

LACTOSE (INDIA) LIMITED

LACTOSE

20th

Annual Report 2010-2011

LACTOSE (INDIA) LIMITED

BOARD OF DIRECTORS

Shri. S. M. Maheshwari	<i>Chairman & Managing Director</i>
Shri. Atul Maheshwari	<i>Executive Director</i>
Shri. O. P. Singhi	<i>Director</i>
Shri. Pramod Kalani	<i>Director</i>
Shri .G. K. Sarda	<i>Director</i>

AUDITORS

Singrodia Goyal & Co.
Chartered Accountants
201, 204 Rajeshri Accord,
Telly Cross Lane, S. N. Road,
Andheri (East), Mumbai - 400 069

BANKERS

Oriental Bank of Commerce
Prabhadevi Branch, Aman Chambers,
1st Floor, Veer Savarkar Marg,
(Opp. New Passport Office),
Prabhadevi, Mumbai - 400 025.

REGISTERED OFFICE & WORKS

Survey No. 6,
Village Poicha (Rania),
Savli, Dist. Vadodara,
Gujarat - 391 780.

CORPORATE OFFICE

211, Laxmi Plaza, Laxmi Industrial Estate,
New Link Road, Andheri (West),
Mumbai - 400 053.

REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.
E 2/3, Ansa Industrial Estate,
Saki vihar Road, Saki Naka,
Andheri (East), Mumbai - 400 072.
ISIN No. - INE 058I013
BSE Scrip Code - 524202

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NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of LACTOSE (INDIA) LIMITED will be held at the Registered office of the Company, at Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391 780 on Thursday the 29th day of September, 2011 at 11.00 a. m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Omprakash Singhi, who retires by rotation & being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT, subject to the provision of Section 314 (1) of the Companies Act, 1956 and other applicable provisions, if any, the approval of the shareholders be & is hereby given to Mrs. Sangita Maheshwari, a relative of Managing Director as well as Executive director, who holds an office of profit under the Company, for holding & continuing to hold an office or place of profit as Commercial Manager at a remuneration of Rs. 1,25,000 per month effective from 01.04.2011 together with the usual allowances, benefits & other perquisites within the limit of Section 314 (1) and Section 314 (1B) of the Companies Act, 1956.”

“RESOLVED FURTHER THAT this resolution shall be deemed to confer the necessary authority to the Board of Directors to sanction at their discretion and with the approval of the Central Government, where necessary, increments and to promote her to higher grade or position at their discretion and in due course as they may deem fit & proper.”

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business at item no. 4 is annexed hereto and it is forming a part of the notice.
3. The register of members and share transfer books shall remain closed from Friday, 26th September, 2011 to

Wednesday 29th September, 2011 both days inclusive.

4. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty-eight hours before the commencement of the meeting.
5. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their copy of Annual Report to the Meeting.
6. Members are requested to address all the documents, transfer deeds, demat requests, and other communications with respect to shares in physical mode to the Registrar & Share Transfer Agents of the Company, M/s. Big Share Services Private Limited, directly quoting their full name, Folio No. and Name of the Company.
7. Members are also requested to note that the Company has entered into Tri-partite Agreement with NSDL and CDSL towards Dematerialization of shares. Members are requested to send all their requests towards Dematerialization to their respective DP's.
8. Members are requested to advise immediately about any change of address:
 - a) To their Depository Participants (DPs) in respect of their electronic share accounts.
 - b) To the Company's Registrar & Share Transfer Agents M/s. Big Share Services Private Limited in respect of their physical share folios if, any.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4.

Under Section 314 (1) of the Companies Act, 1956 a Special Resolution is required for enabling any relative of a Director of the Company holding office or a place of profit to hold any office or place of profit under the Company. Mrs. Sangita Maheshwari is holding the position as Commercial Manager of the Company. Accordingly, in terms of Section 314 (1) of the Companies Act, 1956, the members are requested to grant their approval to Mrs. Sangita Maheshwari holding & continue to hold an office or place of profit under a contract of Service with the Company at increased remuneration of Rs. 1,25,000/- effective from 01.04.2011 and on the other terms & conditions which remains the same. The members are also requested to authorize the Board to sanction in due course promotion of Mrs. Sangita Maheshwari to higher grade or position together with the usual allowances & benefits attached to the said higher grade.

Mr. S. M. Maheshwari and Mr. Atul Maheshwari, are to be considered as interested in the aforesaid resolution.

Registered Office:

VILLAGE POICHA (RANIA),
SURVEY NO. 6,
SAVLI, DIST.
VADODARA – 397 080.

Place: Mumbai

Date: 24.08.2011

By order of the Board of

Lactose (India) Limited

Managing Director

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twentieth Annual Report of the Company together with the Audited Statement of the Accounts for the year ended on 31st March, 2011.

FINANCIAL STATEMENT:

	(Rs. In Lacs)	
	2010-2011	2009-2010
Operating Income	2671.78	2461.37
Expenditure	(2448.09)	(2222.16)
Profit before Depreciation and Tax	223.69	239.21
Depreciation	159.34	145.43
Profit before Tax	64.34	93.78
Prior period Items	12.26	0.00
Profit before Tax	76.60	93.78
Provision for Current Tax	(14.46)	(14.72)
Deferred Tax	(5.60)	(25.17)
FBT	0.00	0.00
Minimum Alternate Tax Credit Entitlement	19.48	-
Taxation of Earlier Years	(0.75)	(4.37)
Profit After Tax	75.27	49.52

DIVIDENDS:

To conserve the resources for future expansion of business your Directors do not recommend any dividend on Equity Shares for the financial year under review.

REVIEW OF OPERATIONS:

During the year under review, the company achieved sales 2671.78 Lacs, (Previous Year 2461.37 Lacs) showing a growth of 8.54 % compared to the previous year. The Company has earned a profit after tax of Rs. 75.27 Lacs, compared to last year's profit of Rs. 49.52 Lacs. The Company has achieved EPS of Rs 1.04 against 0.74 in the previous year. A detailed analysis of the performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

Your Company has also installed and commissioned Agro waste fired boiler and has applied for availing of Carbon Credits against the use of Agro waste instead of Fossil fuel

CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forms part of this Annual Report and the Management's Discussion and Analysis report forms part of this report.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- The accounting policies selected and applied on a consistently basis give a true and fair view of the state of affairs of the Company and of the profit for the financial year;
- Proper and sufficient care has been taken for the

maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;

- The annual accounts have been prepared for the financial year ended 31st March 2011 on an ongoing concern basis.

CASH FLOW STATEMENT:

The cash flow statement for the year 2010 – 2011 is attached to the Balance Sheet.

DIRECTORS:

During the year Mr. Omprakash Singhi is retiring by rotation. Except this there are no changes in the directors of the Company.

FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits under Section 58A of the Companies Act, 1956 during the year under review.

PERSONNEL:

Information in accordance with sub-section (2A) of Section 217 Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report is given as Annexure "A" to this Report.

AUDITORS:

M/s. Singrodia Goyal & Co., Chartered Accountants, Mumbai the Statutory Auditors of the Company would retire at the ensuing Annual General Meeting; however, they have shown their willingness to continue as the auditors of the Company. Hence the Company proposes to re-appoint M/s. Singrodia Goyal & Co. Chartered Accountants, Mumbai as the Statutory Auditors of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTFLOW:

(A) CONSERVATION OF ENERGY:

The Company has taken following measures for conservation of Energy

- Regular preventive maintenance of pumps and Air compressors, steam traps, Joints, steam Leakage to reduce transmission loss and to get maximum output
- Keeping lights and Air conditioning systems off during non-working hours
- Maintenance of Power factor
- Reduced use of water by better process and control

Specific Measures

- Planning to Install Condensate Recovery system to enhance Conservation of energy

(B) TECHNOLOGY ABSORPTION:

The Company has not incurred any expenditure of either capital or of recurring nature on Research and Development.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has earned Rs. 284.73 Lacs foreign exchange and has incurred an expenditure of Rs.731.73 Lacs on foreign travel, Commission, import of Crude Lactose and others.

(D) POLLUTION AND ENVIRONMENTAL CONTROL:

The Company has taken adequate steps regarding the disposal of effluent requiring Pollution or Environment control. Looking at Further expansion planning, Company has become members of central Effluent Treatment Plant. Additionally the company is in process to set up State of Art zero discharge Facility for Effluent water processing plant.

