



# Sterling Biotech Limited

Annual Report 2008



# Contents

02

Director's Report

08

Management's Discussion and Analysis

12

Report on Corporate Governance

22

Financial Statements

# Directors' Report



To  
The Members  
Sterling Biotech Limited

We have great pleasure in presenting the 23rd Annual Report of the Company together with the audited statements of accounts for the year ended 31st December, 2008.

## FINANCIAL HIGHLIGHTS

(Rs. in Millions)

Particulars	Year Ended	Year Ended
	31st December 2008	31st December 2007
Sales	11,783.81	9,108.48
Total Income	11,852.82	9,782.69
EBIDTA	5,113.35	4,186.11
Interest	592.07	413.52
Depreciation	1,071.52	862.60
PBT	3,449.76	2,909.99
Extraordinary item	113.26	101.08
Provision for Current Tax	375.00	315.00
Provision for Deferred Tax	755.00	635.00
Provision for FBT	4.75	4.00
PAT	2,201.74	1,854.91
Proposed Dividend	121.90	114.74
Dividend Tax	20.71	19.50
Transfer to Debenture Redemption Reserve	107.14	0.00
Balance carried to Balance Sheet	2049.20	1,702.82
EPS (Rs.)	9.03	8.08

**We continued to consolidate our position as one of the leading gelatin producers in the world. We also have established our presence in Coenzyme Q10 during the year under review.**

#### DIVIDEND

The Board of Directors proposes a dividend of 50 percent, i.e. Rs. 0.50 per equity share of face value Re. 1/- each, for the year ended 31st December, 2008. The dividend increased from Rs.114.74 million last year to Rs.121.90 million this year.

#### OPERATIONS

During the year under review, sales increased to Rs. 11,783.81 million, a 29.37 percent growth, while total income grew 21.16 percent to Rs. 11,852.82 million from the previous year. Gross profit increased 22.15 percent to Rs. 5,113.35 million over the year. Profit before tax increased to Rs. 3,449.76 million and net profit to Rs. 2,201.74 million signifying 18.55 percent and 18.70 percent growths compared to the previous year, respectively. Earnings per share reached Rs. 9.03 for the current year, a growth of 11.76 percent.

As informed previous year, we continued to consolidate our position as one of the leading gelatin producers in the world. We also have established our presence in Coenzyme Q10 during the year under review. The company has commissioned additional capacity of 4,600 tons of Gelatin, which was operationalised during the last quarter of 2008.

#### ACCOLADES

We are a One Star Export House, and our facilities in Vadodara and Ooty produce gelatin on par with that produced in the USA, Europe and Japan.

#### QUALITY

Meeting the stringent quality standards required by our international clientele, our facilities have earned certifications including:

Hazardous Analysis and Critical Control Point Certification (HACCP)

- ISO 9001
- ISO 14001
- European Directorate For Quality of Medicine Certification (EDQM).

#### MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Management Discussion and Analysis pursuant to Clause 49 of the Listing Agreement entered with stock exchanges is enclosed as a part of this Directors' Report.

## REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered with stock exchanges, a separate section on Corporate Governance is attached to the Annual Report.

## DIRECTORS

Shri Vilas D. Joshi and Shri Priyadarshan B. Mehta, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment. Term of Shri Nitin J. Sandesara as Managing Director for a period of five years was further renewed during the year under review. Shri Chetan J. Sandesara was appointed as Joint Managing Director during the year under review subject to approval of members in the forthcoming Annual General Meeting. The Board recommends his appointment as Joint Managing Director.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) That in the preparation of the Annual Accounts for the year ended 31st December, 2008 the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the Annual Accounts for the year ended 31st December, 2008 on a going concern basis.

## FIXED DEPOSITS

The Company did not accept any deposits from the Public during the year under review.

## DEBENTURES

During the year under review, to meet normal capital expenditure, general corporate purpose and long term working capital requirement, your Company issued Secured Redeemable Non-Convertible Debentures of Rs.300 crores and are listed on the Mumbai Stock Exchange (BSE) in Debt Segment.

## AUDITORS

M/s. H. S. Hathi & Co., Chartered Accountants, Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224(1B) of the Companies Act, 1956, are eligible for re-appointment. The Board recommends their re-appointment. In respect of observations made by

**To meet normal capital expenditure, general corporate purpose and long term working capital requirement, your Company issued Secured Redeemable Non-Convertible Debentures of Rs.300 Crores listed on the Mumbai Stock Exchange (BSE) in Debt Segment.**

the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

#### INDUSTRIAL RELATIONS

The industrial relations of the Company continued to remain cordial. The Directors wish to place on record their sincere appreciation of the co-operation extended and the valuable contribution made by the employees at all levels.

#### PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in annexure to the Director's Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company's Registered Office address..

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

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure to this Report in the prescribed format under these rules.

#### ACKNOWLEDGEMENTS

We appreciate the valuable co-operation extended by the Central and State Government Authorities and are extremely grateful to Financial Institutions and our bankers for their continued assistance and guidance. We are also grateful to our employees, shareholders, customers for their co-operation and look forward to their support in the future.

For and on behalf of the Board of Directors

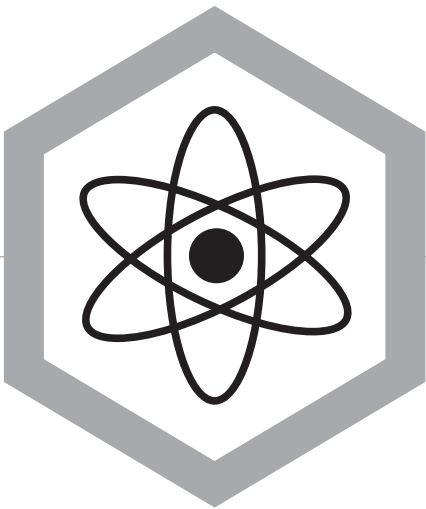
Place : Mumbai

Date : 31st March, 2009

NITIN SANDESARA

Chairman and Managing Director

# Annexure to Directors' Report



Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31st December, 2008

## A. CONSERVATION OF ENERGY

Energy Conservation Measures taken: The Company has undertaken various measures for conservation and saving of energy in critical areas including

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combustion efficiency of boilers
4. Reuse of Steam condensate as boiler feed water
5. Optimum use of utility depending upon process requirement.

As in earlier years, your Company continued to envisage and implement energy conservation measures in various manufacturing operations leading to saving of quantitative consumption of power, fuel and oil etc. The Company is also carrying on continuous education and awareness program for its employees for Energy conservation and optimum use.

