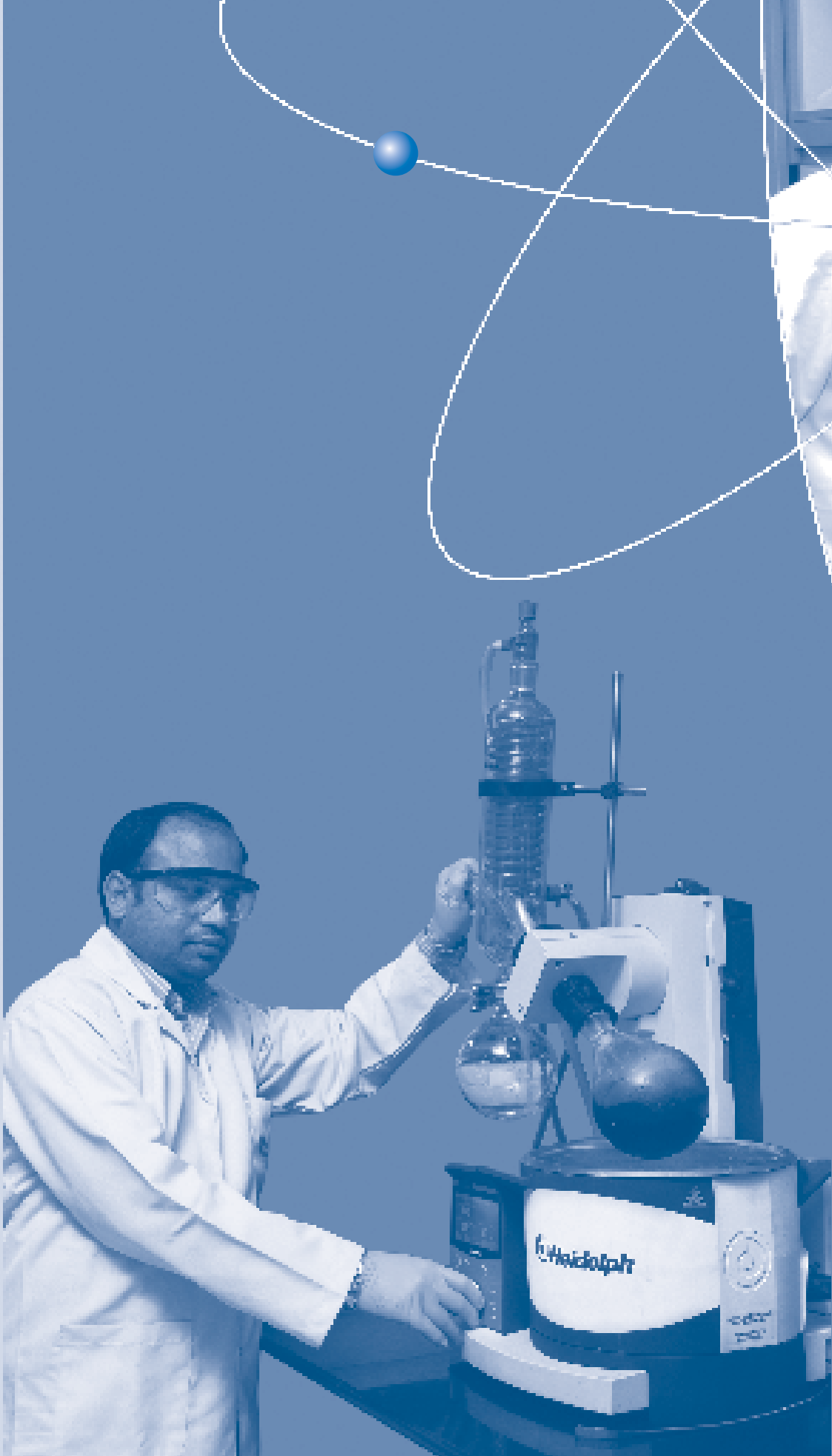
FRESENIUS KABI

caring for life

FRESENIUS KABI ONCOLOGY LIMITED

8th Annual Report 2010-11

Contents



FRESENIUS KABI

Oncology is one of the most challenging and ever-changing therapeutic areas.

The global incidence of cancer is forecasted to become more than double over the next 20 years. This creates an urgent need to develop newer oncology drugs at prices which enable more number of people to afford the treatment.

At Fresenius Kabi Oncology, we are dedicated 24X7, 365 days a year to advancing the quality cure for this challenging therapeutic segment at price points that ensure maximum number of people around the globe avail its treatment.

That is our Corporate DNA. We are dedicated to making and marketing well-priced, quality medicines for the treatment of cancer the world over.

Our commitment, conviction and passion have led us to build an arsenal of strengths and repertoire of resources that enable us to remain single-mindedly steadfast in our endeavor.

Our dedication has guided us to develop fully integrated state-of-the-art manufacturing facilities, set up a modern R&D facility, adopt global quality standards and build global IPR and regulatory expertise.

To surmount every challenge in delivering well-priced oncology generics, we have also structured our business plans to sustain not only our existing business, but also explore synergistic profitable business opportunities with Fresenius Kabi Germany and its affiliates.

The Fresenius Kabi DNA

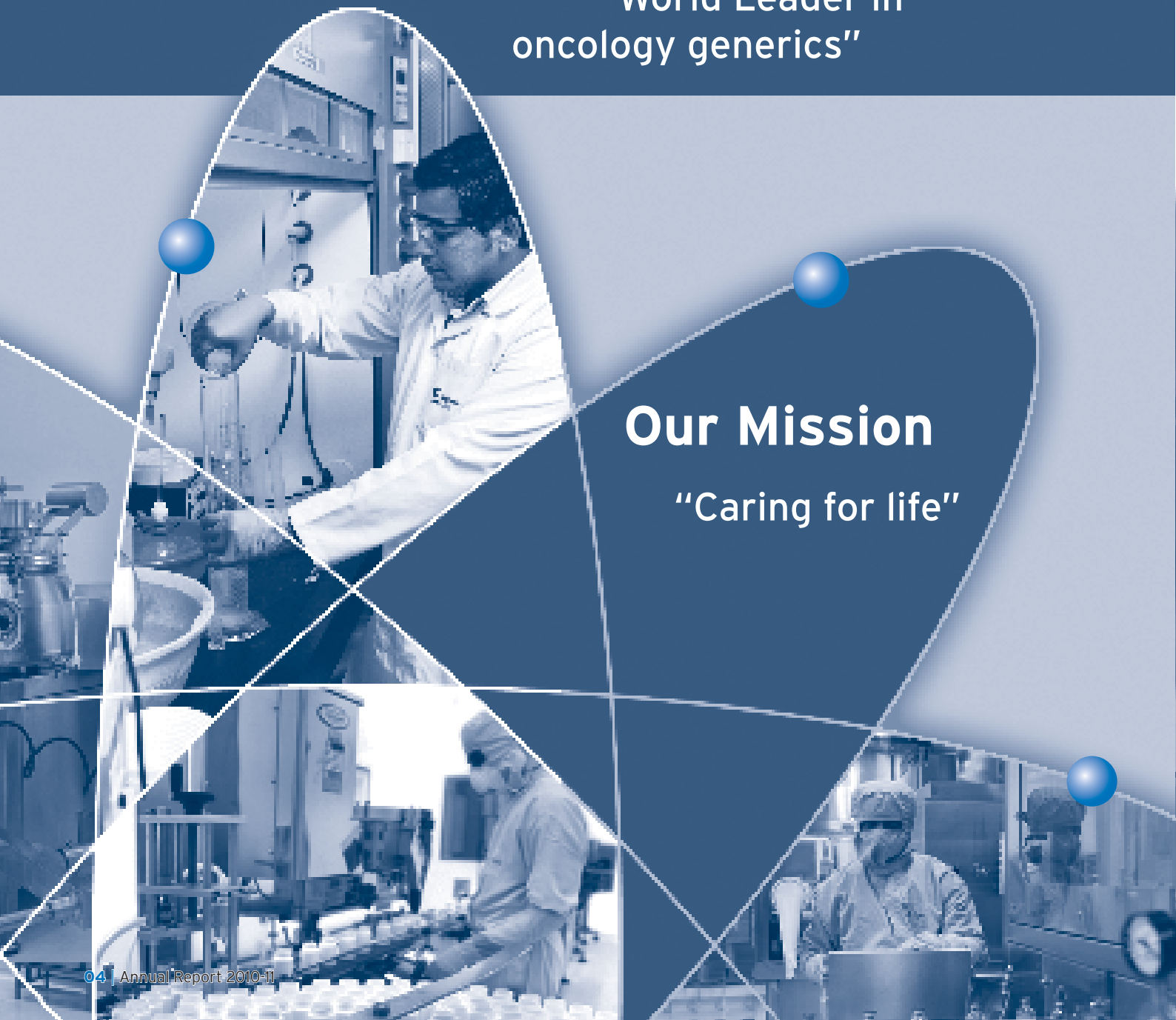
"The Company's finished dosage forms are manufactured at most modern manufacturing units in Himachal Pradesh (India)."

Fresenius Kabi Oncology Limited is one of the leading companies for cancer research and anti-cancer products. Equipped with world-class production, state-of-the-art R&D and Manufacturing facilities, the company has expertise for the development and manufacturing of Active Pharmaceutical Ingredients (APIs), intermediates and oral & injectable finished dosage forms. Leveraging the global outreach through integration with Fresenius Kabi, Fresenius Kabi Oncology Limited strives to provide state-of-the-art recent generation chemotherapeutic drugs, right from development to manufacturing & marketing across the globe.

The company's finished dosage forms are manufactured at most modern manufacturing units in Himachal Pradesh (India), while the Active Pharmaceutical Ingredients (APIs) are manufactured at West Bengal (India). Fresenius Kabi Oncology provides high quality products supported by superior level of customer service at highly competitive prices. Its commitment to Quality by Design (QoD) is endorsed by regulatory authorities like TGA, EDQM and USFDA.

Our Vision

"To become the World Leader in oncology generics"



Our Mission

"Caring for life"

FRESENIUS KABI

Our Values

Quality

We are committed to Quality in everything we do. All our business practices and processes are designed to achieve excellence in Quality along the entire value chain – from research development through production to sales and marketing.

Medical Progress

We are dedicated to improving patient outcomes. We apply our unique expertise in Pharmaceuticals and medical devices to create products that advance the therapy and care of critically and chronically ill patients worldwide.

Focus on Customer Needs

In all aspects of our operations, from product development and production to delivery and customer support, we are focused on our customers' needs and expectations in order to support them in the optimal treatment and care of patients. With our global operations and geographic footprint, we provide optimal service to our customers worldwide.

Honesty and Integrity

We demand high ethical standards of ourselves, our products and processes. We are committed to dealing fairly and respectfully with employees, business partners, government authorities and the general public. Success in our business ventures depends upon maintaining the trust of these essential stakeholders.

Passion and Commitment

We aim to achieve a sustained increase in corporate value in the interests of our stakeholders: our customers, employees, business partners and society as a whole. We will work together in the spirit of partnership to create value. Our success is founded on the skills and commitment of our employees and we encourage individual responsibility and entrepreneurship.

Our Nucleus of Strengths

Comprehensive product portfolio

Our product portfolio comprises of over 40 formulations, including cytotoxic and cytostatic in both I.V. and oral dosage forms, which are of the highest quality and yet are cost competitive. The capability to bundle variety of products together for providing cutting-edge combination therapies to cancer patients is an attractive proposition to institutional buyers. A focused strategy is in place to continuously augment the portfolio by monitoring and studying upcoming patent expiries.

Cost competitiveness

In order to thrive in the highly competitive generics market, the ability to be cost competitive is a market reality. Our ability to offer well-priced medicines to patients stems from the vertical integration of our business operations - right from bulk actives to finished formulations - lays out the foundation of our cost competitiveness.

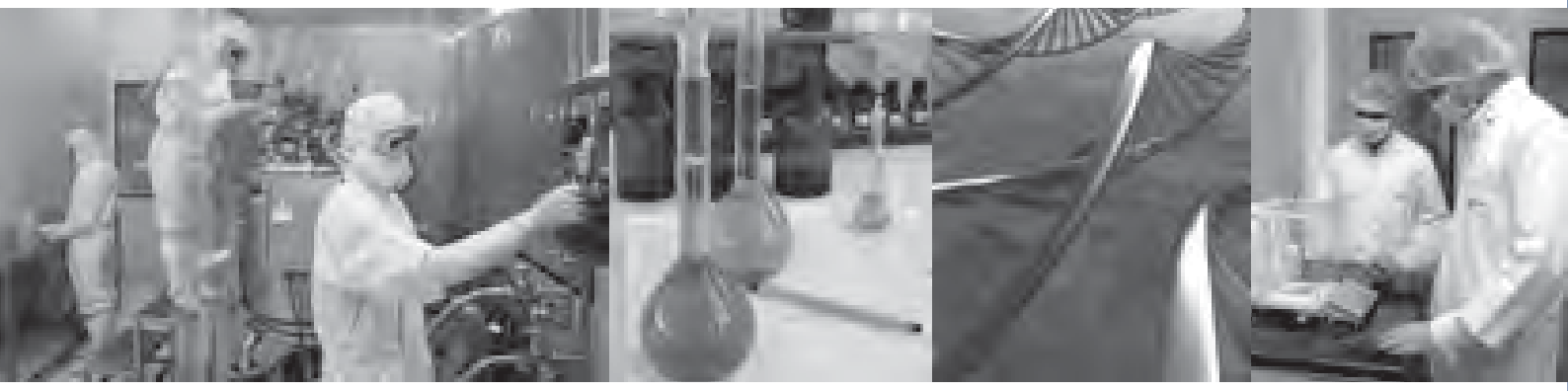
Speed to market

A strong predictor of any high achieving generics product is a successful launch at the right time, in the right market, to achieve the right results. Success depend to a large extent, on a company's agility and the ability to launch a product at patent expiry and to also importantly ensure that the launch trajectories are steep and sustained. Our experience provides us a better insight into assessing the market conditions and the challenges of validating products. At Fresenius Kabi Oncology Limited, we ensure speed to market through our highly experienced regulatory team ensuring pre-patent expiry registrations, our competence in developing key products through non-infringing processes and by leveraging the vast expanse of the efficient global distribution network of Fresenius Kabi.

Research & Development

Just as technological progress plays a central role in the modern economy and is an important contributor to economic growth, it is also a crucial factor in determining the competitiveness of pharmaceutical firms in the marketplace.

R&D is widely recognized to be the linchpin of technological advancement and the level of proficiency is viewed as a reliable indicator of innovative capacity. R&D holds the key to a company's developmental pipeline, right from research to registrations of a product. Currently, we have a dedicated team of highly qualified scientists engaged in developing the second wave of products, such as next



generation cytotoxics, cytostatics and targeted therapies.

Strong network

Just as profitability is the primary outcome of attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. To maintain a leading position in the oncology generics business segment, we have built reliable and efficient marketing and distribution networks in every continent of the globe.

The focus of Fresenius Kabi Oncology on R&D and Manufacturing of generic cancer products will allow us to further leverage our expertise in these fields. The distribution of our products - through Fresenius Kabi's extensive sales and marketing network, will accelerate the global roll-out of our generic cancer product portfolio.

Our Opportunity Matrix

Spiraling spends on Cancer treatment

While the cure for cancer is evolving at a brisk pace, the spend on cancer treatment is far outpacing it. This fact stands vindicated with Medco Health Solutions revealing that the US spends on oncology drugs is growing at approximately 10-12% in 2011 and could possibly touch a 13-15% growth rate in 2012. This is primarily because patients are using drugs for longer periods of time as treatments for chronic illnesses rather than terminal care.

Given this trend, drugmakers are now focusing even more aggressively on oncology as a potential growth market. This is expected to translate into better and more effective cures in the future and also will lead to doubling of new cancer drugs reaching the market in the next several years.

Growing demand for better priced medicine

Bulk drugs or generics offer the pharmaceutical industry an opportunity to make and market better priced, quality medicines to the common man all over the world. With its strong cost-competitiveness, state-of-the-art manufacturing facilities and quality edge, India tops the world in exporting generic medicines. Continued demand for generics from the US market ensures stable outlook for the Indian Generics Pharmaceuticals, even in 2011. In fact, the coming wave of patent expirations in 2011 and 2012 – dubbed popularly as the "patent cliff" is expected to further open up the global market for generic drugs. Through this patent expiration alone, the industry estimates expects US$ 96 billion worth of drug sales to be exposed to the generics space.

Established presence in an expanding business segment

The company made its foray into the field of oncology with the launch of Intaxel (Paclitaxel) in 2006, which was a revolutionary drug for various types of cancer management. It was the first time when Paclitaxel was made available in India and the company was only the second one in the world to do so. This was followed by another breakthrough product in 2007 – Nanoxel, which is a novel Nanoparticle-based formulation of Paclitaxel. Again, Nanoxel is the first in the next generation of chemotherapy drug delivery systems, which had set the company apart as a safer & superior oncology drugs developer. This nanoscale drug delivery system, launched in 2007, was India's first indigenously developed nanotechnology based chemotherapy agent.

Since then Fresenius Kabi Oncology Limited has been the front-runner in launching many generics in oncology. The company strives to provide state-of-the-art third generation chemotherapeutic drugs, right from development to manufacturing & marketing across the globe.

By virtue of a comprehensive product portfolio of injectables, oral cytotoxics, cytostatics, intermediates and Active Pharmaceutical Ingredients (APIs), Fresenius Kabi Oncology is a leading player in oncology generics.

Our cytostatics range combines the new generation drugs in chemotherapy with time-tested products to meet all therapeutic protocols. The comprehensive product range includes formulations for the treatment of lymphomas, leukemia, carcinomas of ovary, breast, lung, head & neck and gastrointestinal tract.

The company, through this core area of business, is poised to harness the unfolding opportunities and plans to expand its presence into the emerging markets. The company has already proven its prowess by launching its key products in the highly regulated markets of North America and the EU and will continue to leverage its strengths to rapidly grow in oncology generics space globally.

With the integration process nearing its completion, Fresenius Kabi Oncology Limited is geared to grow with an exponential trajectory. Having critically evaluated its current presence & strengths and identified clear areas of growth in the future, the company has put together a focused strategic plan and is perfectly poised to achieve its vision and goals in the realm of oncology generics.

Augmenting revenues through CRAMs

Increasing costs for research and development and low productivity have been compelling major pharmaceutical companies worldwide to outsource part of their manufacturing activities to reduce their operational costs.

From being an import-dependent industry five decades ago, the Indian pharmaceutical industry is now recognized globally as a producer of cost-effective, high quality bulk drugs and formulations. It is estimated that the manufacturing costs in India are approximately 35 to 40% of those in the US due to low installation and manufacturing costs. Armed with world-class R&D and Manufacturing centres, Fresenius Kabi Oncology is all set to augment its revenues by offering fee-based CRAMs services to Fresenius Kabi Germany and its affiliates and grow its presence significantly in this space over the next few years.

State-of-the-art manufacturing facilities

Fresenius Kabi Oncology, with world-class production and state-of-the-art manufacturing facilities, provides high quality and cost-effective pharmaceutical products (APIs, intermediates and oral & injectable finished dosage forms) to markets worldwide.

The company's finished dosage forms are manufactured at the most modern manufacturing units in Himachal Pradesh (India), while the Active Pharmaceutical Ingredients (APIs) are manufactured at Kalyani (West Bengal, India).

The Company's state-of-the-art USFDA-approved manufacturing facility in Himachal Pradesh, India is dedicated for manufacturing of cytotoxics products. It is equipped with sophisticated equipments and the processes are carried out, as per the international regulatory standards, by trained human resources.

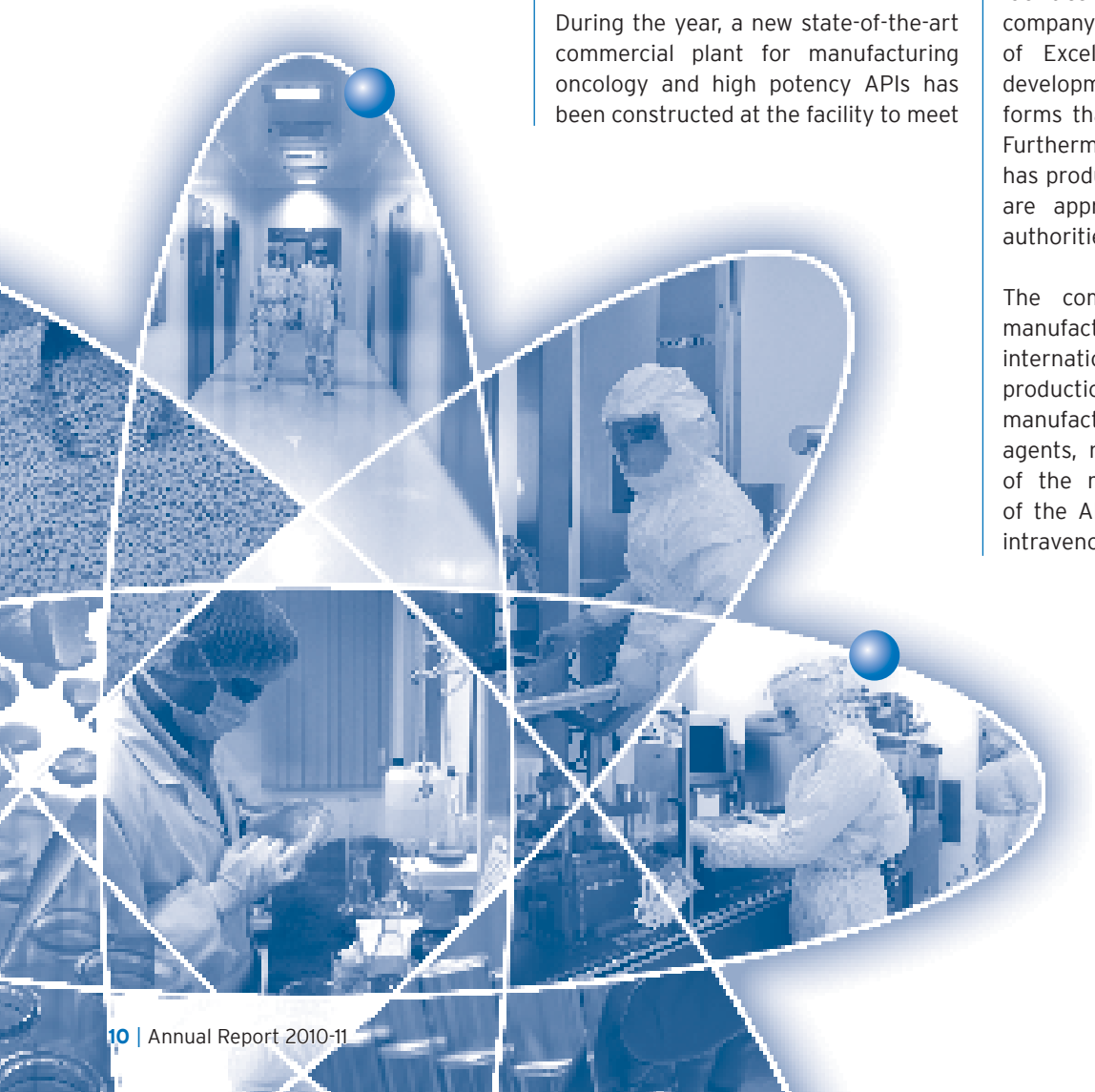
The Kalyani (West Bengal, India) facility manufactures oncological and non-oncological APIs in separate and fully segregated areas. This facility is approved by USFDA, TGA and EDQM for various APIs. A number of new DMFs have been filed from the facility in the US and EU.

During the year, a new state-of-the-art commercial plant for manufacturing oncology and high potency APIs has been constructed at the facility to meet future demands. Production through this new capacity will be dedicated for in-house consumption and surplus capacity maybe considered for outsourcing.

Going ahead, the company plans to further leverage its R&D and Manufacturing competencies by entering into contract R&D and Manufacturing Agreements with Fresenius Kabi Germany and its affiliates. This agreement will be for future products without affecting existing product business and Intellectual Property Rights (IPRs).

After expanding its R&D and Production facilities over the past years, the company is Fresenius Kabi's Center of Excellence in oncology for the development of API and finished dosage forms that are used in chemotherapy. Furthermore, Fresenius Kabi Oncology has production facilities in India, which are approved by several regulatory authorities.

The company is one of the few manufacturers worldwide that has international registration for the production of all steps within the manufacturing process of cytostatic agents, ranging from the preparation of the raw material, the production of the API to the manufacture of the intravenously administered (I.V.) drugs.



Innovation & R&D

The process of developing new drugs is very demanding. The road to market new drugs is quite long and entails years of intensive research that can take anywhere from 12-16 years. The estimated cost can cross over one billion dollars for developing just one drug. This figure can be even higher depending on the therapeutic segment and the complexity of the disease. The process also necessitates successfully complying with the myriad stringent regulatory approvals. Add to this environment, a scenario where consumers want to pay less for drugs and healthcare.

As a result of these, we have a situation that demands a fresh approach from the pharmaceutical industry – and requires the industry to gauge all options to be cost-competitive and yet promote the R&D process.

This backdrop places the international pharmaceutical market at a pivotal point of its evolution. It is increasingly recognizing that the long road to bring new drugs to the market needs to be shortened and undertaking specialized R&D services could hold the key.

Large pharmaceutical organizations are thus increasingly looking at India to enter into strategic alliances with local players or set up base to harness expertise in pharmaceuticals including oncology. Areas opening up in oncology include: API manufacturing, dosage form manufacturing, exploratory clinical trials for emerging indications. These opportunities place India in the super league of markets that influence market dynamics.

Our presence

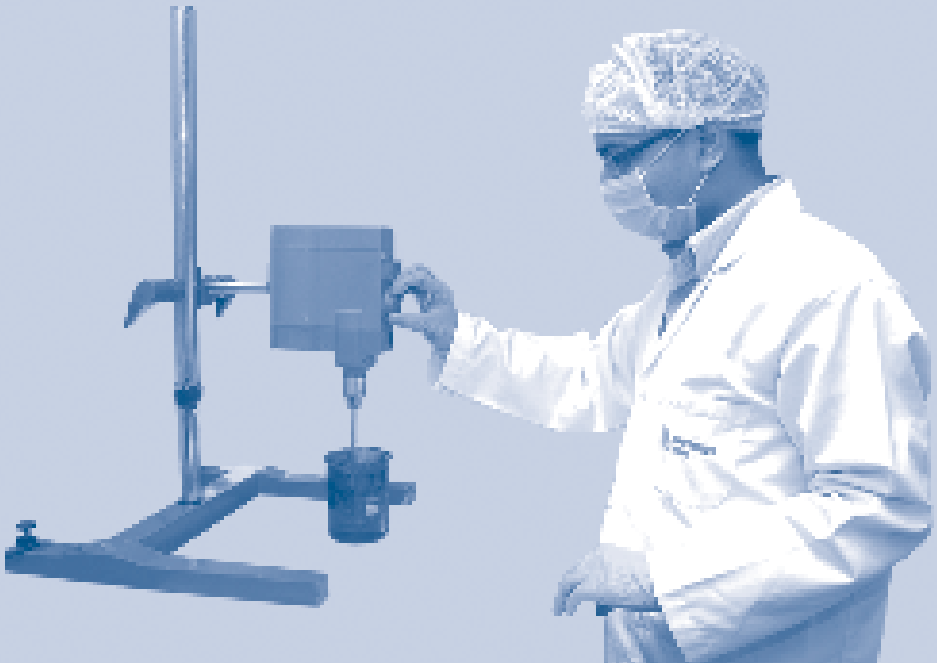
Our approach to cancer patients, who are the heart of all we do, is to plan one of the broadest portfolios of oncology generic products with a focus on "First To Market" opportunities. We have a well-established Research & Development capability, which leads us towards improving the existing treatments for cancer patients.

Fresenius Kabi Oncology's Research & Development division is well-equipped with state-of-the-art equipment and over 180 scientists working with full dedication. These scientists, with their key functional competencies and extensive product experience, are engaged in third generation chemotherapeutic research and product development.

The company's R&D initiatives focus on key areas, viz intellectual property, API chemistry, formulations development, medical and regulatory affairs. We also have a highly integrated approach towards product development, regulatory submissions and technology transfers.

Our skilled R&D set-up has lent tremendous value and impetus to the company's strategic oncology generics portfolio management. R&D efforts continue to play a crucial role in the development and timely registration of key products for North America, Europe and the emerging markets of Asia-Pacific and Latin America.

