



## PROACTIVE HEALTH MANAGEMENT

ANNUAL REPORT 2004 - 2005

# Panacea Biotec

## Mission

In Support of Life

## Vision

Leading Health Management Company

## Goal

Leadership in all Therapeutic Areas Through Novel Therapies and Education

## Objective

Take Ideas from Grey Cells to Market in a Proactive Manner

## Core Competence

- State-of-the-art Research & Development Centres
- Collaborative Research & Development Programmes
- Joint Ventures & Product Licensing Arrangements
- cGMP Compliant Production Facilities
- Established Brand Equity in Multiple Therapeutic Areas
- Best On Health. Com - A Health Portal



## MESSAGE FROM THE CHAIRMAN

|| We have undertaken the challenging task of developing innovative therapies to make a positive impact on the quality of life. Our novel strategies have helped us emerge as a fast growing health management company in India.

Over the next decade, we foresee **Panacea Biotec** becoming one of the world's leading innovative health management companies constantly delivering value added solutions for unmet healthcare needs.

Pursuing our mission 'In Support of Life' to make human lives happier and healthier, we will continue to remain rooted in our values of quality, innovation and continuous learning. ||

**Soshil Kumar Jain**  
Chairman



## MESSAGE FROM THE MANAGING DIRECTOR

|| **Panacea Biotech** is dedicated to develop innovative prescription medicines, breakthrough Vaccines, and cutting edge new drug delivery technologies.

The year under review is marked by unparalleled financial performance driven by consistent innovation in research and aggressive marketing strategy. The year also witnessed strategic alliances that will unleash potential growth opportunities in niche segments and strengthen our presence in global markets.

We will continue to leverage on emerging opportunities and novel strategies to ensure a remarkable future with consistent growth and strong financials. ||

**Ravinder Jain**  
Managing Director

## BOARD OF DIRECTORS

### Promoter-Directors

Mr. Soshil Kumar Jain	Chairman
Mr. Ravinder Jain	Managing Director
Mr. Rajesh Jain	Joint Managing Director
Mr. Sandeep Jain	Joint Managing Director

### Professional Directors

Mr. Ashwani Jain	Director - Operations & Projects
Mr. Sunil Anand	Director - Finance

### Non-Executive Directors

Mr. R.L. Narasimhan	Director
Mr. N.N. Khamitkar	Director
Mr. Sunil Kapoor	Director
Mr. M.L. Kalra	Director
Mr. C.C. Bhagat	Director
Mr. Gurmeet Singh	Director
Mr. K.M. Lal	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.

### 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 UNITS

- Ambala-Chandigarh Highway, Lalru - 140 501, Punjab, India.
- A-224, Okhla Indl. Area, Phase - I, New Delhi - 110 020, India.
- E-4, Phase II, Industrial Area, SAS Nagar, Mohali - 160 055, Punjab, India.

### STATUTORY AUDITORS

M/s S.R. Battiboi & 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., New Delhi.

### FINANCIAL INSTITUTIONS/BANKS

Bank of Bahrain & Kuwait B.S.C.

Export-Import Bank of India

IDBI Bank Ltd.

Indian Overseas Bank

Industrial Development Bank of India Ltd.

State Bank of Bikaner & Jaipur

State Bank of India

State Bank of Mysore

State Bank of Travancore

Syndicate Bank

Union Bank of India

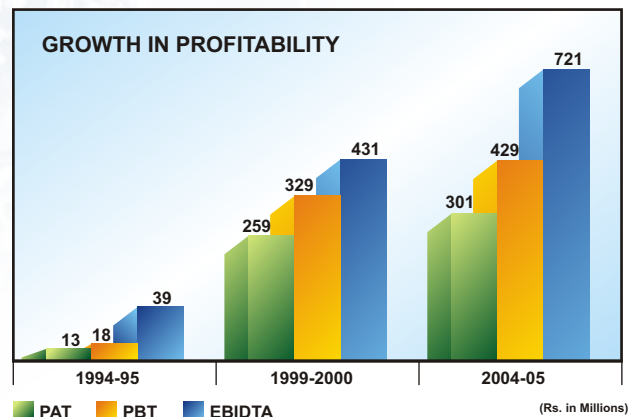
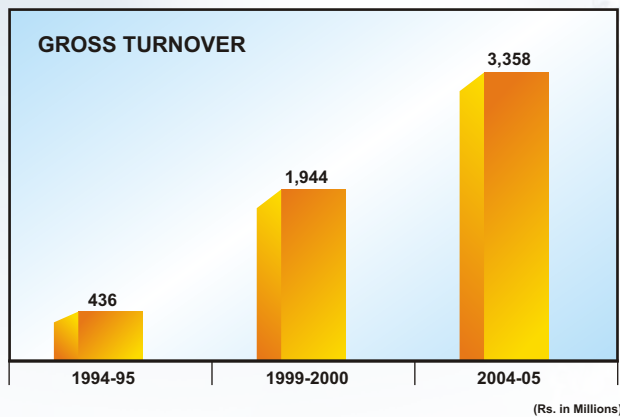
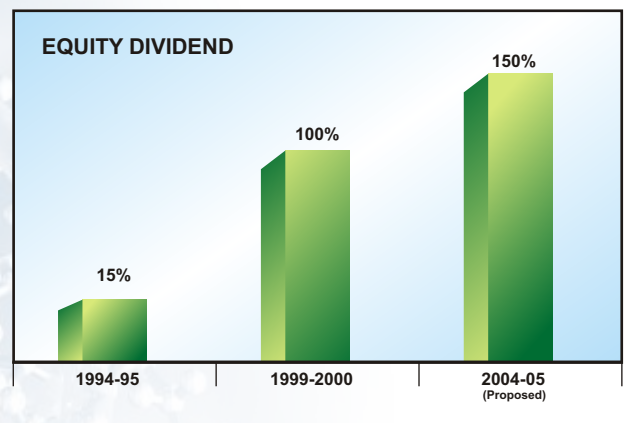
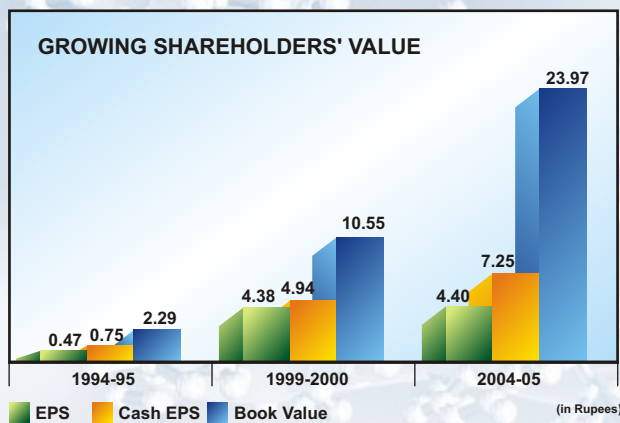
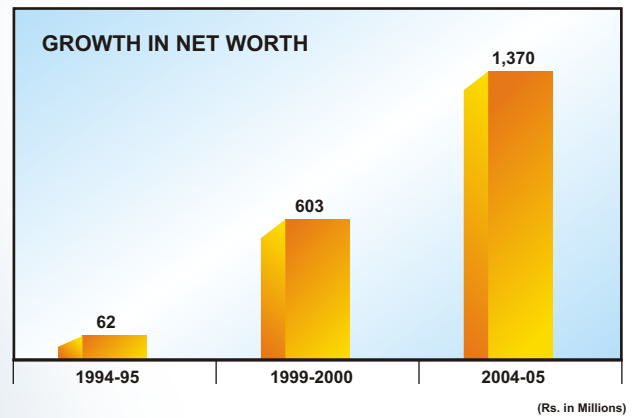
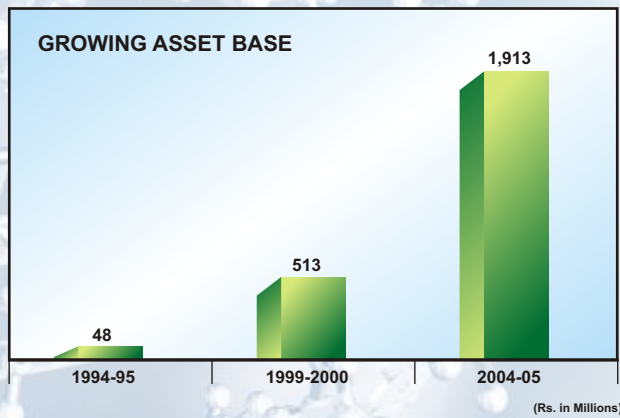
UTI Bank Ltd.

Vijaya Bank

## CONTENTS

<b>Ten Years' Financial Highlights</b>	1
<b>Management Discussion &amp; Analysis Report</b>	
Industry Overview	2
Marketing Strategies	3
Brands Review	7
Vaccines & Biotechnology	9
Global Markets	10
Collaborations & Joint Ventures	11
Research & Development	14
Intellectual Property Rights	18
Manufacturing Facilities	19
Information Technology	21
Human Resource	22
Financial Highlights	23
Future Outlook	26
Corporate Social Responsibility	29
<b>Directors' Report</b>	31
<b>Corporate Governance Report</b>	41
<b>Auditors' Report</b>	52
<b>Balance Sheet</b>	54
<b>Profit &amp; Loss Account</b>	55
<b>Schedules to Balance Sheet and Profit &amp; Loss Account</b>	56
<b>Cash Flow Statement</b>	79
<b>Statement u/s 212 in respect of Subsidiary Companies</b>	80
<b>Consolidated Financial Statements</b>	
Auditors' Report on Consolidated Financial Statements	81
Consolidated Balance Sheet	82
Consolidated Profit & Loss Account	83
Schedules to Consolidated Balance Sheet and Profit & Loss Account	84
Consolidated Cash Flow Statement	104
<b>Annual Report of Subsidiary Companies</b>	
Radicura & Co. Limited	105
Best On Health Limited	114

# TEN YEARS' FINANCIAL HIGHLIGHTS



# TEN YEARS' FINANCIAL HIGHLIGHTS

(Rs. in Millions)

Particulars	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
<b>Financial Performance Summary</b>										
Gross Turnover	3,357.63	2,721.46	2,838.58	2,833.17	2,271.11	1,943.80	1,135.40	925.36	916.61	604.18
Total Income	3,412.13	2,740.63	2,867.98	2,857.33	2,346.12	1,945.18	1,138.87	926.77	918.30	605.08
EBIDTA	721.36	424.25	551.37	588.76	604.89	430.62	177.04	142.41	127.96	62.87
PBT (before Extraordinary Items)	444.81	217.56	336.31	406.39	426.09	329.34	115.09	95.43	91.61	45.27
PBT	429.35	217.56	336.31	406.39	426.09	329.34	115.09	95.43	91.61	45.27
Provision for Taxation	128.69	53.08	122.09	157.09	197.31	70.00	8.50	7.50	10.20	-
PAT	300.66	164.48	214.22	249.30	228.78	259.34	106.59	87.93	81.41	45.27
Cash Accruals	463.12	283.17	310.54	314.50	287.57	291.03	131.39	104.13	96.77	51.24
<b>Balance Sheet Summary</b>										
Equity Share Capital	57.17	57.17	57.17	57.17	57.17	57.17	57.11	57.08	57.04	53.56
Preference Share Capital	904.35	957.81	53.47	62.97	67.97	100.00	71.51	25.00	-	-
Reserves & Surplus	1,327.45	1,113.76	1,008.73	879.28	701.64	546.02	435.55	361.94	291.11	199.10
Net Worth	1,370.16	1,151.65	1,041.80	913.40	754.50	603.19	399.64	352.55	302.01	220.53
Loan Funds	1,610.36	1,680.19	1,292.19	1,060.12	719.79	681.27	349.23	332.12	104.92	90.63
<b>Total Liabilities</b>	<b>3,899.33</b>	<b>3,808.93</b>	<b>2,411.56</b>	<b>2,059.54</b>	<b>1,546.56</b>	<b>1,384.46</b>	<b>913.39</b>	<b>776.15</b>	<b>453.07</b>	<b>343.30</b>
Net Fixed Assets	1,376.77	1,054.54	963.03	893.45	565.25	408.37	322.45	257.46	151.19	90.19
Investments	61.41	39.10	52.65	52.64	47.14	18.08	0.84	-	-	-
Net Current Assets	2,446.69	2,696.01	1,371.78	1,090.39	929.86	958.01	497.09	452.22	255.74	220.97
Miscellaneous Expenditure	14.46	19.28	24.11	23.05	4.31	-	93.01	66.47	46.15	32.14
<b>Total Assets</b>	<b>3,899.33</b>	<b>3,808.93</b>	<b>2,411.56</b>	<b>2,059.54</b>	<b>1,546.56</b>	<b>1,384.46</b>	<b>913.39</b>	<b>776.15</b>	<b>453.08</b>	<b>343.30</b>
<b>Key Performance Indicators</b>										
<b>Profitability Ratios</b>										
EBIDTA Margin	22%	16%	20%	21%	28%	23%	17%	16%	14%	10%
PBT Margin	13%	8%	12%	15%	20%	18%	11%	11%	10%	7%
PAT Margin	9%	6%	8%	9%	11%	14%	10%	10%	9%	7%
<b>Shareholders related Ratios</b>										
Equity Dividend	150%	100%	100%	100%	100%	100%	30%	30%	20%	15%
Dividend Payout	34%	37%	28%	24%	26%	23%	17%	13%	14%	12%
EPS (Rs.) *	4.40	2.72	3.62	4.22	3.83	4.38	1.77	1.54	1.43	0.85
Cash EPS (Rs.) *	7.25	4.80	5.31	5.36	4.86	4.94	2.41	1.91	1.77	1.06
Book Value (Rs.) *	23.97	20.14	18.22	15.98	13.20	10.55	7.00	6.18	5.29	4.12
Return on Net Worth	17%	13%	19%	26%	28%	40%	25%	25%	27%	21%
<b>Other Ratios</b>										
Current Ratio	1.44	1.73	1.25	1.26	1.26	1.43	1.89	1.61	1.93	1.95
Debt Equity Ratio	0.66	0.91	0.31	0.36	0.11	0.21	0.40	0.27	0.06	0.06
Return on Capital Employed	19%	11%	23%	29%	39%	31%	22%	20%	31%	20%
Interest Coverage Ratio	6.32	4.82	4.64	5.02	5.04	6.19	4.77	4.63	6.10	5.41
Debt Service Coverage Ratio	2.23	1.73	2.92	3.15	1.61	5.18	4.54	4.38	5.61	5.41

\* Per Equity Share of Re. 1/- each.

## INDUSTRY OVERVIEW

### Indian Pharmaceutical Industry

**India today has a vibrant Pharmaceutical industry, catering to both domestic as well as global markets, with the capability of becoming the world's leading centre for pharmaceutical research, manufacture and marketing aided by its low-cost structure, scientific caliber, quality consciousness and a business friendly environment.**

The Indian Pharmaceutical Industry has continued to be a fast growing industry providing employment to millions and safeguarding the most valuable asset - Life. It is one of the key industries playing a constructive role in the process of globalisation and looks forward to a vivid future in the years to come. The Indian Pharmaceutical Market is estimated to be having a size of Rs.205 billion recording a growth of around 4.2% over last year (ORG MAT Mar'05). It ranks 4th largest in terms of volume and 13th largest in terms of value in global markets, reflecting substantially lower price realizations.

The factors contributing to the growth in 2004-05 included a focus on cost containment by players in major markets and the rise in use of generics. Market growth reflects the unmet need for medications as well as ongoing demographic dynamics that are strengthening the underlying demand for pharmaceutical products.

The unique feature of the Indian Pharmaceutical Industry as compared to the other parts of the world is that there are a large number of manufacturers in the country out of which around 330 are in the organized sector, 15,000 in the small-scale sector and the remaining are small units without any economies of scale. More than 85% of the formulations produced in the country are sold in the domestic market. India is self sufficient with regard to formulations. India manufactures over 400 bulk drugs and around 60,000 formulations which are being dispensed by around 5,00,000 chemists across the country.

The major growth has been witnessed in specialty products and life-style diseases segment as against the pharma market as a whole. The oral anti-diabetic market has exhibited a growth of approximately 8% in financial year 2004-05. Pain Management Segment has also shown a growth of 6% and is looking forward to grow at the rate of approximately 7-8% in 2005-06. Chronic therapies are growing faster at 9% than acute therapies at 3%. Urban markets have exhibited a faster corresponding growth.

Clinical trials and research & development outsourcing has recently been the buzz word in India. Many Multinational companies have penetrated into India aiming at outsourcing

clinical research, R&D and manufacturing. Thus, Indian Pharmaceutical Research, manufacturing and outsourcing have received impetus, thereby creating an image of a potential healthcare market and a land of opportunities in health care sector. The economic liberalization policies initiated in 1990s and the strong emergence of private sector in the Indian economy has heightened the pace of development of the pharmaceutical industry and will continue to do so.

Some of the major developments that took place in the domestic market in the Indian Pharmaceutical Industry include introduction of Product Patent Regime w.e.f. 1st January, 2005, introduction of MRP based excise duty and new products launched in 2004 which were major drivers in the overall market growth.

### Global Pharmaceutical Industry

The size of the global pharmaceutical industry is estimated to be at US\$ 550 billion in 2004 as per the latest IMS estimates and has grown at 7%. The growth is driven by a robust drug development pipeline, ageing population and ongoing demand for innovative therapies. North America has contributed nearly 45% of the global pharmaceutical sales. European Union accounts for around 26% while Japan accounts for around 11%. Of the other major pharmaceutical markets, China has shown a consistent performance year after year, growing by 28% to US\$ 10 billion. (Source: IMS).

### Product Patent Regime

India, being a member of World Trade Organisation (WTO) and signatory to GATT, has recognized product patents. The product patent era commenced w.e.f. 1st January, 2005. As a result, India is geared to become research base for new drug discoveries and a major centre for clinical research. It will take 2-3 years from now to visualize the actual impact. Although multinational companies in the coming years would take advantage of its strong base of financial resources, qualified & experienced scientists, research skills and low-cost manpower available in our country, Indian companies are fully prepared to face the challenges of the WTO patent regime. The same could be gauged by looking at the increased number of patent applications filed by Indian companies with the Indian Patent Office. Most of the new launches are expected to come from R&D innovations like line extensions, new fixed dose combinations, new drug delivery systems and improved dosage forms of drugs.

## MARKETING STRATEGIES

Your Company has always endeavoured to strengthen its position in the domestic market and accelerate growth to become a leading Indian Pharmaceutical Company. Panacea Biotec has been pursuing aggressive marketing strategies by way of expansion of field force and launch of innovative brands with novel drug delivery technologies. The company has also been undertaking aggressive marketing campaigns and Patient Education Programmes on Diabetes, Osteoporosis and Arthritis as well as organizing CMEs for doctors.

### Domestic Marketing

The marketing network has been structured in various Strategic Business Units (SBUs) with a view to enhance the penetration level and develop a greater responsibility and accountability. The Company's marketing vision and proposition stem from the need of customer with a view to safeguard the most valuable asset 'Life'.

As the importance of specialties customer coverage and per capita productivity is increasing in the industry, your Company focuses on core therapeutic areas: diabetes, cardiovascular, arthritis & pain management, organ-transplants and diseases of gastro and respiratory system. Your Company is constantly reviewing and refining its marketing strategies and in order to establish a sharp focus on new opportunities, your Company has reorganized its marketing set-up into 5 SBUs, viz. **Critical Care, Diacar, Pro, Grow and Best On Health**. These SBUs are poised to meet the needs of clinicians through technology driven brands in a competitive market place and concentrate on the emerging opportunities.

- **Critical Care**

Critical Care, a super specialty SBU of your Company, is focused on Nephrology in a highly specialized organ transplantation and dialysis management segments. The aim of this SBU is to attain leadership position in the operating markets and establish brand equity in the therapeutic segment by implementing the

Cyclosporine Oral Solution/Capsules USP  
**Panimun Bioral**<sup>TM</sup>  
A Strong Foundation of Trust, Faith and Confidence

concept of Customer Relationship Management (CRM) and creating Pro-Panacea Biotec customers. It offers a complete range of pre-transplant & post-transplant therapies. It has carved a niche for itself and enjoys a significant presence in this segment all over the country. The brand portfolio of this SBU includes **Panimun Bioral** (Cyclosporine) Capsules & Solution, **Mycept** (Mycophenolate Mofetil) Tablets & Capsules, **Pangraf** (Tacrolimus) Capsules, **Efecient** (Sodium Ferric



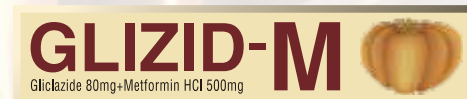
Eminent Doctors sharing their views on therapeutic efficacy and experience with PanGraf.

Gluconate Complex in Sucrose) Injection and **Overcom** (Iron Sucrose) Injection.

- **Diacar**

Diacar is the fastest growing SBU of your Company with dedicated marketing and sales infrastructure for diabetes and cardiovascular management. It is well entrenched in the minds of our customers and has become a high

#### In Obese & Uncontrolled Type 2 Diabetes



**Able** glycaemic control

**Stable** weight control

volume contributor. Diacar stands at 6th position in the oral anti-diabetic market and is valued at Rs.400 million (ORG IMS Apr' 05 MAT) with flagship brand **Glizid M** (Gliclazide & Metformin) Tablets **ranking as no. 1 brand** in its respective product category and **Glizid** (Gliclazide) Tablets **ranking as no. 2 brand** closely following the leader in its category. Moreover, **Glizid M** and **Glizid** occupy **6th** and

# MANAGEMENT DISCUSSION AND ANALYSIS

13th position respectively amidst over 400 oral hypoglycaemic agents and are valued at Rs.218 million and Rs.112 million respectively. **Pioryl** (Pioglitanoze & Glimepiride) Tablets, **Oglo** (Pioglitazone) Tablets, **Betaglim** (Glimepiride) Tablets, **Metlong** (Metformin) Tablets, **Myelogen** (Methylcobalamine) Tablets, **Lower** (Atorvastatin & Ezetimide) Tablets and **Heartfelt** (Saccharum Officinatum) Tablets are other key brands being marketed by this SBU.

Natural therapy in cholesterol management



**CMARC** (an independent Market Research Company), places **Diacar** at **8th position** amongst Diabetologists and **3rd position** amongst Cardiologists as per their continuous Prescription Audit during Nov'04 to Feb'05. Diacar SBU promotes the brands exclusively to the target specialists in highly competitive market segments and has achieved a significant leadership position in this therapeutic segment.

- **Pro**

Pro SBU of your Company endeavours to consolidate and strengthen its image in the field of Chronic Health Care Management including pain & arthritis management, osteoporosis and gastro-intestinal disorders. It promotes a portfolio of brands with a special focus on Orthopedicians, Surgeons, Dentists, ENT Specialists, Pediatricians & Gastroenterologists.

The major brands in the portfolio include **Nimulid** (Nimesulide) Tablets, **Nimulid**



**Safeinject**, **Willgo** Tablets, **Nimulid SP** Capsules, **Nimulid** Suspension, **Nimulid MD**

**Kid** Tablets, **Calcom** Tablets, **Alphadol** (Alphacalcidol) & **Alphadol C** Capsules, **Ocimix** (Ciprofloxacin & Ornidazole) Tablets, **Livoluk** (Lactulose) Solution, **Giro** (Ornidazole) Tablets, **Nimulid MR** Tablets and **Cilamin** (Penicillamine) Capsules. All these products are being well accepted among the medical fraternity.

Advanced Drug Delivery System for 24-hour management of Osteoarthritis



**Nimulid** continues to occupy the **2nd position** in its respective therapeutic segment and features among **top 200 brands** in India.

- **Grow**

Grow SBU caters to clinicians across the country, including Chest Physicians, Consultant Physicians and General Practitioners and promotes technology driven products. A specialty driven, professionally trained and well-equipped field force is the strength of this SBU. The brand portfolio of GROW SBU includes innovative brands like **Xeed 2**, **Xeed 3E** & **Xeed 4** Tablets (combination drugs for treatment of tuberculosis), **Myser** (Cycloserine) Tablets, **Myobid** (Ethionamide) Tablets, **Bukatel**

Innovative Drug Delivery Technology in TB Management



(Prochlorperazine in buccal delivery system) Tablets, **Nimulid MD** (Nimesulide Mouth-dissolving) Tablets, **Nimulid Transgel** and **Takeaway Inj.** (Nimesulide Injections), which are well differentiated from the competitors in the respective market segments viz. Anti-TB, Anti-emetics & NSAIDs.

Your Company has tapped **first-line Anti TB** market through research-based patented new drug delivery Tablets **Xeed**, which has been developed through in-house innovative drug

delivery technology. Xeed contains combination of drugs for the management of tuberculosis in a novel fixed dose tablet formulation and ensures site-specific release and enhanced bio-availability of Rifampicin leading to almost 100% cure rate in tuberculosis. The image of Myser and Myobid has also been intensified in overcoming multi-drug resistant (MDR) of tuberculosis.

#### ● Best on Health

Best on Health (BOH) SBU of your Company offers therapeutic solutions to cater to specific needs of customers and promotes natural products developed through modern



technology after extensive research. As a part of the exercise in health management, a lot of emphasis is given on disease awareness and patient education through innovative tools.

The brands being marketed by this SBU include **ThankGod Piles Management System** (ThankGod Relief Capsules, ThankGod Anytime Cream, ThankGod Ispaghula Husk and ThankGod Pain & Itch Relief Cream), **Well-Beeing** Capsules (for menstrual pain), **Toff MD** (mouth-dissolving tablets for common cold & cough) and **UpRight** (Aceclofenac & Paracetamol Tablet for treatment and effective relief from severe pain and inflammation).

#### ● Nepal operations

Your Company foresees a big opportunity in Nepal Pharmaceutical market and plans to emerge as a leading Pharmaceutical Company in Nepal. Currently, your Company is marketing 15 brands including **Nimulid, Nimulid MD,**

**Glizid, Alphadol, Livoluk, Myser, Myobid, Panimun Bioral and Mycept** and more brands are being included in the basket.

#### Logistics

Your Company has a strong marketing & distribution network covering almost 450 districts and more than 1.1 million doctors through a strong field force of more than 1000 trained marketing & sales professionals and 23 Sales Depots/ C&F Agents all over India. With your Company's strong brands on one hand and a broad distribution network on the other, responsible for making brands available at all the places at all the times, make the work of field force highly stimulating and rewarding for the growth of your Company.

#### Learning & Development

Your Company has always recognized that the most powerful vehicle to build a long lasting partnership with its people is through education and training. Learning has become a continuous process for developing professional skills in the marketing personnel enabling them to be more productive and thus contribute to organizational goal attainment. Keeping this in view, your Company is continuously organizing various learning programmes to upgrade and enhance the skills of its people, including '**Parimaarjan**', a leadership development program for line Sales Managers.

● **E - learning** : Mr. Rajesh Jain, Joint Managing Director of your Company has started a project of online-training programme **STAT - Simple Tips to Achieve Targets** w.e.f 1st January, 2005. The response from field colleagues is highly encouraging. They are utilizing STAT inputs through continuous reading, understanding and application of the skills in their daily selling situation. The application of skills will reflect in the sales performance of the Company over a period of time.

#### Clinical Research

In this modern era of cutting edge research, changing patent laws and evolving technologies in pharmaceuticals, Clinical Research has a vital role to play in drug discovery and providing

## MANAGEMENT DISCUSSION AND ANALYSIS

technological solutions to optimize clinical trial processes.

There is a strong case for Indian biotechnology as well as biopharmaceutical firms to tap the market for global research. The country has a huge bank of qualified manpower and several research institutions. The Mashelkar Committee has given the right suggestions to develop a good infrastructure for clinical research centers so that India can meet the challenges in the patenting era and become a global player in clinical research.

To align with world standards and to become pioneers in pharmaceuticals and biotechnology, Panacea Biotech has adopted clinical research as an integral part of its R&D for the past 9 years.

The back up provided by these clinical trials for vaccines, immuno-suppressants, anti-diabetics, anti-tubercular, pain management and gastro products has further strengthened the position of the Company within the medical fraternity.

The Clinical Research Department has helped in development of many products and has provided authentic and accurate scientific information and helped in answering medical queries from our esteemed customers. The Clinical Research department has collaborated with the best

medical institutions like **AIIMS** New Delhi, **PGIMER** Chandigarh, **CMC** Vellore, **Apollo** New Delhi & Chennai, **Jaslok** Mumbai as well as State Medical Colleges and other institutions of repute to generate authentic and credible clinical data for various new products of the company. It has been instrumental in generating world-class scientific monographs, package inserts, art materials and scientific information for dossier submission. The Clinical Research Department has more than 80 publications on different brands to their credit both in national and international journals.

### Market Research

Your Company has a well-organized and professionally equipped Market Research Department with a view to plan & adapt good marketing strategies. Its activities involve generating Pharma Industry information and performance database, exploring market potentials, evaluating performance vis-a-vis competition and identification of customers' needs and brand potentials before the launch of new brands. It also makes available a continuous flow of information and support to the entire marketing network.

In lean / insulinopenic patients



## BRANDS REVIEW

The Company's brands are being well accepted by the medical fraternity and enjoy excellent market share in their therapeutic segments. There has been a 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 Retail Store Audit of ORG (MAT Mar'05), two brands of your Company continue to feature among the top 200 ranks. **Glizid M** stands at **133rd rank** and **Nimulid** stands at **153rd rank**.



During the year under review, **Glizid M** (anti-diabetic) Tablets has achieved record sales and continues to stand at **No. 1 position** in the **Gliclazide + Metformin** category and is valued at Rs.216 million.

**Nimulid** Tablets, **Nimulid** Suspension, **Glizid** Tablets, **Livoluk** Solution, **Myser** Tablets and **Pioryl** Tablets are the brands challenging the leader at **2nd position** in their respective categories and will catch up the leadership position soon as some of the brands are registering higher growth than the market.

**Alphadol** & **Alphadol C** Capsules, **Cilamin** Capsules, **Giro** Tablets, **Efecient** Injection, **Mycept** Capsules, **Nimulid MR** Tablets, **Myobid** Tablets, **Nimulid SP** Capsules, **Nimulid Safelinject**, **Oglo** Tablets, **Pangraf** Capsules, **Panimun Bioral** Capsules, **Rosimet** Tablets and **Takeaway** Injection feature among top 10 brands in their respective category.

### New brands launched

With a view to gain continuous competitive edge, your Company has been continuously launching highly innovative and distinguishable value-added brands with advanced drug delivery technologies at the right time in a sustained



Launch of Myelogen Tablets

manner. During the year under review, your Company has launched number of new brands including:

- **Xeed 4, Xeed 3E, Xeed 2** Tablets (combination drugs for treatment of tuberculosis with a state-of-the-art innovative drug delivery system),
- **Pangraf** (Immuno-Suppressant) Capsules,
- **Myelogen** Tablets (for diabetic neuropathy),
- **Heartfelt** Tablets (to normalise cholesterol levels),
- **Nimulid Safelinject** (patented product for management of post-operative and acute Pain),
- **Willgo** Tablets (patented product using advanced drug delivery system, for 24 hours management of Osteoarthritis),
- **Takeaway Inj.** (for rapid, effective, sustained and safe management of acute pain & high fever),
- **Lower** Tablets (for intensive cholesterol management),
- **OVERCOM** Injection (for treatment of iron deficiency anemia), and
- **UpRight** Tablet (for treatment of severe pain and inflammation).

# MANAGEMENT DISCUSSION AND ANALYSIS

As per the initial market reports, the brands launched during the current year have been well accepted in the market and are expected to give a significant boost to the growth of the Company in line with its long-term objectives and vision.

Further, in view of its continuous thrust to expand the 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 technology developed by premier Research Organisations in India and abroad.

Innovative Drug Delivery Technology in TB Management

**XCEED**  
Release with Ease  
For effective management of tuberculosis

For Patients with Diabetic Neuropathy  
For Diabetic Neuropathy Methylcobalamin Tab / Inj

**Myelogen**  
From Degeneration To Regeneration

For Intensive Lipid Control

**LOWER**  
LOWERS CHOLESTEROL

Ezetimibe 10 mg + Atorvastatin 10 mg Tablets

Natural therapy in cholesterol management

**HEARTFELT™**  
BE GOODHEARTED, NATURALLY

Advanced Drug Delivery System for 24-hour management of Osteoarthritis

**Willgood**  
Nimesulide 200 mg long acting tablet  
Pain out... Throughout

Just one tablet At Bedtime

**UpRight**  
Get Up Right Away

The Novel Parenteral Nimesulide  
1<sup>st</sup> time in India

**Takeaway**  
Breakaway from Pain... Takeaway the Fever

Nimesulide Injection 75mg/2ml

In the management of Traumatic & Postoperative pain  
The Novel Parenteral Nimesulide

**Nimulid**  
Pain Reject-Safe Inject SAFEINJECT

Nimesulide Injection 75 mg / 2 ml

Iron Sucrose Injection USP

**OVERCOM™**  
Overcomes Iron Deficiency  
For treatment of iron deficiency anemia with rapid and reliable substitution of iron

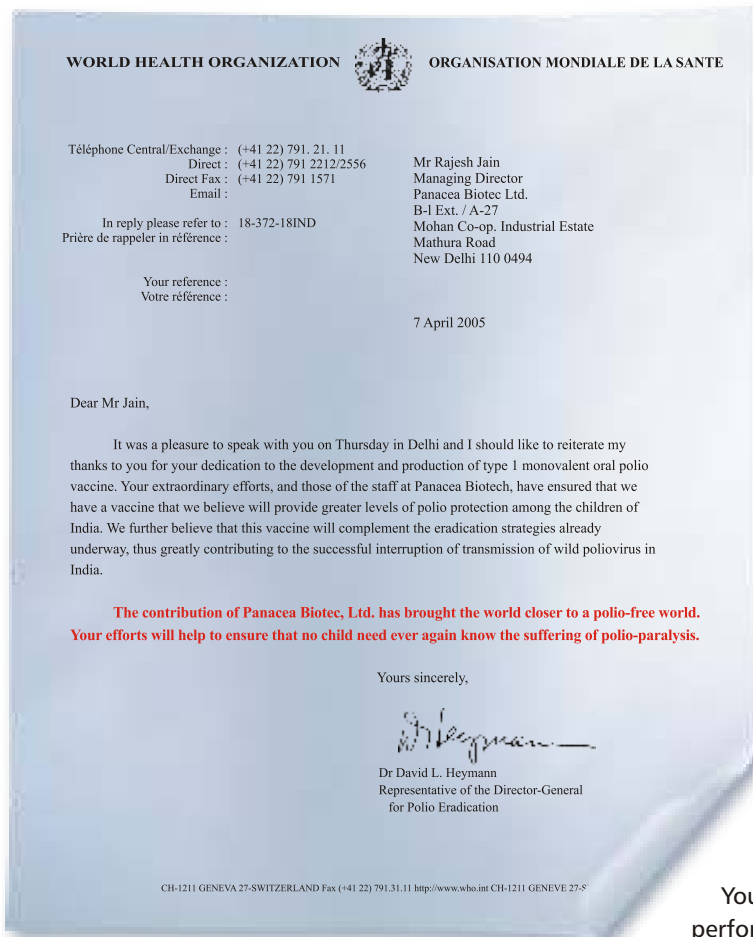
**PanGraf™**  
TACROLIMUS  
Superior Protection - Excellent Tolerability

## VACCINES & BIOTECHNOLOGY

Vaccines & Biotechnology segment has been a major growth driver in the performance of your Company. With substantial investments in world-class manufacturing facilities and R&D Centers, Panacea Biotec has experienced an exceptional growth and established a credible place in the field of vaccines & biotechnology. The vaccines

previous year.

Panacea Biotec has put tremendous efforts targeting eradication of Polio as a disease from earth. In the quest of achieving success in this mission, your company developed Monovalent Type 1 Oral Polio Vaccine (mOPV1) in addition to conventional Trivalent Oral Polio Vaccine.



During the year, Government of India, for the first time in India, organized Polio Eradication campaigns using mOPV1. The entire demand of vaccines for these campaigns was met by your Company.

"The contribution of Panacea Biotec Ltd. has brought the world closer to a polio-free world", remarked Dr. David L. Heymann, Representative of the Director-General for Polio Eradication, WHO, Geneva.

Your Company has also developed several new innovative injectable combination vaccines including Pentavalent Vaccine **Easyfive** (DTwP-HepB-Hib), Tetravalent Vaccines **Ecovac-4** (DTwP-HepB) and **Easyfour** (DTwP-Hib) and is also developing several new vaccines including Recombinant Anthrax Vaccine, Hib Conjugate Vaccine and Japanese Encephalitis Vaccine, among others.

Your Company's consistent efforts and performance in the field of "Vaccines & Biotechnology" has been well acknowledged in the industry and accordingly your Company has been **ranked 3rd amongst biotechnology companies in India**. (Source **Biospectrum**, 10th August, 2004).

segment recorded a turnover of Rs.2,199 million during the year under review as against Rs.1,495 million during the previous year, thus achieving a remarkable growth of more than 47% over the

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL MARKETS

Your Company continues to be enthused by opportunities in the progressive international branded products market and its efforts on brand building have continued to show positive results.

The Company has achieved export turnover to the tune of Rs.148 million during the year under review.



*Our Associates from Russia & Ukraine visiting our Corporate Office*

Your Company's plan for gaining recognition as a high quality manufacturer with products that can be prescribed with confidence are gaining ground steadily. As a result of this, the cost and quality conscious population in developing countries have accepted your Company's brands very well. In many countries, your Company's leading brands namely **Nimulid**, **Nimulid-MD**, **Nimulid Transgel**, **Kondro**, **Alphadol-C**, **Panimum Bioral**, **Toff Plus** and **Giro** have been widely accepted and are in good demand.

Your Company is also planning to introduce other branded formulations viz. **Bukatel**, **Ocimix**, **Glizid- M**, **Metlong 500** and **Nimulid Nugel** in the overseas markets besides getting its OTC range of natural and herbal products registered in the existing as well as in new markets.

With a view to increase revenues from export markets, your Company has expanded its global presence by exporting branded formulations to countries like **West Indies**, **Yemen**, **Uzbekistan**, **China** etc. besides carving a niche in the existing markets in CIS, Africa, Middle East and the Asian Sub-continent.

The Company is targeting Latin American countries as having vast potential and the registration of **Panimum Bioral** (Cyclosporine) is under process in Brazil. With the commissioning of new formulation facility being set-up at Baddi, in compliance with the regulatory requirements of **USFDA**, **MHRA**, **MCC (South Africa)**, **WHO** and other regulatory agencies of the world, your Company will be filing for registration of more products in due course in Latin American & other markets.

