



## Board of Directors

Mr. Chirayu R. Amin  
*Chairman & Managing Director*

Mrs. Malika C. Amin  
*Whole-time Director*

Mr. Rajkumar Baheti  
*Director, President - Finance & Secretary*

Dr. Babubhai R. Patel

Mr. Pranav N. Parikh

Mr. K. G. Ramanathan

Mr. Paresh Saraiya (*W.e.f. 31.01.2007*)

Mr. Pranav Amin (*W.e.f. 31.01.2007*)  
*Director & Chief Business Development Officer*

Mr. Ranjitbhai R. Patel (*Upto 31.01.2007*)

Mr. Ramanlal M. Kapadia (*Upto 31.01.2007*)

## Statutory Auditors

K. S. Aiyar & Co.  
Chartered Accountants  
Laxmi Estate No. F - 07/08  
Shakti Mills Lane  
Off Dr. E. Moses Road  
Mahalaxmi, Mumbai - 400 011

## Bankers

ABN-AMRO Bank N.V.  
Bank of Baroda  
ICICI Bank Limited  
IDBI Bank Limited  
State Bank of India  
UTI Bank Limited

## Regd. Office

Alembic Road, Vadodara - 390 003

## Manufacturing Facilities

Alembic Road, Vadodara - 390 003  
Panelav, Tal. Halol,  
Dist. Panchmahal - 389 350. Gujarat  
Plot No. 21, 22, EPIP - Phase I  
Jharmajri, Baddi, Tehsil - Nalagarh  
Dist. Solan, Himachal Pradesh

## Registrar & Transfer Agents

M/s. Intime Spectrum Registry Ltd.  
1st Floor, 308, Jaldhara Complex,  
Opp. Manisha Society,  
Off Old Padra Road, Vasna Road,  
Vadodara - 390015  
Tel : (0265) 2250241 & 3249857  
Email : vadodara@intimespectrum.com

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.



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Incisive Insights

Progressive Foresight

Dear Shareholders

Alembic this year joins a small, distinguished group of companies that have been in business, successfully, for over 100 years. It's no accident when a company celebrates its centenary. To reach such an illustrious milestone, a business must demonstrate an unrelenting work ethic, an unparalleled quality of product and service, a tenacity to embrace and propel change, a consistently dedicated team, and a bit of good fortune; all of these have combined to etch out Alembic's success story.

As we look back and we count, 100 years of growth and achievement, we have a lot to celebrate. Accomplishments too numerous to count. Numerous individuals to thank and reams of knowledge to bank. While it's a unique opportunity to reflect and stroll down the annals of history, a centenary challenges us to look ahead and create a vision for continuing success.

## VISION

To become a knowledge driven global pharmaceutical company with the highest levels of operational excellence in all spheres

Today Alembic has much to look forward to as an established pharmaceutical major in a world transforming at an accelerated pace. With exponential progress in science and technology, we are moving into an era of genomics, proteomics, and metabolomics. Molecular biology is throwing up opportunities to eliminate death threats like cancer. Medical devices are being bioengineered and miniaturized. The very concepts of health, ailment and medicine are changing.

Locally the Indian pharmaceutical market is growing at a blistering pace of 10%\* each year beating the global average of seven# percent. Due to availability of hi-caliber human resources, firms from across the world are looking to partner with India for research and development and manufacturing. Geographical power centers in pharmaceuticals are witnessing seismic shifts.

This year at Alembic we sharpened our focus on international markets. Our API & Generics divisions which merged in June 2006 was reconstituted as our 'International Division'. It has been given a mandate to explore hi-growth business opportunities across geographies for the entire range of Alembic products and services.

(\* Source: ORG-IMS #Source: KPMG)



Alembic will also be focusing on tapping the rapidly expanding generics markets in US and Europe through a strategy of 'local marketing alliances'. Agreements have been inked with over a dozen players in these markets.

Alembic also entered into a licensing agreement with the Brussels-based UCB for its Novel Drug Delivery Platform for Keppra® XR (Levetiracetam Extended Release Tablets). Under the terms of the agreement, Alembic will receive milestone payments of \$11 million and royalty on future worldwide net sales of Keppra® XR

**On the Domestic front, Alembic consolidated its leadership in the acute therapies. Rekoool, Roxid, Azithral and Cepime all 4 brands retained or gained the No.1 brand rank amongst their category.**

Alembic made a foray into the hi-growth lifestyle therapeutic segments of Cardiovascular, Diabetic, Gastrointestinal and Gynaecology by acquiring Dabur Pharma's non-oncology domestic formulations business comprising of 24 brands which are active in the market. The strategic acquisition will serve a two pronged objective. Firstly, it will give Alembic an entry in this segment and reduce our dependency on anti-infectives. Secondly, it will provide us with a ready relationship in the marketplace, which we can leverage to accelerate the acceptance of our existing products and new introductions.

Marketing efficiency improved this year. Operations were optimized and customer coverage increased by 20% and call average recorded an increase of 10%. The Baddi plant crossed 100% utilization and its turnover crossed the Rs. 300 Crores mark.

Alembic has considerable strengths and a powerful foundation and legacy to build the future. But the Alembic of the future will not be the Alembic of the past. The world we serve is changing and so must we. We must be a new Alembic, designed and built by science and technology, we must be a strong and unified Alembic, with all the divisions and interfaces bonded together by the integrity and trust that has made Alembic so proud. We must be a robust organization capable of delivering not only the products of the new era, but also delivering on the hopes and aspirations of the people of this new era.

Sincerely

A handwritten signature in black ink, appearing to read "Chirayu R. Amin", with a long horizontal flourish extending to the right.

Chirayu R. Amin  
Mumbai, 26th April, 2007

## Milestones

Indelible Footprints

Consistent Footsteps



1907

Alembic Chemical Works Co. Ltd. starts manufacturing tinctures and alcohol at Vadodara.

1940

Starts manufacturing Alembic's famous cough syrup, vitamins, tonics and sulphur drugs.

1961

Lal Bahadur Shastri, then Prime Minister of India, inaugurates the Penicillin plant.

1967

Bulk manufacturing of Vitamin B12 by fermentation starts utilizing expertise of Pirelli, Italy.

1968

Starts manufacturing Streptomycin.

1971

Erythromycin manufactured for the first time in the country using expertise from Eli Lilly, USA.

1972

"Althrocin"- a brand of Erythromycin launched. Starts manufacturing of Kanamycin by fermentation under the guidance of Meiji Seika, Japan

1992

Received First Chemexcil Award for Exports.

1997

"Althrocin" becomes top selling brand in India.



1999

Alembic starts production of synthetic organic APIs.  
Received award for - "Excellence in Environment Preservation and Pollution Control"  
by the Federation of Gujarat Industries.  
Gets ISO 9002 Certification for its facilities at Vadodara.

2000

Gets ISO 14000 Certification for its facilities at Vadodara.

2001

Certificate of Suitability, issued by EDQM for Roxithromycin.  
Starts manufacturing of Cephalosporin C.

2004

BioArc Research Solutions launched to mark Alembic's foray into contract research business.  
Commissioning of Baddi Plant.

2005

Launched ZERO Brand

2006

Acquisition of API Plant at Karakhadi, Vadodara

2007

Acquisition of Non-Oncology Business of M/s Dabur Pharma Ltd.  
Entered into licensing agreement for its Novel Drug Delivery Platform for  
Keppra® XR (Levetiracetam Extended Release Tablets) with UCB



Traditional Wisdom

Innovative Outlook

New Products, New Focus and New Territories saw formulations retain its position as the largest revenue contributor to your company. Domestic Formulations registered an 8% growth and its contribution to the Company's revenue was 55% in 2006-07.

Alembic maintained its leadership in the macrolides segment with a market share of 39.7% and its industry rankings across categories was as follows:

#### Industry Ranking

<b>Macrolides</b>	Rank 1	MS 39.7%
<b>Anti Infectives</b>	Rank 6	MS 5.3%
<b>Respiratory</b>	Rank 5	MS 3.8%
<b>Pain</b>	Rank 18	MS 1.7%
<b>Gastro</b>	Rank 21	MS 1.5%

(Source : ORG-IMS Mar-07)

#### Brand Leaders

Rekool chalked a 44% growth and established Alembic as a leader in the Rabeprazole market. Roxid grew by 12% and retained the honour of being India's largest prescribed antibiotic. Azithral demonstrated true grit and character in face of fierce competition. It posted a 25% growth in value and 17% growth in prescription and emerged as the No. 1 brand in its category. Cepime too established itself as the the No.1 cefepime brand by enhancing its value market share from 10 to 19 %. The unit market share of Cepime is 29% which is nearly double the market share of its nearest competitor.

(Source : CMarc Rx Audit and ORG-IMS)



Alembic's brand portfolio now comprises of 7 brands with sales above Rs. 10 Crores.

### The Ten Crore Plus Brands

Brands	Val (Crs)
Althrocin	66.70
Roxid	60.13
Azithral	47.21
Zeet	19.73
Wikoryl	19.51
Rekool	18.65
Xceft	10.87

### High-Growth Brands

Brands	Growth (%)
Alpenam	85
Normitone	56
Azithral	27
Folinal	18
Actigut	91
Rekool	39
Etrik	20

(Source : ORG-IMS Mar-07)

## New Products. New Growth Paths.

Xceft underscored Alembic's brand building prowess by notching up sales of over Rs. 10 Crores in the year of its launch. It was ranked as the 4th most successful new product of 2006 and rose to the distinction of being the second most prescribed Cephalosporin brand amongst ENT surgeons.

Alembic has introduced 55 new products in the last two years. These products contributed over 10% to the domestic formulations business. 25 of these 55 products were introduced in 2006-2007 and their contribution was 3.26%.



## Prescription Monitor

As per the C MARC Rx Audit, prescriptions from ENT specialists grew by 33%, Chest Specialists by 26%, Surgeons by 19% and Consulting Physicians by 19%.

## New Initiatives Yielding Fruit

Results from the two new initiatives - geriatric focus and rural market penetration, which were flagged off last year are very encouraging.



### New Rural Territories Register High Growth

HQ Name	Growth (%)	HQ Name	Growth (%)
Kanchipuram	15.46	Kashipur	156.25
Karur	178.26	Chatrapur	29.82
Tuticorin	9.17	Barmer	18.83
Almora	48.42	Bhilwara	22.48
Dhampur	53.82	Barabanki	22.55
Hapur	112.10	Amalapuram	3.60

## Specia

The Specia division, which is dedicated to geriatric healthcare, posted a 65% growth in sales, an 84% growth in prescriptions and a 75% growth in market penetration.

## Animal Healthcare

Alembic's Veterinary Division is one of the fastest growing livestock businesses in the country, with one of the highest profitability in the industry.

The division has crafted 7 successful launches in the last 4 years and consistently achieved more than 5% of its turnover from new products.

Xceft (Ceftiofur Sodium) which was a new launch has achieved the No. 1 position in its category. Alembic is the only veterinary company in the world to have generated the detailed pharmacological study & clinical trial data on Ceftiofur in buffaloes, the dominant species of India.

Alembic Veterinary Division has also conducted clinical and ADR trial of Acetyl Salicylic acid for the first time in India amongst ruminants.

**Alembic is the only veterinary company to receive two DCGI Delhi approvals in two consecutive years for Ceftiofur Sodium and Acetyl Salicylic acid.**

### Key Products

Xceft Inj.	Minthal Bolus	Zeet Inj.	Althrocin
Moxel Inj.	Poron	Ascal - FS	Docmycin 50g
Enrox Inj.	Mectin Inj.	Sharkoferrol Vet	Alvizyme Plus
Cotrimol Bolus	Vetcort Inj	Bivinal Forte Inj.	Altimate - ZM Plus
Metrofural Bolus	Diclovet	Rumen-FS Bolus	



*Alembic is the only veterinary company that awards meritorious veterinary graduates for furthering the cause of the industry. Alembic has already covered 15 veterinary colleges in 2006-07 and is expected to cover 22 veterinary colleges during 2007-08.*

# Acquisition of Non-Oncology Formulations Business of Dabur Pharma



Alembic this year marked its foray into the high-growth lifestyle therapeutic segment like Cardiovascular, Diabetic, Gastrointestinal and Gynaecology by acquiring the entire domestic non-oncology formulation business of Dabur Pharma Ltd. with 24 brands for a consideration of Rs. 159 Crores. It was the largest acquisition in the domestic pharma sector in recent times. The business revenue of the division on an annual basis is Rs. 75 Crores.

The acquisition gives your Company a strategic entry into the classical Cardiovascular, Diabetological & Gynaecological segments through the acquired brands' erstwhile franchise in these therapeutic segments. Besides, the acquired product-mix also brings to Alembic's fold, leading brands in gastroenterological segment, to fortify our foray in that therapeutic area in the recent years.

We at Alembic have created a new marketing arm, named "Summit," to cater to the needs of these speciality segments and aim to ramp up this business significantly by introducing new products and aggressively growing existing products in the immediate future. A 400+ strong sales and support team has come onboard from 1st April 2007.

With this acquisition, Alembic which has created a brand franchise into anti-bacterial, cough & cold, gastroenterological segments; will now have a marketing play also in the lifestyle segments as well as in gynaecological, to strategically consolidate its in-market position.

**24**  
active  
brands  
acquired

# Milestone NDDS Licensing Agreement with UCB, Belgium

Alembic entered into a licensing agreement for its Novel Drug Delivery Platform for Keppra® XR (Levetiracetam Extended Release Tablets) with UCB, Belgium.

Under the terms of the agreement, Alembic will receive milestone based payments of \$11 million and royalty on future worldwide net sales of Keppra® XR, subject to necessary legal and regulatory approvals. Phase III clinical trials on Keppra® XR, the once daily formulation of Keppra® XR, are in progress and results are expected in the fourth quarter of 2007. Keppra® XR is UCB's leading anti-epileptic drug and recorded sales of \$1 billion globally in 2006.

The Alembic NDDS licensing agreement marks the end of a 12 year hiatus for the Indian pharma industry which registered its last NDDS deal in 1994-95. A drug modified through NDDS would be released slowly in the body over a longer period of time, thereby helping patients reduce their frequency of tablet intake. The development of Levetiracetam XR is a milestone for the Alembic's Novel Drug Delivery System (NDDS) programme and marks a major technological breakthrough.

A few other platforms are in advanced stages of development and are protected by suitable patents.

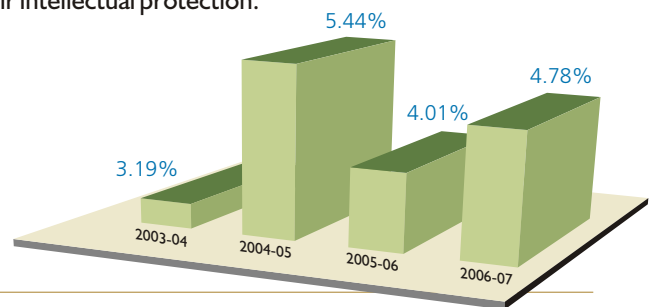


Proven Performance

Prodigious Potential

Identifying ground-breaking ideas and leveraging R&D expertise to further business strategy is a continuing endeavour at Alembic. Alembic Research Center, with its world class infrastructure continued its expansion through the development of novel and cost competitive technologies and their intellectual protection.

R&D Expenses as a percentage of sales



Our multidisciplinary R&D portfolio includes:

- 1 Generic Research
- 2 Formulations Research
- 3 Contract Research
- 4 Bioequivalence

### GENERIC RESEARCH

In recent years, our research wing has developed acute focus on development of non-infringing processes for high value Active Pharmaceutical Ingredients (APIs) with a clear aim to gain a firm foothold in the international generics segment in the developed markets. We are also exploring bio-transformation as a tool for developing cost-effective processes.

Our thrust on process research is reflected in the 200+ strong team of scientists working in our state-of-the-art R&D center with a view to develop the best cost-effective and environment friendly routes for the production of high quality APIs.

Six US DMFs were filed this year taking the cumulative figure to 14.

Ropinirole HCl	Telmisartan	Irbesartan
Clarithromycin USP	Venlafaxine C	Meprobamate

### FORMULATIONS RESEARCH

This discipline focuses on the expertise to develop tablets, pellets, capsules, liquids, semisolids and powders and undertakes Drug Delivery Research in the area of Oral - Controlled Release Systems.

