Panacea Biotec

Innovation in support of life

Ushering global scale through collaborations

annual report 2011-12

Contents

Safe harbour statement

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 Company's future growth drivers, product development, market position and expenditures are forward looking statements. Forward looking statements are based on certain assumptions and expectations for future events. The company may not guarantee that these assumptions and expectations are accurate and will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any forward-looking statements. The Company assumes no responsibility to publicly amend, modify, revise any forward-looking statements, on the basis of any subsequent developments, information and events.

Corporate Information

Board of Directors

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

Independent Directors
Mr. R.L. Narasimhan
Mr. N.N. Khamitkar
Mr. Sunil Kapoor
Mr. K.M. Lal
Dr. A.N. Saksena

Company Secretary

Mr. Vinod Goel - G.M. Legal & Company Secretary

Registered Office

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

Corporate Offices

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

B-1 Extn./A-27, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi - 110 044, India

Manufacturing Facilities

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

A-239 -242, Okhla Indl. Area, Phase–I
New Delhi – 110 020, India

Malpur, Baddi, Dist. Solan
Himachal Pradesh - 173 205, India

B-1/E-12, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi - 110 044, India

Plot No. 72/3, Gen Block, T.T.C. Indl. Area
Mahape, Navi Mumbai - 400 710, India

www.panaceabiotec.com

R&D Centers

SAMPANN Drug Delivery R&D Center
Ambala-Chandigarh Highway
Lalru – 140 501, Punjab, India

LAKSH Drug Discovery R&D Center
Plot No. E-4, Phase II, Indl. Area
Mohali – 160 055, Punjab, India

GRAND R&D Center
Plot No. 72/3, Gen Block, T.T.C. Indl. Area
Mahape, Navi Mumbai - 400 710, India

OneStream Research Center
B-1 Extn./A-24-25, Mohan Co-operative Indl. Estate
Mathura Road, New Delhi -110 044, India

Sales & Marketing Office

701, Sagar Tech Plaza, 'A' Wing, Saki Naka
Andheri (East), Mumbai - 400 072, India

Statutory Auditors

M/s. S.R. Batliboi & Co.
Chartered Accountants, Gurgaon, India

Cost Auditors

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

Registrar & Transfer Agents

M/s. Skyline Financial Services Pvt. Ltd.
D-153 A, Ist Floor, Okhla Indl. Area, Phase-I
New Delhi - 110 020, India

Banks

Axis Bank Ltd.
Bank of India
Canara Bank
IDBI Bank Ltd.
Indian Overseas Bank
State Bank of India
State Bank of Mysore
State Bank of Travancore
Union Bank of India

As on 7th August, 2012

Ushering global scale through collaborations

The Indian pharma industry is on a major growth trajectory and is expected to reach US$ 74 billion by 2020 from US$ 11 billion in 2011, registering a CAGR of 15%. The Indian Vaccine industry is expected to grow to US$ 1.0 billion by 2017 from US$ 350 million in 2011, registering a CAGR of 20 %.

In order to realise the full potential of the market and tap growing global opportunities, companies operating here will have to collaborate in a mutually beneficial manner.

And at **Panacea Biotec,** we have just done that.

Pharmaceutical Formulations Facility, Baddi, Himachal Pradesh

At Panacea Biotec, when we think collaborations, we think diverse, bold and inspired.

It is in those collaborations where we can find an innovative medicine that saves a life.

Or the licensing deal that broadens access to a critical drug.

Or the technology collaboration that brings an experimental medicine to clinical trials faster.

Or, even a business process that improves the way we help our customers.

Our collaborations, while individualised in scope and breadth, all offer the possibility of a healthier world. Today, investment in R&D just isn't enough. Recognising this change in the healthcare industry, we pursue collaborations to identify and develop innovation wherever it occurs.

Through collaborations, our products reach out to more than 75 countries, which include an established presence in the world's major pharmaceutical markets.

It is the power of innovation and collaborations that drives us. We believe that working together is critical to harnessing innovative science and hence seeks strong, long-term collaborations that fit our goals of **ushering global scale.**

Mission
Innovation in support of life

Vision
Leading health management company

Goal
To meet every healthcare need with a Panacea Biotec brand and service

Objective
Take ideas from grey cell to markets in a proactive manner

Global Research and Development Center (GRAND), Mahape, Navi Mumbai

Our Values

Innovation

- A process which transforms business ideas to marketable products
- Bringing together different functions of the organisation like marketing, finance, R&D, manufacturing to meet a common goal
- A 'way of life' in every activity, from administration to innovation
- To challenge every process & solution to discover ways to make them better
- Intolerance towards stability, encouraging continuous change
- Thinking about the impossible and discovering ways to execute it
- Deep rooted and sustainable change and superficial efforts

Pioneer

- Striving for leadership in every activity and to become the guiding star
- Having a vision of the future and succeed in reaching there before anyone else
- Persevere in owning innovation and be the first mover in the market
- Empowering people to speed up the organisation growth
- Always embracing new technology and processes
- Confidence to stand apart from competitive organisations

Integrity

- Honesty
- Ethical practices
- Transparent and clear communication
- Always learning & improving

Humane

- Humility to respect all individuals
- Care for individuals and environment
- Placing betterment of people (external and internal) at the core of each activity
- Core of new developments

Chairman's Message

"In the recent past years your Company's goal has been to augment India's image in the global markets as an able and reliable provider of medicines and healthcare"

Dear Shareholders,

As a Company with a remarkable history of discovery and development of pharmaceuticals, biopharmaceuticals, vaccines and natural products, 2011-12 was a year in which your Company worked overtime to advance, what we believe is, an exceptional portfolio of products and brands. The focus was on expanding your Company's presence and customer base for its existing marketed products and brands and increasing market penetration in both established and emerging markets through collaborations.

In the recent past, your Company's goal has been to augment India's image in the global markets as an able and reliable provider of medicines and healthcare. To achieve this we have been working incessantly on developing and commercialising best-in-class medicines and expanding our business operations. Last year was no different with your Company making successful inroads across newer geographical boundaries and increase in business amongst existing markets.

Operational Overview

Operationally, we achieved many significant milestones that advanced your Company's vision of becoming a world player in the field of biotechnology. Exports of pharmaceutical formulations grew by 17% to ₹754 million on account of increased exports to countries in the LATAM region, CIS region and Middle East. We also initiated business operations in Germany with the launch of TACPAN (Tacrolimius) as the first product. The pharmaceutical formulation segment recorded a turnover of ₹3,304.3 million as against ₹2,972.3 million in the previous year which signifies our success to reinforce ourselves as India's highly progressive, innovative health management company.

A relentless focus on better and faster innovation helped us on the path to provide further evolved medicines at more affordable prices thus helping us to spread the joy of good health across millions of people. An important milestone in this direction was

Vision 2020

To be the Greatest, Largest and
the Most Admired Biotech Company

our pledge last year, to support the cause of GAVI alliance by further reducing the price of our pentavalent vaccine –Easyfive to the tune of 10-15% in the coming years, thereby increasing access of vaccines to millions of infants across the globe.

It would be a remiss if I did not discuss the disappointments of the last year. The vaccine segment failed to meet our targets due to the delisting of DTP based combination vaccines, following a routine site audit by a WHO team in July 2011. However, the good news is that we have spent considerable time analysing our shortcomings and taken several corrective and preventive measures. We are actively in touch with the WHO and are optimistic that with these corrective and preventive measures, our vaccines will soon be relisted amongst the list of WHO's pre-qualified vaccines. As a result of lower volumes in the vaccine segment of our business, the overall turnover for the year was lower than the previous year. With pharmaceutical sector continuing the growth trend, especially with record turnover in the foreign markets, and remedial actions already initiated in the vaccine segment, your Company is confident of regaining the business in near future.

Our innovative products continue to create an impact in the markets they serve. PacliALL, an indigenously developed drug for meeting the unmet needs of cancer patients has been hugely successful and accredited with two awards in the year under review. Winner of the prestigious "BioSpectrum Product of the Year Award 2011" and also the "India Nanotech Innovation Award 2011", PacliALL is a tribute to the big strides taken by our R&D Centres and our commitment to improve the lives of patients.

Collaborations

A key enabler of our growth strategy is the emphasis on collaborations with organisations in the global markets to drive our profitability and turnover. In the year under review, we entered into several collaborations. POLPROTEC (an enhanced potency, inactivated poliovirus vaccine) was launched in Nigeria in collaboration with Emzor Pharma, Nigeria. With POLPROTEC being the first IPV to be launched in Nigeria, we are confident of making rapid progress in this region. Also, Australia was another country where your Company has found valuable partners to increase its market presence.

Future Forward

Turning now to 2012 and beyond, we believe we have a number of important events that will continue to shape our future. Our focus on R&D remains pivotal to spark further innovation and advancement that will continue to revolutionise treatment options. With promising new products and new indications in our pipeline, we will look to build on this success in the years to come. Further, to enhance our business lines, a new state-of-the-art oncology facility at Baddi, Himachal Pradesh has been set up. To build on operational excellence, besides collaboration, several other initiatives have been undertaken to push up efficiency in both sales and marketing.

The stage is set for 2012-13 and the coming years and we are now poised to continue to build on our collaborations and strategic alliances. We are thankful to our stockholders, our employees, partners, and associates for their support and participation in your Company's efforts to discover, develop and commercialise best-in-class medicines that ease human suffering.

Thank you

Soshil Kumar Jain

Managing Director's Message

"With our quality products and brands finding favour internationally, we are confident about leveraging on our collaborations and as a result creating significant value for our stakeholders"

Dear Stakeholders,

At Panacea Biotec our vision of being the greatest, largest and most admired biotechnology company in the world by 2020 is the driving force behind everything we do. We are fuelled by our mission –"Innovation in support of life"- to build a company capable of sustainably discovering, developing and delivering to patients innovative and critical, medicines that make a material difference in their health, well-being and lives.

In the year under review, we took major steps towards the transformation of our vision. We entered 2011-12 with a clear strategy to reach out globally to as many patients as possible. We exited the year with increasing sales of pharmaceutical formulations in the overseas markets and strengthened relationships with our collaborators and partners. And these developments mark the beginning of an exciting new chapter of our growth story. With our quality products and brands finding favour internationally, we are confident about leveraging on our collaborations and as a result creating significant value for our stakeholders.

We realise that at the cornerstone of our success lies the willingness to apply science to our manufacturing capacities. It is guided by this belief that we have continually laid strong emphasis on proven technology and solid infrastructure at each of our manufacturing units. Last year, we added our manufacturing strengths by inaugurating state-of-the-art oncology production unit at Baddi, Himachal Pradesh. This new facility will improve our ability to develop and deliver world class affordable medicine and also equip us to become one of the prominent players in anti-cancer formulation business globally. With our recently launched PacliALL, we wish to meet the unmet needs of cancer patients, being a huge success, we will be looking to scale up its production through this new facility.

Vision 2020

To be the Greatest, Largest and
the Most Admired Biotech Company

Whenever I meet the employees of your Company, I am filled with pride at their exceptional talent and passion to shape a new wave of growth. Indeed, they are helping make improvements in life possible and our achievements to date have been the result of their outstanding level of commitment, energy and expertise. I extend my sincere appreciation and thanks to each of our employees on behalf of the members of the Board.

The growth opportunities are huge and need no elaboration. With an innovative product line that is continually replenished, increasing investments in our internal R&D, growing network of alliances and collaborations and an excellent task force, we at Panacea Biotec are optimistic about making the most of these burgeoning opportunities. And as we confidently progress into the next year, I would like to express my gratitude to our stakeholders for their continued trust and support. We will strive hard to deliver competitive, profitable and responsible growth.

Thank you

Ravinder Jain

Financial Highlights

Particulars	2011-12		2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
	(₹ mn)	USD mn	(₹ mn)								
Net Turnover	6,883.8	135.3	11,304.6	8,843.7	7,734.2	8,304.4	8,315.5	5,363.5	3,255.4	2,616.2	2,691.5
Total Income	7,080.4	139.2	11,655.1	9,778.5	7,993.9	8,676.2	8,615.1	5,434.5	3,309.9	2,686.7	2,733.0
EBITDA	(939.1)	(16.4)	2,689.1	1,582.5	2,444.6	2,177.6	2,298.8	1,233.8	652.3	389.2	520.5
PBT	(2,629.5)	(51.7)	1,554.9	1,181.0	(923.7)	1,903.9	2,091.0	1,002.1	429.4	217.6	336.3
PAT	(2,077.9)	(40.8)	1,350.5	800.4	(690.5)	1,331.7	1,468.1	609.4	300.7	164.5	214.2
Cash Accurals	(1,165.5)	(22.9)	2,106.5	1,095.8	2,001.4	1,802.2	1,823.2	791.6	463.1	283.2	310.5
Equity Share Capital	61.3	1.2	61.3	66.8	66.8	66.8	65.8	57.2	57.2	57.2	57.2
Preference Share Capital	-	-	-	-	-	-	-	904.3	904.3	957.8	53.5
Reserves & Surplus	8,059.1	158.4	6,306.8	6,898.4	6,084.7	6,905.3	5,325.1	1,546.0	1,192.4	1,039.0	948.1
Net Worth	8,120.4	159.6	6,367.8	6,963.2	6,147.8	6,966.7	5,383.9	1,593.6	1,235.1	1,076.9	981.2
Total Liabilities	18,528.8	364.2	17,177.9	14,745.3	13,488.2	11,549.5	7,909.0	8,620.9	3,899.3	3,808.9	2,411.6
Net Fixed Assets	10,483.7	206.0	6,523.6	6,946.6	6,938.7	5,343.7	4,136.1	2,337.1	1,376.8	1,054.5	963.0
Total Assets	18,528.8	364.2	17,177.9	14,745.3	13,488.2	11,549.5	7,909.0	8,620.9	3,899.3	3,808.9	2,411.6
Key Performance Indicators											
Profitability Ratios											
EBITDA Margin	(14%)		24%	18%	32%	26%	28%	23%	20%	15%	19%
PBT Margin	(38%)		14%	13%	-12%	23%	25%	19%	13%	8%	12%
PAT Margin	(30%)		12%	9%	-9%	16%	18%	11%	9%	6%	8%
Shareholders Related Ratios											
Equity Dividend	-		75%	25%	-	100%	100%	100%	150%	100%	100%
EPS (Basic)* (In ₹)	(33.9)		21.4	12.0	(10.3)	20.1	23.7	9.9	4.4	2.7	3.6
Cash EPS (Basic)* (In ₹)	(21.6)		30.4	19.3	30.0	27.3	29.5	13.1	7.2	4.8	5.3
Book Value* (In ₹)	132.5		103.9	104.2	92.1	104.3	81.9	27.9	21.6	18.8	17.2
Return on Net Worth	(26%)		21%	11%	-11%	19%	27%	35%	19%	14%	20%
Other Ratios											
Current Ratios	0.9		1.3	1.9	1.6	2.8	3.0	2.8	1.4	1.7	1.3
Debt Equity Ratio	0.9		1.3	0.7	0.9	0.5	0.4	2.9	0.3	0.5	0.4
Return on Capital Employed	(12.5%)		19.9%	16%	-6%	13%	20%	8%	10%	8%	14%
Interest Coverage Ratio	(1.9)		5.8	5.9	7.6	18.70	15.1	10.4	6.6	3.2	4.0
Debt Service Coverage Ratio	(0.4)		0.9	5.7	7.2	16.20	6.8	4.1	2.3	1.6	2.8

* Per Equity Share of ₹1 each

Note: Figures in brackets are negative numbers

Know us Better

Panacea Biotec is India's leading research-based health management company that combines ground-breaking science with steadfast commitment to meet the unmet needs of patients all over the world at affordable prices.