The registration of additional products in pharmaceuticals and vaccines segment in various countries and penetration in new markets will create scope for additional volume of business, which will further strengthen your Company's export revenues in the coming years.

The Company is also in the process of getting pre-qualification from WHO enabling the supply of its new combination and other vaccines to WHO/UNICEF thereby resulting in enhanced credibility of the Company and substantial growth of its revenues & profitability in the vaccines segment.

Your Company is also preparing itself for registration and marketing of its patented products in US and European markets by 2008. The Company has also plans to supply anti-retrovirals meant for HIV/ AIDS and anti-tuberculosis drugs to WHO/ UNICEF through WHO pre-qualification route and to the Latin American markets.



*Dr. Dragica Maksimovic and Dr. Ranko Skrbic from Panacea Biotec's representative office in Serbia & Montenegro alongwith Dr. Ashok Panwar & Ms. Navita Khanna*

## COLLABORATIONS & JOINT VENTURES

Effective alliances and collaborations are vital for accelerating innovation and growth. Thus, to weave in a truly international perspective through partnerships and to establish a commanding presence in targeted disease areas, your Company has entered into the following Joint Ventures / Tie-ups / Collaborations with various national & international commercial / research organisations:



Mr. Rajesh Jain, JMD unleashing the future of pediatric vaccination in India alongwith Mr. John Lambert and Mr. John Drinkwater, Directors of Chiron Panacea Vaccines.

- **JV with Chiron Corporation, UK**

A 50:50 Joint Venture with Chiron Corporation, UK (one of the five Global Majors in vaccines in the world) for marketing of new innovative breakthrough combination vaccines in India this JV Company is focused on the Rs.4 billion

Indian vaccine market and targets the retail vaccine market in India. It is targeted to garner a market share of 35% in the first 2 years of operation. The present portfolio of vaccines being marketed by this Company comprises of **Enivac HB** (Hepatitis B Vaccine), **Enivac HB Safsy** (Hepatitis B Vaccine in Auto-disable device), **Ecovac-4** (tetraivalent vaccine - DTwP-HepB), **EasyFour** (DTwP-Hib) and **EasyFive** (DTwP-HepB-Hib).

- **Collaboration with Cambridge Biostability, UK**

Your Company has entered into collaboration with Cambridge Biostability Ltd., UK (CBL) for developing thermostable vaccines applying CBL's patented "Stable Liquid Technology" over its existing range of vaccines. The "Stable Liquid Technology" eliminates the need for cold chain and refrigeration for vaccine storage and distribution. It is estimated that the losses due to improper refrigeration of vaccines for WHO/UNICEF alone every year is in the region of US\$ 300 - 400 million. The technology will enable your Company to achieve significant savings in the storage, distribution and logistic costs as refrigeration forms a significant part of the total cost of selling the vaccines.

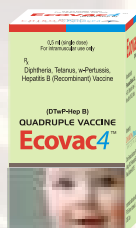
- **Tie-up with National Institute of Immunology,**



**Easy solution for 5-in-1 protection**



**Easy option for Hib immunization**



**Effective combination for HB immunization**



**Safe system**

• Pre-filled • Auto-disabled • Accurate dosing

## MANAGEMENT DISCUSSION AND ANALYSIS

### India

As you are aware, the Company has, during last year, entered into an agreement with National Institute of Immunology (NII), India for in-licensing of technology & processes for production of tissue culture derived formalin inactivated Japanese Encephalitis Vaccine. The technology transfer & training of scientists has been completed and steps are being taken to scale-up production for clinical trial purposes and optimization of various analytical & biological test methods. The vaccine being developed by the Company is different from the presently available version regarding its origin, as the present vaccine is mouse brain derived and has various drawbacks associated with it pertaining to the presence of adventitious viruses as well as numerous ethical issues.

- **Alliance with Biotechnology Consortium of India Ltd.**

Your Company made in-licensing arrangements with Biotechnology Consortium of India Ltd. (BCIL) for development, manufacture & marketing of **Anthrax Vaccine** developed by JNU. In view of the increased global risks of bio-terrorism, especially in the US and European countries, your Company is determined to make a valuable contribution towards saving lives through protection against Anthrax and foresees huge opportunities in India as well as global markets for Anthrax Vaccine. In fact, the US Government is actively working on creating enough stock-piles of Anthrax, other vaccines and antidotes to protect its citizens from biological and chemical weapons. Your Company is keeping a close watch on the developments and is eagerly looking forward to extend a helping hand to save humanity from bio-terrorism. During the year under review, Phase I / IIa human trial of **recombinant Anthrax Vaccine** is in process and

the preliminary results of the said clinical trial are expected around September, 2005.

- **In-licensing from National Institute of Health, USA**

During the year under review, your Company has entered into an in-licensing arrangement with National Institute of Health, USA for use of peptide based product for generation of hair follicles & hair growth. The steps are being taken for developing a suitable formulation for conducting pre-clinical toxicology after which the steps for clinical trials will be undertaken. The commercialization of the product will benefit those individuals afflicted with alopecia (baldness) including androgenetic alopecia.

- **Research collaboration with a major European Pharmaceutical MNC**

The Company has entered into research collaboration with a major pharmaceutical European MNC to enhance the bio-availability of their patented new chemical entity using the Company's drug delivery technology. Panacea Biotec has **recently filed a joint patent application** with this European MNC for its Pharmaceutical Formulation invention, which covers Panacea Biotec's drug delivery technology. The Company has already manufactured and supplied GMP batches to the European MNC for Phase I & Phase II clinical trials in Europe. Your Company is at an advanced stage of commercial negotiations with this European MNC for arriving at the revenue model for your Company, post introduction of this Pharmaceutical Formulation product in global markets.

- **License & Supply Agreement with a major Indian Pharmaceutical Company**

The Company has recently signed a License & Supply Agreement with a major Indian Pharmaceutical Company for supply of the Company's patented product Nimesulide

Injection for marketing in India. The Company is also at advanced stage of negotiations for licensing & supply of another patented product for marketing, distribution and sale in the Russian Federation.

Through these collaborations, your Company's strategy is to foster cutting edge ideas and innovative technologies essential for consistent growth of the Company in the years to come.



*Ms. Sheila Dikshit, Chief Minister, Delhi at International CME on Diabetes.*

### National / International Conferences & Seminars

The Company regularly participates in national/international conferences in order to share information, technology & knowledge, development of human resource and to expose its brands to the medical fraternity all over the country/ world. It also has a direct impact on strengthening customer database and exploring new opportunities for national and international co-operation leading to improved sales and profitability of the Company.

During the year, the Company, inter-alia, participated in the following conferences:

- European Dialysis & Transplant Association Congress 2004 in May, 2004 at Lisbon, Portugal.
- 1st International Society of Neuroscience Special Neurochemistry Conference in May, 2004 at France.
- Clinical Research Project Management, IBC

Asia, 26-29 June, 2004 at Singapore.

- 31st Annual Meeting and Exposition sponsored by Controlled Release Society in June, 2004 at Honolulu, USA.
- Evolution 2004 organised by Marcus Evans held in Sept' 04 at Montreux, Switzerland.
- XVth Annual Conference of Indian Society of Organ Transplantation (ISOT 2004) held in Sep-Oct'2004 at Mumbai.
- Workshop on "Confronting the Challenges of Global Clinical Trials in India" in October, 2004 at Mumbai.
- RauCon, EuroPlx in Oct' 2004 at Leipzig, Germany.
- Bio-Europe in Nov' 2004 at Cologne, Germany.
- International symposium on Human Papilloma Virus and Cervical Cancer organized by IACR in association with ICPO, Noida.
- ASICON organised by Association of Surgeons in Nov' 04 at Hyderabad.
- IOACON organised by Indian Orthopedics Association in Dec' 04 at Agra.
- Indian Pharma Day organized by Goldman Sachs & Kotak Securities in December, 2004 at London.
- Transplant Asia 2004, in December, 2004 at Singapore.
- Conference on Indian Pharmaceutical Industry- Post 2005 at NIPER, Mohali.



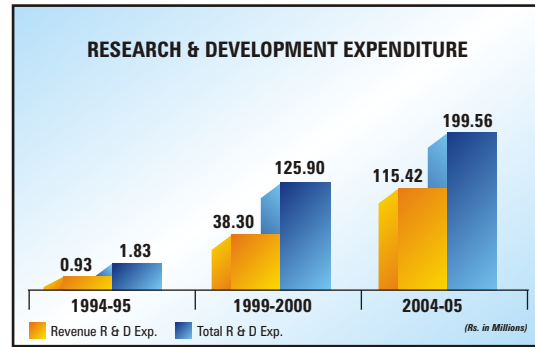
*Leading Orthopaedicians Dr. Ashok Viz and Dr. Pruthi, President elect, U.P.I.O.A. at IOACON Conference held at Agra seen with Mr. Sukhpal Singh.*

## RESEARCH & DEVELOPMENT

Research & Development is a way of life at Panacea Biotech. Ardent Research and Development efforts have always been a great strength for your Company. Your Company has three state-of-the-art R&D Centres in New Delhi and at Lalru in Punjab. The R&D Centres have been suitably equipped to handle drug delivery projects as per international regulatory standards with the creation of new departments, infrastructural expansion and fresh recruitments. Presently over 150 highly qualified & experienced scientists form a team to steer various research projects.

Your Company is consistently increasing its expenditure on Research & Development and has spent an amount of Rs.199.56 million (6.14% of net sales) as against Rs.148.24 million (5.68% of net sales) during the previous year, an increase of over 34% over previous year. The increase in R&D expenditure is in line with the Company's strategy of expanding its scientific strength by working tirelessly to find novel therapies and drug delivery systems aimed at establishing leadership in all segments.

In view of the increased expenditure of R&D, your Company has been **ranked 6th** among the pharmaceutical companies in terms of R&D Expenditure as percentage of sales. [Source ET 500 Dec' 04].



Your Company is in the process of setting-up 3 new R&D Centers at Mohali, New Delhi & Navi Mumbai and by 2007, your Company plans to have 7 R&D Centers with cumulative strength of over 500 scientists.

### Specific areas in which R & D activities are being carried out

- **Advanced Drug Delivery Research:** The ongoing projects on drug delivery research include:
  - a) Metered dose transdermal drug delivery
  - b) Nasal & Pulmonary delivery through MDI's/ DPIs
  - c) Nanoparticulate systems for lipophilic drugs bioavailability enhancement



- d) Depot injectables for controlled drug delivery
- e) Oral controlled release patentable platform technologies for various drugs
- f) Development of intravenous injection technology for poorly soluble drugs
- g) Development and identification of novel nanoparticle based immuno-adjuvant
- h) Drug delivery systems for depot therapy of antigens based upon micro particulate technology.
- i) Buccal Drug Delivery
- j) Gastroretentive Drug Delivery system
- k) Colon Targeted Drug Delivery System

- **Natural Products R&D:** Natural Product Research department is engaged in search, extraction and standardization of therapeutic agents as prescription only medicines of natural origins. Search for novel natural products of pharmaceutical value both from traditional (Ayurvedic) and modern literature are undertaken. The major areas of interest are drugs for obesity, anxiety, acne, hyperlipidemia, diabetes and male sexual dysfunction.

- **Chemical Research and Development:** Chemicals Research department is engaged in developing cost effective and commercially attractive, patent non-infringing processes for production of various therapeutically active drug substances, synthesis, characterization and structural elucidation of impurities required for analytical research. The major areas of interest include the development of non-infringing processes for the products not available in the market and required by formulation research work.

- **Pharmacology Research and Development:** The Pharmacological / toxicological research programme includes screening, mechanism exploration, pharmacodynamics, newer

animal model development as well as acute /sub-acute toxicity studies. The research lab is well equipped with modern equipment and central animal house facility. The key research areas of this department included respiratory pharmacology, nociception / inflammo-pharmacology, neuro-pharmacology, gastrointestinal permeability studies of newer drugs, pharmacodynamics of anti-hemorrhoidals, herbal drug screening using various animal models.

- **Analytical Research and Development:** Focus is on the development of analytical procedures for finished products, active pharmaceutical products, natural products and new chemical entities using modern analytical techniques. Special emphasis was placed on drug release, impurity profiling and degradation products as per the international norms.

- **Bio-analytical Research:** Research activities included development of analytical methods for biological fluids and analysis of samples for bioequivalence and animal pharmacokinetic studies.



- **Packaging Research and Development:** This department is engaged in developing packaging components for different categories of drugs to prevent degradation,

## MANAGEMENT DISCUSSION AND ANALYSIS

moisture ingress, microbial growth etc. to preserve the quality and efficacy of drugs, even under adverse environmental conditions.

- **Vaccines Under Development:**

**Recombinant Vaccines** - Anthrax, Typhoid, Meningococcal, Pneumococcal, Varicella and Hepatitis A.

**Polysaccharide Vaccines** - Pneumococcal, Meningococcal and Hib-conjugate.

**Cell culture based vaccines** - Varicella, Hepatitis A, Japanese Encephalitis and Inactivated Polio, and Several **Combination Vaccines**.

### Results of such R&D activities

**Advanced Drug Delivery Research:** There has been a notable progress in the area of drug delivery research. Forty (40) new projects were identified during the year. The prototype formulations have been developed for 3 drug delivery projects and many projects are under various stages of development and are making steady progress.

**Natural Products Research and Development:** **ThankGod** is being developed for the regulated markets. The development report and the CMC data generated till now has been compiled. Our collaboration with a premier natural laboratory for the identification of new sources of herbal medicine based on traditional usage is progressing satisfactorily. A number of leads have been identified and are being evaluated for active constituents and their efficacy.

**Chemical Research and Development:** Processes for synthesis for different molecules including anti-inflammatory, anti-diabetic and anti-asthmatic etc. have been developed. Adequate quantities for development purposes have been synthesized. A number of improved Chemical Entities have been developed and patents have been filed.

**Collaborative R&D Projects:** The contract signed with an European pharma major for the anti-hypertensive product development has been successfully completed for a number of dosage forms involving multiple dose approaches. Clinical batches for Phase I & II have been manufactured and supplied. The outcome of Phase I & II clinical trials has been positive.

### Animal House at Lalru, Punjab

Apart from the existing Animal House at Lalru having large number of small laboratory animals like guinea pigs, mice and rabbits for testing of various vaccines being developed / manufactured by the Company, your Company undertook an expansion project to meet the increased requirements relating to the manufacture of combination vaccines for Indian and international



markets. The new Animal House facility set-up by your Company at Lalru complies with the guidelines of CPCSEA for breeding sufficient number of animals for testing of vaccines as per international requirements.

### New Initiatives in R&D

Pharmaceutical science is one of the most rapidly developing scientific fields. Keeping in view the interest of scientists and their specialized fields, many new concepts like IdeaBank, Seminar Series, GLP Assurance Cell and Development Activities

Timelines Enumeration (DATE) have been introduced. More than 180 new ideas have been received through Idea Bank from various departments, which have been thoroughly screened and analyzed for their patentability, marketability and scientific novelty. The best ideas have been selected for development after detailed deliberation. More than 40% ideas received are on the development of drug delivery based systems and technologies.

At the R&D center at Lalru, Punjab, a new laboratory has been set-up with advanced and sophisticated equipment for Advanced Drug Delivery Research by a dedicated team of professionals for development of new drugs and non-infringing technologies. More than 40 products based on different areas of research are in the pipeline. To take the drugs into the regulated markets, the non-infringement criteria of technologies are being assessed by the team of IPR by providing them with latest updates and information on technologies being used for the purpose of developments of proposed products.

**New Drug Discovery Research, Mohali** To develop New Chemical Entities (NCEs), your Company is setting up a New Drug Discovery Research facility at Mohali, Punjab. The center



will initially have around 50 scientists and will focus on drug discovery on anti-infective segment & metabolic disorders and IPR management. The center is expected to be operational during the 3rd quarter of current financial year.

**Biopharmaceutical Research Center, New Delhi** - Your Company is setting up a Biopharmaceutical Research Center in New Delhi.



The Research center will utilize cutting edge molecular biotechnology tools and in the first phase will have 30 molecular and cell biologists. The center will develop novel vaccines and therapeutics, therapeutic monoclonal antibodies and therapeutic peptides and is expected to be operational during the 4th quarter of current financial year. The focus research areas include infectious diseases and lifestyle related disorders.

**Grand™ (Global Research & Development Center), Navi Mumbai** - In pursuit to develop new and advanced drug delivery system based products, your Company is setting up an Advanced Drug Delivery Research (ADDR) center named GRAND™ in Navi Mumbai, which will initially have 60 highly proficient & experienced scientists and is expected to be operational during the last quarter of next financial year.

## INTELLECTUAL PROPERTY RIGHTS

With dedicated approach towards Research and Development, the Company has been able to develop some of the most exclusive products based on Patented Novel Drug Delivery Systems, including:

**Xeed** Antitubercular FDC with innovative Drug Delivery for optimum bioavailability of Rifampicin.

**Nimulid SafelInject** Parenteral formulation of Nimesulide based on co-solvent technique.

**Panimun Bioral** Cyclosporine formulation based on SEDDS technology.

**ThankGod** Euphorbia prostrata extract for the comprehensive management of Haemorrhoids.

**Nimulid MD** Nimesulide tablets based on Fast Mouth Dissolving Technology.

**Willgo** Nimesulide once a day formulation.

**Nimulid Transgel** Nimesulide Transdermal Gel.

**Nimcet** Synergistic combination of Nimesulide once a day + Cetrizine.

These products are now being planned to be launched in various international markets, from the new pharmaceutical formulation facility expected to commence production in September, 2005 at Baddi, Himachal Pradesh.

Your Company has always been in the hunt for developing innovative technologies and adequately protecting them in India and worldwide by filing patent applications. In the year 2004-05, your Company has filed 11 Complete and 2 Provisional Indian Patent applications; and 10 PCT applications. During the year under review, following 20 Patents were granted worldwide in different countries:

- Anthrax Vaccine
- A novel anti-migraine composition
- Novel Pharmaceutical composition of anti-tubercular drugs (Australia, North Korea, New Zealand, Russia)
- Pharmaceutical compositions containing Cyclosporine (Europe, India and Philippines)
- A novel fast mouth dissolving composition with prolonged sweet taste (India, Kazakhstan and Turkmenistan)
- Parenteral Miscible Non-intensely coloured injectable composition of Non-steroidal Anti-inflammatory Drugs (China and Canada)
- A novel anti-allergy anti-inflammatory composition.
- Nimesulide Controlled Release (Australia, Singapore and Russia)
- Therapeutic anti-inflammatory and analgesic composition containing selective COX-2 inhibitor drugs for use transdermally.

Till date your Company has **over 370 patent applications filed in India and worldwide**, out of which **136 patents have been granted in various countries including USA, Japan, Russia, China, Australia, Canada, etc.** and the remaining are under consideration in various countries across the globe.



## MANUFACTURING FACILITIES

The manufacturing facilities of your Company are situated at Okhla & Badarpur (New Delhi) and Lalru (Punjab). A new pharmaceutical formulation facility is coming up at Baddi (Himachal Pradesh) which will comply with regulatory requirements of **USFDA, MHRA, MCC (South Africa) WHO** and other regulatory agencies of the world and also enable the Company to avail fiscal incentives provided by the Government.

- **Pharmaceutical Formulation facility in New Delhi**

The Company's existing pharmaceutical dosage forms facility in New Delhi complies with Good Manufacturing Practices and Good Laboratory Practices and your Company has been included in the list of approved suppliers for the Global Program to eliminate Lymphatic Filariasis and will enable the Company to enter into various development projects of WHO Health Programmes.

During the year under review, your Company continued to make necessary efforts as a part of its manufacturing optimization and cost savings measures and the following initiatives were successfully implemented:

- Yields monitoring and enhancements in major products.
- Optimization of coating process to reduce the coating solution by 20% to achieve the same weight gain in Ocimix.
- Reduction of process time in case of



Glizid-M through optimization.

- Continuous ongoing training of current trends in international GMP requirements.
- Optimisation of batch sizes of various products as per marketing requirements for better control on inventories.

- **Vaccines Formulation facility in New Delhi**

Your Company's existing facility for Vaccines Formulation at New Delhi is **cGMP Certified** as per **WHO** guidelines and pre-qualified from **WHO, Geneva** for Oral Polio Vaccine.

During the year under review, your Company has taken the initiative to supply to the national requirement of monovalent OPV for Polio eradication programme in India in a short span of time. With constant support from national and international regulatory agencies, the Company has developed and produced 150 million doses of monovalent OPV type-1 to meet the national requirement for the year 2005.

During the year under review, new formulation and filling line for injectable



vaccines, designed and constructed as per the **cGMP guidelines** meeting **WHO GMP, US FDA** and **Schedule M** requirements, has been commissioned, thereby increasing the production capacity of injectable vaccines to almost three times. With the commissioning of 3rd line of Vaccines filling the Company has been able to launch 3 new vaccines,

## MANAGEMENT DISCUSSION AND ANALYSIS

viz. **Ecovac-4, Easyfour & Easyfive** for marketing by its JV Company, Chiron Panacea Vaccines Pvt. Ltd.

Your Company is also in the process of acquiring WHO Pre-qualification Certification for Injectable/Combination Vaccines to enable supplies to UN agencies and international markets.

- **Natural Products Formulation facility at Lalru, Punjab**

A Natural Products Formulation facility is operational at Lalru with a view to commercially exploit the herbal / natural products being made available by the Company's R & D facilities.

- **Recombinant Bulk Vaccines facility at Lalru, Punjab**

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

- **New Pharmaceutical Formulation Facility at Baddi, Himachal Pradesh**

The Company's new state-of-the-art world class Pharmaceutical formulation facility is coming up at **Baddi, Dist. Solan, Himachal Pradesh, which will comply with regulatory requirement of USFDA, UK MHRA, MCC-South Africa, WHO** and other regulatory agencies of the world. The new facility will enable the Company to make in-roads in the regulated markets of USA & Europe for its patented products besides enjoying fiscal incentives provided by the Government in the form of 100% exemption in excise duty for

10 years and 100% Income tax exemption for first 5 years with rebate of 30% on profits earned from this facility for next 5 years.

The facility is designed to produce various formulations, viz. tablets, capsules, ointments and liquid oral and is expected to be commissioned during Sept'2005. The facility for producing herbal tablets/capsules, anti-tuberculosis drugs and soft gelatin capsules is being added in the same complex and will also be commissioned during the current financial year.

The Company also plans to set up new facilities for vaccines vial filling & Recombinant Biopharmaceutical Production at Baddi, Himachal Pradesh and new facilities for Cell Culture Vaccine, Bacterial Vaccine, Tetanus Vaccine at Lalru, Punjab over the next 2 years.

### Quality Assurance

At Panacea Biotec, quality is in-built in products & services and it is integrated in each step of R&D, production, packaging, storage & distribution. Your Company is committed to adhere to the highest quality standards for products it manufactures. This is ensured through a highly qualified, techno innovative & dedicated team, quality material and best machinery & equipments. Quality can never be an after thought or an accident. It is an outcome of a conscious and deliberate effort. Your Company's philosophy has been to adhere to strict standards equivalent to or excelling prescribed international standards.

In order to build quality brands, your Company has scouted for and studied the state-of-the-art manufacturing processes worldwide and has installed the best machinery & equipments available globally. The representatives of WHO and other similar authorities and world-renowned auditors have time and again visited Company's manufacturing facilities and confirmed the infrastructure and operations as perfect and maintaining the required standards.

## INFORMATION TECHNOLOGY

Information Technology is a strategic tool for our business operations, to gain competitive advantage and to improve overall productivity and efficiency of the organization. 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 global infotech team.

The Company is continuously spending huge funds on the information technology as well as communication facilities so as to enhance the knowledge base available to each professional working in Panacea Biotec, enable faster scanning and monitoring of the external environment, and improve both the employees' and the organization's knowledge of best practices and relevant leading-edge technologies.

As a step towards continued pioneer deployment and leveraging of technology-led initiatives to enhance its competitive positioning, your Company has introduced **System Analysis and Product in Data Processing (SAP)** during the year under review. The footprint of SAP covers various modules Financial Accounting, Controlling, Asset Management, Materials Management, Quality Management, Production Planning and Sales Distribution. Implementation of SAP is for leveraging IT for business value additions resulting into improved operational efficiencies.

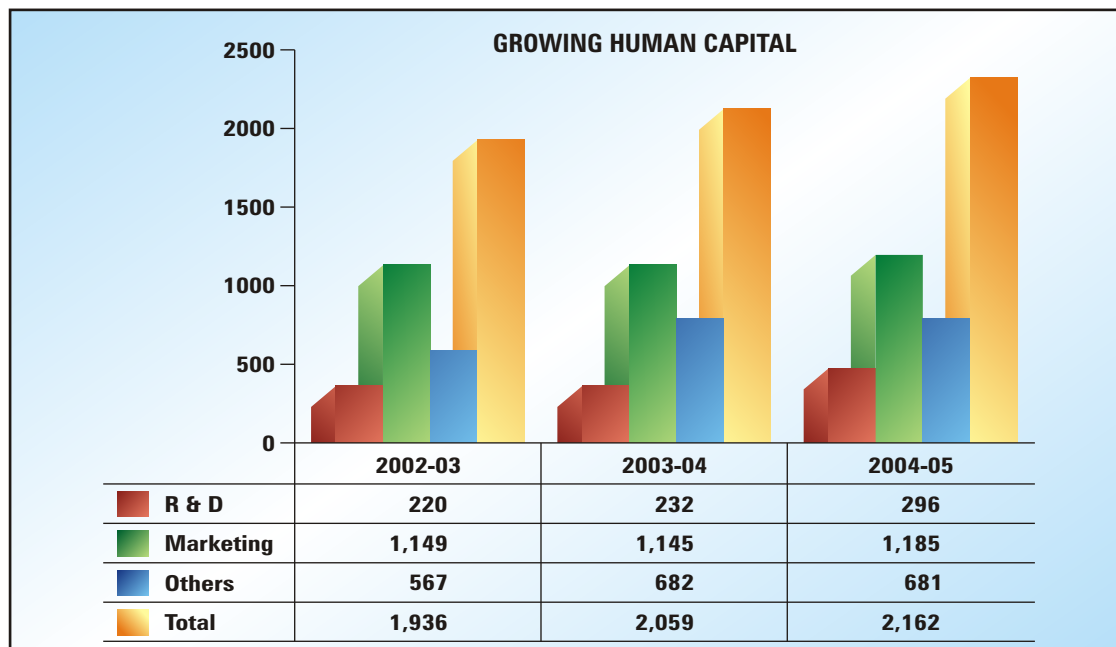
With a view to have closer interaction and co-ordination in its activities, the Company's corporate office and manufacturing facilities have been linked together, with V-SAT/ RF Link connections. The intranet connectivity has been established within its offices/manufacturing facilities at different locations and the Internet facilities are used extensively to ensure speedy communication with the C&F Agents/ Depots, major Stockists and various operational locations throughout the country.

Further, in order to have secured access in terms of our Data/ network protection, the VPN (Virtual Private Network) has been installed during the year between the Company's Corporate Office and its manufacturing facilities at Badarpur & Lalru and Central Warehouse & 23 Sales Offices/ C&F Locations all over India, simultaneously with the implementation of SAP. Moreover, the Company's Baddi facility is also being included on VPN.

Your Company's health portal "[www.bestonhealth.com](http://www.bestonhealth.com)", developed with a concept of total health management, addressing all needs of medical fraternity and patients, has been well appreciated by the medical fraternity as well as the general public and has been an excellent source of patient education thereby furthering the ultimate objective of a healthy world.



## HUMAN RESOURCE



Your Company maintained its commitment to acquire, develop and enhance talented and professional human capital. Recruitment and retention of intellectual capital is a key management exercise. Your Company had 2,162 employees as on 31st March, 2005 as against 2,059 employees as on 31st March, 2004, a growth of around 5%. Panacea Biotec's human capital constitutes a diverse pool of knowledge, a judicious mix of youth, imagination, risk-taking ability and seasoned experience.

**Employee Relations** - We believe that only those companies that manage to create and maintain the coherent organisational culture will be able to exploit the full value of knowledge - the only resource that can be augmented by higher utilization. Good employee relations is the hallmark of your Company and with a view to provide for an all round development of its employees, your Company follows the policy of building employee relations and ensures a good and harmonious working culture.

To achieve these objectives, various measures

have been taken by your Company over the years, e.g. provision of Staff Buses at Lalru and in New Delhi for their commuting to and from the office, Canteen facilities at subsidised rates with a view to provide hygienic, sumptuous, nutritious and balanced diet and arranging risk insurance by way of Group Medclaim & Personal Accident Policies.

The Company has also set-up an Employees' Group Gratuity Trust for their benefits with LIC's Group Gratuity Scheme. One special feature of the scheme is the provision of substantial life cover payable on untimely death of the employee which will be larger than what would have been payable as per the conventional Gratuity Scheme. Moreover, as a gesture of goodwill, the Company is also providing additional financial support from time to time to the family members of its deceased employees.

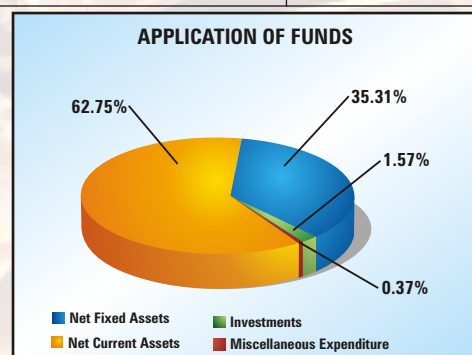
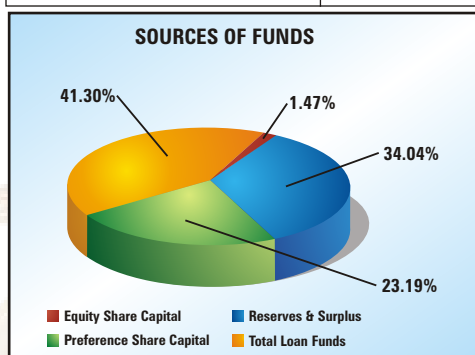
Your Company is focusing on shaping up employees' career paths, including promotions and cross-functional movements, enabling employees to gain a holistic view of the business and the organisation.

## FINANCIAL HIGHLIGHTS

### Balance Sheet

Rs. in millions

Liabilities	Amount	Assets	Amount
Equity Share Capital	57.17	Net Fixed Assets	1,376.77
Preference Share Capital	904.35	Investments	61.41
Reserves & Surplus (including Deferred Liabilities)	1,327.45	Net Current Assets	2,446.69
Loan Funds	1,610.36	Miscellaneous Expenditure	14.46
<b>Total Liabilities</b>	<b>3,899.33</b>	<b>Total Assets</b>	<b>3,899.33</b>



#### • Share Capital

During the year under review, 53,46,500 - 12% Redeemable Cumulative Preference Shares (Series-II) of Rs.10/- each aggregating Rs.53.46 million have been redeemed.

#### • Net Worth

The net worth of your Company has improved to Rs.1,370 million from Rs.1,152 million as at the end of previous year registering a growth of around 19%.

#### • Loan Funds

The total loan funds as at 31st March, 2005, have reduced by Rs.69.83 million on account of increased accruals from operations.

#### • Fixed Assets

The gross block of fixed assets has grown to Rs.1,628 million as against Rs.1,394 million as at the end of previous year. The net block of fixed assets has increased to Rs.1,091 million from Rs.966 million. The Capital Work-in-progress has also increased to Rs.285 million as against Rs.88 million on account of capital expenditure on ongoing expansion projects.

#### • Investments

The investments in the securities of other companies stood at Rs.61 million as against Rs.39 million during previous year. During the year under review, your Company made an investment of around Rs.23 million in Joint Venture Company, Chiron Panacea Vaccines Pvt. Ltd.

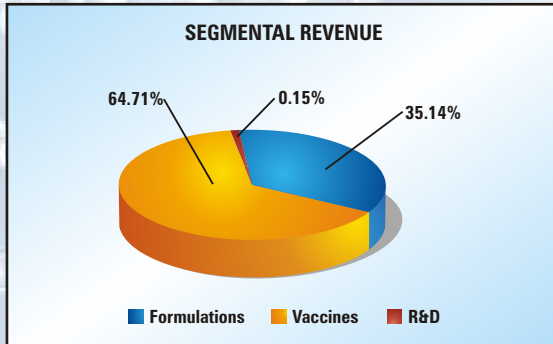
### Profit & Loss Account

#### • Turnover

During the year under review, your Company has achieved a record turnover of Rs.3,358 million recording a spectacular growth of 23% as against Rs.2,721 million in the previous year. The Company registered a compounded annual growth of 22.64% in sales during last 10 years much higher than the industry average compounded growth during the same period.

The Company achieved record export turnover of Rs.2,288 million (including deemed export of Rs.2,141 million) as against Rs.1,623 million (including deemed export of Rs.1,473 million)

# MANAGEMENT DISCUSSION AND ANALYSIS



registering a growth of more than 40%.

The revenues from vaccines segment increased to Rs.2,199 million as against Rs.1,495 million during the previous year thus recording a remarkable growth of more than 47% over the previous year.

The revenues from Formulations segment and Research & Development services have been Rs.1085 million and Rs.7 million respectively.

## Profits

As a result of strong financial performance in the vaccines segment, improved performance by flagship brands and new product introductions, the overall profitability of the Company has improved significantly. The Company registered a compounded annual growth of 37.14% in net profits during last 10 years much higher than the industry average compounded growth during the same period.

The Earnings before Interest, Depreciation & Tax (EBIDTA) has increased by 70% to Rs.721 million as against Rs.424 million during previous year.

The Profit before Tax & Extraordinary Items, for the year under review has increased to Rs.445 million from Rs.218 million in the previous year registering a growth of over 100%.

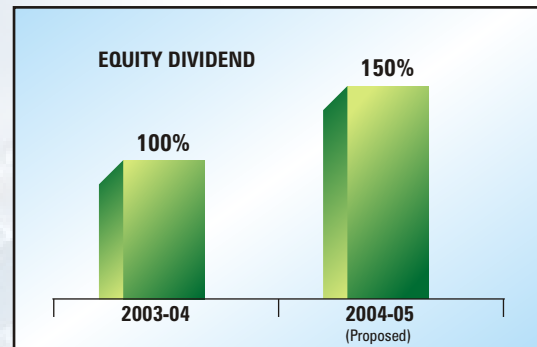
The Profit after Tax has increased to a record level of Rs.301 million as against Rs.164 million in the previous year recording a growth of around 83%.

The profitability margins during the year have

also improved significantly due to improved overall operational efficiency.

## Dividend

Continuing with the trend of rewarding its shareholders, the Board of Directors of your Company has recommended **150% dividend** on Equity Share Capital (as against 100% during last year) subject to the approval of shareholders in the forthcoming Annual General Meeting. The said dividend, if approved, would involve a payment of Rs.86 million as against Rs.57 million during previous year.

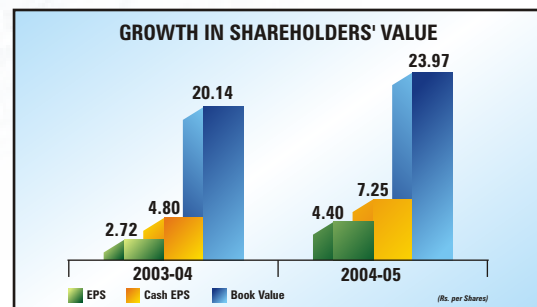


The dividend on Preference Shares for the year under review, has already been paid at applicable rates and is placed for your confirmation in the forthcoming Annual General Meeting.

## Book Value & Earning per Share

The Book Value of an Equity Share (of Re.1/- each) as on 31st March, 2005 is Rs.23.97 as against Rs.20.14 last year.

The Earning per Share (EPS) has reached a record level of Rs.4.40 as against Rs.2.72 last year recording a remarkable growth of over 60%.



The Cash EPS has improved to Rs.7.25 as against Rs.4.80 during last year registering a growth of 51%.

- **Materials & Manufacturing Expenses**

The total expenses on materials & manufacturing has been Rs.1,738 million as against Rs.1,429 million during previous year.

- **Personnel & Administrative Expenses**

The personnel expenses during the year increased to Rs.307 million from Rs.272 million in previous year, mainly on account of increase in staff strength and normal increments. The administrative expenses reduced by 12% to Rs. 224 million as against Rs. 253 million.

- **Interest & Financial Expenses**

The interest & financial expenses during the year have increased by 29% to Rs.114 million from Rs.88 million in the previous year. The financial expenses in the previous year were lower due to exchange fluctuation gain of Rs.51 million as against loss of Rs.2 million during the year under review. However, the interest cost has reduced by 18% to Rs.100 million as against Rs.123 million during the previous year.

- **Selling & Distribution Expenses**

During the year under review, the Selling & Distribution Expenses have increased to Rs.199 million from Rs.151 million during previous year, due to inter-alia, increase in advertising expenses in respect of customer education programs and increase in sales promotion activities & marketing expenses.

- **R & D Expenditure**

The R&D expenditure during the year has increased by 18% to Rs.142 million as against Rs.120 million during the previous year.

- **Depreciation**

The depreciation has been Rs.162 million as against Rs.119 million during the previous year registering an increase of 36% mainly on account of provision of full-year depreciation on the assets capitalized during last quarter of previous year and normal additions in fixed assets at various locations.

- **Income Tax**

Provision for taxation has been Rs.67 million as against Rs.53 million during the previous year. The deferred tax liability has increased to Rs.135 million from Rs.75 million in previous year.

## Internal Audit and Control

Your Company's internal control systems and procedures are in line with its size of operations. We believe that these internal control systems 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.

An independent internal audit function is an important element of your Company's internal control system. 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 & Director (Finance)/ Head of Accounts are invited to attend the Audit Committee Meetings.

### FUTURE OUTLOOK

As part of a long-term strategy, your Company has embarked upon new horizons in disease and health management by launching research-based patented products in the pharmaceuticals, biotechnology and bio-pharmaceuticals segments. With a special focus on biotechnology, your Company has been making concerted efforts to improve the repertoire of its vaccines and other pharmaceutical & herbal/natural products.

**Growth Prospects** - Despite having over one third of world population, Asian countries account for only 1/5th of global pharmaceutical consumption. As income level rises, demand from this large population base is set to burgeon, opening up new growth opportunities for pharmaceutical and biotechnology markets. As such, India's pharmaceutical industry is expected to grow to US\$ 25 billion by 2010 [Source Mckinsey Study]. Diagnostic markets are still untapped with latest cutting-edge technologies using molecular science. With increased funding for biotech activities by foreign investors and large Indian corporates and also the growing presence of many multinational companies in basic and clinical research due to cost advantage for new drug development, India will be the destination for a larger portion of future drug research.