## CONTRACT RESEARCH

The Alembic Research Center is Information Security Management System BS7799 certified and offers contract research & manufacturing services in the area of Chemistry to Global Drug Discovery companies. It offers Route Identification and Selection, Custom Synthesis & Compound Supply of NCEs, Process Innovation, Development and Optimization, Preparation & Enrichment of Impurities, Isolation of Impurities using Chromatographic Techniques and their characterizations, HPLC & GC based Method Development & Validation as per protocol. Alembic Research Center also offers phosgene chemistry & manufacture of phosgene derivatives, management of hazardous reaction by proper process engineering. In the area of manufacturing, it offers, scale-up from mg-gm-kg-MT levels and manufacturing of intermediates and advanced intermediates.

Alembic Research Center has established its client-base in US, Europe and South-East Asian Markets. It has been empanelled as an Approved Supplier by selected Pharma MNCs and regularly supplies Intermediates and Advanced Intermediates on a campaign basis from grams to 100s of kilos.

## INTELLECTUAL PROPERTY

Obtaining adequate protection for the intellectual property associated with R&D activities continues to be a key business imperative. We apply for intellectual property protection in potentially high value advance markets for all inventions and innovations being created as a result of the investments in R&D. During the year 06-07, Alembic has accelerated its patent filing process.

## BIOEQUIVALENCE

Alembic Research Center's state-of-the-art Bioequivalence Center received approval from DCGI. Till date the center has conducted several pilots as well as pivotal studies for various regulatory submissions like MCC South Africa, TPD Canada & EU. The center has a 36-bed facility with ICU & a sophisticated Bioanalytical Laboratory with 3 LC-MS/MS Systems. The center is planning to take up studies for USFDA and is actively working towards International Regulatory approvals.

Apart from its research endeavours, Alembic Research Center is also undertaking proactive efforts towards the intellectual development of its existing scientific talents and has initiated in-house Ph.D. programmes and knowledge-enhancement programmes.



## International Division

Extensive Experience

Emerging Opportunities

Global sales currently contribute approximately 20% of Alembic's revenues. With an aim to double this contribution in the next four years, Alembic reconstituted a division completely focused to business development for the global markets.

The International Division will focus on developing and executing business strategies to leverage Alembic's inherent strengths in diverse geographies. It will map opportunities in each geography against Alembic's offerings across the entire pharmaceutical value chain and translate these opportunities to sales.

Identified strengths include, core competence in fermentation manufacturing, contract manufacturing and end-to-end integration in Macrolides.

### DEVELOPED MARKETS

The generic drug industry is entering a period of radical change and restructure. As the industry matures, the operating environment is changing rapidly and the pace of corporate consolidation growing even faster. Alembic has chosen to adopt the 'Local Marketing Alliances' route to tap the generics market in US, Europe, Canada and South Africa. Alembic will directly file product registrations and produce generic products, which will be marketed by the local partner. Over a dozen agreements have been signed.

Alembic with its vertical integration in R&D, manufacturing of intermediates, APIs and dosage forms offers a lean and competitive structure for contract manufacturing. This year our Panelav Formulations manufacturing facility received re-approval from the UK MHRA. Very soon Alembic will commence contract manufacturing for a large MNC Innovator.

The International Division will focus on four revenue streams from the global markets:

1	Sale of APIs
2	Supply Chain Partnership with pharma majors and leading generic players
3	Formulation Development
4	Custom Synthesis

Alembic plans to create a robust product basket by enhancing its DMF and ANDA filings. The company is also actively working on forays in oncology. The goal is to leverage existing assets and develop new assets for the future.





## EMERGING MARKETS

International sales of branded formulations grew from \$4.49 million in the previous year to \$7.25 million this year registering a heady 61% growth.

### Key Products

Branded		NSA
Glycodin Syrup	Roxid Tab	FPP 4 mega
Ceftriaxone Inj 1 gm	Azithral Tab	BP 5 mega
Nimegesic Tab	Zeet Expectorant Syrup	Benz 2.4 mega



Russia witnessed a lot of action. Glycodin received OTC status in Russia and your Company launched a TV and print media ad campaign. Sales of Glycodin grew by 310% and rose from from \$0.47 million to \$1.93million.

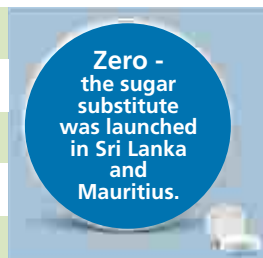
Our Ceftriaxone Inj 1 gm garnered a 15.2% market share and ranked as the No.1 in Russia in terms of units sold in FY 06-07 in the Hospital sector.

Having tasted success in the below listed key markets, the International Division is spreading its wings to other markets in Africa and South East Asia.

### Key Markets

### New Markets

Russia	Nigeria	Congo	Singapore
Ukraine	Myanmar	Ghana	Zambia
Kenya	Uganda	Mozambique	Malawi
Tanzania	Malayasia	Central Africa Region	Philippines
Vietnam	Sri Lanka	Franco Phone West Africa	



## Directors' Report

To the Members,

Your Directors have pleasure in presenting their 100th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2007.

### 1 Financial Results

(Rs. in Lacs)

For the year ended 31st March	2007	2006
Profit for the year before Interest, Depreciation, Non-recurring expenses and Tax.	12,476	12,092
<b>Deducting therefrom:</b>		
Interest (net)	752	867
Depreciation	2,906	2,876
Non-recurring expenses	1,759	-
Provision for deferred tax	(1)	(90)
Provision for current taxes	878	875
Excess provision of Income Tax no longer required	(886)	(288)
	7,068	7,852
<b>Adding thereto:</b>		
Balance brought forward from last year	3,735	2,462
The amount available is	10,803	10,314
<b>Appropriating therefrom:</b>		
Provision for Dividend - Equity Shares	1,385	1,385
Provision for Corporate Dividend Tax	235	194
General Reserve	5,000	5,000
Balance carried forward to next year's accounts	4,183	3,735
	10,803	10,314

## Directors' Report

### 2 Dividend

Your Directors recommend Dividend on Equity Shares at Rs. 1/- per share (i.e. 50 per cent) of face value of Rs. 2/- per share for the year ended on 31st March, 2007 as against Rs. 5/- per share (i.e. 50 per cent) of the face value of Rs. 10/- per share for the year ended on 31st March, 2006.

### 3 Management Discussion and Analysis

The Report on Management's Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges is enclosed as Annexure A to this report. Certain statements in this section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

### 4 Operations

The Company's gross sales including export incentives were Rs. 722 Crores for the year ended 31st March, 2007 as compared to Rs. 666 Crores for the previous year, which reflects a growth of 8% over the previous year.

The Profit before interest, depreciation, non-recurring expenses and taxes was Rs. 124.76 Crores for the year under review as compared to Rs. 120.92 Crores for the previous year.

During the year, the interest and financing cost has been Rs. 7.52 Crores as compared to Rs. 8.67 Crores in the previous year due to better financial management.

#### Domestic Formulation Sales:

Sales of domestic formulations for the year ended 31st March, 2007 is Rs. 491.74 Crores as compared to Rs. 456.42 Crores for the previous year ended 31st March, 2006, registering a growth of 8%.

This was due to improved performance of existing brands & introduction of new brands. New brands contributed 10% of revenue.

#### Domestic API Sales:

The domestic sales of API was Rs. 72.44 Crores for the year ended on 31st March, 2007 as compared to Rs. 70.26 Crores for the previous year.

#### Export Formulation Sales:

The sales of formulations export was Rs. 61.50 Crores for the year ended 31st March, 2007 as compared to Rs. 50.76 Crores in the previous year ended 31st March, 2006, aggregating a growth of 21% over previous year. The above includes sales to the Regulated Market of Rs. 22.07 Crores for the year ended 31st March, 2007 as compared to Rs. 10.36 Crores for previous year ended on 31st March, 2006.

#### Export API Sales:

The export sales of API was Rs. 76.80 Crores for the year ended on 31st March, 2007 as compared to Rs. 77.34 Crores for the previous year. The above includes sales to the Regulated Market of Rs. 27.01 Crores for the year ended 31st March, 2007 as compared to Rs. 29.23 Crores for previous year ended on 31st March, 2006.

### 5 Acquisition of Non-Oncology Business of M/s Dabur Pharma

The Company signed a Business Transfer Agreement with Dabur Pharma Ltd. on 31st January, 2007 for purchase of their entire non-oncology domestic formulation business w.e.f 1st April, 2007.

The purchase was completed on 1st April, 2007, and the full consideration of Rs. 159 Crores paid. The Company has commenced the business in its name and the financial results of the acquisition will get reflected in the Company's result from 1st April, 2007.

Brands acquired from Dabur Pharma Ltd. are in the high growth lifestyle therapeutic segments of Cardiology, Diabetology and Gynaecology. The Company has created a new marketing arm named 'Summit' to cater to the needs of customers belonging to these speciality segments. Your Company is already the largest player in the Macrolides (Anti-infective) segment of drugs in India and is now primed to increase market share in the lifestyle segments.

Domestic  
formulation sales  
registers  
a growth of  
8%



Export  
formulation sales  
registers  
a growth of  
21%

## Directors' Report

### 6 Sub Division of Shares

During the course of the year your Company split the face value of equity shares from Rs. 10/- per share to Rs. 2/- per share. Accordingly 13,84,54,905 equity shares of Rs. 2/- each were issued to each of Company's shareholders holding equity shares of Rs.10/- each on record date of 4th October, 2006.

### 7 Listing of Shares

The equity shares of the Company continue to be listed on The Mumbai Stock Exchange, (BSE) and National Stock Exchange of India Limited (NSE).

### 8 Fixed Deposits

The fixed deposits, including from shareholders as on 31st March, 2007 amounted to Rs. 10.82 Crores. Unclaimed deposits of Rs. 36.13 Lacs from 278 depositors have been transferred to current liabilities. Out of this, deposits of Rs. 11.77 Lacs have since been repaid or renewed at the option of 63 depositors. For the balance Rs. 24.36 Lacs from 215 depositors, no instructions have been received so far and if not claimed in the future, it shall be deposited in the 'Investors Education & Protection Fund', as per the provisions of the Companies Act, 1956.

### 9 Directors

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. P.N. Parikh, Director of the Company, will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. R.R. Patel and Mr. R.M. Kapadia, Directors of the Company, ceased to be Directors of the Company w.e.f 31st January, 2007.

Mr. Paresh Saraiya and Mr. Pranav Amin were appointed as Directors of the Company w.e.f 31st January, 2007 owing to the casual vacancies created by the resignations of Mr. R.R. Patel and Mr. R.M. Kapadia respectively.

The terms of offices of Mr. Paresh Saraiya and Mr. Pranav Amin, will expire at the ensuing Annual General Meeting in terms of Section 262 of the Companies Act, 1956. The Company has

received notices under section 257 of the Companies Act, 1956 from members proposing them as candidates for the office of Directors of the Company.

The brief resumes of Mr. P.N. Parikh, Mr. Paresh Saraiya and Mr. Pranav Amin are given in the Corporate Governance Report.

### 10 ONGC Gas Matter

The members will be pleased to know that the long standing litigation with ONGC has been finally & fully settled. The detailed note in this respect has been provided in Para 4 of Schedule T regarding Notes forming parts of Accounts.

### 11 Energy, Technology and Foreign Exchange

In accordance with the provisions of 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, the relevant information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure - B to this report.

### 12 Particulars of Employees

The information required under section 217(2A) of the Companies Act, 1956, read with Companies (particular of Employees) Rules, 1975, forms part of this report as Annexure C. However, as permitted by section 219(1)(b)(iv) of the Companies Act, 1956, this Annual Report is being sent to all shareholders excluding this Annexure. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary.

### 13 Corporate Governance

Your Company strives to incorporate standards for good Corporate Governance. It has complied with all the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company's shares are listed.

## Directors' Report

A separate report on Corporate Governance is produced as a part of the Annual Report, along with the Auditor's Certificate on compliance.

As required, vide clause 49 of the listing agreement on Corporate Governance, the board has laid down a code of conduct for all members and senior management team of the Company. The said code of conduct has been posted on the website of the Company [www.alembic-india.com](http://www.alembic-india.com). All Board members and senior management personnel of the company have affirmed the requirements of the said code of conduct.

### 14 Audit Committee

During the year, the Audit Committee of the Company has been reconstituted on account of resignation of Mr. R.R. Patel. The Audit Committee now consists of Dr. B.R. Patel, Mr P.N. Parikh. and Mr. Paresh Saraiya. Mr. Paresh Saraiya has been appointed as member of the Committee w.e.f 31st January, 2007 in place of Mr. R.R. Patel. Dr. B.R. Patel has been appointed as Chairman of the said Committee. The Committee reviewed the internal control system, scope of internal audit and compliance of various regulations. The Committee also reviewed at length the annual financial statements and approved the same prior to being presented to the Board of Directors.

### 15 Auditors

M/s K.S. Aiyar & Co., the Company's Auditors, will retire at the conclusion of the ensuing Annual General meeting and are eligible for re-appointment as Auditors. Members are requested to re-appoint them and fix their remuneration.

The Company has appointed M/s. Sharp & Tannan, Chartered Accountants, as its Internal Auditors to carry out the Internal Audit of the various operational areas of the Company.

### 16 Cost Auditors

The Central Government has directed that an audit of Cost Accounts maintained by the Company relating to Bulk Drugs and Formulations for the year ended on 31st March,

2007 be conducted by an Auditor with qualification prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly, the Board had appointed Mr. H. R. Kapadia as Cost Auditor for the year ended on 31st March, 2007.

### 17 Human Resource Development

Human capital has always been your Company's most important and valuable asset. Your Company has enhanced its performance management process that motivates people to take ownership of their own performance and encourages innovation and meritocracy. Your Company has created people practices which enables it to attract and retain talent. Employee relations in your Company continue to be cordial and harmonious.

### 18 Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

(i) That accounting policies as listed in the 'Schedule T' of the financial statements have been selected and consistently applied. Reasonable & prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2007 and of the profit of the Company for the accounting year ended on that date.

(ii) That proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provision of the Act, so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

(iii) That the annual accounts have been prepared on a 'going concern' basis.

On behalf of the Board of Directors,

**Chirayu R. Amin**

Chairman & Managing Director

Vadodara, 22nd May, 2007

## Annexure A

### Management Discussion and Analysis

Currently, the Indian pharma industry is a \$ 10 billion industry, growing at a rate of 8-9% annually. The Indian pharmaceutical industry ranks 4th in terms of volume and 13th in terms of value and around 8% of the world's drugs are manufactured in India.

Following the de-licensing of the pharmaceutical industry, industrial licensing for most of the drugs and pharmaceutical products has been done away with. The pharmaceutical industry, with its rich scientific talents and research capabilities, supported by Intellectual Property Protection regime is well set to take on the international market.

Until India's commitment to the World Trade Organisation's (WTO) Intellectual property rights in 1995, Indian pharma companies could sell imitations of global pharma drugs in the Indian market. So as a new molecule was globally launched, Indian pharma companies would merely copy the molecule and introduce it in the domestic market. Consequently, a plethora of pharma companies would market the same product in India, under different brand names.

#### Strengths:

**Low cost:** Indian manufacturers are one of the lowest cost producers of drugs in the world.

**Strong technical skills:** Indians possess excellent chemistry and process re-engineering skills.

**Large untapped market:** India with a population of over a billion is a largely untapped market. The penetration of modern medicine is less than 30% in India.

**Huge market for lifestyle drugs:** Changing lifestyles in urban and rural centres.

**Legal & Financial framework:** Solid legal framework and strong financial markets.

#### Weakness:

**Poor R&D expenditure:** Compared to global pharmaceutical industry, Indian R&D expenditure is still minuscule, which could have a negative effect in the long run.

**Price regulation:** The Indian Pharma companies are marred by the price regulation.

**Low entry barriers:** Due to very low barriers to entry, Indian pharma industry is highly fragmented.

#### Opportunities

**Off-patent drugs:** Large number of drugs is going off-patent in Europe and US between 2005 and 2009. This offers a big opportunity for the Indian companies to capture this market.

