



Panacea Biotec

Innovation in support of life

Annual Report
2006-07

Innovation in support of life





Panacea Biotec

Innovation in support of life

Innovation

Pioneer

Integrity

Humane



Board of Directors (As on 24th July, 2007)

Promter-Directors

Mr. Soshil Kumar Jain	Chairman
Mr. Ravinder Jain	Managing Director
Mr. Rajesh Jain	Joint Managing Director
Mr. Sandeep Jain	Joint Managing Director
Mr. Sumit Jain	Director - Operations & Projects

Non-Executive Directors

Mr. R.L. Narasimhan	Director
Mr. N.N. Khamitkar	Director
Mr. Sunil Kapoor	Director
Mr. M.L. Kalra	Director
Mr. Gurmeet Singh	Director
Mr. K.M. Lal	Director
Dr. A.N. Saxena	Director

Company Secretary

Mr. Vinod Goel

Registered Office

- Ambala-Chandigarh Highway
Lalru – 140 501, Punjab, India

Corporate, Administrative & Secretarial Office

- B-1 Extn./G-3, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi – 110 044, India

Mumbai Office

- 201, 'Samarpan', New Link Road, Chakala
Andheri (East), Mumbai – 400 099, India

Works

- Ambala-Chandigarh Highway
Lalru – 140 501, Punjab, India
- B-1/E-12, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi – 110 044, India
- A-241/242, Okhla Indl. Area, Phase – I
New Delhi – 110 020, India
- Malpur, Baddi, Tehsil Nalagarh, Dist. Solan
Himachal Pradesh – 173 205, India

R & D Centers

- Ambala-Chandigarh Highway
Lalru – 140 501, Punjab, India
- B-1/E-12, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi – 110 044, India
- A-224, Okhla Indl. Area, Phase – I
New Delhi – 110 020, India
- Plot No.E-4, Phase II, Indl. Area
Mohali – 160 055, Punjab, India
- Plot No.Gen/73/3, T.T.C. Indl.
Estate, Mahape, Navi Mumbai – 400 710, India

Statutory Auditors

M/s. S.R. Batliboi & Co.
Chartered Accountants, New Delhi

Cost Auditors

M/s. J.P. Gupta & Associates
Cost Accountants, New Delhi

Registrar & Transfer Agents

M/s. Skyline Financial Services Pvt. Ltd.
246, Sant Nagar, 1st Floor, Main ISKCON Temple Road,
East of Kailash, New Delhi – 110 065

Banks

Industrial Development Bank of India Ltd.
Indian Overseas Bank
State Bank of India
State Bank of Mysore
State Bank of Travancore
Union Bank of India
UTI Bank Ltd.



Chairman's Message



I look back at the last three years with a sense of satisfaction and pride during which we have built a strong foundation to base our future direction.

This year has been full of significant achievements for your Company, a 3rd successive year of record earnings & profitability. The performance has been in line with our strategy, where we have made significant progress in meeting our long-term objectives.

As we now enter into one of the most exciting and promising phases of our growth, cognizant of changes in the global market place and the opportunities it offers, we are confident that we have the resources and the determination to successfully convert our internal capabilities into business and operational achievements.

We will continue to focus on driving productivity and performance across all our business segments. As we enter into global markets, meeting economic, technical and IPR challenges, we will endeavour to increase the magnitude of our business and scale new heights year after year. I am glad that our methodology of steering business has received positive recognition and support from our customers, staff and stakeholders.

I am pleased with the commitment that Panacea Biotec has shown in all aspects of operations, financial performance and corporate governance. It is expected to maintain the highest standards of integrity, discipline and governance while providing superior returns to shareholders.

To achieve our highest potential and to gear ourselves for the changing scenario, we have changed our corporate identity. This exercise has helped us rearticulate our potential and goals. The new corporate identity will instill a high level of aspiration for us to emerge as a global health management company. Our core values- Innovation, Pioneer, Integrity and Humane would always guide us in taking the right decisions and lead us to our Goals. A new chapter is unfolding in Panacea Biotec.

Your constant support has always been a great motivating factor for us. Your confidence in us will augment our efforts in finding better ways to do things, innovate and effectively leverage our knowledge and expertise in healthcare management.

I wish you all a very happy, fruitful and prosperous year ahead.

Soshil Kumar Jain



Managing Director's Message



Throughout its inception, Panacea Biotec has indeed come of age in a great way. We have witnessed an inflexion point in growth in net profit and cash earnings. It is indeed a matter of great pride to watch a continuous, sustained & creditable performance.

We have earned our reputation as innovators in Research & Development and marketing strategies for developing high quality preventive and treatment therapies for health management. Our efforts would always be to bring Panacea Biotec beyond the highest quality of healthcare management. Our energetic and talented employees would constantly endeavour to do that.

We have always believed in collaborative approach and our collaborations are based on a firm platform of trust, transparency and mutual benefits.

I would like to accentuate the Company's goal of providing sustainable and satisfactory shareholders' returns which can only be achieved through an

unwavering focus on our customers' needs, ethical behaviour at all levels and recognition in the healthcare sector as a market leader. My confidence is based on our people and their adherence to a methodology, a culture and a work ethic that well serves the interest of all our stakeholders.

We are indeed passionate about healthcare and compassionate about people.

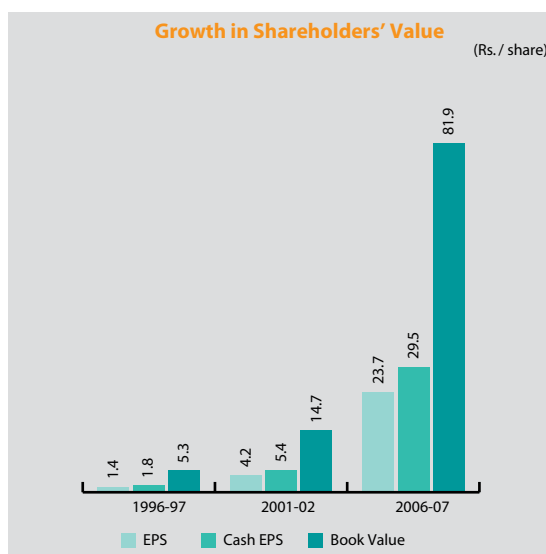
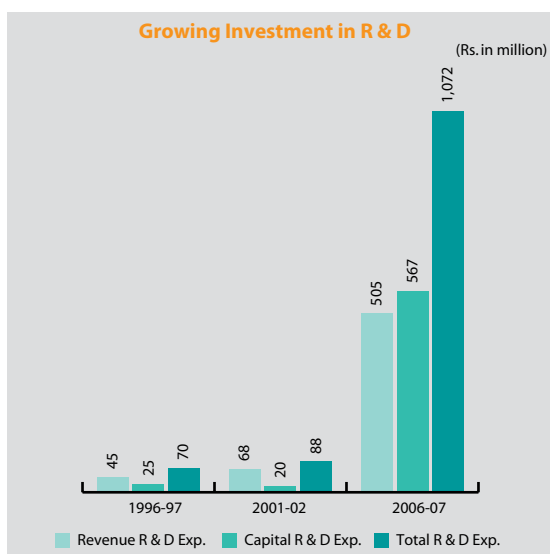
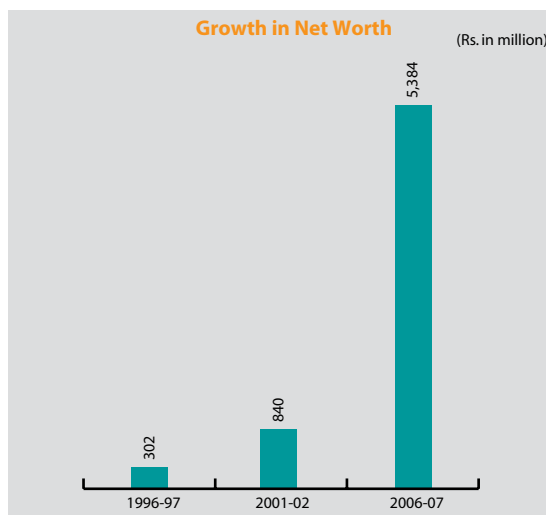
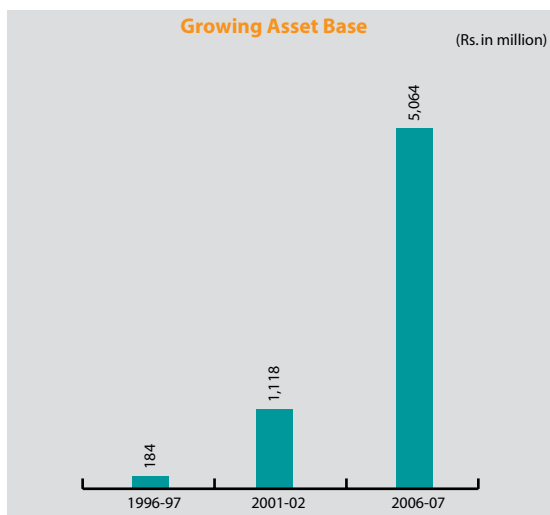
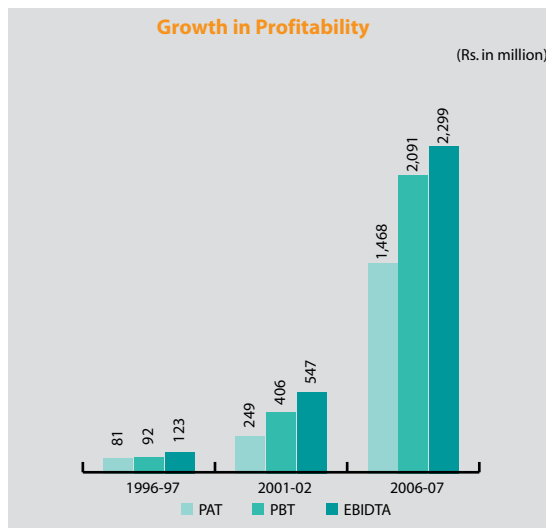
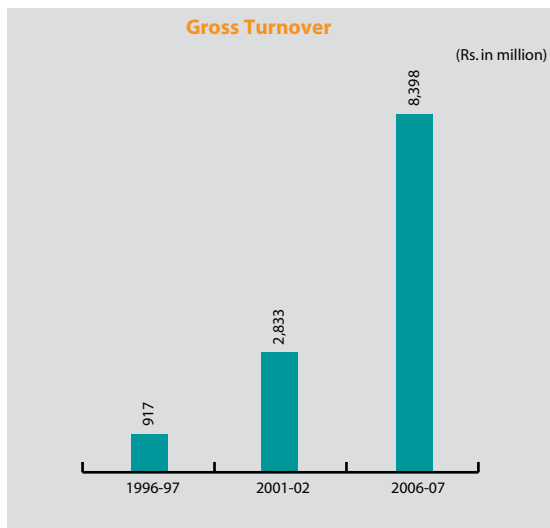
Having attained leadership in the domestic markets, we now aspire to move fast into the global markets. Our new Corporate Identity would augment our strategic move to enter the global markets, through collaborations, joint ventures and acquisitions in years to come.

Before concluding, I would like to express my admiration, appreciation & affection to all and thank all my fellow directors and the company's staff for their dedication and relentless efforts over the year. I would also like to acknowledge the continued support of all our customers, partners and stakeholders.

Ravinder Jain



Performance Highlights & Growth





Contents

Setting the Scene	2	Auditors' Report	70
<ul style="list-style-type: none">• Financial Highlights• Glowing Highlights of the year• Our New Corporate Identity			
Management Discussion & Analysis Report	8	Financial Statements	72
<ul style="list-style-type: none">• Industry Structure and Developments• Enter the great Enterprise – Panacea Biotec• Business Segments• Pharmaceutical Formulations• Vaccines• Manufacturing Facilities• Research & Development• Joint Ventures, Subsidiaries, Collaborations and Tie-ups• Financial Performance• Opportunities & Outlook• Future Growth Drivers• Risks, Challenges & Threats• Corporate Social Responsibility		<ul style="list-style-type: none">• Balance Sheet• Profit & Loss Account• Schedules to Balance Sheet and Profit & Loss Account• Cash Flow Statement• Statement u/s 212 in respect of Subsidiary Companies	
		Consolidated Financial Statements	102
		<ul style="list-style-type: none">• Auditors' Report on Consolidated Financial Statements• Consolidated Balance Sheet• Consolidated Profit & Loss Account• Schedules to Consolidated Balance Sheet and Profit & Loss Account• Consolidated Cash Flow Statement	
		Annual Report of Subsidiary Companies	126
		<ul style="list-style-type: none">• Radicura & Co. Limited• Best On Health Limited	
Directors' Report	44		
Corporate Governance Report	56		



Setting the Scene

- Panacea Biotec is the 2nd Largest Vaccine producer in India
- 3rd Largest Biotechnology Company in India (ABLE Survey 2006)
- One of the six companies in the World, pre-qualified by WHO for Oral Polio Vaccine
- One of the nine companies in the World, pre-qualified by WHO for Hepatitis B Vaccine
- First Indian company to develop and launch innovative combination vaccines viz. Ecovac4 (Hep. B + DTP), Easyfour (Hib + DTP) and Easyfive (Hep. B + DTP + Hib) in India.
- Among top 50 Pharmaceutical Companies in India – ranked 47th as per ORG IMS June'07
- 19 product patents valid in more than 60 countries world wide
- 630 patent applications filed, 211 granted globally as on 31.03.2007
- Company's Brands reach more than 35 countries globally
- Played a key role in eradicating polio cases by supplying more than 4 billion doses of Oral Polio Vaccine to Govt. of India & UNICEF
- Millions of patients enjoying happy & healthy life through our well established brands in niche therapeutic areas like pain management, diabetes management, organ transplant
- Stupendous contribution to Shareholders' value
- Over 250 Scientists working in 4 state-of-the art R&D Centers recognised by DSIR, Ministry of Science & Technology.
- Production facilities complying with International Standards
- A family of around 2,800 people working relentlessly in improving quality of life of billions of people across the globe
- Patient education & Public awareness focused portal www.bestonhealth.com







Financial Highlights

(Rs. in million)

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
Financial Performance Summary										
Net Turnover	8,315.5	5,363.5	3,255.4	2,616.2	2,691.5	2,739.3	2,176.7	1,866.3	1,062.0	891.4
Total Income	8,615.1	5,434.5	3,309.9	2,686.7	2,733.0	2,763.4	2,251.7	1,873.8	1,065.8	892.8
EBIDTA	2,298.8	1,233.8	652.3	389.2	520.5	547.0	480.0	412.7	166.5	134.6
PBT	2,091.0	1,002.1	429.4	217.6	336.3	406.4	426.1	329.3	115.1	95.4
PAT	1,468.1	609.4	300.7	164.5	214.2	249.3	228.8	259.3	106.6	87.9
Cash Accruals	1,823.2	791.6	463.1	283.2	310.5	314.5	287.6	291.0	131.4	104.1
Balance Sheet Summary										
Equity Share Capital	65.8	57.2	57.2	57.2	57.2	57.2	57.2	57.2	57.1	57.1
Preference Share Capital	-	904.3	904.3	957.8	53.5	63.0	68.0	100.0	71.5	25.0
Reserves & Surplus	5,325.1	1,546.0	1,192.4	1,039.0	948.1	805.8	701.6	546.0	435.5	361.9
Net Worth	5,383.9	1,593.6	1,235.1	1,076.9	981.2	839.9	754.5	603.2	399.6	352.5
Loan Funds	2,134.2	5,866.5	1,610.4	1,680.2	1,292.2	1,060.1	719.8	681.3	349.2	332.1
Deferred Tax Liability	383.9	246.8	135.1	74.8	60.6	73.5	-	-	-	-
Total Liabilities	7,909.0	8,620.9	3,899.3	3,808.9	2,411.6	2,059.5	1,546.6	1,384.5	913.4	776.1
Net Fixed Assets	4,010.5	2,337.1	1,376.8	1,054.5	963.0	893.5	565.3	408.4	322.5	257.5
Investments	229.5	61.4	61.4	39.1	52.6	52.6	47.1	18.1	0.8	-
Net Current Assets	3,662.0	6,212.8	2,446.7	2,696.0	1,371.8	1,090.4	929.9	958.0	497.1	452.2
Miscellaneous Expenditure	7.0	9.6	14.4	19.3	24.1	23.1	4.3	-	93.0	66.5
Total Assets	7,909.0	8,620.9	3,899.3	3,808.9	2,411.6	2,059.5	1,546.6	1,384.5	913.4	776.1
Key Performance Indicators										
Profitability Ratios										
EBIDTA Margin	28%	23%	20%	15%	19%	20%	22%	22%	16%	15%
PBT Margin	25%	19%	13%	8%	12%	15%	20%	18%	11%	11%
PAT Margin	18%	11%	9%	6%	8%	9%	11%	14%	10%	10%
Shareholders related Ratios										
Equity Dividend	100%	100%	150%	100%	100%	100%	100%	100%	30%	30%
EPS (Basic)* (in Rs.)	23.7	9.9	4.4	2.7	3.6	4.2	3.8	4.4	1.8	1.5
Cash EPS (Basic)* (in Rs.)	29.5	13.1	7.2	4.8	5.3	5.4	4.9	4.9	2.4	1.9
Book Value* (in Rs.)	81.9	27.9	21.6	18.8	17.2	14.7	13.2	10.6	7.0	6.2
Return on Net Worth	27%	35%	19%	14%	20%	29%	28%	40%	25%	25%
Other Ratios										
Current Ratio	2.4	2.8	1.4	1.7	1.3	1.3	1.3	1.4	1.9	1.6
Debt Equity Ratio	0.4	2.9	0.3	0.5	0.4	0.4	0.1	0.2	0.5	0.3
Return on Capital Employed	21%	8%	10%	8%	14%	17%	19%	23%	17%	16%
Interest Coverage Ratio	15.1	10.4	6.6	3.2	4.0	5.5	6.8	7.0	5.5	5.5
Debt Service Coverage Ratio	6.8	4.1	2.3	1.6	2.8	3.5	1.8	5.9	5.3	5.3

* Per Equity Share of Re.1 each.



Glowing Highlights of the year

- **Impeccable Growth**
 - Net turnover of Rs.8,315.5 million, 55% growth over previous year
 - Earning before Interest & Depreciation (EBITDA) grew by 86% from Rs.1,233.8 million to Rs.2,298.8 million
 - Profit before Tax grew by 109% from Rs.1,002.1 million to Rs.2,091.0 million
 - Profit after Tax grew by 141% from Rs.609.4 million to Rs.1,468.1 million
- **Improved Shareholders' Value**
 - EPS (Basic) increased by 140% from Rs.9.86 to Rs.23.71 per Share
 - EPS (Diluted) increased by 125% from Rs.9.64 to Rs.21.73 per Share
 - Book Value increased by over 190% to Rs.81.85 per Share from Rs.27.87 per Share
 - Return on Capital Employed (ROCE) and Return on Net Worth (RONW) high at 21% and 27% respectively
- Successful commissioning of Soft Gelatin Capsules facility in pharmaceutical formulations plant at Baddi with a capacity of around 150 million capsules p.a. on single shift basis.
- Inauguration of new marketing office with covered area of around 22,000 sq. ft. at Mumbai.
- Landmark collaboration with The Netherlands Vaccin Instituut (NVI) for manufacture & marketing of finished Inactivated Polio Vaccines (IPV) and a number of IPV based combination vaccines in India and across the globe.
- Collaboration with PT. Bio Farma to manufacture & market Measles Vaccine.
- Inauguration of Biopharmaceutical R&D Centre at New Delhi.
- All the 4 R&D Centers accorded recognition by Department of Scientific and Industrial Research, Ministry of Science and Technology.
- Pre-Qualification Certification from WHO for Supply of Recombinant Hepatitis-B Vaccine to UN Agencies.
- Joint Venture with Cambridge Biostability Ltd., U.K. and acquisition of 10% stake therein.
- Collaboration with National Research Development Corporation (NRDC) for technology transfer of Foot and Mouth Disease (FMD) Vaccine, developed by Indian Veterinary Research Institute.





Our New Corporate Identity



Identity is the way the organization presents itself in totality to the world. Corporate identity makes the organization's vision, strategy and structure visible and helps sustain a structure which enables the organization both to project its identity to the outside world and live it internally. We have evolved a new logo for our corporate identity. The logo has changed with a new tagline- Innovation in support of life. This has been done to portray an image of a truly world class, innovative global organization.

In fact, change is only constant. All sustained growth and life comes from changing and adapting new situations, new challenges and new possibilities. Change instills a new spark of enthusiasm, a strong factor for motivation and inspires people to commit to higher objectives.

The exuberant logo in vibrant colors truly represents our goal to transform ourselves into a company which is young, enthusiastic, ambitious, committed and aspiring to be global leaders in healthcare.

The new Panacea Biotec logo is a representation of the future endeavors and aspirations of the Company.

Our new identity communicates the vision of being an exemplary 'pioneer' and an 'eternal guide' to all within the organization and outside. It reflects the company's quest for collective 'innovation' where leadership, employee participation, stakeholder expectations coupled with integrity come together to build a radiant future for all.

Transformation at Panacea Biotec is based on a defined set of corporate values that define and communicate the culture of Panacea Biotec and be a guide in all new initiatives and decision making processes. The corporate values also clarify behavioural expectations from all individuals. Our four corporate values are: Innovation, Pioneer, Integrity and Humane. Our values would constantly guide us in achieving what we aspire to become - a truly global company providing innovative and affordable solutions for effective disease management and healthcare.



Management Discussion and Analysis

Industry Structure & Developments

Vaccines have been in use for over two centuries and have been considered for a long time as a commodity product. Nevertheless, the vaccine sector is undergoing a period of growth due to the introduction of improved vaccines, new delivery technologies and increased focus on segments such as pediatric specialty and influenza, and emerging sectors utilizing vaccines to fight bio-terrorism. In addition, changing population demographics, competition and new technologies are further transforming this area with new avenues introduction of different products. The supra-national agencies like UNICEF, GAVI have played a pivotal role in emergence of the vaccine market in the last decade by providing funding support and vaccines to many developing and third world countries for different diseases.

Vaccine Industry is highly technology and R&D driven industry, which requires high capital investments for creating infrastructure as well as developing newer vaccines. The gestation period in vaccine industry is longer, typically 3-5 years for existing known vaccines. These characteristics play as entry barriers to vaccine industry for new players.

The vaccine market is now shifting towards combination vaccines as against traditional single vaccines as multiple diseases can be managed with different combination vaccines with same amount of resources.

The global vaccine business is surging

As per industry estimates, the global vaccine market is expected to top \$10 billion in 2007 and \$23.8 billion by 2012. Pediatric vaccines have historically dominated this field, but adult vaccines will see a big spike due to increased uptake of influenza and hepatitis vaccines. Cancer vaccines will also become a major player in the vaccine market. The fastest growing segments in the adult vaccines area are influenza and Hepatitis vaccines.

Indian Vaccine Market

India is poised to play a leading role in the vaccine market of the world even as Asia starts to become the vaccine hub of the world. The Indian vaccine market is estimated to be around US\$500 million with a private vaccine market of US\$125 million, growing at 20% per annum. Though the Indian vaccine market is primarily dominated by traditional vaccines like Tetanus, DPT, Polio, Typhoid and Hepatitis-B, the private vaccine market is now shifting from single traditional vaccines to new innovative combination vaccines like Hep. B + DTP + Hib and Hib + DTP.

The government immunization program guides the primary demand for vaccines, which is in line with WHO universal immunization policy. This policy recommends universal immunization of all children to reduce child mortality.



The proposed National Biotechnology Policy is expected to provide the much needed funding for augmenting startups and supporting product development. Given the right impetus and with India positioning itself as the preferred global destination for biotechnology, Indian Companies are poised to feature among the top 10 biotech companies globally by 2015.

Polio – Current Scenario

Globally, the launch of WHO's global polio eradication programme fuelled the polio eradication activities in 1988. The WHO's initial target of eradicating polio globally by 2000 has been revised to 2008 to incorporate solutions for practical difficulties faced during the past. However, there has been a significant progress

in combating the deadly disease. The number of countries affected by polio has come down rapidly from 125 countries in 1988 to 4 countries in 2005, namely India, Nigeria, Pakistan and Afghanistan. India is the second largest country (Nigeria has reported maximum number of cases) affected by polio.

There has been a steady decline in Polio cases, from an estimated 3,50,000 cases in 1988 world wide, the total number of cases drastically coming down to around 376 in 2007. India has registered significant achievements in polio eradication and the number of cases being reduced from 25,000 in 1988 to just 139 in 2007 (till 8th July, 2007).

As per WHO guidelines, a WHO region can be certified polio free only if it does not record any case of polio during three consecutive years following the year in which zero case is registered first time. India hopes to register zero case for the first time in

CY2008. Thereafter, if it does not record any case of polio in 2009, 2010 and 2011, India can achieve its target of becoming a polio free country. However, immunization activities may continue until entire region (Pakistan and Afghanistan) becomes a polio free nation.

Immunization against Polio to Continue: The immunization against polio will continue in the post

polio eradication era. It is expected that the mode of immunization will change from Oral Polio Vaccine to Injectable Polio Vaccine. In those countries where polio has been eradicated, the Injectable Polio Vaccine is being used. The world health regulatory bodies suggest that the vaccination against polio must continue

even after achieving polio eradication.

The Indian vaccine market is estimated to be around US\$500mn with a private vaccine market of US\$125mn, growing at 20% per annum.

Global Pharmaceutical Market

The global pharmaceutical market continued to expand its size year on year on the back of increased expenditure on health management in expanding economies. The changing demographics and epidemiological trends with ever increasing demand for lifestyle products supported the current growth in the global pharmaceutical market. The global pharmaceutical market registered a growth of 6.5% in 2006, down slightly from 2005 and passed another threshold to reach US\$ 608 billion. [Source IMS MIDAS].

As per the industry estimates, the global pharmaceutical market is forecast to grow to US\$842 billion in 2010, an equivalent CAGR of 6.9% over the next five years.



Region-wise Global Pharmaceutical Sales, 2006

World Audited Market	2006 Sales	% Global Sales (US\$ bn)	% Growth YoY (Constant US\$)
North America	289.9	47.7	8.0
Europe	181.8	29.9	4.8
Japan	56.7	9.3	-0.7
Asia, Africa and Australia	52.0	8.6	9.8
Latin America	27.5	4.5	12.9
Total IMS Audited*	607.9	100	6.5

Source: IMS MIDAS®, MAT Dec 2006

*Excludes unaudited markets. Sales cover direct and indirect pharmaceutical channel purchases in U.S. dollars from pharmaceutical wholesalers and manufacturers. The figures above include prescription and certain over-the-counter data and represent manufacturer prices. Totals may not add due to rounding.

The global pharmaceutical market is witnessing a new era with increased generics penetration into the market. During the year 2006, several products with sales around US\$18 billion went off patent in seven key markets including US accounting for more than US\$ 14 billion of sales. Generic players continued to challenge the innovators intellectual properties in various key markets.

Indian Pharmaceutical Market

The Indian Pharmaceutical Industry has been a success story providing employment for millions and ensuring that essential drugs are available at affordable prices to the vast population of this country. It is in the front rank of India's science based industries with wide ranging capabilities in the complex field of drug development, manufacture and technology. The industry ranks very high in the third world in terms of technology, quality and range of medicines. From simple head-ache remedy to sophisticated antibiotics, complex Cardiac and Diabetic compounds, almost every type of medicine is now made indigenously.

The Indian Pharmaceuticals sector has come a long way, being almost non-existing during 1970, to a prominent provider of health care products, meeting almost 95% of country's pharmaceutical needs. The domestic pharmaceutical output has increased at a compound growth rate (CAGR) of 13.7% per annum.

The size of the Indian pharmaceutical industry is estimated at \$8,790 million. Globally, the Indian industry ranks 4th in terms of volume and 13th in terms of value and contributes 8% in volume but only 1% in value terms to the global pharmaceutical sales. Of the total market, pharmaceutical formulations account for 78% and bulk drugs for the balance 22%.

The Indian pharmaceutical industry has around 200 medium and large size research and development (R&D) based pharmaceutical companies including multinationals, government owned and Indian private companies. In addition to these large companies, it is estimated that there are over 20,000 manufacturers in small sector.

The industry has enormous growth potential. Factors listed below determine the rising demand for pharmaceuticals:

- The growing population of over a billion
- Increasing income
- Demand for quality healthcare service
- Changing lifestyle has led to change in disease patterns, and increased demand for new medicines to combat lifestyle related diseases

Demand for drugs for treatment of lifestyle-related diseases such as diabetes, cardiovascular diseases and central nervous system are on the increase. There are around 700,000 new cases of cancer each year



and total of around 2.5 million cases. It is estimated that there are around 40 million people in India with diabetes and the number is rising, 5.1 million HIV/AIDS patients, and 14 million tuberculosis cases.

Year 2006-07 witnessed an impressive growth of 14%, with the value of the domestic formulations market touching Rs.279 billion. The volume growth of existing products and new introductions were the major growth drivers, while price led growth was not very significant.

Top ten drug therapies contribute 87% to Indian pharma market. Leading drug classes by size in the acute therapies were Anti infective which contributes 18% and grew at 15% adding on Rs.6.52 billion as compared to the last year followed by Pain/Analgesics which grew at 22%. Amongst the chronic therapies, Anti-diabetics valued at Rs.12.52 billion grew at 18% adding on Rs.1.87 billion over the last year. Cardiac and Neuro/CNS market grew at 11% and 13% respectively.

Top 10 Therapy class & new introduction activity

Therapy class	Value 2005-06 (Rs. in billion)	Value 2006-07 (Rs. in billion)	Value growth %	Incremental value (Rs. in billion)	Value of New introduction in last 24 months (Rs. in billion)
Indian Pharmaceutical Market	244.11	279.02	14	34.90	20.49
Anti-infectives*	43.21	49.73	15	6.52	4.20
Gastro Intestinal*	27.00	30.54	13	3.54	2.42
Cardiac*	25.35	28.18	11	2.83	1.81
Pain / Analgesics*	21.49	26.26	22	4.77	2.50
Respiratory	22.90	25.84	13	2.94	1.34
Vit / Minerals / Nut	21.75	23.84	10	2.09	1.46
Derma	13.37	15.52	16	2.15	1.27
Gynaec.	13.34	15.18	14	1.84	1.14
Neuro / CNS	13.33	15.04	13	1.71	1.59
Anti Diabetic*	10.65	12.52	18	1.87	0.88

* Panacea Biotec has important products in these therapeutic areas.



Enter the great enterprise – Panacea Biotec

Panacea Biotec is one of India's leading research-based health management company with established research, manufacturing and marketing capabilities. Panacea Biotec is the 2nd largest vaccine producer in India. The Company has been ranked as the 3rd largest biotechnology Company (ABLE Survey 2006) and is also amongst the top 50 pharmaceutical companies in India.

Panacea Biotec focuses on two main streams of Health Management, viz. the Prophylactic (prevention) and Therapeutic (treatment). The Vaccines portfolio represents the prophylactic part and the therapeutic part is represented by the Pharmaceutical Formulations. The Company is also focusing on biopharmaceuticals to expand its business segments and therapeutic reach.

Strengths

Your Company is strongly placed to consolidate its position as a leading, research based health Management Company with a clear objective to discover, develop and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life of the human beings. To achieve these objectives, Panacea Biotec has:

Established capabilities in R & D. The Company has established capabilities in the Research & Development of new vaccines and NDDS based pharmaceutical formulations with extensive infrastructure from pre-clinical research to final development. The company has also expanded its

research activities to include drug discovery in small & big molecules (new chemical entities & new biological entities). The Company now has 4 fully operational R&D centers with over 250 scientists engaged in various research projects. All the four R&D Centers have been accorded recognition by Department of Scientific and Industrial Research.

The Company's fifth R&D centre GRAND focusing on Advanced Drug Delivery Systems at Navi Mumbai is nearing completion and is expected to be operational during the current fiscal.

As a result of its research efforts, the Company has been granted 19 product patents valid in more than 60 countries including the U.S., U.K., China, Brazil and Russia.

Established facilities, technologies and processes.

Panacea Biotec has state of the art manufacturing facilities for vaccines and pharmaceutical formulations complying with the international standards of US-FDA, UK-MHRA, SA-MCC & WHO cGMP. The manufacturing facilities are located at New Delhi, Lalru in Punjab and Baddi in Himachal

Pradesh. The Company has also put up state of the art vaccine vial filling facility and pharmaceutical formulations facilities for herbal formulations and anti-TB drugs at Baddi. The Company is in the process of setting up herbal extraction plant and bulk vaccine manufacturing facilities for bacterial and cell culture based vaccines at Lalru, Punjab.

The vaccine formulation facility at New Delhi is approved by WHO for oral polio and Recombinant Hepatitis B vaccines.

Panacea Biotec is the 2nd largest vaccine producer in India and ranked as the 3rd largest biotechnology Company



Established brand equity. Panacea Biotec has established brand equity in niche therapeutic areas like pain management, diabetes management, organ transplant and pediatric immunization. The Company's two main brands, Glizid M - for diabetes and Nimulid - for pain management, are among the top 200 brands in India with Glizid M ranked at 133 and Nimulid at 177 according to the secondary stockists audit by ORG IMS (MAT March 2007). The Company launched more than 18 new brands/ brand extensions during the year under review.

Relationship with key business associates.

Panacea Biotec has a long-standing relationship with its key customers and business partners including successful business record of over 7 years with UNICEF. It has been supplying oral polio vaccines to UNICEF since fiscal 2000 and has steadily expanded and grown on this relationship. The Company has also started supplying Recombinant Hepatitis B Vaccine to UNICEF during the current year. Total Sales to UNICEF in fiscal 2000 were Rs.658.4 million and have grown to Rs.6,416.2 million in fiscal 2007. In addition to longstanding relationship with its customers, the relationships with key suppliers like Novartis Vaccines, Sanofi Aventis and Bio Farma are also a source of its competitive strength.

The Company is one of the six companies in the world to have successfully received WHO pre-qualification for oral polio vaccines.

WHO pre-qualification status. The Company is one of the six companies in the world to have successfully received WHO pre-qualification for oral polio vaccines. This pre-qualified supplier status enables the Company to participate in WHO sponsored polio eradication programs around the world. The Company is also one of the nine companies in the world to have successfully received WHO pre-qualification for Recombinant Hepatitis B Vaccines. The Company is also in the process of

obtaining similar pre-qualifications for its innovative combination vaccines.

Collaborations & joint ventures with key industry players.

Panacea Biotec has a rich history of collaborations and ventures with various industry players and has several business relationships with various national/international research institutes, academic universities and commercial corporations including National institute of Health, USA, Cambridge Biostability Ltd., UK, Novartis Vaccines (formerly Chiron Corporation), Sanofi Pastuer, France, BCIL, India etc. These collaborations, ventures and relationships enable the Company to secure in-licensing, out-sourcing and other business opportunities.

Qualified & experienced manpower.

Panacea Biotec has around 2,800 employees with over 350 engaged in research and development, over 750 in production and over 1,250 in sales and marketing and believes that qualified manpower is the key to the success of a health management company. The company values its human capital and continues to nurture the talent pool by identifying and imparting training & developing its people across the organization.

Strong Financials. Panacea Biotec has been consistently delivering better financial results year on year. The Company's net turnover has grown to Rs.8,315.5 million during financial year 2006-07 registering a ten year CAGR of over 45%. The Profit after Tax has also grown at a CAGR of over 30% during last ten years to Rs.1,468.1 million during financial year 2006-07. Basic & Diluted Earning per Share have also grown to Rs.23.71 and Rs.21.73 per share during financial year 2006-07 registering a CAGR of over 30% in the last ten years.



Business Segments

Pharmaceutical Formulations

Pharmaceutical formulations, also referred to as finished dosages, are finished pharmaceutical products ready for consumption by the patient. Branded pharmaceutical formulations are those which are sold under a specific brand name. The Company has established brand equity in many therapeutic areas including pain management, diabetes management and organ transplant. Its leading brands are amongst the top 5 positions in their respective therapeutic segments. The pharmaceutical formulations segment's turnover grew by 25% and contributed Rs.1,762.9 million or 21% of net turnover, as compared to Rs.1,405.0 million or 26.0% of the net turnover for fiscal 2006.

Panacea Biotec is ranked 50th as per the ORG-IMS for MAT March 2007 and has grown by 10%.

The Company has **significantly improved its ranking to 47th as per ORGIMS June'07 Report** and has shown a growth of 20% as against the industry growth of 11%. The superb performance is attributed to an increased market penetration and invigorating marketing strategies.

Domestic Sales & Marketing Network

Panacea Biotec has engineered its sales and marketing network for pharmaceutical formulations into strategic business units (SBUs), which comprise Critical Care, Diacar, Procure and Growcare. The Company is also moving ahead to launch one new SBU, viz. Oncotrust.

The aim of each SBU is to attain leadership position in its respective markets and establish brand equity

in respective therapeutic segment by implementing the concept of Customer Relationship Management (CRM) for better coverage and servicing of customers. The SBUs promote a portfolio of brands with a special focus on Orthopedicians, Cardiologists, Diabetologists, Physicians, Nephrologists, Pulmonologists, Surgeons, Dentists, ENT (Ear, Nose and Throat) specialists, Pediatricians and Gastro-enterologists.

Critical Care

Critical Care, a Super Speciality SBU of the Company, is focused on Nephrology therapy in the highly specialized organ transplantation and dialysis management segments. It offers a complete range of pre-transplant & post-transplant therapies. The SBU has carved a niche in super-specialty segment and created a scientific image. The SBU is rightly poised for achieving clear leadership in the Nephrology &

Transplantation segment.

The Brand portfolio of this SBU includes Panimun Bioral capsules & solution, Mycept tablets & capsules, Pangraf capsules, Fosbait tablets & Overcom injection.

We have launched Siropan an adjunct immunosuppressive agent to fulfill the transplant basket. Similarly Mycept saw its brand extension Mycept-S introduced to have a complete MPA basket with increased market share.

The SBU has exhibited over 20% growth during the year.

Pangraf continues to be the leading brand in Tacrolimus market with 68% growth. Similarly Panimun Bioral also showed a growth of 7% in Cyclosporine market. Mycept achieved 6% growth and grabbed 32% market share in the Mycophenolic Acid market. Fosbait being the 1st brand of Lanthanum Carbonate to be launched in India achieved 6% market share in the Phosphate binder market & showed

The pharmaceutical formulations segment's turnover grew by 30% and contributed Rs.1,680.5 million or 21% of net turnover





significant growth. Overcom ensured strong presence in the Dialysis Centers with 26% growth.

Diacar

Diacar is a strong pillar and the highest contributing SBU of the Company with dedicated marketing and sales infrastructure for Diabetes and Cardiovascular management. Diacar SBU is valued at Rs.460 million (ORG IMS Mar'07 MAT). The SBU promotes the brands to the target specialists viz. Endocrinologists, Diabetologists and Physicians in a fiercely competitive scenario and has achieved significant leadership position in Oral anti-diabetic segment.

The flagship brand of the SBU, **Glizid M** is the no. 1 brand while **Glizid** is the no. 2 brand in their respective categories. Glizid M occupies the 133rd position amongst 30,000 odd pharmaceutical brands.

The other brand portfolio of this SBU includes Pioryl, Betaglim M, Metlong, Oglo, Gliben Total, Glizid total, Glim total, Threpro, Myelogen Forte, Lower A and Lower EZ.

New Launches... contributor to growth: The SBU has aggressively forayed into the intensely spirited cardiac segment with the launch of Threpro (triple Fixed Dose Combination of Atorvastatin, Ramipril and Aspirin) and Lower family of brands intended to lower high cholesterol levels. Inrica and Myelogen Forte (a first time in country formulation with Enzogenol) and Metlong P (FDC of Metformin ER and Pioglitazone) were launched during the year under review. Total, family of brands launched towards the end of FY 06-07 are gearing up and are well poised for growth.

Overall Diacar SBU has grown over 28% in the year under review. The Power group of brands has achieved high growth in this financial year with Betaglim family at 84%, Metlong family at 33% and Glizid MR at 22% (March YTD). Star Brands i.e. Glizid and Glizid M have grown by 9% in FY 06-07.

Procare

Procare SBU of the Company endeavours to consolidate and strengthen its image in the field of chronic health care management with specific focus on pain and arthritis management, osteoporosis and gastrointestinal disorders. It promotes a portfolio of brands with special focus on Orthopedicians, Surgeons, Dentists, ENT specialists & Gastroenterologists apart from Consulting Physicians and General Physicians.

Some of the major brands of Procare across different therapeutic segments are:

- Pain management: Nimulid, Nimulid Nugel, Nimulid Safeinject, Willgo, Nimulid SP, Nimulid MR, Nimulid HF, Softdiclo, Softdiclo Acute and Dolzero
- Anti-infective: Giro and Ocimix
- Gastro-intestinals: Livoluk Suspension and ODpep
- Anti-osteoporosis: Alphadol, Alphadol C, Calcom and Kingcal
- Anti-rheumatics: Kondro OD, Kondro and Cilamin

Growcare

Growcare is the respiratory and pediatric business of Panacea Biotec. This business was carved out to this SBU as part of the long term strategy to enter the high growth Respiratory Therapy. Growcare is a Rs.230 million business with total field strength of around 350 people and services more than 50,000 doctors across the country, comprising of different specialties like Chest Physicians, Consulting Physicians, Pediatricians and General Physicians. 26 different products are marketed with presence in multiple Therapy areas.

Some of the popular brands of Growcare are:

- Anti TB: Xeed 2, Xeed 3E & Xeed 4 tablets (Fixed dose combinations), Myser and Myobid
- Pain Management: Nimulid MD & Nimulid MD kid (Mouth dissolving) tablets, Nimulid Suspension, Nimulid Transgel, Upright, Upright SP and Upright MR



- Cough preparations: Toff MD, Toff DC and Toff Expectorant
- Anti-haemorrhoidal: ThankGod Capsules and ThankGod Cream

The SBU achieved annual growth of 39%. The performance was driven by flagship brand Nimulid-MD which clocked sale of Rs.60 million and registered a growth of 30%. Brands like ThankGod contributed significantly to the SBU performance. As per ORG IMS metrics the SBU has been outperforming the market.

Oncotrust

Panacea Biotech has plans to foray into oncology segment to provide treatment for Cancer, viz, breast cancer, brain tumor, ovarian cancer, pancreatic cancer, prostate cancer and colorectal cancer. 'Oncotrust' would be the new Strategic Business Unit (SBU) with the total strength of around 50 sales specialists on oncology who would be responsible for marketing these drugs. The aim is to register sales volumes

of Rs.150-200 million in oncology chemotherapy segment in the next three years. The Company feels that it would be able to launch novel drug delivery based anti-cancer drug in next 2-3 year period.

Brands Review

Intensifying novel brand development & marketing:

It is believed that brands are the life and soul of any organization and accordingly, various brand building campaigns are conducted regularly. The Company's brands are being well accepted by the medical fraternity and enjoy excellent market share in their respective therapeutic segments. There has been substantial growth in the sales of well-accepted brands of the Company during the year under review as compared to the previous year. As per Stockist's Secondary Audit of ORG (MAT Mar'07), two brands of the Company continue to feature among Top 200 brands in the Indian Pharmaceutical market, **Glizid M** stands **at 133rd rank** and **Nimulid** as a brand stands **at 177th rank**. Glizid M continues to retain number one position within the category.





The following table depicts key brands across therapeutic categories and their ranking/ Market share in India as per ORG IMS audit:

Brands	Market Share %	Ranking
Diabetes and Cardiac Care:		
Glizid M	24	1
Glizid 80mg	22	1
Glizid 40 mg	28	2
Glizid MR 60mg	10	3
Glizid MR 30mg	14	2
Pioryl	9	3
Threpro*	4	2
Glizid Total*	4	2
Organ Transplant:		
Panimun Bioral	98	1
Mycept	62	1
Pangraf	39	1
Pain Management:		
Nimulid MD	32	1
Nimulid MD kid	7	2
Willgo	49	1
Nimulid 100mg	11	2
Nimulid SP	10	3
Nimulid Suspension	14	2
Nimulid Safeinject	13	2
Nimulid Transgel	16	3
Anti Tubercular:		
Myobid	10	3
Myser	21	3
Anti-osteoporosis:		
Alphadol	8	3

*New introductions

Source: ORGIMS –Mar 2007 Secondary Stockists Audit

Notes:

1. Market Share and rank is calculated within its immediate operating market i.e. the strength or the immediate market (wherever applicable).
2. Organ Transplant brands have a poor reflection in ORGIMS audit, as ORG does not track institutional sales or Direct to patient sales. The market standing of the main competitor brands have not been captured as they sell more in institutions or hospitals.

Apart from the above brands, Metlong 500mg, Metlong 1000mg, Rosimet, Gliben total, Overcom, Fosbait, Nimulid Nugel, Softdiclo, Nimulid MR, ThankGod capsules, Xeed 4, Livoluk, Giro and Alphadol C, feature among top 10 brands in their respective category.

Fortifying Brand Portfolio

With a view to gain continuous competitive edge and to discharge its commitment towards meeting the healthcare needs by providing innovative products, your Company has been continuously launching innovative and value-added brands.



In the formulation segment, the company launched several brands during the year under review:

	Molecule	Category
Critical care		
Siropan	Sirolimus	Nephrology
Mycept –S	Mycophenolate Sodium	Nephrology
Diacar		
Threpro	Atorvastatin + Ramipril + Aspirin	Cardiac
Myelogen Forte	Methylcobalamine+ ALA+Enzogenol, Vitamin B6, Folic Acid	Vit B12 Metabolites
Glim Total	Glimepiride + Metformin + Pioglitazone	Oral hypoglycemic agents
Glizid Total	Gliclazide + Metformin + Rosiglitazone	Oral hypoglycemic agents
Gliben Total	Glibenclamide + Metformin + Rosiglitazone	Oral hypoglycemic agents
Lower EZ	Atorvastatin + Ezetemibe	Cardiac
Procare		
Softdiclo	Diclofenac + Rabeprazole	Pain management
Kingcal	Calcium Citrate Malate	Anti - osteoporosis
Nimulid HF	Nimesulide + Paracetamol	Pain management
Dolzero	Tramadol + Paracetamol	Pain management
Kondro OD	Glucosamine	Anti theumatics
Growcare		
Upright SP	Aceclofenac+ Paracetamol+ Seratiopeptidase	Pain Management
Upright MR	Aceclofenac +Paracetamol+ Chloroxazone	Pain Management
Cefmentin	Cefexime +Clavulunic Acid +Lactobacillus	Anti-infective
Toff exp	Ambroxol + Terbutaline +Guaiphensin	Cough prep
Toff DC	Dextromethorphan + CPM	Cough Prep

As per the initial market reports, the brands launched during the current year have been well accepted in the market and it is expected that these brands will give a significant boost to the growth of the Company in line with its long-term objectives and vision. In fact, Threpro and Glizid Total have become No. 2 brand in their respective category in the year of launch itself (as per ORG IMS –Mar 2007 SSA).

