



LETTER TO SHAREHOLDERS

Dear Fellow Shareholders:

The year 2010-2011, was a year of consolidation, well spent towards embarking on global activities and building a strong base for a high growth plan.

Key pointers have been:

- While our NP has grown by 25%, Exports as a contribution to total sales was 8% as against 2% in the earlier year. The current trend shows that exports will grow substantially in the forthcoming years.
- Our company set up a Joint Venture in Nepal to manufacture a specific range of large animal biologicals. The project size being INR 150 million, an export oriented unit, is slated to go on-stream by March 2013.
- We signed a technology transfer agreement with IVRI (Indian Veterinary Research Institute), through which we acquired technology to manufacture PPR and Goat Pox vaccines. PPR disease is part of the national disease eradication program embarked by the Government of India, thereby increasing the demand for PPR vaccine in the country.

Our target is now to spiral an upward growth. While working towards ensuring the consistency in maintaining the bottom line, our focus is to increase sales in terms of a products and markets. Various international marketing opportunities and alliances are being considered.

As always, Hester's success is well attributed to its dedicated team of over 250 employees.

I thank all our bankers, vendors, business partners and stakeholders for their perennial support. I am grateful to the Board of Directors for their undaunted support and guidance.

Sincerely

A handwritten signature in black ink, appearing to read "Rajiv Gandhi".

Rajiv Gandhi
CEO & Managing Director

24 May 2011



CORPORATE INFORMATION

BOARD OF DIRECTORS :

Dr. Bhupendra V. Gandhi *Chairman*
 Mr. Rajiv Gandhi *CEO & Managing Director*
 Mr. Sanjiv Gandhi
 Mr. Darayus Lakdawalla
 Mr. Ravin Gandhi
 Mr. Abhinava Shukla
 Mr. Vimal Ambani
 Mr. Vishwesh Patel
 Dr. Parimal Tripathi *Alternate Director of Mr. Ravin Gandhi*

CHIEF FINANCIAL OFFICER :

Mr. Jigar Shah

COMPANY SECRETARY :

Mrs. Amala Parikh

REGISTERED OFFICE :

Village : Merda Adraj,
 Taluka : Kadi,
 District : Mehsana, Gujarat - 382 721.

CORPORATE OFFICE :

16/10, Devendra Society,
 Naranpura,
 Ahmedabad - 380 013.

MANUFACTURING UNIT :

Village : Merda Adraj,
 Taluka : Kadi,
 District : Mehsana, Gujarat - 382 721.

BANKERS :

Bank of India
 Navrangpura Branch,
 Ahmedabad - 380 009.

AUDITORS :

M/s. Shah Narielwala & Co.
 Chartered Accountants
 608, 'Shitiratna', Panchvati, Ellisbridge,
 Ahmedabad - 380 006.

AUDIT COMMITTEE :

Mr. Vimal Ambani *Chairman*
 Mr. Abhinava Shukla *Member*
 Mr. Vishwesh Patel *Member*

SHAREHOLDERS' GRIEVANCE COMMITTEE :

Mr. Abhinava Shukla *Chairman*
 Mr. Vishwesh Patel *Member*
 Mr. Vimal Ambani *Member*

REMUNERATION COMMITTEE :

Mr. Vishwesh Patel *Chairman*
 Mr. Abhinava Shukla *Member*
 Mr. Vimal Ambani *Member*

REGISTRAR & TRANSFER AGENTS :

M/s. Sharepro Services (India) Pvt. Ltd.
 (Ahmedabad Branch)
 416-420, 4th Floor, Devnandan Mall,
 Opp. Sanyash Ashram, Ashram Road,
 Ellisbridge, Ahmedabad-380 006.

ISIN :

INE782E01017

CIN :

L99999GJ1987PLC022333

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Dear Shareholder:

Your Directors are pleased to present the 24th Annual Report with the Audited Accounts of the Company for the year ended 31.3.2011.

FINANCIAL RESULTS :

(Rs. In Millions)

Particulars	Current Year	Previous Year
Total Income	421.03	376.13
Profit before Depreciation & Tax	156.62	138.33
Less : Depreciation	44.78	42.33
Profit Before Tax	111.84	96.00
Less : Provision for Tax		
Deferred Tax	(1.09)	0.66
Current Tax	40.00	32.51
Income tax of earlier year	(3.03)	2.50
Fringe Benefit Tax	—	—
Net Profit After Tax	75.96	60.33
Balance of Profit & Loss Account	82.62	55.85
Profit available for appropriation	158.58	116.18
Dividend on equity shares	18.17	15.57
Dividend Tax	3.02	2.59
General Reserve	20.00	15.40
Balance carried to Balance sheet	117.39	82.62
Earnings per share (Basic/Diluted)	14.63	11.62

FINANCIAL HIGHLIGHTS

Sales

Your company posted a turnover of Rs. 419.71 million in the financial year ended on 31.3.2011, as compared to Rs. 375.32 million in the previous year.

Profitability

Your company's PBT for the year ended 31.3.2011 was recorded at Rs. 111.84 million, a compared to Rs. 96.00 million in the previous year.

Earning per share

EPS was at Rs.14.63 as on 31.3.2011 as against Rs. 11.62 as on 31.3.2010.

Net Worth

The company's net worth as on 31.3.2011 was at Rs. 479.85 million as compared to Rs. 408.64 million as on 31.3.2010.

Dividend

Your Directors have recommended a dividend payment of Rs. 3.50 per equity share of Rs. 10 each for the financial year 2010-11. This dividend is subject to approval by the shareholders at the ensuing AGM.

REVIEW OF OPERATIONS

The last financial year was attributed towards consolidation as well as towards embarking on global activities. Exports went up by a little over 4 times.

A JV was set-up in Nepal to facilitate the manufacture of specific animal vaccines for international markets. This JV is expected to go on-stream in early 2013. The total outlay of the project is INR 150 million. The proposed project would be the first vaccine manufacturing project in Nepal.

New technology was acquired during the year. We signed a technology transfer agreement with Indian Veterinary Research Institute for acquiring the technology to manufacture PPR and Sheep Pox vaccines.

CAPACITY UTILISATION

The company has reached 58% capacity utilisation as on 31.3.2011 by producing 2763.25 million doses.

GMP AND ISO CERTIFICATION

We continue to be a GMP and an ISO 9001-2008 certified company. We hope to get Environmental Management Systems (EMS) ISO 14001:2004 and Occupational Health and Safety (OHSAS) 18001:2007 certifications by December 2011.

FUTURE PROSPECTS

PPR disease is part of the Government of India's National Disease Eradication Program. The disease eradication program will generate a big demand for the PPR vaccine within India, notwithstanding the demand in the neighboring countries.

Newer markets for poultry vaccines (international) and newer vaccines (large animal vaccines) for India are the two main growth propelling factors for our company.

Looking at the well established infrastructure for sales and distribution, your company is planning to establish an Animal Health Division. This proposed division would introduce poultry and large animal health/medicinal products and feed additives.

Toll manufacturing opportunities are being looked into which would partly utilize our capacity, thereby reducing the average fixed cost.

Clinical trials of animal vaccines are a new area which is being explored by our company.

ENERGY CONSERVATION

(Information under section 217(1)(e) of the Companies Act 1956)

The company has a continuous focus on energy conservation. Regular studies are conducted to analyses quantitative energy conservation patterns, and variances are rigorously scrutinised. The company regularly benchmarks its energy conservation levels and consistently works towards improving efficiencies, towards getting the cost of energy down for every unit produced.

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION:

Particulars		31-03-2011	31-03-2010
(A) Power and Fuel Consumption:			
Electricity:			
(a) Purchased			
Units	Kwh	3,059,660.00	2,852,640 .00
Total Amount	Rs.	18,222,772.59	18,151,076.81
Rate/ Unit	Rs.	5.96	6.38
(b) Own Generation through Diesel Generator set			
Units	Kwh	56,925.00	60,822.00
Unit per liter of Diesel Oil	Kwh	3.09	3.07
Cost/Unit	Rs.	14.06	12.12
(B) Consumption per Unit of Production :			
Electricity consumed per vial (in units)		2.35	1.97

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

R&D work is currently on-going towards developing new vaccines from new field strains isolated from various parts of the country.

The technology received from Indian Veterinary Research Institute is currently being adapted to our production system.

Our endeavor continues to improvise production processes as well as yields.

FOREIGN EXCHANGE EARNINGS & OUTFLOW:

Foreign exchange earnings during the year were Rs. 32.98 million (Previous Rs.7.78 million) towards sale of goods. Total outflow of foreign exchange towards purchase of materials, trading goods, travelling expenses, purchase of capital items during year was Rs. 47.81 million as compared to Rs. 31.93 million during the previous year.

DIRECTORS:

In accordance with the provisions of the Articles of Association and of the Companies Act 1956, Mr. Abhinava Shukla and Mr. Vimal Ambani, Directors of the Company, retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Praful Amin has resigned as a Director with effect from 19th March, 2011. The Board appreciated the contribution made by him during his tenure.

The brief particulars of all directors, for which approval of members for their appointment or re-appointment are sought, have been provided in the Notice of Annual General Meeting pursuant to Clause 49 of the Listing Agreement relating to Corporate Governance.

PUBLIC DEPOSITS:

The company has not invited or accepted any deposits under Section 58A of the Companies Act, 1956, from the public, during the year.

FINANCE:

The working capital requirement was funded through enhanced bank limits. The capital expenditures were funded through the additional working capital & term loan from the bankers and internal accruals.

PREFERENTIAL ALLOTMENT:

To meet the additional funds requirement of the Company for future expansion and diversification in various related products, the Board of Directors of the Company have issued 480,000 Share Warrants to Promoters and to non-promoters, on a preferential allotment basis, with each warrant convertible in to one equity share of the Company of nominal value of Rs. 10 per share, at a price of Rs, 137 per share, which includes premium of Rs. 127 per share, as determined under the SEBI (Issue of Capital and Disclosures requirements) Regulation, 2009. Allotment of warrants was made as on 12th August 2010. This will generate an inflow of Rs. 65.76 Million in the Company.

“GROUP” FOR INTER SE TRANSFER OF SHARES

As required under Clause 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 persons constituting “Group” (within the meaning as defined in the Monopolies and Restrictive Trade Practice Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 13 of the aforesaid SEBI Regulation are given as under :

Sr.No.	List of persons	Sr.No.	List of persons
1.	Rajiv D. Gandhi	11.	Darayus Lakdawalla
2.	Nina R. Gandhi	12.	Zubin Lakdawalla
3.	Ravin Gandhi	13.	Kanti Gandhi
4.	Bela Gandhi	14.	Dinesh Gandhi
5.	Bhupendra Gandhi	15.	Urmilaben Gandhi
6.	Shaila Gandhi	16.	Yash Gandhi
7.	Sanjiv Gandhi	17.	Priya Gandhi
8.	Hetal Gandhi	18.	Biolink Healthcare Limited
9.	Madhuri Kapadia	19.	Hester Diagnostics Private limited
10.	Anup Kapadia	20.	Hester Coatings Private Limited

SUBSIDIARY COMPANY

The Company has one subsidiary namely Hester Biosciences (Mauritius) Limited (a wholly owned subsidiary - 100% holding). A statement pursuant to Section 212 of the Companies Act, 1956 is attached to the Accounts.

In terms of general exemption granted by Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 8.2.2011, under section 212(8) of the Companies Act 1956, the Audited Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of our subsidiary need not be attached with the Balance Sheet of the Company subject to complying with certain conditions. These documents will be made available upon request by any member of the Company interested in obtaining the same. However, the brief financial details of the subsidiary have been furnished under “Financial details of Subsidiary Company”, forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, consolidated Financial Statements presented by the Company includes financial information of its subsidiary. These documents will also be available for inspection during business hours at our registered office.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, a separate section on Corporate Governance and certificate obtained from practicing Company Secretary confirming its compliance, is provided separately and forming part of this Report. The Board of Directors supports the basic principles of corporate governance. In addition to this, the board lays strong emphasis on transparency, accountability and integrity.

Report on Management Discussion and Analysis is provided in separate section, forming part of this report.

FORMATION OF VARIOUS COMMITTEES:

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report which is annexed and which forms part of this report.

PARTICULARS OF EMPLOYEES:

The information required under section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, the names and other particulars of employees are not applicable to the Company, as no employees are drawing remuneration of Rs. 6,000,000 or more, per annum, employed throughout the year, or Rs. 500,000 or more, per month, employed for a part of the year.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act 1956, I would like to state the following:

In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

The Directors have selected such accounting policies and have applied them consistently and made judgments and estimates which are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2010-2011.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the attached statements of accounts for the year ended 31st March 2011 on a going concern basis.

AUDITORS & AUDITORS REPORT:

M/s. Shah Narielwala & Co.; Chartered Accountants, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Notes forming part of the accounts are self explanatory and therefore, do not require any further comments.

ACKNOWLEDGEMENT:

The Directors express their appreciation to Bank of India, its own employees at all levels and customers for their sustained support.

Last but not the least, the directors convey their gratitude to the esteemed shareholders whose perennial support has been the main source of inspiration.

By order of the Board

24th May 2011
Ahmedabad

Rajiv Gandhi
CEO & Managing Director

Outlook for the Industry

The poultry and more particularly the cattle industry is growing fast within India. The population growth, growth in literacy levels, growth in income levels as well as more people coming out of poverty – these parameters contribute to the demand of meat and meat products, milk and milk products and eggs.

The demand for animal biologicals will continue to grow due to the growth in poultry and cattle population.

PPR eradication program embarked by the government will mobilize vaccination programs in each state against PPR disease.

The growth rate of the poultry industry though being relatively small in the last financial year, the industry is further consolidating, with small farms being managed under integration business, thereby giving control of management of these small farms collectively to an integration company. This consolidation/integration is taking the industry towards scientific management thereby increasing the need for vaccination.

The government policy towards poultry vaccines continues to be the same as what it was at the beginning of the financial year.

Imports though permissible, are unable to make any major dent in the Indian market. The quality of locally produced animal vaccines is comparable to any equivalent international vaccines.

Avian Influenza disease (Bird Flu) in chicken is being effectively controlled by the Government of India to avoid recurrence or the spread of the disease.

Outlook for the Company

With new products being introduced, mainly on the large animal vaccines side, and international registrations for poultry vaccines coming through in this year, your company is poised for a high growth.

Production costs have further reduced.

With additional vaccines, additional markets and the proposed Animal Health Division, your company is poised for an upward growth in terms of the top line.

Internal Control Systems

Budgetary controls are well in place. Yearly budgets are reviewed every quarter. The deviations if any are addressed to ensure that the yearly targets are met in terms of revenues and expenditures. The concept of rolling budgets is adopted.

Financial Performance Vs Operational Performance

The financial performance of the company for the year 2010-11 is described in the Director's report.

Human Resources

Human resources development continues to be a focus area for your company.

The total strength of the company is over 250 motivated employees (permanent and contractual). As always, personnel turnover has been very negligible.

Health Safety measures are given high importance. Educating workers on social behavioral aspects has been on-going.

Industrial relations continued to remain cordial at all levels.

REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has stipulated Corporate Governance Standards for Listed Companies vide Clause 49 in the listing agreement with the Stock Exchange.

Corporate Governance is Corporate discipline extended transparency, integrity and accountability towards all stakeholders. Corporate Governance helps to achieve excellence to enhance stakeholders value by focusing on long-term value creation without compromising on integrity, social obligations and regulatory compliances.

Company's Philosophy on Corporate Governance

Hester Biosciences Limited, has always been committed to the principal of sound Corporate Governance to promote the effective functioning of the Board and its Committee & to assist it in the exercise of its responsibility. Our Board exercises its fiduciary responsibilities in the widest sense of the term.

The Company's continued endeavor is to achieve good governance which ensures our performance rules with integrity whereby ensuring the truth, transparency accountability & responsibility in all our dealings with our employees, shareholders, consumers & the community at large. Apart from compliance with the Statutory provisions of Company Law, allied acts & Listing Agreements, our disclosure seeks to attend best practice in corporate governance. We believe that sound corporate governance is critical to enhance & retain stakeholders trust.

The Board of Directors represents the interest of the Company's stakeholders, for optimising long term value by way of providing necessary guidance and strategic vision to the Company. The Board also ensure that the Company's management and employees operate with highest degree of ethical standard. Corporate Governance is strongly driven by our values such as quality, commitment, customer orientation & integrity.

Board of Directors:

The Company's Board comprises of 8 Directors (excluding one alternate Director) with a mix of executive/non-executive and promoter/independent directors. Out of total Board members, Chairman is Non-Executive Promoter Director, Managing Director is Executive Promoter Director, two are Non-Executive Promoter Directors and other 4 are Non-Executive Independent Directors .During the year, Mr. Praful Amin has been resigned as Non-Executive Independent Director w.e.f. 19th March, 2011. The composition of Board complies with the requirements of the Corporate Governance code with 50% of the directors being non-executive Independent directors.

The Board normally meets once in a quarter. Additional meetings are held as and when required. During the year under review, Board of Directors of Hester met 5 times, viz 23rd May, 2010, 2nd July, 2010, 28th July, 2010, 25th October, 2010, & 3rd February, 2011 and the 23rd Annual General Meeting was held on 28th July, 2010. The gap between any two meetings did not exceed four months. The agenda papers along with notes and other supporting were circulated in advance of the Board Meeting with sufficient information as required under Clause 49 of the Listing Agreement.

The table below provides the composition of the Board, their attendance at Board meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director, Designation & Age	Category & Nature of Employment	Date of Appointment	No. of other Directorship held in public companies in India	No. of other Board committees of which Member(M)/Chairman (C)	Board meeting attended	Attendance at the last AGM	No. of Shares held & % holding (of the Company)
Dr. Bhupendra V Gandhi Chairman, 69 Years	Non Executive, Non Independent Director	03/12/1992	0	0	2	Yes	304,010 5.86%
Mr. Rajiv Gandhi CEO & Managing Director 49 Years	Executive Non Independent Director- Contractual Employment	29/04/1987	2	0	5	Yes	503,606 9.70%
Mr. Sanjiv Gandhi Director, 46 Years	Non Executive, Non Independent Director	29/04/1987	1	0	2	Yes	391,480 7.54%
Mr. Darayus Lakdawalla Director, 50 Years	Non Executive Independent Director	01/03/1990	0	0	1	Yes	15,720 0.30%
Mr. Ravin Gandhi Director, 38 Years	Non Executive, Non Independent Director	22/04/1999	0	0	—	No	268,880 5.18%
Mr. Vimal Ambani Director, 50 Years	Non Executive Independent Director	01/02/2003	2	0	3	Yes	54,900 1.06%
Mr. Abhinava Shukla Director, 66 years	Non Executive Independent Director	01/02/2003	0	0	5	Yes	—
Dr. Parimal Tripathi 52 Years	Non Executive, Non Independent Director	27/06/2003	0	0	1	No	—
*Mr. Praful Amin Director, 76 Years	Non Executive Independent Director	02/05/2009	2	3 (C)	4	Yes	—
Mr. Vishwesh Patel Director, 34 Years	Non Executive Independent Director	23/05/2010	1	0	3	Yes	—

*Mr. Praful R. Amin has resigned w.e.f. 19th March, 2011

Notes:

1. This number excludes the directorships/committee memberships held in private companies and also of the Company. Committee include Audit Committee and Shareholders' Grievance Committee as per Clause 49 of The Listing Agreement.
2. As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies & membership of board committees (audit/remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship, except Dr. Bhupendra V. Gandhi, Mr. Sanjiv Gandhi & Mr. Ravin Gandhi who are relative of Managing Director of the Company. Non-executive Directors have no transaction with the company, except receiving sitting fees for attending Board Meetings. The details of sitting fees, commission and remuneration paid to each director appear later under the disclosure relating to Remuneration to Directors.

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING:

Name of Director	Mr. Abhinava Shukla	Mr. Vimal Ambani
Date of Birth	06.10.1945	26.10.1961
Date of appointment	01.02.2003	01.02.2003
Qualifications	B. E., MBA	B.E., MBA
Expertise in specific functional areas	Management	General Management
List of Public Co. in which Directorship held	Nil	Tower Overseas Ltd. Sanrhea Technical Textile Ltd.
Chairman/ Member of the Committees of the Board of Directors of the Co.	1 - Chairman 1 - Member	1 - Chairman 1 - Member
Chairman/ Member of the committees of Directors of other Co.	Nil	Nil

CODE OF CONDUCT

The Board of Directors has adopted the Code of Business Conduct and Ethics for the Directors and Senior Management. The said Code has been communicated to the Directors and the Members of the senior Management. All Board Members and Senior Managerial Personnel have affirmed compliance with the code of conduct for the year ended on 31st March 2011. A declaration to this effect duly signed by CEO of the Company is attached herewith and forms part of Corporate Governance Report.

AUDIT COMMITTEE :

The Audit Committee comprises of 3 members, Mr. Vimal Ambani as the Chairman of the Committee and Mr. Abhinava Shukla & Mr. Vishwesh Patel as the Members. The Committee was reconstituted as on 24th March, 2011 in which, Mr. Praful Amin has resigned as a Chairman and Mr. Vishwesh Patel was appointed as member. With this reconstitution, Audit Committee comprises of Mr. Vimal Ambani as a Chairman & Mr. Abhinava Shukla and Mr. Vishwesh Patel as the Members of the Committee. All members are Non-Executive Independent Directors.

The above composition meets all the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Manager (Finance) acts as the Secretary of the Audit Committee.

During the year under review, 4 meeting were held on 23rd May, 2010, 28th July, 2010, 25th October, 2010 and 3rd February, 2011. The chairman of Audit Committee had attended last Annual General Meeting of the company held on 28th July, 2010. The Audit Committee at its Meeting held on 23rd May, 2010, reviewed the Annual Accounts for the year 2009-10 and recommended the accounts for approvals by the Board of Directors. The Audit Committee at its meeting held on 28th July, 2010 and 25th October, 2010 and 3rd February 2011, reviewed the unaudited financial results for the quarter ended on June 30, 2010, September 30, 2010 and December 31, 2010.

Details of attendance of members of the Audit Committee is as under:

Name	Designation	Attendance
*Mr. Praful Amin	Ex-Chairman	3
Mr. Vimal Ambani	Chairman	3
Mr. Abhinava Shukla\$	Member	4
\$Mr. Vishwesh Patel	Member	N.A.

*Resigned w.e.f. 24.3.2011

\$Appointed w.e.f. 24.3.2011

Mr. Jigar Shah, CFO is a regular invitee and also acting as Secretary to the Audit Committee. Statutory Auditors are invited as and when required.

BROAD TERMS OF REFERENCE :

The broad terms of reference of the Committee as approved by the Board includes overseeing of the Company's financial reporting process, the appointment of statutory auditors and internal auditors, reviewing the quarterly and annual financial statements before submission to the Board for approval, compliance with listing and other legal requirements relating to financial statements, reviewing adequacy of the internal and internal audit function, etc.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with stock exchange or any other applicable law.

The Audit Committee has reviewed the Management Discussion and Analysis of financial condition and results of operations forming part of this Annual Report and other information as mentioned in Clause 49 (II)(E) of the Listing Agreement.

SHAREHOLDERS' GRIEVANCE COMMITTEE :

The Shareholders Grievance Committee as a committee of the Board has been constituted mainly to focus on the redressal of Shareholders / Investors Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. The Shareholder Grievance Committee comprises of 3 members, Mr. Abhinava Shukla as the Chairman of the Committee & Mr. Vishwesh Patel and Mr. Vimal Ambani as the Member. The Committee was reconstituted as on 24th March, 2011, in which Mr. Darayus Lakdawalla has resigned, while Mr. Abhinava Shukla was appointed as a Chairman. With this reconstitution, Shareholders Grievance Committee comprises of Mr. Abhinava Shukla as a Chairman, Mr. Vimal Ambani and Mr. Vishwesh Patel as the Members of the Committee. All members are Non-Executive Independent Directors.

During the year, 4 meetings were held on 23rd May, 2010, 28th July, 2010, 25th October, 2010 and 3rd February, 2011. The Company had received 6 complaints from the Shareholders, all of them have been resolved and no complaint was pending as on 31st March, 2011.

Mr. Jigar Shah, CFO provides secretarial support to the Committee and is also the designated Compliance Officer for such matters.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchanges and hence the handling of physical transfer of shares is minimal. The Board has delegated powers for approving transfer and transmission of shares and issue of duplicate shares to Share Transfer Committee. The Share Transfer Committee met 19 times during the year. The Company has no transfers pending at the close of the financial year.

The following table summarizes the status of investor complaints received during the period. These were attended within a reasonable period of time

Sr. No.	Nature of Complaints / Requests	Opening as on 01-04-10	Received	Resolved	Pending as on 31-03-11
1.	Non-receipt of Dividend warrant	—	2	2	—
2.	Non-receipt of Annual Reports / Sticker	—	4	4	—
3.	Non-receipt of shares after transfer / Rights Shares	—	—	—	—
4.	Letters received from SEBI / ROC / Stock Exchanges	—	—	—	—
5.	Others – Demat Credit	—	—	—	—
Total		—	6	6	—

REMUNERATION COMMITTEE

The Remuneration Committee as a committee of the Board has been constituted mainly to determine and recommend to Board, the company's policies on remuneration packages for executive and non- executive directors. The Remuneration Committee comprises of 3 members, Mr. Vishwesh Patel as the Chairman of the Committee, Mr. Abhinava Shukla & Mr. Vimal Ambani as the Members. The Committee was reconstituted as on 24th March, 2011, in which Mr. Praful Amin has resigned, while Mr. Vishwesh Patel was appointed as Chairman of the Committee. With this reconstitution, Remuneration Committee comprises of Mr. Vishwesh Patel as a Chairman & Mr. Abhinava Shukla & Mr. Vimal Ambani as the Members of the Committee. All members are Non-Executive Independent Directors.

The Company pays remuneration to its Managing Director by way of Salary, perquisites and allowances, as approved by the members in general meeting. Non- executive Directors have no transaction with the Company, except receiving sitting fees for attending Board Meetings and Audit Committee Meetings. The Company does not pay any severance fees. The details of remuneration paid to directors are provided below in this report under the head Remuneration to Directors.

Remuneration to Directors :

Name of Director	Designation	Remuneration (including perquisites) Paid Rs.	Sitting Fees paid Rs.	Commission paid Rs.	Total Remuneration Rs.
Dr. Bhupendra V. Gandhi	Chairman	NIL	5,000	NIL	5,000
Mr. Rajiv Gandhi	CEO & Managing Director	3,346,936	NIL	NIL	3,346,936
Mr. Sanjiv Gandhi	Director	NIL	5,000	NIL	5,000
Mr. Darayus Lakdawalla	Director	NIL	5,000	NIL	5,000
Mr. Ravin Gandhi	Director	NIL	NIL	NIL	NIL
Mr. Vimal Ambani	Director	NIL	22,500	NIL	22,500
Mr. Abhinava Shukla	Director	NIL	35,000	NIL	35,000
Dr. Parimal Tripathi	Alternate Director	NIL	5,000	NIL	5,000
*Mr. Praful Amin	Director	NIL	27,500	NIL	27,500
Mr. Vishwesh Patel	Director	NIL	20,000	NIL	20,000
Total		3,346,936	125,000	NIL	3,471,936

*Resigned w.e.f. 19.3.2011

SUBSIDIARY COMPANY :

During the year, one wholly owned subsidiary Company has been incorporated namely Hester Biosciences (Mauritius) Limited w.e.f. 17th February, 2011, which is non - material non-listed subsidiary. The Audit Committee reviews the financial statements, particularly, the investments made by subsidiary Company. Minutes of the said subsidiary Company are being placed before the Board for its review. The Board also reviews the accounts of the said Subsidiary Company on regular basis.

OTHER COMPLIANCES :

The Company has no materially significant related party transactions with its promoters, the directors or the management or relatives etc. that may have potential conflicts with the interests of the Company at large.

For details about related parties transactions, see Note No. 13 of Notes on Accounts under Schedule 17 of the balance sheet of the Company.

There were no instances of non-compliance or Penalties, imposed on the Company by the Stock Exchange/(s) or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years.

In preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied have been set out in the Notes to the Accounts.

Business risk evaluation and management is an ongoing process within the Organisation. During the year under review, a detailed exercise on the Business Risk Management was carried out covering all aspects of business operations.

The Company has already appointed Mr. Rajiv Gandhi, as CEO & Managing Director and Mr. Jigar Shah, as CFO of the Company. Certification from the both was placed as a part of good Corporate Governance practice in the Annual Accounts of FY 2010-11.

GENERAL BODY MEETINGS :

Details of the last three Annual General Meetings are as under :

AGM	Date	Time	Venue	No. of special Resolutions passed
21st AGM	28th August, 2008	11.00 a.m.	Village : Merda Adraj, Taluka : Kadi, Dist : Mehsana, Gujarat 382 721	0
22nd AGM	18th August, 2009	11.00 a.m.	Village : Merda Adraj, Taluka : Kadi, Dist : Mehsana, Gujarat 382 721	1 (One)
23rd AGM	28th July, 2010	11.00 a.m.	Village : Merda Adraj, Taluka : Kadi, Dist : Mehsana, Gujarat 382 721	1 (One)

At the AGM held on 18th August, 2009, special resolution was passed for re-appointment of Mr. Rajiv Gandhi, as CEO & Managing Director of the Company as per section 198,269 and other application provisions of the Act. At the AGM Held on 28th July, 2010, special Resolution was passed, for issue of 480000 Equity Warrants on Preferential basis to Promoters and Non-Promoters, as per section 81(1A) and other application provisions of the Act. These Warrant Holders have right to convert into Equity Shares of the Company of nominal value of Rs. 10/- each at a price of Rs. 137/- per share, on or before 12th February, 2012.

The special resolutions indicated above were passed by show of hands.

POSTAL BALLOT :

The Company has not passed any resolution through postal ballot during the year under reference. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed through Postal Ballot.