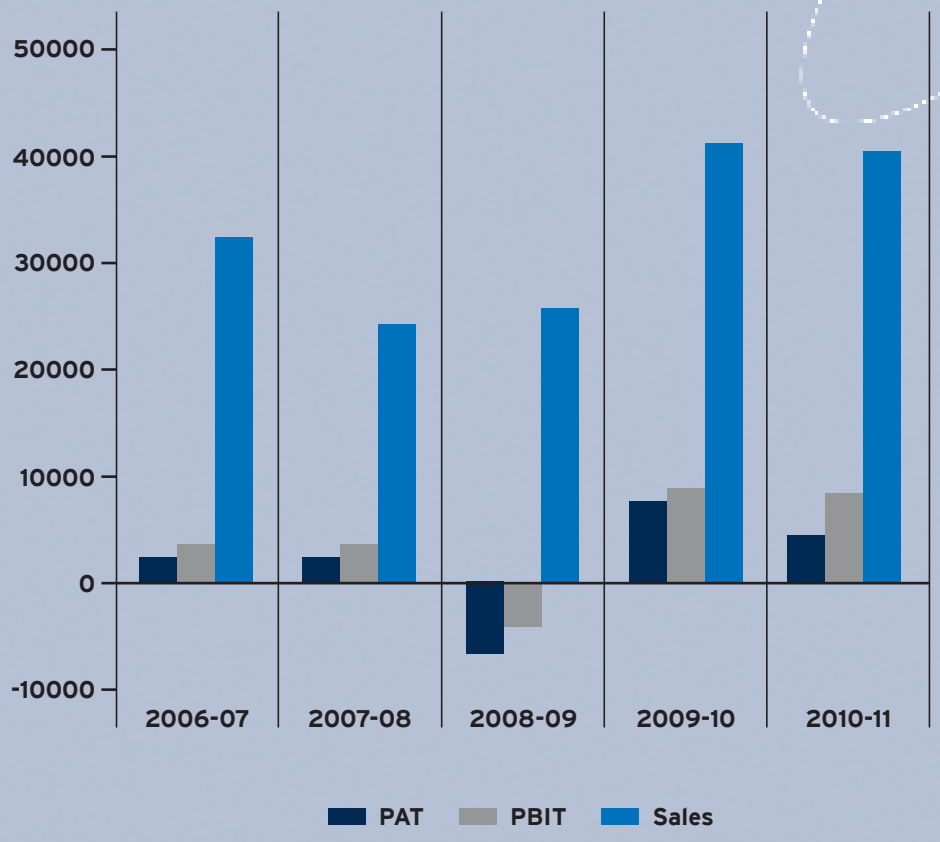
Looking beyond its own development pipeline and converging its R&D strengths together, the company may also consider devoting or allocating a part of its resources to larger ongoing industry R&D initiatives.



Financial Highlights

(₹ in lacs)

	2010-11	2009-10	2008-09	2007-08	2006-07
Sales	40,214.43	41,128.08	25,709.12	23,821.34	30,619.34
PBIT (before extra ordinary item)	8,534.71	9,026.39	-4,110.32	3,774.27	3,665.41
PAT (before extra ordinary item)	4,656.10	6,499.87	-6,585.69	2,398.02	2,525.29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2006-07
2007-08
2008-09
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PAT
PBIT
Sales

Chairman's Message

Dear Shareholders,

Curtains have come down on yet another eventful year and the stage is set for raising the bar of performance, excellence and achievements in the coming years. I take great pleasure in extending my greetings to all of you through this year's Annual Report.

2010-11 was in many ways a landmark year for us and I have reasons to describe it as one. First, the year saw our company shift its Corporate Office from the old Dabur premises at Sahibabad into a brand new and most elegant building in Gurgaon, which you will be proud of. Next, we set up a state-of-the-art R&D facility in the same building meeting all the green environmental norms, which will provide the right infrastructure and innovative environment to both our experienced and young scientists, to experiment and improve products as per rigorous international standards. This modern set up will allow our scientists to work dedicatedly towards fulfilling the company's mission of "caring for life" by developing cost effective and affordable generic oncology drugs in our journey to "become the world leader in oncology generics".

The third important milestone for our company was the successful and timely commissioning of our API manufacturing capacity expansion projects at the Kalyani (West Bengal, India) facility. This will further strengthen our manufacturing prowess and lend greater weight to our unique value proposition.

It gives me immense satisfaction to report that our company continued to receive approvals for key products in the important markets of US and Europe. Our efforts were complimented by strong sales forces of Fresenius Kabi in various countries which enabled strong volume growth in export business.

While we continued our relentless focus on building capacities and capabilities our financial performance faced some head winds on account of economic slow down in our destination countries, particularly Europe, and excessive price competition. There was high inflation in commodity prices globally pushing up our manufacturing costs, and our large investments in R&D further put our profitability under pressure. Such pressures on revenues and profitability were in fact faced last year by most Pharma Companies in India.

"Our strategy will be to put even a sharper edge on our strengths of R&D and Manufacturing so as to earn growing revenues and insulate the bottom line from business risks"

While the economic environment is still nebulous with issues such as the Greek Crisis, and Lower GDP growth forecast in India, I look ahead with cautious confidence and optimism. In our major market of US, spending on oncology drugs is expected to grow at least by 10% every year through 2013. Not only in the US but in all the world markets Cancer Care is viewed as a high growth therapeutic area.

Our challenge is to capitalize on this great opportunity while avoiding the downward pressures on profitability. Our strategy will be to put even a sharper edge on our strengths of R&D and Manufacturing so as to earn growing revenues and insulate the bottom line from business risks.

In order to implement this strategy, we wish to take the following initiatives:

1. Enter into contract R&D and Manufacturing agreements with Fresenius Kabi Germany and its affiliates for all future products, without affecting the existing business and intellectual property rights. This action will reduce the cost burden and risks associated with investments into R&D and Litigation risks, and at the same time provide a steady but growing stream of revenues and profits to the company

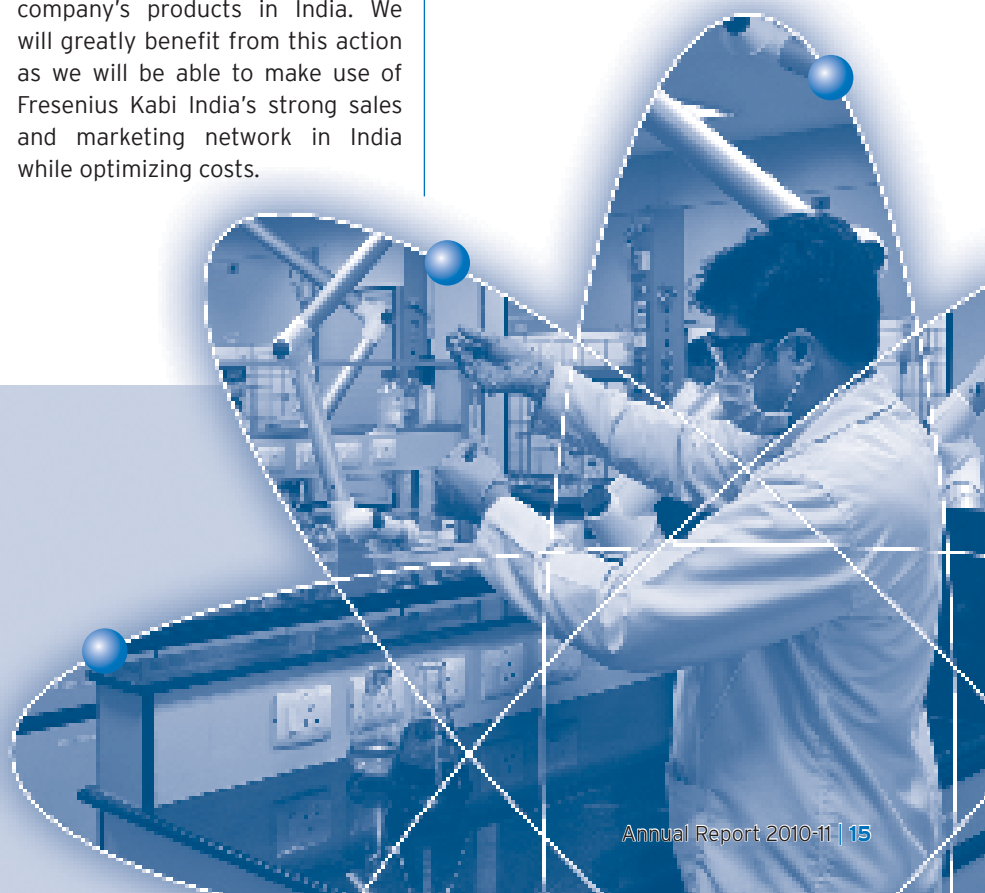
2. Disinvest our company's entire shareholding in Fresenius Kabi Plc, UK to Fresenius Kabi Germany and its affiliates at a price not less than the fair market value. The purpose is to replace Fresenius Kabi Oncology Plc by our own Baddi (Himachal Pradesh, India) facility for production meant for regulated markets of USA and Europe. This transaction will also result in improved cash flow of the company

3. Enter into distribution agreement with Fresenius Kabi India Pvt. Ltd. for selling and marketing our company's products in India. We will greatly benefit from this action as we will be able to make use of Fresenius Kabi India's strong sales and marketing network in India while optimizing costs.

These strategic actions will take us towards a business model, which is largely risk free and draws upon our core competencies of R&D and Manufacturing. It will also provide opportunity for ever growing revenues and profits. I am proud to say that ours will be a pioneer company to act as a global center of excellence for R&D by a multinational Pharmaceutical Company.

I am sure that with your good wishes and support Fresenius Kabi Oncology Ltd. will succeed in achieving its ambitious business goals and continue to help the medical profession in alleviating the suffering of cancer patients.

Rakesh Bhargava
Chairman



MD & CEO's Message

"An important development that transpired in the course of the year was the operationalisation of our world-class R&D Center at Gurgaon which going forward will become the contract R&D site for Fresenius Kabi Germany and its affiliates."

Dear Shareholders,

It gives me immense pleasure to connect with you once again through the Annual Report of our company, 2010–2011.

In the journey towards "becoming the world leader in Oncology generics", your company has made significant investments in building its capacities and capabilities in key areas of operations - R&D and manufacturing - over the last fiscal. I am very confident that this investment will positively impact our revenues and earnings in the coming years. Operationally, 2010-11 was an extremely challenging year for both the industry and us. Keeping this in mind, we adopted a two-pronged strategy to counter the challenges: on one hand we continued to invest in upgrading and enhancing our assets such as the R&D Center and Manufacturing sites and on the other, we worked relentlessly to maintain our sales in the face of cut-throat competition and severe price wars. Given the macro business environment, we prudently decided to further sharpen our edge in R&D and Manufacturing which eventually culminated in our company entering into Contract R&D and Manufacturing agreements with Fresenius Kabi Germany and its affiliates.

An important development that transpired in the course of the year was the operationalisation of our world-class R&D Center at Gurgaon. At this international grade center, we have the infrastructure to develop both API as well as Dosage Form products for oncology and non-oncology drugs. A new state-of-the-art commercial plant for manufacturing oncology and high potency APIs has been constructed at the Kalyani (West Bengal, India) facility to meet future demands and at the Nalagarh and Baddi (Himachal Pradesh, India) manufacturing facilities, we commenced manufacturing for more markets. For these R&D and Manufacturing sites our company has entered into agreements with Fresenius Kabi Germany and its affiliates for contract R&D and Manufacturing. All these inherent assets, which your company has steadfastly built has helped us create long-term revenue generating assets without carrying the cost burden and risk of running a huge R&D as well as Manufacturing facilities. By doing so we believe that we have mitigated the risks involved and also sharpened our focus to utilizing our core strengths.

Other developments that marked the working of our company in 2010-2011 comprised continued focus on Quality by Design for launching world-class quality products for our end customers. With unwavering commitment, we are dedicatedly and passionately pursuing our company's mission of 'Caring for Life'. People are our biggest strength and we continue to assess and enhance our peoples' capabilities and make them future ready through our talent management efforts. Our financial controlling processes are more robust and in line with global financial requirements. The internal audit processes follow a 'risk based approach' in planning and conducting audits. This ensures complete business alignment. Our company has also invested heavily in upgrading its Information Technology systems as well as in automating key business processes to ensure quick and accurate business reporting.

As I conclude, the past year can be described as an extremely enriching and learning journey. As we move ahead, I would like to express my deepest and most sincere appreciation for all the support that all of you, our stakeholders, have bestowed on us. I look forward to building on the values that our Company represents and achieve greater success in the coming years.

Dr. Satish B. Kulkarni
Managing Director & CEO

Board of Directors

Mr. Rakesh Bhargava
Non - Executive Chairman

Dr. Satish B. Kulkarni
Managing Director & CEO

Mr. Mats Christer Henriksson
Non - Executive Director

Dr. Naresh Trehan
Non - Executive
Independent Director

Corporate Information

Company Secretary

Mr. Nikhil Kulshreshtha

Auditors

M/s G. Basu & Co.
Chartered Accountants

Internal Auditors

PricewaterhouseCoopers Pvt. Ltd.

Mr. D. G. Shah
Non - Executive Independent Director

Dr. Anand C. Burman
Non - Executive Director

Dr. Michael Schönhofen
Non - Executive Director

Mr. Nitin Potdar
Non - Executive Independent Director

Mr. Gerrit Steen
Non - Executive Director

Bankers

IDBI Bank Ltd.

The Hongkong and Shanghai Banking Corporation Limited

The Royal Bank of Scotland N.V.

Credit Agricol Corporate & Investment Bank

Deutsche Bank AG

Punjab National Bank

State Bank of India

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Ph: + 91 – 124 – 4885000,
Fax: + 91 – 124 - 4885003

Subsidiary

Fresenius Kabi Oncology Plc
Lion Court, Farnham Road, Bordon,
Hampshire, Gu35 Onf., UK

Management Discussion and Analysis

"The ongoing patent expirations, Political - Economic - Social - Technological (PEST) reasons of the healthcare providers and lastly, though not majorly, the growing trust of practitioners, dispensers and patients in the Generic Companies for developing and launching quality and cost effective products are some of the key factors that have enhanced growth in this important segment."

In line with its vision of `becoming the world leader in Oncology generics', Fresenius Kabi Oncology Limited is continuously focusing on expanding and upgrading its capacities and capabilities.

The year gone by has been financially challenging for the company. However, these challenges notwithstanding, the company has firm plans in place to overcome the same in the future. Going ahead, the company plans to foray into contract Research and Development and Manufacturing agreements with Fresenius Kabi Germany and its affiliates. It also plans to enter a distribution agreement with Fresenius Kabi India Private Limited and to disinvest its entire shareholding in Fresenius Kabi Oncology Plc, UK again to Fresenius Kabi Germany and its affiliates.

Highlights 2010-2011

1. Registration and launch of key products in US and EU markets
2. Record production volumes achieved for key products at API Plant, Kalyani (West Bengal, India)
3. New plants for key products commissioned at API Plant, Kalyani (West Bengal, India)
4. Successful relocation of the Research and Development facility to Gurgaon
5. Gurgaon Office certified as ISO 9001:2008 compliant
6. IT-based quality systems rolled out in plants and R&D to ensure world-class quality products

Boosted by a number of vital factors, the oncology generics market has become an area of immense interest, importance and business potential to both, the innovators as well as the generic companies. This growing importance and interest in the oncology generic market has triggered immense competition among various players in the field. The ongoing patent expirations, Political-Economic-Social-Technological (PEST) reasons of the healthcare providers and lastly, though not majorly, the growing trust of practitioners, dispensers and patients in the Generic Companies for developing and launching quality and cost effective products are some of the key factors that have enhanced growth in this important segment. Going ahead, this is expected to register impressive growth rates and continue to post positive growth as a result of the above-mentioned factors.

Another factor favoring growth is the huge gap emerging due to unmet medical needs in the space of oncology, complemented by patient compliance issues. There is an effort, world-wide, to make cancer more manageable, thereby leading to a major emphasis by the company on research for early detection through innovative screening programs. However, despite the awareness, advancement and greater focus, cancer incidence continues to grow globally.

Fresenius Kabi Oncology Limited, a global leader in the field of oncology treatment, has been providing "Excellence in Cancer Therapy" through its large product portfolio as well as end-to-end solutions for managing cancer patients world-wide. The company excels in all facets of oncology treatment, including API development & production, dosage form development and manufacturing, intellectual property & regulatory affairs management, global supply chain, sales and marketing. On the strength of its expertise and state-of-the-art manufacturing facilities, the company has launched important products in all parts of the world, including in the US and EU and has leadership position in the oncology generics market in many countries for many of its products.

Financial Review

The price erosion faced globally by the oncology generics business impacted the company's performance during the year under review. Notwithstanding

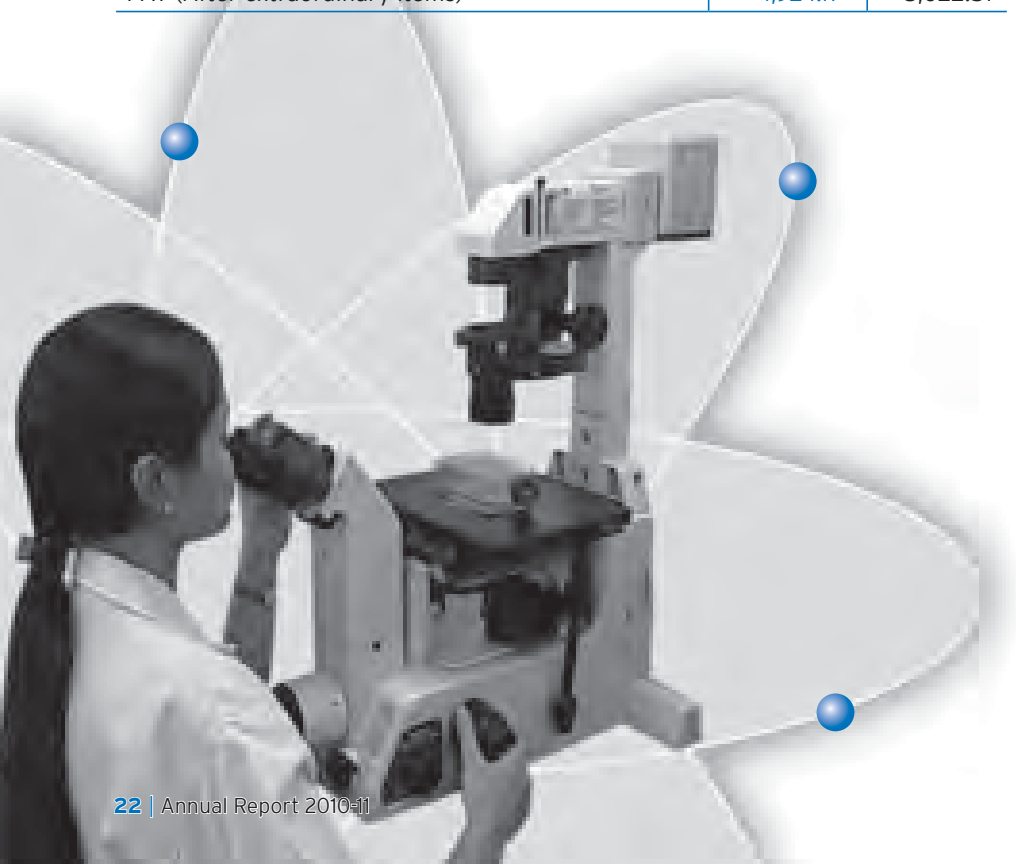
the overall negative business trend, the company reported only a marginal decrease in sales and the resulting PBDIT.

The company's financial snapshot for the year 2010-2011 is as follows:

- Profit before tax (before extraordinary items) stands at ₹ 6731.74 lacs.
- Sales decreased slightly from ₹ 41128.08 lacs in the previous year to ₹ 40214.43 lacs in the year under review.
- Formulation business continues to maintain its share at 82.9% of total sales, the rest coming from bulk actives.
- The international business accounted for 83.55% of total sales.

(₹ in lacs)

Particulars	2010-11	2009-10
Sales	40,214.43	41,128.08
Other Income	1, 651.63	1,632.82
Total Income (Excluding extra ordinary Items)	41,866.06	42,760.90
Manufacturing and other expenses	31,639.35	32,483.64
PBDIT	10,226.71	10,277.26
Depreciation	1,692.00	1,250.87
PBIT	8,534.71	9,026.39
Interest	1,802.97	1,939.57
PBT (Before extraordinary items)	6,731.74	7,086.82
Current and Deferred Tax	2,075.64	586.95
PAT (Before extraordinary items)	4,656.10	6,499.87
Extraordinary items	268.07	1,522.64
PAT (After extraordinary items)	4,924.17	8,022.51

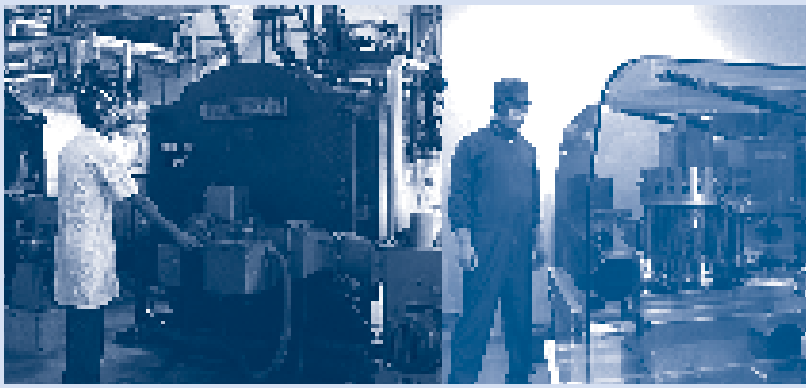


We realize, however, that the price erosion in the oncology generics business, due to increased development costs and lower sales growth, is leading to declining profitability for the company. The company is a fully integrated entity, which undertakes generics drug development, API development, finished product development and generics product registrations across the world, with several of these products also facing both business and litigation risks. This consumes a large chunk of the company's financial resources.

To tackle this problem, the company has decided to focus on its core competence, which is R&D and Manufacturing, in the future. For all new product developments, the company's R&D Center is being proposed as the contract R&D Center for Fresenius Kabi Germany and its affiliates with a markup cost. As a result of this move, the company would stand to benefit from new products as growth drivers, without incurring the cost of development. For the manufacturing of these new products, the company's manufacturing units in Himachal Pradesh & West Bengal (India) would be the contract manufacturing sites for Fresenius Kabi Germany and its affiliates, again with a markup cost. This will ensure that the company will have the commercial benefits for the India market and also that all its capacities are insured for utilization. Contract Research and Development, as well as manufacturing, will open up avenues for development and manufacturing of both oncology as well as non-oncology drugs.

Further, with the development of manufacturing facility situated at Nalagarh, (Himachal Pradesh, India) as a manufacturing site for US, EU and other countries, the company is intending to sell its production unit at Bordon, Fresenius Kabi Oncology Plc,

> "For all new product developments, the company's R&D Center is being proposed as the contract R&D center for Fresenius Kabi Deutschland with a markup cost."



UK, also to Fresenius Kabi Germany and its affiliates. This would ensure cost-effective and competitive products for the market. The company is also looking forward to moving its sales and marketing functions to Fresenius Kabi India Pvt. Limited, to gain synergies in supply chain, compounding, bed-side mixing technologies, etc. Last but not the least, the company intends to use Fresenius Kabi Asia Pacific Limited, Hongkong's expertise in distributing and promoting products within Asia Pacific countries.

The Management is confident that these strategies will result in mitigating the risks and maximizing the revenues and profits in both, short and long term.

Trends in the Global Oncology Market

Despite the increasing number of breakthroughs in oncology treatment, Cancer, unfortunately, is still the second largest cause of death worldwide. The growing incidence of cancer and the unmet medical needs, coupled with patent compliance issues & ageing population, are leading to considerable growth in the oncology generics market. Business intelligence agency IMS has estimated that the size of the global oncology market was a little over US $58 billion in 2010. While overall, the Pharma market is set to grow at a rate of around 5%, the oncology market is expected to grow at a CAGR of 12% to 15%, reaching US $70 billion by 2012.

Interestingly, despite the strong growth rates in the emerging markets, the "Triade" (US, EU & Japan) still accounts for ~80% of the global oncology market. This growth is principally being fuelled by rising access and affordability of cancer treatment regimes in developing countries, along with increase in cases of cancer diagnosis.

As healthcare systems worldwide emphasize on early detection and disease management, the ever-increasing demand for newer and innovative oncology drugs will continue to be a growth driver for the oncology generics market. The attractiveness of the generics market is also increasing due to growing pressure to reduce healthcare costs globally and also as a result of a sizeable number of existing products going off-patent with each passing year.

Globally, the importance of Biomarkers is increasing in carving out niche populations. The trend in Targeted Therapies (TT), which have tremendously increased their market share of sales in a decade (4% share in 2000 to 52% in 2010), is also noteworthy, though recent Targeted Therapy launches have failed to make an impact. (In 2010, the product Avastin alone generated more revenues than the 8 biggest Target Therapy launches post 2005). Clearly, after years of "gold-rush of TT", the growth is now slowing down in most major markets (except Japan), with key reasons being regulatory requirement of more complex and difficult to recruit clinical trials and the fact that Overall Survival (OS) is now the required metric. It is pertinent to note here that these TTs are prescribed along with, or after the conventional chemotherapeutics, which implies that primary therapies continue to remain the core of cancer treatment.

Trends in the Indian Oncology Market

The Indian Oncology market continues to witness high growth rates, contributed mainly due to increased awareness, diagnosis and affordability of therapies among patients, "aggressive" prescription trends, emergence of corporate sector in healthcare and availability of the best-in-class drugs locally at reasonable prices. Increase in hospital infrastructure and diagnostic facilities in both government and private sector has helped improve the early diagnosis and treatment. Despite growing consciousness towards prevention and early detection, India continues to carry a sizeable disease burden for

> "The company also benefited from the market and institutional penetration of its parent company, particularly in European markets and the US."

tumors such as head and neck, lung, cervix and breast, which to an extent has contributed to the development and growth of the local industry.

The market for chemotherapy drugs in India is valued at $ 269 million and is likely to grow at a CAGR of 16.4% to reach a market value of $ 575 million by 2014, according to a new report from Data Monitor. Cancer of Breast, Head and Neck are the leading cancers in India. A number of local players, backed by contemporary R&D and World-Class Manufacturing facilities have come out with an impressive product range to meet the rising market demand locally as well as globally.

It is also important to note that with the proliferation of multiple local players in this segment, the Indian oncology market has become extremely price competitive. This leads to severe price erosion making market share expansion challenging.

Abundance of technically qualified human resource and decades of experience in pharmaceutical sector have transformed India from a mediocre consumer to a world-class manufacturing and/or outsourcing base. This potential continues to attract multinational companies to enter into strategic alliances with local players or setup bases to harness the expertise in pharmaceuticals in general and oncology in particular. Three areas that have witnessed more partnerships and collaborations within oncology business are; Actives and Dosage form manufacturing, Biopharmaceutical Research & Development and Exploratory Clinical trials for emerging indications. These attributes have certainly put India in the super-league of markets that can influence future market dynamics.

Key Markets

Leveraging its growing strengths in oncology, the company continues to play a crucial role in development and registration of key products for North America, Europe and Emerging Markets of Asia-Pacific, Latin America and Middle East. Apart from launch of several key products, the year under review witnessed focus on product registrations in major markets of Europe and US – a significant step towards consolidation and expansion of the company's operations. The company could, in fact, meet the expectations of product availability and redistribution in all the key markets that were shortlisted.

The company also benefited from the market and institutional penetration of its parent company, particularly in European markets and the US. The experience of marketing hospital-based therapies helped it launch its cytostatics - Gemcitabine, Paclitaxel, Irinotecan, Oxaliplatin, Epirubicin and Bicalutamide - in key markets. To further improve its portfolio bandwidth, the company is working on an impressive range of compounds to increase market access.

In the US, USFDA marketing approval of key products helped the company fortify its product portfolio to a large extent. Marketing approvals are awaited for products facing patent expiration in the near future. The company continues to work in close association with the American Pharmaceutical Partners (APP), the US-based subsidiary of Fresenius Kabi, to broaden its current portfolio for the North American region. With more products being made available in the coming years, the company would play an important role in developing business in North America by providing cost-effective products.

With increased activities in place across markets, the Asia-Pacific region continues to be in the consolidation phase. The company has been traditionally very strong in this region by virtue of its sizeable product mix, unique brand-based promotion and a well-trained sales team. The company



continued to be among the top generics oncology players in India, Thailand, Philippines and Malaysia. The company also launched key products in Taiwan and has plans for launches in other major countries in the region.

The company continued to penetrate in other important geographies, like the CIS (mainly Russia), Latin America (Brazil, Venezuela and Peru) and Africa. The company plans to launch many new products in all these regions over the next one to two years.

International Business

International Business continues to remain the main engine for the company's growth. This segment accounts for nearly 83.55% of the total sales – an achievement made possible through concerted efforts and involvement of teams cutting across various departments. Timely product registrations and launch activities, coupled with good support from the logistics team, have resulted in this landmark success. This performance is expected to continue as the company forays into new markets, expands its therapeutic reach and enhances its strike rate. Based on 2010 market research inputs, as compiled by IMS and based on internal estimates, Fresenius Kabi worldwide, as a company, continues to hold the fourth position, with a share of more than 5% in the addressable market. The company expects this good run to continue over the coming years as well.