**Expansion:** Opening up of health insurance sector and expected growth in per-capita income are key growth drivers from a long term perspective.

**Outsourcing:** Being the lowest cost producer combined with FDA approved plants, Indian companies can become global outsourcing hubs for pharmaceutical products.

#### Threats:

**Transition from process patent to product patent:** this is the major threat to Indian pharma industry.

**Other low cost countries:** Threats from other low cost countries like China and Israel exist.

**Increase in crude oil price:** This would affect bulk drug units due to increase in prices of solvents and energy cost.

### Critical Business Factors

Given the multitude of companies in the Indian market, a whole range of factors come into play in determining relative competitive position. Four of these stand out: research expertise, re-engineered manufacturing process, optimised product mix and dynamic marketing & distribution setup.

**\$10 billion**  
Indian pharma  
industry is  
growing at a  
rate of  
**10% annually**

(Source: ORG-IMS)



## Annexure A

### Outlook

The Company is well positioned in the emerging business scenario with a clear objective to enhance market share in the domestic and select international markets by way of spending more on R&D front, achieving higher level of productivity and efficiency in all areas of operations.

### Finance

The Company has registered a net income of Rs. 709.62 Crores for the year under review as compared to Rs. 651.47 Crores for the previous year ended on 31st March, 2006. The Profit, before providing for Interest, Depreciation, Non-recurring expenses and Taxes, was Rs. 124.76 Crores for the year under review as compared to Rs. 120.92 Crores for the previous year. The Company has made a profit after tax of Rs. 70.68 Crores for the year under review, as compared to Rs. 78.52 Crores for the previous year. The Company raised temporary loan of Rs. 142 Crores for payment obligation to Dabur Pharma Ltd. in terms of Business Transfer Agreement dated 1st April, 2007. Amount raised was deployed as fixed deposit with Bank as on 31st March, 2007

### Internal Control Systems and Adequacy

The Company maintains a system of well-established policies and procedures for internal control of operations and activities. The internal audit function is being further strengthened in consultation with statutory auditors for monitoring statutory and operational issues. The Company has appointed M/s Sharp & Tannan, Chartered Accountants, as Internal Auditors.

The prime objective of such audit is to test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements. If there are any significant issues, they are immediately brought to the notice of the audit committee. The Company carries out the suggestions and recommendations made by the audit committee who review it periodically.

Moreover, the Company has obtained ISO 9001 and ISO 14001 certification and adheres to the Standard Operating Practices in its manufacturing and operating activities.

### Human Resource Intervention in 2006-2007

In keeping with its performance driven culture and to reinforce the “people oriented culture” that Alembic has built over the years, your organization has taken up several key initiatives this year.

To maximize strategic use of human resources, your Company has introduced new performance management process. This process is an organized way of achieving shared understanding of goals, standards, means and aligning and canalizing people energies towards the end objective. The concept of variable pay has been reinforced and has been made more aggressive based on performance.

As a part of knowledge management program, “IPR Knowledge Enhancement” initiative was launched to focus on enhancing IPR competency across the organization. Our research center has been approved as an institution to guide post graduate students to pursue Ph.D. program by M.S. University, Vadodara.

Your organization has continued to attract best talent in strategically critical areas of competence. The concept of Cross Functional Teams has been reinforced and institutionalized. Need based changes in the organizational structure were effected to facilitate speedy execution of business processes.

The Company  
has registered a  
net income of  
**Rs. 709.62**  
crores



## Annexure A

### Health, Safety, Security and Environment

Health, Safety, Security and Environment is at the core of our business and all employees are accountable for it. Alembic conducts operations using sound health, safety, security and environment system, which reflects the best industry practice. As a part of annual plan, Alembic carried out following activities :

- Basic safety training was imparted to all factory employees including temporary workers. Safety and technical competency development programmes were carried out to improve competencies of employees and employees of contractors for safety critical jobs.
- Work place inspections were carried out by executives and managers at all levels. Senior management team members demonstrated leadership commitment through work place inspections.
- Reduced waste generation and improved waste management by collecting and disposing of all waste in an environment friendly manner.
- Developed green cover by tree plantation across premises and factory.
- Reduced level of sound pollution by providing acoustic enclosures on certain set of machinery and DG/compressor sets.

The Company  
has obtained  
ISO 9001  
and ISO 14001  
certification

### Contribution to Society

Alembic is committed to enhancing the quality of life of the community it operates in. During the year, Alembic undertook a number of development projects with a focus on health, education and vocational training. Alembic supports 5 schools with over 5000 children across primary, secondary and higher secondary streams. Students of these schools have made Alembic proud by consistently securing ranks at state, district and city levels.





## Annexure B

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### A. Conservation of Energy

The company is committed to preservation of environment and conservation of natural resources. During the financial year 2006-07, following measures were taken.

#### a) Energy conservation measures during the year under review:

1. Replaced 11KW, 45% efficiency raw water feed pump of R/O plant by 5.5 KW, 75% high efficiency pump.
2. Replaced 3X18 KW, 45% efficiency cooling tower pump by 18KW 75% efficiency high tech pump.
3. Installed a ZT75 VSD FF, micro controller based 457 CFM Atlas Copco air compressor having an inbuilt desiccant drier which reduces compressed air losses during recharging of desiccant.
4. The Captive Co-generation power plant consist of 3x4.2 MW Gas Turbine Generator and associated Heat Recovery Steam Generation (HRSG) unit has been operated optimally.
5. 5-MW Wind Farm Generation, run throughout the year with expected level of efficiency.
6. Installed Air Compressor at high pressure consumption point & reduced main grid air pressure resulting in reduction of compressor power.
7. By modifying system, pumping eliminated at Ery. recovery, effluent treatment & utility plant resulting in saving of pumping power.
8. By modifying air distribution network, reduced specific power consumption of process air compressors.
9. Combined Brine Machines to F.D. cooling tower resulted in reduction of specific power consumption.

#### b) Additional investment proposals for reduction of consumption & cost of energy:

1. Installation of high efficiency pumps in chilled water system.

2. Installation of Hydro Electric Control System in Water Chilling Plant for cooling water and chilled water.
3. Installation of Electronics Ballast in Service Floor Area Lighting System to reduce energy consumption.

#### c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

1. Lower consumption of electricity and cost of power decrease.
2. Equipment will operate at its optimum efficiency.
3. Installing Electronic Ballast Power reduced consumption from 55Watt to 28Watt per tubelight.

#### d) Total energy consumption and energy consumption per unit of production.

Form A enclosed.

### B. Technology Absorption

#### Efforts made in technology absorption.

Form B enclosed.

### C. Foreign Exchange Earning and Outgo

1. The export sales were Rs. 149.53 Crores (FOB) during the year under review. The Company has undertaken aggressive marketing strategies to increase share of export business.
2. Total Foreign exchanges used and earned:

Please refer para 18 (E) & (F) of Schedule T - "Notes Forming Part of Accounts."



## Form: A

Form for disclosure of particulars with respect to conservation of energy.

### A. Power and Fuel Consumption:

For the year ended 31st March	2007	2006
<b>I. Electricity:</b>		
(a) Purchased Units (KwH)	96,21,624	1,49,12,286
Total Amount Rs.	6,87,21,799	8,54,51,527
Rate (Rs./Unit)	7.14	5.73
(b) Own Generation:		
(i) Through diesel generator:		
Units (KwH)	8,78,513	13,18,226
Units per liter of diesel oil	2.94	3.13
Cost (Rs./Unit)	10.91	9.24
(ii) Through Gas/Steam Turbine/Generator		
Units (KwH)	5,53,41,748	6,09,46,364
Units per LTR/M <sup>3</sup> /M.T./LTR of Fuel		
Oil/Gas/Steam/HSD	2.675	2.838
Fuel Cost (Rs./Unit)	1.899	1.660
<b>2. Furnace Oil Qty. (K.Ltrs.)</b>	1,473	1,673
Total Amount Rs.	2,59,47,798	2,63,14,187
Average Rate (Rs./KL)	17,614	15,732
<b>3. Other/Internal Generation:</b>		
(a) Natural Gas		
Qty. (Cubic meter)	1,33,92,848	1,45,90,011
Amount (Rs.)	7,88,78,080	7,83,52,389
Rate/Unit (Rs./M <sup>3</sup> )	5.89	5.37
(b) Steam (Purchase):		
Qty. (M.T.)	26,766	35,533
Amount (Rs.)	2,45,31,251	2,99,26,366
Rate/Unit (Rs./M.T.)	916.51	842.21
<b>4. Wind Farm Generation:</b>		
Units (KwH)	1,12,00,042	96,38,318

### B. Consumption per unit of Production:

In view of the number of products with different sizes, shapes and other parameters being manufactured by the Company, it is not feasible to give information on consumption of fuel per unit of production.

## Form: B

**161 patents  
for APIs &  
Intermediates  
have been filed**



### A. Research and Development (R&D)

#### R&D's Areas of Focus

- Process Improvements & Contract Research.
- Collaboration with National Universities and Institutes.
- Formulation Development.
- Microbial Research.
- BE Studies.

#### Benefits Derived as a Result of R&D

- Our R&D wing has developed non-infringing processes for several APIs meant for the regulated markets leading to filing of 6 DMFs this financial year.
- Our endeavor to expand our product pipeline and the tenacity of purpose has established itself making us a strongly Research-driven Organization.
- Till date 161 patents for Active Pharmaceutical Ingredients (APIs) & Intermediates have been filed.
- Company has increased client base in USA and Europe. In the Custom Synthesis business, we have become Approved Suppliers for couple of Pharma MNCs and regularly supply Intermediates and Advanced Intermediates on campaign basis from Grams to 100s of Kilos.
- Technology of new products have been developed at the lab scale and also on the synthetic front; scale-up and commercial production of Alendronate, Leviteracetum and Valsartan have been completed during the year.

#### Future Plan of Action

- The No. of DMFs filed is going to grow in the following years and this will result in filing more ANDAs than the three that we have already filed this year.
- We believe our persistent internal development as well as expanding external collaboration will result in ensuring us a much stronger global presence in the years to come.
- Contract research with Multi National Companies (MNCs) will continue.
- Fermentation being the core area of the organisation, new molecules representing cardiovascular, and nutraceutical segments are the focus of the future. For the existing products, lovastatin and erythromycin, continuous improvement in terms of better producing strains, cost-effectiveness and quality of the product are priority areas to remain in the fiercely competitive price market. Opportunities are also being explored in the area of Contract manufacturing for some of our spare fermentation facilities to add to our business revenues.

#### Expenditure on R&D

(Rs. In Lacs)

(a) Capital (including WIP)	1,178
(b) Recurring	2,276
(c) <b>Total</b>	<b>3,454</b>
(d) Total R&D expenditure as a 5% of total turnover.	

## Form: B

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Form for disclosure of particulars with respect to technology absorption etc.

### B. Technology Absorption, Adaptation and Innovation

#### 1) Efforts made towards technology absorption, adaptation and innovation

The fermentation technology refinement & absorption and technology development of organic synthesis which are developed in our R&D laboratories, are scaled up in our pilot plant and then implemented at the production scale.

#### 2) Benefits derived

Introduction of strains giving higher productivities, use of cheaper raw material and various strategies to reduce utility cost has helped us to remain in the price competitive market for our existing products.

#### 3) Information regarding technology imported during last five years

Nil.

# Report on Corporate Governance

## 1 Company's Philosophy

Corporate governance is about commitment to values and ethical business conduct. It is about how an organisation is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company is an important part of corporate governance. This improves public understanding of the structure, activities and policies of the organisation. Consequently, the organisation is able to attract investors, and enhance the trust and confidence of the stakeholders.

The Company has always been committed to the principles of good corporate governance.

The Board of Directors at Alembic believe and fully support the principles of corporate governance. The Company has a well defined mission and values which will drive the business principles.

Alembic, while striving to achieve financial targets, seeks to follow the business principles and ethics in all its dealings and believes in customer orientation, team work, commitment, growth and trust as its corporate values. The Board of Directors strives to represent the shareholders' interest to ensure optimal returns. At the same time, it is also responsible to all the other stakeholders including customers, employees, suppliers and to the communities where it operates.

Alembic, aims to deliver customer satisfaction by developing and maintaining mutually beneficial and long lasting relationship with customers, offering value in terms of price, safety and quality and responding to customers' needs through continuous innovation.

Alembic endeavours to make its management team fully empowered to take the Company forward within the framework of effective accountability, which in turn enables the conversion of opportunities into achievements for the betterment of the Company and its stakeholders. The Board has also institutionalised best management practices to bring about an atmosphere of accountability. Systems are being put into place to ensure effective strategic planning, optimum risk management, financial plans and budgets, integrity of internal controls and reporting, communication policy with emphasis on transparency and full disclosure on the various facts of the Company's operations, its functioning and its financial and total compliance with all statutory / regulatory requirement not only in the letter of the law but also in its spirit.

## 2 Board of Directors

- **Composition of the Board**

It is well recognised that there should be optimum combination of executive and Non-Executive Directors. The Company's Board meets this requirement as it consists of 4 Non-Executive Directors (50% of the Board Strength), and 4 Independent Directors (50% of Board Strength).

- **Number of Board Meetings held and their dates**

5 Board Meetings were held during the period from 1st April, 2006 to 31st March, 2007. The dates on which the said meetings were held are as follows:

26th April, 2006	18th July, 2006	17th October, 2006	17th January, 2007	31st January, 2007
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# Report on Corporate Governance

## 2 Board of Directors - Contd.

• Attendance of each Director at the Board Meetings and the last AGM					
Name of Director	Category	No. of other Directorships held (Excluding Directorships in foreign & private Companies)	No. of Board Committees as Member / Chairman	No. of Board Meetings attended	Attendance at the last AGM
Mr. C.R. Amin Chairman & MD	WTD	7	1 (as Chairman)	5	Yes
Mrs. M.C. Amin	WTD	3	2 (as Member)	5	Yes
Mr. R.K. Baheti Director, President - Finance & Company Secretary	WTD	3	Nil	5	Yes
Dr. B.R. Patel	N.E.D (I)	Nil	2 (as Chairman)	4	Yes
Mr. P.N. Parikh	N.E.D (I)	2	2 (as Member)	2	No
Mr. K.G. Ramanathan	N.E.D (I)	Nil	-	3	No
Mr. Paresh Saraiya (w.e.f. 31-01-2007)	N.E.D (I)	2	3 ( as Member)	1	N.A
Mr. Pranav Amin (w.e.f. 31-01-2007)	Executive Director	Nil	1 (as Member)	1	N.A
Mr. R.R. Patel (Upto 31-01-2007)	N.E.D (I)	N.A	N.A	4	Yes
Mr. R.M. Kapadia (Upto 31-01-2007)	N.E.D	N.A	N.A	4	Yes
MD Managing Director      N.E.D Non-Executive Director WTD Whole-time Director      N.E.D (I) Non-Executive & Independent Director					
As required by the Companies Act, 1956 and clause 49 of the listing agreement with stock exchanges, none of the Directors hold Directorship in more than 15 Public Companies, membership of Board Committees (Audit & Investor Grievance Committees) in excess of 10 and Chairmanship of Board Committee in excess of 5.					