Further, in view of its continuous thrust to expand brand portfolio, your Company is aggressively pursuing R&D activities for development of new products and also exploring the opportunities for entering into licensing arrangements for commercial development and marketing of products based on the technology developed by premier Research Organisations in India and abroad.

Vaccines

Panacea Biotec manufactures and sells pediatric vaccines, including the Trivalent, Monovalent (Type I and Type III) Oral Poliomyelitis Vaccine (OPV), Enivac HB (Hepatitis B) Vaccine and innovative Combination Vaccines such as Ecovac4 (Hepatitis B and DTP), Easyfour (Haemophilus Influenza type B (Hib) and DTP) and Easyfive (Hib, DTP and Hepatitis B). Of these vaccines, Enivac HB, Ecovac4, Easyfour and Easyfive are being marketed in India through its joint venture Company Chiron Panacea Vaccines Pvt. Ltd.

Chiron Panacea is dedicated to touching the lives of human beings by providing innovative vaccines and excellence in customer service and becoming the most respected and admired organization in



preventive healthcare. It has achieved a turnover of Rs.422.4 million (up by 100%) and net profit of Rs.63.5 million (an increase of more than 6 times) during the year under review. Chiron Panacea now commands around 35% market share in the pediatric combination vaccines segment in India and is poised to scale greater heights in the years to come.

Polio Vaccine

Panacea Biotec has played a pivotal role in polio eradication by supplying Trivalent and Monovalent polio vaccines to UNICEF. The Company has also taken a lead step in the field of pediatric immunization with the collaboration with Nederland Vaccin Institut to meet the global demand for Injectable Polio Vaccine (IPV).

Hepatitis B Vaccine

Panacea Biotec was amongst the first Indian companies to have introduced Hepatitis-B vaccine in the country. The main aim of Hepatitis B immunization strategies is to prevent chronic Hepatitis-B virus (HBV) infection and its serious consequences, including liver cirrhosis and hepatocellular cancer.

The World Health Organization, in the year 1999, called for all children to receive the Hepatitis-B vaccine,

and 116 countries have added this vaccine to their routine immunization programme. In India, Hepatitis-B vaccine is in the process of being listed in the list of 'essential vaccines', but there exists a huge market in the private sector, keeping in view the birth cohort of around 25 million new borne every year.

Combination Vaccines

The Company has been first to launch fully liquid Combination Vaccines viz. Ecovac-4, Easyfour and Easyfive in domestic markets through its joint venture company Chiron Panacea Vaccines Pvt. Ltd. Your Company is also in the process of obtaining WHO pre-qualification for supplying these vaccines in global public markets. Key customers are UNICEF, PAHO, other supranational organizations and national governments with whom Panacea Biotec has built long-standing relations.

Logistics Network

The Company has a nationwide sales and marketing network covering approximately 450 districts in India and targets more than 1.1 million customers through a field force of more than 1,300 trained marketing and sales professionals and 23 sales depots/carrying and forwarding agents all over India. The Company has its Central Warehouse at Mandoli, New Delhi.





Besides this the Company also has expertise in cold chain management for storage and distribution of Vaccines under monitored conditions using a system of Vaccine Vial Monitors, Data Loggers, Ice Boxes, Coolant, Cold Rooms, and Refrigerated Vehicles. This ensures that the Vaccines remain safe and effective against changes in the variant temperature conditions.

Market Research

Market Research team carries out primary research studies to understand the behaviour of customers, products & competitors to enable the marketing and brand management team in evaluating strategic options and decision making. Various tailor-made & customised market studies are carried out through management students outsourced from various management institutes across India, meeting the respondents at their clinics and at National conferences.

Besides this, the market research team consistently provides the data from syndicated sources like ORG-IMS in terms of therapy, molecule and brand position vis-à-vis competition. The information on market share and rank is provided to field force on a monthly basis to enable marketing team to evolve local as well as corporate marketing strategies to achieve corporate objectives.

International Marketing

The Company is exporting its branded formulations in CIS countries, South East Asia, Eastern Europe and African region. The Company is also supplying Oral Polio and Hepatitis B Vaccines to various countries through UNICEF against its global tenders. Today the Company's products are available to people in over 35 countries across the globe.

During the year under review, the export turnover has increased to Rs.6,674.5 million (including deemed exports of Rs.5,065.8 million) as against Rs.4,126.9 million (including deemed exports of Rs.3,693.9 million) registering a phenomenal growth of 62% as compared to the previous financial year.

The export turnover of formulations increased by 56% to Rs.258.3 million (including deemed exports of Rs.1.8 million) from Rs.165.7 million (including deemed exports of Rs. nil) during fiscal 2006. The exports to most of the countries where Company has presence, have shown excellent growth.

The Company is exporting its branded formulations in CIS countries, South East Asia, Eastern Europe and African region

The Company also achieved an export turnover of Rs.1,352.2 million by way of supplies of Oral Polio Vaccines to various countries including Abidjan, Afghanistan, Angola, Bangladesh, Cameroon, Chad, Congo, Ethiopia, Indonesia, Kenya, Myanmar, Nepal, Nigeria, Somalia, Sudan,

Turkey and Uganda through UNICEF against its global tenders, as against Rs.267.3 million during the previous year, achieving an excellent growth of more than 400%.

With a view to increase opportunities, the efforts on international marketing have been intensified. The Company has been adopting a strategy of increasing its international brand image and is rapidly expanding to reach out to more and more countries. It has also obtained brand registration for more than 60 different brands in different countries and is actively exploring opportunities for launching as well as licensing out some of its patented products for manufacture/marketing in developed countries in Europe, North America and Latin America.

During the year under review, the Company has completely turned around its operations, systems and processes for International Marketing. Positive marketing efforts in Thailand, Serbia, Sri Lanka and



Russia have fuelled organic growth in terms of exports and the Company is poised to make inroads in international markets by increasing its market share in operating markets and establishing its ground work in new potential markets.

The Company commenced exports in new markets and marked its presence in countries like Mongolia, Philippines, Republic of Sparska and Madagascar. Agreements have been signed with several parties in newer markets and product registration documents have been submitted.

Your company is also rigorously engaged in registration activities in new markets like Brazil, Mexico, South Africa, Bosnia, Mauritius, Costa Rica, Malaysia, Myanmar etc. The Company has focused promotional activities for Nimulid range in Thailand and has launched Glizid M in Thailand and Nimulid MD in Kazakhstan. The Company has also successfully completed registration of Panimun Bioral & Nimulid Suspension in Russia and Nimulid MD and Nimulid Tabs in Republic of Sparska.

Further, in order to expand its export turnover of pharmaceutical formulations, the Company is focusing on Nephrology range, Willgo, Xeed and other patented products across all the markets and is shifting from Distribution driven model to "Promotion orientation" in key markets. The Company has also enhanced filings in all key and supportive markets with maximal emphasis on Brazil, South Africa and Turkey.

Focus on developed markets of Europe & US: The Company is in the process of launching its key patented products in the developed markets of Europe and US. The Company has been permitted by German regulatory authority BfArM to initiate Phase-III clinical trials for its two leading products Willgo and Sitcom. In case of Willgo, the clinical trials will be

conducted entirely in India only whereas in case of Sitcom the clinical trials will be conducted partly in India and partly in Europe. The Company plans to file the registration dossiers for other products Panimun Bioral, Pangraf and Mycept during the current financial year and expects the commercial launch in FY'09.

Manufacturing Facilities

Panacea Biotec has its manufacturing facilities at New Delhi, at Lalru in Punjab and at Baddi in Himachal Pradesh.

The Company is also in the process of setting up new manufacturing facilities for Vaccine Formulation

and Filling at Baddi and for bulk Bacterial vaccines & Cell Culture based Vaccines at Lalru. Further, a new Fermentation based Pilot Plant for scale-up studies of new vaccines and biopharmaceutical is also being set up. The Company expects all these facilities to be completed in the current financial year.

The Company is in the process of launching its key patented products in the developed markets of Europe and US

Currently, the Company's all the manufacturing facilities are WHO cGMP compliant. The pharmaceutical formulations and vaccine facilities comply with the European Union standards for GMP and Good Laboratory Practices.

The Company's manufacturing expertise lies in various solid, semi solid & liquid oral dosage forms and vaccines such as:

- Oral-solids - Conventional tablets/capsules, Controlled/delayed release / enteric coating tablets and capsules, Tablet in Tablet, Tablet in Capsule, Multi Layered Capsules, Hard gelatin / Soft Gelatin capsules, Mouth Dissolving / Chewable Tablets, Beads Encapsulation, Coating: film, sugar & functional, Taste masking and fast-dissolving tablets



- Semi-solids - Ointments/Creams/Gels
- Liquids - Suspensions/Syrups/Solutions
- Vaccines - Recombinant Vaccines, Combination Vaccines and Cell culture Vaccines

Pharmaceutical Formulations facility at Baddi

The new Manufacturing facility for pharmaceuticals formulation (tablets, hard gelatin capsules, ointments and syrups) at Baddi was commissioned during April 2006. This world class facility complies with regulatory requirements of US FDA, UK MHRA, MCC (South Africa), WHO and other international standards.

A new pharmaceutical formulation facility of 'soft gelatin capsules' at Baddi Complex was inaugurated in July, 2006. The manufacturing facility for herbal formulations and anti-TB drugs has also been added in Baddi complex.

The Company plans to manufacture its patented products scheduled to be launched in developed markets at its new Baddi formulation facility.

Vaccines Formulation facility in New Delhi

Vaccines formulation facility in New Delhi is a WHO cGMP approved facility with WHO Pre-qualification for Oral Polio and Recombinant Hepatitis B Vaccines. The facility has been designed, constructed and maintained to suit production of vaccines following



A view of Vaccine formulation facility at New Delhi

Good Manufacturing Practices. With a built up area of more than 50,000 sq ft. it has three vial filling lines - two lines dedicated to Oral Polio Vaccines both Trivalent & Monovalent and one line dedicated to Hepatitis B & Combination Vaccines. Provision has also been made for a separate filling line for pre-filled injection devices. Also any injectable preparation can be filled in vials.

The facility is expected to be WHO pre-qualified for Combination Vaccines during the current fiscal.

Bulk Vaccines facilities at Lalru, Punjab

Recombinant Bulk Vaccines facility has been located, designed, constructed, adapted and maintained for production of Recombinant Hepatitis B Bulk Vaccine with Cuban Technology and other biotechnology based products following current Good Manufacturing Practices (cGMPs) prescribed by WHO and the US FDA. Recombinant Hepatitis B Bulk Vaccines and Antigens are produced at this plant.

This facility received the Pre-qualification for the Hepatitis B Vaccine from WHO. This was followed by a firm order to supply 30 Million Pediatric doses of Hepatitis B Vaccine over a period of next three years.

During the year under review, this facility has adopted and successfully scaled-up the technology to manufacture the Polysaccharide based vaccine for Haemophilus influenza type b (Hib) (NOVOHIBTM). This vaccine will also be used in new generation Combination Vaccines after conjugation with Tetanus Toxoid (TT). Registration for NOVOHIB has been successfully completed in India.

To meet the ever increasing demand of the vaccines and to have backward integration; Panacea Biotec has added one dedicated facility to manufacture Tetanus Toxoid at its Lalru Unit which will be used for the manufacturing of several innovative combination vaccines as well as the carrier protein for NOVOHIB.

The construction of second plant for the manufacturing of various bacterial vaccines including



Diphtheria Toxoid (DT), whole cell pertusis (wP) and acellular pertusis, etc. has been completed. Both the plants have been designed and constructed following cGMP guidelines which will comply with the domestic as well as international regulatory guidelines of WHO (Geneva), USFDA and Schedule M.

The scale up of the manufacturing of Tetanus Toxoid has been successfully completed in the newly constructed facility. Standardization of the manufacturing process for individual component of DPT group of vaccine has been completed and Phase III clinical trials for vaccine have been initiated.

Research & Development

Panacea Biotec has built a strong R&D base over the years to support its business segments, vaccines, formulations and biopharmaceuticals. It has four highly sophisticated ultra-modern R&D centers with over 250 qualified and experienced scientists for its various research projects. The core area of research & development includes Vaccine Development, Biopharmaceuticals (big molecules), Drug Delivery projects and Drug Discovery (small molecules), in compliance with international regulatory standards. The Company's R&D centers are recognized by the Government's Ministry of Science and Technology. The Company's 5th R&D Centre GRAND focusing on Advanced Drug Delivery Research is coming up at Navi Mumbai and is expected to be operational during the current financial year.

For carrying out pre-clinical research, the Company has an animal house and facilities for undertaking in-vitro and in-vivo microbiology, pharmacology safety, efficacy and toxicology studies.

The Company has been steadily increasing its expenditure on R&D, both revenue and capital expenditure, and has spent Rs.505.0 million (6% of net turnover) in fiscal 2007, as compared to Rs.291.5 million (5% of net turnover) in fiscal 2006, an increase of around 73% in value terms. Further, the Company has also invested an amount of Rs.567.1 million as

capital expenditure on R&D up by 124.7% as compared to Rs.252.3 million in previous year. The increase in R&D expenditure is in line with its strategy to use its R&D expertise to find novel therapies and drug delivery systems.

The Company has also plans to further strengthen the R&D base to cater to more profitable and expanding niches in vaccine and formulations segments, both in domestic as well as international market.

LAKSH Drug Discovery R&D Center

The Company's state-of-the art Research Center for development of New Chemical Entities (small molecules) at Mohali, Punjab is spread over 70,000 sq. ft. of Laboratory Space and employs more than 60 scientists. This R&D Center has capabilities to carry out work on different aspects of drug discovery which include medicinal chemistry, in vitro and in vivo biology, analytical & bio-analytical research, pharmacokinetics and drug metabolism studies. The focus of research is on development of NCEs for the treatment of metabolic disorders, CNS and infectious diseases.

SAMPANN Drug Delivery R&D Centre

The state-of-the-art research facility, "SAMPANN Drug Delivery" R&D Centre at Lalru, Punjab is spread across 40,000 sq. ft. of laboratory space with superior infrastructure, specialized machinery, adequate resources and skilled manpower to conduct research in the areas of Pharmaceutical Technology, Pharmacology, Analytical Chemistry, Medicinal Chemistry and Natural Products. The said research facility also boasts of an in-house Intellectual Property Right Management Department and Information Science Department.

SAMPANN Drug Delivery R&D Centre has demonstrated capabilities and ready products and technologies in numerous drug delivery research areas like Spatial Release System (tablet-in-tablet and inlay tablet), Hydrophilic Matrix System, Topical Transdermal Gel, Injectable System for Water Insoluble




Pinnacle Biotech


Innovation


Pioneer


Sustainability



Drug, Gastroretentive System, Self Emulsifying Drug Delivery System in Softgels, Oromucoadhesive System, Orally Disintegrating System and Taste Masked Delivery System. One of the major achievements had been the successful prosecution by the IPR department leading to the grant of two important drug delivery based patents in the USA.

The Centre is primarily focused on:

- Development of value added drug delivery products that would address unmet medical needs, increase patient convenience and compliance, augment the intellectual capital of the organization and contribute towards the organizational business goals
- Identification and development of lead compounds from plant sources

Ongoing Projects: SAMPANN R&D center is developing products based on highly specialized drug delivery technologies including Site Specific Drug Delivery, Self Nano-emulsifying Injectable System, Depot Injectable Preparations, Pulmonary Drug Delivery and Oral Controlled Release Systems.

A number of new lead compounds from plant sources have been identified and are currently undergoing preclinical development.

Significant number of projects have been developed and cleared for commercialization and 12 new provisional patent applications were filed during the year under review.



Vaccine and Biological Research Center

This modern state-of-the-art Research Center in New Delhi, spread across 24,000 Sq. ft of laboratory space, is dedicated to carry out extensive research in vaccines and biologicals using genetic engineering, animal cell culture, fermentation, purification, formulation, serology and analytical testing techniques. The center has more than 40 qualified and experienced biologists and biotechnologists working on different fields of Vaccine R&D. Certain novel vaccines under development at this center are recombinant anthrax vaccine and cell culture based Japanese Encephalitis (JE), etc. This center is also working on some breakthrough vaccines like thermostable pentavalent vaccine which would eliminate the need for cold chain.

Biopharmaceutical R&D Center

The Biopharmaceutical R&D center which became operational during the year under review, undertakes biopharmaceutical research. This center utilizes molecular biology & genomics tools and has around 30 hard core molecular biologists, immunologists, biochemists, microbiologists and cell biologists. The center will develop novel preventive & therapeutic vaccines, therapeutic fully human monoclonal antibodies and therapeutic peptides. The focus will include infectious diseases and lifestyle related disorders.

It has also undertaken the development of a peptide-based technology for alopecia (hair loss) management in-licensed from National Institute of Health, USA and plans to initiate Phase I trials soon. The technology, which is patent protected, stimulates hair growth and regenerates lost hair follicles.

GRAND R&D Center

The Company is in the process of setting up its 5th R&D Center GRAND for Advanced Drug Delivery Systems. At this Center, the Company plans to develop new and advanced NDDS based products. This center is expected to be operational during current fiscal.



Quality Assurance

Quality is among the most important reasons to persuade a customer to buy a product. Total Quality Management has always been the cornerstone of your Company which has resulted in achieving greater milestones in the past couple of years. At Panacea Biotec, Quality is in-built in products & services and it is integrated in each step of R&D, Production, Packaging, Storage, Marketing, Sales & Distribution. Your Company is committed to adhere to the highest quality standards for products it manufactures and is ensuring this through a highly qualified, technologically innovative & dedicated team.

To ensure the consistent quality of the product and to continuously meet the customer's requirements, your Company has stringent Quality Assurance Systems in place for monitoring and controlling the overall quality systems.

The Quality Assurance systems are supported by Quality Policy and Quality Manual, which have been compiled as per cGMP directives & guidelines and the directives of various international regulatory bodies like the USFDA, UKMHRA and the EC.

Intellectual Property

Intellectual Property (IP) protection has served as a major incentive for encouraging scientific research on the one hand and as a protective cover for larger investment for commercialization of R&D products on the other hand. Panacea Biotec is an Intellectual Property Rights (IPR) oriented company whose one of the objectives is the development of patentable products and technologies for patient-friendly and cost-effective disease management.

The Company has an in-house Intellectual Property management department which is inter-alia, engaged in evaluating innovative concepts for patentability; filing patent, trademark & copyright applications; identifying potential new products & markets for its vaccines and formulations; creating IP awareness & motivating research scientists for generation of IPRs and providing support to its research activities.

As at March 31, 2007, the Company had filed 630 Patent applications worldwide including 143 Indian Patent Applications. Also 37 PCT (Patent Cooperation Treaty) Patent applications have been filed. Out of the total number of Patent applications filed, 211

patents have been granted / accepted for grant. Besides, the Company had in-licensed several patent applications, some of which are under prosecution in different countries of the world.

In the year 2006-07, the Company had filed 25

new provisional Indian patent applications relating to various drug delivery technologies, synthetic processes, new chemical entities, improved chemical entities, vaccines, pharmaceutical compositions and natural product compositions. Apart from this, 16 PCT Patent applications were also filed. Panacea Biotec had been granted 5 patents in India and 23 patents worldwide for different products/technologies during the year under review.

Besides this, the Company has filed 123 applications for registration of Copyrights out of which 80 have been granted. Over 450 applications for registration of Trade Marks (39 applications in the year under review) had been filed out of which 242 were registered. 12 International Trade Mark applications were filed out of which 8 were granted. Moreover, 3 Design Applications were also filed and all were granted.

The Company had filed 630 Patent applications worldwide including 143 Indian Patent Applications





Joint Ventures, Subsidiaries, Collaborations & Tie-ups

Joint Venture & Subsidiaries

Panacea Biotec has the following joint ventures and subsidiaries:

Chiron Panacea Vaccines Pvt. Ltd.: Chiron Panacea is a joint venture company incorporated in fiscal 2005 in India with Chiron Corporation, U.K. (now Novartis Vaccines), world's 5th largest Vaccine group, for marketing of combination and other vaccines in India. The Company has invested Rs.22.9 million in Chiron Panacea for a 50% equity stake.

This Joint Venture Company which began its operations in January, 2005 by way of marketing and distribution of Combination & other Vaccines in India, has made available innovative pediatric vaccines to reduce the burden of various diseases in the country. Chiron Panacea achieved a turnover of Rs.422.4 million (up by 100%) and net profit of Rs.63.5 million (an increase of more than 6 times) during the year under review. Chiron Panacea now commands 35% market share in the paediatric combination vaccines segment in India.

Cambridge Biostability Ltd., U.K.: The Company has an existing technical collaboration with Cambridge Biostability Ltd. (CBL), a U.K. based Company for developing thermostable vaccines applying CBL's patented 'Stable Liquid Technology' over the Company's existing range of vaccines. During the year under review, the Company entered into a joint venture and made an investment of Rs.168.07 Million (£1.94 Million) for acquiring 10% of the share capital in CBL. CBL was formed in 1998 in England & Wales and has a R&D facility in Cambridge, which is developing its technology for applications in developing countries, Biodefence and multivalent vaccines for sale in developed countries.

Panheber Biotec Pvt. Ltd. ("Panheber"): Panheber is a joint venture company incorporated in fiscal 1999 in India with Heber Biotec S.A, Cuba ("Heber"), an affiliate of the Center for Genetic Engineering and Biotechnology, for the production of recombinant Hepatitis B vaccine in bulk form. Panacea Biotec has invested Rs.4.2 million in Panheber and holds a 50.0% stake. Heber holds the remaining 50.0%. Panacea Biotec has leased out the Recombinant Bulk Vaccine production plant at Lalru to Panheber for production purposes.

WHO pre-qualification for the Recombinant Hepatitis B Vaccine has been received during the year under review and the Company has started supplying vaccines to UNICEF during the current year, for its global requirements. The process for WHO pre-qualification for Combination Vaccines is at an advanced stage of approval and the approval is expected during the current financial year. The said pre-qualification would generate avenues for supply of these vaccines to the UNICEF for the latter's global needs.

Radicura & Co. Ltd. ("Radicura"): Panacea Biotec acquired Radicura during fiscal 1999 and is holding 100% shareholding in Radicura. It was established for trading and distribution of pharmaceutical products. The Company has an investment of Rs.11.4 million in Radicura. Radicura has discontinued its trading operations due to non-economical size of operations.

Best On Health Ltd. ("BOH"): The Company acquired BOH during fiscal 2000 and is holding 100% shareholding in BOH. BOH owns the Company's corporate office premises and has given the same on lease to the Company. The Company has invested approximately Rs.22.9 million in this subsidiary. BOH is in the process of charting out a plan for diversification in related health management space as part of its future growth plans.



Collaborations and Tie-ups

Apart from the above, Panacea Biotec has important business relationships with various research institutes, academic universities & commercial corporations, including:

National Institute of Immunology, India. The Company has an exclusive ten-year license agreement with National Institute of Immunology, India for in-licensing of technology and processes for production of tissue culture derived formalin inactivated, Japanese encephalitis vaccine. The technology transfer and training of scientists has been completed and scale-up production for clinical trial purposes and optimization of various analytical and biological test methods, is under progress.

Biotech Consortium India Ltd. The Company has a ten-year in-licensing arrangement with Biotech Consortium India Ltd. for the development, manufacture and marketing of anthrax vaccine developed by Jawahar Lal Nehru University, India. Phase I/IIa of human trials have been successfully completed and the Phase-IIb clinical trials are to begin shortly, subsequent to which the company plan to supply the anthrax vaccine to the U.S. government. For this purpose, the Company plans to initiate discussion with a U.S. based vaccine company for collaboration.

National Institute of Health, USA. The Company has an in-licensing arrangement with National Institute

of Health, USA, for use of a peptide based product for generation of hair follicles and hair growth. Pre-clinical toxicology studies will be shortly initiated.

Dr. Reddy's Laboratories Ltd. (DRL) The Company has a license and supply agreement with DRL for the supply of its patented product, Nimesulide Injection, for marketing in India. The Company has another license and supply agreement with DRL for another patented product, Nimesulide Transdermal Gel, for marketing, distribution and sale in Russian Federation.

Nederlands Vaccin Instituut (NVI), Netherlands.

The Company has an agreement with NVI for

manufacturing and marketing of Inactivated Polio Vaccine (POLPROTEC) in global markets except Netherlands, Denmark, Norway and Finland.

National Research Development Corporation (NRDC), India.

The Company has an in-licensing

arrangement with NRDC for manufacturing the Foot and Mouth Disease (FMD) vaccine developed by Indian Veterinary Research Institute (IVRI).

PT Bio Farma, Indonesia. The Company has an agreement with PT. Bio Farma, Indonesia to manufacture & market the Measles Vaccine and plans to supply the vaccine to UNICEF, PAHO and CIS, African, LATAM and Asian Countries in furtherance to Global Measles Reduction Strategy of WHO and UNICEF.

Panacea Biotec has important business relationships with various research institutes, academic universities & commercial corporations



Financial Performance

Particulars	(Rs. in million)	
	As on	
	31.03.2007	31.03.2006
Sources of Funds		
Shareholders Funds	5,390.9	2,507.6
Loan Funds	2,134.2	5,866.5
Deferred Tax Liability	383.9	246.8
Total Liabilities	7,909.0	8,620.9
Application of Funds		
Net Fixed Assets	4,010.5	2,337.1
Investments	229.5	61.4
Net Current Assets	3,662.0	6,212.8
Miscellaneous Exp.	7.0	9.6
Total Assets	7,909.0	8,620.9

Net Worth: The Net Worth of your Company has improved to Rs.5,383.9 million from Rs.1,593.6 million as at the end of previous year registering a growth of around 238%. The retained profits have contributed around 86% growth in net worth over previous year and the remaining increase of 152% has been on account of issue of 7,987,684 Equity Shares of Re.1 each at a premium of Rs.275.3 per share and 617,220 Equity Shares of Re.1 each at a premium of Rs.356.57 per share on account of conversion of the USD 55 million Foreign Currency Convertible Bonds (FCCBs) issued in Feb'06.

Loan Funds: The total loan funds as at 31st March, 2007, have decreased to Rs.2,134.2 million as against Rs.5,866.5 million on account of part conversion of FCCBs of US\$ 100.0 million and repayment of other Loans from Banks and Financial Institutions. The Company has repaid all its term loans and almost all of the working capital loans by utilizing the funds post conversion of FCCBs.

Fixed Assets: The net fixed assets have grown to Rs.4,010.5 million as against Rs.2,337.1 million as at the end of the previous year on account of capital expenditure on ongoing expansion/ new projects. The Company has successfully completed

the manufacturing facilities for pharmaceutical formulations, soft gelatin capsules, herbal formulations and anti-TB drug formulations at Baddi in Himachal Pradesh. Further, the company has set-up two new R&D Centers at Mohali and New Delhi.

Investments: The investments have increased to Rs.229.5 million from Rs.61.4 million as at the end of previous year on account of investment of Rs.168.1 million for 10% equity stake in Cambridge Biostability Ltd., UK in the form of joint venture.

Net Current Assets: The Company's net current assets have decreased 41% to Rs.3,662.0 million as against Rs.6,212.8 million as at the end of previous financial year. The inventories have increased by 15% in absolute terms but the inventories to net turnover ratio improved to 25% from 34% during previous year. Similarly the receivables increased by 20% in value but the receivables to net turnover ratio improved to 11% from 14% during previous year. The Cash and bank balance declined by 64% in absolute terms and the Cash & Bank Balance to Net Turnover ratio improved to 19% from 82% previous financial year. Other current assets increased by 110% primarily due to advance income tax of Rs.653 million paid during the year, the remaining other current assets increased by Rs.135 million due to increase in the advances to various equipment and/or material suppliers.

The current liabilities also increased by 42% in absolute terms but declined marginally as a percentage of net turnover to 17% from 18% during previous year. The Provisions also increased by 102% in absolute terms and marginally increased in term of percentage to net turnover to 12% from 9% during previous year.

Profit & Loss Account

Turnover: The Company has achieved net turnover of Rs.8,315.5 million during fiscal 2007 as compared to Rs.5,363.5 million for fiscal 2006, registering an increase of 55%.



Segment-wise Turnover: The following table sets forth gross turnover for the Company's business segments as a percentage of total turnover for the periods indicated:

Fiscal Segments	2007		2006	
	Rs. in million	%	Rs. in million	%
Vaccines	6,627.2	78.9%	4,066.9	74.2%
Pharmaceutical Formulations*	1,762.9	21.0%	1,405.0	25.6%
Research & Development	7.8	0.1%	7.8	0.2%
Total	8,397.9	100.0%	5,479.7	100.0%

* Including excise duty of Rs.84.2 million and Rs.116.2 million during fiscal 2007 & 2006, respectively.

Vaccines

In fiscal 2007, the vaccines segment's turnover grew by 63% and contributed Rs.6,627.2 million or 79% of gross turnover, as compared to Rs.4,066.9 million or 74% of gross turnover for fiscal 2006. The domestic institutional vaccine business grew by 37% to Rs.5,064.0 million from Rs.3,693.9 million during fiscal 2006. The private domestic vaccine sales to JV company Chiron Panacea increased by 100% to Rs.211.0 million as against Rs.105.7 million during fiscal 2006. The export of vaccines increased by over 400% to Rs.1,352.2 million as compared to Rs.267.3 million during fiscal 2006.

The growth in the turnover of vaccine segment is contributed by the vaccines supplied to UNICEF as well as growth in supplies to the domestic private vaccine market through the joint venture company, Chiron Panacea Vaccines Pvt. Ltd., which has already garnered around 35% market share in the domestic market by aggressive brand building.

During the year under review, the Company made supplies of Oral Polio Vaccines to various countries

including Abidjan, Afghanistan, Angola, Bangladesh, Cameroon, Chad, Congo, Ethiopia, Indonesia, Kenya,

Myanmar, Nepal, Nigeria, Somalia, Sudan, Turkey and Uganda through UNICEF against their global tenders and achieved a turnover of Rs.1,352.2 million by export of vaccines to these markets.

The Company has also started supplying Hepatitis B Vaccines to UNICEF against their global

tenders, during the current year.

The vaccines segment's turnover grew by 63% and contributed Rs.6,627.2 million or 79% of gross turnover

Pharmaceutical formulations

The pharmaceutical formulations segment's turnover grew by 25% and contributed Rs.1,762.9 million or 21% of gross turnover, as compared to Rs.1,405.0 million or 26%, of the gross turnover for fiscal 2006.

In the Pharmaceutical Formulations segment the domestic net turnover increased by 27% to Rs.1,422.3 million from Rs.1,123.1 million during fiscal 2006. The export turnover of formulations increased significantly by 56% at Rs.258.3 million (including deemed exports of Rs.1.8 million) during fiscal 2007 from Rs.165.7 million (including deemed exports of Rs. nil) during fiscal 2006.



The following table set forth the Company's gross turnover (inclusive of excise duty) from pharmaceutical formulations in various categories and as a percentage of total pharmaceutical formulations turnover for each of fiscal 2006 and 2007:

Fiscal	2007		2006	
	Rs. in million	%	Rs. in million	%
Pain Management	497.6	28.2	375.9	26.8
Diabetes & Cardiovascular Management	502.6	28.5	435.7	31.0
Renal Disease Management	440.6	25.0	342.5	24.4
Anti-Osteoporosis	59.5	3.4	54.0	3.8
Anti - Tubercular	54.4	3.1	46.0	3.3
Gastro Intestinal	46.0	2.6	40.4	2.9
Constipation	52.9	3.0	49.2	3.5
Other Segments	109.3	6.2	61.3	4.3
Total	1,762.9	100.0	1,405.0	100.0

Expenditures:

Materials, Manufacturing and Operating Expenses:

The materials, manufacturing and operating expenses and finished goods purchases increased by 42% to Rs.4,485.9 million for fiscal 2007 from Rs.3,167.1 million for fiscal 2006. However as a percentage of net turnover, the said expenses decreased by 5% in fiscal 2007 to 54% from 59% in fiscal 2006. The absolute increase in these expenses was on account of increase in various operating expenses like power & fuel, rent, insurance and traveling costs etc. due to commercialisation of new manufacturing facilities for pharmaceutical formulations and soft gelatin capsules at Baddi as well as increase in the corporate costs and increase in the manpower.

Personnel Expenses: The personnel expenses increased by 83% to Rs.788.0 million for fiscal 2007 from Rs.429.7 million for fiscal 2006. The increase was attributable to increase in the manpower, annual increments for the existing employees and provisioning of commission to Chairman and Managing/ Joint Managing Directors. As a percentage of net turnover, the personnel expenses increased to 9% in fiscal 2007 from 8% in fiscal 2006 due to above reasons.

Selling & Distribution Expenses: The Selling & Distribution expenses increased by 24% to Rs.326.9 million for fiscal 2007 from Rs.264.4 million for fiscal 2006. This increase was attributable to overall turnover growth during fiscal 2007. As a percentage of net turnover, the Selling & Distribution expenses decreased to 4% in fiscal 2007 from 5% in fiscal 2006 as a result of relatively higher growth in turnover.

Research & Development (R&D) Expenses: The R&D expenses increased by 73% to Rs.505.0 million as against Rs.291.5 million during fiscal 2006. During the year, two new R&D centers became operational leading to increase in the total scientific manpower and other R&D costs. This increase was also partially attributable to increase in the personnel cost of existing R&D centers and research related costs. As a percentage of net turnover, R&D expenses increased to 6% during fiscal 2007 as against 5% during previous year.

Interest and Finance Charges: Interest and finance charges increased by 28% to Rs.170.4 million during fiscal 2007 from Rs.133.3 million during fiscal 2006. This increase was attributable to the interest paid on FCCBs. As a percentage of net turnover, the interest and finance charges remained constant at around 2% in fiscal 2007.





Depreciation: Depreciation increased by 95% to Rs.355.1 million as compared to Rs.182.2 million during fiscal 2006. Depreciation as a percentage of net turnover increased to 4% in fiscal 2007 from 3% in fiscal 2006. This increase was attributable to an increase in the depreciable asset block due to capitalization of new production facilities and R&D Centers and increase in other fixed assets.

Profit/Margins: The increased revenues coupled with optimum utilization of resources have resulted in better profit margins on all fronts.

Earnings Before Interest, Tax, Depreciation & Amortisations (EBITDA): The EBITDA increased by 87% to Rs.2,298.8 million for fiscal 2007 from Rs.1,233.8 million for fiscal 2006. The EBITDA margins also improved to 28% during fiscal 2007 from 23% in fiscal 2006.

Earnings Before Interest & Tax (EBIT): The EBIT increased by 85% to Rs.1,943.7 million for fiscal 2007 from Rs.1,051.6 million for fiscal 2006. The EBIT margins also improved to 23% during fiscal 2007 from 20% in fiscal 2006.

Profit before Tax (PBT): Profit before tax increased by 109% to Rs.2,091.0 million for fiscal 2007 from Rs.1,002.1 million for fiscal 2006. As a percentage of net turnover, the profit before tax increased to 25% in fiscal 2007 from 19% in fiscal 2006.

Provision for Tax: Provision for tax (including deferred tax and fringe benefit tax) was Rs.622.9 million for the fiscal 2007 as compared to Rs.392.7 million for the fiscal 2006. Our effective tax rate for fiscal 2007 was 30% as compared to 39% in fiscal 2006. The tax rate was lower due to weighted tax benefit on R&D expenses during fiscal 2007 and higher provisioning of deferred tax in fiscal 2006.

Profit after Tax (PAT): As a result of the foregoing, Profit after Tax increased by 141% to Rs.1,468.1 million during fiscal 2007 as compared to Rs.609.4 million in fiscal 2006. The PAT margin also improved from 11% in fiscal 2006 to 18% in fiscal 2007.

Earning per share (EPS): The basic EPS increased by 140% to Rs.23.71 per share as against Rs.9.86 per share during fiscal 2006. The diluted EPS also increased by over 125% to Rs.21.73 per share from Rs.9.64 per share in fiscal 2006.

Cash Flow Statement

The following table summarizes our statements of cash flows:

	(Rs. in million)		
Cash Flows from:	Fiscal 2007	Fiscal 2006	Change %
Operating Cash Profit	2,324.8	1,385.5	68%
Changes in Working Capital	(145.7)	398.9	-137%
Net Direct Taxes Paid	(654.1)	(200.0)	227%
Operating Activities	1,525.0	1,584.4	-4%
Investing Activities	1,730.2	(5,274.9)	-133%
Financing Activities	(2,361.9)	3,818.2	-162%
Net Cash Flows	893.3	127.7	600%



Cash Flow from Operating Activities: The liquidity position of the Company has improved significantly with Operating Cash Profit increasing by over 68% during fiscal 2007 to Rs.2,324.8 million as compared to Rs.1,385.5 million during fiscal 2006. However the net cash from operating activities declined by 4% during fiscal 2007 primarily due to higher tax outflows and increase in the working capital.

Cash Flow from Investment Activities: Net cash used in investment activities amounting to Rs.1,730.2 million was primarily used for acquiring fixed assets for various ongoing expansion projects including new manufacturing facility at Baddi, Himachal Pradesh, expenditure on modernization of vaccine plant at New Delhi and R&D centers in New Delhi, Mohali & Lalru in Punjab and Navi Mumbai.

Cash Flow from Financing Activities: The Company has utilized Rs.2,361.9 million for financing activities as it repaid the Preference Share Capital of Rs.904.3 million and other term loans and working capital loans and invested Rs.168.1 million in the shares of Cambridge Biostability Ltd. during the year under review.

Opportunities and Outlook

The Indian Pharmaceutical Industry's greatest strengths are its strong scientific talent pool and low cost manufacturing base. While the Indian companies initially started as a contract manufacturing partner to multi-national pharmaceutical companies, they have now moved up the value chain and are providing high quality research & development, clinical, analytical and niche manufacturing capabilities. With the high cost involved in the discovery & development of a new molecule, India offers a very high competitive advantage in terms of reducing the cost of this development.

Since the mid-1990s, leading Indian companies actively started research activities, both in New Drug Delivery Systems (NDDS) and New Chemical Entities (NCEs), to respond to the impending change in the

patent regime. This brought to fore India's inherent advantages in basic research as well as in clinical development of products. These advantages are based on a large pool of trained chemists and biologists available at lower costs as compared to developed economies, a large English-speaking workforce, and a large population of treatment-naïve patients in most disease areas.

Indian companies have followed a partnering strategy with global pharmaceutical companies – usually licensing out NCEs and NDDS for clinical development and commercialization. With the increasing economic prosperity of the country, a number of Indian Pharmaceutical companies have now started acquiring a global scale and are competing with large pharmaceutical companies in their market. With their increasing size and ambitions, the Indian pharmaceutical companies are making cross border acquisitions, where they supplement the existing product portfolio and scientific/ distribution capabilities of the target with the ability to add to their product pipeline and transfer manufacturing to more cost competitive plants in India.

India also offers a compelling opportunity in R&D sourcing for global pharmaceutical majors. The global Companies can develop a comprehensive strategy to access innovations from the Indian pharmaceutical research to supplement their global R&D efforts. Momentum is growing in the measures of global competitiveness and profitability.

The Company is optimistic about its growth prospects in the future. The Company expects to continue increasing its market share in the existing markets by increasing its portfolio through new product launches and expanding its geographical coverage in each region by getting necessary regulatory approvals in more countries.

In line with its stated mission and vision, the company will continue to pursue all the options to achieve faster growth and create value for the shareholders with focused efforts in business development, mutually



rewarding partnerships and launch of new products both in vaccines and pharmaceutical formulation segments. Further, the Company has committed significant investments in the infrastructure and facilities for both the segments to support potential revenue scale-ups in the near future.

All the building blocks for growth are in place and therefore, the outlook for the coming years is encouraging. And the Company looks forward to continuing a healthy financial performance in the future.

Future Growth Drivers

Panacea Biotec's goal is to become a leading global research based health management company with an established leadership in niche therapeutic areas and with a strong focus on R&D. The Company intends to accomplish its goal by:

- Launch of NOVOHIB and POLPROTEC (IPV) through Chiron Panacea Vaccines in domestic market and rest of the world markets.
- Launch of combination vaccines (Easyfive, Ecovac4, NOVOHIB, POLPROTEC) in semi-regulated markets (South East Asia & African countries, etc.)
- Expanding institutional business with WHO/UNICEF and new business with Pan American Health Organization (PAHO) for vaccines such as Easyfive, Ecovac4, Enivac HB and Easyfour)
- Participation in potential supply of Recombinant Anthrax vaccine to US stock-pile program
- Diversifying into new vaccines such as adult prophylactic and therapeutic vaccines antibodies and innovative vaccines including the recombinant

Panacea Biotec's goal is to become a leading global research based health management Company

anthrax vaccine, Japanese encephalitis vaccine, dengue vaccine, measles vaccine etc.

- Launch of patented pharmaceutical products (Willgo, Panimun Bioral, Pangraf, Mycept, Sitcom, etc.) in the developed markets of US & Europe
- Continuing and expanding its therapeutic focus on high growth, lifestyle segments and new therapeutic segments such as Oncology through new SBU Oncotrust, etc
- Increasing exports to semi-regulated markets including LATAM countries, SEA Region, South Africa & French speaking African Region
- Introducing biopharmaceuticals in the domestic and international markets
- Achieving WHO pre-qualifications for its anti-TB and anti-retroviral products for which the Company is in the process of filing dossiers for the same
- In-licensing of technologies/products from national and international research agencies/international institutions

Risks, Challenges & Threats

There are a few risk factors that are relevant to the operations and business of your Company. While the Company takes effective measures to minimize or eliminate the impact of these risks on its business performance, they nonetheless exist. Some such risks, challenges or threats are outlined below:

- The Company operates in a highly regulated industry and must comply with a broad range of dynamic regulatory controls



- In an industry where R&D is of critical importance, the Company faces a risk of all R&D initiatives not leading to commercially viable and successful products
- Patent challenges or delay in receipt of regulatory approvals could delay our product launch in key markets. Moreover, failure to obtain regulatory approval for new drugs under development could affect long term business opportunities
- In India, the Government of India through its Drugs (Price Control) Order, 1995 (DPCO) imposes price controls for specified pharmaceutical products under certain circumstances. As the Company's major revenue of pharma formulations comes from domestic sales, any adverse change in the DPCO list or a widening of the span of price control can affect pricing and hence, revenues
- The Company has several joint ventures and collaborations with varied partners. Any adverse developments in such JVs and collaborations may impact the Company
- The Company also faces competition from products of other pharmaceutical companies, which are in direct competition with the existing products of your Company
- Competition from countries that offers low cost manufacturing base such as China, Korea and Taiwan

Apart from these, other risks faced by the Company include rise in input costs, rise in interest rates, loss of key personnel, exchange rate fluctuations, environmental liabilities, tax laws, litigation, labour relations and significant changes in the global political and economic environment.

Internal Audit and Control

The Company believes that its internal control systems and procedures are in line with its size of operations and provide, among other things, a reasonable assurance

that transactions are executed with Management authorization and they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of your Company are adequately safeguarded against significant misuse or loss.

The internal control systems are supplemented through an extensive internal audit programme and periodic review by Audit Committee.

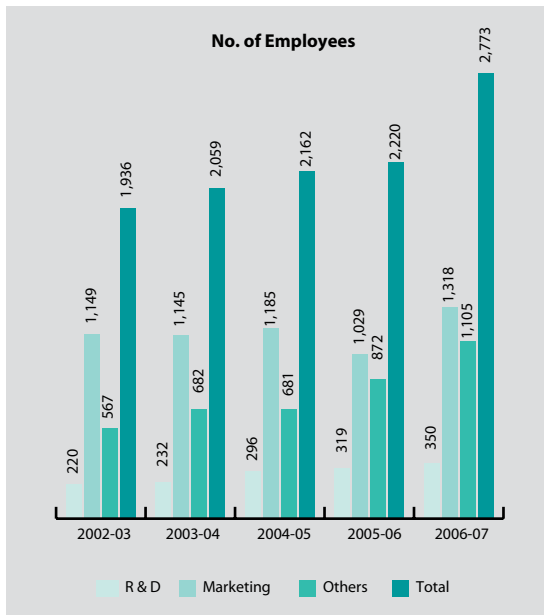
M/s. Dass Gupta & Associates, Chartered Accountants, M/s. S.K. Badjatya & Co., Chartered Accountants and M/s. K.K. Garg & Associates, Chartered Accountants, are acting as the Internal Auditors of the Company. The internal auditors independently evaluate adequacy of internal controls and concurrently audit the majority of the transactions in value terms. Post audit reviews are carried out to ensure that audit recommendations have been implemented.

The Audit Committee of the Board of Directors comprising of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor, reviews Internal Audit Reports and the adequacy of the Internal Controls. The Auditors, Joint Managing Director, Chief Financial Officer and DGM (Accounts & Finance) are invited to attend the Audit Committee Meetings.

Human Resources

Every company's strength lies in its human capital, i.e. employees. It is all the more so for a knowledge based company like Panacea Biotec. Your Company is always committed to attract, develop and retain talented and professional human capital.

As at March 31, 2007, the Company had 2,773 permanent employees which included corporate and managerial staff, sales staff and staff located at its manufacturing facilities as against 2,220 employees as at March 31, 2006. Of these permanent employees, 350 are engaged in R&D Centers including 258 research professionals, 675 are engaged in manufacturing,



around 1,318 are engaged in sales and marketing and rest are engaged in support functions.

The Company's human capital constitutes a diverse pool of knowledge & expertise, a judicious blend of youth, imagination, risk-taking ability and experience. The Company enjoys excellent industrial relations and there have been no work disruptions, strikes, lock-outs or other employee unrest.