APPRECIATION:

Your Directors take this opportunity to convey their deep sense of gratitude for valuable assistance and Co-operation extended to the Company by all valued customers and bankers viz. Oriental Bank of Commerce.

Your Directors also wish to place on record their sincere appreciation for the valued contribution, unstinted efforts by the

employees at all levels which contributed, in no small measure, to the progress and the high performance of the Company during the year under review.

For and on Behalf of the Board

PLACE : MUMBAI

DATE : 24.08.2011

(CHAIRMAN)

ANNEXURE 'A' TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND ANNEXED TO AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.

Employed throughout the financial year under review and were in receipt of remuneration aggregating Rs.24,00,000/- or more.

Sr. no	Name	Age	Remuneration (Rupees)	Designation/ Nature of Duties	Qualification	Exp Years	Date of Commencement Of Employment	Last Employment Held by Such Employees
1	S.M.Maheshwari	69	3000000	Chairman And Managing Director	M Pharm	40	11.03.1991	---
2	Atul Maheshwari	45	3000000	Executive Director	MBA U.S.A	20	11.03.1991	---

**ANNEXURE TO DIRECTOR'S REPORT
ANNEXURE – 'B'**

**FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF ENERGY.**

A. Power & Fuel Consumption:-

		2010-11	2009-10
1.	Electricity		
	Purchase Unit (KWH)	1949046	2020728
	Total Amount (Rs.)	11491476	12399425
	Average Rate Per Unit (Rs.)	5.90	6.14
2.	Furnance Oil and LSHS		
	Quantity K. Ltrs/ Mt. (KL)	14.830	172.14
	Total Amount (Rs.)	522353	3533240
	Average Rate / L. of Oil (Rs.)	35.22	20.53
3.	Agro Waste Briquettes		
	Quantity MTS	1341	838
	Total Amount (Rs)	5852543	3445338
	Average Rate / Ton (Rs)	4364	4111

REPORT ON CORPORATE GOVERNANCE:

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the listing agreement is set out below:

1. Statement on Company's Philosophy on code of governance:

The Company's philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, consumers, dealers, lenders and ensuring high degree of regulatory compliances.

The company also believes that its systems and procedure will enhance corporate performance and maximize shareholder value in the long term.

2. Board Of Directors:

a) Composition and Category of Directors.

The Present Board comprises of 5 members consisting of 2 Executive Director and 3 Non-Executive Directors. All the Non-Executive Directors are also independent Directors. The name and category of each Director is given

below:

	Name of the Director	Category
1.	Mr. S.M. Maheshwari	Chairman & Managing Director
2.	Mr. Atul Maheshwari	Executive Director
3.	Mr. Omprakash Singhi	Non - Executive Director
4.	Mr. G. K. Sarda	Non - Executive Director
5.	Mr. Pramod Kalani	Non - Executive Director

b) Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM)

	Name of the Director	No. of Board Meetings held	No. of Board Meetings Attended	Attendance at last AGM
1.	Mr. S. M. Maheshwari	5	5	Yes
2.	Mr. Atul Maheshwari	5	5	Yes
3.	Mr. Omprakash Singhi	5	4	Yes
4.	Mr. G. K. Sarda	5	5	Yes
5.	Mr. Pramod Kalani	5	5	Yes

c) Number of other Directorship and Chairmanship / Membership of committees of each Director

	Name of Director	No. of other Directorship in other Companies	No. of Chairmanship/ Membership in other Board Committees
1.	Mr. S. M. Maheshwari	Nil	Nil
2.	Mr. Atul Maheshwari	Nil	Nil
3.	Mr. Omprakash Singhi	Nil	Nil
4.	Mr. G. K. Sarda	1	Nil
5.	Mr. Pramod Kalani	Nil	Nil

d) Number of Board Meetings held and the dates of the Board Meeting

Sr. No	Date of Board Meeting
01	14.05.2010
02	01.06.2010
03	09.08.2010
04	02.11.2010
05	10.02.2011

The gap between two board meetings did not exceed four months.

3. Audit Committee Meetings and attendance during the year

Composition of Audit Committee, meetings held and attended during the financial year ended on 31st March, 2011 are as follows:

	Member	No. of Meetings held	No. of Meetings attended
1.	Mr. Omprakash Singhi	4	4
2.	Mr. G. K. Sarda	4	4
3.	Mr. Pramod Kalani	4	4

4 meetings of the Committee were held during the year ended 31st March, 2011. The dates on which the meetings were held are as follows:

14.05.2010, 09.08.2010, 02.11.2010 and 10.02.2011

The terms reference to the Audit Committee are broadly as under:

- Overall assessment of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other service rendered by the Auditors.
- Reviewing with management the annual financial statement before submission to the board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause 2(AA) of Section 217 of the Companies Act, 1956.
 - Changes if any, in accounting policies and practice.
 - Major accounting entries based on exercise of judgment by management.
 - Observations if any, in draft audit report.
 - Significant changes/amendments, if any, arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Qualification in the draft audit report.
 - Compliance with stock exchange and legal requirements concerning financial statement.
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Review of Quarterly /Half Yearly unaudited financial results before submission to the auditors and the Board.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant finding and follow up thereon.
- Reviewing the findings, if any, of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.

- Discussions with external auditors before the audit commence nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non –payment of declared dividends) and creditors.
- Financial Statements and Investments made by subsidiaries.

The Audit Committee also reviews:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory Auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

In addition the committee increases its sphere with the amendment in the Companies Act, 1956 and Corporate Governance regulations resulting in more transparency in the accounts of the Company.

4. Investor Grievance Committee:

Investor Grievance Committee of the Board of Directors of the Company was reconstituted during the year. Composition of **Investor Grievance Committee**, meetings held and attended during the financial year ended on 31st March, 2011 are as follows:

14.05.2010, 09.08.2010, 02.11.2010, 10.02.2011

Composition, Meetings and attendance during the year:

Members	Designation	Meetings held	Meeting Attended
Mr. S.M.Maheshwari	Chairman	4	4
Mr. Omprakash Singhi	Member	4	4
Mr. G. K. Sarda	Member	4	4

5. Queries/Request received during the year ended 31st March 2011

Nature of Queries/request	Received	Cleared
Non receipt of Annual Report	07	07
Stock Exchange	01	01
Non Receipt of Exchange Share Certificates	06	06
Non Receipt of Share Certificate after Transfer	20	20
SEBI	04	04
Total :	38	38

Outstanding Complaints as on 31st March, 2011 were NIL
Mr. Ashish Bhatia, employee of the Company continued to act as a Compliance Officer of the Company as per the requirements under the listing Agreement. He supervised all the compliances are made in time.

6. REMUNERATION COMMITTEE

The company last year set up remuneration committee though the said is not mandatory under Clause 49 of the Listing Agreement. The meeting took place on 14.05.2010 to review the remuneration payable to Mr. Atul Maheshwari, Executive Director of the Company.

The Committee Consist of Mr. Omprakash Singhi acting as a Chairman, Mr. G. K. Sarda and Mr. Pramod Kalani as Members. The remuneration paid to the Managing Director and Executive Director for the year ended 31st March, 2011 is given below:

a)	Managing Director Salary, contribution to PF, and perquisites Sitting Fees Total	Mr. S. M. Maheshwari Rs. 30,00,000/- p. a. Nil Rs. 30,00,000/-
b)	Executive Director Salary, contribution to PF, and perquisites Sitting Fees Total	Mr. Atul Maheshwari. Rs.30,00,000/- p. a. Nil Rs. 30, 00, 000/-

7. General Body Meetings:

Annual General Meeting

Location	Date	Time	No. of Special Resolutions
Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780.	20.08.2008	3.00 p.m.	4
Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780.	30.09.2009	3.00 p.m.	1
Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780.	29.09.2010	11.00 a.m.	1

8. DISCLOSURES :

- Disclosure on materially significant related party transactions, i.e. transaction of the Company of materially nature with its promoters, Directors, relatives, subsidiary is that may have potential conflict with the interest of the Co at large.

Ans : None

- Details of non compliance by the Company i.e. penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory Authority related to Capital Market during last 3 years

Ans : None

- The Company has complied with all mandatory requirement as stated in clause 49 of Listing Agreement and the non-mandatory requirement have been complied with to the extent feasible.