Formulations

Formulations are the key growth driver for the company, contributing over 82.9% of the total sales. Sales of formulations are primarily driven by EU and the US. With more and more products in the pipeline, this trend is expected to continue in the coming years.

API Sales

Showing consistent performance, API sales have contributed approximately 17.1% to the total revenues. This contribution is likely to increase in the future as Drug Master Files (DMFs) for various products and intermediates have been submitted for approvals. Besides, the company has added more customers in EU and has increased its total customer base in general. We envisage a boost to this key vertical from the upcoming patent expirations, both for early market entry and for meeting the global API demand.

Domestic Business

Domestic sales accounts for 16.45% of the overall sales. The price erosion, stiff competition, portfolio simplification, slack in secondary sales and sales structure re-organization affected business. However, the Company has come out with a series of counter-measures to overcome this situation and consolidate its position through planning at customer and institutional level. In order to counter over stocking at distributor end and control inventory levels, the company decided to go ahead with a stock return policy. The Company went ahead and planned to target Key Opinion Leaders (KOLs) for increasing the secondary sales. It also organized conferences like Fresenius Oncology Regional Conference (FORCE) and Fresenius Kabi Oncology Meet (FKOM) to improve awareness of new trends about Cancer related technologies and drugs as well as creates brand awareness of Fresenius Kabi in the mind of the Key Oncologists. The Company has decided to focus aggressively on government tenders and institutional sales also. The organization is confident of gaining lost ground during the course of next few quarters by proper customer mapping and signing supply contracts with key customers. Besides these, several marketing activities have been planned for better customer service, hospital penetration and improving brand recall. Additionally new product launches are planned in 2011 to achieve desired growth.

Research and Development

The Research and Development group at Fresenius Kabi Oncology boasts of a dedicated team of over 180 scientists working from a world-class facility located at Gurgaon. The state-of-the-art facility is benchmarked to international standards of excellence. It specializes in developing and delivering for its customers, high-quality, cost-effective products, using cutting-edge technology by maintaining one standard for all its products, irrespective of the target market. The company is able to achieve this by relying on backward integration of its own APIs, developed in-house and produced at its own API plants, resulting in delivery of excellent quality finished products.

Inspired by its vision "To become world leader in Oncology Generics", the company has initiated an ambitious makeover to position itself with its mission "Caring for Life".

Equipped with state-of-the-art laboratories and endowed with modern technology instruments, its main focus areas are:

1. Quality generics products in therapeutic segment of oncology
2. "First To Market" opportunities
3. Highly integrated approach towards product development, technology transfers and regulatory submissions

The company's R&D Center has laboratories equipped for handling oncology product development, including state-of-the-art synthetic organic chemistry laboratories, which have significant expertise in handling wide range of chemistries. It develops non-infringing, safe and cost-effective processes, which are scalable to plant level with minimum rework.

The company applies advances in pharmaceutical technology to create dosage forms that are easy to administer on the patients. Its expertise spans conventional and novel drug delivery systems based on established technologies. Its dedicated team of Formulations development scientists has diverse experience in development of injectables, solid orals, liquid orals, novel drug delivery systems like Nanoparticles, Liposomes, Lipid emulsions, etc.

The Analytical Development team provides quality services focused on accelerating the product development cycle. The team develops and validates laboratory methods for new products, monitors its ongoing stability and supports the manufacturing processes all the way through to commercialization. By adding specialized instruments like NMR, LC-MS/MS, GC-MS, DSC-TGA, XRD, etc, the company has created an excellent support system in product development.

The department of Clinical Research and Medical Services develops clinical programs for generics as well as differentiated generic formulations.

The company has expertise in conducting clinical trials and bioequivalence studies in close coordination with leading oncologists and provides scientific support to various functions in R&D. The experienced and highly motivated clinical research team is committed to generate high quality data as per ICH–GCP, GLP and other applicable guidelines.

The Intellectual Property Team's key expertise area lies in "challenging" patents. The company has been successful in challenging Patents in the US and in Thailand. The team works proactively to identify early marketentry opportunities in various countries, especially in the US and Europe.

The Regulatory Affairs team specializes in data mining and information compilation for dossier filing, in prescribed format, for registering products across different markets by liaisoning with local regulatory agencies, government bodies and branch offices.

The company's Project Management is a core strength, which plans, monitors and reviews key projects to ensure that

FRESENIUS KABI

> "The company manufactures and distributes Dosage Forms through its three plants, two in Himachal Pradesh (India) and one in Bordon (UK)."

the team works together and delivers.

Responsibility to the environment and community has occupied an important place in the company's corporate thinking. It strives to design its products for a sustainable environment, while providing a safe and healthy workplace for all employees, contractors and communities. A dedicated department known as Environment, Health and Safety (EHS) has been set up to take care of these activities by working with research and support staff. Moreover, the R&D labs are well-equipped with advanced safety features, which ensure an environment of occupational health and safety for scientists working in the labs.

The company's R&D Center is fast emerging as a Global Center of Excellence, within Fresenius Kabi, for oncology R&D.

Operations

The USFDA approval for the company's formulation unit in Baddi (Himachal Pradesh, India), together with approvals in EU, Australia, Brazil etc. are a testimony of the high quality standards of its manufacturing facilities. These facilities contribute to the company's vision of being a global leader in oncology generics. The various manufacturing units provide the company with the edge to supply products in regulated markets across the globe. The company's operations have played a key role in contributing to its performance by enhancing production capacities, optimizing output, adding synergy to sales and marketing teams' efforts by providing quality products on time, every time.

Dosage Form Manufacturing

The company manufactures and distributes Dosage Forms through its three plants, two in Himachal Pradesh (India) and one in Bordon, (UK). Plants at Baddi (Himachal Pradesh, India) manufactures Dosage Forms that cater to the emerging markets of Asia-Pacific, Latin America, Africa, Middle East, CIS and Central Asia. The plant at Nalagarh (Himachal Pradesh, India) caters to the developed markets of the US and Europe and some emerging markets. The plants have the capability to manufacture injectables and oral cytotoxics, cytostatics and hormonal products. In order to cater to the needs of its growing geographical reach, the company has decided to enhance the capacities at Nalagarh Plant and also upgrade the current Baddi (Himachal Pradesh, India) facility to meet Global Manufacturing Practices. Bordon continues to be used for catering to the supplies in the developed markets of the US and EU. The company received ISO 9001:2008 certificate for both its Plants in Himachal Pradesh (India). Nalagarh Plant also got approved from KOREA-FDA.

API Manufacturing

The API production plant at Kalyani (West Bengal, India) continues to play a pivotal role in the growth of the company. The plant develops, validates and manufactures key APIs, maintaining the highest levels of international quality and GMP standards, while ensuring high productivity and cost competitiveness and catering to US, EU, Australia and many markets across the globe.

The facility has reported continuous filling of DMFs and achievement of regulatory audit approvals

Year 2010 was significant for this facility in more ways than one. Some of the key capacity enhancement projects were commissioned, leading to increase in production capacities. A dedicated team of scientists and technologists continue to develop better methods that help to improve the yield and quality as well as conduct process scale-up for key products. This directly impacts productivity and the company's bottom line.

The company invested in upgrading the existing infrastructure by adding new manufacturing facilities and state-of-the-art analytical instruments, as ICP Spectrometer, LCMS, GCMS, to its existing capabilities. The Kalyani (West Bengal, India) manufacturing unit

obtained ISO 14001 (Environment) & 18000(OHSA) certifications from BVQI and ISO 14001 by TUV, thus underlining the company's commitment to Environment, Health and Safety as well as Quality.

Quality

The company's products and services, as well as the commitment and dedication of its employees, are focused on the treatment of critically and chronically-ill cancer patients. In order to fulfill this fundamental prerequisite, the company maintains a Quality Management System, which assures the appropriate quality of products with regard to product quality, safety and efficacy. This is achieved by instituting systems and processes to measure up to international standards. To maintain these high standards, periodic checks and reviews are done to ensure optimum compliance on each and every aspect of the business value chain. Be it development, manufacturing or sales and marketing, or even the enablers like Finance, Supply Chain, Information Technology or Human Resources, the Quality Management System works seamlessly to ensure quality products to the company's customers. A clear endorsement of this quality commitment is the fact that the company is now certified as ISO 9001:2008. It lives by the motto - "Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution".

Human Resources

The company strongly believes that people play a key role in the growth of its business. Being a knowledge-centric industry, the company has clear direction and agenda about building employee capabilities - technical, functional and behavioral. The company believes and encourages people to grow internally in their jobs and its dedicated and experienced Human Resources staff works diligently to fulfill the people development agenda. The Manager-Employee partnership towards development has resulted in identifying key talents and engaging the same for key projects and deliveries, apart from providing them with cutting edge functional and leadership training opportunities.

The year under review saw the new R&D Center become fully operational at Gurgaon. Employee welfare schemes, such as relocation schemes, transport service to work, ATM banking service, food subsidies, school admission facilitation for employees' children, etc, were introduced. The Fresenius Kabi brand and work ethics were communicated in the form of powerful visuals and incorporated at strategic locations around the location.

HR Automation has been a key initiative for the organization to facilitate Employee Self Service. The SAP HR module was implemented and to begin with, the Leave and Attendance Management process have now been made accessible to employees. In 2011, key HR processes like Recruitment, Confirmation and Compliance will also be automated.

Looking forward, the company will continue to lay emphasis on its people agenda and to ensure best-in-class HR policies and processes to attract and retain talent, while providing world-class infrastructure and work experience to people.

Corporate Social Responsibility

The company's abiding concern for society extends beyond its business. The mission of the company drives its sincere efforts to promote good health, social development and better environment for sustainable, all-round

> "The company's products and services, as well as the commitment and dedication of its employees, are focused on the treatment of critically and chronically-ill cancer patients."

growth through its various Corporate Social Responsibility programs.

It has been the company's constant endeavor to spread awareness on Cancer, its causes and prevention. In this regard, the following initiatives were undertaken during the year:

1. A series of education booklets were distributed to people to create awareness around dietary habits in order to reduce the risk of colorectal cancer. Continuing Medical Education (CME) programs were conducted on the screening and management of colorectal cancer in several cities across the country.

2. 'World No Tobacco Day' was celebrated on 31st May 2010, to spread awareness on the gruesome effects of tobacco consumption and on how to fight against this menace. Awareness camps were planned subsequently to keep the common man educated against this habit. Posters highlighting 'killer' tobacco were put up in major institutions and education leaflets on the advantages of quitting tobacco were distributed amongst participants.

The company's CSR philosophy encompasses its employees, whose well-being it continuously strives to promote. During the year under review, the company launched an in-house corporate wellness program, with free cardiac & orthopedic check-up and consultation camps in collaboration with Medanta Medicity. Senior doctors from Medanta guided all employees on diet, necessary preventive actions for general health issues and most importantly, Heart Disease and Osteoporosis.

Serious efforts are being made at all levels within the company towards making a meaningful contribution to uplift and transform the lives of the underprivileged. As a responsible corporate committed to "Caring for Life", the company is providing support for treatment of children suffering from cancer in collaboration with Cankids, an NGO that supports treatment of underprivileged children suffering from cancer. The company has been donating drugs on a regular basis to treat cancer incidence in such children. The company continues to provide financial support to NGO Kalania to run Epilepsy Health Care Center for local people living below the poverty line.

Other CSR efforts of the company included the celebration of Republic Day by employees of Kalyani (West Bengal, India) manufacturing unit with the patients admitted in Gandhi Memorial Hospital, followed by fruit packet distribution. In order to promote and develop local educational institutions, the company distributed wooden benches in Dakshin Chandmari Primary School.

Occupational Health and Safety

To keep its manufacturing sites, R&D Center and Corporate Office safe, the company undertook numerous safety initiatives during the year. Emergency preparedness was ensured through regular safety programs and mock drill exercises at all locations. Extensive safety training programs, both by internal as well as external specialists, were also conducted to enhance workplace safety.

Information Technology

In line with its strategic policy the company focused on strengthening its Information Technology base and invested in hiring more skilled people, new business applications and information security initiatives. Many new IT projects have been initiated to automate business processes and to bring in efficiency in operations.

With IT becoming a core business enabler and the company's increasing dependency on the IT systems, the company has realized the need to put up a robust Information Security framework to secure business information. IT security policies and procedures have been set up to bring in controls related to usage of IT systems. A new Disaster Recovery (DR) site for critical IT applications has also been set up in Pune. Going forward, the company plans to automate more business processes and use IT not only as business enabler but a big differentiator.

Internal Controls and their adequacy

The company has strong and adequate

internal control system to ensure:

- Company assets are adequately safeguarded
- Transactions are authorized, timely and correctly recorded
- Adequate reliance and assurance on financial controls
- Compliance with laid down policies & procedures and applicable laws & regulations
- Effectiveness and efficiency of operations

The internal audit process follows a 'risk-based approach' in planning and conducting audits, thus aligning the internal audit focus with business objectives. The internal audit objectives are achieved through an on-going extensive review of majority of transactions in value terms, with respect to design of the internal controls and operative effectiveness of the same.

Corrective measures and process improvements recommended by the internal auditors are communicated to the Management on a regular basis. Focus on implementation of the same is enhanced through regular follow-ups and periodic updates to the Management and the Audit Committee.

Independence of the audit and compliance functions is ensured by direct reporting of the internal auditors to the Audit Committee of the Board. Details on the composition and functions of the Audit Committee can be found in the section on Corporate Governance of the annual report.

Outlook on Risks and Concerns

Oncology generics players are currently facing a number of challenges, including continued pricing pressure, tightening of product specifications by innovator companies, unpredictable market authorization timelines, lack of patient awareness and education on generics and mistrust among physicians and prescribers. Generic products are likely to come under intense pricing pressure due to changing pricing and reimbursement policies of healthcare providers and governments. Entry of more and more companies into the segment is a given and this will further impact the profitability margins. Stringent regulatory barriers thwarting entry of generics is a major detrimental factor for launching products in some of the key markets. Further, regulations prohibiting branding of generics and promotion to physicians in lead markets virtually leave everything at the discretion of the pharmacist.

Risk of patent infringement litigation in the US and the EU is another major challenge, which usually leads to delay in the launch of key products in these markets. Development of non-infringing products is another critical area that could cause delays due to regulatory, IP roadblocks and dependence on external agencies to an extent for vital intermediates.

Synergies and Opportunities

Fresenius Kabi gives direct access to oncology generics business in all key markets, such as EU, US (via APP), APAC, LATAM, Africa, CIS and Middle East countries, to offer its product range through an excellent logistics network and a dedicated sales force.

Fresenius Kabi is internationally known for its leadership in hospital-based infusion therapy products and related solutions. The company has firm plans to leverage this expertise to build a credible global oncology generics franchise with a vision of Total Cancer Care, by providing a comprehensive product portfolio. Another step in bringing synergy is integration of ideas to develop and launch a range of differentiated products, which would enable the company to manage the product life cycles more effectively and provide newer avenues of growth.

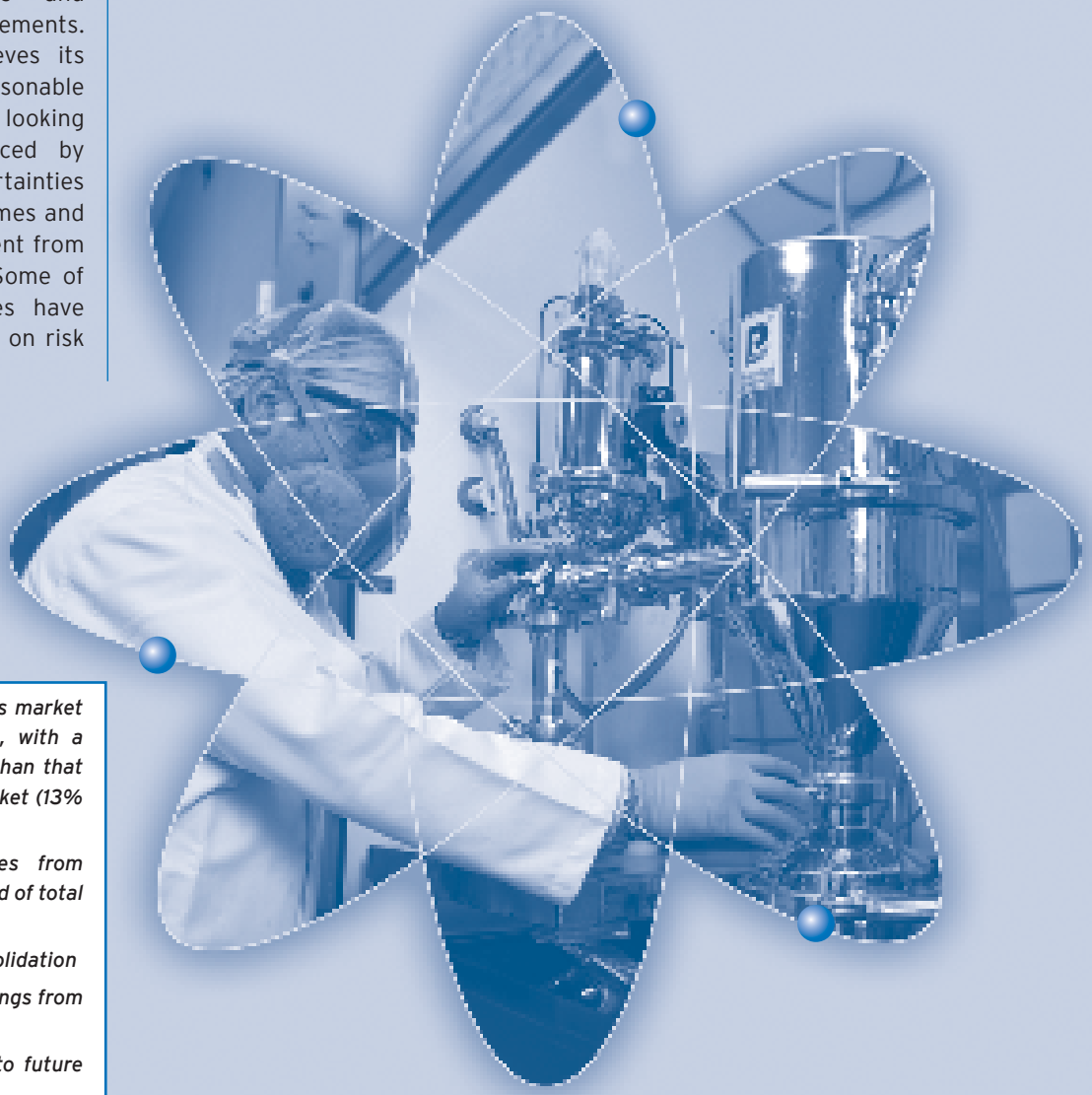
To complement its existing therapeutic portfolio, the company has identified products that provide excellent business opportunity. Lastly, the company's strengths in R&D, API and formulations manufacturing would be the key to faster market access and a step forward towards achieving its vision of global leadership in oncology generics business.



Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Forward looking statements are identified in this report, by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements. Although the company believes its expectations are based on reasonable assumptions, these forward looking statements may be influenced by numerous risks and uncertainties that could cause actual outcomes and results to be materially different from those expressed or implied. Some of these risks and uncertainties have been discussed in the section on risk factors.

"The company has firm plans to leverage this expertise to build a credible global oncology generics franchise with a vision of total cancer care, by providing a comprehensive product portfolio."



It is estimated that the generics market has touched US $107.5 billion, with a growth rate four times higher than that of the total pharmaceutical market (13% compared to 3%).

- *Generics growth accelerates from patent cliff and remains ahead of total pharmaceutical market*
- *Industry is in a state of consolidation*
- *Payers seek further cost savings from generics*
- *New technologies hold key to future growth*
- *Emerging markets offer growth potential*
- *Big Pharma strategy involves generics*

(Source: IMS Health, Midas, MAT Dec 2010)

FRESENIUS KABI

DIRECTORS' REPORT 2010-11

Directors' Report

Overall long term growth and scorching future of the Company, indeed, is the role and responsibility of the Board. A dynamic, conversant, self-governing and concerned Board is essential for ensuring the growth, integrity, transparency and strength in the long-term.

Dear Shareholders,

The Board presents below the report on the business and operations of the Company for the financial year ended 31st March 2011.

Financial Performance

Key aspects of Company's Financial Performance (standalone) for the financial year ended 31st March 2011 are summarised below:

(₹ in lacs)

Particulars	For the year ended 31st March 2011	For the year ended 31st March 2010
Turnover (including other income)	41,866.06	42,760.90
Profit before Tax	6,731.74	7,086.82
Less: Provision for Taxation (current)	1,399.96	1,279.63
Provision for Taxation (Deferred)	675.68	(692.68)
Profit after Tax (Before Extraordinary Item)	4,656.10	6,499.87
Extraordinary Item (Net of taxes)	268.07	1,522.64
Net Profit for the year	4,924.17	8,022.51
Add: Balance of Profit brought forward from previous year	21,390.82	13,368.31
Profit available for appropriation	26,314.99	21,390.82
Appropriation to:		
General Reserve	Nil	Nil
Balance Carried over to the Balance Sheet	26,314.99	21,390.82

Dividend

In view of the ongoing expansion projects and future growth plans, the Directors have decided to plough back the profits of the Company for financial year 2010-11. Accordingly, the Board does not recommend any dividend payment for the financial year ended 31st March 2011.

Business Performance and Operations

The Company's operations, performance, industry trends and other material changes with respect to the Company and its subsidiaries, wherever applicable, during the year are exhaustively discussed in 'Management Discussion and Analysis Report' which forms part of this Annual Report.

Expansion and Upgradation Projects

The regulatory norms across the globe have been becoming more and more stringent day by day. During the year, the Company undertook various upgradation projects at its plants in order to make them compliant with the changing global regulatory norms.

Taking into consideration, the market demand and future requirements, the Company also carried out expansion projects at its plants located at Himachal Pradesh and West Bengal (India).

Agreement with Fresenius Kabi Germany and its affiliates for contract Research & Development and contract Manufacturing on their behalf

Over the past few years, the Company has been expanding its Research & Development (R&D) and production facilities in India with a view to establish a center of excellence in oncology for the development of active pharmaceutical ingredients (API) and finished dosage forms that are used in chemotherapy for treatment of cancer.

With a view to further leverage its R&D and manufacturing competencies, the Company has decided to enter into a contract Research & Development (R&D) and contract Manufacturing Agreements with Fresenius Kabi Germany and

its affiliates for future products without affecting its existing business and Intellectual Property Rights (IPRs).

By doing so, the company will benefit manifold: it will reduce its cost burden and mitigate risks from R&D; drive growth for itself through new products without incurring their cost of development and reduce business and litigation risks. Additionally, the Company, as a consideration, also secured the IPR and manufacturing rights for Indian territory for the future products arising out of the said R&D from Fresenius Kabi, Germany. The Company will be free to use the new IPRs for manufacturing final products at its manufacturing facilities for supply in India.

This clearly takes us towards a business model, which is largely risk-free and dedicated to our core competence.

Share Capital

During the year under review, the authorised and paid up share capital of the Company remained unchanged in comparison to previous year.

Corporate Governance

High Corporate Governance Standards, focusing on fairness, transparency, responsibility and accountability, are vital not only for the healthy and vibrant corporate sector growth but also for the inclusive growth of the economy.

Good Corporate Governance is an integral part of corporate policy at Fresenius Kabi Oncology Limited. The Company has adopted the best possible corporate governance norms and it has been our endeavour to comply and upgrade to the changing norms.

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

In terms of sub-clause (v) of the Clause 49 of the Listing Agreement, a certificate of the CEO/ CFO, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause, is also enclosed as a part of the Annual Report.

Directors

The Board at its Meeting held on 20th January 2010, appointed Mr. Mats Christer Henriksson as a Director in casual vacancy, in accordance with the provisions of Section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company.

Mr. Mats Christer Henriksson holds office up to the date of the ensuing Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. Mats Christer Henriksson for appointment as the Director in the ensuing Annual General Meeting. He is eligible for appointment as the Director and the Board recommends his appointment in the ensuing Annual General Meeting.

As per Article 130 of the Article of Association of the Company, following Directors would retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment:

1. Dr. Michael Schonhofen;
2. Mr. Nitin Potdar;
3. Mr. Gerrit Steen.

A brief resume, expertise and other directorships and committee memberships held by the above Directors and other details stipulated under provisions of Clause 49 of the Listing Agreement forms part of the Notice convening the eighth Annual General Meeting of the Company.

Auditors

The Statutory Auditors of the Company, M/s G. Basu & Co., Chartered Accountants hold the office till the conclusion of the ensuing Annual General Meeting of the Company. They have confirmed their willingness and eligibility for re-appointment at the ensuing Annual General Meeting and have also confirmed that their re -appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Board of Directors of the Company recommends their re-appointment.

M/s RSM Tenon Audit Ltd (formerly HLB Vantis Audit Plc) was the auditors of the London Branch of the Company till financial year 2010-11. However, as per the applicable provisions of the Companies Act, 1956, now the Company is not necessarily required to appoint separate branch auditors for financial year

2011-12. Accordingly, the Company has decided not to appoint separate Branch Auditors for London Branch of the Company for financial year 2011-12.

Cost Auditors

Pursuant to Section 233B of the Companies Act, 1956, earlier Central Government had prescribed the cost audit of Company's Formulations related activities. Accordingly, the Company has been appointing M/s Ramanath Iyer & Co., Cost Accountants, as the Cost Auditors of the Company for the audit of "Formulations" from year on year.

However, in terms of "General Cost Audit Orders" issued by the Ministry of Corporate Affairs, Government of India, dated 2th May 2011 and 3rd May 2011 respectively, some new specific industries, including "Bulk Drugs" have come under the preview of Cost Audit. Since the Company is also in the business of manufacturing "Bulk Drugs", in addition to "Formulations", it is also required to appoint the Cost Auditors for audit of "Bulk Drugs" manufacturing from financial year 2011-12 onwards.

In view of the above mentioned requirements, the Board of Directors of the Company has appointed M/s Ramanath Iyer & Co., Cost Accountants, as the Cost Auditors of the Company for "Formulations" and "Bulk Drugs" related activities for financial year 2011-12. The Company will seek confirmation of Central Government for such appointment in terms of applicable provisions of the Companies Act, 1956 and rules made there under.

Auditors' report

The Board has reviewed the Statutory Auditors' report on the annual accounts of the Company for the year under review and clarifications, wherever necessary, have been included in the Notes to the Accounts section of the Annual Report.

Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2011 form part of this Annual Report, the same have been prepared in accordance with the accounting standards prescribed by the Institute of Chartered Accountants of India, in this regard.

Subsidiary Companies

- Fresenius Kabi Oncology Inc. (USA): It was a direct wholly owned subsidiary of Fresenius Kabi Oncology Plc. (UK) and an indirect subsidiary of Fresenius Kabi Oncology Ltd. As informed in the last Annual Report, the Company had filled an application with relevant authority in USA for voluntary winding up. During the year, the application was approved by the appropriate authority and now the company stands dissolved.
- Dabur Pharma (Thailand) Co. Ltd (DPTL): As informed in the last Annual Report, the company filed an application for winding up with the statutory authorities in Thailand. During the year, the application was approved by the appropriate authorities and now the Company stands dissolved.
- Fresenius Kabi Oncology Plc, (UK): This wholly owned subsidiary (WOS) was established in UK for catering to the need of European Union and USA markets.

  The WOS also established a manufacturing unit in Bordon (UK) for developing and supplying products for European Union and USA markets. It spent significant resources in getting GMP approval for its plant, conducting product trial batches, stability batches and carrying out product registrations etc. in EU and US.

  However, the performance of the WOS has not been up to the expectations and despite putting best efforts, it has been suffering losses year on year. These losses of the WOS have also been negatively impacting the Consolidated Net Profits of the Company.

  Meanwhile, Company's state-of-the-art plant located in Nalagarh (Himachal Pradesh, India) has become fully operational and also obtained necessary GMP approvals for manufacturing and supply of Company's products to US, EU and other countries. This is the future plant for oncology products and also enjoys comparative cost advantage over Bordon plant in manufacturing Company's products. Most of the products, which were registered using Bordon site are becoming redundant as they are being phased out or replaced by product developed using Nalagarh or other sites. Therefore, in the current scenario, Fresenius Kabi Oncology Plc and Bordon plant has become strategically redundant and burdensome for the Company.

  In view of the aforesaid and in order to reduce business risks, the Board of Directors of the Company has decided to put more focus on Company's core competence in India which is R&D and manufacturing. Accordingly, the Company has decided to sale its entire shareholding in

its loss making wholly owned subsidiary i.e. Fresenius Kabi Oncology Plc to Fresenius Kabi Germany and its affiliates at book value, which is not less than the fair market value.