In order to make its human capital as the differentiator for its long term business objectives, your Company has embarked upon number of initiatives, including:

- Implementation of all the modules of ERP (SAP-HR). SAP is an excellent open integration and application platform that aligns people, information and processes. This gives the leverage to ensure better service level to the employees and the capability for fast decision making. It has also helped the Company to align its people processes with other business processes
- Promoting Performance Culture through implementation of robust system of Goal alignment, Performance Management and Budget System

- Employee Engagement initiatives based on comprehensive and systematic employee feedback system with a view to achieve the Company's motto of providing the best places to work
- Systematic talent management and review mechanism with focus on grooming of in-house talent as well as Job rotation
- Technical and Non Technical training & development programs for building requisite functional and behavioral competencies to achieve the organizational goals. Training & Development initiatives have been positioned as part of "Organisational and People Capability Building"

For the year 2006-07 the focus has been on:

- Achieving 5 Man days of Training for every employee
- Accountability of Training function; with focus on results impacting People and Business Performance
- Diagnostic based intervention to reinforce desired drivers of performance, and
- Holistic development of Talent

The highlights of the Training & Development function were:

- Innovation & Creativity and Problem Solving program for Research and Development Centers
- Large Scale Interactive Program - to achieve the objective of "Ban-na Hai Dhruv"
- Team Building and Interpersonal Effectiveness for R&D and Manufacturing locations
- Budgeting as a Strategic Tool



- Employees at pharmaceutical plant at Baddi were exposed through workshops on Cost Consciousness
- Time Management and Communication program across locations
- To develop the competencies of the entire Field Force WIN program was conducted – leads to high effectiveness to WIN customers
- LEAP (Leadership Effectiveness Advancement) were conducted for the Managers in Sales and Marketing. New initiatives such as LEVEL NEXT, METRO BOOSTER and SHINE workshops were also conducted
- On the front of Functional Skills; on critical requirements, employees have been exposed to various national and international training programmes/seminars

Annual Day Celebration

The Company celebrated its 11th Anniversary of becoming a listed public Company on 25th September, 2006 at its R&D Centre Laksh at Mohali, Punjab to share

the spirit of oneness & togetherness amongst the employees of Panacea Biotec. The event was marked as yet another step of 'Ban-na-hai-Dhruv' which was initiated six months back with the motive to aspire and achieve the common goal. The event was inaugurated by Mr. Soshil Kumar Jain, Chairman, which was followed by the 'Talent Show' presented by the research scientists and other employees of the R&D center. The talent show depicted the culture of Punjab and the life of the scientists and stolen the hearts of all present on the occasion. To revive the memory of Ban-na- hai Dhruv the corporate Dhruv movie was shown. Mr. Rajesh Jain, Joint Managing Director and Department heads of various Manufacturing facilities, Marketing SBUs, R&D Centers, etc. gave their presentation during the event and reiterated their pledge for 'Ban-na Hai Dhruv' and move ahead from becoming a star employee to star company.

The scientists of Mohali through exhibition promoted the concept of evolution of Laksh, Drug Discovery Process and Life of the scientists.

Information Technology

As a research based organization, your Company's recognition of Science as the driver of its envisioned





journey, is fundamental to the ethos of the Company's infotech team. The Company is continuously investing huge funds in the information technology as well as communication facilities with a view to enhance the knowledge base available to its employees, enable faster scanning and monitoring of the external environment and improve the knowledge of best practices and relevant leading-edge technologies.

As a constant effort towards implementation and leveraging of technology initiatives to improve the efficiency and effectiveness of various departments, your Company has already implemented System Analysis and Product in Data Processing (SAP) covering Financial Accounting, Controlling, Asset Management, Materials Management, Production Planning and Sales Distribution. During the year under review, the SAP HR Module was also successfully implemented. The Company has also implemented Oracle clinical trial software and SAS analysis tool to manage, standardize and control clinical data for fast study setup and consistent interpretation of data in compliance with regulatory requirements. Your company has also implemented Microsoft Exchange and Share point portal solution for messaging and collaboration, which will address the internal and external communication and workflow needs. The Company's sales depots and manufacturing facilities are well connected through secure and robust Virtual Private Network (VPN). The Company's health portal "www.bestonhealth.com", developed with a concept of total health management continues to address the needs of medical fraternity and patients and had been an excellent source of patient education and furthering the ultimate objective of a healthy world.

Corporate Social Responsibility

Safety, Health and Environment Protection

Panacea Biotec undertakes all its operations with a high concern for safety, health and environment

and is committed to maintaining high standards in these areas. Substantial investments have been made in setting up Effluent Treatment Plant and in developing a "Green Belt" and green land scaping at the manufacturing sites at Lalru & Baddi to prevent possible adverse environmental impact on the community.

The vaccine R&D facility has been created with classified laboratories including BL-3 facility for carrying out certain R&D activities which require containment. All personnel working in R&D are vaccinated as per the Vaccination Policy. Bio-waste is disposed off as per the bio-waste management system. All the bio-safety measures in R&D are periodically reviewed by Bio-safety Committee.

Your Company has installed Modern Fire Hydrant System with sprinkler system and smoke detection & sensing devices at its all major facilities, for an early detection and extinguishing of accidental fire.

Regular training is also provided to the Company's employees about the importance of safety in day-to-day life in general and work in particular. The integration of environment friendly measures and cleaner production practices in the business process has resulted in better efficiency of operations.

Social Responsibility

Panacea Biotec works closely towards the development of society, in line with its philosophy of creating happier and healthier society. Health, education, disaster relief and patient awareness have been identified as the areas of priority. The emphasis has been to provide assistance on a need basis, and that too, assistance at a local level.

The Company is regularly providing financial assistance/ sponsorship for pursuing post graduates / doctorate studies, attending International Conferences and carrying out Research Projects being undertaken by Research Associates in various Institutes & Universities.



Your Company regularly takes initiatives towards fulfilling its corporate social responsibility including:

- Patient Home delivery for Transplant drugs
- Donation of life saving drugs to hospitals
- Creating awareness for Hyperphosphatemia by conducting Phosphorous & Calcium screening camps
- Organized a symposium on "Challenges in Prevention and Management of Dengue" at Delhi, which was well attended by Doctors, experts on this field and media personnel, with a view to provide a global snap shot of Dengue to the medical fraternity and facilitate deep insights about prevention and management of Dengue.
- Organized various renal function detection camps as part of the awareness towards prevention of Chronic Kidney Disease on World Kidney Day.
- Regular diabetes detection and neuropathy screening initiatives are taken for spreading awareness and facilitating detection for diabetes and neuropathic complications of diabetes
- Highly subsidized screening tests of more than 1 lac patients were conducted to measure bone mineral density of patients for Osteoporosis, which is estimated to afflict 30% of Indian population
- Conducted TB detection camps on World TB Day on 20th March at major TB Sanatoriums and Hospitals across the country
- 52 Patient education camps on piles were conducted on the World Piles Day

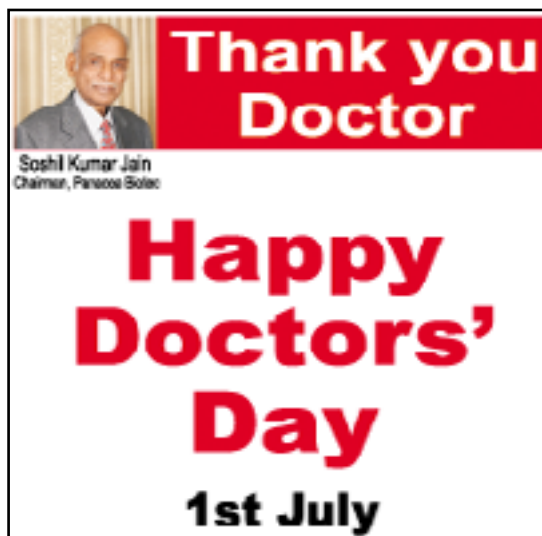
Chinh: During the year under review, the Company supported CHINH to make a difference in lives of nomads in foothills of Aravali and...began a tradition of development that must continue.

CHINH is an NGO's initiative to support Nomadic communities in generating livelihood through harnessing their traditional wisdom, art and culture. Dedicated to nomads of India, this initiative's prime focus is helping future generation of nomads

in creating space for them in civil society and encouraging them to lead a life of dignity.

Muktidhara, an NGO in Rajasthan is lighting the path to liberation by making the wheels halt for those perennially on wheels. Attempts to settle various Indian nomadic tribes and integrating them with civil communities have borne fruit. The next step is to find new means of livelihood for Banjara, Bawaria, Sapera, Bhopa Nat and several other nomadic tribes.

Doctor's Day: Continuing the gesture of showing it's gratitude towards the medical fraternity, your company wished all the doctors a happy Doctor's Day on 1st July. Messages of good wishes from the Chairman Mr. Soshil Kumar Jain for the doctors were released through Newspapers, SMS as well as FM Radio.



The patients were also encouraged to show their gratitude towards their doctors by wishing them on the occasion. Many doctors responded to the message of the Chairman by sending e-mails and SMS. This pioneering activity from Panacea Biotec would strengthen the relationship between the doctors and the people at large.

Visit of Foreign delegates & students: With an eye on globalization, Panacea Biotec encourages visits of foreign delegates, scientists, bankers, entrepreneurs,



analysts, media as well as students to visit our facilities and interact with our people.

A group of 10 students from Utrecht University, Netherlands, pursuing undergraduate/ post graduate course on "Science & Innovation", visited Vaccine & Biopharmaceuticals R&D Centers at New Delhi, to learn about various innovative initiatives being taken by various companies, including ours.

Further, a delegation of senior corporate executives undergoing MBA from LMU, California visited the Company to discuss the development of medical/ biotec field both in India and Internationally. The group was mainly middle managers from the LA region including executives from large U.S. Companies like Amgen, GE, major LA hospitals, etc. There was a rich exchange of ideas and knowledge between them and the senior members of Panacea Biotec. The

group was very much impressed with the Company's facilities and its current as well as future plans in the field of biotechnology.

Cautionary Note

Certain statements in the "Management Discussion and Analysis" and other sections in the Annual Report are forward-looking statements. These statements and expectations envisaged by the management are only estimates in nature and are based on current expectations and forecasts about future events. Such statements involve known/unknown risks, uncertainties and other factors and may cause and defer the actual results materially. Such factors include, but are not limited to, changes in local and global economic conditions, the Company's ability to successfully implement these strategies, the market acceptance and demand of the Company's products and services, the Company's growth rates, expansion, technological changes and the Company's exposure to market risks. By this nature, these indications and forecasts/projections are only estimates and actual results could differ from these in future. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



Directors' Report

Dear Members,

The Directors of your Company have pleasure in presenting the 23rd Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March, 2007 and Auditors' Report thereon.

Performance Review

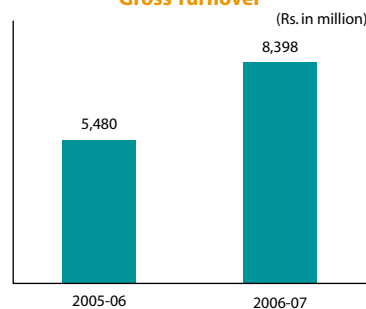
The Company's performance during the year under review, is summarized below:

(Rs. in million)

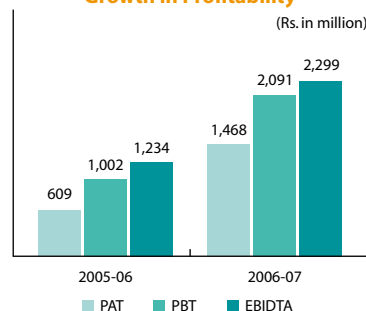
Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006
Gross Turnover	8,397.9	5,479.7
Other Income	299.6	70.9
Total Income	8,615.1	5,434.5
Profit before Interest, Depreciation & Tax	2,616.6	1,319.9
Financial Expenses	170.5	133.3
Profit before Depreciation & Tax	2,446.1	1,186.6
Depreciation	355.1	182.2
Profit before Tax & Prior Period expenses	2,091.0	1,004.4
Prior period expenses	-	2.3
Profit before Tax	2,091.0	1,002.1
Provision for Taxation	622.9	392.7
Profit after Tax	1,468.1	609.4
Appropriations:		
Dividend Paid/Proposed		
- On Equity Shares	65.7	57.1
- On Preference Shares	20.4	40.7
Tax on Dividend	14.0	13.7
Transfer to Capital Redemption Reserve	145.2	-
Transfer to General Reserve	146.8	60.9
Basic EPS after prior period expenses (Rs.)*	23.7	9.9
Cash EPS (Rs.)*	29.5	13.1
Book Value per Share (Rs.)*	81.9	27.9
Dividend on Equity Shares	100%	100%

* Per Equity Share of Re.1/-

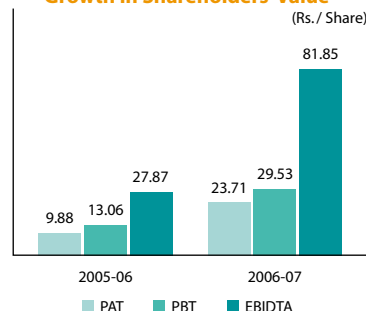
Gross Turnover



Growth in Profitability



Growth in Shareholders' Value



Share Capital

During the year under review, the Equity Share Capital has increased to Rs.65.8 million as on 31st March, 2007 as a result of allotment of 8,604,904 Equity Shares of Re.1/- each upon conversion of 550 Foreign Currency Convertible Bonds (FCCBs) aggregating US\$55 million.

The Equity Share Capital has further increased to Rs.65.9 million consequent upon issue of 24,688 Equity Shares upon conversion of FCCBs on 17th May, 2007.

As per the terms of issue of 90,434,914 - 4.5% Non-Convertible Redeemable Preference Shares (Series III) of Rs.10/- each issued to Chervil South East Asia Pte



Ltd., the Company had redeemed the entire Preference Share Capital during the year under review.

Dividend

As per the terms of issue of above said Preference Shares, the dividend @ 4.5% for the financial year ended 31st March, 2007 amounting to Rs.20.4 million, has been paid as Interim Dividend on pro-rata time basis till the date of redemption, as declared by the Board on 29th November, 2006. As such no further dividend is payable on Preference Shares for the Financial Year ended 31st March, 2007.

Further, continuing with the trend of rewarding its shareholders and simultaneously keeping in view the requirement of funds for the operations and growth of the Company, your Directors are pleased to recommend a dividend of 100% on Equity Share Capital of the Company for the Financial Year ended 31st March, 2007.

The Company has made a provision for dividend in the books of account after considering the application for conversions received as at the date of the Board Meeting for approval of Financial Statements. The Company is obliged to pay dividend to those bond holders who convert their bonds into Equity Shares after approval by the Board of the financial statements and upto the book closure date for dividend purposes. Incremental dividend, if any and Dividend Distribution Tax thereon will be paid out of the balance available in the Profit & Loss Account.

The dividend as above on the Equity and Preference Shares is placed before you for your approval at the ensuing Annual General Meeting and if approved, will absorb an amount of Rs.20.4 million and Rs.65.7 million, respectively. However, the amount of dividend on Equity Shares may increase in case any bonds are converted into Equity Shares before the book closure date.

Issue of Shares upon Conversion of FCCBs

Bondholders in respect of 231 Tranche 1 Foreign Currency Convertible Bonds (FCCBs) for USD 23.1 million exercised their rights of conversion and 3,690,312 Equity Shares of Re.1/- each at a premium of Rs.275.30 per share were allotted to them on 9th October, 2006. The Company served Mandatory Conversion Notice dated 6th October, 2006 on the Bondholders of outstanding 269 Tranche 1 Bonds and 4,297,372 Equity Shares of Re.1/- each at a premium

of Rs.275.30 per share were allotted to them on 26th October, 2006 upon conversion of the said Bonds. Further, 3 Bondholders in respect of 50 Tranche 2 Bonds also exercised their rights of conversion and 617,220 Equity Shares of Re.1/- each at a premium of Rs.356.57 per share were allotted on 26th October, 2006 upon conversion of the said Bonds.

Further, subsequent to 31st March, 2007, 1 bondholder in respect of Tranche 2 FCCBs for USD 0.2 million opted for conversion and 24,688 Equity Shares of Re.1/- each at a premium of Rs.356.57 per share were allotted to them upon conversion on 17th May, 2007.

Utilisation of FCCBs proceeds

As per the requirements of FEMA guidelines, the net proceeds of US\$ 96.9 million, after payment of fees and expenses of lead manager and international legal advisor, was parked overseas and placed in fixed deposits with State Bank of India in London. The requisite amount has been remitted to India upon conversion of FCCBs into Equity Shares and also as per the requirement of funds for meeting capital expenditure on various projects from time to time. An amount of £ 1.94 million has been utilized for investment in joint venture abroad.

The details of utilization of proceeds from issue of FCCBs as on 31st March, 2007, are as under:

Particulars	Amount (Rs. in million)
Capital expenditure	1,495.7
Investment in Joint Venture - Cambridge Biostability Limited	168.1
Loan payment and general corporate purposes*	2,497.7
Issue expenses	136.1
Total	4,297.6

**Out of the funds remitted to India upon conversion of FCCBs*

Further, out of the proceeds of the bond issue, US\$ 4.0 million (Rs.173.8 million) were lying in Fixed Deposits as at March 31, 2007 in foreign currency with State Bank of India, London, which has been remitted to India and utilized during the current financial year.

Report on Corporate Governance

As required pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance is provided in the Annual



Report. As required pursuant to Section 292A of the Companies Act, 1956, the details of composition of Audit Committee are given in such report.

Management Discussion & Analysis Report

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed Management Discussion and Analysis Report forms part of the Annual Report.

Joint Ventures and Subsidiaries

Your Company's Joint Venture Company ("JV Company"), Panheber Biotec Pvt. Ltd. ("Panheber"), in joint venture with M/s. Heber Biotec S.A., Cuba, an arm of the world renowned bio-technology research facility, Center for Genetic Engineering and Biotechnology (CIGB), is meeting requirement of Recombinant Hepatitis B Bulk Vaccine and Antigen for the manufacture of Hepatitis B and combination vaccines by your Company. WHO pre-qualification for the Recombinant Hepatitis B Vaccine has been received during the year under review. The Company has started supplying Hepatitis B Vaccines to UNICEF for its global requirements. The process for WHO pre-qualification for Combination Vaccines is at an advanced stage of approval and the approval is expected during the current financial year. Due to strategic reasons, Heber Biotec has offered to sell its stake in Panheber and the Company is actively evaluating the offer.

Your Company's another JV Company, viz. Chiron Panacea Vaccines Pvt. Ltd. ("Chiron Panacea"), in joint venture with world's 5th largest Vaccine group, viz. Chiron Corporation (now Novartis Vaccines), which began its operations in Jan'05 by way of marketing and distribution of Combination & other Vaccines in India, has made available innovative pediatric vaccines to reduce the burden of various diseases in the country. Chiron Panacea achieved a turnover of Rs.422.4 million (up by 100%) and net profit of Rs.61.83 million (an increase of more than 6 times) during the year under review. Chiron Panacea now commands around 35% market share in the paediatric combination vaccines segment in India.

During the year under review, the Company entered into a joint venture and made investment of Rs.168.07 million (£1.94 million) for acquiring 10% of the share capital in Cambridge Biostability Ltd. (CBL), a U.K. based Company. The Company has an existing collaboration

with CBL for developing thermostable vaccines applying CBL's patented 'Stable Liquid Technology' over the Company's combination vaccines. CBL was formed in 1998 in England & Wales and has a R&D facility in Cambridge, which is developing its technology for applications in developing countries, Biodefence and multivalent vaccines for sale in developed countries.

CBL's technology is being tested on the Company's pentavalent vaccine which is undergoing clinical trials in U.K. The strategic investment in CBL gives Panacea Biotec more insight into CBL's proprietary technology, its ongoing development and application in other vaccines and fields.

The Company's wholly-owned subsidiary namely Radicura & Co. Ltd. ("Radicura"), which was engaged in trading and distribution of pharmaceutical products, has discontinued its operations due to non-economical size of operations, during the last fiscal. Another wholly-owned subsidiary of the Company namely Best On Health Ltd. ("Best On Health") which owns a prime immovable property in close proximity of the Company's erstwhile Corporate Office, has made available to your Company a larger premise for its Corporate Office. Best On Health is in the process of charting out a plan for diversification in related health management space as part of its future growth plans.

Consolidated Financial Statements

As required pursuant to Clause 41 of the Listing Agreement with Stock Exchanges, the Consolidated Financial Statements of the Company (including therein Audited Annual Accounts for the year ended 31st March, 2007 of its subsidiaries, viz. Radicura and Best On Health and its JV Company, Panheber and the Unaudited Financial Statements for the year ended 31st March, 2007 of the JV Company, Chiron Panacea and Audited Annual Accounts for the year ended 31st December, 2006 of another JV Company, Cambridge) are attached with the Annual Accounts of the Company. These statements have been prepared in compliance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of Interest in Joint Ventures'.

The Auditors of the Company have also given their report on the Consolidated Financial Statements.



Listing of Equity Shares / Bonds

The Equity Shares of the Company are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Listing Fees for the financial year 2007-08 has been paid to these Stock Exchanges.

The Foreign Currency Convertible Bonds are listed at Singapore Stock Exchange.

Public Deposits

During the year under review, your Company has not invited or accepted any deposits from the public pursuant to the provisions of Section 58A of the Companies Act, 1956 and no amount of principal or interest was outstanding in respect of deposits from the public as of the date of Balance Sheet. However, during the year under review, the Company has continued to accept deposits from the Company's Directors, their relatives, associates and the Company's employees without inviting deposits from them.

Insurance

All properties and insurable assets of the Company, including Building, Plant & Machinery and Stocks have been adequately insured, wherever necessary. The Company also has a product liability insurance policy (including Clinical Trials) to cover the risk on account of claims, if any, filed against the Company.

Directors

Mr. Sunil Anand and Mr. Ashwani Jain have, vide their letters dated 15th June, 2006 and 17th July, 2006, tendered resignation from office as Whole-time Director and director on the Board. Their resignation were accepted by the Board w.e.f. 16th June, 2006 and 29th September, 2006, respectively and they have ceased to be Directors on the Board w.e.f. the said dates. The Board places on record its appreciation for their services and support rendered by them during their tenure of services with the Company.

In accordance with the provisions of the Companies Act, 1956, Mr. M.L. Kalra, Mr. K.M. Lal and Mr. Gurmeet Singh, Directors of the Company, are liable to retire by rotation and being eligible, offer themselves for re-appointment.

Statutory Auditors

As per the provisions of the Companies Act, 1956,

M/s. S.R. Batliboi & Co., Chartered Accountants, hold office as Statutory Auditors of your Company till the conclusion of the ensuing Annual General Meeting and have shown their willingness to be re-appointed as the Auditors of the Company.

Your Company has received the Certificate from M/s. S.R. Batliboi & Co., Chartered Accountants, as required under Section 224(1B) of the Companies Act, 1956, to the effect that their re-appointment, if made, will be within the limits as prescribed under the provisions thereof. Your Directors recommend their re-appointment as the Auditors of the Company for the financial year 2006-07.

Auditors' Observations

As regards the Auditors' observation in their reports regarding non-provision of proportionate premium on redemption of US\$ 50 million Zero Coupon Convertible Bonds due 2011 amounting to Rs.159,623,752, the directors are of the opinion that the bonds are redeemable only if there is no conversion of bonds earlier, the likelihood of which cannot be ascertained presently. Hence the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. Therefore same has been disclosed as a contingent liability.

As regards the Auditors' observation in their reports regarding commission payable to Directors amounting to Rs.185,049,736, which is pending approval of shareholders, the matter is proposed to be placed for the approval of shareholders in the ensuing Annual General Meeting and the directors are confident of getting the shareholder's approval.

As regards the Auditors' observation in their reports regarding capitalization of expenditure on clinical trials amounting to Rs.91,557,518 for the purpose of registration of Company's product in US and / or Europe, the management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities in US and / or Europe.

As regards the Auditors' observation in their reports regarding non-furnishing of information in respect of its suppliers which may fall under "The Micro, Small and Medium Enterprises Development Act, 2006", which was promulgated in October 2006, the Company has initiated the process of identification of



such suppliers. But in view of large number of suppliers and paucity of time after promulgation of law, the Company does not have sufficient information to comply with the disclosure requirements prescribed under the said Act. However, the directors are of the opinion that liability of interest on overdue payments, if any to such suppliers will not be material.

As regards the Auditors' observation in their report regarding slight delay in deposit of tax deducted at source in few cases, where amount involved was not significant, the said delays were due to operational difficulties and the amount was deposited together with applicable interest thereon for such delayed period.

As regards the Auditors' observation in the CARO Report regarding undisputed dues in respect of Central Sales Tax of Rs.121.7 million (including accrued interest of Rs.28.1 million) outstanding at the year end for a period of more than 6 months from the date they became payable, the amount has been provided in the books on the principle of conservatism for inter-state sales to United Nations Organization. Even though the amount has been provided in the books, the same has not been paid as the management believes that it may be an inadvertent omission while drafting and implementing the law. The sale to UNO was exempt until 31st March, 2005 and has been notified to be exempt from 13th May, 2005 and the Govt. of India would not change its stand on a treaty in respect of supplies to UNO and that too for a short period of 42 days.

The Company is pursuing the matter with lawyers and has been advised that the inadvertent omission of notification should not preclude the intention of law – which would mean that the sales to UNO which enjoyed exemption prior to the enactment of law and the status of which was restored after a gap of 42 days should continue to do so during the intervening period. Moreover, the Central Government has vide its powers u/s 8(5) of the Central Sales Tax Act, issued a notification dated 10th April, 1972, as per which no tax under this Act shall be payable in respect of any inter-state sale of goods to UNICEF, provided that UNICEF furnishes a Certificate confirming that the said goods have been purchased by it. The Company has obtained the said Certificate and submitted to the concerned authorities. The directors are confident that the issue will be resolved during the current financial year.

As regards the Auditors' observation in their report

on the Consolidated Financial Statements regarding Unaudited Financial Statements of Chiron Panacea, the said Company has confirmed that as it is having foreign directors on its Board, the meeting of the Board of Directors for approving its Annual Accounts, could not be held earlier. The Annual Accounts have now been audited and approved by its Board of Directors in its meeting held on 15th June, 2007, with no change therein.

The notes to the accounts and other observations, if any, in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

Cost Auditors

In terms of the provisions of Section 233B of the Companies Act, 1956, M/s J.P. Gupta & Associates, Cost Accountants, have been appointed as the Cost Auditors to conduct the audit of the Company's Cost Records in respect of formulations for the year ended 31st March, 2007 with the approval of the Central Government. They have also been appointed as the Cost Auditors for the financial year 2007-08 subject to the approval of Central Government.

Disclosures under Section 217 of the Companies Act, 1956

Except as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of report.

As required under Section 217(2) of the Companies Act, 1956, the Board of Directors inform the members that during the financial year there has been no material changes:

- in the nature of Company's business,
- in the Company's subsidiaries or in the nature of business carried out by them, except those stated in this report,
- in the classes of business in which the Company has an interest.

Energy Conservation, Technology Absorption & Foreign Exchange

Information as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of



Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings & outgo, is given in Annexure A, forming part of this Report.

Information regarding Employees

As required by the provisions of 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 covered under these Rules are set out in Annexure B, forming part of this Report.

Directors' Responsibility Statement

The Directors hereby confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- iv) that the directors had prepared the annual accounts on a going concern basis.

Acknowledgments

Your Directors acknowledge with gratitude the co-operation and assistance received from the Central and the State Government Authorities, Banks, Financial Institutions and other lenders, Government Agencies, International Health Organisations and business associates. The Directors also place on record their deep sense of appreciation to the employees, who are committed to high standards & ethics, excellence in performance, professionalism, commendable team work and have thrived in a challenging environment.

Your Directors also take this opportunity to express sincere thanks to the medical fraternity and patients for their continued co-operation, patronage and trust reposed on the Company and its products. Finally, the Directors wish to express gratitude to the Shareholders as well as Foreign Institutional Investors for their firm support and trust in the Company and its management. The Board looks forward to having continued support of all concerned in endeavour to help people lead healthier lives in the years to come.

For and on behalf of the Board

New Delhi
24th July, 2007

Soshil Kumar Jain
Chairman



Annexure to the Directors' Report

Annexure A

Statement of particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

I. Conservation of Energy

1. Energy Conservation measures taken

The Company has continued its policy of giving priority to energy conservation measures including regular review of energy consumption and effective control on utilization of energy. The Company had devised its production lines and other facilities keeping in view the objective of minimum energy losses.

The following are a few of the energy conservation measures implemented during the year under review:

- Fuel consumption in Boiler is closely monitored and pressure is reduced with a view to conserve the fuel.
- Temperature control system for the cooling tower fans On/Off installed at Lalru.
- CFL lamps are installed in place of FTL in non-critical areas.
- Electronic chokes are installed in all tube lights.
- Electronic energy saver device provided in the lighting circuit in production areas.
- Automatic Power factor correction device fitted to total power supply.
- Variable frequency drives have been provided to AHUs, Chillers, VAV system for HVAC & Fume hood exhaust blowers at Mohali.
- High efficiency motors, CFL lamps, metal halide lamps have been installed at Mohali with a view to reduce power consumption.

- Provided variable frequency drives to AHUs and high efficiency motors, CFL lamps, metal halide lamps at Baddi.
- Reduced boiler and air compressors working pressure at Baddi.

2. Additional Investments/ Proposals, if any, for reduction of Energy Consumption

Continuous efforts are being made to further reduce expenditure on power & fuel in the times to come. The Company plans to convert all lights to T8 in a phased manner and a new 300 CFM air compressor is proposed to be installed at the Vaccine Formulation plant at New Delhi with energy efficiency motor with variable frequency drive for energy conservation.

A detailed Energy Audit was conducted during the year at its plants at Baddi. Though the Company has already implemented several energy conservation projects resulting in substantial energy savings, the energy audit report has identified and suggested several proposals with an annual energy saving potential of Rs.1.9 million based on the present energy cost. The Company has already implemented the majority of such proposals and plans to implement the remaining proposals at the earliest possible.

3. Impact of measures taken and impact on cost of production of goods

The energy conservation measures indicated above have resulted into considerable reduction in energy cost thereby reducing the cost of production of goods.



FORM A

The particulars of consumption of energy, are given below:

	Current Year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (Nos.)	8,212,897	7,003,236
Total Amount (Rs.)	35,360,364	32,263,565
Rate/Unit (Rs.)	4.30	4.61
(b) Own generation		
(i) Through Diesel Generator		
Units (Nos.)	2,905,629	2,004,997
Unit per litre of Diesel Oil	3.25	3.28
Cost/Unit (Rs.)	9.44	8.45
(ii) Through Steam/Turbine Generator		
Units (Nos.)	Nil	Nil
Unit per litre of Fuel Oil/ Gas		
Cost/Unit		
2. Coal	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average Rate		
3. Furnace Oil	Nil	Nil
Quantity (Litres)		
Total Amount		
Average Rate/litre		
4. Others/Internal generation	Nil	Nil
Quantity		
Total Cost		
Rate/Unit		
B. Consumption per unit of production		
Tablets		
Production (Nos. in thousand)	425,467	322,899
Electricity Consumption (Units per thousand)	2.42	3.02
Capsules		
Production (Nos. in thousand)	31,815*	27,493
Electricity Consumption (Units per thousand)	54.59*	3.39
Syrups		
Production (Ml. in thousand)	280,385	293,718
Electricity Consumption (Units per thousand)	0.62	0.70
Gels		
Production (Gm. in thousand)	79,511	45,249
Electricity Consumption (Units per thousand)	1.93	1.96
Vaccines		
Production (No. of vials in thousand)	61,162	48,784
Electricity Consumption (Units per thousand)	57.10	69.37
Injection		
Production (Ml. in thousand)	-	-
Electricity Consumption (Units per thousand)	-	-
Husk		
Production (Packs in thousand)	-	4
Electricity Consumption (Units per thousand)	-	71.25
Kit		
Production (Packs in thousand)	-	4
Electricity Consumption (Units per thousand)	-	71.25

*including 1,617,596 units for producing 1,876 soft gelatin capsule (resulting into consumption of 862.27 units per unit of production ('000 omitted).



II. Technology Absorption

FORM B

Form for disclosure of particulars with respect to Technology Absorption

Research & Development (R&D)

1. Specific areas in which R & D carried out by the Company

The Research is being pursued by the Company, inter-alia, in the following areas:

- Development of Value added Drug Delivery Products
- Identification and development of lead compounds from plant sources
- Development of novel vaccines including recombinant anthrax vaccine and cell culture based Japanese Encephalitis (JE), etc.
- Development of breakthrough vaccines like thermostable pentavalent vaccine which would eliminate the need for cold chain
- Development of small & big molecules (new chemical entities & new biological entities).
- Development of a peptide-based technology for alopecia (hair loss) management
- Advanced Drug Delivery Research

2. Benefits derived as a result of above R & D

- Novel drug delivery products
- Competitively priced products
- Improved product quality leading to customer satisfaction
- Waste minimisation
- Safe and environment friendly processes
- Grant of Product/Process Patents
- Import substitution leading to lower cost of goods
- Enhanced global presence
- Export of Quality Products
- Development of new innovative injectable combination vaccines.

3. Future plan of Action

The Company will focus its Research & Development activities for growing the top & bottom lines of the Company, inter-alia, in the following areas:

- Drug Discovery Research
- Advanced Drug Delivery Research
- Bio-pharmaceuticals Research for development of novel preventive & therapeutic vaccines,

therapeutic fully human monoclonal antibodies and therapeutic peptides.

- Development of thermostabilised vaccines in collaboration with Cambridge Biostability, U.K.
- Natural Products Research
- Chemical Research & Development
- Development of Recombinant, Polysaccharide & Cell culture based Vaccines and combination Vaccines.

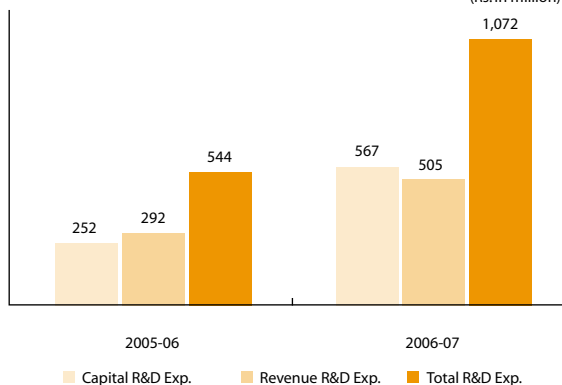
4. Expenditure on R & D

(Rs. in million)

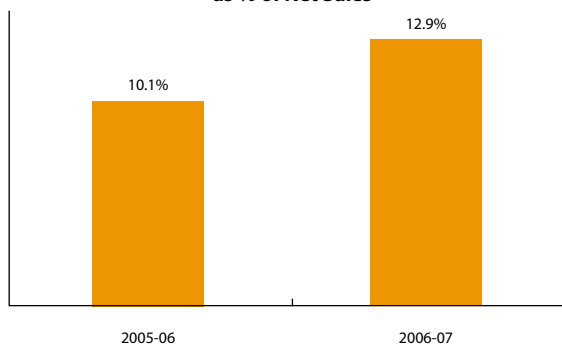
	2006-07	2005-06
a) Capital	567.05	252.3
b) Revenue	505.01	291.5
c) Total	1,072.06	543.8
d) Total R&D expenditure as a percentage of net sales	12.9%	10.1%

Total R&D Expenditure

(Rs. in million)



Total R&D Expenditure as % of Net Sales





Technology absorption, adaptation and Innovation

1. Efforts, in brief, made towards technology adaptation and innovation

2. Benefit derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:
 - a) Technology imported

 - b) Year of import
 - c) Has technology been fully absorbed
 - d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action

The Company has in-house R&D Centres for developing new products and technologies. It has developed indigenous technologies in respect of the products manufactured by it. Further, in-licensing arrangements have been made for technologies and development of (a) Japanese Encephalitis (JE) Vaccine, (b) Tetravalent Dengue Virus Vaccine and (c) peptide based product for generation of hair follicles and hair growth during the previous financial year. Technology for JE Vaccine has been successfully transferred and our scientists are currently working at site for development/ upscaling of the process. Technology successfully transferred and appropriate chimeric strains of Dengue Virus Serotypes revived. The hair growth peptide has been synthesized. The data relating to physical/ chemical and its efficacy (in animals) has been generated as per the regulatory requirements.

Competitive products, Product quality improvement, Product Development, Import Substitution and development of innovative combination vaccines. With in-licensing arrangements, the Company will be able to commercialise these products in domestic and international markets thereby contributing to its top & bottom lines.

1. Technology for use of peptide based products for generation of hair follicles and hair growth. 2. Tetravalent Dengue Virus Vaccine.

1. 2004-05 (Peptide). 2. 2006-07 (Dengue Vaccine).

No

The technologies are being worked upon at the Company's Biopharmaceutical Research Centre. Arrangements are also made to conduct pre-clinical toxicology as a part of drug development.

III. Foreign Exchange Earnings and Outgo

1. Activities relating to exports

The Company is exporting its branded pharmaceutical formulations in CIS countries, South East Asia Region and countries in Eastern Europe and African Region. The Company is also supplying Oral Polio Vaccines to various countries through UNICEF against its global tenders. Today the Company's products are available to people in over 35 countries across the globe.

During the year under review, the export turnover has increased to Rs.6,674.5 million (including deemed exports of Rs.5,065.8 million) as against Rs.4,126.9 million (including deemed exports of Rs.3,693.9 million) registering a phenomenal growth





of more than 61% as compared to the previous financial year.

During the year under review, the export sales of formulations increased by 56% to Rs.258.3 million (including deemed exports of Rs.1.8 million) from Rs.165.7 million (including deemed exports of Rs. nil) during fiscal 2006. The exports to most of the countries where Company has presence, have shown excellent growth.

The Company also achieved an export turnover of Rs.1,352.2 million by way of supplies of Oral Polio Vaccines to various countries including Abidjan, Afghanistan, Angola, Bangladesh, Cameroon, Chad, Congo, Ethiopia, Indonesia, Kenya, Myanmar, Nepal, Nigeria, Somalia, Sudan, Turkey and Uganda through UNICEF against its global tenders, as against Rs.267.3 million during the previous year, achieving an excellent growth of more than 400%.

2. Initiatives taken to increase export

With a view to increase opportunities, the efforts on international marketing have been intensified. The Company has been adopting a strategy of increasing its international brand image and is rapidly expanding to reach out to more and more countries. It has also obtained brand registration for more than 60 different brands in different countries and is actively exploring opportunities for launching as well as licensing out some of its patented products for manufacture/ marketing in developed countries in Europe, North America and Latin America.

During the year under review, the Company has completely turnaround its operations, systems and processes for International Marketing.

Further, in order to expand its export turnover of pharmaceutical formulations, the Company is focusing on Nephrology range, Willgo, Xeed and other patented products across all the markets and is shifting from Distribution driven model to "Promotion orientation" in key markets. The Company has also enhanced filings in all key and supportive markets with maximal emphasis on Brazil, South Africa and Turkey.

3. Development of new export markets for products and Export Plans

The Company is poised to make inroads in international markets by increasing its market share in operating markets and establishing its ground work in new potential markets.

The Company commenced exports in new markets and marked its presence in countries like Mongolia, Philippines, Republic of Sparska and Madagascar.

Agreements have been signed with several parties in newer markets and product registration documents have been submitted.

Your company is also rigorously engaged in registration activities in new markets like Brazil, Mexico, South Africa, Bosnia, Mauritius, Costa Rica, Malaysia, Myanmar, etc.

The Company is in the process of launching its key patented products in the developed markets of Europe and US. The Company has been permitted by German regulatory authority BfArM to initiate Phase-III clinical trials for its two leading products WillGo and Sitcom. The Company plans to file the registration dossiers for other products Panimun Bioral, Pangraf and Mycept during the current financial year and expects the commercial launch in FY '09.

4. Total foreign exchange earned and used

(Rs. in million)

	2006-07	2005-06
Foreign Exchange Earned		
F.O.B. value of Exports (including deemed export of Rs.5,066 million (Previous Year Rs.3,787 million))	6,653.5	4,206.1
R & D Technology Services	7.8	13.9
Interest on Exchange Earners' Foreign Currency Deposits	155.2	28.1
Total	6,816.5	4,248.1
Foreign Exchange Used		
Import of Raw Materials & Packing Materials	3,481.1	2,095.9
Import of Capital Goods Machinery & Spares	525.9	198.9
Patents, Trade marks & Product registration	44.5	14.4
Know-how Fee	-	6.8
Interest	47.8	30.1
Professional & Consultation fees	9.9	9.8
Expenditure on issue of Foreign Currency Convertible Bonds	-	139.0
Other Expenses	66.5	50.3
Total	4,175.7	2,545.2

For and on behalf of the Board

New Delhi
24th July, 2007

Soshil Kumar Jain
Chairman



Annexure B

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2007

S. No.	Name	Designation and Nature of Duties	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Commencement of Employment	Age (Yrs.)	Particulars of Last Employment Name of Employer, Designation, Period of Service (Years)
A. Persons employed throughout the Financial Year ended 31st March, 2007, who were in receipt of remuneration for the year in which the aggregate was not less than Rs. 24,00,000/-.								
1.	Mr. Soshil Kumar Jain	Chairman	55,855,561	Pharmacist	52	02.02.84	74	None, NA, NA
2.	Mr. Ravinder Jain	Managing Director	66,927,090	Matriculate	27	15.11.84	50	None, NA, NA
3.	Mr. Rajesh Jain	Joint Managing Director	53,290,051	B.Sc., PGDBM & Advanced Mgmt. Diploma in Market Research	23	15.11.84	43	None, NA, NA
4.	Mr. Sandeep Jain	Joint Managing Director	53,247,858	B.Com	22	15.11.84	41	None, NA, NA
5.	Mr. Narayan B. Gad	Chief Executive Formulations (Marketing)	12,405,075	B.Sc, D. Pharma MBA	31	26.10.05	56	Nicholas Piramal India Ltd. President Mktg. & Org. Dev., 4 years
6.	Dr. Amarjit Singh	President R&D	6,142,478	PH.D, M. Pharma	27	01.03.05	49	Sun Pharmaceutical Industries Ltd., CSO & EVP (R&D), 2 years
7.	Dr. K.C. Jindal	Executive Vice President R&D	4,462,070	PH.D, M Pharma	29	18.06.03	56	Orchids Chemicals & Pharmaceutical Ltd., VP - Pharma Research, 2 years
8.	Mr. Karunakar J. Shetty	Head of Operations-India (Marketing)	4,135,805	B.Com	22	01.01.06	48	Nicholas Piramal India Ltd. President Mktg. & Org. Development, 4.5 years
9.	Dr. Sanjay Trehan	Sr. Vice President Drug Discovery	4,512,738	PH.D, M.Sc. (H)	19	01.07.04	48	Dr. Reddy's Laboratories Ltd., Research Director, 3 years
10.	Dr. M. Sitaram Kumar	Vice President (R&D)	2,455,049	PH.D, M.Sc	31	17.06.05	57	Dr. Reddy's Laboratories Ltd. Sr. Director, 4.5 Years
11.	Mr. R.A. Garg	General Manager Production	2,641,852	M. Pharma	22	26.08.96	47	Core Healthcare Ltd., Works Manager 1 year
12.	Dr. V.K. Vinayak	President (R&D)	2,938,296	PH.D, M.Sc, FICAI, FRSTMH (London)	36	01.10.05	64	Dept. of Biotechnology, Govt. of India, Sr. Advisor, 11 years
B. Persons employed for a part of the Financial Year ended 31st March, 2007, who were in receipt of remuneration for any part of the year, at the rate which in the aggregate was not less than Rs.2,00,000/- per month.								
13.	Mr. N.K. Juneja	Vice President (Operations)	297,317	M. Pharma	28	19.06.03	51	Unichem Laboratories Ltd. General Manager, 7 years
14.	Mr. Nilesh N. Wadhwa	Head Business Development	2,312,667	MBA	14	10.03.06	37	Banner Pharma Caps (I) Pvt. Ltd., A.V.P (Business Development), 9 years
15.	Mr. Jagattaran Das	G.M. R&D	2,303,211	PH.D, M.Sc.	13	01.07.05	43	Dr. Reddy Labs Ltd. - Sr. Scientist, 6 years
16.	Mr. Sukhjeet Singh	V.P.R & D	1,914,854	Post Graduate	13	17.08.06	38	Strides Acrolabs Ltd. - VP - Formulations & Development, 1 year

Notes:

- Remuneration includes salary, commission on profits, house rent allowance, bonus, Company's contribution to Provident Fund, Leave Travel Allowance, Medical Assistance and all allowances paid in cash and monetary value of taxable perquisites wherever applicable and also includes Gratuity/ Retirement Benefit.
- There was no employee who was employed either throughout the financial year or part thereof, who was holding either by himself or along with the spouse and dependent children 2% or more of the Shares of the Company and drawing remuneration in excess of the remuneration drawn by Managing Director / Joint Managing Director / Whole-time Director.
- The terms and conditions of employees at Sl. No. 1 to 4 are as approved by the Board of Directors and Shareholders. The employees at Sl. No. 5 to 16 are paid remuneration as per the policy/rules of the Company.
- All the above said appointments are contractual.
- None of the above employees is related to any of the Directors except that Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Mr. Rajesh Jain and Mr. Sandeep Jain are related to each other.
- The nature of duties of Chairman, Managing Director and Joint Managing Directors is as under:
Mr. Soshil Kumar Jain, Chairman - Strategic planning, vision and formulation of strategies.
Mr. Ravinder Jain, Managing Director - Overall supervision of day-to-day operations with emphasis on strategic planning and business development.
Mr. Rajesh Jain, Joint Managing Director - Overall supervision of day-to-day operations with emphasis on R&D, business development and marketing.
Mr. Sandeep Jain, Joint Managing Director - Overall supervision of day-to-day operations with emphasis on finance, international marketing and regulatory affairs.

For and on behalf of the Board

New Delhi
24th July, 2007

Soshil Kumar Jain
Chairman



Report on Corporate Governance

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders including shareholders, employees, consumers, lenders and the community at large.

The pursuit towards achieving good governance is an ongoing process at Panacea Biotec, as a conscious effort. The Company has always focused on good corporate governance - which is a key driver of sustainable corporate growth and long-term value creation. Thus for us at Panacea Biotec, good Corporate Governance implies commitment to values, ethical business conduct and a high degree of transparency directing the intellectual capabilities and moral authority of the Board towards protecting the interest of different stakeholders.

2. Board of Directors

Composition & size of the Board

Panacea Biotec's Board consists of an optimal mix of Executive Directors and Independent Professionals who have in-depth knowledge of business, in addition to expertise in their areas of specialization. The Directors bring in expertise in the fields of human resource development, strategy, management, finance and economics among others. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that management adheres to high standards of ethics, transparency and disclosure.

At present, the Board consists of 5 (Five) executive Directors and 7 (Seven) non-executive Directors. All the executive Directors are promoter-directors (1 Executive Chairman, 1 Managing Director, 2 Joint Managing Directors and 1 Whole-time Director). All the non-executive Directors are Independent Directors. The non-executive Directors bring external and wider perspective in the Board's deliberations and decisions.

