Stock		
Work-in-progress	279,229	236,525
Finished goods	1,258,234	1,199,560
	1,537,463	1,436,085
	(101,378)	**(138,926)**
Increase of excise duty on inventories, samples, etc (refer note 25 of Schedule 17)	25,482	18,679
	6,193,649	**5,389,919**

Schedules annexed and forming part of accounts
for the year ended December 31, 2011

	31.12.2011 Rupees '000	31.12.2010 Rupees '000
15. PERSONNEL EXPENSES		
Salaries, wages and bonus (Refer Note 8 of Schedule 17)	1,553,390	1,421,718
Contribution to Provident fund/ Pension fund/ other funds (Refer Note 8 of Schedule 17)	115,433	118,801
Workmen and staff welfare expenses	95,380	91,998
	1,764,203	**1,632,517**
16. OPERATING AND OTHER EXPENSES		
Advertisement and sales promotion	800,209	723,087
Travelling and conveyance	495,398	449,383
Selling and distribution expenses	617,232	524,993
Power and fuel	270,801	210,774
Toll Manufacturing Charges	280,927	283,241
Legal and professional fees	109,574	143,780
Training & meetings	116,830	107,253
Repairs - building	10,953	13,535
- plant and machinery	45,827	29,005
- others	71,552	58,998
Insurance	52,231	47,225
Rent	104,124	75,381
Auxiliary and other materials	60,277	52,207
Rates and taxes	51,033	45,734
Stores and spares	23,336	32,111
Provision for doubtful debts and advances (net)	-	12,232
Loss on disposal of fixed assets (net)	208	1,726
Auditors remuneration (Refer Note 19 of Schedule 17)	5,429	4,743
Donations (other than political parties)	2,153	5,003
Exchange difference (net)	3,711	28,160
Others	334,347	329,107
	3,456,152	3,177,678
Less: Reimbursement of expenses (refer note 23 of Schedule 17)	877,237	782,067
	2,578,915	**2,395,611**

Schedules annexed to and forming part of the financial statements
for the year ended December 31, 2011

17. NOTES TO ACCOUNTS

A. Significant accounting policies:

Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

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 year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

Fixed assets

Fixed assets are stated at cost (or revalued amounts, as the case may be) less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Freehold land and buildings are recorded at revalued amounts and the incremental values are shown as capital reserve and revaluation reserve respectively. Capital and revaluation reserves are adjusted to the extent of revalued assets disposed off.

Depreciation/amortisation

Depreciation is provided on all fixed assets, considering the useful life estimated by the management at rates not lower than those prescribed in Schedule XIV of the Companies Act 1956, on straight line method (SLM) at the following rates per annum on the cost / enhanced cost.

Description of Assets	Rate (SLM)
Intangible Assets	Amortised over:
Brand	10 years
Software	3 years
Marketing and technical rights for formulations	10 years
Technical know how	5 years
Tangible Assets	
Leasehold land	Amortised over lease period
Buildings	3.34%
Leasehold Improvements	Amortised over lease period
Plant and Machinery	10.34%
Furniture and Fixtures	10.34%
Office equipments	9.50%
Computer	25.00%
Motor vehicles	16.21%
Laptops	33.33%

Goodwill on acquisition of business is not amortized. It is tested for impairment at each year end.

The incremental depreciation on revalued amount is transferred to Profit and Loss Account from revaluation reserve. Fixed assets costing Rs. 5,000 or less are fully depreciated in a year from acquisition.

Research and development cost

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is capitalized when the recognition criteria are met. Development expenditure capitalised is amortised over the period of expected future sales from the related project, not exceeding future sales.

Impairment

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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Leases

Company is the Lessee

Lease where the lessor effectively retains substantially all the risks and benefits of ownership of the lease term, are classified as operating leases. In respect of operating lease, rentals and all other expenses are treated as revenue expenditure. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

Company is the Lessor

Assets subject to operating leases are included in fixed assets. Lease income is treated as revenue and the same is credited to the Profit and Loss Account on a straight-line basis over the lease term. Costs including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage etc are recognised immediately in the Profit and Loss Account.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments are carried at cost. However, provision is made for any diminution in value, other than temporary.

Inventories

Inventories are valued as follows:

Raw Material and Packing Material

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined using standard cost method adjusted for variances, which approximates actual cost based on weighted cost formula.

Work-in-progress and finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined using standard cost method adjusted for variances, which approximates actual cost based on weighted cost formula.

Net realizable 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.

Cash and Cash equivalents

Cash and cash equivalents for the purpose of Cash flow statement comprise of cash at bank and in hand and short term investments with an original maturity of three months or less.

Foreign currency transactions

Foreign currency transactions during the year are recorded at rates of exchange prevailing on the date of transactions. Foreign currency monetary items are translated into rupees at the rate of exchange prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year or reported in the previous financial statements, are recognised 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 discounts arising at the inception of forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or expense for the year.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales (product and material) are stated net of sales tax, VAT, Excise duty and returns.

Service Income

Income from service rendered is recognised based on the terms of the agreements as and when services are rendered and are net of service tax.

Interest

Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend

Dividend Income is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Retirement & Other employee benefits

(i) Long-term Employee Benefits

(a) Defined Contribution Plans

The Company has defined contribution plans for post employment benefits in the form of Superannuation Fund which is recognised by the Income-tax authorities and administered through trustees and/or Life Insurance Corporation of India (LIC). Further, the Company also has a defined contribution plan in the form of a provident fund scheme for its staff and workmen at the Ankleshwar unit & Nepal and pension scheme under the Employee's Pension Scheme, 1995 for all its employees, which are administered by the Provident Fund Commissioner.

All the above mentioned schemes are classified as defined contribution plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred.