CEO/CFO Certification:

The Company is duly placing a certificate to the Board from the CEO & Managing Director and Chief Financial Officer in accordance with the provisions of Clause 49(V) of the Listing Agreement. The aforesaid certificate duly signed by the CEO & Managing Director and Chief Financial Officer in respect of the financial year ended 31st March, 2011 has been placed before the Board and given elsewhere in this Annual Report.

Means of Communication :

During the year, quarterly, half-yearly and annual financial results of the Company were submitted to the stock exchange immediately after the conclusion of the Board meetings and were also published in any two newspapers namely, in Business Standard (English) and Economics Times (English & Gujarati). These results are also put on the Company's website : www.hester.in.

The Company also informs by way of intimation to the stock exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.

SHAREHOLDERS' INFORMATION :

Registered office : Village: Merda Adraj Taluka : Kadi District : Mehsana Gujarat 382 721

Corporate Office : 16/10, Devendra Society, Naranpura, Ahmedabad 380 013.
Phone : 079 – 27680476, Fax : 079 – 27682250
E-mail : mail@hester.in, Website : <http://www.hester.in>

Branches :

Coimbatore No. 18, Ashok Layout, Civil Aerodrome Post, Sitra, Coimbatore - 641014 Tamilnadu.

Hyderabad House No.7-4-10/3, Yesodara Nagar, Opp. Medicare Hospital, Sagar Ring Road, L.B.Nagar, Hyderabad - 500074 Andhra Pradesh.

Bangalore No 14, 4th Main, 4th block, 1st Stage, Near Indian Academy College, Opp Regency Magnum Apartment, Hennur Main Road, HBR Layout, Kalyanagar Post, Bangalore 560043 Karnataka.

Pune Gat No.1313, Milakat No.2354, Near Ramkrishna ware Housing, Pune-Saswad Road, At.Post.Wadki, Tal. Haweli, Dist. Pune-412308 Maharashtra.

Panchkula DSS-25 Sector-12 Panchkula Near Yadav Bhawan. Panchkula -134109 Haryana.

Date, Time, Venue of Annual General Meeting

The 24th Annual General Meeting of the members of the company is scheduled to be held on Saturday the 3rd September, 2011 at 11.00 a.m. at its Registered Office of the company at Village : Merda Adraj, Taluka: Kadi, District : Mehsana, Gujarat 382 721. All the members are invited to attend the meeting.

The Members / Proxies who intend to attend the meeting are requested to bring the Attendance slip sent herewith duly filed in to the Meeting.

Financial calendar

Financial year 2010-11 (April 1, 2010 to March 31, 2011)

Results were announced on	- 28th July, 2010	- first quarter
	- 25th October, 2010	- half year
	- 3rd February, 2011	- third quarter
	- 24th May, 2011	- fourth quarter and annual (audited)

Financial year 2011-12 (April 1, 2011 to March 31, 2012)

Results will be announced on	- Third week of July 2011	- first quarter
	- Last week of October 2011	- half year
	- Last week of January 2012	- third quarter
	- Last week of May 2012	- fourth quarter and annual (audited)

Book closure : Saturday the 27th August, 2011 to Saturday the 3rd September, 2011 (both days inclusive).

Annual General Meeting : Saturday, 3rd September, 2011 at 11.00 a.m.

Details of Shares

Types of shares : Equity Shares

No. of paid up shares : 51,91,200

Market lot of shares : 1 share

Stock code : Name of Stock Exchange Code no.
Mumbai Stock Exchange 524669

Listing

The Company's shares are listed and traded on the Stock Exchanges at Mumbai. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2011-2012.

STOCK DATA

Monthly share price data on BSE for the financial year 2010-11 is as under :

Month	High Rs.	Low Rs.	Average Rs.	Volumes (No. of Shares)
April '10	156.00	128.00	142.00	30,670
May '10	142.95	120.05	131.50	35,248
June '10	143.70	127.00	135.35	13,163
July '10	171.90	138.10	155.00	50,554
August '10	165.00	140.00	152.50	14,563
September '10	160.00	132.00	146.00	78,260
October '10	158.00	128.00	143.00	91,513
November '10	158.30	133.00	145.65	35,377
December '10	154.85	132.10	143.48	33,792
January '11	143.70	125.15	134.43	22,138
February '11	136.90	115.10	126.00	76,609
March '11	130.00	111.10	120.55	10,122

SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM:

The Company's shares are compulsorily traded in dematerialized mode, as on 31st March 2011, 90.38% shares were held in dematerialized form and balance 9.62% shares were held in physical form. Those shareholders whose shares are held in physical form are requested to dematerialized the same at the earliest in their own interest. The demat security code (ISIN) for the equity shares is **INE782E01017**

DISTRIBUTION OF SHAREHOLDING (AS ON MARCH 31, 2011)
a. On the basis of Shares held

No. of Equity Shares held (Range)	No. of Share-holders	Percentage to total Share-holders	No. of Shares held	Percentage to total Shares held
Up to 500	3,067	89.34	375,772	7.24
501 - 1000	124	3.61	101,037	1.95
1001 - 2000	71	2.06	103,481	1.99
2001 - 3000	32	0.93	81,372	1.57
3001 - 4000	28	0.81	102,167	1.97
4001 - 5000	13	0.38	60,877	1.18
5001 - 10000	31	0.91	206,676	3.98
10001 - 20000	24	0.70	330,793	6.37
Above 20000	43	1.26	3,829,025	73.75
TOTAL	3,433	100	5,191,200	100

b. On the basis of Category

Description	No. of Members		No. of Shares	
	Nos.	%	Nos.	%
A Promoters Holding				
Directors & Relatives	25	0.73	2,432,476	46.86
Promoters' Companies	4	0.12	201,892	3.89
B Non Promoter Holding				
Resident Individual (incl. HUF)	3,294	95.95	1,931,076	37.20
Non Resident Individual	34	0.99	360,953	6.95
Institution, Mutual Fund, Bank etc.	1	0.03	17,249	0.33
Domestic Companies	72	2.10	242,451	4.67
Trustee & others	3	0.08	5,103	0.10
Total:	3,433	100	5,191,200	100

SHARE TRANSFER SYSTEM :

Applications for transfer of shares in physical form are processed by the Company's Registrar & Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd. The Share Transfer Committee constituted for transfer / transmission of shares, issue of duplicate shares and allied matters considers and approves the share transfer once in fortnight subject to transfer instrument being valid and complete in all respects.

The Company has obtained half yearly certificates from Company Secretary in Practice for compliance of share transfer formalities as per the requirement of Clause 47(c) of the Listing Agreement with Stock Exchange. The Company has also carried out quarterly Secretarial Audit for the reconciliation of Share Capital as required under SEBI circular no. 16 dated 31st December 2002.

PAN REQUIREMENT FOR TRANSFER OF SHARES IN PHYSICAL FORM

The Securities & Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) for securities market transactions & off market/private transactions involving Transfer of Shares in Physical Form of Listed Companies. Therefore it shall be mandatory for the transferee(s) to furnish a copy of the PAN Card to the Company/Registrar & Share Transfer Agents for Registration of such transfers. Members/Investors are therefore requested to make note of the same & submit their PAN Card copy to the Company/ Registrar & Share Transfer Agents.

DETAILS OF DIVIDEND

The Board of Directors has recommended Dividend @ Rs.3.50 per share for financial year 2010-2011, as compared to @ Rs.3.00 per share for last year. The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:

- (i) to those members whose names are on the Register of Members on 26th August, 2011 or to their mandates.
- (ii) in respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on 26th August, 2011

DETAILS OF UNPAID DIVIDEND

As the Company has not paid any dividend, prior to the last six year's dividend and so there is no unpaid dividend amount transferred to Investor Education and Protection Fund. All members, who have not claimed any dividend amount in last six years, are requested to revalidate their dividend warrants.

OUTSTANDING GDRS/ADRS/WARRANTS/ANY OTHER CONVERTIBLE INSTRUMENTS

The Company has issued and allotted 480000 Equity Warrants on Preferential basis to Promoters and Non-Promoters, as per section 81(1A) and other application provisions of the Act. These Warrant Holders have right to convert into Equity Shares of the Company of nominal value of Rs. 10/- each at a price of Rs. 137/- per share, which included premium of Rs. 127/- per share. As on 31st March, 2011, all the Warrants are outstanding, which are required to be converted into Equity Shares on or before 12th February, 2012.

NOMINATION FACILITY

It is in the interest of the shareholders to appoint nominee for their investments in the Company. Those members who are holding shares in physical mode and has not appointed nominee or want to change the nomination, are requested to send us nomination form duly filed in and signed by all the joint holders.

APPOINTMENT OF REGISTRAR & TRANSFER AGENT

In terms of SEBI circular D&CC/FITTC/CIR-15/2002 dated December 27, 2002, the company appointed **M/s Sharepro Services (India) Pvt. Ltd. of Ahmedabad** (details as mentioned below) as Share Transfer Agent and Share Registrar, for physical as well as dematerialized shares.

CHANGE IN SHAREHOLDERS DETAILS

In case you are holding your shares in dematerialised form (e.g. in electronic mode), communication regarding change in address, bank account details, change in nomination, dematerialisation of your share certificates or other inquiries should be addressed to your DP where you have opened your Demat Account, quoting your client ID number. In case of physical holding of shares, any communication for change of any details should be addressed to our R&T agent of the company M/s. Sharepro Services (India) Pvt. Ltd., Ahmedabad, as per address mentioned below.

INVESTORS COMMUNICATION

Share Transfers / Dematerialisation or other queries relating to Shares of the Company should be addressed to :

M/s. Sharepro Services (India) Pvt. Ltd.

(Ahmedabad Branch)

Unit : Hester Biosciences Limited

416-420 4th Floor, Devnandan Mall, Opp. Sanyash Ashram, Ashram Road, Ellisbridge, Ahmedabad -380006

Ph. 079 – 26582381 to 84 Fax : 079 – 26582385 e-mail: Sharepro@shareproservices.com

DECLARATION UNDER CODE OF CONDUCT

As required under Clause 49(I)(D) of the Listing Agreement, it is hereby affirmed that all the Board Members and Senior Management Personnel have complied with Code of Conduct of the Company. The Company has obtained confirmation for the compliance of Code of Conduct from the Board Members and Senior Management Personnel on an annual basis

Ahmedabad
24 May, 2011

Rajiv Gandhi
CEO & Managing Director

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

We, Mr. Rajiv Gandhi, Chief Executive Officer & Managing Director and Mr. Jigar Shah, Chief Financial Officer & Manager Finance of Hester Biosciences Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and Loss account, its schedule and notes to the accounts and cash flow statements for the year ended 31st March, 2011 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statement together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards , applicable laws and regulations.
2. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company during the year which are fraudulent , illegal or violate the company's code of conduct.
3. We accept the responsibilities for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee
 - a. significant change in internal control over financial reporting during the year.
 - b. significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
 - c. instances of significant fraud of which we have become aware and involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Ahmedabad
24 May, 2011

Rajiv Gandhi
*Chief Executive officer
& Managing Director*

Jigar Shah
Chief Financial Officer

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Registration No. : L99999GJ1987PLC022333

Nominal Capital : Rs.6,50,00,000/-

To,
The Members of
HESTER BIOSCIENCES LIMITED

In accordance with Clause 49 of the Listing Agreement entered into by **Hester Biosciences Limited** with the Stock Exchange, I have examined all the relevant records of the Company relating to its compliance of conditions of Corporate Governance as stipulated in the Clause 49, for the financial year ended on March 31, 2011.

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

In my opinion and to the best of my information and according to the explanations given to me and the re-presentations made by the Directors and the Management, I certify that the Company has complied with the mandatory conditions of Corporate Governance as stipulated in abovementioned Listing Agreement, except that :

- the formal Risk Management Policy should be adopted by the Board, covering detail area of risk involved in the organisation
- the Code of Conduct are yet to be placed on website of the Company.

As per the records maintained by the Company and information given to me, I have to state that there were no investor grievance remaining unattended/ pending for a period exceeding one month as on March 31, 2011.

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

Place : Ahmedabad
Date : 24 May, 2011

Name of Company Secretary **Tapan Shah**
Membership No. : FCS4476
C. P. Number 2839

AUDITORS' REPORT

To,
The Members,

HESTER BIOSCIENCES LIMITED.

1. We have audited the attached Balance Sheet of **Hester Biosciences Ltd.** as at **31st March, 2011** and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
 - iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report have been prepared, in all material respects, in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - v. On the basis of written representations received from the directors of the company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and given a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2011:

- b. in the case of the Profit and Loss Account, of the profit of the company for the year ended on that date and
- c. in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

for Shah Nariealwala & Co
Chartered Accountants

(Naishadh H. Shah)
Partner

Place : Ahmedabad
Date : 24th May, 2011

Member ship No: 042323
F.R.N.109708W

Annexure to the Auditors' Report referred to in Paragraph-3 of our report of even date

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government under section 227(4A) of the Companies Act, 1956 and in terms of the information and explanations given to us and also on the basis of such checks as we considered appropriate, we further report that:

- (1) In respect of its fixed assets :
 - (i) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (ii) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (iii) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- (2) In respect of its inventories :
 - (i) The inventory has been physically verified during the year as also at the end of the year by management. In our opinion, the frequency of verification is reasonable.
 - (ii) In our opinion and according to the information and explanation given to us, 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.
 - (iii) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (3) In respect of loans granted or taken to / from companies, firms or other parties in the Register maintained under Section 301 of the Companies Act, 1956 :
 - (i) The Company has granted loans to three Companies listed in the register maintained under Section 301 of the Companies Act, 1956. Outstanding balance of loans granted at the year end was Rs. 1,069,829/- (Rs. 693,014/-). Maximum outstanding at any time during the year of loans granted was Rs. 1,088,557/- (Rs. 3,878,015/-).
 - (ii) In our opinion and according to the information and explanations given to us, the rates of interest and

- other terms and conditions on which loans have been granted from companies/ other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (iii) The loans granted by the Company are at call and no stipulations have been made regarding payment of interest.
- (iv) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act and hence we have nothing to comment thereon.
- (4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal controls system.
- (5) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 :
- (i) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (ii) In our opinion and according to the information and explanations given to us, there are no transactions, which are made in pursuance of contacts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and are exceeding the value of rupees five lakhs in respect of any party during the year.
- (6) The Company has not accepted any deposits from the public.
- (7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (8) We have broadly reviewed the books of accounts, relating to materials and other items of cost maintained by the company in respect of product where pursuant to the rules made by the Central Government, the maintenance of Cost Records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have been informed that the same have been examined by an independent cost accountant.
- (9) In respect of statutory and other dues :
- (i) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor Education and Protection Fund, Employees' state insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, cess and other statutory dues applicable to it.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, Investor Education and Protection Fund, Employees' state insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, cess and other statutory dues applicable to it were outstanding, as at 31st March, 2011 for a period of more than six months from the date they became payable. However undisputed income tax liability outstanding for more than six month as on 31st March 2011 amounted to Rs. Nil (Rs. Nil).
- (iii) According to the information and explanations given to us, there are no dues in respect of sales tax /income tax / custom duty / wealth tax / service tax / excise duty / cess that have not been deposited with appropriate authority on account of any dispute.
- (10) The company does not have accumulated losses at the end of the financial year. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (11) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (13) In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (14) The company is not dealing or trading in shares, securities, debentures and other investments.
- (15) The Company has not given any guarantee for loans taken by others from bank or financial institution.
- (16) As informed to us, the term loans have been applied for the purpose for which they were raised.
- (17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except core (permanent) working capital.
- (18) According to the information and explanation given to us, the Company has made preferential allotment of Equity Warrants with an option to convert into Equity shares at a future date to parties and companies covered in the register maintained under section 301 of the Act at a price not prejudicial to the interest of the company.
- (19) During the period covered by our audit report, the company has not issued any debentures.
- (20) According to the information and explanations given to us, during the year, the company has not raised money by public issue. Accordingly clause 4(xx) of the order is not applicable.
- (21) 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.