The size and composition of the Board conform with the requirements of the Clause 49 of the Listing Agreement (Corporate Governance Code) with the Stock Exchanges.

Board Functioning & Procedure

Panacea Biotec's Board plays a pivotal role in ensuring good governance. Its style of functioning is democratic. The Members of the Board always had complete freedom to express their opinion and decisions are taken on the basis of consensus arrived at after detailed discussion. They are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman.

In accordance with the provisions of Clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly results and other items of agenda as required under Annexure 1A of Clause 49 of Listing Agreement, and if necessary, additional meetings are held. The Chairman of the Board and the Company Secretary discuss the items to be included in the agenda and the agenda is sent in advance to the Directors along with the draft of relevant documents and explanatory notes.

During the financial year 2006-07, 5 Board Meetings were held on 15th May, 2006, 22nd May, 2006, 20th July, 2006, 19th October, 2006 and 18th January, 2007.

Attendance of Directors at the Board Meetings & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2007

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships ⁺	No. of Committee Memberships in other Companies*
1.	Mr. Soshil Kumar Jain	Promoter - WTD Chairman	5	5	No	2	-
2.	Mr. Ravinder Jain	Promoter - MD	5	4	No	-	-
3.	Mr. Rajesh Jain	Promoter - JMD	5	1	No	4	-
4.	Mr. Sandeep Jain	Promoter - JMD	5	5	Yes	2	-
5.	Mr. Sumit Jain	Promoter-WTD	5	2	Yes	3	-
6.	Mr. Ashwani Jain@@	Executive - WTD	3	1	N.A	N.A	N.A
7.	Mr. Sunil Anand@	Executive - WTD	2	2	N.A	N.A	N.A
8.	Mr. Sunil Kapoor	Non-Executive - ID	5	5	Yes	6	-
9.	Mr. R.L. Narasimhan	-do-	5	4	Yes	-	-
10.	Mr. N.N. Khamitkar	-do-	5	2	Yes	-	-
11.	Mr. M.L. Kalra	-do-	5	3	No	-	-
12.	Mr. Gurmeet Singh	-do-	5	-	No	8	-
13.	Mr. K.M. Lal	-do-	5	4	No	7	-
14.	Dr. A.N. Saxena	-do-	5	5	Yes	1	-

* Membership in Audit and Shareholders' Grievance Committees. @ Ceased to be Director w.e.f. 16.06.2006.

@@ Ceased to be Director w.e.f. 29.09.2006. + in companies other than private limited companies

Note: WTD = Whole-time Director, MD = Managing Director, JMD = Joint Managing Director, ID = Independent Director



None of the Directors on the Board is a member in more than ten committees and/or acts as chairman of more than five committees across all the companies in which he is a Director.

Details of Directors

The information or details pertaining to the Directors seeking appointment / re-appointment in the Annual General Meeting, to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, are furnished below:

a) Mr. M. L. Kalra

Age : 71 Years

Qualification : Graduate, Punjab University

Professional Expertise : He is a retired Banker and was appointed as a Director of the Company w.e.f. 14.07.2001. He has worked with New Bank of India and Punjab National Bank at various senior and middle level positions and has vast experience in the field of banking, finance, administration and corporate affair. He has also worked with the Company as General Manager and looked after the administration and corporate affairs functions of the Company during his tenure of service.

Shareholding in the Company : Nil

Directorships : He is not a director in any other company. He is the Chairman of Share Transfer-cum-Investors' Grievance Committee and a member of Remuneration Committee of the Board of Directors of the Company.

b) Mr. K.M. Lal

Age : 67 Years

Qualifications : M.Sc. (Chemistry)

Professional Expertise : He is a retired Government official belonging to Indian Administrative Services and retired as Chairman, Staff Selection Commission, Government of India. He was appointed as a Director of the Company w.e.f. 28.04.2005 and has vast experience in the field of finance, accounts, audit, taxation, legal, project and general management. He had held various senior level positions in Government Ministries and offices.

Shareholding in the Company : Nil

Directorships : He is a director of SREI Capital Markets Ltd, Gem Spinners Ltd., Hindustan Wires Ltd., Simoco Telecommunication (South East Asia) Ltd., Polylink Polymer Ltd., Gem Sugar Ltd. and Ramsarup Industries Ltd. He is a member of Audit Committee & Remuneration Committee of the Board of Directors of SREI Capital Markets Ltd, Gem Spinners Ltd., Hindustan Wires Ltd., Simoco Telecommunication (South East Asia) Ltd. and Polylink Polymer Ltd.

c) Mr. Gurmeet Singh

Age : 45 Years

Qualification : Bachelor of Commerce

Professional Expertise : He is having experience of more than 24 years in the pharmaceutical industry. He was appointed as a Director of the Company w.e.f. 29.06.1996 and has worked with the Company as Whole-time Director designated as Director (Logistics) till 26th October, 2002. He has vast experience in the areas of finance, commercial, logistics and general management.

Shareholding in the Company : Nil

Directorships : He is a director of Vishwa Estates Pvt. Ltd., Angad Hospitality Pvt. Ltd., Raga Entertainment Pvt. Ltd., Raga Impex Pvt. Ltd., Raga Softech Pvt. Ltd., Raga Business Solutions Pvt. Ltd., Richa Construction Pvt. Ltd. and A to Z Amusement Concept Pvt. Ltd. He is a member of Share Transfer-cum-Investors' Grievance Committee of the Board of Directors of the Company.



Information supplied to the Board

In addition to the regular business items, the following items are regularly placed before the Board to the extent applicable:

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc., if any.

Statutory Compliance of Laws

The Board periodically reviews the compliance report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non-compliances, if any.

Code of Conduct

The Company has adopted a Code of Conduct for all the Board Members and Senior Management Personnel. The said Code has been communicated to the Directors and Senior Management Personnel and is also posted on the web-site of the company viz. www.panaceabiotec.com

As required pursuant to clause 49-I(D), a declaration from the Managing Director confirming that the Company has received confirmations from the Board Members and the Senior Management Personnel regarding compliance of Code during the year under review, is attached as Annexure-I.

3. Audit Committee

Composition & Terms of Reference

The Audit Committee of the Company comprises of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee. All the members are financially literate and one member is having requisite accounting and financial management expertise.

The terms of reference of Audit Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement with Stock Exchanges as well as in Section 292A of the Companies Act, 1956, including the following:

- Oversight 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 to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:



- a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956,
 - b) Changes, if any, in accounting policies and practices and reasons for the same,
 - c) Major accounting entries involving estimates based on the exercise of judgment by management,
 - d) Significant adjustments made in the financial statements arising out of audit findings,
 - e) Compliance with listing and other legal requirements relating to financial statements,
 - f) Disclosure of any related party transactions,
 - g) Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 - Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 - Reviewing the adequacy of internal audit function, if any, including the structure of the 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 findings and follow up thereon.
 - Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
 - To review the functioning of the Whistle Blower mechanism, in case the same is existing. (No such mechanism is existing in the company).
 - Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of information by Audit Committee

Apart from other matters, as per Clause 49 of the Listing Agreement the Audit Committee reviewed, to the extent applicable, the following information:

- i) Management discussion and analysis of financial condition and results of operations.
- ii) Statement of significant transactions, submitted by Management.
- iii) Management letters/letters of internal control weakness issued by statutory auditors.
- iv) Internal Audit Reports relating to internal control weakness.
- v) The appointment, removal and terms of remuneration of the Internal Auditors.

Meetings of Audit Committee and attendance of members during the year

During the year, 7 (Seven) Audit Committee meetings were held on 15th May, 2006, 22nd May, 2006, 20th July, 2006, 19th October, 2006, 17th January, 2007, 19th March, 2007 and 20th March, 2007.

The attendance of members of the Audit Committee at these meetings were as follows:

Sl. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R. L. Narasimhan	Chairman & Independent Director	7	6
2.	Mr. N. N. Khamitkar	Independent Director	7	4
3.	Mr. Sunil Kapoor	Independent Director	7	7

The Statutory Auditors, Internal Auditors, Cost Auditors, CFO and DGM (Accounts & Finance) are the permanent invitees of the meetings of Audit Committee. Apart from them, Joint Managing Director, Director (Operations and Projects), Associate Director, General Manager (HR) and Sr. Manager (Finance) etc. attended one or more of the Audit Committee Meeting(s).

The Company Secretary is acting as the Secretary to the Audit Committee.

Subsidiary Companies

The Company doesn't have any material non-listed Indian subsidiary Company whose turnover or net worth



(i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding Accounting Year.

The Audit Committee of the Company reviewed the financial statements, in particular, the investments made by the unlisted subsidiary companies.

The Board Minutes of unlisted subsidiary companies are placed at the Board Meeting of the Company and the significant transactions or arrangements entered into by the unlisted subsidiary companies are periodically informed to the Board.

4. Remuneration Committee

Composition & Terms of reference

A Remuneration Committee of the Board of Directors comprising of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. M.L. Kalra and Mr. Sunil Kapoor, had been constituted by the Board of Directors. Mr. R.L. Narasimhan is the Chairman of the Committee.

The powers and terms of reference of the Remuneration Committee include:

- to decide elements of remuneration package of all the directors.
- to decide the service contracts, notice period and severance fees of executive Directors.

During the year, one meeting of Remuneration Committee was held on 20th July, 2006.

Sl. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R. L. Narasimhan	Chairman	1	1
2.	Mr. Sunil Kapoor	Independent Director	1	1
3.	Mr. M.L. Kalra	Independent Director	1	-

Remuneration Policy

The Directors' Remuneration Policy of your Company confirms with the provisions under the Companies Act, 1956. Subject to the approval of the Company's shareholders in general meeting and such other approvals as may be necessary, the Managing/Joint Managing Directors and the Whole-time Directors are paid remuneration as per the terms of remuneration decided by the Board/ Remuneration Committee and approved by the Shareholders. The remuneration payable to the executive Directors is decided from time to time keeping in view the overall performance of the Company, the performance of the concerned Director and the industry trends. The remuneration is also fixed in such a way that the aggregate remuneration paid to Managing/Joint Managing Directors and Whole-time Directors does not exceed the maximum permissible limits as per Schedule XIII to the Companies Act, 1956.

The key components of the Company's Remuneration Policy are:

- Compensation will be a major driver of performance.
- Compensation will be competitive and benchmarked with a select group of companies from the pharmaceutical sector.
- Compensation will be fully transparent and tax compliant.

Directors' remuneration

The details of remuneration paid to Directors during the financial year ended 2006-07, is as under:

i) Executive Directors (Managing/Joint Managing/Whole-time Directors)

(Rs. in Lac)

S. No.	Name	Salary	Perquisites	Commission	Total
1.	Mr. Soshil Kumar Jain	72.00	1.27	462.62	535.89
2.	Mr. Ravinder Jain	72.00	122.05	462.62	656.67
3.	Mr. Rajesh Jain	60.00	1.27	462.62	523.89
4.	Mr. Sandeep Jain	60.00	1.27	462.62	523.89
5.	Mr. Sumit Jain	8.08	2.25	--	10.33
6.	Mr. Ashwani Jain	9.00	--	--	9.00
7.	Mr. Sunil Anand	2.50	--	--	2.50
	Total	283.58	128.11	1,850.48	2,262.17



Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director, Mr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company is for 5 years w.e.f. 1st April, 2006. The tenure of office of Mr. Sunil Anand, Director (Finance) and Mr. Ashwani Jain, Director (Corporate Affairs) was for 5 years w.e.f. 1st April, 2006 but they had resigned from the directorship and their resignation had been accepted by the Board w.e.f. 16.06.2006 and 29.09.2006, respectively. The tenure of office of Mr. Sumit Jain, Director (Operations and Projects) is for 5 years w.e.f. 22nd July, 2005.
2. Notice period for termination of appointment of Managing/Joint Managing/ Whole time Directors is three months by either party or a shorter period decided mutually. No severance pay is payable on termination of contract.
3. The Company does not have any Stock Option Scheme.
4. As approved by the Board, commission @ 2% of the Company's net profits for the year 2006-07, as computed in the manner laid down in section 349 and 350 of the Companies Act, 1956, is proposed to be paid to each one of the Chairman, Managing Director and Joint Managing Directors for the said financial year 2006-07, subject to approval of shareholders in the forthcoming Annual General Meeting.
5. All elements of remuneration of the Managing/Joint Managing/ Whole-time Directors, i.e., Salary, Commission, Perquisites and other benefits, etc. are given in Schedule XIX A annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
6. Provision for Gratuity and Leave Encashment amounting to Rs. 47.48 Lac and Rs. 5.70 Lac respectively, made during the year, has not been included above.

ii) Non-Executive Directors

Payment Criteria:

The Board of Directors determines the remuneration of the non-executive Directors within the limits approved by the shareholders. Apart from the sitting fees for attending Board Meeting or Committee thereof, the remuneration is paid to the non-executive Directors (other than Mr. Gurmeet Singh) by way of monthly allowances for telephone, mobile, conveyance expenses, etc. @ Rs. 15,500/- p.m. (with the confirmation obtained from Central Government) to enable them to meet their expenses for attending to their responsibilities as non-executive director.

The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2007 are as under:

(Rs. in Lac)

Sl. No.	Name	Allowances	Sitting Fees	Total
1	Mr. R. L. Narasimhan	1.86	0.60	2.46
2	Mr. N. N. Khamitkar	1.86	0.30	2.16
3	Mr. Sunil Kapoor	1.86	0.70	2.56
4	Mr. M. L. Kalra	1.86	0.70	2.56
5	Mr. Gurmeet Singh	-	0.65	0.65
6	Mr. K. M. Lal	1.86	0.20	2.06
7	Dr. A.N. Saksena	1.86	0.20	2.06
	Total	11.16	3.35	14.51

None of the non-executive Directors hold any shares/ convertible instruments of the Company.

5. Share Transfer cum Investors' Grievance Committee

The Share Transfer-cum-Investors' Grievance Committee comprises of three Directors viz. Mr. M.L. Kalra, Mr. Ravinder Jain and Mr. Gurmeet Singh. Mr. M.L. Kalra, an independent non-executive Director acts as Chairman of the Committee. Mr. Vinod Goel, Company Secretary is acting as the Secretary to the Committee as well as the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

Details of investors' complaints received during the year 2006-07:

S.No.	Nature of Complaints	Received	Resolved	Pending
1.	Non-receipt of Dividend Warrants in respect of Shares	4	4	-
2.	Non-receipt of share certificate(s) lodged for transfer/ sub-division/duplicate etc.	2	2	-
	Total	6	6	-

The Company put utmost priority to the satisfaction of its shareholders which is evident from the fact that only very few complaints were received by the Company and the same were resolved expeditiously to their satisfaction.

There were no share transfers lying pending as on 31st March, 2007.



6. CEO/CFO Certification

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed separately as Annexure – II to the report.

7. General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue	Special Resolution passed
2005-06	30.09.06	12:00 noon	Regd. Office at Ambala-Chandigarh Highway, Lalru 140501, Punjab.	<ul style="list-style-type: none"> • Payment of remuneration to Dr. Aditya Narain Saksena, non-executive independent Director. • Payment of monthly remuneration to Non-Executive Directors. • Re-appointment of Mr. Soshil Kumar Jain as Whole-time Director designated as Chairman. • Appointment of Mr. Ashwani Jain as Associate Director (Corporate Affairs) w.e.f. 1st October, 2006. • Appointment of Mr. Shagun Jain as Manager Systems w.e.f. 1st October, 2006. • Appointment of Ms. Radhika Jain as Scientific Officer w.e.f. 2nd June, 2006. • Appointment of Ms. Shilpy Jain as Manager Food & Beverages w.e.f. 1st August, 2006.
2004-05	20.08.05	12.30 PM	- do -	<ul style="list-style-type: none"> • Payment of remuneration to Mr. K. M. Lal, non-executive Independent Director. • Promotion of Mr. Sumit Jain, as Sr. Manager (Vaccines) under Section 314 of the Companies Act, 1956. • Appointment of Mr. Sumit Jain as Whole-time director w.e.f. 22nd July, 2005. • Approval of Shareholders for re-issue of forfeited equity shares under section 81 of the Companies Act, 1956.
2003-04	18.09.04	12.30 PM	- do -	-

Postal Ballot

The Company had used/invited for voting for below mentioned 2 (Two) special resolutions and 1 (One) ordinary resolution by Postal Ballots and the same were passed by way of Postal ballots on 16th February, 2007. Mr. Umesh Singhal of M/s U.S. & Associates, Company Secretaries acted as scrutinizer and the voting pattern was as under:

Item	No. of valid postal Ballot forms received	Votes in favour of the resolution	Votes against the resolution	No. of invalid postal ballot forms received
1. Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 authorising the Board of Directors to mortgage and/or charge any of its movable and/or immovable properties or the whole or substantially the whole of an undertaking or undertakings of the Company.	355	45,084,112	0	36
2. Special Resolution for alteration in the Articles of Association by way of substitution of Article 2.	355	45,078,091	0	36
3. Special Resolution for alteration in the Articles of Association by way of substitution of Article 143.	355	45,077,141	0	36

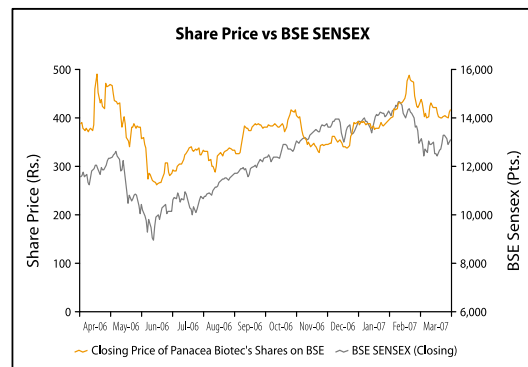
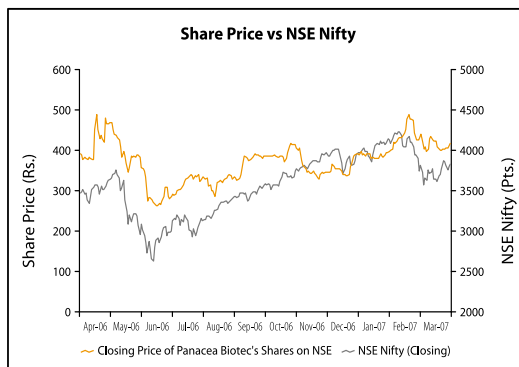
Procedure for Voting by Postal Ballots: The Postal Ballot Form and the draft Resolution(s) along with the Explanatory Statement pertaining the said Resolution(s) explaining in detail the material facts and the self-addressed, postage prepaid envelope, are sent to all the members, under Certificate of Posting.

The members are required to carefully read the instructions printed in the Postal Ballot Form, fill up the Form, give their assent or dissent on the resolution(s) at the end of the Form and sign the same as per the specimen signature available with the Company or Depository Participant, as the case may be, and return the form duly completed in the attached self-addressed, postage prepaid envelope so as to reach the scrutinizer before the close of working hours of the last date fixed for the purpose. Postal Ballot Forms received after this date are strictly treated as if the form has not been received from the member.



viii) Stock Market Price at National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) and comparison with broad-based indices, viz. NSE Nifty and BSE Sensex.

Month	Share Prices (Rs.) at NSE		Share Prices (Rs.) at BSE	
	High	Low	High	Low
April, 2006	535.00	360.00	531.00	370.00
May, 2006	508.65	300.00	512.00	316.00
June, 2006	393.00	375.40	390.00	257.00
July, 2006	354.00	284.10	355.00	287.50
August, 2006	351.00	285.50	344.00	287.00
September, 2006	403.95	319.00	395.00	324.00
October, 2006	433.00	365.25	438.60	365.00
November, 2006	410.00	317.00	407.00	317.45
December, 2006	417.00	285.00	415.00	332.15
January, 2007	408.00	375.00	425.00	373.15
February, 2007	499.90	399.50	493.95	400.00
March, 2007	441.00	385.00	446.00	375.30



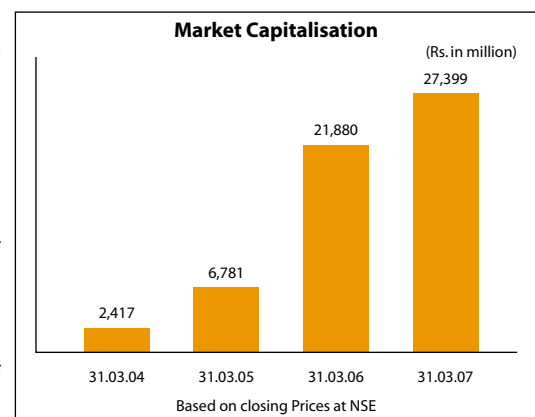
ix) Registrar and Transfer Agents

Skyline Financial Services Pvt.Ltd., are acting as Registrar & Transfer Agents (RTA) for handling the shares related matters both in physical as well as dematerialized mode. All works relating to Equity Shares are being done by them. The Shareholders are therefore, advised to send all their correspondence to the RTA.

However, for the convenience of shareholders, documents relating to shares received by the Company are forwarded to the RTA for necessary action thereon.

x) Nomination Facility

The shareholders holding shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's website www.panacea-biotec.com) to the Company's RTA. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) to avail the nomination facility.





xi) Share Certificates in respect of sub-divided Shares

After the sub-division of the Company's Equity Shares of Rs.10 each into shares of Re.1 each, in the year 2003, the Company had sent letters to all shareholders holding shares of the face value of Rs.10 in physical form, requesting them to exchange their share certificates into new share certificates in respect of shares of face value of Re.1 each.

All the shareholders who have not yet sent their request for exchange of share certificates, are requested to forward their old share certificates in respect of shares of face value of Rs.10 each (which are no longer tradable) to the Company, along with a request letter duly signed by all the joint holders.

xii) Elimination of Duplicate Mailing

The shareholders who are holding Shares in more than one folio in identical name or in joint holders' name in similar order, may send the share certificate(s) along with request for consolidation of holding in one folio to avoid mailing of multiple Annual Reports.

xiii) Share Transfer System

The Company's shares transfer authority has been delegated to the Company Secretary. The delegated authority generally attends the share transfer formalities on weekly basis and as and when required to expedite all matters relating to transfer, transmission, transposition and dematerialisation of shares and redressal of Investors' grievance, etc., if any. The shares received by the Company/ RTA for registration of transfers, are processed by RTA (generally within a week of receipt) and transferred expeditiously and the Share Certificate(s) are returned to the shareholder(s) by registered post.

As per the requirement of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities.

xiv) Secretarial Audit

A Practising Company Secretary carried out secretarial audit in each of the quarter in the financial year 2006-07, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

xv) Dematerialisation of Shares and its liquidity

The Company has been among the few top-most companies in India in which maximum number of shares have been dematerialised. As on 31st March, 2007, 98.87% of the Company's total Equity Share Capital representing 65,088,643 Equity Shares were held in dematerialised form and only 741,861 Equity Shares were in paper/physical form.

The shareholders holding shares in physical form are requested to get their shares dematerialised at the earliest, as the Company's Shares are required to be compulsorily traded at Stock Exchanges in dematerialised form only.

The shares of the Company are regularly traded at the National Stock Exchange and the Bombay Stock Exchange.

xvi) Share Dematerialisation System

The requests for dematerialisation of shares are processed by RTA expeditiously and the confirmation in respect of dematerialisation of shares is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialisation of shares generally on weekly basis. In case of rejections, the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System.

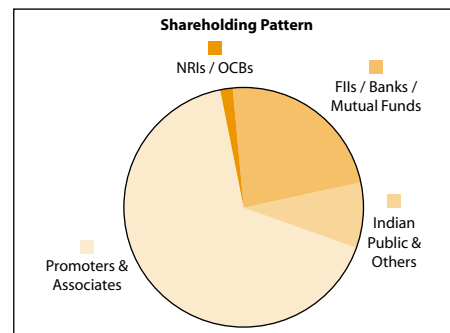
xvii) Distribution of Shareholding as on 31st March, 2007

No. of Shares	No. of Shareholders	No. of Shares
0-2500	7,058	2,148,632
2501-5000	131	484,738
5001-10000	24	179,187
10001-100000	42	1,415,363
100001 and above	46	61,602,584
Total	7,301	65,830,504



xviii) Pattern of Shareholding as on 31st March, 2007

S. No.	Category	No. of Shares	%
1.	Promoters, Relatives & Associates	43,622,840	66.26
2.	Institutional Investors (FIs, Banks & Mutual Funds)	15,212,873	23.11
3.	Domestic Companies	2,742,864	4.17
4.	Indian Public	3,131,939	4.76
5.	NRIs / OCBs	1,115,488	1.69
6.	Clearing Member	4,500	0.01
	Total	65,830,504	100.00



xix) GDRs / ADRs / Warrants or other convertible instruments

During the previous financial year, the Company had issued 'US\$ 50 million 4.5% Convertible Bonds due 2011' (Tranche 1) and 'US\$ 50 million Zero Coupon Convertible Bonds due 2011' (Tranche 2) aggregating to US\$ 100 million (Rs. 4,462,500,000). During the year, the Company had allotted 7,987,684 Equity Shares upon conversion of US \$ 50 million 4.5% Convertible Bonds due 2011' and 617,220 Equity Shares upon conversion of US \$ 5.0 million Zero Coupon Convertible Bonds. The Company has also allotted 24,688 Equity Shares upon conversion of US \$ 0.2 million Zero Coupon Convertible Bonds.

The Bonds are convertible into Equity Shares of Re.1/- each at the option of the Bondholders at any time after 13th February, 2007. The Company can also exercise option of mandatory conversion of Bonds in certain circumstances.

Unless previously converted, redeemed, repurchased and cancelled, the Company would redeem the rest of US \$ 44.8 million Zero Coupon Convertible Bonds on February 14, 2011.

No GDRs/ ADRs/ Warrants or any other convertible instruments were outstanding as on 31st March, 2007.

xx) Plant Locations

- Pharmaceutical Formulations facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044.
- Vaccine Formulations facility at A-241/242, Okhla Indl. Area, Phase II, New Delhi - 110 020.
- Bulk Vaccines facilities at Village Samalheri, Ambala-Chandigarh Highway, Lalru-140501, Punjab.
- Pharmaceutical Formulations facility at Malpur, Baddi, Tehsil Nalagarh, Dist. Solan, Himachal Pradesh-173205.

xxi) Address for correspondence

For share transfer/
dematerialisation of shares,
payment of dividend and any
other query relating to shares

Skyline Financial Services Pvt. Ltd.
246, Sant Nagar, 1st Floor, ISKCON Temple Road,
East of Kailash, New Delhi – 110 065, India.
Phone : +91-11-26292682-83
Fax : +91-11- 26292681
E-mail : admin@skylinerta.com, viren@skylinerta.com
agarwalp7@hotmail.com

For investors assistance

The Company Secretary
Panacea Biotech Limited
B-1 Extn./G-3, Mohan Co-operative Indl. Estate,
Mathura Road, New Delhi - 110 044, India.
Phone : +91-11-41679000 Extn. 2081 (D) 41578024
Fax : +91-11-41679075, 41679070
E-mail : companysec@panaceabiotec.com
investorgrievances@panaceabiotec.com
Contact Person : Mr. Vinod Goel, Company Secretary/
Ms. Sangeeta Nagpal, Executive Secretarial.



12. Non-mandatory requirements under Clause 49

A. Chairman of the Board

The Chairman of Panacea Biotec is an Executive Director and he maintains the Chairman's Office at the Company's expenses.

B. Remuneration Committee

The Board of Directors has constituted a Remuneration Committee, which is composed of independent Directors. The details of the Remuneration Committee and its powers have already been discussed in this Report.

C. Shareholders rights

The quarterly/ half-yearly results, after they are taken on record by the Board of Directors, are sent forthwith to the Stock Exchanges where the Company's shares are listed. The results in the prescribed proforma are published in leading English and Punjabi dailies. These results are also made available on Company's web-site www.panaceabiotec.com and SEBI's web-site www.sebidifar.nic.in.

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Place: New Delhi
Date : 24th July, 2007

Annexure - I

Declaration under Clause 49-I (D) of the Listing Agreement

To

The Members of Panacea Biotec Ltd.

I hereby declare that all the Board Members and the Senior Management Personnel of the Company have affirmed the compliance with the provisions of the Code of Conduct for the period ended 31st March, 2007.

For **Panacea Biotec Ltd.**

Ravinder Jain
Managing Director

Date : 24th July, 2007
Place : New Delhi



Annexure - II

Certificate from Managing Director & Chief Financial Officer

To

The Board of Directors
Panacea Biotec Limited

We do hereby confirm and certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee:
 - i) significant changes in internal control during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For **Panacea Biotec Ltd.**

Date : 24.07.2007
Place : New Delhi

Ravinder Jain
Managing Director

I.K. Sharma
DGM (Account & Finance)

AUDITORS' CERTIFICATE

To

The Members of Panacea Biotec Limited

We have examined the compliance of conditions of Corporate Governance by Panacea Biotec Limited, for the year ended on 31st March 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

We state that no investor's grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors' Grievance Committee.

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

Dass Gupta & Associates
Chartered Accountants
Per

Raja Gupta
Partner

Place : New Delhi
Date : 24th July, 2007

Membership No. 504111



AUDITORS' REPORT

To the Members of Panacea Biotec Limited

1. We have audited the attached Balance Sheet of Panacea Biotec Limited as at March 31, 2007 and also 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.
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 misstatements. 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 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in para 3 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 account as required by law, have been kept by the Company, so far as appears from our examination of the books;
 - iii the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v on the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi Without qualifying our opinion, we draw attention to Note 3(iv) of Schedule XIX C of the financial statements regarding non-provision of proportionate premium on redemption of 'US\$ 50 million Zero Coupon Convertible Bonds due 2011' amounting to Rs.159,623,752. The same has been disclosed as a contingent liability.
 - vii Without qualifying our opinion, we draw attention to Note 5(a) of Schedule XIX C of the financial statements regarding provision of commission payable to Directors amounting to Rs.185,049,736. The same is pending approval of shareholders and shall be placed for their approval in the forthcoming shareholders' meeting of the Company.
 - viii Without qualifying our opinion, we draw attention to Note 18 of Schedule XIX C of the financial statements regarding capitalization of expenditure on clinical trials amounting to Rs.91,557,518. The ultimate approval of such products, which has been considered as highly likely by the management, is not within the direct control of the entity.
 - ix Attention is invited to note no.16 of Schedule XIX C of the financial statements relating to liability for interest and required disclosures under "The Micro, Small and Medium

Enterprises Development Act, 2006". The Company is in the process of compiling information regarding measurement and disclosures prescribed by the Act. In view of the above, we are unable to comment on the impact of the same on financial statements.

- x Subject to the comments in paragraph 4(ix) above where consequential effects on the financial statements are not ascertainable, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2007;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner

New Delhi
June 14, 2007

Membership No. 83906

Annexure referred to in paragraph [3] of our report of even date, Re: Panacea Biotec Limited

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All fixed assets have not been physically verified by the management during the year but there is a regular program of verification, the frequency of 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 in respect of the fixed assets physically verified during the year.
- c) There was no substantial disposal of fixed assets during the year.
- ii) a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.21,186,411 and the year-end balance of loans granted to such parties was Rs.21,186,411.
- b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- c) The loans granted are re-payable on demand. As informed, the company has neither demanded repayment of any such loan nor any interest was payable during the year, thus, there has been no default on the part of the party to whom the money has been lent.
- d) There is no overdue amount more than rupees one lakh of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.



ANNEXURE TO THE AUDITORS' REPORT

- e) The Company has taken loan from 4 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.173,796,370 and the year-end balance of loans taken from such parties was Rs.173,490,000.
- f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *except for slight delay in few cases, where amount involved is not significant, in deposit of tax deducted at source.*
- b) According to the information and explanations given to us, undisputed dues in respect of Central Sales Tax of Rs.121,721,909 (including accrued interest of Rs.28,089,671) *was outstanding, at the year end for a period of more than six months from the date they became payable.* There are no other undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Demand raised by CIT	1,244,155	Assessment Year 2003-04	Appeal pending at ITAT
Income Tax Act, 1961	Demand raised by Assessing Officer	1,108,868	Assessment Year 2004-05	Appeal filed with CIT

- xi) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xii) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xiii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiv) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xv) In respect of dealing in shares, securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein. The shares and securities have been held by the Company in its own name.
- xvi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvii) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xviii) According to the information and explanations given to us and on overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- xix) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xx) The Company has unsecured 'Zero Coupon Convertible Bonds due 2011' outstanding during the year on which no security or charge is required to be created.
- xxi) We have verified that the end use of money raised by issue of 'Zero Coupon Convertible Bonds due 2011' is as disclosed in the notes to the financial statements. (Refer Note 3(vi) of Schedule XIX to Financial Statements).
- xxii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the 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 S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner

New Delhi
June 14, 2007

Membership No. 83906



BALANCE SHEET AS AT 31st MARCH, 2007

Amount in Rs.

	Schedule No.	As at 31st March, 2007		As at 31st March, 2006	
SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	I	65,774,070		961,518,306	
Reserves & Surplus	II	<u>5,325,109,163</u>	5,390,883,233	<u>1,546,036,170</u>	2,507,554,476
2. Loan Funds					
Secured Loans	III	557,953		1,158,454,352	
Unsecured Loans	IV	<u>2,133,645,278</u>	2,134,203,231	<u>4,708,084,550</u>	5,866,538,902
3. Deferred Tax Liability (Net) (Refer note no. 7 of Schedule XIX C)					
			383,869,147		246,832,082
Total			<u>7,908,955,611</u>		<u>8,620,925,460</u>
APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	V	3,826,563,078		2,080,818,703	
Less : Depreciation/Amortisation		<u>1,053,334,196</u>		<u>710,725,555</u>	
Net Block		<u>2,773,228,882</u>		<u>1,370,093,148</u>	
Capital Work-in-Progress (including Pre-operative Expenditure) (Refer note no.4 of Schedule XIX C)		<u>1,237,247,391</u>	4,010,476,273	<u>967,007,179</u>	2,337,100,327
2. Investments					
	VI		229,475,258		61,406,260
3. Current Assets, Loans & Advances					
Inventories	VII	2,081,604,137		1,804,469,921	
Sundry Debtors		929,160,888		774,535,511	
Cash & Bank Balances		1,571,241,264		4,414,573,401	
Other Current Assets		22,705,665		34,481,699	
Loans and Advances		<u>1,479,857,287</u>		<u>679,488,356</u>	
Sub-total (A)		6,084,569,241		7,707,548,888	
Less : Current Liabilities & Provisions					
Current Liabilities	VIII	1,397,485,858		987,278,079	
Provisions		<u>1,025,096,022</u>		<u>507,487,932</u>	
Sub-total (B)		2,422,581,880		1,494,766,011	
Net Current Assets (A)-(B)			3,661,987,361		6,212,782,877
4. Miscellaneous Expenditure (To the extent not written off or adjusted)					
	IX		7,016,719		9,635,996
Total			<u>7,908,955,611</u>		<u>8,620,925,460</u>
Significant Accounting Policies and Notes to Accounts					
	XIX				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner
Membership No. 83906
Place : New Delhi
Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain
Chairman

I.K. Sharma
D.G.M. (Accounts & Finance)

Ravinder Jain
Managing Director

Vinod Goel
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2007

Amount in Rs.

	Schedule No.	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
INCOME					
Turnover	X	8,397,936,421		5,479,724,580	
Less: Excise Duty		<u>82,422,791</u>	8,315,513,630	<u>116,179,356</u>	5,363,545,224
Other Income	XI		299,568,393		70,914,689
Total Income			<u>8,615,082,023</u>		<u>5,434,459,913</u>
EXPENDITURE					
Manufacturing & Administrative Expenses	XII		4,268,078,852		3,143,790,691
Purchases of Finished Goods			100,254,195		20,371,937
(Increase)/decrease in Stocks	XIII		117,559,515		2,971,033
Personnel Expenses	XIV		787,959,145		429,689,747
Selling & Distribution Expenses	XV		326,921,022		264,424,358
Research & Development Expenses	XVI		505,011,599		291,530,218
Interest & Finance Charges	XVII		170,445,609		133,332,947
Miscellaneous Expenditure written off during the year			2,619,277		4,823,416
Depreciation/Amortisation			245,222,739		139,156,971
Total Expenditure			<u>6,524,071,953</u>		<u>4,430,091,318</u>
Profit before Tax & Prior period Expenses			2,091,010,070		1,004,368,595
Prior period Expenses			-		<u>2,297,023</u>
Profit before Tax			2,091,010,070		1,002,071,572
Provision for Wealth Tax			878,527		650,000
Provision for Wealth Tax for earlier years			8,786		284,938
Provision for Income Tax			463,000,000		255,000,000
Deferred Income Tax (refer note no.7 of Schedule XIX C)			137,037,065		111,749,909
Provision for Fringe Benefit Tax			<u>22,000,000</u>		<u>25,000,000</u>
Profit after Tax			1,468,085,692		609,386,725
Add : Balance brought forward from previous year			649,258,278		212,295,103
Profit available for Appropriations			<u>2,117,343,970</u>		<u>821,681,828</u>
APPROPRIATIONS					
Dividend					
- Equity Shares - Proposed (not liable to TDS)			65,706,192		57,076,600
- Preference Shares - Interim (not liable to TDS)			20,354,084		40,695,711
Dividend Distribution Tax			14,021,427		13,712,566
Transfer to Capital Redemption Reserve			145,232,554		-
Transfer to General Reserve			146,808,569		60,938,673
Balance carried to Balance Sheet			<u>1,725,221,144</u>		<u>649,258,278</u>
Basic Earnings per Share	XVIII		23.71		9.86
Diluted Earnings per Share	XVIII		21.73		9.64
Face Value per Share			1.00		1.00

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

per **Manoj Gupta**
Partner
Membership No. 83906
Place : New Delhi
Dated : June 14, 2007



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007		As at 31st March, 2006	
Schedule I - Share Capital				
Authorised				
Comprising of				
i.	125,000,000 Equity Shares of Re.1/- each (Previous Year 125,000,000 Equity Shares of Re. 1/- each)	125,000,000		125,000,000
ii.	110,000,000 (Previous year 110,000,000) Preference Shares of Rs.10/- each	1,100,000,000		1,100,000,000
		<u>1,225,000,000</u>		<u>1,225,000,000</u>
Issued and Subscribed				
	65,830,504 Equity Shares of Re.1/- each (Previous Year 57,225,600 Equity Shares of Re.1/- each)	65,830,504		57,225,600
	Nil Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each - Series III (Previous Year 90,434,914) 4.5% Preference Shares	-		904,349,140
		<u>65,830,504</u>		<u>961,574,740</u>
Paid up				
	65,681,504 Equity Shares of Re.1/- each (Previous Year 57,076,600 Equity Shares of Re.1/- each)	65,681,504		57,076,600
Add: Forfeited Shares (14,900 Shares @ Rs.10/- each forfeited on May 15, 1999, which were later on sub-divided into 149,000 Equity Shares of Re.1/- each on February 12, 2003) (149,000 Forfeited Shares have been allotted on 24th August, 2005 in the name of employees of the Company for sale thereof at the prevailing market prices through recognised Stock Exchanges on the terms & conditions as specified by Managing / Joint Managing Directors or Director (Finance) of the Company and reimbursement of net sales proceeds to the company account) (Out of the above shares, 1,814,240 Equity Shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years, which were later on sub-divided into 18,142,400 Equity Shares of Re.1/- each on February 12, 2003)				
		<u>92,566</u>	<u>65,774,070</u>	<u>92,566</u>
				<u>57,169,166</u>
Nil Redeemable Cumulative Preference Shares* (RCPS) of Rs.10/- each - Series III (Previous Year 90,434,914) 4.5% Preference Shares				
		-		<u>904,349,140</u>
		<u>65,774,070</u>		<u>961,518,306</u>

* RCPS Series - III. Redeemable at par at the end of tenth year from the date of allotment, i.e. March 16, 2004 with an option with the Company to extend such redemption date which will not exceed 20 years from the date of allotment. The Company has an option to redeem the shares any time after 2 years of allotment i.e. on or after March 16, 2006. During the year, 9,04,34,914 - 4.5% Cumulative Redeemable Preference Shares of Rs. 10 each, were redeemed @ Rs.10 per share aggregating to Rs. 904,349,140 as follows: (i) 23,500,000 on 28.07.2006, (ii) 23,500,000 on 07.08.2006 and (iii) 43,439,414 on 04.12.2006.