Since its inception in 1984, the Company has grown in India and expanded internationally with the Company's products reaching out to more than 75 countries. Today, the Company is the second largest vaccine manufacturer and is amongst top ten biotechnology companies in India.

The Company has pioneered in research and development, manufacturing and marketing of pharmaceuticals, biopharmaceuticals, vaccines and natural products. Apart from the cutting-edge work done by the Company indigenously, Panacea Biotec has collaborations and tie-ups with leading national and international research and commercial organisations, to achieve the common goal of improved healthcare.

Nucleus of Strengths

As India's highly progressive, innovative health management company, Panacea Biotec's consistent focus is to make novel and innovative medicines an affordable reality thereby spreading the joy of good health amongst millions of families world over. Today, the credential of being amongst the largest biotechnology companies and among the top 50 pharmaceutical companies in India, is a feat which Panacea Biotec has accomplished on the basis of their nucleus of strengths, which includes:

STRONG BRAND PORTFOLIO:

Panacea Biotec's product portfolio includes highly innovative prescription products in important therapeutic areas such as pain management, cardiovascular disease management, organ transplantation, diabetes management, renal disease management, oncology, anti-osteoporosis, anti-tubercular, gastro-intestinal care products and vaccines.

In India, Panacea Biotec's brand equity spans several branded pharmaceutical formulations and, its leading brands, such as Glizid-M, Nimulid, Panimun Bioral, PanGraf and Mycept, are amongst the top 5 positions in their respective therapeutic segments. The Company also enjoys leadership stature in Nephrology immuno-suppressants portfolio.

STATE-OF-THE-ART MANUFACTURING FACILITIES:

Panacea Biotec's state-of-the-art manufacturing facilities for vaccines, pharmaceuticals and biopharmaceuticals comply with US-FDA, UK-MHRA, SA-MCC and WHO-cGMP standards, which echo the Company's vision to be the leading health management company. To meet the increasing medical needs and provide diverse and quality products, the Company has ensured that the infrastructure is regularly updated at each facility, production capacities are enhanced and new business lines are introduced. The Company's world class facilities include:

- Pharmaceutical Formulations facility at Baddi, Himachal Pradesh
- Vaccine Formulations facility at Baddi, Himachal Pradesh
- Vaccine Formulations facility at New Delhi
- Bulk Vaccines facilities at Lalru, Punjab

HIGHLY SKILLED HUMAN RESOURCES:

The tremendous achievements of the Company are a reflection of the skill and dedication of its employees, which further underscore the strength of its business model. Around 3,300 people are relentlessly working to achieve the goal of meeting every healthcare need with a Panacea Biotec brand and service. This includes more than 275 scientists, over 600 employees engaged in production and Quality Control/Quality Assurance and over 1,500 professionally trained and highly motivated employees engaged in sales, marketing and logistic activities.

PATH-BREAKING RESEARCH & DEVELOPMENT:

Panacea Biotec firmly believes that excellence in quality and innovation is only possible on the foundation of path breaking research & development. Strong emphasis on R&D provides the Company a long term competitive advantage and reflects the Company's commitment to be a leader in biopharmaceutical segment and offer value added formulations. Currently, the Company has four distinguished, ultra-modern, state-of-the-art multi-disciplinary R&D centres at different locations that specialise in the fields of new Vaccine Development, Biopharmaceuticals, Proteins, Peptides, Monoclonal Antibodies, Novel Drug Delivery Systems, Advanced Drug Delivery System and Drug Discovery (small molecules) complying with international regulatory standards. All our four R&D centers have been accorded registration by Department of Scientific and Industrial Research, Ministry of Science & Technology, New Delhi.

STRONG AND GROWING COLLABORATIONS:

Panacea Biotec has a rich history of successful collaborations, ventures and business relationships with several national/ international research institutes, academic universities and commercial corporations, which is a key competitive strength for the Company. In addition to the strategic alliances with multinational and leading regional companies in United States, Europe, Latin America, South East Asia, CIS and Africa, Panacea Biotec has created a global presence through its wholly owned subsidiaries in strategic markets including Germany and Switzerland. A successful business record of more than a decade with UNICEF in partnering the polio eradication initiative is another proud feat for the Company.

On the basis of these strengths the Company sees a multitude of opportunities open before them, and is fully energised to take on the global future challenges in the field of medicine and healthcare.

Contributions to the Industry

As a Chairman of CII National Committee on Biotechnology for second consecutive year, Dr. Rajesh Jain, Joint Managing Director of Panacea Biotec has been driving numerous initiatives for providing better business and regulated environment for nurturing biotechnology industry in India. Few of the initiatives taken in 2011-12 are mentioned below:

1. Policy Initiatives

- Standardisation of Schedule Y in regards to IND applications for biologics
- Similar Biologics Policy for India
- Clear regulatory guidelines for agri-biotechnology
- Policy dialogue on agri-biotechnology

2. Capacity & Capability Building Initiatives

- Project management
- Biotech finishing school
- Entrepreneurial bioresource center
- Capability Development Programmes on Good Laboratory Practices (GLP)

3. Developing Business Development and Networking Platforms

- Life Science Conclave 2011 focused on the theme of "Enabling Growth through Collaborative R&D and Technology Transfer"
- India Pavilion at Bio International Convention 2011 in June 2011, at Washington DC, USA
- Conference on agri-biotechnology in December 2011 at New Delhi
- BioAsia-2012 in February, 2012 at Hyderabad

Dr. Rajesh Jain addressing the Life Science Conclave 2011. Others seated (L-R) Dr. Nata Menabde, WHO Representative Designate to India; Mr. Satish Reddy, Chairman, CII National Committee on Drugs & Pharmaceuticals and MD & COO, Dr. Reddy's Laboratories Ltd., Prof. Y.K. Gupta, Head, Dept of Pharmacology, AIIMS and Mr. Steven T. Smith, Health Attache, Embassy of USA

(L-R) Mr. Arun Kumar Singh, Deputy Chief of Mission, Embassy of India, Washington DC, Dr M.K. Bhan, Secretary, Dept. of Biotechnology, Govt. of India, Dr Vijay Chandru, President ABLE & Chairman and CEO Strand Life Sciences Ltd. and Dr Rajesh Jain, Chairman, CII National Committee on Biotechnology & Jt. MD, Panacea Biotec at India pavilion at Bio International Convention 2011

Dr. Rajesh Jain, Chairman, CII National committee on Biotechnology & Jt. MD, Panacea Biotec addressing the Conference on Agri -Biotechnology. Others seated (L-R) Mr. M F Farooqui, Addl. Secretary, Ministry of Environment & Forests, Dr. M.S. Swaminathan, MP, Rajya Sabha & Chairman, M.S. Swaminathan Research Foundation and Dr. S Ayyappan, Secretary Department of Agricultural Research & Eduction (DARE) & DG, Indian Council of Agricultural Research

Management Discussion & Analysis

Industry Structure & Developments

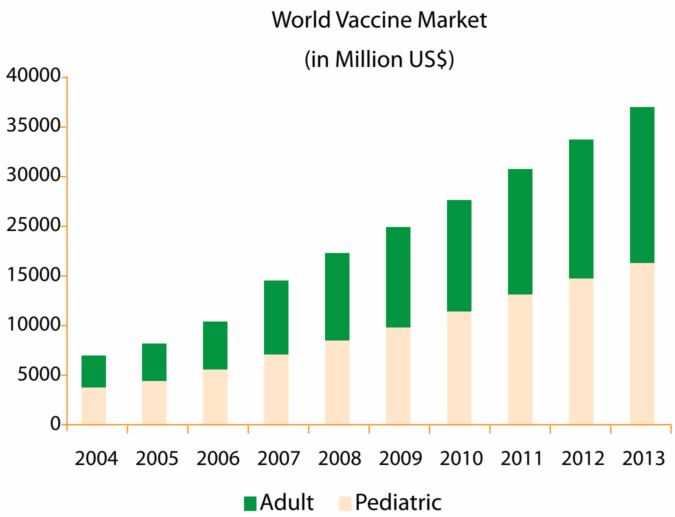
Global Vaccine Industry

Vaccines have emerged as one of the most attractive and fast growing sectors for the health care industry globally. The prevalence of infectious and non-infectious diseases has significantly risen worldwide, leading to a spur in healthcare expenditure of both the developed and developing countries. Apart from the high disease prevalence, growing population and emergence of new pandemics are important growth drivers of the global vaccine market. The growth in the vaccine industry has been primarily driven by adult vaccines while the pediatric vaccines still continues to be one of the major contributors.

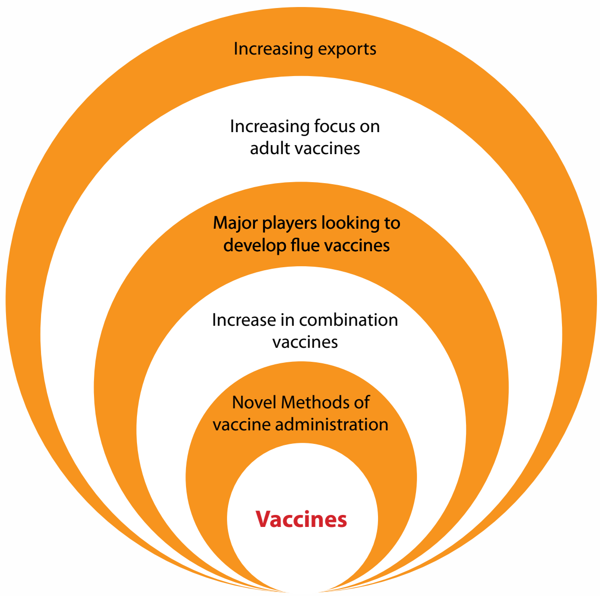
As per various industry estimates the overall global vaccines market was valued at US$ 28 billion in 2010 and is expected to reach US$ 56.7 billion by 2017 with a CAGR of 11.5%. The key growth drivers shall be growing public awareness about preventive healthcare, inclusion of vaccines in the Government immunisation programmes, introduction of newer therapeutic, prophylactic vaccines including combination vaccines and development of vaccines for diseases like HIV, Malaria, Dengue, Cancer etc.

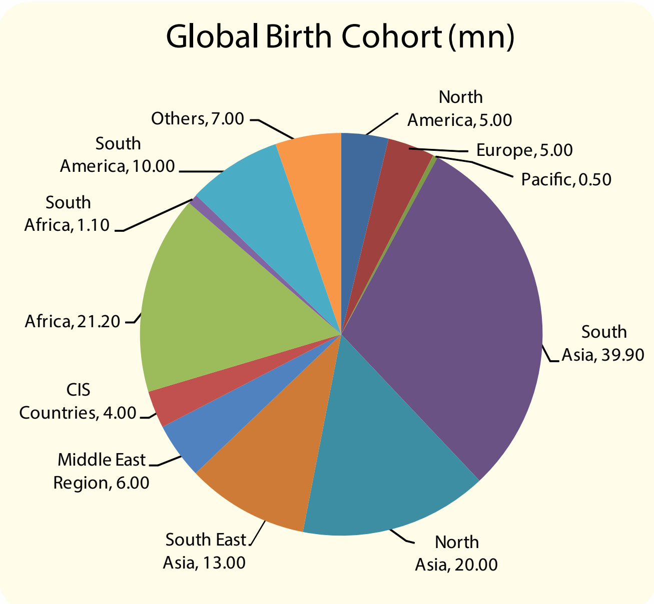
The major human vaccines markets include North America, Europe, Japan, Australia and New Zealand. The US represents the largest market for prophylactic human vaccines, accounting for more than 50% of the global vaccines market. However, future growth is expected to emanate mostly from the developing regions of Asia-Pacific, Latin America and the Rest of World with Asia-Pacific being the fastest growing region. The emerging markets are playing an increasingly significant role in the vaccines market as they industrialise and generate additional national income and immunisation becomes their key priority area. The two other factors that are contributing to the globalisation of the vaccine market are the efforts of the Gates Foundation and associated non-government organisations who are contributing significant funding to the development and introduction of new vaccines into the developing world. Additionally, there is real growth in the capabilities and aspirations of vaccine manufacturers located in the emerging markets such as India. These manufacturers are now increasing their pipelines and products and have bigger aspirations in terms of the market that they are targeting.

The pace of growth of vaccines business has become higher than the pharmaceutical business and major Pharma companies are eyeing the vaccine market as driver for their growth. The classic examples are blockbuster launches of new generation vaccines globally with revenue of more than $1bn immediately post its launch (Prevenar & Gardasil). Many mergers and acquisitions have taken place in this space. Major players like Sanofi, GSK, Novartis, Pfizer, J&J have laid strong foothold in vaccines. With companies consolidating, they can now emphasise better in the vaccine market through focused R&D and new technology platforms. Morever, considering the growing competition and costs, heightened quality expectations and stricter safety enforcement, vaccine manufacturers are looking to their suppliers not only for higher quality products, but for greater support and closer collaboration at every stage of production in local manufacturing.



Vaccine Industry Trends





India produces 60 percent of the world's vaccines and account for 60-80 percent of annual UN vaccine purchases.

Indian Vaccine Market

India has made a significant contribution to the development of global vaccine industry by producing many critical vaccines in large volumes at affordable prices. The vaccines market in India is vibrant with a strong global presence and is placed among the leading ones in the emerging markets. India's huge population and large birth cohort makes it an attractive market among the world's largest markets for all types of vaccines. The Indian vaccine market is getting boosted with the increasing penetration of existing vaccines, introduction of more and more vaccines in the national immunisation programme, introduction of innovative combination and novel vaccines by both Indian and multinational companies in India.

The Indian vaccine market continued its growth trend and registered 22% growth in 2011 with a market size of around US$ 350 million and is expected to reach around US$ 1.0 billion by 2017 with a CAGR of approx. 20%. India produces 60 percent of the world's vaccines and account for 60-80 percent of annual UN vaccine purchases. Over 70% of patients from majority of the developing countries receive vaccines procured from India by the UNICEF, International Dispensary Association, the Global Fund and Clinton Foundation.

With the concerted efforts of all stakeholders towards ensuring eradication/elimination of diseases that can be prevented through vaccination, noteworthy improvement has happened over these years in bringing down the number of cases reported earlier on MMR, Hepatitis B, Diphtheria, Pertussis, Influenza and so on. India has shown tremendous commitment towards its fight against critical diseases which is evident from the fact that India has not only successfully reduced the polio cases to zero but also ensured non recurrence of polio cases since January 2011 resulting India getting out of WHO's Polio endemic list in February 2012. This could be possible only through collaborative effort by the Government, both at Central and State Levels,Industry, multilateral agencies like Gates Foundation, Rotary and the mammoth role played by IAP and its members.