The recent regulatory and much awaited patent law changes have led the Indian Pharmaceutical Industry towards exploring newer avenues of drug development, thus promising higher capital investment in the pharmaceutical industry in near future.

At an annual growth rate of 9%, the pharmaceutical industry in India is well set for rapid expansion. The Indian Pharmaceutical and Health Management market is undergoing a spurt of growth in its coverage, services and spending in the public and private sectors. The healthcare market has opened a window of opportunities in the medical devices sector and has boosted clinical trials in India.



However, the Indian drug market is price sensitive. At present, latest drugs are available in India at much lower price, when compared to developed countries. As a matter of fact, drug prices in India were never high, primarily because of the absence of product patents, government intervention in price fixation in the form of DPCO, availability of a large pool of technically skilled cost competitive resources and the availability of research infrastructure in government laboratories. As per the studies, the cost of manufacturing drugs in India is 45 percent lower than generic drug manufacturers in the West. Presently, new generation drugs are available in India at a much lower price as compared to the developed countries and many other developing ones. The upshot is the availability of cost effective drugs for the Indian population.

The regulated US and European Union markets, which constitute almost 75% of the world Pharmaceutical markets, have thrown open huge opportunities for the Indian Pharmaceutical companies. The opportunities relate to generic markets, clinical and research & development outsourcing activities. With the blockbuster drugs going off patent/turning generic in the regulated markets of US & Europe, the generic markets are on the roll.

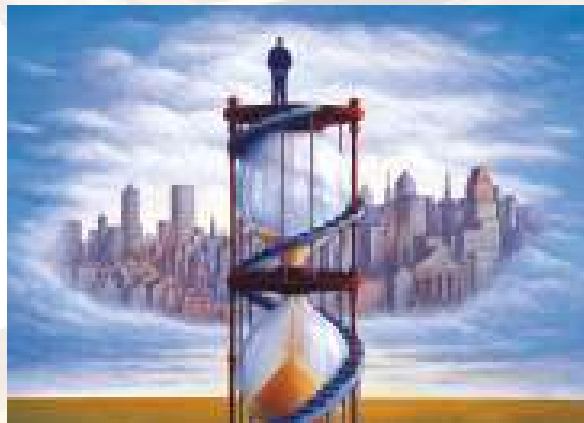
Your Company has its strategy in place to leverage the emerging opportunities in pharmaceutical, biotechnology and bio-pharmaceutical sectors

and realigning its focus continuously as per the needs keeping in view the prime objectives of consistent growth and increase in shareholders' value through value added research and marketing efforts.

## Future Growth Drivers

The Company's short-term and long-term outlook appears encouraging for the following reasons:

- A strong research focus translating into pioneering and improving existing products as well as completely new ones.
- An integrated approach to markets - a presence in Bio-pharmaceuticals, Vaccines and Pharmaceutical Formulation with an increasing coverage of markets with its own sales force.
- The aggressive launch of new branded formulations and vaccines.
- Significant presence in highly specialised anti-diabetic market, organ transplantation and pain / analgesic segments and other specialized therapeutic areas.
- Focused marketing efforts in potential therapeutic segments and markets.
- A horizontal and vertical expansion in Vaccines, Bio-pharmaceuticals and Pharmaceutical Formulation segments with state-of-the-art cGMP compliant manufacturing facilities.
- Investments in upgrading capabilities to service a higher revenue target including asset creation, investments in understanding regulatory requirements, alliances etc.
- Investment in building Intellectual Property Rights (IPR) assets.
- A wider customer reach through field force expansion, aggressive marketing and Customer Relationship Management (CRM) initiatives.



- Stronger emphasis on brand building in international markets with plans to enter the US and European Markets with its own patented products.
- Tie-ups and collaborations for in-licensing of technologies, research & development and marketing.

## Opportunities

- **Low per capita expenditure on Pharmaceuticals** - India has one of the lowest per capita healthcare expenditure in the world. The per capita expenditure on Pharmaceuticals in India is **only US\$ 4**, well below USA, UK, Canada and Germany. This is indicative of the potential growth over the coming years.
- **Privatisation of Insurance** - Presently only 2 million Indians are medically insured, however as per recent study 75% are potentially insurable. Estimates of insurance companies show that household health care spending will rise from 2% to 6% in the coming years, unleashing great growth opportunities for the Indian Pharmaceutical industry.
- **Growth in Income Levels** - Growth in income level and a growing number of elderly, continued by developments in hygiene and

# MANAGEMENT DISCUSSION AND ANALYSIS

medicines are driving a shift in the market from vitamins, anti-infectives and gastrointestinal treatments towards products that treat cardiovascular problems, central nervous system related disorders and other complex disease conditions. By 2010, cardiovascular and central nervous systems segments are expected to account for 20%. This is expected to result faster growth for Pharmaceutical Companies.

- **Big Opportunities in rural areas** - The four metros namely Delhi, Mumbai, Kolkata and Chennai account for about 16% of the entire Indian Pharmaceutical Market. At present more than 80% of the Indian Pharmaceutical off-take transpires in urban areas. The market is concentrated in areas where the level of infrastructure development is relatively high. As the penetration levels improve, a broader growth for India's Pharmaceutical Industry is expected.
- **Emerging Opportunities in Biotech** - New opportunities from sources of biotechnology in the market will continue to fuel future growth. As per IMS expectation over the next 5 years, innovative products derived from biotechnology will continue to grow in the double digits and represent an increasing share of the overall market.
- **Herbal Supplements / Natural products** - People are exploring alternative safer options including herbal supplements/ natural medicines and the overall market for these products is increasing significantly.

## Risks and Concern

- **R&D Expenditure and Corresponding Benefit**  
Your Company has stepped up spending on the basic research & developments of new products in the regulated and semi-regulated

markets and investing heavily on setting-up new R&D Centers. Though the Company's efforts towards R&D have shown excellent results in the past, the outcome of such expenditure is not certain.

- **Risks from International Operations**

As the Company steps up its international operations, the ensuing risks from operating in foreign countries, viz. political risk, credit risk, litigation risk and currency risk also grows higher.

- **Competitive Risk**

The Indian Pharmaceutical Industry is highly competitive and this may lead to the lowering of turnover and margins.

- **Regulatory Risk** - The Indian Pharmaceutical Industry is exposed to the certain regulatory risks related to Drug Price Control Order (DPCO) and the Indian Patent Act. Moreover, any changes in the excise duty, customs duty, export incentives, etc. could impact the earnings.

## Cautionary Note

Certain statements in the “**Management Discussion and Analysis**” section may be forward looking and are stated as required by applicable laws and regulations. These statements and expectations envisaged by the management are only estimates in nature and the actual results could be materially different from such expectations. These statements involve known and unknown risks, uncertainties and other factors including, but not limited to, changes in economic conditions, the Company's ability to successfully implement its strategy for growth and expansion, demand for its products, technological changes and exposure to market risks.

## CORPORATE SOCIAL RESPONSIBILITY

### Safety, Health & Environmental Protection

Your Company is managing its operations with a high concern for safety and environment. The efforts undertaken by your Company in managing and nurturing the environment fulfill all the safety norms. Substantial investments have been made in setting up an Effluent Treatment Plant and in developing a “Green Belt” at the manufacturing



facility at Lalru to prevent possible adverse environmental impact on the community.

During the year under review, your Company has installed a Modern Fire Hydrant System with sprinkler system, smoke detection and sensing devices at its Pharmaceutical formulation facility at New Delhi for safety.

The Company also provides suitable training 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 have resulted in better efficiency of operations.

### Social Responsibility

In line with its philosophy of creating happier and healthier society, Panacea Biotec works closely towards the development of society. Its main

thrust is for working at the company level on key initiatives and supporting local activities in the sphere of health management.

Your Company aims to create benefits on key social issues that relate directly to its business by helping others to help themselves. In this regard, the Company is regularly providing financial assistance/ sponsorship for pursuing post graduates / doctorate studies, attending International Conferences and carrying on Research Projects being undertaken by Research Associates in various Institutes & Universities.

Your Company regularly set-up Diabetic Awareness corners meant for education of diabetic patients for better self-management at more than 3200 doctors' clinics across the country. Diabetic detection camps are also a regular feature of your Company, which are supplemented by patient education sessions through easy to comprehend pictorial slides.



## MANAGEMENT DISCUSSION AND ANALYSIS

Further, your Company also participates in various Patient Education Programmes on Renal Support/Renal Transplantation organised by premier Medical Institutes from time to time. Also, as a gesture of compassion towards social cause, **Panacea Biotec** arranges medical facilities for the Company's poor employees and their family members in case of acute diseases.

The Company has also extended helping hand during natural disasters that affected the country as a whole. During the devastating Tsunami in December, 2004 the company contributed Rs.10 Lac to the Prime Minister's Relief Fund for providing assistance to the Tsunami affected population to help them come back to normal life. Your Company also contributed life saving drugs

to support the affected population.

For the first time in the history of healthcare industry, during the year under review, your Company took the initiative of expressing its gratitude towards the medical fraternity on **"Doctors' Day"** i.e 1st July. Your Company issued press releases and encouraged general public to convey their gratitude to their doctors for helping them maintain good health. In an attempt to popularise the event, the Company invited the general public to leave their messages at the Company's web-site, which would be delivered by the Company to their Doctors on Doctors' day with flower bouquets. The Company's initiative received overwhelming response from the public.



## Dear Members,

The Directors of your Company have pleasure in presenting the 21st Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March, 2005 and Auditors' Report thereon.

## Performance Review

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

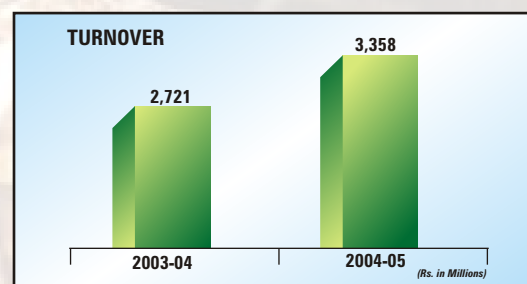
Particulars	(Rs. in million)	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
Gross Turnover	<b>3,357.63</b>	2,721.46
Other Income	<b>54.50</b>	19.17
Total Income	<b>3,412.13</b>	2,740.63
<b>Profit before Interest, Depreciation &amp; Tax</b>	<b>721.36</b>	424.25
Financial Expenses	114.10	88.01
<b>Profit before Depreciation &amp; Tax</b>	<b>607.26</b>	336.24
Depreciation	<b>162.45</b>	118.68
<b>Profit before Tax &amp; Extra-ordinary Items</b>	<b>444.81</b>	217.56
Extra-ordinary Loss due to fire & flood	<b>15.46</b>	-
<b>Profit before Tax</b>	<b>429.35</b>	217.56
Provision for Taxation	<b>128.69</b>	53.08
Profit after Tax	<b>300.66</b>	164.48
<b>Appropriations:</b>		
Dividend Paid/Proposed		
- On Equity Shares	<b>85.61</b>	57.08
- On Preference Shares	<b>43.91</b>	8.20
Dividend Distribution Tax	<b>17.75</b>	8.36
Transfer to Capital Redemption Reserve	<b>53.47</b>	-
Transfer to/(from) Debenture Redemption Reserve	<b>(13.33)</b>	(13.33)
Transfer to General Reserve	<b>100.00</b>	100.00
<b>EPS (Rs.)*</b>	<b>4.40</b>	2.72
<b>Cash EPS (Rs.)*</b>	<b>7.25</b>	4.80
<b>Book Value per Share (Rs.)*</b>	<b>23.97</b>	20.14
<b>Dividend on Equity Shares</b>	<b>150%</b>	100%

\*Per Equity Share of Re. 1/- each

## Share Capital

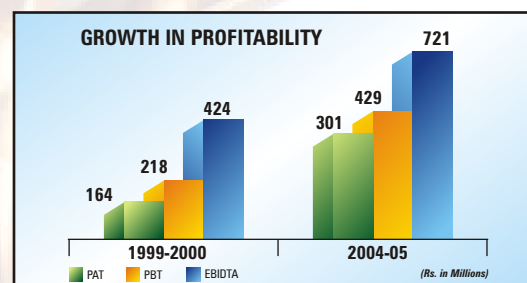
During the year under review, the Company has redeemed 53,46,500 - 12% Redeemable Cumulative Preference Shares (Series-II) of Rs.10/- each aggregating Rs.53.46 million as per details given below:

- 11,35,300 Shares redeemed on 16th April, 2004,
- 14,20,320 Shares redeemed on 16th July, 2004,
- 4,60,160 Shares redeemed on 30th July, 2004 and
- 23,30,720 Shares redeemed on 19th February, 2005.



## Dividend

As declared by the Board on 15th April, 2004, in respect of 11,35,300 - 12% Redeemable Cumulative Preference Shares (Series II) (RCPS-II) redeemed on 16th April, 2004, dividend @ 12% p.a. for the period from 1st April, 2004 till the date of redemption, has been paid on 16th April, 2004. Further, as declared by the Board on 29th January, 2005, in respect of balance RCPS II, dividend @ 12% (pro-rata) for the financial year ended 31st March, 2005 till the respective dates of redemption, has been paid on 19th February, 2005. Moreover, as per the terms of issue of 9,04,34,914 - 4.5% Non-Convertible Redeemable Preference Shares (Series III) of Rs.10/- each issued



## DIRECTORS' REPORT

to Chervil South East Asia Pte Ltd, the dividend @ 4.5% for the financial year ended 31st March, 2005, has been paid as Interim Dividend as declared by the Board on 25th March, 2005. As such no further dividend is payable in respect of Preference Shares for the Financial Year ended 31st March, 2005.

Further, continuing with the trend of rewarding its shareholders and in view of the excellent financial performance during the year under review, your Directors are pleased to recommend a dividend of **150%** on Equity Share Capital of the Company for the Financial Year ended 31st March, 2005.

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.85.61 million and Rs.43.91 million, respectively.

### Credit Rating

During the year under review, your Company has been assigned "P1" (pronounced "P" one) rating by CRISIL for the Commercial Paper Programme of Rs.1,650 million vide their letter dated 3rd June, 2004. This rating indicates that the degree of safety with regard to the timely payment of interest and principal on the instrument is very strong.

The assignment of high rating has allowed the Company to borrow working capital funds at much lower rates as compared to the rate of interest on earlier borrowings, resulting into savings in financial expenses in the year under review.

### 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.

### 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 & Subsidiaries

As you are aware, your Company has set-up a

Joint Venture Company viz. **Panheber Biotec Pvt. Ltd.**, in joint venture with **M/s. Heber Biotec S.A., Cuba**, an arm of the world renowned biotechnology research facility, **Center for Genetic Engineering and Biotechnology (CIGB)**, for production of bulk drug substance of **Recombinant Hepatitis B Vaccine**. The JV company is meeting the requirement of Recombinant Hepatitis B Bulk Vaccine and Antigen for the manufacture of Hepatitis B and Combination Vaccines by your Company. The process for WHO pre-qualification for Vaccine Plant is at an advanced stage and their approval is expected during the current financial year. The said pre-qualification would generate avenues for supply of the said vaccines to UNICEF for the latter's global needs.

During the year under review, your Company has set-up another Joint Venture Company, viz. **Chiron Panacea Vaccines Pvt. Ltd.**, in joint venture with world's 5th largest Vaccine group, viz. **Chiron Corporation, U.K.**, currently having number of vaccines, including pediatric, travel, flu and novel vaccines in its basket. This Joint Venture Company has already started its operations by way of marketing and distribution of combination and other Vaccines (other than Oral Polio Vaccines) in India and has made available in India, innovative vaccines to reduce the burden of various diseases in the country in the area of pediatric infectious diseases.

The Company's wholly-owned subsidiary namely Radicura & Co. Ltd., has been engaged in the trading and distribution of pharmaceutical products. The another wholly-owned subsidiary of the Company namely Best On Health Ltd. which owns a prime immovable property in close proximity of the Company's erstwhile corporate office, has enabled the Company to have its Corporate Office in a much bigger premises and meet its increased space requirements for the purpose.

### Consolidated Financial Statements

As required pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, the Consolidated Financial Statements of the Company (including therein Audited Annual Accounts as at 31st March, 2005 of its subsidiaries, viz. Radicura & Co. Ltd. and Best On Health Ltd., Unaudited Financial Statements for the year ended 31st March, 2005 of its Joint

Venture Company, Panheber Biotec Pvt. Ltd. and Unaudited Financial Statements for the period from 30th July, 2004 to 31st March, 2005 of another Joint Venture Company, viz. Chiron Panacea Vaccines Pvt. Ltd.) 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. As regards the Auditors' observation in their report regarding Unaudited Financial Statements of Joint Venture Companies, the said Companies have confirmed that as they are having foreign directors on their Board, the meetings of the Board of Directors for approving their respective Annual Accounts, could not be held till the finalisation of Annual Accounts of Panacea Biotec.

### Delisting of Equity Shares

As approved by the shareholders in their Annual General Meeting held on 20th September, 2003, the applications were made for approval for delisting of Equity Shares from the Stock Exchanges at Delhi, Kolkata, Chennai & Ludhiana, after complying with the SEBI (Delisting of Securities) Guidelines, 2003. The Stock Exchanges at Chennai, Delhi and Ludhiana had approved the delisting of Equity Shares w.e.f. 21st June, 2004, 12th July, 2004 and 2nd August, 2004 respectively. The delisting approval from the Stock Exchange at Kolkata is awaited.

The Equity Shares of the Company shall continue to be listed on the National Stock Exchange (NSE) and the Stock Exchange at Mumbai (BSE). Listing Fees for the financial year 2005-06 has been paid to these Stock Exchanges.

### 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 had continued to accept deposits from the Company's Directors, their relatives, associates and the Company's employees without inviting deposits from them.

### Directors

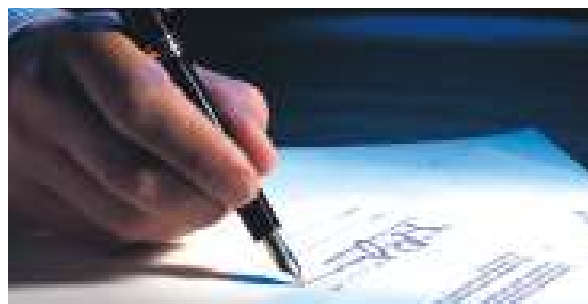
Shri K.M. Lal, a retired IAS officer, has been appointed as additional Director w.e.f. 28th April, 2005. As per the provisions of Section 260 of the Companies Act, 1956, he holds the office till the date of the ensuing Annual General Meeting and is proposed to be appointed as Director liable to retire by rotation in the said Meeting.

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

### 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.

### 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 2005-06.

The notes to the accounts and other observations 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, 2005 with the approval of the Central Government. They have also been appointed as the Cost Auditors for the financial year 2005-06 subject to the approval of Central Government.

### Disclosures under Section 217(2)

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 change:

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

During the year, the Company incurred a loss of Rs.14.74 million (net of insurance claims) on account of loss of stock due to fire at its Central Warehouse in Delhi during May, 2004 and loss of

Rs.0.72 million (net of insurance claims) due to flood at its manufacturing facility at Lalru in Punjab during August, 2004.

### 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.

### Acknowledgments

Your Directors express sincere thanks to banks, financial institutions, Government agencies, international health organisations and business associates for their continued assistance, support and co-operation and also to the members of medical profession for their efforts to provide high quality ethical therapeutic products within India and abroad. The Directors also place on record their deep sense of appreciation to all the employees of Panacea Biotec, who are committed to high standards & ethics, excellence in performance, exemplary 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 Equity as well as Preference Shareholders for their firm support and trust in the Company and its management. We look forward to having continued support of all concerned in our endeavour to help people lead healthier lives in the years to come. Your Directors shall always continue to work "In Support of Life".

For and on behalf of the Board

New Delhi  
31st May, 2005

**Soshil Kumar Jain**  
Chairman

## 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 continues its policy of 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 keeping in view the objective of minimum energy losses. Some of the major energy conservation measures implemented during the year under review are as follows:

- Installation of energy saving system at its Pharmaceuticals Formulation facility in New Delhi, thereby saving energy cost on lighting load.
- Implementation of system for utilization of reject RO water for cooling towers at its Pharmaceuticals Formulation facility in New Delhi, to eliminate the use of soft water and minimize scaling problems in various utilities.
- Corrective & preventive action were taken for avoiding energy loss on account of frequent breakdown of compressors KF-4, motors, expansion valves, lube oils, filters, dryers, refrigerant, gas leakages, and other parts of the old cold room at its Vaccines Formulation facility in New Delhi, resulting into a saving of around 500 units per day, i.e. saving around Rs.1 million per annum.

Apart from the above said measures, the following other measures were implemented in past few years to achieve energy conservation and thereby savings in energy cost:

- Centrifugal Lube Oil filters installed on Diesel Generators (DG) sets to save the cost of lube oils and filters in running DG sets.

- Variable Frequency Drive (VFD) installed on Air Handling Units (AHU).
- Compact Fluorescent Lamps (CFL)/ high lux tube rods (36W) are being used instead of 40W (normal) tube rods, thereby saving electricity all over its manufacturing facilities and offices in India.
- High efficiency motors are used resulting in consumption of less power than normal motor rating of the same capacity.
- Condensate steam recovery system has been installed.
- Process for recycling of vial washing machine purified water installed.
- Hot water system installed for controlling relative humidity.
- Critical Air Handling Units (AHUs) converted from air-cooled system to water based cooling system thereby conserving energy.
- Water flow circulation adjusted in cooling tower thereby conserving energy.
- Pipelines modified with a view to save the frictional losses of pipe lines and bends.

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

Continuous efforts are being made to further reduce expenditure on power & fuel in the times to come.

##### 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.

# ANNEXURE TO THE DIRECTORS' REPORT

## FORM A

### Form for Disclosure of Particulars with respect to Consumption of Energy

	Current Year	Previous Year
<b>A. Power and Fuel Consumption</b>		
<b>I. Electricity</b>		
(a) Purchased		
Units (Nos.)	54,91,425	28,91,734
Total Amount (Rs.)	3,07,57,003	1,41,17,897
Rate/Unit (Rs.)	5.60	4.88
(b) Own generation		
(i) Through Diesel Generator		
Units (Nos.)	38,41,496	31,43,655
Unit per litre of Diesel Oil	3.20	3.21
Cost/Unit(Rs.)	7.39	6.67
(ii) Through Steam/Turbine Generator	Nil	Nil
Units (Nos.)		
Unit per litre of Fuel Oil/Gas		
Cost/Unit		
<b>2. Coal</b>	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average Rate		
<b>3. Furnace Oil</b>	Nil	Nil
Quantity (Litres)		
Total Amount		
Average Rate/litre		
<b>4. Others/Internal generation</b>	Nil	Nil
Quantity		
Total Cost		
Rate/Unit		
<b>B. Consumption per unit of production</b>		
<b>Tablets</b>		
Production (Nos. in thousand)	3,00,654	3,02,151
Electricity Consumption (Units per thousand)	1.46	1.34
<b>Capsules</b>		
Production (Nos. in thousand)	22,299	22,284
Electricity Consumption (Units per thousand)	2.17	2.34
<b>Syrups</b>		
Production (Ml. in thousand)	2,46,165	2,43,959
Electricity Consumption (Units per thousand)	0.46	0.52
<b>Gels</b>		
Production (Gm. in thousand)	57,253	44,550
Electricity Consumption (Units per thousand)	0.99	0.78
<b>Vaccines</b>		
Production (No. of vials in thousand)	33,721	22,564
Electricity Consumption (Units per thousand)	60.98	45.24

## 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:

- Advanced Drug Delivery Research
- Natural Products R&D
- Chemicals Research & Development
- Pharmacology Research & Development
- Analytical Research and Development
- Bio-analytical Research
- Packaging R&D
- Development of various Recombinant, Polysaccharide, Cell Culture based and Combination Vaccines.

##### 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 costs
- Enhanced global presence
- Export of Quality Products
- Development of innovative Vaccines & other products

##### 3. Future Plan of Action

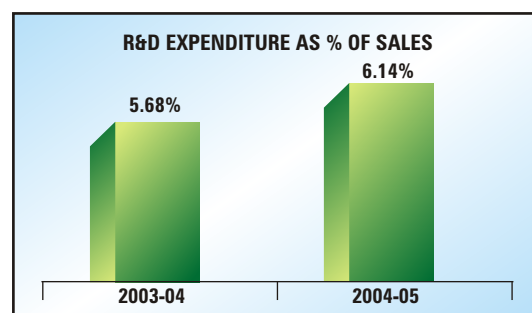
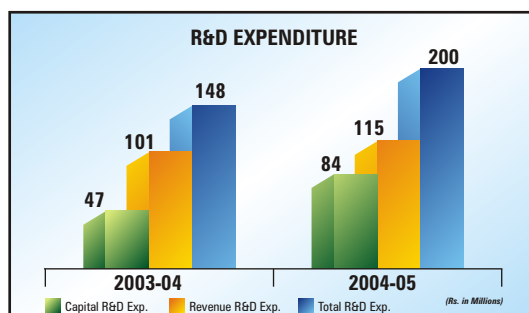
The Company will focus its Research & Development activities inter-alia, in the following areas, for improving the revenues of the Company :

- Drug Discovery Research
- Advanced Drug Delivery Research
- Bio-pharmaceuticals Research
- Stabilization of Vaccines in collaboration with Cambridge Biostability, U.K.
- Natural Products Research
- Chemical Research & Development
- Development of various Recombinant, Polysaccharide, Cell Culture based and Combination Vaccines

#### 4. Expenditure on R & D

(Rs. in million)

	2004-05	2003-04
a) Capital Expenditure	84.14	47.32
b) Revenue Expenditure (excluding Depreciation)	115.42	100.92
c) <b>Total Expenditure</b>	<b>199.56</b>	148.24
d) Total R&D Expenditure as a percentage of net sales	6.14%	5.68%



# ANNEXURE TO THE DIRECTORS' REPORT

## Technology absorption, adaptation and Innovation

- |   |  |
|---|--|
| 1. Efforts, in brief, made towards technology adaptation and innovation   | <p>The Company has in-house R&amp;D Centres for developing new products &amp; technologies and has developed indigenous technologies in respect of products being manufactured by it.</p> <p>During the year, in-licensing arrangements have been made for technologies and development of Japanese Encephalitis (JE) Vaccine and for use of peptide based product for generation of hair follicles and hair growth.</p> <p>Technology for JE vaccine has been successfully transferred and our scientists are currently working at site for the development/upscaling of the process.</p> |
| 2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.                 | <p>Competitive products, Product quality improvement, Product development, Import substitution and development of innovative Combination Vaccines.</p> <p>The in-licensing arrangement will enable the Company to commercialise the products in domestic &amp; international markets thereby contributing to its future growth.</p>  |
| 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  | Technology for use of peptide based product for generation of hair follicles and hair growth.  |
| b) Year of import   | 2004-05  |
| c) Has technology been fully absorbed   | No   |
| d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action  | <p>The technology is to be worked upon at the Company's upcoming Bio-Pharmaceutical Research Centre.</p> <p>Meanwhile arrangements on contractual basis are being made for development of purified synthetic materials so as to prepare a suitable preparation to conduct pre-clinical toxicology as a part of drug development.</p>   |

## III. Foreign Exchange Earnings and Outgo

### I. Activities relating to exports

Your Company has continued to be enthused by opportunities ahead in the international branded products market and its efforts on brand building have continued to show positive results. During the year under review, the export turnover has increased to Rs.2,288 million (including deemed export of Rs.2,141 million) as against Rs.1,623 million (including deemed export of Rs.1,473 million) registering a growth of more than 40% as compared to the previous financial year.

## 2. Initiatives taken to increase export

With a view to increase revenues from export markets, the Company has broadened its global presence by exporting products to new countries like West Indies, Yemen Uzbekistan, China etc. besides carving a niche in the existing countries in CIS, African, Middle East and Asian Sub-continent region. The Company has also started the process of exporting its herbal / natural range of products to various countries.

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

In order to expand its marketing base in more and more countries, the Company intends to make marketing & distribution alliance with buyers in newer countries. The Company is also planning to introduce other branded formulations in the overseas

market besides getting its Natural and Herbal products registered in the existing as well as in new countries.

The Company is also targeting Latin American countries as having vast potential and the registration of **Panimun Bioral** (Cyclosporine) is under process in Brazil. With the commissioning of new formulation facility being set-up at Baddi in compliance with the regulatory requirements of **USFDA, MHRA, MCC (South Africa), WHO** and other regulatory agencies of the world, at Baddi, your Company will be filing for registration of more products in due course in Latin American & other markets.

The registration of additional products in pharmaceuticals and vaccines segment in various countries and penetration in new markets will create scope for additional volume of business, which will further strengthen the Company's export revenues in the coming years.

## 4. Total foreign exchange earned and used

(Rs. in million)

	2004-05	2003-04
<b>Foreign Exchange Earned</b>		
F.O.B. value of Exports (including deemed export of Rs.2,141 million (Previous Year Rs.1,473 million))	<b>2,277.44</b>	1,615.53
R & D Technology Services	<b>7.37</b>	6.44
<b>Total</b>	<b>2,284.81</b>	1,621.97
<b>Foreign Exchange Used</b>		
Import of Raw Materials & Packing Materials	<b>1,436.84</b>	1,107.67
Import of Capital Goods Machinery & Spares	<b>43.78</b>	20.74
Patents, Trade Marks & Product Registration	<b>10.77</b>	15.17
Interest	<b>32.50</b>	32.78
Professional & Consultation Fees	<b>3.43</b>	26.46
Other Expenses	<b>26.60</b>	23.99
<b>Total</b>	<b>1,553.92</b>	1,226.81

For and on behalf of the Board

New Delhi  
31st May, 2005

**Soshil Kumar Jain**  
Chairman

# ANNEXURE TO THE DIRECTORS' REPORT

## 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, 2005

S. No.	Name	Designation & Nature of Duties	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Age	Particulars of Last Employment
<b>A. Persons employed throughout the Financial Year ended 31st March, 2005, who were in receipt of remuneration for the year in which the aggregate was not less than Rs. 24,00,000/-.</b>								
1.	Mr. Soshil Kumar Jain	Chairman	82,29,042	Pharmacist	50	02.02.84	72	Business
2.	Mr. Ravinder Jain	Managing Director	41,43,589	Matriculate	25	15.11.84	48	Business
3.	Mr. Rajesh Jain	Joint Managing Director	42,09,160	B. Sc., PGDBM, Advanced Management Diploma in Market Research	21	15.11.84	41	Business
4.	Mr. Sandeep Jain	Joint Managing Director	42,94,636	B. Com.	20	15.11.84	39	Business
5.	Dr. K.C. Jindal	Executive Vice President R&D	38,74,598	PHD, M.Pharma	27	18.06.03	54	V.P Pharma Research, Orchid Chemicals & Pharmaceutical Ltd.
6.	Mr. N.K. Juneja	Vice President (Operations)	31,79,923	M. Pharma	26	19.06.03	49	GM, Unichem Laboratories Ltd.
<b>B. Persons employed for a part of the Financial Year ended 31st March, 2005, 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.</b>								
7.	Dr. Sanjay Trehan	Sr. Vice President. Drug Discovery	26,42,312	PHD, M.Sc (H)	17	01.07.04	46	Research Director, Dr. Reddy's Laboratories Ltd.
8.	Dr. Amarjit Singh	President R&D	2,95,818	PHD, M.Pharma	25	01.03.05	47	CSO & EVP, (R&D) Sun Pharmaceutical Industries Ltd.
9.	Mr. R.A. Garg*	General Manager Production	16,37,641	M. Pharma	20	26.08.96	45	Works Manager, Core Healthcare Ltd.

\* Income of Rs. 2,00,000/- per month since December, 2004

### Notes:

- Remuneration includes salary, house rent allowance, bonus, Company's contribution to Provident Fund, Leave Travel Allowance, Medical Assistance and all allowances paid in cash and taxable value of perquisites wherever applicable.
- 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 9 are paid remuneration as per the policy/rules of the Company.
- All the above said appointments are contractual.
- None of the above employees are 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.

For and on behalf of the Board

New Delhi  
31st May, 2005

**Soshil Kumar Jain**  
Chairman

## 1. Company's Philosophy on Corporate Governance

At Panacea Biotec, our pursuit towards achieving good governance is an ongoing process, as a conscious effort thereby ensuring growth, transparency, accountability and responsibility in all our dealings with our shareholders, employees, consumers and the community at large. The Company is committed to achieve the highest standards of Corporate Governance and believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest.

To that end, we have 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 is the sine qua non of a sound business system and implies commitment to values, ethical business conduct and a high degree of transparency directing the intellectual capabilities and moral authority of Board towards protecting the interest of different stakeholders.

## 2. Board of Directors

### Composition & size of the Board

Panacea Biotec's Board presently consists of 6 (Six) Executive Directors and 7 (Seven) Non-Executive Directors. The Executive Directors consist of 4 Promoter-Directors (1 Executive Chairman, 1 Managing Director and 2 Joint Managing Directors) and 2 Whole-time Directors. 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 Directors bring in expertise in the fields of medical research, 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.

The size and composition of the Board conform with the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchanges.

### Board Meetings

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, 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 2004-05, **5 (Five)** Board Meetings were held on 29<sup>th</sup> May, 2004, 30<sup>th</sup> June, 2004, 31<sup>st</sup> July, 2004, 30<sup>th</sup> October, 2004 and 29<sup>th</sup> January, 2005.

### Attendance of Directors at the Board Meetings & last Annual General Meeting and number of other Directorships & Committee membership as on 31<sup>st</sup> March, 2005

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	4	No	4	-
2.	Mr. Ravinder Jain	Promoter - MD	5	4	No	2	-
3.	Mr. Rajesh Jain	Promoter - JMD	5	1	No	3	-
4.	Mr. Sandeep Jain	Promoter - JMD	5	4	No	3	-
5.	Mr. Ashwani Jain	Executive - WTD	5	2	No	1	-
6.	Mr. Sunil Anand	Executive - WTD	5	5	Yes	-	-
7.	Mr. Sunil Kapoor	Non-Executive - ID	5	5	Yes	6	-
8.	Mr. R.L. Narasimhan	-do-	5	5	Yes	-	-
9.	Mr. N.N. Khamitkar	-do-	5	5	Yes	-	-
10.	Mr. C.C. Bhagat	-do-	5	-	No	1	-
11.	Mr. M.L. Kalra	-do-	5	5	No	-	-
12.	Mr. Gurmeet Singh	-do-	5	-	No	7	-
13.	Mr. K.M. Lal**	-do-	5	-	-	4	2

\* Membership in Audit, Compensation and Shareholders' Grievance Committees.

\*\*Appointed as director w.e.f. 28.04.2005.

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 Companies in which he is a Director.

# REPORT ON CORPORATE GOVERNANCE

## Details of Directors seeking appointment/ re-appointment

The brief details pertaining to the Directors seeking appointment / re-appointment in the Annual General Meeting, are furnished below:

### a) Mr. Soshil Kumar Jain

- Age : 72 Years  
Qualification : Pharmacist  
Professional Expertise : He has vast experience of around 50 years in the Pharmaceutical Industry. He was appointed as Director of the Company w.e.f. 2<sup>nd</sup> February, 1984 and is acting as Whole-time Director designated as Chairman of the Company since 25<sup>th</sup> October, 1984. He founded the Company along with his father Late Shri Sardari Lal Jain and had been among the key persons in steering the Company to its current status.  
Directorships : He is a Director & Chairman of Panheber Biotec Pvt. Ltd. & Neophar Alipro Ltd. and Chairman & Managing Director of Radicura & Co. Ltd.

### b) Mr. Rajesh Jain

- Age : 41 Years  
Qualification : B. Sc., PGDBM, Advanced Research Diploma in Marketing Research. Pursuing Phd. in Management (BIMT).  
Professional Expertise : He has an experience of around 21 years in the pharmaceutical industry. He was appointed as Whole-time Director of the Company w.e.f. 15.11.1984 and is acting as Joint Managing Director of the Company w.e.f. 1<sup>st</sup> February, 2002. He has vast experience in the areas of Marketing, R&D and Business Development, etc. and is mainly looking after these functions in the Company. He has steered the Company to its current status as India's leading Bio-pharmaceutical Company.

In view of his vast contribution in Biotechnology sector, he has been nominated to, inter-alia, the following positions in various forums:

- Chairman, Biotechnology Sub-Committee of CII, Northern Region
- Vice President of Association of Biotechnology Led Enterprises (ABLE), Northern Region.
- Member, Advisory Committee of the Biotechnology Engineering, Punjab University, Chandigarh.
- Member, Pharmaceuticals & Biotechnology Committee of FICCI.
- Member of Joint Task Force CII, Govt. of Uttaranchal, and
- Member, Advisory Committee of the Biotechnology Teaching Programme, Centre for Biotechnology, JNU, New Delhi.

- Directorships : He is a Director of Panheber Biotec Pvt. Ltd. & Chiron Panacea Vaccines Pvt. Ltd. and Chairman-cum-Managing Director of Best On Health Ltd.

### c) Mr. M. L. Kalra

- Age : 69 Years  
Qualification : Graduate  
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 affairs. 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.

- 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.

### d) Mr. Gurmeet Singh

- Age : 44 Years  
Qualification : Bachelor of Commerce  
Professional Expertise : He has 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 he worked with the Company

as Whole-time Director till 26<sup>th</sup> October, 2002. He has vast experience in the areas of finance, commercial, logistics and General Management.

Directorships : He is a Director of Radicura & Co. Ltd., Lucre Finance Ltd., Vishwa Estates Pvt. Ltd., Angad Hospitality Pvt. Ltd., Memory Technologies Pvt. Ltd., Raga Entertainment Pvt. Ltd. and Nikunj Netweb Solutions Pvt. Ltd.  
He is a member of Share Transfer cum Investors' Grievance Committee of the Board of Directors of the Company.

**e) Mr. K.M. Lal**

Age : 65 Years  
Qualification : 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 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.

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

### Information supplied to the Board

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

1. Quarterly results for the company and its operating divisions or business segments.
2. Minutes of meetings of audit committee and other committees of the Board.
3. The information on recruitment & remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
4. Show cause, demand, prosecution notices and penalty notices, which are materially important.
5. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
6. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
7. 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.
8. Details of any joint venture or collaboration agreement.
9. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
10. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front.
11. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
12. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
13. Brief details of the patent applications filed and patent granted.
14. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

### 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.

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:

- To review Quarterly, Half-Yearly and Annual Financial Accounts of the Company and discuss with Auditors before submission.
- To oversight the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

# REPORT ON CORPORATE GOVERNANCE

- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, 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 there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors, before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Authority to assess information contained in the records of the Company.
- Authority to obtain outside legal or other professional advise, if necessary.
- Authority to investigate into any matters in relation to item specified in Section 292A of the Companies Act, 1956 or referred to it by the Board.