Schedule II - Reserves and Surplus				
Capital Redemption Reserve				
	Amount as per last Balance Sheet	112,500,000		112,500,000
	Add: Transfer from General Reserve	759,116,586		-
	Add: Transfer from Profit & Loss Account	<u>145,232,554</u>	<u>1,016,849,140</u>	<u>-</u>
				<u>112,500,000</u>
Securities Premium				
	Amount as per last Balance Sheet	17,135,214		161,367,364
	Add: Credited upon Issue of Equity Shares on conversion of FCCBs	2,419,095,096		
			<u>2,436,230,310</u>	<u>144,232,150</u>
	Less: Utilised for Foreign Currency Convertible Bonds (FCCBs) Issue Expenses	-		<u>17,135,214</u>
General Reserve				
	Amount as per last Balance Sheet	767,142,678		706,204,005
	Less: Transferred to Capital Redemption Reserve on redemption of Series -III Preference Shares	759,116,586		-
	Less: Utilized on account of transitional provision for Leave Encashment	5,231,786		-
	Less: Utilized on account of transitional provision for Gratuity	2,794,306		-
	Add: Transfer from Profit & Loss Account	<u>146,808,569</u>	<u>146,808,569</u>	<u>60,938,673</u>
	Balance in Profit & Loss Account		<u>1,725,221,144</u>	<u>649,258,278</u>
		<u>5,325,109,163</u>		<u>1,546,036,170</u>



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule III - Secured Loans		
1. Rupee Term Loans (from Banks)		
i) Industrial Development Bank of India (Due within one year nil (previous year Rs. 17,372,248))	-	34,744,504
ii) State Bank of Bikaner & Jaipur (Due within one year nil (previous year Rs. 1,25,00,000))	-	18,749,471
2. Foreign currency term loans (from banks)		
i) Export-Import Bank of India Long Term Working Capital Loan (Due within one year nil (previous year Rs. 26,360,166)) Production Equipment Finance Loan (Due within one year nil (previous year Rs. 17,573,504))	-	32,950,530
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year nil (previous year Rs. 29,842,969))	-	29,842,969
3. Working Capital Loans from Scheduled Banks	<u>557,953</u>	<u>1,020,199,977</u>
	<u>557,953</u>	<u>1,158,454,352</u>

Notes:

- Rupee Term Loan from Industrial Development Bank of India was secured by way of first pari-passu charge by way of hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on land admeasuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future. The Company has repaid the entire loan and charge created on the assets has been released.
- Rupee Term Loan from State Bank of Bikaner & Jaipur was secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company besides first pari-passu charge on land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future. The Company has repaid the entire loan and charge created on the assets has been released.
- Foreign Currency Term Loans from Export-Import Bank of India were secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company, both present and future, besides first pari-passu charge on land admeasuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future. The Company has repaid the entire loan and in the process of release of charges registered with Registrar of Companies.
- Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C. was secured by way of first pari-passu charge by hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on land admeasuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit, both present and future. The Company has repaid the entire loan and charge created on the assets has been released.
- Working Capital Loans from Scheduled Banks were secured by way of first pari-passu charge by hypothecation of all current assets and all other movable properties (including machinery and spares) besides second pari-passu charge on immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab. It is also collaterally secured by personal guarantees of the Promoter Directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Mr. Rajesh Jain and Mr. Sandeep Jain.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule IV - Unsecured Loans		
Fixed Deposits*	169,390,000	136,500,000
(Due within one year Rs.153,390,000 (Previous year Rs.135,000,000))		
Interest accrued and due	2,916,146	-
Loan from Subsidiary (wholly owned subsidiary Radicura & Co. Limited)	5,100,000	5,100,000
(Due within one year Rs.51,00,000 (Previous Year Rs.5,100,000))		
Interest accrued and due (net of TDS Rs.25,793)	89,132	-
Short term Loans:		
From Banks - State Bank of Mysore	-	100,594,550
(Due within one year nil (Previous Year Rs.100,594,550))		
From others (Director)	-	3,390,000
(Due within one Year nil (Previous Year Rs.3,390,000))		
Other Loans:		
Foreign Currency Convertible Bonds**		
- Nil (Previous Year US\$ 50 million)		
4.5% Convertible Bonds due 2011	-	2,231,250,000
- US\$45 million (Previous Year US\$ 50 million)	1,956,150,000	2,231,250,000
Zero Coupon Convertible Bonds due 2011 (Due within one year nil (Previous Year nil))		
	<u>2,133,645,278</u>	<u>4,708,084,550</u>

Note:

- * Includes Rs. 168,390,000 (Previous Year Rs.135,000,000) from partnership firm in which some directors are partner and relatives & associates of some directors.
- ** Foreign Currency Convertible Bonds
 - US\$ 50,000,000 4.5% Convertible Bonds & US\$ 50,000,000 Zero Coupon Convertible Bonds were issued on 13 Feb, 2006.
 - Out of US \$ 50,000,000 4.5% convertible bonds, US \$ 23,100,000 were converted in Equity Share Capital on 09.10.2006 and US \$ 26,900,000 were converted in Equity Shares on 26.10.2006.
 - Out of US \$ 50,000,000 Zero Coupon Convertible Bonds, US \$ 5,000,000 were converted in Equity Share Capital on 26.10.2006 and US \$ 200,000 were converted into Equity Share Capital on 17.05.2007.
 - Unless previously converted, redeemed or repurchased & cancelled, the remaining US \$ 44,800,000, Zero Coupon Convertible Bonds which were issued on 13.02.2006, will be redeemed on Feb 14, 2011 at 142.80% of their outstanding principal amount.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Schedule V - Fixed Assets

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK		
	As At 01/04/2006	Additions during the Year	Sale/Adjust during the Year	As At 31/03/2007	As At 01/04/2006	Provided during the Year	Deductions & Adjustments during the Year	As At 31/03/2007	As At 31/03/2006
A. Tangible Assets									
Land - Freehold	173,879,799	33,264,630	-	207,144,429	-	-	-	207,144,429	173,879,799
Land - Leasehold	16,395,690	-	-	16,395,690	112,586	174,306	-	16,108,798	16,283,104
Buildings	304,015,329	432,997,039	-	737,012,368	90,847,708	49,102,333	-	597,062,327	213,167,620
Leasehold Improvement	66,771,322	11,135,241	4,156,483	73,750,080	50,212,677	8,682,486	3,616,084	18,471,001	16,558,645
Plant & Machinery	1,033,905,025	1,043,989,154	2,687,085	2,075,207,094	332,782,606	201,886,606	1,353,946	1,541,891,828	701,122,419
Furniture & Fittings	110,942,113	80,145,028	248,752	190,838,389	46,406,123	25,411,468	(3,439,424)	115,581,374	64,535,990
Vehicles	84,095,701	39,969,450	14,480,714	109,584,437	41,574,227	15,311,505	10,710,313	63,409,018	42,521,474
Office Equipments	96,655,628	59,272,498	112,563	155,815,563	31,807,395	15,838,332	56,553	108,226,388	64,848,233
Computer Equipments	86,612,719	34,046,704	231,400	120,428,023	51,953,423	23,773,550	217,624	44,918,674	34,659,296
TOTAL	1,973,273,326	1,734,819,744	21,916,997	3,686,176,073	645,696,745	340,180,586	12,515,095	2,712,813,837	1,327,576,580
PREVIOUS YEAR	1,554,822,742	431,624,342	13,173,758	1,973,273,326	482,185,008	171,217,665	7,705,928	1,327,576,581	1,072,637,734
Capital Work in Progress								1,025,492,010	879,329,519
B. Intangible Assets									
Patents, Trademarks & Designs	47,229,690	5,082,474	-	52,312,164	37,517,578	2,902,929	-	40,420,507	9,712,112
Softwares	44,078,544	27,759,154	-	71,837,698	17,148,986	10,633,331	-	27,782,317	26,929,558
Website	9,202,695	-	-	9,202,695	9,202,695	-	-	9,202,695	-
Product Development	7,034,448	-	-	7,034,448	1,159,551	1,406,890	-	2,566,441	5,874,897
TOTAL	107,545,377	32,841,628	-	140,387,005	65,028,810	14,943,150	-	79,971,960	42,516,567
PREVIOUS YEAR	72,832,818	34,712,559	-	107,545,377	54,052,018	10,976,792	-	42,516,567	18,780,800
Capital Work in Progress								211,755,381	87,677,660
TOTAL (A+B)	2,080,818,703	1,767,661,372	21,916,997	3,826,563,078	710,725,555	355,123,736	12,515,095	2,773,228,882	1,370,093,147
PREVIOUS YEAR	1,627,655,560	466,336,901	13,173,758	2,080,818,703	536,237,026	182,194,457	7,705,928	1,370,093,148	1,091,418,534
Capital Work in Progress								1,237,247,391	967,007,179

Notes:

1. Freehold Land includes Land amounting to Rs.5,065,000 (Previous Year Rs. 37,098,750) pending registration in the name of the Company.
2. Building includes Office Premises amounting to Rs.5,613,378 (Previous Year 5,908,819) pending registration in the name of the Company.
3. Plant & Machinery includes Paint & Machinery amounting to Rs.6,300,033 (Previous Year 7,675,427) (Net Block) lying with third parties.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs. 109,900,997 (Previous Year Rs.43,037,486).
5. Capital Work in Progress includes pre-operative expenditure. Refer Note No.4 of schedule XIX C.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007		As at 31st March, 2006	
Schedule VI - Investments				
Long Term Investments (at cost)				
Unquoted *				
1) Subsidiary Companies :				
a) 198,250 Equity Shares (Previous Year 198,250) of Rs.10 each fully paid in Radicura & Co. Ltd.	11,366,440		11,366,440	
b) 190,216 Equity Shares (Previous Year 190,216) of Rs.10 each fully paid in Best On Health Ltd.	<u>22,883,050</u>	34,249,490	<u>22,883,050</u>	34,249,490
2) Joint Venture Companies :				
a) 2,295,910 Equity Shares (Previous Year 2,295,910) of Rs 10 each fully paid up in Chiron Panacea Vaccines Pvt. Ltd.	22,959,100		22,959,100	
b) 419,767 Equity Shares (Previous Year 419,767) of Rs.10 each fully paid up in Panheber Biotec Pvt. Ltd.	4,197,670		4,197,670	
c) 4,608,608 Ordinary Shares (Previous Year nil) of GBP 0.01 (Face Value) each fully paid up in Cambridge Biostability Limited, U.K.	<u>168,068,998</u>	195,225,768	-	27,156,770
	<u>229,475,258</u>		<u>61,406,260</u>	

*** Trade Investments**

- During the year, Company has acquired 4,608,608 Equity Shares in Cambridge Biostability Limited, UK for amounting to Rs.168,068,998.
- There is no other purchase & sale of investment during the year.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007		As at 31st March, 2006	
Schedule VII - Current Assets, Loans & Advances				
Inventories				
i) Raw Materials (including Packing Materials) (Including lying with third party Rs.32,510,223 (Previous Year Rs.27,215,359))	1,256,131,191		882,565,834	
ii) Finished Goods (Including goods in transit of Rs.11,562,461 (previous year 153,779,362) & lying with third party Rs.13,108 (Previous Year Rs.45,360))	713,506,988		857,400,373	
iii) Work in Progress (Including lying with third party Rs.428,316 (Previous Year Rs.440,990))	50,067,266		23,733,396	
iv) Stores & Spare Parts	<u>61,898,692</u>	2,081,604,137	<u>40,770,318</u>	1,804,469,921
Sundry Debtors (Refer note no 8 (ii) of Schedule XIX C) (Unsecured, Considered good, unless otherwise stated) Over six months (including Rs.4,481,368 considered doubtful of recovery (Previous year Rs.5,197,458))				
Less : provision for Bad & Doubtful Debts	4,481,368		5,197,458	
	<u>6,813,625</u>		<u>2,080,989</u>	
Others Debts	<u>922,347,263</u>	929,160,888	<u>772,454,522</u>	774,535,511
Cash and Bank Balances				
i) Cash balance on hand	1,417,193		1,296,379	
ii) Balance with scheduled banks				
a) On Cash Credit Accounts	21,586,865		1,852,258	
b) On Current Accounts	48,218,504		41,682,360	
c) On Unpaid Dividend Accounts	1,511,917		1,226,510	
d) On Fixed Deposits (refer note no 3(iii) of Schedule XIX C)*	575,901,982		4,171,044,085	
e) On Exchange Earner Foreign Currency Current Accounts	922,604,803		197,471,489	
iii) Balances with others banks				
a) Societe Generale Yugoslav bank (Maximum amount outstanding at any time during the year nil (previous year Rs. 1,938,551))	-		320	
	<u>1,571,241,264</u>		<u>4,414,573,401</u>	
* Fixed Deposit Receipts amounting to Rs.1,961,982 (previous year Rs.2,866,785) are pledged with Banks and various Government Authorities				
Other Current Assets				
Export Benefits receivable	12,068,109		6,893,580	
Interest accrued but not due on Fixed Deposits	<u>10,637,556</u>	22,705,665	<u>27,588,119</u>	34,481,699
Loans and Advances (Unsecured, considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received (Including Rs. 818,322 (previous Year Rs.818,322) considered doubtful)	287,528,245		172,787,724	
Due from Panheber Biotec Private Limited * (Including Rs. 108,496,964 (previous Year Rs. 105,475,896) considered doubtful)	108,496,964		105,475,896	
Balance with Excise, Custom etc.	33,657,552		22,223,551	
Loans & Advances to Subsidiary Company (Best On Health Ltd.) **	21,000,000		-	
Staff Loans & Advances (including Rs.4,633,083 (previous year Rs.2,667,468) considered doubtful)	14,024,435		13,796,505	
	<u>464,707,196</u>		<u>314,283,676</u>	
Less : Provision for Bad & Doubtful Advances	<u>113,948,369</u>		<u>108,961,687</u>	
	<u>350,758,827</u>		<u>205,321,989</u>	
Security Deposits	20,175,622		18,649,646	
Advance Income Tax	<u>1,108,922,838</u>	<u>1,479,857,287</u>	<u>455,516,721</u>	<u>679,488,356</u>
	<u>6,084,569,241</u>		<u>7,707,548,888</u>	

* Company's director is a director in Panheber Biotec Private Limited (a joint venture company). Refer note no.8 (ii) of Schedule XIX C

** Advances include due from Company under the Same Management (wholly owned subsidiary company) as defined under section 370(1B) of the Companies Act, 1956. Refer note no.8(i) of Schedule XIX C



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule VIII - Current Liabilities & Provisions		
A. Liabilities		
i) Acceptances	539,474,944	569,671,326
ii) Sundry Creditors		
a) Small scale Industrial undertakings (Refer note no 6 of Schedule XIX C)	2,663,162	870,859
b) Other Creditors	687,423,695	271,903,766
iii) Advances from Customers	3,623,825	716,408
iv) Deposits from C & F Agents	13,460,000	17,560,000
v) Unpaid dividend on Equity Shares*	1,496,568	1,208,368
vi) Other Liabilities	149,124,669	111,690,117
vii) Interest accrued but not due on Loans	<u>218,995</u>	<u>13,657,234</u>
	1,397,485,858	987,278,079
* This amount does not include amount due/outstanding to be credited to Investor Education & Protection Fund, same shall be credited as and when due		
B. Provisions		
i) Provision for Wealth Tax	878,527	650,000
ii) Provision for Income Tax	838,500,000	375,500,000
iii) Provision for Fringe Benefit Tax	47,000,000	25,000,000
iv) Proposed Dividend on Equity Shares (not liable to TDS)	65,706,192	57,076,600
v) Provision for Dividend Distribution Tax	11,166,767	13,712,566
vi) Provision for Gratuity	32,320,617	22,309,452
vii) Provision for Leave Encashment	<u>29,523,919</u>	<u>13,239,314</u>
	1,025,096,022	507,487,932
	<u>2,422,581,880</u>	<u>1,494,766,011</u>
Schedule IX - Miscellaneous Expenditure (To the extent not written off or adjusted)		
i) Product Registration Expenses		
As per last Balance Sheet	936,877	4,077,893
Less: Written off during the year	<u>936,877</u>	<u>3,141,016</u>
ii) License fees		
As per last Balance Sheet	8,699,119	10,381,519
Less: Written off during the year	<u>1,682,400</u>	<u>1,682,400</u>
	7,016,719	8,699,119
	<u>7,016,719</u>	<u>9,635,996</u>

Amount in Rs.

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Schedule X - Turnover		
Sales	8,390,163,434	5,471,905,265
Services (R&D Income)	7,772,987	7,819,315
	<u>8,397,936,421</u>	<u>5,479,724,580</u>



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	Amount in Rs.	
	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Schedule XI - Other Income		
Interest received -		
- from Banks (Tax deducted at source Rs.4,698,176 (Previous year Rs.2,965,286))	148,548,921	41,401,076
- from others (Tax deducted at source Rs.52,212 (Previous year Rs.16,357))	433,415	522,614
Export Incentives	31,138,642	6,921,000
Miscellaneous Balances/ Provisions written back	2,335,163	3,990,403
Sale of Scrap	409,250	218,658
Lease Rent	84,000	84,000
Profit on Sale of Fixed Assets (Net of loss Nil (Previous year Rs.642,419))	-	1,975,339
Exchange Fluctuation Gain (Net of loss Rs.50,032,241 (Previous year Rs.56,727,880))	112,429,681	7,077,391
Miscellaneous Income	4,189,321	8,724,208
	<u>299,568,393</u>	<u>70,914,689</u>
Schedule XII - Manufacturing & Administrative Expenses		
Raw Materials & Packing Materials consumed		
Opening Stock	882,565,834	980,027,102
Add : Material purchased during the year	4,023,293,566	2,542,391,126
Add : Cost of Raw Material produced	680,227	-
	<u>4,906,539,627</u>	<u>3,522,418,228</u>
Less : Closing Stock	1,256,131,191	882,565,834
	<u>3,650,408,436</u>	<u>2,639,852,394</u>
Less: Material consumed for Research & Development	8,741,224	20,616,831
	3,641,667,212	2,619,235,563
Processing Charges	20,500,709	20,516,004
Analytical Testing & Trial Charges	8,648,233	5,215,848
Stores & Spare Parts consumed (indigenous only) (Refer note no.4 of Schedule XIX C)	40,952,833	10,193,419
Power & Fuel (Refer note no.4 of Schedule XIX C)	94,050,550	50,728,690
Repair & Maintenance (Refer note no.4 of Schedule XIX C)		
Buildings	13,476,488	9,676,700
Plant & Machinery	15,697,712	16,204,844
Others	27,119,202	14,471,836
	56,293,402	40,353,380
(Increase)/ decrease in excise duty provision	2,084,779	8,137,351
Rent (Refer note no.4 of Schedule XIX C)	58,044,103	27,095,337
Royalty	551,006	-
Directors' Sitting Fees	345,000	360,000
Printing & Stationery	30,707,569	12,740,760
Postage & Communication expenses	35,911,191	33,028,537
Insurance	36,153,030	22,230,504
Travelling & Conveyance expenses (Refer note no.4 of Schedule XIX C)	96,611,291	53,559,702
Books & Periodicals	2,446,956	535,653
Legal & Professional charges (Refer note no.4 of Schedule XIX C)	40,636,526	38,036,379
Vehicle Running & Maintenance	13,500,194	10,591,934
Auditors' Remuneration: (refer note no.14 of Schedule XIX C)		
Statutory Audit Fee	2,900,000	2,900,000
Certification etc.	35,000	12,500
Out of pocket expenses	193,000	107,600
	3,128,000	3,020,100
Rates & Taxes (Refer note no.4 of Schedule XIX C)	5,480,488	7,683,112
Donation	3,616,300	1,925,353
Subscription	15,348,817	6,976,706
Staff Training & Recruitment	18,843,801	12,228,792
Miscellaneous expenses (Refer note no.4 of Schedule XIX C)	35,314,009	30,521,444
Bad Debts & Advances written off	-	18,202,769
Provision for Doubtful Debts & Advances	6,128,601	110,673,354
Loss on Sale of Fixed assets (Net of profit of Rs.348,962 (Previous year Nil))	1,114,252	-
	<u>4,268,078,852</u>	<u>3,143,790,691</u>



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
Schedule XIII - (Increase) / Decrease In Stocks				
Closing Stock :				
Finished Goods	713,506,988		857,400,373	
Work in Progress	<u>50,067,266</u>	763,574,254	<u>23,733,396</u>	881,133,769
Less: Opening Stock :				
Finished Goods	857,400,373		875,706,821	
Work in Progress	<u>23,733,396</u>	881,133,769	<u>8,397,981</u>	884,104,802
		<u>117,559,515</u>		<u>2,971,033</u>
Schedule XIV - Personnel Expenses				
Salary, Wages and Bonus* (Refer note no.4 of Schedule XIX C)		721,436,300		377,628,152
Contribution to Provident and other Funds		20,060,927		15,482,193
Workmen/Staff Welfare expenses		32,440,713		23,596,331
Gratuity		<u>14,021,205</u>		<u>12,983,071</u>
		<u>787,959,145</u>		<u>429,689,747</u>
* For Director's Remuneration refer note no.5(a) of Schedule XIX C				
Schedule XV - Selling & Distribution Expenses				
Advertising & Sales Promotion		159,231,918		170,152,513
Meetings & Conferences		58,999,792		27,026,513
Freight & Cartage		52,176,581		37,039,930
Commission on Sales (other than sole selling agents)		47,017,466		23,919,509
Rent for Cold Storage & Depots		<u>9,495,265</u>		<u>6,285,893</u>
		<u>326,921,022</u>		<u>264,424,358</u>
Schedule XVI - Research & Development Expenses				
Raw Material & Packing Material consumed		8,741,224		20,616,831
Stores & Spare Parts consumed (indigenous only)		119,524,356		60,017,720
Processing charges		-		20,499
Salary, Wages & Bonus		145,047,234		100,020,976
Contribution to Provident & other Funds		3,266,105		2,213,408
Analytical Testing & Trial charges		15,028,277		15,660,932
Rent		6,747,044		5,552,340
Printing & Stationery		2,216,152		1,571,320
Postage & Communication		1,710,129		1,073,891
Travelling expenses		12,710,381		6,868,695
Books & Periodicals		8,053,274		384,037
Legal & Professional expenses		8,406,053		3,632,054
Vehicle Running & Maintenance		1,402,648		771,772
Repair & Maintenance :				
- Buildings	4,800,910		2,435,122	
- Plant & Machinery	7,271,500		5,582,951	
- Others	<u>5,347,244</u>	17,419,654	<u>1,996,410</u>	10,014,483
Rates, Fees & Taxes		157,865		11,386
Subscription		4,678,402		4,969,061
Electricity & Water charges		31,710,840		11,000,865
Meeting & Conferences		3,668,124		2,217,685
Staff Training & Recruitment		1,205,828		498,109
Bank charges		213,047		389,949
Depreciation		109,900,997		43,037,486
Sundry expenses		<u>3,203,965</u>		<u>986,719</u>
		<u>505,011,599</u>		<u>291,530,218</u>



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
Schedule XVII - Interest & Finance Charges				
Interest on:				
a) Foreign Currency Convertible Bonds	44,544,407		13,108,594	
b) Fixed Loans {Including nil (Previous Year Rs.370,377) paid to Managing/ Joint Managing Directors}	16,212,794		28,797,568	
b) Others (Including interest on Working Capital Loans)	<u>91,489,334</u>	152,246,535	<u>76,279,606</u>	118,185,768
Bank charges		18,199,074		15,147,179
		<u>170,445,609</u>		<u>133,332,947</u>
Schedules XVIII - Earning Per Share				
Calculation of Profit for Basic EPS				
Net profit before Tax	2,091,010,070		1,002,071,572	
Less: Adjustment for Tax Expense (including Wealth Tax)	622,924,378		392,684,847	
Less: Dividend on Redeemable Preference Shares and tax thereon	23,208,744		46,403,284	
Net profit for calculation of Basic EPS	<u>1,444,876,948</u>		<u>562,983,441</u>	
Weighted average number of Equity Shares in calculating basic EPS	60,949,765		57,076,600	
Calculation of Profit for Diluted EPS				
Net profit for calculation of basic EPS	1,444,876,948		562,983,441	
Add: Interest accrued on FCCBs during the year	-		13,108,594	
Less: Tax relating to Interest Expense on FCCBs	-		4,412,353	
Adjusted Net Profit for calculating Diluted EPS	<u>1,444,876,948</u>		<u>571,679,682</u>	
No. of Equity Weighted Shares resulting from conversion of Foreign Currency Convertible Bonds				
- US\$ 50 Million 4.5% Convertible Bonds at floor price Rs. 264.74	-		1,119,144	
- US\$ 50 Million Zero Coupon Convertible Bonds at conversion price Rs. 357.57 (previous year at floor price of Rs.270.10)	5,554,996		1,096,935	
Add: Weighted average number of Equity Shares in calculating basic EPS	60,949,765		57,076,600	
Weighted average number of Equity Shares in calculating diluted EPS	<u>66,504,761</u>		<u>59,292,679</u>	
Basic Earnings per Share	23.71		9.86	
Diluted Earnings per Share	21.73		9.64	



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Schedule XIX - Significant Accounting Policies and Notes on Accounts

A. Nature of Operations

Panacea Biotec is one of India's leading research based company engaged in the business of vaccines and branded pharmaceutical formulations. The Company has products for various segments, which include pediatric vaccines, pain management, diabetes management and organ transplantation.

B. Significant Accounting Policies

1. Method of Accounting

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies are consistent with those used in the previous year.

2. Change in Accounting Policy

Till March 31, 2006 Company was providing for leave benefits based on actuarial valuation in accordance with old Accounting Standard 15. In the current year, the Company has opted for early adoption of the Accounting Standard 15 (Revised 2005) which is otherwise mandatory for accounting periods commencing on or after December 7, 2006. Accordingly the Company has changed the basis of providing short term leave benefits. As a result, estimated liability of short term absences as at April 1, 2006 is higher by Rs. 2,845,706 (net of income-tax Rs. 1,443,872), which in accordance with the transitional provision in the revised Accounting Standard, has been adjusted to the opening balance of General Reserves. This change does not have material impact on the profit for the current year.

3. Uses of Estimates

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialized.

4. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods: Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and sales tax but includes excise duty.

Interest: Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Research & Development: Income from Research & Development Services is accounted for as per the stage of completion.

Dividends: Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Export Benefits: Export entitlements under Duty Exemption Pass Book Schemes and Advance Licenses are recognized in the Profit & Loss Account when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

5. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

6. Intangibles

Patents and Trademarks: Costs relating to patents and trademarks, which are acquired, are capitalized.

Research and Development Costs: Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Technical Know how: Technical Know how is being capitalized on successful transfer of technology when its future recoverability can reasonably be regarded as assured.

Software and Website: Software is stated at cost of acquisition and includes all attributable costs of bringing the software to its working condition for its intended use.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

7. Depreciation / amortization

a) Depreciation on fixed assets is provided on written down value method as per the rates based on the estimated useful life or as per rates prescribed in Schedule XIV to the Companies Act, 1956 whichever is higher. Depreciation is provided on the following rates:



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Tangibles Assets	WDV %
Building – Factory	10.00
Building – Office Premises	5.00
Plant & Machinery	13.91
Furniture & Fittings	18.10
Vehicles	25.89
Office Equipments	13.91
Computer Equipments	40.00

- b) Amortization on intangibles is provided on the basis of the estimated useful lives as follows:-
- | | | |
|------------------------|---|--|
| Software | - | Amortized on straight line basis over a period of 5 years. |
| Websites | - | Amortized on straight line basis over a period of 2 years. |
| Patents and Trade Mark | - | Amortized on straight line basis over a period of 7 years. |
| Product Development | - | Amortized on straight line basis over a period of 5 years. |
- c) Leasehold Improvements are amortized over the initial period of lease or useful life, whichever is shorter.
- 8. Borrowing Costs**
- Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to qualifying assets, are recognized as an expense in the period in which they are incurred.
- 9. Leases**
- Where the Company is the Lessee: Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.
- If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
- Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.
- Where the Company is the Lessor: Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.
- 10. Deferred Revenue Expenditure**
- a) Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition was categorized as Miscellaneous Expenditure. Such deferred revenue expenditure are amortized over a period of five years beginning from the year of product registration. Expenditure of the similar nature incurred during the year is charged off to revenue.
- b) Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter. Expenditure of the similar nature incurred during the year are charged off to revenue.
- 11. Investments**
- Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution, if any, in value is made to recognize a decline other than temporary in the value of the investments.
- 12. Inventories**
- Finished Goods, Work in Progress, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spares are stated at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.
- 'Cost' of Raw Materials and Packing Materials is arrived at by using 'Moving Average Price' method and cost of Stores & Spares is arrived at by using 'First – in –first –out' method.
- Cost of Work in Progress and Finished Goods is determined by considering direct material cost and appropriate portion of factory overheads. Cost of traded goods is arrived at by using 'First-in-first out' method. Cost of finished goods includes excise duty.
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.
- 13. Retirement and Other Benefits**
- a) Retirement benefits in the form of Provident Fund and Pension Schemes is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

- b) The contribution to Gratuity Fund, which is a defined benefit plan, is expensed on the basis of funding claims of the fund manager, Life Insurance Corporation of India. At the end of the accounting year, actuarial valuation is done by an Independent Actuary and any shortfall in the fund balance is further provided for.
- c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation.
Leave encashment payable /adjustable during the year is provided on the basis of last salary drawn by employees.
- d) Actuarial gains/losses are adjusted in Profit and Loss Account and are not deferred.

14. Foreign Currency Transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences arising on a monetary item that, in substance, form part of company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets from outside India, in which case they are adjusted to the carrying value of such fixed assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as an expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss Account in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

15. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred income tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognised deferred tax assets, if any. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

16. Earnings Per Share

Basic Earnings per Share are calculated by dividing the net profit or loss for the period attributable to Equity Shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of Equity Shares outstanding during the period. Partly paid Equity Shares are treated as a fraction of an Equity Share to the extent that they were entitled to participate in dividends relative to a fully paid Equity Share during the reporting period. The weighted average number of Equity Shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted Earnings per Share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

17. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

18. Security Issue Expenses

Expenses incurred on issue of securities are charged to Securities Premium Account.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

19. Segment Reporting Policies

(a) Identification of Segments:

Primary Segment

Business Segment: The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are Vaccines, Formulations and Research & Development activities.

Secondary Segment

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

(b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

(c) Unallocated Items: Corporate income and expenses are considered as a part of unallocable income & expense, which are not identifiable to any business segment.

20. Derivative Instruments

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note 14.

21. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

22. Cash & cash equivalent

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

C. Notes to Accounts (All amounts are in Rs. unless otherwise stated)

1. Contingent Liabilities (to the extent not provided for)

Particulars	Current Year	Previous Year
Disputed demands/ show-cause notices under:-		
a) Sales Tax Cases	1,002,327	8,94,105
b) Income Tax Cases	2,353,023	39,689,887
c) Customs Cases	3,999,923	3,999,923
d) Excise Cases	6,596,620	6,618,130
Total	13,951,893	51,202,045
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	3,857,169	3,664,791
Other claims against the Company not acknowledged as debts	2,006,538	64,000
Premium on Redemption of 'US\$ 50 Million Zero Coupon Convertible Bonds due 2011' (Refer note 3(iv) below)	159,623,752	21,119,401

Notes:

- a) Sales tax liability of Rs.1,002,327 is on account of non-receipt of C forms from customers for interstate sales. No provision is required for the same as the management is hopeful of receiving the forms before the due date of filing of Sales Tax Return.
- b) In respect of Income Tax Demand, Rs. 1,244,155 pertains to Assessment Year 2003-04 for disallowance u/s 80JJJA and Rs. 1,108,868 pertains to Assessment Year 2004-05 for disallowance of Product Registration and Loss on winding up of subsidiary. The company has filed an appeal with ITAT against demand of Rs. 1,244,155 and to Deputy Commissioner of Income Tax against demand of Rs.1,108,868. No Provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.
- c) In respect of Customs demand of Rs.3,999,923 towards customs duty on certain items imported as exempted by the Company, the Company has deposited the entire amount under protest. The matter is pending before the Honorable Supreme Court. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.
- d) In respect of Central Excise demand of Rs. 6,596,620 towards excise duty on common inputs used in manufacture of exempted and taxable products, the Company has deposited the entire amount under protest. The matter is pending before Excise Tribunal. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

2. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided in the books are as follows:-

S.No.	Particulars	Current Year	Previous Year
1.	Tangibles Assets	97,312,209	667,493,598
2.	Intangible Assets	24,913,665	201,801,255
	Total	122,225,874	869,294,853

3. Foreign Currency Convertible Bonds

- i) During the year, conversion price of 'US\$ 50 Million 4.5% Convertible Bonds due 2011' and 'US\$ 50 Million Zero Coupon Convertible Bonds due 2011' was fixed at Rs. 276.30 & Rs. 357.57 per Share respectively. These rates are used to determine dilutive Equity Shares against outstanding bonds.
- ii) During the year, the following Foreign Currency Convertible Bonds were converted into Equity Shares of Re.1 each fully paid up.

S.No.	Particulars	Amount in US \$	Conversion Price per Equity Share	No. of Equity Shares
1.	'US \$ 50 Million 4.5% Convertible Bonds due 2011'	50,000,000	276.30	7,987,684
2.	'US \$ 50 Million Zero Coupon Convertible Bonds due 2011'	5,000,000	357.57	617,220

The above Equity Shares were converted at a pre-determined Exchange Rate of Rs. 44.14 equivalent per US\$. Consequent to conversion an amount of Rs. 2,419,095,096 was credited to Securities Premium Account.

- iii) Out of the proceeds of the bond issue, Rs. 173,840,000 is lying in Fixed Deposits as at March 31, 2007 in foreign currency with State Bank of India, London.
- iv) Zero Coupon Convertible Bonds due 2011' February 14, 2011 amounting of US\$ 45,000,000 are pending for redemption as on 31st March, 2007. Unless these Bonds have been previously converted, redeemed, repurchased and cancelled, Company will redeem these Bonds at a Price equal to 142.80% of the outstanding principal amount on the maturity date (including premium amounting to Rs. 837,232,200). Since the redemption of bonds is contingent upon its non-conversion into Equity Shares, the Company has not provided for the proportionate premium on redemption for the period upto 31st March 2007 amounting to Rs. 159,623,752. In the opinion of the management, since the likelihood of redemption cannot presently be ascertained, therefore no provision for any liability that may result has been made in the financial statements. The bonds are considered monetary liability. The bonds are redeemable only if there is no conversion of the bonds earlier. Hence the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. The same has been disclosed as a contingent liability.
- v) Subsequent to March 31, 2007, bonds aggregating to USD 200,000 out of 'US \$ 50 million zero coupon convertible bonds due 2011' have also been converted into Equity Shares at Rs.357.57 per share. Company has issued 24,688 Equity Shares of Re.1 each at a premium of Rs. 356.57 per share. Consequent to conversion, an amount Rs. 8,803,000 has been credited to Securities Premium Account.
- vi) Following are the details of utilization of Foreign Currency Convertible Bonds:

Particulars	Amount
Capital Expenditure	1,495,701,997
Investment in Cambridge Biostability Limited	168,068,998
Used for Loan Payment and General Corporate Purpose*	2,497,692,325
Issue Expenses	136,171,900
Total	4,297,635,220

* Out of funds remitted to India upon conversion of bonds into Equity Shares.

The objective of raising of above funds was for (i) setting up new manufacturing facilities and/or upgrading existing facilities for the manufacture of vaccines, formulations and biopharmaceuticals; (ii) setting up R&D centers; (iii) making acquisitions; (iv) incurring other capital expenditures; v) repayment of debt; and (vi) any other use as may be permitted under applicable laws and regulations, from time to time. However it is not possible for bifurcate the total amount raised in specific areas.

- vii) The Company has made a provision for dividend in the books of account after considering the application for conversions received as at the date of the Board Meeting held for approval of Annual Financial Statement. The Company is obliged to pay dividend to those bond holders who convert their bonds into Equity Shares after approval by the Board of the financial statements and upto the book closure date for dividend purposes. Incremental dividend and dividend distribution tax thereon if any, will be paid out of the balance available in the Profit & Loss Account.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

4. Details of pre-operative expenses (included in Capital Work in Progress) relating to Fixed Assets are as follows:

Particulars	As at April 1, 2006	Additions during the year	Capitalised during the year	As at March 31, 2007
Legal & Professional	4,057,284 (1,130,611)	2,971,444 (2,926,673)	4,086,945 (-)	2,941,783 (4,057,284)
Store & Spares consumed	14,125,890 (-)	5,966,173 (14,125,890)	17,766,494 (-)	2,325,569 (14,125,890)
Power & Fuel	6,339,561 (830,504)	5,250,142 (5,509,057)	7,370,514 (-)	4,219,189 (6,339,561)
Rates & Taxes	1,130,799 (809,549)	285,008 (321,250)	1,130,799 (-)	285,008 (1,130,799)
Repair & Maintenance - - Plant & Machinery	3,093,352 (1,465,007)	169,087 (1,628,345)	3,142,184 (-)	120,255 (3,093,352)
- Others	2,609,828 (979,462)	1,127,408 (1,630,366)	3,579,969 (-)	157,267 (2,609,828)
Salary & Wages	4,942,900 (392,751)	2,335,791 (4,550,149)	4,942,900 (-)	2,335,791 (4,942,900)
Office Expenses	2,126,629 (-)	106,000 (2,126,629)	2,232,629 (-)	- (2,126,629)
Travel & Conveyance Expenses	1,480,292 (-)	1,140,728 (1,480,292)	1,617,303 (-)	1,003,717 (1,480,292)
Rent	599,000 (-)	- (599,000)	599,000 (-)	- (599,000)
Miscellaneous Expenses	3,502,095 (-)	3,147,441 (3,502,095)	6,302,226 (-)	347,310 (3,502,095)
Total	44,007,630 (5,607,884)	22,499,222 (38,399,745)	52,770,963 (-)	13,735,889 (44,007,629)

Note: Figures in brackets represent previous year figures (2005-06)

5. a) Directors' Remuneration:

Particulars	Current Year	Previous Year
Managing / Joint Managing Directors/ Whole-time Directors		
Salary	28,358,065	22,016,129
Commission on Profits to Chairman/Managing Director/ Joint Managing Directors*	185,049,736	-
Perquisites (taxable value) **	12,810,124	2,934,873
Total	226,217,925	24,951,002
Non Whole-time Directors		
Allowances	1,116,000	9,76,500
Sitting Fees	345,000	360,000
Total	1,461,000	1,336,500
Grand Total	227,678,925	26,287,502

* Subject to shareholders' approval in the forthcoming Annual General Meeting

** Provision for leave encashment and gratuity amounting to Rs.569,608 (Previous year Rs. 567,617) and Rs.4,747,912 (Previous year Rs. 4,635,568) respectively, made during the year, is not included above.

b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956.

Particulars	Current year
Profit as per Profit & Loss Account (before taxes & extraordinary items)	2,091,010,070
Add:	
Directors' Remuneration	214,868,801
Loss/(Profit) on sale of fixed assets (net)	1,114,252
Provision / (Write back) for Doubtful Debts and Advances	6,128,601
Net profit in accordance with Section 349 of the Companies Act, 1956	2,313,121,724
Maximum amount permissible under Section 309 of the Companies Act, 1956 for payment to Managing/Joint Managing Directors and Whole Time Director	231,312,172
Maximum amount permissible under Section 309 of the Companies Act, 1956 for payment to Non Whole time Director	23,131,217
Total Allowable to Managing/ Joint Managing/ Whole-time and Non Whole-time Director	254,443,390

Note: Previous year calculation is not required since no commission was payable in the previous year.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

6. The names of Small Scale Industrial Undertakings to whom the Company owes a sum, which is outstanding for more than 30 days, are as under: -

Ambika Parenteral Containers
Sri Krishna Pharmaceuticals Ltd.
Advanced Microdevices Pvt. Ltd.
Wincoat Colours & Coatings Pvt. Ltd
Paras Enterprises
Canton Laboratories Pvt. Ltd
HRJ Surgical
Protech Engg. Industries Pvt. Ltd
Siva Chemicals
Sukkan Industries

7. **Deferred Tax Liabilities (Net):**

The breakup of deferred tax liability is as follows:-

	Current Year	Previous Year
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per tax books and financial books	321,036,420	171,483,973
Capital expenditure on Research & Development	51,347,224	88,708,475
Others	47,244,308	35,953,745
Profit for eligible unit u/s 80C	46,357,808	-
Gross Deferred Tax Liabilities	465,985,760	296,146,193
Deferred Tax Assets		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	40,743,336	17,488,513
Provision for Central Sales Tax Liability	41,373,277	31,825,598
Gross Deferred Tax Assets	82,116,613	49,314,111
Net Deferred Tax Liability	383,869,147	246,832,082

8. i) Amounts due from/payable to companies under the same management as defined under section 370(1B) of the Companies Act, 1956, are as follows -

Particulars	Current Year	Previous Year
Best on Health Limited (Subsidiary Company)		
Loans and Advances (Advances recoverable in cash or in kind or for value to be received)		
Balance Recoverable	21,000,000	786,748
Accrued Interest receivable on loan	186,411	-
Maximum amount due at any time during the year	21,400,000	3,380,262
Radicura & Co. Limited (Subsidiary Company)		
Unsecured Loans		
Balances Payable	5,100,000	5,100,000
Interest Accrued & Due on Unsecured Loan	114,925	-
Maximum amount due at any time during the year	5,214,925	5,100,000

- ii) Loans and advances include Rs.108,496,964 (Previous Year Rs.105,475,896) & debtors include Rs.46,860,561 (Previous year Rs.25,457,220) from Joint Venture Companies (private companies) in which company's director is a director.

9. **Related Party Disclosures**

A. **List of Related Parties**

- (a) Joint Ventures
- Panheber Biotec Private Limited
 - Chiron Panacea Vaccines Private Limited
 - Cambridge Biostability Limited (w.e.f. 28.11.2006)
- (b) Subsidiaries
- Best on Health Limited
 - Radicura & Co. Limited
- (c) Key Management Personnel
- Mr. Soshil Kumar Jain - Chairman and Whole Time Director
 - Mr. Ravinder Jain - Managing Director
 - Mr. Rajesh Jain - Joint Managing Director
 - Mr. Sandeep Jain - Joint Managing Director
 - Mr. Sumit Jain - Whole Time Director
 - Mr. Ashwani Jain - Whole Time Director (upto 29th Sept'06)
 - Mr. Sunil Anand - Whole Time Director (upto 16th June'06)



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(d) List of Persons having controlling interest together with their relatives/associates*

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
Soshil Kumar Jain	-	-	Nirmala Jain	-	-	Ravinder Jain, Rajesh Jain, Sandeep Jain	-	Soshil Kumar Jain (HUF)
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	-	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain (HUF)
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	-	Ankesh Jain, Harshet Jain, Taric Jain	-	Rajesh Jain (HUF)
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	-	Tanish Jain	Priyanka Jain	Sandeep Jain (HUF)
Sumit Jain	Ravinder Jain	Sunanda Jain	-	Nipun Jain	Radhika Jain	-	-	-
Ashwani Jain	-	Laxmi Jain	-	-	-	-	-	-

* Relatives/associates holding Equity shares in the Company have been disclosed

(e) Relatives of Key Management personnel having transactions with the Company

Mr. Shagun Jain, Son-in-law of Mr. Ravinder Jain; Mrs. Shilpy Jain, Wife of Mr. Sumit Jain; Mr. Karan Anand, Son of Mr. Sunil Anand (upto 16th June, 2006); Mr. Ashwani Jain, Son-in-law of Mr. Soshil Kumar Jain

(f) Enterprises over which person having controlling interest in company / Key management personnel along with their relatives are able to exercise significant influence

i) Neophar Alipro Limited, ii) All India S. L. Jain Charitable Foundation, iii) First Lucre Partnership Co., iv) Second Lucre Partnership Co., v) Radhika Associates, vi) Sumit Nipun & Co., vii) Rattan Sons, viii) Tahir & Co.

B. Details of Transactions with the Related Parties

Particulars	Subsidiaries		Joint Ventures			Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
	Radicura & Co. Ltd.	Best On Health Ltd.	Panheber Biotec Pvt. Ltd.	Chiron Panacea Vaccine Pvt. Ltd.	Cambridge Biostability Limited			
A. During the year								
Purchase of Materials/ Finished Goods (net)	-	-	37,332,785	-	-	-	-	37,332,785
Sale of Finished Goods (Net of Credit Notes)	(-)	(-)	(17,356,044)	(-)	(-)	(-)	(-)	(17,356,044)
Recovery of dues on account of Expenses	-	273,197	43,408,772	-	-	-	-	43,681,969
Rent Paid	-	(136,598)	(39,261,887)	(-)	(-)	(-)	(-)	(39,398,485)
Rent Received	-	4,800,000	27,000,000	-	-	-	-	31,800,000
Loan paid	(-)	(3,520,000)	(-)	(-)	(-)	(-)	(-)	(3,520,000)
Remuneration	-	-	84,000	-	-	-	-	84,000
Interest Paid on Deposits / Loans	(-)	(-)	(84,000)	(-)	(-)	(-)	(-)	(84,000)
Dividend Paid on Equity Shares	-	21,000,000	-	-	-	-	-	21,000,000
Outstanding Receivables	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Outstanding fixed deposits/Loans	-	-	-	-	-	226,217,925	1,357,750	227,575,675
Interest accrued and due on Loans taken	(-)	(-)	(-)	(-)	(-)	(24,951,002)	(279,487)	(25,230,489)
Interest accrued but not due on loans given	382,675	-	-	-	-	31,226	10,190,097	10,603,998
Outstanding Receivables	(128,374)	(-)	(-)	(-)	(-)	(717,286)	(13,392,605)	(14,238,265)
Outstanding fixed deposits/Loans	-	-	-	-	-	19,503,700	24,175,900	43,679,600
Year end balances	(-)	(-)	(-)	(-)	(-)	(29,520,300)	(36,599,100)	(66,119,400)
Investments	11,366,440	22,883,050	4,197,670	22,959,100	168,068,998	-	-	229,475,258
Interest accrued and due on Loans taken	(11,366,440)	(22,883,050)	(4,197,670)	(22,959,100)	(-)	(-)	(-)	(61,406,260)
Interest accrued but not due on loans given	114,925	-	-	-	-	-	-	114,925
Outstanding Receivables	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Outstanding fixed deposits/Loans	-	186,411	-	-	-	-	-	186,411
Outstanding Receivables	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Outstanding fixed deposits/Loans	-	-	108,496,964	46,860,561	-	-	-	155,357,525
Outstanding fixed deposits/Loans	(-)	(786,748)	(105,475,896)	(25,457,220)	(-)	(-)	(-)	(131,719,864)
Outstanding fixed deposits/Loans	51,00,000	21,000,000	-	-	-	-	168,390,000	194,490,000
Outstanding fixed deposits/Loans	(5,100,000)	(-)	(-)	(-)	(-)	(3,390,000)	(135,000,000)	(143,490,000)

Notes:

- Figures in brackets represent previous year figures
- In respect of personal guarantee given by Promoters-Directors refer Note no. 3 of Schedule III.
- Amount of Rs.108,496,964 receivable from Company's Joint Venture, Panheber Biotech Private Limited on account of expenses incurred by the Company for the Joint Venture, is provided for in the books of account as doubtful.
- The material related party transactions with an individual party are as follows:



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Material related party transactions (More than 10% of aggregate) with individual parties:

	Unsecured Loans/ Fixed Deposit		Interest		Managerial Remuneration		Equity Dividend	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Key Management personnel								
Mr. Soshil Kumar Jain	-	-	-	108,796	53,589,389	7,314,539	5,000,000	7,500,000
Mr. Ravinder Jain	-	-	-	109,470	65,667,096	7,258,539	4,646,200	6,969,300
Mr. Rajesh Jain	-	-	-	138,598	52,389,389	3,714,539	4,706,900	7,060,350
Mr. Sandeep Jain	-	-	-	122,309	52,389,389	3,714,539	4,792,100	7,188,150
Relatives and Associates of Key Management Personnel								
First Lucre Partnership Co.	150,000,000	120,000,000	8,917,676	12,113,424	-	-	-	-
All India S.L. Jain Charitable Foundation	15,000,000	15,000,000	1,049,281	931,336	-	-	-	-

10. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date

Sell Nil

Buy Nil

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount as at 31st March'07 (in Foreign Currency)	Currency	Closing Exchange Rate	Amount as at 31st Mar'07 (INR)	Amount as at 31st March'06 (in Foreign Currency)	Currency	Closing Exchange Rate	Amount as at 31st Mar'06 (INR)
Import Creditors	12,439,147	USD	43.47	540,729,719	13,963,380	USD	44.625	623,115,822
	385,000	Euro	57.88	22,283,800	28,554	Euro	54.00	1,541,916
					19,527	CHF	34.42	672,119
Export Debtors	15,820,691	USD	43.46	687,567,236	14,057,655	USD	44.62	627,252,579
	1,396,643	Euro	57.85	80,795,800	1,321,238	Euro	53.98	71,320,422
Foreign Currency Loans	Nil	Nil	Nil	Nil	1,899,393	USD	44.625	84,760,413
Balance with Banks	19,564,976	USD	43.46	850,293,867	2,166,814	USD	44.62	96,683,255
	1,249,973	Euro	57.85	72,310,936	1,867,140	Euro	53.98	100,788,233
FCCBs	45,000,000	USD	43.47	1,956,150,000	100,000,000	USD	44.625	4,462,500,000
Foreign Currency Fixed Deposit	4,000,000	USD	43.46	173,840,000	93,415,000	USD	44.62	4,168,177,300
Investment in JV	1,935,615	GBP	85.12	168,068,998	-	-	-	-

11. Segmental Information

A. Information about Primary Segments

Particulars	Vaccines		Formulations		Research & Development		Total	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Revenue								
Turnover	6,627,228,208	4,066,911,293	1,680,512,435	1,288,814,617	7,772,986	7,819,315	8,315,513,630	5,363,545,225
Other Income	11,465,209	(39,281)	19,673,433	7,709,211	-	6,096,615	31,138,642	13,766,545
Total	6,638,693,417	4,066,872,012	1,700,185,868	1,296,523,828	7,772,986	13,915,930	8,346,652,272	5,377,311,770
Segment Result	2,828,486,625	1,602,167,503	284,903,220	221,824,851	(497,238,612)	(267,010,215)	2,616,151,232	1,556,982,140
Unallocated Corporate Expenses							(651,214,979)	(476,428,741)
Operating Profit							1,964,936,253	1,080,553,399
Interest & Finance charges							(142,355,938)	(133,332,947)
Prior Period Expenses							(-)	(2,297,023)
Other Income							268,429,751	57,148,143
Income Taxes							(622,924,375)	(392,684,847)
Net Profit							1,468,085,692	609,386,725
Other Information								
Segment Assets	3,708,004,991	2,755,363,594	1,811,957,083	1,596,901,970	1,184,202,161	783,864,038	6,704,164,234	5,136,129,601
Unallocated Corporate Assets							3,627,373,256	5,015,606,424
Total Assets	3,708,004,991	2,755,363,594	1,811,957,083	1,596,901,970	1,184,202,161	783,864,038	10,331,537,491	10,151,736,025
Segment Liabilities	715,010,893	757,737,730	301,929,431	147,622,384	58,515,028	18,486,610	1,075,455,351	923,846,723
Unallocated Corporate Liabilities							3,865,048,994	6,720,334,822
Total Liabilities	715,010,893	757,737,730	301,929,431	147,622,384	58,515,028	18,486,610	4,940,504,345	7,644,181,545
Capital Expenditure – Additions	115,670,958	42,911,635	868,548,639	62,145,837	567,050,271	252,332,667		
Non-Cash Expenses	-	-	-	-	-	-		
Depreciation	78,318,634	67,367,503	116,277,355	39,493,295	109,900,998	43,037,486		



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. Information about Secondary Segments

a) Revenue as per Geographical Markets

	Current Year	Previous Year
India (including deemed exports Rs.5,065,786,035 (Previous Year Rs. 3,693,854,246))	6,680,503,966	4,911,445,979
Outside India	1,635,009,664	452,099,245
Total	8,315,513,630	5,363,545,224

- b) The Company has common fixed assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished. Sundry debtors for segment outside India amount to **Rs. 111,859,370** (Previous Year Rs.97,611,025) and in India amount to **Rs.821,782,886** (Previous year Rs.682,121,944)

12. Leases

i. For assets given under Operating Lease agreements:

- (a) The Company has leased out the assets situated at Lalru, Punjab on operating lease to its Joint Venture viz. Panheber Biotec Private Limited.