## B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company
  - Improvement of product quality
  - Process improvements
  - Cost effectiveness
  - Elimination of waste in the systems



2. Benefits derived as a result of the above R & D Improvement in yield and product quality, cost effectiveness and reduction in consumption of raw material and utilities.
3. Future plan of action The Company's effort will continue in the areas of product quality, process improvement technology with the aim of offering better products to meet consumer needs.
4. Expenditure on R & D.
  - a) Capital: Rs. 476.34 million
  - b) Recurring: Rs 161.29 million
  - c) Total: Rs. 637.63 million
  - d) Total R & D Expenditure as a percentage of total turnover: 5.41%

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:  
After full absorption of technology imparted by foreign collaborations, innovations in process control, cost reduction and quality improvements are being made on a continuous basis.
2. Benefits derived as a result of the above efforts:  
Improvements in productivity, cost of manufacturing, quality, waste elimination and flexibility in manufacturing.
3. Information regarding technology imported during last 5 years: Nil

#### C. FOREIGN EXCHANGE EARNED AND USED

- a) Earned: Rs. 3,976.21 million
- b) Used: Rs. 82.59 million

# Management's Discussion & Analysis



## INDUSTRY OVERVIEW

Gelatin is derived from collagen, a fibrous insoluble protein, which forms around one third of the body's mass. Gelatin is produced in various grades and is used in photographic applications, pharmaceutical, food and nutraceuticals industries. Pharmaceutical gelatin, used in the production of capsules, commands the second highest price, after photographic grade gelatin. These four industries collectively consume over 95 percent of gelatin globally. The balance 5 percent industrial gelatin finds applications in the manufacture of abrasive paper, textiles, matches and printer rollers and many more industries.

The pharmaceutical and nutraceuticals market for gelatin present a slew of barriers for new manufacturers. The barriers to entry include the necessity to carry out fresh stability tests and submission of revised ANDA to the regulatory authorities for each product. The price of edible gelatin is lower than that of pharma-grade gelatin. Moreover, the pricing of gelatin depends on its bloom strength or bloom value which indicates the molecular weight of gelatin.

The global gelatin market in 2007 was around 326,000 tones (source: GME), with the global market size pegged at USD 1.3 billion, growing by 2-3 per cent annually. This growth is primarily driven by the 7 percent growth in the global pharmaceutical industry. This Around 75 percent of the global market for gelatin is in the US, Europe and Japan. There are about 25 manufacturers of gelatin globally of whom the major ones are DGF Stoess, Sobel, PB Gelatin, Sterling Biotech and Weishardt, which together account for around 62 percent of global gelatin production. The domestic gelatin market comprises players with smaller capacities. Similar to global growth, demand for gelatin in the domestic market is driven by the pharmaceutical sector is growing around 15 percent per annum.

## COENZYME Q10

CoQ10 is a dietary supplement that improves memory, boosts immunity and is essential for the production of cellular energy within the human body. It serves as coenzyme for several key enzymatic steps and has many anti-oxidant properties. In each human cell, food is converted into energy in the mitochondria with the help of CoQ10. Over 95 percent

**Sterling Biotech Limited (Sterling) is the largest producer of pharmaceutical and nutraceutical gelatin in India and Asia as well. It has a 9.3 percent global market share in pharmaceutical gelatin and is among the top five gelatin producers globally with 6.5 percent global market share.**

of the human body's energy requirements are converted with the help of CoQ10. In the human body, our heart, lungs and liver have the highest concentration of CoQ10, as these organs have high energy requirements. CoQ10 has been proved to be effective in restoring and preserving healthy organ and brain function together with a strong immune system.

Coenzyme Q10 (CoQ10) is among the fastest growing health supplements globally. A powerful antioxidant, CoQ10 plays a vital role in conversion of food into energy. Therefore, CoQ10 is required by human body continuously irrespective of state of health i.e. both healthy as well as during recovery for conversion of food into energy. It finds application in the treatment of all heart-related ailments, thyroid, Alzheimer's disease, Parkinson's disease, AIDS, cancer, dental and skin diseases and many more under research. The CoQ10 market has been dominated by four Japanese players with the capacity to supply multi-ton quantities of the ingredient. The global CoQ10 market is pegged at USD 2 billion, mainly in the US, Europe and Japan. CoQ10 produced through fermentation process being from natural source has acceptance in all the 3 major markets of USA, Europe and Japan.

## COMPANY OVERVIEW

Sterling is among the five largest gelatin producers in the world with a 6.5 percent market share

We are the largest producer of gelatin in India, and the largest producer of pharma grade gelatin in Asia

Sterling has accelerated its pace of growth with a rapid capacity expansion

We have a significant location based cost advantage of 30 percent, a key growth driver

Sterling is a significant player in the US market with presence in European, Japanese and Asian markets

Sterling specializes in pharmaceutical and nutraceutical grade gelatin which is a premium high growth segment

Sterling Biotech Limited (Sterling) is the largest producer of pharmaceutical and nutraceutical gelatin in India and Asia as well. It has a 9.3 percent global market share in pharmaceutical gelatin and is among the top five gelatin producers globally with 6.5 percent global market share. Sterling is a public-listed company with listings on the Bombay and National Stock Exchanges. Additionally, Sterling sells Dicalcium Phosphate

(DCP), a by-product of the gelatin manufacturing process, to poultry-feed and fertilizer industry in India, which is required as feed and medicines to protect poultry against diseases such as rickets. DCP finds further applications in products such as talcum powder, fertilizers and toothpaste. The primary raw materials required for the manufacture of

gelatin are buffalo bones, lime and HCL. These raw materials are available in abundance since India is one of the world's largest producers of buffalo meat. Competitive material costs enable Sterling to be lowest cost producer of gelatin, globally. Capacity utilisation of over 100 percent allows Sterling a distinct cost advantage over its competitors. Similarly, in CoQ10, Sterling harnesses low production costs compared to all other producers.

#### FACILITIES

In a highly capital-intensive industry, Sterling has developed world-class technology for gelatin by establishing state-of-the-art facilities. A R&D laboratory at Sterling's plant employs state-of-the-art facilities. It carries out R&D work on fermentation products, API and intermediates. Sterling's Masar plant manufactures CoQ10 (since March 2007) through microbiological fermentation. Sterling has a captive Heavy fuel oil (HFO) based power plant based to minimise its power cost and become self sufficient in its power requirements. Effluent treatment facilities at its plants and the development of a green belt, of over 40,000 square meters, serves to protect the environment.

During the year, Sterling completed the capacity expansion programme of 4600 tonnes of gelatin, which will be operationalised in the last quarter of 2008.

#### QUALITY CERTIFICATIONS

In accordance with Sterling's policy to achieve and maintain the highest standards of quality the Company has the following quality certifications.

- *Kosher Certifications*  
This certifies that the Jewish population can consume Sterling's gelatin and that the inputs used for gelatin production are in accordance with the religious standards of the Jewish community.
- *Ifanka Certification*  
This is required for Halal certification, which certifies that the gelatin is Manufactured using Halal-defined processes and can be used by the Muslim population.
- *HACCP (Hazardous Analysis and Critical - Control Point) Certification*  
Certifies the manufacturing process with the highest and most consistent quality and safety of product. Also ensures the availability of fallback measures in case of unfortunate events.
- *ISO 9001*  
Denotes that the production process is in accordance with standards laid down by the International Standards Organizations.
- *ISO 14001*  
Signifies that the environment management system is in compliance with the Environmental Management System Standard.
- *EDQM (European Directorate for Quality of Medicare)*  
This certification denotes that the product is in compliance with the European Union pharmacopeia.

#### STRENGTHS AND STRATEGIES

Sterling differentiates from its industry peers through key strengths by:

- Developing indigenous technology for complex products.

**In a highly capital-intensive industry, Sterling has developed world-class technology for gelatin by establishing state-of-the-art facilities. A R&D laboratory at Sterling's plant employs state-of-the-art facilities. It carries out R&D work on fermentation products, API and intermediates.**

- Consolidating its position in the global gelatin market through constant capacity enhancements.
- Expanding its product basket by introducing CoQ10, thereby strengthening its product basket.
- Generating high cash inflows due to a high EBIDTA margin, currently at about 46 percent.