9. MEANS OF COMMUNICATION:

- Quarterly results Published in the newspaper in Free Press Journal & Navshakti
- Whether the Management Discussions and Analysis is a part of Annual report Yes

10. General Shareholder Information :

- Date, Time, Venue of AGM: 29th September, 2011, at 11.00 A.M on Thursday, at the Registered Office of the Company.

ii) Financial calendar:

Particulars	Date
1 st Quarter results	on or before 15 th August 2011
2 nd Quarter results	on or before 15 th November 2011
3 rd Quarter results	on or before 15 th February 2012
4 th Quarter results	on or before 15 th May, 2012

- iii) Date of Book Closure: 26th September, 2011 to 29th September, 2011.

- iv) Stock Code: **524202**

- v) Registrar and Share Transfer Agents: **Bigshare Services Pvt. Ltd.**

- vi) Plant Location : **Survey No 6, Village Poicha (Rania), Taluka Savli, Dist: Vadodara, Gujarat – 391 780.**

- vii) Address for Correspondence: **211, Laxmi Plaza, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053.**

viii) Distribution Schedule:

Category	No. of Holders	%age	No. of Shares	%age
1-5000	17,045	95.4314	2970386	40.7740
5001-10000	531	2.9730	425408	5.8395
10001-20000	180	1.0078	265928	3.6504
20001-30000	29	0.1624	75671	1.0387
30001-40000	16	0.0896	58627	0.8048
40001-50000	06	0.0336	28200	0.3871
50001-100000	24	0.1344	17221	2.3640
100001-99999999	30	0.1680	3288559	45.1415
Total :	17,861		7285000	

Categories of shareholding as on 31st March 2011

CATEGORY	NO. OF SHARES HELD	% OF SHARE HOLDING
A PROMOTER (S) HOLDING		
1. PROMOTER (S)		
-INDIAN PROMOTERS	2102482	28.86
-FOREIGN PROMOTERS		
2. PERSONS ACTING IN CONCERT	—	—
SUB-TOTAL	2102482	28.86
B NON-PROMOTERSHOLDING		
3. INSTITUTIONAL INVESTORS		
A. MUTUAL FUNDS AND UTI	—	—
B. BANKS, FINANCIAL INST, INSURANCE COMPANY (CENTRAL / STATE GOVT. INST / NON-GOVERNMENT INST)	77920	1.07
C. FII (S)	—	—
SUB-TOTAL	77920	1.07
4. OTHERS		
A. PRIVATE CORPORATE BODIES	134299	1.84
B. INDIAN PUBLIC	4187078	57.48
C. NRIS / OCBS	782721	10.74
D. ANY OTHER (FOREIGN-COMPANIES) CLEARING MEMBERS	500	0.01
SUB-TOTAL	5104598	70.07
GRAND TOTAL	7285000	100

ix) **Dematerialization of Shares:**

The shares of the company form a part of the Compulsory demat segment. The Company has established connectivity with Both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the registrars, Big Share Services Pvt Limited

x) **International Securities Identification Number (ISIN)**

The Company's Scrip form a part of the SEBI's Compulsory demat segment bearing ISIN No INE 058I013

xi) **Listing on the Stock Exchange:**

The Equity Shares of the Company is listed on **Bombay Stock Exchange Limited**. The Annual Listing fees for the year 2010-11 are paid. **The stock code at BSE: 524202**

xii) **Secretarial Audit**

A qualified practicing Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued capital. These audits confirm that the total issued/ pad-up capital of the Company is in agreement with the total number of the shares in Physical form and the total number of the dematerialized shares held with NSDL and CDSL. The same is also placed before the Board of Directors.

Auditor's Certificate on Compliance with the Corporate Governance under clause 49 of the listing Agreement

To the Members of Lactose (India) limited

We have examined the compliance of conditions of corporate governance by Lactose (India) Limited ("the Company") for the year ended on 31st March 2011 as stipulated in clause 49 of the listing agreement of the company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of the corporate governance as stipulated in the abovementioned listing agreement.

We have been explained that no investor's grievance are pending for a period of exceeding one month as on 31st March 2011, against the Company as per the records maintained by the company.

We 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.

For Singrodia Goyal & Co.
Chartered Accountant

Place: Mumbai
Date: 24.08.2011

K. M. Tulsian
Partner
Membership No. 38430

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and Development:

The Indian economy has been witnessing a phenomenal growth since the last decade. The country is still holding its ground in the midst of the current global financial crisis. The world Economy has more or less recovered from one of the worst economic downturns in decades.

It is estimated that by 2015, the Indian Pharmaceutical Industry will rank amongst the top 10 in the world. A healthy competitive structure and international approved facilities have served to encourage the growth of pharmaceutical industry.

Opportunities and Threats:

There is High demand for your company's products.

Outlook:

Growing the Business exponentially would require investing in infrastructure, in people and consolidation our strength.

Your Company has decided to focus on products and markets of higher profitability only. The change in marketing strategy and exposure in the world market will enable us to become a global force to reckon with. We have started exporting new products to Canada, Nigeria etc and the demand for the products is very healthy

Risk and Concerns:

Higher interest rate regimes are bound to stay for a long period thereby effecting expansion plans and profitability

Your company has commissioned Briquettes Fired Boiler for steam generation to offset the rise in fuel prices

Internal Control System and their adequacy:

Being a pharma company and ISO Certified the process parameters are fully documented and are in place. The role and responsibilities of various people are fully defined in all the functional level. There is continuously flow of information at all level and effective internal audit and internal checks are done at regular interval to ensure their adequacy and efficiency.

Additionally, the following measures are taken to ensure proper control:

- Budgets are prepared for all the operational levels.
- Any material variance from budget has to be approved by the Executive director.
- Any major policy change is approved by the managing director.
- Any deficiency in not achieving target is reviewed at management meetings.

Human Resource development / Industrial relations:

The company has made a plan to recruit best talents of industry by providing them long term growth plan and various facilities. Proper job evaluation, merit rating and allocating right job to right person is the basis of our HR policy.

Harmonious industrial relations continued to prevail throughout the year.

AUDITORS' REPORT

To the Members of **Lactose (India) Limited,**

We have audited the attached Balance Sheet of **Lactose (India) Limited** as at 31st March 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- 1 We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 2 As required by the Companies (Auditors Report) Order, 2003 and amendments thereto issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
- 3 Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - d) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956. *Except, Accounting Standard 15 (AS -15) relating to Accounting of Employee Benefits as referred to in note no.1 (II) of Schedule "18", where no provision has been made for employee benefits i.e.gratuity and leave encashment. We are unable to comment upon the resultant effect on expenses, provisions and profit for the year.*
 - e) On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board, we report that none of the director is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
 - f) *Balances of sundry debtors, creditors, loans and advances including cash held at Baroda and Mumbai are subject to confirmation, reconciliation and consequential adjustment, if any. We are unable to comment upon the resultant effect on the assets,*

liabilities and profit for the year.

- g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes appearing thereon, subject to Para 3 (d) and (f) above give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011,
 - ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date, and
 - iii) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Singrodia Goyal & Co.
Chartered Accountants
Firm Regn. No.:112081W

K.M Tulsian
Partner

Place : Mumbai
Date : 30th May, 2011

Mem. No. : 38430

Annexure to Auditors Report

Annexure referred to in Paragraph 2 of the Auditors Report for the year ended 31st March 2011.

As required by the Companies (Auditors Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets upto 31.3.2009. The Company is still in the process of compilation the record in respect of addition/deduction made thereafter.
- b) The company has a programme for physical verification of fixed assets on a rotational basis, which in our opinion is reasonable having regard to size of the Company and the nature of its business. Accordingly, certain fixed assets have been physically verified during the year. *However, since the fixed assets register is under compilation, we are unable to comment on the discrepancies noticed on such verification, if any.*
- c) During the year, there is no substantial disposal of fixed assets, which affects going concern assumption.
- (ii) a) The inventories have been physically verified by the management during the year at reasonable intervals.
- b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.