(b) Defined Benefit Plans

The Company has for all employees other than Ankleshwar Staff & Workmen, defined benefit plans for post employment benefits in the form of Provident Fund which is administered through trustees (treated as a defined benefit plan on account of guaranteed interest benefit). Further, the Company has defined benefit plan for post retirement benefit in the form of Gratuity which is administered through trustees and/or LIC for all its employees and pension for certain employees. Schemes of Provident Fund and Gratuity are recognised by the Income-tax authorities. Liability for Defined Benefit Plans is provided on the basis of valuation, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

(c) Other Long-term Employee Benefit

The Company has for all employees other long-term benefits in the form of Long Service Award and Leave Encashment as per the policy of the Company. Liabilities for such benefits are provided on the basis of valuation, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by an independent actuary for measuring the liability is the Projected Unit Credit method.

(ii) Actuarial gains and losses (for defined benefit and other long term benefit) comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

(iii) Termination benefits are recognised as an expense as and when incurred.

Taxation

Tax expense comprises of current and deferred tax. Provision for Income tax is made on the basis of the estimated taxable income as per the provisions of Income Tax Act, 1961 and the relevant Finance Act, after taking into consideration judicial pronouncements and opinions of the Company's tax advisors. Tax payments are set off against provisions.

Deferred income taxes reflect 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by the same governing taxation laws. 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. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

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

Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event, for which it is probable that outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined 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.

Contingent liabilities are disclosed when the Company has a possible obligation and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

B. Notes

1. Consequent upon the decision of the Supreme Court in the matter of prices of certain bulk drugs fixed by the Government of India under the Drug (Prices Control) Order, 1979, the Company paid an amount of Rs.31,200 thousands in 1988 being the liability determined by the Special Team appointed by the Government. However, during 1990, fresh demands aggregating to Rs.781,000 thousands alleged to be payable into the Drug Prices Equalisation Account (DPEA) were made by the Government on account of alleged unintended benefit enjoyed by the Company. The Government has also made certain claims for applicable interest. On a Writ Petition filed by the Company in 1991, the Bombay High Court passed an order whereby the demands were to be treated as show cause notices. The High Court directed the Company and the Government to furnish relevant data to each other based on which the Government was to rework the figures. The Government did not furnish the requisite data to the Company. In 1995, a further demand of Rs.79,500 thousands was made by the Government.

   In the meantime, a Committee was constituted by the Government to determine the liabilities of the Drug Companies. The Company filed written submissions with the Committee and contended during the personal hearing that in the absence of the Government furnishing the requisite data as directed by the Bombay High Court, the Company was not in a position to make an effectual presentation before the Committee.

   In January 1999, the Company filed an Application before the Bombay High Court seeking directions to the Government to furnish the requisite data. The Application is pending. In the meantime, the Committee has deferred further hearing of the Company's case, until the Application is heard and decided by the Bombay High Court. In any event, the Company is contesting the above demand.

2. The tax year for the Company being the year ending March 31, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2011 and the provision based on the profit for the remaining nine months up to December 31, 2011, the ultimate liability of which will be determined on the basis of the profit for the tax year April 1, 2011 to March 31, 2012.

3. Balance with customs and excise authorities includes excise and cenvat deposit Rs. 36,176 thousands (2010: Rs. 30,713 thousands) with toll manufacturers.

4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 256,882 thousands (2010: Rs. 200,164 thousands).

5. **Contingent Liabilities and commitments:**

	Dec 11 Rupees '000	Dec 10 Rupees '000
Tax demands in respect of which*		
• Tax authorities have appealed against Income tax orders which were ruled in favour of the Company	462,819	439,949
• Company's appeals are pending before appropriate authorities	973,009	713,697

* Contingent liabilities in respect of pending tax assessments in relation to similar matters are not determinable and hence not disclosed.

6. The operations of the Company represent a single primary business segment relating to pharmaceuticals. Secondary segment reporting is performed on the basis of location of the customers. All the business assets of the Company are situated in India except assets which are directly identifiable.

(Rupees '000)

Particulars	Dec 11			Dec 10		
	India	Outside India	Total	India	Outside India	Total
Sales (Net)	10,024,431	2,273,041	12,297,472	8,709,065	2,140,456	10,849,521
Carrying amount of segment assets	13,911,985	627,563	14,539,548	12,871,462	674,167	13,545,629
Capital expenditure for the year	6,151,872	-	6,151,872	332,033	1,828	333,861

7. **Related parties**

i. **Parties where control exists:**

a) Hoechst GmbH, Germany, holding Company (holds 60.38% of the equity share capital as at December 31, 2011)

b) Sanofi S.A., France, ultimate holding Company

ii. **Other related parties with whom transactions have taken place during the year:-**

a) **Fellow subsidiaries**

Sanofi-Aventis Australia Pty Limited	Sanofi-aventis Korea Co. Ltd.
Sanofi-Aventis Deutschland GmbH	Sanofi-Aventis Egypt SAE
sanofi-aventis Lanka Ltd.	Sanofi-Aventis Spa
Sanofi-Aventis Groupe S.A.	Sanofi-Aventis US Inc.
Francopia S.A.R.L.	Sanofi-Aventis Singapore Pte. Ltd.
Sanofi-Aventis Recherche Et Développement S.A.	Sanofi-aventis Vietnam Company Limited
Sanofi Winthrop Industrie S.A.	sanofi-aventis Bangladesh Limited
Sanofi Chimie S.A.	Sanofi-aventis (Malaysia) SDN BHD.
Aventis Pharma Limited, UK	Sanofi-Aventis Commercial e Logistics
Winthrop Pharmaceuticals UK Ltd.	Sanofi-Aventis Private Co. Ltd. Hungary
PT Aventis Pharma (Indonesia)	Shantha Biotechnics Limited
Sanofi-Synthelabo (India) Limited	Sanofi-Aventis Thailand Limited
Sanofi Pasteur India Private Limited	Sanofi-Aventis South Africa (Pty) Limited
sanofi-aventis Pakistan limited	Sanofi-Aventis Nigeria Ltd.

