FRESENIUS
KABI
caring for life

We are Growth Ready

Fresenius Kabi Oncology Limited

9th Annual Report 2011-12 (Abridged)

What's Inside?

COMPANY OVERVIEW

Messages from the Chairman and Managing Director & CEO describing our business strategy and the way forward.

PERFORMANCE

Overview by the management on the operations of the year under review along with outlining future goals.

FINANCIAL SECTION

Provide abridged details of Company's financials along with Auditors' & Directors' Report

We are Growth Ready

At a deeper level, our growth and our mission of caring for life are intrinsically interlinked, where one works for the other.

This is because when we grow as an organization, we do so by embracing more lives in our fold.

And when we see the positive impact we bring about in the lives of patients and their families, our commitment to grow faster intensifies. Our resolve gets stronger, our passion deeper.

With our raison d'être well articulated and our mission well strategized, we have, over the last few years, worked steadfastly and single-mindedly towards the goal of making our company growth ready and in turn ensuring every life is cared for.

We are proud to state that our relentless efforts have started to yield dividends. Our value drivers have started to spur sustainable growth. Our strategic investments have started to deliver value.

When you're growth ready, life looks up. For us, for all our stakeholders and all the patients whose lives we promise to improve forever.

This year's annual report, we dedicate to sharing our story of why we are growth ready.

"At Fresenius Kabi Oncology Limited, we are committed to partnering a journey called growth and living a mission based on caring for life."

Chairman's Message

"As we continue to invest in our R&D and manufacturing facilities, we perceive even greater potential for progressively scaling up our business to deliver even greater value towards our commitment to 'caring for life'. This perception emanates from our deep understanding of our inherent strengths, which we have built over the years with the support and cooperation of our people."

Dear Shareholders,

First of all let me extend to you warmest greetings on behalf of Fresenius Kabi Oncology Limited, all its employees and on my behalf. It gives me great pleasure to connect with you once again at the end of another exciting and notable year in your Company's journey of excellence. Our efforts to continuously raise the bar of quality and customer satisfaction yielded admirable results during a year of very difficult economic and political environment, and today we stand tall as global leaders in the oncology market.

In my message in your Company's last year's annual report, I had made a mention of the new strategic initiatives we had decided to take during the year 2011-12, namely:

- Enter into a contract R&D and manufacturing agreement with Fresenius Kabi, Germany
- Disinvest your Company's entire shareholding in Fresenius Kabi Oncology Plc, UK to Fresenius Kabi, Germany
- Enter into distribution agreement with Fresenius Kabi India Pvt. Ltd. for selling and marketing our products in India

I am very proud to inform that all these actions were successfully completed during the year under review and we were able to reap their benefits as planned. Having become a Company specialist in manufacturing and R&D, 2011-12 proved to be another year of focused growth and success across our business fabric, which we expanded to cover new products and geographies on the back of our world-class production facilities and excellence in Research & Development. Propelled by the collaborative passion and commitment of our employees, customers, business partners and the community at large, we steered your Company to create greater value for each of our stakeholders.

Some of our notable achievements during the year were :

- Obtaining USFDA Marketing approval of Gemcitabine, Anastrazole & Topotecan
- Winning the Docetaxel patent litigation in Malaysia
- Obtaining approval of first dossier through Centralised Procedure – Docetaxel Kabi
- Taking concrete steps to enter the very tough Japanese market for oncology generics

All these are shining examples of excellent teamwork among our R&D, regulatory and Active Pharmaceutical Ingredients (API) and dosage forms manufacturing functions.

As a restructured entity, we unleashed our intrinsic and inherent strengths to the maximum to capitalize on the huge opportunity matrix in the global oncology space. Our strong focus on total compliance to international standards and our concerted efforts to constantly enhance our quality and capacity thrust enabled us to consistently and effectively meet the growing demands of the global oncology market, which was estimated in 2011 to stand at $ 60 billion and growing by 6.8%. We rolled out a new IT based quality management system in the plants to ensure world class quality at all times.

Our R&D focus gave a further fillip to our growth strategy, with our global centre of excellence in oncology facilitating expansion of our portfolio of API and finished dosage forms that are used in chemotherapy. We shall continue to strengthen this critical area of your Company's growth with the confidence of leveraging our R&D skill-set to develop low cost as well as environmentally friendly processes so as to maximize return on investment.

As we continue to invest in our R&D and manufacturing facilities, we perceive even greater potential for progressively scaling up our business to deliver even greater value towards our commitment to `caring for life'. This perception emanates from our deep understanding of our inherent strengths, which we have built over the years with the support and cooperation of our people. It is a realization that is vested in the uncompromising standards of excellence benchmarked to international grades, which we have consistently and unwaveringly followed. We always encourage our employees to continuously develop their knowledge and skills through training programs and e-learning platforms.

Going forward, it shall be our endeavor to further build on these strengths with your continued support. This is our vision for the future – a vision that I am sure shall be very ably and effectively steered by our new Managing Director & CEO, Mr. Peter F. Nilsson. Mr. Nilsson brings to the Company a global perspective and experience that shall take the transformational journey of your Company to new heights. Please join us in tirelessly serving cancer patients around the world.

Rakesh Bhargava
Chairman

Managing Director & CEO's Message

Dear Shareholders,

This is a very special and pleasurable occasion for me. It is my first interaction with you as the Managing Director & CEO of the Company and I hope to find many more such occasions in the future.

The realignment of our business and the restructuring of our operational model have transformed the Company into a highly focused and value-driven entity, providing an exciting landscape for future growth.

As a Global Excellence Centre for Research and Manufacturing of Oncology Generics, we are now at the helm of the global oncology business, with delivery of high-quality, cost-effective and affordable products and services, as the single most important driver of our success strategy. Strong quality focus and compliance adherences have enabled our evolution as an organization par excellence and we see ourselves ideally positioned to harness our inherent true potential to continue to outperform on all indices in the years ahead.

Let me briefly touch upon the year gone by which has been extremely challenging. Our organization is going through a transition after last year's decision to make Fresenius Kabi Oncology as a Contract Research and Development as well as Contract Manufacturing Centre for Fresenius Kabi, Germany for all future products. We also disinvested the Company's entire shareholding in Fresenius Kabi Oncology Plc, UK and entered into a distribution agreement with Fresenius Kabi India Pvt. Ltd. for selling and marketing our products in India. This has allowed us to focus on our core capability. Over the last few years, we have strategically invested in our R&D infrastructure as well as enhanced the production capacities at all our plant which has resulted in increased outputs.

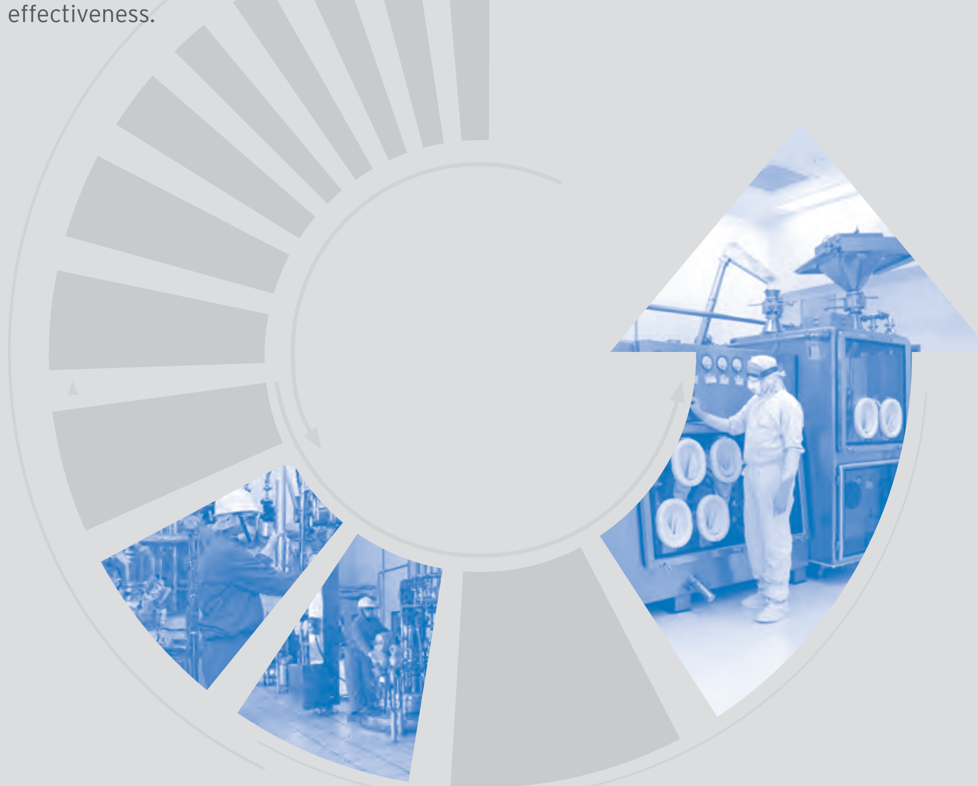
During the year, we have commissioned new production lines at our API Plant at Kalyani (West Bengal, India) and have approved capacity enhancements at our Dosage forms plants at Nalagarh (Himachal Pradesh, India) and Baddi (Himachal Pradesh, India). The work is in full force at all the sites. We have received the USFDA marketing approval of Gemcitabine, Anastrazole & Topotecan and obtained approval for Docetaxel Kabi which is our first dossier through Centralized Procedure. Besides these, we have successfully launched integrated Global Project Management tools in our R&D centre to ensure timely product development and enable us to realize first to market opportunities.