*These strengths drive Sterling's future strategies which include:*

- Constantly expanding manufacturing capacities for gelatin. These expansion initiatives will allow Sterling to augment its market share.
- Increasing CoQ10 production and capacity to encash on growing markets in the nutraceutical industry.

#### HUMAN RESOURCES

Sterling recognises its employees as its most valuable assets. As such, they are encouraged to enhance their aptitude through on the job training programmes to further their prospects within the company. Sterling continues to induct competent professionals for its present and future needs.

#### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO/CFO certification provided in the report discusses the adequacy of our internal control systems and procedures.

#### FINANCIAL ANALYSIS

The highlights of Sterling Biotech's financial performance over 2008 were:

- A 29.37 percent increase in sales from Rs. 9,108.48 million in 2007 to Rs. 11,783.81 million in 2008.
- A 18.70 percent increase in net profit to reach Rs. 2201.74 million in 2008 from Rs. 1854.91 million in 2007.
- A 11.76 percent increase in earnings per share to reach Rs.9.03 in 2008 from Rs. 8.08 in 2007.

# Report on Corporate Governance



## I) CORPORATE GOVERNANCE PHILOSOPHY

At Sterling Biotech Limited, we view sound corporate governance as an integral part of our efforts to enhance shareholders value. We endeavor to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of society in general. We adopt a philosophy of Professionalism, transparency and accountability in all areas.

## II) BOARD OF DIRECTORS (BOARD)

Presently, the Board comprises of 6 Directors of whom 4 are Non-executive Directors and a majority of them being independent. All Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board.

### a. Composition of the Board

Name	Designation	No. of other Directorships and Committees Memberships / Chairmanships			Relationships with other Directors
		Other Directorships	Committee Memberships	Committee Chairmanships	
Nitin J. Sandesara	Chairman & Managing Director / Executive	31	-	-	Brother of Chetan J. Sandesara
Chetan J. Sandesara	Joint Managing Director & Executive	34	-	-	Brother of Nitin J. Sandesara
R. B. Dixit	Independent & Non-executive Director	6	2	2	None
Vilas D. Joshi	Independent & Non-executive Director	1	-	-	None
Priyadarshan B. Mehta	Independent & Non-executive Director	1	-	-	None
Narendrabhai B. Patel	Independent & Non-executive Director	1	-	-	None

**At Sterling Biotech Limited, we view sound corporate governance as an integral part of our efforts to enhance shareholders value. We endeavor to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of society in general. We adopt a philosophy of Professionalism, transparency and accountability in all areas.**

**b. Number of Board Meetings**

During the year under review the Board of Directors met 10 times on the following dates: 20-01-08, 07-02-08, 15-02-08, 31-03-08, 30-04-08, 25-06-08, 23-07-08, 31-07-08, 05-08-08, 24-10-08

**c. Attendance of Directors**

Name	Meetings Attended	Attended last AGM on 2nd June 2008
Nitin J. Sandesara	7	Yes
Chetan J. Sandesara	10	No
R. B. Dixit	10	Yes
Vilas D. Joshi	6	No
Priyadarshan B. Mehta	5	No
Narendrabhai B. Patel	8	No

**III) CODE OF CONDUCT**

The Board lays down code of conduct for Board members and senior management of the Company, and is posted on the website of the Company. The Board members and senior management personnel affirm compliance to the code of conduct provided.

**IV) COMMITTEE OF DIRECTORS**

The involvement of Non-executive Directors in providing guidance on policy matters to the operating management is formalized through constitution of committees of the Board. The Committees provide periodical and regular exchange of information and ideas between the Directors and the Operating Management. As mentioned in the last Report, the Board constituted following committees.

**AUDIT COMMITTEE**

The Committee reviews the Company's financial reporting process, disclosure norms, internal control systems, accounting policies and practices, reports of the Company's Internal Auditors, quarterly/half yearly financial statements as well as its financial risk policies. It also recommends appointment of statutory auditors, fixes audit fees and reviews internal control systems, scope for observations of the auditors and adequacy of the internal audit function. During the year under review, the committee met four times on 31-03-2008(Adoption of Annual Accounts), 30-04-2008, 31-07-2008, 24-10-2008 and the meeting was attended by all the Directors of the Audit Committee namely Shri R. B. Dixit, Shri V. D. Joshi and Shri P. B. Mehta.

**INVESTORS/SHAREHOLDERS GRIEVANCE COMMITTEE**

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel. The Committee redresses shareholder and investors complaints like a delay in transfer of shares, non-receipt of dividend, non-receipt of balance sheet etc. During the year the committee met two times.

**REMUNERATION COMMITTEE OF THE BOARD**

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel to recommend and review the remuneration package of Directors based on performance, industry practice and defined criteria. During the year, the Committee met three times.

**DETAILS OF REMUNERATION TO DIRECTORS FOR THE YEAR**

The aggregate value of salary and perquisites payable for the year ended 31st December, 2008 to Nitin Sandesara, Chairman and Managing Director is Rs. 28.58 lacs and to Chetan Sandesara Joint Managing Director is Rs. 13.03.

**V) GENERAL BODY MEETINGS**

Year	Venue	Date	Time	Any special Resolution	Kind of Meeting
2008	Shri Bhaidas Maganlal Sabhagriha, Swami Bhakti Vedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	2nd June 2008	10.30 A.M	No	AGM
2008	Shri Bhaidas Maganlal Sabhagriha, Swami Bhakti Vedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	5th March 2008	10.30 A.M	Yes	EGM
2007	Shri Bhaidas Maganlal Sabhagriha, Swami Bhakti Vedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	12th May, 2007	10.30 A.M	Yes	AGM
2006	Shri Bhaidas Maganlal Sabhagriha, Swami Bhakti Vedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	26th June, 2006	10.00 A.M	No	AGM

Special Resolution if any passed by postal ballot. NIL



## VI) DISCLOSURES

1. As required under the Companies Act, the Directors disclose the name of the Companies/ Parties in which they are interested. During the year under review, there was no transaction with related party, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. which may have potential conflict with the interests of Company at large.
2. There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI, on any matters relating to the capital market, over the last three years.

## VII) MEANS OF COMMUNICATIONS

- a. Quarterly financial results are forwarded to the Stock Exchanges where the shares of the Company are listed and published in the Free Press Journal in English and the Nav Shakti paper in Marathi.
- b. The Company has not made any presentations to any Institutional Investors / Analysts during the year.
- c. A Management's Discussion & Analysis Report is annexed to the Directors' Report to the Shareholders.

## VIII) GENERAL SHAREHOLDER INFORMATION

### A. ANNUAL GENERAL MEETING

Date : Tuesday, the 30<sup>th</sup> day of June, 2009

Time : 10.30 A.M.

Venue : Shri Bhaidas Maganlal Sabhagriha, Swami Bhakti Vedant Marg, J.V.P.D. Scheme, Vile Parle (W),  
Mumbai – 400 056.