b) **Key management personnel of the Company for the year**

Name	Category of Directorship
Dr. Shailesh Ayyangar	Managing Director
Mr. Madhusudan Garimela Rao	Executive Director from 01st January 2011 to 02nd October 2011 & 19th October 2011 to 31st December 2011
Mr. Shirish Chandrakant Ghoge	Executive Director from 01st January 2011 to 31st March 2011
Mr. Michel Dargentolle	Executive Director

c) **Transactions during the year:**

(Rupees '000)

Particulars	Dec 11	Dec 10
Holding Company		
Dividend		
Sanofi S.A.	267	99
Hoechst GmbH	764,760	285,047
Payment of Common shared expenses		
Sanofi S.A.	30,285	-
Fellow subsidiaries		
Sale of Raw Material and Finished Goods		
Sanofi Winthrop Industrie S.A.	342,804	1,334,657
Sanofi-Aventis Deutschland GmbH	190,901	346,378
Winthrop Pharmaceuticals UK Ltd.	35,727	208,047
Sanofi-Aventis Singapore Pte. Ltd.	1,501,306	1,226
sanofi-aventis Lanka Ltd.	115,870	104,028
Others	79,530	139,037
Total	**2,266,138**	**2,133,373**
Purchase of Raw Material and Finished Goods		
Sanofi-Aventis Spa	105,318	56,454
Sanofi Winthrop Industrie S.A.	466,680	2,636,613
Aventis Pharma Limited, UK	94,932	108,556
Sanofi-Aventis Singapore Pte. Ltd.	2,623,101	83,814
Others	84,440	18,091
Total	**3,374,471**	**2,903,528**
Recovery of expenses		
Sanofi Winthrop Industrie S.A.	29,359	723,239
Chiron Behring Vaccines Private Limited	-	35,142
Sanofi-Aventis Singapore Pte. Ltd.	767,649	1,930
Others	5,868	4,457
Total	**802,876**	**764,768**
Income from Service rendered		
Sanofi-Synthelabo (India) Limited	472,991	459,353
Sanofi-Aventis Deutschland GmbH	45,856	15,626
Sanofi Pasteur India Private Limited	77,561	34,643
Total	**596,408**	**509,622**

(Rupees '000)

Particulars	Dec 11	Dec 10
Dividend income		
Chiron Behring Vaccines Private Limited	-	49,000
Refund of Inter Corporate Loan given		
Sanofi Pasteur India Private Limited	-	230,000
Shantha Biotechnics Limited	1,500,000	-
Inter Corporate Loan given		
Sanofi Pasteur India Private Limited	-	50,000
Shantha Biotechnics Limited	540,000	1,300,000
Interest income (others) on loan/inter Company deposits given		
Sanofi Pasteur India Private Limited	-	5,693
Shantha Biotechnics Limited	133,001	33,781
Total	**133,001**	**39,474**
Payment of Common shared expenses		
Sanofi Aventis Groupe S.A.	8,236	5,161
Sanofi-Aventis Singapore Pte Ltd.	4,236	5,717
Sanofi-Synthelabo (India) Limited	13,768	8,438
Sanofi Pasteur India Private Limited	27,687	-
Others	12,468	2,139
Total	**66,395**	**21,455**
Payment towards Intangibles under development		
Sanofi-Synthelabo (India) Limited	22,383	17,766
Key Management Personnel		
Remuneration (refer note 14)		
Dr. Shailesh Ayyangar	10,055	9,654
Mr. Madhusudan Garimela Rao	8,747	1,647
Mr. Shirish Chandrakant Ghoge	1,780	1,346
Mr. Michel Dargentolle	3,672	2,981
	24,254	**15,628**

d) **Outstanding as at December 31, 2011**

(Rupees '000)

Particulars	Dec 11	Dec 10
Holding Company		
Sanofi S.A.	30,805	-
Fellow Subsidiaries		
Sundry Debtors		
Sanofi Winthrop Industrie S.A.	-	254,404
Sanofi-Aventis Deutschland GmbH	19,604	144,024
Sanofi-Aventis Singapore Pte. Ltd.	315,513	701
sanofi-aventis Lanka Limited	47,114	32,083
Others	11,711	37,078
Total	**393,942**	**468,290**
Other Receivable (Services / Recovery)		
Sanofi-Synthelabo (India) Limited	46,856	57,333
Sanofi Winthrop Industrie S.A.	20,405	200,787
Sanofi-Aventis Singapore Pte. Ltd.	209,717	-
Others	8,025	18,240
Total	**285,003**	**276,360**
Sundry Creditors		
Sanofi Winthrop Industrie S.A.	72,403	377,930
Sanofi-Aventis Singapore Pte. Ltd.	409,855	72,744
Sanofi Aventis Spa	35,369	10,117
Others	49,964	44,988
Total	**567,591**	**505,779**
Loan to Others		
Shantha Biotechnics Limited	340,000	1,300,000

8. **Employee Benefits**

A) **Defined Contribution Plans**

The Company has recognised the following amounts in the Profit and Loss Account for the year:

Particulars	Dec 11 Rupees '000	Dec 10 Rupees '000
i) Contribution to Employees' Provident Fund (Ankleshwar and Nepal)	1,911	1,752
ii) Contribution to Employees' Superannuation Fund	8,839	9,427
iii) Contribution to Employee's Pension Scheme, 1995	15,053	13,923

B) **Post Employment Defined Benefit Plans**

Valuations in respect of Gratuity, Pension Plan and Interest shortfall on Provident Fund have been carried out by an independent actuary, as at the Balance Sheet date, based on the following assumptions:

Particulars	Gratuity		Pension Plan		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10	Dec 11	Dec 10
(a) Discount Rate (per annum)	8.50%	8.00%	8.50%	8.00%	8.50%	8.00%
(b) Expected Rate of Return on Plan Assets	8.50%	8.00%	NA*	NA*	8.00%	8.00%
(c) Salary Escalation rate#	6.00%	6.00%	NA*	NA*	6.00%	6.00%
(d) Mortality	LIC-Ultimate 94-96	LIC-Ultimate 94-96	LIC-Ultimate 94-96	LIC-Ultimate 94-96	NA*	NA*
(e) Employees' turnover	Age related	Age related	Age related	Age related	Age related	Age related