The key growth drivers for vaccine market in India are higher disease burden resulting in dire need to prevent it through vaccination, large unmet medical needs even for basic vaccines in rural India, commendable efforts by local governments to improve vaccination through public infrastructure and increase in affordability leading to enhanced requirements for new generation vaccines.

However, the Indian vaccine industry, due to its evolving nature and by virtue of its presence in an imperfect emerging market, is faced with a number of challenges both at the micro unit level and at the macro level.

Global Pharmaceutical Market

The global pharmaceutical industry is witnessing transformation due to changing demographic profile, epidemiological and economic shifts. With the growing and aging world population and changing lifestyle in the developing world, more and more new areas of medical need are emerging. These changes coupled with the large unmet medical need for treatment of critical diseases are expected to generate significant opportunities for pharmaceutical companies across the globe.

During 2011, the global pharmaceutical market has grown by 5.1% to around US$ 956 billion and is expected to grow at a CAGR of 3-6% to cross US$ 1.1 trillion by 2015. The most significant feature is that more than 60% of this increase is expected to be contributed by the emerging markets, which is forecasted to grow at a remarkable CAGR of 13-16% to reach around US$ 345 billion by 2015, while the developed markets are forecasted to grow at a much lower rate of less than 5% p.a.

Amidst all other good things, the global pharmaceutical industry continues to remain fragmented and fiercely competitive and faces increased genericisation. The generics industry on the other hand would be counting a lot due to generic competition in new molecules arising out of patent expiries, alternative generic opportunities and increased incentives for the usage of generics in many markets. The emerging pharma markets would therefore look forward to capitalise on this opportunity.

The generics segment of the global pharmaceutical market has traversed a long way from contributing at around 28% in 2010 to reach at an expected landmark of 40% of the total global pharma spending by 2015 growing with a CAGR of around 13%, as compared with a 1% CAGR in the patented branded market. This trend is visible not only in the emerging markets but also in the developed markets. The generics market is expected to expand further due to the increase in genericisation with US$140 billion drugs, now patented, going off patent by 2015, healthcare cost containment by governments/payers and relatively low penetration in some major geographies etc. Contribution from the emerging pharma markets has gone up with China, India, Brazil, Turkey and Russia leading the way from contributing 19% in 2004, to contributing over 30% of the sales in the generics industry.

Total Unaudited and Audited Global Pharmaceutical Market, 2007–2011

(*US$ in billions)	2007	2008	2009	2010	2011
Total World market	729	800	833	881	956
Total World market (**Constant US$)	752	800	858	896	942
Growth Over Previous year (**Constant US$ Growth)	7.1%	6.4%	7.3%	4.5%	5.1%

*Source: IMS Health Market Prognosis, May 2012 | Includes IMS Audited and Unaudited markets | All information current as of May 2012 | *US$ uses actual quarterly exchange rates*

***Constant $ uses Q411 average exchange rates*

Indian Pharmaceutical Market

The Indian pharmaceutical market is currently valued at US$ 11 billion and has grown steadily at a CAGR of 14-15% during the past five years and is expected to touch US$ 74 billion by year 2020. Globally, India ranks third in terms of manufacturing pharma products by volume. India, with a little over 10 % market share, ranks third in value terms in Asia Pacific region. The strong growth has been driven by a confluence of factors including growing Indian economy, rising disposable income, increasing healthcare expenditure, increasing medical insurance coverage, increased lifestyle related diseases, improvement in healthcare infrastructure/delivery systems and rising penetration in smaller towns and rural areas. All these factors have led to the organic growth in the Indian market by expansion in volumes and new product introductions as against prices increase based growth. The Indian Pharma industry also holds immense potential as India is home to approx. 1/6th of the world's population, and is expected to become the most populous nation in the world by 2050.

Despite increasing consolidation, the market continues to remain highly fragmented with top ten pharmaceutical companies accounting for 35-40% of the market. Leading players continue to maintain their market share owing to their strong distribution reach, strong field force and slew of new product launches.

The acute therapy segments dominate the Indian pharmaceutical market with a share of 73% of the total market. However, with changing demographics and lifestyle patterns, the chronic segments such as cardiovascular, anti-diabetic, neurology, psychiatry have been growing at a faster pace and the market is gradually shifting towards chronics.

With the stabilisation of the patent regime in India and strong growth prospects in future, the landscape for MNCs pharmaceutical companies is gradually changing and they are now becoming increasingly aggressive in the Indian market as part of their focus on emerging markets.

India has over 120 USFDA approved plants, highest in any country outside USA, and 84 UK MHRA-approved manufacturing facilities. These facilities significantly contribute towards exports and also support the companies involved in CRAMS. The collaborations and tie-ups between Indian and MNC pharma companies are increasing globally. While the Indian companies are focusing on de-risking their R&D and leveraging on marketing & distribution setup of MNCs through these collaborations, the MNCs are trying to leverage the cost effective manufacturing and R&D capabilities of Indian companies.

Therapeutic wise market share in Indian Pharmaceutical Market

THERAPIES	VAL MAT JUN'12 (In ₹ billion)	% SHARE	VAL GROWTH
Indian Pharma Market	569.0	100.0%	14%
Anti-infectives	91.5	16.1%	10%
Cardiac	66.6	11.7%	17%
Gastro Intestinal	60.8	10.7%	13%
Respiratory	48.7	8.6%	13%
Pain / Analgesics	48.0	8.4%	12%
Vitamins / Minerals / Nutrients	44.2	7.8%	14%
Anti-Diabetic	38.2	6.7%	25%
Neuro / CNS	34.3	6.0%	17%
Derma	32.4	5.7%	17%
Gynaecology	32.2	5.7%	13%
Others	13.0	2.3%	12%

As per IMS MAT June, 2012

Business Segments

Pharmaceutical Formulations

Domestic Sales and Marketing

Panacea Biotec has pan India presence through a structure of domestic strategic business units (SBUs) operating through a network of distributors, depots and field force. The Company focuses on niche therapeutic segments with several established brands attaining the leadership position in the market.

Panacea Biotec has seven SBUs in the domestic market catering to different focused therapeutic segments. Providing quality patient care in most of the major therapeutic segments the company has allocated the SBUs into two broad categories - Super Specialty and Acute & Chronic Care.

The Super Speciality business focuses on enhancing the quality of life of patients in need of critical care with a range of formulations through 3 SBUs viz. Nephrology SBU focusing on dialysis, Transplant SBU focusing on organ transplantation and OncoTrust SBU focusing on oncology (cancer care).

The Acute & Chronic Care business focuses on multi-specialty therapies through 4 SBUs viz. Diacar Alpha SBU focusing on diabetology, Diacar Delta SBU focusing on cardiac care, Procare SBU focusing on gastroenterology, orthopedics and pain management and Growcare SBU focusing on multiple specialties.

The aim of each SBU is to attain leadership position in its chosen markets and establish brand equity in respective therapeutic segment by way of innovative products and scientific marketing approach. The SBUs promote a portfolio of brands with a special focus on Orthopaedicians, Cardiologists, Diabetologists, General Physicians, Nephrologists, Oncologists, Haematologists, Chest Physicians, Surgeons, Dentists, Consulting Physicians, Pediatricians and Gastroenterologists.

Transplant SBU

The Transplant SBU contributes in prolonging the life of organ transplant recipients and is responsible for marketing of these immunosuppressive drugs in the therapy area of post multi-organ transplantation primarily kidney, liver, heart transplant etc. The SBU has carved a niche in super – specialty segment and created a scientific image and has achieved clear leadership in these segments.

Panacea Biotec started its journey in transplantation segment with the launch of cyclosporine (Panimun Bioral) in 1994 as first generic brand and today Panimun Bioral is a flagship brand and has completed more than 17 years and continues to be the trusted and preferred brand of Cyclosporine in the country. The commitment was further strengthened with the launch of Mycept (Mycophenolate Mofetil) which again was the first generic in the country and today is 2nd largest brand in its segment in India. The portfolio was further strengthened by launching Mycept S (Mycophenolate sodium).

Again in the year 2004 Panacea Biotec was the first in the country to launch PanGraf (Tacrolimus), which is the largest and most preferred brand of Tacrolimus in India. The launch of PanGraf along with the other brands lead Panacea Biotec towards leadership position in India and today PanGraf has attained leadership position in organ transplantation segment in India since 2007.

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Being an innovative company amongst the many, the SBU was the first to launch PanGraf 2 mg, Mycept 750 mg and Mycept S 540 mg which offered better dose titration, less pill burden for more compliance and better patient management by the physicians.

Our portfolio is completed in post-transplant immune-suppressive segment with addition of Imuza (Azathioprine). Besides there are Siropan (mTor Inhibitors Sirolimus) and recently launched Evergraf (Everolimus) which have proved to be a right fit for long term graft survival where there is CNI toxicity or other complications to patients.

Transplant SBU consolidated and strengthened its leadership status in organ transplantation in the year 2011-12 with entry into Anti-infective segment. Infection management amongst post-transplant patients is a critical success factor for longevity of the organ recipient. The SBU launched Vagacyte (Valganciclovir) for the prophylaxis of cytomegalovirus amongst the recipients which is gaining fast acceptance amongst the Transplant physicians.

This SBU is planning to introduce many new products to ensure its commitment of providing an end-to-end solution for the organ transplant recipients.

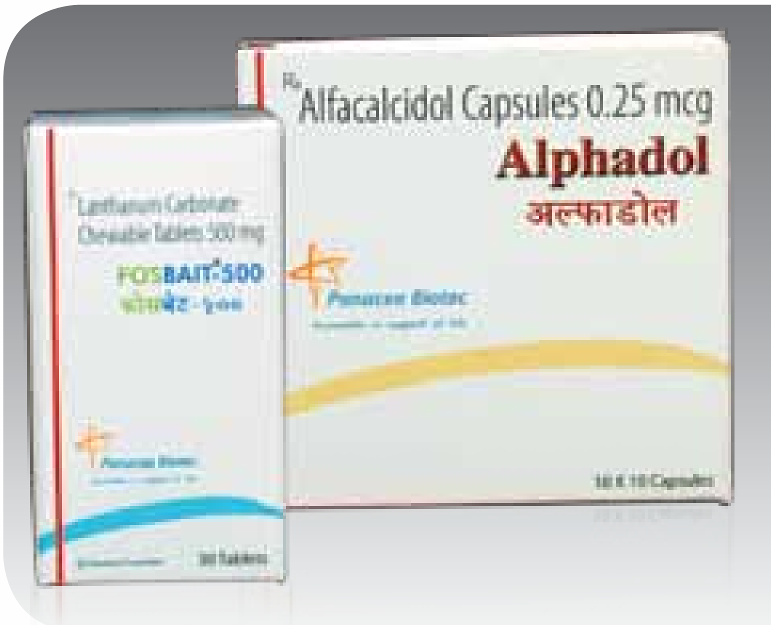
Nephrology SBU

Chronic kidney disease (CKD) is a worldwide public health problem and incidence rate of kidney failure are rising. Often, chronic kidney disease is diagnosed as a result of screening of people known to be at risk of kidney problems, such as those with high blood pressure or diabetes. Today in India the number of people suffering from diabetes and hypertension is on a high, leading to a rise in patients diagnosed with CKD. Dialysis is primarily used as an optimal therapy to provide an artificial replacement for lost kidney function in such patients.

The Nephrology SBU focuses on providing quality care to patients with Chronic Kidney Diseases or Dialysis. It offers a wide range of therapy starting from early stages in CKD to end stage renal disease. The SBU is focused on Renal Anemia Management, Hyperuricemia, Renal Nutrition and CKD-MBD (Mineral Bone Disorders) therapy areas being the key growth drivers in the coming years. It currently has a brand portfolio of Epotrust (Erythropoietin), Overcom (Iron Sucrose), Alphadol (Alfacalcidol BP), SevBait (Sevelamer Carbonate), Fosbait (Lanthanum Carbonate), Mimcipar (Cinacalcet Hydrochloride), K-bait (Calcium Polystyrene Sulphonate BP), Proseventy (Nutritional Protein Powder), Renhold (Protein for Dialysis Patients) and Febarto (Febuxostat).

The Anemia segment is the largest of the Nephrology SBU comprising of 46% of the Nephrology business. Financial Year 2011-12 witnessed the SBU entering into a new therapeutic segment with launch of Febarto (Febuxostat) in hyperuricemia segment and consolidated its position in hyperphosphatemia segment with launch of SevBait. Epotrust is amongst the fastest growing brands in the erythropoietin market. Vials were launched to increase the reach and penetration of Epotrust.

This SBU is planning to introduce many new products to ensure its commitment of providing an end-to-end solution for the Chronic Kidney Disease (CKD) patients which will add to the extraordinary growth it is attaining in the segment taking fast growth path.



PacliALL has received two prestigious awards in this year:

- "Product of the Year award 2011" by BioSpectrum
- "India Nanotech Innovation Award 2011" initiated by the Government of Karnataka

OncoTrust SBU

Cancer is the second leading cause of death worldwide. Like the western world, the peril of cancer has reached huge proportions in India with nearly 1 million new cancer cases getting added every year to the existing cancer burden. The increasing cancer incidence has witnessed the Indian oncology community fighting this battle against cancer with more dedication.

Oncotrust, the third Super Specialty SBU, one of the fastest growing in the Oncology segment, is working with an object to make existing cancer treatment more affordable and also to develop NDDS cytotoxic drugs that enable the patients to get high quality and affordable medicine with improved efficacy and safety.

Being a part of this crusade against cancer and partner with the oncologists to fight this dreaded disease, OncoTrust has completed five successful years in the market, gaining the familiarity and wisdom to compete in the highly competitive oncology market of India. The position of OncoTrust as an ethical and scientific organisation has been cemented in the oncology community with the several initiatives including entry into the NDDS segment of chemotherapy.

Panacea Biotec has an offering of robust portfolio of targeted therapies, cytotoxic and supportive care products that Oncologists can rely on to ensure a better quality of life for their patients.

The new product launch during the year, included, the Company's cost effective and Novel Drug Delivery nano-particle based albumin bound Product PacliALL (Paclitaxel), meant to be used as chemotherapeutic agent for the treatment of Breast Cancer. The product has been a grand success and became No. 2 brand with Market Share of >38% in volume and 26% in Value within the niche segment of nab-Paclitaxel in the 1st year of launch.

The OncoTrust SBU has also achieved break even in FY12 and joined the profitable BU segments of Panacea Biotec with a growth of 67% in the year under review. This SBU has 14 products encompassing the major therapy area in cancer like Lung, Breast & Colorectal Cancer, Gliomas, Haematology and Supportive care.

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Diacar Alpha and Diacar Delta SBUs

Today, India is the diabetes and hypertension capital of the world and Indians are further heading towards becoming the CAD (coronary artery disease) capital of the world. WHO further estimates that diabetes related mortality may increase upto 35% by 2015. Today, India is poised at the ascending limb of epidemic diabetes. By the end of year 2025, 70 million will suffer from diabetes and associated complications. Similarly, cardiovascular segment is consistently showing high growth every year.