## 3 Audit Committee

<ul style="list-style-type: none"> <li> <b>Composition &amp; Terms of Reference</b>            Presently, the Audit Committee comprises of 3 Directors viz. Dr. B.R. Patel, Mr. P.N. Parikh &amp; Mr. Paresh Saraiya. Mr. R.R. Patel, Chairman of the Audit Committee, ceased to be a member of the Committee on account of his resignation w.e.f. 31st January, 2007. Dr. B.R. Patel has been appointed as Chairman of the Committee w.e.f. 31st January, 2007. All the Directors in Audit Committee are Non-Executive &amp; Independent Directors. The terms of reference of the Committee are wide enough to cover the matters specified for Audit Committee under the Listing Agreements. The Statutory Auditors, Internal Auditors, President - Finance and General Manager (Accounts) of the Company are invited to attend the Meetings of the Audit Committee. The Joint Company Secretary acts as Secretary of the Committee.             Both Mr. R.R. Patel and Dr. B.R. Patel were present at the last Annual General Meeting held on 30th August, 2006.         </li> </ul>
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# Report on Corporate Governance

## 3 Audit Committee - Contd.

- Meetings and the attendance during the year**

There were 3 meetings of the Audit Committee during the year. These were held on 26th April, 2006, 18th July, 2006 and 17th January, 2007. A meeting dated 17th October, 2006 could not be held on account of non-formation of quorum for the meeting. All the business of the said meeting was taken up at the Board meeting dated 17th October, 2006. The attendance of each member of the Committee is given below:

Name of Director	Category of Director	No. of Meetings Attended
Mr. R.R. Patel (Upto 31-01-2007)	Non-Executive - Independent	3
Dr. B.R. Patel	Non-Executive - Independent	3
Mr. P.N. Parikh	Non-Executive - Independent	Nil
Mr. Paresh Saraiya (w.e.f. 31-01-2007)	Non-Executive - Independent	Nil

## 4 Remuneration Committee

(Rs. in Lacs)

The Company does not have a Remuneration Committee of Directors. The remuneration of Managing Director, Whole-time Director, Director & President - Finance and Company Secretary is approved by the Board within the overall limit fixed by the shareholders at their meeting.

- Details of Remuneration paid to Directors**

- a. Executive Directors**

All elements of remuneration package i.e. salary, benefits, bonus, pension etc. paid to Executive Directors are as under:

Name of Director	Salary & Perquisites	Commission	Total
Mr. Chirayu Amin (Managing Director)	38.98	376.37	415.35
Mrs. Malika Amin (Whole-time Director)	29.16	220.05	249.21
Mr. R.K. Baheti (Director, President - Finance & Company Secretary)	71.70	-	71.70
Mr. Pranav Amin (Director & Chief Business Development Officer - International Division) (w.e.f. 31-01-2007)	2.77	-	2.77
<b>Total</b>	<b>142.61</b>	<b>596.42</b>	<b>739.03</b>

**Notes:**

- The agreement with the Executive Directors is for a period of 5 years.
  - Mr. C.R. Amin, Managing Director - renewed w.e.f. 01-05-2003
  - Mrs. M.C. Amin, Whole-time Director - renewed w.e.f. 02-07-2003
  - Mr. R. K. Baheti, Director, President - Finance & Company Secretary - w.e.f. 25-01-2003
- There is no separate provision for payment of severance fees.
- The Company does not have any Stock Options Scheme.

# Report on Corporate Governance

## 4 Remuneration Committee - Contd.

### b. Non-Executive Directors

Non-Executive Directors are paid the sitting fees for attending Board / Committee Meetings @ Rs. 5,000/- per meeting.

Name of Director	Sitting Fees for Board Meetings (Rs.)	Sitting Fees for Committee Meetings (Rs.)	Total Fees Paid (Rs.)
Dr. B.R. Patel	20,000	65,000	85,000
Mr. R.R. Patel (Upto 31-01-2007)	20,000	60,000	80,000
Mr. R.M. Kapadia (Upto 31-01-2007)	20,000	45,000	65,000
Mr. P. N. Parikh	Nil	Nil	Nil
Mr. K.G. Ramanathan	15,000	Nil	15,000
Mr. Paresh Saraiya (w.e.f. 31-01-2007)	5,000	15,000	20,000

## 5 Shareholders'/Investors' Committee

Shareholders'/Investors' Committee comprises of 3 Directors viz. Dr. B.R. Patel, Mr. Paresh Saraiya & Mr. Pranav Amin, which looks into Shareholder and Investor related matters. Dr. B.R. Patel, a Non-Executive and Independent Director, is Chairman of the Shareholders'/Investors' Committee w.e.f. 31st January, 2007. Mr. R.R. Patel, Chairman and Mr. R.M. Kapadia ceased to be members of the Committee w.e.f. 31st January, 2007 and in their places Mr. Paresh Saraiya and Mr. Pranav Amin appointed as members of the Committee w.e.f. 31st January, 2007. Dr. B.R. Patel is appointed as Chairman of the Committee w.e.f. 31st January, 2007.

### • Meetings and the attendance during the year

There were twelve meetings of the Shareholders'/Investors' Committee during the year. The attendance of each Member of the Committee is given below:

Name of Director	Category of Director	No. of Meetings Attended
Mr. R.R. Patel (upto 31-01-2007)	Non-Executive - Independent	9
Dr. B.R. Patel	Non-Executive - Independent	10
Mr. R.M. Kapadia (upto 31-01-2007)	Non-Executive	9
Mr. Paresh Saraiya (w.e.f. 31-01-2007)	Non-Executive - Independent	3
Mr. Pranav Amin (w.e.f. 31-01-2007)	Executive Director	3

Mr. R.K. Baheti, Director, President - Finance & Company Secretary, is the Compliance Officer of the Company. The meeting of Shareholders'/Investors' Committee is held every month, in which transfers, transmission, issuance of certificates etc. are approved. Mr. Parthiv Parikh, Joint Company Secretary of the Company is also authorised by the Board to approve transfers at the interval of fifteen days time.

The Company has been receiving various correspondences from shareholders and the required information/documents are furnished at the earliest possible to the satisfaction of shareholders. During the year, the Company has received 135 complaints from shareholders. At the end of the year, no requests for shares' transfer were pending for registration.



# Report on Corporate Governance

## 6 General Body Meetings

Details of the location of the last three AGMs and the Extraordinary General Meetings held during the year.

Details of the last three Annual General Meetings are given below :

Year	Location	Date	Time	No. of Special Resolutions passed
2003-04	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara 390 003.	19th August, 2004	3.00 p.m.	2
2004-05	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara 390 003.	31st August, 2005	3.30 p.m.	5
2005-06	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara 390 003.	30th August, 2006	3.30 p.m.	1

Details of the Extraordinary General Meetings of Members held for obtaining approval for Issue of Bonus & Preferential shares.

Year	Location	Date	Time	No. of Special Resolutions Passed
2004	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara 390 003.	12th March, 2004	11.30 a.m.	1
2004	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara 390 003.	26th November, 2004	3.00 p.m.	1

During this period no special resolution was passed through postal ballot.

### 6A. Notes on Directors seeking appointment/re-appointment as required under Clause 49 IV(G) of the Listing Agreement entered into with Stock Exchanges.

Mr. Pranav N. Parikh, Director of the Company will retire by rotation at the ensuing Annual General Meeting who is eligible for re-appointment.

Mr. Paresh Saraiya, appointed as Director of the Company w.e.f. 31st January, 2007 in the casual vacancy caused by the resignation of Mr. R.R. Patel, shall have to be appointed as Director at the ensuing Annual General Meeting.

Mr. Pranav Amin, appointed as Director of the Company w.e.f. 31st January, 2007 in the casual vacancy caused by the resignation of Mr. R.M. Kapadia, shall have to be appointed as Director at the ensuing Annual General Meeting.

Mr. Pranav N. Parikh is a Commerce Graduate and has done one year Business Administration Program at Harvard University, USA. He is an industrialist in Mumbai and holding Directorship in other Companies viz. Technova Imaging Systems Ltd., Travel Corporation of India and Lemuir Group. He has vast experience as an industrialist and he has been an active participant in various industrial forums and organisations. He has been on the Board of the Company for the last six years and his presence on the Board has helped the Company immensely.

Mr. Paresh Saraiya, aged 53 years, a Graduate in Mechanical Engineering with Distinction from the M.S. University of Vadodara, is the Managing Director of Transpek-Silox Industry Limited, a joint venture Company between Silox S.A., Belgium and the Excel/Transpek Group.

He began his industrial career with Transpek Industry Limited in 1975, and has over the years held various key positions in the commercial as well as technical functions of the Company.

His other business associations are Directorship of Companies such as Parul Chemicals Ltd., Shroffs Engineering Ltd. and Unifab Engineers. He was also the Convener of the Task Force on Chemicals & Dyestuffs constituted by CII, Western Region.

Mr. Paresh Saraiya is a Non-Executive & Independent Director on the Board of Directors of the Company in terms of Clause 49 of the Listing Agreement on corporate governance and will be liable to retire by rotation.

Mr. Pranav Amin, aged 31 years finished his schooling from the Doon School Dehradun. He has done his Bachelors of Science in Economics/Industrial Management from the Carnegie Mellon University in Pittsburgh, USA.

# Report on Corporate Governance

## 6 General Body Meetings - Contd.

He worked as a Jr. Financial Analyst at Dendrite Inc. in New Jersey, USA. Dendrite focuses on Customer Relationship Management software catering mainly to Pharmaceutical Companies. He returned to India to work in Shreno Limited; an engineering Company that makes IS machines for the glassware industry as well as Fabricated Steel Vessels for the Chemical and Pharmaceutical Industry.

He pursued his M.B.A in International Management from Thunderbird, The American Graduate School of International Management. On finishing this he returned to India and started working in Alembic Ltd. He is working in the API and International Generics business. He is currently Chief Business Development Officer - International Division and focuses on developing new business and maintaining customer relationships.

Mr. Pranav Amin is an Executive Director on the Board of Directors of the Company in terms of Clause 49 of the Listing Agreement on corporate governance and will be liable to retire by rotation.

## 7 Disclosure

### Related Party Transactions

There were no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The Register of Contracts for the transactions in which Directors are interested is placed before the Board regularly for its approval. Transactions with related parties as per Accounting Standard No. 18 are disclosed in Note No. 14 of the notes forming parts of Accounts.

## 8 Compliance

The Company has complied with all the mandatory requirements of the Listing Agreements with Stock Exchanges as well as regulations and guidelines of SEBI. Further, there is no penalty/stricture by any statutory authority during the year.

## 9 Means of Communication

- Half-yearly results sent to each household of the shareholders : The results are published in newspapers having wide coverage and also put on the website of the Company.
- Quarterly Results : The results are published in newspapers having wide coverage.
- Newspapers normally published in : The Economic Times (English), Business Standard (English) Lok Satta (Gujarati)
- Website where displayed : [www.alembic-india.com](http://www.alembic-india.com)
- Whether Shareholder information forms part of the Annual Report. : Yes

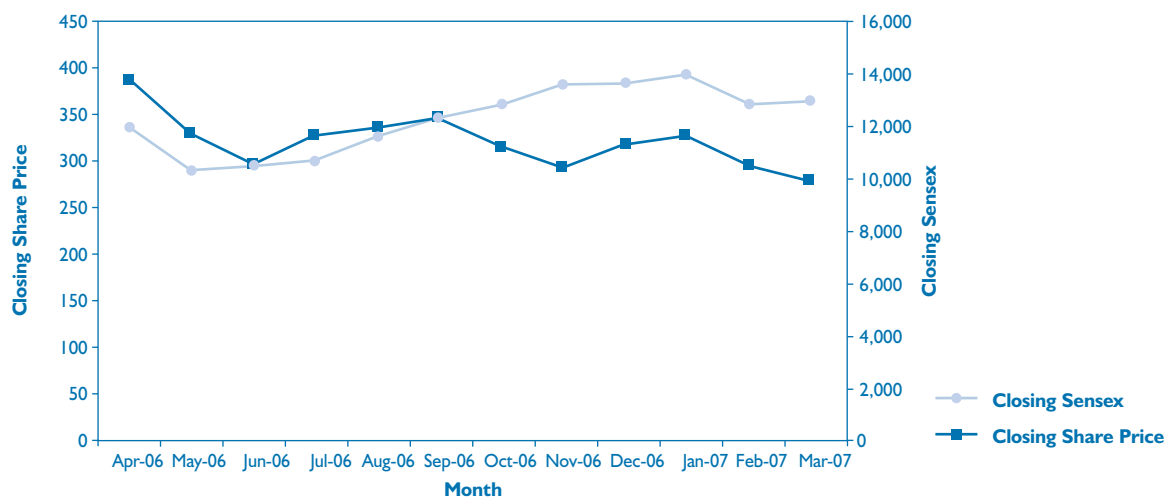
# Report on Corporate Governance

## 10 Shareholders' Information

1.	Annual General Meeting Date and Time Venue	August 30, 2007 at 4.00 p.m. "Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.			
2.	Financial Calendar Quarter ending June 30, 2007 Quarter ending Sept. 30, 2007 Quarter ending Dec. 31, 2007 Quarter ending March 31, 2008 Annual General Meeting for the year ended 31.03.2007	Adoption of Results for the quarter: July, 2007 October, 2007 January, 2008 May, 2008  August - September, 2008			
3.	Date of Book Closure	16th August, 2007 to 30th August, 2007 (both days inclusive)			
4.	Dividend Payment Date	4th September, 2007 onwards			
5.	Registered Office	Alembic Road, Vadodara - 390 003. Phone: (91-265) 2280550, Fax: (91-265) 2282506 E-mail: alembic@alembic.co.in Web: www.alembic-india.com			
6.	Listing Details	The Stock Exchange, Mumbai (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. (Security Code: 506235)  National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051. (Security Code: AlembicLtd)			
7.	Stock Price Data	(In Rupees)			
		Mumbai Stock Exchange		National Stock Exchange	
Month	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price	
Apr., 2006	409.90	349.90	412.70	345.15	
May, 2006	416.80	301.00	408.00	286.10	
June, 2006	345.00	243.00	376.00	241.00	
July, 2006	373.00	285.00	369.00	290.00	
Aug., 2006	374.00	325.00	375.00	307.00	
Sep., 2006	412.00	68.05	412.80	68.50	
Oct., 2006*	73.60	63.10	72.90	63.30	
Nov., 2006*	66.00	55.40	65.95	55.65	
Dec., 2006*	69.30	53.50	69.00	52.00	
Jan., 2007*	80.00	62.70	70.45	62.05	
Feb., 2007*	72.95	54.00	72.90	56.00	
Mar., 2007*	63.10	50.50	68.00	54.15	
As on 30th March, 2007, the last working day of the financial year 2006-07, the closing price of the shares of the Company on BSE & NSE were Rs. 56.45 and Rs. 56.15 respectively.					
* The Company has split the face value of Equity shares from Rs. 10/- per share to Rs. 2/- per share and issued new sub-divided Equity shares of Rs. 2/- each to the shareholders of the Company holding old Equity shares of Rs. 10/- each on record date i.e 4th October, 2006. The stock exchange had fixed the no delivery period from 26th September, 2006 to 3rd October, 2006.					

# Report on Corporate Governance

## 10 Shareholders' Information - Contd.



**Note:** The face value of Equity shares of the Company was changed from Rs. 10/- per share to Rs. 2/- per shares. Accordingly from 4th October, 2006, the market value of the Company's shares has been changed. While preparing the aforesaid chart, the closing share prices of the shares of the Company traded on the stock exchange has been proportionately adjusted.

8.	Registrar and Share transfer Agents	Intime Spectrum Registry Limited 1st Floor, 308, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasna Road, Vadodara - 390 015 Tel.: (0265) 2250241, 3249857 Fax: (0265) 2250246 Email: vadodara@intimespectrum.com
9.	Share Transfer System	Share transfers are registered and returned generally within a period of 15 days from the date of receipt, if documents are accurate in all respects. The Shareholders'/Investors' Committee meets every month and transfers are also approved by Company Secretary generally at the interval of 15 days time.  The total number of shares transferred in the physical form during the year were 2,14,285 (Previous year 8,32,398).