## Meetings of Audit Committee and attendance of members during the year

During the year, 5 (Five) Audit Committee meetings were held on 28<sup>th</sup> May, 2004, 29<sup>th</sup> June, 2004, 30<sup>th</sup> July, 2004, 29<sup>th</sup> October, 2005 and 28<sup>th</sup> January, 2005.

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

S.No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R. L. Narasimhan	Chairman & Independent Director	5	5
2.	Mr. N. N. Khamitkar	Independent Director	5	5
3.	Mr. Sunil Kapoor	Independent Director	5	5

The Statutory Auditors, Internal Auditors, Cost Auditors, Director (Finance) and DGM (Accounts & Finance) are the permanent invitees of the meetings of Audit Committee. Apart from them, Joint Managing Director, Manager (Accounts), Manager (Co-ordination) and Manager (Costing), etc. attended the Audit Committee Meeting(s).

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

## 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.

No meeting of Remuneration Committee was held during the financial year 2004-05.

### 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 to Directors during Financial Year 2004-05, is as under:

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

(Amount in Rs.)				
Sl. No.	Name	Salary	Perquisites	Total
1.	Mr. Soshil Kumar Jain	72,00,000	10,29,042	82,29,042
2.	Mr. Ravinder Jain	36,00,000	5,43,589	41,43,589
3.	Mr. Rajesh Jain	36,00,000	6,94,636	42,09,160
4.	Mr. Sandeep Jain	36,00,000	6,09,160	42,94,636
5.	Mr. Ashwani Jain	18,00,000	4,99,006	22,99,006
6.	Mr. Sunil Anand	6,00,000	42,754	6,42,754
	<b>Total</b>	<b>2,04,00,000</b>	<b>34,18,187</b>	<b>2,38,18,187</b>

Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director and Mr. Ashwani Jain, Director (Operations & Projects) of the Company is for 5 years w.e.f. 1<sup>st</sup> April, 2001. The tenure of office of Mr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company is for 5 years w.e.f. 1<sup>st</sup> February, 2002. The tenure of Mr. Sunil Anand, Director (Finance) is for a period of 5 years w.e.f. 24<sup>th</sup> April, 2003.
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. No commission was paid to the Managing/Joint Managing/ Whole-time Directors during the above said financial year.
5. All elements of remuneration of the Managing/Joint Managing/ Whole-time Directors, i.e., Salary, Perquisites and other benefits, etc. are given in Schedule XVII 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.9,68,411 and Rs.6,41,746 respectively, made during the year, has not been included above.

### ii) Non-Executive Directors

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, 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). The details of remuneration paid to the non-executive directors during financial year ended 31<sup>st</sup> March, 2005 are as under:

(Amount in Rs.)				
Sl. No.	Name	Allowances	Sitting Fees	Total
1	Mr. R. L. Narasimhan	1,86,000	50,000	2,36,000
2	Mr. N. N. Khamitkar	1,86,000	50,000	2,36,000
3	Mr. Sunil Kapoor	1,86,000	50,000	2,36,000
4	Mr. C. C. Bhagat	1,86,000	-	1,86,000
5	Mr. M. L. Kalra	1,86,000	95,000	2,81,000
6	Mr. Gurmeet Singh	-	60,000	60,000
7	Mr. K. M. Lal*	-	-	-
	<b>Total</b>	<b>9,30,000</b>	<b>3,05,000</b>	<b>12,35,000</b>

\* Appointed as Director w.e.f. 28<sup>th</sup> April, 2005. The Board has decided to pay Rs.15,500/- p.m. as remuneration to him w.e.f. 1<sup>st</sup> May, 2005, subject to approval of shareholders and Central Government.

Apart from the above said remuneration, professional charges of Rs.33,000/- p.m. are being paid to Mr. Sunil Kapoor

## REPORT ON CORPORATE GOVERNANCE

(Advocate & Tax Consultant), for his professional services as income-tax consultant (being paid after obtaining confirmation from Central Government pursuant to the provisions of Proviso to Section 309(1) of the Companies Act, 1956). An amount of Rs.2,30,000 was also paid to him during FY 2004-05 for other professional services rendered by him from time to time.

### 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 2004-05:

S. No.	Nature of Complaints	Received	Resolved	Pending
1.	Non-receipt of Dividend Warrants in respect of Preference/ Equity Shares	10	10	-
2.	Non-receipt of share certificate(s) lodged for transfer/ sub-division/duplicate etc.	8	8	-
3.	Non-receipt of Annual Report	4	4	-
	<b>Total</b>	<b>22</b>	<b>22</b>	<b>-</b>

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. In fact, considering the excellent record of the Company in handling the investors' complaints, **the Stock Exchanges had time and again confirmed that there is no complaint pending against our Company** as per their records and had appreciated the initiatives taken by the Company in resolving investors' complaints.

There were no share transfers lying pending as on 31<sup>st</sup> March, 2005.

### 6. Annual General Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue	Special Resolution passed
2003-04	18.09.2004	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru - 140 501, Punjab.	Nil
2002-03	20.09.2003	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru - 140 501, Punjab.	Appointment of Mr. Sumit Jain a relative of Managing Director, as an employee. Delisting of Equity Shares from Stock Exchanges at Delhi, Ludhiana, Chennai & Kolkata. Alteration of Objects Clause of the Memorandum of Association (Through Postal Ballot). Commencement of new business (Through Postal Ballot).
2001-02	24.08.2002	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru - 140 501, Punjab.	Appointment of Mr. Rajesh Jain as Joint Managing Director. Appointment of Mr. Sandeep Jain as Joint Managing Director. Increase in limits of investment in the Company's Shares by NRIs and OCBs. Alteration in Articles of Association - Passing resolutions by postal ballots. Alteration in Articles of Association - Buy-back of securities.

## 7. Disclosure

- a) Related Party Transactions – There was no such materially significant related party transaction with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The other related party transactions are given in Note No. 9 of Schedule XIX B annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
- b) During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital markets.

## 8. Prohibition of Insider Trading

In compliance with the SEBI Regulations on Prevention of Insider Trading, the company has instituted a comprehensive code of conduct for its management, staff and relevant business associates. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the company and cautioning them on consequences of non-compliances.

## 9. 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 Company did not send half yearly results to each household of the shareholders in the financial year 2004-05.

### d) Postal Ballot

There was no occasion of the postal ballot during the financial year 2004-05.

## 10. Means of communication

- i) The Quarterly and Half-Yearly results are published in the prominent daily newspapers, viz. Economics Times/Financial Times, Delhi, Mumbai; Navbharat Times (Hindi), Delhi/ Mumbai; Business Standard, Delhi, Mumbai; Jansatta, Delhi; Financial Express, All editions and in Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated.
- ii) The Annual Results (Annual Report containing Balance Sheet etc.) are posted to every shareholder of the Company.
- iii) The Company's web-site, viz. [www.panacea-biotec.com](http://www.panacea-biotec.com), is regularly updated with the financial results, annual report and other important events.
- iv) Pursuant to clause 51 of the listing agreement, financial information like annual and quarterly financial statements, segment-wise results, shareholding pattern and annual report are made available on the SEBI's web-site [www.sebidifar.nic.in](http://www.sebidifar.nic.in).
- v) Management's Discussion and Analysis Report has been included in the Annual Report being sent to the shareholders of the company.

## 11. General Shareholder Information

### i) Date of AGM

The Annual General Meeting is proposed to be held on **Saturday, the 20<sup>th</sup> day of August, 2005**, at 12.30 p.m. at the registered office of the Company at Ambala-Chandigarh Highway, Lalru - 140501, Punjab.

Posting of Annual Report

On or before 27<sup>th</sup> July, 2005

Last date of receipt of Proxy Form

18<sup>th</sup> August, 2005 before 12.30 P.M.

### ii) Financial Calendar 2005-06 (tentative)

#### S. No. Tentative Schedule

#### Tentative Date

- |    |   |                        |
|----|---|------------------------|
| 1. | Financial reporting for the quarter ending 30 <sup>th</sup> June, 2005        | End of July, 2005      |
| 2. | Financial reporting for the half year ending 30 <sup>th</sup> September, 2005 | End of October, 2005   |
| 3. | Financial reporting for the quarter ending 31 <sup>st</sup> December, 2005    | End of January, 2006   |
| 4. | Financial reporting for the quarter ending 31 <sup>st</sup> March, 2006       | End of April, 2006*    |
| 5. | Annual General Meeting for the year ending 31 <sup>st</sup> March, 2006       | End of September, 2006 |

\* As provided in clause 41 of Listing Agreement, Board may also consider publishing Audited Results for the year 2005-06 in lieu of Unaudited Results for fourth quarter, by 30<sup>th</sup> June, 2006 (or such other period as may be stipulated from time to time).

# REPORT ON CORPORATE GOVERNANCE

## iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from Wednesday, the 17<sup>th</sup> day of August, 2005 to Saturday, the 20<sup>th</sup> day of August, 2005 (both days inclusive).

## iv) Dividend Payment Dates

- a) The Company will pay dividend, if declared by the members in the forthcoming Annual General Meeting, on or before 17<sup>th</sup> September, 2005:
- To those members whose names appear in the Register of Members of the Company as on 20<sup>th</sup> August, 2005 after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 16<sup>th</sup> August, 2005 and registered before 20<sup>th</sup> August, 2005.
  - In respect of Shares held in electronic form to those "deemed members" whose names appear on the statement of beneficial ownership furnished by NSDL and CDSL at the end of business hours on 16<sup>th</sup> August, 2005 (i.e. before the date of commencement of closure of Register of Members and Share Transfer Books, viz. 17<sup>th</sup> August, 2005).
- b) Dividend payment date On or before 17<sup>th</sup> September, 2005
- c) Probable date of dispatch of dividend Warrants On or before 17<sup>th</sup> September, 2005

## v) Unclaimed Dividends

- As provided in Section 205A and 205C of the Companies Act, 1956, dividend for the financial year ended 31<sup>st</sup> March, 1998 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the **Investor Education and Protection Fund (IEP Fund)** established by the Central Government and no payments shall be made in respect of any such claims by the IEP Fund.
- During the year, the Company had transferred Rs.35,509/- lying unclaimed in Unpaid Dividend Account in respect of Dividend for the Financial Year 1996-97. Similarly, the amount lying unclaimed in Unpaid Dividend Account in respect of Interim Dividend for the Financial Year 1997-98 would be transferred to the said Fund on or before 14<sup>th</sup> July, 2005.
- Information in respect of other unclaimed dividend when due for transfer to the said Fund is given below:

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
1997-98 (Final)	24.09.1998	03.11.2005	02.12.2005
1998-99	10.07.1999	19.08.2006	17.09.2006
1999-2000 (Interim)	31.01.2000	11.03.2007	09.04.2007
1999-2000 (Final)	29.05.2000	08.07.2007	06.08.2007
2000-01	28.08.2001	25.09.2008	24.10.2008
2001-02	24.08.2002	21.09.2009	20.10.2009
2002-03	20.09.2003	18.10.2010	16.11.2010
2003-04	18.09.2004	16.10.2011	14.11.2011

- Shareholders who have not yet encashed their dividend warrant(s) for the above said financial year(s) may send their requests for revalidation of Dividend Warrant(s) or issue of duplicate Dividend Warrant(s), as the case may be, to the Company's Corporate Office immediately. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts, which were unclaimed or unpaid for a period of 7 years from the dates on which they first became due for payment and no payment shall be made in respect of any such claims.

## vi) Listing of Shares on Stock Exchange

The Company's Equity Shares are listed on the following Stock Exchanges:

- National Stock Exchange of India Ltd. (NSE), Bandra Kurla Complex, Bandra (E), Mumbai
- The Stock Exchange, Mumbai (BSE), P J Tower, Dalal Street Fort, Mumbai -400001.
- Calcutta Stock Exchange Association Ltd, 7, Lyons Range, Kolkata

The Company's application for voluntary delisting of shares from Stock Exchange at Delhi, Ludhiana and Chennai have been approved and shares have been delisted w.e.f. 12<sup>th</sup> July, 2004, 2<sup>nd</sup> August, 2004 and 21<sup>st</sup> June, 2004 respectively. The delisting approval from the Stock Exchange at Kolkata is awaited.

The Equity Shares of the Company shall continue to be listed on the National Stock Exchange (NSE) and the Stock Exchange at Mumbai (BSE). The listing fee for the financial year 2005-06 has already been paid to NSE & BSE.

## vii) Stock Code of Equity Shares

Trade symbol at National Stock Exchange is PANACEABIO.

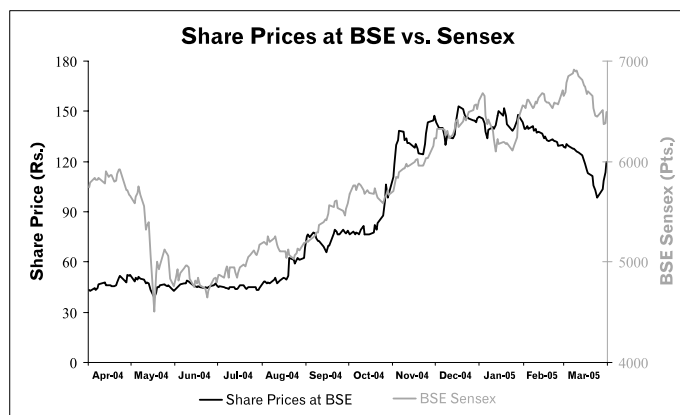
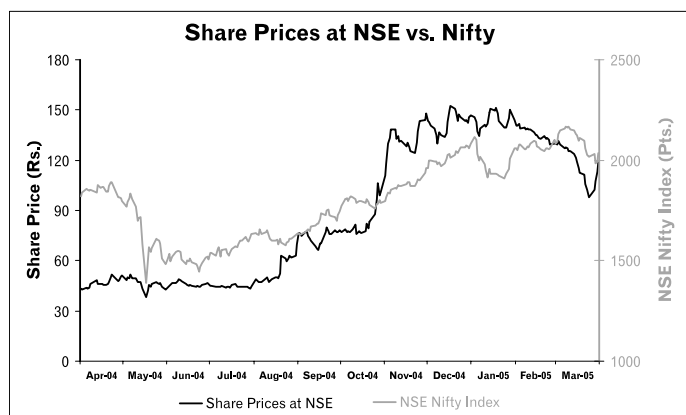
Stock Code at Bombay Stock Exchange is 531349.

ISIN No. for Dematerialisation : INE922B01023.

## viii) Stock Market Price at National Stock Exchange (NSE) and the Stock Exchange at Mumbai (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, 2004	55.00	42.15	57.15	42.35
May, 2004	52.00	35.00	53.00	34.65
June, 2004	50.50	42.50	50.80	43.00
July, 2004	49.35	38.50	49.00	43.20
August, 2004	69.50	45.70	68.65	44.10
September, 2004	83.40	65.75	82.70	65.50
October, 2004	117.10	74.60	116.30	73.00
November, 2004	151.00	101.00	151.40	101.50
December, 2004	156.00	129.00	156.00	129.00
January, 2005	156.50	128.00	154.55	130.00
February, 2005	144.50	129.00	146.35	128.50
March, 2005	133.75	97.35	133.85	97.90

## Comparison of daily closing prices of the Company's share with broad-based indices viz. NSE Nifty & BSE Sensex



## 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 will continue to be also received by the Company at its Corporate Office.

## 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 web-site [www.panacea-biotec.com](http://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.

# REPORT ON CORPORATE GOVERNANCE

## **xi) Share Certificate 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 get their share certificates exchanged into new share certificates in respect of shares of face value of Re.1 each.

All the shareholders who have not 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 jointholders.

## **xii) Elimination of Duplicate Mailing**

The Shareholders who are holding Shares in more than one folio in identical name or in jointholders' 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 Share Transfer-cum-Investors' Grievance Committee. Further with a view to expedite the process of share transfer, the said authority has further been delegated to the Company Secretary, w.e.f. 28<sup>th</sup> April, 2005. The delegated authority generally meets on fortnightly 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 transfer, 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.

The Company obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities as per the requirement of clause 47 (c) of the Listing Agreement with the Stock Exchange at Mumbai.

## **xiv) Secretarial Audit**

A qualified practising Company Secretary carried out secretarial audits in each of the quarter in the financial year 2004-05, 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 31<sup>st</sup> March, 2005, 98.16% of the Company's total Equity Share Capital representing 5,60,29,039 Equity Shares were held in dematerialised form and only 10,47,561 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 Stock Exchange at Mumbai.

## **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 31<sup>st</sup> March, 2005**

<b>No. of Shares</b>	<b>No. of Shareholders</b>	<b>No. of Shares</b>
0-2500	6,422	25,30,575
2501-5000	114	4,29,804
5001-10000	32	2,31,097
10001-100000	31	9,66,734
100001 and above	25	5,29,18,390
<b>Total</b>	<b>6,624</b>	<b>5,70,76,600</b>

# REPORT ON CORPORATE GOVERNANCE

## xviii) Pattern of Shareholding as on 31<sup>st</sup> March, 2005

S. No.	Category	No. of Shares	Percentage
1.	Promoters, Relatives & Associates	4,41,66,600	77.38
2.	Institutional Investors (FIIs, Banks & Mutual Funds)	30,69,200	5.38
3.	Domestic Companies	5,98,779	1.05
4.	Indian Public	34,71,756	6.08
5.	NRIs/ OCBs	57,62,028	10.10
6.	Clearing Members	8,237	0.01
	<b>Total</b>	<b>5,70,76,600</b>	<b>100.00</b>

xix) No GDRs/ ADRs/ Warrant or any convertible instruments were outstanding as on 31<sup>st</sup> March, 2005.

## xx) Plant Locations

- Pharmaceutical Formulation facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044.
- Vaccines Formulation facility at A-241/242, Okhla Indl. Area, Phase I, New Delhi - 110 020.
- Recombinant Bulk Vaccines facility at Village Samalheri, Ambala-Chandigarh Highway, Larlu-140 501, Punjab.
- Pharmaceutical Formulation facility coming up at Malpur, Baddi, Tehsil Nalagarh, Dist. Solan, Himachal Pradesh - 173 205.

## 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.**  
123, Vinoba Puri, Lajpat Nagar II, New Delhi – 110 024, India.  
Phone : +91-11-298 33777, 298 47136  
Fax : +91-11- 29848352  
E-mail : admin@skylinerta.com, agarwalp7@hotmail.com

For investors assistance

: The Company Secretary,  
**Panacea Biotec Limited**  
B-1 Extn./G-3, Mohan Co-operative Indl. Estate,  
Mathura Road, New Delhi - 110 044, India.  
Phone : +91-11-51679000 Extn. 2081 (D) : +91-11-51578024  
Fax : +91-11-51679075, 51679070  
E-mail : companysec@pblintranet.com  
Contact Person : Mr. Vinod Goel, Company Secretary/  
Ms. Sangeeta Nagpal, Secretarial Officer.

For and on behalf of the Board

New Delhi  
31<sup>st</sup> May, 2005

**Soshil Kumar Jain**  
Chairman

## 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 31<sup>st</sup> March 2005, 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.

### For S.R. Batliboi & Co.

Chartered Accountants

Per

**Manoj Gupta**

Partner

Membership No. : 83906

Place : New Delhi

Dated : 31<sup>st</sup> May, 2005

# 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, 2005 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi in our opinion and 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, 2005;
    - 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

Membership No. 83906

Place: New Delhi

Dated: 31<sup>st</sup> May, 2005

### **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 programme 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) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered 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.
  - b) The Company has taken loan from 25 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.27,11,60,349 and the year-end balance of loans taken from such parties was Rs.26,73,55,349.
  - c) 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.
  - d) 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

# ANNEXURE TO THE AUDITORS' REPORT

- 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 the deposition of tax deducted at source.*
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, 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 information and explanations given to us, there are no dues of income-tax, sales tax, wealth-tax, service tax, custom duty, excise duty 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 and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) 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.
- (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 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.
- (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) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (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 investments.
- (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) According to the information and explanations given to us, security was created in respect of the debentures issued by the Company in earlier years. The debentures have been redeemed during the current 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 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  
Membership No. 83906

Place: New Delhi  
Dated: 31<sup>st</sup> May, 2005

# BALANCE SHEET

## AS AT 31st MARCH, 2005

		(Amount in Rs.)			
	Schedule	As at 31st March, 2005		As at 31st March, 2004	
<b>SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
Share Capital	I	96,15,18,306		101,49,83,306	
Reserves & Surplus	II	119,23,66,472	215,38,84,778	103,89,78,398	205,39,61,704
<b>2. Loan Funds</b>					
Secured Loans	III	134,24,68,041		142,52,97,450	
Unsecured Loans	IV	26,78,95,349	161,03,63,390	25,48,90,995	168,01,88,445
<b>3. Deferred Tax Liability (Net)</b>					
		13,50,82,173		7,47,82,834	
<b>Total</b>		<b>389,93,30,341</b>		<b>380,89,32,983</b>	
<b>APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>					
Gross Block	V	162,76,55,560		139,39,73,415	
Less : Depreciation		53,62,37,026		42,75,47,856	
Net Block		109,14,18,534		96,64,25,559	
Capital Work-in-Progress (including Pre-operative expenditure) (Refer Note No.3 of Schedule XIX B)		28,53,55,690	137,67,74,224	8,81,10,311	105,45,35,870
<b>2. Investments</b>					
		6,14,06,260		3,91,03,350	
<b>3. Current Assets, Loans &amp; Advances</b>					
<b>Current Assets</b>					
Inventories		191,00,57,734		176,38,71,243	
Sundry Debtors		78,72,72,130		45,21,46,465	
Cash & Bank Balances		7,50,51,403		63,49,82,174	
Other Current Assets		70,97,063		84,52,893	
<b>Loans and Advances</b>					
		49,31,81,799		41,71,25,150	
<b>Sub-total (A)</b>		<b>327,26,60,129</b>		<b>327,65,77,925</b>	
<b>Less : Current Liabilities &amp; Provisions</b>					
		VIII			
Current Liabilities		58,38,52,754		28,80,40,914	
Provisions		24,21,16,930		29,25,26,076	
<b>Sub-total (B)</b>		<b>82,59,69,684</b>		<b>58,05,66,990</b>	
<b>Net Current Assets (A)-(B)</b>		<b>244,66,90,445</b>		<b>269,60,10,935</b>	
<b>4. Miscellaneous Expenditure</b>					
(To the extent not written off or adjusted)	IX	1,44,59,412		1,92,82,828	
<b>Total</b>		<b>389,93,30,341</b>		<b>380,89,32,983</b>	
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

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**Manoj Gupta**

Partner

Membership No. 83906

Place : New Delhi

Dated : 31<sup>st</sup> May, 2005

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

**Vinod Goel**  
Company Secretary

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

		(Amount in Rs.)	
	Schedule	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>INCOME</b>			
Turnover	X	335,76,26,115	272,14,60,804
Less : Excise Duty		<u>10,21,92,325</u>	<u>10,52,30,823</u>
Other Income	XI	5,45,02,347	1,91,73,414
<b>Total Income</b>		<u>330,99,36,137</u>	<u>263,54,03,395</u>
<b>EXPENDITURE</b>			
Materials & Manufacturing Expenses	XII	172,36,06,931	140,19,03,123
Purchases of Finished Goods		1,43,14,620	2,73,48,656
Personnel Expenses	XIII	30,73,53,272	27,22,25,371
Administrative Expenses	XIV	22,37,83,173	25,25,31,470
Interest & Finance Charges	XV	11,40,99,385	8,80,13,716
Selling & Distribution Expenses	XVI	19,92,76,641	15,14,02,251
Research & Development Expenses	XVII	14,19,11,429	11,98,96,201
Miscellaneous Expenditure written off during the year		48,23,416	48,23,416
Depreciation		13,59,61,821	9,97,03,967
<b>Total Expenditure</b>		<u>286,51,30,688</u>	<u>241,78,48,171</u>
<b>Profit Before Tax &amp; Extra-ordinary items</b>		44,48,05,449	21,75,55,224
Extra Ordinary loss due to Fire & Flood (Refer Note No.14 of Schedule XIX B)		1,54,55,196	-
<b>Profit Before Tax</b>		<u>42,93,50,253</u>	<u>21,75,55,224</u>
Provision for Income Tax		6,70,00,000	5,35,00,000
Provision for Income Tax for earlier years		10,60,674	(1,48,40,482)
Provision for Wealth Tax		3,05,000	2,20,000
Provision for Wealth Tax for earlier years		21,190	8,019
Deferred Income Tax (Refer Note No.7 of Schedule XIXB)		6,02,99,339	1,41,83,435
<b>Profit After Tax</b>		30,06,64,050	16,44,84,252
Add: Balance brought forward from previous year		19,90,38,695	19,48,60,962
Debenture Redemption Reserve written back		1,33,33,334	1,33,33,333
<b>Profit available for Appropriations</b>		<u>51,30,36,079</u>	<u>37,26,78,547</u>
<b>APPROPRIATIONS</b>			
Dividend - Equity Shares-Proposed (not liable to TDS)		8,56,14,900	5,70,76,600
- Preference Shares-Interim (not liable to TDS)		4,39,14,644	81,99,722
Dividend Distribution Tax		1,77,46,432	83,63,530
Transfer to Capital Redemption Reserve		5,34,65,000	-
Transfer to General Reserve		10,00,00,000	10,00,00,000
<b>Balance carried to Balance Sheet</b>		<u>21,22,95,103</u>	<u>19,90,38,695</u>
<b>Earning per Share (Basic &amp; Diluted)</b>			
- before extraordinary item	XVIII	4.59	2.72
- after extraordinary item	XVIII	4.40	2.72
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

**Soshil Kumar Jain**  
Chairman

**For and on behalf of the Board**

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**Manoj Gupta**

Partner

Membership No. 83906

Place : New Delhi

Dated : 31<sup>st</sup> May, 2005

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

**Vinod Goel**  
Company Secretary

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
Comprising of		
i) 12,50,00,000 Equity Shares of Re.1/- each (Previous Year 12,50,00,000 Equity Shares of Re.1/- each)	12,50,00,000	12,50,00,000
ii) 11,00,00,000 (Previous Year 11,00,00,000) Preference Shares of Rs.10/- each	110,00,00,000	110,00,00,000
	<u>122,50,00,000</u>	<u>122,50,00,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
5,70,76,600 Equity Shares of Re.1/- each (Previous Year 5,70,76,600 Equity Shares of Re.1/- each)	5,70,76,600	5,70,76,600
Add: Forfeited Shares (14,900 Equity Shares of Rs.10/- each were forfeited on May 15, 1999, which were later on sub-divided into 1,49,000 Equity Shares of Re.1/- each on February 12, 2003)  (Out of the above Shares, 18,14,240 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 1,81,42,400 Equity Shares of Re.1/- each on February 12, 2003).	92,566	92,566
	<u>5,71,69,166</u>	<u>5,71,69,166</u>
Redeemable Cumulative Preference Shares of Rs.10/- each Series - II Nil (Previous Year 53,46,500) 12% Preference Shares	-	5,34,65,000
Series - III 9,04,34,914 (Previous Year 9,04,34,914) 4.5% Preference Shares	90,43,49,140	90,43,49,140
	<u>96,15,18,306</u>	<u>95,78,14,140</u> <u>101,49,83,306</u>

**Note:**

RCPS Series - III are 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 also has a put option to redeem the Shares any time after 2 years of allotment.

### SCHEDULE II - RESERVES AND SURPLUS

<b>1. Capital Redemption Reserve</b>				
Amount as per last Balance Sheet	5,90,35,000		5,90,35,000	
Add : Transfer from Profit & Loss Account	5,34,65,000	11,25,00,000	-	5,90,35,000
<b>2. Debenture Redemption Reserve</b>				
Amount as per last Balance Sheet	1,33,33,334		2,66,66,667	
Less : Transferred to Profit & Loss Account	(1,33,33,334)	-	(1,33,33,333)	1,33,33,334
<b>3. Securities Premium</b>				
Amount as per last Balance Sheet	16,13,67,364			16,13,67,364
<b>4. General Reserve</b>				
Amount as per last Balance Sheet	60,62,04,005		50,62,04,005	
Add : Transfer from Profit & Loss Account	10,00,00,000	70,62,04,005	10,00,00,000	60,62,04,005
<b>5. Balance in Profit &amp; Loss Account</b>				
	21,22,95,103			19,90,38,695
	<u>119,23,66,472</u>			<u>103,89,78,398</u>

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31st March, 2005	(Amount in Rs.) As at 31st March, 2004
<b>SCHEDULE III - SECURED LOANS</b>		
<b>1. Debentures</b>		
4,00,000 16% Non-Convertible Debentures of face value of Rs.100/- each redeemable at par in three equal annual instalments starting from 15th Feb. 2003 (Third & Final instalment of Rs.1,33,33,334 has been paid on 15.02.05)	-	1,33,33,334
<b>2. Rupee Term Loans</b>		
i) Industrial Development Bank of India (Due within one year Rs. 1,73,72,248 (Previous Year Nil))	<b>5,21,16,752</b>	-
ii) Export-Import Bank of India Long Term Working Capital Loan (Converted into Foreign Currency Loan on April 23, 2004)	-	8,43,75,000
Production Equipment Finance Loan (Converted into Foreign Currency Loan on April 23, 2004)	-	5,62,50,000
iii) State Bank of Bikaner & Jaipur (Due within one year Rs. 1,25,00,000 (Previous Year Rs. 1,25,00,000))	<b>3,12,57,768</b>	4,37,50,075
<b>3. Foreign Currency Term Loans</b>		
i) Export-Import Bank of India Long Term Working Capital Loan (Due within one year: Rs. 2,58,43,300 (Previous Year Nil))	<b>5,81,47,741</b>	-
Production Equipment Finance Loan (Due within one year: Rs. 1,72,28,925 (Previous Year Nil))	<b>3,87,65,102</b>	-
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year Rs. 3,06,25,000 (Previous Year Rs. 2,05,05,469))	<b>5,98,82,813</b>	8,88,57,031
iii) Bank of Baroda (Due within one year Nil (Previous Year Rs. 1,84,16,645))	-	3,68,33,290
iv) Short Term Loan from Industrial Development Bank of India (Converted into Rupee Term Loan on April 02, 2004)	-	6,88,98,375
<b>4. Working Capital Loans from Scheduled Banks</b>	<b>110,14,12,149</b>	102,97,50,095
<b>5. Interest Accrued &amp; Due on Working Capital Loans</b>	<b>8,85,716</b>	32,50,250
	<b>134,24,68,041</b>	<b>142,52,97,450</b>

### Notes :

- Debentures were secured by way of first charge on land situated at Village Budasan, District Mehsana, Gujarat besides first charge on the Land admeasuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties of the Company pertaining to Lalru unit on pari-passu basis with term lending institutions and charge on the whole of the movable properties both present and future. These debentures have been redeemed on February 15, 2005 and the charges registered with ROC have been satisfied. The process for release of immovable property being land situated at Village Budasan, District Mehsana, Gujarat mortgaged with the trustee is in progress.
- Rupee Term Loan from Industrial Development Bank of India (earlier Foreign currency Term Loan) is 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 admesuring 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.
- Rupee Term Loan from State Bank of Bikaner & Jaipur is 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, Punjab and other immovable properties pertaining to Lalru unit both present and future.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE III - SECURED LOANS (Contd...)

4. Foreign Currency Term loans from Export-Import Bank of India (earlier Rupee Term Loan) are 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 admesuring 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.
5. Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C. is 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 admesuring 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.
6. Working Capital Loans from Scheduled Banks are secured by hypothecation of present & future stocks of raw materials, stocks-in process, finished goods, consumable stores & spares, bills receivable, book debts, outstanding monies, receivable claims, trust receipts, and all other movables of the Company besides second pari-passu charge on the plant & machinery at all the divisions and 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 and equitable mortgage by deposit of title deeds in respect of Company's immovable property being land measuring 31 Bighas 8 Kilas situated at Mauza Jarot, Tehsil Rajpura together with all buildings, superstructures, plant & machinery constructed or to be constructed, installed or to be installed, present and future and accretions on the said land except in case of State Bank of Mysore, where creation of second pari-passu charge over immovable properties is pending.
7. Foreign Currency Loan from Bank of Baroda was secured by way of first pari-passu charge over the Company's all movable machineries including spare parts, both present and future, besides first pari-passu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future. It has been repaid on December 31, 2004 and charges have been duly satisfied.
8. The above loans are also collaterally secured by personal guarantees of the Promoter-Directors of the Company.

(Amount in Rs.)

	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE IV - UNSECURED LOANS</b>		
<b>1. Fixed Deposits</b> (including Rs.13,24,63,000 from Directors, their relatives and associates) (Due within one year Nil (Previous Year Rs.5,67,00,000))	<b>13,30,03,000</b>	11,98,80,000
<b>2. Loans from Directors</b> (Due within one year Rs.13,48,92,349 (Previous Year Rs.Nil))	<b>13,48,92,349</b>	-
<b>3. Loans from Banks</b>		
- Mizuho Corporate Bank Ltd. (Due within one year Nil (Previous Year Rs.3,50,00,000))	-	3,50,00,000
- State Bank of Indore (Due within one year Nil (Previous Year Rs.5,00,10,995))	-	5,00,10,995
- State Bank of Mysore (Due within one year Nil (Previous Year Rs.5,00,00,000))	-	5,00,00,000
	<b>26,78,95,349</b>	<b>25,48,90,995</b>

## SCHEDULE V - FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 1st April, 2004	Additions during the year	Deductions during the year	As at 31st March, 2005	As at 1st April, 2004	Provided during the year	Deductions during the year	As at 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
<b>A. Tangible Assets</b>										
Land - Freehold	3,55,14,415	6,95,58,559	-	<b>10,50,72,974</b>	-	-	-	-	<b>10,50,72,974</b>	3,55,14,415
Land - Leasehold	63,70,863	-	63,70,863	-	1,94,435	61,497	2,55,932	-	-	61,76,428
Buildings	26,05,20,344	1,24,10,464	61,06,333	<b>26,68,24,475</b>	6,48,04,480	1,63,84,401	53,74,244	<b>7,58,14,637</b>	<b>19,10,09,838</b>	19,57,15,864
Leasehold Improvement	5,97,72,966	55,82,596	-	<b>6,53,55,562</b>	3,00,30,035	1,39,27,333	-	<b>4,39,57,368</b>	<b>2,13,98,194</b>	2,97,42,931
Plant & Machinery	71,67,39,358	16,10,92,364	4,32,39,989	<b>83,45,91,733</b>	17,25,82,131	8,92,39,725	2,70,87,332	<b>23,47,34,524</b>	<b>59,98,57,209</b>	54,41,57,227
Furniture & Fittings	6,50,42,610	1,95,86,402	14,58,002	<b>8,31,71,010</b>	2,23,85,118	1,07,15,488	5,20,455	<b>3,25,80,151</b>	<b>5,05,90,859</b>	4,26,57,492
Vehicles	6,23,95,429	1,48,31,554	78,28,253	<b>6,93,98,730</b>	3,47,13,112	77,37,458	59,49,108	<b>3,65,01,462</b>	<b>3,28,97,268</b>	2,76,82,317
Office Equipments	6,38,53,127	1,46,70,556	53,01,342	<b>7,32,22,341</b>	1,73,66,009	74,68,566	27,89,215	<b>2,20,45,360</b>	<b>5,11,76,981</b>	4,64,87,118
Computer Equipments	5,74,29,886	1,45,64,429	1,48,08,398	<b>5,71,85,917</b>	4,02,37,373	81,01,039	1,17,86,906	<b>3,65,51,506</b>	<b>2,06,34,411</b>	1,71,92,513
<b>TOTAL (A)</b>	<b>132,76,38,998</b>	<b>31,22,96,924</b>	<b>8,51,13,180</b>	<b>155,48,22,742</b>	<b>38,23,12,693</b>	<b>15,36,35,507</b>	<b>5,37,63,192</b>	<b>48,21,85,008</b>	<b>107,26,37,734</b>	<b>94,53,26,305</b>
Previous Year	76,84,58,050	57,81,33,424	1,89,52,476	132,76,38,998	28,60,76,898	10,53,76,326	91,40,531	38,23,12,693	94,53,26,306	48,23,81,152
Capital Work in Progress*									<b>20,85,32,745</b>	6,41,54,537
<b>B. Intangible Assets</b>										
Patents & Trademarks	3,95,55,859	53,51,420	-	<b>4,49,07,279</b>	2,94,36,695	50,72,286	-	<b>3,45,08,981</b>	<b>1,03,98,298</b>	1,01,19,164
Softwares	1,75,75,863	11,46,981	-	<b>1,87,22,844</b>	65,95,773	37,44,569	-	<b>1,03,40,342</b>	<b>83,82,502</b>	1,09,80,090
Website	92,02,695	-	-	<b>92,02,695</b>	92,02,695	-	-	<b>92,02,695</b>	-	-
<b>TOTAL (B)</b>	<b>6,63,34,417</b>	<b>64,98,401</b>	-	<b>7,28,32,818</b>	<b>4,52,35,163</b>	<b>88,16,855</b>	-	<b>5,40,52,018</b>	<b>1,87,80,800</b>	<b>2,10,99,254</b>
Previous Year	5,80,77,648	82,56,769	-	6,63,34,417	3,19,27,742	1,33,07,421	-	4,52,35,163	2,10,99,253	2,61,49,906
Capital Work in Progress*									<b>7,68,22,945</b>	2,39,55,774
<b>TOTAL (A+B)</b>	<b>139,39,73,415</b>	<b>31,87,95,325</b>	<b>8,51,13,180</b>	<b>162,76,55,560</b>	<b>42,75,47,856</b>	<b>16,24,52,362</b>	<b>5,37,63,192</b>	<b>53,62,37,026</b>	<b>109,14,18,534</b>	<b>96,64,25,559</b>
Previous Year	82,65,35,698	58,63,90,193	1,89,52,476	139,39,73,415	31,80,04,640	11,86,83,747	91,40,531	42,75,47,856	96,64,25,559	50,85,31,058
Capital Work in Progress*									<b>28,53,55,690</b>	8,81,10,311

**Notes:**

- Freehold Land includes Land amounting Rs.79,43,300 (Previous Year Rs. 50,65,000) pending registration in the name of the Company.
- Building includes Office Premises amounting to Rs.94,92,323 (Previous Year Rs.99,91,919) (Net Block) pending registration in the name of the Company.
- Plant & Machinery includes Plant & Machinery amounting to Rs.93,00,307 (Previous Year Rs.95,86,926) (Net Block) lying with third party.
- Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs.2,64,90,541 ( Previous Year Rs.1,89,79,780).
- \*Capital Work in Progress includes pre-operative expenditure. Refer Note No.3 of Schedule XIX B.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE VI - INVESTMENTS</b>		
<b>Long Term Investments (at cost)</b>		
<b>A. Quoted *</b>		
Nil Equity Shares (Previous year 36,455) of Rs.10/- each fully paid in IDBI Bank Ltd. Market Value Rs.Nil (Previous Year Rs.18,06,345)	-	6,56,190
<b>B. Unquoted **</b>		
<b>1) Under the same management - Wholly-owned Subsidiary Companies :</b>		
a) 1,98,250 Equity Shares (Previous Year 1,98,250) of Rs.10/- each fully paid in Radicura & Co. Ltd.	<b>1,13,66,440</b>	1,13,66,440
b) 1,90,216 Equity Shares (Previous Year 1,90,216) of Rs.10/- each fully paid in Best On Health Limited	<b>2,28,83,050</b>	2,28,83,050
	<b>3,42,49,490</b>	3,42,49,490
<b>2) Others - Joint Venture Companies :</b>		
a) 22,95,910 Equity Shares (Previous Year Nil) of Rs. 10/- each fully paid in Chiron Panacea Vaccines Pvt. Ltd.	<b>2,29,59,100</b>	-
b) 4,19,767 (Previous Year 4,19,767) Equity Shares of Rs.10/-each fully paid in Panheber Biotec Pvt. Ltd.	<b>41,97,670</b>	41,97,670
	<b>2,71,56,770</b>	41,97,670
	<b>6,14,06,260</b>	3,91,03,350

\* Other than Trade Investments

\*\*Trade Investments

### Detail of investments made and disposed off during the year

During the year, 36,455 Equity Shares of IDBI Bank Ltd. were sold resulting into a profit of Rs.15,21,465. The Company also acquired 22,95,910 Equity Shares of Chiron Panacea Vaccines Pvt. Ltd. There were no other fresh investments or disposals during the year.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE VII - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
<b>Inventories</b>		
i) Raw & Packing Materials (including lying with third parties Rs.2,48,98,268 (Previous Year Rs.3,20,33,009))	98,00,27,102	121,08,65,288
ii) Finished Goods	87,57,06,821	51,81,15,199
iii) Work in Progress (Including lying with third party Rs.33,14,897 (Previous Year Rs.Nil))	83,97,981	1,19,36,237
iv) Stores & Spares	4,59,25,830	2,29,54,519
	<b>191,00,57,734</b>	<b>176,38,71,243</b>
<b>Sundry Debtors (Unsecured, Considered good, unless otherwise stated) Over six months (including Rs.49,65,615 considered doubtful of recovery (Previous Year Rs.1,36,85,343))</b>		
	2,51,72,178	3,87,28,196
Less: Provisions for Bad & Doubtful Debts	49,65,615	1,36,85,343
	2,02,06,563	2,50,42,853
Other Debts	76,70,65,567	42,71,03,612
	<b>78,72,72,130</b>	<b>45,21,46,465</b>
<b>Cash and Bank Balances</b>		
Cash Balance on hand	12,67,827	14,41,942
Balances with Scheduled Banks :		
a) In Cash Credit Accounts	9,28,743	17,30,446
b) In Current Accounts	2,16,92,253	1,78,59,610
c) In Collection Accounts	87,66,761	1,39,41,920
d) In Unpaid Dividend Accounts	11,86,154	65,11,618
e) In Fixed Deposits*	2,02,26,086	8,83,34,029
f) In Exchange Earner Foreign Currency Current Accounts	1,97,88,837	50,51,14,999
Balances with Non-scheduled Banks		
a) Bank of Foreign Trade - Moscow (maximum amount outstanding at any time during the year Rs.7,74,129 (Previous Year Rs.6,84,360))	18,530	5,909
b) Societe Generale Yugoslav Bank (maximum amount outstanding at any time during the year Rs.11,87,707 (Previous Year Rs.8,66,400))	11,76,212	41,701
	<b>7,50,51,403</b>	<b>63,49,82,174</b>
<b>Other Current Assets</b>		
DEPB & other Export Benefits receivable	70,97,063	84,52,893
<b>B. LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received**	19,95,42,314	11,36,08,762
Balance with Excise, Custom etc.	1,84,72,582	89,89,360
Staff Loans & Advances (Including Rs.21,55,468 (Previous Year Rs.21,55,468) considered doubtful, which has been fully provided for)	71,32,307	80,44,760
Less: Provision for Bad & Doubtful Advances	21,55,468	21,55,468
	49,76,839	58,89,292
Security Deposits	1,40,99,816	1,37,16,340
Advance Income Tax	25,60,90,248	27,49,21,396
	<b>49,31,81,799</b>	<b>41,71,25,150</b>
	<b>327,26,60,129</b>	<b>327,65,77,925</b>

\* Fixed Deposits amounting to Rs.80,87,330 (Previous year Rs.79,83,655) are pledged with banks and various Government Authorities.