People continue to hold a central role in our strategy and through our talent management initiative we ensure that they continue to be highly motivated and committed to see the Company achieve its growth objective. All our financial processes are now in line with the global requirements. The internal audit processes continue to ensure 'risk based approach' in planning and conducting audits. We also continue to consider Information Technology as a key business enabler and through the year added business processes have been automated.

Due to a highly competitive business landscape, continuously falling generic prices and adverse foreign exchange fluctuations, our profitability has taken a dip. However, as an organization, we are committed to mitigate this by producing more drugs without compromising on the quality and ensuring cost effectiveness.

On a more tangible level, our thrust on and continued investment in R&D, along with regular initiatives towards expansion of our manufacturing facilities, shall give the necessary stimulus to our growth plans as we move forward. And your unwavering support, along with the contribution of our employees, shall, I am sure, enable the realization of our objectives.

Peter F. Nilsson
Managing Director & CEO



Board of Directors

Mr. Rakesh Bhargava | Non - Executive Chairman

Mr. Peter F. Nilsson | Managing Director & CEO

Mr. Thomas Mechtersheimer | Non - Executive Director

Mr. Dilip G. Shah | Non - Executive Independent Director

Dr. Naresh Trehan | Non - Executive Independent Director

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Mr. Nitin Potdar | Non - Executive Independent Director

Dr. Michael Schönhofen | Non - Executive Director

Mr. Gerrit Steen | Non - Executive Director

CORPORATE INFORMATION

Company Secretary

Mr. Nikhil Kulshreshtha

Auditors

M/s G. Basu & Co.
Chartered Accountants

Internal Auditors

PricewaterhouseCoopers Pvt. Ltd.

Bankers

IDBI Bank Ltd.
The HSBC Ltd.
The Royal Bank of Scotland N.V.
Credit Agricol Corporate & Investment Bank
Deutsche Bank AG
Punjab National Bank
State Bank of India

Registered Office

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complianceofficer.india@fresenius-kabi.com

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Management Discussion and Analysis

"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 business risks."

WE ARE GROWTH READY...

We have all the reasons to believe this, and our multifarious actions taken over the past few years would lead our esteemed shareholders too to this belief. With our motto of 'Total Cancer Care' guiding our strategies, we are set to chart new growth levels and this Management Discussion & Analysis report will take you through the journey so far.

We continue to reinforce our position in generic oncology space by leveraging our key strengths of R&D, generation of intellectual property, regulatory affairs and efficient distribution & supply chain. This makes us a part of an exclusive league of companies which are not only forward and backward integrated but also have a strong presence in both highly regulated and comparatively less regulated world markets.

We play a pivotal role at global level in:

- Drug development (both API & Formulation)
- Intellectual Property scan and Regulatory expertise (for most of the filings worldwide)
- Production of both APIs & finished dosage forms at GMP approved manufacturing facilities
- Distribution and logistics

FINANCIAL REVIEW

In the year under review, price erosion in major markets which was witnessed by almost all the generic oncology companies, impacted the Company's profit performance. While the total turnover increased during the period under review by a healthy 27%, the profits declined as compared to the last fiscal year.

The Company's financial snapshot for the year 2011-12 is as follows:

- Total turnover (including other income) increased from ₹ 41,866.06 lacs in the previous year to ₹ 52,721.81 lacs
- Profit before tax (before extraordinary items) stands at ₹ 2,721.32 lacs
- Formulation business continued to maintain its share at 82.48% of total sales, the rest coming from bulk actives
- The international business accounted for 88.41% of total sales

Historically, the Company has been a fully integrated entity, which undertook generics drug development, API development, finished product development, generics product registrations across the world and selling and distribution in all the markets. This structure demanded huge commitment of the Company's financial resources. It also exposed the Company to business risks and price discounting in all the markets. Besides this, the increasing weakening of the India Rupee in comparison to Euro and US Dollar, led to exchange rate losses, which further impacted the balance sheet of the Company.

To handle this problem, as an organization we have decided to focus mainly on our development and manufacturing capabilities. We are looking at increasing our batch sizes, but are also focusing on increasing volumes by establishing new manufacturing lines. Our R&D centre is continuously looking at newer molecules for development and is working with the sole purpose of delivering on time to market at the right cost. Further, to reduce the exchange

(₹ Lacs)

Abridged Profit and Loss Statement

Particulars	2011-12	2010-11	% change
Turnover (including other income)	52,721.81	41,866.06	26%
Manufacturing and Other expenses	47,603.73	33,442.32	42%
PBDT	5,118.08	8,423.74	-39%
Depreciation	2,396.76	1,692.00	
Profit Before Extraordinary Income	2,721.32	6,731.74	-60%
Extraordinary Income/ (Loss)	4,448.28	268.07	
PBT	7,169.60	6,999.81	
Current and Deferred Tax	2,074.52	2,075.64	
PAT	5,095.08	4,924.17	3%

rate losses, we are exploring alternate hedging strategies. The Management is confident that these steps will help us mitigate risks both in short and long term arising on account of the falling currency prices.

As intimated in the last Annual Report, our strategy of becoming the outsourcing hub for Research and Manufacturing for Fresenius Kabi Deutschland (Germany) and its affiliates will protect us from the adverse effects of market risks in future. As per the terms of agreement entered into with Fresenius Kabi Deutschland (Germany) and its affiliates, for all new product developments, our R&D Centre will work as the contract R&D centre for Fresenius Kabi Germany and we shall recover all costs with a markup. Considering this arrangement, we expect to benefit from new products as growth drivers, without incurring the cost of development as well as facing the risk of high litigation costs which normally beset generic pharmaceutical businesses. Therefore, as an organization, we continue to enhance our development and manufacturing capabilities and we see these as the basis of growth in the future.

TRENDS IN GLOBAL ONCOLOGY

The global cancer market represents the most dynamic pharmaceutical market in the world, characterized by a changing commercial landscape and a high degree of innovation. Market size of the global oncology market in 2011 has been estimated at $ 60 billion and is growing by 6.8%, whereas in pharmerging markets growth for the same period has been estimated at 15.2%.

The global markets for generic drugs will continue to grow despite cost reduction measures from governments and healthcare players in many markets. According to analysts' reports, global generics market in 2011 is estimated at $ 225 billion out of which emerging markets have a market share of $ 57 billion.

Growth in the generic industry has primarily been fuelled by new players or increased competitive offering, through mergers, acquisitions and increasingly collaborative working with the branded industry. Equally interesting has been the activity around the branded and generic companies. Industry giants, previously no friend to the generic sector, have struck major deals with companies in pharmerging markets such as India, China and Latin America. 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

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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.

Oncology market definitely has a lot of prospect but is likely to slow down primarily due to increased genericization, ongoing patent expiries of block-busters and most importantly due to a key market dynamic. In many tumor areas, the market has evolved from one of a high unmet need to one in which payers have several choices and are therefore imposing access restrictions. Because of rise in targeted and competing therapies available across the board, reaching "blockbuster" status ($ 1 billion in annual sales) with an oncology launch seems more difficult than ever before.

According to IMS Global, oncology spending is expected to reach $ 75 billion (approximately € 58 billion). Current oncology spending of $ 9.6 billion (€ 7.4 billion) will be exposed to generic competition through 2015. Growth in pharmerging markets will be lifted by traditional chemotherapy.

Principle factors that are likely to affect the growth of oncology segment are:

- Newer, smarter and more efficacious drugs also known as targeted therapies
- Growth of biologicals and biosimilars
- Rise of oral therapies
- Rise of the anti-cancer industry in general, increased availability & access to anti-cancer medication
- Severe genericization, rise in the number of available alternatives; thanks to patent cliff
- Rise of pharmerging markets
- Competitive pricing strategies
- Rising awareness about early diagnosis leading to better survival
- New tests to monitor efficacy of treatments
- Emergence of cancer vaccines
- New research on response of cancer cells to anti-cancer agents

References: IMS, Espicom, Generic Drugs, Reports-N-Reports, Cancer Market Research, American Society of Clinical Oncology,

TRENDS IN THE INDIAN ONCOLOGY MARKET

The changing oncology market scenario in India

Cancer is one of the ten leading causes of death in India, accounting for about 9% of all deaths in the country. It represents 14% of non-communicable disease (NCD) mortality in India with more than 6 lakh patients dying of cancer every year. There are about 28 lakh cancer patients in India with about 10 lakh new cases being added every year. Tobacco-related cancers of the oral cavity and lung are the leading cancer types among Indian males while cervix and breast cancer are the predominant cancer types among females. These cancer types account for over 50% of all cancer deaths in India. 70% of cancer cases in India are diagnosed late, leading to poor survival and high mortality rate.

Rising disposable income has led to various lifestyle changes such as increasing rates of smoking, decline in physical activity among affluent, increase in the consumption of red meat and fast food in urban areas. These trends in turn have led to increase rates of various cancers in India. Change in dietary habits and delay in child bearing age are thought to be factors for rising breast cancer incidence among urban females.

Treatment Scenario

The diagnosis and treatment of cancer has progressed exponentially in the last few decades in India. Almost all major cities in India have a 500 to 1000 bedded specialized oncology centres. These centres have state-of-the-art facilities for diagnosis and treatment of cancer. The talent pool of medical, surgical, and radiation oncologists continue to grow though the demand

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far outstrips the supply. Increased insurance coverage also has improved the treatment scenario.