After sale of shares, the Company will not have any subsidiary.

Annual Report of Subsidiary Companies

In terms of general exemption granted vide General Circular No: 2 /2011, dated 8th February 2011 by Ministry of Corporate Affairs, Government of India, the Annual Report does not contain the financial statements and reports of the subsidiary companies. The Company believes that the Audited Consolidated Financial Statements present a true and fair picture of the state of affairs and the financial condition.

The Company has annexed a statement at the end of this Annual Report, pursuant to general exemption granted from Central Government under Section 212(8) of the Companies Act, 1956, related to its subsidiary Company for the year ended 31st March 2011.

The audited annual accounts and related information of subsidiary, whenever applicable, will be made available to the shareholders upon request. These documents will also be available for inspection during business hours at the registered office of the Company in Delhi, India.

Fixed Deposits

The Company has not invited/accepted any Fixed Deposits during the year under review, as such; no amount of principal or interest on fixed deposits was outstanding on the date of Balance Sheet.

Particulars of Employees

In terms of 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 "Annexure- II" to the Directors' Report.

Energy Conservation, Technology Absorption and Foreign Exchange earning and outgo

Information on conservation of energy, technology absorption and foreign exchange transactions as stipulated under Section 217(1)(e) of the Companies Act, 1956 is set out in a separate statement, attached to this Report and forms part of it as "Annexure-I".

Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, in relation to Directors' Responsibility Statement, it is confirmed that:

i) in the preparation of the annual accounts for the financial year ended 31st March 2011, the applicable accounting standards have been followed and no material departures have been made from the same;

ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give 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) 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;

iv) the Directors have prepared the annual accounts for the financial year ended 31st March 2011 on a going concern basis.

Acknowledgement/Appreciation

We thank our customers, vendors, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

We thank the Government of India, particularly the Ministry of Corporate Affairs, the Customs and Excise Departments, the Income Tax Department, the Ministry of Commerce, the Ministry of Finance, the Reserve Bank of India and other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors

Gurgaon
26th May 2011

Rakesh Bhargava
Chairman

Annexure Forming Part of the Directors' Report

INFORMATION REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2011

Conservation of Energy

a) Energy conservation measures taken:

- Reducing power consumption by removing oil ring vacuum pumps and water ring vacuum pumps with dry vacuum pumps. From 1400 KWH to 600 KWH per day at Kalyani Plant.
- Reducing the power consumption from 800 KWH to 375 KWH per day by replacing MLL type lamps to CFL type lamps at Kalyani Plant.
- Started monitoring Condensate recovery and controlling the same.
- Entire treated effluent being utilized for gardening purpose within the premises.
- Mass plantation of medicinal trees in the manufacturing plant located in Himachal Pradesh.
- Timely switching of AHUs and lightings at Corporate Office and plants.
- Use of STP treated water in Toilets WC at the Corporate Office.

b) Additional Investments:

Negligible

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

- Saving of approximately ₹15 lacs per annum by running of maximum equipments in non peak hours i.e. in night shifts.
- Saving of approximately ₹20 lacs per annum by optimizing power and utility consumption.

d) Energy consumption:

Energy consumption details as per prescribed Form A are given at the end of this part.

Technology Absorption

Research & development (R&D)

1. Specific areas in which R&D carried out by the Company:
   - Development of non-infringing, safe and commercially viable generic products in therapeutic segment of Oncology for regulated as well as emerging markets.
   - Our product portfolio covers both parenteral and oral products.
   - Focusing on first-to-market opportunities.
2. Benefits derived as a result of above R&D:
   - Backward integration for developing cost effective in-house APIs.
   - Generation of Intellectual wealth: Key inventions/ technologies for drug substance synthesis were protected by filing patent applications.
3. Future plan of action:
   - Conceptualize and implement "Quality by Design" concept.
   - Working on various approaches to deliver the drugs in more safer and lesser toxic forms.
4. Expenditure on R&D:

   The details of expenditure incurred by the Company on the above are as under:

			₹ in Lacs
(a)	Capital	:	3960.47
(b)	Recurring	:	4547.46
(c)	Total	:	8507.93
(d)	Total R&D as a percentage of total turnover	:	21.16%

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
   - Setting up of a new R&D centre with world class facilities and infrastructure for development of cost competitive active pharmaceutical ingredients and drug products.
   - State-of-the-art development laboratories for cytotoxic injectables and solid orals.

- Development of a platform technology to successfully manufacture difficult-to-formulate lyophilized products.
- Further enhancement of technological expertise in the field of complex formulations' manufacturing to provide differentiated Generics in the oncological segment.
- Successful implementation of safety packaging for our cytotoxic products.

2. Benefits derived as a result of the above efforts:
   - These initiates will result in development of cost effective active pharmaceutical ingredients.
   - Speedy introduction of difficult-to-formulate products in all markets upon approval.
   - Reduction of raw material cost, time cycle and increased productivity.
   - Additional safety for the healthcare professionals while handling cytotoxic materials as a result of the introduction of safety packaging.

3. Imported Technology:

   Nil

Foreign Exchange Earnings and Outgo

a) Activities relating to export; initiatives taken to increase exports; development of new export markets for products and export plans:
   - The Company has successfully launched some key products in regulated markets of North America and EU and emerging markets of Asia Pacific, Latin America and Middle East and the foray in new geographies is as per the strategic launch plan for the key new markets (being China, Japan, Indonesia).
   - This extension of new products in the existing markets and foray in new markets will help in strengthening the Company's growth in the long run. The Company's success is based upon its strengths in API development and production, formulation development and dosage-form manufacturing, global IPR and regulatory expertise, extensive sales and marketing operations through a seasoned supply chain and distribution network.

   In order to achieve differentiation and further strengthen Fresenius Kabi corporate image & brand recall among the oncology fraternity, various scientific marketing initiatives have been regularly undertaken at the country level including Scientific lecture sessions by the globally renowned oncologists (Vietnam, Thailand, Malaysia, India etc.), "FK Education Lectures for Pharmacists" by Professor Graham Sewell (world renowned pharmacist and the inventor of mainstream dose-banding), Key opinion leader development plan, Fellowship programme to cradle upcoming oncologists and FORCE (Fresenius Kabi Oncology Regional ConferencE, annual scientific event for Asia Pacific to foster an exchange of expertise about latest trends in oncology through series of scientific lectures by globally renowned oncologists and panel discussions) etc. All these activities are being carried out with a view to increase the future growth potential and export earnings for the Company's products.

b) Total foreign exchange used and earned:

		₹ In Lacs
• Foreign Exchange Earnings	:	33,609.95
• Foreign Exchange Outgo	:	1,952.77

ANNEXURE-I

A. CONSERVATION OF ENERGY

Form of Disclosure of particulars with respect to Conservation of Energy

Sr. No.	Power & Fuel Consumption	2010-2011	2009-2010
1.	**Electricity**		
	a) Purchased		
	Units	17,212,251.00	14,378,310.00
	Total amount (₹)	99,036,873.00	67,037,439.00
	Rate per Unit (₹)	5.75	4.66
	b) Own Generation		
	Through diesel generator unit	782,549.00	1,193,705.90
	Unit per Litre of diesel Oil	1.88	2.92
	Cost per Unit (₹)	12.21	10.54
	Total Cost (₹)	9,554,990.34	12,578,899.99
2.	**Coal (Specify quality and where used)**		
	Quantity (Tonnes)	N.A	N.A
	Total Cost (₹)	N.A	N.A
	Average rate per tonne (₹)	N.A	N.A
3.	**Furnace Oil**		
	Quantity (Kilo Ltr)	948.70	1,142.38
	Total Cost (₹)	30,549,817.50	29,424,984.81
	Average rate per Kilo Ltr (₹)	32,201.94	25,757.62
4.	**Other Internal Generation LDO**		
	Quantity (Kilo Ltr)	N.A	N.A
	Total Cost (₹)	N.A	N.A
	Average rate per Kilo Ltr (₹)	N.A	N.A
5.	**HSD used for Boiler**		
	Quantity (Kilo Ltr)	83.53	28.81
	Total Cost (₹)	2,878,187.98	912,832.00
	Average rate/Kilo Ltr (₹)	34,459.00	31,684.55

B. CONSUMPTION PER UNIT OF PRODUCTION

The Company is engaged in the production of a number of drugs and formulations; hence the figures of consumption per unit of production / product are not ascertainable with accuracy. The details of consumption of energy per unit of production can therefore not be given.

ANNEXURE - II

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act,1956 read with Companies (Particulars of Employees) Rules,1975 and forming part of the Director's Report for the year ended 31st March 2011

Sr. No.	Name	Designation / Nature of Duties	Qualification	Experience (Yrs)	Remuneration (₹)	Date of Appointment	Age (Yrs)	Particulars of last employment
1.	Rakesh Sharma	EVP - HR	MBA, LLB	32	8,917,967	7-Jul-03	54	Vice President - HR / Dabur Pharmaceuticals Ltd.
2.	Kamal Jeet Gupta	Executive Vice President - API Business	BE (Chem), PGDM (IIM-A)	30	9,783,033	9-Mar-04	55	Vice President -Manufacturing / RPG Life Sciences Limited
3.	Dr. Sushil Kumar Dubey	Chief Scientific Officer	MSC, Ph.D	30	8,443,150	17-Mar-09	56	Head R & D API, Jubiliant Organosys Limited
4.	Gajanan Diwakar Sathe	Global Head Dosage Form Mfg.	BE (Electrical)	27	8,562,303	1-Aug-09	58	Director Technical, Fresenius Kabi India Pvt. Ltd.
5.	Dr. Satish B. Kulkarni	Managing Director & CEO	M. Sc - Molecular Biology, Ph.D - Biotechnology	19	24,339,168	11-Aug-08	45	Sr. Vice President Marketing - Asia Pacific / Fresenius Kabi Asia Pacific Ltd.

1. Remuneration includes basic salary, allowances, taxable value of perquisites, etc.
2. All the employees have adequate experience to discharge the responsibilities assigned to them.
3. None of the employees mentioned above is a relative of any Director.
4. None of the above mentioned persons holds more than 2% of equity shares of the company either by himself or along with spouse and dependent children.
5. In all the above cases, the nature of employment is contractual and governed by the general terms and conditions of their respective employment contracts except that of Dr. Satish B. Kulakarni, Managing Director & CEO, who is on a contractual appointment for 5 years as approved by Board of Directors and Shareholders.
6. The Designation "Director" wherever prefixed describes the area of responsibility occurring in the above statement and is not a Board Position except that of Dr. Satish B. Kulkarni.

Report on Corporate Governance

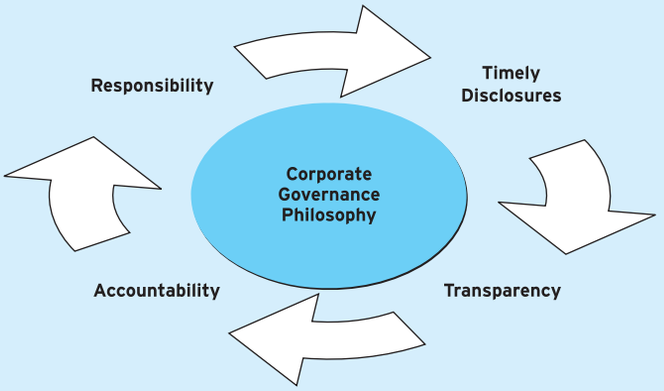
Strong Corporate Governance Standards focusing on fairness, transparency, accountability and responsibility are vital not only for the healthy and vibrant corporate sector growth but also inclusive growth of the economy.

PHILOSOPHY

Company's Philosophy on Corporate Governance focuses on the four key elements of Good Corporate Governance i.e. *timely disclosures, transparency, accountability* and *responsibility*. We, at Fresenius Kabi Oncology, not only focus on enriching the governance at the company level but also on protecting the interest of the shareholders.

Indeed "Strong Corporate Governance Standards" and "Economic Development" are intrinsically linked. Good Corporate Governance Practices enhance Company's value and stakeholders' trust, leading to consistent growth of corporate sector and healthy development of the economy.

The Company is committed towards implementing best Corporate Governance Practices. The fundamental objectives of the Company's Corporate Governance Philosophy are enhancement in the Company's value / shareholders' wealth and at the same time protecting the interest of other stakeholders.



The Company focuses on both accountability and responsibility. Responsibility is the obligation to carry forward an assigned task to a successful conclusion and accountability is the acknowledgment and assumption of responsibility for actions, decisions, policies etc. Transparency in the activities of the Company includes, inter – alia, comprehensive and timely disclosure of material facts and relevant information in the public domain vide prompt intimation to Stock Exchanges, publication in the news papers etc. concerning the organization to ensure that the investors and other stakeholders have access to clear, factual and real time information.

Following are the key fundamentals of Corporate Governance at Fresenius Kabi Oncology:

- Right and equitable treatment of shareholders;
- Protection of interest of other stakeholders;
- Integrity and strict adherence to the legal and ethical standards;
- Effective Risk Management;
- Timely Disclosure and transparency.

BOARD OF DIRECTORS

Board Composition

The Board of Directors of the Company comprises of eminent personalities in pharma business, medical, finance and legal professions. The Board of Directors plays a role of trustees to the stakeholders and carries out the function of strategic supervision and policy making. The Board of Directors of the Company consists of nine Directors, comprising one Executive Director and eight Non-Executive Directors. Out the total eight Non-Executive Directors, three are Independent. The Chairman of the Board is a Non-Executive Director.

None of the Directors is a member on the Board of more than fifteen companies, in terms of section 275 of the Companies Act, 1956, and a member of more than ten Board-level Committees or Chairman of more than five such Committees, as required under Clause 49 of the Listing Agreement.

Board Meetings

The Company prepares the schedule of the Board meetings well in advance so as to enable the Directors in scheduling their program accordingly. The agenda of the meeting is circulated among the members of the Board well in advance along with proper reports, recommendations and supporting documents, so that each Board member can actively participate on each agenda item during the meeting.

The Board of Directors met 5 times during the financial year 2010-11 on following dates:

8th April 2010, 28th May 2010, 29th July 2010, 21st October 2010 and 28th January 2011. The interval between any two successive meetings was less than four months.

Attendance record and other Directorships

Name of the Director	Category	Attendance during the year 2010-11			Other directorships[1] and committee[2] memberships and chairmanships		
		Number of Board Meetings		Last AGM held on 29th July 2010	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr. Rakesh Bhargava (Chairman)	Non-Executive (NED)	5	5	Yes	-	-	-
Dr. Anand C. Burman	Non-Executive (NED)	5	4	No	8	-	-
Mr. D. G. Shah	Non-Executive, Independent (NED/ ID)	5	5	Yes	1	1	-
Mr. Gerrit Steen	Non-Executive (NED)	5	1	No	-	-	-
Mr. Mats Christer Henriksson	Non-Executive (NED)	5	2	No	-	-	-
Dr. Michael Schonhofen	Non-Executive (NED)	5	1	Yes	-	-	-
Dr. Naresh Trehan	Non-Executive, Independent (NED/ ID)	5	1	No	3	2	1
Mr. Nitin Potdar	Non-Executive, Independent (NED/ ID)	5	5	Yes	4	5	-
Dr. Satish B. Kulkarni (Managing Director & CEO)	Executive (ED)	5	5	Yes	-	-	-

Notes: There are no inter-se relationships between the board members.

(1) Other Directorships excludes alternate directorships, directorships in private limited companies, foreign companies and in companies under section 25 of the Companies Act, 1956.

(2) As required by Clause 49 of the listing agreement, the disclosure includes memberships/chairmanships of audit committee and investor grievance committee in Indian public companies (listed and unlisted). The chairmanship of the committees has been provided separately.

Information supplied to the Board

The Board has complete access to any information within the Company. At the Board Meetings employees who can provide additional insights into the items being discussed are invited and provided opportunity to share their ideas with the Board. All statutory, significant and material information is placed before the Board.

The information regularly tabled to the Board includes:

- Quarterly results for the Company and its operating divisions or business segments;
- Minutes of meetings of the Board and Board Committees, resolutions passed by circulation and minutes of the meeting of the Board of Directors of the Subsidiary Companies;
- Quarterly treasury reports including details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Quarterly Risk Report and review thereof;
- Quarterly Compliance Certificates with the Exceptions Reports which includes non-compliance(s), if any, of any regulatory, statutory nature or listing requirements and shareholders' service;
- Certificates received from Practicing Company Secretaries/Chartered Accountants;
- Disclosures received from the Directors;
- Details of investment of surplus funds available with the Company;
- Statement showing significant transactions & arrangements entered into by the subsidiary/associate companies;
- Related party transactions;
- Regular business updates;
- Performance review by the CEO;

- Report on action taken on last Board Meeting decisions;
- Other information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements.

Remuneration to Directors

The Independent Non-Executive Directors are paid sitting fees within the prescribed limits that could be paid without the approval of the Central Government, for attending the Board/ Committee meetings. Such directors are also entitled to reimbursement for airfare, boarding and lodging expenses for attending the Board/ Committee Meetings.

In addition to payment of sitting fees, the Company had also decided to pay an annual Commission to the Non- Executive Independent Directors from financial year 2010-11 onwards. The Commission shall be paid after taking into account the Non – Executive Independent Directors' performance and time spent during the meetings of Board and Committees of the Company.

However, the said Commission shall be subject to availability of sufficient profits and will not exceed the statutory limit of 1% of the net profit of the Company calculated as per the provisions of Section 349 and 350 and other relevant provisions of the Companies Act, 1956.

Directors' Shareholding

None of the Directors of the Company is holding any shares in the Company.

COMMITTEES OF BOARD

In compliance with the Listing requirements, the SEBI Regulations and the Companies Act, 1956, currently, the Board has following mandatory committees:

1. Audit Committee,
2. Shareholders/ Investors Grievance Committee.

The Committees comprise of experienced members of the Board who ensure that high standards of Corporate Governance are followed in every sphere. The matters relating to the remuneration of Executive Director are looked into by the Board of Directors directly and by the members of the Company through General Meeting.

Remuneration paid to the Directors during financial year 2010-11: (₹)

Name of the Director	Salary & Perquisites	Performance Linked Incentive	Commission@	Sitting Fee#	Total
Mr. Rakesh Bhargava	–	–	–	–	–
Dr. Anand C. Burman	–	–	–	–	–
Mr. D. G. Shah	–	–	–	150,000	150,000
Mr. Gerrit Steen	–	–	–	–	–
Mr. Mats Christer Henriksson	–	–	–	–	–
Dr. Michael Schonhofen	–	–	–	–	–
Dr. Naresh Trehan	–	–	–	15,000	15,000
Mr. Nitin Potdar	–	–	–	270,000	270,000
Dr. Satish B. Kulkarni*	17,485,538	6,853,630	–	–	24,339,168

@ An amount of ₹412,500 (Rupees Four Lacs Twelve Thousand & Five Hundred only) to be paid as commission for financial year 2010-11, to the Non-Executive Independent Directors will be paid during the current financial year 2011-12. The same has been provided as payable to the eligible Non-Executive Independent Directors in the accounts for the year under review.

Sitting fees include fees for Board and other Committee meetings at the rate of ₹15,000 per meeting.

* The Company has executed an employment agreement with Dr. Kulkarni for a period of five years w.e.f. 11th August 2008. His performance is reviewed by the Board of Directors annually and performance linked incentive is decided by them. Notice period is 12 months and he is not entitled for any severance fees.

Audit Committee

The composition of the Audit Committee as on date and the attendance of members at the meetings held during the financial year 2010-11, are given below:

Member Director	Category	Status	Number of Audit Committee Meetings	
			Held	Attended
Mr. D. G. Shah	NED/ ID	Chairman	5	5
Mr. Nitin Potdar	NED/ ID	Member	5	5
Mr. Gerrit Steen	NED	Member	5	1
Dr. Naresh Trehan	NED/ ID	Member	5	0

Mr. Nikhil Kulshreshtha, Company Secretary & Head - Legal of the Company acts as the Secretary to the Committee.

The role and terms of reference of the Audit Committee covers the areas mentioned in Clause 49 of the Listing Agreement with Stock Exchanges and Section 292A of the Companies Act, 1956, as amended from time to time, besides other matters as may be referred by the Board of Directors.

The committee derives its powers from clause 49(II)(C) of the Listing Agreement. Apart from its other functions, the Committee has been regularly reviewing the information as prescribed in Clause 49(II)(E) of the Listing Agreement.

In generality, the scope and functions of the Audit Committee of the Company revolve around the following:

(a) Discussions with the auditors periodically on internal control systems, scope of audit, observations of auditors and review of quarterly, half yearly and annual financial statements;

(b) Investigate into any matter as specified in Section 292A or referred to it by the Board;

(c) Oversight of the financial reporting process and to ensure that statement is correct, sufficient and credible;

(d) Recommending appointment, re-appointment and removal of Statutory/Internal Auditors, Cost Auditors, fixation of audit fee and approval for any other service(s);

(e) Reviewing the annual financial statements before submission to the Board;

(f) Reviewing with management, performance of external and internal auditors, the adequacy of internal control systems and functions;

(g) Reviewing the findings of any internal investigation by the internal auditors;

(h) Reviewing Company's financial and risk management policies;

(i) Review of related party transactions;

(j) Other functions as mentioned in Clause 49(II)(D) of the Listing Agreements.

The Audit Committee meetings were held five times during the year 2010-11 on following dates:

8th April 2010, 28th May 2010, 29th July 2010, 21st October 2010 and 28th January 2011. The time gap between any two successive meetings was less than four months.

Shareholders'/Investors' Grievance Committee

In compliance with the Listing requirements and provisions of the Companies Act, 1956, the Company has constituted a Shareholders'/Investors' Grievance Committee, which comprises of four members, three of whom, including the Chairman are Non-Executive Directors.

Mr. Nikhil Kulshreshtha, Company Secretary & Head – Legal of the Company acts as the Compliance Officer of the Company.

The Shareholders' Grievance Committee is empowered to perform all the functions of the Board in relation to resolving of the Shareholders' Grievances. It primarily focuses on:

- Review of investors' complaints and their redressal;
- Review of the queries received from investors.

The meetings of Shareholders'/Investors' Grievance Committee were held 4 times during the year 2010-11 on following dates:

28th May 2010, 29th July 2010, 21st October 2010 and 28th January 2011.

The composition and members' attendance at the Shareholders/ Investors Grievance Committee meetings are presented below:

Member Director	Category	Status	Number of Meetings	
			Held	Attended
Mr. Rakesh Bhargava	NED	Chairman	4	4
Dr. Satish B. Kulkarni	ED	Member	4	4
Mr. Nitin Potdar	NED/ ID	Member	4	4
Dr. Anand C. Burman	NED	Member	4	3

The Committee expresses satisfaction with the Company's performance in dealing with investor grievances. Details of the investors' complaints as on 31st March 2011 are as follows:

No. of Complaints pending as on 1st April 2010	Received during the year	Resolved during the year	No. of Complaints pending as on 31st March 2011
Nil	3	3	Nil

MANAGEMENT

Management Discussion and Analysis Report

The Annual Report has a separate section on Management Discussion and Analysis, which, inter alia, deals with industry structure and development, opportunities and threats, segment wise performance, outlook, risks and concerns, internal control system and their adequacy and discussion on financial performance with respect to operations and material issues in the sphere of human resources/ industrial relationship and other necessary matters.

Disclosures

The Company is complying with the mandatory requirements of Clause 49 of the Listing Agreement. The Company has been filing confirmation in this respect to the concerned Stock Exchanges on quarterly basis.

a. Materially significant related party transactions

There have been no materially significant related party transactions during the year ended 31st March 2011 that may have potential conflict with the interest of the Company at large.

The materially significant related party transactions that may have potential conflict with the interest of the Company at large, if any, are reported to Audit Committee.

During the year, the Company did not enter into any material financial and commercial transactions with Senior Managerial Personnel, where they have personal interest that may have a potential conflict with the interest of the company at large.

Details of transaction with related parties are reflected in the annual accounts under the head "Notes to Accounts".

b. Instances of Non Compliance

There were no instances of non-compliance by the Company during the financial year ended 31st March 2011. The Company has complied with all the legal requirements related to Capital market and no strictures passed/ penalties levied on it by the Stock Exchange/SEBI or any other statutory authority during the last three years.

c. Whistle Blower Policy

The Company has put in place a well-documented Whistle Blower Policy after due approval by the Board of Directors. No employee has been denied access to the Audit Committee.

SHAREHOLDERS

Appointment/Re-Appointment of Directors

The individual details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting of the Company are provided in the explanatory statement accompanying the notice of the Annual General Meeting.

Means of Communication

The Quarterly Results along with the Notes are normally published in one English Newspaper (Financial Express) having nation wide circulation and one Hindi Newspaper (Jansatta) circulating in New Delhi, within 48 hours of approval by the Board and are intimated immediately to the Stock Exchanges vide fax and emails. These are also displayed on the Company's website www.fresenius-kabi-oncology.com

General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Location	Date	Time
2007-08	Air Force Auditorium, Subroto Park, New Delhi	21st July 2008	03:30 PM
2008-09	Air Force Auditorium, Subroto Park, New Delhi	29th July 2009	04:30 PM
2009-10	Air Force Auditorium, Subroto Park, New Delhi	29th July 2010	04:00 PM

It is proposed to conduct the eighth Annual General Meeting of the Company for approval of the Annual Accounts for financial year 2010–11 and other matters on Thursday, 11th August 2011 at 4:00 P.M. at Air Force Auditorium, Subroto Park, New Delhi. The shareholders are requested to refer to the Notice of the Annual General Meeting for the detailed agenda and program.

Special resolutions passed during the last three (3) AGMs:

F.Y. 2007-08: Annual General Meeting held on 21st July 2008

(1) Alteration of Articles of Association of the Company in Part II of Schedule II of the Scheme of Arrangement between Dabur India Limited and Dabur Pharma Limited.

F.Y. 2008-09: Annual General Meeting held on 29th July 2009

(1) Alteration of Articles of Association of the Company to delete Part II containing Article 193 to 198.
(2) Approval for payment of Remuneration to Dr. Satish B. Kulkarni as Managing Director & CEO of the Company.
(3) Waiver from recovery of excess remuneration paid to Mr. Ajay Kumar Vij, former Whole Time Director of the Company.

F.Y. 2009-10: Annual General Meeting held on 29th July 2010

(1) Payment of Commission to Non–Executive Independent Directors.
(2) Revision of remuneration to Dr. Satish B. Kulkarni, Managing Director & CEO of the Company.

Postal Ballot

During the year ended 31st March 2011, no special resolutions were passed through postal ballots.

No special resolution is proposed to be passed by postal ballot at the ensuing Annual General Meeting as mentioned herein below.

Additional Shareholder Information

a. Annual General Meeting

Date	:	11th August 2011
Time	:	4:00 P.M.
Venue	:	Air Force Auditorium, Subroto Park, New Delhi
Book Closure	:	1st August 2011 to 11th August 2011 (both days inclusive)

b. Dividend Payment

No dividend was declared for the financial year ended 31st March 2010. Hence there is no payment pending towards dividend for the said year.

In view of the ongoing expansion projects and future growth plans, the Directors have decided to plough back the profits of the Company for financial year 2010-11. Accordingly, the Board has not recommended any dividend payment for the year ended 31st March 2011.

c. Number of Employees

The Company had 1131 permanent employees on its payroll as on 31st March 2011.

d. Financial Calendar

The Company follows Financial Year, which commences on 1st April, of each calendar year and ends on 31st March, of the next calendar year.

For the financial year 2011-12, quarterly un-audited/annual audited results shall be announced by:

- Mid of August, 2011: First quarter
- Mid of November, 2011: Half yearly
- Mid of February, 2012: Third quarter
- End of May, 2012: Fourth quarter and Annual Audited.

e. Listing Details

Name of Stock Exchange	Stock Code
Bombay Stock Exchange Limited	532545
National Stock Exchange of India Limited	FKONCO

The Listing fee for the financial year 2011-12 has been paid to the above stock exchanges within the due date. The ISIN Number allotted to the Company's equity shares of face value of ₹ 1/- each under the depository system is INE 575 G 01010. The listing is in place since 30th September 2004.

f. Registrar and Transfer Agent

Securities and Exchange Board of India (SEBI), has made it mandatory for all work relating to share registry, both in physical and electronic form, to be handled either wholly 'in house' by Companies or wholly by a SEBI registered external Registrar and Transfer Agent. Pursuant to this, the Company has appointed MCS Limited, New Delhi, as its Registrar and Transfer Agent.

g. Share Transfer System

As on 31st March 2011, 98.83% of the equity shares of the Company were in Dematerialised form. Transfer of shares in Dematerialised form is done through the depositories without any involvement of the Company.

On the other hand, transfer of shares in physical form is normally processed by the Company within 15 days from the date of receipt, provided the documents are complete in all respects. The Board has constituted the Share Transfer Committee and has delegated the requisite power to the Committee to attend share transfer matters. Normally the Committee meets at least once in a fortnight to approve the share transfer and other related matters.