Particulars	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Building	18,590,470	18,590,470	5,386,776	3,912,038	1,474,738	1,674,154
Furniture and Fixture	11,812,050	11,812,050	5,162,470	3,878,443	1,284,027	1,563,384
Office Equipment	512,602	512,602	2,00,985	1,50,635	50,350	64,358
Plant & Machinery	310,743,990	310,743,990	117,117,907	85,832,754	31,285,153	36,468,652
Computer Equipment	671,976	671,976	4,81,603	3,54,688	126,915	211,526
Total	342,331,088	342,331,088	128,349,741	94,128,558	34,221,183	39,982,074

The total of Minimum Future Lease Payments under non-cancelable operating lease for various periods for assets stated above is as follows:

	As at March 31, 2007	As at March 31, 2006*
a) Receivable within 1 year	15,536,950	-
b) Later than 1 year but not later than 5 years	49,435,750	55,105,700
c) Later than 5 years	31,073,900	43,504,500

* Lease terms for assets given on lease to Panheber Biotec Private Limited were modified during the year making the lessee's obligation to pay lease rent effective from April 1, 2007.

- (b) The Company has also given an office space in its building situated at B-1 Extn./A-27, Mohan Co-operative Industrial Estate, New Delhi on operating lease to Panheber Biotec Private Limited.

Total of future minimum lease payments under operating lease mentioned above:

	As at March 31, 2007	As at March 31, 2006
a) Receivable within 1 year	28,000	35,000
b) Later than 1 year but not later than 5 years	-	-
c) Later than 5 years	-	-

ii. For assets taken on Lease

- a) The Company has taken various residential, office and godown premises under operating lease agreements. These are generally not non-cancelable and are renewable by mutual consent on mutually agreed terms.
- b) Lease payments for the year are Rs. 74,286,412 (Previous Year Rs.38,933,569).

13. a) The Company's interest in Joint Venture Companies is as follows:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	(%) Holding as on March 31, 2007
1.	Panheber Biotec Private Limited	Joint Venture	India	50
2.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50
3.	Cambridge Biostability Limited	Joint Venture	UK	10



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

- b) Aggregate interest of the Company in Assets, Liabilities, Revenue & Expenses in the jointly controlled entities are as follows:

Particulars	Current Year (Unaudited)	Previous Year (Audited)*
Fixed Assets	17,093,405	6,149,068
Current Assets	113,904,988	50,839,767
Secured Loans	605,141	788,570
Current Liabilities	103,627,157	72,847,569
Revenue	247,708,118	115,047,124
Expenses	211,782,204	122,688,199

* Corresponding figures for the year ended March 31, 2006 are only for Panheber Biotec Private Limited and Chiron Panacea Vaccine Private Limited as investment in Cambridge Biostability Limited was made in the current year.

- c) Following are reimbursement of expenses from Panheber Biotec Private Limited which have been netted off with related expense head.

Particulars	Current Year	Previous Year
Salaries, Wages & Bonus	17,734,488	18,839,399
Power & Fuel etc.	6,916,161	4,877,370
Repair & Maintenance – Plant & Machinery	18,335,937	2,257,775
Repair & Maintenance – Others	422,187	13,287,343
Total	43,408,773	39,261,887

14. Auditors' Remuneration includes the following

Particulars	Current Year	Previous Year
Statutory Auditors		
- Statutory Audit	2,000,000	2,000,000
- Quarterly Limited Reviews	900,000	900,000
- Certificates	35,000	12,500
- Other Audit Services*	-	2,400,000
- Out of Pocket Expenses	193,000	107,600
	3,128,000	5,420,100
Tax Auditor	125,000	50,000
Cost Auditor	30,247	20,000

* Paid for Limited review and other agreed upon procedures with regard to Foreign Currency Convertible Bond issue and adjusted from Securities Premium Account.

15. Additional information as required under Para 3 & 4 of Part II of Schedule VI of the Companies Act, 1956.

A. Particulars of Licensed Capacity, Installed Capacity & Production.

- a) Licensed Capacity per annum
Recombinant Bulk Vaccine – 180 lac doses
Others – Not Applicable
- b) Installed Capacity per annum*

Products	Units of Measure	Current year	Previous Year
Tablets	Nos./ Million	1684.0	586.0
Capsules	Nos./ Million	370.0	90.0
Syrups/Liquids	Bottles / Million	15.8	3.8
Gels	Tubes / Million	21.2	7.2
Vaccines	Doses / Million	820.0	820.0
Recombinant Bulk Vaccine**	Doses / Million	12.5	12.5

* As certified by the management

** The same has been leased to Joint Venture Company, Panheber Biotec Pvt. Ltd.

- c) Actual Production during the year.

Products	Units of Measure	Current Year*	Previous Year*
Tablets	Nos	439,428,872	334,083,082
Capsules	Nos.	48,115,434	51,162,503
Syrups / Liquids	MI	280,384,720	293,718,070
Gels	Gms	79,511,400	45,248,950
Vaccines	Vials	61,164,671	48,783,771
Injection	Nos.	1,560,952	1,547,008
Husk	Packs	-	3,954
Kit	Nos.	-	11,200

* Actual Production includes production at Loan Licensee locations.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. Particulars of Stocks & Sales

Units		Opening Stock		Closing Stock		Sample / Destroyed / Expired / Shortages		Sales	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
a) Own Manufacturing									
Tablets	No	91,562,715	90,750,291	116,699,523	91,716,975	9,322,823	15,028,138	404,969,241	318,088,260
	In Rs.	96,572,591	96,714,634	74,352,761	96,572,591	-	-	1,027,926,384	849,983,961
Capsules	No	11,656,708	14,996,826	11,841,247	11,502,448	3,298,562	3,790,164	44,632,333	50,866,718
	In Rs.	39,121,587	49,104,737	96,557,062	39,121,587	-	-	412,912,857	345,944,809
Syrups / Liquids	ML	90,261,820	70,767,990	90,520,100	90,261,820	10,061,630	15,721,200	270,064,810	258,503,040
	In Rs.	17,961,050	16,885,177	16,910,186	17,961,050	-	-	123,813,033	107,896,226
Gels	Gms	9,990,650	21,241,780	28,407,220	9,990,650	1,854,930	3,865,710	59,239,900	52,634,370
	In Rs.	8,423,044	11,185,901	13,877,073	8,423,044	-	-	66,505,962	45,097,445
Vaccines	Vials	17,385,565	14,432,616	8,006,588	17,385,565	618,681	98,236	69,924,967	48,970,636
	In Rs.	678,451,691	675,689,969	469,048,675	678,451,691	-	-	6,627,226,911	4,075,870,522
Injections	Vials	362,258	794,077	278,932	362,258	460,277	341,854	1,184,001	1,636,973
	In Rs.	961,418	4,886,429	715,923	961,418	-	-	7,310,430	6,983,528
Husk	Gms	12,205	47,832	13,249	12,205	2,957	33,209	(4,001)	6,372
	In Rs.	368,713	1,631,606	402,623	368,713	-	-	(130,586)	232,281
Kit	No	12,705	17,185	5,663	12,705	7,147	12,954	(105)	2,726
	In Rs.	2,373,040	3,606,033	1,400,800	2,373,040	-	-	(44,729)	774,809
Total	In Rs.	844,233,134	859,704,486	673,265,104	844,233,134	-	-	8,265,520,263	5,432,783,581
b) Trading Activities									
Tablets	No	5,534,540	2,106,178	14,955,314	5,534,540	2,480,531	966,328	20,914,061	7,878,540
	In Rs.	9,153,533	3,217,898	27,768,076	9,153,533	-	-	77,590,524	25,786,030
Capsules	No	853,200	-	3,770,084	853,200	1,006,847	-	7,415,561	-
	In Rs.	1,346,964	-	9,383,668	1,346,964	-	-	28,886,926	-
Syrups / Liquids	ML	-	1,884,000	12,302,790	-	9,278,510	2,232,200	19,938,700	(348,200)
	In Rs.	-	524,154	1,985,763	-	-	-	6,121,588	(105,224)
Injections	Vials	11,896	157,474	10,272	11,896	3,277	85,847	72,077	59,731
	In Rs.	2,666,742	12,260,283	1,075,732	2,666,742	-	-	11,985,988	13,440,879
Biscuits	Nos.	-	-	1,431	-	34,668	-	1,221	-
	In Rs.	-	-	28,645	-	-	-	58,144	-
Total	In Rs.	13,167,239	16,002,335	40,241,884	13,167,239	-	-	124,643,171	39,121,685
Grand Total	In Rs.	857,400,373	875,706,821	713,506,988	857,400,373	-	-	8,390,163,434	5,471,905,266

C. Purchase of Finished goods

Products	Units	Current Year	Previous Year
Tablets	Nos.	32,815,366	12,273,230
	In Rs.	58,418,550	19,024,971
Capsules	Nos.	11,339,292	853,200
	In Rs.	26,382,967	1,346,966
Syrups/Liquids	ML	41,520,000	-
	In Rs.	7,638,934	-
Injections	Vials	73,730	-
	In Rs.	7,686,323	-
Biscuits	Nos.	37,320	-
	In Rs.	127,421	-
Total	In Rs.	100,254,195	20,371,937

D. Consumption of Raw materials & Packing materials

Products	Current Year		Previous Year	
	Oty.(In doses)	Value	Oty.(In doses)	Value
Polio Virus	1,166,907,600	2,810,915,398	960,195,500	1,928,757,422
Others		839,493,038		711,094,972
Total		3,650,408,436		2,639,852,394

E. Value of Imports on CIF basis (on accrual basis)

Particulars	Current Year	Previous Year
Raw Materials & Packing Materials	3,481,076,884	2,095,902,978
Capital Goods	525,893,851	198,866,764



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

F. Expenditure in Foreign Currency (on accrual basis)

Particulars	Current Year	Previous Year
Patents, Trade marks & Product registration	44,493,128	14,435,490
Know – how Fee	-	6,810,127
Interest	47,801,143	30,102,284
Professional & Consultation fees	9,868,882	9,788,232
Expenditure on issue of Foreign Currency Convertible Bonds	-	139,048,031
Other Expenses	66,574,065	50,251,143

G. Earnings in Foreign Exchange (on accrual basis)

	Current Year	Previous Year
F.O.B. value of Exports (including deemed export Rs. 5,065,786,035 (Previous Year Rs.3,693,854,247))	6,653,504,026	4,112,466,146
R & D Technology Services	7,772,986	13,915,930
Interest on Exchange Earners Foreign Currency Deposits	155,199,957	28,060,940

H. Value of Imported/Indigenous Raw Materials & Packing Materials consumed

Particulars	Current Year		Previous Year	
	Amount in Rs.	% age	Amount in Rs.	% age
Indigenous	546,051,251	14.96	395,609,318	14.99
Imported	3,104,357,185	85.04	2,244,243,076	85.01
Total	3,650,408,436	100.00	2,639,852,394	100.00

I. Value of Imported/Indigenous Stores & Spares consumed

Particulars	Current Year		Previous Year	
	Amount in Rs.	% age	Amount in Rs.	% age
Indigenous	160,477,189	100.00	70,211,139	100.00

J. Remittance in foreign currency on account of dividend

Particulars	Current Year	Previous Year
Dividend on Preference Shares*	20,354,084	40,695,711
Number of Non resident Preference Shareholders	1	1
No. of Preference Shares held by them**	Nil	90,434,914
Dividend on Equity Shares ***	1,045,000	1,567,500
Number of Non-resident Equity Shareholders	1	1
No. of Equity Shares held by them	1,045,000	1,045,000

* Dividend of Rs. 20,354,084 pertains to 2006-07 paid on pro-rata time basis upto the date of redemption (Previous Year Rs. 40,695,711 pertains to 2005-06).

** 90,434,914 Non Cumulative Redeemable Preference Shares (Series III) of Rs.10/- each were redeemed during the Financial Year 2006-07 as under:

(i) 23,500,000 on 28.07.2006, (ii) 23,500,000 on 07.08.2006 and (iii) 43,439,414 on 04.12.2006

*** Dividend of Rs. 1,045,000 pertains to 2005-06 (Previous year Rs. 1,567,500 pertains to 2004-05).

16. The Company has certain suppliers which come under the purview of "The Micro, Small and Medium Enterprises Development Act, 2006 which was promulgated in October 2006. The Company had not collected the information in the past to determine which of its suppliers may fall under this Act. The Company has initiated the process of identification of such suppliers. But in view of large number of suppliers and paucity of time after promulgation of law, Company does not have sufficient information to comply with the disclosure requirements prescribed under the said Act.
17. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of services gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The following table summarize the components of net benefit expenses recognized in the Profit & Loss Account and the Funded status and amount recognized in the Balance Sheet for respective plans:

Profit and Loss Account

Net employee benefit expense (recognized in Employee Cost)

	Leave Encashment 2006-07	Gratuity 2006-07
Current service cost	9,999,546	7,511,161
Interest cost on benefit obligation	1,134,522	3,300,304
Expected return on plan assets	-	(1,453,504)
Net actuarial gain recognized in the year on account of return on plan assets	-	(212,621)
Net actuarial loss recognized in the year	11,257,680	4,875,865
Net benefit expense	22,391,748	14,021,205
Actual return on plan assets	-	(1,666,125)

Balance Sheet

Details of Provision for leave encashment benefits and gratuity

	Leave Encashment 2006-07	Gratuity 2006-07
Defined benefit obligation	29,523,918	53,612,703
Fair value of plan assets	-	21,292,086
	29,523,918	32,320,617
Less: Unrecognized past service cost	-	-
Plan (liability)	-	(32,320,617)

Changes in the present value of the defined benefit obligation are as follows:

	Leave Encashment 2006-07	Gratuity 2006-07
Opening defined benefit obligation	18,471,100	41,253,806
Interest cost	1,134,522	3,300,304
Current service cost	9,999,546	7,511,161
Actual return on plan assets	-	-
Benefits paid	(11,338,930)	(3,328,433)
Actuarial losses on obligation	11,257,680	4,875,865
Closing defined benefit obligation	29,523,918	53,612,703

Changes in the fair value of plan assets are as follows:

	Gratuity 2006-07
Opening fair value of plan assets	16,150,049
Expected return	1,453,504
Contributions by employer	6,804,345
Benefits paid	(3,328,433)
Actuarial (losses)	212,621
Closing fair value of plan assets	21,292,086

The Company has since contributed Rs. 7,320,505 to the gratuity fund.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity 2006-07 %
Investments with insurer	100
Cash and bank balance with the insurer	0

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved debt market scenario.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The principal assumptions used in determining gratuity and leave encashment obligations for the Company's plans are shown below:

	Leave Encashment 2006-07 %	Gratuity 2006-07 %
Discount rate	8.00	8.00
Expected rate of return on plan assets	-	9.00
Increase in compensation cost	5.50	5.50
Employee turnover		
upto 30 years	10	10
above 30 years but upto 44 years	5	5
above 44 years	1	1

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous periods are as follows:

	Leave Encashment 2006-07	Gratuity 2006-07
Defined benefit obligation	29,523,918	53,612,703
Plan assets	-	21,292,086
Deficit	-	32,320,617
Experience adjustments on plan liabilities	-	-
Experience adjustments on plan assets	-	-

Note: The actuarial valuation of gratuity and leave encashment liability in the previous year was done in accordance with the pre-revised Accounting Standard, AS-15 – Employee Benefits. Accordingly, comparative numbers of previous years have not been furnished.

Defined Contribution Plan:

	2006-07	2005-06
Charged to Profit and Loss Account	14,021,205	12,983,071

The Company expects to contribute Rs. 8,500,000 to gratuity fund in the year 2007-08.

18. The Company has incurred expenditure on Pre-Clinical Development studies amounting to Rs.91,557,518 during the year. This expenditure relates to studies carried out by Clinical Research Organization (CRO) towards obtaining registration of Company's products in US and / or Europe. The expenditure incurred has been capitalized and carried in Capital Work in Progress. Management believes that it is in the nature of development expenditure and meets the capitalization criteria set out in Accounting Standard 26 on Intangible Assets issued by the Institute of Chartered Accountants of India due to the following reasons:
- the expenditure is not towards basic research and therefore no New Chemical Entity comes into being. Basic research is conducted by the Company in its own R&D centers, but such developmental work is performed through external agencies (CRO). Safety profile of the basic molecule is well established in several countries in Europe and in India and the product is being marketed successfully in several countries under different brand names.
 - there is no experience to suggest that the studies conducted by CROs on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in US and / or Europe.
- The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities in US and / or Europe.
19. In accordance with ASI 14 on 'Disclosure of Revenue from Sales Transactions' issued by the Institute of Chartered Accountants of India, excise duty on turnover amounting to Rs.82,422,791 (Rs.116,179,356) has been reduced from turnover in Profit & Loss account and differential excise duty on opening and closing stock of finished goods amounting to Rs.2,084,779 (Rs.8,137,351) has been adjusted from Raw Materials, Finished Goods, Work in Progress and Job Processing charges in Schedule - XII.
20. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date

S.R. Batliboi & Co.

Chartered Accountants

per **Manoj Gupta**

Partner

Membership No. 83906

Place : New Delhi

Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain

Chairman

Ravinder Jain

Managing Director

I.K. Sharma

D.G.M. (Accounts & Finance)

Vinod Goel

Company Secretary



ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

1. Registration Details

Registration No.	22350	State Code	16
Balance Sheet Date	31/03/2007		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	8605

3. Position of mobilization and deployment of Funds (Amount in Rs.Thousand)

Total Liabilities	7,908,956	Total Assets	7,908,956
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Source of Funds

Paid up Capital	65,774	Reserves & Surplus	5,325,109
Secured Loans	558	Unsecured Loans	2,133,646
Deferred Tax Liability	383,869		

Application of Funds

Net Fixed Assets	4,010,476	Investments	229,475
Net Current Assets	3,661,988	Misc. Expenditure (to the extent not W/off)	7,017

Accumulated Losses Nil

4. Performance of Company (Amount in Rs.Thousand)

Turnover (Including Other Income)	8,615,082	Total Expenditure	6,524,072
Profit/Loss Before Tax	☑ ☐ 2,091,010	Profit/Loss after Tax	☑ ☐ 1,468,086
Earnings per share (Rs.)	23.71	Dividend @	100%

5. Generic Name of Three Principal Products/ Services of Company

Item Code No. (ITC Code)	3002 20 14
Product Description	Vaccine-Polio
Item Code No. (ITC Code)	3004 20 99
Product Description	Gliclazide Tab
Item Code No. (ITC Code)	3004 90 67
Product Description	Nimesulide Tab

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

Place : New Delhi
Dated : June 14, 2007



CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2007

Amount in Rs.

	Current Year	Previous Year
A. Cash Flow from Operating Activities		
Net Operating Profit before Tax & Extraordinary Items	2,091,010,070	1,002,071,572
Adjustments for:		
Depreciation	355,123,736	182,194,457
Interest Expenses	124,156,864	118,185,768
Provision for Doubtful Debts & Advances	6,128,601	110,673,354
Interest Income	(148,982,336)	(41,923,690)
(Profit)/Loss on sale of Fixed Assets	1,114,252	(1,975,339)
Intangibles written off	5,948,209	17,500,798
Unrealised Exchange Fluctuation in Foreign Currency	(85,655,736)	(6,006,741)
Realised foreign exchange gain on conversion of FCCBs	(26,675,000)	-
Deferred Revenue Expenditure written off during the year	2,619,277	4,823,416
Operating Profit before Working Capital changes	2,324,787,937	1,385,543,595
(Increase) / Decrease in Trade and Other Receivables	(323,454,172)	(145,246,755)
(Increase)/Decrease in Inventories	(277,134,216)	105,587,813
Increase / (Decrease) in Trade Payables	454,842,164	438,608,147
Cash generated from Operations	2,179,041,713	1,784,492,800
Net Direct Taxes paid	654,064,903	200,016,411
Net cash from Operating Activities	1,524,976,810	1,584,476,389
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(2,043,849,793)	(1,165,489,188)
Fixed Deposit matured	4,171,044,085	20,215,935
Fresh Fixed Deposit taken	(403,061,961)	(4,179,016,768)
Investment in Shares of Joint Venture Company	(168,068,998)	-
Sale of Fixed Assets	8,287,650	7,443,169
Interest Received	165,932,900	41,923,690
Net cash used in investing activities	1,730,283,883	(5,274,923,162)
Net cash from Operating and Investing Activities	3,255,260,693	(3,690,446,773)
C. Cash flow from Financing Activities		
(Repayment)/Issue of Preference Share Capital	(904,349,140)	-
Net increase in Working Capital Borrowings	(1,123,626,574)	(107,905,686)
Long Term Borrowings raised	32,890,000	3,497,000
Long Term Loan raised	-	4,414,000,000
Long Term Borrowings repaid	(138,254,374)	(103,558,776)
Interest paid	(134,589,825)	(105,244,593)
Foreign Currency Convertible Bonds Issue Expenses	-	(144,232,150)
Dividend & Tax on Dividend Distribution	(93,997,910)	(138,318,101)
Net Cash from Financing activities	(2,361,927,823)	3,818,237,694
Net cash from operating, investing & financing activities	893,332,870	127,790,921
Net increase in Cash & Cash equivalent	893,332,870	127,790,921
Opening balance of Cash & Cash equivalent	244,531,063	63,799,747
Unrealised foreign exchange gain/(loss) on Cash & Cash Equivalents	31,317,117	52,940,395
Closing balance of Cash & Cash equivalent	1,169,181,050	244,531,063
Note: Cash and cash equivalents included in the Cash Flow statement comprise of the following:-		
i) Cash Balance on Hand	1,417,193	1,296,379
ii) Balance with Scheduled Banks :		
a) In Cash Credit Accounts	21,586,865	1,852,258
b) In Current Accounts	48,218,504	32,533,893
c) In Collection Accounts	-	9,148,467
d) In Unpaid Dividend Accounts	1,511,917	1,226,510
e) In Fixed Deposits	173,841,768	1,001,747
f) In Exchange Earner Foreign Currency Current Accounts	922,604,803	197,471,489
iii) Balances with non-scheduled Banks		
a) Societe Generale Yugoslav Bank	-	320
Total	1,169,181,050	244,531,063

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner
Membership No. 83906
Place : New Delhi
Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary



STATEMENT U/S 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1. Name of the Company	Radicura & Co. Ltd.	Best On Health Ltd.
2. Date from which they became subsidiary companies	16th July, 1999	15th March, 2000
3. Financial Year of the subsidiary ended on	31st March, 2007	31st March, 2007
4. Shares of the subsidiary held by Panacea Biotec Ltd. on the above dates		
i) Number & face value	1,98,250 Face Value Rs.10/-	1,90,216 Face Value Rs.10/-
ii) Extent of holding	100%	100%
5. Net aggregate Profit or (Loss) for the current year (in Rs.)	48,031	2,880,547
6. Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is dealt with in the accounts of holding company:		
a) for the financial year of the subsidiary	-	-
b) for the previous financial years of the subsidiary since it became its subsidiary.	-	-
7. Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is not dealt with in the accounts of holding company :		
a) for the financial year of the subsidiary	48,031	2,880,547
b) for the previous financial years of the subsidiary since it became its subsidiary.	243,723	4,353,752

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

Place : New Delhi
Dated : June 14, 2007



AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report to the Board of Directors of Panacea Biotec Limited on the Consolidated Financial Statements of Panacea Biotec Limited, its Subsidiaries and Joint Ventures.

1. We have audited the attached consolidated balance sheet of Panacea Biotec Limited, its Subsidiaries and Joint Ventures, as at 31st March, 2007, and also the consolidated profit and 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 Panacea Biotec Limited'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.
2. 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 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. (a) We have not audited the financial statements of the Subsidiaries & Joint Ventures, whose financial statements reflect Group's share of total assets of Rs.162,783,989 as at 31st March 2007, the total revenue of Rs.218,700,481 and net cash inflows of Rs.51,095,046 for the year then ended as considered in the consolidated financial statements. These financial statements and other information of the Subsidiaries and Joint Venture have been audited by other auditors (except in case of Joint Venture Chiron Panacea Vaccines Private Limited which is unaudited) whose reports have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these Subsidiaries and Joint Ventures, is based solely on the report of the other auditors.
(b) *The consolidated financial statements of Panacea Biotec Limited include unaudited financial statement and other information of the Joint Venture, Chiron Panacea Vaccines Private Limited (year ended 31st March, 2007) which reflect the Group's share of total assets of Rs.87,123,608 as at 31st March, 2007, total revenue of Rs.215,973,608 and net cash inflows of Rs.7,038,490 for the year then ended as considered in the consolidated financial statements.*
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
5. Without qualifying our opinion, we draw attention to Note 3(iv) of Schedule XIX B of the financial statements regarding non-provision of proportionate premium on redemption of 'US\$ 50 Million Zero Coupon Convertible Bonds due 2011' amounting to Rs.159,623,752. The same has been disclosed as a contingent liability.
6. Without qualifying our opinion, we draw attention to Note 12 of Schedule XIX B of the financial statements regarding provision of commission payable to Directors amounting to Rs.185,049,736. The same is pending approval of shareholders and shall be placed for their approval in the forthcoming shareholders' meeting of the Company.
7. Without qualifying our opinion, we draw attention to Note 13 of Schedule XIX B of the financial statements regarding capitalization of expenditure on clinical trials amounting to Rs.91,557,518. The ultimate approval of such products, which has been considered as highly likely by the management, is not within the direct control of the entity.
8. *Attention is invited to note no.11 of Schedule XIX B of the financial statements relating to liability for interest and required disclosures under "The Micro, Small and Medium Enterprises Development Act, 2006". The Company is in the process of compiling information regarding measurement and disclosures prescribed by the Act. In view of the above, we are unable to comment on the impact of the same on financial statements.*
9. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, *subject to Para 3(b) relating to Chiron Panacea Vaccines Private Limited whose financial statements are unaudited and comments in paragraph 8 above where consequential effects on the financial statements are not ascertainable*, 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 state of affairs of the Panacea Biotec Limited, its Subsidiaries and Joint Ventures as at 31st March 2007,;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner
Membership No.: 83906

Place : New Delhi
Date : June 14, 2007



CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007

Amount in Rs.

	Schedule No.	As at 31st March, 2007		As at 31st March, 2006	
SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	I	65,774,070		961,518,306	
b) Reserves & Surplus	II	<u>5,296,384,439</u>	5,362,158,509	<u>1,495,393,598</u>	2,456,911,904
2. Loan Funds					
a) Secured Loans	III	1,163,094		1,159,242,922	
b) Unsecured Loans	IV	<u>2,128,456,145</u>	2,129,619,239	<u>4,702,984,550</u>	5,862,227,472
3. Deferred Tax Liability (Net)					
			382,796,221		246,705,514
Total			<u>7,874,573,969</u>		<u>8,565,844,890</u>
APPLICATION OF FUNDS					
1. Fixed Assets					
a) Gross Block					
	V	4,052,610,602		2,134,297,726	
Less : Depreciation/Amortisation		<u>1,103,380,427</u>		<u>739,753,859</u>	
Net Block		2,949,230,175		1,394,543,867	
b) Capital Work-in-Progress					
(including Pre-operative expenditure)		<u>1,239,555,567</u>	4,188,785,742	<u>967,069,755</u>	2,361,613,622
(Refer Note No. 4 of Schedule XIXB)					
2. Investments					
	VI		100,000		100,000
3. Current Assets, Loans & Advances					
	VII				
a) Inventories		2,091,925,251		1,817,126,934	
b) Sundry Debtors		916,211,455		766,821,890	
c) Cash & Bank Balances		1,656,732,829		4,448,969,920	
d) Other Current Assets		25,986,847		34,485,886	
e) Loans and Advances		<u>1,437,600,314</u>		<u>666,146,707</u>	
Sub-Total (A)		6,128,456,696		7,733,551,337	
Less : Current Liabilities & Provisions					
	VIII				
a) Current Liabilities		1,420,313,380		1,030,064,820	
b) Provisions		<u>1,029,477,768</u>		<u>509,000,185</u>	
Sub-Total (B)		2,449,791,148		1,539,065,005	
Net Current Assets (A)-(B)			3,678,665,548		6,194,486,332
4. Miscellaneous Expenditure					
(To the extent not written off or adjusted)	IX		7,022,679		9,644,936
Total			<u>7,874,573,969</u>		<u>8,565,844,890</u>
Significant Accounting Policies and Notes to Accounts					
	XIX				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner
Membership No. 83906
Place : New Delhi
Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

Amount in Rs.

	Schedule No.	For the Year Ended 31st March, 2007		For the Year Ended 31st March, 2006	
INCOME					
Turnover	X	8,505,965,622		5,535,194,430	
Less: Excise Duty		82,422,791	8,423,542,831	116,179,356	5,419,015,074
Other Income	XI	304,924,488		72,126,446	
Total Income		<u>8,728,467,319</u>		<u>5,491,141,520</u>	
EXPENDITURE					
Manufacturing & Administrative Expenses	XII	4,287,116,502		3,194,865,453	
Purchases of Finished Goods		81,663,767		20,371,937	
(Increase)/Decrease in Stocks	XIII	123,483,826		12,955,805	
Personnel Expenses	XIV	834,343,851		459,877,916	
Selling & Distribution Expenses	XV	342,397,902		251,151,290	
Research & Development Expenses	XVI	505,011,599		280,926,146	
Interest & Finance Expenses	XVII	170,480,068		133,334,970	
Miscellaneous Expenditure written off during the year		2,622,257		5,142,092	
Depreciation / Amortisation		262,790,315		143,400,826	
Total Expenditure		<u>6,609,910,087</u>		<u>4,502,026,435</u>	
Profit Before Tax & Extra-ordinary items		2,118,557,232		989,115,085	
Prior Period Expenses		-		2,272,632	
Profit Before Tax		<u>2,118,557,232</u>		<u>986,842,453</u>	
Provision for Wealth Tax		887,313		650,000	
Provision for Wealth Tax for earlier years		-		284,938	
Provision for Income Tax		481,945,406		256,411,458	
Deferred Income Tax (Refer note no.6 of Schedule XIXB)		136,090,707		111,210,448	
Provision for Fringe Benefit Tax		23,184,672		25,818,855	
Profit After Tax		1,476,449,134		592,466,754	
Add : Balance brought forward from previous year		591,291,988		171,248,784	
Profit available for Appropriations		<u>2,067,741,122</u>		<u>763,715,538</u>	
APPROPRIATIONS					
Dividend					
- Equity Shares-Proposed (not liable to TDS)		65,706,192		57,076,600	
- Preference Shares - Interim (not liable to TDS)		20,354,084		40,695,711	
Dividend Distribution Tax		14,021,427		13,712,566	
Transfer to Capital Redemption Reserve		145,232,554		-	
Transfer to General Reserve		146,808,569		60,938,673	
Balance carried to Balance Sheet		<u>1,675,618,296</u>		<u>591,291,988</u>	
Basic Earnings per Share	XVIII	23.84		9.57	
Diluted Earnings per Share	XVIII	21.85		9.36	
Face value per Share		1.00		1.00	

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date

S.R. Batliboi & Co.

Chartered Accountants

per **Manoj Gupta**

Partner

Membership No. 83906

Place : New Delhi

Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain

Chairman

I.K. Sharma

D.G.M. (Accounts & Finance)

Ravinder Jain

Managing Director

Vinod Goel

Company Secretary



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007		As at 31st March, 2006	
Schedule I - Share Capital				
Authorised				
Comprising of				
i.	125,000,000 Equity Shares of Re.1/- each (Previous Year 125,000,000 Equity Shares of Re. 1/- each)	125,000,000		125,000,000
ii.	110,000,000 (Previous year 110,000,000) Preference Shares of Rs.10/- each	1,100,000,000		1,100,000,000
		<u>1,225,000,000</u>		<u>1,225,000,000</u>
Issued and Subscribed				
	65,830,504 Equity Shares of Re.1/- each (Previous Year 57,225,600 Equity Shares of Re.1/- each)	65,830,504		57,225,600
	Nil Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each - Series III (Previous Year 90,434,914) 4.5% Preference Shares	-		904,349,140
		<u>65,830,504</u>		<u>961,574,740</u>
Paid up				
	65,681,504 Equity Shares of Re.1/- each (Previous Year 57,076,600 Equity Shares of Re.1/- each)	65,681,504		57,076,600
Add: Forfeited Shares				
	(14,900 Shares @ Rs.10/- each forfeited on May 15, 1999, which were later on sub-divided into 149,000 Equity Shares of Re.1/- each on February 12, 2003)	92,566	65,774,070	92,566
	(149,000 Forfeited Shares have been allotted on 24th August, 2005 in the name of employees of the Company for sale thereof at the prevailing market prices through recognised Stock Exchanges on the terms & conditions as specified by Managing / Joint Managing Directors or Director (Finance) of the Company and reimbursement of net sales proceeds to the company account)			
	(Out of the above shares, 1,814,240 Equity Shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years, which were later on sub-divided into 18,142,400 Equity Shares of Re.1/- each on February 12, 2003)			
	Nil Redeemable Cumulative Preference Shares* (RCPS) of Rs.10/- each - Series III (Previous Year 90,434,914) 4.5% Preference Shares	-	-	904,349,140
		<u>65,774,070</u>		<u>961,518,306</u>

* RCPS Series - III. Redeemable at par at the end of tenth year from the date of allotment, i.e. March 16, 2004 with an option with the Company to extend such redemption date which will not exceed 20 years from the date of allotment. The Company has an option to redeem the shares any time after 2 years of allotment i.e. on or after March 16, 2006. During the year, 9,04,34,914 - 4.5% Cumulative Redeemable Preference Shares of Rs. 10 each, were redeemed @ Rs.10 per share aggregating to Rs. 904,349,140 as follows: (i) 23,500,000 on 28.07.2006, (ii) 23,500,000 on 07.08.2006 and (iii) 43,439,414 on 04.12.2006.

Schedule II - Reserves and Surplus				
Capital Redemption Reserve				
	Amount as per last Balance Sheet	112,500,000		112,500,000
	Add: Transfer from General Reserve	759,116,586		-
	Add: Transfer from Profit & Loss Account	<u>145,232,554</u>	1,016,849,140	<u>-</u>
				112,500,000
Securities Premium				
	Amount as per last Balance Sheet	24,829,540		169,061,690
	Add: Credited upon Issue of Equity Shares on conversion of FCCBs	2,431,529,062		-
	Less: Utilised for Foreign Currency Convertible Bonds (FCCBs) Issue Expenses	-	2,456,358,602	<u>144,232,150</u>
				24,829,540
General Reserve				
	Amount as per last Balance Sheet	766,498,451		705,833,397
	Less: Transferred to Capital Redemption Reserve on redemption of Series -III Preference Shares	759,116,586		-
	Less: Utilized on account of transitional provision for Leave Encashment	5,231,786		-
	Less: Utilized on account of transitional provision for Gratuity	2,794,306		-
	Add: Transfer from Profit & Loss Account	<u>146,808,569</u>	146,164,342	<u>60,938,673</u>
	Balance in Profit & Loss Account		1,675,618,296	591,291,988
	Transition Reserve		1,394,060	-
		<u>5,296,384,439</u>		<u>1,495,393,598</u>



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule III - Secured Loans		
1. Rupee Term Loans (from Banks)		
i) Industrial Development Bank of India (Due within one year nil (previous year Rs. 17,372,248))	-	34,744,504
ii) State Bank of Bikaner & Jaipur (Due within one year nil (previous year Rs. 12,500,000))	-	18,749,471
2. Foreign currency term loans (from banks)		
i) Export-Import Bank of India Long Term Working Capital Loan (Due within one year nil (previous year Rs. 26,360,166)) Production Equipment Finance Loan (Due within one year nil (previous year Rs. 17,573,504))	-	32,950,530
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year nil (previous year Rs. 29,842,969))	-	21,966,901
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year nil (previous year Rs. 29,842,969))	-	29,842,969
3. Working Capital Loans from Scheduled Banks	557,953	1,020,199,977
4. Loan against Hypothecation of Car	605,141	788,570
	<u>1,163,094</u>	<u>1,159,242,922</u>

Notes:

- Rupee Term Loan from Industrial Development Bank of India was secured by way of first pari-passu charge by way of hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on land admeasuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future. The Company has repaid the entire loan and charge created on the assets has been released.
- Rupee Term Loan from State Bank of Bikaner & Jaipur was secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company besides first pari-passu charge on land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future. The Company has repaid the entire loan and charge created on the assets has been released.
- Foreign Currency Term Loans from Export-Import Bank of India were secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company, both present and future, besides first pari-passu charge on land admeasuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future. The Company has repaid the entire loan and in the process of release of charges registered with Registrar of Companies.
- Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C. was secured by way of first pari-passu charge by hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on land admeasuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit, both present and future. The Company has repaid the entire loan and charge created on the assets has been released.
- Working Capital Loans from Scheduled Banks were secured by way of first pari-passu charge by hypothecation of all current assets and all other movable properties (including machinery and spares) besides second pari-passu charge on immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab. It is also collaterally secured by personal guarantees of the Promoter Directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Mr. Rajesh Jain and Mr. Sandeep Jain.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	Amount in Rs.	
	As at 31st March, 2007	As at 31st March, 2006
Schedule IV - Unsecured Loans		
Fixed Deposits*	169,390,000	136,500,000
(Due within one year Rs.153,390,000 (Previous year Rs.135,000,000))		
Interest accrued and due	2,916,145	-
Short term Loans:		
From Banks - State Bank of Mysore	-	100,594,550
(Due within one year nil (Previous Year Rs.100,594,550))		
From others (Director)	-	3,390,000
(Due within one Year nil (Previous Year Rs.3,390,000))		
Other Loans:		
Foreign Currency Convertible Bonds**		
- Nil (Previous Year US\$ 50 Million)		
4.5% Convertible Bonds due 2011	-	2,231,250,000
- US\$45 Million (Previous Year US\$ 50 Million)	1,956,150,000	2,231,250,000
Zero Coupon Convertible Bonds due 2011 (Due within one year nil (Previous Year nil))		
	<u>2,128,456,145</u>	<u>4,702,984,550</u>

Note:

- * Includes Rs. 168,390,000 (Previous Year Rs.135,000,000) from partnership firm in which some directors are partner and relatives & associates of some directors.
- ** Foreign Currency Convertible Bonds
 - US\$ 50,000,000 4.5% Convertible Bonds & US\$ 50,000,000 Zero Coupon Convertible Bonds were issued on 13 Feb, 2006.
 - Out of US \$ 50,000,000 4.5% convertible bonds, US \$ 23,100,000 were converted in Equity Share Capital on 09.10.2006 and US \$ 26,900,000 were converted in Equity Shares on 26.10.2006.
 - Out of US \$ 50,000,000 Zero Coupon Convertible Bonds , US \$ 5,000,000 were converted in Equity Share Capital on 26.10.2006 and US \$ 200,000 were converted into Equity Share Capital on 17.05.2007.
 - Unless previously converted, redeemed or repurchased & cancelled, the remaining US \$ 44,800,000, Zero Coupon Convertible Bonds which were issued on 13.02.2006, will be redeemed on Feb 14, 2011 at 142.80% of their outstanding principal amount.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Schedule V - Fixed Assets

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As At 01/04/2006	Additions during the Year	Deductions during the Year	As At 31/03/2007	As At 01/04/2006	Provided during the Year	Deductions during the Year	As At 31/03/2007	As At 31/03/2007	As At 31/03/2006
A. Tangible Assets										
Land - Freehold	174,033,559	33,264,630	-	207,298,189	-	-	-	-	207,298,189	174,033,559
Land - Leasehold	16,395,690	-	112,586	16,395,690	112,586	174,306	-	286,892	16,108,798	16,283,104
Buildings	325,121,898	432,997,037	-	758,118,935	94,685,037	49,804,893	-	144,489,930	613,629,005	230,436,861
Leasehold Improvement	69,327,801	11,135,241	4,156,484	76,306,558	51,417,583	9,712,369	-	61,129,952	15,176,606	17,910,218
Plant & Machinery	1,034,200,754	1,052,996,194	2,687,085	2,084,509,863	332,588,793	204,639,644	1,353,946	535,874,491	1,548,635,372	701,611,961
Furniture & Fittings	111,574,990	80,193,771	2,48,752	191,520,009	47,027,086	25,468,367	176,660	72,318,793	119,201,216	64,547,904
Vehicles	85,631,819	40,269,450	14,480,714	111,420,555	42,024,043	15,633,605	10,710,313	46,947,335	64,473,220	43,607,776
Office Equipments	100,422,482	59,439,709	177,352	159,684,839	33,996,371	16,102,815	106,821	49,992,365	109,692,474	66,426,111
Computer Equipments	89,142,466	34,297,976	231,400	123,209,042	53,017,551	24,443,885	217,624	77,243,812	45,965,230	36,124,915
TOTAL (A)	2,005,851,459	1,744,594,008	21,981,787	3,728,463,680	654,869,050	345,979,884	12,565,364	988,283,570	2,740,180,110	1,350,982,409
Previous Year	1,587,200,155	432,206,424	13,555,120	2,005,851,459	488,212,609	174,517,704	7,861,263	654,869,050	1,350,982,409	1,098,987,546
Capital Work in Progress									1,004,302,632	879,392,095
B. Intangible Assets										
Goodwill	19,564,354	157,190,676	-	176,755,030	19,564,354	13,479,637	-	33,043,991	143,711,039	-
Patents & Trademarks	47,229,690	10,750,825	-	57,980,515	37,517,578	4,424,883	-	41,942,461	16,038,054	9,712,112
Softwares	45,415,080	27,759,154	-	73,174,234	17,440,631	10,900,638	-	28,341,269	44,832,965	27,974,449
Website	9,202,695	-	-	9,202,695	9,202,695	-	-	9,202,695	-	-
Product Development	7,034,448	-	-	7,034,448	1,159,551	1,406,890	-	2,566,441	4,468,007	5,874,897
TOTAL (B)	128,446,267	195,700,655	-	324,146,922	84,884,809	30,212,048	-	115,096,857	209,050,065	43,561,458
Previous Year	93,649,553	34,796,714	-	128,446,267	72,993,632	11,891,177	-	84,884,809	43,561,458	20,655,921
Capital Work in Progress									235,252,934	87,677,660
TOTAL (A+B)	2,134,297,726	1,940,294,663	21,981,787	4,052,610,602	739,753,859	376,191,932	12,565,364	1,103,380,427	2,949,230,175	1,394,543,867
Previous Year	1,680,849,708	467,003,138	13,555,120	2,134,297,726	561,206,241	186,408,881	7,861,263	739,753,859	1,394,543,867	1,119,643,467
Capital Work in Progress									1,239,555,567	967,069,755

Notes:

- Freehold Land includes Land amounting Rs.5,065,000 (Previous year Rs.37,098,750) pending registration in the name of the company.
- Building includes Office Premises amounting to Rs.5,613,378 (Previous year Rs.5,908,819) (Net Block) pending registration in the name of the company.
- Plant & Machinery includes Plant & Machinery amounting to Rs.6,300,033 (Previous Year Rs.7,675,427) (Net Block) lying with third party.
- Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs. 109,900,997 (Previous Year Rs.43,037,486).
- Capital Work in Progress includes pre-operative expenditure. (Refer Note No.4 of Schedule - XIX-B)



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	Amount in Rs.	
	As at 31st March, 2007	As at 31st March, 2006
Schedule VI - Investments		
Long Term Investments (at cost)		
Quoted		
10,000 Equity Shares of Rs.10/- each fully paid of Medicamen Biotec Ltd.*	100,000	100,000
Market Value Rs. 161,500 (Previous year Rs.143,000)		
	<u>100,000</u>	<u>100,000</u>

*Other than Trade Investments

1. There are no other investment & disposal during the year.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007		As at 31st March, 2006	
Schedule VII - Current Assets, Loans & Advances				
Inventories				
i) Raw & Packing Materials (Including lying with third party Rs.32,510,223 (Previous Year Rs.27,215,359))	1,261,054,513		884,368,814	
ii) Finished Goods (Including goods in transit & lying with third party Rs.13,108 (Previous Year Rs.45,360))	716,281,654		866,099,350	
iii) Work in Progress (Including lying with third party Rs.428,316 (Previous Year Rs.440,990))	50,067,266		23,733,396	
iv) Stores & Spare Parts	<u>64,521,818</u>	2,091,925,251	<u>42,925,374</u>	1,817,126,934
Sundry Debtors (Unsecured, Considered good, unless otherwise stated)				
Over six months (including Rs.4,481,368 considered doubtful of recovery (Previous year Rs.5,197,458))	11,294,993		7,282,131	
Less : provision for Bad & Doubtful Debts	<u>4,481,368</u>		<u>5,201,142</u>	
	6,813,625		2,080,989	
Others Debts	<u>909,397,830</u>	916,211,455	<u>764,740,901</u>	766,821,890
Cash and Bank Balances				
i) Cash balance on hand	11,024,014		1,315,525	
ii) Balance with Scheduled Banks				
a) On Cash Credit Accounts	21,586,865		1,852,258	
b) On Current Accounts	56,510,397		50,523,368	
c) On Unpaid Dividend Accounts	1,511,917		1,226,510	
d) On Fixed Deposits (refer note no 3(iii) of Schedule XIX C)*	637,057,378		4,196,580,450	
e) On Exchange Earner Foreign Currency Current Accounts	922,604,803		197,471,489	
f) Cheques in hand	6,437,455		-	
g) Societe Generale Yugoslav bank (Maximum amount outstanding at any time during the year nil (previous year Rs. 1,938,551))	-		320	
	<u>1,656,732,829</u>		<u>4,448,969,920</u>	
* Fixed Deposits amounting to Rs.1,961,982 (previous year Rs.2,866,785) are pledged with Banks and various Government Authorities.				
Other Current Assets				
Export Benefits Receivable	12,068,109		6,893,580	
Interest accrued but not due on Fixed Deposit	<u>13,918,738</u>		<u>27,592,306</u>	
		25,986,847		34,485,886
Loans and Advances (Unsecured, Considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received (Including Rs. 109,315,286 (previous Year Rs. 106,294,219) considered doubtful))	294,388,263		210,353,230	
Due from Panheber Biotec Private Ltd.** (including Rs. 54,248,482 (Previous Year Rs. 52,737,948) Considered doubtful))	54,248,482		52,737,948	
Balance with Excise, Custom etc.	33,657,552		22,223,551	
Staff Loans & Advances (including Rs.4,633,083 (previous year Rs.2,667,468) considered doubtful))	<u>14,029,735</u>		<u>13,801,805</u>	
Less : Provision for Bad & Doubtful Advances	396,324,032		299,116,534	
	<u>113,948,369</u>		<u>108,961,687</u>	
	282,375,663		190,154,847	
Security Deposits	41,622,288		19,352,671	
Advance Income Tax	<u>1,113,602,363</u>	1,437,600,314	<u>456,639,189</u>	666,146,707
	<u>6,128,456,696</u>		<u>7,733,551,337</u>	