Diacar Alpha and Diacar Delta SBUs together are highest revenue contributing SBU of the company with dedicated marketing and sales infrastructure for Diabetes and Cardiovascular therapy management.

Diacar focuses on Endocrinologists, Diabetologists, Cardiologists and Physicians in a fiercely competitive scenario and have achieved

Dr. Rajesh Jain, JMD, Panacea Biotec receiving BioSpectrum "Product of the Year 2011" award at Bengaluru


Mr. Sumit Jain, Director Operations & Projects, Panacea Biotec receiving the prestigious India Nanotech Innovation Award for PacliALL

significant leadership position in oral anti-diabetic segment. The SBU has now initiated an increase in focus on Nephrologists as well. To tap the complete market potential, Diacar two strategic arms Diacar Alpha and Diacar Delta focusing on Diabetology and Cardiology respectively.

The flagship brand of Diacar Alpha is Glizid-M (Gliclazide + Metformin) which is the No. 1 brand within the Company across all SBUs. The brand portfolio of Diacar Alpha and Diacar Delta includes:

Oral Hypoglycemic agents: Glizid, Glizid MR (Gliclazide modified release), Glizid-M OD (Gliclazide Modified release), Betaglim (Glimepiride), Betaglim M (Glimepiride + Metformin), Metlong and Metlong DS (Metformin), Pioryl (Pioglitazone + Glimepiride), Oglo (Pioglitazone), Gliben Total, Glizid Total and Glim Total (Glimepiride +Metformin + Pioglitazone). New product launches during the year include the most promising statin Rosuvastatin under the brand name of Exeroz.

Cardiovascular agents: World's 1st Modified Release and patented Ramipril – RAMY24 (modified release Ramipril with double peaks) developed through in-house patented technology, Lower A (Atorvastatin), Lower TG (Atorvastatin + Fenofibrate), OGLIBO (Voglibose), Teltor (Telmisartan), Teltor AM (Telmisartan + Amlodipine), Tecbeta (Metoprolol Succinate) and Tecbeta AM (Metoprolol Succinate + Amlodipine).

Co-prescriptives: In co-morbid conditions like Diabetic peripheral neuropathy Diacar Alpha has Myelogen Forte range which has gained wide spread usage and is fast growing. Brand was given an extension this year with Myelogen powder which is ideal supplement for diabetics. Stamicar (L-Carnitine L-Tartrate) was launched in Diacar Delta which is gaining fast acceptance in the very first year.

Procare SBU

Procare SBU of the Company caters to chronic care segment of Orthopedic and Gastroenterology therapy through focus on specific disease management with deep rooting in pain management.

Within Orthopedics, SBU's focus is on Osteoporosis, Osteoarthritis and Rheumatoid Arthritis Management and within the Gastroenterology focus is on Constipation, Anorectal disorders and product range in liver disease management. This SBU promotes a portfolio of brands with special focus on Orthopaedicians, Surgeons and Gastroenterologists along with Consulting and General Physicians.

The brand portfolio of Procare includes:

- Gastrointestinal: Sitcom (Euphorbia Prostrata) Tablets and Cream, Livoluk (Lactulose), Livoluk Fibre, Gush (Lactitol Monohydrate + Ispaghula Husk) & ODpep
- Chronic liver diseases: Uciro (Ursodeo Xycholic Acid)
- Anti-osteoporosis: Vacosteo (Zoledronic acid, 3rd generation injectable bisphosphonate), Alphadol-C (Alfacalcidol), Calcom & Monthiba (ibandronic Acid)
- Anti-arthritis : Willgo, Kondro OD & Kondro Acute ((Glucosamine Sulphate Potassium Chloride)
- Pain Management: Nimulid, Nimulid SP, Nimulid MR, Nimulid HF, Dolzero, and newly launched Delupa (Aceclofenac)
- Gout and Hyperuricemia: Febarto (Febuxostat) launched during the year

Sitcom has evolved as the first choice among anti-hemorrhoidals within Gastroenterologists and Surgeons. This success has motivated the SBU to launch innovative formulations in the form of Sitcom Forte tablets and Sitcom LD cream for the first time in India in current financial year.

The future plans of the SBU include launching of high end molecules in the field of orthopedics (both osteoporosis and osteoarthritis), complete range of pain management Delupa-P, Delupa-SP, Delupa-CR & Delupa-TH as well as gastroenterology and encash the built up equity in both these segments. The SBU is fully geared for multiple launches in this financial year with radical expansion plans in near future.

Growcare SBU

Growcare SBU focuses on Gastro-Intestinal (GI), Anti hemorrhoidal, Cough & Cold, Vitamins and Minerals and Pain Management therapies.

Committed to reduce the burden of these diseases, Growcare marks the Company's presence in therapy areas like Anorectal Disorders (Piles and Hemorrhoids), Gastro-Intestinal, Respiratory (Cough, Cold and Allergy), Anti-Infectives, Pain Relievers, Vitamins and Minerals. The different specialties serviced by Growcare SBU are General Physicians, Consulting Physicians, ENT Surgeons, Pediatricians and General Surgeons.

The brand portfolio of Growcare includes:

- Anti hemorrhoidal: Thank OD & Thank OD Cream
- Anti-infective: Ocimix (Ornidazole), ValueCef, ValueCef-O and ValueThral (Azithromycin Dihydrate)
- Anti-Allergic: Zomont AL, Zomont AL Kid Tablet (Montelukast Sodium)
- Cough, Cold and Fever: Cough syrups range Corton, Toff MD, Toff DC, Toff-lix & Toff expectorant, Orangemol Suspension. TECPara (technological advanced Paracetamol) an in house R&D patented product) is a new launch which is gaining acceptance
- Pain Management: Nimulid & Nimulid MD (Mouth dissolving) tablets, Nimulid-ER, Nimulid Suspension and Nimulid Transgel
- Gastro-Intestinal: EnBa, EnBa-Rab, FiberFOS, HiFibre and Livoluk kid
- Vitamins & Minerals: Wholesum
- Anti TB: Myser (Cycloserine) & Myobid (Ethionamide)

The plans are to launch during the year complete Tecpara range to strengthen Panacea Biotec equity in fever and pain management.

Brands Review

Over the years, Panacea Biotec has established leading brands that enjoy top of the mind recall by the medical fraternity. The Company's brands command excellent market share in their therapeutic segments. According to ORG IMS (TSA MAT Jun'12) Sales value, Panacea Biotec is among top 50 companies in the Indian Pharmaceutical Market with Nephrologists, Dentists, Orthopaedicians and Diabetologists giving the best support. As per Stockist Secondary Audit of ORG IMS (MAT Jun'12), Glizid-M stands at 278th rank among top brands in the Indian Pharmaceutical market and retain number one position within its category.

The Company's key brands across therapeutic categories and their ranking/ market share in India are:

Brand Standing and Market share

Brands	Market Share %	Ranking
Diabetes and Cardiac Care:		
Glizid M	21.1	1
Glizid 40mg	29.0	1
Glizid 80mg	21.6	2
Glizid MR 30mg	13.5	2
Glizid MR 60mg	8.1	3
Glizid Total	24.4	2
Pain Management:		
Nimulid MD	4.8	2
Nimulid 100mg	7.1	2
Nimulid MR	11.6	4
Nimulid SP	5.6	4
Kondro OD	16.3	3
Kondro Acute	6.5	4
Vacosteo	17.4	1
Tuberculosis Management:		
Myser	7.2	3
Myobid	4.0	3
Gastro-intestinal:		
Livoluk	5.8	4
Anti-haemorroidal:		
Sitcom Tabs	7.0	4
Thank OD Tabs	6.4	5
Penicillines:		
Cilamin	3.2	2

* ***Source:*** *ORG IMS SSA audit JUN'12.*
* *Market Share and rank is calculated within its immediate operating market i.e. the strength or the immediate market (wherever applicable).*

Panimum Bioral, Mycept and PanGraf are also leading brands in the Organ Transplantation segment but have a poor reflection in ORG IMS audit, as ORG IMS SSA audit does not track institutional and hospital sales.

New Product Launches

Panacea Biotec continues to expand its product portfolio by launching new products every year. It launched new products in various therapeutic categories in FY 11-12 including:

- Tecbeta (Metoprolol), Tecbeta AM (Metoprolol+ Amlodipine), Exeroz F (Rosuvastatin+ Fenofibrate), Teltor (Telmisartan), Teltor AM (Telmisartan + Amlodipine) in cardiology segment
- Tecpara (Paracetamol Oral Solids), Monthiba (Ibandronic Acid), DeLupa TH (Thiocolchicoside +Aceclofenac) and Febarto (Febuxostat) in Pain/Analgesics segment.
- Myelogen Powder, Stamicar, Wholesum and Proseventy in the Vitamins/ Minerals/ Nutrients segment
- Valuecef O (Cefixime+ Ofloxacin) in Anti infectives segment
- Uciro (Ursodeoxycholic acid) in the Hepatoprotectives segment
- Enba Rab (Rabeprazole) for the Gastro segment
- Tofflix (Pholcodeine) in the Respiratory segment
- Gliben Total P in anti-diabetic segment
- Imuza (Azathioprine) in the immunosuppressive segment

International Pharmaceuticals Business

The year under review was a year of sustained growth and expansion for International Pharmaceuticals Business by strengthen the existing trade business in market place and venturing into new markets. During the year, the company's pharmaceutical formulation business clocked export sales of ₹753.6 million with a growth rate of 17%. In the year 2011-12, the company has ventured into new markets of Latin America, CIS region, Asia and Africa with products in various therapeutic areas like organ transplantation, pain management, nephrology, gastro-intestinal and anti-infectives.

The region wise sales for the year 2011-12 were as follows:

- CIS Region ₹369 million as compared to ₹314.8 million in FY 2010-11
- Latin America sales ₹241.7 million as compared to ₹220 million in FY 2010-11
- Middle East sales ₹62.9 million as compared to ₹51 million in FY 2010-11
- Asia Sales ₹69.4 million as compared to ₹55.6 million in FY 2010-11

The major achievements for international pharmaceutical formulation business during the year have been:

- Inclusion of Panimun Bioral and Mycept in Russia MOH Federal list
- Increased acceptance and sole supplier of Tacrolimus 5mg to Brazil MOH.
- Successful launch of Panolimus (Tacrolimus) in Serbia – 2nd European country to get Tacrolimus registration clearance

The company has robust plans in place for coming years in terms of market identification, registration and commercializing a series of innovative products. The first innovative product – RAMY 24 - Modified Release Ramipril, from our state of art R&D center GRAND is under registration in majority of our operating markets. The commercialisation of RAMY24 in select markets is expected by last quarter of 2012-13. The company also has robust pipeline in speciality therapy areas like Oncology, Endocrinology, CNS and Urology and is at advanced stages in our R&D centers. The registration of the Oncology products will commence in the second half of the year.

With this robust strategies and growth plans, the company is aiming to achieve short term growth of 40% and projected CAGR of 43% in international pharma business over next 5 years.

The company is accelerating its movement towards promotional oriented approach from a trading business model across all markets.

The company is also in the process of formalizing in its own representative offices with specialised personnel in various markets which will create a positive image of the Company amongst customers in market place.

Vaccines Business

Immunisation being one of the most important & cost effective ways of reducing morbidity and mortality, the Company has since inception adopted a long-term strategy of development of newer vaccines.

The Company is the second largest vaccine producer in the country. Over the last 20 years Panacea Biotec has created a strong portfolio of innovative vaccines against critical and life threatening diseases like Polio, Hepatitis B, Diphtheria, Tetanus, Pertussis, Haemophilus Influenza type B (Hib), pandemic flu (H1N1), etc. The Company has developed advanced fully-liquid combination vaccines; opening a whole new dimension towards protecting multiple diseases with a single vaccine.

Panacea Biotec has not only made significant contribution in the development of vaccine market but also in improving the life of millions of children by providing innovative vaccines at affordable prices across the globe. The Company is continuing with its efforts to strengthen its vaccines portfolio by adding more and more vaccines in future.

The Company had significant presence in both institutional and private vaccines markets in India and international markets. Panacea Biotec has played a key role in polio eradication program by supplying more than 9 billion doses of Oral Polio Vaccines to Government of India and UNICEF.

In Indian private vaccines market, the Company is currently marketing its innovative pediatric vaccines through its joint venture company, viz. Chiron Panacea Vaccines Pvt. Ltd. The major brands in the vaccines business include Easyfive (DTwP-HepB-Hib), Easyfour (DTwP-Hib) and Polprotec (enhanced Injectable Polio Vaccine). The JV Company commands a significant market share in the pediatric combination vaccines segment in India.

In the international markets, the Company focuses on the emerging and ROW countries. Over the last couple of years strategic business partnerships have been initiated in more than 50 countries with customised business models. Till date vaccines have been registered in 11 countries with further registrations in around 20 countries expected in the near future.

The Company has achieved an export turnover of ₹2,641.5 million during the year including deemed exports of ₹38.5 million. During the year,Bangladesh, Uganda, Philippines and Peru were added as the new markets in addition to the existing markets of Chile, Nepal, Pakistan, Botswana and Swaziland etc.

Supply Chain Management &Logistics Network

Panacea Biotec has strong Supply Chain Management (SCM) systems designed for creating end-to-end visibility and controls right from sourcing of materials till collection of receivables in both Pharmaceuticals and Vaccines segments. The objective has been to ensure customer satisfaction by monitoring and improving delivery performance on various parameters including Turn-around Time (TAT), On-time in Full (OTIF) and Error-free delivery of products and promotional materials.

The Company has pan-India sales and marketing network covering approximately 600 districts in India and targets more than 1.5 million customers through a field force of over 1,400 trained marketing and sales professionals and 22 sales depots/carrying and forwarding agents all over India.

The Company has its Central Warehouse at Delhi and has expertise in cold chain management for storage and distribution of Vaccines under monitored conditions using a system of Vaccine Vial Monitors, Data Loggers, Ice Boxes, Coolant, Cold Rooms and Refrigerated Vehicles and Tyvek Sheet for sending temperature controlled products overseas. This ensures that the Vaccines remain safe and effective against changes in the variant temperature conditions during transit.

Manufacturing Facilities

The Company's manufacturing facilities for vaccines and pharmaceutical formulations are situated in India in Delhi, at Lalru in Punjab,at Baddi in Himachal Pradesh and at Navi Mumbai in Maharashtra. The Company also has state of the art integrated facility for bulk vaccines, antigens and biopharmaceuticals at Lalru in Punjab. The manufacturing facilities have been set up in compliance with international regulatory standards including WHO cGMP and European Union standards. The Company's manufacturing expertise lies in various solid, semi-solid & liquid oral dosage forms and vaccines such as:

- Oral-solids - conventional tablets/capsules, controlled/ delayed release/enteric coated tablets and capsules, tablet in tablet, tablet in capsule, multi-layered capsules, hard gelatin/ soft gelatin capsules, mouth dissolving/chewable tablets, beads encapsulation, coating (film, sugar & functional), taste masking and fast-dissolving tablets
- Semi-solids - ointments/creams/gels, transdermal drug delivery system
- Liquids - suspensions/syrups/solutions
- Vaccines - recombinant vaccines, combination vaccines, cell culture vaccines and live vaccines
- Anti-cancer - injectable

Pharmaceutical Formulations Facility at Baddi

The Company has its state-of-the-art pharmaceuticals formulations manufacturing facility at Baddi, Himachal Pradesh. The facility has been built in compliance with cGMP standards, received encouraging acclaim and numerous plant approvals from various regulatory authorities. The facility has been approved by National Regulatory Authority of India (NRA) and has also been audited and certified as cGMP compliant by various regulatory agencies including the USFDA, German Regulatory Authority, TGA Australia and ANVISA Brazil. The Company's soft gelatin manufacturing facility is also approved for markets in European Union.