The Company obtains a certificate from a Practising Company Secretary on half yearly basis to the effect that all the transfers are completed in the statutorily stipulated period. In compliance with clause 47(c) of the Listing Agreements, a copy of the certificate so received is submitted to both the Stock Exchanges, where the shares of the Company are listed.

All share transfer and other communication regarding share certificates, change of address, dividends, etc. should be addressed to Registrar and Transfer Agents. Requests for Share transfer in physical form can be lodged with the Registrar and Transfer Agents - MCS Limited.

h. Company's Registered Office address:

Registered Office
B-310, Som Datt Chambers – I, Bhikaji Cama Place, New Delhi-110 066 Tel No.: 91-11-26105570 Fax: 91-11-26195965

i. Company's Plant locations:

Manufacturing Plant - Baddi (H.P.)	**Formulations Unit** 19, HPSIDC Industrial Area, Baddi, District Solan, Himachal Pradesh-173 205
Manufacturing Plant - Nalagarh (H.P.)	**Formulations Unit** Village Kishanpura, Tehsil Nalagarh, District Solan, Himachal Pradesh-174 101
Manufacturing Plant - Kalyani (W.B.)	**Active Pharmaceutical Ingredients (API) Unit** D-35, Industrial Area, Kalyani, District Nadia, West Bengal-741 235

j. Address for correspondence

For share transfer/dematerialisation of shares, payment of dividend and any other query relating to the shares of the Company
MCS Limited, Registrar and Share Transfer Agent, F-65, First Floor, Okhla Industrial Area, Phase – I, New Delhi – 110 020 Tel No.: 011 41406149 Email: admin@mcsdel.com
For queries of Analysts, FIIs, Institutions, Mutual Funds, Banks and others
Mr. Peter F. Nilsson, Chief Financial Officer, Fresenius Kabi Oncology Limited, Echelon Institutional Area, Plot No – 11, Sector-32, Gurgaon-122 001, Haryana, India Tel No.: +91 124 488 5000

For Investors assistance
Mr. Nikhil Kulshreshtha Company Secretary & Head-Legal Fresenius Kabi Oncology Limited, Echelon Institutional Area, Plot No – 11, Sector-32, Gurgaon-122 001, Haryana, India Tel No.: +91 124 488 5000

k. Dematerialisation of shares and liquidity

The Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for dematerialisation of its equity shares. The shares of the Company are regularly traded on NSE and BSE. As of 31st March 2011, 98.83% of the equity share capital of the Company is held in demat mode.

l. Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments etc.

As on 31st March 2011 the Company has not issued any ADRs/ GDRs/ Warrants or any other Convertible Instrument.

m. Demat Suspense Account for Unclaimed Shares

In terms of the requirement of Clause 5A of the Listing Agreement with the stock exchanges, the Company needs to open a Demat Suspense Account for the shares which remain unclaimed.

Before crediting the unclaimed shares in the Demat Suspense Account, the Company shall send at least three reminders to the shareholders asking for the correct particulars.

The Company is currently sending letters to its shareholders to claim their share certificates lying unclaimed with the Company.

After crediting the unclaimed shares in the said Account, the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

The Company will shortly open a Demat Suspense Account and after complying with the necessary formalities, all the shares which are unclaimed will be credited to that account.

As of now the Company has 1023 unclaimed cases comprising of 280375 shares.

Distribution of Shareholding as on 31st March 2011

Number of equity shares held	Number of shareholders in each category	% of Share-holders	No. of Shares held	% of Share-holding
1 - 500	39049	93.9943	5968643	3.7723
501 - 1000	1428	3.4373	1216983	0.7691
1001 - 2000	589	1.4178	893295	0.5646
2001 - 3000	169	0.4068	433774	0.2741
3001 - 4000	70	0.1685	253648	0.1603
4001 - 5000	69	0.1661	331282	0.2094
5001 - 10000	98	0.2359	723780	0.4574
10001 - 50000	56	0.1348	1110982	0.7021
50001 - 100000	7	0.0168	504912	0.3191
100001 and above	9	0.0217	146790356	92.7716
	41544	**100.0000**	**158227655**	**100.00**

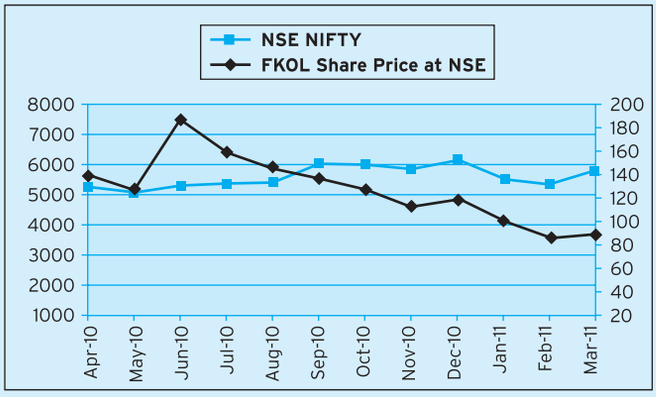
Market Price Data

The market price data is given in the table below from 1st April, 2010 upto 31st March 2011. **(₹)**

Month	NSE		BSE	
	Month High Price	Month Low Price	Month High Price	Month Low Price
April, 2010	140.00	119.15	140.00	119.10
May, 2010	144.00	121.20	144.50	113.80
June, 2010	194.00	126.00	193.75	123.20
July, 2010	187.85	156.50	186.90	157.00
August, 2010	164.00	143.00	164.70	143.55
September, 2010	151.80	136.00	151.70	135.25
October, 2010	144.65	109.00	144.50	126.10
November, 2010	139.00	103.00	142.00	101.00
December, 2010	129.00	103.00	129.00	102.75
January, 2011	127.95	96.20	129.85	97.00
February, 2011	102.00	82.20	101.00	82.30
March, 2011	93.80	83.00	95.00	85.60

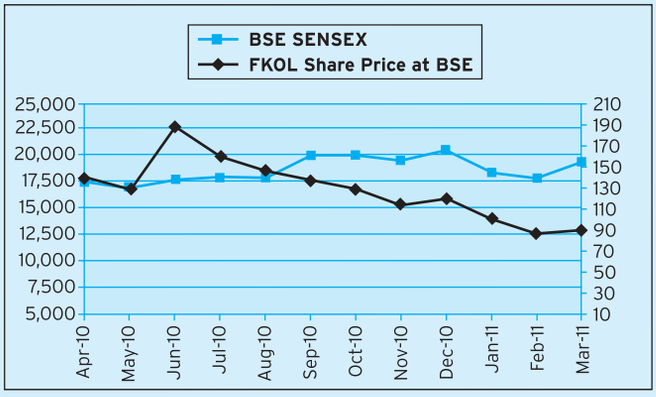
Stock performance in comparison to NSE Nifty

(Monthly Closing)



Stock performance in comparison to BSE SENSEX

(Monthly Closing)



For and on behalf of the Board

Gurgaon
26th May 2011

Rakesh Bhargava
Chairman

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To,

The Members of Fresenius Kabi Oncology Limited,

We have examined the compliance of conditions of Corporate Governance by Fresenius Kabi Oncology Limited for the year ended 31st March 2011 in terms of requirements of the Listing Agreements of said company with stock exchanges.

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

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

We state that in respect of investor's grievances received during the year ended March 31, 2011, no investors grievance is pending for a period exceeding one month against the company as per the records maintained by the company.

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

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership no. 51717

Gurgaon
26th May 2011

DECLARATION ON COMPLIANCE OF CODE OF CONDUCT

I, Dr. Satish B. Kulkarni, Managing Director & CEO of Fresenius Kabi Oncology Limited, do hereby declare and confirm that all the Board Members and Senior Management Personnel have affirmed to the Board of Directors, the compliance of the Code of Conduct laid down by the Board.

Gurgaon
26th May 2011

Dr. Satish B. Kulkarni
Managing Director & CEO

CHIEF EXECUTIVE OFFICER (CEO)/ CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To,
The Board of Directors
FRESENIUS KABI ONCOLOGY LIMITED

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of FRESENIUS KABI ONCOLOGY LIMITED ("the Company"), to the best of our knowledge and belief certify that:

(a) We have reviewed the financial statements and the cash flow statement for the year ended on 31st March 2011 and based on our knowledge and belief, we state that:

  (i) these statements do not contain any materially untrue statement or omit any material fact or contain any 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) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and Audit Committee that:

  (i) there has not been any significant changes in internal control over financial reporting during the year under reference;

  (ii) there has not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and

  (iii) we are not aware of any material instances during the year of significant fraud 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.

Dr. Satish B. Kulkarni
Chief Executive Officer

Peter F. Nilsson
Chief Financial Officer

Gurgaon
26th May 2011

FRESENIUS KABI

Auditors' Report on Standalone Financial Statements

To the Members of Fresenius Kabi Oncology Limited,

1. We have audited the attached Balance Sheet of Fresenius Kabi Oncology Limited ('the Company'), as at 31st March 2011, the Profit & Loss Account of 'the Company' and the Cash flow statement of 'the Company' 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 statement. 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' (Auditors' Report) Order 2003, as amended, issued by the Central Government in terms of sub section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the annexure a statement on the matters specified therein.

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 purpose of 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.

   The report in respect of London Branch audited by the Branch Auditors has been forwarded to us and has been properly dealt with herein;

   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 and returns from the branch;

   iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report comply with the mandatory accounting standards referred to in sub section (3C) of section 211 of Companies Act, 1956;

   v. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors of 'the Company' is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

   vi. In our opinion and according to the information and explanations given to us, the said accounts read in conjunction with Schedules A to N and read with other notes appearing in Schedule "O" 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 :

      a) In the case of Balance Sheet, of the State of Affairs of 'the Company' as at 31st March 2011;

      b) In the case of the Profit and Loss Account, of the Profit of 'the Company' for the year ended on that date; and

      c) In the case of Cash flow statement, of the cash flows of 'the Company' for the year ended on that date.

For **G. Basu & Co.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership Number: 51717

Gurgaon
26th May 2011

Annexure to the Auditors' Report as Referred to in Para 3 of the said Report of Even Date

1. a) 'The Company' has maintained proper records showing full particulars including quantitative details and situation of fixed assets in respect of all its locations.

   b) The fixed assets have been physically verified by the management at all locations at reasonable intervals. No material discrepancies between book records and the physical inventories have been noticed on such verification.

   c) Fixed assets disposed of during the year are not material enough to affect the going concern of 'the Company'.

2. a) The inventories have been physically verified during the year at reasonable intervals by the Management.

   b) In our opinion, the procedures of physical verification of inventories 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. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.

3. a) 'The Company' has not granted any loan, secured or un-secured to firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, during the year.

   However 'the Company' has granted unsecured loans of ₹4,042.96 lacs (including interest) in aggregate repayable on demand to its foreign subsidiary. There are no stipulations regarding repayments of the principal amount and interest. To the best of our information, there is no overdue amount of loan that is outstanding on 31st March 2011. Rate of Interest and other terms and conditions of these loans are not, prima facie, prejudicial to the interest of 'the Company'. Maximum balance against these loans during the year was ₹4,042.96 lacs in aggregate.

   b) 'The Company' has not taken any loan secured or un-secured from firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, during the year.

   However 'the Company' has taken unsecured loans of ₹12,522.05 lacs from its immediate holding Company and a fellow subsidiary Company, having its Chairman as a Director in the lender Company. The rate of interest and other terms and conditions of these two loans are not, prima facie, prejudicial to the interest of the Company. As per the agreement with the lender Companies, the principal amount of loan have not become due for payment and have accordingly, not paid up to 31st March 2011. Interest thereon have been paid as per respective agreements. Maximum balance against these loans during the year was ₹12,522.05 lacs in aggregate.

4. 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 purchase of inventories and fixed assets and for the sale of goods. There has been no sale of services during the year. During the course of our audit no major weakness has been noticed in the internal control system.

5. a) Based on audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the registers maintained under section 301 of Companies Act, 1956 have been so entered.

   b) According to information and explanations given to us, the transactions of sales made in pursuance of contracts or arrangements entered in the registers maintained under section 301, during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to information and explanations given to us 'the Company' has not accepted any deposit from the public and as such the question of compliances of section 58, 58AA and other relevant provisions of the Act do not arise.

7. In our opinion 'the Company' has an internal audit system commensurate with its size and nature of its business.

8. On the basis of records produced, we are of the opinion that prima facie cost records and accounts prescribed by the Central Government under section 209 (i)(d) of the Companies Act, 1956 in respect of products of 'the

Company' covered under the rules under said section have been maintained. However we are neither required to carry out nor have carried out any detailed examination of such accounts and records.

9. a) According to information and explanations given to us, 'the Company' has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance , income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues to the extent applicable to it.

   We have been informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable.

   b) There is no disputed due on account of sales tax, wealth tax, service tax, customs duty and cess. Dues on account of Income Tax/Excise Duty disputed by the Company vis-a-vis forums where such disputes are pending are mentioned below :

Excise Duty:

Name of Statute	Nature of the dues	Amount in (Lacs) of ₹	Period to which the amount relates	Forum where the dispute is pending
Excise Duty	PME Deductions	20.77	1998 to 2009	CESTAT, New Delhi

Income Tax:

Name of Statute	Nature of the dues	Amount in (Lacs) of ₹	Period to which the amount relates	Forum where the dispute is pending
Income Tax	TP	228.58	A.Y2005-06	CIT(A),N Delhi
Income Tax	TP	9.17	A.Y2006-07	ITAT,N Delhi
Income Tax	TP	199.97	A.Y2007-08	CIT(A),N Delhi

10. 'The Company' does not have any accumulated loss as on 31st March 2011. It has not incurred cash losses in the current financial year and in the immediately preceding financial year.

11. Based on our audit procedures and the information and explanations given by the management, we are of the opinion that 'the Company' has not defaulted in repayment of dues to any bank. 'The Company' has no due to any financial institution or debenture holder.

12. 'The Company' has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

13. Based on our examination of the records and evaluations of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts relating to shares, securities, debentures and other investments dealt in by 'the Company' and timely entries have been made in the records. We also report that 'the Company' has held the shares, securities, debentures and other investments in its own name.

14. 'The Company' had furnished a guarantee for loans taken by others from banks or financial institutions. The terms and conditions thereof are not prima facie prejudicial to the interest of 'the Company'.

15. Term loan obtained from bank by 'the Company' has been applied for the purpose for which they were raised.

16. No fund has been raised on short term basis during the year which has been used for long term purposes.

17. 'The Company' has not made any preferential allotment of shares during the year to any party or Companies covered in the register maintained under section 301 of the Companies Act, 1956.

18. 'The Company' has not issued any debenture.

19. 'The Company' has not made public issue so far.

20. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by 'the Company' has been noticed or reported during the course of our audit.

21. Other clauses of the order are not applicable to 'the Company' for the year.

For **G. Basu & Co.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership Number: 51717

Gurgaon
26th May 2011

Balance Sheet as at 31st March 2011

(₹ in Lacs)

	Schedule		As at 31st March 2011		As at 31st March 2010
Sources of Funds :					
Shareholders' Funds :					
A) Share Capital	A	1,582.28		1,582.28	
B) Reserve and Surplus	B	52,551.82	54,134.10	47,627.65	49,209.93
Loan Funds :					
A) Secured Loans	C	6,350.47		11,745.57	
B) Unsecured Loans	D	26,944.54	33,295.01	15,163.53	26,909.10
Deferred Tax Liability	EA		1,480.42		1,043.34
Total			**88,909.53**		**77,162.37**
Application of Funds :					
Fixed Assets :					
A) Gross Block	F	32,101.28		24,188.08	
B) Less: Depreciation		6,271.47		4,677.90	
C) Net Block		25,829.81		19,510.18	
D) CWIP		9,856.46		5,776.55	
			35,686.27		25,286.73
Investment	G		12,628.20		12,939.57
Deferred Tax Assets	EA		607.81		846.43
Current assets, loans and advances :	H				
A) Inventories		20,722.39		19,020.38	
B) Sundry debtors		17,659.43		15,047.81	
C) Cash & bank balances		1,849.50		3,494.57	
D) Loans & advances		17,364.14		15,372.67	
		57,595.46		52,935.43	
Less: Current liabilities and provisions	E				
A) Liabilities		8,622.36		7,268.73	
B) Provisions		8,998.57		7,577.06	
		17,620.93		14,845.79	
Net current assets			39,974.53		38,089.64
Miscellaneous Expenditure	EB		12.72		-
(To the extent not written off or adjusted)					
Notes to accounts	O				
Total			**88,909.53**		**77,162.37**

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

FRESENIUS KABI

Profit & Loss Account for the Year Ended 31st March 2011

(₹ in Lacs)

	Schedule	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Income :	I		
Sales less returns		40,214.43	41,128.08
Other income		1,919.70	1,632.82
Total income		**42,134.13**	**42,760.90**
Expenditure :			
Cost of materials	J	13,533.98	11,882.21
Manufacturing expenses	K	3,976.78	4,147.20
Payments to and provisions for employees	L	5,610.50	4,805.41
Selling and administrative expenses	M	8,518.09	10,080.17
Financial expenses	N	1,802.97	1,939.57
Misc Expenditure Written Off	EB	-	46.02
Depreciation		1,692.00	1,250.87
Total expenditure		**35,134.32**	**34,151.44**
Balance being net profit		6,999.81	8,609.46
Provision for taxation - Current		1,399.96	1,279.63
- Deferred		675.68	(692.68)
Profit after Taxation		4,924.17	8,022.51
Balance of Profit brought forward from previous year		21,390.82	13,368.31
Balance carried over to balance sheet		26,314.99	21,390.82
Earning per share (in ₹)			
(without consideration of extra ordinary items)			
Basic		2.94	4.11
Diluted		2.94	4.11
Earning per share (in ₹)			
(After consideration of extra ordinary items)			
Basic		3.11	5.07
Diluted		3.11	5.07
No. of shares			
Basic		1582.28	1582.28
Diluted		1582.28	1582.28
Notes to accounts	O		

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

Statement of Cash Flow (Based on Indirect Method)

(₹ in Lacs)

		For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
A.	**Cash flow from operating activities**				
	Net profit before tax and extra ordinary items		6,999.81		8,393.46
	Add: Depreciation	1,692.00		1,250.87	
	Interest	1,802.97		1,939.57	
	Misc Expenditure Written off	-		46.02	
	Unrealised (Gain)/Loss in Exchange fluctuation	(152.07)		1,145.87	
	Extra ordinary Income (Exchange Gain prior period)	-	3,342.90	216.00	4,598.33
	Less: Interest received	257.08		431.61	
	Profit (Net of Loss) on sale of Assets	(29.75)		(21.44)	
	Extra ordinary Income (Realisation on Investments in wholly owned subsidiary in excess of cost)	268.07	495.40	-	410.17
	Operating profit before working capital changes		9,847.32		12,581.62
	Working capital changes				
	(Increase)/Decrease in inventories	(1,702.01)		(5,769.62)	
	(Increase)/Decrease in debtors	(2,424.57)		(4,831.07)	
	(Increase)/Decrease in other current assets	(545.48)		4,770.18	
	Increase/(Decrease) in trade payable	1,374.79		1,974.78	
	(Increase)/Decrease in working capital		(3,297.27)		(3,855.73)
	Cash generated from operating activities		6,550.05		8,725.89
	Interest paid	(1,802.97)		(1,939.57)	
	Tax paid	(1,546.37)		(1,206.00)	
			(3,349.34)		(3,145.57)
	Cash used (-)/(+) generated for operating activities (A)		3,200.71		5,580.32
B.	**Cash flow from investing activities**				
	Purchase of fixed assets	(12,326.09)		(6,258.81)	
	Sale of fixed assets	204.80		1.00	
	Sale/(Purchase) of investment	-		(1.00)	
	Proceeds of investment in subsidiaries dissolved	548.77	(11,572.52)	-	(6,258.81)
	Cash used (-)/(+) generated for investing activities (B)		(11,572.52)		(6,258.81)
C.	**Cash flow from financing activities**				
	Repayment (-)/proceeds (+) of short term and long term loans	6,726.74		3,231.47	
	Cash used (-)/(+) generated in financing activities (C)		6,726.74		3,231.47
	Net increase(+)/decrease(-) in cash and cash equivalents (A+B+C)		(1,645.07)		2,552.98
	Cash and cash equivalent opening balance		3,494.57		941.58
	Cash and cash equivalent closing balance		1,849.50		3,494.57

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

Annexed to and Forming Part of the Balance Sheet

As at 31st March 2011

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-A-Share Capital		
Authorised :		
(180000000 equity shares of ₹ 1 each) (previous year 180000000 equity shares of ₹ 1 each)	1,800.00	1,800.00
Issued, Subscribed & Paid up capital : (Paid up 158227655 equity shares of ₹ 1 each) (previous year 158227655 equity shares of ₹ 1 each)	1,582.28	1,582.28
Total	**1,582.28**	**1,582.28**

Notes:

1. Issued, Subscribed & paid up capital includes 143144577 (previous year 143144577) equity share of ₹ 1 each allotted against capitalisation of reserve in terms of scheme of demerger of the Company from Dabur India Limited w.e.f 1st April 2003 as approved by Hon'ble High Court Delhi without payment being received in cash.
2. 142404889 (previous year 142404889) equity shares are held by Fresenius Kabi (Singapore) Pte. Ltd., the immediate holding Company.
3. 737823 (Previous year 737823) equity shares relates to issue against exercise of option granted under erstwhile employees stock option scheme which has since been discontinued.

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-B-Reserve & Surplus		
Share Premium Account :		
As per last account	7,675.41	7,675.41
Capital Reserve :		
As per last account	150.00	150.00
General Reserve :		
As per last account	18,411.42	18,411.42
Profit and Loss Account	26,314.99	21,390.82
Total	**52,551.82**	**47,627.65**

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-C-Secured Loans		
Term loans :		
Short term loans - from banks :	6,350.47	10,045.77
(Including foreign currency loans ₹ Nil, previous year ₹1622.50)		
Secured by :		
Hypothecation of inventories and book debts ranking pari-passu among IDBI Bank, Hongkong & Shanghai Banking Corporation Ltd. and PNB Bank		
Medium term loan	-	1,699.80
(External commercial borrowings from bank)		
Secured by :		
Mortgage of land and buildings and hypothecation of plant and machineries at Company's site at village Kishanpura, P.O. Gurumajra, Tehsil Nalagarh Baddi		
Total	**6,350.47**	**11,745.57**

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-D-Unsecured Loans		
Medium Term Loan due within a year from :		
- Fresenius Kabi (Singapore) Pte. Ltd.	9,522.05	7,040.35
(Immediate Holding Company)		
Short Term Loan from Company	3,000.00	3,000.00
(Fresenius Kabi India Pvt Ltd, a fellow subsidiary)		
Medium Term Loan from :		
- Bank	6,500.00	-
Short Term Loan from :		
- Banks (Including Foreign Currency Loans ₹5573.80, Previous Year ₹2244.50)	7,922.49	5,123.18
Total	**26,944.54**	**15,163.53**

Note: Medium term loan repayable within one year ₹6500, Previous year ₹ NIL

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-E-Current Liabilities and Provisions				
A.	**Current Liabilities :**			
	Creditors for Goods	4,306.63	3,490.93	
	Creditors for expenses and Other Liabilities	4,167.39	3,708.02	
	Advance from customers	142.59	64.04	
	Investor education and protection fund to be credited by :			
	-Unpaid Dividend	5.75	5.75	
	Total	**8,622.36**		**7,268.73**
B.	**Provisions :**			
	For Gratuity	90.02	21.59	
	Provision Other	681.43	773.17	
	For leave salary	416.06	371.20	
	Provision for Taxation	7,811.06 **8,998.57**	6,411.10	**7,577.06**
	Total	**17,620.93**		**14,845.79**

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-EA-Deferred Tax				
Deferred Tax Liability :				
Depreciation		1,480.42		1,043.34
Less: Deferred Tax Assets :				
Doubtful debts	171.62		399.54	
Provision for leave salary	141.42		126.17	
Provision for Gratuity	30.60		7.34	
Provision for others	231.62		262.80	
Doubtful Advances	32.55	607.81	50.56	846.41
Net Deferred Tax Liability		**872.61**		**196.93**
Charged to Profit & Loss Account of the year		**675.68**		**(692.68)**

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-EB-Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Share Issue Expenses				
Opening Balance	-		46.02	
Less: amortised during the year	-	-	46.02	-
Deferred Plantation Expenses	13.69		-	
Less: amortised during the year	0.97	12.72	-	-
Total		**12.72**		**-**
Amortisation charged to :				
Profit & Loss Account	-		46.02	
Plantation-in-progress	0.97		-	

SCHEDULE-F-Fixed Asset

(₹ in lacs)

Name of the Asset	Gross Block				Depreciation				Net Block	
	As on 01.04.10	Additions	Adjustment	As on 31.03.11	As on 01.04.10	For the year	Adjustment	As on 31.03.11	As on 31.03.11	As on 31.03.10
Tangible Fixed Assets										
Freehold Land	625.77	-	-	625.77	-	-	-	-	625.77	625.77
Leasehold Land	278.07	142.32	-	420.39	-	7.81	-	7.81	412.58	278.07
Building, Road & Culverts	5,532.15	519.75	-	6,051.90	709.44	188.31	-	897.75	5,154.15	4,822.70
Plant & Machinery	15,381.24	4,451.80	328.41	19,504.63	3,162.55	959.93	94.48	4,028.00	15,476.63	12,218.69
Vehicles	219.33	27.11	-	246.44	74.02	38.31	-	112.33	134.11	145.31
Furniture & Fixtures	485.65	2,256.72	2.47	2,739.90	191.70	201.00	1.93	390.77	2,349.13	293.95
Office Equipment	151.19	358.44	-	509.63	46.47	39.30	-	85.77	423.86	104.72
Computers	642.01	490.04	2.09	1,129.96	332.69	170.07	1.98	500.78	629.18	309.33
Intangible Fixed Assets										
Product Development	602.66	-	-	602.66	120.53	60.27	-	180.80	421.86	482.13
Patent/ Product Rights	270.00	-	-	270.00	40.46	27.00	-	67.46	202.54	229.54
Total	**24,188.07**	**8,246.18**	**332.97**	**32,101.28**	**4,677.86**	**1,692.00**	**98.39**	**6,271.47**	**25,829.81**	**19,510.20**
Previous Year Figures	**23,015.78**	**1,232.46**	**60.17**	**24,188.07**	**3,464.72**	**1,250.87**	**37.73**	**4,677.86**	**19,510.20**	**-**
Capital Work in Progress										
Tangible Fixed Assets in Progress	5,776.55	10,498.49	7,016.65	9,258.39	-	-	-	-	9,258.39	5,776.55
Intangible Assets in progress	-	598.07	-	598.07	-	-	-	-	598.07	-
Total	**5,776.55**	**11,096.56**	**7,016.65**	**9,856.46**	-	-	-	-	**9,856.46**	**5,776.55**
Previous Year Figures	**281.50**	**6,796.75**	**1,301.70**	**5,776.55**	**-**	**-**	**-**	**-**	**5,776.55**	**-**
Grand Total	**29,964.62**	**19,342.74**	**7,349.62**	**41,957.74**	**4,677.86**	**1,692.00**	**98.39**	**6,271.47**	**35,686.27**	**25,286.76**
Previous Year Figures	**23,297.29**	**8,029.21**	**1,361.87**	**29,964.63**	**3,464.75**	**1,250.87**	**37.73**	**4,677.88**	**25,286.75**	**-**

Note:

1. Tangible fixed assets in progress includes advance against capital goods ₹299.55; (previous year ₹724.66).

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
Schedule-G-Investments		
Unquoted		
Unquoted (Long Term)		
Investments in Wholly Owned Foreign Subsidiaries		
Fresenius Kabi Onclogy PLC, UK	12,625.20	12,625.20
(171400000, previous year 171400000 equity shares at face value of GBP 0.10)		
Dabur Pharma (Thailand) Company Ltd.	-	311.37
(NIL, previous year 10000000 equity shares @ 2.50 Baht each) (Liquidated during the year)		
Trade investment in Domestic Company		
Shivalik Solid Waste Management Limited	3.00	3.00
(30000, previous year 30000 equity shares @ ₹10 each)		
Total	**12,628.20**	**12,939.57**
Notes:		
Aggregate Book Value of Unquoted Investment	12,628.20	12,939.57