for Shah Nariealwala & Co
Chartered Accountants

(Naishadh H. Shah)
Partner

Place : Ahmedabad
Date : 24th May, 2011

Member ship No: 042323
F.R.N.109708W

BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	As at	
		31st March 2011 (INR)	31st March 2010 (INR)
A. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	1	51,912,000	51,912,000
b) Equity Warrants	2	16,440,000	—
c) Reserve & Surplus	3	411,502,921	356,729,341
		479,854,921	408,641,341
2. LOAN FUNDS			
a) Secured Loans	4	213,247,470	201,489,488
3. Deferred Tax Assets/Liabilities			
Liabilities		25,839,229	27,009,657
Assets		381,102	461,348
		25,458,127	26,548,309
TOTAL		718,560,518	636,679,138
B. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	5	581,836,519	543,259,699
b) Less : Depreciation		189,677,362	144,898,150
c) Net Block		392,159,157	398,361,549
2. Investment	6	25,000,000	—
3. Current Assets, Loans & Advances	7	473,332,710	411,075,931
Less:-			
Current Liabilities & Provisions	8	171,931,349	172,758,342
Net Current Assets		301,401,361	238,317,589
TOTAL		718,560,518	636,679,138
Notes on Accounts	17		

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

[Naishadh H. Shah]
Partner
(Mem. No.: 042323)
Ahmedabad, Dt. 24th May, 2011

for and on behalf of the Board

Rajiv Gandhi *CEO & Managing Director*

Sanjiv Gandhi *Director*

Jigar Shah *CFO*

Amala Parikh *Company Secretary*

Ahmedabad, Dt. 24th May, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2011

PARTICULARS	SCHEDULE	Year Ended	
		31st March 2011 (INR)	31st March 2010 (INR)
A. INCOME			
1. Sales	9	419,714,423	375,322,738
2. Other Income	10	1,313,608	810,907
3. Change in Inventories	11	54,585,483	40,206,709
TOTAL		475,613,514	416,340,354
B. EXPENDITURE			
1. Trading Purchases		1,890,902	7,248,344
2. Raw Material Consumed	12	113,757,012	91,434,053
3. Manufacturing Expenses	13	60,984,408	57,075,964
4. Personnel Cost	14	58,193,293	49,971,266
5. Office, Administration & Selling Expenses	15	58,894,258	48,652,157
TOTAL		293,719,873	254,381,784
OPERATING PROFIT		181,893,641	161,958,570
Interest & Finance Charges	16	25,276,435	23,625,064
PROFIT BEFORE DEP. AND TAX		156,617,206	138,333,506
Less : Depreciation		44,779,212	42,334,101
PROFIT BEFORE TAX		111,837,994	95,999,405
Less : Provision for Taxation			
Current Tax		40,000,000	32,509,618
Deferred Tax		(1,090,183)	662,562
Income tax of earlier Year		(3,032,280)	2,495,575
		35,877,537	35,667,755
PROFIT AFTER TAX		75,960,457	60,331,650
BALANCE BROUGHT FORWARD		82,622,236	55,852,944
PROFIT AVAILABLE FOR APPROPRIATION		158,582,693	116,184,594
Less:			
Proposed Dividend (Equity Shares)		18,169,200	15,573,600
Dividend Tax		3,017,677	2,586,580
Transferred to General Reserve		20,000,000	15,402,178
BALANCE CARRIED TO BALANCE SHEET		117,395,816	82,622,236
Earning Per share (Basic/ Diluted)		14.63	11.62
Notes on Accounts	17		

As per our Report of even date attached

for and on behalf of the Board

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

[Naishadh H. Shah]
Partner

Jigar Shah

CFO

(Mem. No.: 042323)

Amala Parikh

Company Secretary

Ahmedabad, Dt. 24th May, 2011

Ahmedabad, Dt. 24th May, 2011

Particulars	31.03. 2011	31.03 2010
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Share Capital		
65,00,000 Equity Shares of Rs. 10/- each	65,000,000	65,000,000
	65,000,000	65,000,000
Issued, Subscribed and Paid-up Capital		
51,91,200 Equity Shares of Rs. 10/- each fully Paid-up (Prev. Yr. 51,91,200 Shares)	51,912,000	51,912,000
TOTAL	51,912,000	51,912,000
SCHEDULE - 2 : WARRANTS AGAINST EQUITY CAPITAL		
4,80,000 Equity Warrants (Each Warrant carry option to be convertible into 1 number of equity share of Rs. 10/- each within 18 months from the date of allotment of warrants at a price of Rs. 137/- per Share)	16,440,000	—
TOTAL	16,440,000	—
SCHEDULE - 3 : RESERVES & SURPLUS		
a) General Reserve		
Opening Balance	160,000,000	144,597,822
Add: Transferred during the Year	20,000,000	15,402,178
	180,000,000	160,000,000
b) Securities Premium	114,107,105	114,107,105
c) Profit & Loss Account	117,395,816	82,622,236
TOTAL	411,502,921	356,729,341
SCHEDULE - 4 : SECURED LOANS		
1. BANK OF INDIA		
a) Cash Credit	147,852,792	118,722,357
b) Term Loan	57,466,079	75,739,975
	205,318,871	194,462,332
(Above loans are Secured by Hypo. Of Stock, book Debts and other Current assets of the company and further secured by first charge on company's factory land building, Plant & Machineries & Other Assets.)		
2. HP LOAN		
(Secured by hypo. Of specific Vehicles/Car)		
ICICI Finance Ltd.	2,858,985	914,602
Kotak Mahindra Bank Ltd.	790,150	688,604
FED Bank Financial Services	2,212,965	2,488,273
Reliance Consumer Finance	2,066,499	2,935,677
HDFC Car Loan	—	—
	7,928,599	7,027,156
TOTAL	213,247,470	201,489,488

SCHEDULE 5 : FIXED ASSETS

(INR)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2010	Addition during the year	Deduction during the year	Balance as on 31.03.2011	Provided Upto 31.03.2010	Dep. of New the year	Adjustment during the year	Balance as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
ASSETS										
Land & Site Development	1,660,844	—	—	1,660,844	—	—	—	—	1,660,844	1,660,844
Factory Building	12,094,768	—	—	12,094,768	5,383,631	403965.25	—	5,787,596	6,307,171	6,711,137
Plant & Machineries										
- Imported	4,552,524	—	—	4,552,524	2,527,125	216,245	—	2,743,370	1,809,154	2,025,399
- Indigenious	33,490,107	—	—	33,490,107	17,338,577	1,590,780	—	18,929,356	14,560,751	16,151,531
Electrical Installation	3,088,718	—	—	3,088,718	1,876,732	146,714	—	2,023,446	1,065,271	1,211,986
Utilities	3,365,753	—	—	3,365,753	2,130,897	159,873	—	2,290,770	1,074,983	1,234,856
Furniture & Fixtures	1,245,262	—	—	1,245,262	770,341	78,825	—	849,166	396,096	474,921
Office Equipments	1,048,165	—	—	1,048,165	485,145	49,788	—	534,933	513,232	563,020
Vehicles	8,783,728	—	—	8,783,728	5,110,703	777,036	—	5,887,739	2,895,989	3,673,025
Computers	1,564,121	—	—	1,564,121	1,485,915	—	—	1,485,915	78,206	78,206
Dead Stock	169,064	—	—	169,064	113,368	10,701	—	124,069	44,995	55,696
Storage Equipment	431,276	—	—	431,276	134,698	20,486	—	155,184	276,092	296,578
Scooters	25,083	—	—	25,083	24,258	—	—	24,258	825	825
Dead Stock Canteen	32,598	—	—	32,598	29,967	2,063	—	32,030	568	2,631
Total(A)	71,552,013	—	—	71,552,013	37,411,358	3,456,476	—	40,867,834	30,684,179	34,140,655
Previous Year's Figures(A)	71,387,802	164,211	—	71,552,013	30,418,115	3,677,853	—	34,095,969	37,456,044	40,969,684

SCHEDULE 5 : FIXED ASSETS -New Project (CONTD...)

(INR)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2010	Addition during the year	Deduction during the year	Balance as on 31.03.2011	Provided Upto 31.03.2010	Dep. of New the year	Adjustment during the year	Balance as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
ASSETS										
Land & Site Development	12,336,400	—	—	12,336,400	—	—	—	12,336,400	12,336,400	—
Factory Building	114,168,256	576,551	—	114,744,807	28,808,390	8,579,468	—	37,387,858	77,356,949	85,359,866
Office Building	93,789,730	21,469,250	—	115,258,980	4,689,487	5,394,430	—	10,083,917	105,175,063	89,100,243
Guest house-Building	4,191,825	—	—	4,191,825	9,762	209,103	—	218,865	3,972,960	4,182,063
Plant & Machineries										
- Imported	14,137,627	860,793	—	14,998,420	4,823,434	1,395,658	—	6,219,092	8,779,328	9,314,193
- Indigenious	125,009,959	8,929,894	4,273,087	129,666,766	36,806,141	12,787,301	—	49,593,442	80,073,324	88,203,818
Electrical Installation	33,592,522	206,730	—	33,799,252	11,199,676	3,133,064	—	14,332,740	19,466,512	22,392,846
Utilities	30,590,735	946,189	—	31,536,924	10,735,782	2,798,411	—	13,534,193	18,002,731	19,854,953
Furniture & Fixtures	17,293,287	665,626	—	17,958,913	5,049,269	2,266,138	—	7,315,407	10,643,506	12,244,018
Office Equipments	4,793,024	763,895	—	5,556,919	1,138,526	594,375	—	1,732,901	3,824,018	3,654,498
Factory Equipments	—	220,606	—	220,606	—	5,085	—	5,085	215,521	—
Computer	6,329,066	1,073,269	—	7,402,335	1,382,387	2,114,980	—	3,497,367	3,904,968	4,946,679
Storage Equipment	2,648,596	935,131	—	3,583,727	741,201	339,141	—	1,080,342	2,503,385	1,907,395
Vehicles	12,826,660	5,423,916	—	18,250,576	2,102,737	1,705,582	—	3,808,319	14,442,257	10,723,923
Capital W.I.P. New Project	—	444,537	—	444,537	—	—	—	—	444,537	—
Live Stock	—	333,520	—	333,520	—	—	—	—	333,520	—
Total (B)	471,707,686	42,849,907	4,273,087	510,284,506	107,486,792	41,322,736	—	148,809,528	361,474,978	364,220,894
Previous Year's Figures (B)	401,783,404	34,536,176	—	436,319,580	33,709,043	34,759,037	—	68,468,080	367,851,500	368,074,361
Total (A)+(B)	543,259,699	42,849,907	4,273,087	581,836,519	144,898,150	44,779,212	—	189,677,362	392,159,157	398,361,549
Prev. Yr. (A) + (B)	473,171,206	34,700,387	—	543,259,699	64,127,158	42,334,101	—	144,898,150	405,307,544	409,044,047

	(INR)	
Particulars	31.03. 2011	31.03 2010
SCHEDULE - 6 : INVESTMENTS		
Investment in Subsidiary (Unquoted, Long term):-		
5,50,975 (P.Y. Nil) Equity shares each of US\$ 1/- in Hester Biosciences Mauritius Ltd.	25,000,000	—
TOTAL	25,000,000	—
SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES		
a) INVENTORIES (as taken, valued & certified by the management)		
- Raw Materials	17,445,973	14,484,662
- Semi - Finished Goods	167,242,079	95,623,120
- Packing Materials	4,370,092	4,182,731
- Finished Goods	35,321,549	52,355,025
- Stock of Consumable	2,417,311	2,970,716
TOTAL	226,797,004	169,616,254
b) SUNDRY DEBTORS (Unsecured, Considered Good)		
- Outstanding for more than six months	47,004,382	42,663,088
- Others	85,168,550	67,495,182
TOTAL	132,172,932	110,158,270
c) CASH & BANK BALANCE		
Cash on hand	1,382,187	1,237,178
Balance with Scheduled bank		
- Current Account	4,938,545	5,790,717
- Fixed Deposit	2,766,598	2,543,162
TOTAL	9,087,330	9,571,057
d) LOANS, ADVANCES & DEPOSITS (Unsecured, Considered Good)		
1. Advances recoverable in cash or kind or for value received	21,268,884	10,917,866
2. Deposits	7,129,024	6,718,534
3. Advance to Group Company/ Relative	801,787	693,015
4. Loan to others	2,580,922	2,391,072
5. Loan to Subsidiary Company	268,042	—
6. Advance Income Tax	73,226,785	101,009,863
	105,275,444	121,730,350
GRAND TOTAL (a+b+c+d)	473,332,710	411,075,931

(INR)

Particulars	31.03. 2011	31.03 2010
SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Creditors for Goods	23,994,043	16,106,620
Creditors for Expenses	9,267,381	8,966,165
Other Liabilities	11,862,657	9,517,553
Creditors for Capital Exp.	3,722,188	3,183,646
Unclaimed Dividend	2,350,585	1,571,560
	<u>51,196,854</u>	<u>39,345,544</u>
PROVISIONS		
Provision for Taxation	99,547,618	115,252,618
Provision for Taxation (Dividend)	3,017,677	2,586,580
Proposed Dividend (Equity Share)	18,169,200	15,573,600
TOTAL	<u>171,931,349</u>	<u>172,758,342</u>
SCHEDULE - 9 : SALES		
Local Sales	386,736,752	367,540,344
Export Sales	32,977,671	7,782,394
	<u>419,714,423</u>	<u>375,322,738</u>
SCHEDULE - 10 : OTHER INCOME		
Interest Income TDS Rs. 40,231/- (P.Y. Rs. 38,911/-)	786,629	454,206
Miscellaneous Income	526,979	356,701
TOTAL	<u>1,313,608</u>	<u>810,907</u>
SCHEDULE - 11 : CHANGE IN INVENTORY		
Closing Stock		
- Finished Goods	35,321,549	52,355,025
- Semi-Finished Goods	167,242,079	95,623,120
	<u>202,563,628</u>	<u>147,978,145</u>
Opening Stock		
- Finished Goods	52,355,025	36,542,051
- Semi-Finished Goods	95,623,120	71,229,385
	<u>147,978,145</u>	<u>107,771,436</u>
Increase / (Decrease) TOTAL	<u>54,585,483</u>	<u>40,206,709</u>
SCHEDULE - 12 : RAW MATERIAL CONSUMED		
Opening Stock	14,484,662	3,693,053
Add: Purchases	116,718,323	102,225,662
	<u>131,202,985</u>	<u>105,918,715</u>
Closing Stock	17,445,973	14,484,662
TOTAL	<u>113,757,012</u>	<u>91,434,053</u>
SCHEDULE - 13 : MANUFACTURING EXPENSES		
Power & Fuel	22,593,756	21,207,852
Consumables & Stores	5,074,205	5,687,163
Packing Expenses	9,546,520	9,566,174
Quality control & Testing Exp.	8,904,408	8,954,571
Repairs & Maintenance - Factory Building	745,698	1,856,355
Repairs & Maintenance - Machineries	5,533,503	3,171,875
Other Production Expenses	8,586,318	6,631,974
TOTAL	<u>60,984,408</u>	<u>57,075,964</u>