* NA - Not Applicable

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

i) **Change in Benefit Obligation**

(Rupees '000)

Particulars	Gratuity		Pension Plan		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10	Dec 11	Dec 10
Liability at the beginning of the period	274,410	247,722	16,250	17,920	1,038,143	910,083
Interest Cost	21,953	19,910	1,288	1,434	100,946	74,349
Current Service Cost	19,980	17,480	290	356	57,631	50,718
Employees Contribution	-	-	-	-	81,808	72,831
Benefits Paid	(26,436)	(20,155)	(2,928)	(2,522)	(96,365)	(81,962)
Transfer from previous employers	-	-	-	-	-	5,490
Liability Transfer In	(406)	-	-	-	3,592	-
Liability Transfer Out	-	(2,108)	-	-	-	-
Provision for diminution in fair value of Plan assets	-	-	-	-	-	-
Actuarial (gain)/loss on Obligations	(7,703)	11,561	1,828	(938)	12,542	6,634
Liability at the end of the year	**281,798**	**274,410**	**16,728**	**16,250**	**1,198,297**	**1,038,143**
Funded Benefit Obligation	277,268	203,295	-	-	1,148,376	1,000,614
Non Funded Benefit Obligation	4,530	71,115	16,728	16,250	49,921	37,529

ii) **Fair value of Plan Assets**

(Rupees '000)

Particulars	Gratuity		Pension Plan		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10	Dec 11	Dec 10
Fair Value of Plan Assets at the beginning of the year	203,295	163,854	-	-	1,000,614	885,323
Expected Return on Plan Assets	16,273	12,954	-	-	97,944	72,368
Interest Shortfall paid by the Company	-	-	-	-	11,370	-
Employer's Contributions	67,475	42,926	2,929	2,522	49,413	46,564
Employees Contribution	-	-	-	-	81,808	72,831
Benefits Paid	(15,337)	(20,155)	(2,929)	(2,522)	(96,365)	(81,962)
Transfer from Other Approved Funds	-	-	-	-	3,592	5,490
Provision for diminution in fair value of Plan assets	-	-	-	-	-	-
Actuarial gain/(loss) on Plan Assets	5,562	3,716	-	-	-	-
Fair Value of Plan Assets at the end of the year	**277,268**	**203,295**	**-**	**-**	**1,148,376**	**1,000,614**
Contributions expected to be paid to the Plan in 2012	22,283	25,000	-	-	-	-

iii) **Actual Return on Plan Assets**

(Rupees '000)

Particulars	Gratuity		Pension Plan		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10	Dec 11	Dec 10
Expected Return on Plan Assets	16,273	12,954	-	-	97,944	72,368
Actuarial gain/(loss) on Plan Assets	5,562	3,716	-	-	-	-
Actual Return on Plan Assets	**21,835**	**16,670**	**-**	**-**	**97,944**	**72,368**

iv) **Amount Recognised in the Balance Sheet**

(Rupees '000)

Particulars	Gratuity		Pension Plan		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10	Dec 11	Dec 10
Liability at the end of the year	281,798	274,410	16,728	16,250	1,198,297	1,038,143
Fair Value of Plan Assets at the end of the year	277,268	203,295	-	-	1,148,376	1,000,614
Difference	4,530	71,115	16,728	16,250	49,921	37,529
Unrecognized Past Service Cost	-	-	-	-	-	-
Amount Recognised in the Balance Sheet	**4,530**	**71,115**	**16,728**	**16,250**	**49,921**	**37,529**

v) **Expenses Recognised in the Income Statement**

(Rupees '000)

Particulars	Gratuity		Pension Plan		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10	Dec 11	Dec 10
Current Service Cost	19,980	17,480	290	356	57,631	50,718
Interest Cost	21,953	19,910	1,288	1,434	100,946	74,349
Expected Return on Plan Assets	(16,273)	(12,954)	-	-	(97,944)	(72,368)
Net Actuarial (Gain)/ Loss to be Recognised	(13,265)	7,845	1,828	(938)	12,542	6,634
Expense Recognised in Profit and Loss under personnel expenses	**12,395**	**32,281**	**3,406**	**852**	**73,175**	**59,333**

vi) **Amount for the current period and previous periods are as follows:**

(Rupees '000)

Particulars	Gratuity					Pension Plan					Provident Fund				
	Dec 11	Dec 10	Dec 09	Dec 08	Dec 07	Dec 11	Dec 10	Dec 09	Dec 08	Dec 07	Dec 11	Dec 10	Dec 09	Dec 08	Dec 07
Defined Benefit Obligation	281,798	274,410	247,722	208,189	193,734	16,728	16,250	17,920	21,990	26,342	1,198,297	1,038,143	910,083	819,515	714,653
Plan assets	277,268	203,295	163,854	141,886	135,260	-	-	-	-	-	1,148,376	1,000,614	885,323	792,263	682,887
Surplus/(deficit)	4,530	71,115	83,868	66,303	58,474	16,728	16,250	17,920	21,990	26,342	49,921	37,529	24,760	27,252	31,766
Experience adjustment on benefit obligation															
Net Actuarial (Gain)/Loss due to Experience	(7,703)	11,561	27,309	25,266	17,183	1,828	(938)	(2,876)	(4,480)	(51)	12,542	6,634	(11,584)	(3,643)	-
Net Actuarial (Gain)/Loss due to Change in Assumption	-	-	1,180	(4,274)	-	-	-	95	461	-	-	-	-	-	-
Experience adjustment on Plan Assets															
Net Actuarial Gain/(Loss) due to Experience	5,562	3,716	-	1,366	(2,809)	-	-	-	-	-	-	-	-	-	-
Net Actuarial (Gain)/Loss due to Change in Assumption	-	-	(242)	-	-	-	-	-	-	-	-	-	-	-	-

vii) **Basis used to determine expected rate of return on assets**

Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio since these are generally held to maturity, along with the estimated incremental investments to be made during the year.

viii) **General descriptions of significant defined Plans**

Gratuity Plan

Gratuity is payable to all eligible employees of the Company on superannuation, death and permanent disablement in terms of provisions of the Payment of Gratuity Act or as per the Company's Scheme, whichever is more beneficial. Benefit would be paid at the time of separation based on the last drawn base salary.