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-H-Current Assets, Loans and Advances				
A.	**Current Assets :**			
	Inventories :			
	- Raw materials	9,670.57	8,030.24	
	- Packing materials, stores and spares	1,701.23	1,081.03	
	- Stock-in-process	4,902.37	6,028.83	
	- Plantation-in-progress	146.19	-	
	- Finished goods	4,302.03	20,722.39	3,880.28	19,020.38
	Sundry debtors (Unsecured) :			
	- Debts outstanding for a period exceeding six months :			
	Considered good	3,118.23	2,712.48	
	Considered doubtful	504.90	1,175.52	
		3,623.13	3,888.00	
	Less: Provision for doubtful debts	504.90	1,175.52	
		3,118.23	2,712.48	
	- Other Debts (Considered good)	14,541.20	17,659.43	12,335.33	15,047.81
	Cash and bank balances :			
	Cash in hand	5.69	3.22	
	Balance with scheduled banks :			
	- Current accounts (Includes ₹5.75, previous year ₹5.75 in Unpaid Dividend Account)	693.96	881.35	
	- Fixed deposit Account	867.45	2,526.85	
	Balance with Non scheduled banks :			
	- Current Account	282.41	1,849.51	83.16	3,494.57
B.	**Loans and advances (Unsecured, considered good) :**			
	Security deposit (Including deposit with Govt. Authorities ₹18.00; previous year ₹21.69)	425.04	157.95	
	Advance payment of tax	8,076.43	6,499.39	
	Advances to suppliers (Net of Provision of ₹95.61, previous year ₹148.62)	2,093.33	2,509.29	

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
Advances to employees	81.61		98.45	
Loan To Subsidiary	4,042.96		3,543.90	
Balance with excise authorities	2,297.85		2,001.12	
Other Advances/Recoverable in cash or in kind or for value to be received	346.91	17,364.13	562.56	15,372.67
Total		**57,595.46**		**52,935.44**
Loans & Advances :				
Considered Good		17,364.13		15,372.67
Considered Doubtful		95.61		148.62
Total		**17,459.74**		**15,521.29**

Dues from Dabur Research Foundation (sharing directors' in common) on account of :

	31st March 2011	31st March 2010
Loans and Advances	5.30	5.30
Information pursuant to listing agreement-32 :		
Loan to subsidiary (Fresenius Kabi Oncology Plc.)		
Balance at year end	4,042.96	3,543.90
Maximum due during the year	4,042.96	10,813.11
Repayment time	Repayable on demand	Repayable on demand
Loan to subsidiary (Dabur Pharma Thailand Limited)		
Balance at year end	-	-
Maximum due during the year	-	1,523.01
Repayment time	Repayable on demand	Repayable on demand

Annexed to and forming part of Profit & Loss Account for the year ended 31st March 2011

(₹ in Lacs)

		For the Year Ended 31st March 2011		For the Year Ended 31st March 2010
SCHEDULE-I-Sales & Other Income				
A.	**Sales :**			
	Domestic sales less returns	6,730.19	6,230.02	
	Export sales	34,820.97	36,001.79	
	Total Sales	41,551.16		42,231.82
	Less: Excise Duty	1,336.73		1,103.74
	Sales	**40,214.43**		**41,128.08**
B.	**Other income :**			
	Export subsidy	899.28		927.70
	Profit on Sale of Fixed Assets	-		0.59
	Realisation on Investments in wholly owned subsidiary in excess of cost	268.07		-
	Rent realised	-		0.03
	Sale of scrap	123.73		91.84
	Interest received (Includes TDS ₹38.68, Previous year ₹289.68)	258.29		525.89
	Miscellaneous receipts	39.42		86.78
	Provision for Advances written back	53.01		-
	Provision for Doubtful Debts written back	277.90		-
	Other Income	**1,919.70**		**1,632.82**

(₹ in Lacs)

	For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
SCHEDULE-J-Cost of materials				
Raw Materials Consumed :				
i) Opening Stock	8,030.24		5,296.53	
ii) Add: Purchases	13,077.84		15,668.29	
	21,108.08		20,964.82	
Less: Closing Stock	9,670.57	11,437.51	8,030.24	12,934.58
Packing Materials Consumed :				
i) Opening Stock	1,081.03		863.73	
ii) Add: Purchases	1,710.45		1,759.64	
	2,791.48		2,623.37	
Less: Closing Stock	1,701.23	1,090.25	1,081.03	1,542.34
Purchase of finished products		301.51		417.82
Adjustment of stock-in-process and finished goods				
Opening Stock :				
Stock-in-Process	6,028.83		3,959.42	
Finished Goods	3,880.28		2,937.16	
	9,909.11		6,896.58	
Closing Stock :				
Stock-in-Process	4,902.37		6,028.83	
Finished Goods	4,302.03		3,880.28	
	9,204.40	704.71	9,909.11	(3,012.53)
Total		**13,533.98**		**11,882.21**

(₹ in Lacs)

	For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
SCHEDULE-K-Manufacturing and Operating expenses				
Power and fuel		1,292.68		1,123.35
Stores & Spares consumed		1,300.42		1,056.53
Repairs & Maintenance:				
- Building	52.36		46.35	
- Plant & Machinery	192.97		259.85	
- Others	94.46		69.02	
		339.79		375.21
Processing Charges		973.04		1,526.77
Other Manufacturing expenses		70.85		65.34
Total		**3,976.78**		**4,147.20**

(₹ in Lacs)

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
SCHEDULE-L-Payments to and provisions for employees		
Salaries, wages and bonus	4,647.00	4,018.26
Contribution to Provident and other funds	397.58	359.09
Workmen and staff welfare	565.92	428.06
Total	**5,610.50**	**4,805.41**

(₹ in Lacs)

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
SCHEDULE-M-Selling & Administrative expenses		
Rent	228.15	152.15
Rates and taxes	74.21	118.80
Insurance	54.85	58.78
Freight and forwarding charges	753.80	651.74
Printing & Stationery	126.55	105.32
Commission, Discount & Rebate	248.95	289.70
Advertising and Publicity	865.94	888.46
Travel & Conveyance	885.55	929.23
Legal & Professional	755.55	1,022.71
Telephone, Postage & Fax expenses	197.56	178.96
Security expenses	67.33	52.65
General expenses	(970.88)	1,815.52
Auditors' Remuneration :		
- Audit Fee	9.93	4.96
- Branch Auditors' fee	25.27	6.03
- Reimbursement of expenses	14.57	11.32
- Provident fund and certificates	9.47	4.42
- Other Matters	2.02	3.14
Research and Development expenses	4,547.46	3,470.08
Loss on Sale of Assets	29.75	22.02
Computer Maintenance expenses	256.26	108.40
Provision for doubtful debts	255.21	101.21
Provision for doubtful advances	-	84.57
Fixed Assets discarded	80.59	-
Total	**8,518.09**	**10,080.17**

(₹ in Lacs)

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
SCHEDULE-N-Financial Expenses		
Interest paid on :		
- Fixed Loan	815.64	584.91
- Others	755.64	1,098.48
Bank charges	231.69	256.18
Total	**1,802.97**	**1,939.57**

Annexed to and forming part of the Accounts for the year ended 31st March 2011 of Fresenius Kabi Oncology Ltd.

SCHEDULE-O-ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Figures in ₹ Lacs)

A. ACCOUNTING POLICIES

Significant Accounting Policies are summarized below

a. Basis of preparation of Financial Statements:

The accounts have been prepared in accordance with Indian GAAP under historic cost convention. GAAP enjoins adherences of mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006, guidelines issued by SEBI and specific provisions of Companies Act, 1956 on disclosure & accounting exigencies.

To comply with GAAP, estimate and assumptions are made for factors affecting balances of year end assets and liabilities and disclosure of contingent liabilities. Such estimates change from time to time according to situation and appropriate changes are made with the knowledge of circumstances warranting such changes. Material changes are reported in notes to accounts including disclosures of financial impact thereof.

b. Fixed Assets and Depreciation:

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly & indirectly attributable expense of bringing the asset to its working condition for its intended use including expenses on startup, commissioning, trial run and experimental production.

Any income generated during project implementation is reduced from project cost.

- Depreciation on Fixed Assets at factory locations have been provided for on straight line method at rates specified in schedule XIV of the Companies Act, 1956, and the same at non factory locations have been provided on written down value method at the rates specified in the aforesaid Schedule.
- No depreciation has been provided on leasehold land, which are either for a period of 999 years or of perpetual nature. Relevant assets will be amortised in the year of termination of lease-deed, if occurs.
- The date of commencement of commercial production is identified with the date of attainment of ability of the plant to operate commercially ignoring delay in commencement of actual production, if any, caused by statutory /regulatory hindrances including delay in approval of sample.
- Expenditure incurred on account of product development is capitalized as intangible assets. The same is amortised on straight line method over a period of 10 years from the year of completion of development.
- Patents acquired from external sources are treated as intangible assets which are amortized on straight line method over a period of 10 years from the year of acquisition.

c. Impairment of Assets:

i. The Company identifies impairable tangible fixed assets at the year-end in term of cash generating unit concept for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets if indication of impairment exists within the meaning of para 5 to 13 of AS-28. Impairment loss if any when crystallizes is charged against revenue of the year.

ii. Intangible assets are subjected to periodic test of impairment on asset specific perspective in terms of para-83, AS-26.

d. Investments:

Investments of long-term nature are entirely strategically held and carried at cost. Provision will be made against diminution, if any, of permanent nature in carrying cost of investment. Current investments are held at lower of cost and market value. Profit/Loss earned or sustained by subsidiaries are not recognized in accounts.

e. Inventory:

Stocks are valued at lower of cost or net realizable value. Cost is determined as follows:

• Raw materials, Packing materials, Stores & spares	At cost computed on weighted average basis.
• Stock-in-process	At cost of input plus overhead upto the stage of completion.
• Finished goods	At cost of input plus appropriate overhead.
• Plantation-in-progress	At actual cost.

f. Plantation Accounting:

Regarding plantation of agro based input undertaken by the Company in joint venture with a third party plantation period wherein extend in years and yield there-from augment with repeat cultivation, entire annual recurring cost is charged to plantation-in-progress in the year of incurrence and one-time cost is charged to plantation-in-progress in deferred context over the lease period, the plantation land relates to.

Plantation cost proving higher than realisable value of the output in initial years of harvesting, final output is carried at realizable value, leaving the excess of cost over realizable value for deferred amortization against annual plantation cost over remaining period of lease of plantation land.

g. Research and Development Expenses:

Scientific research expenses are charged to the Profit & Loss Account in the year in which the expenses are incurred.

Development expenses when duly measurable for attribution in intangible asset specific context are capitalized as stated in A(b) above on account of intangible asset for intended use only when technical feasibility of completing the asset with adequacy of technical, financial & other resources in the custody of Company to complete the development & it's generation of further economic benefit are assured, otherwise the same is charged to revenue.

h. Retirement Benefits:

Liabilities in respect of retirement benefits to employees are provided for as follows:–

Defined Benefit Plans:

- Leave salary of employees on the basis of actuarial valuation as per AS 15 (revised).
- Gratuity liability on the basis of actuarial valuation as per AS 15 (revised).

Defined Contribution Plans:

- Liability for superannuation fund on the basis of the premium paid to the Life Insurance Corporation of India in respect of employees covered under Superannuation Fund Policy.
- Provident fund & ESI on the basis of actual liability accrued and paid to trust / authority.

i. Recognition of Income and expenses:

- Sales and purchases are accounted for on the basis of passing of title to the goods.
- Sales comprise of sale price of goods including excise duty but exclude trade discount, VAT and sales tax.
- Exports subsidy is accounted for on the basis of receipt of licence.
- All items of income and expenses have been accounted for on accrual basis.

j. Income Tax and Deferred Tax:

The liability of Company is estimated considering the provision of the Income Tax Act, 1961. Deferred tax is recognized subject to the consideration of prudence, on time differences being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods in due cognizance of AS-22.

k. Forward Contract and option in foreign currency:

The Company uses foreign exchange forward contracts to hedge its overseas exposure against adverse currency fluctuations. The contracts are by and large mark to market. Loss, if any sustainable on open contracts, is recognized in accounts. However no profit is recognized in this regard as a measure of prudence.

l. Contingent Liabilities:

Disputed liabilities and claims against the Company including claims raised by fiscal authorities are provided in accounts unless no reliable estimate can be made of the amount of obligation or possibility of future cash flow is remote. Otherwise the same is disclosed by way of notes to accounts.

m. Foreign Currency Translation:

Foreign branches/offices are treated as integral operation as defined under AS-11 (Revised). Revenue items have been converted at the simple average of monthly exchange rates prevailing during the year. Fixed assets have been converted at the rates prevailing on dates of purchase of overseas assets. Outside liabilities and assets other than fixed assets are converted at the year-end exchange rate. Exchange gain or loss arising out of above is charged to Profit & Loss Account.

- Transactions in foreign currencies are recognized at rate of overseas currency ruling on the date of transactions. Gain / Loss arising on account of rise or fall in overseas currencies vis-à-vis reporting currency between the date of transaction and that of payment is charged to Profit & Loss Account.

- Increase/decrease in foreign currency loan on account of exchange fluctuation is debited/credited to Profit and Loss Account.
- Impact of exchange fluctuation is separately disclosed in notes to accounts.

n. Miscellaneous Expenditure:

i) Deferred Plantation Expenses:

Deferred Plantation Expenses are amortized equally during residual life of leasehold agricultural land, plantation relates to.

o. Government Grants:

Project Capital subsidy is credited to shareholder's funds as Capital reserve.

B. NOTES TO ACCOUNTS

1) Test of impairment of tangible fixed assets conducted for three cash generating units (CGUs) of the Company (Kalyani, Baddi-I unit & Baddi II unit) revealed their recoverable value arrived at on the basis of value in use concept higher than corresponding carrying costs. This ruled out the cause of any further exercise of ascertaining recoverable value on the basis of net selling price method and exigency of impairment provision.

2) **Contingent Liabilities:**

A) Contingent liabilities not being provided for:

i. In respect of claims against the Company lodged by an employee ₹193.07 (previous year ₹193.07)– No reliable estimate of this in future cash outflow can be made as the matter is sub-judice since 22nd Februray 2002 pursuant to application of claimant admitted by Hon'ble Court.

ii. In respect of Bank Guarantees executed ₹242.54 (previous year ₹264.37)– There is hardly any possibility of any cash outflow.

iii. In respect of excise duty dispute ₹27.31 (previous year ₹18.73)-Possibility of outflow is remote as the merit of the case suggests.

iv. In respect of estimated demand of ₹569.60 (previous year ₹47.00) from Income Tax Authorities which is under appeal– Possibility of cash flow is remote considering the merit of the case.

B) In respect of Letter of credits issued by banks on behalf of the Company ₹370.18 (previous year ₹388.81) against which counter guarantees have been furnished by Company.

C) Estimated amount of contract (net of advances of ₹1,103.91, previous year ₹724.66) remaining to be executed on capital account ₹6,837.92 (previous year ₹6,799.88) not being provided for.

D) Contingent liabilities provided for:–

Information pursuant to AS-29 on claims lodged against the Company which has been disputed & provided for:–

Particulars	Opening Provision 1st April 2010	Provision Utilized/ Adjusted during the year	Closing Provision 31st March 2011	Forum where the dispute is pending
Aventis a party in Philippines has lodged claim for compensation against the Company on alleged ground of infringement of patent right being disputed by Company in court.	465.64	91.74*	373.90	Hon'ble Court-Philippines
Compensation claimed by Welcure Ltd.,one of company's erstwhile distributors, on alleged ground of wrongful termination of product manufacturing agreement, which has been contested by the Company.	240.52	–	240.52	Arbitration
Total	706.16	91.74	614.42	

i) No provision has been made during the year.

ii) * To meet part of expenses provisioned earlier, provisions amounting to ₹91.74 was utilized during the year.

iii) Aforesaid provisions had been made in accounts as a measure of prudence in apprehension of possible outflow of resources in future.

iv) Said provisions against disputed liabilities, recognized through Schedule M in Profit & Loss Account, form part of provision for others in schedule E of the Balance Sheet.

3. Building constructed on leasehold land included in the value of building in fixed assets schedule:

	As at 31st March 2011	As at 31st March 2010
Cost	1,639.19	1,129.59
Written down Value	1,305.64	839.62

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
4a. Expenditure in Foreign Currency:		
Professional & Consultation Fees	715.39	628.74
Salary	-	215.68
Traveling & Conveyance	157.76	126.29
Advertisement & Commission	836.55	651.87
Administration Charges	53.69	68.35
Interest	108.35	251.69
Others	81.02	66.91
Total	**1,952.77**	**2,009.53**
4b. CIF Value of Imports:		
Raw Materials	4,515.23	6,051.97
Stores & Spares (including of packing material)	1,680.48	1,387.45
Capital Goods	1,764.52	103.03
Total	**7,960.23**	**7,542.45**
4c. Earning in Foreign Exchange:		
Export sales at FOB	33,352.87	35,508.47
Interest Income	257.08	500.88
Royalty income (Included in schedule-I)	–	85.91
Total	**33,609.95**	**36,095.26**

Note: Royalty income/Commission/Other income forms part of miscellaneous income in Profit & Loss Account.

4d. Value of raw materials, stores and spares parts consumed:

	Raw Material				Packing Material (Including stores & spares)			
	For the year ended 31st March 2011		For the year ended 31st March 2010		For the year ended 31st March 2011		For the year ended 31st March 2010	
	Value	%	Value	%	Value	%	Value	%
Imported	3,279.57	28.67	3,952.22	30.56	655.48	27.42	634.00	24.40
Indigenous	8,157.94	71.33	8,982.35	69.44	1,735.19	72.58	1,964.87	75.60
Total	11,437.51	100.00	12,934.57	100.00	2,390.67	100.00	2,598.87	100.00

4e. Particulars of consumption of important raw materials:

Class of Goods	Unit	Qty.	Value
Plant Extract	Kgs.	102,112.20 (381,047.46)	3,570.89 (4,668.14)
Others (Value)			7,866.62 (8,266.43)
Total			11,437.51 (12,934.57)

Notes:-

1. Figures in bracket relate to previous year.
2. Inventory aggregating ₹96.85 (previous year ₹93.85) has been written down during the year on account of damage/expiry. This has been adjusted against consumption.
3. Production does not include sample.

4f. Particulars in respect of goods manufactured:

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Production Qty.	Opening Stock		Closing Stock		Sale	
					Qty.	Value	Qty.	Value	Qty.	Value
Injection	Ltrs	NA	NA	66,778.94 (51,171.55)	3,996.90 (7,576.23)	513.17 (1,087.70)	7,223.26 (3,996.90)	1,203.73 (513.17)	63,552.58 (54,750.88)	25,136.85 (25,581.42)
Bulk Drugs	Kgs	NA	NA	26,157.28 (19,755.53)	8,260.83 (19,094.44)	2,951.65 (1,604.98)	6,564.38 (8,260.83)	2,546.63 (2,951.65)	27,853.73 (30,589.14)	7,735.29 (7,419.89)
Others		NA	NA	- (-)	- (-)	207.92 (159.41)	- (-)	439.22 (207.92)	- (-)	8,102.39 (8,254.03)
Total						3,672.74 (2,852.09)		4,189.58 (3,672.74)		40,974.53 (41,255.34)

Note:

1) Figures in bracket relate to previous year.
2) Inventory aggregating ₹252.65 (previous year ₹44.69) has been written down during the year on account of damage/expiry. This has been adjusted against production.
3) Production does not include sample production.

4g. Particulars of traded goods:

Class of Goods	Unit	Purchase		Opening Stock		Closing Stock		Sale	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Injections	Ltrs	513.03 (7,296.97)	5.03 (75.99)	635.60 (1,307.92)	20.50 (38.45)	1.26 (635.60)	0.05 (20.50)	1147.37 (7,969.29)	24.24 (517.88)
Tablets	Lacs Nos	3.67 (0.99)	178.30 (81.09)	0.48 (0.71)	39.31 (2.18)	1.33 (0.48)	112.40 (39.31)	2.82 (1.22)	184.73 (109.18)
Others		- (-)	118.18 (260.74)	- (-)	147.73 (44.44)	- (-)	147.73 (147.73)	- (-)	367.67 (349.42)
Total			301.51 (417.82)		207.54 (85.07)		112.45 (207.54)		576.64 (976.48)

Note:

1) Figures in bracket relate to previous year.
2) Inventory aggregating ₹27.00 (previous year ₹10.05) has been written down during the year on account of damage/expiry. This has been adjusted against purchase.

5. Managerial Remuneration under section 198 of the Companies Act, 1956 paid or payable during the year, to the Directors:

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Salary	199.54	158.14
Contribution to Provident & Other Funds	19.46	21.49
Residential Accommodation	24.00	24.00
Other allowances and Perquisites	0.40	2.75
TOTAL	**243.40**	**206.38**

Computation of Net Profit in accordance with Section 198 and section 309 (5) of the Companies Act, 1956 for calculation of maximum limit of Director's remuneration:

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Profit for the year before taxation as per Profit & Loss Account	6,999.81	8,609.46
Add: Managerial remuneration	243.39	206.38
Add: Meeting fees	4.35	3.90
Less: Loss of previous year adjusted in current year	-	7,882.82
Less: Capital profit (net)	157.73	0.25
Less: Bad debts written off	647.93	306.36
Add: Provision for doubtful debts/advances, provision (other)	(75.70)	407.57
Adjusted Net Profit	6,366.19	1,037.88
Maximum limit of remuneration to a Whole Time Director (5%)	318.31	51.89

6. **a) Overseas exposure hedged against adverse currency fluctuations by way of forward contract:**

(i)	Unsecured ECB	14.70 Mio EURO (previous year 10.4 Mio EURO)
ii)	Secured ECB	Nil (previous year 300.0 Mio YEN)
iii)	Export Commitment	12.05 Mio EURO (previous year 15.4 Mio EURO)
		9.70 Mio USD (previous year 3.1 Mio USD)

b) **Overseas liability not being hedged**

i)	Sundry Creditors (foreign)	0.17 Mio GBP (previous year 0.03 Mio GBP)
		0.92 Mio USD (previous year 0.09 Mio USD)
		0.17 Mio EURO (previous year 0.03 Mio EURO)

7. Due to Micro & Small enterprises within the meaning of Micro, Small & Medium Enterprises Development Act, 2006 shown under creditors for goods

	31st March 2011	31st March 2010
Principal Due	78.39	83.30

There has been no delay in payment beyond specified period attracting interest liability.

8. Particulars of Balances with Non-Scheduled Banks: **(₹ in lacs)**

In Current Account	Balances as on 31st March 2011	Maximum Balance during the year	Balances as on 31st March 2010	Maximum Balance during the year
i) Bank of Foreign Trade, Moscow	-	-	-	48.57
ii) HSBC GBP A/C, London	98.14	98.14	8.97	1,314.49
iii) HSBC US$ A/C, London	170.58	171.00	49.37	738.51
iv) HSBC Euro A/C, London	13.68	24.37	24.81	57.70
v) HSBC-HCMC, Branch Vietnam	-	-	-	2.49

9. Related party Disclosures:

Related party disclosures as required under AS-18 are given below:

a) Name of related party and nature of related party relationship where control exists:

Ultimate Holding Company	:	Fresenius SE
Immediate Holding Company	:	Fresenius Kabi (Singapore) Pte. Ltd.
Other Holding Companies	:	Fresenius Kabi AG, Fresenius Kabi Deutschland Gmbh, Fresenius Kabi Austria Gmbh
Subsidiary	:	Fresenius Kabi Oncology Plc. U.K.
Fellow Subsidiaries	:	Calea Ltd., Fresenius Kabi Brazil Ltda., Fresenius Kabi Chile Ltda., Fresenius Kabi Korea Ltd., Fresenius Kabi México S.A. de C.V, Fresenius Kabi Denmark, PT. Fresenius Kabi Indonesia, Fresenius Kabi Philippines Inc, HOSPED GmbH, Calea UK Ltd., Fresenius Kabi Denmark, Fresenius Kabi EOOD, Fresenius Kabi Pharma Portugal Lda., Laboratories Filaxis International S.A, V. Krütten Medizinische Einmalgeräte GmbH, Fresenius Kabi Argentina SA, Fresenius Kabi Asia Pacific Ltd., Fresenius Kabi (China) Co. Ltd., Fresenius Kabi (Singapore) Pte Ltd., Fresenius Kabi Ilac Sanayi ve Ticaret Ltd., Fresenius Kabi India Private Ltd., Netcare, Pharmaceutical Partners Ontario, Fresenius Kabi Asiaco Gmbh, APP, U.S.A., Fresenius Kabi Thailand Limited, Sanderson, Peru

b) Other related parties transaction

Key management personnel	:	Dr. Satish B Kulkarni (Whole time Director)

Transaction with related parties for the year ended 31st March 2011

Particulars	Subsidiary	Holding Company/ Ultimate Holding Company	Key Management Personnel	Fellow Subsidiary	Total	Outstanding As on 31st March 2011
Sale of Goods/Debtors	18,373.07 (21,328.99)	2,196.68 (1,567.87)	- (-)	6,242.57 (3,841.56)	26,812.32 (26,738.42)	14,065.35 (12,074.67)
Sale of Capital Goods	- (-)	- (-)	- (-)	- (-)	- (-)	- (38.82)
Receiving of Services	- (-)	71.77 (74.37)	- (-)	206.82 (144.15)	278.59 (218.52)	204.53 (139.27)
Remuneration	- (-)	- (-)	240.35 (206.38)	- (-)	240.35 (206.38)	- (-)
Loan Given	- (-)	- (-)	- (-)	- (-)	- (-)	3,717.07 (3,543.90)
Repayments of Loans re-paid	- (7,089.60)	- (-)	- (-)	- (-)	- (7,089.60)	- (-)
Interest Received/ Receivable	- (1,471.15)	- (-)	- (-)	- (-)	- (1471.15)	325.89 (67.93)
Contribution against Scientific Research	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Loan Taken	- (-)	2,481.70 (7,040.35)	- (-)	- (-)	2,481.70 (7,040.35)	9,522.05 (10,040.35)
Interest Paid	- (-)	224.28 (52.40)	- (-)	359.94 (360.06)	584.22 (412.46)	- (-)
Interest Payable	- (-)	64.09 (46.21)	- (-)	6.74 (7.72)	70.83 (53.93)	70.83 (53.93)
Transfer of net current assets				- (-)	- (-)	- (-)

(Figures in bracket relate to previous year)

1) Sale of goods includes sales made to Fresenius Kabi Oncology Plc. UK, a subsidiary company ₹1,8373.07 (previous year ₹20,834.00).
2) Receiving of services includes receipt from Fresenius Kabi Deutschland Gmbh a holding Company for ₹71.77 (previous year ₹74.37) & from one fellow subsidiary i.e. Fresenius Netcare ₹206.82 (previous year ₹144.15).
3) Outstanding loan given to subsidiary pertains to Fresenius Kabi Oncology Plc. UK for ₹3,717.07 (previous year ₹3,543.90).
4) Loan taken from holding Company relates to Fresenius Kabi (Singapore) Pte Ltd for ₹2,481.70 (previous year ₹7,040.35).
5) Interest paid to holding Company Fresenius Kabi (Singapore) Pte Ltd. of ₹224.28 (previous year ₹52.40). Same paid to fellow subsidiary Fresenius Kabi India Pvt. Ltd. of ₹359.94 (previous year ₹360.06).
6) Interest payable to holding Company Fresenius Kabi (Singapore) Pte Ltd. of ₹64.09 (previous year ₹46.21). Same payable to fellow subsidiary Fresenius Kabi India Pvt Ltd. of ₹6.74 (previous year ₹7.72).

10. Employee related Dues : (Information pursuant to AS-15 as revised by ICAI)

A) Defined Benefit Plan

a) Expenses recognized during the period

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
A. Past Service Cost	-	-	-
	(-)	(-)	(-)
B. Current Service Cost	52.90	153.73	206.63
	(33.89)	(62.01)	(95.90)
C. Interest Cost	26.49	35.32	61.81
	(17.14)	(21.81)	(38.95)
D. Expected Return on Plan Assets	-25.16	-	-25.16
	(-20.52)	(-)	(-20.52)
E. Actuarial Loss/Gain	94.47	-131.15	-36.68
	(52.93)	(49.69)	(102.62)
F. Total Expenses recognized during the year (A+B+C+D+E)	148.70	57.90	206.60
	(83.44)	(133.51)	(216.95)

b) Reconciliation of opening & closing balances of obligations

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
I. Obligation as on 1st April 2010	290.78	371.20	661.98
	(218.07)	(239.83)	(457.90)
II. Past service cost	-	-	-
	(-)	(-)	(-)
III. Current service cost	52.90	153.73	206.63
	(33.89)	(62.01)	(95.90)
IV. Interest cost	26.49	35.32	61.81
	(17.14)	(21.81)	(38.95)
V. Actuarial Gain/(Loss)	94.47	-131.15	-36.68
	(52.93)	(49.69)	(102.61)
VI Settlement	-24.95	-13.04	-37.99
	(-31.25)	(-2.13)	(-33.38)
VII. Obligation as on 31st March 2011	439.69	416.06	855.75
	(290.78)	(371.20)	(661.98)

c) Change in Plan Assets

(Reconciliation of opening and closing balances)

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
I. Fair Value of Plan Assets as on 1st April 2010	269.19	-	269.19
	(223.22)	(-)	(223.22)
II. Expected Return on Plan Assets	25.16	-	25.16
	(20.52)	(-)	(20.52)
III. Actuarial Gain/(Loss)	-	-	-
	(-)	(-)	(-)
IV. Employer Contribution	80.27	-	80.27
	(56.70)	(-)	(56.70)
V. Settlement	-24.95	-	-24.95
	(-31.25)	(-)	(-31.25)
VI. Fair Value of Plan Assets as on 31st March 2011	349.67	-	349.67
	(269.19)	(-)	(269.19)

(Note: Figures in brackets relate to previous year)

d) Obligation vis-à-vis planned assets as on 31st March 2011

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
Obligation as on 31st March 2011	439.69	416.06	855.75
	(290.78)	(371.20)	(661.98)
Planned assets as on 31st March 2011	349.67	-	349.67
	(269.19)	(-)	(269.19)
Deficit as on 31st March 2011	90.02	416.06	506.08
	(21.59)	(371.20)	(392.79)

e. Investment detail of plan assets as on 31st March 2011 — 100% in reimbursement right from Insurance Company for fund managed by it.

f. Actuarial Assumption:

Discount rate (%)	8.00%
Estimated rate of return of benefit obligation	7.86%
Salary escalation ratio inflation (%)	15.00%
Method	Projected unit credit method

g. The estimates of future salary increase take into account regular increment, promotional increases and inflationary consequence over price index.

h. Demographics assumptions take into account mortality factor as per LIC (1994-96) ultimate criteria, employees' turnover at 20% (previous year 16%), retirement age at 58 (previous year 58).