### Distribution of Shareholding

The Distribution of Shareholdings as on 31st March, 2007 is given as under:

No. of Shares (of face value)	No. of Shareholders	% of Shareholders	No. of Shares held	% of total shares
Up to 5,000	39,363	95.74	1,38,91,481	10.03
5,001 - 10,000	1,004	2.44	35,56,432	2.57
10,001 - 20,000	425	1.03	30,38,706	2.19
20,001 - 30,000	113	0.28	14,05,687	1.02
30,001 - 40,000	53	0.13	9,08,357	0.66
40,001 - 50,000	35	0.09	7,96,201	0.58
50,001 - 1,00,000	43	0.11	16,08,458	1.16
1,00,001 & above	77	0.19	11,32,49,583	81.80
<b>Total:</b>	<b>41,113</b>	<b>100.00</b>	<b>13,84,54,905</b>	<b>100.00</b>

# Report on Corporate Governance

## 10 Shareholders' Information - Contd.

Shareholding pattern as on 31st March, 2007

Sr. No.	Category	No. of Shares Held	% of Voting Strength
1.	Promoters & Associates	8,47,76,745	61.23
2.	Mutual Funds & UTI	71,19,180	5.14
3.	Banks, Financial Institutions & Insurance Companies	17,03,880	1.23
4.	Foreign Institutional Investors	1,51,76,586	10.96
5.	Private Corporate Bodies	17,81,671	1.29
6.	Indian Public	2,76,10,431	19.94
7.	NRIs / OCBs	2,86,412	0.21
	<b>Total:</b>	<b>13,84,54,905</b>	<b>100.00</b>

10.	Dematerialisation of Shares and Liquidity	At the end of the year 12,13,50,724 shares (87.65%) are held in dematerialised form by the shareholders. Trading in Company's shares for all investors is permitted only in dematerialised form from 28th August, 2000 as per notification issued by the SEBI. (ISIN CODE: INE426A01027)
11.	Outstanding GDR/Warrants	Not applicable
12.	Plants Location	<ul style="list-style-type: none"> <li>a. Alembic Road, Vadodara - 390 003.</li> <li>b. Panelav, Tal. Halol, Dist. Panchmahal - 389 350, Gujarat.</li> <li>c. Plot No. 21, 22, EPIP Phase I, Jharmajri, Baddi, Tehsil - Nalagarh, Dist. Solan, Himachal Pradesh.</li> <li>d. Village Karakhadi, Tal. Padra, Dist. Vadodara.</li> </ul>
13.	Investor Correspondence	<ul style="list-style-type: none"> <li>1. Alembic Limited, Alembic Road, Vadodara - 390 003.</li> <li>2. Intime Spectrum Registry Limited 1st Floor, 308, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasana Road, Vadodara - 390 015. Tel.: (0265) 2250241, 3249857, Fax: (0265) 2250246. Email: vadodara@intimespectrum.com</li> </ul>

# Report on Corporate Governance

## Auditors' Certificate on Corporate Governance

We have examined the compliance of conditions of corporate governance by **Alembic Limited**, for the year ended on 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in above mentioned Listing Agreement except for the requirement of Clause 49(II)(B) regarding Audit Committee Meetings. During the year one of the audit committee meetings dated 17-10-2006 could not be held on account of non-formation of quorum for the meeting.

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 **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

Mumbai: 22nd May, 2007

# Auditors' Report

## To the members of Alembic Limited

We have audited the attached Balance Sheet of **Alembic Limited** as at 31st March, 2007, the Profit and Loss Account and also 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.

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.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 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.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- iii. The Balance Sheet, Profit 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 31st March, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 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 case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2007.
  - b) in case of the Profit and Loss Account, of the Profit for the year ended on that date.
  - c) in case of Cash Flow Statement of the cash flows for the year ended on that date.

For **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

Mumbai: 22nd May, 2007

# Annexure to the Auditors' Report

## Re: Alembic Limited

Referred to in paragraph 3 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. However item wise value in respect of assets other than land, buildings and vehicles acquired prior to 1968 are not available.
- (b) Fixed assets have been physically verified by the management during the year as per the phased programme of physical verification of fixed assets. As informed to us the programme is such that all the fixed assets will get physically verified in three years time. In our opinion the same is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off substantial part of its fixed assets.
- (ii) (a) The inventory has been physically verified during the year by the management at reasonable intervals.
- (b) The procedures for 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. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted unsecured loans to three companies covered in the register maintained under section 301 of the Companies Act, 1956 wherein the balance recoverable as at the year end is Rs. 7,25,00,000/- (Maximum balance during the year Rs.25,80,00,000/-).
- (b) In our opinion, the rate of interest and other terms and conditions of loans given by the Company, secured or unsecured, to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima-facie, prejudicial to the interest of the Company.
- (c) In respect of the above loans granted, receipt/renewal of the principal amount and interest were regular, as stipulated.
- (d) There is no overdue amount of more than rupees one lakh of loans granted to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (e) The Company has taken unsecured loan from one Company covered in the register maintained under section 301 of the Companies Act, 1956 wherein the balance payable as at the year end is Rs. 5,00,00,000/- (Maximum balance during the year Rs.5,00,00,000/-).
- (f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company, secured or unsecured, from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima-facie, prejudicial to the interest of the Company.
- (g) In respect of the above loans taken, payment/renewal of the principal amount is as stipulated and payment of interest is 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 purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control.
- (v) (a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with provisions of Section 58A and 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. 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 its size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost 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 we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records for determining whether they are accurate or complete.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it and there are no arrears outstanding as at the year end for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, the following dues of Sales tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess have not been deposited on account of some dispute or are partially deposited under protest.



# Annexure to the Auditors' Report

Statute & Nature of dues	Amount not deposited Rs.	Forum where dispute is pending	Period
<b>Sales Tax Act</b> Sales Tax, interest and penalty	1,92,243	Assistant Commissioner (Appeals)	2000-2001
	80,16,782	Additional Commissioner	2000-2001
	27,30,079	Tribunal	1993-1994
	13,12,295	High Court	1999-2000
	2,46,931	Deputy Commissioner	2003-2004
	24,83,733	Joint Commissioner (Appeals)	2002-2003
	27,24,330	Additional Commissioner	1999-2000
<b>The Central Excise &amp; Customs Act</b> Excise Duty, Interest & Penalty	2,49,394	Commissioner (Appeals)	2005-2006
	80,88,641	Supreme Court	1988 to 1998
	7,38,22,212	Customs, Excise and Service Tax Appellate Tribunal.	1988-1989
			1995-1996
			1996-1997
			1997-1998
			1998-1999
			1999-2002
			2001-2002
			2002-2003
			2003-2004

(x) The Company does not have any accumulated losses as per the Balance Sheet as at the end of the financial year. The Company has not incurred the cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, 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, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a Chit Fund or a Nidhi/Mutual Benefit Fund/Society. Therefore, the provisions of Clauses 4(xiii) of the Companies (Auditors' Report) Order, 2003 (As amended) 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 4(xiv) of the Companies (Auditors' Report) Order, 2003 (As amended) 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 bank or financial institutions.

(xvi) According to the information and explanations given to us, the term loans have been 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 Balance Sheet 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 and companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) There are no debentures issued by the Company during the year and therefore the requirement of creation of security or charge is not applicable.

(xx) The Company has not raised any money during the year by public issue.

(xxi) As per the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

## Balance Sheet

(Rs. in Lacs)

As at 31st March	Schedules	2007		2006	
<b>I. SOURCES OF FUNDS:</b>					
<b>I. Shareholders' Funds:</b>					
a. Capital	<b>A</b>	<b>2,769.19</b>		2,769.19	
b. Reserves and Surplus	<b>B</b>	<b>35,722.64</b>	<b>38,491.83</b>	30,854.00	33,623.19
<b>2. Loan Funds:</b>					
a. Secured Loans	<b>C</b>	<b>20,796.63</b>		14,268.98	
b. Unsecured Loans	<b>D</b>	<b>12,741.27</b>	<b>33,537.90</b>	3,730.77	17,999.75
<b>3. Deferred Tax Liability</b>			<b>3,978.02</b>		3,978.87
			<b>76,007.75</b>		55,601.81
<b>II. APPLICATION OF FUNDS:</b>					
<b>I. Fixed Assets:</b>					
a. Gross Block	<b>E</b>	<b>51,407.36</b>		52,534.15	
b. Less: Depreciation		<b>20,862.91</b>		21,138.69	
c. Net Block			<b>30,544.45</b>		31,395.46
d. Capital work in progress			<b>5,121.44</b>		180.40
<b>2. Investments:</b>	<b>F</b>		<b>2,081.05</b>		2,418.72
<b>3. Current Assets, Loans and Advances:</b>					
a. Inventories	<b>G</b>	<b>12,309.18</b>		14,032.84	
b. Sundry Debtors	<b>H</b>	<b>16,592.61</b>		15,174.82	
c. Cash and Bank Balances	<b>I</b>	<b>15,170.67</b>		87.58	
d. Loan and Advances	<b>J</b>	<b>6,702.21</b>	<b>50,774.67</b>	4,921.37	34,216.61
<b>Less: Current Liabilities and Provisions:</b>	<b>K</b>				
a. Liabilities		<b>10,843.49</b>		11,030.65	
b. Provisions		<b>1,670.37</b>	<b>12,513.86</b>	1,578.73	12,609.38
<b>Net Current Assets</b>			<b>38,260.81</b>		21,607.23
			<b>76,007.75</b>		55,601.81
<b>Notes Forming Part of Accounts</b> The schedules referred to above form an integral part of Balance Sheet	<b>T</b>				

As per our report of even date  
For **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

**CHIRAYU R. AMIN**  
Chairman & Managing Director

**MALIKA C. AMIN**  
Whole-time Director

**B.R. PATEL**  
Director

For and on behalf of the Board of Directors

**PARESH SARAIYA**  
Director

**PRANAV AMIN**  
Director

**R.K. BAHETI**  
Director, President - Finance  
& Company Secretary

Mumbai: 22nd May, 2007

Vadodara: 22nd May, 2007

# Profit and Loss Account

(Rs. in Lacs)

For the Year ended 31st March	Schedules	2007		2006	
<b>INCOME:</b>					
Sales and Income from Operation	L	72,183.18		66,591.62	
Less: Excise Duty		2,116.94	70,066.24	2,706.80	63,884.82
Other Income	M		890.71		1,262.19
			70,956.95		65,147.01
<b>EXPENDITURE:</b>					
Material Consumption	N		21,261.23		22,413.44
Purchase of Finished Goods			8,465.24		7,619.58
Excise Duty			603.01		796.68
Manufacturing Expenses	O		5,330.34		5,319.16
Employee's Expenses	P		7,075.57		6,554.91
Research & Development Expenses	Q		2,275.76		1,988.89
Marketing & Distribution Expenses	R		6,262.24		5,586.10
Interest (Net)			751.61		866.59
Depreciation (Net) (See Note No. 5 (a) & (b))		2,906.11		2,892.24	
Less: Transferred from Revaluation Reserve		-	2,906.11	16.55	2,875.69
Others	S		5,180.45		4,870.31
			60,111.56		58,891.35
<b>ADD/(LESS):</b> Decrease/(Increase) in stock of Finished Goods and Work in Process	N		2,027.72		(2,093.98)
			62,139.28		56,797.37
<b>PROFIT BEFORE NON-RECURRING ITEMS</b>			8,817.67		8,349.64
Expenses under Voluntary Retirement Scheme			782.26		-
Interest to O.N.G.C. (See Note No. 4)			976.53		-
<b>PROFIT BEFORE TAXES</b>			7,058.88		8,349.64
Add: Provision for Deferred Tax			0.85		89.59
Less: Provision for Current Tax, Wealth Tax & Fringe Benefit Tax			877.50		875.00
Add: Excess provision of Income Tax no longer required			885.94		287.94
<b>PROFIT AFTER TAX</b>			7,068.17		7,852.17
<b>ADD:</b>					
Balance brought forward from last year			3,734.97		2,461.53
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>			10,803.14		10,313.70
<b>APPROPRIATIONS:</b>					
Dividend - Equity Shares			1,384.55		1,384.55
Corporate Dividend Tax - Equity Shares			235.30		194.18
General Reserve			5,000.00		5,000.00
<b>SURPLUS CARRIED TO BALANCE SHEET</b>			4,183.29		3,734.97
			10,803.14		10,313.70
<b>Earning per Share (Basic &amp; Diluted) (In Rs.)</b>					
- Before Non-Recurring Items			6.38		5.67
- After Non-Recurring Items			5.10		5.67
<b>Notes Forming Part of Accounts</b> The schedules referred to above form an integral part of Profit and Loss Account	T				

As per our report of even date  
For **K.S. AIYAR & CO.**  
Chartered Accountants

For and on behalf of the Board of Directors

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

**CHIRAYU R. AMIN**  
Chairman & Managing Director

**MALIKA C. AMIN**  
Whole-time Director

**PARESH SARAIYA**  
Director

**R.K. BAHETI**  
Director, President - Finance  
& Company Secretary

**B.R. PATEL**  
Director

**PRANAV AMIN**  
Director

Mumbai: 22nd May, 2007

Vadodara: 22nd May, 2007

# Schedules

FORMING PART OF THE BALANCE SHEET

## A Share Capital

(Rs. in Lacs)

As at 31st March	2007	2006
<b>AUTHORISED:</b>		
22,50,00,000 Equity Shares of Rs. 2/- each (Previous Year 4,50,00,000 Equity Shares of Rs. 10 each)	<b>4,500.00</b>	4,500.00
5,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each (Previous Year 5,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each)	<b>500.00</b>	500.00
	<b>5,000.00</b>	5,000.00
<b>ISSUED, SUBSCRIBED:</b>		
13,84,64,270 Equity Shares of Rs. 2/- each (Previous Year 2,76,92,854 Equity Shares of Rs. 10/- each)	<b>2,769.29</b>	2,769.29
	<b>2,769.29</b>	2,769.29
<b>PAID UP:</b>		
13,84,54,905 Fully paid up Equity Shares of Rs. 2/- each (Previous Year 2,76,90,981 Equity Shares of Rs. 10/- each)	<b>2,769.10</b>	2,769.10
<b>Add:</b> 9,365 Forfeited Equity Shares of Rs. 2/- each (Previous Year 1,873 Equity Shares of Rs. 10/- each) (Amount originally paid up)	<b>0.09</b>	0.09
	<b>2,769.19</b>	2,769.19
<b>Of the above:</b>		
1. 6,39,300 Equity Shares of Rs. 2/- each (Previous Year 1,27,860 Equity Shares of Rs. 10/- each) have been allotted as fully paid up pursuant to contract without payment being received in cash.		
2. 9,20,36,620 Equity Shares of Rs. 2/- each (Previous Year 1,84,07,324 Equity Shares of Rs. 10/- each) have been allotted as fully paid up Bonus Shares by Capitalisation of Rs. 7,00,000/- from Share Premium Account, Rs. 16,83,50,000/- from Capital Redemption Reserve and Rs. 1,50,23,240/- from General Reserve.		
3. 33,45,450 & 7,24,240 Equity shares of Rs. 2/- each (Previous Year 6,69,090 & 1,44,848 of Rs. 10/- each) fully paid, were allotted to the Shareholders of erstwhile Neomer Ltd., & Darshak Ltd., respectively, pursuant to the Scheme of amalgamation / merger without payment being received in cash.		
4. The Company has split the face value of equity share from Rs. 10/- per share to Rs. 2/- per share and accordingly issued 13,84,54,905 equity shares of Rs.2/- each to the shareholders of the Company holding equity shares of Rs. 10/- each on Record Date i.e. 4th October, 2006.		