### B. DATE OF BOOK CLOSURE

Tuesday, the 23<sup>rd</sup> day of June, 2009 to Tuesday, the 30<sup>th</sup> day of June, 2009 (both days inclusive)

### C. FINANCIAL CALENDAR 2009: ANNUAL GENERAL MEETING MAY / JUNE 2010 (NEXT YEAR)

Board Meeting

Unaudited Results – Qtrly. March 2009 April 2009

Unaudited Results – Qtrly. June 2009 July 2009

Unaudited Results – Qtrly. September 2009 October 2009

Unaudited Results – Qtrly. December 2009 January 2010

Audited Accounts December 2009 February/March 2010

### D. STOCK EXCHANGES WHERE SECURITIES ARE LISTED

The Company's equity shares are listed on the BSE and NSE, and the application for delisting of shares made with the Calcutta Stock Exchange is pending.

Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. Foreign Currency Convertible Bonds 2010 & 2012 are listed on the Singapore Stock Exchange. 12.00% Secured Redeemable Non-Convertible Debentures are listed on the Mumbai Stock Exchange (BSE) in Debt Segment.

Name of Stock Exchange	Code/Symbol
The Stock Exchange, Mumbai (BSE) (Equity)	512299
National Stock Exchange of India Limited (Equity)	STERLINBIO
Luxembourg Stock Exchange (GDRs)	CUSIP No. : 85916G108 Common Code : 017757709 ISIN : US85916G1085
Singapore Stock Exchange FCCB due 2010	Common Code : 022966120 ISIN : XS0229661201
Singapore Stock Exchange FCCB due 2012	Common Code : 029812535 ISIN : XS0298125351
The Stock Exchange, Mumbai (BSE) (Debentures)	945828 ISIN : INE324C07019

#### E. STOCK PRICE DATA

Month	BSE		NSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
January 2008	182.00	131.00	180.50	130.00
February 2008	174.00	141.05	189.40	140.05
March 2008	163.00	146.00	163.30	147.00
April 2008	202.20	159.10	203.20	160.30
May 2008	220.90	180.00	220.50	188.00
June 2008	219.90	175.70	218.95	172.70
July 2008	262.45	179.60	263.05	179.50
August 2008	206.00	172.10	207.70	172.20
September 2008	181.00	162.00	181.00	146.30
October 2008	185.50	155.00	192.00	155.00
November 2008	214.00	169.00	220.00	148.50
December 2008	194.50	152.70	190.00	152.50

#### F. SHARE TRANSFER SYSTEM

Share sent for physical transfers are registered and returned within a stipulated time frame, if the documents filed are clear in all respects. Officers/ Directors of the Company have been authorized to approve transfers. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 26-02-2001. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within a stipulated time frame. Upto 31-12- 2008, 96.39% equity shares of the company have been dematerialized.

Total Number of shares transferred in the non-dematerialized form during the year 2008 i.e. from 01.01.08 to 31.12.2008 were 195,500

#### G. SHAREHOLDING PATTERN – AS ON 31ST DECEMBER 2008

Sl. No	Category	No. of Shareholders	% age	No. of Equity Shares	% age
1.	Indian Promoters	33	0.24	89,034,694	36.52
2.	FIs/ MFs/Banks	8	0.06	206,852	0.08
3.	Indian Companies	551	3.96	89,455,566	36.69
4.	Resident Individuals	12,970	93.27	24,447,485	10.03
5.	Clearing Members	91	0.65	1,404,401	0.58
6.	NRIs/OCBs/FIIs/FCs	252	1.81	11,753,244	4.82
7.	Underlying Shares out of GDR's	1	0.01	27,495,339	11.28
	<b>Total</b>	<b>13,906</b>	<b>100</b>	<b>243,797,581</b>	<b>100</b>

#### DISTRIBUTION OF SHAREHOLDING – AS ON 31ST DECEMBER 2008

Sl. No	No. of shares Held	No. of Shareholders	% of Holders	Holding	% of Holding
1	1 – 5000	13,400	96.36	11,292,284	4.63
2	5001 – 10000	252	1.81	1,993,285	0.82
3	10001 – 20000	53	0.38	764,596	0.31
4	20001 – 30000	14	0.10	347,789	0.14
5	30001 – 40000	19	0.14	656,610	0.27
6	40001 – 50000	8	0.06	375,679	0.15
7	50001 – 100000	25	0.18	2,003,785	0.82
8	100001 & Above	135	0.97	226,363,553	92.85
	<b>TOTAL</b>	<b>13,906</b>	<b>100</b>	<b>243,797,581</b>	<b>100</b>

#### H. DEMATERIALISATION OF SHARES

ISIN Number for Equity Shares of the Company in NSDL & CDSL: INE324C01038

Total No. of Shares dematerialized upto 31-12-2008: 235,007,308

With NSDL 175,779,130

With CDSL 59,228,178

#### I. OUTSTANDING GDRS, FCCBS OR OTHER CONVERTIBLE AND NON-CONVERTIBLE INSTRUMENTS

As of date, the Company has the following outstanding instruments:

##### 1. GDRs:

45,82,557 GDRs representing in aggregate 27,495,339 equity shares of Re. 1/- each.

**2. FCCBs:**

- (a) 0.50% FCCB due 2010 aggregating to USD 108.52 million. FCCBs are convertible into equity shares at the option of the bond holders at a price of Rs. 152.7846 and the fixed rate of exchange is Rs. 43.8225.
- (b) Zero Coupon FCCB due 2012 aggregating to USD 238.40 million. FCCBs are convertible into equity shares at the option of the bond holders at a price of Rs. 204.576 and fixed rate of exchange is Rs. 42.00.

The outstanding FCCBs if converted into equity shares will increase the equity capital by approx ~80,070,447 equity shares and post conversion capital of the Company would reach approx 323,868,028 equity shares of Re. 1 each.

**2. DEBENTURES:**

12.00% Secured Redeemable Non-Convertible Debentures due 2015 of Rs.300 Crores.

**J. PLANT LOCATION**

1. ECP Road, Village Karakhadi – 391 450, Tal. Padra, Dist. Baroda, Gujarat.
2. Village Masar, Jambusar Road, Tal. Padra, Dist. Vadodara, Gujarat.
3. Sandyanalla, Sholur Gram Panchayat, Ottacamund, Dist. The Nilguries, Tamilnadu.

**K. ADDRESS FOR CORRESPONDENCE**

Shareholders can correspond at the Registered Office of the Company at Mumbai. Investor complaints may be addressed to: [investorscomplain@stergel.com](mailto:investorscomplain@stergel.com)

**L. COMPLAINTS BY SHAREHOLDERS & THEIR REDRESSAL**

Nature of Complaints	Received	Solved
Non-receipt of Annual Report	11	11
Delay in Transfer of Shares	32	32
Non-receipt of Dividend Warrants	10	10
Change of Address	12	12
Pending Demat cases (Since Processed)	3	3
Other-Remat of Share (Since Processed)	2	2

## CERTIFICATE

To  
The Members  
Sterling Biotech Limited  
Mumbai

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31st December, 2008, as stipulated in Clause 49 of the Listing Agreement with the 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 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 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 state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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 H.S. HATHI & CO.  
Chartered Accountants

HEMANT S. HATHI  
Partner

Place : Mumbai  
Date : 31st March, 2009

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

I, Shri Nitin Sandesara in my capacity as Chief Executive Officer (CEO) of the Company hereby certify that –

- a. I have reviewed the financial statements and the cash flow statement for the year ended December 31, 2008 and that to the best of my knowledge and belief:
  - i) These statements do not contain any material untrue statement or omit any material fact or contain statement that might be misleading.
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violated the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the Auditors and the Audit committees:
  - i) Significant changes in internal control over financial reporting during the year;
  - ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Sterling Biotech Limited

**NITIN SANDESARA**  
Managing Director

Place : Mumbai

Date : 31st March, 2009

#### DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING COMPLIANCE WITH CODE OF CONDUCT

In Accordance with Clause 49 ID of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them, for the Financial year ended on 31st December, 2008.