	(INR)	
Particulars	31.03. 2011	31.03 2010
SCHEDULE - 14 : PERSONNEL COST		
Directors' Remuneration	3,346,936	3,020,380
Contribution to Provident /Gratuity Fund	2,077,076	1,627,579
Salaries & Wages	50,518,483	43,510,727
Staff Welfare	2,250,798	1,812,580
TOTAL	58,193,293	49,971,266
SCHEDULE - 15 : OFFICE, ADMINISTRATION & SELLING EXPENSES		
Postage, Telephone & Telegram Expense	3,919,138	3,446,037
Insurance Expense	1,354,207	1,381,436
Legal, Professional & Consultancy	4,593,247	4,038,650
Auditor's Remuneration	488,273	378,103
Printing and Stationery	1,118,165	1,605,680
Travelling & Conveyance Expense	7,869,103	7,424,291
Director's Travelling	2,802,331	1,606,825
Rents, Rates & Taxes	5,919,916	2,118,584
Repairs & Maintenance - Others	2,743,584	2,042,371
Vehicle & Petrol Expenses	4,363,216	2,524,076
Electric Charges	620,145	475,822
Selling Expenses	3,302,921	3,329,627
Conference & Seminar Expenses	454,764	1,060,918
Carriage Outward	9,988,117	9,456,241
Sales Promotion	3,618,261	2,157,426
Membership Fees	710,130	655,982
Commission on Sales	950,099	2,237,294
Vat / Sales Tax Exp.	1,200,500	539,830
Bad Debts written off	142,262	83,662
AGM, Board meeting & Share transfer Exp.	176,539	202,353
Donations	627,320	691,000
Exchange Profit & Loss (Net)	—	49,533
Miscellaneous Expenses	1,932,020	1,146,417
TOTAL	58,894,258	48,652,157
SCHEDULE -16 : INTEREST & FINANCE CHARGES		
Bank Interest		
- Term Loan Interest	9,737,375	10,670,874
- Interest On Working Capital	12,742,687	10,019,599
Bank Commission & Charges	2,102,806	2,297,920
HP Finance Charges	693,567	636,671
TOTAL	25,276,435	23,625,064

SCHEDULE – 17 NOTES FORMING PART OF ACCOUNTS AS AT 31-03-2011
1. SIGNIFICANT ACCOUNTING POLICIES:
Accounting Convention:

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (“ICAI”), the provisions of the Companies Act, 1956.

a) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future period.

b) REVENUE AND EXPENDITURE RECOGNITION:

Revenue and expenditure are recognized on accrual basis.

c) FIXED ASSETS & DEPRECIATION:

All Fixed Assets are stated at historical cost less depreciation. Depreciation on all assets has been provided at rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on assets acquired and used in old project is being calculated on Straight Line method basis and on assets acquired for new project (commissioned during March’2007) is calculated on Written Down Value Method basis.

d) INVENTORIES:

Inventories are valued at lower of cost or market value.

Cost of work-in-progress and finished goods is ascertained considering direct costs plus a share of manufacturing overheads. Cost of raw materials and packing materials is arrived at, by using FIFO Method.

e) BORROWING COSTS:

Cost of borrowed funds for the project has been capitalized and included in the cost of fixed assets till commencement of production. Other borrowing costs are recognized as expenses in the period in which they are incurred.

f) FOREIGN CURRENCY TRANSACTIONS:

Expenditure/Income in foreign currencies are translated into Indian rupees at the rates prevailing on the date of occurrence of the transaction. At the year end all monetary foreign currency assets and liabilities are related to closing exchange rates. Gains or losses on settlement of foreign currency transactions during the period and from the year end restatement referred to above are recognized in the Revenue account.

g) IMPAIRMENT OF ASSET:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of the Company’s assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

h) RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged against the Profit for the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to the fixed assets and is depreciated on the same basis as other fixed assets.

i) PROVISION FOR RETIREMENT BENEFITS:

Post- employment benefit plans (i) Defined Contribution Plan: Contribution for provident fund are accrued in accordance with applicable Statutes and deposited with the Regional Provident Fund Commissioner. (ii) Defined Benefit Plan: The liabilities in respect of gratuity and leave encashment are determined Using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit & loss Account for the period in which they occur. Contributions in respect of gratuity are made to the Group Gratuity Scheme with Life Insurance Corporation of India. Employee benefits recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for Unrecognized past service cost and as reduced by the fair value of respective fund.

j) TAXATION :
i. Current Tax:

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

ii. Deferred Tax Provision:

Deferred Tax charge or credit is recognized on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. It is calculated using the applicable tax rates and tax laws that have been enacted by the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future. At each Balance–sheet date, recognized and unrecognized Deferred Tax Assets are reviewed.

2. PROVISION AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

CONTINGENT LIABILITIES & COMMITMENTS:

- a. Claims against the Company not acknowledgement as debts. Rs. Nil (Previous year Nil)
 - b. (i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net-off advances) Rs.1.85 million (Previous year 4.62 million).
3. Figures are rounded off to nearest rupee and previous year's figures have been regrouped wherever necessary.
 4. In the opinion of the Board of directors, loans and advances are of the value stated in the Balance Sheet, to be realized in the normal course of business and provision for all known liabilities have been made in the books of accounts which are adequate and not in excess of the amount reasonably required.
 5. The management of the company has during the year carried out technical evaluation for identification of impairment of assets, if any in accordance with the Accounting Standard (AS) 28, issued by the Institute of Chartered Accountants of India. Based on the judgment of the management and as certified by the directors, no provision for impairment of the asset is considered necessary in respect of any of the assets of the company.
 6. The amount of loans and advances include Rs.1,069,829 (P.Y. Rs.693,015/-) loans to companies, Firms and persons as listed in the register maintained under Section 301 of the Companies act, 1956. Maximum outstanding during the year was Rs.1,088,557/- (P.Y. Rs. 3,878,015/-)
 7. Balance of Debtors, Creditors and loans and advances are as per books and subject to confirmation from respective parties.
 8. The Management has initiated the process of identifying enterprise which have provided goods & services to the Company and which qualify under the definition of Micro and Small Enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises outstanding as on 31st March, 2011 has been made in the financial statements based on information received and such amount outstanding as on 31st March, 2011 from Micro and Small Enterprises is NIL, which the auditors have relied upon. Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provision of the Act is not expected to be material.
 9. During the year, company has made preferential allotment of Equity Warrants of Rs. 16,440,000/- (P.Y. Nil) with an option to convert into Equity shares at a future date.
 10. During the year Company has made investment of Rs.25.00 million in its wholly owned Subsidiary Company, Hester Biosciences (Mauritius) Limited formed on 17-02-2011 for the purpose of expanding its business activities on long term basis.

11. Remuneration to Managerial Personnel

(INR)

Particulars	2010-11	2009-10
Salaries and Allowances	3,260,000	3,000,000
Perquisites	86,936	20,380

12. Deferred taxation:

The net deferred tax liabilities at the end of the year comprise of tax effect of following timing differences: (INR)

Particulars	As at 31.03.2011	As at 31.03.2010
Deferred tax Assets		
Gratuity Payable	—	248,582
Leave encashment disallow (43B)	381,102	212,766
Deferred tax liability		
Gratuity (Advance)	(11,292)	—
- Excess of Net block over Written Down value as per provisions of I.T. Act	(25,827,937)	(27,009,657)
	(25,458,127)	(26,548,309)

13. Related Party Disclosures:

- (i) List of Related Parties :

Related parties with whom transactions have taken place during the year.

 - (a) Subsidiary Company:-
 1. Hester Biosciences (Mauritius) Ltd.
 - (b) Group Companies/Associates / Individual Relatives :
 1. Hester Coatings Pvt. Ltd.
 2. Sinsui (India) Pvt .Ltd.
 - (c) Key Management Personnel:
 1. Rajiv Gandhi – C.E.O & Managing Director.
 2. Jigar Shah – C.F.O

- (ii) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length: (INR)

Sr. No.	Nature of Transactions	Subsidiary Company		Group Companies/Associates/ Individual Relatives		Key Management Personnel	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
1.	Advance Given	268,042	Nil	127,500	28,000	5,000,000	1,643,671
2.	Advance Repaid	Nil	Nil	Nil	3,200,000	1,548,260	Nil
3.	Outstanding Balance Included in Loans & Advances	268,042	Nil	801,787	693,014	5,266,393	1,643,671
4.	Director's Remuneration	Nil	Nil	Nil	Nil	3,346,936	3,020,380
5.	Rent- MD's Residence	Nil	Nil	600,000	600,000	Nil	Nil
8.	Interest Received/ Receivable	Nil	Nil	Nil	Nil	170,982	23,671
9.	Salary Paid	Nil	Nil	Nil	Nil	3,022,449	2,457,000
10.	Investment in Equity Shares	25,000,000	Nil	Nil	Nil	Nil	Nil
11.	Sales	Nil	Nil	826,875	Nil	Nil	Nil
12.	Debtors Balance	Nil	Nil	1,192,275	365,400	Nil	Nil

Note : Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

14. Auditor's remuneration includes:

(INR)

Sr. No.	Particulars	2010-11	2009-10
a.	Audit fees	315,000	240,000
b.	Tax Audit and Taxation matters	127,500	100,000
c.	Others (Inc. S.tax)	45,773	38,103

15. Additional Information as required under Para 3, 4C and 4D of part II Schedule VI of the Companies Act, 1956 are as under:

A. Installed capacity of Poultry Vaccines: (in million doses)

	31.03.2011	31.03.2010
Installed	4800	4800
Actual Production	2763.25	2494.99

Note : Actual Production comprises of 147249 (Prev.Yr.202794) Bottles of Killed Vaccines and 1132894 (Prev.Yr.1330732) Vials of Live Vaccines.

B. Quantity (Net of returns) and Sales Value of each class of goods dealt with by the Company.

Class of Goods	U.O.M	31.03.2011		31.03.2010	
		Quantity	Value	Quantity	Value
(i) Manufacturing					
Killed Vaccines	Bottles	150,263	160,167,822	187,104	15,71,45,075
Live Vaccines	Vials	1,112,398	256,560,711	1,185,988	21,06,49,468
Diluents		—	—	—	34,815
TOTAL		2,110,589	416,728,533	1,373,092	36,78,29,358
(ii) Trading					
Kits	Nos.	105	2,942,890	194	5,972,004
Selfeed CF	Bag	0	—	9	6,100
Growth Media	Nos.	0	—	8,400	1,515,276
Ai Rod For Poultry	Nos.	29,900	29,812	0	—
Funnel For Poultry	Nos.	110	913	0	—
Rubber Pipe For Ai Rod	Mtr.	100	12,275	0	—
TOTAL		30,215	2,985,890	8,603	7,493,380

C. Value and Quantitative break-up in respect of opening and closing stock of each class of goods traded. (INR)

Class of Goods	U.O.M	Opening Stock				Closing Stock			
		Quantity		Value		Quantity		Value	
		31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
(i) Manufacturing									
Killed Vaccines	Bottles	25,645	12,975	16,948,388	8,559,368	13,902	25,645	7,564,984	16,948,388
Live Vaccines	Vials	434,235	375,370	32,590,348	22,688,629	247,246	434,235	26,285,086	32,590,348
Diluents				978,475	3,269,994			817,794	978,475

Class of Goods	U.O.M	Opening Stock				Closing Stock			
		Quantity		Value		Quantity		Value	
		31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
(ii) Trading									
Kits	Nos.	74	50	1,837,814	1,204,006	21	74	653,685	1,837,814
Selfeed CF	Bag	—	578	—	820,055	—	—	—	—

Note: 34 Kits are used for own in house consumption. (P.Y:27 Kits)

D. Value and Quantitative break-up of purchase of goods traded in:

Class of Goods	U.O.M	31.03.2011		31.03.2010	
		Quantity	Value (INR)	Quantity	Value (INR)
Kits	Nos	89	1,854,559	245	5,737,144
Growth Media	Nos.	—	—	8,400	1,511,200
Ai Rod For Poultry	Nos.	29,900	27,540	—	—
Funnel for Poultry	Nos.	110	643	—	—
Rubber pipe foray Rod	Mtrs.	100	8,160	—	—

E. Raw Material Consumption:

Class of Goods	U.O.M	31.03.2011		31.03.2010	
		Quantity	Value (INR)	Quantity	Value (INR)
Growth Media	Nos.	4,104,899	65,350,525	3,736,631	51,471,443
Other Chemicals			8,628,732		14,137,616
Concentrate			39,777,755		25,824,994
Total			113,757,012		91,434,053

F. C.I.F. value of Import of Goods/Raw Materials Rs. 44,529,715/- (Previous Year Rs. 29,406,294/-)

G. Raw Material Consumption:

	31.03.2011		31.03.2010	
	Percentage	Value (INR)	Percentage	Value (INR)
a. Imported	36.09	41,056,955	28.16	25,744,764
b. Indigenous	63.91	72,700,057	71.84	65,689,289
Total		113,757,012		91,434,053

16. Expenditure in Foreign Currency for

Particulars	31-3-2011 Value (INR)	31-3-2010 Value (INR)
Purchase/Materials/Trading goods/ Packing (including payment to creditors)	44,529,715	29,403,159
Travelling	1,118,079	157,638
Exhibition Expenses	—	—
Capital Expenditure (Furniture & Machinery)	—	1,389,681
Membership Fee	231,788	131,175
Technical Know-how Fees	—	233,500
Consultancy & Professional Fees	1,928,872	618,071
Remittance in foreign Currency on Account of Dividend	—	—

17. F.O.B. value of exports Rs. 32,977,671/- (Previous Yr. Rs. 7,782,395/-)

18. Disclosure as per AS-15 (Revised) on " Employee Benefit " for the year ended 31st March, 2011

a) Defined Contribution Plans

The company made contribution towards provident fund to defined contribution retirement benefit plans for qualifying employees. The provident fund plan is operated by the regional provident fund commissioner, the company required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefit.