# Schedules

FORMING PART OF THE BALANCE SHEET

## B Reserves and Surplus

(Rs. in Lacs)

As at 31st March	2007		2006	
<b>REVALUATION RESERVE:</b>				
As per last Balance Sheet	<b>579.68</b>		683.93	
Less: Transferred to Fixed Asset Account	<b>579.68</b>		–	
Less: Transferred to General Reserve	–		87.70	
Less: Transferred to Profit and Loss Account	–	–	16.55	579.68
<b>CAPITAL RESERVE:</b>				
As per last Balance Sheet		<b>35.00</b>		35.00
<b>SHARE PREMIUM ACCOUNT:</b>				
As per last Balance Sheet		<b>6,974.23</b>		6,974.23
<b>GENERAL RESERVE:</b>				
As per last Balance Sheet	<b>19,530.12</b>		14,442.42	
Add: Transferred from Revaluation Reserve	–		87.70	
Add: Transferred from Profit & Loss Account	<b>5,000.00</b>		5,000.00	
		<b>24,530.12</b>		19,530.12
<b>PROFIT AND LOSS ACCOUNT:</b>				
Surplus as per Profit & Loss Account		<b>4,183.29</b>		3,734.97
		<b>35,722.64</b>		30,854.00

## C Secured Loans

As at 31st March	2007		2006	
<b>A. From Financial Institutions, Banks and NBFC:</b>				
<b>1. Foreign Currency Loans:</b>				
External Commercial Borrowing against first hypothecation charge on all movable plant and machinery ranking pari-passu with other lenders.		<b>4,201.85</b>		4,303.45
<b>2. Rupee Loans:</b>				
Against first hypothecation charge on all movable plant and machinery ranking pari-passu with other lenders.		<b>3,000.00</b>		3,000.00
		<b>7,201.85</b>		7,303.45
<b>B. From Banks for Working Capital:</b>				
Against first hypothecation charge on stocks and book-debts ranking pari-passu with other lenders.		<b>13,594.78</b>		6,965.53
		<b>20,796.63</b>		14,268.98

# Schedules

FORMING PART OF THE BALANCE SHEET

## D Unsecured Loans

(Rs. in Lacs)

As at 31st March	2007		2006	
<b>Fixed Deposits From:</b>				
Public	<b>988.34</b>		620.54	
Shareholders	<b>57.98</b>	<b>1,046.32</b>	87.43	707.97
<b>Short Term Loans From:</b>				
Banks	<b>2,175.00</b>		1,000.00	
Associates	<b>500.00</b>		–	
Others	<b>19.95</b>	<b>2,694.95</b>	22.80	1,022.80
Commercial Paper (Maximum outstanding during the year Rs. 100 Crores. Previous year Rs. 40 Crores)		<b>9,000.00</b>		2,000.00
		<b>12,741.27</b>		3,730.77

## E Fixed Assets

Assets	Gross Block				Depreciation Block				Net Block	
	As on 01/04/2006 Rs.	Additions Rs.	Deductions/ Adjustments Rs.	As on 31/03/2007 Rs.	As on 01/04/2006 Rs.	Deductions/ Adjustments Rs.	Total Depreciation for the year ended 31/03/2007 Rs.	As on 31/03/2007 Rs.	As on 31/03/2007 Rs.	As on 31/03/2006 Rs.
Freehold Land	348.76	134.83	277.05	<b>206.54</b>	–	–	–	–	<b>206.54</b>	348.76
Leasehold Land	105.82	–	–	<b>105.82</b>	3.10	–	<b>1.16</b>	<b>4.26</b>	<b>101.56</b>	102.72
Buildings	7,151.10	300.98	914.80	<b>6,537.28</b>	1,456.39	<b>726.31</b>	<b>149.08</b>	<b>879.16</b>	<b>5,658.12</b>	5,694.71
Employees Quarters	89.38	–	–	<b>89.38</b>	60.69	–	<b>(4.40)</b>	<b>56.29</b>	<b>33.09</b>	28.69
Plant and Machinery	38,974.09	1,323.78	2,582.35	<b>37,715.52</b>	16,895.89	<b>2,435.45</b>	<b>2,332.72</b>	<b>16,793.16</b>	<b>20,922.36</b>	22,078.20
R & D Equipment	4,439.59	752.94	–	<b>5,192.53</b>	2,175.28	–	<b>310.41</b>	<b>2,485.69</b>	<b>2,706.84</b>	2,264.31
Furniture & Fixtures	541.45	65.48	0.60	<b>606.33</b>	233.60	<b>0.59</b>	<b>34.51</b>	<b>267.52</b>	<b>338.81</b>	307.85
Office Machinery	344.69	59.82	–	<b>404.51</b>	85.86	–	<b>17.92</b>	<b>103.78</b>	<b>300.73</b>	258.83
Vehicles	410.53	44.15	44.17	<b>410.51</b>	167.54	<b>19.54</b>	<b>36.92</b>	<b>184.92</b>	<b>225.59</b>	242.99
Intangible Assets (Trade Mark)	128.74	10.20	–	<b>138.94</b>	60.34	–	<b>27.79</b>	<b>88.13</b>	<b>50.81</b>	68.40
<b>Total</b>	<b>52,534.15</b>	<b>2,692.18</b>	<b>3,818.97</b>	<b>51,407.36</b>	<b>21,138.69</b>	<b>3,181.89</b>	<b>2,906.11</b>	<b>20,862.91</b>	<b>30,544.45</b>	<b>31,395.46</b>
	(49,952.98)	(3,138.40)	(557.23)	(52,534.15)	(18,630.72)	(384.27)	(2,892.24)	(21,138.69)	(31,395.46)	

**Notes:**

- Sales proceeds are deducted from gross cost where cost is unascertainable.
- Buildings: Include Rs. 2,500/- (Rs. 2,500/-) being cost of bonds of Morning Star Co-op. Housing Society Ltd.
- No Depreciation has been claimed on assets to the extent of Cenvat claimed
- See Note No.5 (a) & (b) in Schedule T.

\* Figures in brackets are in respect of the previous year

# Schedules

FORMING PART OF THE BALANCE SHEET

## F Investments (at cost)

(Rs. in Lacs)

As at 31st March	Nos.	Face Value Rs.	2007		2006	
<b>LONG TERM INVESTMENT</b>						
<b>I. In Shares, Debentures and Bonds:</b>						
<b>1. Quoted:</b>						
<b>a. Bonds</b>						
12% Industrial Finance Corporation of India (Maturity date 13.01.2012) (Face Value Rs. 12,77,500/-)	19		13.03		13.03	
6.75% Tax-free US-64 Bonds	1,35,900	100	135.90	148.93	135.90	148.93
<b>b. Equity Shares (Fully paid up):</b>						
Alembic Glass Industries Ltd. (Now unquoted, See 2 (a) below)	–	100	–		55.66	
Jyoti Ltd.	84,900	10	1.43		1.43	
Panasonic Battery India Ltd.	1,01,856	10	16.54		16.54	
Paraan Ltd.	2,350	100	2.35		2.35	
Less: Provision for diminution in value of Investment			(2.35)		(2.35)	
Paushak Ltd.	5,75,086	10	266.26		266.26	
Purak Vinimay Ltd.	1,09,000	10	10.90		10.90	
Less: Provision for diminution in value of Investment			(10.90)		(10.90)	
Krebs Biochemicals Ltd.	100	10	0.15		0.15	
Xechem International Inc., USA (Common stock of par value of \$0.00001 per share)	91,42,857		289.73		289.73	
(Aggregate Market Value of Quoted Investments Rs. 978.12 lacs, Previous Year Rs. 977.40 lacs)				574.11		629.77
<b>2. Unquoted:</b>						
<b>a. Equity Shares (Fully paid up):</b>						
Aavaran Ltd.	11,400	100	9.50		9.50	
Nirayu Pvt. Ltd.	1,538	10	4.00		4.00	
Light Publication Ltd.	1,120	100	0.80		0.80	
Shreno Ltd.(Of the above, 2,16,000 shares Received consequent upon merger of Shreno Ltd. with Alembic Glass Industries Ltd.)	2,54,171	100	200.26		144.60	
Alembic Export Ltd.	22,500	10	2.25		2.25	
Sierra Investments Ltd.	10,00,000	10	100.00		100.00	
				316.81		261.15

# Schedules

FORMING PART OF THE BALANCE SHEET

## F Investments (at cost) - Contd.

(Rs. in Lacs)

As at 31st March	Nos.	Face Value Rs.	2007		2006	
<b>b. Preference shares (Fully paid up):</b>						
12% Cumulative Preference shares of Paushak Ltd. (Redeemed during the year)	–		–		200.00	
5% Non-Cumulative Redeemable Preference Share of Pran Agro Services Pvt. Ltd.	500	100	0.50	0.50	0.50	200.50
<b>c. Others:</b>						
<b>Equity Shares (Fully paid up):</b>						
Alembic Employees Co-op. Supply Society Ltd.	100	10	0.01		0.01	
Algen Ltd.	4,007	10	0.40		0.40	
Less: Provision for diminution in value of Investment			(0.40)		(0.40)	
Co-Operative Bank of Baroda Ltd.	100	25	0.03		0.03	
Gujarat Export Corporation Ltd.	37	100	0.03		0.03	
Pran Agro Services Pvt. Ltd. Rs. 170/- (Previous Year Rs. 170/-)	17	10	–		–	
Pragati Sahakari Bank Ltd.	500	10	0.05		0.05	
Swaminarayan Co-op. Bank Ltd.	2,505	25	0.63		0.63	
Saraswat Co-op. Bank Ltd. (Surrendered during the year)	–	–	–		0.10	
				0.75		0.85
<b>II. In Properties:</b>						
<b>Equity Shares (Fully paid up):</b>						
Baroda Industrial Development Corporation Ltd.	6	1,000	0.06		0.06	
Ganesh Co-op. Housing Society Ltd. Rs. 100/- (Previous Year Rs. 100/-)	2	50	–		–	
Gujarat Urban Housing Company	10	100	0.01		0.01	
Morning Star Co-op. Housing Society Ltd. Rs. 50/- (Previous Year Rs. 50/-)	1	50	–		–	
				0.07		0.07
<b>III. Others:</b>						
8% Optionally Convertible Note of Xechem International Inc. U.S.A.				924.95		924.95
<b>CURRENT INVESTMENTS</b>						
<b>In Shares, Debentures and Bonds:</b>						
<b>Quoted:</b>						
<b>Equity Shares (Fully paid up):</b>						
Housing Development Finance Corporation Ltd. (24,628 shares sold during the year & 9,213 shares acquired during the year)	6,372	10	82.09		186.21	



# Schedules

FORMING PART OF THE BALANCE SHEET

## F Investments (at cost) - Contd.

(Rs. in Lacs)

As at 31st March	Nos.	Face Value Rs.	2007		2006	
Bank of Baroda (14,543 shares sold during the year)	14,280	10	32.84	114.93	66.29	252.50
				2,081.05		2,418.72
<b>Details of Purchase and Sales of Units During the Year:</b>						
<b>Particulars</b>			<b>No of Units</b>		<b>No of Units</b>	
Reliance Mutual Fund			45,85,873.60		26,19,370.00	
HDFC Mutual Fund			61,19,979.17		-	
Franklin Templeton Mutual Fund			60,152.15		-	
Tata Mutual Fund			1,10,104.87		-	

## G Inventories (Refer to Note No.I(e) pertaining to Accounting Policy) (As certified & valued by Management)

As at 31st March	2007		2006	
Stores & Spares	247.74		287.68	
Packing Material	720.42		849.83	
Raw Materials	3,570.71	4,538.87	3,097.30	4,234.81
<b>Stock in Trade:</b>				
Finished goods	7,133.84		9,372.36	
Material in process	636.47	7,770.31	425.67	9,798.03
		12,309.18		14,032.84

## H Sundry Debtors (Unsecured considered good)

As at 31st March	2007		2006	
Over Six Months (Net)		1,362.63		1,942.26
Others		15,229.98		13,232.56
		16,592.61		15,174.82

# Schedules

FORMING PART OF THE BALANCE SHEET

## I Cash and Bank Balances

(Rs. in Lacs)

As at 31st March	2007		2006	
Cash on hand		5.26		21.10
Bank Balances:				
With Scheduled Banks				
In Current Accounts	898.24		13.52	
In Unpaid Dividend Accounts	66.20		47.85	
In Deposit Accounts	14,201.86	15,166.30	1.86	63.23
With Other Banks				
Pragati Sahakari Bank Ltd.				
In Current Accounts (Maximum balance during the year Rs.33.19 Lacs P.Y.Rs. 10.28 Lacs )		(0.89)		3.25
		15,170.67		87.58

## J Loans and Advances (Unsecured, considered good unless otherwise specified)

As at 31st March	2007		2006	
Advances recoverable in cash or in kind or for value to be received		4,107.59		2,803.57
Staff Members and Corporates		1,166.74		1,564.59
Tender and Other Deposits		1,387.35		308.39
Income Tax / Wealth Tax / FBT Paid	2,533.39		1,859.82	
Less: Provision of Income Tax / Wealth Tax / FBT	2,492.86	40.53	1,615.00	244.82
		6,702.21		4,921.37

# Schedules

FORMING PART OF THE BALANCE SHEET

## K Current Liabilities and Provisions

(Rs. in Lacs)

As at 31st March	2007		2006	
<b>A. CURRENT LIABILITIES</b>				
Creditors: Small Scale Industries		263.06		58.05
Others		9,241.42		9,758.03
Trade Deposits & Advances		1,133.96		1,027.80
Investor Education and Protection Fund shall be credited by:				
Unclaimed Dividend		66.20		47.85
Unclaimed Matured Deposits		36.13		35.19
Unclaimed Interest on Matured Deposits		8.14		7.17
Interest accrued but not due		94.58		96.56
		<b>10,843.49</b>		<b>11,030.65</b>
<b>B. PROVISIONS:</b>				
Provision for Gratuity		50.52		–
Proposed Dividend		1,384.55		1,384.55
Corporate Dividend Tax		235.30		194.18
		<b>1,670.37</b>		<b>1,578.73</b>

# Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## L Sales and Income from Operations

For the Year ended on 31st March	2007		2006	
Sales: Domestic	56,467.62		52,667.48	
Export	15,412.05	71,879.67	13,385.73	66,053.21
Export Incentives		303.51		538.41
		<b>72,183.18</b>		<b>66,591.62</b>

# Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## M Other Income

(Rs. in Lacs)

For the Year ended 31st March	2007		2006	
	a. Dividend: Dividend from Trade Investments	0.56		0.56
Other Dividends	132.29	132.85	7.71	8.27
b. Other Income:				
Rent	74.16		53.85	
Insurance Claims	87.07		38.60	
Profit on sale of Fixed Assets (Net)	190.82		160.86	
Profit on sale of Investment (Net)	130.85		848.48	
Bad Debts Written off now realised	-		2.25	
Miscellaneous Income	274.96	757.86	149.88	1,253.92
		890.71		1,262.19

## N Raw Material & Packing Material Consumption

For the Year ended 31st March	2007		2006	
	Opening Stock		3,947.13	
Add: Purchases		21,673.88		22,767.21
		25,621.01		26,549.65
Less: Closing Stock		4,291.13		3,947.13
		21,329.88		22,602.52
Less: Insurance claim received		68.65		189.08
		21,261.23		22,413.44
<b>(Increase)/Decrease in Stock of Finished Good and Material in Process :</b>				
Opening Stock:				
Material in Process	425.67		586.26	
Finished Goods	9,372.36	9,798.03	7,117.79	7,704.05
Less: Closing Stock:				
Material in Process	636.47		425.67	
Finished Goods	7,133.84	7,770.31	9,372.36	9,798.03
		2,027.72		(2,093.98)

# Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## ⊙ Manufacturing Expenses

(Rs. in Lacs)

For the Year ended 31st March	2007		2006	
Power and Fuel		<b>1,846.85</b>		2,258.46
Repairs and Maintenance of Machinery		<b>452.41</b>		647.59
Manufacturing and Labour Charges		<b>1,602.67</b>		1,256.56
Stores & Spares Consumption		<b>1,016.54</b>		852.92
Laboratory, Analytical and Technology Expenses		<b>411.87</b>		303.63
		<b>5,330.34</b>		5,319.16

## ⊙ Employees' Cost

For the Year ended 31st March	2007		2006	
Salaries, Wages, Bonus & Gratuity		<b>6,504.42</b>		5,810.49
Contribution to Provident, Gratuity, E.S.I. and other Funds		<b>409.22</b>		547.04
Welfare Expenses		<b>161.93</b>		197.38
		<b>7,075.57</b>		6,554.91

## ⊙ Research & Development Expenses

For the Year ended 31st March	2007		2006	
Material Consumption		<b>534.84</b>		624.16
Others		<b>607.77</b>		458.60
Employees' Cost				
Salaries, Wages, Bonus & Gratuity	<b>949.47</b>		732.71	
Contribution to Provident, Gratuity, E.S.I. and other Funds	<b>55.22</b>	<b>1,004.69</b>	53.90	786.61
Utilities - Power		<b>54.23</b>		50.32
Utilities - Others		<b>74.23</b>		69.20
		<b>2,275.76</b>		1,988.89

# Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## R Marketing & Selling Expenses

(Rs. in Lacs)

For the Year ended on 31st March	2007		2006	
Marketing Expenses & Selling Commission		1,906.48		1,348.89
Publicity and Medical Literature		3,031.13		3,227.91
Freight and Forwarding Charges		1,324.63		1,009.30
		6,262.24		5,586.10

## S Other Expenses

For the Year ended on 31st March	2007		2006	
Rent		87.31		97.45
Bank Charges and Brokerage		144.46		134.47
Rates and Taxes		226.47		221.15
Insurance		323.96		225.62
Communication Expenses		482.54		427.52
Professional Fees		452.33		460.74
Donations		76.08		4.96
Traveling		1,598.69		1,490.53
Repairs and Maintenance				
Building and Roads	52.01		95.66	
Others	257.58	309.59	210.46	306.12
Foreign Exchange Difference (Net)		87.79		16.20
Auditors' Fees and Expenses		18.99		18.28
Managerial Remuneration		739.03		701.88
Director Sitting Fees		2.65		3.15
Miscellaneous Expenses		330.56		369.20
Bad Debts written off		–		14.83
Provision for Doubtful Debts		300.00		378.21
		5,180.45		4,870.31

## T Notes Forming Part of Accounts

### I. SIGNIFICANT ACCOUNTING POLICIES:

#### A. Basis of Accounting

The accounts are prepared as per historical cost convention and on accrual basis and are in conformity with mandatory Accounting Standards and relevant provisions of the Companies Act, 1956.