\*\* Advances include dues from company under the same management (wholly owned subsidiary companies) as defined under section 370(1B) of the Companies Act, 1956. Refer Note No.8 of Schedule XIX B.

# SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

As at  
31st March, 2005

As at  
31st March, 2004

## SCHEDULE VIII - CURRENT LIABILITIES & PROVISIONS

### A. CURRENT LIABILITIES

Acceptances	12,05,41,785		90,67,069	
Sundry Creditors				
a) Small Scale Industries	7,15,742		7,204	
b) Other Creditors	41,60,61,271		23,80,90,215	
Subsidiary Companies	34,524		-	
Advances from Customers	60,34,648		10,33,395	
Deposits from C & F Agents	2,16,61,111		2,37,12,611	
Unpaid/ Unclaimed Dividend*				
- Equity Shares	11,61,019		9,96,236	
- Preference Shares	-		52,46,587	
Book Overdraft	-		3,63,928	
Other Liabilities	1,69,26,596		77,42,697	
Interest accrued but not due on loans	7,16,058		17,80,972	
		<b>58,38,52,754</b>		28,80,40,914

### B. PROVISIONS

Provision for Income Tax	12,05,00,000		18,85,00,000	
Provision for Wealth Tax	3,05,000		2,20,000	
Proposed Dividend on Equity Shares	8,56,14,900		5,70,76,600	
Dividend on Preference Shares	-		64,15,800	
Provision for Dividend Distribution Tax	1,20,07,490		81,34,965	
Provision for Gratuity	1,34,16,809		2,22,90,640	
Provision for Leave Encashment	1,02,72,731		98,88,071	
		<b>24,21,16,930</b>		29,25,26,076
		<b>82,59,69,684</b>		58,05,66,990

\* This amount does not include the amount due/ outstanding to be credited to Investor Education and Protection Fund.

## SCHEDULE IX - MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Product Registration Expenses				
As per last Balance Sheet	72,18,909		1,03,59,925	
Add : Additions during the year	-		-	
	<b>72,18,909</b>		<b>1,03,59,925</b>	
Less: Written off during the year	31,41,016	<b>40,77,893</b>	31,41,016	72,18,909
License Fees				
As per last Balance Sheet	1,20,63,919		1,37,46,319	
Add : Additions during the year	-		-	
	<b>1,20,63,919</b>		<b>1,37,46,319</b>	
Less: Written off during the year	16,82,400	<b>1,03,81,519</b>	16,82,400	1,20,63,919
		<b>1,44,59,412</b>		1,92,82,828

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>SCHEDULE X - TURNOVER</b>		
Sales	335,27,35,580	271,50,17,423
Services (R&D Income)	48,90,535	64,43,381
	<u>335,76,26,115</u>	<u>272,14,60,804</u>
<b>SCHEDULE XI - OTHER INCOME</b>		
Interest Received		
- from Banks (TDS deducted Rs.6,79,449 (Previous Year Rs.2,37,877))	33,09,465	21,53,865
- from Others (TDS deducted Rs.5,695 (Previous Year Rs.5,542))	3,02,606	12,03,178
Export Incentives	3,35,50,884	1,40,69,630
Dividend on Long Term Investments (Other than Trade)	45,569	58,625
Miscellaneous Balances/Provisions written back	99,22,085	10,99,245
Sale of Scrap	3,23,412	17,570
Miscellaneous Income	54,42,861	38,835
Lease Rent	84,000	84,000
Profit on sale of Long Term Investments (Other than Trade)	15,21,465	4,48,466
	<u>5,45,02,347</u>	<u>1,91,73,414</u>
<b>SCHEDULE XII - MATERIALS &amp; MANUFACTURING EXPENSES</b>		
(Increase)/ Decrease in Stocks		
Closing Stock		
Finished Goods	87,57,06,821	51,81,15,199
Work in Progress	83,97,981	1,19,36,237
	<u>88,41,04,802</u>	<u>53,00,51,436</u>
Less: Opening Stock		
Finished Goods	51,81,15,199	26,44,58,267
Work in Progress	1,19,36,237	2,43,99,561
	<u>53,00,51,436</u>	<u>28,88,57,828</u>
	<u>(35,40,53,366)</u>	<u>(24,11,93,608)</u>
Raw Materials & Packing Materials consumed:		
Opening Stock	121,08,65,288	123,84,51,936
Add: Materials purchased during the Year	169,07,52,082	147,84,40,453
	<u>290,16,17,370</u>	<u>271,68,92,389</u>
Less: Closing Stock	98,00,27,102	121,08,65,288
	<u>192,15,90,268</u>	<u>150,60,27,101</u>
Less: Materials consumed for Research & Development	1,75,80,341	1,28,67,109
Total Materials consumed	190,40,09,927	149,31,59,992
Processing Charges	3,27,87,272	2,14,74,066
Analytical Testing & Trial Charges	85,90,146	31,61,880
Stores & Spares consumed (indigenous only)	1,55,48,356	1,15,40,302
Power & Fuel	4,15,90,082	3,01,24,847
Wages	4,44,95,730	4,94,72,076
Repair & Maintenance		
- Factory Building	67,59,491	1,05,67,384
- Plant & Machinery	48,22,195	53,27,150
	<u>1,15,81,686</u>	<u>1,58,94,534</u>
Rent Factory	1,90,57,098	1,82,69,034
	<u>172,36,06,931</u>	<u>140,19,03,123</u>

# SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>SCHEDULE XIII - PERSONNEL EXPENSES</b>		
Salary & Wages*	27,00,23,960	23,93,93,342
Contribution to Provident and Other Funds	94,52,598	65,47,363
Bonus & Ex-gratia	75,22,797	70,72,395
Staff Welfare Expenses	1,63,36,293	1,28,00,328
Gratuity	40,17,624	64,11,943
	<u>30,73,53,272</u>	<u>27,22,25,371</u>
*For Director's Remuneration refer Note No.4 of Schedule XIX B.		
<b>SCHEDULE XIV - ADMINISTRATIVE EXPENSES</b>		
Rent	49,74,608	41,58,737
Directors' Sitting Fees	3,05,000	3,95,000
Printing & Stationery	1,07,94,212	1,13,07,245
Postage & Communication Expenses	2,52,90,541	2,36,56,388
Insurance	1,64,76,013	1,53,26,394
Travelling & Conveyance Expenses	4,29,23,391	4,05,64,191
Books & Periodicals	5,62,697	4,29,969
Legal & Professional Charges	2,85,50,609	6,53,01,513
Vehicle Running & Maintenance	98,38,563	69,34,962
Repair & Maintenance - Non-factory Buildings	92,79,979	48,48,385
Others	1,70,76,357	2,63,56,336
Auditors' Remuneration - Statutory Audit Fees	25,00,000	1,70,50,091
Certification etc.	11,500	23,70,000
Out of Pocket Expenses	1,06,075	5,52,751
	<u>26,17,575</u>	<u>80,125</u>
Rates & Taxes	72,55,228	98,37,075
Donation (Refer Note No.12 of Schedule XIX B)	26,35,802	28,72,100
Subscription	29,33,429	18,44,408
Electricity & Water Charges	87,68,987	87,60,425
Staff Training & Recruitment	1,63,32,056	1,11,83,486
Miscellaneous Expenses	94,68,827	1,07,73,847
Provision for Doubtful Debts	-	1,02,83,682
Provision for Doubtful Advances	-	9,66,020
Advances written off	47,44,426	2,54,090
Loss on Sale of Fixed Assets	29,54,873	13,94,946
Loss on Winding up of Subsidiary	-	13,85,640
	<u>22,37,83,173</u>	<u>25,25,31,470</u>
<b>SCHEDULE XV - INTEREST &amp; FINANCE EXPENSES</b>		
Interest on:		
a) Debentures/Other Fixed Loans (including Rs.62,52,417 (Previous Year Rs.42,42,629) paid to Managing / Joint Managing Directors))	2,53,43,355	7,20,86,457
b) Others	7,42,18,057	9,95,61,412
Exchange Fluctuation Loss / (Gain) - net	20,68,967	5,13,31,149
Bank Charges	1,24,69,006	12,34,17,606
	<u>11,40,99,385</u>	<u>(5,12,85,841)</u>
		1,58,81,951
		<u>8,80,13,716</u>
<b>SCHEDULE XVI - SELLING &amp; DISTRIBUTION EXPENSES</b>		
Advertising	3,69,81,146	1,61,09,568
Meetings & Conferences	2,11,21,480	1,77,33,492
Sales Promotion	89,01,561	1,10,08,877
Freight & Cartage	2,38,01,947	1,86,60,085
Commission on Sales (Other than Sole Selling Agents)	86,37,377	93,23,236
Rent for Cold Storage & Depots	61,83,533	59,58,669
Marketing Expenses	9,36,49,597	7,26,08,324
	<u>19,92,76,641</u>	<u>15,14,02,251</u>

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>SCHEDULE XVII - RESEARCH AND DEVELOPMENT EXPENSES</b>		
Raw & Packing Materials consumed	1,75,80,341	1,28,67,109
Stores & Spares consumed (indigenous only)	1,38,95,764	67,97,094
Salary, Wages & Bonus	4,84,56,785	3,46,26,901
Contribution to Provident & Other Funds	19,99,956	12,63,243
Staff Welfare Expenses	13,49,636	33,03,641
Analytical Testing & Trial Charges	1,19,66,155	1,83,09,744
Rent	29,84,792	12,56,440
Directors' Remuneration	-	1,83,333
Printing & Stationary	9,18,294	4,52,510
Postage & Communication	3,71,550	6,69,032
Insurance	-	3,70,683
Travelling Expenses	48,94,966	51,87,366
Books & Periodicals	11,78,453	2,16,609
Legal & Professional Expenses	21,41,990	35,48,715
Vehicle Running & Maintenance	1,74,544	11,98,018
Repair & Maintenance		
- Buildings	5,79,628	13,66,728
- Plant & Machinery	32,36,984	6,91,039
- Others	5,79,180	8,28,765
Rates, Fees & Taxes	71,200	3,36,550
Donation	-	60,000
Subscription	6,48,987	21,88,479
Electricity & Water Charges	3,94,472	4,85,798
Meetings & Conferences	13,62,082	30,18,165
Staff Training & Recruitment	4,51,235	12,55,894
Bank Charges	40,424	(3,29,481)
Depreciation	2,64,90,541	1,89,79,780
Sundry Expenses	1,43,470	7,64,046
	<b>14,19,11,429</b>	<b>11,98,96,201</b>
<b>SCHEDULE XVIII - EARNING PER SHARE</b>		
Profit before Tax & Extraordinary item	44,48,05,449	21,75,55,224
Less: Adjustment for Tax Expense (including Wealth Tax) (including tax impact of extraordinary item of Rs.46,32,280)	13,33,18,483	5,30,70,972
Less: Dividend on Redeemable Preference Shares and Dividend Distribution Tax thereon	4,96,53,586	92,50,312
Net Profit before Extraordinary item for calculation of Basic and Diluted EPS	<b>26,18,33,380</b>	<b>15,52,33,940</b>
Net Profit before Tax	42,93,50,253	21,75,55,224
Less: Adjustment for Tax Expense (including Wealth Tax)	12,86,86,203	5,30,70,972
Less: Dividend on Redeemable Preference Shares and Dividend Distribution Tax thereon	4,96,53,586	92,50,312
Net Profit after Extraordinary item for calculation of Basic and Diluted EPS	<b>25,10,10,464</b>	<b>15,52,33,940</b>
Weighted average number of Equity Shares in calculating Basic and Diluted EPS	5,70,76,600	5,70,76,600
Earnings per Share (Basic & Diluted):		
- before Extraordinary item	4.59	2.72
- after Extraordinary item	4.40	2.72

# SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## SCHEDULE XIX - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### A. 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.

#### 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/materialised.

#### 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 historical cost of acquisition or construction and include all other incidental expenses related to acquisition and any attributable cost of bringing the asset to its working condition for its intended 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 capitalised 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 capitalised.

**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.

The carrying value of development costs 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.

Capital Expenditure on Research & Development is included in the gross block of fixed assets and depreciation thereon is provided on Written Down Value method as per the rates and the manner prescribed in Schedule XIV to the Companies Act, 1956.

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

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

#### 7 DEPRECIATION

a) Depreciation on fixed assets is provided on the Written Down Value as per rates based on the estimated useful life or as per rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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 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 capitalised.

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.

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

Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition were 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 are charged off to revenue.

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.

### 11 INVESTMENTS

Investments that are readily realisable 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 recognise a decline other than temporary in the value of the investments.

### 12 INVENTORIES

Finished Goods, Stock in process, Goods held for resale, Raw Materials, Packing Materials and Stores & Spares are stated at lower of cost and net realizable value.

'Cost' of Raw Materials, Packing materials and 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 and administrative overheads. Cost of traded goods is arrived at by using 'First-in-First out' method.

### 13 RETIREMENT AND OTHER BENEFITS

a) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.

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 funding claims is further provided for.

c) Leave encashment

Leave encashment payable on separation of employees/adjustable in due course is provided on the basis of actuarial valuation done by an independent actuary at the end of each financial year.

Leave encashment payable /adjustable during the year is provided on the basis of last salary drawn by employees.

### 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.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

**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.

**Forward Exchange Contracts not intended for trading or speculation purposes :** The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss 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.

**Exchange Difference on Fixed Assets :** 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.

### 15 INCOME TAXES

Tax expense comprises both current and deferred taxes. Current income-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 reflects 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 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. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that 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 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 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.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### B. NOTES TO ACCOUNTS

#### 1. Contingent Liabilities

(Amount in Rs.)

Particulars	Current Year	Previous Year
Disputed demands/ show-cause notices under:		
a) Customs	39,99,923	-
b) Excise	65,96,620	65,96,620
<b>Total</b>	<b>1,05,96,543</b>	65,96,620
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	31,53,533	23,28,510
Other claims against the Company not acknowledged as debts	43,64,000	20,29,000
Differential Custom Duty for imports under EPCG scheme	-	36,64,130

Notes:

- In respect of Central Excise demand for Rs.65,96,620 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 legal opinion.
  - In respect of Customs demand for Rs.39,99,923 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 Hon'ble Supreme Court. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.
  - In respect of dispute with the electricity company for Rs.43,00,000 towards faulty electricity bills, the company has been granted injunction order by the Hon'ble High Court. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.
- Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for amount to Rs.16,73,92,323 (Previous Year Rs.2,04,40,500).
  - Details of pre-operative expenses (included in Capital Work-in-Progress) relating to Fixed Assets are as follows: (Amount in Rs.)

Particulars	Tangibles		Intangibles		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Opening Balance</b>	<b>14,65,007</b>	3,56,08,277	-	-	<b>14,65,007</b>	3,56,08,277
<b>Additions during the year</b>						
Consultancy	11,30,611	5,28,490	-	-	11,30,611	5,28,490
Rates & Taxes	8,09,549	8,33,025	-	-	8,09,549	8,33,025
Salary & Wages	3,92,751	70,170	12,05,643	-	15,98,394	70,170
Power & fuel	8,30,504	-	-	-	8,30,504	-
Others	9,79,462	33,322	2,94,027	-	12,73,489	33,322
<b>Total Additions</b>	<b>41,42,877</b>	14,65,007	<b>14,99,670</b>	-	<b>56,42,547</b>	14,65,007
<b>Less: Capitalised during the year</b>	-	3,56,08,277	-	-	-	3,56,08,277
<b>Closing Balance</b>	<b>56,07,884</b>	14,65,007	<b>14,99,670</b>	-	<b>71,07,554</b>	14,65,007

#### 4. (a) Directors' Remuneration

(Amount in Rs.)

Particulars	Current Year	Previous Year
<b>Managing / Joint Managing Directors / Whole-time Directors</b>		
Salary	2,04,00,000	2,04,86,667
Royalty	-	58,333
Perquisites (taxable value)*	34,18,187	28,21,734
<b>Total</b>	<b>2,38,18,187</b>	2,33,66,734
<b>Non Whole - time Directors</b>		
Allowances	9,30,000	11,12,000
Sitting Fees	3,05,000	3,95,000
<b>Total</b>	<b>12,35,000</b>	15,07,000
<b>Grand Total</b>	<b>2,50,53,187</b>	2,48,73,734

\*Provision for Leave Encashment and Gratuity amounting to Rs.6,41,746 (Previous Year Rs.13,42,042) and Rs.9,68,411 (Previous Year Rs.31,72,923) respectively, made during the year, is not included above.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit as per Profit & Loss Account (before taxes & extraordinary items)	44,48,05,449	21,75,55,224
Add:		
Directors' Remuneration	2,50,53,187	2,48,73,734
Provision/(write back) for Doubtful Debts and Advances	(26,15,929)	1,12,83,682
Net profit in accordance with section 349 of Companies Act,1956	46,72,42,707	25,37,12,640
Maximum amount permissible under section 309 of the Companies Act,1956 for payment to		
a) Managing/ Joint Managing Directors/ Whole-time Directors	4,67,24,271	2,53,71,264
b) Non Whole - time Directors	46,72,427	25,37,126
Total Allowable to Managing/Joint Managing Directors/Whole-time Directors and Non Whole-time Directors	5,13,96,698	2,79,08,390

5. 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: -  
 Shiva Chemicals Co.  
 Sukkan Industries  
 Canton Laboratories  
 HBR Packaging
6. In the opinion of the management, 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.
7. **Deferred Tax Liabilities (Net):**  
 The breakup of deferred tax liability is as follows:-

(Amount in Rs.)

Particulars	Current Year	Previous Year
<b>Deferred Tax Liabilities</b>		
Differences in depreciation and amortization in block of fixed assets as per tax books and financial books	14,34,60,348	9,58,15,526
Others	48,67,038	69,17,714
<b>Gross Deferred Tax Liabilities</b>	14,83,27,386	10,27,33,240
<b>Deferred Tax Assets</b>		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	1,32,45,213	1,80,95,979
Others	-	98,54,427
<b>Gross Deferred Tax Assets</b>	1,32,45,213	2,79,50,406
<b>Net Deferred Tax Liability</b>	13,50,82,173	7,47,82,834

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

(Amount in Rs.)

Particulars	Current Year	Previous Year
<b>Best On Health Limited (Subsidiary Company)</b>		
Loans and Advance (Advances recoverable in cash or in kind or for value to be received)		
Balance Recoverable	33,80,262	63,68,458
Maximum amount due at any time during the year	63,95,458	63,68,458
<b>Radicura &amp; Co. Limited (Subsidiary Company)</b>		
a) Sundry Debtors		
Balances Recoverable	-	9,07,470
Maximum amount due at any time during the year	-	37,55,934
b) Sundry Creditors	34,524	-

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

- ii) Loans and advances include Rs.9,40,33,383 (Previous Year Rs.4,55,94,450) in advances recoverable in cash or in kind or for value to be received 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 Pvt. Ltd.  
Chiron Panacea Vaccines Private Limited (w.e.f. September 10, 2004)
- b) **Subsidiaries** Best On Health Limited  
Radicura & Co. Limited
- c) **Key Management Personnel**
- |                        |   |                                  |
|------------------------|---|----------------------------------|
| Shri Soshil Kumar Jain | - | Chairman and Whole-time Director |
| Shri Ravinder Jain     | - | Managing Director                |
| Shri Rajesh Jain       | - | Joint Managing Director          |
| Shri Sandeep Jain      | - | Joint Managing Director          |
| Shri Ashwani Jain      | - | Whole-time Director              |
| Shri Sunil Anand       | - | Whole-time Director              |

#### d) List of Persons having controlling interest together with their relatives

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
<b>Soshil Kumar Jain</b>			Nirmala Jain	Surinder Kumar Jain	Bimla Devi Jain	Ravinder Jain, Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Soshil Kumar Jain HUF, Radhika Associates
<b>Ravinder Jain</b>	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain HUF, Sumit Nipun & Co.
<b>Rajesh Jain</b>	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Ankesh Jain, Harshet Jain, Taric Jain		Rajesh Jain HUF, Rattan Sons
<b>Sandeep Jain</b>	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	Rashmi Jain, Renu Jain	Tanish Jain	Priyanaka Jain	Sandeep Jain HUF, Tahir & Co.
<b>Ashwani Jain</b>		Laxmi Jain	Rashmi Jain		Anita Jain			Ashwani Jain HUF

- e) Enterprises over which person having controlling interest in company / Key management personnel along with their relatives are able to exercise significant influence
- Neophar Alipro Limited
  - All India S. L. Jain Charitable Foundation

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### B. Details of Transactions with the Related Parties

(Amount in Rs.)

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 Vaccines Pvt. Ltd.			
Purchase of Materials/ Finished-Goods (net)	6,72,877 (41,010)	- (-)	1,08,97,561 (87,54,781)	- (-)	- (-)	- (-)	1,15,70,438 (87,95,791)
Sale of Finished Goods- (Net of Credit Notes)	1,34,12,759 (1,95,54,490)	- (-)	- (-)	2,12,99,766 (-)	- (-)	- (-)	3,47,12,525 (1,95,54,490)
Recovery of Expenses/ Services	- (-)	5,98,996 (-)	3,50,05,628 (3,99,49,578)	- (-)	- (-)	- (-)	3,56,04,424 (3,99,49,578)
Rent paid	- (-)	28,80,000 (28,80,000)	- (-)	- (-)	- (-)	- (-)	28,80,000 (28,80,000)
Rent received	- (-)	- (-)	84,000 (84,000)	- (-)	- (-)	- (-)	84,000 (84,000)
Remuneration	- (-)	- (-)	- (-)	- (-)	2,38,18,187 (2,33,66,734)	- (24,914)	2,38,18,187 (2,33,91,648)
Interest paid on Deposits/ Loans	- (1,08,493)	- (-)	- (-)	- (-)	80,13,510 (62,45,380)	77,69,643 (53,14,500)	1,57,83,154 (1,16,68,373)
Investment made	- (-)	- (-)	- (-)	2,29,59,100 (-)	- (-)	- (-)	2,29,59,100 (-)
Dividend paid - Preference Shares	- (-)	- (-)	- (-)	- (-)	32,02,058 (18,41,496)	50,10,595 (32,11,944)	82,12,653 (50,53,440)
Dividend paid - Equity Shares	- (-)	- (-)	- (-)	- (-)	1,96,80,200 (1,96,80,200)	2,45,30,400 (2,45,30,400)	4,42,10,600 (4,42,10,600)
Redemption of Preference Shares	- (-)	- (-)	- (-)	- (-)	1,53,45,800 (-)	2,54,86,200 (-)	4,08,32,000 (-)
Investments	1,13,66,440 (1,13,66,440)	2,28,83,050 (2,28,83,050)	41,97,670 (41,97,670)	2,29,59,100 (-)	- (-)	- (-)	6,14,06,260 (3,84,47,160)
Outstanding Receivables	- (9,07,470)	33,80,262 (63,68,458)	7,27,33,617 (4,55,94,450)	2,12,99,766 (-)	- (-)	- (-)	9,74,65,645 (5,28,70,378)
Outstanding payables	34,524 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	34,524 (-)
Outstanding Fixed Deposits/Loans	- (-)	- (-)	- (-)	- (-)	13,48,92,349 (5,66,00,000)	13,24,63,000 (6,13,50,000)	26,73,55,349 (11,79,50,000)

- Note:**
- Figures in brackets represent previous year figures (2003-04)
  - The donation made to All India S.L. Jain Charitable Foundation during the year is Rs. Nil (Previous year Rs.15,00,000).
  - In respect of personel guarantee given by Promoters-Directors refer Note No. 8 of Schedule III.
  - The terms of lease agreement with Panheber Biotec Private Limited (a Joint Venture Company) has been modified during the year to make the lessee's obligation effective from April 1, 2005. (Refer Note No.11(i) of Schedule XIX B).
  - 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: (Amount in Rs.)

Key Management personnel	Unsecured Loans		Interest		Redemption of Preference Shares		Managerial Remuneration		Preference Dividend		Equity Dividend	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Soshil Kumar Jain	2,98,57,442	1,34,00,000	17,17,985	14,80,505	26,00,000	-	82,29,042	76,23,216	5,81,442	3,12,000	50,00,000	50,00,000
Ravinder Jain	3,00,42,442	52,00,000	16,40,934	9,64,544	14,50,000	-	41,28,589	39,42,345	3,28,455	1,74,000	46,46,200	47,92,100
Rajesh Jain	3,80,36,393	1,71,00,000	21,44,343	15,70,926	45,90,000	-	42,09,079	39,09,784	9,44,193	5,50,800	47,06,900	47,06,900
Sandeep Jain	3,35,66,072	1,79,00,000	21,67,473	17,07,160	67,05,800	-	42,94,636	39,40,770	13,47,968	8,04,696	47,92,100	46,46,200

## 10. Segmental Information

### A. Information about Primary Segments

(Amount in Rs.)

Particulars	Formulations		Research & Development		Vaccines		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
<b>Revenue</b>								
Turnover	107,76,81,575	111,46,04,438	48,90,535	64,43,381	217,28,61,680	149,51,82,162	325,54,33,790	261,62,29,981
Other Income	73,11,777	1,41,26,035	24,81,765	-	2,62,39,108	-	3,60,32,650	1,41,26,035
<b>Total</b>	<b>108,49,93,352</b>	<b>112,87,30,473</b>	<b>73,72,300</b>	<b>64,43,381</b>	<b>219,91,00,788</b>	<b>149,51,82,162</b>	<b>329,14,66,440</b>	<b>263,03,56,016</b>
<b>Segment Result</b>	<b>14,65,83,791</b>	<b>11,53,85,683</b>	<b>(13,45,39,157)</b>	<b>(11,34,52,822)</b>	<b>79,76,95,654</b>	<b>49,36,88,822</b>	<b>80,97,40,288</b>	<b>49,56,21,683</b>
Unallocated Corporate Expenses							(26,93,05,151)	(19,53,28,141)
<b>Operating Profit</b>							<b>54,04,35,137</b>	<b>30,02,93,542</b>
Interest & Finance charges							(11,40,99,385)	(8,80,13,716)
Extra-ordinary Loss due to Flood & Fire							(1,54,55,196)	-
Other Income							1,84,69,697	50,47,379
Income Taxes							(12,86,86,203)	(5,28,42,953)
<b>Net Profit</b>							<b>30,06,64,050</b>	<b>16,44,84,252</b>
<b>Other information</b>								
Segment Assets	91,67,19,983	88,55,11,702	29,27,83,831	18,76,14,758	275,60,47,106	268,05,57,673	396,55,50,920	375,36,84,133
Unallocated Corporate Assets							70,62,49,084	44,73,15,840
<b>Total Assets</b>							<b>467,18,00,004</b>	<b>420,09,99,973</b>
Segment Liabilities	4,79,88,794	25,77,13,272	17,09,072	15,80,197	36,69,42,875	1,30,91,242	41,66,40,741	27,23,84,711
Unallocated Corporate Liabilities							210,12,74,508	187,46,53,558
<b>Total Liabilities</b>							<b>251,79,15,249</b>	<b>214,70,38,269</b>
Capital Expenditure – Additions	6,66,60,767	9,01,15,312	8,41,40,110	2,93,22,908	9,84,57,640	37,83,24,557		
Non-Cash Expenses		1,12,83,682						
Depreciation	2,96,20,711	3,31,25,201	2,64,90,542	1,89,79,780	6,30,30,068	2,82,53,828		

### B. Information about Secondary Segments

(Amount in Rs.)

Current Year Previous Year

- a) Revenue as per Geographical Markets  
India (including deemed exports Rs.214,07,62,561 (Previous Year Rs.147,31,46,334))

308,63,79,565 244,71,53,924

Outside India

16,90,54,225 16,90,76,057

**Total**

**325,54,33,790 261,62,29,981**

- 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.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### 11. Leases

#### i. For assets given under Operating Lease agreements:

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

Particulars	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Building	1,85,90,470	1,83,52,559	22,37,884	4,47,501	17,90,383	4,47,501
Furniture and Fixture	1,18,12,050	1,17,95,285	23,15,059	4,69,030	18,46,029	4,69,030
Office Equipment	5,12,602	5,12,602	86,277	17,386	68,891	17,386
Plant & Machinery	31,07,43,990	29,11,97,895	4,93,64,102	98,76,714	3,94,87,388	98,76,714
Computer Equipment	6,71,976	-	1,43,162	-	1,43,162	-
<b>Total</b>	<b>34,23,31,088</b>	<b>32,18,58,341</b>	<b>5,41,46,484</b>	<b>1,08,10,631</b>	<b>4,33,35,853</b>	<b>1,08,10,631</b>

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, 2005*	As at March 31, 2004*
a) Receivable within 1 year	1,56,37,050	1,55,65,550
b) Later than 1 year but not later than 5 years	4,97,54,250	4,95,26,750
c) Later than 5 years	3,12,74,100	6,79,22,400

\* Lease terms for assets given on lease were modified during the year making the lessee's obligation effective from April 1, 2005.

(b) Company has also given an office space in its building situated at 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, 2005	As at March 31, 2004
a) Receivable within 1 year	84,000	84,000
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 non-cancelable and are renewable by mutual consent on mutually agreed terms.

(b) Lease payments for the year are Rs.3,32,00,031 (Previous Year Rs.2,96,42,880).

(c) The future minimum lease payments under non-cancelable operating lease;

	Current Year	(Amount in Rs.) Previous Year
a) Within 1 Year	2,48,75,452	2,46,85,074
b) Later than 1 year but not later than 5 years	3,56,99,454	4,30,46,573
c) Later than 5 years	4,48,342	-
<b>Total</b>	<b>6,10,23,248</b>	<b>6,77,31,647</b>

12. Donation includes donation of Rs.10,00,000/- (Previous Year Nil) to Prime Minister Relief Fund.

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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	Extent of Holding/ Voting Power (%) as on March 31, 2005
1.	Panheber Biotec Private Limited	Joint Venture	India	50.00
2.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50.00

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

Particulars	Amount (Rs.)	
	Current Year (Unaudited)	Previous Year (Audited)*
Fixed Assets	83,87,082	2,69,025
Current Assets	4,71,09,756	2,70,93,618
Secured Loan	9,57,719	-
Current Liabilities	5,26,24,291	2,30,99,573
Deferred Tax Asset	-	1,28,152
Revenue	2,48,52,793	44,79,396
Expenses	4,51,17,247	2,66,13,360

\* Corresponding figures for the year ended March 31, 2004 are only for Panheber Biotec Private Limited as investment in Chiron Panacea Vaccines Private Limited was made in 2004-05.

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

Wages and Salaries	1,79,87,885	1,82,12,194
Power & Fuel and Electricity	33,76,079	68,20,500
Repair & Maintenance – Plant & Machinery	19,45,421	25,09,372
Repair & Maintenance – Others	1,16,96,242	94,07,512
<b>Total</b>	<b>3,50,05,627</b>	<b>3,69,49,578</b>

14. Extra ordinary items includes:

- Loss (Net of Insurance claim) of Rs.1,47,35,582 of inventory on account of fire at Company's central warehouse at Mandoli.
- Loss (Net of Insurance claim) of Rs.7,19,614 of inventory on account of flood at Company's plant at Lalru.

15. Details of payments made to Auditors

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
Statutory Auditors		
- Statutory Audit	17,50,000	16,20,000
- Quarterly Limited Reviews	7,50,000	7,50,000
- Certification	11,500	28,501
- Other Advisory	-	5,24,250
- Out of Pocket Expenses	1,06,075	80,125
	<b>26,17,575</b>	<b>30,02,876</b>
Tax Auditors	50,000	50,000
Cost Auditors	20,000	16,000

16. 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

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### b) Installed Capacity per annum\*

Products	Units of Measure	Current year	Previous Year
Tablets	Nos./ Lac	5,860	5,860
Capsules	Nos. / Lac	900	900
Syrups/Liquids	Bottles / Lac	38	38
Gels	Tubes / Lac	72	72
Vaccines	Doses / Lac	8,200	7,200
Recombinant Bulk Vaccine**	Doses / Lac	125	125

\* 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.	31,66,59,979	30,21,50,916
Capsules	Nos.	4,68,52,390	3,88,42,369
Syrups / Liquids	MI.	24,61,65,390	24,39,58,970
Gels	Gms.	5,72,52,790	4,45,49,740
Vaccines	Vials	3,37,21,304	2,25,64,335
Injection	Nos.	14,52,170	17,500
Husk	Packs	-	72,782
Kit	Nos.	-	30,000

\* Actual Production includes Production at Loan Licensee Locations.