B. Defined Contribution Plan:

Company's contribution to different defined contribution plans:–

Particulars	2010-11	2009-10
Provident Fund	170.31	129.64
Employees State Insurance	22.20	7.60
Employees Superannuation Fund	31.89	95.52
Total	**224.40**	**232.76**

11. Net exchange Gain/(Loss) charged to Profit and Loss Account ₹2,271.51, previous year (₹858.46) adjusted with general expenses.

12 **a) Information about Primary Business Segments:** **(₹ in Lacs)**

	Formulation	Bulk Drug	Total
Revenue:			
External sales	34,549.26	7,125.64	41,674.90
	(34,474.68)	(7,848.97)	(42,323.65)
Inter-segment sales	-12,079.20	12,079.20	-
	(-3,964.14)	(3,964.14)	(-)
Total Revenue	22,470.06	19,204.84	41,674.90
	(30,510.54)	(11,813.11)	(42,323.65)
Results:			
Segment result	7,137.60	5,355.44	12,493.04
	(14,240.37)	(4,015.11)	(18,255.48)
Unallocated corporate expenses			3,958.33
			(7,706.44)

(₹ in Lacs)

	Formulation	Bulk Drug	Total
Operating profit			8,534.71
			(10,549.03)
Interest expense			1,802.97
			(1,939.57)
Tax expenses (Current & Deferred)			2,075.64
			(586.95)
Profit from ordinary activities			4,656.10
			(8,022.51)
Extra ordinary loss/income			268.07
			(-)
Net Profit			4,924.17
			(8,022.51)
Other information:			
Segment assets	41,714.40	16,245.71	57,960.11
	(34,307.73)	(18,162.42)	(52,470.15)
Unallocated corporate assets			48,570.33
			(39,536.82)
Total assets			106,530.44
			(92,006.97)
Segment liabilities	1,287.78	1,958.61	3,246.39
	(1,439.58)	(1,951.14)	(3,390.72)
Unallocated corporate liabilities			49,149.98
			(39,406.31)
Total Liabilities			52,396.37
			(42,797.03)
Capital Expenditure	1,526.33	6,208.40	7,734.73
	(355.49)	(4,267.39)	(6,768.38)
Depreciation	750.37	379.14	1,129.51
	(921.69)	(329.18)	(1,250.87)
Non cash expenses other than depreciation	-	-	-
	(-)	(-)	(46.02)

Note: Figures in brackets relate to previous year.

b) Information about secondary business segment (Geographical segment):

Out of total sale of ₹41,674.90 (previous year ₹42,323.65); ₹34,820.97 (previous year ₹36,001.79) relates to exports and ₹6,853.92 (previous year ₹6,321.86) relates to domestic sales.

13. Information pursuant to AS-19

The total of future minimum lease rent payment under non-cancelable operating lease against residential/office accommodation.

	2010-11	2009-10
- Not later than one year	46.58	27.97
- Later than one year and not later than five years	25.08	29.43
- Lease recognized in Profit and Loss Account	71.66	57.40

14 **a) Movement of Provision for doubtful debts/advances**

	For the year ended 31st March 2011		For the year ended 31st March 2010	
	Debts	**Advances**	**Debts**	**Advances**
Opening balance	1,175.52	148.62	1,074.32	64.05
Provision for the year	255.21	-	407.57	84.57
Less: write back	-	53.01	-	-
Less: realization	277.90	-	-	-
Less: charged off as bad debt/advance	647.93	-	306.36	-
Closing balance	504.90	95.61	1,175.52	148.62

(b) Other provision includes ₹67 (previous year ₹67) against Metaxolone project forming part of Capital work in progress in Schedule "F" being poised for abandonment.

15. **Information pursuant to AS-27**

a) The Company has entered into contractual obligation with a co-venturer for joint control of cultivation of agro based input, the co-venturer being the operators of the joint venture. Share of the company's assets, liabilities, income, expenses and capital commitment in the joint venture deal accounted for/disclosed in financial statement are indicated below:

Particulars	**As on 31st March 2011**	**As on 31st March 2010**
Plantation-in-progress (forming part of inventories)	146.19	-
Rent (forming part of Profit & Loss Account)	10.45	-
Deferred plantation expenses (forming part of miscellaneous expenditure)	12.72	-
Payable (forming part of creditors for expenses)	0.35	
Advances	-	52.22
Capital commitment (forming part of capital commitment in 2(c) above)	3,783.37	3,818.91

b)

Break-up of plantation-in-progress:	**As on 31st March 2011**	**As on 31st March 2010**
Seed	100.00	-
Professional Charges	8.70	-
Rent	1.55	-
Management Cost	31.35	-
Deferred plantation expenses amortized	0.97	-
Bonus	3.62	-
Total	**146.19**	**-**

16. Dabur Pharma (Thailand) Company Ltd has been dissolved during the year. Net proceeds of realization of assets after paying for the liabilities amounted to ₹268.07 lacs which has been recognized under the broad head of "Other Income".

17. Research & Development expenditure include following:-

Particular's	For the year ended 31st March 2011	For the year ended 31st March 2010
Advertisement	0.31	0.18
Computer expenses	2.45	6.23
Power & Fuel	220.36	108.95
Audit fees	0.75	0.43
Legal & Professional	577.94	15.55
Freight, Postage & Telephone charges	54.45	57.07
Printing & Stationery	60.65	50.32
Rates & Taxes	338.35	409.39
Rent	518.97	401.99
Repair- Plant & Machinery	117.51	98.64
General expenses	741.47	296.13
Salary	1,178.00	1,193.17
Stores & spares	225.24	138.25
Travel	167.95	153.81
Security charges	18.86	4.69
Misc receipt	(117.25)	(43.34)
Interest paid	-	0.92
Interest received	(0.33)	-
Insurance charges	6.97	0.68
Consumption of raw material & chemicals	1,032.88	577.02
Total	**5,145.53**	**3,470.08**
Less : Transferred to Intangible Assets in progress	598.07	-
Net	**4,547.46**	**3,470.08**

18. Due to/from Subsidiaries:

Due from subsidiaries:

a) Sundry debtors ₹11,004.06 (previous year ₹10,235.47)

b) Against Loan ₹4,042.96 (previous year ₹3,606.54)

19. Information Pursuant to AS-20 on Earning per share (EPS)

a) Without considering extra ordinary items:

(₹ In Lacs)

Particulars	For the year 31st March 2011	For the year 31st March 2010
Profit after tax	4,924.17	8,022.51
Less: (a) Proceeds of surplus on investment dissolved	268.07	-
Less: (b) Prior period incomes-Exchange Gain	-	216.00
Deferred tax	-	438.00

(₹ In Lacs)

Particulars	For the year 31st March 2011	For the year 31st March 2010
Deferred tax (as revised for current year)	-	254.70
Less: Deferred tax under earlier treatment	-	613.96
Add/(less): Other net extra ordinary expenses/income		
Profit before extra ordinary items	4,656.10	6,499.85
Number of Equity shares (basic & diluted)	158,227,655	158,227,655
EPS (basic and diluted) without considering extra ordinary items	2.94	4.11
b) After considering extra ordinary items:		
Profit after tax	4,924.17	8,022.51
Profit including extra ordinary items	4,924.17	8,022.51
Number of Equity shares (basic & diluted)	158,227,655	158,227,655
EPS (basic and diluted) after considering extra ordinary items	3.11	5.07

Note:- Extra ordinary income relates to net proceeds of dissolution of Dabur Pharma (Thailand) Co. Ltd. in excess of company's investment therein amounting to ₹268.07.

20. The Company has decided subsequent to the date of balance sheet to dispose of its entire stake in its wholly owned subsidiary Fresenius Kabi Oncology Plc. at cost which will have no revenue implication in accounts.

21. Unsecured medium and short term loans from bank are covered by guarantee bonds furnished by Fresenius Kabi, Germany.

22. (a) All monetary figures are expressed in ₹ Lacs unless stated otherwise.

    (b) Previous year figures have been regrouped/recasted wherever considered necessary to make them comparable with those of the current year.

23. Additional information as required under Part IV of Schedule VI of the Companies Act, 1956

		₹ in '000
I.	**Registration details**	
	Registration No	55-119441
	State Code:	55
	Balance sheet date:	31.03.2011
II	**Capital raised during the year (Amount in ₹ Thousand)**	
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	Private placement	Nil
III	**Positions of mobilisation and deployment of funds (Amount ₹ In Thousand)**	
	Total liabilities	8890953
	Total asset	8890953
	Sources of funds:	
	Paid up capital	158228
	Reserve & Surplus	5255182
	Secured loans	635047
	Unsecured loans	2694454
	Deferred tax liability	148042
	Application of funds:	
	Net fixed assets	3568627
	Investment	1262820
	Net current assets	3997453
	Deferred tax assets	60781
	Miscellaneous expenditure	1272
IV	**Performance of Company (Amount in ₹ Thousand)**	
	Turnover	4213413
	Total expenditure	3513432
	Profit/(loss) before tax	699981
	Profit/(loss) after tax	492417
	Earning per share in Rs - Basic	3.11
	- Diluted	3.11
	Dividend rate %	
V	**Generic names of three principal products/services of Company (as per monetary terms)**	
	Item code No. (ITC code)	30049044
	Product description	Paclitaxel
	Item code No. (ITC code)	30049049
	Product description	Irinotecan
	Item code No. (ITC code)	30049044
	Product description	Docetaxel

Signatures to the Schedules "A" to "O" annexed to and forming part of the Accounts.

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

FRESENIUS KABI

Auditors' Report on Consolidated Financial Statements

To the Directors of Fresenius Kabi Oncology Limited,

1. We have audited the attached consolidated Balance Sheet of Fresenius Kabi Oncology Limited Group, as at 31st March 2011 and its consolidated Profit & Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto.

2. These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

3. 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 prepared, in all material aspects, in accordance with an identified financial reporting framework and free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

4. We report that the consolidated financial statements have been prepared by Fresenius Kabi Oncology Limited's management in accordance with the requirements of AS - 21 on consolidated financial statement issued by the Institute of Chartered Accountants of India (ICAI).

5. Based on our audit and all consideration of separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

   a. In the case of consolidated Balance sheet, of the State of Affairs of Fresenius Kabi Oncology Limited group as at 31st March 2011;

   b. In the case of the consolidated Profit & Loss Account, of the loss of Fresenius Kabi Oncology Limited Group for the year ended on that date; and

   c. In the case of Consolidated Cash flow statement, of the cash flows of Fresenius Kabi Oncology Limited group for the year ended on that Date.

For **G. Basu & Co.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership Number: 51717

Gurgaon
26th May 2011

Consolidated Balance Sheet as at 31st March 2011

(₹ in Lacs)

	Schedule		As at 31st March 2011		As at 31st March 2010
Sources of Funds :					
Shareholders' Funds :					
A) Share Capital	A	1,582.28		1,582.28	
B) Reserve and Surplus	B	24,837.04	26,419.32	23,236.24	24,818.52
Loan Funds :					
A) Secured Loans	C	6,350.47		11,745.58	
B) Unsecured Loans		61,235.78	67,586.25	45,947.67	57,693.25
Deferred Tax Liability	EA		1,480.42		1,043.32
Total			**95,485.99**		**83,555.09**
Application of Funds :					
Fixed Assets :					
(A) Gross Block	F	69,169.86		61,141.68	
(B) Less: Depreciation		17,451.86		14,119.80	
(C) Net Block		51,718.00		47,021.88	
(D) CWIP		9,856.49		5,776.57	
			61,574.49		52,798.45
Investments	G		3.00		3.00
Deferred Tax Assets	EA		607.81		846.43
Current assets, loans and advances :	H				
A) Inventories		26,645.10		24,447.93	
B) Sundry debtors		11,576.36		12,832.66	
C) Cash & bank balances		2,341.20		4,073.48	
D) Loans & advances		13,966.55		12,843.23	
		54,529.21		54,197.30	
Less: Current liabilities and provisions	E				
A) Liabilities		12,242.67		16,613.00	
B) Provisions		8,998.57		7,677.09	
		21,241.24		24,290.09	
Net current assets			33,287.97		29,907.21
Miscellaneous Expenditure	EB		12.72		-
(To the extent not written off or adjusted)					
Debit Balance of Profit and Loss Account		1,399.79		3,000.59	
Less: General Reserve as per Contra		1,399.79	-	3,000.59	-
Notes to accounts	O				
Total			**95,485.99**		**83,555.09**

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

FRESENIUS KABI

Consolidated Profit & Loss Account

for the Year Ended 31st March 2011

(₹ in Lacs)

	Schedule	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Income :	I		
Sales less returns		51,617.70	47,830.84
Other income		1,396.28	1,395.19
Total income		**53,013.98**	**49,226.03**
Expenditure :			
Cost of materials	J	16,643.14	19,897.32
Manufacturing expenses	K	5,009.66	5,392.60
Payments to and provisions for employees	L	7,529.22	6,945.73
Selling and administrative expenses	M	13,544.83	13,281.84
Financial expenses	N	3,180.16	3,217.58
Misc Expenditure Written Off	EB	-	46.02
Depreciation	F	3,430.49	3,193.73
Total expenditure		**49,337.50**	**51,974.82**
Balance being net profit before taxation		3,676.48	(2,748.79)
Provision for taxation - Current		1,399.96	1,279.63
- Deferred		675.72	(692.68)
Profit after taxation		1,600.80	(3,335.74)
Balance of Profit brought forward from previous year		(3,000.59)	335.16
Balance carried over to balance sheet		(1,399.79)	(3,000.59)
Earning per share (in ₹)			
(Without consideration of extra ordinary item)			
Basic		1.09	(2.78)
Diluted		1.09	(2.78)
Earning per share (in ₹)			
(After consideration of extra ordinary items)			
Basic		1.01	(2.11)
Diluted		1.01	(2.11)
No. of shares			
Basic		158227655	158227655
Diluted		158227655	158227655
Notes to accounts	O		

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

Consolidated Statement of Cash Flow

(Based on Indirect Method)

(₹ in Lacs)

		For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
A.	**Cash flow from operating activities**				
	Net profit before tax and extra ordinary items		3,676.48		(2,964.80)
	Add: Misc Expenditure Written off	-		46.02	
	Depreciation	3,430.49		3,193.73	
	Unrealised (Gain)/Loss in Exchange fluctuation	(152.07)		11,45.87	
	Extra ordinary Income (Exchange Gain prior period)	-		216.00	
	Interest	3,180.16	6,458.58	3,217.58	7,819.20
	Less: Interest received	257.08		431.61	
	Profit (Net of Loss) on sale of Assets	(29.75)	227.33	(50.47)	381.14
	Operating profit before working capital changes		9,907.72		4,473.26
	Working capital changes				
	(Increase)/Decrease in inventories	(2,197.17)		(10,248.42)	
	(Increase)/Decrease in debtors	1,443.35		(2,854.63)	
	(Increase)/Decrease in other current assets	322.68		(5,549.62)	
	Increase/(Decrease) in trade payable	(4,449.20)		11,439.25	
	(Increase)/Decrease in working capital		(4,880.34)		(7,213.42)
	Cash generated from operating activities		5,027.39		(2,740.16)
	Interest paid	(3,180.16)		(3,217.58)	
	Tax paid	(1,577.04)	(4,757.20)	(1,279.63)	(4,497.21)
	Cash used (-)/(+) generated for operating activities (A)		270.19		(7,237.37)
B.	**Cash flow from investing activities**				
	Purchase of fixed assets	(12,441.07)		(7,360.11)	
	Sale of fixed assets	204.78		753.78	
	Sale/(Purchase) of investment	-	(12,236.28)	(1.00)	(6,607.33)
	Cash used (-)/(+) generated for investing activities (B)		(12,236.28)		(6,607.33)
C.	**Cash flow from financing activities**				
	Repayment (-)/proceeds (+) of short term loans	10,233.83		15,044.44	
	Cash used (-)/(+) generated in financing activities (C)		10,233.83		15,044.44
	Net increase(+)/decrease(-) in cash and cash equivalents (A+B+C)		(1,732.28)		1,199.74
	Cash and cash equivalent opening balance		4,073.48		2,873.74
	Cash and cash equivalent closing balance		2,341.20		4,073.48

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
26th May 2011

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

Annexed to and Forming Part of the Consolidated Balance Sheet As at 31st March 2011

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-A-Share Capital		
Authorised :		
180000000 equity shares of ₹ 1 each (previous year 180000000 equity shares of ₹ 1 each)	1,800.00	1,800.00
Issued, Subscribed & Paid up capital :		
158227655 equity shares of ₹ 1 each (previous year 158227655 equity shares of ₹ 1 each)	1,582.28	1,582.28
Total	**1,582.28**	**1,582.28**

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-B-Reserve & Surplus				
Share Premium Account :				
As per last account		7,675.41		7,675.41
Capital Reserve Account :				
As per last account		150.00		150.00
General Reserve :				
Opening Balance	18,411.42		18,411.42	
Less: Debit balance of Profit and Loss Account as per Contra	(1,399.79)	17,011.63	(3,000.59)	15,410.83
Total		**24,837.04**		**23,236.24**

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-C-Secured Loans		
Term Loans :		
Short term loans from banks	6,350.47	10,045.77
Medium term loan from bank	-	1,699.80
Total	**6,350.47**	**11,745.58**

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
SCHEDULE-D-Unsecured Loans		
Short term Loans :		
- From Banks	9,491.06	6,926.37
- From Others	3,000.00	3,000.00
Medium Term Loan from :		
- Bank	6,500.00	-
Other Loans (from Holding entities)	42,244.72	36,021.30
Total	**61,235.78**	**45,947.67**

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-E-Current Liabilities and Provisions				
A.	**Current Liabilities :**			
	Creditors for Goods	5,934.91	11,541.88	
	Creditors for expenses and Other Liabilities	5,367.73	4,699.82	
	Advance from customers	306.18	64.04	
	Interest accrued but not due	628.10	301.51	
	Investor education and protection fund to be credited by :			
	- Unpaid Dividend	5.75	5.75	
	Total	**12,242.67**		**16,613.00**
B.	**Provisions :**			
	For Gratuity	90.02	21.59	
	Provision Other	681.43	873.20	
	For leave salary	416.06	371.20	
	Provision for Taxation	7,811.06 **8,998.57**	6,411.10	**7,677.09**
	Total	**21,241.24**		**24,290.09**

(₹ in Lacs)

	As At 31st March 2011		As At 31st March 2010	
SCHEDULE-EA-Deferred Tax				
Deferred Tax Liability :				
Depreciation		1,480.42		1,043.32
Less: Deferred Tax Assets :				
Doubtful debts	171.62		399.56	
Provision for leave salary	141.42		126.17	
Provision for Gratiuty	30.60		7.34	
Provision for others	231.62		262.80	
Doubtful Advances	32.55	607.81	50.56	846.43
Net Deferred Tax Liability		**872.61**		**196.89**
Charged to Profit & Loss Account of the year		**675.72**		**(692.68)**

(₹ in Lacs)

	As At 31st March 2011		As At 31st March 2010	
SCHEDULE-EB-Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Share Issue Expenses				
Opening Balance	-		46.02	
Less: amortised during the year	-	-	46.02	-
Deferred Plantation Expenses	13.69		-	
Less: amortised during the year	0.97	12.72	-	-
Total		**12.72**		**-**
Amortisation charged to :				
Profit & Loss Account	-		46.02	
Plantation-in-progress	0.97		-	

SCHEDULE-F-Fixed Asset

(₹ in lacs)

Name of the Asset	Gross Block				Depreciation				Net Block	
	As on 01.04.10	Additions	Adjustment	As on 31.03.11	As on 01.04.10	For the year	Adjustment	As on 31.03.11	As on 31.03.11	As on 31.03.10
Tangible Fixed Assets										
Leasehold Land	278.09	142.32	-	420.41	-	7.81	-	7.81	412.60	278.09
Freehold Land	1,221.70	-	-	1,221.70	-	-	-	-	1,221.70	1,221.70
Building, Road & Culverts	18,838.01	519.75	-	19,357.76	3,638.98	381.04	-	4,020.02	15,337.74	15,199.02
Plant & Machinery	30,707.06	4,555.64	328.41	34,934.29	7,299.78	1,643.88	94.48	8,849.18	26,085.11	23,407.28
Vehicles	244.28	27.11	-	271.39	95.93	39.83	-	135.76	135.63	148.35
Furniture & Fixtures	657.58	2,266.51	2.47	2,921.62	296.01	210.29	1.93	504.37	2,417.25	361.56
Office Equipment	151.25	358.44	-	509.69	47.23	39.30	-	86.53	423.16	104.02
Computers	1,378.35	491.38	2.09	1,867.64	1,053.51	187.00	1.98	1,238.53	629.11	324.81
Intangible Fixed Assets										
Product Rights	1,628.12	-	-	1,628.12	1,008.80	27.00	-	1,035.80	592.32	619.32
Product Development	6,037.24	-	-	6,037.24	679.52	894.33	-	1,573.86	4,463.39	5357.72
Total	**61,141.68**	**8361.15**	**332.97**	**69,169.86**	**14,119.76**	**3,430.49**	**98.39**	**17,451.86**	**51,718.00**	**47,021.88**
Previous Year Figures	**60,078.89**	**2,333.77**	**1,270.97**	**61,141.68**	**11,392.79**	**3,193.73**	**466.72**	**14,119.80**	**47,021.88**	-
Capital Work in Progress										
Tangible Fixed Assets in Progress	5,776.57	10,498.49	7,016.65	9,258.42	-	-	-	-	9,258.42	5,776.57
Intangible Assets in progress	-	598.07	-	598.07	-	-	-	-	598.07	-
Total	**5,776.57**	**11,096.56**	**7,016.65**	**9,856.49**	-	-	-	-	**9,856.49**	**5,776.57**
Previous Year Figures	**281.52**	**6,796.75**	**1,301.70**	**5,776.57**	-	-	-	-	**5,776.57**	-
Grand Total	**66,918.25**	**19,457.72**	**7,349.62**	**79,026.35**	**14,119.76**	**3,430.49**	**98.39**	**17,451.86**	**61,574.49**	**52,798.45**
Previous Year Figures	**60,360.42**	**9,130.51**	**2,572.67**	**66,918.25**	**11,392.79**	**3,193.73**	**466.72**	**14,119.80**	**52,798.45**	-

Note:

1. Capital work in progress includes advance against capital goods ₹299.55; (previous year ₹724.66).
2. Impairment loss forming part of

	Opening Depreciation	Depreciation for the year	Total
Building, Road & Culverts	1,549.46	59.67	1,609.13
Plant & Machinery	1,789.85	68.93	1,858.78
Vehicles	0.41	0.02	0.43
Furniture & Fixtures	11.84	0.46	12.30
Computers	24.25	0.92	25.17
Total	**3,375.81**	**130.00**	**3,505.81**

(₹ in Lacs)

	As At 31st March 2011	As At 31st March 2010
Schedule-G-Investments		
Trade investment in Domestic Company		
Shivalik Solid Waste Management Limited	3.00	3.00
(30000, previous year 30000 equity shares @ ₹10 each)		
Total	**3.00**	**3.00**
Notes:		
Aggregate Book Value of Unquoted Investment	3.00	3.00
Total	**3.00**	**3.00**

(₹ in Lacs)

		As At 31st March 2011		As At 31st March 2010
SCHEDULE-H-Current Assets, Loans and Advances				
A.	**Current Assets :**			
	Inventories :			
	- Raw materials	11,022.43	8,439.57	
	- Packing materials, stores and spares	2,306.40	1,190.34	
	- Stock-in-process	5,414.99	7,644.36	
	- Plantation-in-progress	146.19	-	
	- Finished goods	7,755.11	26,645.10	7,173.67	24,447.93
	Sundry debtors (Unsecured) :			
	- Debts outstanding for a period exceeding six months :			
	Considered good	3,400.90	2,712.48	
	Considered doubtful	504.90	1,175.52	
		3,905.80	3,888.00	
	Less: Provision for doubtful debts	504.90	1,175.52	
		3,400.90	2,712.48	
	- Other Debts (Considered good)	8,175.46	11,576.36	10,120.18	12,832.66
	Cash and bank balances :			
	Cash in hand	6.10	3.91	
	Balance with scheduled banks :			
	- Current accounts (Includes ₹5.75, previous year ₹5.75 in Unpaid Dividend Account)	1,467.65	1,542.71	
	- Fixed deposit Account	867.45	2,341.20	2,526.85	4,073.48
B.	**Loans and advances (Unsecured, considered good) :**			
	Security deposit (Including deposit with Govt. Authorities ₹613.94; previous year ₹670.85)	1,020.90	808.88	
	Advance payment of tax	8,076.43	6,499.39	
	Advances to suppliers (Net of Provision of ₹95.61, previous year ₹148.62)	2,093.33	2,509.29	
	Advances to employees	87.35	107.48	
	Balance with excise authorities	2,297.85	2,394.48	
	Other Advances/Recoverable in cash or in kind or for value to be received	390.70	523.71	
			13,966.55		12,843.23
	Total		**54,529.21**		**54,197.30**
	Loans & Advances :			
	- Considered Good		13,966.55		12,843.23
	- Considered Doubtful		95.61		148.62
	Total		**14,062.16**		**12,991.85**

Annexed to and forming part of Profit & Loss Account for the year ended 31st March 2011

(₹ in Lacs)

	For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
SCHEDULE-I-Sales & Other Income				
A. Sales :				
Domestic sales less returns	6,730.19		9,393.87	
Export sales	46,224.24		39,540.70	
Total Sales	52,954.43		48,934.58	
Less: Excise Duty	1,336.73	51,617.70	1,103.74	47,830.84
Sales		**51,617.70**		**47,830.84**
B. Other income :				
Export subsidy		899.28		927.70
Profit on Sale of Fixed Assets		-		0.59
Rent realised		-		0.03
Sale of scrap		123.73		91.84
Interest received		2.94		100.10
Miscellaneous receipts		39.42		89.32
Provision for Advances written back		53.01		185.61
Provision for Doubtful Debts written back		277.90		-
Other Income		**1,396.28**		**1,395.19**

(₹ in Lacs)

	For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
SCHEDULE-J-Cost of materials				
Raw Materials Consumed :				
i) Opening Stock	8,439.57		5,371.27	
ii) Add: Purchases	10,916.12		18,992.64	
	19,355.69		24,363.91	
iii) Less: Closing Stock	11,022.43	8,333.26	8,439.57	15,924.34
Packing Materials Consumed :				
i) Opening Stock	1,190.34		944.34	
ii) Add: Purchases	2,729.71		1,968.89	
	3,920.05		2,913.23	
iii) Less: Closing Stock	2,306.40	1,613.65	1,190.34	1,722.89
Purchase of finished products		5,048.30		9,378.10
Adjustment of stock-in-process and finished goods depletion				
Opening Stock :				
Stock-in-Process	7,644.36		4,339.06	
Finished Goods	7,173.67		3,350.92	
	14,818.03		7,689.99	
Closing Stock :				
Stock-in-Process	5,414.99		7,644.36	
Finished Goods	7,755.11		7,173.67	
	13,170.10		14,818.03	
Depletion of Finished Goods and Stock-in-process		1,647.93		(7,128.04)
Total		**16,643.14**		**19,897.29**

(₹ in Lacs)

	For the Year Ended 31st March 2011		For the Year Ended 31st March 2010	
SCHEDULE-K-Manufacturing and Operating expenses				
Power and fuel		1,536.86		1,385.24
Stores & Spares consumed		1,518.57		1,053.68
Repairs & Maintenance :				
- Building	52.36		46.35	
- Plant & Machinery	192.97		259.85	
- Others	292.39	537.72	322.31	628.51
Processing Charges		973.04		1,526.77
Other Manufacturing expenses		443.47		798.40
Total		**5,009.66**		**5,392.60**

(₹ in Lacs)

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
SCHEDULE-L-Payments to and provisions for employees		
Salaries, wages and bonus	6,450.60	6,084.81
Contribution to Provident and other funds	512.70	458.75
Workmen and staff welfare	565.92	402.17
Total	**7,529.22**	**6,945.73**

(₹ in Lacs)

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
SCHEDULE-M-Selling & Administrative expenses		
Rent	228.15	356.08
Rates and Taxes	147.50	118.80
Insurance	119.51	126.76
Freight and forwarding charges	1,117.39	886.68
Printing & Stationery	144.07	129.74
Commission, Discount & Rebate	294.33	289.70
Advertising and Publicity	865.94	1,230.10
Travel & Conveyance	945.45	1,117.35
Legal & Professional	2,711.89	4,341.45
Telephone, Postage & Fax expenses	236.02	220.80
Security expenses	114.46	70.04
General expenses	1,345.89	535.69
Auditors' Remuneration :		
- Audit Fee	53.63	47.46
- Branch Auditors' fee	25.27	6.03
- Reimbursement of expenses	14.57	11.32
- Provident fund and certificates	9.47	4.42
- Other Matters	2.02	3.14
Scientific research expenses	4,547.46	3,470.08
Computer expenses	256.26	108.40
Provision for doubtful debts	255.21	101.21
Loss on Sale of Assets	29.75	22.02
Provision for doubtful advances	-	84.57
Fixed Assets discarded	80.59	-
Total	**13,544.83**	**13,281.84**

(₹ in Lacs)

	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
SCHEDULE-N-Financial Expenses		
Interest paid on :		
- Fixed Loan	815.64	1,026.15
- Others	2,118.54	1,916.90
Bank charges	245.98	274.53
Total	**3,180.16**	**3,217.58**

Annexed to and forming part of the Consolidated Accounts for the year ended 31st March 2011.