Market Overview

Frost & Sullivan believes that the fast-changing lifestyle and increase in spending among the middle class in urban areas in the region has resulted in growth for the oncology market, which is expected to be $4.4 billion by 2015, up from $ 3 billion in 2010. There will be growth in early diagnosis of cancers and targeted therapy in top three types of cancer: lung cancer, breast cancer and colorectal cancer.

Increased rate of incidence of various malignancies prevailing in India has made many domestic and international companies to focus on oncology segment. The current market is largely generic and dominated by regional players and more than 30 drug companies are active in Indian oncology market.

Challenges for Pharma Companies

While the economy is booming, more than one-third of the Indian population lives below the poverty line. The highly priced innovator products are out of reach of most patients. The current IP and regulatory scenario in India is weak but offers hope towards emerging stronger in the near future. Recent granting of a compulsory license for an anti-cancer product is a significant development and is likely to change the pricing dynamics of patented anti-cancer products. The Ministry of Health has announced that National Programme for Prevention of Cancer, Diabetes, Cardiovascular Disease, and Stroke (NPCDCS) will be implemented throughout the country under the 12th Five Year Plan. An assistance of ₹ 1 lac will be given to all cancer patients under this plan for treatment and this will have a great positive impact on the market for oncology drugs. A National Pharmaceutical Pricing Policy is on the anvil and its impact on prices of oncology products will have to be studied after it is finalized and implemented.

KEY MARKETS

We have emerged as a leading player within the generic oncology space by consolidating initial gains in key markets, key elements of which include portfolio extension and management, entry of products into key institutions and new product rollout. Over and above, our response to the challenging situation of drug shortage in the US has been consistent with customer expectations and growing market demand to a large extent. Efforts to globalize our product portfolio are an ongoing process and the year gone by has been successful in terms of breakthroughs in EU-7 markets and a key product filing in Japan. Gemcitabine exclusivity in the US was a major upside, which got us the opportunity of 180 day exclusivity due to a sudden market situation. This helped us grab a quick market share of around 10% in US. We have also launched this product in EU and all key pharmerging markets.

We continue to maintain our focus on key “Pharmerging Markets”. Product and market expansion campaigns in line with patent landscape and market opportunity in Asia, Latin America and

CIS countries continue to remain key areas of our business expansion plan. With manufacturing facilities having GCC approvals, regulatory filings of key molecules are underway to establish a strong foothold in the Middle East markets & further strengthen our international presence.

Our ongoing efforts to enhance our visibility by organizing and participating in scientific seminars and symposia have paid rich dividends. Our initiative; Fresenius Kabi's Oncology Regional Conference more commonly known as "FORCE" has indeed turned into a major event in Asia Pacific region. More than 140 oncologists from all over Asia joined the 3rd edition of this conference, which was held in Ho Chi Minh City in Vietnam. Key success factors behind the success of this event are interest and need of knowledge exchange programs dedicated to highlight the latest trends in clinical oncology. In addition, we had a good exposure to clinicians in American Society of Clinical Oncology (ASCO) conference, European Society of Medical Oncology (ESMO) conference and European Association of Hospital Pharmacists (EAHP) conference, thus helping us in getting a global exposure.

INTERNATIONAL BUSINESS

International business continues to remain the main engine for the Company's growth. This segment accounts for nearly 88.41% 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 newer markets, expands its therapeutic reach and enhances its strike rate.

FORMULATIONS

Formulations are the key growth driver for the Company, contributing over 82.48% 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

Maintaining its consistent performance, API sales have contributed approximately 17.52% to the total revenues. This contribution is likely to increase in future as Drug Master Files (DMFs) for various products have been submitted for approvals. The Company is in the process of registering its APIs in Japan and China. It has added more customers in US, EU and RoW (Rest of World) markets resulting in expansion of its overall customer base. The Company's strategy of offering its APIs to third parties enables it to have a large capacity and, thereby, cater to internal and external customer alike. Fresenius Kabi is globally recognized today as a supplier of high-quality APIs supported by immaculate documentation, regulatory approvals and timely deliveries.

DOMESTIC BUSINESS

Domestic sales account for 11.59% of the overall sales for the year under review.

Over the last few years, the sales organization had taken a number of measures to mitigate the various business challenges like we revamped our sales and distribution practices, rationalized our portfolio in terms of basket offerings and categorization of our products to ensure the focus they deserved. We strengthened and improved our customer focus by establishing individual customer contribution analysis by Key Opinion Leaders (KOL) mapping.

We continued to invest in improving the image of the Company and organized conferences, such as Fresenius Oncology Regional Conference (FORCE) and Fresenius Kabi Oncology Meet

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(FKOM). The objective was to increase awareness about cancer-related technologies and drugs, as well as to create brand recall of Fresenius Kabi in the minds of key oncologists. Besides these, several other activities like various special people awareness campaigns on the occasion of Doctor's Day, World No Tobacco Day, various cancer months – CRC, Breast, and Lung were organized for better customer service, institutional penetration and brand recall. All this not only helped us grow the business but also helped us to stabilize our sales organization, which over the past few years was undergoing turmoil.

RESEARCH AND DEVELOPMENT

Research and Development is at the centre of our Company's focus. Our state-of-the-art facility at Gurgaon (Haryana, India) is fast emerging as a centre of excellence for all oncology related developments. Over a period of time, we have built capabilities and capacities for developing and manufacturing both APIs as well as finished dosage forms. We specialize in developing and delivering high-quality, cost-effective products, using cutting-edge technology and by maintaining one standard for all our products, irrespective of the target market. This makes us a unique organization for we not only develop our own APIs and finished products but also manage our own plantation of Taxus and Mappia Foetide at our plantation sites in Arunachal Pradesh (India) and Uttarakhand (India).

The Company is committed to "Quality by Design" approach, which is endorsed by trusted regulatory authorities like USFDA, MHRA, and TGA etc.

Inspired by our mission "Caring for Life", we at Fresenius Kabi Oncology Limited are committed to work tirelessly and with full dedication for the cause of cancer.

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

- Quality generics products in therapeutic segment of oncology
- Highly integrated approach towards product development, technology transfers and regulatory submissions

Our R&D centre has introduced global project management processes and methods to ensure timely, compliant and cost effective delivery of products based on market requirements. In view of this, global project management based IT solution as well as time tracking of all internal R&D resources have been introduced.

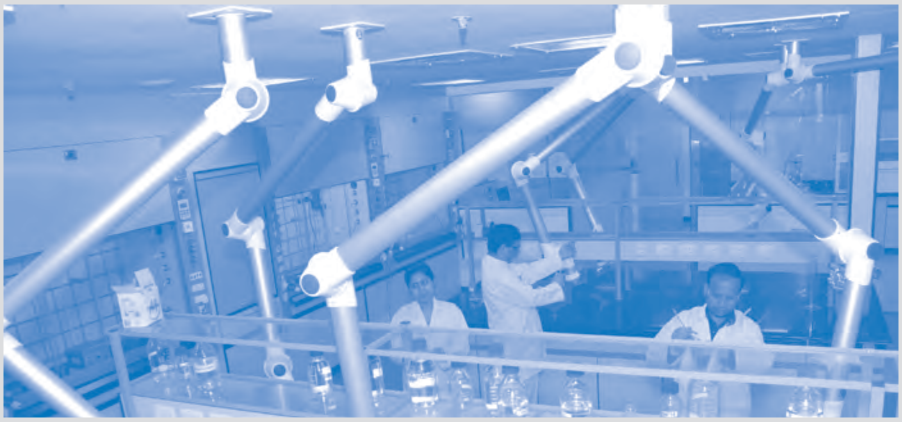
In our chemical research labs, our scientists are developing wide range of chemistries by ensuring non-infringing, safe and cost-effective processes, which are scalable to plant level with minimum rework. All this is happening in a safe working environment.

In our formulations labs, our scientists are developing injectable & oral drug products with high degree of competency in handling cytotoxics. Our labs are equipped for development of liquid injectables, lyophilized injectables, tablets and capsules.

The analytical development team provides quality services focused on accelerating the product development cycle. The team works relentlessly and with utmost focus by performing method development, validations, polymorphic studies, impurity profiling, stability studies as per ICH guidelines and microbiological support to all R&D projects in most modern analytical laboratories with certified, qualified and validated equipments.

The department of clinical research and medical services develops clinical as well as non-clinical programs for generics as well as differentiated generic formulations. We also conduct and manage Phase I to IV clinical studies as well as bioequivalence studies for the Company. The team also supports by generating medico regulatory documents and conducting medical evaluation of new drugs.

> "We specialize in developing and delivering high-quality, cost-effective products, using cutting-edge technology and by maintaining one standard for all our products, irrespective of the target market."



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"The intellectual property team's key expertise area lies in challenging patents. Our team works proactively to identify early market entry opportunities in various countries, especially in the US and Europe. They are skilled to perform patent landscaping, patent drafting & filing, infringement analysis etc."

The intellectual property team's key expertise area lies in challenging patents. Our team works proactively to identify early market entry opportunities in various countries, especially in the US and Europe. They are skilled to perform patent landscaping, patent drafting & filing, infringement analysis etc. The team is also competent to 'challenge' patents in different countries.