### B. Particulars of Stocks & Sales

Units	Opening Stock		Closing Stock		Samples/Destroyed/ Expired/Shortages		Sales		
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	
<b>a) Own Manufacturing</b>									
Tablets	No.	8,55,22,273	11,59,90,047	9,07,50,291	8,55,22,273	2,02,94,699	1,46,29,869	29,11,37,262	31,79,88,821
	In Rs.	10,23,64,554	14,46,90,543	9,67,14,634	10,23,64,554	-	-	71,41,89,673	73,62,59,584
Capsules	No.	1,50,84,154	1,06,93,976	1,49,96,826	1,50,84,154	51,87,040	41,85,298	4,17,52,678	3,02,66,893
	In Rs.	4,80,00,604	2,13,25,335	4,91,04,737	4,80,00,604	-	-	29,49,93,341	20,91,47,636
Syrups / Liquids	MI	6,51,53,280	7,47,61,540	7,07,67,990	6,51,53,280	2,11,67,230	1,66,00,460	21,93,83,450	23,69,66,770
	In Rs.	1,27,40,594	1,65,52,422	1,68,85,177	1,27,40,594	-	-	9,41,75,895	9,67,06,275
Gels	Gms	1,43,11,460	97,48,580	2,12,41,780	1,43,11,460	86,50,400	41,67,460	4,16,72,070	3,58,19,400
	In Rs.	1,06,42,527	59,23,592	1,11,85,901	1,06,42,527	-	-	4,14,18,955	3,75,33,926
Vaccines	No.	58,23,431	4,59,248	1,44,32,616	58,23,431	2,39,723	92,969	2,48,72,396	1,71,07,183
	In Rs.	33,01,83,139	2,76,74,727	67,56,89,969	33,01,83,139	-	-	217,28,61,680	149,96,40,414
Injection	Vials	7,709	-	7,94,077	7,709	2,51,080	461	4,14,722	9,330
	In Rs.	2,21,930	-	48,86,429	2,21,930	-	-	1,39,73,785	16,79,400
Husk	Gms	52,491	-	47,832	52,491	2,929	2,189	1,730	18,102
	In Rs.	15,65,899	-	16,31,606	15,65,899	-	-	55,503	6,21,350
Kit	No.	20,756	-	17,185	20,756	1,668	2,637	1,903	6,607
	In Rs.	43,51,579	-	36,06,033	43,51,579	-	-	5,19,725	18,48,602
<b>Total</b>	In Rs.	<b>51,00,70,826</b>	21,61,66,619	<b>85,97,04,486</b>	51,00,70,826	-	-	<b>333,21,88,557</b>	258,34,37,187
<b>b) Trading Activities</b>									
Tablets	No.	13,04,176	73,50,520	21,06,178	13,04,176	10,27,098	14,49,384	48,26,460	55,77,500
	In Rs.	9,03,550	50,83,679	32,17,898	9,03,550	-	-	1,65,35,189	1,85,24,601
Capsules	No.	88,280	81,92,863	-	88,280	88,280	(3,76,622)	-	1,46,54,055
	In Rs.	2,17,087	3,21,04,925	-	2,17,087	-	-	-	10,44,97,246
Syrups / Liquids	MI	1,24,77,400	98,34,800	18,84,000	1,24,77,400	71,61,600	23,72,000	34,31,800	35,95,400
	In Rs.	26,77,192	20,62,593	5,24,154	26,77,192	-	-	3,63,727	17,68,593
Injection	No.	1,53,770	2,88,954	1,57,474	1,53,770	5,342	39,151	64,784	1,23,173
	In Rs.	42,46,544	90,40,451	1,22,60,283	42,46,544	-	-	36,48,107	67,89,796
<b>Total</b>	In Rs.	<b>80,44,373</b>	4,82,91,648	<b>1,60,02,335</b>	80,44,373	-	-	<b>2,05,47,023</b>	13,15,80,236
<b>Grand Total</b>	In Rs.	<b>51,81,15,199</b>	26,44,58,267	<b>87,57,06,821</b>	51,81,15,199	-	-	<b>335,27,35,580</b>	271,50,17,423

## SCHEduLES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### C. Purchase of Finished goods

Products	Units of Measure	Current Year	Previous Year
Tablets	Nos.	66,55,560	9,80,540
	In Rs.	50,62,595	12,69,032
Capsules	Nos.	-	61,72,850
	In Rs.	-	2,27,03,827
Syrups/Liquids	ML.	-	86,10,000
	In Rs.	-	18,69,679
Injections	Nos.	73,830	27,140
	In Rs.	92,52,025	15,06,118
<b>Total</b>	In Rs.	<b>1,43,14,620</b>	2,73,48,656

### D. Consumption of Raw Materials & Packing Materials

Products	Qty. (In doses)	Current Year Value	Qty. (In doses)	Previous Year Value
Polio Virus	58,29,11,607	139,11,43,803	41,40,38,176	103,96,19,113
Others		53,04,46,465		46,64,07,988
<b>Total</b>		<b>192,15,90,268</b>		<b>150,60,27,101</b>

### E. Value of Imports on CIF basis

Particulars	Current Year	Previous Year
Raw Materials & Packing Materials	143,68,46,564	110,76,76,161
Capital Goods Machinery & Spares	4,37,84,921	2,07,40,994

### F. Expenditure in Foreign Currency (on accrual basis)

Particulars	Current Year	Previous Year
Patents, Trade marks & Product registration	1,07,67,633	1,51,67,616
Interest	3,25,02,100	3,27,80,239
Professional & Consultation fees	34,30,316	2,64,56,542
Other Expenses	2,65,97,667	2,39,87,911

### G. Earnings in Foreign Exchange

Particulars	Current Year	Previous Year
F.O.B. value of Exports (including deemed export Rs.214,07,62,561 (Previous Year Rs.147,31,46,334))	227,74,44,875	161,55,33,359
R & D Technology Services	73,72,300	64,43,381

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

Particulars	Amount in Rs.	% age	Amount in Rs.	Previous Year % age
Indigenous	23,38,27,050	12.10	28,13,17,868	18.68
Imported	168,77,63,218	87.90	122,47,09,233	81.32
<b>Total</b>	<b>192,15,90,268</b>	<b>100.00</b>	<b>150,60,27,101</b>	<b>100.00</b>

### I. Value of Imported/Indigenous Stores & Spares consumed

Particulars	Amount in Rs.	% age	Amount in Rs.	Previous Year % age
Indigenous	2,94,44,120	100	1,83,37,396	100

### J. Remittance in foreign currency on account of dividend

Particulars	Current Year	Previous Year
Dividend on Preference Shares*	4,24,79,633	-
Number of Non resident Preference Shareholders	1	1
Number of Preference Share held by them	9,04,34,914	9,04,34,914
Dividend on Equity Shares**	57,41,000	57,41,000
Number of non-resident Equity Shareholders	2	2
Number of Equity Shares held by them	57,41,000	57,41,000

\* Dividend of Rs. 4,06,95,711 pertains to FY 2004-05 and Rs.17,83,922 pertains to FY 2003-04 (Previous Year Nil).

\*\*Dividend of Rs. 57,41,000 pertains to FY 2003-04 (Previous Year Rs. 57,41,000 pertains to FY 2002-03).

17. 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 : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**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

<b>1.</b>	<b>Registration Details</b>					
	Registration No.	22350	State Code			16
	Balance Sheet Date	31/03/2005				
<b>2.</b>	<b>Capital Raised during the year</b> (Amount in Rs. Thousand)					
	Public Issue	Nil	Right Issue			Nil
	Bonus Issue	Nil	Private Placement			Nil
<b>3.</b>	<b>Position of mobilization and deployment of Funds</b> (Amount in Rs. Thousand)					
	Total Liabilities	38,99,330	Total Assets			38,99,330
	<b>Source of Funds</b>					
	Paid up Capital	9,61,518	Reserves & Surplus			11,92,367
	Secured Loans	13,42,468	Unsecured Loans			2,67,895
	Deffered Tax Liability	1,35,082				
	<b>Application of Funds</b>					
	Net Fixed Assets	13,76,774	Investments			61,406
	Net Current Assets	24,46,961	Misc. Expenditure (to the extent not W/off)			14,459
	Accumulated Losses	Nil				
<b>4.</b>	<b>Performance of Company</b> (Amount in Rs. Thousand)					
	Turnover (including Other Income)	33,09,936	Total Expenditure			28,80,586
	Profit/Loss Before Tax	<input checked="" type="checkbox"/> <input type="checkbox"/> 4,29,350	Profit/Loss after Tax		<input checked="" type="checkbox"/> <input type="checkbox"/>	3,00,664
	Earnings per share (Rs.)	4.40	Dividend @			150%
<b>5.</b>	<b>Generic Name of Three Principal Products/ Services of Company</b>					
	Item Code No. (ITC Code)	3002 20 14				
	Product Description	VACCINE-POLIO				
	Item Code No. (ITC Code)	3004 90 67				
	Product Description	NIMESULIDE TAB				
	Item Code No. (ITC Code)	3004 20 99				
	Product Description	GLICLAZIDE TAB				

**For and on behalf of the Board**

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**I.K. Sharma**

D.G.M. (Accounts & Finance)

**Vinod Goel**

Company Secretary

Place : New Delhi

Dated : 31<sup>st</sup> May, 2005

# CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2005

	Current Year		Previous Year	
	(Amount in Rs.)			
<b>A. Cash flow from operating activities</b>				
<b>Net operating profit before tax &amp; extraordinary items</b>		44,48,05,449		21,75,55,224
Adjustments for:				
Extra Ordinary loss due to Fire & Flood		(1,54,55,196)		-
<b>Net operating profit before tax</b>		42,93,50,253		21,75,55,224
Depreciation	16,24,52,363		11,86,83,747	
Interest Expenses	9,95,61,412		12,34,17,606	
Provision for Doubtful Debts & Advances	47,44,426		1,12,49,702	
Interest Income	(36,12,071)		(33,57,043)	
Dividend Received	(45,569)		(58,625)	
Income from Sale of Investment	(15,21,465)		(4,48,466)	
Loss on Winding up of Subsidiary	-		13,85,640	
Exchange Gain on Winding Up of Subsidiary	-		(20,40,000)	
Loss on sale of Fixed Assets	29,54,873		13,94,946	
Unrealized Foreign Exchange (Gain)/Loss	(50,95,343)		(1,89,05,698)	
Deferred Revenue Expenditure written off during the year	48,23,416	26,42,62,042	48,23,416	23,61,45,225
<b>Operating profit before working capital changes</b>		69,36,12,295		45,37,00,449
(Increase) / Decrease in Trade and Other Receivables	(43,41,04,260)		(33,37,17,942)	
(Increase)/Decrease in Inventories	(14,61,86,491)		(21,90,13,618)	
Increase / (Decrease) in Trade Payables	29,99,49,455	(28,03,41,296)	(12,69,99,630)	(67,97,31,190)
<b>Cash generated from operations</b>		41,32,70,999		(22,60,30,741)
Net Direct Taxes paid		(11,74,70,716)		(13,80,96,359)
<b>Net cash from operating activities</b>		29,58,00,283		(36,41,27,100)
<b>B. Cash flow from investing activities</b>				
Purchase of Fixed Assets	(51,60,40,704)		(22,00,02,732)	
Sale of Investments in Subsidiary Company	-		1,40,10,360	
Sale of other investments	21,77,655		6,36,475	
Investment in Shares of Joint Venture	(2,29,59,100)		-	
Sale of Fixed Assets	2,83,95,116		84,16,999	
Interest Received	36,12,071		33,57,043	
Dividend Received	45,569		58,625	
Net cash used in investing activities		(50,47,69,393)		(19,35,23,230)
<b>Net cash from operating and investing activities</b>		(20,89,69,110)		(55,76,50,330)
<b>C. Cash flow from financing activities</b>				
(Repayment)/Issue of Preference Share Capital	(5,34,65,000)		90,43,49,140	
Net increase in Working Capital Borrowings	(13,52,49,226)		31,60,33,880	
Long Term Bank Borrowings raised	32,79,65,349		35,82,22,750	
Long Term Bank Borrowings repaid	(26,27,42,367)		(23,73,98,252)	
Interest paid	(10,29,90,860)		(12,62,69,338)	
Dividend & Tax on Dividend paid	(12,63,62,755)		(7,04,68,918)	
Net Cash from Financing activities		(35,28,44,859)		1,14,44,69,262
<b>Net cash from Operating, Investing &amp; Financing Activities</b>		(56,18,13,969)		58,68,18,932
<b>Net increase/ (decrease) in Cash &amp; Cash equivalents</b>		(56,18,13,969)		58,68,18,932
<b>Opening balance of Cash &amp; Cash equivalents</b>		63,49,82,174		6,41,13,669
Unrealised foreign exchange gain/(loss) on:				
Cash & Cash Equivalents		18,83,198		(1,59,50,427)
<b>Closing balance of Cash &amp; Cash equivalents</b>		7,50,51,403		63,49,82,174
Note:				
Cash and cash equivalents included in the Cash Flow Statement comprise of the following:				
Cash Balance on Hand		12,67,827		14,41,942
Balance with Scheduled Banks :				
a) In Cash Credit Accounts		9,28,743		17,30,446
b) In Current Accounts		2,16,92,253		1,78,59,610
c) In Collection Accounts		87,66,761		1,39,41,920
d) In Unpaid Dividend Accounts		11,86,154		65,11,618
e) In Fixed Deposits		2,02,26,086		8,83,34,029
f) In Exchange Earning Foreign Currency Current Accounts		1,97,88,837		50,51,14,999
Balances with Non-Scheduled Banks				
a) Bank of Foreign Trade - Moscow		18,530		5,909
b) Societe Generale Yugoslav Bank		11,76,212		41,701
		7,50,51,403		63,49,82,174

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 : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**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. <b>Name of the Company</b>	<b>Radicura &amp; Co. Ltd.</b>	<b>Best On Health Ltd.</b>
2. Date from which they became subsidiary companies	16 <sup>th</sup> July, 1999	15 <sup>th</sup> March, 2000
3. Financial Year of the subsidiary ended on	31 <sup>st</sup> March, 2005	31 <sup>st</sup> March, 2005
4. Shares of the subsidiary held by Panacea Biotech 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.)	(16,97,826)	10,63,619
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	Nil	Nil
b) for the previous financial years of the subsidiary since it became its subsidiary.	Nil	Nil
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	(16,97,826)	10,63,619
b) for the previous financial years of the subsidiary since it became its subsidiary.	21,17,720	13,87,643

### For and on behalf of the Board

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

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

**Vinod Goel**  
Company Secretary

Place : New Delhi  
Dated : 31<sup>st</sup> May, 2005

# AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

## Auditors' 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 31<sup>st</sup> March, 2005, 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 did not audit the financial statements of the Subsidiaries & Joint Ventures, whose financial statements reflect Group's share of total assets of Rs.8,52,24,539 as at 31<sup>st</sup> March 2005 and revenues of Rs.4,94,01,458 and cash flows amounting to Rs.1,80,33,494 for the year ended on 31<sup>st</sup> March 2005 as considered in the consolidated financial statements. These financial statements and other information of the Subsidiaries have been audited by other auditors (except in case of Joint Ventures Chiron Panacea Vaccines Private Limited & Panheber Biotec Private Limited which are 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, is based solely on the report of the other auditors.
  - b) The consolidated financial statements of Panacea Biotec Limited includes unaudited financial statement and other information of the Joint Ventures, Chiron Panacea Vaccines Private Limited (period ended 31<sup>st</sup> March, 2005) & Panheber Biotec Private Limited for the year ended 31<sup>st</sup> March, 2005 which reflect the Group's share of total assets of Rs.5,47,47,893 as at 31<sup>st</sup> March, 2005 and Group's share of total revenues of Rs.1,94,04,012 and net cash flows amounting to Rs.1,80,43,393 for the period ended on that date as considered in the consolidated financial statements.
4. We report that the Consolidated Financial Statements have been prepared by the Company 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. 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 & Panheber Biotec Private Limited whose financial statements are unaudited*, 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 31<sup>st</sup> March 2005,
  - 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

Place : New Delhi  
Dated : 31<sup>st</sup> May, 2005

Membership No.: 83906

# CONSOLIDATED BALANCE SHEET

## AS AT 31st MARCH, 2005

		(Amount in Rs.)		
	Schedule	As at 31st March, 2005		As at 31st March, 2004
<b>SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds</b>				
Share Capital	I	96,15,18,306		101,49,83,306
Reserves & Surplus	II	115,86,43,871	212,01,62,177	103,30,03,594
				204,79,86,900
<b>2. Loan Funds</b>				
Secured Loans	III	134,34,25,760		142,52,97,450
Unsecured Loans	IV	26,78,95,349	161,13,21,109	25,48,90,995
				168,01,88,446
<b>3. Deferred Tax Liability (Net)</b>			13,54,95,066	7,51,36,285
<b>Total</b>			<u>386,69,78,352</u>	<u>380,33,11,630</u>
<b>APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>				
Gross Block	V	168,08,49,708		143,88,63,781
Less : Depreciation		56,12,06,241		44,94,62,608
Net Block		111,96,43,467		98,94,01,173
Capital Work-in-Progress (including Pre-operative expenditure) (Refer Note No. 3 of Schedule XIX B)		28,54,14,140	140,50,57,607	8,81,10,311
				107,75,11,484
<b>2. Investments</b>			1,00,000	7,56,190
<b>3. Deferred Tax Assets (Net)</b>			-	1,28,153
<b>4. Current Assets, Loans &amp; Advances</b>				
<b>Current Assets</b>				
Inventories		193,35,37,407		179,19,23,492
Sundry Debtors		78,62,20,064		47,43,05,775
Cash & Bank Balances		9,96,88,863		64,15,86,141
Other Current Assets		70,97,063		84,52,893
<b>Loans and Advances</b>			41,06,49,633	37,27,65,794
<b>Sub-Total (A)</b>			<u>323,71,93,030</u>	<u>328,90,34,095</u>
<b>Less : Current Liabilities &amp; Provisions</b>				
<b>Current Liabilities</b>				
Current Liabilities	VIII	60,08,71,805		28,99,30,976
Provisions		18,92,87,508		29,34,88,988
<b>Sub-total (B)</b>			<u>79,01,59,313</u>	<u>58,34,19,964</u>
<b>Net Current Assets (A)-(B)</b>			244,70,33,717	270,56,14,131
<b>5. Miscellaneous Expenditure</b>			1,47,87,028	1,93,01,672
(To the extent not written off or adjusted)				
<b>Total</b>			<u>386,69,78,352</u>	<u>380,33,11,630</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

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**Manoj Gupta**

Partner

Membership No. 83906

Place : New Delhi

Dated : 31<sup>st</sup> May, 2005

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

**Vinod Goel**  
Company Secretary

# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

(Amount in Rs.)			
	Schedule	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>INCOME</b>			
Turnover	X	338,14,65,658	273,86,62,690
Less: Excise Duty		<u>10,21,92,325</u>	<u>10,52,30,823</u>
Other Income	XI	5,59,59,620	2,00,15,283
<b>Total Income</b>		<u>333,52,32,954</u>	<u>265,34,47,150</u>
<b>EXPENDITURE</b>			
Materials & Manufacturing Expenses	XII	174,32,01,716	140,27,21,760
Purchases of Finished Goods		2,28,29,285	4,17,42,765
Personnel Expenses	XIII	31,67,28,994	27,45,30,874
Administrative Expenses	XIV	22,99,48,264	25,12,21,224
Interest & Finance Expenses	XV	11,41,32,699	8,79,26,712
Selling & Distribution Expenses	XVI	20,39,07,575	15,14,23,273
Research & Development Expenses	XVII	14,19,11,429	11,98,96,201
Miscellaneous Expenditure written off during the year		49,09,264	48,30,340
Depreciation		13,96,21,768	10,43,94,694
<b>Total Expenditure</b>		<u>291,71,90,992</u>	<u>243,86,87,843</u>
<b>Profit Before Tax &amp; Extra-ordinary items</b>		<u>41,80,41,962</u>	<u>21,47,59,307</u>
Extra Ordinary loss due to Fire & Flood (Refer Note No. 11 of Schedule XIX B)		1,55,81,333	-
<b>Profit Before Tax</b>		<u>40,24,60,629</u>	<u>21,47,59,307</u>
Provision for Income Tax		6,76,70,578	5,41,98,108
Provision for Income Tax for earlier years		10,60,674	(14,828,390)
Provision for Wealth Tax		3,05,000	2,20,000
Provision for Wealth Tax for earlier years		21,190	8,019
Deferred Income Tax (Refer Note No. 6 of Schedule XIX B)		6,04,86,934	1,41,15,946
<b>Profit After Tax</b>		<u>27,29,16,253</u>	<u>16,10,45,624</u>
Add : Balance brought forward from previous year		18,57,40,173	18,50,01,068
Debenture Redemption Reserve written back		1,33,33,334	1,33,33,333
<b>Profit available for Appropriations</b>		<u>47,19,89,760</u>	<u>35,93,80,025</u>
<b>APPROPRIATIONS</b>			
Dividend			
- Equity Shares - Proposed		8,56,14,900	5,70,76,600
- Preference Shares - Interim		4,39,14,644	81,99,722
Dividend Distribution Tax		1,77,46,432	83,63,530
Transfer to Capital Redemption Reserve		5,34,65,000	-
Transfer to General Reserve		10,00,00,000	10,00,00,000
<b>Balance carried to Balance Sheet</b>		<u>17,12,48,784</u>	<u>18,57,40,173</u>
<b>Earning per Share (Basic &amp; Diluted)</b>			
- before Extraordinary item	XVIII	4.10	2.66
- after Extraordinary item	XVIII	3.91	2.66
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

**Soshil Kumar Jain**  
Chairman

**For and on behalf of the Board**

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

**Manoj Gupta**

Partner

Membership No. 83906

Place : New Delhi

Dated : 31<sup>st</sup> May, 2005

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

**Vinod Goel**  
Company Secretary

# SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
Comprising of		
i) 12,50,00,000 Equity Shares of Re.1/- each (Previous Year 12,50,00,000 Equity Shares of Re.1/- each)	12,50,00,000	12,50,00,000
ii) 11,00,00,000 (Previous Year 11,00,00,000) Preference Shares of Rs.10/- each	110,00,00,000	110,00,00,000
	<u>122,50,00,000</u>	<u>122,50,00,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
5,70,76,600 Equity Shares of Re.1/- each (Previous Year 5,70,76,600 Equity Shares of Re.1/- each)	5,70,76,600	5,70,76,600
Add: Forfeited Shares (14,900 Equity Shares of Rs.10/- each were forfeited on May 15, 1999, which were later on sub-divided into 1,49,000 Equity Shares of Re.1/- each on February 12, 2003)  (Out of the above Shares, 18,14,240 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 1,81,42,400 Equity Shares of Re.1/- each on February 12, 2003).	92,566	92,566
	<u>5,71,69,166</u>	<u>5,71,69,166</u>
Redeemable Cumulative Preference Shares of Rs.10/- each Series - II Nil (Previous Year 53,46,500) 12% Preference Shares	-	5,34,65,000
Series - III 9,04,34,914 (Previous Year 9,04,34,914) 4.5% Preference Shares	90,43,49,140	90,43,49,140
	<u>96,15,18,306</u>	<u>95,78,14,140</u> <u>101,49,83,306</u>

**Note:**

RCPS Series - III are 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 also has a put option to redeem the Shares any time after 2 years of allotment.

## SCHEDULE II - RESERVES AND SURPLUS

<b>1. Capital Redemption Reserve</b>				
Amount as per last Balance Sheet	5,90,35,000		5,90,35,000	
Add : Transfer from Profit & Loss Account	5,34,65,000	11,25,00,000	-	5,90,35,000
<b>2. Debenture Redemption Reserve</b>				
Amount as per last Balance Sheet	1,33,33,334		2,66,66,667	
Less : Transferred to Profit & Loss Account	<u>(1,33,33,334)</u>	-	<u>(1,33,33,333)</u>	1,33,33,334
<b>3. Securities Premium</b>				
Amount as per last Balance Sheet		16,90,61,690		16,90,61,690
<b>4. General Reserve</b>				
Amount as per last Balance Sheet	60,58,33,397		50,58,33,397	
Add : Transfer from Profit & Loss Account	10,00,00,000	70,58,33,397	10,00,00,000	60,58,33,397
<b>5. Balance In Profit &amp; Loss Account</b>		17,12,48,784		18,57,40,173
		<u>115,86,43,871</u>		<u>103,30,03,594</u>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31st March, 2005	As at 31st March, 2004
(Amount in Rs.)		
<b>SCHEDULE III - SECURED LOANS</b>		
<b>1. Debentures</b>		
4,00,000 16% Non-Convertible Debentures of face value of Rs.100/- each redeemable at par in three equal annual instalments starting from 15th Feb. 2003 (Third & Final Instalment of Rs.1,33,33,334 has been paid on 15.02.05)	-	<b>1,33,33,334</b>
<b>2. Rupee Term Loans</b>		
i) Industrial Development Bank of India (Due within one year Rs. 1,73,72,248 (Previous Year Nil))	<b>5,21,16,752</b>	-
ii) Export-Import Bank of India Long Term Working Capital Loan (Converted into Foreign Currency Loan on April 23, 2004)	-	<b>8,43,75,000</b>
Production Equipment Finance Loan (Converted into Foreign Currency Loan on April 23, 2004)	-	<b>5,62,50,000</b>
iii) State Bank of Bikaner & Jaipur (Due within one year Rs.1,25,00,000 (Previous Year Rs.1,25,00,000))	<b>3,12,57,768</b>	<b>4,37,50,075</b>
<b>3. Foreign Currency Term Loans</b>		
i) Export-Import Bank of India Long Term Working Capital Loan (Due within one year Rs.2,58,43,300 (Previous Year Nil))	<b>5,81,47,741</b>	-
Production Equipment Finance Loan (Due within one year Rs. 1,72,28,925 (Previous Year Nil))	<b>3,87,65,102</b>	-
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year Rs.3,06,25,000 (Previous Year Rs. 2,05,05,469))	<b>5,98,82,813</b>	8,88,57,031
iii) Bank of Baroda (Due within one year Nil (Previous Year Rs.1,84,16,645))	-	3,68,33,290
iv) Short Term loan from Industrial Development Bank of India (converted into Rupee Term Loan on April 02, 2004)	-	6,88,98,375
<b>4. Working Capital Loans from Scheduled Banks</b>	<b>110,14,12,149</b>	102,97,50,095
<b>5. Interest Accrued &amp; Due on Working Capital Loans</b>	<b>8,85,716</b>	32,50,250
<b>6. Loan Against Hypothecation of Car</b>	<b>9,57,719</b>	-
	<b>134,34,25,760</b>	<b>142,52,97,450</b>

### Notes :

- Debentures were secured by way of first charge on land situated at Village Budasan, District Mehsana, Gujarat besides first charge on the Land admeasuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties of the Company pertaining to Lalru unit on pari-passu basis with term lending institutions and charge on the whole of the movable properties both present and future. These debentures have been redeemed on February 15, 2005 and the charges registered with ROC have been satisfied. The process for release of immovable property being land situated at Village Budasan, District Mehsana, Gujarat mortgaged with the trustee is in progress.
- Rupee Term Loan from Industrial Development Bank of India (earlier Foreign Currency Term Loan) is 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 admesuring 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.
- Rupee Term Loan from State Bank of Bikaner & Jaipur is 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

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE III - SECURED LOANS (Contd...)

12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.

4. Foreign Currency Term loans from Export-Import Bank of India (earlier Rupee Term Loans) are 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 admesuring 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.
5. Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C. is 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 admesuring 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.
6. Working Capital Loans from Scheduled Banks are secured by hypothecation of present & future stocks of raw materials, stocks-in-process, finished goods, consumable stores & spares, bills receivable, book debts, outstanding monies, receivable claims, trust receipts, and all other moveables of the Company besides second pari-passu charge on the plant & machinery at all the divisions and immovable properties of the Company being Land admesuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and equitable mortgage by deposit of title deeds in respect of Company's immovable property being land measuring 31 Bighas 8 Kilas situated at Mauza Jarot, Tehsil Rajpura together with all buildings, superstructures, plant & machinery constructed or to be constructed, installed or to be installed, present and future and accretions on the said land except in case of State Bank of Mysore, where creation of second pari-passu charge over immovable properties is pending.
7. Foreign Currency Loan from Bank of Baroda was secured by way of first pari-passu charge over the Company's all movable machineries including spare parts, both present and future, besides first pari-passu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future. It has been repaid on December 31, 2004 and charges have been duly satisfied.
8. The above loans are also collaterally secured by personal guarantees of the Promoter-Directors of the Company.

(Amount in Rs.)

	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE IV - UNSECURED LOANS</b>		
<b>1. Fixed Deposits</b>	<b>13,30,03,000</b>	11,98,80,000
(including Rs.13,24,63,000 from Director's relatives and associates) (Due within one year Nil (Previous Year Rs.5,67,00,000))		
<b>2. Loans from Directors</b>	<b>13,48,92,349</b>	-
(Due within one year Rs.13,48,92,349 (Previous Year Rs.Nil))		
<b>3. Loans from Banks</b>		
- Mizuho Corporate Bank Ltd. (Due within one year Nil (Previous Year Rs.3,50,00,000))	-	3,50,00,000
- State Bank of Indore (Due within one year Nil (Previous Year Rs.5,00,10,995))	-	5,00,10,995
- State Bank of Mysore (Due within one year Nil (Previous year Rs.5,00,00,000))	-	5,00,00,000
	<b>26,78,95,349</b>	<b>25,48,90,995</b>

## SCHEDULE V - FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2004	Additions during the Year	Deduction during the Year	As at 31st March, 2005	As at 1st April, 2004	Provided during the Year	Deductions during the Year	As at 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
<b>A. Tangible Assets</b>										
Land - Freehold	3,56,68,175	6,95,58,559	-	<b>10,52,26,734</b>	-	-	-	-	<b>10,52,26,734</b>	3,56,68,175
Land - Leasehold	63,70,863	-	63,70,863	-	1,94,435	61,497	2,55,932	-	-	61,76,428
Buildings	28,16,26,913	1,24,10,464	61,06,333	<b>28,79,31,044</b>	6,72,20,548	1,70,97,813	53,74,244	<b>7,89,44,117</b>	<b>20,89,86,927</b>	21,44,06,365
Leasehold Improvement	5,97,72,966	81,39,075	-	<b>6,79,12,041</b>	3,00,30,035	1,39,99,806	-	<b>4,40,29,841</b>	<b>2,38,82,200</b>	2,97,42,931
Plant & Machinery	71,69,60,139	16,10,92,364	4,32,39,989	<b>83,48,12,514</b>	17,26,00,998	8,92,70,679	2,70,87,332	<b>23,47,84,345</b>	<b>60,00,28,169</b>	54,43,59,141
Furniture & Fittings	6,53,59,652	1,98,66,659	14,58,002	<b>8,37,68,309</b>	2,26,04,952	1,07,81,928	5,20,455	<b>3,28,66,425</b>	<b>5,09,01,884</b>	4,27,54,700
Vehicles	6,32,48,924	1,65,26,339	84,61,452	<b>7,13,13,811</b>	3,53,91,543	78,81,198	65,52,152	<b>3,67,20,589</b>	<b>3,45,93,222</b>	2,78,57,381
Office Equipments	6,64,79,248	1,57,51,711	53,07,891	<b>7,69,23,068</b>	1,90,73,481	77,17,379	27,91,656	<b>2,39,99,204</b>	<b>5,29,23,864</b>	4,74,05,767
Computer Equipments	5,74,78,130	1,66,42,902	1,48,08,398	<b>5,93,12,634</b>	4,02,54,133	84,00,861	1,17,86,906	<b>3,68,68,088</b>	<b>2,24,44,546</b>	1,72,23,997
<b>TOTAL (A)</b>	<b>135,29,65,010</b>	<b>31,99,88,073</b>	<b>8,57,52,928</b>	<b>158,72,00,155</b>	<b>38,73,70,125</b>	<b>15,52,11,161</b>	<b>5,43,68,677</b>	<b>48,82,12,609</b>	<b>109,89,87,546</b>	<b>96,55,94,885</b>
Previous Year	78,71,46,576	58,47,70,910	1,89,52,476	135,29,65,010	29,03,55,823	10,61,54,833	91,40,531	38,73,70,125	96,55,94,885	49,67,90,753
Capital Work in Progress*									<b>20,85,91,195</b>	6,41,54,537
<b>B. Intangible Assets</b>										
Goodwill	1,95,64,354	-	-	<b>1,95,64,354</b>	1,68,57,320	20,55,582	-	<b>1,89,12,902</b>	<b>6,51,452</b>	27,07,034
Patents & Trademarks	3,95,55,859	53,51,420	-	<b>4,49,07,279</b>	2,94,36,695	50,72,286	-	<b>3,45,08,981</b>	<b>1,03,98,298</b>	1,01,19,164
Softwares	1,75,75,863	23,99,362	-	<b>1,99,75,225</b>	65,95,773	37,73,281	-	<b>1,03,69,054</b>	<b>96,06,171</b>	1,09,80,090
Website	92,02,695	-	-	<b>92,02,695</b>	92,02,695	-	-	<b>92,02,695</b>	-	-
<b>TOTAL (B)</b>	<b>8,58,98,771</b>	<b>77,50,782</b>	<b>-</b>	<b>9,36,49,553</b>	<b>6,20,92,483</b>	<b>1,09,01,149</b>	<b>-</b>	<b>7,29,93,632</b>	<b>2,06,55,921</b>	<b>2,38,06,288</b>
Previous Year	7,76,42,002	82,56,769	-	8,58,98,771	4,48,72,842	1,72,19,641	-	6,20,92,483	2,38,06,288	3,27,69,160
Capital Work in Progress*									<b>7,68,22,945</b>	2,39,55,774
<b>TOTAL (A+B)</b>	<b>143,88,63,781</b>	<b>32,77,38,855</b>	<b>8,57,52,928</b>	<b>168,08,49,708</b>	<b>44,94,62,608</b>	<b>16,61,12,311</b>	<b>5,43,68,677</b>	<b>56,12,06,241</b>	<b>111,96,43,467</b>	<b>98,94,01,173</b>
Previous Year	86,47,88,578	59,30,27,679	1,89,52,476	143,88,63,781	33,52,28,665	12,33,74,474	91,40,531	44,94,62,608	98,94,01,173	52,95,59,913
Capital Work in Progress*									<b>28,54,14,140</b>	8,81,10,311

### Notes

- Freehold Land includes Land amounting Rs.79,43,300 (Previous Year Rs.50,65,000) pending registration in the name of the company.
- Building includes Office Premises amounting to Rs.94,92,323 (Net Block) (Previous Year Rs.99,91,919) pending registration in the name of the Company.
- Plant & Machinery includes Plant & Machinery amounting to Rs.93,00,307 (Previous Year Rs.95,86,926) (Net Block) lying with third party.
- Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs.2,64,90,543 (Previous Year Rs.1,89,79,780).
- \*Capital Work in Progress includes pre-operative expenditure. Refer Note No.3 of Schedule XIX B.

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31st March, 2005	(Amount in Rs.) As at 31st March, 2004
<b>SCHEDULE VI - INVESTMENTS</b>		
<b>LONG TERM INVESTMENTS (at cost)</b>		
<b>Quoted *</b>		
a) Nil Equity Shares (Previous Year 36,455) of Rs.10/- each fully paid in IDBI Bank Ltd. Market Value Rs.Nil (Previous Year Rs.18,06,345)	-	6,56,190
b) 10,000 Equity Shares of Rs.10/- each fully paid in Medicamen Biotec Ltd. Market Value Rs.1,36,000 (Previous year Rs.84,200)	<b>1,00,000</b>	1,00,000
	<b>1,00,000</b>	<b>7,56,190</b>

\* Other than Trade Investments

### Detail of investment made and disposed off during the year

During the Year, 36,455 Equity Shares of IDBI Bank Ltd. were sold resulting into a profit of Rs.15,21,465.

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE VII - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
<b>Inventories</b>		
i) Raw & Packing Materials (Including lying with third party Rs.2,48,98,268 (Previous Year Rs.3,20,33,009))	98,13,76,163	121,08,65,288
ii) Finished Goods	89,43,90,570	54,11,22,639
iii) Work in Progress (Including lying with third party Rs.33,14,897 (Previous Year Rs.Nil))	83,97,981	1,19,36,237
iv) Stores & Spares	4,93,72,693	193,35,37,407
<b>Sundry Debtors (Unsecured, considered good, unless otherwise stated)</b>		
Over six months (including Rs.49,65,615 considered doubtful of recovery (Previous Year Rs.1,36,85,343))	2,17,57,392	3,93,63,896
Less : Provision for Bad & Doubtful Debts	49,65,615	1,36,85,343
	1,67,91,777	2,56,78,553
Other Debts	76,94,28,287	78,62,20,064
		44,86,27,222
		47,43,05,775
<b>Cash and Bank Balances</b>		
i) Cash Balance on Hand	13,19,655	15,44,601
ii) Balance with Scheduled Banks :		
a) In Cash Credit Accounts	9,28,743	17,30,446
b) In Current Accounts	2,78,83,422	2,28,08,017
c) In Collection Accounts	87,66,761	1,39,41,920
d) In Unpaid Dividend Accounts	11,86,154	65,11,618
e) In Fixed Deposits*	3,86,20,549	8,98,86,930
f) In Exchange Earner Foreign Currency Current Accounts	1,97,88,837	50,51,14,999
iii) Balances with Non-Scheduled Banks		
a) Bank of Foreign Trade - Moscow (maximum amount outstanding at any time during the year Rs.7,74,119 (Previous Year Rs.6,84,360))	18,530	5,909
b) Societe Generale Yugoslav Bank (maximum amount outstanding at any time during the year Rs.11,87,707 (Previous Year Rs.8,66,400))	11,76,212	41,701
		9,96,88,863
		64,15,86,141
<b>Other Current Assets</b>		
DEPB & other export benefits receivable	70,97,063	84,52,893
<b>B. LOANS AND ADVANCES</b>		
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Advances recoverable in cash or in kind or for value to be received	16,48,67,132	6,44,24,897
Balance with Excise, Custom, etc.	1,84,72,582	89,89,360
Staff Loans & Advances (including Rs.21,55,468 (Previous Year Rs.21,55,468) considered doubtful, which has been fully provided for)	71,37,607	80,62,660
Less : Provision for Bad & Doubtful Advances	21,55,468	21,55,468
	49,82,139	59,07,192
Security Deposits	1,88,10,341	1,77,65,840
Advance Income Tax	25,70,17,439	46,41,49,634
	27,56,78,505	37,27,65,794
	<b>329,06,93,031</b>	<b>328,90,34,095</b>

\* Fixed Deposits amounting to Rs.80,87,330 (Previous year Rs.79,83,655) are pledged with banks and various Government Authorities.

# SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE VIII - CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
i) Acceptances	12,05,41,785	90,67,069
ii) Sundry Creditors		
a) Small Scale Industries	7,15,742	7,204
b) Other Creditors	42,86,59,844	23,36,10,740
iii) Advances from Customers	67,74,021	10,33,395
iv) Deposits from C & F Agents	2,16,61,111	2,37,12,611
iv) Unpaid / Unclaimed Dividend*		
Equity Shares	11,61,019	9,96,236
Preference Shares	-	52,46,587
v) Book Overdraft	-	3,63,928
vi) Other Liabilities	2,06,42,225	1,41,12,234
vii) Interest Accrued but not due on loans	7,16,058	17,80,972
	<b>60,08,71,805</b>	<b>28,99,30,976</b>
<b>B. PROVISIONS</b>		
i) Provision for Income Tax	12,11,70,578	18,91,98,108
ii) Provision for Wealth Tax	3,05,000	2,20,000
iii) Proposed Dividend on Equity Shares	8,56,14,900	5,70,76,600
iv) Dividend on Preference Shares	-	64,15,800
v) Provision for Dividend Distribution Tax	1,20,07,490	81,34,965
vi) Provision for Gratuity	1,34,16,809	2,24,65,471
vii) Provision for Leave Encashment	1,02,72,731	99,78,044
	<b>24,27,87,508</b>	<b>29,34,88,988</b>
	<b>84,36,59,313</b>	<b>58,34,19,964</b>

\* This amount does not include the amount due/outstanding to be credited to Investor Education & Protection Fund.