During the year under review, the Company has expanded this facility by setting up Anti-Cancer Formulation facility with two lines dedicated for liquid & lyophilized vials as well as pilot scale up batches complying to USFDA, EU, ROW and cGMP norms with a capacity of 1.2 million vials per annum on three shift basis.

Manufacturing Facilities for Vaccine Antigens and biopharmaceuticals at Lalru

The Company has bulk vaccine manufacturing facilities at Lalru in Punjab with dedicated blocks for manufacture of Recombinant,

Puja function organised for inauguration of the Oncology Facility at Baddi, Himachal Pradesh

Bacterial & Tetanus vaccine bulk & antigens and an integrated block for cell culture based vaccines and biopharmaceuticals. The integrated block comprises of three independent suites for manufacture of viral proteins/vaccines, non-viral recombinant bio-therapeutics (e.g. biosimilar molecules on cell culture in both conventional as well as disposable formats), egg based viral vaccines and recombinant & conventional vaccines in microbial cultures. All the blocks have been designed, constructed and adapted following current Good Manufacturing Practices (cGMP).

The facilities have been approved by NRA for manufacture of Diphtheria Toxoid, Tetanus Toxoid, whole cell Pertussis, Recombinant Hepatitis B surface antigen, Haemophilus influenzae type b conjugate bulk and Inactivated H1N1 split viron influenza vaccine bulk (by traditional egg based technology).

Vaccines Formulation Facility at Baddi

The Company's state-of-the-art vaccine formulation facility at Baddi in Himachal Pradesh, located in a complex of 23 acres of land, comprises of two blocks. The three-storey main building consisting of production, quality control and quality assurance is spread over approximately 2800 square meters construction area at each floor and a five-storey block of Warehouse-cum-Cold Storage facility is spread over approximately 2500 square meters on each floor.

The facility has two filling lines complying with cGMP norms,one for filling of injectable liquid Vaccines in pre-filled syringe (PFS) and another switchable line for filling of liquid & lyophilized Vaccines in vials. The total production capacity of this facility is 600 million doses per annum capable of being increased by addition of third line to one billion doses per annum.

The facility has been approved by National Regulatory Authority of India (NRA) for manufacturing of vaccines. The facility has recently undergone renovation and is under validation as per new Quality Management Systems in compliance with WHO pre-qualification requirements.

Vaccines Formulation Facility at New Delhi

The Company's vaccines formulation facility in New Delhi is a c-GMP compliant facility for Oral Polio Vaccines (tOPV, mOPV1, mOPV3 & bOPV) and also has been approved by NRA. The facility has built up area of more than 50,000 sq. ft. and has one vial filling line dedicated to Oral Polio Vaccines. The total annual production capacity of the facility is 800 million doses of Oral Polio vaccines in two shift operation.

Pharmaceutical Formulations Facility at New Delhi

The Company's pharmaceuticals formulation facility in New Delhi caters to the requirements of products for Emerging and ROW markets.

Manufacturing Facility for Anti-Cancer Products at Navi Mumbai

The Company has a manufacturing facility for manufacture of anti-cancer products (Injectables & Tablets) at Mahape, Navi Mumbai. This state-of-the-art containment facility (with isolator technology) is unique and capable of providing clinical supply and production

Bulk Antigen Vaccine Facility, Lalru, Punjab of high value cytotoxic products. The Company is manufacturing its innovative product in Oncology segment, viz. PacliALL in this facility.

Research & Development

Research & Development is one of the core strengths of Panacea Biotec. With its four highly sophisticated ultra-modern R&D centers manned with around 300 qualified and experienced scientists, the Company has built a strong R&D base over the last decade to support its business segments, vaccines, pharmaceutical formulations and biopharmaceuticals. The key areas of research & development includes new vaccine development, biopharmaceuticals, proteins, peptides, monoclonal antibodies, Novel Drug Delivery Systems, Advanced Drug Delivery System and Drug Discovery (small molecules), in compliance with international regulatory standards. The Company's R&D Centers have been accorded registration by Department of Scientific and Industrial Research, Ministry of Science & Technology, New Delhi.

The Company also has a state-of-the-art animal house and facilities for carrying out pre-clinical research and for undertaking in-vitro and in-vivo microbiology, pharmacology, safety, efficacy, proof of concept and toxicology studies.

As a result of its research efforts, the Company has been granted more than 300 patents in India and worldwide including in major countries like U.S., Europe, Australia, Canada, China, Japan, Russia etc.

The Company has been steadily increasing its expenditure on R&D, both revenue and capital expenditure. During the year under review, the Company has made a total expenditure of ₹1,026.5 million (14.9% of net turnover) on R&D as against ₹849.6 million during previous fiscal, an increase of 20.8% in value terms. The revenue expenditure on R&D was ₹872.2 million in fiscal 2012, as compared to ₹594.5 million in fiscal 2011, an increase of around 46.7% in value terms. The investment by way of capital expenditure on R&D has been ₹154.3 million in current fiscal as compared to ₹255.1 million in previous fiscal year. The Company is continuously strengthening its R&D base to cater to increased healthcare needs and expanding niches in vaccines, pharmaceuticals formulations and biopharmaceutical segments, both in domestic as well as global markets.

LAKSH Drug Discovery R&D Center, Mohali

LAKSH Drug Discovery R&D Center

The Company has its state-of-the-art research center LAKSH which is dedicated for development of New Chemical Entities (NCEs, small molecules) at Mohali, Punjab. The LAKSH is spread over an area of 70,000 sq. ft. with sophisticated laboratories equipped with modern instruments to perform NCE research. The R&D center employs about 100 dedicated scientists including 12 PhDs.

The focus of research is on development of NCEs for the treatment of diabetes, Central Nervous System (CNS) disorders and infectious diseases. This R&D center has successfully delivered two Pre-Clinical Candidates (PCCs), one of which is currently under investigation for IND (Investigational New Drug) filing and the other one has recently entered phase I studies in India. Nine PCT applications and more than 50 patent applications in national phases have been filed from this center.

Two grants amounting to ₹37.8 million by DSIR (Department of Science & Industrial Research) and ₹20 million by DST (Department of Science & Technology) have been sanctioned to partially fund both the projects for development and demonstration of technology.

SAMPANN Drug Delivery R&D Center

SAMPANN Drug Delivery Research and Development Centre, Lalru is a state-of-the-art research facility of Panacea Biotec with superior infrastructure, specialised machinery, adequate resources and highly qualified manpower.

During the year under review, the Company has made a total expenditure of ₹1,026.5 million (14.9% of net turnover) on R&D as against ₹849.6 million during previous fiscal, an increase of 20.8% in value terms.

Pharmaceutical research carried out using various innovative technologies like hydro gel based topical drug delivery system of peptides and herbal drugs, solid-solid dispersion for highly variable drugs, self emulsifying drug delivery system (SEDDS) and controlled release drug delivery systems in different therapeutic areas. Considering the need to boost global marketing endeavors, various regulatory filings have been done in US & EU on immunosuppressant drugs. Apart from NDDS based products, several new molecules are in the pipeline for development as generics for the ICH and ROW markets.

SAMPANN also has an excellent portfolio of innovative pediatricvaccines to protect children against dreadful diseases such as polio, hepatitis, diphtheria, tetanus, pertusis and haemophilus influenza.

Further to broaden the existence of Panacea Biotec in the market, the SAMPANN is developing the new generation vaccines like Pneumococcal Vaccine, Japanese encephalitis and Universal flu vaccine. High order combination vaccines like Easyfourpol and Easysix vaccines are currently in Phase III clinical trial. National Regulatory Authority (NRAs) approval has been obtained for manufacturing of DTwP vaccine, which are manufactured with indigenous developed drug substance. Successful dossier submission has been done with World Health Organisation (WHO) for obtaining the license for single dose Inactivated Polio Vaccine (IPV).

Significant number of projects have been developed and cleared for commercialisation and 16 International patent applications were filed during the year by SAMPANN.

OneStream Research Center

The confluence of two R&D centers (SAHA Vaccine and Biological Research Center and Biopharmaceutical Research Center) established the OneStream Research Center at New Delhi. The state-of-the-art OneStream facility is spread over 26,000 Sq. ft. area in three floors and brings together rich experience of past so many years to develop novel, effective and affordable vaccines and biopharmaceuticals for prevention against various epidemic/ endemic life threatening diseases for global markets.

OneStream is backed by a team of 65 highly trained and skilled scientists including 8 PhDs with excellent credentials working in divergent areas of biological sciences including: molecular biology, cell biology, vaccine development, pharmacology, immunology & peptide biology.

OneStream is dedicated to carry out extensive research in vaccines and biologicals using genetic engineering, molecular biology, genomics tools, animal cell culture, fermentation, purification, formulation, Immunology and analytical testing techniques. OneStream has the infrastructure and expertise to take an idea through different stages of product development towards a successful commercialisation. OneStream's focus is on development of novel preventive & therapeutic vaccines, novel therapeutic peptides and therapeutic fully human monoclonal antibodies for treating infectious diseases and the lifestyle related disorders. OneStream is actively involved in developing different biosimilar products as well.

OneStream Research Center, New Delhi

The Centre is involved in the development of following vaccines and bio therapeutics:

Vaccines: Cell culture based viral vaccine (dengue & japanese encephalitis virus (JEV), egg based viral vaccines (seasonal flu & yellow fever), recombinant viral vaccine (universal flu & respiratory syncytial virus), bacterial polysaccharide vaccine (pneumococcal, meningococcal), bacterial protein vaccine (acellular pertussis) & recombinant bacterial vaccine (anthrax).

Biotherapeutics: Biosimilars (Recombinant Darbepoetin, Trastuzumab, Bevacizumab, Etanercept, Omalizumab, Cetuximab, Rituximab) and Peptides (long acting GLP-1 analogues and Hair Growth Peptide)

OneStream has dedicated classified areas to work with pathogenic bacteria, viruses, cell culture, clone development, peptides & cell based assays. The center has well-established P3 facility to handle pathogenic viruses like H1N1, Seasonal flu & JE virus. The Centre has indigenously developed and licensed Pandyflu against H1N1 virus (Swine flu). During the year under review, the focus of the center was development of Company's candidate vaccine for Pneumococcal disease which cleared safety evaluation to enter clinical trials and Vero cell based live attenuated tetravalent Dengue vaccine.

GRAND R&D Center

Global Research and Development (GRAND) Center at Mahape, Navi Mumbai is involved in development of products for international as well as Indian market. Products developed are of highest quality with an innovative edge.

The primary objective of research & product development is to meet unmet therapeutic needs of the society, in the field of Oncology, Organ Transplantation, etc. and provide therapeutic advantage to the patients. The main focus of research is to develop products using novel technologies like:

- Gastro-retentive Spatially Programmed Orally Retentive Technology (SPORT) for bioavailability enhancement
- Pulsatile Drug Delivery for bioavailability enhancement and better patient compliance

- Matrix controlled drug delivery for better patient compliance
- Oral Fast Dissolving Films for better patient compliance
- Microspheres for better patient compliance
- Nanoparticles for improved safety and efficacy
- Liposomes for better safety and efficacy

Over the years GRAND has emerged as a strong contributor to intellectual property of Panacea Biotec.

Briefly, innovative product development at GRAND is categorised in following sub-classes based on the route of drug administration:

Oral Drug Delivery:

- Controlled and modified oral delivery of bioactives
- Drug Delivery for Immunosuppressant drug

Parenteral Drug Delivery:

- Nanoparticles: First indigeneously developed nanotechnology based parenteral product for delivery of Paclitaxel (PacliALL) has been launched in Indian Market. Product involves target oriented delivery of anticancer molecule leading to reduced side effects and better patient compliance compared to conventional formulation.
- Microparticles: Depot Injectable Formulations based on microparticles for delivery of peptide/drugs are under development with an objective of controlled and sustained delivery of actives to provide improved therapeutic outcome with an added advantage of reduced dosing frequency.
- Liposomes: Products are under development involving the concept of "Stealth" liposomes.

Quality Assurance

Quality is among the most important reasons to encourage a customer to buy a product. Total Quality Management has always been the foundation stone of the Company which has resulted in achieving greater milestones in the past couple of years. At Panacea Biotec, quality is in-built in products & services and is integrated in each step of R&D, production, packaging, storage, marketing, sales & distribution. The Company is committed to adhere to the highest quality standards for products which are enabled through a highly qualified, techno-innovative & dedicated team.

Clinical Research

Clinical Research plays a crucial role in the process of drug development. Clinical development establishes the safety and efficacy of a new drug product involving significant expertise, time and investment.

The year 2011-12 witnessed several milestone achievements in Clinical Research, including:

- Investigational New Drug (IND) approval from USFDA for anti-diabetic new chemical entity (NCE)

Dr. Rajesh Jain, Joint MD with R&D and Clinical Research Team on the occasion of first subject dosing of NCE "PBL 1427" at study site at Delhi NCR

- Phase III trial of novel drug delivery antihypertensive
- Phase III trial of novel drug delivery analgesic/antipyretic
- WHO sponsored randomised controlled trial of mucosal immunity to polio viruses after a supplemental dose of bOPV or IPV
- Pre-IND meeting with USFDA and pre-submission meeting with European Medicines Agency (EMA) for a novel drug delivery immunosuppressant
- Scientific advice meeting with Federal Institute for Drugs and Medical Devices, Germany (BfArM) for a gastroesophageal reflux disease product

Pharmacovigilance: The Company has deployed the Argus safety database, a comprehensive adverse event tracking and reporting system. This enables the company to provide a sustainable solution aimed at managing our growing global pharmacovigilance compliance obligations.

This important project has long term goals of enhancing the Company's risk management capabilities, integration between critical business processes, 'value add' capability of redefining business processes, enhanced compliance reporting features, and most importantly strategic advantage in the Global Safety Surveillance domain.

Intellectual Property

The Company has a full-fledged Intellectual Property Rights department which manages all the Intellectual Property related functions from inception to enforcement. The Company has been granted 33 product patents worldwide for different products/ technologies.

As at the end of the year under review, the Company has filed around 1,500 patent applications worldwide including 194 Indian patent applications and 95 applications filed through the PCT (Patent Cooperation Treaty) route. Out of the total number of patent applications filed, 413 patents had been granted / accepted for grant including in India. Apart from this, the Company had in-licensed several patent applications, some of which are under process in different countries of the world.

During the year under review, 12 patents were granted in Algeria, Australia, Bulgaria, Eurasia, Ukraine, Singapore, Tunisia, USA and India.