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

Responsibility to the environment and community has occupied an important place in our corporate thinking. We strive to design our products for a sustainable environment, while providing a safe and healthy workplace for all employees, contractors and communities. A dedicated department of 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.

OPERATIONS

The USFDA approval for the Company's formulation unit at Nalagarh (Himachal Pradesh, India), together with approvals in EU, Australia, Brazil, are a testimony of the high quality standards of its manufacturing facilities. Our 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 in time, every time.

We have seen significant investment in the last few years towards increasing capacities, capabilities and quantities at Baddi (Himachal Pradesh, India), Nalagarh (Himachal Pradesh, India) and Kalyani (West Bengal, India) plants. There have been strategic investments in new manufacturing lines. The batch sizes are also being enhanced to ensure market demands are met. Cost is a crucial productivity factor and our manufacturing sites are continuously working to improve the yield through process improvements.

No manufacturing or development efforts are worthwhile if we fail to reach the markets of launch on time. Our supply chain efforts in this regard are significant and worth a mention. Some of the steps taken in this regard are as follows:

- Initiating new launch activities
- Developing alternate sources for raw materials as well as finished goods
- Developing in licensing avenues
- Better forecasting tools
- Efficient co-ordination with plants, R&D and regulatory

We believe in improving the patients' quality of life and this commitment requires application of quality management system in whatever we do. We assure highest possible quality of products in terms of safety and efficacy. Compliance is another big area we focus on as ethics in everything we do is core to our business philosophy.

DOSAGE FORM MANUFACTURING

We manufacture and distribute dosage forms through our 2 plants in Baddi (Himachal Pradesh, India) and Nalagarh (Himachal Pradesh, India). 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 site is approved by regulatory bodies of countries like Belarus, Zimbabwe, Jordan, Hungary, Brazil, Columbia, Egypt, Yemen, Turkey, Namibia, Malaysia, Sudan, Ethiopia, Pakistan, Nigeria etc. The Nalagarh (Himachal Pradesh, India) plant caters to the developed markets of the US and Europe, and some emerging markets. The plant is approved by USFDA, WHO GMP, U.K. MHRA. The plant has the capability to manufacture small volume parenterals and hard gelatin capsules. 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 facility to meet global manufacturing practices. During the year, quality compliance module of MetricStream was implemented. The plant also successfully faced audits from MHRA (Oral Solids/Injectables), Fresenius Kabi Japan, Columbia, Turkey and ISO 9000 & 14001 agencies.

API MANUFACTURING

Our 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. We manufacture Antineoplastic APIs by multi-step organic synthesis using closed handling with Isolator technology. This site also specializes in Taxol chemistry, Organoplatinum chemistry, extraction, Hydrogenation, Chromatography (Preparative HPLC) and other organic syntheses, analytical development and impurity profiling. The site is approved by USFDA, TGA, EDQM, WHO. The site is equipped with LCMS, GCMS, ICP, UPLC, Ion Chromatography, development and pilot plants for scaling up cytotoxic and high potency APIs.

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

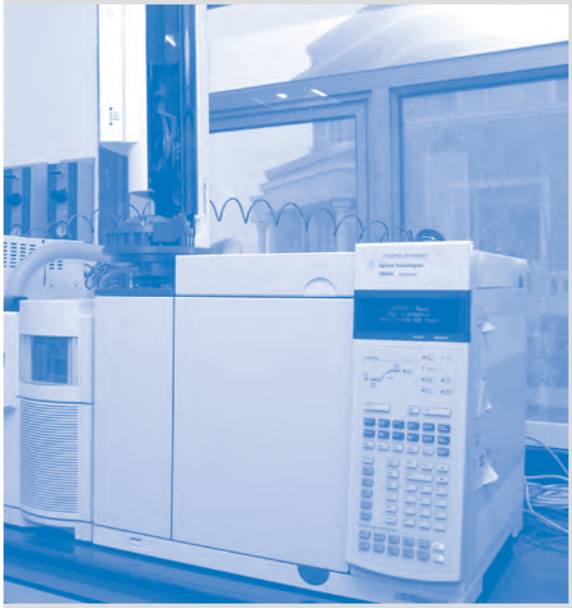
It was a significant year for this facility. Some more of the key capacity enhancement projects were handed over to production. Our team at the plant worked relentlessly to develop better methods to improve the yield and quality, and cost and conduct process scale-up for key products, thereby directly impacting productivity and the Company's bottom line.

The site is ISO 14001 (Environment) & 18000 (OHSA) certified by BVQI, and ISO 14001 by TUV, thus underlining the Company's commitment to Environment, Health and Safety.

QUALITY

Our products and services, as well as commitment and dedication of our employees, are focused on the treatment of critically and chronically-ill cancer patients. In order to fulfill this fundamental prerequisite, we maintain a Quality Management System, which assures the appropriate quality of

> “We have seen significant investment in the last few years towards increasing capacities, capabilities and quantities Baddi (Himachal Pradesh, India), Nalagarh (Himachal Pradesh, India) and Kalyani (West Bengal, India) plants. There have been strategic investments in new manufacturing lines.”



"A clear endorsement of this quality commitment is the fact that the Company is certified as ISO 9001:2008."

products with regard to product 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. This year, a lot of initiatives were taken in this direction. These include Supplier Qualification, Complaint Management and Assessment of Customer Satisfaction. In order to ascertain that we get quality supplies from our contract manufacturers, detailed monitoring and inspections were also undertaken. Robust technological systems were installed to ensure that our promise of commitment to quality is well kept. A number of trainings were organized throughout the year to ascertain that each and every employee is following our quality motto with utmost rigor. A clear endorsement of this quality commitment is the fact that the Company is certified as ISO 9001:2008.

HUMAN RESOURCES

As a Company, we strongly believe that people play a key role in the growth of its business. Being a knowledge-centric industry, we have clear direction and agenda about building employee capabilities, both technical/functional as well as behavioral. We believe and encourage people to grow internally in their jobs, and our dedicated and experienced human resources staff works diligently to fulfill our people development agenda. The Manager-Employee partnership towards development has resulted in identifying key talent, 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 an emphasis on development initiatives for the employees in the form of launch of the e-learning portal and facilitation of advanced leadership programs for senior team members. In a knowledge-centric industry like ours, managing knowledge becomes a key indicator of future success. Keeping this in mind, a number of training sessions were facilitated by our in-house subject matter experts from all areas. This initiative ensured that our knowledge reservoir is not only accessible to our people but is also regularly enhanced and enriched giving us a competitive advantage.

Laying a strong emphasis on steadfast business ethics, the Fresenius Kabi Code of Conduct was communicated across locations. Various training sessions on the topic were conducted for the employees to ensure that the Code of Conduct is embedded deeply into the system and each and every member of the organization abides by it. Looking forward, more work is planned in this area so that strong business ethics becomes a part of our organizational fabric.

The technological advancements in the form of new HR modules, leaves, attendance and mediclaim in SAP introduced a much more efficient way of working. More modules are expected to be added to the system to make it completely streamlined and efficient. These changes will go a long way in positioning us as an organization that is highly people centric and process oriented.

Keeping the employee welfare at the top of our agenda, this year we celebrated togetherness at a grand event, Fresenius Kabi Family Gala where employees and their families had moments of fun, frolic, joy and laughter. The event not only rejuvenated the minds and souls of the people but infused a renewed sense of commitment and dedication.

We plan to continue to give prominence to our 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. Our mission drives sincere efforts to promote good health, social development and better environment for sustainable, all-round 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, a Cancer Awareness Program was organized at our Baddi plant (Himachal Pradesh – India).

Early detection is key to improving survival rate in breast cancer. A breast care awareness event was organized in Pune in the form of a "Pink Ribbon Winter Festival". The event was visited by more than 400 ladies and out of them about 80 ladies could be motivated to go for mammography.

Other initiatives like participation in the blood donation camp at Medanta Medicity hospital were also a key highlight of the year gone by. 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. This year, we celebrated Christmas and New Year with these kids as a gesture of lending our care and support to the children suffering from this life-threatening disease.

OCCUPATIONAL HEALTH AND SAFETY

To keep our manufacturing sites, R&D Centre and Corporate Office safe, we undertook a series of measures like launch of 'Safety Handbook' and fire fighting training sessions and evacuation mock drills etc. A workshop on 'prevention & control of hazards in industry' was organized successfully to ensure the well-being and safety of our employees. Emergency preparedness was ensured through regular safety programs and mock drill exercises at all locations with the help of internal as well as external specialists.

INFORMATION TECHNOLOGY

In line with our strategic policy, we continued our focus on strengthening our Information Technology base, and we continue to invest in people, new business applications and information security initiatives. Many new IT projects have been initiated to bring in efficiency in our business operations.

With IT becoming a core business enabler and its increasing dependency on the IT systems, as a Company we have realized the need to put up a robust information security framework to secure business information. Employees have been made aware of IT security policies and procedures through mediums like educational handbooks and training sessions. Various other important initiatives like Self Service Portal for Helpdesk, Desktop Management System, complete data backup and ADSelf Service have been introduced. Infrastructural advancement in the form of Kalyani LAN setup was also undertaken.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has strong and adequate internal control systems to ensure:

- Company assets are adequately safeguarded

> "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."

- 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 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 leading 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 delays 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, through its affiliates and distributors 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 the Company's 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.