Pension Plan

Under the Company's Pension scheme, certain executives are eligible for fixed pension for five years, depending on their level at the time of retirement on superannuation, death or early retirement with the consent of the Company.

Provident Fund

The Company manages the provident fund through a Provident Fund Trust for its employees (except Staff and Workmen at Ankleshwar unit) which are permitted under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The Plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee, together with interest, are payable at the time of separation from service or retirement.

ix) **Broad category of Plan assets relating Gratuity and Provident Fund as a percentage of total Plan assets**

Particulars	Gratuity		Provident Fund	
	Dec 11	Dec 10	Dec 11	Dec 10
Government of India securities	-	-	20%	18%
Bonds	-	-	42%	40%
Special Deposit Scheme, 1975	-	-	34%	39%
Other assets	-	-	4%	3%
Administered by Life Insurance Corporation of India	100%	100%	-	-
	100%	**100%**	**100%**	**100%**

9. **Earnings per share:**

Particulars	Dec 11	Dec 10
Numerator used for calculating basic and diluted earnings per share - profit after taxation and before Exceptional Item (Rupees'000)	1,911,882	1,550,148
Numerator used for calculating basic and diluted earnings per share - profit after taxation and Exceptional Item (Rupees '000)	1,911,882	2,307,523
Weighted average number of shares used as denominator for calculating basic and diluted earnings per share	23,030,622	23,030,622
Nominal value per share (Rupees)	10	10
Basic and diluted earnings per share		
Computed on the basis of earnings before exceptional items divided by weighted average number of shares (Rupees)	83.01	67.31
Computed on the Basis of earnings after exceptional items divided by weighted average number of shares (Rupees)	83.01	100.19

10. Operating leases

Future lease commitments in respect of non-cancellable operating leases:

Where Company is the lessee:

(Rupees '000)

Particulars	Dec 11	Dec 10
Charged to Profit and Loss Account *	8,923	11,216
Not later than one year	7,743	6,730
Later than one year but not later than five years	13,889	5,004

*Premises and Cars are obtained on operating lease. The lease is for a period of five years for cars and one to three years for premises and there is no provision for renewal. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

In respect of cancellable operating leases, lease charges charged to Profit and Loss Account

(Rupees '000)

Particulars	Dec 11	Dec 10
Car Lease Charges**	12,860	7,382
Premises Lease Charges**	82,332	56,783
Total	**95,192**	**64,165**

** Premises and Cars are obtained on operating lease. There is no provision for renewal. There is no escalation clause in the lease agreement. There are no restrictions imposed by leased arrangements. There are no subleases.

Where Company is the lessor:

In respect of non-cancellable operating leases

(Rupees '000)

Particulars	Dec 11	Dec 10
Credited to Profit and Loss Account #	103,324	108,835
Not later than one year	71,712	92,740
Later than one year but not later than five years	49,354	51,453

Uncollectible minimum lease payments receivable at the balance sheet date Rs.Nil . (2010: Rs. Nil)

#The Company has leased out building on operating lease. The lease term is for a period ranging from 33-60 months and thereafter not renewable. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

Details in respect of assets given on operating lease:

(Rupees '000)

Particulars	Dec 11	Dec 10
Gross carrying amount of buildings	196,297	196,297
Accumulated depreciation on cost and re-valued amount	101,136	94,579
Depreciation recognised in Profit and Loss Account	6,556	6,556
Less: Transferred from revaluation reserve	6,326	6,326
Net depreciation as per Profit and Loss Account	230	230

In respect of cancellable operating leases, lease income credited to Profit and Loss Account

11. Other provisions:

Movements in provisions:

(Rupees '000)

	Class of provisions			
	Indirect tax	Provision for Sales Returns	Others	Total
Balance as at January 1, 2011	92,462 (92,462)	173,205 (171,371)	323,311 (206,427)	588,978 (470,260)
Amount provided during the year	431 -	120,542 (71,550)	12,034 (118,483)	133,007 (190,033)
Amount written back/adjusted during the year	22,905 -	75,166 (69,716)	17,764 (1,599)	115,835 (71,315)
Balance as at December 31, 2011	69,988 (92,462)	218,581 (173,205)	317,581 (323,311)	606,150 (588,978)

Note: Figures in brackets are for the previous year.

i) Provision for indirect taxes represents differential excise duty, sales tax, custom duty and service tax in respect of which the claims are pending before various authorities for a considerable period of time and based on management's estimate of claims provision is made on prudent basis that possible outflow of resources may arise in future.

ii) Other provisions on prudent basis are towards possible outflow of resources in respect of legal cases pending against the Company or in respect of contractual obligations of the Company.

iii) Provision for sales returns are on account of expected date expiry and breakages returns based on historical trends.

iv) The management intends to continue legal actions against all the claims and defend its position.