So far the Company has filed over 835 domestic applications for registration of Trade Marks of which 433 have been registered including 49 trade mark applications registered during the year under review. In addition to this, the Company has filed during the year 266 International Trade Mark Applications in various countries of which 97 have been granted during the year under review.

Besides this, the Company had filed 209 applications for registration of Copyrights of which 83 had been granted. The Company has till date also filed 4 Design Applications and all of them have already been registered.

Human Resources

The Company's Human Resource department has evolved over several years from being a support function to be recognised as a business partner. It has seen a paradigm shift in the approach adopted towards strategic human resource management and has taken aggressive steps to make its functions absolutely process driven & at one click with minimum human intervention.

The systems and processes adopted by the company in the HR operations & statutory compliances are absolutely well defined and are proven to be very helpful in driving the error free operations of the business units.

Panacea Biotec has total manpower of around 3300 spread all over India and abroad in R&D Centres, Manufacturing facilities, Sales & Marketing offices and satellite postings of the sales professionals. The talent pool has diversified expertise, skill sets and qualification which have resulted in a talent pool mix, enabling the organisation to propel towards being the most innovative and technologically advanced healthcare company.

Panacea Biotec ensures its core values are protected and nurtured and the same reflects in the organisation demographics. The company believes in fostering the humane value and adopts the same in recruitments by hiring professionals in the industry and extends career opportunity to all regardless of their castes, religions, races, gender etc. The Company has ensured that the

Cultural Dress Code Celebrations and Teambuilding workshop organised at GRAND, Navi Mumbai on occasion of Independence Day & Raksha Bandhan

right platform is provided to competent employees to visibly demonstrate talent in the industry. By adopting a fair recruitment strategy, the Company demonstrates its contribution to the social upliftment of the society and its social responsibility. It strongly focuses on empowering the human capital with the necessary skills and knowledge which could be in the form of training events or workshops.

To bring in work life balance and celebrate festivals together, the Company conducted several employee engagement initiatives which observed encouraging participation.

The vision of the organisation and the deliverables of the employees are so well connected, that every employee right from their joining with the organisation has clarity about the set expectations from him in driving the organisation to realise its vision by year 2020.

Superannuation Celebration at Corporate Office: This year, the Company felicitated around 8 employees, who during their long tenure with the company had demonstrated outstanding performance and were regarded as solid citizens of the organisation. The superannuation of these employees was announced as they embark a new journey of their life.

Annual Day Celebration: The 17th Annual day at Panacea Biotec was celebrated across the organisation in which employees gathered for a festive lunch post which the message from the Directors desk was relayed across organisation through recorded videos on the share portal/website.

Information Technology

In today's competitive market the companies are more dependent and relying on information technology to get more reliable and faster access to data for making business decision. The Information Technology works closely with the departments to support their efforts to provide effective service and maintain efficient operations through the innovative use of the information technology. The Information Technology not only simply serves a company but has become a value proposition for the business. The increasingly important role is transforming IT from being a simple support function within the organisation to a key player of the organisation.

During the year under review the Company has successfully re-implemented SAP's new version, SAP ECC 6 after conducting business process re-engineering (BPR) exercise. With the help of BPR, the Company has been able to optimise the business processes to further improve the productivity & quality and reduce the costs in operations. With the implementation of SAP ECC 6.0, the company has engulfed automation of several critical business functions to cater with a capability of the organisation to provide a business intelligence report to the leaders.

As planned the company has also started the implementation of business intelligence over and above the SAP system to provide business insights to the management leading to better, faster and more relevant decisions. Apart from this IT has also adopted the

Superannuation celebration at corporate office

The SAP ECC 6 project core team members

virtualisation concepts in the data center to reduce the inventory and cost of handling the data center, and also able to increase/optimise the performance of Hardware and application.

Internal Audit & Control System

Panacea Biotec has a comprehensive internal control system that commensurate with its size and nature of operations. These cover all manufacturing and research & development facilities, warehouses and sales offices besides corporate office.

The internal controls have been developed and implemented at each business process level across the Company. The user level responsibilities are constantly shared with key users for their implementation and compliance. The internal control systems are further tested on a sample basis by internal auditors every quarter and also by competent personnel of the Company and are reviewed by the Management to ensure that processes and controls are in place and working as intended in achieving efficiency of operations, customer focus, financial reporting and compliances of applicable contracts, laws, rules and regulations. The Company controls its revenue and capital expenditure budgets through an effective SAP fund management module.

Further, internal audits are conducted periodically by independent Chartered Accountant firms appointed by the Audit Committee of the Board of Directors. The Audit Committee comprising of independent directors actively reviews the adequacy and effectiveness of internal controls, internal audit systems and advises improvements as may be required. Any material change in the business process or outlook is reported to the Audit Committee and the Board of Directors. Post audit follow-ups are carried out to ensure identified risks are addressed and recommendations of the Audit Committee are implemented.

Subsidiaries, Joint Ventures, Collaborations & Tie-ups

The Company continues to nurture and expand its relations with its collaboration partners. The Company has several collaborations & tie-ups directly as well as through its direct/indirect subsidiaries including the following:

Subsidiaries

Best On Health Ltd.: The Company's wholly-owned subsidiary (WOS) namely Best On Health Ltd. ("BOH"), which owns a prime immovable property being used by the Company as its Corporate Office, has diversified in related health management space as part of its future growth plans. BOH holds a substantial piece of land on its own and through its four wholly owned subsidiaries for setting up sector-specific biotech Special Economic Zone located at Pataudi Road, Gurgaon, Haryana. BOH has got the formal approval for setting up sector specific biotech SEZ**.**

BOH has 6 wholly owned subsidiaries (WOS), viz. Radicura & Co. Ltd., Panacea Hospitality Services Pvt. Ltd., Sunanda Steel Company Ltd., Panacea Educational Institute Pvt. Ltd., Best on Health Foods Ltd. and Nirmala Organic Farms & Resorts Pvt. Ltd. Nirmala Organic Farms and Resorts Pvt. Ltd.owns land in Rajasthan as part of its plan to carry out the business of agriculture farming, cultivation setting up motels, tourist resorts etc.

Lakshmi & Manager Holdings Ltd.: Lakshmi & Manager Holdings Ltd., an erstwhile associate company involved into carrying the business of trading in securities of the companies, became the wholly owned subsidiary of the Company w.e.f. 24th November, 2011. This company has a WOS Trinidhi Finance Pvt. Ltd., which possess NBFC license from RBI and is involved in carrying out the business of non-banking financing activity.

NewRise Healthcare Pvt. Ltd.: The Company's subsidiary NewRise Healthcare Pvt. Ltd. is setting up a 225 bedded, state-of-the-art multi super-specialty hospital at Gurgaon, Haryana with an investment of around ₹1400 million. The construction work is progressing in full swing and the hospital is set to commence its operations during the current financial year.

Panacea Biotec (International) SA: The Company's indirect WOS in Switzerland has commenced operations during the year under review through in-licensing of certain pharmaceutical products and is currently marketing products in Australia and New Zealand through strategic collaborations. The Company achieved a turnover of CHF 689,823 during the financial year 2011-12.

Panacea Biotec Germany GmbH: The Company's indirect WOS in Germany has got registration of products in Germany and has successfully launched the first product TACPAN® (Tacrolimus) in Germany during the second half of fiscal 2012. It has also launched an in-licensed product MOWEL® (Meropenem) in the German Markets. The Company achieved a turnover of Euro 66,138.46 during the financial year 2011-12.

Joint Ventures & Associates

Chiron Panacea Vaccines Pvt. Ltd.: The Company's joint venture company Chiron Panacea Vaccines Pvt. Ltd. (CPV) is marketing vaccines in the domestic private market. CPV has grown its business in DTwP based pediatric combination vaccines by 3% and Polio (IPV & OPV) by 21% over previous year. CPV has a significant market share in the DTwP based pediatric combination vaccines, with Easyfour at 62% and Easyfive at 43%, as per the March 2012 report of Multi Client Study conducted by Frost & Sullivan.

The Company achieved a turnover of ₹531.82 million during the financial year 2011-12. Further, Polprotec (IPV) vaccine has a market share of 43% and Agrippal S1 flu vaccine have a market share of 17% as per the said report.

CPV also led a nationwide mass awareness program with the pediatricians on the World Polio Day through various activities across the country like CME's synergetic role of IPV+OPV in polio eradication, vaccination camp, with a drive to protect maximum children against Polio.

PanEra Biotec Pvt. Ltd.: The Company's associate Company, PanEra Biotec Pvt. Ltd. (PanEra) is continuing to meet the Company's requirement of bulk vaccines and antigens for manufacture of Hepatitis B and Combination Vaccines & H1N1 Vaccine by the Company. PanEra has become a specialised company focused on bulk manufacture of vaccines. The Company achieved a net turnover of ₹274.38 million during the financial year 2011-12.

Dr. Rajesh Jain, JMD, Panacea Biotec with Dr. Aleksey N Chupin, CEO, Binnopharm, Russia, Dr. Sergey E Dronov and respective team members during the agreement signing ceremony at New Delhi

Adveta Power Pvt. Ltd.: Adveta Power has been set-up as a 50:50 joint venture company with PanEra Biotec Pvt. Ltd. for the purpose of generation of electricity with a focus on renewable energy.

Collaborations and Tie-ups

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

The National Institute for Public Health and the Environment (RIVM), The Netherlands: The Company is one of the two companies shortlisted by WHO globally for developing the sabin based injectable polio vaccine (sIPV) and has entered into an agreement with RIVM for in-licensing of proprietary know-how for production of sIPV vaccine and related quality control testing for commercialisation in India and other international markets.

Binnopharm, Russia: The Company has recently entered into a multi-phase supply and technology transfer agreement with Binnopharm for supply of Company's finished product, viz. Hib Conjugate Vaccine and for transfer of technology thereof, for commercialisation in Russian Federation.

National Institute of Immunology, India: The Company has an exclusive ten-year license agreement with National Institute of Immunology, India for in-licensing of technology and processes for production of tissue culture derived formalin inactivated,Japanese encephalitis vaccine. The technology has been further modified significantly at our research center to yield a commercially viable and safer vaccine.

Biotech Consortium India Ltd.: The Company has a ten-year in-licensing arrangement with Biotech Consortium India Ltd. for the development, manufacture and marketing of anthrax vaccine developed by Jawahar Lal Nehru University, India. Phase I/IIa of human trials have been successfully completed, the Company has plans to submit an IND application to USFDA for performing Phase IIb clinical trial in India. After successful Phase IIb trials in India, the Company plans to perform Phase III clinical trials in US for supplying the anthrax vaccine to the U.S. Government under Emergency Use Authorisation.

National Institutes of Health (NIH), U.S.: The Company has an in-licensing arrangement with NIH, USA, for use of a peptide-based product for generation of hair follicles, hair growth for alopecia (hair loss) management and recombinant dengue vaccine.

Dr. Reddy's Laboratories Ltd.: The Company has a License and Supply Agreement with Dr. Reddy's for the supply of its patented product, Nimesulide Injection, for marketing in India. The Company has another License and Supply Agreement with Dr. Reddy's for another patented product, Nimesulide Transdermal Gel, for marketing, distribution and sale in Russian Federation.

National Research Development Corporation (NRDC), India: The Company has in-licensing arrangement with NRDC for manufacturing the Foot and Mouth Disease (FMD) Vaccine developed by Indian Veterinary Research Institute (IVRI).

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

Punjab University, Chandigarh: The Company has a MoU with Punjab University, Chandigarh for a Drug Discovery Project to identify lead molecules with an aim to bring a new chemical entity (NCE) superior to existing marketed products in the therapeutic area of Psychiatric Disorders. Panacea Biotec will undertake their preclinical and clinical development leading to their launch worldwide.

Kremers Urban Pharmaceuticals Inc. (UCB Group): The Company has entered into a firm long term contract with Kremers Urban for the distribution of some of its products in US. Panacea Biotec's ANDA for one of the products is under advanced stage of review with FDA and the approval is expected during this fiscal. Under the terms of the agreement Panacea Biotec would be responsible for development, registration and commercial supplies of the products while Kremers Urban would be responsible for marketing, sales and distribution.

Financial Performance

Summarised Balance Sheet

(₹ in million)

Particulars	As at March 31, 2012	As at March 31,2011
Sources of Funds:		
Shareholders' Funds	8,120.4	6,368.1
FCMITDA*	20.5	-
Non-current liabilities	5,055.9	5,017.4
Current liabilities	5,332.0	5,792.4
Total Liabilities	18,528.8	17,177.9
Application of Funds:		
Fixed assets	10,483.7	6,523.6
Non-current investments	2,584.7	2,329.4
Long-term loans and advances	821.7	1,046.5
Other non-current assets	1.2	0.9
Current assets	4,637.5	7,277.5
Total Assets	18,528.8	17,177.9

*Foreign Currency Monetary Item Translation Difference Account

Net Worth: The net worth of Company has increased to ₹8,120.4 million during the year under review from ₹6,367.8 million as at the end of previous year registering an increase of 27.5% mainly on account of fair valuation of land & building amounting to ₹3,830.2 million (net of depreciation).

Panacea Biotec's ANDA for one of the products is under advanced stage of review with FDA and the approval is expected during this fiscal.

Non-Current Liabilities: Non-current liabilities include long term borrowings, deferred tax liabilities and long term provisions. The long term borrowings as at 31st March, 2012, have increased to ₹4830.3 million as against ₹4237.2 million as at 31st March,2011, mainly on account of availment of foreign currency term loan from Bank of India amounting to ₹1,272 million. The deferred tax liability has decreased to ₹205.0 million as at the end of fiscal 2012 as compared to ₹756.6 million as at the end of the previous year. The long term provision has decreased to ₹20.6 million as at the end of fiscal 2012 as compared to ₹23.6 million as at the end of the previous year.

Current Liabilities: Current liabilities include short term borrowings, trade payables, other current liabilities and short term provisions. The short term borrowings as at 31st March, 2012, has decreased to ₹2,693.4 million as against ₹3824.4 million mainly on account of repayment of working capital term loan & buyers' credit. The trade payables have increased to ₹1,181.4 million as at the end of fiscal 2012 as compared to ₹826.9 million as at the end of the previous year. The other current liabilities have increased to ₹1,363.6 million as at the end of fiscal 2012 as compared to ₹1,010.0 million as at the end of the previous year mainly on account of availment of foreign currency term loan from SBI. The short term provisions have decreased to ₹93.6 million as at the end of fiscal 2012 as compared to ₹131.1 million as at the end of the previous year.

Fixed Assets: The net fixed assets increased to ₹10,483.7 million as against ₹6,523.6 million as at the end of the previous year on account of fair valuation of Land & Building, capital expenditure on ongoing expansion/new projects and capitalisation of forex exchange gains as per option given by the Companies (Accounting Standards) Amendment Rules, 2009.

Non-current investments: The non-current investments increased to ₹2,584.7 million from ₹2,329.4 million as at the end of the previous year on account of investment in non-cumulative redeemable preference shares of ₹172.5 million in its subsidiary Best On Health Ltd. and investment of ₹74.2 million in its subsidiary Lakshmi & Manager Holdings Ltd.