Directors' Report

Dear Shareholders,

The Board presents below the report on the business and operations of the Company for the financial year ended 31st March 2012.

FINANCIAL PERFORMANCE

Key aspects of Company's financial performance for the financial year ended 31st March 2012 are summarised below:

(₹ in lacs)

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
Turnover (including other income)	52,721.81	41,866.06
Profit before Tax and Extraordinary Items	2,721.32	6,731.74
Extraordinary Items	4,448.28	268.07
Profit before Tax	7,169.60	6,999.81
Less: Provision for Taxation (Current)	1,480.91	1,399.96
Provision for Taxation (Deferred)	593.61	675.68
Profit after Tax	5,095.08	4,924.17
Add: Balance of profit brought forward from previous year	26,314.99	21,390.82
Profit available for appropriation	31,410.07	26,314.99
Appropriation to:		
General Reserve	25,000.00	NIL
Balance Carried over to the Balance Sheet	6,410.07	26,314.99

DIVIDEND

Considering the ongoing capacity expansion projects and future growth plans, the Directors have decided to plough back the profits of the Company for financial year 2011-12. Accordingly, the Board does not recommend any dividend payment for the financial year ended 31st March 2012.

BUSINESS PERFORMANCE AND OPERATIONS

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

EXPANSION AND UPGRADATION PROJECTS

During the year, the Company has undertaken several modernization/upgradation and expansion projects at its plant locations in Himachal Pradesh and West Bengal (India) in order to fulfill the local and international regulatory norms and cater to the market demand for Company's products.

SHARE CAPITAL

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

CORPORATE GOVERNANCE

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 Agreement(s) with the Stock Exchange(s) forms part of the full 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 full Annual Report.

BOARD OF DIRECTORS

Resignations

1. Dr. Satish B. Kulkarni resigned as the Managing Director & CEO of the Company w.e.f. 20th October 2011.

   The Board places on record its sincere appreciation and hails the significant and remarkable contribution made by Dr. Kulkarni in the growth of the Company during his tenure as the Managing Director & CEO of the Company.

2. Dr. Anand Chand Burman, Non Executive Director of the Company, resigned from the Directorship of the Company w.e.f. 2nd February 2012.

   The Board places on record its sincere appreciation towards the valuable contribution and guidance rendered by Dr. Burman during his tenure as a Director of the Company.

3. Mr. Mats Christer Henriksson, Non-Executive Director of the Company, resigned from the Directorship of the Company w.e.f. 30th May 2012.

   The Board places on record its sincere appreciation towards the valuable contribution and guidance rendered by Mr. Henriksson during his tenure as a Director of the Company.

Appointments

Managing Director & CEO

Mr. Peter F. Nilsson was appointed as the Managing Director & CEO of the Company w.e.f. 20th October 2011 for a period of two years.

Appointment and remuneration of Mr. Nilsson have also been approved by the Shareholders of the Company vide a Special Resolution passed through postal ballot on 13th December 2011.

Being originally appointed as an Additional Director on 20th October 2011, Mr. Peter F. Nilsson will hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, from a member, proposing the candidature of Mr. Peter F. Nilsson for appointment as a Director in the Annual General Meeting. He is eligible for appointment as a Director and the Board recommends his appointment as a Director not liable to retire by rotation in the Annual General Meeting.

Brief Profile of Mr. Peter F. Nilsson

Mr. Peter F. Nilsson was the Chief Financial Officer of Fresenius Kabi Oncology Limited from 1st November 2008 to 20th October 2011. He holds a Degree in Accounting from Stockholm University and has also completed a Finance Management Course from INSEAD, France.

Mr. Peter F. Nilsson has a rich work experience of over 20 years in the areas of Financial and Accounting Management at the international level. He commenced his Career as 'Controller' with Kabi Pharmacia Sweden in 1990 and subsequently moved on to work for Pharmacia & Upjohn. After joining Fresenius Group in 1999, Mr. Peter F. Nilsson has managed key positions within the Group at various locations.

Appointment of Director in casual vacancy

In view of the resignation of Mr. Mats Christer Henriksson, the Board of Directors, in the meeting held on 30th May 2012, appointed Mr. Thomas Mechtersheimer 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. Thomas Mechtersheimer, will hold office for the remaining tenure of Mr. Mats Christer Henriksson.

In terms of requirements of Clause 49 of the Listing Agreement, below are some important information related to Mr. Thomas Mechtersheimer:

Date of Birth	5th December 1964
Date of appointment	30th May 2012
Qualification	• Bachelors degree in Electrical Engineering from Helmle Elektrotechnik, Weinstadt, Germany, • Masters degree in International Marketing and Foreign Trade from University of Economics and Technology, Reutlingen, Germany

Expertise in specific functional area	Mr. Thomas Mechtersheimer has a rich & diversified international experience in the field of Finance, Business development and operations.
Shareholding in Fresenius Kabi Oncology Ltd.	Nil
Directorship/Committee Membership in other Indian Public Companies	Nil

DIRECTORS RETIRING BY ROTATION

As per Article 130 of the Articles 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. Naresh Trehan
2. Mr. Dilip G. Shah
3. Mr. Rakesh Bhargava

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 ninth Annual General Meeting of the Company.

AUDITORS

The Statutory Auditors of the Company, M/s G. Basu & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting of the Company. They have confirmed their willingness and eligibility for re-appointment for the financial year 2012 -13 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.

COST AUDITORS

Pursuant to section 233B of the Companies Act, 1956, and "General Cost Audit Orders" issued by the Ministry of Corporate Affairs, the Central Government has prescribed cost audit of the Company's manufacturing activities w.r.t. "Formulations and Bulk Drugs".

Accordingly, 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 2012-13.

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.

In terms of the requirements of General Circular No. 15/2011, dated 11th April 2011, issued by Ministry of Corporate Affairs, following are the brief particulars w.r.t. Cost Auditors & Cost Audit Reports:

Financial Year	Name of Cost Auditor	Due date of filing Cost Audit Report	Actual date of filing Cost Audit Report
2010 - 11	M/s Ramanath Iyer & Co.	27th September 2011	27th September 2011
2011 - 12	M/s Ramanath Iyer & Co.	27th September 2012	Yet to be filed

AUDITORS' REPORT

The Board has duly examined the Statutory Auditor's report to the accounts and clarifications, wherever necessary, have been included in the Notes to the Accounts section of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Company has disinvested its entire shareholding in Fresenius Kabi Oncology Plc (the wholly owned subsidiary in UK) to Fresenius Kabi AG, Germany at book value, which is not less than the fair market value. There being no other subsidiary company left as on 31st March 2012, therefore, the Company is not furnishing consolidated financial results.

SUBSIDIARY COMPANY

During the year, the Company transferred its entire shareholding in Fresenius Kabi Oncology Plc (the wholly owned subsidiary in UK) to Fresenius Kabi AG, Germany at book value, which was not less than the fair market value.

After the aforesaid transfer, the Company does not have any subsidiary company.

ANNUAL REPORT OF SUBSIDIARY COMPANY

Post transfer of its entire shareholding in Fresenius Kabi Oncology Plc (UK), the Company does not have any subsidiary company as on 31st March 2012. Therefore, Annual Report of subsidiary company has not been prepared and attached with the Annual Report of the Company.

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 full version of Directors' Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS 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 the "Annexure- I" to the full version of Directors' Report.

ABRIDGED ANNUAL REPORT

In line with the provisions contained in SEBI Circular No. CIR/CFD/DIL/7/2011, dated 5th October 2011 and as per the requirements of Clause 32 of the Listing Agreement, the Board of Directors of the Company has prepared this Abridged Annual Report in the format prescribed in sub-clause (iv) of clause (b) of provision to Section 219 of the Companies Act, 1956.

The Board of Directors of the Company approved the abridged Annual Report on 21st June 2012. This report is in addition to the full version of Annual Report, which was approved by the Board of Directors on 30th May 2012.

For detailed information and full particulars of the document, please refer to the full Annual Report of the Company, which is available on the website of the Company www.fresenius-kabi-oncology.com. In case, any shareholder wants the hard copy of the full Annual Report, please send a written request to the Company Secretary at the Registered Office of the Company or through e-mail to complianceofficer.india@fresenius-kabi.com

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 2012, 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 2012 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, Department of Pharmaceuticals, 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

Sd/-
Rakesh Bhargava
Chairman

Gurgaon
21st June 2012

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Fresenius Kabi Oncology Limited,

The accompanying summary financial statements, which comprise the summary balance sheet as at 31st March 2012, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Fresenius Kabi Oncology Limited for the year ended 31st March 2012. We expressed an unmodified audit opinion on those financial statement in our report dated 30th May 2012. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") [applied in the preparation of the audited financial statements of Fresenius Kabi Oncology Limited]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Fresenius Kabi Oncology Limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with [Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") and accounting principles generally accepted in India].

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Fresenius Kabi Oncology Limited for the year ended 31st March 2012 are a fair summary of those financial statements, in accordance with [Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") and accounting principles generally accepted in India].

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

S. LAHIRI
Partner
Membership Number: 51717

Gurgaon
21st June 2012

AUDITORS' REPORT

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, 2012, the Profit & Loss Statement 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.