**Company's director is a director in Panheber Biotec Private Limited (a Joint Venture Company).



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule VIII - Current Liabilities & Provisions		
A. Liabilities		
i) Acceptances	539,474,944	569,671,326
ii) Sundry Creditors		
a) Small Scale Industries	2,663,162	870,859
b) Other Creditors	709,060,282	309,050,808
iv) Advances from Customers	4,101,703	815,707
v) Deposits from C & F Agents	13,460,000	17,560,000
vi) Unpaid Dividend on Equity Shares*	1,496,568	1,208,368
vii) Other Liabilities	149,834,350	112,955,157
viii) Book Overdraft	-	4,270,963
ix) Interest accrued but not due on loans	222,371	13,661,632
	<u>1,420,313,380</u>	<u>1,030,064,820</u>
*This amount does not include the amount due/outstanding to be credited to Investor Education & Protection Fund, same shall be credited as and when due.		
B. Provisions		
i) Provision for Wealth Tax	878,527	650,000
ii) Provision for Income Tax	841,320,154	376,352,904
iii) Provision for Fringe Benefit Tax	47,000,000	25,000,000
iv) Proposed Dividend on Equity Shares (not liable to TDS)	65,706,192	57,076,600
v) Provision for Dividend Distribution Tax	11,166,767	13,712,566
vi) Provision for Gratuity	32,320,617	22,309,452
vii) Provision for Leave Encashment	31,085,511	13,898,663
	<u>1,029,477,768</u>	<u>509,000,185</u>
	<u>2,449,791,148</u>	<u>1,539,065,005</u>
Schedule IX - Miscellaneous Expenditure (To the extent not written off or adjusted)		
i) Product Registration Expenses		
As per last Balance Sheet	936,877	4,077,893
Less : Written off during the Year	<u>936,877</u>	<u>3,141,016</u>
	-	936,877
ii) License Fees		
As per last Balance Sheet	8,699,119	10,381,519
Less : Written off during the Year	<u>1,682,400</u>	<u>1,682,400</u>
	7,016,719	8,699,119
iii) Preliminary Expenses		
As per last Balance Sheet	8,940	11,920
Less : Written off during the year	<u>2,980</u>	<u>2,980</u>
	5,960	8,940
iii) Share issue Expenses		
As per last Balance Sheet	-	-
Add : additions during the year	-	315,696
Less : Written off during the year	<u>-</u>	<u>315,696</u>
	<u>7,022,679</u>	<u>9,644,936</u>
Amount in Rs.		
	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Schedule X - Turnover		
Sales	8,498,192,636	5,527,375,115
Services (R&D Income)	7,772,986	7,819,315
	<u>8,505,965,622</u>	<u>5,535,194,430</u>



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Schedule XI - Other Income		
Interest Received -		
- from Banks (Tax at source deducted Rs 4,901,805 (Previous Year Rs.3,353,749))	152,360,622	42,357,726
- from Others (Tax at source deducted Rs. 52,212 (Previous Year Rs.45,166))	591,552	534,798
Export Incentives	31,138,642	6,921,000
Miscellaneous Balances/Provisions written back	2,335,163	4,227,255
Sale of Scrap	409,250	218,658
Lease Rent	42,000	42,000
Profit on Sale of Fixed Assets {Net of loss Nil (Previous year Rs.642,419)}	-	1,917,812
Exchange Fluctuation Gain {Net of loss Rs.50,032,241 (Previous year Rs.56,727,880)}	112,429,681	7,077,391
Miscellaneous Income	5,617,578	8,829,806
	<u>304,924,488</u>	<u>72,126,446</u>
Schedule XII - Manufacturing & Administrative Expenses		
Raw Materials & Packing Materials Consumed		
Opening Stock	884,368,814	982,433,568
Add : Material purchased during the Year	4,014,794,730	2,558,895,173
Add : Cost of raw material produced	680,227	-
	<u>4,899,843,771</u>	<u>3,541,328,741</u>
Less : Closing Stock	<u>1,261,054,515</u>	<u>884,368,814</u>
	3,638,789,256	2,656,959,927
Less: Material consumed for Research & Development	8,741,224	20,616,831
	3,630,048,032	2,636,343,096
Processing Charges	20,500,709	20,516,004
Analytical Testing & Trial Charges	9,012,805	5,672,862
Ancillary Expenses	103,381,865	7,772,560
Stores & Spare Parts consumed (indigenous only) (Refer note no.4 of Schedule XIX B)	41,990,280	10,427,822
Power & Fuel (Refer note no.4 of Schedule XIX B)	3,508,591	64,030,981
Repair & Maintenance (Refer note no.4 of Schedule XIX B)		
Building	13,485,282	9,708,800
Plant & Machinery	16,391,728	16,719,772
Others	28,121,966	14,643,958
	57,998,976	41,072,530
(Increase) / decrease in excise duty provision	2,084,779	8,137,351
Rent (Refer note no.4 of Schedule XIX B)	54,524,742	24,833,987
Royalty	551,006	
Directors' Sitting Fees	427,705	360,000
Printing & Stationery	32,397,666	12,814,760
Postage & Communication Expenses	36,700,731	34,565,335
Insurance	46,074,797	22,971,341
Travelling & Conveyance expenses (Refer note no.4 of Schedule XIX B)	96,611,291	60,336,016
Books & Periodicals	4,429,105	535,653
Legal & Professional charges (Refer note no.4 of Schedule XIX B)	40,829,726	39,737,396
Vehicle Running & Maintenance	13,500,194	10,591,934
Auditors' Remuneration: (refer note no.5 of Schedule XIX B)		
As Auditors	2,925,045	2,950,074
Certification etc.	64,182	12,500
Out of Pocket Expenses	193,000	107,600
	3,182,227	3,070,174
Rates & Taxes (Refer note no.4 of Schedule XIX B)	5,766,001	7,850,389
Donation	3,626,300	1,930,353
Subscription	15,348,820	7,023,966
Staff Training & Recruitment	19,956,537	13,696,669
Miscellaneous expenses (Refer note no.4 of Schedule XIX B)	37,412,380	31,696,796
Bad Debts & Advances written off	-	18,204,124
Provision for doubtful debts & doubtful advances	6,128,601	110,673,354
Loss on Sale of Fixed assets {Net of profit of Rs.348,962 (Previous year Nil)}	1,122,636	-
	<u>4,287,116,502</u>	<u>3,194,865,453</u>



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
Schedule XIII - (Increase)/decrease In Stocks				
Closing Stock :				
Finished Goods	716,281,654		866,099,350	
Work in Progress	<u>50,067,266</u>	766,348,920	<u>23,733,396</u>	889,832,746
Less Opening Stock :				
Finished Goods	866,099,350		895,439,515	
Work in Progress	<u>23,733,396</u>	889,832,746	<u>7,349,036</u>	902,788,551
		<u>123,483,826</u>		<u>12,955,805</u>
Schedule XIV - Personnel Expenses				
Salary, Wages and Bonus		766,425,886		406,555,243
Contribution to Provident and other Funds		20,837,902		16,305,446
Workmen Staff Welfare Expenses		33,058,858		24,034,156
Gratuity		14,021,205		12,983,071
		<u>834,343,851</u>		<u>459,877,916</u>
Schedule XV - Selling & Distribution Expenses				
Advertising & Sales Promotion		170,372,193		154,378,465
Meetings & Conferences		58,999,792		27,026,513
Freight & Cartage		54,899,753		38,556,757
Commission on Sales (Other than Sole Selling Agents)		48,630,899		24,903,662
Rent for Cold Storage & Depots		9,495,265		6,285,893
		<u>342,397,902</u>		<u>251,151,290</u>
Schedule XVI - Research & Development Expenses				
Raw Material & Packing Material Consumed		8,741,224		20,616,831
Stores & Spare Parts Consumed (Indigenous only)		119,524,356		60,017,720
Processing Charges		-		20,499
Salary, Wages & Bonus		145,047,234		100,020,976
Contribution to Provident & other Funds		3,266,105		2,213,408
Analytical Testing & Trial Charges		15,028,277		15,660,932
Rent		6,747,044		5,552,340
Printing & Stationery		2,216,152		1,571,320
Postage & Communication		1,710,129		1,073,891
Travelling Expense		12,710,381		6,868,695
Books & Periodicals		8,053,274		384,037
Legal & Professional Expenses		8,406,053		3,632,054
Vehicle Running & Maintenance		1,402,648		771,772
Repair & Maintenance :				
- Buildings	4,800,910		2,435,122	
- Plant & Machinery	7,271,500		5,582,951	
- Others	<u>5,347,244</u>	17,419,654	<u>1,996,410</u>	10,014,483
Rates, Fees & Taxes		157,865		11,386
Subscription		4,678,402		4,969,061
Electricity & Water Charges		31,710,840		396,793
Meeting & Conferences		3,668,124		2,217,685
Staff Training & Recruitment		1,205,828		498,109
Bank Charges		213,047		389,949
Depreciation		109,900,997		43,037,486
Sundry Expenses		3,203,965		986,719
		<u>505,011,599</u>		<u>280,926,146</u>



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
Schedule XVII - Interest & Finance Charges				
Interest on:				
a) Debentures/Bonds	44,544,407		13,108,594	
b) Fixed Loans (Including nil (Previous Year Rs.370,377) paid to Managing/Joint Managing Directors))	16,679,093		28,797,568	
c) Others (Including interest on working capital loans)	<u>90,920,248</u>	152,143,748	<u>76,151,232</u>	118,057,394
Bank Charges		<u>18,336,320</u>		<u>15,277,576</u>
		<u>170,480,068</u>		<u>133,334,970</u>
Schedule XVIII - Earning Per Share				
Calculation of Profit for Basic EPS				
Net profit before Tax	2,118,557,232		986,842,453	
Less: Adjustment for Tax Expense (including Wealth Tax)	642,108,097		394,375,698	
Less: Dividend on Redeemable Preference Shares and tax thereon	23,208,744		46,403,284	
Net profit for calculation of Basic EPS	<u>1,453,240,391</u>		<u>546,063,471</u>	
Weighted average number of equity shares in calculating basic EPS	60,949,765		57,076,600	
Calculation of Profit for Diluted EPS				
Net profit for calculation of basic EPS	1,453,240,391		546,063,471	
Add: Interest accrued on FCCBs during the year	-		13,108,594	
Less: Tax relating to Interest Expense on FCCBs	-		4,412,353	
Adjusted Net Profit for calculating Diluted EPS	<u>1,453,240,391</u>		<u>554,759,712</u>	
No. of Weighted Equity Shares resulting from conversion of Foreign Currency Convertible Bonds				
- US\$ 50 Million 4.5% Convertible Bonds at floor price Rs. 264.74		-	1,119,144	
- US\$ 50 Million Zero Coupon Convertible Bonds at conversion price Rs. 357.57 (previous year at floor price of Rs.270.10)	5,554,996		1,096,935	
Add: Weighted average number of Equity Shares in calculating basic EPS	60,949,765		57,076,600	
Weighted average number of Equity Shares in calculating diluted EPS	<u>66,504,761</u>		<u>59,292,679</u>	
Basic Earnings per Share	23.84		9.57	
Diluted Earnings per Share	21.85		9.36	



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Schedule XIX - Significant Accounting Policies and Notes on Accounts (Consolidated Financial Statements)

A. Significant Accounting Policies

1. i) Basis of Preparation

The Consolidated Financial Statements relate to Panacea Biotec Limited (Parent Company), its Subsidiary Companies and Joint Ventures (hereinafter referred as the "Group").

The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards and other applicable relevant statutes. The Group follows the mercantile system of accounting and recognize income and expenditure on accrual basis.

ii) Principles of Consolidation

The Consolidated Financial Statements have been prepared on the following basis:

- The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard – 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India. Interest in assets, liabilities, income and expenses of the Joint Ventures have been consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses have been eliminated to the extent of Company's proportionate shares as per Accounting Standard – 27, Financial reporting of interests in Joint Ventures, issued by The Institute of Chartered Accountants of India.
- The financial statements of the Subsidiary Companies and Joint Ventures used in the consolidation are drawn for the same period as that of the Parent Company i.e. year ended March 31, 2007 except that the financial statements of Joint Venture Cambridge Biostability Ltd. are for the year ended 31st December, 2006. Adjustments have been made for the effects of significant transactions or other events that occurred between 1st January, 2007 and 31st March, 2007.

- List of Domestic Subsidiaries & Joint Venture considered for Consolidation:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	Extent of Holding/ Voting Power (%) as on March 31, 2007
1.	Best On Health Limited	Subsidiary	India	100
2.	Radicura & Co. Limited	Subsidiary	India	100
3.	Panheber Biotec Private Limited	Joint Venture	India	50
4.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50
5.	Cambridge Biostability Limited	Joint Venture	England	10

- Goodwill represents the difference between the Parent Company's share in the net worth of the Subsidiary Company and the cost of acquisition at the time of making the investment in the Subsidiary Company. For this purpose, the Parent Company's share of net worth of the Subsidiary Company is determined on the basis of the latest financial statements of the Subsidiary Company prior to acquisition, after making the necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.
- The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Parent Company's separate financial statements.

2. Uses of Estimates

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialized.

3. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods: Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and sales tax but includes excise duty.

Interest: Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Research & Development: Income from Research & Development Services is accounted for as per the stage of completion.

Dividends: Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Export Benefits: Export entitlements under Duty Exemption Pass Book Schemes and Advance Licenses are recognized in the Profit & Loss Account when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

4. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

5. EXPENDITURE DURING CONSTRUCTION PERIOD

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

6. Intangibles

Patents and Trademarks: Costs relating to patents and trademarks, which are acquired, are capitalized.

Research and Development Costs: Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Technical Know how: Technical Know how is being capitalized on successful transfer of technology when its future recoverability can reasonably be regarded as assured.

Software and Website: Software is stated at cost of acquisition and includes all attributable costs of bringing the software to its working condition for its intended use.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

7. Depreciation

a) Depreciation on fixed assets is provided on written down value method as per the rates based on the estimated useful life or as per rates prescribed in Schedule XIV to the Companies Act, 1956 whichever is higher. Depreciation is provided on the following rates:

Tangibles Assets	WDV %
Building – Factory	10.00
Building – Office Premises	5.00
Plant & Machinery	13.91
Furniture & Fittings	18.10
Vehicles	25.89
Office Equipments	13.91
Computer Equipments	40.00

b) Depreciation on intangibles is provided on the basis of the estimated useful lives as follows:-

Software	-	Depreciated on Straight Line basis over a period of 5 years.
Websites	-	Depreciated on Straight Line basis over a period of 2 years.
Patents and Trade Mark	-	Depreciated on Straight Line basis over a period of 7 years.
Product Development	-	Depreciated on Straight Line basis over a period of 5 years.

c) Leasehold Improvements are amortized over the initial period of lease or useful life, whichever is shorter.

8. Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to qualifying assets, are recognized as an expense in the period in which they are incurred.

9. Leases

Where the Company is the Lessee: Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Where the Company is the Lessor: Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

10. Deferred Revenue Expenditure

- a) Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition was categorized as Miscellaneous Expenditure. Such deferred revenue expenditure are amortized over a period of five years beginning from the year of product registration. Expenditure of the similar nature incurred during the year is charged off to revenue.
- b) Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter. Expenditure of the similar nature incurred during the year are charged off to revenue.

11. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution, if any, in value is made to recognize a decline other than temporary in the value of the investments.

12. Inventories

Finished Goods, work in Progress, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spares are stated at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

'Cost' of Raw Materials and Packing materials is arrived at by using 'Moving Average Price' method and cost of Stores & Spares is arrived at by using 'First – in –first –out' method.

Cost of Work in Progress and Finished Goods is determined by considering direct material cost and appropriate portion of factory overheads. Cost of traded goods is arrived at by using 'First-in-first out' method. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

13. Retirement and Other Benefits

- a) Retirement benefits in the form of Provident Fund and Pension Schemes is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.
- b) The contribution to Gratuity Fund, which is a defined benefit plan, is expensed on the basis of funding claims of the fund manager, Life Insurance Corporation of India. At the end of the accounting year, actuarial valuation is done by an Independent Actuary and any shortfall in the fund balance is further provided for.
- c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation.
Leave encashment payable /adjustable during the year is provided on the basis of last salary drawn by employees.
- d) Actuarial gains/losses are adjusted in Profit and Loss Account and are not deferred.

14. Foreign Currency Transaction

Initial Recognition: Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion: Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences: Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences arising on a monetary item that, in substance, form part of company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets from outside India, in which case they are adjusted to the carrying value of such fixed assets.

Forward Exchange Contracts not intended for trading or speculation purposes: The premium or discount arising at the inception of forward exchange contracts is amortized as an expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss Account in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

15. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Deferred income tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognised deferred tax assets, if any. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

16. Earnings Per Share

Basic Earnings per Share are calculated by dividing the net profit or loss for the period attributable to Equity Shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of Equity Shares outstanding during the period. Partly paid Equity Shares are treated as a fraction of an Equity Share to the extent that they were entitled to participate in dividends relative to a fully paid Equity Share during the reporting period. The weighted average numbers of Equity Shares outstanding during the period are adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted Earnings per Share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

17. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

18. Security Issue Expenses

Expenses incurred on issue of securities are charged to Securities Premium Account.

19. Segment Reporting Policies

(a) Identification of Segments:

Primary Segment

Business Segment: The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are Vaccines, Formulations and Research & Development activities.

Secondary Segment

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

(b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

(c) Unallocated Items: Corporate income and expenses are considered as a part of unallocable income & expense, which are not identifiable to any business segment.

20. Derivative Instruments

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note 14.

21. Cash & cash equivalent

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. Notes To Accounts (All amounts are in Rs. unless otherwise stated)

1. Contingent Liabilities (to the extent not provided for)

Particulars	Current Year	Previous Year
Disputed demands/ show-cause notices under:-		
a) Sales Tax Cases	1,002,327	8,94,105
b) Income Tax Cases	2,353,023	39,689,887
c) Customs Cases	3,999,923	3,999,923
d) Excise Cases	6,596,620	6,618,130
Total	13,951,893	51,202,045
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	3,907,169	3,664,791
Other claims against the Company not acknowledged as debts	2,006,538	64,000
Premium on Redemption of 'US\$ 50 Million Zero Coupon Convertible Bonds due 2011' (Refer note 3(iv) below)	159,623,752	21,119,401

Notes:

- Sales tax liability of Rs.1,002,327 is on account of non-receipt of C forms from customers for interstate sales. No provision is required for the same as the management is hopeful of receiving the forms before the due date of filing of Sales Tax Return.
 - In respect of Income Tax Demand, Rs. 1,244,155 pertains to Assessment Year 2003-04 for disallowance u/s 80JJA and Rs. 1,108,868 pertains to Assessment Year 2004-05 for disallowance of Product Registration and Loss on winding up of subsidiary. The company has filed an appeal with ITAT against demand of Rs. 1,244,155 and to Deputy Commissioner of Income Tax against demand of Rs.1,108,868. No Provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.
 - In respect of Customs demand of Rs.3,999,923 towards customs duty on certain items imported as exempted by the Company, the Company has deposited the entire amount under protest. The matter is pending before the Honorable Supreme Court. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.
 - In respect of Central Excise demand of Rs. 6,596,620 towards excise duty on common inputs used in manufacture of exempted and taxable products, the Company has deposited the entire amount under protest. The matter is pending before Excise Tribunal. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.
2. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided in the books are as follows:-

S.No.	Particulars	Current Year	Previous Year
1.	Tangibles Assets	97,312,209	667,740,222
2.	Intangible Assets	24,913,665	201,801,255
	Total	122,225,874	869,541,477

3. Foreign Currency Convertible Bonds

- During the year, conversion price of 'US\$ 50 Million 4.5% Convertible Bonds due 2011' and 'US\$ 50 Million Zero Coupon Convertible Bonds due 2011' was fixed at Rs. 276.30 & Rs. 357.57 per Share respectively. These rates are used to determine dilutive Equity Shares against outstanding bonds.
- During the year, the following Foreign Currency Convertible Bonds were converted into Equity Shares of Re.1 each fully paid up.

S.No.	Particulars	Amount in US \$	Conversion Price per Equity Share	No. of Equity Shares
1.	'US \$ 50 Million 4.5% Convertible Bonds due 2011'	50,000,000	276.30	7,987,684
2.	'US \$ 50 Million Zero Coupon Convertible Bonds due 2011'	5,000,000	357.57	617,220

The above Equity Shares were converted at a pre-determined Exchange Rate of Rs. 44.14 equivalent per US\$. Consequent to conversion an amount of Rs. 2,419,095,096 was credited to Securities Premium Account.

- Out of the proceeds of the bond issue, Rs. 173,840,000 is lying in Fixed Deposits as at March 31, 2007 in foreign currency with State Bank of India, London.
- Redemption of outstanding amount of US\$ 45,000,000 out of US\$ 50 Million Zero Coupon Convertible Bonds due 2011' February 14, 2011. Unless these Bonds have been previously converted, redeemed, repurchased and cancelled, Company will redeem these Bonds at a Price equal to 142.80% of the outstanding principal amount on the maturity date (including premium amounting to Rs. 837,232,200). Since the redemption of bonds is contingent upon its non-conversion into Equity Shares, the Company has not provided for the proportionate premium on redemption for the period upto 31st March 2007 amounting to Rs. 159,623,752. In the opinion of the management, since the likelihood of redemption cannot presently be ascertained, therefore no provision for any liability that may result has been made in the financial statements. The bonds are considered monetary liability. The bonds are redeemable only if there is no conversion of the bonds earlier. Hence the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. The same has been disclosed as a contingent liability.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

- v) Subsequent to March 31, 2007, bonds aggregating to USD 200,000 out of 'US \$ 50 million zero coupon convertible bonds due 2011' have also been converted into Equity Shares at Rs.357.57 per share. Company has issued 24,688 Equity Shares of Re.1 each at a premium of Rs.356.57 per share. Consequent to conversion, an amount Rs. 8,803,000 has been credited to Securities Premium Account.
- vi) Following are the details of utilization of Foreign Currency Convertible Bonds:

Particulars	Amount
Capital Expenditure	1,495,701,997
Investment in Cambridge Biostability Limited	168,068,998
Used for Loan Payment and General Corporate Purpose	2,497,692,325
Issue Expenses	136,171,900
Total	4,297,635,220

The objective of raising of above funds was for (i) setting up new manufacturing facilities and/or upgrading existing facilities for the manufacture of vaccines, formulations and biopharmaceuticals; (ii) setting up R&D centers; (iii) making acquisitions; (iv) incurring other capital expenditures; v) repayment of debt; and (vi) any other use as may be permitted under applicable laws and regulations, from time to time. However it is not possible for to bifurcate the total amount raised in specific areas.

- vii) The Company has made a provision for dividend in the books of account after considering the application for conversions received as at the date of the Board Meeting held for approval of Annual Financial Statement. The Company is obliged to pay dividend to those bond holders who convert their bonds into Equity Shares after approval by the Board of the financial statements and upto the book closure date for dividend purposes. Incremental dividend and dividend distribution tax thereon if any, will be paid out of the balance available in the Profit & Loss Account.

4. Details of pre-operative expenses (included in Capital Work in Progress) relating to Fixed Assets are as follows:

Particulars	As at April 1, 2006	Additions during the year	Capitalised during the year	As at March 31, 2007
Legal & Professional	4,057,284 (1,130,611)	2,971,444 (2,926,673)	4,086,945 (-)	2,941,783 (4,057,284)
Store & Spares consumed	14,125,890 (-)	5,966,173 (14,125,890)	17,766,494 (-)	2,325,569 (14,125,890)
Power & Fuel	6,339,561 (830,504)	5,250,142 (5,509,057)	7,370,514 (-)	4,219,189 (6,339,561)
Rates & Taxes	1,130,799 (809,549)	285,008 (321,250)	1,130,799 (-)	285,008 (1,130,799)
Repair & Maintenance - - Plant & Machinery	3,093,352 (1,465,007)	169,087 (1,628,345)	3,142,184 (-)	120,255 (3,093,352)
- Others	2,609,828 (979,462)	1,127,408 (1,630,366)	3,579,969 (-)	157,267 (2,609,828)
Salary & Wages	4,942,900 (392,751)	2,335,791 (4,550,149)	4,942,900 (-)	2,335,791 (4,942,900)
Office Expenses	2,126,629 (-)	106,000 (2,126,629)	2,232,629 (-)	- (2,126,629)
Travel & Conveyance Expenses	1,480,292 (-)	1,140,728 (1,480,292)	1,617,303 (-)	1,003,717 (1,480,292)
Rent	599,000 (-)	- (599,000)	599,000 (-)	- (599,000)
Miscellaneous Expenses	3,502,095 (-)	3,147,441 (3,502,095)	6,302,226 (-)	347,310 (3,502,095)
Total	44,007,630 (5,607,884)	22,499,222 (38,399,745)	52,770,963 (-)	13,735,889 (44,007,629)

Note: Figures in brackets represent previous year figures (2005-06)



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

5. Auditor's Remuneration:

Particulars	Year ended March 31, 2007			Year ended March 31, 2006		
	Parent Company	Subsidiaries	Joint Ventures	Parent Company	Subsidiaries	Joint Venture
Statutory Auditors						
- Statutory Audit	2,000,000	29,182	338,333	2,000,000	29,182	321,287
- Quarterly Limited Reviews	900,000	-	-	900,000	-	-
- Certificates	35,000	-	-	12,500	-	-
- Other Advisory	-	-	-	2,400,000*	-	8,265
- Out of Pocket Expenses	193,000	-	6,735	107,600	-	-
	3,128,000	29,182	345,068	5,420,100	29,182	329,552
Tax Auditor	125,000	-	56,120	50,000	-	-
Cost Auditor	30,247	-	-	20,000	-	-

* Paid for Limited review and other agreed upon procedures with regard to Foreign Currency Convertible Bond issue and adjusted from Securities Premium Account.

6. Deferred Tax Liabilities (Net):

The breakup of deferred tax liability is as follows:-

	Current Year	Previous Year
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per tax books and financial books	321,425,138	171,884,449
Capital expenditure on Research & Development	51,347,224	88,708,475
Others	47,244,308	35,953,745
Profit for eligible unit u/s 80IC	46,357,808	-
Gross Deferred Tax Liabilities	466,374,478	296,546,669
Deferred Tax Assets		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	42,204,980	18,015,557
Provision for Central Sales Tax Liability	41,373,277	31,825,598
Gross Deferred Tax Assets	83,578,257	49,841,155
Net Deferred Tax Liability	382,796,221	246,705,514

7. Related Party Disclosures

A. List of Related Parties

(a) Key Management Personnel

Mr. Soshil Kumar Jain	-	Chairman and Whole Time Director
Mr. Ravinder Jain	-	Managing Director
Mr. Rajesh Jain	-	Joint Managing Director
Mr. Sandeep Jain	-	Joint Managing Director
Mr. Sumit Jain	-	Whole Time Director
Mr. Ashwani Jain	-	Whole Time Director (upto 29th Sept'06)
Mr. Sunil Anand	-	Whole Time Director (upto 16th June'06)

(b) List of Persons having controlling interest together with their relatives/associates*

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
Soshil Kumar Jain	-	-	Nirmala Jain	-	-	Ravinder Jain, Rajesh Jain, Sandeep Jain	-	Soshil Kumar Jain (HUF)
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	-	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain (HUF)
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	-	Ankesh Jain, Harshet Jain, Taric Jain	-	Rajesh Jain (HUF)
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	-	Tanish Jain	Priyanka Jain	Sandeep Jain (HUF)
Sumit Jain	Ravinder Jain	Sunanda Jain	-	Nipun Jain	Radhika Jain	-	-	-
Ashwani Jain	-	Laxmi Jain	-	-	-	-	-	-

* Relatives/associates holding Equity Shares in the Company have been disclosed



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

- (c) Relatives of Key Management personal having transactions with the Company
 Mr. Shagun Jain, Son -in-law of Mr. Ravinder Jain
 Mrs. Shilpy Jain, Wife of Mr. Sumit Jain
 Mr. Karan Anand, Son of Mr. Sunil Anand (upto 16th June, 2006)
 Mr. Ashwani Jain, son-in-law of Mr. Soshil Kumar Jain.
- (d) Enterprises over which person having controlling interest in company / Key management personnel along with their relatives are able to exercise significant influence
 i) Neophar Alipro Limited, ii) All India S. L. Jain Charitable Foundation, iii) First Lucre Partnership Co.
 iv) Second Lucre Partnership Co., v) Radhika Associates, vi) Sumit Nipun & Co., vii) Rattan Sons, viii) Tahir & Co.

B. Details of Transactions with the Related Parties

Particulars	Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
Remuneration	226,217,925 (24,951,002)	1,357,750 (279,487)	227,575,675 (25,230,489)
Interest Paid on Deposits / Loans	31,226 (717,286)	10,190,097 (13,392,605)	10,221,323 (14,109,891)
Dividend Paid - Equity Shares	19,503,700 (29,520,300)	24,175,900 (36,599,100)	43,679,600 (66,119,400)
Outstanding fixed deposits/Loans	- (3,390,000)	168,390,000 (135,000,000)	168,390,000 (138,390,000)

Notes:

- Figures in brackets represent previous year figures
- In respect of personal guarantee given by Promoters-Directors refer Note no.3 of Schedule III.
- The material related party transactions with an individual party are as follows:

Material related party transactions (More than 10% of aggregate) with individual parties:

	Unsecured Loans/ Fixed Deposit		Interest		Managerial Remuneration		Equity Dividend	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Key Management personnel								
Mr. Soshil Kumar Jain	-	-	-	108,796	53,589,389	7,314,539	5,000,000	7,500,000
Mr. Ravinder Jain	-	-	-	109,470	65,667,096	7,258,539	4,646,200	6,969,300
Mr. Rajesh Jain	-	-	-	138,598	52,389,389	3,714,539	4,706,900	7,060,350
Mr. Sandeep Jain	-	-	-	122,309	52,389,389	3,714,539	4,792,100	7,188,150
Relatives and Associates of Key Management Personnel								
First Lucre Partnership Co.	150,000,000	120,000,000	8,917,676	12,113,424	-	-	-	-
All India S.L. Jain Charitable Foundation	15,000,000	15,000,000	1,049,281	931,336	-	-	-	-

8. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date

Sell Nil

Buy Nil

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount as at 31st March'07 (in Foreign Currency)	Currency	Closing Exchange Rate	Amount as at 31st Mar'07 (INR)	Amount as at 31st March'06 (in Foreign Currency)	Currency	Closing Exchange Rate	Amount as at 31st Mar'06 (INR)
Import Creditors	12,439,147 385,000	USD Euro	43.47 57.88	540,729,719 22,283,800	13,963,380 28,554 19,527	USD Euro CHF	44.625 54.00 34.42	623,115,822 1,541,916 672,119
Export Debtors	15,820,691 1,396,643	USD Euro	43.46 57.85	687,567,236 80,795,800	14,057,655 1,321,238	USD Euro	44.62 53.98	627,252,579 71,320,422
Foreign Currency Loans	Nil	Nil	Nil	Nil	1,899,393	USD	44.625	84,760,413
Balance with Banks	19,564,976 1,249,973	USD Euro	43.46 57.85	850,293,867 72,310,936	2,166,814 1,867,140	USD Euro	44.62 53.98	96,683,255 100,788,233
FCCBs	45,000,000	USD	43.47	1,956,150,000	100,000,000	USD	44.625	4,462,500,000
Foreign Currency Fixed Deposit	4,000,000	USD	43.46	173,840,000	93,415,000	USD	44.62	4,168,177,300
Investment in JV	1,935,615	GBP	85.12	168,068,998	-	-	-	-



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

9. Segmental Information

A. Information about Primary Segments

Particulars	Vaccines		Formulations		Research & Development		Total	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Revenue								
Turnover	6,732,615,290	4,122,381,143	1,680,512,434	1,288,814,616	10,415,107	7,819,315	8,423,542,830	5,419,015,074
Other Income	11,465,209	(39,281)	19,673,433	7,709,211	-	6,096,615	31,138,642	13,766,545
Total	6,744,080,499	4,122,341,862	1,700,185,867	1,296,523,827	10,415,107	13,915,930	8,454,681,472	5,432,781,619
Segment Result	2,856,531,963	1,583,957,087	284,903,220	221,824,851	(519,019,277)	(267,010,215)	2,622,415,906	1,538,771,723
Unallocated Corporate Expenses							(633,693,276)	(474,739,089)
Operating Profit							1,988,722,631	1,064,032,634
Interest & Finance charges							(142,959,428)	(133,334,970)
Prior Period items							-	2,272,632
Other Income							272,589,087	58,417,425
Income Taxes							(641,903,157)	(394,375,699)
Net Profit							1,476,449,134	592,466,758
Other Information								
Segment Assets	3,628,638,412	2,746,731,825	1,811,957,083	1,596,901,970	1,213,422,064	783,864,038	6,654,017,559	5,127,497,833
Unallocated Corporate Assets							3,670,347,559	4,977,939,105
Total Assets	3,628,638,412	2,746,731,825	1,811,957,083	1,596,901,970	1,213,422,064	783,864,038	10,324,365,117	10,105,436,938
Segment Liabilities	637,332,131	765,907,311	301,929,431	147,622,384	58,515,028	18,486,610	997,776,589	932,016,305
Unallocated Corporate Liabilities							3,964,430,019	6,716,508,729
Total Liabilities	637,332,131	765,907,311	301,929,431	147,622,384	58,515,028	18,486,610	4,962,206,607	7,648,525,034
Capital Expenditure – Additions	115,670,958	44,078,859	868,548,639	62,145,837	567,050,271	252,332,667		
Non-Cash Expenses								
Depreciation	80,883,480	72,969,351	116,277,355	39,493,295	110,642,068	43,037,486		

B Information about Secondary Segments

a) Revenue as per Geographical Markets

	Current Year	Previous Year
India (including deemed exports Rs. 5,065,786,035 Previous Year Rs. 3,693,854,246)	6,788,533,166	4,966,915,829
Outside India	1,635,009,664	452,099,245
Total	8,423,542,830	5,419,015,074

b) The Company has common fixed assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished.

10. Details of Company's share in Joint Ventures included in the Consolidated Financial Statements are as follows:

	As at March 31, 2007	As at March 31, 2006
Sources of Funds		
1. Shareholders' Funds		
a) Share Capital		
b) Reserves & Surplus	(11,134,148)	(43,795,135)
2. Loan Funds		
a) Secured Loans	605,140	788,570
b) Unsecured Loans	-	-
3. Deferred Tax Liability (Net)	-	-
Application of Funds		
1. Fixed Assets		
a) Gross Block	24,808,696	9,430,865
Less : Depreciation	10,023,468	3,344,372
Net Block	14,785,228	6,086,493
b) Capital Work-in-Progress	2,308,177	62,576
2. Investments	-	-
3. Current Assets, Loans & Advances		
A. Current Assets	113,904,988	52,302,917
B. Current Liabilities & Provisions	103,627,156	7,376,616
Net Current Assets (A)-(B)	10,277,832	44,926,301
4. Miscellaneous Expenditure	5,960	8,940



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	Year ended March 31, 2007	Year ended March 31, 2006
Income		
Turnover	213,833,914	105,560,502
Other Income	18,567,870	1,260,595
Total Income	232,401,784	106,821,097
Expenditure		
Manufacturing & Administrative Expenses	123,538,420	26,699,076
Personnel Expenses	38,823,379	30,188,170
Interest & Finance Expenses	365,444	130,342
Selling & Distribution Expenses	15,461,050	11,390,404
Total Expenditure	178,188,293	68,407,992

11. The Company has certain suppliers which come under the purview of "The Micro, Small and Medium Enterprises Development Act, 2006 which was promulgated in October 2006. The Company had not collected the information in the past to determine which of its suppliers may fall under this Act. The Company has initiated the process of identification of such suppliers. But in view of large number of suppliers and paucity of time after promulgation of law, Company does not have sufficient information to comply with the disclosure requirements prescribed under the said Act.
12. Personnel expenses include Commission on Profits to Chairman / Managing Director / Joint Managing Directors of the Company amounting to Rs.185,049,736 which is subject to shareholders' approval in the forthcoming Annual General Meeting.
13. The Company has incurred expenditure on Pre-Clinical Development studies amounting to Rs.91,557,518 during the year. This expenditure relates to studies carried out by Clinical Research Organization (CRO) towards obtaining registration of Company's products in US and / or Europe. The expenditure incurred has been capitalized and carried in Capital Work in Progress. Management believes that it is in the nature of development expenditure and meets the capitalization criteria set out in Accounting Standard 26 on Intangible Assets issued by the Institute of Chartered Accountants of India due to the following:
- the expenditure is not towards basic research and therefore no New Chemical Entity comes into being. Basic research is conducted by the Company in its own R&D centers, but, such developmental work is performed through external agencies (CRO). Safety profile of the basic molecule is well established in several countries in Europe and in India and the product is being marketed successfully in several countries under different brand names.
 - there is no experience to suggest that the studies conducted by CRO's on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in US and / or Europe.
- The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities in US and / or Europe.
14. In accordance with ASI 14 on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on turnover amounting to Rs.82,422,791 (Rs.116,179,356) has been reduced from turnover in profit & loss account and differential excise duty on opening and closing stock of finished goods amounting to Rs.2,084,779 (Rs.8,137,351) has been adjusted from Raw Materials, Finished Goods, Work in Progress and Job Processing charges in Schedule - XII.
15. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner
Membership No. 83906
Place : New Delhi
Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain
Chairman

I.K. Sharma
D.G.M. (Accounts & Finance)

Ravinder Jain
Managing Director

Vinod Goel
Company Secretary



CASH FLOW STATEMENT ANNEXED TO CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31ST MARCH, 2007

	Amount in Rs.	
	Current Year	Previous Year
A. Cash Flow from Operating Activities		
Net operating profit before tax & extraordinary items	2,118,557,232	986,842,453
Adjustments for:		
Extraordinary loss due to fire & flood/Prior Period Items	-	(115,103)
Net operating profit before tax	2,118,557,232	986,727,350
Depreciation	376,191,932	186,523,982
Interest Expenses	124,054,076	118,057,394
Provision for Doubtful Debts & Advances	6,128,601	110,673,354
Interest Income	(152,952,175)	(42,892,524)
(Profit)/Loss on sale of Fixed Assets	1,122,636	(1,917,812)
Intangibles written off	5,948,209	17,500,798
Unrealized Foreign Exchange (Gain)/Loss	(84,261,676)	(6,006,741)
Realised Foreign Exchange gain on conversion of FCCBs	(26,675,000)	-
Deferred Revenue Expenditure written off during the year	2,622,257	5,142,092
Operating profit before working capital changes	2,370,736,092	1,373,807,893
(Increase) / Decrease in Trade and Other Receivables	(285,745,979)	(118,040,076)
(Increase)/ Decrease in Inventories	(274,798,317)	116,410,474
Increase / (Decrease) in Trade Payables	435,512,594	428,986,237
Cash generated from operations	2,245,704,390	1,801,164,528
Net Direct Taxes paid	(675,784,787)	(202,259,676)
Net cash from operating activities	1,569,919,603	1,598,904,852
B. Cash flow from investing activities		
Purchase of Fixed Assets	(2,218,728,684)	(1,166,159,550)
Fixed Deposit matured	4,171,044,085	20,215,935
Fresh Fixed Deposit taken	(403,061,961)	(4,201,499,778)
Sale of Fixed Assets	8,293,787	7,611,668
Interest Received	166,625,743	42,892,524
Dividend Received	1,724,172,970	(5,296,939,201)
Net cash used in investing activities	3,294,092,573	(3,698,034,349)
Net cash from operating and investing activities		
C. Cash flow from financing activities		
Repayment of Preference Share Capital	(904,349,140)	-
Net increase in Working Capital Borrowings	(1,123,626,574)	(113,005,686)
Long Term Borrowings raised	32,890,000	3,497,000
Security Premium	12,433,966	-
Long Term Loan Raised	-	4,414,000,000
Long Term Borrowings repaid	(138,437,805)	(103,727,924)
Interest paid	(134,577,194)	(105,111,820)
Foreign Currency Convertible Bonds Issue Expenses	-	(144,232,150)
Dividend & Tax on Dividend paid	(93,997,910)	(138,318,101)
Net Cash from Financing activities	(2,349,664,657)	3,813,101,319
Net cash from operating, investing & financing activities	944,427,916	115,066,970
Net increase/ (decrease) in Cash & Cash equivalent	944,427,916	115,066,970
Opening balance of Cash & Cash equivalent	278,927,582	110,920,217
Unrealised foreign exchange gain/(loss) on Cash & Cash Equivalents	31,317,117	52,940,395
Closing balance of Cash & Cash equivalent	1,254,672,615	278,927,582
Note: Cash and cash equivalent included in the cash flow statement comprise of the following:		
i) Cash Balance on Hand	11,024,014	1,315,525
ii) Balance with Scheduled Banks:		
a) In Cash Credit Accounts	21,586,865	1,852,258
b) In Current Accounts	56,510,397	41,374,902
c) In Collection Accounts	-	9,148,466
d) In Unpaid Dividend Accounts	1,511,917	1,226,510
e) In Fixed Deposits	234,997,164	26,538,112
f) In Exchange Earner Foreign Currency Current Accounts	922,604,803	197,471,489
g) Cheques in Hand	6,437,455	-
iii) Balances with non-scheduled Banks		
a) Societe Generale Yugoslav Bank	-	320
	1,254,672,615	278,927,582

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants

per **Manoj Gupta**
Partner
Membership No. 83906
Place : New Delhi
Dated : June 14, 2007

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary



RADICURA & CO. LTD. DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Fourteenth Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31st March, 2007. The summarized financial results for the year ended 31st March 2007 are as under:

Financial Results:	(Amount in Rs.)	
	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Sales	-	-
Total Income	537,791	152,297
Depreciation	257,076	242,752
Profit/(Loss) before Tax	54,667	(188,588)
Deferred Income Tax	11,768	12,417
Profit after Tax	48,031	(176,171)
E.P.S.	0.24	(0.89)

Review of Operations

Your Company has earned an interest income of Rs.5.37 Lac during the year under review. The net profit for the year has been Rs.48,031 as against net loss of Rs.176,171 during the previous financial year. Your Directors are planning to reconstruct the business in the light of new business opportunities available in the health care industry.

Dividend

In view of insufficient profits during the year, your Directors do not recommend any dividend on the Share Capital of the Company.

Fixed Deposits

During the year under review, your Company has not invited or accepted any Deposits from public pursuant to Section 58A of the Companies Act, 1956.

Foreign Exchange Earnings and Outgo

During the year under review, there was neither inflow nor outflow of foreign exchange to/from the Company.

Information under Section 217(2A) and 217(1)(d) of the Companies Act, 1956

There are no employees of the category mentioned in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of report.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Companies Articles of Association, Mr. Indra Kumar Sharma, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Annexure to the Directors' Report - Compliance Certificate

CIN No.: U74899DL1993PLC056682 Nominal Capital: Rs. 50 Lacs
The Members of RADICURA & CO LTD, New Delhi

We have examined the registers, records, books and papers of RADICURA & CO. LTD. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under, the provisions contained in the Memorandum & Articles of Association of the Company for the financial year ended on 31st March, 2007. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year ended on 31st March, 2007:

1. The Company has kept and maintained registers as stated in "Annexure: A" to this Certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.

During the year, Ms. Meenu Parti and Mr. Indra Kumar Sharma were appointed as directors at the thirteenth Annual General Meeting of the Company held on 30th September, 2006.

Directors' Responsibility Statement

The Directors hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities; and
- that the directors had prepared the annual accounts on a going concern basis.

Conservation of Energy and Technology Absorption

The Company has no manufacturing unit, hence the requirement relating to Conservation of Energy and Technology Absorption are not applicable.

Auditors

M/s. Deepak Dubey & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Secretarial Compliance Certificate

As required pursuant to the proviso to Section 383A of the Companies Act, 1956, the Company had obtained Secretarial Compliance Certificate from M/s. R & D, Company Secretaries and the same is annexed herewith as Annexure to the Directors' Report.

Acknowledgements

The Board expresses its sincere gratitude to the Company's shareholder, bankers and Government Departments for their continued support.

For and on behalf of the Board

New Delhi
29th May, 2007

Indra Kumar Sharma
Director

Meenu Parti
Director

- The Company has duly filed the forms and returns as stated in "Annexure: B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder save as mentioned in the aforesaid "Annexure: B".
- The Company is a public limited company.
- The Board of Directors duly met 4 (Four) times on 17th May, 2006; 26th September, 2006; 15th November, 2006 and 14th March, 2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
- The Company did not close its Register of Members, as it was not required to do so. The Company did not have any debentures.
- The annual general meeting for the financial year ended on 31st March, 2006 was held on 30th September, 2006 after giving due



RADICURA & CO. LTD. ANNEXURE TO THE DIRECTORS' REPORT

- notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
 8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to in section 295 of the Act.
 9. The Company has not entered into any contract falling under section 297 of the Act.
 10. The Company has made necessary entries in the register(s) maintained under section 301 of the Act.
 11. There was no case falling under section 314 of the Act.
 12. The Company has not issued any duplicate share certificate.
 13.
 - a. The Company has delivered all the certificates on allotment of shares and on lodgments thereof for transfer etc. in accordance with the provisions of the Act.
 - b. The Company has not declared any dividend during the financial year.
 - c. Since the Company has not declared any dividend during the financial year, postage of dividend warrants, etc., was not applicable. The Company was not required to transfer any unclaimed/unpaid dividend to Unpaid Dividend Account with the Bank.
 - d. The Company was not required to transfer any amount on account of un-paid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained un-claimed or un-paid for a period of seven years to the Investor Education and Protection Fund.
 - e. The Company has duly complied with the requirements of section 217 of the Act.
 14. The Board of Directors of the Company is duly constituted. Ms. Meenu Parti and Mr. Indra Kumar Sharma were duly appointed as Director in the Annual General Meeting of the Company held on 30th September, 2006.
 15. The Company has not appointed any managing director, whole time director or manager during the financial year.
 16. The Company has not appointed any sole-selling agents during the financial year.
 17. The Company did not obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or other prescribed authorities under the various provisions of the Act during the financial year.
 18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
 19. The Company has not issued any shares during the financial year.
 20. The Company has not bought back any shares during the financial year.
 21. The Company has not redeemed any preference shares or debentures during the financial year.
 22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares, as there was no such offering from the Company during the financial year.
 23. The Company has not invited or accepted any public deposits including un-secured loans taken, falling under section 58A of the Act during the financial year.
 24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others was within the borrowing limits of the Company.
 25. The Company has complied with applicable provisions of the Act in making loans and investments or giving guarantees or providing securities to other bodies corporate and has made necessary entries in the register kept for the purpose.
 26. The Company has not altered the provisions of the Memorandum with respect to situation of the Registered Office of the Company from one State to another during the year under scrutiny.
 27. The Company has not altered the provisions of the Memorandum with respect to the Objects Clause of the Company during the year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
 29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
 30. The Company has not altered its Articles of Association during the year under review.
 31. There was no prosecution initiated against or show cause notice received by the Company for alleged offenses under the Act. Similarly, no fines, penalties or punishment was imposed on the Company under the Act during the financial year.
 32. The Company has not received any amount as security from its employees in terms of section 417(1) of the Act.
 33. Since the Company has not constituted any provident fund under section 418 of the Act, provisions of section 418 are not applicable.