Long-term loans and advances: The long term loans & advances decreased to ₹821.7 million as against ₹1,046.5 million as at the end of the previous year on account of provision made during the current year in respect to loan given to the overseas WOS Rees Investments Ltd.

Other non-current assets: The Other non-current assets have increased to ₹1.2 million as at the end of fiscal 2012 as compared to ₹0.9 million as at the end of the previous year.

Current Assets: Current Assets include trade receivables, inventories, cash & bank balances, short term loans & advances and other current assets. The trade receivables have decreased to ₹664.5 million as at the end of fiscal 2012 as compared to ₹2,788.4 million as at the end of the previous year. The inventories have decreased to ₹3,397.3 million as at the end of fiscal 2012 as compared to ₹3,680.2 million as at the end of the previous year. The cash and bank balances have come down to ₹113.3 million as at the end of fiscal 2012 as compared to ₹393.8 million as at the end of the previous year. The short term loan & advances have increased to ₹411.7 million as at the end of fiscal 2012 as compared to ₹334.8 million as at the end of the previous year. The other current assets have decreased to ₹50.7 million as at the end of fiscal 2012 as compared to ₹80.3 million as at the end of the previous year.

Summarised Profit & Loss Account

(₹ in million)

Particulars	For the year ended	
	31.03.2012	31.03.2011
Net Turnover	6,883.8	11,304.6
Other Operating Income	122.0	193.7
Revenue from operations (net)	7,005.8	11,498.3
Materials & Finished Goods Purchases	3,472.0	5,307.0
Employee benefits expense	1,504.5	1,543.1
Other expenses	2,968.4	1,959.1
Earnings Before Interest, Depreciation, Taxes & Amortisation (EBITDA)	(939.1)	2,689.1
Other Income	74.6	156.8
Finance costs	1,011.1	557.5
Depreciation and amortisation expense	753.9	731.1
Profit/ (Loss) Before Tax (PBT)	(2,629.5)	1,554.9
Provision for Taxes (including deferred tax)	(551.6)	204.4
Profit/(Loss) After Tax (PAT)	(2,077.9)	1,350.5

Segment-wise Net Turnover

Fiscal	2012		2011	
	₹ Million	%	₹ Million	%
Vaccines	3,579.5	52.0	8,332.3	73.7
Pharmaceutical Formulations	3,304.3	48.0	2,972.3	26.3
Total	6,883.8	100.0	11,304.6	100.0

Vaccines: In fiscal 2012, the Vaccines segment's turnover declined by 57.0% and contributed ₹3579.5 million or 52.0% of net turnover, as compared to ₹8,332.3 or 73.7% of net turnover for fiscal 2011 due to decline in the institutional vaccine business which contributed ₹3,275.1 million as against ₹8,036.6 million during the fiscal 2011, registering a degrowth of 59.3%. The decline in institutional business was primarily on account of delisting of the Company's pentavalent and oral polio vaccines from the WHO's list of pre-qualified vaccines. The Vaccine sales to CPV for domestic market marginally increased to₹304.4 million during fiscal 2012 from ₹296.2 million during fiscal 2011.

The pharmaceutical formulations segment's turnover grew by 11.1% and contributed ₹3,304.3 million or 48.0% of net turnover during fiscal 2012, as compared to ₹2,972.3 million or 26.3% of the net turnover for fiscal 2011.

Pharmaceutical formulations: The pharmaceutical formulations segment's turnover grew by 11.1% and contributed ₹3,304.3 million or 48.0% of net turnover during fiscal 2012, as compared to ₹2,972.3 million or 26.3% of the net turnover for fiscal 2011.

Expenditures:

Materials & Finished Goods purchases: The raw and packing materials and finished goods purchases during the year under review has decreased by 34.6% at ₹3,472.0 million as against ₹5,307.0 million during the previous financial year due to decline in the net turnover.

Employee benefits expense: The employee benefits expenses decreased by 2.5% to ₹1,504.5 million for fiscal 2012 from ₹1,543.1 million for fiscal 2011.

Other Expenses: The other expenses increased by 51.5% to ₹2,968.4 million for fiscal 2012 from ₹1,959.1 million for fiscal 2011 mainly on account of increase in operational costs like power & fuel, repair & maintenance and also due to higher provisioning for doubtful debts & advances, loss on sales /discard of fixed assets and adverse exchange fluctuations.

Finance costs: Finance cost increased significantly to ₹1,011.1 million during fiscal 2012 as against ₹557.5 million during fiscal 2011. The increase in interest charges is attributable to higher utilisation of borrowed funds for meeting funds requirement for capital as well revenue expenditure on expansion /upgradation/ modification facilities post delisting of the Company's vaccines, higher interest rates leading to higher interest cost and adverse exchange fluctuations.

Depreciation and amortisation expenses: Depreciation has increased marginally by 3.1% to ₹753.9 million as compared to ₹731.1 million during fiscal 2011.

Profitability

Earnings Before Interest, Tax, Depreciation & Amortisations (EBITDA): The Company registered negative EBITDA of ₹939.1 million for fiscal 2012 as compared to positive EBITDA of ₹2,689.1 million for fiscal 2011 due to reasons explained above.

Profit/(Loss) Before Tax (PBT): The Company incurred a loss before tax of ₹2,629.5 million for fiscal 2012 as against PBT of ₹1,554.9.0 million for fiscal 2011 due to reasons explained above.

Profit/(Loss) After Tax (PAT): The loss after tax was ₹2077.9 million for fiscal year 2012 against PAT of ₹1,350.5 million for fiscal 2011 due to reasons explained above.

Earning per Share (EPS): The basic and diluted EPS stood negative at ₹33.92 per share as compared to positive EPS of ₹21.4 per share for the fiscal 2011 due to reasons explained above.

Cash Flow Statement

The following table summarises our cash flows from various activities:

(₹ in million)

Cash Flows from:	Fiscal 2012	Fiscal 2011
Operating Activities	2,552.4	929.5
Investing Activities	(1,217.1)	(226.2)
Financing Activities	(1,613.7)	(670.6)
Net Cash Flows	(278.4)	32.7

Cash Flow from Operating Activities: The net cash flows from operating activities during fiscal 2012 was ₹2,552.4 million as compared to ₹929.5 million during fiscal 2011 registering an increase of 174.6% during fiscal 2012 primarily on account of decrease in inventories and other receivables and increase in trade payables and other current liabilities.

Cash Flow from Investing Activities: Net cash used in investing activities amounted to ₹1,217.1 million as primarily on account of investment in setting up of oncology facility at Baddi, Himachal Pradesh, addition of fixed assets for various ongoing expansion and long term investments.

Cash Flow from Financing Activities: Net cash used in Financing Activities amounted to ₹1,613.7 million as primarily used for the repayment of borrowings.

Consolidated Financial Statements:

The consolidated net revenue from operations of the group has decreased to ₹7,100.9 million during financial year 2011-12 as compared to ₹11,678.8 million during financial year 2010-11,primarily on account of reasons explained above. Accordingly the consolidated EBITDA was negative at ₹863.1 million for fiscal 2012 as compared to positive EBITDA of ₹2,684.1 million for fiscal 2011. On consolidated basis, group has incurred loss before tax of ₹2,553.2 million for fiscal 2012 as against profit before tax of ₹1,543.7 million for fiscal 2011. The consolidated loss after tax was ₹2,056.6 million for fiscal year 2012 against PAT of ₹1,446.7 million for fiscal 2011.

Opportunities and Outlook

Indian pharmaceutical industry is one of the largest and most advanced pharma industries in the developing world. India has the highest number of U.S. FDA approved plants outside the U.S. and accounts for around 20% of all the Abbreviated New Drug Applications (ANDAs) filed with USFDA. The expertise of Indian pharma companies in manufacturing low cost qualitative products and research & development offers a huge opportunity due to multi-billion drugs going off patent in the next couple of years as it is going to expand the potential in the generic industry in the regulated markets of world.

SWOT Analysis

Strengths:

- Indigenous capabilities of developing first in class and best in class NCEs, NBEs and patented drug delivery systems
- Strong manufacturing capabilities
- Cost competitiveness with quality products
- One of the largest English speaking scientific and technical manpower in the world
- Established marketing and distribution network and presence in major markets

Weakness:

- Relatively low investments in R&D
- Price Control Regulations: strict monitoring by government through price control of several products
- Patent regime still not as strong as in developed markets.

Opportunities:

- Significant export potential in regulated markets on account of large number of drugs going off patent from 2012 onwards.
- Increasing opportunities in other pharmerging markets across the globe
- Emerging opportunities in Biotechnology and Biosimilars
- Increasing coverage of vaccines under National Immunisation Plan
- Large population base, increasing lifestyle related diseases and increasing healthcare expenditure offer significant future opportunities
- Contract research & manufacturing services opportunities.

- Collaborative alliances with MNCs for production, sales and distribution of products in India and abroad

Threats, Risks and Concerns:

Risks, challenges and threats are inherent in any type of industry and needs to be mitigated through well planned strategies. The major risks/concerns associated to the industry as a whole are as under:

- Increasing timelines in obtaining regulatory approvals in key markets
- Increasing regulatory requirements for conducting large and complex clinical trials
- Pricing pressure across the globe
- High volatility in currency exchange rates affects the industry adversely
- Increasing competition from developing countries due to lower manufacturing cost
- Increasing pressure from government to bring more and more products under price control
- Rising costs of regulatory compliance in the form of audit burdens, inspections and fines
- Strong lobbying by MNC players having increased business interests in India
- Risk of Product failure - a risk of all R&D initiatives not leading to commercially viable and successful products
- Risk of IPR challenges

Besides above, there are a few risk factors that are applicable to the Company's operations and business. While the effective measures are taken by the Company to minimise or eliminate the impact of these risks on its business performance, they nonetheless exist. Some such risks, challenges or threats are outlined below:

- Cost and time overrun issues with several projects in the past.
- High attrition in sales and marketing
- Significant dependence over tender based institutional business
- Revenue contribution highly skewed towards few products.
- Adverse developments at JV/Collaboration partners may impact the future of such JVs/Collaborations

Future Growth Drivers

During the year under review, the Company has faced many business challenges and is in process of implementing several corrective and preventive measures to overcome these challenges. With these measures, the Company's existing capabilities will get further strengthen thereby ensuring that the Company is strategically positioned against its competitors. The Company has well laid strategy for its future growth with clearly identified growth drivers to ensure it derives sustainable revenues and profits in future.

The Company's key future growth drivers are as under:

- Launch of several difficult to develop generic and innovative products in ICH regions and other key pharmerging markets through partnership/out-licensing to strategic partners
- Launch of DTwP and IPV based combination pediatric vaccines
- Launch of new IPV & acellular pertussis based combination Vaccines currently under development for pediatric age group

Mr. Sumit Jain, Director Operations & Projects receiving Delhi Suraksha Puraskar, 2012 from Smt. Sheila Dixit, Hon'ble Chief Minister of Delhi

- Launch of critical vaccines like Pneumococcal conjugate vaccine, Japanese Encephalitis vaccine, Dengue Vaccine etc.
- Global launch of Biosimilars
- Strengthening product portfolio through internal development and/or in-licensing of product/technologies.
- Diversification in related healthcare segment

In addition to above identified growth factors, the Company will continue to explore further opportunities to fasten its growth strategy.

Corporate Social Responsibility

Panacea Biotec recognises Corporate Social Responsibility as one of its core values.

Safety, Health and Environment Protection

The Company is privileged to be working in the healthcare industry in which it has the opportunity to contribute towards improving the health of patients. The Company undertakes all its operations with a high concern and sincerity for environment and its surroundings as well as the safety and health of people. The Company has dedicated Environment & Occupational Health and Safety (EOHS) Protection department and also engages the services of outside consultant for independent evaluation of EOHS activities.

The Company has made substantial investments in setting up Effluent Treatment Plants, Air pollution control devices and in developing"Green Belt"and green landscaping at the manufacturing sites at Baddi to prevent possible adverse environmental impact on the community. All type of wastes, i.e. non-hazardous, hazardous & bio-wastes generated are managed separately and adequately as per the norms, these data are maintained on line in pollution control board's web site. All personnel working in vaccine plant are vaccinated as per the Vaccination Policy. Manufacturing and virus handling areas are provided with cascaded negative pressure differentials with respect to air locks and corridors respectively. The air exhaust (AHU) from all process areas pass through HEPA systems (HEPA filters) with attached viral burning unit before going to outer atmosphere. It has dedicated decontamination autoclave for removal of biohazardous waste material

The Company has installed Modern Fire fighting facility e.g. Hydrant System, smoke / heat detection & sensing devices at its all major facilities, for an early detection and extinguishing of accidental fire. The fire suppression systems also include fire resistant compartmentation, fire detection system and fire extinguishers at all facilities. The company has trained Emergency Management Teams at all locations to control emergency situations, if any. Different mock drills / fire-fighting drills are conducted to create awareness amongst the employees during emergency situation. Regular safety training is also provided to the employees about the importance of safety in day-to-day life in general and work in particular. The integration of environment friendly measures and cleaner production practices in the business process has resulted in better efficiency of operations.

The company celebrated "National Safety Week" in March by conducting various safety programs and prize distribution ceremony.

Social Responsibility

Panacea Biotec has continued its efforts in making a difference to the lives of people. It works closely towards the development of society, in line with its philosophy of creating happier and healthier society. Health, education, disaster relief and patient awareness have been identified as the areas of priority. The Company's emphasis has been on providing assistance on a need basis, and that too, assistance at a local level. The Company also regularly provides financial assistance or sponsorship for pursuing post graduates/doctorate studies and carrying out research projects being undertaken by Research Associates in various Institutes & Universities.

The Company's commitment and actions towards making affordable vaccines for mass population across the globe as part of social responsibility were well appreciated and valued by GAVI alliance and Bill & Melinda Gates Foundation at pledge conference at London in June 2011. Mr. Bill Gates has himself cherished the efforts taken by Dr. Rajesh Jain's towards this noble act.