   Returns in respect of London Branch eligible to be exempt from audit u/s 228 have been forwarded to us and have been properly dealt with herein;

   (iii) The Balance Sheet, Profit and Loss Statement 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 2012 from being appointed as a director in terms of clause (g) of Sub Section (I) 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 1 to 21 and read with other Notes appearing in Schedule "22" 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 2012;

      (b) In the case of the Profit and Loss Statement, 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
30th May 2012

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 unsecured loans repayable on demand of ₹ 4,042.96 lacs (including interest) that was granted by 'the Company' to its foreign subsidiary has been repaid by the subsidiary before dissolution of the Investment in its equity capital, therein, during the year. Rate of Interest and other terms and conditions of these loans were not, prima facie, prejudicial to the interest of 'the Company'. Maximum balance against these loans during the year was ₹ 4,114.93 lacs in aggregate.

(b) 'The Company' has not taken any loan secured or unsecured 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 from two companies listed in the register maintained under section 301 of the Companies Act, 1956. The year-end balance in respect of one of the said Company was ₹ 9,522.05 lacs and the maximum balance against these loans during the year was ₹ 12,522.05 lacs in aggregate. The rate of interest and other terms and conditions of these loans are not, prima facie, prejudicial to the interest of the Company. As per the agreement with the lender Companies having the year-end balance as above, the principal amount of loan has not become due for payment and have accordingly been not paid up to 31st March 2012. Interest thereon have been paid as per respective agreements.

(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 and services. 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 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 explanation 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-à-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 & Service tax reversal.	11.24	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	Assessed demand Disputed	228.58	A.Y2005-06	CIT(A),N Delhi
		9.17	A.Y2006-07	ITAT,N Delhi
		304.97	A.Y2007-08	CIT(A),N Delhi
		674.44	A.Y2008-09	CIT(A),N Delhi

(10) 'The Company' does not have any accumulated loss as on 31st March 2012. 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 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, in its own name.

(14) 'The Company' has not furnished a guarantee for loans taken by others from banks or financial institutions.

(15) Term loan obtained from bank by the '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
30th May 2012

Statement containing salient features of Balance Sheet and profit and Loss Account as per section 219 (1) (b) (iv)

Abridged Balance Sheet as on 31st March 2012

(₹ in Lacs)

	As at 31st March 2012	As at 31st March 2011
I EQUITY AND LIABILITIES		
1. Share holders' Funds		
a) Paid Up Share Capital Equity	1,582.28	1,582.28
b) Reserves and Surplus		
(i) Capital Reserve	180.00	150.00
(ii) Securities Premium Reserve	7,675.41	7,675.41
(iii) General Reserve	43,411.42	18,411.42
(iii) Surplus	6,410.07	26,314.99
2. Non-current liabilities		
a) Long Term borrowings	9,522.05	9,522.05
b) Deferred Tax Liabilities (Net)	1,466.22	872.61
c) Long-term provisions	3,287.40	3,019.09
3. Current Liabilities		
a) Short-term borrowings	5,209.19	23,772.96
b) Trade payables	13,937.18	8,126.43
c) Other current liabilities	618.11	495.94
d) Short-term provisions	7,714.26	5,979.48
Total	**101,013.59**	**105,922.66**
II ASSETS		
4. Non-current assets		
a) Fixed Assets		
i) Tangible assets	29,954.49	25,205.43
ii) Intangible assets	537.47	624.40
iii) Capital work-in-progress	13,381.84	8,958.84
iv) Intangible assets under Development	444.21	598.07
b) Non-current investments	3.00	12,628.20
d) Long-term loans and advances	3,813.13	3,371.76
e) Other non-current assets	12.34	12.72
5. Current assets		
a) Inventories	18,855.04	20,722.39
b) Trade receivables	20,171.89	17,659.43
c) Cash and cash equivalents (Refer Note 2)	1,363.86	1,849.50
d) Short-term loans and advances	12,476.32	14,291.92
Total:	**101,013.59**	**105,922.66**

Notes on Balance Sheet and Profit and Loss Account - Attached

Note: Complete Balance Sheet, Statement of Profit and Loss, other statement and notes thereto prepared as per the requirements of Schedule VI to the Companies Act 1956 are available at the Company's website at link www.fresenius-kabi-oncology.com

For Fresenius Kabi Oncology Limited

As per our report of even date attached

RAKESH BHARGAVA
Chairman

PETER F. NILSSON
Managing Director & CEO

JITENDER KUMAR MADAN
Asstt. GM (F & A)

NIKHIL KULSHRESHTHA
Company Secretary

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

S. LAHIRI
Partner
Membership No-51717

Gurgaon
21st June 2012

FRESENIUS KABI

Abridged Profit & Loss Statement

for the year ended 31st March 2012

(₹ in Lacs)

		For the year ended 31st March 2012		For the year ended 31st March 2011
I. Income				
Revenue from operations (Refer Note 1)	54,005.22		42,613.60	
Less: Excise Duty	(1,573.61)		(1,336.73)	
Net Revenue from operations		52,431.61		41,276.87
II Other Income		290.20		589.21
III Total Income (I +II)		**52,721.81**		**41,866.07**
IV Expenditure				
(a) Cost of materials consumed		20,605.29		12,527.76
(b) Purchase of stock in trade		285.06		301.51
(c) Changes in inventories of FG , WIP & Stock in trade				
Finished Goods		827.21		(421.76)
Work in Progress		(224.83)		1,126.46
(d) Employee benefits expenses		6,098.00		5,610.50
(e) Finance costs		1,765.96		(468.54)
(f) Depreciation and Amortisations expenses		2,396.76		1,692.00
(g) Other Expenses		18,247.05		14,766.39
Total Expenditure (a to g)		**50,000.49**		**35,134.32**
(V) Profit before exceptional and extraordinary items and tax (III - IV)		2,721.32		6,731.74
(VI) Exceptional Items		-		-
(VII) Profit before extraordinary items and tax (V - VI)		2,721.32		6,731.74
(VIII) Extraordinary Items		4,448.28		268.07
(IX) Profit before tax (VII + VIII)		7,169.60		6,999.81
(X) Tax expense				
(1) Current tax		1,480.91		1,399.96
(2) Deferred Tax		593.61		675.68
(XI) Profit/(Loss) for the year from continuing operations (IX - X)		5,095.08		4,924.17
(XII) Earnings per equity share (before Extraordinary items)				
(1) Basic		1.07		2.94
(2) Diluted		1.07		2.94
(XIII) Earnings per equity share (After Extraordinary items)				
(1) Basic		3.22		3.11
(2) Diluted		3.22		3.11

For Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

PETER F. NILSSON
Managing Director & CEO

JITENDER KUMAR MADAN
Asstt. GM (F & A)

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
21st June 2012

As per our report of even date attached

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

S. LAHIRI
Partner
Membership No-51717

Abridged Cash Flow Statement

for the year ended 31st March 2012

(₹ in Lacs)

		For the year ended 31st March 2012	For the year ended 31st March 2011
1	CASH FLOWS FROM OPERATING ACTIVITIES	17,604.16	5,003.68
2	CASH FLOWS FROM INVESTING ACTIVITIES	1,558.75	(11,572.52)
3	CASH FLOWS FROM FINANCING ACTIVITIES	(19,648.54)	4,923.77
4	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(485.66)	(1,645.07)
5	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,849.50	3,494.57
6	CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,363.86	1,849.50

For Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

PETER F. NILSSON
Managing Director & CEO

JITENDER KUMAR MADAN
Asstt. GM (F & A)

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
21st June 2012

As per our report of even date attached

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

S. LAHIRI
Partner
Membership No-51717

A. Accounting Policies to the Abridged Balance Sheet and Abridged Profit and Loss Account

Significant Accounting Policies are summarized below

a. Basis of preparation of Financial Statements:

The accounts have been prepared in accordance with India 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 change are made with the knowledge of circumstances warranting such changes. Materials changes are reported in notes to accounts including disclosures of financial impact thereof.

b. Fixed Assets and Depreciation/Amortisation (Tangible & Intangible):

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 lease hold 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, cost 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 amortised 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 exits within the meaning of para 5 to 13 of AS-28 issued ICAI. 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 being of long-term in nature are held at cost.

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 moving average Basis.
· Work-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 realizable 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 the adequacy of technical, financial & other resources in the custody of company to complete the development & it's generated 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.
- Income from research & development service extended is accounted for in respect of the period, relevant service relate to.
- Exports subsidy is accounted for on the basis of receipt of license.
- All items of incomes 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, issued by ICAI.

k. Forward Contracts and option in foreign currency:

Gains or loss on forward exchange contracts to hedge overseas exposures against adverse currency fluctuation under make to market are computed by multiplying foreign currency amount of forward exchange contract by the difference between the forward are available at the reporting date for the remaining maturity of the contract and contracted forward rate.