The company recognized Rs. 1.29 million. (P.Y 0.90 million) for provident fund contribution in the profit and loss account. The contribution payable to this plan by the company are at rates specified in the rules of the scheme.

b) Defined benefit Plan

The company made annual contribution to the employee's Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India, a funded benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or a part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of define benefit obligation and the related current service cost were measured using the projected unit credit method as per actuarial valuation carried out at balance sheet date.

The following table sets out the funded status of the gratuity plan and the amount recognized by the company's financial statement as at 31st March 2011. (INR)

Particulars	As at 31st March, 2011	As at 31st March, 2010
i) Change in benefit obligations:		
Projected benefit obligations at beginning of the year	3,311,883	2,603,337
Service Cost	614,827	503,539
Interest Cost	264,951	201,759
Actuarial (Gain) / Loss	142,433	58,116
Benefits Paid	(130,012)	(54,868)
Projected benefit obligations at the end of year	4,204,082	3,311,883
ii) Change in plan Asset:		
Fair value of plan assets at the beginning of the period	2,580,545	1,934,393
Expected return on plan assets	206,444	149,915
Contribution	1,549,212	524,698
Benefit paid	(130,012)	(54,868)
Actuarial Gain/(Loss) on plan asset	31,885	26,407
Fair value of plan assets at the end of the period	4,238,074	2,580,545
Total actuarial gain/(loss) to be recognized	(110,548)	(31,710)
iii) Expenses recognized in income statement:		
Current service cost	614,827	503,539
Interest Cost	264,951	201,759
Expected return on plan asset	(206,444)	(149,915)
Net Actuarial Gain/(Loss) to be recognized	110,548	31,710
Expense recognized in P/L	783,882	587,092
iv) Assumptions used in accounting for the Gratuity plan:		
Discount rate previous period	8.00%	7.75%
Discount rate current period	8.25%	8.00%
Rate of return on plan asset previous period	8.00%	7.75%
Rate of return on plan asset current period	8.25%	8.00%
Salary escalation previous period	6.00%	6.00%
Salary escalation current period	6.00%	6.00%
v) Amount recognized in the Balance sheet:		
Liability at the end of the period	4,204,082	3,311,883
Fair value of the plan assets at the end of the period	4,238,074	2,580,545
Difference	(33,992)	731,338
Amount recognized in the balance sheet	(33,992)	731,338
vi) Actual Return on Plan Assets :		
Expected Return on Plan Assets	206,444	149,915
Actuarial Gain/(loss) on Plan Assets	31,885	26,407
Actual Return on Plan Assets	238,329	176,322
vii) Balance Sheet Reconciliation:		
Opening Net Liability	731,338	668,944
Expenses As Above	783,882	587,092
Employers Contribution Paid	(1,549,212)	(524,698)
Closing Net Liability	(33,992)	731,338

19. Earnings per Share:

Calculation of Net Profit available for Equity Shareholders: (INR)

	2010-11	2009-10
A. Net Profit After Tax	75,960,457	60,331,650
Profit available to Equity shareholders	75,960,457	60,331,650
B. Weighted Average No. of Eq. Shares of Rs. 10/- each	5,191,200	5,191,200
C. Basic and diluted Earning per share	14.63	11.62

The Equity warrants being dilutive potential shares issued at a fair price during the year have not been considered as having diluting effect on earning per share in the current year.

20. As the company's business activity, in the opinion of the Management, falls within a single primary segment i.e. Veterinary (Poultry) Vaccines, which are subject to same risks and returns, the disclosure requirements of Accounting Standard (AS) – 17 "Segment Reporting" issued by the Institute of chartered Accountants of India are, in the opinion of the management, not applicable.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No.

L	9	9	9	9	9	G	J	1	9	8	7	P	L	C	0	2	2	3	3	3
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Balance Sheet Date

3	1
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0	3
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2	0	1	1
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 State Code

						0	4
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Date Month Year

II. Capital Raised during the year (Rs. in thousands)

Private Placement

				N	I	L
--	--	--	--	---	---	---

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

Total Liabilities

	7	1	8	5	6	0
--	---	---	---	---	---	---

 Total Assets

	7	1	8	5	6	0
--	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

		5	1	9	1	2
--	--	---	---	---	---	---

 Reserves & Surplus

	4	1	1	5	0	3
--	---	---	---	---	---	---

Share Warrants

		1	6	4	4	0
--	--	---	---	---	---	---

 Secured Loans

	2	1	3	2	4	7
--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

	3	9	2	1	5	9
--	---	---	---	---	---	---

 Investments

		2	5	0	0	0
--	--	---	---	---	---	---

Net Current Assets

	3	0	1	4	0	1
--	---	---	---	---	---	---

 Deferred tax

		2	5	4	5	8
--	--	---	---	---	---	---

IV. Performance of Company (Rs. in thousands)

Total Turnover <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>4</td><td>1</td><td>9</td><td>7</td><td>1</td><td>4</td></tr></table>		4	1	9	7	1	4	Other Income <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>1</td><td>3</td><td>1</td><td>4</td></tr></table>				1	3	1	4	Total Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>9</td><td>3</td><td>7</td><td>2</td><td>0</td></tr></table>		2	9	3	7	2	0
	4	1	9	7	1	4																	
			1	3	1	4																	
	2	9	3	7	2	0																	
Profit before Tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>1</td><td>1</td><td>8</td><td>3</td><td>8</td></tr></table>		1	1	1	8	3	8		Profit after tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>7</td><td>5</td><td>9</td><td>6</td><td>0</td></tr></table>			7	5	9	6	0							
	1	1	1	8	3	8																	
		7	5	9	6	0																	
Earning per share in Rs. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>4</td><td>.</td><td>6</td><td>3</td></tr></table>			1	4	.	6	3		Dividend Rate <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>3</td><td>5</td><td>%</td></tr></table>					3	5	%							
		1	4	.	6	3																	
				3	5	%																	

V. Generic Names of Three Principal Products/Services of Company

Product Description : Item Code No. (ITC Code)

(a) Veterinary Vaccines

3	0	0	2	3	9	0	0
---	---	---	---	---	---	---	---

21. Schedule 1 to 17 are attached to and form part of accounts for the year ended on 31st March, 2011.

Signatures to Schedules 1 to 17

As per our Report of even date attached for Shah Narielwala & Co <i>Chartered Accountants</i> FRN : 109708W [Naishadh H. Shah] <i>Partner</i> (Mem. No.: 042323) Ahmedabad, Dt. 24th May, 2011	for and on behalf of the Board Rajiv Gandhi <i>CEO & Managing Director</i> Sanjiv Gandhi <i>Director</i> Jigar Shah <i>CFO</i> Amala Parikh <i>Company Secretary</i> Ahmedabad, Dt. 24th May, 2011
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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(INR)

	Year Ended 31.03.2011	Year ended 31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax and Extraordinary items	111,837,994	95,999,405
Adjustments for:		
Depreciation	44,779,212	42,334,101
Interest & Other Income	(1,313,608)	(810,907)
Interest & Finance Charges	25,276,435	23,625,064
	<u>68,742,039</u>	<u>65,148,257</u>
Operating Profit/(Loss) before Working Capital Change	180,580,033	161,147,662
Adjustments for:		
Trade and Other Receivables	(22,014,662)	13,195,967
Inventories	(57,180,750)	(52,491,454)
Trade Payables	11,072,284	(9,939,258)
Loans & Advances	(11,328,172)	7,615,897
Bank Borrowings for Working Capital	29,130,435	40,430,688
	<u>(50,320,865)</u>	<u>(1,188,161)</u>
Net Cash from Operating Activity	130,259,168	159,959,501
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase / Sale of Fixed Assets	(37,798,763)	(35,388,106)
Capital W.I.P. & Live Stock Addition	(778,057)	—
Investment in Subsidiary Company	(25,000,000)	—
Interest & Other Income	1,313,608	810,907
	<u>(62,263,212)</u>	<u>(34,577,199)</u>
Net Cash used in Investing Activities	(62,263,212)	(34,577,199)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share Warrants	16,440,000	—
Proceeds from Long Term Borrowings	(18,172,350)	(30,747,892)
Repayment of Long Term Financing	799,897	4,144,256
Repayment of Taxes	(27,476,220)	(59,106,763)
Dividend Paid	(14,794,575)	(12,978,000)
Interest paid	(25,276,435)	(23,625,064)
	<u>(68,479,683)</u>	<u>(122,313,463)</u>
Net Cash Flow from Financing Activity	(68,479,683)	(122,313,463)
Net Increase in Cash & Cash Equivalents	(483,727)	3,068,840
Cash & Cash Equivalent as at (Op Balance)	9,571,057	6,502,217
Cash & Cash Equivalent as at (Cl Balance)	9,087,330	9,571,057

As per our Report of even date attached

for and on behalf of the Board

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

[Naishadh H. Shah]
Partner

Jigar Shah

CFO

(Mem. No.: 042323)

Amala Parikh

Company Secretary

Ahmedabad, Dt. 24th May, 2011

Ahmedabad, Dt. 24th May, 2011

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

(INR)

PARTICULARS	HESTER BIOSCIENCES (MAURITIUS) LTD	HESTER BIOSCIENCES NEPAL PRIVATE LIMITED
Reporting Currency	US\$	NPR
Exchange Rate	45.21	0.64
Share Capital	24,909,580	32,093,240
Reserves	(320,810)	—
Total Assets	24,987,974	32,095,333
Total Liabilities	24,987,974	32,095,333
Investments (Excluding investments in subsidiaries)	—	—
Turnover	—	—
Profit Before Taxation	(320,810)	—
Provision for Taxation	—	—
Profit After Taxation	(320,810)	—
Proposed Dividend	—	—

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Board of Directors
Hester Biosciences Limited

We have audited the attached Consolidated Balance Sheet of Hester Biosciences Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at March 31, 2011 and the Consolidated Profit & Loss Account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto.

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

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

We did not audit the consolidated financial statements of the subsidiary, whose financial statements reflect total assets of Rs.32,233,905/- as at 31st March, 2011, Total Revenue of Rs.181/-, Net Loss of Rs.320,810/- and Net Cash Inflow amounting to Rs.7,109,895/- for the period ended on that date. These financial statements and other financial information have been audited by other auditors in the respective countries whose report have been furnished to us, and, our opinion is based solely on the reports of those auditors.

We report that these financial statements have been prepared by the company's Management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

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

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company as at March 31, 2011;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated Profit of the company for the year ended on that date, and
- (c) in the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the company for the year ended on that date.

for Shah Nariealwala & Co
Chartered Accountants

(Naishadh H. Shah)
Partner

Place : Ahmedabad
Date : 24th May, 2011

Member ship No: 042323
F.R.N.109708W

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	31ST MARCH, 2011	
		(INR)	(INR)
A. SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a) Share Capital	1	51,912,000	
b) Equity Warrants	2	16,440,000	
c) Reserve & Surplus	3	411,656,774	
			480,008,774
2 LOAN FUNDS			
a) Secured Loans	4		213,247,470
3 Deferred Tax Assets/Liabilities			
Liabilities		25,827,937	
Assets		369,810	
			25,458,127
4 Minority Interest			
			6,658,188
TOTAL			725,372,560
B. APPLICATION OF FUNDS			
1 Fixed Assets			
a) Gross Block	5	581,836,519	
b) Less: Depreciation		189,677,362	
			392,159,157
c) Net Block			
d) Pre-Operative Expenses (Pending Allocation)			16,098
2 Investment			
			0
3 Current Assets, Loans & Advances			
Less:-			
Current Liabilities & Provisions.	7	172,085,170	
			333,197,305
TOTAL			725,372,560
Notes on Accounts	16		

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

[Naishadh H. Shah]
Partner
(Mem. No.: 042323)
Ahmedabad, Dt. 24th May, 2011

for and on behalf of the Board

Rajiv Gandhi *CEO & Managing Director*

Sanjiv Gandhi *Director*

Jigar Shah *CFO*

Amala Parikh *Company Secretary*

Ahmedabad, Dt. 24th May, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2011

PARTICULARS	SCHEDULE	Financial Year 2010-2011	
		(INR)	(INR)
A. INCOME			
Sales	8		419,714,423
Other Income	9		1,313,789
Change in Inventories	10		54,585,483
TOTAL			475,613,695
B. EXPENDITURE			
Trading Purchases			1,890,902
Raw Material Consumed	11		113,757,012
Manufacturing Expenses	12		60,984,408
Personnel Cost	13		58,193,293
Selling, General & Adm. Expenses	14		59,208,694
TOTAL			294,034,308
OPERATING PROFIT			181,579,387
Interest & Finance Charges	15		25,282,991
PROFIT BEFORE DEPRE. AND TAX			156,296,396
Less : Depreciation			44,779,212
PROFIT BEFORE TAX			111,517,184
Less : Provision for taxation :			
Current tax		40,000,000	
Deffered tax		-1,090,183	
Income tax of eariler Year		-3,032,280	
			35,877,537
PROFIT AFTER TAX			75,639,647
BALANCE BROUGHT FORWARD			82,622,237
PROFIT AVAILBLE FOR APPROPRIATION			158,261,884
Less:			
Proposed Dividend (Equity Shares)			18,169,200
Dividend Tax			3,017,677
Transferred to General Reserve			20,000,000
BALANCE CARRIED TO BALANCE SHEET			117,075,007
Earning per Share (Basic/ Diluted)			14.57
Notes on Accounts	16		

As per our Report of even date attached

for and on behalf of the Board

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

[Naishadh H. Shah]
Partner

Jigar Shah

CFO

(Mem. No.: 042323)

Amala Parikh

Company Secretary

Ahmedabad, Dt. 24th May, 2011

Ahmedabad, Dt. 24th May, 2011

CONSOLIDATED SCHEDULES TO AND FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2011

PARTICULARS	31ST MARCH, 2011	
	(INR)	(INR)
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Share Capital		
65,00,000 Equity Shares of Rs.10/- each (Prev. Yr.65,00,000 shares)		65,000,000
		65,000,000
Issued,Subscribed and Paid up Capital		
51,91,200 Equity Shares of Rs.10/- each fully Paid-up (Prev. Yr. 51,91,200 Shares)		51,912,000
TOTAL		51,912,000
SCHEDULE - 2 : WARRANTS AGAINST EQUITY CAPITAL		
4,80,000 Equity Warrants (Each Warrant carry option to be convertible in to 1 number of equity share of Rs. 10 /- each within 18 months from the date of allotment of warrants at a price of Rs.137/- Per share.)		16,440,000
TOTAL		16,440,000
SCHEDULE - 3 : RESERVES & SURPLUS		
a) General Reserve		
Opening Balance		160,000,000
Add:Transferred during the Year		20,000,000
		180,000,000
b) Securities Premium		114,107,105
c) Profit and Loss account		117,075,007
d) Foreign Fluctuation Reserve		474,663
TOTAL		411,656,774
SCHEDULE - 4 : SECURED LOANS		
1. BANK OF INDIA		
a) Cash credit		147,852,792
b) Term Loan		57,466,079
		205,318,871
(Above loans are Secured by Hypo. Of Stock book Debts and other Current assets of thecompany and futher secured by first charge on Company's factory land building, Plant & Machineries & Other Assets.)		
2. HP Loan :		
(Secured by hypo. of specific Vehicles/car)		
ICICI Finance Ltd.		2,858,985
Kotak Mahindra Bank Ltd.		243,400
FED Bnk Fiancial Services		2,212,966
Reliance Consumer Finance		2,613,249
HDFC Car Loan		
		7,928,600
TOTAL		213,247,470