For Sterling Biotech Limited

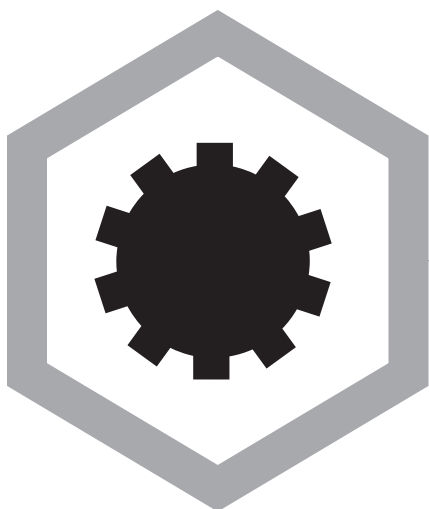
Place : Mumbai

NITIN SANDESARA

Date : 31st March, 2009

Managing Director

# Financial Statements



## AUDITORS' REPORT

To The Members of  
STERLING BIOTECH LIMITED

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2008 and also the Profit & 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 this financial statement based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance 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, issued by the Central Government of India in terms of sub Section (4A) of section 227 of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we state that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
  - b) In our opinion, Proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those books;



- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from the Directors as on 31st December, 2008, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2008 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give, the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st December, 2008;
  - ii) In the case of the Profit & Loss Account, of the Profit of the company for the period ended on that date; and
  - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H. S. HATHI & CO.  
Chartered Accountants

HEMANT S. HATHI  
(Partner)

Place : Mumbai  
Dated : 31st March, 2009

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH LIMITED ON THE ACCOUNTS AS AT AND FOR THE PERIOD ENDED 31ST DECEMBER 2008.**

1.
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
  - c) As per the information and explanations given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
2.
  - a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
  - b) In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) On the basis of our examinations of records of inventories, we are of the opinion that the company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
3. The Company has not granted any unsecured loan to a company covered in the register maintained under section 301 of the companies Act, 1956. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sales of Goods and service. We have not observed any continuing failure to correct major weakness in internal controls.
5.
  - a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs.5,00,000/- or more in respect of each party.
6. The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
7. In our opinion, the Company has an internal audit System commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts 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 companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
9.
  - a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales Tax / VAT, Wealth tax, Service Tax, Custom duty, Cess and other statutory dues.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2008 for a period of more than six months from the date they became payable .
- c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
10. The Company neither has Accumulated losses nor it has incurred any cash losses during the year and in the immediately preceding financial year.
11. 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 the repayment of the dues to financial institutions or banks.
12. 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.
13. In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the company are held in its own name.
15. According to the information and explanations given to us by the management, the company has not given any Guarantee for loan taken by other from banks or financial institutions.
16. According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.
17. 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 investments. No long term funds have been used to finance short term assets except permanent working capital.
18. According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company had issued 3000 Secured redeemable nonconvertible debentures of Rs. 10,00,000/- each bearing interest @ 12% p.a.. The company has created security in respect of debentures issued.
20. During the period covered by our report the company has not raised any money by way of public issue.
21. According to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

For H. S. HATHI & CO.  
Chartered Accountants

Place : Mumbai  
Dated : 31st March, 2009

HEMANT S. HATHI  
(Partner)

# BALANCE SHEET AS ON 31ST DECEMBER, 2008

(Amount in Rs.)

Sl. No.	Particulars	Schedule		As At 31st Dec. 2008	As At 31st Dec. 2007
<b>I</b>	<b>SOURCES OF FUNDS</b>				
	1. Shareholders' Funds				
	a) Share Capital	1	243,797,581		229,475,548
	b) Reserves & Surplus	2	17,035,963,698		12,689,557,278
				17,279,761,279	12,919,032,826
	2. Loan Funds				
	a) Secured Loans	3		7,887,024,501	4,315,165,147
	b) Unsecured Loans	4		18,808,274,000	15,769,911,500
				26,695,298,501	20,085,076,647
	3. Deferred Tax Liability			2,473,200,000	1,718,200,000
	<b>Total Funds Employed</b>			<b>46,448,259,780</b>	<b>34,722,309,473</b>
<b>II</b>	<b>APPLICATION OF FUNDS</b>				
	1. Fixed Assets	5			
	a) Gross Block		27,098,549,842		19,493,099,853
	Less : Depreciation		4,070,796,595		2,999,278,782
	Net Block		23,027,753,247		16,493,821,071
	Capital Work in Progress		7,680,179,333		2,882,306,469
				30,707,932,580	19,376,127,540
	2. Investments	6		3,062,049,480	444,148,464
	3. Current Assets, Loans and Advances	7			
	Current Assets				
	a) Inventories		3,447,315,863		3,411,070,622
	b) Sundry Debtors		4,127,744,021		1,953,685,774
	c) Cash and Bank Balances		1,023,370,362		8,053,693,122
			8,598,430,246		13,418,449,518
	Loans & Advances	8	4,818,321,412		1,914,114,572
			13,416,751,658		15,332,564,090
	Less :				
	Current Liabilities & Provisions				
	Current Liabilities	9	456,139,448		330,587,815
	Provisions	10	522,365,491		453,237,459
			978,504,939		783,825,274
	<b>Net Current Assets</b>			<b>12,438,246,719</b>	<b>14,548,738,816</b>
	4. Miscellaneous Expenditure	11		240,031,001	353,294,653
	<b>Total Assets</b>			<b>46,448,259,780</b>	<b>34,722,309,473</b>
	Notes on Accounts	15			

As per our report of even date

For H.S. Hathi & Co.  
Chartered AccountantsHemant S. Hathi  
PartnerPlace : Mumbai  
Dated : 31st March, 2009

For and on behalf of the Board

Nitin J. Sandesara  
Chairman & Managing DirectorR.B.Dixit  
DirectorC. J. Sandesara  
Jt. Managing DirectorKirtidev Khatri  
Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2008

(Amount in Rs.)