#### B. Fixed Assets

Fixed Assets are recorded at cost of acquisition / construction less accumulated depreciation and impairment losses, if any. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use, but excluding Cenvat / Service tax / VAT credit availed.

Borrowing cost directly attributable to acquisition / construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised.

The cost of fixed assets also includes exchange difference (Favourable and unfavourable) arising from restatement of foreign currency loans or other liabilities incurred for the purpose of acquiring fixed assets from a country outside India.

The development costs are capitalised as an item of intangible asset in terms of AS 26 upon submission of the dossier to the approving authority. The carrying value of such intangible assets is reviewed for impairment annually.

Capital Work in Progress includes advances paid for capital contracts and costs incurred on development of product / processes and compliance with international regulatory authorities, in obtaining Abbreviated New Drug Applications (ANDA) approvals.

#### C. Depreciation / Amortisation

Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956

Leasehold Land is amortised over the period of Lease.

Depreciation on Research and Development Equipments.

Acquired upto 31st March, 2003 @ 100%

Acquired from 1st April, 2003 on Straight Line Method at the rate prescribed in schedule XIV of the Companies Act, 1956.

Intangible assets consisting of trademarks are amortised on Straight Line Method from the date they are available for use, over the useful lives of the assets, as estimated by the Management.

The cost of each ANDA is amortised to the extent of recovery of development costs on launch of such products or over a period of five years from the date on which the ANDA approval is received.

#### D. Investments

Investments are classified into Current and Long Term Investments. Current Investments are valued at lower of cost and fair market value. Long Term Investments are stated at cost less provision, if any, for decline other than temporary in their value.

Investment in foreign Company are stated at cost of acquisition .

#### E. Inventories

All Inventories are valued at lower of cost and net realisable value.

Raw Materials, Stores and Spares & Packing Material are valued at lower of cost determined on weighted average basis and net realisable value.

Work in process is valued at lower of cost and net realisable value.

Finished Goods are valued at lower of cost including excise duty payable thereon and net realisable value.

Slow moving, Raw Materials, Stores & Spares are valued at estimated net realizable value.

#### F. Sales and Income from Operations

Sale of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on the despatch of goods. Sales are inclusive of excise duty, but net of sales return, Service Tax & Value Added Tax.

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

Export sales are recognised on the date of Bill of Lading / Airway bill.

Income from operations includes revenue earned, as per the terms agreed with the customers, from development of products and assignment of patent rights of Alembic IP.

**G. Research and Development**

All revenue expenses related to Research and Development are charged to the Profit and Loss Account in the year in which it is incurred.

**H. Foreign Exchange Transactions**

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end exchange rates.

The difference in translation of monetary assets & liabilities and realised gains & losses on foreign exchange transaction other than those relating to fixed assets are recognised in the Profit and Loss Account.

Exchange difference in respect of liabilities incurred to acquire fixed assets from outside India are adjusted to the carrying amount of fixed assets.

In respect of transactions covered by forward contracts, the difference between the contract rate and the rate on the date of the transactions is charged to Profit and Loss Account over the contract period.

**I. Retirement benefits**

The gratuity liability is funded through the scheme administered by the Life Insurance Corporation of India, and the amounts paid / provided under the scheme are charged to Profit and Loss Account.

Superannuation payable as per Superannuation Scheme is provided by payment to Superannuation Trust Fund, administered by the Life Insurance Corporation of India.

Accumulated leave liability as at the year end is provided as per actuarial valuation.

**J. Deferred Tax**

Deferred Tax Assets and Liabilities are recognised as per Accounting Standard AS-22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

**K. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by the future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements.

As at 31st March	2007	2006
2. Estimated amount of contracts remaining to be executed on capital accounts	15,726.85	252.25
3. Contingent liabilities not provided for:		
i Wage revision and reinstatement of employees and other demands	Unascertained	Unascertained
ii Letter of credit, guarantees and counter guarantees	813.60	467.28
iii Liabilities disputed in appeals		
- Excise duty	930.97	903.49
- Sales Tax	335.41	342.67
iv Disputed liability in respect of Ministry of Industry, Department of Chemicals and Petrochemicals in respect of price of Rifampicin allowed in formulations and landed cost of import.	34.93	34.93



**T Notes to Accounts - Contd.**

(Rs. in Lacs)

4. The Hon'ble Supreme Court had passed judgement on 12th April '04, in respect of Company's dispute regarding interest payable to ONGC and Company's claims regarding excess principal amount charged for gas supplied during the period between 1st January '82 and 29th January '87, (Pre 1987).

It was held by the Hon'ble Supreme Court that interest is payable by the Company on simple interest basis. The Hon'ble Supreme Court also directed ONGC to examine other points of disputes raised by the Company and thereafter re-determine the arrears payable along with interest.

The Company finally got a communication from ONGC in July, 2006 for settlement of all its pre 1987 dues at Rs. 10.50 crores on lumpsum basis. The Company had already provided an amount of Rs. 2.93 crores in its books during previous year ending 31st March '05 based on its earlier offer to ONGC. The balance amount of Rs. 7.57 crores was charged as expense during the year. The Company paid the said Rs. 10.50 crores to ONGC after deduction of TDS during the year.

The Company after further discussion for settlement of dispute in respect of period between 30th January '87 to 31st May '91 (Post 87) received a communication from ONGC for full and final settlement at Rs. 2.20 crores on lumpsum basis. The Company accepted the offer of ONGC and paid the said amount of Rs. 2.20 crores after deduction of TDS to ONGC in March 2007. The said amount of Rs. 2.20 crores has also been charged to Profit and Loss Account during the year.

With above, the dispute with ONGC stands fully resolved.

5. (a) During the year the Company has reinstated the fixed assets, revalued earlier, at their historical cost. Accordingly, the Revaluation Reserve as at 1st April '06 has been adjusted against the WDV of the relevant fixed assets.
- (b) The depreciation hitherto provided on the assets at different rates / methods has now been provided uniformly on Straight Line Method at the rates prescribed in schedules XIV of the Companies Act, 1956. Consequently, the excess depreciation provided upto 31st March '06 amounting to Rs. 43 lacs has been written back and adjusted in depreciation charge for the year.
6. Capital works in progress include, pre-operative expenses of Rs. 82.23 lacs (Previous year Rs. NIL) as detailed below:

Description	2007	2006
Opening Balance	–	–
Add: Addition during the year		
Salaries, wages and bonus	13.75	–
Contributions to provident and other funds	2.98	–
Raw Materials & Packing Materials	2.65	–
Stores & Spares	23.72	–
Power and fuel	5.89	–
Others	33.24	–
	82.23	–
Less: Capitalised during the year	–	–
Balance	82.23	–

7. Sundry Debtors are shown net of provision for doubtful debts Rs. 1,548.48 lacs (Previous year Rs. 1,248.47 lacs)

8. INTEREST	2007	2006
Interest paid	1,464.67	1,350.64
Less: Interest received {TDS Rs. 41.68 Lacs (Rs. 22.99 Lacs)}	713.06	484.05
(Net)	751.61	866.59

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

9. a) The Company enters into forward contracts being derivative instruments, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the date of certain payable and receivable.

The outstanding forward exchange contracts entered into by the Company as on 31st March, 2007

No. of Contracts	1
Notional Principle & Interest	USD 0.25 Million

- b) Currency Swaps to hedge against fluctuation in changes in exchange rate and interest rates as on 31st March, 2007.

No. of Contracts	4
Notional Principle & Interest	USD 7.22 Million

- c) The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are as follows:

1. Amount receivable in foreign currency on account of the following :

- Export of Goods and Services	USD 13.43 Million
	GBP 0.07 Million
	EUR 0.51 Million
- Investments Receivables	USD 2.00 Million
- Interest Receivables	USD 0.16 Million

2. Amount payable in foreign currency on account of the following:

- Purchase of Goods and Services	USD 2.20 Million
	JPY 1.86 Million
	EUR 0.05 Million
- Loans payable	USD 9.47 Million
- Interest payable	USD 0.05 Million

The above disclosures have been made consequent to an announcement by the Institute of Chartered Accountants of India in December 2005, which is applicable to the financial period ending on or after 31st March, 2006

10. Staff loans and advances include loan to officers of the Company Rs. 10.00 Lacs (Rs. 10.00 Lacs). Maximum amount due at any time during the year Rs. 10.00 Lacs (Rs. 10.00 Lacs).

11. Based on information / documents available with the Company, Sundry Creditors include:

a) Amounts due to Small Scale undertakings (Total Amount)	263.06
b) Amount overdue on account of principal and / or interest	88.49
c) Amount outstanding together with interest for more than 30 days	58.73

Name of the parties for amount outstanding for more than 30 days

Patwa & Sons	Vapi Care Pharma Pvt. Ltd.	Umedica Laboratories Pvt. Ltd.
Indchemie Health Specialities Pvt. Ltd.	Sunij Pharma Pvt. Ltd.	Aquila Labs
BRD Medilabs	Naprod Life Sciences Pvt. Ltd.	

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

As per requirement of Section 22 of Micro, Small & Medium Enterprises Development Act, 2006 following information is disclosed to the extent identifiable		<b>2007</b>
(a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year		<b>263.06</b>
(ii) The interest due on above		-
Total of (i) and (ii) above		<b>263.06</b>
(b) Amount of interest paid by the buyer in terms of section 18 of the Act		-
(c) The amounts of payment made to the supplier beyond the due date		-
(d) The amount of interest due and payable for the period of delay in making payment (Which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.		-
<b>12. Break up of deferred tax assets / liabilities are as under:</b>		
<b>As at 31st March</b>	<b>2007</b>	2006
<b>Deferred Tax Assets</b>		
Provision for Diminution in value of Investment	4.64	4.59
Provision for Doubtful debts	526.32	420.24
Deferred Revenue Expense	289.36	135.49
Others	108.58	127.72
	<b>928.90</b>	688.04
<b>Deferred Tax Liabilities</b>		
Depreciation	4,906.92	4,666.91
	<b>4,906.92</b>	4,666.91
<b>Total</b>	<b>3,978.02</b>	3,978.87
<b>13. Segment Reporting</b>		
Primary Segment The Company has identified "Pharmaceuticals" as the only primary reportable segment. In view of the inter-woven/inter-mixed nature of business and manufacturing facility, other secondary segmental information is not ascertainable.		
<b>14. Disclosures in respect of Related Parties pursuant to Accounting Standard - AS 18 - issued by the Institute of Chartered Accountants of India are as follows:</b>		
List of Related Parties with whom the Company has entered into transactions during the year.		
(a) Controlling Companies: There is no controlling Company		
(b) Subsidiary and Fellow Subsidiary: There is no subsidiary and fellow subsidiary Company.		
(c) Associate Companies:		
1. Purak Vinimay Ltd.	2. Sierra Investment Ltd.	3. Paushak Ltd.
4. Aavaran Ltd.	5. Light Publications Ltd.	6. Alembic Exports Ltd.
7. Nirayu Pvt. Ltd.	8. Viramya Packlight Ltd.	9. Shreno Ltd.

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

## (d) Key Management Personnel

1	Shri C.R. Amin	Chairman and Managing Director
2	Smt M.C. Amin	Whole-time Director
3	Shri R.K. Baheti	Director, President-Finance & Company Secretary
4	Shri P.C. Amin	Director, Chief Business Development Officer- International Division

## (e) Relatives of Key Management Personnel

1	Shri S.C. Amin	5	Ms. Shreya Mukherjee
2	Shri U.C. Amin	6	Ms. Yera Amin
3	Ms. Jyoti Patel	7	Mrs. Barkha P. Amin
4	Ms. Ninochaka Kothari	8	Ms. Samira P. Amin

During the year, the following transactions were carried out with related parties and relatives of Key Management Personnel in the ordinary course of the business

For the year ended 31st March	Associates		Key Management Personnel	
	2007	2006	2007	2006
i) Purchase of Goods			-	-
Individually more than 10% (3 parties)	<b>538.73</b>	505.13		
Others	<b>16.47</b>	59.16		
ii) Sale of Goods			-	-
Individually more than 10% (2 parties)	<b>146.50</b>	28.63		
Others	<b>0.75</b>	-		
iii) Purchase of Fixed Assets				
Individually more than 10% (1 party)	<b>170.85</b>	50.54		
Others	-	-		
iv) Sale of Fixed Assets			-	-
Individually more than 10% (2 parties)	<b>27.84</b>	-		
Others	<b>0.08</b>	-		
v) Rendering of services			-	-
Individually more than 10% (2 parties)	<b>400.97</b>	371.32		
Others	<b>1.46</b>	1.82		
vi) Receiving of services			-	-
Individually more than 10% (2 parties)	<b>665.91</b>	635.55		
Others	<b>3.68</b>	8.21		
vii) Rent Paid			-	-
Individually more than 10% (2 parties)	<b>33.90</b>	39.24		
Others	-	-		
viii) Rent Received			-	-
Individually more than 10% (2 parties)	<b>4.69</b>	16.06		
Others	<b>0.22</b>	1.81		

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

For the year ended 31st March	Associates		Key Management Personnel	
	2007	2006	2007	2006
ix) Interest Paid			-	-
Individually more than 10% (1 party)	<b>1.10</b>	-		
Others				
x) Interest Received			-	1.04
Individually more than 10% (3 parties)	<b>101.07</b>	57.59		
Others	-	-		
xi) Dividend Paid			<b>72.95</b>	48.61
Individually more than 10% (3 parties)	<b>513.74</b>	308.24		
Others	<b>1.92</b>	1.16		
xii) Dividend Received			-	-
Individually more than 10% (1 party)	<b>118.00</b>	-		
Others	<b>0.56</b>	0.56		
xiii) Loans Given			<b>10.00</b>	10.00
Individually more than 10% (3 parties)	<b>2,670.00</b>	1,082.00		
Others	-	-		
xiv) Loans Received			-	-
Individually more than 10% (1 party)	<b>500.00</b>	-		
Others	-	-		
xv) Deposit Given			-	-
Individually more than 10% (2 party)	<b>1,100.00</b>	-		
Others	-	-		
xvi) Managerial Remuneration				
Salary	-	-	<b>121.41</b>	102.15
Perquisite	-	-	<b>21.20</b>	21.43
Commission	-	-	<b>596.42</b>	578.30
xvii) Inventory lying with Loan License Manuf.				
Individually more than 10% (1 party)	<b>376.20</b>	363.96	-	-
Others	-	-		
xviii) Guarantees Given			-	-
Individually more than 10% (1 party)	<b>0.19</b>	467.28		
Others	-	-		
xix) Outstanding balance as at 31st March,				
Advance	<b>210.41</b>	473.57	-	-
Creditors	<b>55.74</b>	133.59	-	-
Loans Given	<b>725.00</b>	910.00	<b>10.00</b>	10.00
Deposit Given	<b>1,100.00</b>	-	-	-
Loan Received	<b>500.00</b>	-	-	-
Investment	<b>583.07</b>	583.07	-	-