## SCHEDULE IX - MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

i) Product Registration Expenses			
As per last Balance Sheet	72,18,909		1,03,59,925
Add : Additions during the Year	-		-
	<b>72,18,909</b>		<b>1,03,59,925</b>
Less : Written off during the Year	31,41,016	40,77,893	31,41,016
			72,18,909
ii) License Fees			
As per last Balance Sheet	1,20,63,919		1,37,46,319
Add : Additions during the Year	-		-
	<b>1,20,63,919</b>		<b>1,37,46,319</b>
Less : Written off during the Year	16,82,400	1,03,81,519	16,82,400
			1,20,63,919
iii) Preliminary Expenses			
As per last Balance Sheet	18,844		25,768
Less : Written off during the Year	6,924	11,920	6,924
			18,844
iv) Shares Issue Expenses			
As per last Balance Sheet	-		-
Add : additions during the Year	3,94,620		-
Less : Written off during the Year	78,924	3,15,696	-
	<b>1,47,87,028</b>		<b>1,93,01,672</b>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>SCHEDULE X - TURNOVER</b>		
Sales	337,65,75,123	273,22,19,309
Services (R&D Income)	48,90,535	64,43,381
	<u>338,14,65,658</u>	<u>273,86,62,690</u>
<b>SCHEDULE XI - OTHER INCOME</b>		
Interest Received -		
- from Banks (Tax deducted at source Rs.7,46,124 (Previous Year Rs.2,51,517))	36,28,926	22,23,219
- from Others (Tax deducted at source Rs.1,69,623 (Previous Year Rs.1,26,184))	10,90,606	17,91,671
Interest on Income Tax Refund	24,776	38,532
Export Incentives	3,35,50,884	1,40,69,630
Dividend on Long Term Investments (Other than Trade)	45,569	58,625
Miscellaneous Balances/Provisions written back	1,01,61,929	10,99,245
Sale of Scrap	3,23,412	17,570
Profit on Sale of Fixed assets	1,846	-
Commission on Sales	1,25,346	-
Miscellaneous Income	54,42,861	2,26,325
Lease Rent	42,000	42,000
Profit on Sale of Long Term Investment (Other than Trade)	15,21,465	4,48,466
	<u>5,59,59,620</u>	<u>2,00,15,283</u>
<b>SCHEDULE XII - MATERIALS &amp; MANUFACTURING EXPENSES</b>		
(Increase)/ Decrease in Stocks:		
Closing Stock		
Finished Goods	89,16,11,907	54,11,22,639
Work In Progress	83,97,981	1,19,36,237
Less: Opening Stock		
Finished Goods	51,93,45,895	26,71,45,870
Work In Progress	3,37,12,981	2,43,99,561
	<u>(34,69,51,012)</u>	<u>(26,15,13,445)</u>
Raw Materials & Packing Materials consumed:		
Opening Stock	121,23,80,789	123,84,51,936
Add: Materials purchased during the Year	168,53,26,949	148,57,47,423
	<u>289,77,07,738</u>	<u>272,41,99,359</u>
Less: Sale during the Year	-	59,34,860
Less: Closing Stock	98,13,76,163	121,23,80,789
	<u>191,63,31,575</u>	<u>150,58,83,710</u>
Less: Stock damaged due to Flood	93,810	-
Less: Materials consumed for Research & Development	1,75,80,341	1,28,67,109
Total Materials consumed	189,86,57,424	149,30,16,601
Processing Charges	3,27,87,272	2,14,74,066
Analytical Testing & Trial Charges	87,45,970	31,83,080
Stores & Spares consumed (indigenous only)	1,58,34,913	1,30,11,782
Ancillary Expenses	68,20,832	1,15,88,100
Power & Fuel	4,32,78,121	3,01,24,847
Wages	5,24,72,769	5,72,49,928
Repair & Maintenance		
- Factory Building	69,39,259	1,05,67,385
- Plant & Machinery	55,59,071	57,50,382
Rent Factory	1,90,57,098	1,82,69,034
	<u>174,32,01,716</u>	<u>140,27,21,760</u>
<b>SCHEDULE XIII - PERSONNEL EXPENSES</b>		
Salary & Wages	27,82,04,753	24,07,78,190
Contribution to Provident and other Funds	1,00,62,796	66,64,748
Gratuity	40,17,624	64,11,943
Bonus & Ex-gratia	76,10,590	71,56,356
Staff Welfare Expenses	1,68,33,231	1,35,19,637
	<u>31,67,28,994</u>	<u>27,45,30,874</u>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

For the year ended  
31st March, 2005

For the year ended  
31st March, 2004

### SCHEDULE XIV - ADMINISTRATIVE EXPENSES

Rent	26,48,562		12,78,736
Directors' Sitting Fees	3,05,000		3,95,000
Printing & Stationery	1,08,79,428		1,14,10,517
Postage & Communication Expenses	2,58,12,260		2,37,25,739
Insurance	1,66,20,317		1,53,75,713
Travelling & Conveyance Expenses	4,53,76,110		4,06,60,921
Books & Periodicals	5,62,697		4,29,969
Legal & Professional Charges	2,92,56,909		6,53,36,503
Vehicle Running & Maintenance	99,05,176		70,62,733
Repair & Maintenance :			
- Non-factory Buildings	93,10,016		48,48,385
- Others	1,72,13,737	2,65,23,753	1,70,97,652
Auditors' Remuneration:			2,19,46,037
Statutory Audit Fees	26,24,480		24,05,505
Certification etc.	11,500		5,52,751
Tax Audit fees	87,468		59,720
Out of Pocket Expenses	1,06,075	28,29,523	80,125
Rates & Taxes	72,59,385		1,03,74,490
Donation	26,35,802		28,72,100
Subscription	29,33,429		18,44,408
Electricity & Water Charges	89,81,829		87,85,537
Staff Training & Recruitment	1,77,00,004		1,11,94,819
Miscellaneous Expenses	1,01,87,204		1,10,52,212
Provision for Doubtful Debts	14,21,621		1,02,83,682
Provision for Doubtful Advances	-		10,00,000
Advances written off	47,44,585		-
Property Tax	4,09,796		-
Loss on Sale of Fixed Assets	29,54,873		13,94,946
Loss on Winding up of Subsidiary	-		16,99,061
	22,99,48,264		25,12,21,224

### SCHEDULE XV - INTEREST & FINANCE EXPENSES

Interest on:			
a) Debentures/Other Fixed Loans	2,53,43,355		7,20,86,457
(including Rs.30,14,169 (Previous Year Rs.42,42,629) paid to Managing / Joint Managing Directors)			
b) Others	7,42,18,057	9,95,61,412	5,12,22,656
Exchange Fluctuation Loss / (Gain) - net		20,68,967	(5,12,85,841)
Bank Charges		1,25,02,320	1,59,03,440
		11,41,32,699	8,79,26,712

### SCHEDULE XVI - SELLING & DISTRIBUTION EXPENSES

Advertising	4,09,42,652		1,61,09,568
Meetings & Conferences	2,11,21,480		1,77,33,492
Sales Promotion	89,01,561		1,10,08,877
Freight & Cartage	2,41,76,963		1,86,81,107
Commission on Sales (Other than Sole Selling Agents)	89,31,789		93,23,236
Rent for Cold Storage & Depots	61,83,533		59,58,669
Marketing Expenses	9,36,49,597		7,26,08,324
	20,39,07,575		15,14,23,273

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	For the year ended 31st March, 2005	For the year ended 31st March, 2004
<b>SCHEDULE XVII - RESEARCH AND DEVELOPMENT EXPENSES</b>		
Raw Materials & Packing Materials consumed	1,75,80,341	1,28,67,109
Stores & Spares consumed (Indigenous only)	1,38,95,764	67,97,094
Salary, Wages & Bonus	4,84,56,785	3,46,26,901
Contribution to Provident & other Funds	19,99,956	12,63,243
Staff Welfare Expenses	13,49,636	33,03,641
Analytical Testing & Trial Charges	1,19,66,155	1,83,09,744
Rent	29,84,792	12,56,440
Directors' Remuneration	-	1,83,333
Printing & Stationery	9,18,294	4,52,510
Postage & Communication	3,71,550	6,69,032
Insurance	-	3,70,683
Travelling Expenses	48,94,966	51,87,366
Books & Periodicals	11,78,453	2,16,609
Legal & Professional Expenses	21,41,990	35,48,715
Vehicle Running & Maintenance	1,74,544	11,98,018
Repair & Maintenance :		
- Buildings	5,79,628	13,66,728
- Plant & Machinery	32,36,984	6,91,039
- Others	5,79,180	8,28,765
Rates, Fees & Taxes	71,200	3,36,550
Donation	-	60,000
Subscription	6,48,987	21,88,479
Electricity & Water Charges	3,94,472	4,85,798
Meeting & Conferences	13,62,082	30,18,165
Staff Training & Recruitment	4,51,235	12,55,894
Bank Charges	40,424	(329,481)
Depreciation	2,64,90,543	1,89,79,780
Sundry Expenses	1,43,468	7,64,046
	<u>14,19,11,429</u>	<u>11,98,96,201</u>
<b>SCHEDULE XVIII - EARNINGS PER SHARE</b>		
Profit before Tax & Extraordinary item	41,80,41,962	21,47,59,307
Less: Adjustment for Tax Expense (including Wealth Tax) (including tax impact of extraordinary item of Rs. 46,32,280)	13,41,76,656	5,37,13,683
Less: Dividend on Redeemable Preference Shares and Dividend Distribution Tax thereon	4,96,53,586	92,50,312
Net Profit before Extraordinary item for calculation of Basic and Diluted EPS	<u>23,42,11,720</u>	<u>15,17,95,312</u>
Net Profit before Tax	40,24,60,629	21,47,59,307
Less: Adjustment for Tax Expense (including Wealth Tax)	12,95,44,376	5,37,13,683
Less: Dividend on Redeemable Preference Shares and Dividend Distribution Tax thereon	4,96,53,586	92,50,312
Net Profit after Extraordinary item for calculation of Basic and Diluted EPS	<u>22,32,62,668</u>	<u>15,17,95,312</u>
Weighted average number of Equity Shares for calculating Basic and Diluted EPS	5,70,76,600	5,70,76,600
Earnings per Share (Basic & Diluted):		
- before Extraordinary item	4.10	2.66
- after Extraordinary item	3.91	2.66

# 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 (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:

- a) 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.
- b) 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, 2005.
- c) List of Domestic Subsidiaries & Joint Ventures considered for Consolidation:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	Extent of Holding/ Voting Power (%) as on March 31, 2005
1.	Best On Health Limited	Subsidiary	India	100.00
2.	Radicura & Co. Limited	Subsidiary	India	100.00
3.	Panheber Biotec Private Limited	Joint Venture	India	50.00
4.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50.00

- d) 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.
- e) 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/materialised.

#### 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.

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### **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 historical cost of acquisition or construction and include all other incidental expenses related to acquisition and any attributable cost of bringing the asset to its working condition for its intended 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 capitalised 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 capitalised.

### **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.

The carrying value of development costs 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.

Capital Expenditure on Research & Development is included in the gross block of fixed assets and depreciation thereon is provided on Written Down Value method as per the rates and the manner prescribed in Schedule XIV to the Companies Act, 1956.

### **Technical Know-how**

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

### **Software and Website**

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

### **Goodwill / Capital Reserve**

Goodwill / Capital Reserve represents the cost to the parent of its investment in a subsidiary over / under the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiary is made.

Goodwill arising on consolidation in accordance with Accounting Standard 21 on "Consolidation of Financial Statements" is amortised over a period of five years from the date of acquisition of subsidiaries.

## **7. DEPRECIATION**

- a) Depreciation on fixed assets is provided on the Written Down Value method as per the rates based on the estimated useful life or as per the rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is higher.

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

- b) Depreciation on intangibles is provided on the basis of 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 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 capitalised.

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.

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

Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition were 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 are charged off to revenue.

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.

### 11. INVESTMENTS

Investments that are readily realisable 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 recognise 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.

'Cost' of Raw Materials, Packing Materials and 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 and administrative overheads. Cost of traded goods is arrived at by using 'First-in-First out' method.

### 13. RETIREMENT AND OTHER BENEFITS

- a) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.

## SCHEDULES TO CONSOLIDATED 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 funding claims is further provided for.
- c) Leave encashment - Leave encashment payable on separation of employees/adjustable in due course is provided on the basis of actuarial valuation done by an independent actuary at the end of each financial year.

Leave encashment payable /adjustable during the year is provided on the basis of last salary drawn by employees.

### 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.

#### Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss 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.

#### Exchange Difference on Fixed Assets

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.

### 15. INCOME TAXES

Tax expense comprises both current and deferred taxes. Current income-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 reflects 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 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. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that 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 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).

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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

## B. NOTES TO ACCOUNTS

### 1. Contingent Liabilities

(Amount in Rs.)

PARTICULARS	Current Year	Previous Year
Disputed demands/ show-cause notices under:		
a) Customs	39,99,923	-
b) Excise	65,96,620	65,96,620
c) Income tax	-	40,635
<b>Total</b>	<b>1,05,96,543</b>	66,37,255
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	31,53,533	23,28,510
Other claims against the Company not acknowledged as debts	43,64,000	20,29,000
Differential Custom Duty for imports under EPCG scheme	-	36,64,130

Notes:

- i) In respect of Central Excise demand for Rs.65,96,620 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 legal opinion.
- ii) In respect of Customs demand for Rs.39,99,923 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 Hon'ble Supreme Court. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.
- iii) In respect of dispute with the electricity company for Rs.43,00,000 towards faulty electricity bills, the company has been granted injunction order by the Hon'ble High Court. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

2. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for amount to Rs.16,75,09,223 (Previous Year Rs.2,04,40,500).
3. Schedule of Capital Work in Progress and preoperative expenses relating to Fixed Assets is as follows: (Amount in Rs.)

Particulars	Tangibles		Intangibles		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Opening Balance</b>	<b>14,65,007</b>	3,56,08,277	-	-	<b>14,65,007</b>	3,56,08,277
<b>Additions during the year</b>						
Consultancy	<b>11,30,611</b>	5,28,490	-	-	<b>11,30,611</b>	5,28,490
Rates & Taxes	<b>8,09,549</b>	8,33,025	-	-	<b>8,09,549</b>	8,33,025
Salary & Wages	<b>3,92,751</b>	70,170	<b>12,05,643</b>	-	<b>15,98,394</b>	70,170
Power & fuel	<b>8,30,504</b>	-	-	-	<b>8,30,504</b>	-
Others	<b>9,79,462</b>	33,322	<b>2,94,027</b>	-	<b>12,73,489</b>	33,322
<b>Total Additions</b>	<b>41,42,877</b>	14,65,007	<b>14,99,670</b>	-	<b>56,42,547</b>	14,65,007
<b>Less : Capitalised during the year</b>	-	3,56,08,277	-	-	-	3,56,08,277
<b>Closing Balance</b>	<b>56,07,884</b>	14,65,007	<b>14,99,670</b>	-	<b>71,07,554</b>	14,65,007

#### 4. Auditors' Remuneration

(Amount in Rs.)

Particulars	Year ended March 31, 2005			Year ended March 31, 2004		
	Parent Company	Subsidiaries	Joint Ventures	Parent Company	Subsidiaries	Joint Ventures
<b>Statutory Auditors</b>						
- Statutory Audit	<b>17,50,000</b>	<b>29,432</b>	<b>95,048</b>	16,20,000	27,630	7,875
- Quarterly Limited Reviews	<b>7,50,000</b>	-	-	7,50,000	-	-
- Certification	<b>11,500</b>	-	-	28,501	-	-
- Other Advisory	-	-	-	5,24,250	-	-
- Out of Pocket Expenses	<b>1,06,075</b>	-	-	80,125	-	-
	<b>26,17,575</b>	<b>29,432</b>	<b>95,048</b>	30,02,876	27,630	7,875
<b>Tax Auditors</b>	<b>50,000</b>	<b>9,918</b>	<b>27,550</b>	50,000	9,720	-
<b>Cost Auditors</b>	<b>20,000</b>	-	-	16,000	-	-

5. In the opinion of the management, 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.

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### 6. Deferred Tax Assets / Liabilities (Net):

a) The break-up of deferred tax liability is as follows:

(Amount in Rs.)

	Current Year	Previous Year
<b>Deferred Tax Liabilities</b>		
Differences in depreciation and amortization in block of fixed assets as per tax books and financial books	10,94,26,866	8,51,76,962
Differences for Research and Development activities	3,46,61,926	1,10,87,014
Others	48,67,038	69,17,714
<b>Gross Deferred Tax Liabilities</b>	<b>14,89,55,830</b>	10,31,81,690
<b>Deferred Tax Assets</b>		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	1,34,60,764	1,81,90,977
Others	-	98,54,428
<b>Gross Deferred Tax Assets</b>	<b>1,34,60,764</b>	2,80,45,405
<b>Net Deferred Tax Liability</b>	<b>13,54,95,066</b>	7,51,36,285

b) The break-up of deferred tax assets is as follows (relating to Joint Venture, Panheber Biotec Private Limited):

(Amount in Rs.)

	Current Year	Previous Year
<b>Deferred Tax Assets/(Liability)</b>		
Depreciation & Others	-	1,28,153

### 7. Related Party Disclosures

#### A. List of Related Parties

##### (a) Key Management Personnel

Shri Soshil Kumar Jain	-	Chairman & Whole-time Director
Shri Ravinder Jain	-	Managing Director
Shri Rajesh Jain	-	Joint Managing Director
Shri Sandeep Jain	-	Joint Managing Director
Shri Ashwani Jain	-	Whole-time Director
Shri Sunil Anand	-	Whole-time Director

##### (b) List of Persons having controlling interest together with their relatives

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
<b>Soshil Kumar Jain</b>			Nirmala Jain	Surinder Kumar Jain	Bimla Devi Jain	Ravinder Jain, Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Soshil Kumar Jain HUF, Radhika Associates
<b>Ravinder Jain</b>	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain HUF, Sumit Nipun & Co.
<b>Rajesh Jain</b>	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Ankesh Jain, Harshet Jain, Taric Jain		Rajesh Jain HUF, Rattan Sons
<b>Sandeep Jain</b>	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	Rashmi Jain, Renu Jain	Tanish Jain	Priyanaka Jain	Sandeep Jain HUF, Tahir & Co.
<b>Ashwani Jain</b>		Laxmi Jain	Rashmi Jain		Anita Jain			Ashwani Jain HUF

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(c) 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

### B. Details of Transactions with the Related Parties

(Amount in Rs.)

Particulars	Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
Remuneration	<b>2,38,18,187</b> (2,33,74,234)	- (24,914)	<b>2,38,18,187</b> (2,33,99,148)
Interest Expense on Fixed Deposits / Loans	<b>80,13,510</b> (62,45,380)	<b>77,69,643</b> (53,14,500)	<b>1,57,83,154</b> (1,15,59,880)
Dividend Paid – Preference Shares	<b>32,02,058</b> (18,41,496)	<b>50,10,595</b> (32,11,944)	<b>82,12,653</b> (50,53,440)
Dividend Paid - Equity Shares	<b>1,96,80,200</b> (1,96,80,200)	<b>2,45,30,400</b> (2,45,30,400)	<b>4,42,10,600</b> (4,42,10,600)
Redemption of Preference Shares	<b>1,53,45,800</b> (-)	<b>2,54,86,200</b> (-)	<b>4,08,32,000</b> (-)
Unsecured Loans	<b>13,48,92,349</b> (5,66,00,000)	<b>13,24,63,000</b> (6,13,50,000)	<b>26,73,55,349</b> (11,79,50,000)

- Note
1. Figures in brackets represent previous year figures (2003-04).
  2. The donation paid to All India S.L. Jain Charitable Foundation during the year is Rs. Nil (Previous Year Rs.15,00,000).
  3. The material related party transactions with an individual party are as follows:

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

Key Management personnel	Unsecured Loans		Interest		Redemption		Managerial Remuneration		Preference Dividend		Equity Dividend	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Soshil Kumar Jain	<b>2,98,57,442</b>	1,34,00,000	<b>17,17,985</b>	14,80,505	<b>26,00,000</b>	-	<b>82,29,042</b>	76,23,216	<b>5,81,442</b>	3,12,000	<b>50,00,000</b>	50,00,000
Ravinder Jain	<b>3,00,42,442</b>	52,00,000	<b>16,40,934</b>	9,64,544	<b>14,50,000</b>	-	<b>41,28,589</b>	39,42,345	<b>3,28,455</b>	1,74,000	<b>46,46,200</b>	47,92,100
Rajesh Jain	<b>3,80,36,393</b>	1,71,00,000	<b>21,44,343</b>	15,70,926	<b>45,90,000</b>	-	<b>42,09,079</b>	39,09,784	<b>9,44,193</b>	5,50,800	<b>47,06,900</b>	47,06,900
Sandeep Jain	<b>3,35,66,072</b>	1,79,00,000	<b>21,67,473</b>	17,07,160	<b>67,05,800</b>	-	<b>42,94,636</b>	39,40,770	<b>13,47,968</b>	8,04,696	<b>47,92,100</b>	46,46,200

# SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

## 8. Segmental Information

### A. Information About Primary Segments

(Amount in Rs.)

Particulars	Formulations		Research & Development		Vaccines		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
<b>Revenue</b>								
Turnover	109,29,91,799	113,18,06,324	48,90,535	64,43,381	218,13,90,999	149,51,82,162	327,92,73,333	263,34,31,867
Other Income	84,91,589	1,48,98,598	24,81,765	-	2,64,21,918	69,306	3,73,95,272	1,49,67,904
<b>Total</b>	<b>110,14,83,388</b>	<b>114,67,04,922</b>	<b>73,72,300</b>	<b>64,43,381</b>	<b>220,78,12,917</b>	<b>149,52,51,468</b>	<b>331,66,68,605</b>	<b>264,83,99,771</b>
<b>Segment Results</b>	<b>16,18,12,762</b>	<b>11,77,16,324</b>	<b>(13,45,39,157)</b>	<b>(11,34,52,822)</b>	<b>75,60,24,576</b>	<b>49,27,13,604</b>	<b>78,32,98,181</b>	<b>49,69,77,106</b>
Unallocated Corporate Expenses							(26,96,87,867)	(19,95,66,484)
<b>Operating Profit</b>							<b>51,36,10,313</b>	<b>29,74,10,622</b>
Interest & Finance charges							(11,41,32,699)	(8,79,26,712)
Extra-ordinary Loss due to Flood & Fire							(1,55,81,333)	-
Other Income							1,85,64,348	50,47,379
Income Taxes							(12,95,44,376)	(5,34,85,665)
<b>Net Profit</b>							<b>27,29,16,253</b>	<b>16,10,45,624</b>
<b>Other Information</b>								
Segment Assets	92,88,31,685	91,02,19,026	29,27,83,831	18,76,14,758	280,86,57,516	268,79,24,800	403,02,73,032	378,57,58,584
Unallocated Corporate Assets							62,68,64,617	41,18,03,868
<b>Total Assets</b>							<b>465,71,37,649</b>	<b>419,75,62,452</b>
Segment Liabilities	4,87,51,839	23,67,97,532	17,09,072	15,80,197	37,22,29,687	3,61,90,814	42,26,90,598	27,45,68,543
Unallocated Corporate Liabilities							211,42,84,891	187,50,07,009
<b>Total Liabilities</b>							<b>253,69,75,489</b>	<b>214,95,75,552</b>
Capital Expenditure – Additions	7,30,29,225	9,64,83,769	8,41,40,110	2,93,22,908	9,87,26,665	37,85,93,582		
Non-Cash Expenses								
Depreciation	3,03,63,591	3,38,68,081	2,64,90,542	1,89,79,780	6,30,65,695	2,82,89,454		

### B. Information About Secondary Segments

#### a) Revenue as per Geographical Markets

(Amount in Rs.)

	Current Year	Previous Year
India (including deemed exports Rs. 214,07,62,561 Previous Year Rs.147,31,46,334)	311,02,19,108	246,43,55,810
Outside India	16,90,54,225	16,90,76,057
<b>Total</b>	<b>327,92,73,333</b>	<b>263,34,31,867</b>

#### 9. For assets taken on Lease

- The Company has taken various residential, office and godown premises under operating lease agreements. These are generally non-cancelable and are renewable by mutual consent on mutually agreed terms.
- Lease payments for the year are Rs. 3,08,73,985 (Previous Year Rs.2,62,95,518).
- The future minimum lease payments under non-cancelable operating lease:

(Amount in Rs.)

	Current Year	Previous Year
i) Within 1 Year	2,29,55,452	2,18,05,074
ii) Later than 1 Year but not later than 5 years	3,56,99,454	4,11,26,573
iii) Later than 5 Years	4,48,342	-
<b>Total</b>	<b>5,91,03,248</b>	<b>6,29,31,647</b>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

10. Details of Company's share in Joint Ventures included in the Consolidated Financial Statements are as follows:

	As at March 31, 2005	As at March 31, 2004*
<b>SOURCES OF FUNDS</b>		
<b>1. Shareholders' Funds</b>		
a) Share Capital	-	-
b) Reserves & Surplus	(2,49,14,341)	1,72,826
<b>2. Loan Funds</b>		
a) Secured Loans	9,57,719	-
b) Unsecured Loans	-	-
<b>3. Deferred Tax Liability (Net)</b>	-	(63,989)
<b>APPLICATION OF FUNDS</b>		
<b>1. Fixed Assets</b>		
a) Gross Block	90,18,881	2,69,025
Less : Depreciation	6,90,250	35,627
Net Block	83,28,631	2,33,399
b) Capital Work-in-Progress	58,450	-
<b>2. Investments</b>	-	-
<b>3. Current Assets, Loans &amp; Advances</b>		
A. Current Assets	4,63,60,812	2,68,21,554
B. Current Liabilities & Provisions	1,65,52,271	31,48,071
<b>Net Current Assets (A)-(B)</b>	2,98,08,541	2,36,73,483
<b>4. Miscellaneous Expenditure</b>	4,91,424	14,900

	Year ended March 31, 2005	Year ended March 31, 2004*
<b>INCOME</b>		
Turnover	1,91,79,202	-
Other Income	2,24,810	1,11,306
<b>Total Income</b>	1,94,04,012	1,11,306
<b>EXPENDITURE</b>		
Cost of Production /Purchases of Finished Goods	1,61,80,544	2,16,97,870
Personnel Expenses	71,72,197	8,32,038
Administrative Expenses	64,65,421	1,96,171
Interest & Finance Expenses	31,003	20,273
Selling & Distribution Expenses	46,03,998	5,934
<b>Total Expenditure</b>	3,44,53,163	2,27,52,286

\* Corresponding figures for the year ended March 31, 2004 are only for Panheber Biotec Private Limited as investment in Chiron Panacea Vaccines Private Limited was made in 2004-05.

11. Extra ordinary items includes:

- Loss (Net of Insurance claim) of Rs.1,47,35,582 of inventory on account of fire at Company's central warehouse at Mandoli.
- Loss (Net of Insurance claim) of Rs.7,19,614 of inventory on account of flood at Company's plant at Lalru.

12. 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 : 31<sup>st</sup> May, 2005

**For and on behalf of the Board**

**Soshil Kumar Jain**

Chairman

**Ravinder Jain**

Managing Director

**Sunil Anand**

Director (Finance)

**I.K. Sharma**

D.G.M. (Accounts & Finance)

**Vinod Goel**

Company Secretary

# CASH FLOW STATEMENT ANNEXED TO THE CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2005

	Current Year	Previous Year
(Amount in Rs.)		
<b>A. Cash flow from operating activities</b>		
<b>Net operating profit before tax &amp; extraordinary items</b>	<b>41,80,41,962</b>	21,47,59,307
Adjustments for:		
Extraordinary loss due to fire & flood	(1,55,81,333)	-
<b>Net operating profit before tax</b>	<b>40,24,60,629</b>	21,47,59,307
Depreciation	16,61,12,310	12,33,74,474
Interest Expenses	9,95,61,412	12,33,09,113
Provision for Doubtful Debts & Advances	61,66,206	1,12,83,682
Interest Income	(47,44,308)	(40,53,422)
Dividend Received	(45,569)	(58,625)
Loss on sale of Fixed Assets	29,54,873	13,94,946
Loss/ (Profit) on Sale of investments	(15,21,465)	(4,48,466)
Unrealized Foreign Exchange (Gain)/Loss	(50,95,344)	(1,89,05,701)
Increase in Deferred Revenue expenditure	(3,94,620)	-
Deferred Revenue Expenditure written off during the year	49,09,264	48,30,340
<b>Operating profit before working capital changes</b>	<b>67,03,63,388</b>	45,54,85,648
Decrease in Trade and Other Receivables	(42,74,71,771)	(30,62,97,179)
Increase in Inventories	(14,16,13,915)	(24,41,36,949)
Increase in Trade Payables	31,48,13,641	(12,90,21,863)
<b>Cash generated from operations</b>	<b>41,60,91,343</b>	(22,39,70,344)
Net Direct Taxes paid	(11,83,38,906)	(13,82,36,999)
<b>Net cash from operating activities</b>	<b>29,77,52,437</b>	(36,22,07,343)
<b>B. Cash flow from investing activities</b>		
Purchase of Fixed Assets	(52,50,42,684)	(22,66,40,218)
Sale of other investments	21,77,655	6,36,475
Sale of Fixed Assets	2,84,29,378	84,16,999
Interest Received	47,44,308	40,53,422
Dividend Received	45,569	58,625
Net cash used in investing activities	(48,96,45,774)	(21,34,74,697)
<b>Net cash from operating and investing activities</b>	<b>(19,18,93,337)</b>	(57,56,82,040)
<b>C. Cash flow from financing activities</b>		
Repayment of Preference Share Capital	(5,34,65,000)	-
Issue of Preference Share Capital	-	90,43,49,140
Net increase in Working Capital Borrowings	(13,52,49,224)	31,60,33,880
Long Term Borrowings raised	32,79,65,349	35,82,22,750
Long Term Borrowings repaid	(26,17,84,649)	(23,73,98,252)
Interest paid	(10,29,90,860)	(12,61,60,845)
Dividend & Tax on Dividend paid	(12,63,62,755)	(7,04,68,918)
Net Cash from Financing activities	(35,18,87,139)	114,45,77,755
<b>Net cash from operating, investing &amp; financing activities</b>	<b>(54,37,80,476)</b>	56,88,95,715
<b>Net increase/ (decrease) in Cash &amp; Cash equivalent</b>	<b>(54,37,80,476)</b>	56,88,95,715
<b>Opening balance of Cash &amp; Cash equivalent</b>	<b>64,15,86,141</b>	8,86,40,851
Unrealised foreign exchange gain/(loss) on: Cash & Cash Equivalents	18,83,198	(1,59,50,425)
<b>Closing balance of Cash &amp; Cash equivalent</b>	<b>9,96,88,863</b>	64,15,86,141
<b>Note:</b>		
Cash and cash equivalent included in the cash flow statement comprise of the following:		
i) Cash Balance on Hand	13,19,655	15,44,601
ii) Balance with Scheduled Banks :		
a) In Cash Credit Accounts	9,28,743	17,30,446
b) In Current Accounts	2,78,83,422	2,28,08,017
c) In Collection Accounts	87,66,761	1,39,41,920
d) In Unpaid Dividend Accounts	11,86,154	65,11,618
e) In Fixed Deposits	3,86,20,549	8,98,86,930
f) In Exchange Earner Foreign Currency Current Accouns	1,97,88,837	50,51,14,999
iii) Balances with Non-Scheduled Banks		
a) Bank of Foreign Trade - Moscow	18,530	5,909
b) Societe Generale Yugoslav Bank	11,76,212	41,701
	<b>9,96,88,863</b>	64,15,86,141

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 : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**  
Chairman

**Ravinder Jain**  
Managing Director

**Sunil Anand**  
Director (Finance)

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

**Vinod Goel**  
Company Secretary

# RADICURA & CO. LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twelveth Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31<sup>st</sup> March, 2005. The summarized financial results for the year ended 31<sup>st</sup> March 2005 are as under:

### Financial Results:

	For the year ended 31st March, 2005	For the year ended 31st March, 2004
Sales	2,93,95,860	3,67,97,386
Total Income	2,82,66,877	3,65,12,136
Depreciation	3,45,182	3,48,221
Profit/(Loss) before Tax	(16,38,384)	1,52,698
Provision for Income Tax	-	65,102
Provision for Income Tax for earlier years	-	7,619
Deferred Income Tax	(59,442)	60,664
Profit after Tax	(16,97,826)	19,312
E.P.S. (Rs. Per Share)	(8.56)	0.10

### Review of Operations

The total sales for the year under review was Rs.293.96 Lac as against Rs.367.97 Lac during the previous financial year due to depressed market conditions and increased competition particularly in the pharmaceuticals industry. As a result of this, your Company has suffered loss of Rs.16.98 Lac as against meager profit of Rs.0.19 Lac during the previous financial year. In view of continuous downfall in the sale and profitability of the Company, your Directors have decided for reconstruction of business and for the time being surrendered the stockistship of Panacea Biotec Ltd. for marketing of its pharmaceuticals products.

### Dividend

In view of loss during the year, your Directors are unable to 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.

### ANNEXURE TO DIRECTORS' REPORT - COMPLIANCE CERTIFICATE

Company No. 55-56682 Nominal Capital Rs. 50 Lacs

To the members, **RADICURA & CO. LIMITED**, 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 thereunder, the provisions contained in the Memorandum & Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended on 31<sup>st</sup> March, 2005. 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 31<sup>st</sup> March, 2005:

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.

### Directors

In accordance with the provisions of the Companies Act, 1956 and the Companies Articles of Association, Shri Gurmeet Singh, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

### 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 in Practice 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 clients for their continued support. The Board also wholeheartedly acknowledges with thanks the dedicated efforts of employees of the Company.

**For and on behalf of the Board**

Delhi  
31<sup>st</sup> May, 2005

**Soshil Kumar Jain**  
Chairman & Managing 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 times on 25<sup>th</sup> June 2004; 19<sup>th</sup> August 2004; 22<sup>nd</sup> December 2004 and 9<sup>th</sup> March 2005 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 31<sup>st</sup> March, 2004 was held on 28<sup>th</sup> September, 2004 after giving due notice to the members of the Company and the resolutions passed thereat were duly

# RADICURA & CO. LIMITED

## ANNEXURE TO THE DIRECTORS' REPORT

- 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. There was no allotment/ transfer/ transmission of securities during the financial year.
    - 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/re-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 Company has not made any borrowings during the financial year ended 31<sup>st</sup> March, 2005.
  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 offences 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 Radicura & Co. Ltd.