SCHEDULE 5 : FIXED ASSETS

(INR)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Balance as on 01.04.2010	Addition during the year	Deduction during the year	Balance as on 31.03.2011	Provided Upto 31.03.2010	Provided during the year	Adjustment during the year	Balance as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
ASSETS										
Land & Site Development	1,660,844	—	—	1,660,844	—	—	—	—	1,660,844	1,660,844
Factory Building	12,094,768	—	—	12,094,768	5,383,631	403965.25	—	5,787,596	6,307,171	6,711,137
Plant & Machineries										
- Imported	4,552,524	—	—	4,552,524	2,527,125	216,245	—	2,743,370	1,809,154	2,025,399
- Indigenious	33,490,107	—	—	33,490,107	17,338,577	1,590,780	—	18,929,356	14,560,751	16,151,531
Electrical Installation	3,088,718	—	—	3,088,718	1,876,732	146,714	—	2,023,446	1,065,271	1,211,986
Utilities	3,365,753	—	—	3,365,753	2,130,897	159,873	—	2,290,770	1,074,983	1,234,856
Furniture & Fixtures	1,245,262	—	—	1,245,262	770,341	78,825	—	849,166	396,096	474,921
Office Equipments	1,048,165	—	—	1,048,165	485,145	49,788	—	534,933	513,232	563,020
Vehicles	8,783,728	—	—	8,783,728	5,110,703	777,036	—	5,887,739	2,895,989	3,673,025
Computers	1,564,121	—	—	1,564,121	1,485,915	—	—	1,485,915	78,206	78,206
Dead Stock	169,064	—	—	169,064	113,368	10,701	—	124,069	44,995	55,696
Storage Equipment	431,276	—	—	431,276	134,698	20,486	—	155,184	276,092	296,578
Scooters	25,083	—	—	25,083	24,258	—	—	24,258	825	825
Dead Stock Canteen	32,598	—	—	32,598	29,967	2,063	—	32,030	568	2,631
Total(A)	71,552,013	—	—	71,552,013	37,411,358	3,456,476	—	40,867,834	30,684,179	34,140,655
Previous Year's Figures(A)	71,387,802	164,211	—	71,552,013	30,418,115	3,677,853	—	34,095,969	37,456,044	40,969,684

SCHEDULE 5 : FIXED ASSETS - New Project (CONTD...)

(INR)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Balance as on 01.04.2010	Addition during the year	Deduction during the year	Balance as on 31.03.2011	Provided Upto 31.03.2010	Provided during the year	Adjustment during the year	Balance as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
ASSETS										
Land & Site Development	12,336,400	—	—	12,336,400	—	—	—	—	12,336,400	12,336,400
Factory Building	114,168,256	576,551	—	114,744,807	28,808,390	8,579,468	—	37,387,858	77,356,949	85,359,866
Office Building	93,789,730	21,469,250	—	115,258,980	4,689,487	5,394,430	—	10,083,917	105,175,063	89,100,243
Guest house - Building	4,191,825	—	—	4,191,825	9,762	209,103	—	218,865	3,972,960	4,182,063
Plant & Machineries										
- Imported	14,137,627	860,793	—	14,998,420	4,823,434	1,395,658	—	6,219,092	8,779,328	9,314,193
- Indigenious	125,009,959	8,929,894	4,273,087	129,666,766	36,806,141	12,787,301	—	49,593,442	80,073,324	88,203,818
Electrical Installation	33,592,522	206,730	—	33,799,252	11,199,676	3,133,064	—	14,332,740	19,466,512	22,392,846
Utilities	30,590,735	946,189	—	31,536,924	10,735,782	2,798,411	—	13,534,193	18,002,731	19,854,953
Furniture & Fixtures	17,293,287	665,626	—	17,958,913	5,049,269	2,266,138	—	7,315,407	10,643,506	12,244,018
Office Equipments	4,793,024	763,895	—	5,556,919	1,138,526	594,375	—	1,732,901	3,824,018	3,654,498
Factory Equipments	—	220,606	—	220,606	—	5,085	—	5,085	215,521	—
Computer	6,329,066	1,073,269	—	7,402,335	1,382,387	2,114,980	—	3,497,367	3,904,968	4,946,679
Storage Equipment	2,648,596	935,131	—	3,583,727	741,201	339,141	—	1,080,342	2,503,385	1,907,395
Vehicles	12,826,660	5,423,916	—	18,250,576	2,102,737	1,705,582	—	3,808,319	14,442,257	10,723,923
Capital W.I.P. New Project	—	444,537	—	444,537	—	—	—	—	444,537	—
Live Stock	—	333,520	—	333,520	—	—	—	—	333,520	—
Total (B)	471,707,686	42,849,907	4,273,087	510,284,506	107,486,792	41,322,736	—	148,809,528	360,696,921	364,220,894
Previous Year's Figures (B)	401,783,404	34,536,176	—	436,319,580	33,709,043	34,759,037	—	68,468,080	367,851,500	368,074,361
Total (A)+(B)	543,259,699	42,849,907	4,273,087	581,836,519	144,898,150	44,779,212	—	189,677,362	391,381,100	398,361,549
Prev. Yr. (A) + (B)	473,171,206	34,700,387	—	543,259,699	64,127,158	42,334,101	—	144,898,150	405,307,544	409,044,047

PARTICULARS	31ST MARCH, 2011	
	(INR)	(INR)
SCHEDULE - 6 : CURRENT ASSETS, LOANS & ADVANCES		
a) INVENTORIES		
(as taken, valued & certified by the management)		
- Raw materials		17,445,973
- Semi -Finished Goods		39,071,583
- Packing Materials		4,370,092
- Finished Goods		163,492,045
- Stock of Consumable		2,417,311
TOTAL		226,797,005
b) SUNDRY DEBTORS		
a. Unsecured, Considered Good		
- Outstanding for more than six months		47,004,382
- Others		85,168,550
TOTAL		132,172,932
c) CASH & BANK BALANCE		
Cash on hand		1,382,188
Balance with Scheduled bank		
- Current Account		12,048,440
- Fixed Deposit		2,766,598
TOTAL		16,197,225
d) LOANS, ADVANCES & DEPOSITS		
(Unsecured, Considered Good)		
1. Advances recoverable in cash or kind or for value received		46,376,795
2. Deposits		7,129,024
3. Advance to Group Company/ Relative		801,787
4. Loan to others		2,580,922
5. Loan to Subsidiary Company		0
6. Advance Income Tax		73,226,785
TOTAL		130,115,313
GRAND TOTAL (a+b+c+d)		505,282,475
SCHEDULE - 7 : CURRENT LIABILITIES & PROVISIONS		
a) CURRENT LIABILITIES		
Creditors for Goods		23,994,043
Creditors for Expenses		9,421,202
Other Liabilities		11,862,657
Creditors for Capital Exp.		3,722,188
Unclaimed Dividend		2,350,585
		51,350,675
b) PROVISIONS		
Provision for Taxation		99,547,618
Provision for Taxation (Dividend)		3,017,677
Proposed Dividend (Equi. Share)		18,169,200
TOTAL		172,085,170

PARTICULARS	F.Y. 2010-2011	
	(INR)	(INR)
SCHEDULE - 8 : SALES		
Local Sales		384,933,428
Export Sales		34,780,995
TOTAL		419,714,423
SCHEDULE - 9 : OTHER INCOME		
Interest Income (TDS Rs. 40,231/-)		786,629
Miscellaneous Income		527,160
TOTAL		1,313,789
SCHEDULE - 10 : CHANGE IN INVENTORY		
Closing Stock		
- Finished Goods	163,492,045	
- Semi -Finished Goods	39,071,583	
		202,563,628
Opening Stock		
- Finished Goods	52,355,025	
- Semi -Finished Goods	95,623,120	
		147,978,145
Increase / (Decrease)		54,585,483
SCHEDULE - 11 : RAWMATERIAL CONSUMED		
Opening Stock		14,484,662
Add: Purchases		116,718,322
		131,202,984
Less: Closing stock		17,445,973
TOTAL		113,757,012
SCHEDULE - 12 : MANUFACTURING EXPENSES		
Power & Fuel		22,593,756
Consumables & Stores		5,074,205
Packing Expenses		9,546,520
Quality control & Testing Exp.		8,904,408
Repairs & Maintainance - Factory Building		745,698
Repairs & Maintainance - Machineries		5,533,503
Other production expenses		8,586,318
TOTAL		60,984,408
SCHEDULE - 13 : PERSONNEL COST		
Directors' Remuneration		3,346,936
Contribution To Provident/Gratuity Fund		2,077,076
Salaries & Wages		50,518,483
Staff Welfare		2,250,798
TOTAL		58,193,293

PARTICULARS	F.Y. 2010-2011	
	(INR)	(INR)
SCHEDULE - 14 : OFFICE,ADMINISTRATION & SELLING EXPENSES		
Postage,Telephone & Telegram Expense		3,919,137
Insurance Expenses		1,354,207
Legal, Professional & Consultancy		4,839,868
Auditors Remunration		556,088
Printing & Stationery		1,118,165
Travelling & Conveyance Expenses		7,869,103
Directors' Travelling		2,802,331
Rent,Rates & Taxes		5,919,916
Repairs & Maintenance - Others		2,743,584
Vehicle & Petrol Expenses		4,363,216
Electric Charges		620,145
Selling Expenses		3,302,921
Conference & Seminar Exp.		454,764
Carriage Outword		9,988,117
Sales Promotion		3,618,261
Membership Fees		710,130
Commission on sales		950,099
Vat / Sales Tax Exp.		1,200,500
Bad Debts written off		142,262
AGM, Board meeting & Share transfer Exp.		176,539
Donations		627,320
Miscellaneous Expenses		1,932,020
TOTAL		59,208,694
SCHEDULE - 16 : INTEREST & FINANCE CHARGES		
Bank Interest		
- Term Loan Interest		9,737,376
- Interest On working Captal		12,742,687
Bank Commission & Charges		2,109,362
HP Finance Charges		693,567
TOTAL		25,282,991

SCHEDULE – 16 NOTES FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31-03-2011**1. SIGNIFICANT ACCOUNTING POLICIES:****Accounting Convention:**

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956.

a) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future period.

b) REVENUE AND EXPENDITURE RECOGNITION:

Revenue and expenditure are recognized on accrual basis.

c) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to Hester Biosciences Limited ('the Company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis.

- i) The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standards (AS) 21 – "Consolidated Financial Statements"
- ii) The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimate and assumption that affects the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision of accounting estimates is recognized prospectively in current and future periods.
- iii) Foreign Subsidiary, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the exchange fluctuation reserve.
- iv) Minority Interest's share of net profit / loss of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- v) Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and equity of the Company's shareholders.
- vi) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

d) FIXED ASSETS & DEPRECIATION:

All Fixed Assets are stated at historical cost less depreciation. Depreciation on all assets has been provided at rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on assets acquired and used in old project is being calculated on Straight Line method basis and on assets acquired for new project (commissioned during March'2007) is calculated on Written Down Value Method basis.

e) INVENTORIES:

Inventories are valued at lower of cost or market value.

Cost of work –in-progress and finished goods is ascertained considering direct costs plus a share of manufacturing overheads. Cost of raw materials and packing materials is arrived at, by using FIFO Method.

f) BORROWING COSTS:

Cost of borrowed funds for the project has been capitalized and included in the cost of fixed assets till commencement of production. Other borrowing costs are recognized as expenses in the period in which they are incurred.

g) FOREIGN CURRENCY TRANSACTIONS:

Expenditure/Income in foreign currencies are translated into Indian rupees at the rates prevailing on the date of occurrence of the transaction. At the year end all monetary foreign currency assets and liabilities are related to closing exchange rates. Gains or losses on settlement of foreign currency transactions during the period and from the year end restatement referred to above are recognized in the Revenue account.

h) IMPAIRMENT OF ASSET:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

i) RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged against the Profit for the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to the fixed assets and is depreciated on the same basis as other fixed assets.

j) PROVISION FOR RETIREMENT BENEFITS:

Post- employment benefit plans

(i) Defined Contribution Plan: Contribution for provident fund are accrued in accordance with applicable Statutes and deposited with the Regional Provident Fund Commissioner.

(ii) Defined Benefit Plan: The liabilities in respect of gratuity and leave encashment are determined Using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit & loss Account for the period in which they occur. Contributions in respect of gratuity are made to the Group Gratuity Scheme with Life Insurance Corporation of India. Employee benefits recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for Unrecognized past service cost and as reduced by the fair value of respective fund.

k) TAXATION :
A. Indian Company :
i. Current Tax:

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

ii. Deferred Tax Provision:

Deferred Tax charge or credit is recognized on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. It is calculated using the applicable tax rates and tax laws that have been enacted by the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future. At each Balance-sheet date, recognized and unrecognized Deferred Tax Assets are reviewed.

B. Foreign Company :

Foreign Company recognizes tax liabilities and assets in accordance with the applicable local laws.

2. PROVISION AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

CONTINGENT LIABILITIES & COMMITMENTS:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net-off advances) Rs.1.85 million.

3. Figures are rounded off to nearest rupee. This being the first year of consolidation, previous year's figures have not been given.
4. The management of the company has during the year carried out technical evaluation for identification of impairment of assets, if any in accordance with the Accounting Standard (AS) 28, issued by the Institute of Chartered Accountants of India. Based on the judgment of the management and as certified by the directors, no provision for impairment of the asset is considered necessary in respect of any of the assets of the company.
5. Balance of Debtors, Creditors and loans and advances are as per books and subject to confirmation from respective parties.
6. During the year, company has made preferential allotment of Equity Warrants of Rs. 16,440,000/- with an option to convert into Equity shares at a future date.

7. Remuneration to Managerial Personnel

(INR)

Particulars	2010-2011
Salaries and Allowances	3,260,000
Perquisites	86,936

8. Deferred taxation:

The net deferred tax liabilities at the end of the year comprise of tax effect of following timing differences: (INR)

Particulars	As at 31-03-2011
Deferred tax Assets	
Gratuity Payable	—
Leave encashment dis allow(43B)	381,102
Deferred tax liability	
Gratuity (Advance)	(11,292)
- Excess of Net block over Written Down value as per provisions of I.T. Act	(25,827,937)
	(25,458,127)

9. Related Party Disclosures:

(i) List of Related Parties :

Related parties with whom transactions have taken place during the year.