FRESENIUS KABI

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 account 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 currencies 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 & loss account.
- Impact of exchange fluctuation is separately disclosed in notes to accounts.

n. Miscellaneous Expenditure:

1) Deferred Plantation Expenses:

Deferred Plantation Expenses incurred in a year 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 THE ABRIDGED BALANCE SHEET AND ABRIDGED PROFIT AND LOSS ACCOUNT:-

Note 1: Revenue from operation:-

S. No.	Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
I	Sale of Products Manufactured	48,685.48	41,551.17
II	Sale of Services	4,382.35	-
III	Other Operative Revenues	937.39	1,062.43
Total		54,005.22	42,613.60

Note 2: Cash and Cash Equivalents:-

S. No.	Particulars	As at 31st March 2012	As at 31st March 2011
(a)	Balances with banks	1,189.81	1,820.81
(b)	Cash-in-Hand	9.05	5.69
(c)	Fixed Deposit Pledged with Government Authorities	160.00	17.00
(d)	Unpaid Dividend Accounts	5.00	6.00
Total		1,363.86	1,849.50

Note 3: Refer Note B2 in schedule 22 to accounts

Contingent liabilities not provided for ₹ 1,663.43 (Previous year ₹ 1,032.52)

Note 4: Refer Note B3 in schedule 22 to accounts

Commitments for capital contracts and counter guarantee against LC (Sight) ₹ 5,604.26 (Previous year ₹ 8,312.01)

Note 5: Refer Note B1 in schedule 22 to accounts

Test of impairment of tangible fixed assets conducted for three cash generated units (CGUs) of the company (Kalyani, Baddi – I & Nalagarh unit) revealed their recoverable value arrived at on the basis of value in use concept higher than corresponding carrying cost. 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.

Note 6: Refer Note B4 in schedule 22 to accounts

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 2011	Provision Utilized/ Adjusted during the year	Closing Provision 31st March 2012	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 disputed by company in court	373.90 (465.64)	102.00 (91.74)	271.90 (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)	-	240.52 (240.52)	Arbitration
Total	614.42 (706.16)	102.00* (91.74)	512.42 (614.42)	

i) No provision has been made during the year.

ii) *To meet part of expenses provisioned earlier, provisions amounting to ₹ 102 (previous year 91.74) was utilized during the year.

iii) Aforesaid provisions had been made in accounts as measure of prudence in apprehension of possible outflow of resources in future at point of time not being readily ascertainable.

iv) Said provisions against disputed liabilities, form part of provision others in schedule 8 of the Balance Sheet.

Note 7: Refer Note B8(c) in schedule 22 to accounts

Foreign Exchange Exposure

There has been a change in treatment of Gain/Loss on forward exchange contract being mark to market by way of multiplying foreign currency under contract by the difference between forward rate available at the reporting rate for the remaining maturity of the contract and contracted forward rate as against recognition of income or loss thereon at the point of closure of contract under earlier practice which led to reduction of profit by ₹ 458.43 lacs with corresponding rise in short term provision.

Note 8: Refer Note B9 in schedule 22 to accounts

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

	31st March 2012	31st March 2011
Principal Due	50.34	78.39

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

Note 9: Refer Note B10 in schedule 22 to accounts

Related Party Disclosure

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 Entity	:	Fresenius SE & Co. KGaA
Immediate Holding Entity	:	Fresenius Kabi (Singapore) Pte. Ltd.
Other Holding Entities	:	Fresenius Kabi AG, Fresenius Kabi Deutschland GmbH, Fresenius Kabi Austria GmbH
Subsidiary	:	Fresenius Kabi Oncology Plc. (UK) (till 24th June 2011).
Fellow Subsidiaries	:	Calea Ltd., Fresenius Kabi Brazil Ltd., Fresenius Kabi Chile Ltd., Fresenius Kabi Korea Ltd., Fresenius Kabi México S.A. de C.V, Fresenius Kabi Denmark, PT., Fresenius Kabi Indonesia, Fresenius Kabi México S.A. de C.V., Fresenius Kabi Philippines Inc, HOSPED GmbH, Calea UK Ltd., Fresenius Kabi Denmark, Fresenius Kabi EOOD, Fresenius Kabi Pharma Portugal Ltd., 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 Ilac Sanayi ve Ticaret Ltd., Fresenius Kabi India Private Ltd., Fresenius Netcare GmbH, Pharmaceutical Partners Ontario, Fresenius Kabi Asiaco Gmbh, APP, U.S.A. Fresenius Kabi Thailand Limited, Sanderson, Peru, Fresenius Kabi Australia, Fresenius Kabi Oncology Plc, (UK) Fresenius Kabi Malaysia, Fresenius Kabi Chile, Fresenius Kabi Hungary, Fresenius Kabi AB Sweden, Fresenius Kabi Taiwan Ltd.

b) Other related parties transaction

Key management personnel	:	Dr. Satish B Kulkarni (Managing Director & CEO till 20th October 2011). Mr. Peter F. Nilsson (Managing Director & CEO from 20th October 2011)

Particulars	Subsidiary	Holding Company/ Ultimate Holding Company	Key Management Personnel	Fellow Subsidiary	Total	Outstanding As on 31st March 2012
Sale of Goods / Debtors	3,411.30 (18,373.07)	3,132.79 (2,196.68)	- (-)	30,230.78 (6,242.57)	36,774.87 (26,812.32)	14,619.14 (14,065.35)
Sale of assets	- (-)	- (-)	- (-)	7.60 (-)	7.60 (-)	- (-)
Purchase/Receiving of Services	- (-)	183.25 (71.77)	- (-)	484.10 (206.82)	667.35 (278.59)	623.19 (204.53)
Inter- company receipt	- (-)	9,567.66 (-)	- (-)	277.09 (-)	9,844.75 (-)	- (-)
Remuneration	- (-)	- (-)	228.22 (240.35)	- (-)	226.90 (240.35)	- (-)
Loan Given	- (-)	- (-)	- (-)	- (-)	- (-)	- (3,717.07)
Realisation of Loans Given	3,717.07 (-)	- (-)	- (-)	- (-)	3,717.07 (-)	- (-)
Interest Received/Receivable	32.82 (-)	- (-)	- (-)	- (-)	32.82 (-)	- (325.89)
Loan Taken	- (-)	- (2481.7)	- (-)	- (-)	- (2481.7)	9,522.05 (9,522.05)
Interest Paid	- (-)	364.55 (224.28)	(-)	115.70 (359.94)	480.25 (584.22)	- (-)
Repayments of Loan taken	- (-)	(-)	(-)	3,000.00 (-)	3,000.00 (-)	- (-)
Interest Payable	- (-)	93.68 (64.09)	(-)	- (6.74)	93.68 (70.83)	93.68 (70.83)
Disposal of Investment	12,625.20 (-)	- (-)	- (-)	- (-)	12,625.20 (-)	- (-)

(Figures in bracket relate to previous year)

1) Sale of goods made to Fresenius kabi Oncology Plc UK, a Subsidiary Company ₹ 3,411.30. (Previous year ₹ 18,373.07).
2) Receiving of services includes from Fresenius Kabi Deutschland GmbH a holding company for ₹1 83.25 (previous year ₹ 71.77) & from fellow subsidiaries i.e. Fresenius Netcare GmbH ₹ 246.09 (previous year ₹ 206.82), Fresenius Kabi Ab ₹ 59.88 (previous year ₹ Nil) and Fresenius Kabi Oncology Plc ₹ 151.20 (previous year ₹ Nil)
3) Inter-company receipt includes from Fresenius Kabi Deutschland Gmbh ₹ 9,518.30 out of which ₹ 9,097.28 towards product development .
4) Repayment of loan given to subsidiary pertains to Fresenius Kabi Oncology Plc. UK for ₹ 3,717.07 and Interest received on the loan is ₹ 32.82.
5) Interest paid to holding company Fresenius Kabi (Singapore) Pte. Ltd: ₹ 364.55 (previous year ₹ 224.28) same paid to Fellow subsidiary Fresenius Kabi India Pvt. Ltd ₹ 115.70 (previous year ₹ 359.94).
6) Interest payable to holding company Fresenius Kabi (Singapore) Pte. Ltd: ₹ 93.68 (previous year ₹ 64.09).
7) Receipt from Fresenius kabi Oncology Plc towards proceeds of disposable of investment.

Note 10: Refer Note B11 in schedule 22 to accounts

Employee related Dues: (Information pursuant to AS-15)

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	80.67	143.25	223.92
		(52.9)	(153.73)	(206.63)
C.	Interest Cost	39.15	41.68	80.83
		(26.49)	(35.32)	(61.81)
D.	Expected Return on Plan Assets	-33.43	-	-33.43
		(-25.16)	(-)	(-25.16)
E.	Actuarial Loss/ Gain	190.28	72.08	262.36
		(94.47)	(-131.15)	(-36.68)
F.	Total Expenses recognized during	276.67	257.01	533.68
		(148.7)	(57.9)	(206.6)

b) Reconciliation of opening & closing balances of obligations

Particulars		**Gratuity (Funded)**	**Leave Salary (Unfunded)**	**Total**
I.	Obligation as on 1st April 2011	439.69	416.06	855.75
		(290.78)	(371.2)	(661.98)
II.	Past service cost	-	-	-
		(-)	(-)	(-)
III.	Current service cost	80.67	143.24	223.91
		(52.9)	(153.73)	(206.63)
IV.	Interest cost	39.15	41.68	80.83
		(26.5)	(35.32)	(61.82)
V.	Actuarial Gain / (Loss)	192.25	72.08	264.33
		(94.46)	(-131.15)	(-36.69)
VI	Settlement	-61.85	-76.55	-138.4
		(-24.95)	(-13.04)	(-37.99)
VII.	Obligation as on 31st March 2012	689.91	596.51	1,286.42
		(439.69)	(416.06)	(855.75)

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 2011	349.67	-	349.67
		(269.19)	-	(269.19)
II.	Expected Return on Plan Assets	33.43	-	33.43
		(25.16)	-	(25.16)
III.	Actuarial Gain / (Loss)	1.96	-	1.96
		-	-	(0)
IV.	Employer Contribution	149.17	-	149.17
		(80.27)	-	(80.27)
V.	Settlement	-61.85	-	-61.85
		(-24.95)	-	(-24.95)
VI.	Fair Value of Plan as on 31st March 2012	472.38	-	472.38
		(349.67)	-	(349.67)

(Note: Figures in brackets relate to previous year)

d) **Obligation vis-à-vis planned assets as on 31st March 2012**

Particulars	Gratuity (Funded)	Leave Salary (Unfunded)	Total
Obligation as on 31st March 2012	689.91	596.51	1,286.42
	(439.69)	(416.06)	(855.75)
Planned assets as on 31st March 2012	472.38	-	472.38
	(349.67)	-	(349.67)
Deficit as on 31st March 2012	217.53	596.51	814.04
	(90.02)	(416.06)	(506.08)

e. Investment detail of plan assets as on 31st March 2012 — 100% in reimbursement right from insurance company for fund managed by it.

f. **Actuarial Assumption:**

Discount rate (%)	8.60%
Estimated rate of return of benefit obligation	8.50%
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 13% (previous year 20%), retirement age at 58 (previous year 58).