- (iii) a) The Company has not granted unsecured loans to any party covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In view of above, Para 4 (iii) (b), (c) and (d) of the said Order are not applicable to the Company.
- c) The Company has taken unsecured loans from two parties covered in the register maintained under Section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was Rs. 9.56 lacs and the year-end balance was Rs. 8.26 lacs.
- d) In our opinion, the rate of interest, wherever paid and other terms & conditions of such loans have been taken are prima facie, not prejudicial to the interest of the Company.
- e) In view of our comments in Para (iii) (c) and (d) above, clause 4 (iii) (g) of the said Order is not applicable to the Company.
- (iv) There are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- (v) a) Based on the audit procedures performed by us, we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained in that section.
- b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company does not have a formal internal audit system commensurate with its size and nature of business but its financial and other internal checks, ensures proper recording of financial transactions.
- (viii) The Central Government has not prescribed for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the Company.
- (ix) a. Accordingly to the records of the Company, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess have generally been regularly deposited with the appropriate authorities. There are no undisputed amount payable in respect of such statutory dues which have remained outstanding as at 31st March, 2011 for a period more than six months from the date they became payable.
- b. There are no dues of Income Tax, Sales Tax Wealth Tax, Service Tax, Custom duty, excise duty cess which have not been deposited on account of any dispute with the appropriate authorities.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to the information & explanations given to us the Company has not defaulted in repayment of dues to banks & financial institutions.
- (xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xii) of the order are not applicable to the company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. The Company has invested temporary surplus funds in marketable securities and mutual funds. Proper records have been maintained of the transactions and contracts and timely entries have been made therein. The marketable securities and mutual funds have been held by the Company, in its own name.
- (xv) The Company has not given any guarantee for the loans taken by others from banks or financial institutions. However, the Company has given guarantee on behalf of other Company to the Central Excise Department at the terms & conditions which are not prejudicial to the interest of the Company.
- (xvi) The Company has not obtained any term loans during the year under review.
- (xvii) 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 investments.
- (xviii) The Company has made preferential allotment of shares, by conversion of share warrants issued in earlier years, to parties covered in the register maintained under section 301 of the Act. The same has been in conformity with the guidelines issued by the Securities and Exchange Board of India relating to such preferential allotment and on that basis not prejudicial to the interest of the Company.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised money through a public issue during the year.
- (xxi) There were no frauds on or by the Company noticed or reported during the course of our audit during the year.

For Singrodia Goyal & Co.
Chartered Accountants
Firm Regn. No.:112081W

K.M. Tulsian
Partner
Mem. No. : 38430

Place: Mumbai
Date: 30th May, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	Schedules	As at 31.03.2011 Amount (₹)	As at 31.03.2010 Amount (₹)
I. SOURCES OF FUNDS :			
Shareholders' Funds			
Share Capital	1	72,850,000	69,400,000
Share Warrants	1A	-	345,000
Reserves and Surplus	2	47,275,275	37,314,481
Loan Funds			
Secured Loans	3	63,542,359	61,486,702
Unsecured Loans	4	3,067,400	4,072,628
Deferred Tax Liability (net) (Refer Note 13(ii) of Schedule 18)		13,263,982	12,704,357
		199,999,017	185,323,167
II. APPLICATION OF FUNDS :			
Fixed Assets			
Gross Block	5	256,453,575	247,633,338
Less: Depreciation		123,012,248	110,381,247
Net Block		133,441,327	137,252,091
Investments	6	2,991,550	2,991,550
Current Assets, Loans & Advances			
Inventories	7	56,609,636	13,494,472
Sundry Debtors	8	50,686,622	45,419,450
Cash & Bank Balances	9	2,323,761	3,449,925
Loans & Advances	10	66,494,878	63,210,081
		176,114,897	125,573,929
Less: Current Liabilities and Provisions	11	112,548,757	80,494,403
Net Current Assets		63,566,140	45,079,526
		199,999,017	185,323,167
Significant Accounting Policies and Notes to Accounts	18		

As per our attached report of even date

For Singrodia Goyal & Co.
Chartered Accountants

K.M. Tulsian
Partner
Mem. No. 38430
Place : Mumbai
Date : 30th May, 2011

For and on behalf of the Board

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Om Prakash Singhi
Director
Place : Mumbai
Date : 30th May, 2011

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

PARTICULAR	SCHEDULES	Year Ended 31.03.2011 AMOUNT (₹)	Year Ended 31.03.2010 AMOUNT (₹)
A. INCOME			
Income from Operations	12	264,755,742	228,860,406
Other Income	13	7,165,191	11,037,100
Increase/(Decrease) In Stocks	14	(4,742,864)	6,239,291
		267,178,069	246,136,796
B. EXPENDITURE			
Cost of Goods Consumed / Sold	15	143,740,171	129,536,139
Manufacturing & Other Expenses	16	92,440,753	83,245,524
Interest & Financial Charges	17	8,628,468	9,434,380
Depreciation		15,934,407	14,542,608
		260,743,798	236,758,652
Profit Before Tax		6,434,271	9,378,144
Add: Prior Period Adjustments (Refer Note No. 11 of Schedule 18)		1,225,666	-
		7,659,937	9,378,144
Provision For Taxation			
Current Tax		1,445,849	1,471,719
Minimum Alternate Tax Credit Entitlement		(1,948,146)	-
Deferred Tax Liability /(Assets)		559,625	2,516,728
Tax of earlier year		75,635	437,425
Profit After Tax		7,526,974	4,952,272
Add : Balance as per last year		30,880,163	25,927,891
Balance carried to Balance Sheet		38,407,137	30,880,163
Earning Per Share of Rs.10/- each.			
Basic		1.04	0.74
Diluted		1.04	0.74
Significant Accounting Policies and Notes to Accounts	18		

As per our attached report of even date

For Singrodia Goyal & Co.
Chartered Accountants

K.M. Tulsian
Partner
Mem. No. 38430
Place : Mumbai
Date : 30th May, 2011

For and on behalf of the Board

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Om Prakash Singhi
Director
Place : Mumbai
Date : 30th May, 2011

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule " 1 " :- Share Capital		
Authorized	100,000,000	100,000,000
10,000,000 Equity Shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>
Issued Subscribed & Paid up Capital		
72,85,000 (P.Y.6,940,000) Equity Shares of Rs.10/- each fully paid up.	72,850,000	69,400,000
	<u>72,850,000</u>	<u>69,400,000</u>
Schedule " 1A " :- Share Warrants		
NIL (P.Y. 345,000) Warrants of Rupee 1/- each paid up. -	345,000	
(Each Warrant carry option / entitlement to subscribe to one equity share of Rs.10/- each at a price of Rs.10/- per equity share) -	<u>345,000</u>	
Schedule " 2 " :- Reserves & Surplus		
Capital Reserve	5,000,000	2,500,000
Securities Premium	3,934,318	
Less:Share Issue Expenses	66,180	3,934,318
Profit & Loss Account	<u>38,407,137</u>	<u>30,880,163</u>
	<u>47,275,275</u>	<u>37,314,481</u>
Schedule " 3" :- Secured Loans (Refer Note 5 of Schedule '18')		
Term Loans From Banks	9,177,394	21,129,142
Working Capital Loans From Banks	50,646,455	37,310,034
Vehicle Loans	3,718,510	3,047,526
	<u>63,542,359</u>	<u>61,486,702</u>
Schedule " 4 " :- Unsecured Loans		
Inter Corporate Deposits	2,240,971	3,603,412
From Directors	826,429	469,216
	<u>3,067,400</u>	<u>4,072,628</u>

SCHEDULE TO BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule " 5 " :- Fixed Assets (At Cost less Depreciation)

(Amount in ₹)