12. Derivative Instruments and Un-hedged Foreign Currency Exposure:

Particulars of Derivatives	Purpose	Currency	Dec 2011	Dec 2010
Forward Contract for Sale of EURO	Hedge of future Receivable	EURO	3,000,000	5,50,0000

Particulars of un-hedged Foreign Currency exposure as at Balance sheet date

Particulars	Foreign currency	Dec 11		Dec 10	
		Foreign currency Value	(Rupees '000)	Foreign currency Value	(Rupees '000)
Sundry Creditors	EUR	5,889,272	404,670	5,162,760	308,516
	JPY	-	-	-	-
	USD	174,359	9,259	132,889	5,943
	SGD	-	-	37,085	1,293
	GBP	5,264	433	-	-
Advances Recoverable in cash or kind	NPR	79,691	50	311,666	196
Sundry Debtors and other receivables	EUR	5,357,695	368,143	5,101,393	304,849
	USD	1,003,704	53,302	865,153	38,692
	AUD	-	-	-	-
Bank Balances	EUR	21,228	1,459	332,162	19,850
	USD	9,571	508	158,745	7,099

13. **Micro and Small Enterprises**

(Rupees '000)

Details of dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprise Development Act,2006	**Dec 11**	**Dec 10**
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year:		
Principal Amount	5,942	6,650
Interest thereon remaining unpaid	71	67
Amount of interest paid in terms of section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006	71	66
Amount of interest accrued and remaining unpaid at the end of each accounting year; and	71	67
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	-	-

14. **Managerial remuneration:**

(Rupees '000)

Particulars	**Dec 11**	**Dec 10**
Remuneration		
Salaries	18,802	11,487
Perquisites*	4,060	3,033
Contribution to PF/Other Fund	1,392	1,138
Total	**24,254**	**15,628**
Directors' fees	680	580
Commission to Non Executive Directors (Previous year includes Rs. 1,900 thousand for the year ended December 31, 2009)	1,900	3,800
Grand Total	**26,834**	**20,008**

The above excludes provision for leave encashment, gratuity, long service award, pension and provident fund (to the extent actuarially valued) which are determined on the basis of actuarial valuation done on an overall basis for the Company.

* Evaluated as per Income-tax Rules, wherever applicable

15. **Particulars relating to licensed/installed capacity, production, stocks and sales.**

A) License capacity is not applicable.

B) Installed capacity (as certified by management and relied upon by auditors) and actual production:

	Units	Installed capacities		Production	
		Dec 11	**Dec 10**	**Dec 11**	**Dec 10**
I. Basic drugs:					
Pharmaceuticals	Tonnes	253.00	253.00	142.93	101.09
II. Formulations:					
Liquid injectibles#	KL	-	-	546.43	517.89
Tablets / Dragees	Mio Nos	7,600.00*	7,600.00*	6,994.56	6,992.22
Capsules#	Mio Nos	-	-	224.17	254.33
Ointments#	Tonnes	-	-	815.41	791.26
Granules #	Tonnes	-	-	-	6.82
Drops, syrup and other liquids#	KL	-	-	756.54	665.57

Production figures include goods manufactured at third party facilities and captive consumptions.

* Includes installed capacity of granules.

Represents produced only at third party locations

C) Opening and Closing stocks and Sales in respect of each class of finished goods purchased/produced

Particulars	Unit	Opening Stock		Closing Stock		Sales		Purchases	
		Quantity	Value Rs. '000	Quantity	Value Rs. '000	Quantity	Gross Value Rs. '000	Quantity	Gross Value Rs. '000
I. Basic Drugs									
Pharmaceuticals	Tons	27.33 (17.20)	77,488 (35,947)	32.31 (27.33)	87,510 (77,488)	63.49 (40.07) (75.76) (50.88)	395,215 (283,607) * *	- -	- -
		**	77,488 (35,947)	**	87,510 (77,488)		395,215 (283,607)		- -
II Formulations									
Liquid Injectibles	Kl	94.88 (85.27)	254,143 (256,605)	103.45 (94.88)	287,504 (254,143)	545.15 (520.41)	2,571,023 (2,151,338)	557.39 (532.79)	370,073 (275,123)
Tablets / Dragees	Mio. Nos.	1,293.38 (1,043.64)	654,791 (584,691)	1,234.87 (1,293.38)	662,919 (654,791)	7,339.01 (7,032.48)	7,311,487 (6,638,457)	7,316.69 (7,210.15)	315,126 (206,454)
Capsules	Mio. Nos.	53.13 (32.06)	28,049 (24,743)	94.43 (53.13)	90,136 (28,049)	310.62 (231.73)	387,596 (187,161)	351.93 (255.53)	175,322 (3,983)
Ointments	Tons	129.52 (136.53)	58,300 (72,700)	131.71 (129.52)	64,169 (58,300)	856.90 (834.51)	607,182 (577,075)	871.55 (841.89)	79,382 (70,495)
Sterile Powders	Mio. Nos.	0.33 (0.13)	167,840 (117,506)	0.21 (0.33)	93,012 (167,840)	0.87 (0.74)	853,210 (797,602)	0.79 (0.97)	379,399 (482,285)
Drops ,Syrups & Other Liquids	Kl	167.58 (116.77)	36,437 (27,403)	189.63 (167.58)	46,641 (36,437)	759.71 (608.14)	368,486 (322,054)	798.23 (678.84)	17,168 (7,437)
Granules	Tons	- (0.15)	- (131)	507.18 (0.00)	13,853 (-)	460.55 (8.42)	54,711 (15,025)	968.54 (7.00)	17,473 (-)
			1,199,560 (1,083,779)		1,258,234 (1,199,560)		12,153,695 (10,688,712)		1,353,943 (1,045,777)
III Others		- (-)	- -	- (-)	- -	- (-)	37,200 (100,264)	- (-)	- -
			- -		- -		37,200 (100,264)		- -
			1,277,048 (1,119,726)		1,345,744 (1,277,048)		12,586,110 (11,072,583)		1,353,943 (1,045,777)

* Represents used for captive consumption

** Included as part of raw materials

Notes: 1) Figures in Brackets relate to previous year.

2) Closing Stocks are after adjustments for in-transit breakages or damages, date expired products and free issues.

3) Others represents sale of intermediates and raw materials.

4) Cost of samples (manufactured and purchased) have been included in Materials Cost under Schedule 14 of financial statements.