Sl. No.	Particulars	Schedule	For the Year ended 31st Dec. 2008	For the Year ended 31st Dec. 2007
<b>I</b>	<b>INCOME</b>			
	Sales		11,783,807,371	9,108,476,222
	Other Income		100,326,090	99,583,951
	Increase/(Decrease) in Stocks	12	(31,309,577)	574,629,393
	<b>Total</b>		<b>11,852,823,884</b>	<b>9,782,689,566</b>
<b>II</b>	<b>EXPENDITURE</b>			
	Material cost	13	4,215,394,862	3,735,260,703
	Manufacturing & Other Expenses	14	2,524,083,606	1,861,323,220
	Interest and Finance Charges		592,071,063	413,520,359
	Depreciation		1,071,517,813	862,596,975
	<b>Total</b>		<b>8,403,067,344</b>	<b>6,872,701,257</b>
	<b>PROFIT BEFORE EXTRA ORDINARY ITEM &amp; TAXATION</b>		<b>3,449,756,540</b>	<b>2,909,988,309</b>
	Extraordinary Item		113,263,652	101,076,383
	<b>PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION</b>		<b>3,336,492,888</b>	<b>2,808,911,926</b>
	Provision for Current Tax		375,000,000	315,000,000
	Provision for Deferred Tax		755,000,000	635,000,000
	Provision for Fringe Benefit Tax		4,750,000	4,000,000
	<b>PROFIT FOR THE YEAR</b>		<b>2,201,742,888</b>	<b>1,854,911,926</b>
	Prior Year Adjustment		(9,929,619)	(17,858,791)
	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>2,191,813,269</b>	<b>1,837,053,135</b>
	PROPOSED DIVIDEND		121,898,791	114,737,774
	DIVIDEND TAX		20,716,700	19,499,685
	TRANSFER TO DEBENTURE REDEMPTION RESERVE		107,142,857	-
	TRANSFER TO GENERAL RESERVE		1,942,054,921	1,702,815,676
	<b>EARNINGS PER SHARE [EPS]</b>		<b>9.03</b>	<b>8.08</b>
	Notes on Accounts	15		

As per our report of even date

For H.S. Hathi & Co.  
Chartered AccountantsHemant S. Hathi  
PartnerPlace : Mumbai  
Dated : 31st March, 2009

For and on behalf of the Board

Nitin J. Sandesara  
Chairman & Managing DirectorR.B.Dixit  
DirectorC. J. Sandesara  
Jt. Managing DirectorKirtidev Khatri  
Company Secretary

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2008

(Amount in Rs.)

Particulars		As at 31st Dec. 2008	As at 31st Dec. 2007
<b>SCHEDULE 1 - SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
500,000,000 Equity Shares of Rs.1/- each (Previous year 500,000,000 Equity Shares of Rs. 1/- each)		500,000,000	500,000,000
<b>ISSUED</b>			
247,521,581 Equity Shares of Rs. 1/- each (Previous year 233,199,548 Equity Shares of Rs. 1/- each)		247,521,581	233,199,548
<b>SUBSCRIBED</b>			
247,521,581 Equity Shares of Rs.1/- each (Previous year 233,199,548 Equity Shares of Rs. 1/- each)		247,521,581	233,199,548
<b>PAID UP</b>			
Fully Paid-Up 243,797,581 Equity Shares of Rs.1/- each (Previous year 229,475,548 Equity Shares of Rs. 1/- each)		243,797,581	229,475,548
		243,797,581	229,475,548
<b>SCHEDULE 2 - RESERVE &amp; SURPLUS</b>			
<b>General Reserve</b>			
As per Last Balance Sheet	6,400,194,878		4,697,379,202
Add: Transferred from Profit & Loss Account	1,942,054,921	8,342,249,799	1,702,815,676
Debtore Redemption Reserve		107,142,857	-
Share Premium Account		8,586,571,042	6,289,362,400
		17,035,963,698	12,689,557,278
<b>SCHEDULE 3 - SECURED LOANS</b>			
Term Loans from Banks/FI'S Secured by way of charge created on the fixed assets of the Company on pari passu basis		488,446,149	1,000,819,358
Redeemable Non-Convertible Debentures secured by way of charge created on Fixed Assets of the company, on pari passu basis		3,000,000,000	-
From Banks			
Working Capital borrowings		4,398,578,352	3,314,345,789
		7,887,024,501	4,315,165,147

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2008

(Amount in Rs.)

Particulars		As at 31st Dec. 2008	As at 31st Dec. 2007
<b>SCHEDULE 4 - UNSECURED LOANS</b>			
Foreign Currency Convertible Bonds - 0.50 % Convertible Bonds due 2010 aggregating to US\$ 108.52 Million (P.Y.: US\$ 150.15 Million) (Convertible into Ordinary shares or Global Depository Receipts Representing Ordinary Shares)		5,257,794,000	5,917,411,500
Foreign Currency Convertible Bonds - Zero Coupon Convertible Bonds due 2012 aggregating to US\$ 238.40 Million (P.Y.: US\$ 250 Million ) (Convertible into Ordinary shares or Global Depository Receipts Representing Ordinary Shares)		11,550,480,000	9,852,500,000
Short Term Loan		2,000,000,000	-
		<b>18,808,274,000</b>	<b>15,769,911,500</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2008

(Amount in Rs.)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.01.2008	Additions	Adjustments	As on 31.12.2008	As on 01.01.2008	For the Year	As on 31.12.2008	As on 31.12.2008	As on 31.12.2007	
Land & Development	325,311,127	13,570,420	-	338,881,547	-	-	-	338,881,547	325,311,127	
Building	1,798,933,974	259,765,579	-	2,058,699,553	226,660,784	62,886,729	289,547,513	1,769,152,040	1,572,273,190	
Plant & Machinery	17,082,892,542	7,251,209,305	-	24,334,101,847	2,720,645,964	983,605,743	3,704,251,707	20,629,850,140	14,362,246,578	
Office Equipments & Furniture	240,043,931	29,198,447	-	269,242,378	37,182,904	16,371,127	53,554,031	215,688,347	202,861,027	
Vehicles	45,918,279	51,706,238	-	97,624,517	14,789,130	8,654,214	23,443,344	74,181,173	31,129,149	
Grand-Total	19,493,099,853	7,605,449,989	-	27,098,549,842	2,999,278,782	1,071,517,813	4,070,796,595	23,027,753,247	16,493,821,071	
Previous year	15,299,719,532	4,193,380,321	-	19,493,099,853	2,136,681,807	862,596,975	2,999,278,782	16,493,821,071	13,163,037,725	
Capital Work-in-Progress (including Capital Advances)								7,680,179,333	2,882,306,469	



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2008

(Amount in Rs.)

Particulars		As at 31st Dec. 2008	As at 31st Dec. 2007
<b>SCHEDULE 6 - INVESTMENTS</b>			
In Units of Mutual Funds (Market Value Rs. 3,688 Lacs, Previous year Rs. 4636 Lacs)		383,499,088	443,230,584
In Shares (Quoted) Market Value Rs. 109 Lacs (Previous year Rs. 12.72 Lacs)		38,499,912	867,400
In Shares (Unquoted)		2,640,050,480	50,480
		<b>3,062,049,480</b>	<b>444,148,464</b>
<b>SCHEDULE 7 - CURRENT ASSETS</b>			
<b>a) Inventories</b>			
Raw Materials		860,925,717	799,553,338
Stock-in-process		1,739,328,778	1,638,307,396
Stores & Spare Parts		97,749,688	91,567,249
Finished Stocks		749,311,680	881,642,639
		<b>3,447,315,863</b>	<b>3,411,070,622</b>
<b>b) Sundry Debtors(Unsecured &amp; considered good)</b>			
Debts outstanding for a period exceeding 6 months	23,644,415		19,123,561
Other Debts	4,104,099,606		1,934,562,213
		<b>4,127,744,021</b>	<b>1,953,685,774</b>
<b>c) Cash &amp; Bank Balances</b>			
Cash On Hand	1,709,874		1,586,755
Bank Balance with Scheduled Banks			
In Current Account	170,738,579		136,152,045
In Fixed Deposits	850,921,909		7,915,954,322
		<b>1,023,370,362</b>	<b>8,053,693,122</b>
		<b>8,598,430,246</b>	<b>13,418,449,518</b>
<b>SCHEDULE 8 - LOANS &amp; ADVANCES &amp; OTHERS</b>			
<b>(Unsecured considered good)</b>			
Advances recoverable in cash or in kind or for value to be received		4,818,321,412	1,914,114,572
		<b>4,818,321,412</b>	<b>1,914,114,572</b>
<b>TOTAL(7+8)</b>		<b>13,416,751,658</b>	<b>15,332,564,090</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2008

(Amount in Rs.)