Sr. No.	Description of Assets	Gross Block				Depreciation			Net Block		
		As at 01.04.2010	Additions during the year	Deductions during the year	As at 31.03.2011	Up to 31.03.2010	For the Year	Adjustments during the year	Up to 31.03.11	As at 31.03.2011	As at 31.03.2010
1	Freehold Land	4,759,860	59,382	-	4,819,242	-	-	-	-	4,819,242	4,759,860
2	Factory Building	63,906,965	322,705	-	64,229,670	16,711,160	2,141,191	-	18,852,351	45,377,319	47,195,805
3	Office Building	1,281,075	-	-	1,281,075	256,727	20,882	131,438 See Note 1	146,171	1,134,904	1,024,348
4	Plant & Machinery	145,091,730	6,901,259	-	151,992,989	76,051,582	11,058,762	-	87,110,344	64,882,645	69,040,148
5	Electrical Installations	3,765,030	13,988	-	3,779,018	517,122	279,988	-	797,110	2,981,908	3,247,908
6	Laboratory Equipments	9,698,270	155,582	-	9,853,852	7,830,332	726,319	-	8,556,651	1,297,201	1,867,938
7	Furnitures & Fixtures	6,064,367	302,887	-	6,367,254	1,758,288	384,897	-	2,143,185	4,224,069	4,306,079
8	Computers	2,630,489	112,209	-	2,742,698	2,277,633	428,841	-	2,706,474	36,224	352,856
9	Vehicles	10,435,552	3,440,703	2,488,478	11,387,777	4,978,403	893,528	3,171,968 See Note 2	2,699,963	8,687,814	5,457,149
	Total	247,633,338	11,308,715	2,488,478	256,453,575	110,381,247	15,934,407	3,303,406	123,012,248	133,441,327	137,252,091
	Previous Year	223,598,180	25,629,549	1,594,391	247,633,338	95,963,568	14,542,610	124,931	110,381,247	137,252,091	

Notes:

- Depreciation rate on office building has been revised from 3.34% to 1.63% since inception and excess depreciation, amounting to Rs. 1.31 lacs, provided till previous year has been reversed and reflected as Prior Period Adjustments.
- (a) During the year, Vehicles costing Rs.1,601,870/- (W.D.V - Nil) have been discarded and Vehicles costing Rs.8,86,608/- (W.D.V - Rs. 410,738/-) have been sold.
(b) Vehicles Costing Rs.2,098,627/- (W.D.V Rs.683,490/- as on 01.04.2010), on which inadvertently full depreciation has been charged in earlier years have been rectified during the year and reflected as Prior Period Adjustments.

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule " 6 " :- Investments		
Long Term Investments		
(a) Non Trade, Unquoted		
Eurolife Healthcare Private Limited 160,000 Equity shares of Rs.10/- each fully paid up	1,600,000	
(b) Non Trade, Quoted		
(i) Shardul Securities Limited 12800 Equity Shares of Rs.10/- each fully paid up	384,000	384,000
(ii) Ojas Technochem Limited 5000 Equity Shares of Rs.10/- each fully paid up	123,915	123,915
(iii) Clio Infotech Limited 1000 Equity Shares of Rs.10/- each fully paid up	43,980	43,980
(c) Investments in Mutual Funds		
30657.919 units of Kotak Opportunities - Growth Option Plan of Kotak Mutul Fund (NAV as on 31.03.2011 is Rs.1,405,144)	1,000,000	1,000,000
	3,151,895	3,151,895
Less :- Provision for Diminution in value of Investments	160,345	160,345
	2,991,550	2,991,550
Note:		
Market Value of Quoted Investments	945,830	899,070
Aggregate Value of Quoted Investments	551,895	551,895
Aggregate Value of Unquoted Investments	2,600,000	2,600,000
Schedule " 7 " :- Inventories		
(As taken, valued and certified by the management)		
Raw Materials	45,236,236	2,596,577
Finished Goods	3,540,916	8,283,780
Packing Materials	6,575,738	1,830,338
Stores & Spares	1,256,746	783,778
	56,609,636	13,494,473
Schedule " 8 " :- Sundry Debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered Good	3,702,113	2,788,760
Considered Doubtful	2,189,600	2,189,600
	5,891,713	4,978,360
Less: Provision for doubtful debts	2,189,600	2,189,600
	3,702,113	2,788,760
Other Debts (Considered Good)	46,984,509	42,630,690
	50,686,622	45,419,450
Schedule " 9 " :- Cash and Bank Balances		
Cash in Hand	2,027,260	2,169,957
Balance with Scheduled Banks		
In Current Account	146,559	145,027
In Fixed Deposits	149,942	1,134,942
	2,323,761	3,449,926

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule " 10 " :- Loans and Advances		
(Unsecured, considered good)		
Advance recoverable in cash or in kind or for value to be received	17,763,403	16,578,172
Balance with Excise Department	31,947,406	25,839,378
Other Advances	4,484,493	4,047,373
Deposits	6,079,900	4,371,702
Advance Tax & TDS	4,271,530	12,373,456
Minimum Alternate Tax Credit Entitlement	1,948,146	-
	66,494,878	63,210,081
Schedule " 11 " :- Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors		
(a) Due to Micro & Small & Medium Enterprises (Refer Note 10 of Schedule 18)	-	-
(b) Due to Others	73,193,067	53,021,210
Other Liabilities	36,438,122	26,001,474
	109,631,189	79,022,684
Provisions		
Provision for Taxation	2,917,568	1,471,719
	112,548,757	80,494,403
Schedule " 12 " :- Income from Operations		
Gross Sales	226,119,365	200,200,196
Less : Excise Duty	15,682,136	11,356,023
Net Sales	210,437,229	188,844,173
Conversion Charges (TDS-Rs.1,047,220/-) (Previous year Rs. 744,368/-)	53,541,020	39,346,865
Scrap Sales	777,493	669,368
	264,755,742	228,860,406
Schedule " 13 " :- Other Income		
Interest Income (TDS Rs. 65,776/-) (P.Y. Rs.75,000/-)	603,498	665,626
Interest on Income Tax refund	172,891	861,801
Dividend Received	15,360	12,800
Profit on sale of Fixed Assets	-	2,426,330
Foreign Exchange Fluctuation (Net)	5,375,833	6,446,789
Sundry Balances written back	997,609	623,754
	7,165,191	11,037,100
Schedule " 14 " :- Increase / (Decrease) In Stocks		
Finished Goods		
Closing Stocks	3,540,916	8,283,780
Less: Opening Stocks	8,283,780	2,044,489
	(4,742,864)	6,239,291
Schedule " 15 " :- Cost of Goods Consumed / Sold For Manufacturing		
Opening Stocks	2,400,546	14,003,938
Purchases	181,447,510	111,315,511
	183,848,056	125,319,449
Less : Closing Stocks	45,236,236	2,400,546
(A)	138,611,820	122,918,903

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
For Trading		
Opening Stocks	196,031	100,980
Purchases	4,932,320	6,712,287
	<u>5,128,351</u>	<u>6,813,267</u>
Less : Closing Stocks	-	196,031
(B)	<u>5,128,351</u>	<u>6,617,236</u>
(A+B)	<u>143,740,171</u>	<u>129,536,139</u>
Schedule " 16 " :- Manufacturing and Other Expenses		
1. Payment to & Provision for Employees		
Salary, Wages and Bonus	17,257,457	13,877,234
Labour Charges	14,573,934	7,949,911
Directors Remuneration	6,000,000	3,750,000
Contribution to Provident & Other Funds	700,148	665,160
Staff Welfare Expenses	263,490	198,958
	<u>38,795,029</u>	<u>26,441,263</u>
2. Operating Expenses		
Power & Fuel Consumed	18,006,169	19,777,531
Stores & Spares Consumed	5,351,919	6,268,885
Packing Materials Consumed	2,234,501	3,271,051
Laboratory Materials Consumed	849,846	609,491
Carriage Inwards	3,517,844	3,159,014
ETP Plant Expenses	591,404	240,200
Repairs & Maintenance (Plant & Machinery)	1,230,027	2,159,911
Factory Expenses	42,816	41,870
	<u>31,824,526</u>	<u>35,527,953</u>
3. Other Expenses		
Rent	352,567	902,042
Communication Costs	711,549	722,920
Printing & Stationery	353,399	353,236
Traveling & Conveyance	1,158,362	1,111,723
Insurance	1,327,485	329,548
Electricity Charges	136,177	155,693
Repairs to Buildings	158,353	489,643
Repairs to Others	211,648	162,789
Legal & Professional Charges	1,944,695	2,262,676
Vehicle Expenses	1,062,614	1,087,450
Freight Outward	3,974,055	2,183,974
Commission and Discount	2,435,110	2,491,841
Sales Promotion Expenses	967,275	3,012,828
Sales Tax	4,497,613	3,964,326
Auditors Remuneration	253,690	347,445
Loss on Sale of Fixed Assets	250,536	-
Donations	1,010,000	320,000
Diminution in value of Investments	-	160,345
Miscellaneous Expenses	1,016,069	1,217,828
	<u>21,821,197</u>	<u>21,276,306</u>
	<u>92,440,753</u>	<u>83,245,521</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule “ 17 “ :- Interest and Financial Charges		
Interest on Fixed Loans	7,457,225	7,737,098
Interest on Other Loans	320,970	888,340
Bank Charges	850,273	808,943
	8,628,468	9,434,381

Schedule “18”: Significant Accounting Policies & Notes on Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting:

- a) The Financial Statements have been prepared in compliance with the Accounting Standards notified by Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 in all material aspects.
- b) Financial Statements are based on historical cost convention and are prepared on accrual basis.

2. Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the periods in which the results are known/ materialize.

3. Revenue Recognition:

- i. Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
- ii. Revenue in respect of export sales is recognised on shipment of products.
- iii. Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iv. Dividend income is recognised on actual realisation.
- v. Conversion charges revenue is recognised on completion of work basis.

4. Purchases are stated net of discounts, returns, VAT and rate differences.

5. Sales are inclusive of excise duty & sales tax and are stated net of discounts, returns and rebates.

6. Fixed Assets:

Fixed Assets are stated at actual cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

7. Impairment of Fixed Assets:

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

8. Depreciation:

- i) No depreciation is provided for on Land.
- ii) Depreciation on Fixed Assets has been provided on 'Straight Line Method' as per the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

9. Inventories:

Inventories are valued as follows:

- i) Finished Goods are valued at lower of cost or net realisable value.
- ii) Raw Materials, Stores, Spares & Tools are valued at lower of cost or net realisable value.
- iii) Work-in-Process is valued at lower of the cost or net realisable value.
- iv) Accessories and Packing Materials are valued at lower of cost or net realisable value.

10. Investments:

Investments that is intended to be held for more than a year from the date of acquisition are classified as long term investments and are carried at cost less any provision for permanent diminution in value. Investments other than long term investments being current investments are valued at cost or fair market value whichever is lower.

11. Employee Benefits:

- i) Company's contribution to Provident Fund and other Funds for the year is accounted on accrual basis and charged to the Profit & Loss Account for the year.
- ii) Liability for leave encashment benefits and retirement benefits in the form of Gratuity has been recorded on cash basis.

12. Provisions and Contingent Liabilities:

The Company recognizes a provision when there is a 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 the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

13. Foreign Currency Transactions:

- i) The transactions in foreign currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transactions.
- ii) The difference on account of fluctuation in the rate of exchange, prevailing on the date of transaction and the date of realisation is charged to the Profit & Loss Account.
- iii) Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year-end are recognised in the Profit and Loss Account.

14. Accounting for Government Grants:

- i) Capital subsidy received from State Government is shown under the head 'Capital Reserve'.
- ii) Subsidy for acquiring certain Plant and Machinery is deducted from the cost of the related plant and machinery.

15. Accounting for Taxation of Income:**Current Taxes**

Provision for current income-tax is recognized in accordance with the provisions of Indian Income- tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

Deferred Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future. Deferred tax assets are reviewed as at each Balance Sheet date.

II. NOTES TO ACCOUNTS

1. Liabilities in respect of Gratuities and Leave Encashment are accounted for on cash basis which is not in conformity with Accounting Standard (AS) 15 (Revised 2005) on Employee Benefits as notified by the Companies (Accounting Standards) Rules, 2006 which requires that Gratuity and Leave Encashment be accounted for on accrual basis.
2. **Contingent Liabilities not provided for :**
 - i) Guarantee given by Banks on behalf of the Company ' 1.66 lacs. (Previous year ' 1.05 lacs)
 - ii) Income Tax Demands which are under dispute and is being contested by the Company by the way of appeal with ITAT ' Nil (Previous year ' 111.15 Lacs). Amount Paid ' Nil (Previous year ' 55.10 Lacs).
3. In the opinion of the Board the Current Assets, Loans & Advances are approximately of the value stated and are realisable in the ordinary course of business except for those which are considered doubtful and provided for. The provisions for all known liabilities are adequate and not in excess of the amount reasonably necessary.
4. Balances of sundry debtors, creditors, loans and advances including cash held at Baroda and Mumbai are subject to confirmation, reconciliation and consequential adjustment, if any. Consequently revenue impact, presently is not ascertainable, will be considered as and when determined.
5. **Secured Loans:**
 - i) Term Loans from Banks:
 - Term Loan I - ' 31.48 Lacs** (Previous year ' 64.50 Lacs) is secured by Equitable Mortgage of Plant & Machinery, Furniture & Fixtures and Other Fixed Assets.
 - Term Loan II - ' 60.29 Lacs** (Previous year ' 146.79 Lacs) is secured by Equitable Mortgage of Plant & Machinery, Furniture & Fixtures and Other Fixed Assets.
 - ii) Working Capital Loans from Banks:
 - Cash Credit Loan**:
 - ' 468.96 Lacs (Previous year ' 368.20 Lacs) is secured by hypothecation of Stocks and Book Debts.
 - Packing Credit Loan:
 - ' 37.50 Lacs (Previous year ' 4.90 Lacs) is secured by hypothecation of Stocks and Book Debts of export division and the personal guarantee of promoter directors.
 - iii) Vehicle Loans (Hire Purchase Loan):
 - ' 37.19 Lacs (Previous year ' 30.48 Lacs) is secured by specific assets financed.

**Term Loans and Cash Credit Loans are further collaterally secured by:

 - Equitable Mortgage over Factory Land.
 - Hypothecation of all Movable Assets of the Company.
 - Personal Guarantee of Directors of the Company.

6. Directors' Remuneration:

(₹ In lacs)

Particular	31st March 2011	31st March 2010
Directors Remuneration	60.00	37.50
Total	60.00	37.50

7. Auditor's Remuneration:

(₹ In lacs*)

Particular	31st March 2011	31st March 2010
Audit Fees	1.60	1.40
Tax Audit Fees	0.40	-
Income Tax Matters	0.15	1.40
Other Services	0.15	0.35
Total	2.30	3.15

*amounts excluding service tax

8. Additional Information Pursuant to the Provisions of Part II of the Schedule VI of the Companies Act 1956 is given in Annexure 'A' hereto.

Annexure A : Additional Information Pursuant to the provisions of Part II of the Schedule VI of the Companies Act, 1956 for the year ended 31st March, 2011

Quantitative Information:

- i) Installed Capacity 2500 MT (P.Y. 2500 MT)
 ii) Opening Stock, Production, Sales and Closing Stock Of Finished Goods :-

(₹ in Lacs)

Particulars	Lactose		Lactulose		Sweet Whey		Others	
	Qty. (MT)	Value Rs.	Qty. (Ltrs)	Value Rs.	Qty. (kgs)	Value Rs.	Qty. (kgs)	Value Rs.
Opening Stock	74.85	51.60	27,155	31.70	3,650	1.49	-	-
	(5.17)	(5.44)	(12,290)	(15.01)	(2,475)	(1.01)	-	-
Production	2,296.73	-	127,480.00	-	-	-	-	-
	(2,314.80)	-	(177,480)	-	-	-	-	-
Purchases	-	-	-	-	86,000	49.32	-	-
	-	-	-	-	(99,000)	(67.12)	-	-
Closing Stock	13.16	7.69	26,868	27.72	-	-	-	-
	(74.85)	(51.60)	(27,155)	(31.70)	(3,650)	(1.49)	-	-
Sales \ Wastage	2,358.42	2,100.75	127,767.00	134.05	89,650	67.94	-	123.04
	(2,246.13)	(1,506.43)	(162,615)	(221.46)	(97,825)	(73.69)	-	(93.56)

Note: -

Figures in brackets are pertaining to the previous year.

iii) Raw Material Consumed/ Sold

(₹ in Lacs)

Particulars	Crude Lactose		Lactulose		Others (Glutex & C-Pac, Activated Carbon, Liquid RM)	
	Qty. (MT)	Value Rs.	Qty. (MT)	Value Rs.	Qty. (kgs)	Value Rs.
Opening Stock	40.00	19.14	Nil	-	65	4.87
	(285.75)	(113.91)	Nil	-	(96)	(26.13)
Purchases	3,446.51	-	127,480.00	108.96	6,380	83.01
	(2,800.25)	(807.80)	(177,480.00)	(177.75)	(9,200)	(127.60)
Closing Stock	820.02	419.71	Nil	-	159	32.65
	(40.00)	(19.14)	Nil	-	(65)	(4.87)
Consumption	2,666.49	(400.57)	127,480.00	108.96	6,286	55.23
	(2,886.25)	(902.57)	(177,480.00)	(177.75)	(2,886)	(148.86)

Note:

Previous year figures are re grouped wherever necessary.