(a) Group Companies/Associates / Individual Relatives :

1. Hester Coatings Pvt. Ltd.
2. Sinsui (India) Pvt .Ltd.

(b) Key Management Personnel:

1. Rajiv Gandhi – C.E.O & Managing Director.
2. Jigar Shah - C.F.O

(ii) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

Sr. No.	Nature of Transactions	Group Companies/ Associates/ Individual Relatives(INR)	Key Management Personnel(INR)
1.	Advance Given	127,500	5,000,000
2.	Advance Repaid	Nil	1,548,260
3.	Outstanding Balance Included in Loans & Advances	801,787	5,266,393
4.	Director's Remuneration	Nil	3,346,936
5.	Rent- MD's Residence	600,000	Nil
8.	Interest Received/Receivable	Nil	170,982
9.	Salary Paid	Nil	3,022,449

Note : Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

9. Disclosure as per As-15 (Revised) on " Employee Benefit " for the year ended 31st March,2011
a) Defined Contribution Plans

The company made contribution towards provident fund to defined contribution retirement benefit plans for qualifying employees. The provident fund plan is operated by the regional provident fund commissioner, the company required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefit.

The company recognized Rs. 1.29 million. (P.Y 0.90 million) for provident fund contribution in the profit and loss account The contribution payable to this plan by the company are at rates specified in the rules of the scheme.

b) Defined benefit Plan

The company made annual contribution to the employee's Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India, a funded benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or a part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of define benefit obligation and the related current service cost were measured using the projected unit credit method as per actuarial valuation carried out at balance sheet date.

The following table sets out the funded status of the gratuity plan and the amount recognized by the company's financial statement as at 31st March 2011.

Particulars	As at 31st March,2011 (INR)
i) Change in benefit obligations:	
Projected benefit obligations at beginning of the year	3,311,883
Service Cost	614,827
Interest Cost	264,951
Actuarial (Gain) / Loss	142,433
Benefits Paid	(130,012)
Projected benefit obligations at the end of year	4,204,082
ii) Change in plan Asset:	
Fair value of plan assets at the beginning of the period	2,580,545
Expected return on plan assets	206,444
Contribution	1,549,212
Benefit paid	(130,012)
Actuarial Gain/(Loss) on plan asset	31,885
Fair value of plan assets at the end of the period	4,238,074
Total actuarial gain/(loss) to be recognized	(110,548)

Particulars	As at 31st March,2011 (INR)
iii) Expenses recognized in income statement:	
Current service cost	614,827
Interest Cost	264,951
Expected return on plan asset	(206,444)
Net Actuarial Gain/(Loss) to be recognized	110,548
Expense recognized in P/L	783,882
iv) Assumptions used in accounting for the Gratuity plan:	
Discount rate previous period	8.00%
Discount rate current period	8.25%
Rate of return on plan asset previous period	8.00%
Rate of return on plan asset current period	8.25%
Salary escalation previous period	6.00%
Salary escalation current period	6.00%
v) Amount recognized in the Balance sheet:	
Liability at the end of the period	4,204,082
Fair value of the plan assets at the end of the period	4,238,074
Difference	(33,992)
Amount recognized in the balance sheet	(33,992)
vi) Actual Return on Plan Assets :	
Expected Return on Paln Assets	206,444
Actuarial Gain/(loss) on Paln Assets	31,885
Actual Return on Paln Assets	238,329
vii) Balance sheet Reconciliation:	
Opening Net Liability	731,338
Expenses As Above	783,882
Employers Contribution Paid	(1,549,212)
Closing Net Liability	(33,992)

10. Earnings per Share:
Calculation of Net Profit available for Equity Shareholders: (INR)

	31-03-2011
A. Net Profit After Tax	75,639,647
Profit available to Equity shareholders	75,639,647
B. Weighted Average No. of Eq. Shares of Rs. 10/- each	5,191,200
C. Basic and diluted Earning per share	14.57

The Shares warrents issued of fair price during the year have not been considered as having diluting effect on earning per share in the current year.

11. Schedules 1 to 16 are attached to and form part of Accounts for the year ended on 31st March, 2011.

SIGNATURES TO SCHEDULE 1 TO 16.

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

[Naishadh H. Shah]
Partner
(Mem. No.: 042323)

Ahmedabad, Dt. 24th May, 2011

for and on behalf of the Board

Rajiv Gandhi *CEO & Managing Director*

Sanjiv Gandhi *Director*

Jigar Shah *CFO*

Amala Parikh *Company Secretary*

Ahmedabad, Dt. 24th May, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

PARTICULARS	31ST MARCH, 2011	
	INR	INR
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax and extraordinary items		136,793,620
Adjustments for :		
Depreciation	44,779,212	
Interest and other income	(1,313,608)	
Payment of administrative expenses by holding company	—	
		43,465,604
Operating Profit/(Loss) before Working Capital Change		180,259,224
Adjustment for :		
Trade & Other Receivables	(47,122,573)	
Inventories	(57,180,750)	
Trade Payables	11,226,106	
Loans & Advances	(11,064,599)	
Bank borrowings for working capital	29,130,434	
		(75,011,381)
Cash Generated from operating Activity		105,247,843
Interest Paid		(25,276,436)
Net Cash from operating Activity		79,971,407
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets		(37,798,763)
Capital WIP and Live stock addition		(778,057)
Investment in subsidiary company		—
Interest and other income		1,313,608
Increase/ Decrease in Pre-Operating Expenses		(16,098)
Net Cash Used in Investing Activities		(37,279,310)
C. CASH FLOW FROM FINANCING ACTIVITY		
Issue of share warrants		16,440,000
Proceeds from Long Term Borrowings		(11,581,780)
Repayment of Long Term Financing		1,346,648
Payment of Taxes		(27,476,222)
Dividend Paid		(14,794,575)
Net Cash Flow from Financing Activity		(36,065,930)
Net Increase in Cash & Cash Equivalents		6,626,167
Cash & Cash Equivalent as at (Op. Balance)		9,571,057
Cash & Cash Equivalent as at (Cl. Balance)		16,197,224

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants
FRN : 109708W

[Naishadh H. Shah]
Partner
(Mem. No.: 042323)

Ahmedabad, Dt. 24th May, 2011

for and on behalf of the Board

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Jigar Shah

CFO

Amala Parikh

Company Secretary

Ahmedabad, Dt. 24th May, 2011

NOTICE

NOTICE is hereby given that **24th** Annual General Meeting of the Members of Hester Biosciences Limited, will be held on Saturday **the 3rd September, 2011 at 11.00 am.** at Registered office of the Company at Village : Merda-Adraj, Taluka: Kadi, District: Mehsana, Gujarat 382 721 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. Abhinava Shukla, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Vimal Ambani, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

Date : 24.05.2011

For Hester Biosciences Limited

Registered Office :

Village : Merda Adraj

Taluka : Kadi

District : Mehsana,

Gujarat - 382 721.

Rajiv Gandhi
CEO & Managing Director

Note

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000/-.
- The Proxies should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday the **27th August, 2011** to Saturday the **3rd September, 2011** (both days inclusive).
- The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:
 - (i) to those members whose names are on the Register of Members on Friday the 26th August, 2011 or to their mandates.
 - (ii) in respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on Friday the 26th August, 2011
- Members are requested to note the following :
 - The Company has appointed M/s. Sharepro Services (India) Pvt. Ltd. as R&T agent for both Demat & Physical share transfer work, hence any documents for share transfer, transmission, transposition, change of bank account details, nomination and other communication regarding shareholding in the company should be addressed to R&T agent, as per following address.

M/s. Sharepro Services (India) Pvt. Ltd.
(Ahmedabad Branch)
Unit : Hester Biosciences Limited
416-420 4th Floor, Devnandan Mall, Opp. Sanyash Ashram, Ashram Road, Ellisbridge, Ahmedabad-380006
Ph. 079 – 26582381 to 84 Fax : 079 – 26582385 e-mail: Sharepro@shareproservices.com
 - To quote folio no. / DP ID & CL. ID for any communication for their shareholding.
 - To bring the copy of Annual Report at the meeting.

- At the ensuing Annual General Meeting, Mr. Abhinava Shukla and Mr. Vimal Ambani retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to them to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchange is furnished in the statement of Corporate Governance published elsewhere in this Annual Report.
- Members wishing to claim their unclaimed dividend for the FY. 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 & 2010-2011 are requested to correspond with the Secretarial Department or the Registrar of the Company.
- **The Company has made transport arrangement for attending the Annual General Meeting for the shareholders from the Corporate Office of the Company. The Shareholders who intend to avail the facility may write to the company quoting their folio number / DP ID & CL ID and such requisition should reach the company on or before Thursday the 1st September, 2011.**
- The Company's shares are listed at Mumbai Stock Exchange. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2011-2012.
- The Ministry of Company Affairs (MCA) has taken the "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated April, 2011 and Circular No. 18/2011 dated April 20,2011) alongwith paperless compliance by Companies through electronic mode.

Keeping in view underlying theme and circular issued by MCA, we propose to send all documents to be sent to shareholders like General Meeting Notice including the AGM, Annual Report including Audited Financial Statements, Director Report, Auditor Report etc. to our shareholder in electronic form, to the email address provided by them and made available to us by the Depositories.

Please also note that you will be entitled to be furnished free of cost, with a copy of the Annual Report of the Company and all other documents required by law to be attached thereto, upon receipt of a requisition from you, any time, as a member of the Company. Such a requisition may be sent to the Registered Office of the Company at the address given below.

Date : 24.05.2011
Registered Office :
Village : Merda Adraj
Taluka : Kadi
District : Mehsana,
Gujarat - 382 721.

For Hester Biosciences Limited

Rajiv Gandhi
CEO & Managing Director

Hester Biosciences Limited

Registered Office : Village : Merda Adraj, Taluka : Kadi, District : Mehsana, Gujarat - 382721.

ATTENDANCE SLIP

Members or their proxies are requested to present this for admission, duly signed in accordance with their specimen signatures registered with the Company. The admission will, however, be subject to verification of signatures and such other checks, as may be necessary.

Name & Address of the Shareholder	Ledger Folio No. / DPID-CLID	No. of Shares held

I hereby record my presence at the 24th ANNUAL GENERAL MEETING of the Company held on Saturday, the 3rd September, 2011 at 11.00 a.m.

SIGNATURE OF THE SHAREHOLDER OR PROXY

----- TEAR HERE -----

Hester Biosciences Limited

Registered Office : Village : Merda Adraj, Taluka : Kadi, District : Mehsana, Gujarat - 382721.

PROXY FORM

L. F. No.

I, We _____

of _____ being a member/members of **Hester Biosciences Limited**

hereby appoint _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held at 11.00 a.m. on Saturday, the 3rd September, 2011.

As witness my/our hand(s) this _____ day of _____ 2011.

Affix a Re. 1/- Revenue Stamp
--

Signature(s) of the Shareholder(s)

NOTE : The proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid Meeting.

The Company has made transport arrangement for attending the Annual General Meeting for the shareholders from the Corporate office of the Company. The shareholders who intend to avail the facility may write to the Company quoting their folio number/DP ID & CL ID and such requisition should reach the Company before 1st September, 2011.

TEN YEAR FINANCIAL STATISTICS

(Rs. In Million)

YEAR ENDED ON 31ST MARCH	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Manufacturing Sales	37.71	42.84	73.18	157.94	196.55	216.01	322.41	297.84	367.83	416.73
Trading Sales	0.75	1.29	3.63	4.45	4.83	2.27	3.93	3.76	7.49	2.98
NET SALES	38.46	44.13	76.81	162.39	201.37	218.28	326.34	301.60	375.32	419.71
Other Income	0.26	0.51	0.04	0.40	0.30	2.63	2.75	0.92	0.81	1.31
TOTAL INCOME	38.72	44.64	76.85	162.79	201.67	220.91	329.09	302.52	376.13	421.02
Total Expenses	29.32	32.67	52.03	93.69	112.05	130.16	156.60	153.68	214.18	239.13
(a) (Increase)/decrease in Stock in trade	-0.36	-0.85	3.82	-9.29	-7.02	-22.54	-19.90	-41.36	-40.21	-54.59
(b) Trading Purchase	0.75	1.79	1.71	5.20	2.61	3.05	4.23	3.28	7.25	1.89
(c) Consumption of Raw material	8.21	8.22	13.22	43.30	45.26	70.94	62.82	71.31	91.43	113.76
(d) Manufacturing Expenses	4.67	5.73	8.47	18.28	26.88	22.21	34.50	36.51	57.08	60.98
(e) Staff Cost	5.83	7.57	9.04	13.86	15.16	19.64	29.94	36.66	49.97	58.19
(f) Selling, General & Admn.Expenses	10.22	10.21	15.77	22.35	29.16	36.87	45.01	47.28	48.65	58.89
Interest	1.53	2.74	2.63	2.44	2.57	6.98	26.55	28.88	23.63	25.28
Depreciation	2.49	2.54	2.70	3.20	3.54	4.41	36.85	38.44	42.33	44.78
Amortisation of Preliminary Exp.	1.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROFIT BEFORE EXTRA ORDINARY ITEM	4.26	6.69	19.49	63.46	83.52	79.36	109.09	81.52	96.00	111.83
Extra Ordinary item	-7.44	0.01	0.09	0.00	14.87	0.00	0.00	0.00	0.00	0.00
PROFIT BEFORE TAX	11.70	6.68	19.41	63.46	68.64	79.36	109.09	81.52	96.00	111.83
Provision for taxation	2.89	2.12	8.72	24.03	24.20	27.85	38.69	34.16	35.67	35.88
NET PROFIT	8.81	4.56	10.68	39.43	44.45	51.51	70.41	47.36	60.33	75.96
BALANCE SHEET AS AT	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SOURCES OF FUNDS :										
Paid-up Equity share capital	35.27	35.27	35.27	35.27	37.08	51.91	51.91	51.91	51.91	51.91
Preference Share Capital	14.05	14.05	14.05	14.05	0.00	0.00	0.00	0.00	0.00	0.00
Equity Warrants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.44
General Reserve & Surplus	6.53	6.53	8.53	36.09	99.40	227.56	282.78	314.56	356.73	411.50
Loan Funds	26.02	23.37	17.02	16.11	16.91	223.58	201.43	187.66	201.49	213.25
TOTAL	81.88	79.23	74.87	101.53	153.39	503.05	536.12	554.13	610.13	693.10
APPLICATION OF FUNDS :										
Net Fixed Assets	41.26	39.90	40.61	45.59	46.47	348.79	409.04	405.31	398.36	392.16
Capital Work - in - Progress	0.00	0.00	0.00	0.00	24.01	5.55	0.00	0.00	0.00	0.00
Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00
Net Current Assets	23.33	28.26	39.25	64.91	91.65	165.52	146.05	174.71	238.32	301.40
Profit & Loss A/c	12.78	8.22	-0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Exp.	1.04	0.78	0.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets / Liabilities	3.47	2.08	-5.03	-8.97	-8.74	-16.81	-18.97	-25.89	-26.55	-25.46
TOTAL	81.88	79.23	74.87	101.53	153.39	503.05	536.12	554.13	610.13	693.10
EQUITY DIVIDEND	—	—	—	12%	15%	20%	25%	25%	30%	35%

Hester Biosciences Limited

16/10 Devendra Society, Naranpura, Ahmedabad 380013, India
Ph 079 2768 0476 www.hester.in
Fax 079 2768 2250 mail@heter.in