Particulars		As at 31st Dec. 2008	As at 31st Dec. 2007
<b>SCHEDULE 9 - CURRENT LIABILITIES</b>			
Sundry creditors		306,325,141	241,245,659
Other liabilities		149,814,307	89,342,156
		<b>456,139,448</b>	<b>330,587,815</b>
<b>SCHEDULE 10 - PROVISIONS</b>			
Proposed Dividend		121,898,791	114,737,774
Dividend Tax		20,716,700	19,499,685
Provision for Taxation		379,750,000	319,000,000
		<b>522,365,491</b>	<b>453,237,459</b>
<b>SCHEDULE 11 - MISCELLANEOUS EXPENDITURE</b>			
<b>(To the extent not written off or adjusted)</b>			
FCCB Issue Expenses		353,294,653	210,625,664
Add: Addition during the Year		-	243,745,372
		353,294,653	454,371,036
Less: Written off during the Year		113,263,652	101,076,383
		<b>240,031,001</b>	<b>353,294,653</b>

## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2008

(Amount in Rs.)

Particulars		For the Year ended 31st Dec. 2008	As at 31st Dec. 2007
<b>SCHEDULE 12 - INCREASE/(DECREASE ) IN STOCKS</b>			
<b>Stock in trade (At Close)</b>			
Finished Goods		749,311,680	881,642,639
Stock in Process		1,739,328,778	1,638,307,396
		2,488,640,458	2,519,950,035
<b>Stock in trade (At Commencement)</b>			
Finished Goods		881,642,639	719,366,129
Stock in Process		1,638,307,396	1,225,954,513
		2,519,950,035	1,945,320,642
Increase/(Decrease) in Stocks		(31,309,577)	574,629,393
<b>SCHEDULE 13 - MATERIAL COST</b>			
Opening Stock		891,120,587	668,467,844
Add: Purchases		4,282,949,680	3,957,913,446
		5,174,070,267	4,626,381,290
Less: Closing Stock		958,675,405	891,120,587
		4,215,394,862	3,735,260,703
<b>SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES</b>			
Manufacturing expenses		1,514,015,763	1,139,876,847
Repairs and maintenance to Buildings		14,719,717	14,216,461
Repairs and maintenance to Plant & Machinery		62,650,846	42,651,465
Salaries, Wages & Other Employee Benefits		352,248,002	243,742,275
Travelling & Conveyance		66,331,432	41,078,346
Telephone & Telex		22,109,529	20,558,654
Printing & Stationery		11,665,431	9,142,848
Postage, Telegram & Courier		15,796,923	9,167,143
Office Expenses		51,455,388	31,622,547
Miscellaneous Expenses		48,718,624	29,751,465
Selling Expenses		364,371,951	279,515,169
TOTAL		2,524,083,606	1,861,323,220

## SCHEDULE 15 – NOTES FORMING PART OF THE ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation of Financial Accounts

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and the requirements of the Companies Act, 1956, under the historical cost convention and on accrual basis.

#### 2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### 3. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets include all related expenses incurred up to the date of acquisition and installation. Pre-operative expenses incurred up to the date of commencement of production of the project is allocated to Building and Plant & Machinery.

#### 4. Depreciation

Depreciation on fixed assets is calculated on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions to / deletions from the fixed assets during the year is provided on pro-rata basis.

#### 5. Inventories

Inventories are valued as follows

- a) Finished Goods at cost or net realizable value whichever is less.
- b) Work-in-process at cost or net realizable value whichever is less.
- c) Raw material, packing material, stores and spares, tools and consumables are valued at cost or net realizable value whichever is less.

#### 6. Foreign Currency Transactions

Foreign currency transactions during the period are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing at the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except for those relating to the acquisition of fixed assets, which are adjusted in the cost of the fixed assets.

#### 7. Investments

Investments are stated of cost.

#### 8. Revenue Recognition

Sales are recognized at the time of dispatch of the goods.

#### 9. Research and Development expenditure

Revenue expenditure on Research and Development is charged to revenue in the respective head of expenditure account.

#### 10. Retirement Benefits

Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for accrual basis.

## SCHEDULE 15 – NOTES FORMING PART OF THE ACCOUNTS

### 11. Borrowing Cost

Borrowing cost attributable to the acquisition of fixed assets is included in the cost of asset. The balance borrowing cost is charged to revenue.

### 12. Income Tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise and deferred tax asset or liability is recorded for the timing differences. The deferred tax asset or liability is recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

### 13. Export Benefits

The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.

### 14. Impairment Loss

As per Accounting Standard AS 28 'Impairment of Assets' effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.

### 15. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

## B. NOTES TO ACCOUNTS

- Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2008 is Rs. 3721.69 Lacs [Previous year Rs.8763.12 Lacs].
- Contingent liabilities not provided for on account of letters of credit as on 31st December, 2008 are of Rs. 4497.16 Lacs [Previous year Rs.1598.07 Lacs].
- Current income Tax is provided for the year as per provisions of the Minimum Alternate tax under the Income Tax Act, 1961.
- The company has provided for a deferred tax liability of Rs. 7550 Lacs for the year ended December 31, 2008 on additional depreciation on fixed assets under Income Tax Act [Previous year Rs.6350 Lacs].
- Calculation of Earnings per share [EPS]

Particulars	(Amount in Rs.)	
	2008	2007
Net Profit after Tax	2,201,742,888	1,854,911,926
Face value of each equity share	1.00	1.00
No. of Equity Shares Basic (Nos.)	243,797,581	229,475,548
Earning Per Share [EPS] Basic	9.03	8.08

## SCHEDULE 15 – NOTES FORMING PART OF THE ACCOUNTS

6. The aggregate amount of transactions with the related parties is as below

Particulars	(Rs. In Lakhs)	
	2008	2007
Managerial Remuneration		
Salary	37.12	5.40
Contribution to Provident Fund	–	–
Superannuation Fund	–	–
Perquisites (Bonus)	4.50	0.45
	<b>41.62</b>	<b>5.85</b>

7. The company's operations fall under single segment. Hence Segmental Reporting as defined under AS 17 is not applicable.

8. Foreign Currency Earnings and Expenditure

Particulars	(Rs. In Lakhs)	
	2008	2007
FOB Value of Exports	39,762.11	29,281.76
CIF Value of Imports (Capital Goods)	556.64	762.95
Other Expenditure	269.26	5,541.91

9. The company is not in a position to identify the dues to small scale industrial undertakings as on the balance sheet date in absence of the status of the creditors available with the company.

10. Additional information pursuant to the provisions of Paragraph (3) & (4) of Part IV of Schedule VI to the Companies Act, 1956, together with other notes.