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

For the year ended 31st March	Relatives of Key Managerial Personnel	
	2007	2006
i. Dividend Paid	59.18	36.50
ii. Salary Paid	54.64	28.70
<b>15. Earning Per Share (EPS)</b>		
For the year ended 31st March	2007	2006
a. Profit after tax but before Non-Recurring Items available for equity shareholders.	8,826.96	7,852.17
b. Profit after Tax available for equity shareholders.	7,068.17	7,852.17
c. Weighted Average number of equity shares.	13,84,54,905	13,84,54,905
d. Basic and Diluted Earnings per share before Non-Recurring Items. (Face value per share Rs. 2/- each)	6.38	5.67
e. Basic and Diluted Earnings per share after Non-Recurring Items. (Face value per share Rs. 2/- each)	5.10	5.67
<b>16. Auditors' Fees and Expenses include remuneration to:</b>		
For the year ended 31st March	2007	2006
a. Statutory Auditors:		
As Auditors	8.35	8.05
In Other Capacity:		
(i) Other Services	7.85	7.51
(ii) Reimbursement of expenses	0.50	0.42
b. Cost Auditors:		
(i) As Cost Auditors	0.75	0.75
(ii) Other Services	0.04	0.30
c. Tax Auditor:		
Tax Audit Fee	1.50	1.25
	18.99	18.28
<b>17. Managerial Remuneration</b>		
	2007	2006
Salary and Allowances	121.41	102.15
Contribution to Provident and other Funds	21.20	21.43
Commission	596.42	578.30

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

Computation of Net Profit under section 198 read with section 309 of the Companies Act, 1956.					
		2007		2006	
<b>Net Profit for the year as per Profit and Loss Account</b>			<b>7,068.17</b>		<b>7,852.17</b>
<b>Add:</b>					
- Provision for Income Tax		<b>877.50</b>		875.00	
- Provision for Deferred Tax		<b>(0.85)</b>		(89.59)	
- Depreciation		<b>2,906.11</b>		2,875.70	
- Managerial Remuneration		<b>739.03</b>		701.88	
- VRS		<b>782.26</b>		-	
- Directors' Sitting Fees		<b>2.65</b>	<b>5,306.70</b>	3.15	4,366.14
			<b>12,374.87</b>		<b>12,218.31</b>
<b>Less:</b>					
- Excess provision of Income tax no longer required		<b>885.94</b>		287.94	
- Depreciation as per Section 350 of the Companies Act, 1956		<b>2,906.11</b>		2,875.70	
- Profit on sale of investments		<b>130.85</b>		848.48	
- Profit on sale of assets		<b>145.00</b>	<b>4,067.90</b>	160.86	4,172.98
<b>Net Profit</b>			<b>8,306.97</b>		<b>8,045.33</b>
10% of the Net Profit i.e. maximum remuneration payable to managerial personnel			<b>830.70</b>		<b>804.53</b>
<b>18. Additional information required under Schedule VI to the Companies Act, 1956 (As certified by Director).</b>					
A. Material Consumption:					
For the year ended 31st March		2007		2006	
Name of Materials	Unit	Quantity	Amount Rs.	Quantity	Amount Rs.
<b>a. Basic</b>					
Antibiotics	B.U.	<b>18,946</b>		21,563	
	Kg.	<b>3,73,723</b>	<b>7,221.26</b>	5,04,075	7,404.50
Chemical and Other Drugs	Kg.	<b>1,23,54,014</b>		1,71,44,927	
	Ltrs.	<b>26,77,669</b>	<b>8,535.78</b>	31,65,125	9,448.26
<b>b. Packing Material</b>					
		-	<b>3,575.16</b>	-	4,368.71
<b>c. Others</b>					
(Which in value individually account for less than 10% of the total Value of Raw Materials Consumed)		-	<b>1,929.03</b>	-	1,191.97
<b>Total</b>			<b>21,261.23</b>		<b>22,413.44</b>

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

B. Installed capacities, Actual production, Opening Stock and Closing Stock of Finished Products produced and purchased.							
Class of Goods	Unit	Annual installed capacity	*Actual production during the Year	Opening Stock Qty.	Opening Stock Value	Closing Stock Qty.	Closing Stock Value
<b>Bulk Drugs and Chemical and Intermediates</b>	MMU/	#	<b>770.148</b>	79.909	2,367.15	<b>124.789</b>	<b>2,957.92</b>
	M.T.	(#)	(1,106.434)	(126.853)	(2,738.58)	(79.909)	(2,367.15)
<b>Formulations:</b>							
a) Tablets and capsules	Million	<b>4,653.000</b>	<b>1,712.488</b>	430.431	2,801.95	<b>252.106</b>	<b>1,633.67</b>
	Nos.	(4,653.000)	(2,103.484)	(182.903)	(1,801.93)	(430.431)	(2,801.95)
b) Injectables	Million	***	<b>71.565</b>	8.472	761.80	<b>6.272</b>	<b>518.36</b>
	Nos.	(224.543)	(91.814)	(11.381)	(686.22)	(8.472)	(761.80)
c) Oral Preparation and Ointments	M.T.	<b>10,182.616</b>	<b>5,604.360</b>	993.585	1,059.85	<b>567.184</b>	<b>605.26</b>
		(10,182.616)	(6,146.347)	(728.257)	(830.96)	(993.585)	(1,059.85)
d) Others		-	-	-	2,807.28		<b>2,055.10</b>
		-	-	-	(1,646.36)		(2,807.28)
<b>Others:</b>							
Electric Power Generation							
- Wind Mill		5.00					
- Co-Generation Plant @		12.60					
	M.W.	<b>17.60</b>	**	-	-	-	-
		(17.60)	(**)	-	-	-	-
<b>Total</b>				<b>1,512.397</b>	<b>9,798.03</b>	<b>950.351</b>	<b>7,770.31</b>
				(1,049.394)	(7,704.05)	(1,512.397)	(9,798.03)
<p>* Including production on loan licence basis, captive consumption, samples and purchases of finished products.</p> <p>** Entire generation of electricity is for captive consumption only.</p> <p># Installed Capacity: The Installed capacity is flexible as the plant is versatile ,enabling the Company to produce in different capacity and therefore, it varies depending upon the product programme.</p> <p>@ The Company has filed necessary Memorandum with Secretariate of Industrial Approval for generating electricity.</p> <p>*** Entire production is on loan license basis.</p>							



**T Notes to Accounts - Contd.**

(Rs. in Lacs)

C. Purchase of Finished Goods					
For the year ended 31st March		2007		2006	
Class of Goods	Unit	Quantity	Amount Rs.	Quantity	Amount Rs.
Pharmaceutical Preparations	Million Nos./M.T.	2,509.035	8,465.24	2,039.855	7,619.58
D. Turnover					
	Unit	Quantity	Amount Rs.	Quantity	Amount Rs.
Bulk Drugs, Chemicals and Intermediates	MMU/M.T.	–	15,420.35	150.602	15,156.68
Formulations:					
Tablets and Capsules	Million Nos.	1,761.710	34,239.76	1,720.319	28,669.33
Injectables	Million Nos.	64.427	8,083.85	85.702	8,425.89
Oral Preparation and Ointments	M.T.	5,250.932	14,135.71	5,472.164	13,801.31
<b>Total (Gross Rs.)</b>			<b>71,879.67</b>		<b>66,053.21</b>
E. Income/Expenditure in Foreign Currency					
For the year ended 31st March			2007	2006	
<b>Income</b>					
Export (FOB basis)			14,953.19	13,041.75	
Interest			88.33	99.75	
<b>Expenditure</b>					
Raw Materials (CIF basis)			6,553.27	6,482.09	
Packing Material, Components and Spare parts (CIF basis)			156.37	275.11	
Capital Goods (CIF basis)			659.70	485.45	
Professional and Consultancy Fees			33.79	83.49	
Interest			280.06	299.74	
Foreign travelling			159.99	108.79	
Commission on Export			351.93	294.45	
Subscription, Publicity and other matters			853.58	603.03	
Salary			262.05	199.24	
Rent			25.92	17.35	

**T Notes to Accounts - Contd.**

(Rs. in Lacs)

F. Break-up of Imported/Indigenous Material		
For the year ended 31st March	2007	2006
a. Value of imported raw materials, spares parts and components consumed	<b>5,598.37</b>	6,989.20
b. Value of indigenous raw materials, spare parts and components consumed	<b>16,679.40</b>	16,277.16
c. Percentage of above to total consumption:		
(i) Imported raw materials, spare parts and components consumed	<b>25%</b>	30%
(ii) Indigenous raw materials, spare parts and components consumed	<b>75%</b>	70%
<b>19.</b> Figure shown in brackets are corresponding figures of previous year.		
<b>20.</b> Previous Year's figures have been regrouped/re-arranged wherever necessary.		

As per our report of even date  
For **K.S. AIYAR & CO.**  
Chartered Accountants

For and on behalf of the Board of Directors

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

**CHIRAYU R. AMIN**  
Chairman & Managing Director

**MALIKA C. AMIN**  
Whole-time Director

**PARESH SARAIYA**  
Director

**R.K. BAHETI**  
Director, President - Finance  
& Company Secretary

**B.R. PATEL**  
Director

**PRANAV AMIN**  
Director

Mumbai: 22nd May, 2007

Vadodara: 22nd May, 2007

## Cash Flow

Statement of Cash Flow Prepared Pursuant to the Listing Agreement with Stock Exchanges

(Rs. in Lacs)

For the Year ended 31st March	2007		2006	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit before tax and non-recurring items:		<b>8,817.67</b>		8,349.64
<b>Add:</b>				
1. Depreciation	<b>2,906.11</b>		2,875.69	
2. Interest Paid	<b>1,464.67</b>		1,350.64	
3. Year End Foreign exchange Conversion (Net)	<b>87.79</b>		16.20	
4. Provision for Doubtful Debtors	<b>300.00</b>	<b>4,758.57</b>	378.21	4,620.74
<b>Less:</b>				
1. Interest Received	<b>713.06</b>		484.05	
2. Dividend Received	<b>132.85</b>		8.27	
3. Profit on sale of Fixed Assets (Net)	<b>190.82</b>		160.86	
4. Lease Rent Received	<b>4.55</b>		19.83	
5. Profit on sale of Investments (Net)	<b>130.85</b>	<b>1,172.13</b>	848.48	1,521.49
<b>Operating profit before change in working capital</b>		<b>12,404.11</b>		11,448.89
<b>Changes in Working Capital</b>				
<b>Add/(Less):</b>				
1. Inventories	<b>1,723.66</b>		(2,259.85)	
2. Trade payable	<b>(165.10)</b>		1,503.27	
3. Trade receivables	<b>(1,810.22)</b>		(4,689.57)	
4. Loans and Advances	<b>(1,860.97)</b>	<b>(2,112.63)</b>	(32.04)	(5,478.19)
<b>Cash generated from operation</b>		<b>10,291.48</b>		5,970.70
<b>Add/(Less):</b>				
Income Tax (Net)		<b>200.09</b>		(485.29)
<b>Cash flow before Non-Recurring Items</b>		<b>10,491.57</b>		5,485.41
<b>Less:</b>				
1) Expenses under Voluntary Retirement Scheme		<b>782.26</b>		–
2) Interest to O.N.G.C.		<b>976.53</b>		–
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (A)</b>		<b>8,732.78</b>		5,485.41
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
1. Sale of Fixed Assets	<b>248.22</b>		333.82	
2. Sale of Investments (Net)	<b>468.52</b>		1,297.32	
3. Interest Received	<b>601.63</b>		570.71	
4. Dividend Received	<b>132.85</b>	<b>1,451.22</b>	8.27	2,210.12

## Cash Flow

Statement of Cash Flow Prepared Pursuant to the Listing Agreement with Stock Exchanges

## Contd.

(Rs. in Lacs)

For the Year ended 31st March	2007		2006	
<b>Less:</b>				
1. Purchase of Fixed Assets		7,633.22		3,108.85
<b>NET CASH UTILISED IN INVESTING ACTIVITIES (B)</b>		<b>(6,182.00)</b>		<b>(898.73)</b>
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES:</b>				
<b>Inflow:</b>				
1. Proceeds from borrowings (Net)	15,541.74		-	
2. Proceeds from Lease Finance	4.55	15,546.29	19.83	19.83
<b>Outflow:</b>				
<b>Less:</b>				
1. Repayment of borrowings (Net)	-		2,371.07	
2. Interest paid	1,453.60		1,349.90	
3. Dividend Paid	1,366.20		819.93	
4. Corporate Dividend Tax Paid	194.18	3,013.98	116.51	4,657.41
<b>NET CASH GENERATED IN FINANCIAL ACTIVITIES (C)</b>		<b>12,532.31</b>		<b>(4,637.58)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>15,083.09</b>		<b>(50.90)</b>
Cash and Cash Equivalents as at 31/3/2006		87.58		138.48
Cash and Cash Equivalents as at 31/3/2007		<b>15,170.67</b>		87.58

As per our report of even date  
For **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

**CHIRAYU R. AMIN**  
Chairman & Managing Director

**MALIKA C. AMIN**  
Whole-time Director

**B.R. PATEL**  
Director

For and on behalf of the Board of Directors

**PARESH SARAIYA**  
Director

**PRANAV AMIN**  
Director

**R.K. BAHETI**  
Director, President - Finance  
& Company Secretary

Mumbai: 22nd May, 2007

Vadodara: 22nd May, 2007

# Balance Sheet Abstract

Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956

## Balance Sheet Abstract and Company's Business Profile

(Rs. In Lacs)

For the Year ended 31st March	2007	2006
<b>1. Registration Details:</b>		
Registration No. <b>04-0033</b>		
State code No. <b>4</b>		
Balance sheet date <b>31-03-2007</b>		
<b>2. Capital raised during the year:</b>		
Public Issue	<b>Nil</b>	Nil
Right Issue	<b>Nil</b>	Nil
Bonus Issue	<b>Nil</b>	Nil
Private Placement		
a) Equity Shares	<b>Nil</b>	Nil
b) Preference Shares	<b>Nil</b>	Nil
Preference Shares Application Money	<b>Nil</b>	Nil
Equity shares issued without payment being received in cash	<b>Nil</b>	Nil
<b>3 Position of mobilisation and deployment of funds:</b>		
Total liability	<b>88,521.61</b>	68,211.19
Total Assets	<b>88,521.61</b>	68,211.19
Paid up capital	<b>2,769.19</b>	2,769.19
Reserve & Surplus	<b>35,722.64</b>	30,854.00
Deferred Tax Liability	<b>3,978.02</b>	3,978.87
Secured Loans	<b>20,796.63</b>	14,268.98
Unsecured Loans	<b>12,741.27</b>	3,730.77
Net Fixed Assets	<b>30,544.45</b>	31,395.46
Capital Work in Progress	<b>5,121.44</b>	180.40
Investments	<b>2,081.05</b>	2,418.72
Net current Assets	<b>38,260.81</b>	21,607.23
Accumulated Losses	<b>Nil</b>	Nil
<b>4 Performance of Company:</b>		
Turnover and Export incentives	<b>70,066.24</b>	63,884.82
Total Expenditure	<b>62,139.28</b>	56,797.37
Profit Before Tax	<b>7,058.88</b>	8,349.64
Profit After Tax	<b>7,068.17</b>	7,852.17
Earning Per Share	<b>5.10</b>	5.67
Dividend Rate %	<b>50%</b>	50%

# Balance Sheet Abstract

Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956

## Balance Sheet Abstract - Contd.

(Rs. In Lacs)

For the Year ended 31st March			2007	2006
5 Generic names of three principal products of Company:				
Item Code No.	(ITC Code)	Product Description		
300420	03	Erythromycin Formulations		
300410	00	Penicillin & Combination Formulations		
300420	03	Roxithromycin Formulations		

As per our report of even date  
For **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner  
Membership No.38128

**CHIRAYU R. AMIN**  
Chairman & Managing Director

**MALIKA C. AMIN**  
Whole-time Director

**B.R. PATEL**  
Director

For and on behalf of the Board of Directors

**PARESH SARAIYA**  
Director

**PRANAV AMIN**  
Director

**R.K. BAHETI**  
Director, President - Finance  
& Company Secretary

Mumbai: 22nd May, 2007

Vadodara: 22nd May, 2007

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**zero**  
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