For R&D Company Secretaries

Praveen K Bharti

ACS

ACS: 17671; CP: 7048

Date: 29th May, 2007

Place: New Delhi

Annexure: A

Registers maintained by the Company

S.No.	Particulars	Relevant Section
1	Register of Members	150
2	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
3	Register of Directors' Share holding	307
4	Register(s) of contracts, companies and firms in which Directors are interested	301
5	Register of Share Transfer	
6	Register of investments or loan made, guarantee given or security provided	372A

Annexure: B

A. Forms & Returns filed with the Registrar of Companies, New Delhi

S.No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Annual Accounts u/s 220 for the year ended 31.03.2006	29.10.2006	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31.3.2006	29.10.2006	Yes	No
3.	Annual Return u/s 159 made up to 30th September, 2006 being the date of AGM	23.11.2006	Yes	No
4.	Form 32 for resignation of Mr. Gurmeet Singh from directorship and for the appointment of Mr. Indra Kumar Sharma as the director	13.04.2006	Yes	No
5.	DIN 3 for Ms. Meenu Parti, Mr. Sumit Jain and Mr. Indra Kumar Sharma	28.11.2006	Yes	No
6.	Form 32 for the cessation of Mr. Indra Kumar Sharma from the directorship	01.02.2007	No	Yes
7.	Form 32 for the appointment of Ms. Meenu Parti and Mr. Indra Kumar Sharma as directors	05.02.2007	No	Yes
8.	Form 18 u/s 146 for the shifting of registered office	15.03.2007	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities: Nil



RADICURA & CO. LTD. AUDITORS' REPORT

To the Members of Radicura & Co. Limited

We have audited the attached Balance Sheet of **Radicura & Co. Limited** as at 31st March 2007 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

We report as follows:

1. As required by the Companies (Auditors' Report) Order, 2003 ('CARO') (as amended), issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to 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 purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - c) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of the written representations received from the directors as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date;
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For DUBEY & CO.
Chartered Accountants
(Deepak Dubey)
Proprietor
M. No. 86349

Place: Delhi
Dated: 29th May, 2007

Annexure to the Auditors' Report

Referred to in Paragraph 1 of our report of even date:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- c) There was no substantial disposal of fixed assets during the year.
- ii) There was no inventory held during the year.
- iii) a) The Company has granted loan to one Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 5,214,925 and the year-end balance of loans granted to such parties was Rs. 5,214,925.
- b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- c) The loans granted are re-payable on demand. As informed, the company has neither demanded repayment of any such loan and interest was payable during the year, thus, there has been no default on the part of the party to whom the money has been lent.

- d) As informed to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs (iii)(f), and (iii)(g) and of the Companies (Auditors' Report) Order, 2003 (as amended) (hereinafter referred to as the Order), are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v) In our opinion and according to the information and explanations given to us, there are no transactions for purchase of goods and sale of goods and services made in pursuance of contracts or arrangements entered in the register(s) maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 5,00,000/- (Rupees Five Lakhs) or more in respect of each party.
- vi) The Company has not accepted any deposits from the public, within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) To the best of our knowledge and as explained to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, cess and other undisputed statutory dues outstanding at the year end for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no dues of income tax, sales tax and cess which have not been deposited on account of any dispute.
- x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash loss during the year. In the immediately preceding financial year, the Company had incurred cash loss.
- xi) Based on our audit procedures and as per the information and explanations given by the management, the company has no dues to any financial institution or bank and Company has not issued any debentures.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Order are not applicable to the company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The Company did not have any term loans outstanding during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company did not have any outstanding debentures during the year.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the 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 DUBEY & CO.
Chartered Accountants
(Deepak Dubey)
Proprietor
M. No. 86349

Place: Delhi
Dated: 29th May, 2007


RADICURA & CO. LTD. BALANCE SHEET AS AT 31st MARCH, 2007

Amount in Rs.

	Schedule No.	As at 31st March, 2007	As at 31st March, 2006
Sources Of Funds			
Shareholders' Funds			
Share Capital	I	1,982,500	1,982,500
Reserves & Surplus	II	<u>8,925,125</u>	<u>8,877,094</u>
		10,907,625	10,859,594
Deferred Tax Liability (Net)		388,718	400,476
Total		<u>11,296,343</u>	<u>11,260,070</u>
Application Of Funds			
Fixed Assets			
Gross Block	III	6,302,472	6,302,472
Less: Depreciation		<u>3,609,509</u>	<u>3,352,433</u>
Net Block		2,692,963	2,950,039
Investments	IV	100,000	100,000
Current Assets, Loans & Advances			
Cash & Bank Balances	V	2,785,621	2,792,598
Other Current Assets		209,163	-
Loans & Advances		<u>5,579,161</u>	<u>5,458,556</u>
Sub-total (A)		8,573,945	8,251,154
Less: Current Liabilities & Provisions			
Current Liabilities	VI	52,161	41,123
Provisions		<u>18,404</u>	-
Sub-total (B)		70,565	41,123
Net Current Assets (A) - (B)		8,503,380	8,210,031
Total		<u>11,296,343</u>	<u>11,260,070</u>
Significant Accounting Policies & Notes to Accounts	XI		

The Schedules referred to above and notes thereon form an integral part of Balance Sheet.
As per our attached report of even date.

For and on behalf of the Board
For M/S. Dubey & Co.

Chartered Accountants

Deepak Dubey

Proprietor

Membership No. 86349

Place : Delhi

 Dated : 29th May, 2007

I.K. Sharma
Director

Meenu Parti
Director

RADICURA & CO. LTD. PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	Schedule No.	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Income			
Other Income	VII	537,791	152,297
Total Income		<u>537,791</u>	<u>152,297</u>
Expenditure			
Administrative Expenses	VIII	225,983	98,044
Financial Expenses	IX	55	56
Personnel Expenses	X	-	33
Depreciation		257,076	242,752
Total Expenditure		<u>483,114</u>	<u>340,885</u>
Profit/(Loss) before Tax		54,677	(188,588)
Provision for Income Tax		18,404	-
Deferred Income Tax		(11,758)	(12,417)
Profit After Tax		<u>48,031</u>	<u>(176,171)</u>
Balance of Profit carried to Balance Sheet		<u>48,031</u>	<u>(176,171)</u>
Earning Per Share-Basic & Diluted		0.24	(0.89)
Significant Accounting Policies & Notes to Accounts	XI		

The Schedules referred to above and notes thereon form an integral part of Balance Sheet.
As per our attached report of even date.

For and on behalf of the Board
For M/S. Dubey & Co.

Chartered Accountants

Deepak Dubey

Proprietor

Membership No. 86349

Place : Delhi

 Dated : 29th May, 2007

I.K. Sharma
Director

Meenu Parti
Director



RADICURA & CO. LTD. SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule I - Share Capital		
Authorised		
5,00,000 Equity Shares of Rs. 10/- each (Previous Year 5,00,000 Equity Shares of Rs.10/- each)	5,000,000	5,000,000
Issued, Subscribed & Paid up		
198,250 Equity Shares of Rs. 10/- each fully paid-up (Previous Year 198,250 Equity Shares of Rs.10/- each)	1,982,500	1,982,500
	<u>1,982,500</u>	<u>1,982,500</u>
Schedule II - Reserves and Surplus		
Share Premium		
Amount as per last Balance Sheet	7,326,500	7,326,500
Profit & Loss Account		
Opening Balance	1,550,594	1,726,765
Add: Transfer from Profit & Loss Account	48,031	(176,171)
	<u>1,598,625</u>	<u>1,550,594</u>
	<u>8,925,125</u>	<u>8,877,094</u>

Schedule III - Fixed Assets

Description	Gross Block			Depreciation				Net Block		
	As at 01/04/2006	Additions during the Year	Sales during the Year	As at 31/03/2007	As at 01/04/2006	Provided during the Year	Deductions & Adjustments during Year	As at 31/03/2007	As at 31/03/2007	As at 31/03/2006
Building	3,079,000	-	-	3,079,000	1,070,186	100,441	-	1,170,627	1,908,373	2,008,814
Furniture & Fixture	317,042	-	-	317,042	251,839	11,802	-	263,641	53,401	65,203
Office Equipments	2,098,362	-	-	2,098,362	1,564,662	74,238	-	1,638,900	459,462	533,700
Refrigerator & Cooler	532,295	-	-	532,295	381,778	20,937	-	402,715	129,580	150,517
Vehicles	275,773	-	-	275,773	83,968	49,658	-	133,626	142,147	191,805
Total	6,302,472	-	-	6,302,472	3,352,433	257,076	-	3,609,509	2,692,963	2,950,039
Previous Year	6,429,582	-	127,110	6,302,472	3,201,042	242,752	91,361	3,352,433	2,950,039	3,228,540

Schedule IV - Investments

Quoted (at cost)
10,000 Equity Shares of Rs. 10/- each
(Previous Year 10,000 Equity Shares)
fully paid of MEDICAMEN BIOTEC LIMITED
Market Value-Rs.1,61,500 (Previous year-Rs.1,43,000)

	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

Schedule V - Current Assets, Loans & Advances

A. Current Assets

Cash & Bank Balances

i) Cash in hand	1,705	2,209
ii) Balance with Scheduled Banks		
- in Current Accounts	33,916	2,790,389
- in Fixed Deposits	<u>2,750,000</u>	<u>-</u>
	2,785,621	2,792,598

Other Current Assets

Interest Accrued but not due on Fixed Deposits	120,031	-
Interest Accrued and due on Loans	<u>89,132</u>	<u>-</u>
	209,163	-

B. Loans & Advances

(Unsecured but considered good)

Loan to Panacea Biotec Ltd	5,100,000	5,100,000
Security Deposit	49,500	49,500
Income Tax Refund due	303,756	274,084
Staff Advances	5,300	5,300
Tax Deducted at Source	<u>120,605</u>	<u>29,672</u>
	5,579,161	5,458,556
	<u>8,573,945</u>	<u>8,251,154</u>



RADICURA & CO. LTD. SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule VI - Current Liabilities & Provisions		
Current Liability		
- Expenses Payable	6,469	8,777
- Other Liabilities	<u>45,692</u>	<u>32,346</u>
	52,161	41,123
Provisions		
- provision for Tax	<u>18,404</u>	-
	<u>70,565</u>	<u>41,123</u>
	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Schedule VII - Other Income		
Interest Received -		
- from Banks (TDS Rs.34,728/-, Previous Year Rs.863/-)	154,759	12,184
- from Others (TDS Rs.85,877/-, Previous Year Rs. 28,809/-)	382,675	128,374
Miscellaneous Income	<u>357</u>	<u>11,739</u>
	<u>537,791</u>	<u>152,297</u>
Schedule VIII - Administrative Expenses		
Printing & Stationery	-	5
Electricity & Water Charges	18,248	17,827
Insurance	-	591
Professional Charges	27,788	4,117
Legal Charges	20,000	20,000
Auditors' Remuneration		
- Audit Fees	12,346	12,346
Rent	10,339	10,350
Postage, Telephone & Telex	-	14
Conveyance	-	55
Sundry Expenses	27,456	14,135
Loss on sale of fixed assets	-	17,249
Bad Debts written off	-	1,355
Miscellaneous Expenses	<u>109,806</u>	-
	<u>225,983</u>	<u>98,044</u>
Schedule IX - Financial Expenses		
Bank Charges	<u>55</u>	<u>56</u>
	<u>55</u>	<u>56</u>
Schedule X - Personnel Expenses		
Staff Welfare Expenses	-	33
	-	<u>33</u>

Schedule XI - Significant Accounting Policies And Notes To Accounts

A. Significant Accounting Policies

1. Method of Accounting

- The accompanying financial statements have been prepared in accordance with the historical cost conventions and in accordance with Generally Accepted Accounting Practices in India and confirms to the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956, as amended up to date.
- Accounting policies not specifically referred to, are otherwise consistent and in accordance with generally accepted accounting principles.

2. Fixed Assets

Fixed assets are stated at historical cost of acquisition or construction and include all other incidental expenses related to acquisition.

3. Depreciation

Depreciation on all items of fixed assets is provided on Written Down Value method as per rates prescribed in Schedule XIV to the Companies Act, 1956.



RADICURA & CO. LTD. SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

4. Investments

Long term Investments are stated at cost price.

5. Income Taxes

- Deferred Income Tax is provided, using the liability method, on all timing differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
- Deferred tax assets are recognized only to the extent that there is reasonable certainty of their realization.
- Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or subsequently enacted at the balance sheet date.

6. Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities exists in respect of -

- | | Current Year | Previous Year |
|---|--------------|---------------|
| a) Labour Cases | 50,000 | NIL |
| 2. In the opinion of the Management, all the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. | | |

3. Earnings Per Share

(Amount in Rs.)

S.N. Particulars

	Current Year	Previous Year
a. Net profit/(Loss) after tax available for Equity Shareholders	48,031	(176,171)
Calculation of Weighted Average Number of Equity Share of Rs.10 each		
b. Number of shares at the beginning of the year	198,250	198,250
Total no. of weighted average equity share outstanding at the end of the year	198,250	198,250
c. Basic and Diluted Earnings per Share	0.24	(0.89)

4. Deferred Tax Assets/ (Liabilities)

Particulars	Deferred tax Asset/ (Liability) at 01.04.2006	Current year credit/(Charge)	Deferred tax Asset/ (Liability) at 31.03.2007
Assets	(400,476)	11,758	(388,718)
Total	(400,476)	11,758	(388,718)

5. Related Party Disclosure

Related parties with whom there were transactions during the year are listed below:

- Holding Company – The Company is a wholly owned subsidiary of Panacea Biotec Ltd.
- During the year, the company had the following transactions with its Holding Company – Panacea Biotec Ltd. at normal commercial terms in the ordinary course of business:

Particulars	Current Year	Previous Year
A. During the year		
Interest accrued and received	382,675	128,374
B. Year end balances		
Interest accrued and due on Loan	114,925	-
Loan to Panacea Biotec Ltd.	5,100,000	5,100,000

6. Directors' Remuneration paid during the year- Nil (Previous year- Nil)

7. Additional information as required under Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 (As certified by the Management).

- Particulars of Licensed Capacity, Installed Capacity & Production
- Not applicable
- Particulars of Purchase, Stocks & Turnover
- As the Company has not made any trading operations during the year, the information has not been provided.
- Particulars of Raw Materials consumed
- Not Applicable
- Value of Imports on CIF basis Nil
- Expenditure in Foreign Currency Nil
- Earnings in Foreign Currency Nil
- Value of Imported/Indigenous Raw Materials Consumed Nil

8. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date.

For and on behalf of the Board

For M/S. Dubey & Co.
Chartered Accountants
Deepak Dubey
Proprietor
Membership No. 86349
Place : Delhi
Dated : 29th May, 2007

I.K. Sharma
Director

Meenu Parti
Director



RADICURA & CO. LTD. BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

i) Registration Details:			
Registration No.	56682	State code	55
Balance Sheet Date	31/03/2007		
ii) Capital raised during the year (Amount in Rs.Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
iii) Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)			
Total Liabilities	11,296	Total Assets	11,296
Source of Funds (Amount in Rs.Thousands)			
Paid-up Capital	1,982	Reserves & Surplus	8,925
Secured Loan	Nil	Unsecured Loan	Nil
Deferred Tax Liability	389		
Application of Funds (Amount in Rs.Thousands)			
Net Fixed Assets	2,693	Investments	100
Net Current Assets	8,503	Misc. Expenditure	Nil
Accumulated Losses	Nil	(To the extent not W/off)	
iv) Performance of Company: (Amount in Rs.Thousands)			
Turnover	537	Total expenditure	483
(-) Loss/Profit before Tax	54	(-) Loss/Profit after Tax	48
Earning per share in Rs.	0.24	Dividend @%	Nil
v) Generic Name of three Principal Products / Services of Company			
Item Code No. (ITC Code)	Nil		
Product Description	Nil		

For and on behalf of the Board

For M/S. Dubey & Co.

Chartered Accountants

Deepak Dubey

Proprietor

Membership No. 86349

Place : Delhi

Dated : 29th May, 2007

I.K. Sharma

Director

Meenu Parti

Director

RADICURA & CO. LTD. CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2007

	Year ended 31st March, 2007	Year ended 31st March, 2006
Cash flow from operating activities		
Net profit before tax and extra ordinary items	54,677	(188,588)
Adjustments for:		
Depreciation	257,076	242,752
Interest Income	537,791	(140,558)
Loss/(Profit) on Sale of Fixed Assets	-	17,249
	<u>794,867</u>	<u>119,443</u>
Operating profit before working capital changes	849,544	(69,145)
(Increase) / Decrease in Trade & other receivables	(209,163)	4,436,871
Increase / (Decrease) in Trade & other payables	<u>11,038</u>	<u>(721,921)</u>
	(198,125)	3,714,950
Cash generated from operations	651,419	3,645,805
Net direct taxes paid	(120,605)	(29,672)
Net cash from operating activities	530,814	3,616,133
Cash flow from investing activities		
Loan to Panacea Biotec Ltd.	-	(5,100,000)
Sale of fixed assets	-	18,500
Interest received	(537,791)	140,558
Net cash used in investing activities	(537,791)	(4,940,942)
Net cash from operating and investing activities	(6,977)	(1,324,809)
Cash flow from financing activities		
Net cash from operating, investing & financing activities	(6,977)	(1,324,809)
Net increase/(decrease) in cash & cash equivalent	(6,977)	(1,324,809)
Opening balance of cash & cash equivalent	2,792,598	4,117,407
Closing balance of cash & cash equivalent	2,785,621	2,792,598

As per our attached report of even date.

For and on behalf of the Board

For M/S. Dubey & Co.

Chartered Accountants

Deepak Dubey

Proprietor

Membership No. 86349

Place : Delhi

Dated : 29th May, 2007

I.K. Sharma

Director

Meenu Parti

Director



BEST ON HEALTH LTD. DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 12th Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial Year ended 31st March, 2007. The summarized financial results for the year ended 31st March 2007 are as under:

Financial Results

Particulars	For the year ended 31st March, 2007	(in Rs.)
		For the year ended 31st March, 2006
Total Income	5,161,520	3,546,765
Total Expenditure	1,092,679	838,069
Profit before Tax	4,068,841	2,708,696
Provision for Income Tax	1,188,294	806,206
Profit after Tax	2,880,547	1,902,490
E.P.S.	15.14	10.00

Review of Operations

During the year under review, the Company has earned rental income of Rs.48 Lac from lease of its premises to its Holding Company, Panacea Biotec Ltd. as against Rs.35.20 Lac during the previous financial year. The net profit for the year under review has been Rs.28.81 Lac as against Rs.19.02 Lac during the previous financial year.

Your Directors are continuously looking for avenues for future growth of the Company in health care industry.

Dividend

Your Directors feel it prudent to plough back the profits for future growth of the Company and do not recommend any dividend for the year ended 31st March 2007.

Fixed Deposits

During the year under review, your Company has not invited or accepted any Deposits from public pursuant to Section 58A of the Companies Act, 1956.

Foreign Exchange Earnings and Outgo

During the year under review, there was neither inflow nor outflow of foreign exchange to/from the Company.

Information under Section 217(2A) and 217(1)(d) of the Companies Act, 1956

There are no employees of the category mentioned in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the Balance Sheet relates and the date of report.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Sandeep Jain, Director, retires by rotation at the ensuing Annual General

Annexure to Directors' Report - Compliance Certificate

CIN No. U74899DL1995PLC068967 Nominal Capital: Rs. 20 Lacs
The Members of BEST ON HEALTH LTD., New Delhi

We have examined the registers, records, books and papers of BEST ON HEALTH LTD. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder, the provisions contained in the Memorandum & Articles of Association of the Company for the financial year ended on 31st March, 2007. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year ended on 31st March, 2007:

Meeting and being eligible, offers himself for reappointment.

Further, at the Extra-ordinary General Meeting held on 19th April, 2007 the Shareholders had re-appointed Mr. Rajesh Jain as Chairman & Managing Director of the Company for a further period of five years with effect from 20th April, 2007.

Directors' Responsibility Statement

The Directors hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities; and
- that the directors had prepared the annual accounts on a going concern basis.

Conservation of Energy and Technology Absorption

The Company has no manufacturing unit, hence the requirements relating to Conservation of Energy and Technology Absorption are not applicable.

Auditors

M/s. Sudhir Sunil & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Secretarial Compliance Certificate

As required pursuant to the proviso to Section 383A of the Companies Act, 1956, the Company had obtained Secretarial Compliance Certificate from M/s. R&D, Company Secretaries and the same is annexed herewith as Annexure to the Directors' Report.

Acknowledgements

Your Directors wish to place on record their sincere thanks to the Company's Shareholders, Banks, Government departments and other agencies for their kind consents, continued support, co-operation and all time assistance.

For and on behalf of the Board

New Delhi
29th May, 2007

Rajesh Jain
Chairman & Managing Director

- The Company has kept and maintained registers as stated in "Annexure: A" to this Certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in "Annexure: B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder save as mentioned in the aforesaid "Annexure: B".
- The Company is a public limited company.
- The Board of Directors duly met 5 (five) times on 17th May, 2006, 10th July, 2006, 19th October, 2006, 20th February, 2007 and 7th



BEST ON HEALTH LTD. ANNEXURE TO THE DIRECTORS' REPORT

- March, 2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. The Company did not close its Register of Members, as it was not required to do so. The Company did not have any debentures.
 6. The annual general meeting for the financial year ended on 31st March, 2006 was held on 30th September, 2006 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
 7. 1 (one) extra-ordinary general meeting was held on 22nd February 2007 after giving shorter notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
 8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to in section 295 of the Act.
 9. The Company has not entered into any contract falling under section 297 of the Act.
 10. The Company has made necessary entries in the register(s) maintained under section 301 of the Act.
 11. There was no case falling under section 314 of the Act.
 12. The Company has not issued any duplicate share certificate.
 13.
 - a. The Company has delivered all the certificates on allotment of shares and on lodgments thereof for transfer etc. in accordance with the provisions of the Act.
 - b. The Company has not declared any dividend during the financial year.
 - c. Since the Company has not declared any dividend during the financial year, postage of dividend warrants, etc., was not applicable. The Company was not required to transfer any unclaimed/unpaid dividend to Unpaid Dividend Account with the Bank.
 - d. The Company was not required to transfer any amount on account of un-paid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained un-claimed or un-paid for a period of seven years to the Investor Education and Protection Fund.
 - e. The Company has duly complied with the requirements of section 217 of the Act.
 14. The Board of Directors of the Company is duly constituted. There was no appointment of any director in the Company during the financial year.
 15. The Company has not appointed any managing director, whole time director or manager during the financial year.
 16. The Company has not appointed any sole-selling agents during the financial year.
 17. The Company did not obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or other prescribed authorities under the various provisions of the Act during the financial year.
 18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
 19. The Company has not issued any shares during the financial year.
 20. The Company has not bought back any shares during the financial year.
 21. The Company has not redeemed any preference shares or debentures during the financial year.
 22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares, as there was no such offering from the Company during the financial year.
 23. The Company has not invited or accepted any public deposits including un-secured loans taken, falling under section 58A of the Act during the financial year.
 24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others were within the borrowing limits of the Company.
 25. The Company has complied with applicable provisions of the Act in making loans and investments or giving guarantees or providing securities to other bodies corporate and has made necessary entries in the register kept for the purpose.
 26. The Company has not altered the provisions of the Memorandum with respect to situation of the Registered Office of the Company from one State to another during the year under scrutiny.
 27. The Company has not altered the provisions of the Memorandum with respect to the Objects Clause of the Company during the year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
 29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
 30. The Company has not altered its Articles of Association during the year under review.
 31. There was no prosecution initiated against or show cause notice received by the Company for alleged offenses under the Act. Similarly, no fines, penalties or punishment was imposed on the Company under the Act during the financial year.
 32. The Company has not received any amount as security from its employees in terms of section 417(1) of the Act.
 33. Since the Company has not constituted any provident fund under section 418 of the Act, provisions of section 418 are not applicable to the Company Best On Health Ltd.

For R&D Company Secretaries

Praveen K Bharti

ACS

ACS: 17671; CP: 7048

Date: 29th May, 2007

Place: New Delhi

Annexure: A

Registers maintained by the Company

S.No.	Particulars	Relevant Section
1	Register of Members	150
2	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
3	Register of Directors' Share holding	307
4	Register(s) of contracts, companies and firms in which Directors are interested	301
5	Register of Share Transfer	
6	Register of investments or loan made, guarantee given or security provided	372A

Annexure: B

A. Forms & Returns filed with the Registrar of Companies, New Delhi

S.No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Annual Accounts u/s 220 for the year ended 31.03.2006	29.10.2006	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31.3.2006	29.10.2006	Yes	No
3.	Annual Return u/s 159 made up to 30th September, 2006 being the date of AGM	24.11.2006	Yes	No
4.	DIN 3 for Mr. Rajesh Jain, Mr. Sandeep Jain and Mr. Sumit Jain	28.11.2006	Yes	No
5.	Form 18 u/s 146 for the shifting of registered office	15.03.2007	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities: Nil



BEST ON HEALTH LTD. AUDITORS' REPORT

To the Members of Best on Health Limited

We have audited the attached Balance Sheet of Best on Health Limited as at 31st March, 2007 and also the Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

We report as follows:

1. As required by the Companies (Auditors' Report) Order 2003 ('the Order'), issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to 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 purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (c) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of the written representations received from the directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of Profit and Loss Account of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR SUDHIR SUNIL & CO.
Chartered Accountants
(SUDHIR KAPOOR)

Place: Delhi

Dated: 29th May, 2007

Proprietor
M.No. 86840

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our report of even date:

- (i) In respect of Fixed Assets;
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets of the Company, have been physically verified by the management during the year in accordance with a phased program, 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 verification.
 - c) On the basis of our examination and according to the information and explanations given to us, the Company has not made any substantial disposals during the year.

- (ii) There was no inventory held during the year.
- (iii) (a) The Company has not granted any loans secured or unsecured, to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) (herein referred to as the Order), are not applicable.
- (e) The Company has taken loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 21,186,411 and the year-end balance of the loans taken from such parties was Rs. 21,186,411.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of assets.
- (v) In our opinion and according to the information and explanations given to us, there are no transactions for purchase of goods and sale of goods and services made in pursuance of contracts or arrangements entered in the register(s) maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 5,00,000/- (Rupees five lakhs) or more in respect of each party.
- (vi) The Company has not accepted any deposits from the public, within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under the provisions of Section 209(1)(d) of the Companies Act, 1956 in respect of services carried out by the Company.
- (ix) In respect of statutory dues;
 - a) As per the information and explanations given to us, the provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the Company.
 - b) According to records of the Company and the information and explanations given to us, there were no undisputed amounts payable in respect of Income tax, Wealth-tax, Sales-tax, Custom duty and Excise duty which have remained outstanding as at 31st March, 2007 for a period of more than six months from the date they become payable.
- (x) The Company neither has accumulated losses at the end of the year, nor has incurred cash losses during the current and the immediately preceding financial year.
- (xi) The company has not taken any loans from any financial institutions and banks.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans or advances.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
- (xiv) The Company has not made any preferential allotment during the year.
- (xv) The Company has not issued any debentures. Accordingly clause (xix) of the order is not applicable.
- (xvi) The Company has not raised any money by public issue during the year.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
- (xviii) In our opinion, clauses (xiii), (xiv), (xvi) and (xvii) of the Order are not applicable.

FOR SUDHIR SUNIL & CO.

Chartered Accountants
(SUDHIR KAPOOR)

Place: Delhi

Dated: 29th May, 2007

Proprietor
M.No. 86840


BEST ON HEALTH LTD. BALANCE SHEET AS AT 31st MARCH, 2007

Amount in Rs.

	Schedule No.	As at 31st March, 2007	As at 31st March, 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	1,902,160	1,902,160
Reserves & Surplus	II	<u>17,683,827</u>	<u>14,803,280</u>
		19,585,987	16,705,440
Loan Funds			
Unsecured Loans	III	<u>21,000,000</u>	-
Total		<u>40,585,987</u>	<u>16,705,440</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	IV	18,181,326	18,181,326
Less: Depreciation		<u>3,369,264</u>	<u>2,767,143</u>
Net Block		14,812,062	15,414,183
Current Assets, Loans & Advances			
Cash & Bank Balances	V	1,358,409	2,114,419
Loans and Advances		<u>25,818,030</u>	<u>795,894</u>
Sub-total		27,176,439	2,910,313
Less: Current Liabilities & Provisions			
Current Liabilities	VI	214,220	812,850
Provisions		<u>1,188,294</u>	<u>806,206</u>
Sub-total		1,402,514	1,619,056
Net Current Assets		25,773,925	1,291,257
Total		<u>40,585,987</u>	<u>16,705,440</u>
Significant Accounting Policies and Notes to Accounts	VIII		

The Schedules referred to above and notes thereon form an integral part of Balance Sheet. As per our attached report of even date.

For and on behalf of the Board
For M/S. Sudhir Sunil & Co.

Chartered Accountants

Sudhir Kapoor

Proprietor

Membership No. 86840

Place : New Delhi

 Dated : 29th May, 2007

Rajesh Jain
 Chairman & Managing Director

Sandeep Jain
 Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	For the year ended 31st March, 2007	For the year ended 31st March, 2006
INCOME			
Rent Received		4,800,000	3,520,000
Other Income	VII	<u>361,520</u>	<u>26,765</u>
Total Income		<u>5,161,520</u>	<u>3,546,765</u>
EXPENDITURE			
Printing & Stationery		300	320
Fees & Taxes		2,601	25,817
Consultancy Charges		6,213	4,117
Property Tax		273,197	136,598
Membership & Subscription		-	47,260
Auditor's Remuneration - Statutory Audit Fees		16,836	16,836
Legal Expenses		5,000	5,000
Interest on Loan		186,411	-
Depreciation		<u>602,121</u>	<u>602,121</u>
Total Expenditure		<u>1,092,679</u>	<u>838,069</u>
Profit Before Tax		4,068,841	2,708,696
Provision for Income tax		<u>1,188,294</u>	<u>806,206</u>
Profit After Tax		<u>2,880,547</u>	<u>1,902,490</u>
Balance of Profit carried to Balance Sheet		<u>2,880,547</u>	<u>1,902,490</u>
Earning per Share - Basic & Diluted		15.14	10.00
Significant Accounting Policies and Notes to Accounts	VIII		

The Schedules referred to above and notes thereon form an integral part of Balance Sheet.

For and on behalf of the Board
For M/S. Sudhir Sunil & Co.

Chartered Accountants

Sudhir Kapoor

Proprietor

Membership No. 86840

Place : New Delhi

 Dated : 29th May, 2007

Rajesh Jain
 Chairman & Managing Director

Sandeep Jain
 Director



BEST ON HEALTH LTD. SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

	As at 31st March, 2007	As at 31st March, 2006
Schedule I - Share Capital		
Authorised 2,00,000 Equity Shares of Rs.10/- each (Previous Year 2,00,000 Equity Shares of Rs. 10/- each)	2,000,000	2,000,000
Issued, Subscribed & Paid Up 190,216 Equity Shares of Rs.10/- each fully paid-up (Previous Year 1,90,216 Equity Shares of Rs.10/- each fully paid-up)	1,902,160	1,902,160
	<u>1,902,160</u>	<u>1,902,160</u>
Schedule II - Reserves & Surplus		
Share Premium Amount as per last Balance Sheet	10,450,000	10,450,000
Profit & Loss Account Amount as per last Balance Sheet	4,353,280	2,450,790
Add: Transfer from Profit & Loss Account	2,880,547	1,902,490
	<u>7,233,827</u>	<u>4,353,280</u>
	<u>17,683,827</u>	<u>14,803,280</u>
Schedule III - Unsecured Loans		
Loan from holding Company, viz Panacea Biotec Limited	21,000,000	-
	<u>21,000,000</u>	<u>-</u>

Schedule IV - Fixed Assets

Description	Gross Block			Depreciation			Net Block	
	As at 01.04.2006	Additions during the year	As at 31.03.2007	As at 01.04.2006	Provided during the year	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land - Freehold	153,760	-	153,760	-	-	-	153,760	153,760
Building	18,027,566	-	18,027,566	2,767,143	602,121	3,369,264	14,658,302	15,260,423
Total	18,181,326	-	18,181,326	2,767,143	602,121	3,369,264	14,812,062	15,414,183
Previous Year	18,181,326	-	18,181,326	2,165,022	602,121	2,767,143	15,414,183	16,016,304

Schedule V - Current Liabilities & Provisions

Current Assets			
Cash & Bank Balances			
1. Cash in hand	2,538		2,838
2. Balances with Scheduled Banks - In Current Account	655,871		2,111,581
- In Fixed Deposits	700,000	1,358,409	-
			<u>2,114,419</u>
Loans & Advances			
Security Deposit	20,546,620		-
Other Recivable	4,013,164		-
Tax Deducted at Source	1,158,246		795,894
Advance Income Tax	100,000	25,818,030	-
		<u>27,176,439</u>	<u>795,894</u>
			<u>2,910,313</u>

Schedule VI - Current Liabilities & Provisions

Current Liabilities			
Expense Payable	26,593		26,103
Other Liabilities	43,047		786,747
Interest Accrued but not due on loans	144,580	214,220	-
			<u>812,850</u>
Provisions			
Provision for Income Tax		1,188,294	806,206
		<u>1,402,514</u>	<u>1,619,056</u>

Schedule VII - Other Income

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Interest Received		
- from Banks (TDS - Rs. 3809/- Previous Year-Rs.6,006/-)	16,972	26,765
- from Others (TDS - Rs.77,317/- Previous Year-Rs.Nil)	344,548	-
	<u>361,520</u>	<u>26,765</u>



BEST ON HEALTH LTD. SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Schedule VIII - Significant Accounting Policies And Notes To Accounts

A) Significant Accounting Policies

1) Method of Accounting

The accompanying financial statements have been prepared in accordance with the historical cost conventions following accrual basis of accounting and in accordance with the Generally Accepted Accounting Practices in India and confirms to the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956, as amended upto date.

2) Employee Benefits

Since during the relevant year, there was no employee in the company carrying any remuneration, no provision for gratuity liability and leave encashment has been made. The provisions of the Provident Fund Act are not applicable to the company.

3) Fixed Assets

Fixed Assets are stated at cost of acquisition or construction and the expenses incurred during construction period have been capitalized under respective heads of fixed assets.

4) Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed and in accordance with Schedule XIV to the Companies Act, 1956.

5) Inventories

Since the Company has not been engaged in the business activities, information regarding method of valuation of inventories is not applicable.

6) Income Tax

Provision is made for current income tax liability, which is likely to arise on the results for the year at the current rate of income tax in accordance with the provisions of the Income Tax Act, 1961.

7) Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

B. Notes to Accounts

	Current Year	(Amount in Rs.) Previous Year
01. Contingent Liabilities exists in respect of -		
a) Claims against the company not acknowledged as debts	Nil	Nil
b) Guarantees given by the company are outstanding to the extent of	Nil	Nil
c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	Nil	Nil
02. The Company has applied for allotment of Land at Gurgaon and Rewari, Haryana for establishment of Hospital and deposited Rs. 20,546,620 as Tender earnest money during the year. The allotment of the said Land is pending.		
03. In the opinion of the Board, all the current assets, loans & advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.		
04. Earning Per Share		
a. Net Profit after tax available for Equity Shareholders	2,880,547	1,902,490
b. Calculation of Weighted Average Number of Equity Shares of Rs.10/- each		
Number of shares at the beginning of the year	190,216	190,216
Total number of equity shares outstanding at the end of the year	190,216	190,216
c. Basic and Diluted Earnings per Share	15.14	10.00
05. Related Party Disclosure:		
Related parties with whom there were transactions during the year are listed below:		
• Holding Company - The Company is a wholly owned subsidiary of Panacea Biotec Ltd.		
• During the year, the company had the following transactions with its Holding Company - Panacea Biotec Ltd. at normal commercial terms in the ordinary course of business.		
A. During the year		
a. Rent received by renting out its premises to Panacea Biotec Ltd.	4,800,000	3,520,000
b. Expenses incurred by Panacea Biotec Ltd. on behalf of the company	273,197	136,598
B. Year end balances		
c. Interest accrued but not due on Loan	186,411	-
d. Outstanding Loan / Balance due to Panacea Biotec Ltd. as at the end of the year	21,000,000	786,747
06. There would be no change in the amount of Income tax due to the timing difference as per the Companies Act and as per the Income Tax Act, hence no deferred tax assets or liabilities have been provided for.		
07. Previous year's figures have been reworked, rearranged & reclassified wherever considered necessary to make them comparable with the current year's figures.		

As per our attached report of even date.

For and on behalf of the Board

For M/S. Sudhir Sunil & Co.

Chartered Accountants

Sudhir Kapoor

Proprietor

Membership No. 86840

Place : New Delhi

Dated : 29th May, 2007

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director



BEST ON HEALTH LTD. BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information as required under Part IV of Schedule VI to the Companies Act 1956:-

i) Registration Details:			
Registration No.	68967	State code	55
Balance Sheet Date.	31/03/2007		
ii) Capital raised during the year (Amount in Rs.Thousands)			
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
iii) Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)			
Total Liabilities	40,586	Total Assets	40,586
Source of Funds (Amount in Rs.Thousands)			
Paid-up Capital	1,902	Reserves & Surplus	17,684
Secured Loan	NIL	Unsecured Loan	21,000
Application of Funds (Amount in Rs.Thousands)			
Net Fixed Assets	14,812	Investments	NIL
Net Current Assets	25,774	Misc. Expenditure	NIL
Accumulated Losses	NIL	(To the extent not W/off)	
iv) Performance of Company (Amount in Rs.Thousands)			
Turnover/ Other Income	5,162	Total expenditure	1,093
Profit before Tax	4,069	Profit after Tax	2,881
Earning per share in Rs.	15.14	Dividend @%	NIL
v) Generic Name of three Principal Products / Services of Company			
Item Code No. (ITC Code)	:	Not Classified	
Product Description	:		

For and on behalf of the Board

For M/S. Sudhir Sunil & Co.

Chartered Accountants

Sudhir Kapoor

Proprietor

Membership No. 86840

Place : New Delhi

Dated : 29th May, 2007

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH, 2007

	Current Year	Previous Year
A) Cash flow from operating activities		
Net profit before tax and extra ordinary items	4,068,841	2,708,696
Adjustments for		
Depreciation	602,121	602,121
Interest Expenses	186,411	
Interest income	(361,520)	(26,765)
Operating profit before working capital changes	4,495,853	3,284,052
(Increase) / Decrease in Trade and other Receivables	(24,559,784)	-
Increase / (Decrease) in Trade & other Payables	(598,630)	(2,600,463)
Cash generated from operations	(20,662,561)	683,589
Net direct taxes paid	(1,268,558)	(844,576)
Net cash from operating activities	(21,931,119)	(160,987)
B) Cash flow from investing activities		
Interest received	361,520	26,765
Net cash used in investing activities	361,520	26,765
Net cash from operating and investing activities	(21,569,598)	(134,222)
C) Cash flow from financing activities		
Increase/(decrease) in loans	21,000,000	-
Interest paid	(186,411)	-
Net cash from financing activities	20,813,589	-
Net cash from operating, investing & financial activities	(756,009)	(134,222)
Net increase in cash & cash equivalent	(756,009)	(134,222)
Opening balance of cash & cash equivalent	2,114,418	2,248,640
Closing balance of cash & cash equivalent	1,358,409	2,114,418

As per our attached report of even date.

For and on behalf of the Board

For M/S. Sudhir Sunil & Co.

Chartered Accountants

Sudhir Kapoor

Proprietor

Membership No. 86840

Place : New Delhi

Dated : 29th May, 2007

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

Panacea picks up 10% in UK firm

BOOSTER DOSE



PANACEA Biotech will license CBL technology to develop, produce and market a stable liquid version of pentavalent and other combination vaccines for the treatment of diphtheria, tetanus, pertussis, hepatitis B and haemophilus influenza B.

THE COMPANY will begin the phase I clinical trials of the temperature-stable liquid vaccines using in-licensed CBL technology in India in April 2007.

fluenza B (a major cause of bacterial meningitis and pneumonia in children). The product does not require storage under refrigeration or reconstitution

BY REPORTER
New Delhi, 6 December

Panacea Biotech has picked up

Panacea eyeing North America, EU markets

REUTERS
New Delhi, 20 November

Indian drug maker Panacea Biotech is in "final stages" of talks for "investing" in a foreign firm to take products to newer markets quickly, a senior official said on Monday.

"What we are currently looking at, is the kind of an investment which gives us ac-

Panacea to launch 7 anti-cancer drugs

Khomba Singh

logy market in India with Delhi-based products. The company has Palo Verde, Serot-

transmitting drug. "We will begin in the US. The drug is a Marimastat sold over. We plan portfolio in years."

and in the US. In the US, the oncology market is about \$100 crore and is growing at 22%. The dominant players in the oncology market are Dabur Pharma-



drug. The company is expected to launch 7-10 drugs in the next three years.

Mr Jain added that the company will also introduce new novel based oncology drugs after a distribution chain is developed. "We plan to develop new drug delivery systems (DDS) of the existing anti-cancer molecule. We will introduce the drugs in the next 2-3 years after we establish a significant market presence."

The company has registered IPV with the government and planning to launch in the next months. The cost of the IPV will be about 10-20 times the cost of oral vaccines. At present only three Indian-based South American markets IPV Indian market, which is about 10 times the cost of oral vaccines.

About 25-30%

Panacea Biotech scouts for overseas acquisition

Hopes to reach new markets in Western Europe, Northern America

Meera Mahanty
New Delhi, June 15
Panacea Biotech is scouting for acquisition in western Europe or in Latin America. We have been evaluating several opportunities. However, we will settle for an investment that offers a long-term relationship. It could be either a pharmaceutical or a vaccine company. We are looking for one that manufactures in-



Mr. Rajesh Jain, JMD

member, the vaccine maker also expects to announce licensing tie-ups similar to the one that it has with the UK-based company in the next 12 months.

"We are already in talks with a few companies for our products in the joint management, patent investment and export exemption category," said Mr. Jain.

ities, it has performed consistently well over the last three years and does good business.

ENOUGH CASH
"We have some cash accumulation that we could use, but depending on the size of target financial we could also

than 140 per cent in net profit at Rs 166.81 crore for fiscal ended March 31, 2007. Early this year, Merill Lynch International acquired stake in two tranches totalling about \$2.50 per cent. Panacea is to build a manufacturing plant at Ludhiana, Punjab in 2008 for chemotherapy drugs.

crore). Net turnover rose 55 per cent to Rs 831.55 crore (Rs 536.35 crore).

"The performance is the result of our approach to explore global business opportunities with enhanced domestic focus," said Mr. Rajesh Jain, Joint Managing Director, in a statement.

"The company continues to expand its geographic reach by exporting branded formulations and vaccines to several new markets worldwide."

During the year, the company also acquired 10 per cent

during the Glimtotal forcept tablets per renal or liver Dolsaero for a

Its facilities for chemical formulation and gelatin capsule formulation are Baddi, Himachal Pradesh. Work is on other facilities at Baddi and various vaccine facilities at

The company

Panacea plans facility for thermostable vaccines

To expand therapeutic portfolio, enter new markets

Meera Mahanty
New Delhi, Dec 17
Panacea Biotech has plans to build a manufacturing facility of global capacity for thermostable vaccines. Work on the plant, which is set up next to its current facility at Ludhiana in Punjab, is slated in 2008, said Mr. Rajesh Jain, Joint Managing Director.

"The problem with public eradication is outreach. This technology is a dream come true to address health issues of Africa and India. The vaccines, which require no refrigeration, will not only be more effective but actually reach many more people," said Mr. Jain.

research work dealing with crucial virus.) Work at the production unit will start from April 2007 and is expected to be completed by Sept 2008.

PLANS FOR EUROPE
Next year, the company will also be focusing on reaching out to customers in Western Europe and Northern America. "We have already invested in expanding manufacturing capacity for all Western Europe and

guides generic open fit "But strategy invest in IPR is

The plant is in Punjab state. The company is also investing in expanding manufacturing capacity for all Western Europe and



TOP 20 COMPANIES

3 RANK

Panacea Biotech

CEO: Rajesh Jain (11 9420)
Revenue: Rs 831.55 crore
Listing Year: 1994
Business: Pharmaceuticals and biopharmaceuticals
Address: B-1, Main, JEB, Mohali
Corporate Website: www.panacea-biotech.com
Market: BSE
New Delhi: 4110 044
Mumbai: 4110 044
Patna: 4110 044
Delhi: 4110 044
Chennai: 4110 044
Hyderabad: 4110 044
Jaipur: 4110 044
Lucknow: 4110 044
Varanasi: 4110 044
Patna: 4110 044
Bhubaneswar: 4110 044
Cuttack: 4110 044
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Bhubaneswar: 4110 044
Cuttack: 4110 044

2006. Only the sale of 100,000 units had helped marginally from Rs 98 lakh in 2004-05 to Rs 20 lakh in FY06. Investment in research and development is minimal. Revenue management and total business of Rs 831.55 crore for the year.

Panacea is focusing on research and development in a major way. It has invested about Rs 57 crore, about five per cent of the revenue into research during FY06. Several researches are currently under process. JEB, Mohali, Punjab, and Ludhiana, Punjab, are the main centres of research and development.



Panacea Biotec

Innovation in support of life

Panacea Biotec Ltd.

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