- * Closing Stock & Purchases include Material in Transit of 620.00MT (Previous year Nil). Closing Stock also includes WIP 42.565 MT (Previous Year 10.00 MT)
- ** Consumption Quantity signifies quantity used in production of lactose and value signifies the value of quantity consumed in production of lactose.
- *** Sales signify the quantity and sales value of edible lactose traded.

iv) **Value of Imported and Indigenous Raw Materials and Stores consumed during the year:**

(₹ in lacs)

Description	31st March 2011		31st March 2010	
	In %	In Rs.	In %	In Rs.
Raw Materials				
Manufacturing – Imported	85%	1178.86	76%	931.51
– Indigenous	15%	207.26	24%	297.68
Total	100%	1386.12	100%	1229.19
Stores & Spares				
- Imported	-	-	-	-
- Indigenous	100	53.52	100	62.68
Total	100	53.52	100	62.68

v) **C.I.F. Value of Imports and Expenditure in Foreign Exchange**

(₹ in lacs)

Particulars	31st March 2011	31st March 2010
C.I.F. Value of Imports		
Raw Materials	1371.99	720.75
Expenditure in Foreign Exchange		
Travelling Expenses	4.49	4.96
Commission	0.82	6.02

vi) **F.O.B. Value of Exports**

(₹ in lacs)

Particulars	31st March 2011	31st March 2010
F.O.B. Value of Exports	478.3	375.93

Note:

Licensed capacity is not applicable

All capacities are expressed on triple shift basis

The installed capacities are as per the certificate given by the Executive Director on which the Auditors have relied, being a technical matter.

9. During the year, the Company has received government grants of ' 25 lacs under the scheme for 'Technology Upgradation / Establishment / Modernization of Food Processing Industries' from Ministry of Food Processing Industries for the expansion of Milk Processing Unit of the Company at Survey No.6, Village Poicha (Rania), Taluka – Savli, District – Vadodara, Gujarat – 391780 and the same has been credited to Capital Reserves.
10. Amounts due to Micro, Small and Medium Enterprises:
The name of the Micro, Small and Medium Enterprises suppliers defined under "The Micro, Small and Medium Enterprises Development Act 2006" could not be identified, as necessary evidence is not in the possession of the Company.
11. Prior Period Adjustments amounting to ' 12.25 lacs represents excess of depreciation charged on certain assets, in earlier years, rectified during the year.
12. Earning Per Share:

In accordance with Accounting Standard 20- Earning Per Share, the computation of earning per share is set below:

Sr. No.	Particulars	31st March 2011	31st March 2010
i)	Weighted average number of Equity Shares of ' 10 each		
a)	Number of shares at the beginning of the year of ' 10 each	69,40,000	66,12,000
b)	Number of shares at the end of the period of ' 10 each	72,85,000	69,40,000
c)	Weighted average number of shares outstanding during the year of ' 10 each	72,26,397	66,80,296
ii)	Net Profit after tax available for equity shareholders (' In lacs)	75.27	49.52
iii)	Basic Earning Per Share (In ')	1.04	0.74
iv)	Diluted Earning Per Share (In ')	1.04	0.74

Note:

The Basic EPS is calculated by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year.

13. Taxation:

- i) Provision for taxation for the accounting year has been computed on the basis of Minimum Alternate Tax (MAT) in accordance with section 115 JB of the Income Tax Act, 1961. Considering the future profitability and taxable positions in the subsequent years, the Company has recognized "MAT credit entitlement" of ₹ 19.48 lacs (P.Y. ₹ Nil lacs) as an asset by crediting to the Profit and Loss Account an equivalent amount and included under "Loans and Advances" in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India.
- ii) In terms of Accounting Standard 22 on "Accounting for Taxes on Income", the Company has recognised Deferred Tax Liabilities (Net) amounting to ₹ 5.60 lacs (P.Y. ₹ 25.17 lacs) for the year ended 31st March 2011 in the Profit & Loss Account.

The accumulated balance in Net Deferred Tax Liability / (Assets) comprises of:

(₹ in lacs)		
Particulars	31st March 2011	31st March 2010
Depreciation	132.64	127.58
Tax Disallowances	NIL	0.53
Deferred Tax Liability / (Assets)	132.64	127.04

14. Segmental Information:

- i) Primary (Business) Segment:

In accordance with the requirements of Accounting Standard 17 "Segment Reporting", the Company's business consists of one reportable business segment i.e., "Manufacturing & Trading of Pharmaceutical Products", hence no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities, Capital Employed are given.

- ii) Secondary (Geographical) Segment:

Secondary segment reporting is on the basis of geographical location of the customers. The operation of the Company comprises local sales and export sales. The management views the Indian market and Export market as distinct geographical segments. The following is the distribution of the Company's sales by geographical markets:

(₹ in lacs)		
Sales	31st March 2011	31st March 2010
India	2104.37	1836.37
Export	478.30	452.23
Total	2647.56	2288.60

The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

(₹ in lacs)		
Carrying Amount of Segment Assets	31st March 2011	31st March 2010
India	1922.76	1795.32
Outside India*	77.23	57.91
Total	1999.99	1853.23

*Carrying amount of Segment assets outside India represents receivables from Export Sales.

15. Advances recoverable in cash or in kind includes advance paid for office premises to a relative of the directors amounting to ₹ 135.00 lacs (P.Y. ₹ 135.00 lacs). The registration and stamp duty for the transfer of the premises is under process.

16. Related Party Disclosures:

As required under Accounting Standard 18 "Related Party Disclosure", following are the details of transactions during the year with the related parties of the Company as defined in AS 18:

- i) For the year ended 31st March, 2011

- a) Key Management Personnel

Mr. S. M. Maheshwari	Director
Mr. Atul Maheshwari	Director

- b) Relative of Director and Name of the enterprises having same Key Management Personnel and / or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year.

- Mrs. Sangita Maheshwari
- Madhusa Projects Private Limited

(₹ in lacs)		
Nature of Transactions	In relation to (a) above	In relation to (b) above
Rent Paid	Nil	2.88
Directors Remuneration	60.00	Nil
Salaries	Nil	5.48
Unsecured Loans received	5.00	Nil
Interest Paid on Unsecured Loans	0.55	2.65
Repayment of Loans Taken	1.25	16.00
Equity Contribution	Nil	31.05
Share Warrants converted	Nil	3.45
Amount outstanding as on 31 st March 2011		
Loans Payable	8.26	22.41
Advance for Office Premises	Nil	135.00

Note: Related Parties are as disclosed by the Management and relied upon by the Auditors.

ii) For the year ended 31st March, 2010

a) Key Management Personnel

Mr. S. M. Maheshwari	Director
Mr. Atul Maheshwari	Director

b) Name of the enterprises having same Key Management Personnel and / or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year.

- Mrs. Sangeeta Maheshwari
- Madhusa Projects Private Ltd

(₹ in lacs)		
Nature of Transactions	In relation to (a) above	In relation to (b) above
Rent Paid	Nil	5.28
Directors Remuneration	37.50	Nil
Salary Payment	Nil	5.48
Unsecured Loans received	Nil	Nil
Interest Paid on Unsecured Loans	2.81	6.07
Repayment of Loans Taken	17.03	27.33
Equity Contribution	Nil	29.52
Share Warrants converted	Nil	3.28
Amount outstanding as on 31 st March 2010		
Loans Payable	4.69	36.03
Advance for Office Premises	Nil	135.00

Note: Related Parties are as disclosed by the Management and relied upon by the Auditors.

17. The company has during the year raised funds amounting to ₹ 34.50 lacs through the conversion of share warrants which were issued in previous years and same has been utilized for the intended purpose.