**For R & D Company Secretaries**

**Rajive Goel**

LLB, FCS

FCS : 2823; CP : 2571

Dated : 31<sup>st</sup> May, 2005

Place : New Delhi

### ANNEXURE A - REGISTERS MAINTAINED BY THE COMPANY

Sl.No.	Particulars	Relevant Section
1	Minutes Book of the meetings of the Board of Directors of the Company	193
2	Minutes Book of General Body Meetings of the Members of the Company	193
3	Copies of Annual Returns	159
4	Register of Members	150
5	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6	Register of Directors' Shareholding	307
7	Register(s) of contracts, companies and firms in which Directors are interested	301
8	Register of investments or loan made, guarantee given or security provided	372A
9	Register of Share Transfer	
10	Register of Fixed Assets	

### 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 <sup>st</sup> March, 2004.	25.10.2004	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31 <sup>st</sup> March, 2004.	25.10.2004	Yes	No
3.	Annual Return u/s 159 made upto 28 <sup>th</sup> September, 2004, being the date of AGM.	25.10.2004	Yes	No

**B. Forms & Returns filed with the Regional Director, Central Government or other authorities:** Nil

# RADICURA & CO. LIMITED

## AUDITORS' REPORT

### TO THE MEMBERS OF RADICURA & CO. LIMITED.

We have audited the attached Balance Sheet of **Radicura & Co. Limited** as at 31<sup>st</sup> March 2005 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 31<sup>st</sup> March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2005 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 31<sup>st</sup> March, 2005;
  - ii) in the case of Profit and Loss Account, of the loss 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  
Membership No. 86349

Place : Delhi  
Date : 31<sup>st</sup> May, 2005

### Annexure to the Auditor's 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)
  - 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 size of the Company and nature of its business.
  - c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii)
  - a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs (iii)(b), (iii)(c) and (iii)(d) of the Companies (Auditors' Report) Order, 2003 (as amended) (hereinafter referred to as the Order), are not applicable.
  - b) 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) of 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)
  - 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 Companies Act, 1956 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) 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 thereunder.
- 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 incurred cash loss during the year. In the immediately preceding financial year, the Company has not incurred any 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  
Membership No. 86349

Place : Delhi  
Date : 31<sup>st</sup> May, 2005

# RADICURA & CO. LIMITED

## BALANCE SHEET AS AT 31st MARCH, 2005

(Amount in Rs.)				
	Schedule	As at 31st March, 2005		As at 31st March, 2004
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	I	19,82,500		19,82,500
Reserves & Surplus	II	90,53,265		1,07,51,091
			1,10,35,765	1,27,33,591
<b>Deferred Tax Liability (Net)</b>			4,12,893	3,53,451
<b>Total</b>			1,14,48,658	1,30,87,042
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	III	64,29,582		68,75,658
Less: Depreciation		32,01,042		34,58,904
Net Block			32,28,540	34,16,754
<b>Investments</b>	IV		1,00,000	1,00,000
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	V	-		23,08,795
Sundry Debtors		27,289		21,84,950
Cash & Bank Balances		41,17,407		28,29,660
Loans & Advances		47,38,466		49,74,973
Sub-total (A)		88,83,162		1,22,98,378
<b>Less: Current Liabilities &amp; Provisions</b>	VI			
Current Liabilities		7,63,044		24,63,286
Provisions		-		2,64,804
Sub-total (B)		7,63,044		27,28,090
<b>Net Current Assets (A) - (B)</b>			81,20,118	95,70,288
<b>Total</b>			1,14,48,658	1,30,87,042
Significant Accounting Policies and Notes to Accounts	XIII			

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

As per our attached report of even date

For **M/s. Dubey & Co.**  
Chartered Accountants  
(Deepak Dubey)

Proprietor  
Membership No. 86349  
Place : Delhi  
Date : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**  
Chairman & Managing Director

**Sumit Jain**  
Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

(Amount in Rs.)				
	Schedule	Year ended 31st March, 2005		Year ended 31st March, 2004
<b>INCOME</b>				
Sales		2,93,95,860		3,67,97,386
Other Income	VII	11,79,812		7,75,983
Increase/(Decrease) in stock	VIII	(23,08,795)		(10,61,233)
<b>Total Income</b>		2,82,66,877		3,65,12,136
<b>EXPENDITURE</b>				
Purchases		2,53,82,019		3,39,92,759
Personnel Expenses	IX	22,03,527		14,73,465
Administrative Expenses	X	19,45,285		5,28,691
Financial Expenses	XI	2,311		1,215
Selling Expenses	XII	26,937		15,088
Depreciation		3,45,182		3,48,221
<b>Total Expenditure</b>		2,99,05,261		3,63,59,438
<b>Profit/(Loss) before Tax</b>		(16,38,384)		1,52,698
Provision for Income Tax		-		65,102
Short provision for Income Tax for earlier years		-		7,619
Deferred Income Tax		(59,442)		60,664
<b>Profit After Tax</b>		(16,97,826)		19,312
<b>Balance of Profit carried to Balance Sheet</b>		(16,97,826)		19,312
<b>Earning Per Share-Basic &amp; Diluted</b>		(8.56)		0.10
Significant Accounting Policies and Notes to Accounts	XIII			

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

For **M/s. Dubey & Co.**  
Chartered Accountants  
(Deepak Dubey)

Proprietor  
Membership No. 86349  
Place : Delhi  
Date : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**  
Chairman & Managing Director

**Sumit Jain**  
Director

# RADICURA & CO. LIMITED

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
5,00,000 Equity Shares of Rs. 10/- each (Previous Year 5,00,000 Equity Shares of Rs.10/- each)	<b>50,00,000</b>	50,00,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
198,250 Equity Shares of Rs. 10/- each fully paid-up (Previous Year 198,250 Equity Shares of Rs.10/- each)	<b>19,82,500</b>	19,82,500
	<b>19,82,500</b>	19,82,500
<b>SCHEDULE II - RESERVES AND SURPLUS</b>		
<b>Share Premium</b>		
Amount as per last Balance Sheet	<b>73,26,500</b>	73,26,500
<b>Profit &amp; Loss Account</b>		
Opening Balance	<b>34,24,591</b>	34,05,279
Add: Transfer from Profit & Loss Account	<b>(16,97,826)</b>	19,312
	<b>90,53,265</b>	1,07,51,091

### SCHEDULE III - FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2004	Additions during the Year	Sales during the Year	As at 31/03/2005	As at 01/04/2004	Provided during the Year	Deductions & Adjustments during the Year	As at 31/03/2005	As at 31/03/2005	As at 31/03/2004
BUILDING	30,79,000	-	-	<b>30,79,000</b>	8,53,167	1,11,292	-	<b>9,64,459</b>	<b>21,14,541</b>	22,25,833
FURNITURE & FIXTURE	3,17,042	-	-	<b>3,17,042</b>	2,19,834	17,595	-	<b>2,37,429</b>	<b>79,613</b>	97,208
OFFICE EQUIPMENTS	20,93,826	4,536	-	<b>20,98,362</b>	13,78,263	1,00,166	-	<b>14,78,429</b>	<b>6,19,933</b>	7,15,563
REFRIGERATION & COOLER	5,32,295	-	-	<b>5,32,295</b>	3,29,209	28,249	-	<b>3,57,458</b>	<b>1,74,837</b>	2,03,086
VEHICLES	8,53,495	1,82,587	6,33,199	<b>4,02,883</b>	6,78,431	87,880	6,03,044	<b>1,63,267</b>	<b>2,39,616</b>	1,75,064
<b>TOTAL</b>	<b>68,75,658</b>	<b>1,87,123</b>	<b>6,33,199</b>	<b>64,29,582</b>	<b>34,58,904</b>	<b>3,45,182</b>	<b>6,03,044</b>	<b>32,01,042</b>	<b>32,28,540</b>	<b>34,16,754</b>
PREVIOUS YEAR	68,75,658	-	-	68,75,658	31,10,683	3,48,221	-	34,58,904	34,16,754	37,64,975

### 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	<b>1,00,000</b>	1,00,000
Market Value Rs.1,36,000 (Previous year Rs. 84,200)		

### SCHEDULE V - CURRENT ASSETS, LOANS & ADVANCES

#### A. CURRENT ASSETS

##### Inventories

(As taken, valued and certified by the Management)  
(Valued at cost or market price, whichever is lower)

Finished Goods

23,08,795

##### Sundry Debtors

(Unsecured but considered good)

Debts outstanding for a period

exceeding six months

Other Debts

-

6,35,700

**27,289**

**27,289**

15,49,250

21,84,950

##### Cash & Bank Balances

i) Cash in hand

**41,309**

99,217

ii) Balance with Scheduled Banks - in Current Accounts

**40,76,098**

**41,17,407**

27,30,443

28,29,660

#### B. LOANS & ADVANCES

(Unsecured but considered good)

Security Deposit

**40,49,500**

40,49,500

Income Tax Refundable

**65,149**

65,149

Staff Advances

**5,300**

17,900

Prepaid Expenses

**591**

55,832

Other Receivables

**4,47,605**

7,86,592

Advance Tax

**1,70,321**

**47,38,466**

-

49,74,973

**88,83,162**

1,22,98,378

# RADICURA & CO. LIMITED

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31st March, 2005	(Amount in Rs.) As at 31st March, 2004
<b>SCHEDULE VI - CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Total outstanding dues of SSI undertakings	-	-
Total outstanding of Creditors other than SSI undertaking	2,55,532	23,24,436
Expenses Payable	1,27,534	137,770
Other Liabilities	3,302	1,080
Advances from Customers	3,76,676	-
<b>PROVISIONS</b>		
Provision for Gratuity/Leave Encashment	-	2,64,804
	<u>7,63,044</u>	<u>27,28,090</u>
	Year ended 31st March, 2005	Year ended 31st March, 2004
<b>SCHEDULE VII - OTHER INCOME</b>		
Commission on Sales	1,25,346	1,87,490
Interest on Security Deposit	7,88,000	5,88,493
Interest on Income Tax Refund	24,776	-
Miscellaneous Balances/provisions written back	2,39,844	-
Profit on Sale of Fixed Assets	1,846	-
	<u>11,79,812</u>	<u>7,75,983</u>
<b>SCHEDULE VIII - INCREASE/(DECREASE) IN STOCK</b>		
Closing Stock	-	23,08,795
Less: Opening Stock	23,08,795	33,70,028
	<u>(23,08,795)</u>	<u>(10,61,233)</u>
<b>SCHEDULE IX - PERSONNEL EXPENSES</b>		
Salary & Wages	19,36,250	11,75,492
Contribution to Provident and other funds	1,17,737	1,17,385
Directors' Remuneration	-	7,500
Bonus & Ex-gratia	87,793	83,961
Staff Welfare Expenses	61,747	89,127
	<u>22,03,527</u>	<u>14,73,465</u>
<b>SCHEDULE X - ADMINISTRATIVE EXPENSES</b>		
Printing & Stationery	27,252	40,447
Electricity & Water Charges	1,30,318	25,112
Repair & Maintenance - Others	31,830	47,561
Insurance	36,151	49,319
Professional Charges	38,976	3,150
Legal Charges	26,100	24,261
Auditors' Remuneration		
Audit Fees	12,122	11,880
Tax Audit Fees & Other services	9,918	9,720
Office Expenses	-	7,025
Rent	10,339	2,126
Postage, Telephone & Telex	64,413	68,876
Conveyance	54,326	71,997
Sundry Expenses	15,306	39,446
Vehicle Maintenance	66,613	1,27,771
Bad Debts written off	14,21,621	-
	<u>19,45,285</u>	<u>5,28,691</u>
<b>SCHEDULE XI - FINANCIAL EXPENSES</b>		
Bank Charges	2,311	1,215
	<u>2,311</u>	<u>1,215</u>
<b>SCHEDULE XII - SELLING EXPENSES</b>		
Packing & Forwarding	26,937	15,061
Freight & Cartage	-	27
	<u>26,937</u>	<u>15,088</u>

# RADICURA & CO. LIMITED

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE XIII - 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.

##### 4. Inventories

Inventory purchased by the company is carried at lower of cost or market value.

##### 5. Revenue Recognition

Sales are stated at net of trade discounts, sales returns, and sales tax.

##### 6. Employee Terminal Benefits

- Provident Fund & ESI:** Company's contribution to defined contribution schemes such as Provident Fund and ESI are accrued as per terms of contracts with the employees and provisions of Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to Profit and Loss Account.
- Gratuity/Leave Encashment:** There being no employees as at 31<sup>st</sup> March, 2005, hence no provision for gratuity/leave encashment is required.

##### 7. Investments

Long term Investments are stated at cost price.

##### 8. Income Taxes

- Provision is made for income tax liability, which is likely to arise on the results for the year at the current rate of tax in accordance with the provisions of Income Tax Act, 1961.
- 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.

##### 9. 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 are not provided for in respect of:

- |  | Current Year | Amount in (Rs.)<br>Previous Year |
|--|--------------|----------------------------------|
| i) Claims against the Company not acknowledged as debts<br>(Income tax demand under appeal for A.Y. 2001-02) | Nil          | 40,635                           |
| ii) Other money for which the Company is contingently liable   | Nil          | Nil                              |
| iii) Estimated amount of contracts remaining to be executed on Capital account and not provided for          | Nil          | 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

S. No. Particulars	Current Year	Previous Year
a. Net profit/(Loss) after tax available for Equity Shareholders	(16,97,826)	19,312
b. Calculation of Weighted Average Number of Equity Share of Rs.10 each Number of shares at the beginning of the year	1,98,250	1,98,250
Total no. of weighted average equity share outstanding at the end of the year	1,98,250	1,98,250
c. Basic Earnings per Share	(8.56)	0.10
d. Diluted Earnings per Share	(8.56)	0.10

##### 4. Deferred Tax Assets / (Liabilities)

Particulars	Deferred tax Asset / (Liability) as at 01.04.2004	Current year credit/ (Charge)	Deferred tax Asset/ (Liability) as at 31.03.2005
Assets	(4,48,450)	35,557	(4,12,893)
Gratuity	62,721	(62,721)	-
Leave Encashment	32,278	(32,278)	-
	<u>(353,451)</u>	<u>(59,442)</u>	<u>(4,12,893)</u>

# RADICURA & CO. LIMITED

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

5. In the absence of any taxable profit during the year, no provision for income tax has been made.

### 6. Related Party Disclosure

Related parties with whom there were transactions during the year are listed below:

- i) Holding Company – The Company is a wholly owned subsidiary of Panacea Biotec Ltd.  
 ii) 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
Net Purchases made during the year	1,34,12,759	1,95,54,490
Net Sales made during the year	6,72,877	41,010
Interest received	-	1,08,493
Balance due to Panacea Biotec Limited as at the end of the year	34,524	9,07,470

### 7. a) Directors' Remuneration

Salary	-	7,500
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### b) Computation of net profit / (loss) in accordance with Section 349 of the Companies Act, 1956.

Profit/(Loss) as per Profit & Loss Account (before taxes)	(16,38,384)	1,52,697
Add:		
Depreciation	3,45,182	3,48,221
Directors' Remuneration	-	7,500
	<u>(12,93,202)</u>	<u>5,08,418</u>
Less:		
Profit on Sale of Fixed Assets	1,846	-
Depreciation under section 350	3,45,182	3,48,221
Net Profit/(Loss) in accordance with section 349 of Companies Act, 1956	(1,640,230)	1,60,197
Maximum amount permissible under Sec.198/309 of Companies Act,1956	-	16,020

8. Additional information as required under Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 (As certified by the Management).

- A. Particulars of Licensed Capacity, Installed Capacity & Production  
 - Not applicable as the company is a trading company
- B. Particulars of Purchase, Stocks & Turnover  
 -As the Company has been trading in goods and the list of goods is very large, quantitative break up of purchases, stocks and turnover has not been given
- C. Particulars of Raw Materials consumed  
 - Not Applicable
- D. Value of Imports on CIF basis Nil
- E. Expenditure in Foreign Currency Nil
- F. Earnings in Foreign Currency Nil
- G. Value of Imported/Indigenous Raw Materials Consumed Nil

9. 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 **M/s. Dubey & Co.**

Chartered Accountants

**(Deepak Dubey)**

Proprietor

Membership No. 86349

Place : Delhi

Date : 31<sup>st</sup> May, 2005

**For and on behalf of the Board**

**Soshil Kumar Jain**

Chairman & Managing Director

**Sumit Jain**

Director

# RADICURA & CO. LIMITED

## 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

<b>i) Registration Details:</b>			
Registration No.	56682	State Code	55
Balance Sheet Date	31/03/2005		
<b>ii) Capital raised during the year</b> (Amount in Rs. Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
<b>iii) Position of Mobilisation and Deployment of Funds</b> (Amount in Rs. Thousands)			
Total Liabilities	11,449	Total Assets	11,449
<b>Source of Funds</b> (Amount in Rs. Thousands)			
Paid-up Capital	1,982	Reserves & Surplus	9,053
Secured Loan	Nil	Unsecured Loan	Nil
<b>Application of Funds</b> (Amount in Rs. Thousands)			
Net Fixed Assets	3,229	Investments	100
Net Current Assets	8,120	Misc. Expenditure	Nil
Accumulated Losses	Nil	(To the extent not W/off)	
<b>iv) Performance of Company:</b> (Amount in Rs. Thousands)			
Turn Over	30,576	Total expenditure	32,214
(-) Loss/Profit before Tax	1,638	(-) Loss/Profit after Tax	1,698
Earning per share in Rs.	(8.56)	Dividend @%	Nil
<b>v) Generic Name of three Principal Products / Services of Company</b>			
Item Code No. (ITC Code)	3004 90 67, 3002 20 14 & 3004 20 99		
Product Description	Nimesulide Tablets, Vaccines Polio & Gliclazide Tab		

For **M/s. Dubey & Co.**

Chartered Accountants

**(Deepak Dubey)**

Proprietor

Membership No. 86349

Place : Delhi

Date : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**

Chairman & Managing Director

**Sumit Jain**

Director

### CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2005

(Amount in Rs.)

	Current Year (16,38,384)		Previous Year 1,52,698
<b>Cash flow from operating activities</b>			
Net profit before tax and extra ordinary items			
Adjustments for:			
Depreciation	3,45,182	3,48,221	
Interest Expenses	-	-	
Interest Income	(8,12,776)	(5,88,493)	
Miscellaneous provisions written back	(2,39,844)	-	
Profit on Sale of Fixed Assets	(1,846)	-	
	<u>(7,09,284)</u>	<u>(2,40,272)</u>	
<b>Operating profit before working capital changes</b>	<u>(23,47,668)</u>	<u>(87,575)</u>	
Trade & other receivables	25,64,489	92,905	
Inventories	23,08,795	10,64,383	
Trade & other payables	(19,65,046)	(40,95,941)	
	<u>29,08,238</u>	<u>(29,38,653)</u>	
<b>Cash generated from operations</b>	<u>5,60,570</u>	<u>(30,26,228)</u>	
Net direct taxes paid	(1,70,321)	234,106	
Cash flow before extraordinary items	<u>3,90,249</u>	<u>(27,92,122)</u>	
Extra ordinary items	-	-	
<b>Net cash from operating activities</b>	<u>3,90,249</u>	<u>(27,92,122)</u>	
<b>Cash flow from investing activities</b>			
Purchase of fixed assets	(1,87,123)	-	
Sale of fixed assets	32,001	-	
Interest received	8,12,776	5,88,493	
Miscellaneous provisions written back	2,39,844	-	
<b>Net cash used in investing activities</b>	<u>8,97,498</u>	<u>5,88,493</u>	
<b>Net cash from operating and investing activities</b>	<u>12,87,747</u>	<u>(22,03,629)</u>	
<b>Cash flow from financing activities</b>			
<b>Net cash from operating, investing &amp; financing activities</b>	<u>12,87,747</u>	<u>(22,03,629)</u>	
<b>Net increase/(decrease) in cash &amp; cash equivalent</b>	<u>12,87,747</u>	<u>(22,03,629)</u>	
<b>Opening balance of cash &amp; cash equivalent</b>	<u>28,29,660</u>	<u>50,33,289</u>	
<b>Closing balance of cash &amp; cash equivalent</b>	<u>41,17,407</u>	<u>28,29,660</u>	

As per our attached report of even date

For **M/s. Dubey & Co.**

Chartered Accountants

**(Deepak Dubey)**

Proprietor

Membership No. 86349

Place : Delhi

Date : 31<sup>st</sup> May, 2005

For and on behalf of the Board

**Soshil Kumar Jain**

Chairman & Managing Director

**Sumit Jain**

Director

# BEST ON HEALTH LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31<sup>st</sup> March, 2005. The summarized financial results for the year ended 31<sup>st</sup> March 2005 are as under:

### Financial Results

Particulars	(in Rs.)	
	For the year ended 31 <sup>st</sup> March, 2005	For the year ended 31 <sup>st</sup> March, 2004
Total Income	29,74,651	29,85,073
Total Expenditure	12,40,454	9,45,500
Profit before Tax	17,34,197	20,39,573
Provision for Income Tax	6,70,578	6,33,006
Provision for Income tax for earlier year(s)	-	2,494
Profit after Tax	10,63,619	14,04,073
E.P.S (Rs. per Share)	5.59	7.38

### Review of Operations

During the year under review, the Company has earned rental income of Rs.28.80 Lacs from lease of its premises to its Holding Company. The net profit for the year under review has been Rs.10.64 Lac as against Rs.14.04 Lac during the previous financial year.

### 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 31<sup>st</sup> March 2005.

### 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, Shri Sandeep Jain, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

### 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 in Practice 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  
16<sup>th</sup> May, 2005

**RAJESH JAIN**  
Chairman & Managing Director

### ANNEXURE TO DIRECTORS' REPORT - COMPLIANCE CERTIFICATE

Company No. 55-068967 Nominal Capital Rs. 20 Lacs  
The Members, BEST ON HEALTH LIMITED, 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 and Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended on 31<sup>st</sup> March, 2005. 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 31<sup>st</sup> March, 2005:

- 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 4 times on 22<sup>nd</sup> June, 2004; 6<sup>th</sup> September, 2004; 23<sup>rd</sup> December, 2004 & 16<sup>th</sup> March, 2005 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 31<sup>st</sup> March, 2004 was held on 30<sup>th</sup> September, 2004 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

## BEST ON HEALTH LIMITED

### ANNEXURE TO THE DIRECTORS' REPORT

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 during the financial year.
13. a. There was no allotment / transfer / transmission of securities during the financial year.
- 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 unpaid 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/ re-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 Company has not made any borrowings during the financial year ended 31st March, 2005.
25. The Company has not made any loans and investments or given guarantees or provided securities to other bodies corporate during the financial year under review.
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 offences 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 Rajeev Goel & Associates**  
Company Secretaries

**Rajive Goel**  
LLB, FCS  
FCS : 2823; CP : 2571

Date : 16<sup>th</sup> May, 2005  
Place : New Delhi

#### ANNEXURE A - REGISTERS MAINTAINED BY THE COMPANY

S.No.	Particulars	Relevant Section
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Shareholding	307
7.	Register(s) of contracts, companies and firms in which Directors are interested	301
8.	Register of investments or loan made, guarantee given or security provided	372A
9.	Register of Share Transfer	
10.	Register of Fixed Assets	

**ANNEXURE B - Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2005.**

#### A. Forms & Returns filed with the Registrar of Companies

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 <sup>st</sup> March, 2004.	25.10.2004	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31 <sup>st</sup> March, 2004.	25.10.2004	Yes	No
3.	Annual Return u/s 159 made upto 30 <sup>th</sup> September, 2004, being the date of AGM	25.10.2004	Yes	No

**B. Forms & Returns filed with the Regional Directors, Central Government or other authorities:**  
Nil

# BEST ON HEALTH LIMITED

## AUDITORS' REPORT

### The Members of Best On Health Limited

We have audited the attached Balance Sheet of Best on Health Limited as at 31<sup>st</sup> March, 2005 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 31<sup>st</sup> March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2005 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 31<sup>st</sup> March, 2005;
  - 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**  
Proprietor  
Membership No. 86840

Place : New Delhi  
Date : 16<sup>th</sup> May, 2005

### 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.  
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.

- b) 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) The company has neither granted nor taken 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.
- 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 lacs) 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 31<sup>st</sup> March, 2005 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**  
Proprietor  
Membership No. 86840

Place : New Delhi  
Date : 16<sup>th</sup> May, 2005

# BEST ON HEALTH LIMITED

## BALANCE SHEET AS AT 31st MARCH, 2005

		(Amount in Rs.)	
Schedules	As at 31st March, 2005	As at 31st March, 2004	
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	19,02,160	19,02,160
Reserves & Surplus	II	1,29,00,790	1,18,37,171
<b>Total</b>		<b>1,48,02,950</b>	<b>1,37,39,331</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	III	1,81,81,326	1,81,81,326
Less: Depreciation		21,65,022	15,62,901
Net Block		1,60,16,304	1,66,18,425
<b>Current Assets, Loans &amp; Advances</b>			
<b>Current Assets</b>			
Cash & Bank Balances		22,48,640	35,46,286
Sub-total		22,48,640	35,46,286
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	V	34,13,312	64,00,358
Provisions		48,682	28,966
Sub-total		34,61,994	64,29,324
<b>Net Current Assets</b>		<b>(12,13,354)</b>	<b>(28,83,038)</b>
<b>Miscellaneous Expenditure</b>	VI	-	3,944
(To the extent not written off or adjusted)			
<b>Total</b>		<b>1,48,02,950</b>	<b>1,37,39,331</b>
Significant Accounting Policies and Notes to Accounts	VIII		

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.  
As per our attached report of even date.

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants  
(Sudhir Kapoor)

Proprietor  
Membership No. 86840  
Place : New Delhi  
Date : 16<sup>th</sup> May, 2005

For and on behalf of the Board

**Rajesh Jain**  
Chairman & Managing Director

**Sandeep Jain**  
Director

		(Amount in Rs.)	
Schedules	For the year ended 31st March, 2005	For the year ended 31st March, 2004	
<b>PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005</b>			
<b>INCOME</b>			
Rent Received		28,80,000	28,80,000
Other Income	VII	94,651	1,05,073
<b>Total Income</b>		<b>29,74,651</b>	<b>29,85,073</b>
<b>EXPENDITURE</b>			
Printing & Stationery		263	
Fees & Taxes		1,500	981
Consultancy Charges		2,00,520	5,650
Property Tax		4,09,796	5,18,016
General Expenses		-	1,500
Auditors' Remuneration			
- Statutory Audit Fees		17,310	15,750
Legal Expenses		5,000	5,000
Depreciation		6,02,121	3,94,659
Preliminary Expenses written off		3,944	3,944
<b>Total Expenditure</b>		<b>12,40,454</b>	<b>9,45,500</b>
<b>Profit Before Tax</b>		<b>17,34,197</b>	<b>20,39,573</b>
Provision for Income tax		6,70,578	6,33,006
Short provision for Income tax for earlier year(s)		-	2,494
<b>Profit After Tax</b>		<b>10,63,619</b>	<b>14,04,073</b>
<b>Balance of Profit carried to Balance Sheet</b>		<b>10,63,619</b>	<b>14,04,073</b>
<b>Earning per Share - Basic &amp; Diluted</b>		<b>5.59</b>	<b>7.38</b>
Significant Accounting Policies and Notes to Accounts	VIII		

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.

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants  
(Sudhir Kapoor)

Proprietor  
Membership No. 86840  
Place : New Delhi  
Dated : 16<sup>th</sup> May, 2005

For and on behalf of the Board

**Rajesh Jain**  
Chairman & Managing Director

**Sandeep Jain**  
Director

# BEST ON HEALTH LIMITED

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2005	As at 31st March, 2004
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>Authorised</b>		
2,00,000 Equity Shares of Rs.10/- each (Previous Year 2,00,000 Equity Shares of Rs.10/- each)	<u>20,00,000</u>	<u>20,00,000</u>
<b>Issued, Subscribed and paid-up</b>		
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)	<u>19,02,160</u>	<u>19,02,160</u>
	<u>19,02,160</u>	<u>19,02,160</u>
<b>SCHEDULE II - RESERVES AND SURPLUS</b>		
<b>Share Premium</b>		
Amount as per last Balance Sheet	<u>1,04,50,000</u>	<u>1,04,50,000</u>
<b>Profit &amp; Loss Account</b>		
Amount as per last Balance Sheet	<u>13,87,171</u>	<u>(16,902)</u>
Add: Transfer from Profit & Loss Account	<u>10,63,619</u>	<u>14,04,073</u>
	<u>24,50,790</u>	<u>13,87,171</u>
	<u>1,29,00,790</u>	<u>1,18,37,171</u>

### SCHEDULE III - FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2004	Additions during the year	As at 31.03.2005	As at 01.04.2004	Provided during the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
Land - Freehold	1,53,760	-	1,53,760	-	-	-	1,53,760	1,53,760
Building	1,80,27,566	-	1,80,27,566	15,62,901	6,02,121	21,65,022	1,58,62,544	1,64,64,665
<b>Total</b>	<b>1,81,81,326</b>	<b>-</b>	<b>1,81,81,326</b>	<b>15,62,901</b>	<b>6,02,121</b>	<b>21,65,022</b>	<b>1,60,16,304</b>	<b>1,66,18,425</b>
Previous Year	1,18,12,868	63,68,458	1,81,81,326	11,68,242	3,94,659	15,62,901	1,66,18,425	1,06,44,626

### SCHEDULE IV - CURRENT ASSETS, LOANS & ADVANCES

#### A. Current Assets

##### Cash & Bank Balances

Cash in hand

3,158

3,421

Balances with Scheduled Banks

- in Current Account

6,17,618

19,89,964

- in Fixed Deposits

16,27,864

22,48,640

15,52,901

35,46,286

#### B. Loans & Advances

Advance Income Tax

22,48,640

35,46,286

### SCHEDULE V - CURRENT LIABILITIES & PROVISIONS

#### Current Liabilities

Expense Payable

33,050

31,900

Other Liabilities

33,80,262

34,13,312

63,68,458

64,00,358

#### Provisions

Provision for Income Tax

48,682

28,966

34,61,994

64,29,324

### SCHEDULE VI - MISCELLANEOUS EXPENDITURE

(To the extent not written off)

Preliminary Expenses

3,944

7,888

Less: Written off during the year

3,944

3,944

3,944

-

3,944

### SCHEDULE VII - OTHER INCOME

Interest on FDR (Gross, TDS Rs.19,688)

94,651

66,541

Interest on Income Tax Refund

-

94,651

38,532

1,05,073

94,651

1,05,073

# BEST ON HEALTH LIMITED

## 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, 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	Previous Year
1. 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
2. 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.		
3. Earnings Per Share		Amount in (Rs.)
<b>S. No. Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
a) Net Profit after tax available for Equity Shareholders	10,63,619	14,04,073
b) Calculation of Weighted Average Number of Equity Shares of Rs.10/- each		
Number of shares at the beginning of the year	1,90,216	1,90,216
Total number of equity shares outstanding at the end of the year	1,90,216	1,90,216
c) Basic Earnings per Share	5.59	7.38
d) Diluted Earnings per Share	5.59	7.38
4. <b>Related Party Disclosure:</b>		
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. The transactions during the year are as under:- (Amount in Rs.)		
<b>S.No. Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
a) Rent received by renting out its premises to Panacea Biotec Ltd.	28,80,000	28,80,000
b) Balance due to Panacea Biotec Ltd. as at the end of the year	33,80,262	63,68,458
5. 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.		
6. Miscellaneous expenditure is being written off over a period of five years.		
7. 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 **M/s. Sudhir Sunil & Co.**

Chartered Accountants

(**Sudhir Kapoor**)

Proprietor

Membership No. 86840

Place : New Delhi

Dated : 16<sup>th</sup> May, 2005

For and on behalf of the Board

**Rajesh Jain**

Chairman & Managing Director

**Sandeep Jain**

Director

# BEST ON HEALTH LIMITED

## 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

<b>i) Registration Details:</b>			
Registration No.	68967	State Code	55
Balance Sheet Date	31/03/2005		
<b>ii) Capital raised during the year</b> (Amount in Rs. Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
<b>iii) Position of Mobilisation and Deployment of Funds</b> (Amount in Rs. Thousands)			
Total Liabilities	14,803	Total Assets	14,803
<b>Source of Funds</b> (Amount in Rs. Thousands)			
Paid-up Capital	1,902	Reserves & Surplus	12,901
Secured Loan	Nil	Unsecured Loan	Nil
<b>Application of Funds</b> (Amount in Rs. Thousands)			
Net Fixed Assets	16,016	Investments	Nil
Net Current Assets	(1,213)	Misc. Expenditure	Nil
Accumulated Losses	Nil	(To the extent not W/ off)	
<b>iv) Performance of Company</b> (Amount in Rs. Thousands)			
Turnover / Other Income	2,974	Total expenditure	1,240
Profit before Tax	1,734	Profit after Tax	1,064
Earning per share in Rs.	5.59	Dividend @ %	Nil
<b>v) Generic Name of three Principal Products / Services of Company</b>			
Item Code No. (ITC Code)	:	Not classified	
Product Description	:		

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants

**(Sudhir Kapoor)**

Proprietor

Membership No. 86840

Place : New Delhi

Dated : 16th May, 2005

**For and on behalf of the Board**

**Rajesh Jain**

Chairman & Managing Director

**Sandeep Jain**

Director

### CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH, 2005

Amount in (Rs.)

	Current Year		Previous Year	
<b>Cash flow from operating activities</b>				
<b>Net profit before tax and extra ordinary items</b>		17,34,197		20,39,573
Adjustments for:				
Depreciation	6,02,121		3,94,659	
Interest Expenses	-		-	
Interest Income	(94,651)		(66,541)	
Preliminary Expenditure written off	3,944	5,11,414	3,944	3,32,062
<b>Operating profit before working capital changes</b>		22,45,611		23,71,635
Trade & other receivables	-		-	
Inventories	-		-	
Trade & other Payables	(2,987,046)	(29,87,046)	63,74,108	63,74,108
<b>Cash generated from operations</b>		(7,41,435)		87,45,743
Net Direct Taxes paid		(6,50,862)		(2,80,014)
<b>Net cash from operating activities</b>		(13,92,297)		84,65,729
<b>Cash flow from investing activities</b>				
Purchase of Fixed Assets	-		(63,68,458)	
Interest Received	94,651		66,541	
<b>Net cash used in investing activities</b>		94,651		(63,01,917)
<b>Net cash from operating and investing activities</b>		(12,97,646)		21,63,812
<b>Cash flow from financing activities</b>				
Increase/ (decrease) in loans	-		-	
<b>Net Cash from financing activities</b>		-		-
<b>Net cash from operating, investing &amp; financing activities</b>		(12,97,646)		21,63,812
<b>Net increase in Cash &amp; Cash equivalent</b>		(12,97,646)		21,63,812
<b>Opening balance of Cash &amp; Cash equivalent</b>		35,46,286		13,82,474
<b>Closing balance of Cash &amp; Cash equivalent</b>		22,48,640		35,46,286

As per our attached report of even date

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants

**(Sudhir Kapoor)**

Proprietor

Membership No. 86840

Place : New Delhi

Dated : 16th May, 2005

**For and on behalf of the Board**

**Rajesh Jain**

Chairman & Managing Director

**Sandeep Jain**

Director

## The Indian EXPRESS

# Forget the fridge, wait for vaccine in sugarbox

**PRAGYA SINGH**  
NEW DELHI, OCTOBER 19

**A** LOW-cost child vaccine that can be transported and stored in the most remote villages without need of a refrigerator will be out in a couple of years.

Indian and British biotech scientists who started work in 2005 on a vaccine that can be stored without refrigeration, announced on Tuesday that their breakthrough will cut the cost of a vaccine treating a single child from \$30 to roughly \$10.

The two firms - UK's Cambridge Biotechnology Ltd (CBL) and India's Panacea Biotec said they are now only waiting to transport their 150 scientists who worked on the project into a new research and development (R&D) facility near Chandigarh, where human trials will begin early next year.

"Most vaccines work only if stored in a temperature ranging from 2-8 degrees. We discovered that when treated by Panacea, CBL's 'stable liquid' technology keeps vaccines potent throughout their life cycle, entirely without cold storage. This will drastically cut vaccination costs and make



vaccines far more accessible to the poor," said Rajesh Jain, joint MD, Panacea Biotec.

A fresh grant of \$1.7 million from Bill & Melinda Gates Foundation's Department for International Development (DFID) will fund joint human trials into Panacea's five-in-one vaccine.

The vaccine will prevent measles, rubella, tetanus, whooping cough and diphtheria. Five preventable diseases that kill one million children in developing countries die from every year.

"Our vaccine will help save \$200 million that goes into creating cold storage facilities and another \$100 million in vaccines that go waste every year due to improper storage facilities," said Jain.

Roughly one-third of the money spent on developing a new vaccine goes into packaging and delivery, which needs to be tailored to suit cold-storage requirements. Only half is available for the money gone directly into vaccine development.

### Cold-chain comfort

- New technology keeps vaccines potent in sugar crystals
- DCGI has given clearance for human trials, to take two years
- WHO says approach promising, provided costs stay competitive
- If successful, can cut vaccine development costs by a third

CBL's arrangement costs molecules in protective sugar crystals that dissolve only in the saline found in human bodies, and Panacea has adapted the system to human vaccines.

It will begin marketing the invention through international aid agencies, governments and health associations, most first and.

The company, which has clearance from the Drug Controller General of India (DCGI) for human trials, will approach it for clearance once human tests are through.

DCGI's Anand Kumar told The Indian Express: "The technology is breakthrough, though success depends on resources and thoroughness of clinical trials, that will go into eventual proof of concept."

The World Health Organisation (WHO) told the New Scientist that the two firms' approach is "promising", provided the costs of clinical trials remain competitive.

Jain says the clinical trials will be over in a couple of years as the application and not the vaccine is the breakthrough.

Panacea, which started as a listed company in 1977, had revenues of \$70 million (Rs 260 crore) last year.

It spends 4 per cent of the turnover on R&D.

## THE HINDU

### Panacea Biotec forms venture with Chiron for vaccines

**By the Staff Correspondent**  
NEW DELHI, Oct 19: Panacea Biotec, the world's largest biotech company, has announced a strategic alliance with Chiron, another world's largest biotech company, to jointly develop, manufacture and market a revolutionary vaccine against diphtheria, tetanus and whooping cough.

The alliance is expected to be completed by the end of the year. The vaccine will be a significant step towards the development of a vaccine against diphtheria, tetanus and whooping cough.

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## THE TIMES OF INDIA

### Improving Immunity

#### Breakthrough to make vaccines comes out from the cold

Vaccines have saved millions of lives and vast sums of money have gone into preserving the inoculations at low temperatures. But because all vaccines lose their ability to provide protection against disease over a period of time. The loss of potency becomes quicker when they are exposed to high temperatures. In order to maintain their quality, they must be stored at the appropriate temperature from the time they are manufactured right up to the moment of use. This 'cold chain', as it is called, has to be maintained throughout. The entry on this procedure is estimated at about \$200 million annually, and yet it still breaks down frequently. In fact, globally, half of all vaccines have to be thrown away because they become ineffective due to lack of refrigeration. But now is a medical breakthrough that is being hailed as the most significant development since Edward Jenner pioneered vaccine technology 200 years ago. A British company has unveiled a potential process of manufacturing using stable liquid technology. This solves the need for vaccines to be kept cold. This means that they can now be kept at room temperature. Vaccines could, in future, be transported and stored without refrigeration,

giving them an extended shelf life of many months, or even years. This would enable a further 10 million children to be vaccinated annually using existing technology. Significantly, India is also up there playing a major role in this high-tech development. The alliance set up by the British government to the tune of \$1.5 million is structured in a way that a New Delhi-based Indian vaccine company will be using the know-how to manufacture a combined childhood vaccine which covers diphtheria, tetanus, whooping cough, hepatitis B and the meningitis-causing Hib. It will also be one of the leading countries to carry out clinical tests, and subsequently prepare for human trials, on the preventative vaccine. Such a flowering of fundamental R&D in India will provide the country with a huge opportunity to improve its participation in the rapidly-emerging field of biotech technology. This move is particularly exciting as the next cutting-edge sector of research in the world. If India could have become a world leader in the higher-than-tech field of IT in a matter of less than two decades, there is no reason to doubt that it could surface as a champion in this new domain of specialisation too.

## THE FINANCIAL EXPRESS

### Panacea Biotec to manufacture CBL's revolutionary vaccine

**By the Staff Correspondent**  
NEW DELHI, Oct 19: Panacea Biotec, the world's largest biotech company, has announced a strategic alliance with Cambridge Biotechnology Ltd (CBL), another world's largest biotech company, to jointly develop, manufacture and market a revolutionary vaccine against diphtheria, tetanus and whooping cough.

The alliance is expected to be completed by the end of the year. The vaccine will be a significant step towards the development of a vaccine against diphtheria, tetanus and whooping cough.

The vaccine will be a significant step towards the development of a vaccine against diphtheria, tetanus and whooping cough.

## Business Line

### Panacea Biotech betting big on combination vaccines

**Business Line**  
NEW DELHI, Oct 19: Panacea Biotec, the world's largest biotech company, has announced a strategic alliance with Cambridge Biotechnology Ltd (CBL), another world's largest biotech company, to jointly develop, manufacture and market a revolutionary vaccine against diphtheria, tetanus and whooping cough.

The alliance is expected to be completed by the end of the year. The vaccine will be a significant step towards the development of a vaccine against diphtheria, tetanus and whooping cough.



**Panacea  
Biotec**

**In Support of Life**

**Panacea Biotec Ltd.**

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

**Ph.:** +91-11-5167 9000, 5167 8000 **Fax:** + 91-11-5167 9070, 2694 0199

**E-mail:** corporate@panacea-biotec.com, **Website:** www.panacea-biotec.com

**Health Portal:** bestonhealth.com