The Ministry of Company Affairs, New Delhi have granted exemption to the Company from disclosure of quantitative details in compliance of Para 3(i) (a) and 3(ii) (a) of Part II, Schedule VI to the Companies Act, 1956 in respect of the Financial Year ended 31st December, 2008 by their order no. 46/221/2008-CL-III dated 11-12-2008 under Section 211(4) of the Companies Act, 1956.

11. Payment to Auditors

Particulars	(Rs. In Lakhs)	
	2008	2007
Audit Fees	4.00	4.00
Tax Audit Fees	1.50	1.50
Taxation and other matters	2.00	2.00
Out of Pocket expenses	–	–
Service Tax	0.77	0.93
	<b>8.27</b>	<b>8.43</b>

12. Figures of the previous year have been regrouped, reclassified whenever necessary to make them Comparable with the current year's figures.

As per our report of even date

For H.S. Hathi & Co.  
Chartered Accountants

Hemant S. Hathi  
Partner

Place : Mumbai  
Dated : 31st March, 2009

For and on behalf of the Board

Nitin J. Sandesara  
Chairman & Managing Director

R.B.Dixit  
Director

C. J. Sandesara  
Jt. Managing Director

Kirtidev Khatri  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

(Rs. In Lakhs)

Sl. No.	Particulars	For The Year Ended 31st Dec. 2008	For The Year Ended 31st Dec. 2007
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit before tax and Extra ordinary items	34,497.56	29,099.88
	Adjustment for :		
	Depreciation and Amortisation	10,715.18	8,625.97
	Financial Charges	5,920.71	4,135.20
	Operating Profit before working adjustments for	51,133.45	41,861.05
	Trade Receivables	(21,740.58)	(5,346.18)
	Other Receivables	(28,257.11)	(13,395.10)
	Inventories	(362.45)	(7,972.83)
	Trade Payables	693.32	(170.56)
	Interest	(5,920.71)	(4,135.20)
	Direct Tax	(4,055.79)	(2,851.02)
	Cash flow before extra ordinary items	(8,509.86)	7,990.16
	Dividend & Dividend tax	(1,360.84)	(1,321.49)
	FCCB Issue Expenditure	-	(2,437.45)
	Net Cash Flow from operating Activities	(9,870.70)	4,231.22
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase of Fixed Assets	(124,033.23)	(50,151.66)
	Sale of Fixed Assets	-	-
	Dividend Received	-	-
	Purchase of Investments	(26,179.02)	(3,932.06)
	Sale of Investments	-	-
	Net Cash used in Investing Activities	(150,212.25)	(54,083.72)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from Issue of Share Capital on Conversion of FCCB	143.22	71.28
	Proceeds from Share Premium on Conversion of FCCB	22,972.09	10,818.61
	Proceeds from long term borrowings	66,664.41	37,827.13
	Repayments of Share Application Money	-	-
	Repayments of Long term Borrowings	-	-
	Share Issue Expenses	-	-
	Net Cash used in financing Activities	89,779.72	48,717.02
	Net Increase/(Decrease) in Cash & Equivalents( A+B+C)	(70,303.23)	(1,135.48)
	Cash & Cash Equivalents as at January (Opening)	80,536.93	81,672.41
	Cash & Cash Equivalents as at 31st December ( Closing )	10,233.70	80,536.93

We have Examined the attached Cash Flow Statement of Sterling Biotech Limited for the year ended 31st December, 2008. The statement has been prepared by the company in accordance with the listing agreement of the stock exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the company.

As per our report of even date

For H.S. Hathi & Co.  
Chartered AccountantsHemant S. Hathi  
PartnerPlace : Mumbai  
Dated : 31st March, 2009

For and on behalf of the Board

Nitin J. Sandesara  
Chairman & Managing DirectorR.B.Dixit  
DirectorC. J. Sandesara  
Jt. Managing DirectorKirtidev Khatri  
Company Secretary

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### ADDITIONAL INFORMATION UNDER PART IV OF THE SCHEDULE VI TO THE COMPANIES ACT, 1956.

#### 1 Registration Details

Registration No. 3 5 7 3 8  
 CIN No. L 5 1 9 0 0 M H 1 9 8 5 P L C 0 3 5 7 3 8  
 State Code  
 Balance Sheet Date 3 1 1 2 2 0 0 8  
 Date Month Year

#### 2 Capital raised during the year (Amount in Rs. Thousands)

Public Issue N I L Rights Issue  
 Bonus Issue N I L Private Placement

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

Total Liabilities 4 6 4 4 8 2 6 0 Total Assets 4 6 4 4 8 2 6 0

##### Sources of Funds

Paid - up Capital 2 4 3 7 9 8 Reserves and Surplus 1 7 0 3 5 9 6 4

Secured Loans 7 8 8 7 0 2 5 Unsecured Loans 1 8 8 0 8 2 7 4

Deferred Tax Liability 2 4 7 3 2 0 0

##### Application of Funds

Net Fixed Assets 2 3 0 2 7 7 5 3 Investments 3 0 6 2 0 4 9

Net Current Assets 1 2 4 3 8 2 4 7 Misc. Expenditure 2 4 0 0 3 1

#### 4 Performance of Company (Amount in Rs. Thousands)

Total Turnover 1 1 7 8 3 8 0 7 Total Expenditure 8 4 0 3 0 6 7

Profit Before Tax 3 3 3 6 4 9 3 Profit After Tax 2 2 0 1 7 4 3

Earning per Share 9 . 0 3 Face Value of Share (Re.) 0 1 . 0 0

Dividend Rate (per Share) (Re.) 0 0 . 5 0

#### 5 Generic Names of Principal Products

Item Code No.	Product Description
3 5 0 3 0 0 . 0 2	G E L A T I N
2 8 3 5 2 5 . 0 0	D C P
2 9 1 4 6 9 9 0	C O E N Z Y M E Q 1 0

#### As per our report of even date

For H.S. Hathi & Co.  
Chartered Accountants

Hemant S. Hathi  
Partner

Place : Mumbai  
Dated : 31st March, 2009

#### For and on behalf of the Board

Nitin J. Sandesara  
Chairman & Managing Director

R.B.Dixit  
Director

C. J. Sandesara  
Jt. Managing Director

Kirtidev Khatri  
Company Secretary







# Corporate Information

## BOARD OF DIRECTORS

Nitin J. Sandesara	Chairman and Managing Director
Chetan J. Sandesara	Joint Managing Director
Vilas D. Joshi	Director
P. B. Mehta	Director
N. B. Patel	Director
R. B. Dixit	Director

## BANKERS

Andhra Bank  
UCO Bank  
Allahabad Bank  
Syndicate Bank  
The Catholic Syrian Bank Ltd.  
Punjab National Bank  
Oriental Bank of Commerce  
Bank of Maharashtra  
Vijaya Bank  
Federal Bank Ltd.  
Bank of India

## AUDITORS

H. S. Hathi & Co.  
Chartered Accountants

## COMPANY SECRETARY

Kirtidev J. Khatri

## CHIEF FINANCIAL OFFICER

Alpesh Patel

## REGISTERED OFFICE

43, Atlanta, Nariman Point, Mumbai 400 021

Members are requested to bring a copy of the annual report with them to the Annual General Meeting



## **Sterling Biotech Limited**

**REGISTERED OFFICE**

**43, Atlanta, Nariman Point, Mumbai 400 021**