18. Figures of the previous year have been regrouped, reclassified and/or rearranged wherever necessary.

As per our attached report of even date

For Singrodia Goyal & Co.
Chartered Accountants

K.M. Tulsian
Partner
Mem. No. 38430
Place : Mumbai
Date : 30th May, 2011

For and on behalf of the Board

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Om Prakash Singhi
Director
Place : Mumbai
Date : 30th May, 2011

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

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Cash Flow from Existing Activities		
Net Profit before Tax & Extraordinary Items	6,434,271	9,378,144
Depreciation	15,934,407	14,542,610
(Profit)/Loss on sale of Fixed Assets	250,536	(2,426,330)
Dividend Received	(15,360)	(12,800)
Interest Income	(603,498)	(665,626)
Interest Receivable on tax refund	(172,891)	(861,801)
Decrease in value of Investments	-	160,345
Interest Paid	7,778,195	8,625,438
Operating Profit before Working Capital Changes	29,605,661	28,739,978
Adjusted for :		
(Increase)/Decrease in Sundry Debtors	(5,267,172)	(17,752,827)
(Increase)/Decrease in Inventories	(43,115,164)	3,864,538
(Increase)/Decrease in Loans & Advances	(9,438,577)	5,298,180
Increase/(Decrease) in Current Liabilities	30,608,505	16,611,878
Direct Tax Paid	8,199,183	(4,482,539)
Net Cash from Operating Activities	10,592,436	32,279,208
Cash Flow from Investing Activity		
Addition to Fixed Assets (Including Capital Work in Progress)	(11,308,715)	(22,039,316)
Proceeds from sales of Fixed Assets	160,202	4,000,000
Purchase of Investments	-	-
Dividend/Interest Received	618,858	678,426
Net Cash used in Investing Activities	(10,529,654)	(17,360,890)
Cash Flow from Financing Activities		
Proceeds from issue of shares	3,105,000	2,952,000
Expenses relating to issue of shares	(66,180)	(69,460)
Proceeds from MFPI Grant	2,500,000	-
Proceeds from borrowings	1,050,429	(9,540,261)
Interest Paid	(7,778,195)	(8,625,438)
Net cash from Financing Activities	(1,188,946)	(15,283,159)
Net cash flow during the year (A + B +C)	(1,126,164)	(364,837)
Cash & Cash Equivalents (Opening Balance)	3,449,925	3,814,762
Cash & Cash Equivalents (Closing Balance)	2,323,761	3,449,925

Note:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement notified by Companies (Accounting Standard) Rules, 2006 and relevant provisions of the Companies Act, 1956 in all
- Cash and Cash Equivalent at the end of the year consist of Cash In hand and Balances with banks as follows:

Particulars	As at 31.03.2011	As at 31.03.2010
Cash in hand	2,027,260	2,169,957
Balance with Schedule Banks		
In Current Account	146,559	145,027
In Fixed Deposits	149,942	1,134,942
	2,323,761	3,449,925

- The Previous year's figures have been regrouped, rearranged wherever necessary in order to conform to current year's presentation.

As per our attached report of even date

For Singrodia Goyal & Co.

Chartered Accountants

K.M. Tulsian

Partner

Mem. No. 38430

Place : Mumbai

Date : 30th May, 2011

For and on behalf of the Board

S. M. Maheshwari

Chairman & Managing Director

Atul Maheshwari

Executive Director

Om Prakash Singhi

Director

Place : Mumbai

Date : 30th May, 2011

**Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile**

I. Registration Details

Registration No. :	<input type="text" value="04 - 15186"/>	State Code :	<input type="text" value="04"/>
Balance Sheet Date :	<input type="text" value="31 - 3 - 2011"/>		
	Date Month Year		

II. Capital raised during the year (' in Thousands)

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement /	
Promoters Contribution	<input type="text" value="3450"/>		
Call Unpaid Received	<input type="text" value="Nil"/>	(Including Warrants)	

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

Total Liabilities	<input type="text" value="199999"/>	Total Assets	<input type="text" value="199999"/>
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Source of Funds

Paid-up Capital	<input type="text" value="72850"/>	Reserves and Surplus	<input type="text" value="47275"/>
Share Warrants	<input type="text" value="0"/>	Unsecured Loans	<input type="text" value="3067"/>
Secured Loans	<input type="text" value="63542"/>		
Deferred Tax Liability	<input type="text" value="13264"/>		

Application of Funds

Net Fixed Assets (Including CWIP)	<input type="text" value="133441"/>	Investments	<input type="text" value="2992"/>
Net Current Assets	<input type="text" value="63566"/>		

IV. Performance of Company. (Rs. in Thousands)

Turnover and Income	<input type="text" value="267178"/>	Total Expenditure	<input type="text" value="260744"/>
+ - Profit/Loss Before Tax	<input type="text" value="6434"/>	Profit/Loss After Tax	<input type="text" value="7527"/>
(Please tick appropriate box, + Profit, - for Loss)			
Basic Earning Per Share in (Rs.)	<input type="text" value="1.04"/>	Dividend Rate %	<input type="text" value="Nil"/>
Diluted Earning Per Share in (Rs.)	<input type="text" value="1.04"/>		

V. Generic Names of Three Principal Products/Services of Company (As Per Monetary Terms)

Item Code No. (ITC Code)	<input type="text" value="17021100"/>
Product Description	<input type="text" value="Production of Lactose Powder"/>

As per our attached report of even date

For Singrodia Goyal & Co.
Chartered Accountants

For and on behalf of the Board

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

K.M. Tulsian

Partner

Mem. No. 38430

Place : Mumbai

Date : 30th May, 2011

Om Prakash Singhi

Director

Place : Mumbai

Date : 30th May, 2011

Dear Shareholder

Sub: Green Initiative in corporate Governance-Electronic mode of service of Documents

The Ministry of Corporate affairs, Government of India, has by circular no 17/2011 dated 21st April 2011 and 18/2011 dated 29th April,2011 respectively, clarified that a company will have complied with the provisions of the companies act, 1956, if service of notice(s) / document(s) on its shareholders has been made through electronic mode. This initiative by the government is indeed commendable and your company supports the same. We are sure, that as a responsible shareholder, you too will support this initiative. By registering yourself with the company for e-communication, you will be able to receive such notice(s) / document(s) etc. promptly and without loss in postal transit.

It is proposed that henceforth documents like Notices of Meetings, annual Reports, Directors Report, Auditors Report and other shareholder communication will be sent electronically to the email address provided by you and made available to the Company by the Depositories viz, NSDL / CDSL. As and when there are changes in your email address, you are requested to keep your Depository Participant (DP) informed of the same.

For shares held in Physical form, shareholders can either register their email address with the Company at investor.lactose@gmail.com mentioning their name(s) and Folio no. or return this Letter duly filled in to the Company's Registrar & Transfer Agent.

Kindly note that if you still wish to get a hard copy of the above documents, the Company will send the same, free of cost, upon receipt of a request from you.

Thanking you

Yours sincerely,
For Lactose (India) Limited
S.M.Maheshwari
Managing Director

Folio No. / DP ID & Client ID _____

Name of 1st Registered Holder _____

Name of Joint Holder(s) _____

E-mail Address (To Be Registered) _____

Mobile No. _____

Date: _____ Signature: _____

LACTOSE (INDIA) LIMITED

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780

ATTENDANCE SLIP

Shareholders attending the Meeting in persons or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the **ANNUAL GENERAL MEETING** of the Company at Village Poicha (Rania), Survey no. 6, Savli, dist. Vadodara – 391 780 on Thursday the 29th September 2011 at 11.00 A. M. and at any adjournment thereof.

Full name of the Shareholder
(in block capitals)

Signature of Shareholder

Folio No.

Full Name of proxy
(in block capitals)

Signature of Proxy

LACTOSE (INDIA) LIMITED

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780

PROXY FORM

Folio No.

I/We.....of.....
name being a member of above Company, hereby appoint Shri/ Smt./ Kum. of
..... in the district of

Or failing him /her Shri/ Smt. / Kum. in the district of
for me or us on my/our behalf at the ANNUAL GENERAL MEETING of the Company, to be held on Thursday the
29th September 2011 at 11.00 A. M. and at any adjournment thereof.

Signed thisday of

Rs.1/-
Revenue
Stamp to
be affixed

This proxy form duly completed must be received at the Company's Registered Office at least 48 hours before the meeting.

BOOK - POST

If undelivered, please return to :

LACTOSE (INDIA) LIMITED

VILLAGE POICHA (RANIA),

SURVEY NO. 6,

SAVLI, DIST. VADODARA – 391 780