(Rupees '000)

16. Value of imports on CIF basis:	Dec 11	Dec 10
Raw and packing materials	1,871,888	1,705,196
Components, spares and auxiliary	4,036	5,478
Capital goods	54,094	9,622
Finished goods	1,902,821	1,589,805

(Rupees '000)

17. Expenditure in foreign currency (on accrual basis)	Dec 11	Dec 10
Commission	1,655	-
Traveling and conveyance	25,739	22,102
Telecommunication Charges (included in Others of Schedule 15)	15,312	12,911
Legal and professional fees	32,411	27,034
Others	13,433	4,119

(Rupees '000)

18. Consumption of raw materials, packing materials, spare parts and components	Dec 11		Dec 10	
		%		%
Raw Materials and packing materials:				
Indigenous	1,575,615	32	1,699,286	38
Imported*	3,339,987	68	2,765,103	62
	4,915,602	**100**	**4,464,389**	**100**
Spare parts and components:				
Indigenous	21,864	94	31,640	99
Imported	1,472	6	471	1
	23,336	**100**	**32,111**	**100**
Raw Materials Consumed Product wise*:				
Lantus Cartridge 5x3 ml (Imported)	507,834	10	373,256	8
Others	4,407,768	90	4,091,133	92
	4,915,602	**100**	**4,464,389**	**100**

*It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

(Rupees '000)

19. Auditor's remuneration:	Dec 11	Dec 10
As Auditors:		
- Statutory audit	1,950	1,800
- Tax audit and tax accounts	1,198	1,110
- Limited review	880	815
- Group reporting	450	420
- Other certification	285	135
- Out of Pocket expenses	159	20
Service tax	**507**	**443**
	5,429	**4,743**

20. Revenue expenditure on research and development (including depreciation and amortisation) aggregating to Rs. 40,071 thousands (Previous year - Rs. 36,591) is included under relevant heads in the Profit and Loss Account.

21. Dividend remittances in foreign currency:

(Rupees '000)

Particulars	Dec 11	Dec 10
Dividend remitted in foreign currency		
Final for the year 2009	-	229,508
Interim for the year 2010	-	55,638
Final for year 2010	709,389	-
Interim for the year 2011	55,638	-
Number of non-resident shareholders	2	2
Number of shares held	13,909,587	13,909,587

All remittances are made in EURO.

22. Earnings in foreign exchange (on accrual basis):

(Rupees '000)

Particulars	Dec 11	Dec 10
FOB value of exports	2,195,294	2,066,941
Income from services rendered	49,752	15,626
Reimbursement of expenses & Market Support	804,727	729,944
Sale Value of Long Term Investment	-	1,007,507

23. Reimbursement of expenses includes expenses recovered for common shared utilities and services from Bayer Crop Science Limited and Chiron Behring Vaccines Private Limited. Further, it also includes market support and clinical trials reimbursement from fellow subsidiaries.

24. Capital work in progress as at December 31, 2011 includes intangibles under development amounting to Rs. 23,463 thousands (2010: Rs. 30,042 thousands)

25. Excise duty on sales amounting to Rs. 288,638 thousands (2010: Rs. 223,062 thousands) has been reduced from sales in Profit & Loss Account and increase of excise duty on inventories, samples, etc. amounting to Rs.25,482 thousands (2010: Rs.18,679 thousands) has been considered as (income)/expense in Schedule 14 of financial statements.

26. During the year, the company entered into Business Purchase Agreement (the "Agreement") with Universal Medicare Private Limited ('UML') for purchase of marketing and distribution business of branded nutraceutical formulations in India on a going concern basis via slump sale effective from November 3, 2011 for a consideration of Rs.5,670,700 thousands. Subsequently due to change in net working capital, the consideration was revised to Rs.5,612,195 thousands. Accordingly, Rs.58,505 thousands receivable from UML has been included under Loans & Advances in Schedule 9 of financial statements.

The transaction was consummated on November 3, 2011 and accordingly the Company acquired the following assets and liabilities at fair values:

(Rupees '000)

Particulars		**Amount**
Fixed Assets		168
Inventory		132,642
Debtors		107,755
Other Current Assets		5,231
Total Assets	**(i)**	**245,796**
Current Liabilities		95,037
Provisions		33,288
Total Liabilities	**(ii)**	**128,325**
Net Tangible Assets	**(A) = (i) - (ii)**	**117,471**
Purchase Consideration payable after adjustment of net working capital		5,612,195
Add: Stamp duty & other related costs		186,666
Net Purchase Consideration	**(B)**	**5,798,861**
Intangible assets recognized		
Brand		4,071,097
Technical Know-how		357,422
	(C)	**4,428,519**
Goodwill	**(D) = B-A-C**	**1,252,871**

The excess of consideration paid over net assets recorded and intangible assets recognised amounting to Rs.1,252,871 thousands has been accounted as Goodwill.

27. In the previous year, the Company sold its entire shareholding of 4,900,000 Equity Shares of Rs.10 each constituting 49% of the paid-up share capital of the Joint Venture Company (JVC), Chiron Behring Vaccines Private Limited to Novartis Pharma AG, (a nominee of Novartis Vaccines and Diagnostics Inc., the Company's partner in the JVC) for a sale consideration of Rs. 1,007,507 thousands on which the Company has earned a profit of Rs. 757,375 thousand (net of tax of Rs. 201,132 thousand) which was disclosed as an exceptional item.

28. Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to Non Executive Directors.

(Rupees '000)

Particulars	**Dec 11**	**Dec 10**
Profit before tax & exceptional items as per Profit and Loss Account	2,839,832	2,340,054
Add:		
Directors' Remuneration (Including Commission in Current year)	26,245	19,428
Provision for doubtful debts and advances	-290	12,232
Net Profit	**2,865,787**	**2,371,714**
Commission to Non-Executive Directors		
Maximum Commission u/s 309 of Companies Act, 1956 at 1% of net profit	28,658	23,717
Commission Charged to Profit & Loss Account (Previous year includes Rs. 1,900 thousand for the year ended December 31, 2009)	1,900	3,800

29. Interest others shown under other income includes interest on inter-corporate loans, income tax refunds, employee loans, etc.

30. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Signatures to Schedules 1 to 17

As per our report of even date

For S. R. Batliboi & Co.
Firm Registration No : 301003E
Chartered Accountants
per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai : February 23, 2012

For and on behalf of the Board of
Directors of Aventis Pharma Limited

Dr. Vijay Mallya Chairman
Dr. S. Ayyangar Managing Director
M. Dargentolle Director
S. R. Gupte Director
A. K. R. Nedungadi Director
M. G. Rao Director
K. Subramani Company Secretary

Mumbai : February 23, 2012

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Company Identification Number (CIN): L24239MH1956PLC0009794 State Code 11

Balance Sheet Date 31.12.2011

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	Total Assets
11,250,817	11,250,817

Sources of Funds

Paid-up Capital	Reserves & Surplus
230,306	10,935,953
Secured Loans	Unsecured Loans
Nil	Nil

Application of Funds

Net Fixed Assets	Investments
7,672,003	3,631
Net Current Assets	Misc. Expenditure
3,575,183	Nil

Accumulated Losses Nil

IV. Performance of company (Amount in Rs.Thousands)

Turnover*	Total Expenditure
13,692,210	10,852,378
* Includes Other Income	
Profit/Loss before Tax	Profit/Loss After Tax
+2,839,832	+1,911,882
Earnings per Share in Rs.	Dividend Rate %
83.01	330

V. Generic Names of Three Principal Products/Services of company (as per monetary terms)

Item Code No. (ITC Code)	:	3004 90 71
Product Description	:	RAMIPRIL TABLETS
Item Code No. (ITC Code)	:	3004 90 63
Product Description	:	IBUPROFEN AND PARACETAMOL TABLETS
Item Code No. (ITC Code)	:	2935 00 90
Product Description	:	GLIMEPIRIDE

Aventis Pharma Limited: Aventis House, 54/A, Sir Mathuradas Vasanji Road, Andheri (East), Mumbai-400093, INDIA. Tel.: (91-22) 2827 8000.

SANOFI

ANNEXE TO THE REPORT OF THE DIRECTORS

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended December 31, 2011 and forming part of the Directors' Report for the said financial year.

A. Employed throughout the year under review and were in receipt of remuneration in aggregate of not less than Rs. 6,000,000

Name	Age (Years)	Qualifications	Designation	Date of commencement of employment	Experience (Years)	Gross Remuneration (Rs.)	Particulars of last employment
Dr. Ayyangar Shailesh	57	B.V.Fc & A.H., P.G.D.M. IIM (Ahmedabad)	Managing Director	25-Oct-05	32	8,962,756	Wholetime Director, Sanofi-Synthelabo (India) Limited
Mr. Rao Madhusudan	61	M.Sc. (Organic Chemistry), D.B.M.	Senior Director - Industrial Affairs, India	20-Jun-73	38	8,168,527	First Employment
Mr. Umesh Susheel	45	B. Pharm, MBA Marketing	Senior Director - Commercial Operations (Diabetes & Tier I)	22-Aug-94	21	8,492,195	Product Manager, Rallis India Limited
Mr. Vaishnav Pradeep	55	B.Sc., Masters in Social Work	Senior Director - Human Resources	27-Jan-03	30	6,697,242	General Manager - Human Resources (Sales), Aventis Pharma Limited
Mr. Vete Pratin	44	Masters in Management Studies (Marketing)	Senior Director - Commercial Operations (Tier II and IM)	4-Aug-03	22	7,788,324	Manager Business Planning & MIS, Novartis India Limited

B. Employed for part of the year under review and were in receipt of remuneration in aggregate of not less than Rs. 500,000 per month

Name	Age (Years)	Qualifications	Designation	Date of commencement of employment	Experience (Years)	Gross Remuneration (Rs.)	Particulars of last employment
Dr. Chopra Pravin	55	M.B.B.S., M.D.(Pharmacology)	Senior Director - Medical and Regulatory Affairs	8-Jul-11	26	4,670,436	Head - Medical Affairs, Primary Care, Emerging Markets, Pfizer Inc., USA
Mr. Chowdhury Anindya	42	P.G.D.M., B.E.T.C.E	Senior Director - Commercial Operations (Consumer Healthcare BU)	8-Nov-11	18	1,547,856	Senior Director, Dr Reddy's Laboratories Ltd.
Mr. Ghoge Shirish	60	M.Com., LL.B., A.C.S., I.C.W.A., D.M.A.	Senior Director - Public Affairs & Supply Chain	15-Feb-79	40	12,208,146	Management Accountant, Guest Keen Williams Limited
Mr. Mukherjee Ashish Kumar	47	M.Sc. (Human Physiology), M.M.M. (Masters in Marketing Management)	Senior Director - Hospital & Oncology BU and Corporate Hospitals	16-Apr-97	23	5,798,505	Area Sales Manager, Glaxo India Limited
Mr. Picardo S. L.	61	B.Com.	Associate Director - Treasury	27-May-74	40	2,721,810	Clerk, Union Bank of India
Mr. Raje C. R.	61	B.Com.	Manager - Purchase (Pharma Operations)	14-Mar-74	38	1,496,267	First Employment

NOTES :

1. All appointments are/were contractual
2. Remuneration includes salary, bonus, rent/house rent allowance and other allowances, Company's contribution to Provident Fund, Superannuation Fund, leave travel assistance, medical expenses, depreciation of furniture /appliances and perquisite value of car as per Income Tax rules, but excludes Company's contribution to Gratuity Fund.
3. Other terms and conditions of employment are as per agreement of service and rules of the Company.
4. None of the employees is a relative of any Director of the Company.

By Authority of the Board

DR. VIJAY MALLYA
CHAIRMAN

23rd February 2012