SCHEDULE-O-ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Figures in ₹ Lacs)

A. ACCOUNTING POLICIES

Significant Accounting Policies are summarized below

a. Basis of preparation of Financial Statements:

The accounts have been prepared in accordance with Indian GAAP under historic cost convention. GAAP enjoins adherences of mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006, guidelines issued by SEBI and specific provisions of Companies Act, 1956 on disclosure & accounting exigencies.

To comply with GAAP, estimate and assumptions are made for factors affecting balances of year end assets and liabilities and disclosure of contingent liabilities. Such estimates change from time to time according to situation and appropriate changes are made with the knowledge of circumstances warranting such changes. Material changes are reported in notes to accounts including disclosures of financial impact thereof.

b. Principles of Consolidation:

- The Consolidated Financial Statement relates to Fresenius Kabi Oncology Ltd. (the parent company), and its wholly owned subsidiary namely Fresenius Kabi Oncology Plc. (incorporated in U.K.).
- The consolidated financial statements have been prepared on the basis of AS-21, read with the following basic assumptions:
  - I. The financial statements of the parent company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balance. Investment of parent company in subsidiaries are eliminated against stake of parent company therein on the respective dates when such investment were inherited.
  - II. The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the parent company's separate financial statements unless stated otherwise.

c. Fixed Assets and Depreciation:

- Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly & indirectly attributable expense of bringing the asset to its working condition for its intended use including expenses on startup, commissioning, trial run and experimental production. Any income generated during project implementation is reduced from project cost.
- Depreciation on Fixed Assets at factory locations have been provided for on straight line method at rates specified in schedule XIV of the Companies Act, 1956, and the same at non factory locations have been provided on written down value method at the rates specified in the aforesaid Schedule.
- No depreciation has been provided on leasehold land, which are either for a period of 999 years or of perpetual nature. Relevant assets will be amortised in the year of termination of lease-deed, if occurs.
- The date of commencement of commercial production is identified with the date of attainment of ability of the plant to operate commercially ignoring delay in commencement of actual production, if any, caused by statutory /regulatory hindrances including delay in approval of sample.
- Development and stability test expenses account for Product development cost shown as intangible assets. Relevant assets are amortized over a period of 10 years on straight-line basis commencing from the year of completion of development including stability test. In addition to amortization, product development costs are subjected to periodic review for test of impairment as required under AS-26.

- Intangible Fixed assets also include Product right, software and patent acquired from external sources which are amortized over a period of 10 years.

d. Impairment of Assets:

i. The group identifies impairable tangible fixed assets at the year-end in terms of cash generating unit concept for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets if indication of impairment exists within the meaning of para 5 to 13 of AS-28. Impairment loss if any when crystallizes is charged against revenue of the year.

ii. Intangible assets are subjected to periodic test of impairment on asset specific perspective in terms of para-83, AS-26.

e. Investment:

Investments of long-term nature are entirely strategically held and carried at cost. Provision will be made against diminution, if any, of permanent nature in carrying cost of investment. Current investments are held at lower of cost and market value.

f. Inventory:

Stocks are valued at lower of cost or net realizable value. Cost is determined as follows:

• Raw materials, Packing materials, Stores & spares	At cost computed on weighted average basis.
• Stock-in-process	At cost of input plus overhead upto the stage of completion.
• Finished goods	At cost of input plus appropriate overhead.
• Plantation-in-progress	At actual cost.

g. Plantation Accounting:

Regarding plantation of agro based input undertaken by the parent company in joint venture with a third party plantation period wherein extend in years and yield there-from augment with repeat cultivation, entire annual recurring cost is charged to plantation-in-progress in the year of incurrence and one-time cost is charged to plantation-in-progress in deferred context over the lease period, the plantation land relates to.

Plantation cost proving higher than realisable value of the output in initial years of harvesting, final output is carried at realizable value, leaving the excess of cost over realizable value for deferred amortization against annual plantation cost over remaining period of lease of plantation land.

h. Research and Development Expenses:

Scientific research expenses are charged to the Profit & Loss Account in the year in which the contribution is made.

Development expenses are treated as stated in A(c) above on account of intangible asset for intended use only when technical feasibility of completing the asset with adequacy of technical, financial & other resources in the custody of Company to complete the development & it's generation of further economic benefit are assured, otherwise the same is charged to revenue.

i. Retirement Benefits:

Liabilities in respect of retirement benefits to employees are provided for as follows:–

i) Defined Benefit Plans

- Leave salary of employees on the basis of actuarial valuation as per AS 15 (revised).
- Gratuity liability on the basis of actuarial valuation as per AS 15 (revised).

ii) Defined Contribution Plans

- Liability for superannuation fund or pension fund on the basis of the premium paid to the Life Insurance Corporation of India or Investment Company in respect of employees covered.
- Provident fund & ESI on the basis of actual liability accrued and paid to trust/authority.

j. Recognition of Income and expenses:

- Sales and purchases are accounted for on the basis of passing of title to the goods.
- Sales comprise of sale price of goods including excise duty but exclude trade discount, VAT and sales tax.
- Exports subsidy is accounted for on the basis of receipt of licence.
- All items of income and expenses have been accounted for on accrual basis.

k. Income Tax and Deferred Tax:

The liability of the group is estimated considering the provision of the Income Tax Act, 1961 and fiscal Act, U.K. Deferred tax is recognized subject to the consideration of prudence, on time differences being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods in due cognizance of AS-22.

l. Miscellaneous Expenditure:

I. Share Issue Expenses:

i) Share issue expenses are amortized on straight-line basis over a period of five years from the year in which expenses are incurred.

II. Deferred Plantation Expenses:

i) Deferred Plantation Expenses are amortized equally during residual life of leasehold agricultural land, plantation relates to.

m. Contingent Liabilities:

Disputed liabilities and claims including claims raised by fiscal authorities are provided in accounts unless no reliable estimate can be made of the amount of obligation or possibility of future cash flow is remote. Otherwise the same is disclosed by way of notes to accounts.

n. Translation of accounts of the overseas subsidiary from the currency of the country of its incorporation £ to INR:

- Fixed Assets are translated in terms of the exchange rate ruling at the point of capitalization/acquisition of the asset.
- Capitals work in progress are translated as per exchange rate ruling at the year-end.
- Current assets have been recognized in accounts at exchange rate ruling at the year-end.
- All outside liabilities have been recognized in accounts at exchange rate ruling at the year-end.
- Equity share capital has been recognized in accounts at exchange rate ruling at the time of their original issue.
- Income and expenses have been recognized in accounts in simple average of monthly exchange rates during the year.
- Exchange loss or gain arising during the course of translation of accounts are debited or credited to Profit and Loss Account.

o. Foreign Currency Translation:

In respect of foreign branches/offices, revenue items have been converted at the simple average of monthly exchange rates prevailing during the year. Fixed assets have been converted at the rates prevailing on dates of purchase of overseas assets & outside liabilities other than fixed assets are converted at the year-end exchange rate. Exchange gain or loss arising out of above is charged to Profit & Loss Account.

- Transactions in foreign currencies are recognized at rate of overseas currency ruling on the date of transactions. Gain/Loss arising on account of rise or fall in overseas currencies vis-à-vis reporting currency between the date of transaction and that of payment is charged to Profit & Loss Account.
- Increase/decrease in foreign currency loan on account of exchange fluctuation are debited/credited to Profit and Loss Account.
- Impact of exchange fluctuation is separately disclosed in notes to accounts.

p. Government Grants:

Project Capital subsidy is credited to shareholder's funds as Capital reserve.

B. NOTES TO ACCOUNTS

1. **(A) Impairment of tangible fixed assets:**

a) Test of impairment for tangible fixed assets was undertaken on the basis of cash generating unit (CGU) concept during the year, plants at Baddi I, Baddi II, Kalyani and U.K. constituting the respective CGUs. Recoverable value arrived at on value in use basis for the all the plants except U.K. proved higher than carrying cost of assets thereby ruling out the cause of any impairment provision for them.

b) For U.K. unit, ₹3,505.81 (previous year ₹3,375.81) qualified for provision against impairment loss on account of shortfall in recoverable value, vis-a-vis carrying amount of assets. U.K. unit forms part of formulation segment. This includes additional provision of for ₹130.00 (previous year ₹20.57).

c) Impairment loss apportioned on various assets are shown in Schedule F.

d) The recognition of impairment loss is attributed to review of operational efficiency of the unit undertaken by the new management in recognition of future growth potentiality of the unit.

e) Discount rate used for as on date valuation of future cash flow -5% (previous year -7%)

f) Key assumptions:–

Future activity level: As per budgetary plan

Working capital assessment: As per current cycle in average.

Stabilization of activity level in optimum context: Over a period of 2 years (previous year 4 Years).

Assessed life span of the plant: 10 years.

Diminishing return: Ignored considering due assessment of future of market.

Inflationary consequence on cost: Ignored on the ground of compensatory rise in earning to marginalize the impact.

g) Impairment loss has been treated as an extra ordinary item for determination of earning per share in application of AS-20.

(B) Part of Landed properties owned by the parent Company till unused has been left out of the purview of CGUs and Corporate assets. No impairment is deemed necessary on the said asset on the ground of their net selling price proving higher than carrying amount of corresponding assets in accounts.

2. Contingent Liabilities:

A) Contingent liabilities not being provided for:–

i. In respect of claims against the Company lodged by an employee ₹193.07 (previous year ₹193.07)– No reliable estimate of this in future cash outflow can be made as the matter is sub-judice since 22nd February 2002 pursuant to application of claimant admitted by Hon'ble Court.

ii. In respect of Bank Guarantees executed ₹242.54 (previous year ₹264.37)– There is hardly any possibility of any cash outflow. Possibility of outflow appears remote considering merit of the case.

iii. In respect of excise duty dispute ₹27.31 (previous year ₹18.73)- Possibility of outflow is remote as the merit of the case suggests.

iv. In respect of estimated demand of ₹569.60 (Previous year ₹47.00) from Income Tax Authorities which is under appeal– Possibility of cash flow is remote considering the merit of the case.

B) In respect of Letter of credits issued by banks on behalf of the Company ₹370.18 (previous year ₹388.81) against which counter guarantees have been furnished by Company.

C) Estimated amount of contract (net of advances of ₹1,103.91, previous year ₹724.66) remaining to be executed on capital account ₹6,837.92 (previous year ₹6,799.88) not being provided for.

D) Contingent liabilities provided for:

Information pursuant to AS-29 on claims lodged against the Company which has been disputed & provided for:–

Particulars	Opening Provision 1st April 2010	Provision Utilized/ Adjusted during the year	Closing Provision 31st March 2011	Forum where the dispute is pending
Aventis a party in Philippines has lodged claim for compensation against the company on alleged ground of infringement of patent right being disputed by Company in court.	465.64	91.74*	373.90	Hon'ble Court – Philippines
Compensation claimed by Welcure Ltd.,one of company's erstwhile distributors, on alleged ground of wrongful termination of product manufacturing agreement, which has been contested by the company.	240.52	–	240.52	Arbitration
Total	706.16	91.74	614.42	

i) No provision has been made during the year.

ii) * To meet part of expenses provisioned earlier, provisions amounting to ₹91.74 was utilized during the year.

iii) Aforesaid provisions had been made in accounts as a measure of prudence in apprehension of possible outflow of resources in future.

iv) Said provisions against disputed liabilities, recognized through Schedule M in Profit & Loss Account, form part of provision for others in schedule E of the Balance Sheet.

3. Net exchange gain ₹162.93 (previous year exchange gain ₹1,563.90) has been charged to Profit & Loss Account under the head General expenses.

4. a) Information about Primary Business Segments:

	Formulation	Bulk Drug	Elimination	Total
Revenue:				
External sales	45,952.52	19,204.85	-12,079.20	53,078.16
	(41,177.46)	(11,813.11)	(-3,964.14)	(49,026.43)
Inter-segment sales	-	-	-	-
	(-)	(-)	(-)	(-)
Total Revenue	45,952.52	19,204.85	-12,079.20	53,078.16
	(41,177.46)	(11,813.11)	(-3,964.14)	(49,026.43)
Results:				
Segment result	5,589.54	5,355.44	-	10,944.98
	(4,160.13)	(4,015.11)	(-)	(8,175.24)
Unallocated corporate expenses				3,958.32
				(7,706.44)
Operating profit				6,986.66
				(468.80)
Interest expense				3,180.16
				(3,217.59)
Tax expenses (Current & Deferred)				2,075.67
				(586.94)
Profit from ordinary activities				1,730.83
				(-3,335.73)
Extra ordinary Income/(Expenses)				(130.00)
(net of tax thereon)				(-)
Net Profit				1,600.83
				(-3,335.73)
Other information:				
Segment assets	51,911.30	16,245.71		68,157.01
	(50,144.60)	(18,162.42)		(68,307.02)
Unallocated corporate assets				48,570.33
				(39,536.82)
Total assets				116,727.34
				(107,844.02)
Segment liabilities	39,199.33	1,958.61		41,157.94
	(22,337.72)	(1,951.14)		(24,288.86)
Unallocated corporate liabilities				49,149.98
				(58,736.57)
Total Liabilities				90,307.92
				(83,025.43)
Capital Expenditure	1,641.30	6,208.40		7,849.70
	(3,561.43)	(4,267.39)		(7,828.82)
Depreciation	2,488.85	379.14		2,867.99
	(2,864.55)	(329.18)		(3,193.73)
Non cash expenses other than depreciation	-	-		-
	(-)	(-)		(46.02)

Note: Figures in brackets relate to previous year.

b) Information about secondary business segment:

Out of total sale of ₹53,078.16 (previous year ₹49,026.43); ₹46,224.24 (previous year ₹39,540.70) relates to exports and ₹6,853.92 (previous year ₹9,485.73) relates to domestic sales.

5. a) Related Party Transaction:

Transaction with related parties:-

Descriptions	Holding Entity	Fellow subsidiary	Key Management Personnel	Total	Outstanding as on 31st March 2011
Sale of Goods		32,559.18 (33,596.23)		32,559.18 (33,596.23)	7,278.19 (8,244.68)
Sale of Capital Goods		- (781.80)	- (-)	- (781.80)	- (547.77)
Receiving of Services		206.82 (144.15)	- (-)	206.82 (144.15)	155.51 (56.74)
Remuneration/Ex-gratia/ Pension		- (-)	240.35 (206.38)	240.35 (206.38)	- (-)
Guarantee furnished by others	16,091.06 (18,060.00)			16,091.06 (18,060.00)	16,091.06 (18,060.00)

Notes:-

1) Sale of goods ₹18,212.02 (previous year ₹22,179.00) relates to APP Pharmaceutical.
2) Receiving of services relate to Fresenius Netcare
3) Guarantee furnished on behalf of the group by Fresenius Kabi Gmbh Germany

Note: Figures in brackets relate to previous year.

b) Name of related party and nature of related party relationship where control exists:

Ultimate Holding Company : Fresenius SE

Immediate Holding Company : Fresenius Kabi (Singapore) Pte.Ltd.

Other Holding Companies : Fresenius Kabi AG,Fresenius Kabi Deutschland Gmbh, Fresenius Kabi Austria Gmbh

Fellow Subsidiaries : Calea Ltd.,Fresenius Kabi Brazil Ltda., Fresenius Kabi Chile Ltda., Fresenius Kabi Korea Ltd., Fresenius Kabi México S.A. de C.V, Fresenius Kabi Denmark, PT. Fresenius Kabi Indonesia, Fresenius Kabi Philippines Inc, HOSPED GmbH, Calea UK Ltd., Fresenius Kabi Denmark, Fresenius Kabi EOOD, Fresenius Kabi Pharma Portugal Lda., Laboratories Filaxis S.A, V. Krütten Medizinische Einmalgeräte GmbH, Fresenius Kabi Argentina SA, Fresenius Kabi Asia Pacific Ltd., Fresenius Kabi (China) Co. Ltd, Fresenius Kabi (Singapore) Pte Ltd., Fresenius Kabi Ilac Sanayi ve Ticaret Ltd., Fresenius Kabi India Private Ltd., Netcare, Pharmaceutical Partners Ontario, Fresenius Kabi Asiaco Gmbh, APP, U.S.A., Sanderson, Peru. Fresenius Kabi France, Fresenius Kabi Italy, Fresenius Kabi Hungary, Fresenius Kabi Portugal, Fresenius Kabi Austria, Fresenius Kabi Australia, Fresenius Kabi UK, Fresnius Kabi Netherland, Fresenius Kabi Epsana, Fresenius Kabi Polska, Fresnius Kabi AB, Fresnius Kabi Norge, Fresnius Kabi Romania, Fresnius Kabi Pharmaceuticals Holding, Fresnius Kabi Hellas AEE

c) Other related parties in transaction with the group companies :-

(i) Key management personnel : Dr. Satish B. Kulkarni

6. Other provision includes ₹67 (previous year ₹67) against Metaxolone project forming part of Capital work in progress being poised for abandonment.

7. **Information Pursuant to AS-20 on Earning per share (EPS)**

Without considering extra ordinary items: **(₹ in Lacs)**

Particulars	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Profit/(-)Loss after tax	1,600.83	(-)3,335.75
Prior period income:-		
Exchange Gain	-	(-)216.00
Deferred Tax	-	(-)438.00
Deferred Tax as revised for current year	-	(-)254.70
Deferred Tax on earlier treatment	-	(-)613.96
Add/(Less) : Other net extra ordinary expenses/income/Impairment loss	130.00	120.53
Adjustment in treatment of change in amortization of intangible assets (first time provision)	-	335.52
Profit/(-)Loss before extra ordinary items	1,730.83	(-)4,402.36
Number of Equity shares (basic & diluted)	158,227,655	158,227,655
EPS (basic and diluted) without considering extra ordinary items	1.09	(-)2.78

After considering extra ordinary items: **(₹ in Lacs)**

Particulars	For the Year Ended 31st March 2011	For the Year Ended 31st March 2010
Profit/(-)Loss after tax	1,600.83	(-)3,335.75
Profit/(-)Loss including extra ordinary items	1,600.83	(-)3,335.75
Number of Equity shares (basic & diluted)	158,227,655	158,227,655
EPS (basic and diluted) after considering extra ordinary items	1.01	(-)2.11

Note :- Extra ordinary expense of ₹130.00 relates to loss on impairment of fixed assets in Fresenius Kabi Oncology Plc.

8. The parent company has decided subsequent to the date of balance sheet to dispose of its entire stake in its wholly owned subsidiary Fresenius Kabi Oncology Plc. at cost.

This will lead to elimination of ₹38,008.20; ₹25,888.20; ₹1,975.41 and ₹26,719.72 of unsecured loan, Net block, Net current liabilities (net of current assets) and accumulated loss from the Consolidated financial statements.

9. Employee related Dues:

A) Defined Benefit Plan (Disclosure pursuant to AS-15 as revised by ICAI)

a) Expenses recognized during the period

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
A. Past Service Cost	-	-	-
	(-)	(-)	(-)
B. Current Service Cost	52.90	153.73	206.63
	(33.89)	(62.01)	(95.09)
C. Interest Cost	26.49	35.32	61.81
	(17.14)	(21.81)	(38.95)
D. Expected Return on Plan Assets	-25.16	-	-25.16
	(-20.52)	(-)	(-20.52)
E. Actuarial Loss/Gain	94.47	-131.15	-36.68
	(52.93)	(49.69)	(102.62)
F. Total Expenses recognized during the year (A+B+C+D+E)	148.70	57.90	206.60
	(83.44)	(133.51)	(216.95)

(b) Reconciliation of opening & closing balances of obligations

Particulars		Gratuity (Funded)	Leave Salary (Unfunded)	Total
I.	Obligation as on 1st April 2010	290.78 (218.07)	371.20 (239.83)	661.98 (457.90)
II.	Past service cost	- (-)	- (-)	- (-)
III.	Current service cost	52.90 (33.89)	153.73 (62.01)	206.63 (95.90)
IV.	Interest cost	26.50 (17.14)	35.32 (21.81)	61.82 (38.94)
V.	Actuarial Gain /(Loss)	94.46 (52.93)	-131.15 (49.68)	-36.69 (102.62)
VI.	Settlement	-24.95 (-31.25)	-13.04 (-2.13)	-37.99 (-33.38)
VII.	Obligation as on 31st March 2011	439.69 (290.78)	416.06 (371.20)	855.75 (661.98)

(c) Change in Plan Assets
(Reconciliation of opening and closing balances)

Particulars		Gratuity (Funded)	Leave Salary (Unfunded)	Total
I.	Fair Value of Plan Assets as on 1st April 2010	269.19 (223.22)	- (-)	269.19 (223.22)
II.	Expected Return on Plan Assets	25.16 (20.52)	- (-)	25.16 (20.52)
III.	Actuarial Gain /(Loss)	- (-)	- (-)	- (-)
IV.	Employer Contribution	80.27 (56.70)	- (-)	80.27 (56.70)
V.	Settlement	-24.95 (-31.25)	- (-)	-24.95 (-31.25)
VI.	Fair Value of Plan Assets as on 31st March 2011	349.67 (269.19)	- (-)	349.67 (269.19)

Note: Figures in brackets relate to previous year

d) Obligation vis-à-vis planned assets as on 31st March 2011

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
Obligation as on 31st March 2011	439.69 (290.78)	416.06 (371.20)	855.75 (661.98)
Planned assets as on 31st March 2011	349.67 (269.19)	- (-)	349.67 (269.19)
Deficit as on 31st March 2011	90.02 (21.59)	416.06 (371.20)	506.08 (392.79)

e. Investment detail of plan assets as on 31st March 2011 — 100% in reimbursement right from Insurance company for fund managed by it.

f. Actuarial Assumption:

Discount rate (%)	8.00%
Estimated rate of return of benefit obligation	7.80%
Salary escalation ratio inflation (%)	15.00%
Method	Projected unit credit method

g. The estimates of future salary increase take into account regular increment, promotional increases and inflationary consequence over price index.

h. Demographics assumptions take into account mortality factor as per LIC (1994-96) ultimate criteria, employees' turnover at 20% (previous year 16%), retirement age at 58 (previous year 58).

B. Defined Contribution Plan:

Company's contribution to different defined contribution plans:-

Particulars	2010-11	2009-10
Provident Fund	285.43	229.30
Employees State Insurance	22.20	7.60
Employees Superannuation Fund	31.89	95.52
Total	**339.52**	**332.42**

10. Deferred tax asset amounting to ₹,3710.45 (previous year ₹2,800.50) arising on account of unabsorbed loss against corporation tax in UK has not been recognised for want of virtual certainty of future profit.

11. Information pursuant to general circular no 2/2011 dt 8.2.2011 issued by MCA.

Name of Subsidiary: Fresenius Kabi Oncology Plc (UK)

Capital	:	12,625.20
Reserve	:	(26,719.72)
Total Assets	:	50,633.40
Total Liabilities	:	50,633.40
Turnover	:	29,778.07
Profit/(Loss) before tax	:	(4,056.17)
Proft /(Loss) after tax	:	(4,056.17)
Proposed Dividend	:	NIL

12. Information pursuant to AS-19

The total of future minimum lease rent payment under non-cancelable operating lease against residential/office accommodation.

	2010-11	2009-10
- Not later than one year	46.58	27.97
- Later than one year and not later than five years	25.08	29.43
- Lease recognized in Profit and Loss Account	71.66	57.40

13. Research & Development expenditure include following:

Particular's	For the year ended 31st March 2011	For the year ended 31st March 2010
Advertisement	0.31	0.18
Computer expenses	2.45	6.23
Power & Fuel	220.36	108.95
Audit fees	0.75	0.43
Legal & Professional	577.94	15.55
Freight, Postage & Telephone charges	54.45	57.07
Printing & Stationery	60.65	50.32
Rates & Taxes	338.35	409.39
Rent	518.97	401.99
Repair- Plant & Machinery	117.51	98.64
General expenses	741.47	296.13
Salary	1,178.00	1,193.17
Stores & spares	225.24	138.25

Particular's	For the year ended 31st March 2011	For the year ended 31st March 2010
Travel	167.95	153.81
Security charges	18.86	4.69
Misc receipt	(117.25)	(43.34)
Interest paid	-	0.92
Interest received	(0.33)	-
Insurance charges	6.97	0.68
Consumption of raw material & chemicals	1,032.88	577.02
Total	**5,145.53**	**3,470.08**
Less : Transferred to Intangible Assets in progress	598.07	-
Net	**4,547.46**	**3,470.08**

14. Information pursuant to AS-27

a) The parent company has entered into contractual obligation with a co-venturer for joint control of cultivation of agro based input, the co-venturer being the operators of the joint venture. Share of the group's assets, liabilities, income, expenses and capital commitment in the joint venture deal accounted for/disclosed in financial statement are indicated below:

Particulars	As on 31st March 2011	As on 31st March 2010
Plantation-in-progress (forming part of inventories)	146.19	-
Rent (forming part of Profit & Loss Account)	10.45	-
Deferred plantation expenses (forming part of miscellaneous expenditure)	12.72	-
Payable (forming part of creditors for expenses)	0.35	
Advances	-	52.22
Capital commitment (forming part of capital commitment in 2(c) above)	3,783.37	3,818.91

b) Break-up of plantation-in-progress:

Particulars	As on 31st March 2011	As on 31st March 2010
Seed	100.00	-
Professional Charges	8.70	-
Rent	1.55	-
Management Cost	31.35	-
Deferred plantation expenses amortized	0.97	-
Bonus	3.62	-
Total	**146.19**	**-**

15. Signatures to the Schedules "A" to "O" annexed to and forming part of the Accounts.

16. a) All monetary figures are expressed in ₹ Lacs unless stated otherwise.

b) Previous year figures have been regrouped/recasted wherever considered necessary to make them comparable with those of the current year.

Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

DR. SATISH B. KULKARNI
Managing Director & CEO

PETER F. NILSSON
Chief Financial Officer

NIKHIL KULSHRESHTHA
Company Secretary

As per our report of even date attached

For **G. BASU & CO.**
Chartered Accountants
Firm registration number: 301174E

S. LAHIRI
Partner
Membership No-51717

Gurgaon
26th May 2011

Statement pursuant to general exemption granted under Section 212(8) of the Companies Act, 1956 relating to subsidiary Companies for the year ended 31st March 2011

₹ in Lacs

Sr. No.	Name of the Subsidiary Company	Country of Registration	Exchange Rate as at 31st March 2011	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments (except in case of investment in subsidiaries)	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposesd Dividend
1	Fresenius Kabi Oncology Plc (UK)	United Kingdom	1 GBP = ₹ 71.48	12625.20	(26719.72)	65583.50	65583.50	Nil	29778.07	(4056.15)	Nil	(4056.15)	Nil

NOTES

FRESENIUS PEOPLE POWER

A WYATT SOLUTION (info@wyatt.co.in)

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