B. **Defined Contribution Plan: -**

Company's contribution to different defined contribution plans: -

Particulars	2011-12	2010-11
Provident Fund	191.91	170.31
Employees State Insurance	25.36	22.20
Employees Superannuation Fund	64.96	31.89
Total	**282.23**	**224.40**

Note 11: Refer Note B12 in schedule 22 to accounts

Segment Reporting

₹ in Lacs

S. No.	Particulars	Audited for the year ended 31st March 2012	Audited for the year ended 31st March 2011
1	**Segment Revenue**		
	A. Formulation	38,878.56	34,525.18
	B. Bulk Drug	17,731.26	17,892.19
	Total Sales	**56,609.82**	**52,417.37**
	Less: Inter Segment Revenue	9,497.95	12,079.20
	Gross Sales (Net of Sales Tax/VAT) Income from Operation	47,111.87	40,338.16

₹ in Lacs

S. No.	Particulars	Audited for the year ended 31st March 2012	Audited for the year ended 31st March 2011
2	Segment Results (Profit (+)/Loss(-) before tax, interest and unallocable overheads)		
	A. Formulation	7,032.60	8,187.59
	B. Bulk Drug	2,875.61	4,305.44
	Total	**9,908.21**	**12,493.03**
	Less: 1) Interest	1,084.77	1,802.97
	2) Unallocable Expenditure net off unallocable income	5,643.69	3,958.32
	Total profit before tax	**3,179.75**	**6,731.74**
3	**Capital Employed** (Segment Assets less Segment Liabilities)		
	A. Formulation	46,272.90	41,714.40
	B. Bulk Drug	18,193.18	16,245.71
	C. Unallocable Capital Employed	(5,219.22)	(3,838.73)
	Total Capital Employed	**59,246.87**	**54,121.38**

Note 12: Refer Note B13 in schedule 22 to accounts

Information pursuant to AS-19

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

	2011-12	2010-11
- Not later than one year	673.53	670.23
- Later than one year and not later than five years	3,637.44	3,511.77
- Lease rent recognized in Profit and Loss A/c during the year	789.43	929.81

Note 13: Refer Note B15 in schedule 22 to accounts

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 2012	As on 31st March 2011
Plantation- in- progress (forming part of inventories)	199.02	146.19
Rent (forming part of profit & loss account)	3.55	10.45
Deferred plantation expenses (forming part of miscellaneous expenditure)	12.34	12.72
Payable (forming part of creditors for expenses)	-	0.35
Advances	22.01	-
Capital commitment (forming part of capital commitment in 3(c) above)	3,727.36	3,783.37

b) Break-up of plantation in progress:-	As on 31st March 2012	As on 31st March 2011
Seed	150.00	100.00
Professional Charges	8.70	8.70
Rent	4.00	1.55
Management Cost	31.35	31.35
Deferred plantation expenses amortized	1.35	0.97
Bonus	3.62	3.62
Total	**199.02**	**146.19**

Note 14: Refer Note B13 (a), (b), (c), (d) & (e) in schedule 22 to accounts

Information pursuant to clause 22 of Accounting Standard 21:

a) Fresenius Kabi Oncology Plc ceased to be subsidiary of the Company w.e.f 24th June 2011 after entire stake of the company in relevant wholly owned overseas subsidiary was disposed of at cost to a holding entity.

b) Profit and loss statement for the year ended 31st March 2012 after consolidating operations of Fresenius Kabi Oncology Plc, for the period it held the status of subsidiary is given below:-

Consolidated Profit & Loss Statement for the year ended 31st March 2012

	Description	For the year ended 31st March 2012	For the year ended 31st March 2011
I.	Revenue from operations	52,636.77	52,679.72
II.	Other Income	329.48	333.86
III.	**Total Revenue (I + II)**	**52,966.25**	**53,013.57**
IV.	Expenses		
	Cost of materials consumed	21,046.93	9,946.92
	Purchase of Stock-in-Trade	5,423.53	5,048.30
	Change in inventories of FG, WIP & stock-in-trade		
	Finished Goods	1,037.56	-581.43
	Work-in-Progress	-5,322.05	2,229.37
	Employee benefits expenses	6,554.44	7,529.23
	Finance Costs	1,942.50	3,180.16
	Depreciation and Amortisations expenses	2,827.19	3,430.49
	Other Expenses	19,721.18	18,554.50
	Total Expense	**53,231.27**	**49,337.53**
V.	Profit before exceptional and extraordinary items and tax (III – IV)	-265.03	3,676.04
VI.	Exceptional Items	-	-
VII.	Profit before extraordinary items and tax (V-VI)	-265.03	3,676.04
VIII.	Extraordinary Items (Refer Note no. 9)	4,448.28	-
IX.	Profit before tax (VII + VIII)	4,183.25	3,676.04
X.	Tax expenses		
	1. Current Tax	1,480.91	1,399.96
	2. Deferred Tax	593.61	675.72
XI	Profit / (Loss) for the year from continuing operations (IX – X)	2,108.73	1,600.36
XII.	Earning per equity share (before extraordinary items)		
	1. Basic	-0.82	1.09
	2. Diluted	-0.82	1.09
XIII.	Earning per equity share (after extraordinary items)		
	1. Basic	1.33	1.01
	2. Diluted	1.33	1.01

c) Assets and Liabilities ceased to be part of business combination since 24th June 2011 include following:

Particulars		₹ In Lacs
A)	**Assets:**	
	Fixed Assets	25,456.77
	Inventories	11,966.12
	Debtors	4,646.25
	Cash & Bank	537.18
	Loans and Advances	579.98
	Sub Total (A)	**43,185.30**
B)	**Outside Liabilities**	
	Unsecured Loan	51,618.65
	Current Liabilities and Provision	8,648.52
	Sub Total (B)	**60,267.17**
	Net Assets (A-B)	**-17,081.87**

d) Fresenius Kabi Oncology Plc, being the lone subsidiary of the Company at the point of disposal of former's stake, there is no other financial statement calling for consolidation as on 31st March 2012.

e) Extraordinary income relates to income of ₹ 4,448.28 accrued during the year on account of research and development services extended to a holding entity pertaining to earlier financial years following decision to the effect arrived at during the current financial year netted by ₹ 268 being the liability for import duty crystallized during the year in respect of earlier financial years. Extraordinary income of previous year ₹ 268.07 lacs relates to excess of realization over net investment during liquidation proceeding of wholly owned subsidiary of Thailand.

Note 15: Refer Note B18 in schedule 22 to accounts

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

a) Without considering of extra-ordinary items:

₹ in Lacs

Particulars	**For the year ended 31st March 2012**	**For the year ended 31st March 2011**
Profit after tax	5,095.09	4,924.17
Add (Less): extra ordinary expenses (income)	(4,448.28)	(268.07)
Add: Impact of change in of accounting financial instrument	458.43	-
Less: Income Tax on above	(84.81)	-
Less: Deferred tax on financial instrument recognized against forward contract	(155.67)	-
Add: Income tax on extra ordinary item	822.93	-
Profit before extra ordinary items	1,687.69	4,656.10
Number of equity shares (basic & diluted)	15,82,27,655	15,82,27,655
EPS (basic and diluted) before considering of extra ordinary items	1.07	2.94

b) After considering of extra-ordinary items:

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
Profit after tax	5,095.09	4,924.17
Profit including extra-ordinary items	5,095.09	4,924.17
Number of equity shares (basic & diluted)	15,82,27,655	15,82,27,655
EPS (basic and diluted) after considering of extra ordinary items	3.22	3.11

Note 16: Refer Note B19 in schedule 22 to accounts

Miscellaneous Expenditure:
(to the extent not written down off or adjusted)

Particulars		For the year 31st March 2012		For the year 31st March 2011
Deferred Plantation Expenses	-		-	
Opening Balance	12.72		-	
Addition during the year	-		13.69	
Sub-total	12.72		13.69	
Less: Amortised during the year	0.38		0.97	
Total (Balance)		**12.34**		**12.72**

For Fresenius Kabi Oncology Limited

RAKESH BHARGAVA
Chairman

PETER F. NILSSON
Managing Director & CEO

JITENDER KUMAR MADAN
Asstt. GM (F & A)

NIKHIL KULSHRESHTHA
Company Secretary

Gurgaon
21st June 2012

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

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