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

- SURAKSHA: Detection and Awareness Camps on Diabetes & Complications were organised wherein blood sugar was screened along with neuropathy & nephropathy, the two most common complications of diabetes
- PREVENT: Diabetes & Complications Management Guidelines from Indian Perspectives. For the 1st time in India, the Company initiated this unique project PREVENT to help Indian clinicians at primary care set-ups diagnose and manage diabetes and complications. The Company also came out with a book PREVENT
- PANDEPTH :Under this program,the Company initiated the awareness program for checking heart problems while checking diabetes for the patients to help early screening of heart problems in diabetes. Incidentally, heart disease is the leading cause of death in diabetics

Dr. Rajesh Jain, JMD, Panacea Biotec with Mr. Bill Gates at GAVI Pledge Conference at London

- Winners of Life: "Breast Cancer Survivors Meets"were organised at various places across India as a part of International Breast Cancer Awareness Month in October to enhance the confidence and motivation of the patients as well as the medical fraternity to fight against Breast Cancer.
- No Tobacco Campaign: Organised on 31st May across India, whereby awareness was created amongst the masses towards the ill effects of tobacco via posters, patient education pamphlets, etc
- Lung Cancer Awareness Month: Organised in the month of November wherein Grey Ribbon badges were distributed amongst the masses and Lung Models depicting cancer were displayed for showing concern in eradicating the dreaded disease
- PANCHECK, DDC & HbA1c Camps: These camps were organised for creating awareness in the society with regard to Diabetes & its complications. In PANCHECK – patients' Triglyceride & Total Cholesterol levels are screened. In DDC & HbAlc patients' random sugar levels and their HbA1c levels are detected
- DHRUVARSITY: In this activity, the company is conducting workshops in Cardiology for medical students in which they are guided by the profound Faculty Cardiologists, DM/ DNB panelists. This serves guidance for upcoming young cardiologists in the society
- CONTROL: Dyslipidemia – Recommendations in Management of Indian Patients – For the 1st time in India, the Company initiated this unique project "CONTROL" a book created by 11 Panelists chaired by Dr. Jamshed Dalal, to help Indian clinicians providing immense use to practicing Physicians, Endocrinologists & Cardiologists managing Dyslipidemia in Asian Indians in India & abroad
- Support to National Brain Tumor Association: The Company regularly purchases greeting cards from this Association who generates money which is used for the patients suffering from Brain Tumour
- Lighthouse: The Company has taken up the major initiative of supporting the launch of a patient counseling helpline namely "Lighthouse" for organ transplant recipients
- Transplant Fortnite: A patient education campaign was organised by the Company for providing information and sharing of experience amongst transplant recipients and their loved ones
- Soft Skill Training: Various skill workshops are organised for the medical and para-medical staff and other people connected with the health care delivery profession
- Renal Fortnight: a special Patient-Doctor interaction program to create awareness amongst the mass done at more than 75

Plantation of saplings by Mr. N.N. Khamitkar, Director, Panacea Biotec at Lalru

Mr. R.L. Narasimhan, Director, Panacea Biotec addressing at the Annual General Meeting at Lalru major Nephrology Centers across the country

- World Environment Day: The Company also celebrates "World Environment Day" (5th June) by conducting social activity in nearby villages and plantation through employees to motivate and aware the employees as well as surrounding community every year
- Tree Plantation of about 500 plants was conducted at Lalru site and at link road ex Lalru to Choundheri
- Donation of life saving drugs to Charitable Dispensaries, Institutions, Research Projects and hospitals as per their needs and free medicines to various Dental/ Medical Colleges for conducting trials
- Various other programs were organised on Constipation Management, Piles Awareness and Osteoporosis awareness.
- Piles detection camps were organised at different public locations for the benefit of employees of public municipal transport and police department
- Contribution to several NGOs for supporting their efforts and contribution for social cause in the field of medicine, education and culture etc
- Contribution to Blood donation camp by providing blood donors continuously on regular basis
- Contribution in eye camp, orgnised by Bharat Vikas Prishad Lalru, with the help of doctors (Eye Specialists)
- Launch of website www.ckdmbd.org by Nephrology SBU ,as India's first online resource as an educational initiative, This website elucidates information extending from biochemical bone and vascular derangements associated with CKD MBD for practicing Nephrologists as well as patients

Note: As a result of rounding off adjustments, the figures/ percentages in a column in various sections in the Annual Report may not add up to the total for such column.

Directors' Report

Dear Members,

Your Directors present the 28th Annual Report on business and operations together with the audited financial statements and the auditors' report of your Company for the financial year ended March 31, 2012. The financial highlights for the year under review are given below:

Financial Results

(Rs. in million)

Particulars	For the year ended March 31, 12	For the year ended March 31, 11
Revenue from Operations	7,005.8	11,498.3
Other Income	74.6	156.8
Total Income	7,080.4	11,655.1
Earning Before Interest, Depreciation & Tax (EBITDA)	(939.1)	2,689.1
Profit/(Loss) before Tax (PBT)	(2,629.5)	1,554.9
Provision for Taxation	(551.6)	(204.4)
Profit/(Loss) after Tax (PAT)	(2,077.9)	1,350.5
Dividend proposed on Equity Shares	-	45.9
Dividend Distribution Tax	-	7.5
Transfer to General Reserve	-	135.0
Balance in Profit & Loss Account	1,941.6	4,019.5
Basic EPS (Rs.)*	(33.9)	21.4
Cash EPS (Rs.)*	(21.6)	30.4
Book Value per Share (Rs.)*	132.5	103.9
Dividend per Equity Shares (%)	-	75%

** Face value Re.1/- per share*

Operating Results and Profits

During the year ended March 31, 2012, the Company registered a net turnover of Rs.6,883.8 million as against Rs.11,304.6 million during the corresponding financial year.

The Formulations Segment registered a growth of 11.1% with a net turnover of 3,304.3 million as against 2,972.3 million during the previous financial year. The Vaccines Segment registered a decline of 57% with a net turnover of Rs.3,579.5 million as against Rs.8,332.3 million during the previous financial year mainly on account of delisting of its vaccines from the WHO's list of pre-qualified vaccines for supply to UNICEF and other UN Agencies during the year, impacting the performance negatively.

During the year under review, following a routine site audit, WHO has delisted the company's DTP based combination and monovalent Hepatitis B vaccines from its list of pre-qualified vaccines on account of deficiencies in quality management system. The company has taken several corrective and preventive measures to ensure compliance with the WHO pre-qualification guidelines and is confident that with these corrective and preventive measures, the company will be able to get the above said vaccines relisted in the list of WHO pre-qualified vaccines in due course of time.

During the year under review, considering the series of changes made to the vaccines formulation facility at New Delhi and WHO assessment that further corrective measures need to be implemented, the company had voluntarily withdrawn its oral polio vaccines from the WHO list of pre-qualified vaccines. The National Regulatory Authority of India (NRA) has since approved this facility and the Company has started manufacturing vaccines for supplies to other than UN agencies.

Your Company however, continues to focus on sustaining growth in emerging markets, cost optimization and efficient management of working capital. These strategic initiatives are expected to fuel the Company's growth across its business operations.

A detailed discussion on operations for the year ended March 31, 2012 is given in the Management Discussion and Analysis section forming part of the Annual Report.

Dividend

In view of the non-availability of profits during the year under review, the Board of Directors has not recommended any dividend on the Equity Shares of the Company.

Transfer of Amounts to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A(5) of the Companies Act,1956, dividend for the year 2003-04, which remained unpaid or unclaimed for a period of 7 years, amounting to Rs.0.16 million has been transferred by the Company to the Central Government's Investors Education and Protection Fund.

Transfer to Reserves

In view of the current year losses incurred by the Company, no amount was transferred to the general reserves, pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Share Capital

The Issued, Subscribed and Paid-up Equity Share Capital of the Company stands at Rs.61.2 million divided into 61,250,746 Equity Shares of Re.1 each on 31.03.2012.

Revised Schedule VI

The Company was using pre-revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements till the year ended March 31, 2011. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the

Directors' Report

Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

Report on Corporate Governance

Your Company strives to attain high standards of corporate governance while interacting with all the stakeholders. The increasing diversity of the investing community and the integrated nature of global capital markets render corporate governance a vital issue for investors The Company believes that timely disclosures, transparent accounting policies and a strong independent Board go a long way in maintaining good corporate governance, preserving shareholders trust and maximizing long term corporate value. In pursuit of corporate goals, the Company accords high importance to transparency, accountability and integrity in its dealings. Our philosophy on Corporate Governance is driven towards welfare of all the Stakeholders and the Board of Directors remains committed towards this end.

The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on its role to align and direct the actions of the Company in achieving its objectives.

The compliance report on Corporate Governance and a certificate regarding compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is attached herewith and forms part of this Annual Report.

Certificate from Managing Director and Chief Financial Officer, inter-alia, confirming the correctness of the financial statements, compliance with Company's Code of Conduct, adequacy of the Internal Control measures and reporting of matters to the Audit Committee in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, is also enclosed as a part of the Annual Report.

Revaluation of Fixed Assets

The Company has revalued its land and buildings as at 1st April 2011, at the fair values determined by an independent external valuer by reference to market-based evidence based on active market prices adjusted for any difference in the nature, location or condition of the specific property. The revaluation has resulted in an increase in the book value of land and building by Rs.3,946.5 million which has been credited to revaluation reserve. In accordance with the option given in the guidance note on accounting for depreciation in companies, the Company has recouped depreciation on revaluation of these assets out of revaluation reserve.

Management Discussion & Analysis Report

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

Subsidiaries

The Company has 5 wholly owned subsidiaries (WOS), viz. Best On Health Ltd., Lakshmi & Manager Holdings Ltd. (w.e.f. November 24, 2011), Panacea Biotec FZE, Panacea Biotec GmbH and Rees Investments Ltd. NewRise Healthcare Pvt. Ltd. is also a subsidiary in terms of Section 4(1)(b)(ii) of the Act.

The Company has 12 other subsidiaries in terms of Section 4(1)(c) of the Act, as under:

- Radicura & Co. Ltd., Panacea Hospitality Services Pvt. Ltd., Sunanda Steel Company Ltd., Panacea Educational Institute Pvt. Ltd., Best on Health Foods Ltd. and Nirmala Organic Farms & Resorts Pvt. Ltd., all being WOS of Best On Health Ltd.
- Trinidhi Finance Pvt. Ltd. and Best General Insurance Company Ltd. both being indirect WOS through Lakshmi & Manager Holdings Ltd. w.e.f. November 24, 2011.
- Kelisia Holdings Ltd., Cyprus, the WOS of Rees Investments Ltd.
- Kelisia Investment Holding AG, Switzerland, Panacea Biotec (International) SA, Switzerland and Panacea Biotec Germany GmbH, all being the step-down subsidiaries of Rees Investments Ltd.

During the year under review, the Company's step-down WOS, Panacea Biotec (Europe) AG, Switzerland was liquidated on December 15, 2011.

As per the provisions of Section 212 of the Companies Act, 1956, your Company is required to attach the Directors' Report, Balance Sheet, Profit and Loss Account and other information of the subsidiary companies to its Balance Sheet. However, Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February, 2011 and 21st February, 2011 respectively has granted a general exemption from compliance with section 212(8) of the Companies Act, 1956, from attaching the Annual Accounts of subsidiaries in the annual published accounts of the Company subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

In compliance of the above said circular, the Annual Accounts will be made available upon request by any investor of the Company/ Subsidiary, interested in obtaining the same. The annual accounts of the Subsidiary companies will be kept for inspection by any investor at the Company's Corporate Office at B-1 Extn./G-3, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044, India and at the office of the respective Subsidiary companies during business hours of the respective company. Further, the following information, in aggregate, for each Subsidiary is also being disclosed at some other place herein and forms part of the Annual Report (a) Capital, (b) Reserves & Surplus, (c) Total Assets, (d) Total Liabilities, (e) Details of investment (except in case of investment in subsidiaries), (f) Turnover including other Income, (g) Profit/ Loss Before Tax, (h) Provision for Tax, (i) Profit After Tax, and (j) Proposed Dividend.

Further as per the provisions of Section 212 of the Act, a statement of the holding Company's interest in the Subsidiary companies is attached herewith and forms part of the Annual Report.

Pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial statements of each of its Subsidiaries.

Joint Ventures & Associates

Panacea Biotec's belief in collaborative growth makes it an ideal joint venture partner for Indian and global companies. The Company has nurtured several important JVs that enable it to strengthen its growth fundamentals and to enhance its customer value.

Chiron Panacea Vaccines Pvt. Ltd.: The company's joint venture Chiron Panacea Vaccines Pvt. Ltd. (CPV) is marketing vaccines in the domestic private market and achieved a turnover of Rs.531.8 million during the year under review. CPV has a significant market share in the DTwP based pediatric combination vaccine with Easyfour at 62% and Easyfive at 43% market share as per the March 2012 report of multi-clients study conducted by Frost & Sullivan.

Adveta Power Pvt. Ltd.: During the year under review, the Company has formed a 50:50 joint venture company Adveta Power Pvt. Ltd. w.e.f. July 4, 2011, with its associate company PanEra Biotec Pvt. Ltd. being the other partner with an object to engage in the business of power generation mainly from renewable resources like Hydro, Solar and Wind.

During the year under review Company's joint venture Cambridge Biostability Ltd. liquidated on September 16, 2011.

PanEra Biotec Pvt. Ltd.: Your Company's associate Company, PanEra Biotec Pvt. Ltd. is continuing to meet requirement of bulk vaccines and antigens for the manufacture of Hepatitis B and Combination Vaccines by your Company. During the year under review, it has achieved a net turnover and profit before tax of Rs.274.4 million and (Rs.107.9) million as compared to Rs.721.8 million and Rs.236.1 million respectively during last financial year.

Consolidated Financial Statements

As required under clause 41 of the Listing Agreement with the stock exchanges, a consolidated financial statement of the Company and its subsidiaries, joint ventures and associates, as prepared in accordance with the Accounting Standard AS-21 on 'Consolidated Financial Statements' read with Accounting Standard AS-27 on 'Financial Reporting of Interest in Joint Ventures' and Accounting Standard AS-23 on 'Accounting for Investments in Associates', as issued by the Institute of Chartered Accountants of India, is attached herewith and the same, together with Auditors' Report thereon, forms part of the Annual Report of the Company.

Listing of Equity Shares

The Equity Shares of the Company continue to be listed on NSE and BSE. The requisite annual listing fees have been paid to these Exchanges.

Public Deposits

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

Insurance

Risk mitigation continues to be a key area of concern for the Company, which has regularly invested in insuring itself against unforeseen risks. The Company's stocks and insurable assets like building, plant & machinery, computer equipments, office equipments, furniture & fixtures, lease hold improvements and upcoming projects have been adequately insured against major risks. The Company has also taken appropriate product liability insurance policies for conducting clinical trials and for insuring its products (manufactured & sold) with an extension of unnamed vendor liability and add on cover of public liability inclusive of pollution liability to cover the risk on account of claims, if any, filed against the Company.

Internal Control System

Your Company has established a robust system of internal controls to ensure that assets are safeguarded and transactions are appropriately authorized, recorded and reported.

The Company's internal control system comprises internal audit carried out by independent firms of Chartered Accountants and periodical review by management. The Audit Committee of the Board addresses significant issues raised by both, the Internal Auditors and the Statutory Auditors.

The Company believes that the overall internal control system is dynamic and reflects the current requirements at all times, hence ensuring that appropriate procedures and controls, in operating and monitoring practices are in place.

Directors' Report

Your Company is proactively identifying the areas for further improvement which shall remain an ongoing process.

Directors

In accordance with the provisions of the Act and Articles of Association of the Company, Mr. Soshil Kumar Jain, Mr. N.N. Khamitkar and Mr. Sunil Kapoor, Directors of the Company, are liable to retire by rotation and being eligible, offer themselves for re-appointment.

The brief resumes of the Directors who are to be re-appointed, the nature of their expertise in specific functional areas, names of companies in which they have held directorships, committee memberships/chairmanships, their shareholding, etc. are furnished in the Corporate Governance Report, forming part of the Annual Report.

The Board recommends their re-appointment at the ensuing Annual General Meeting.

Auditors

M/s. S.R. Batliboi & Co., Chartered Accountants, Statutory Auditors of your Company, will retire at the conclusion of the ensuing Annual General Meeting and being eligible; offer themselves for reappointment as statutory auditors for the financial year 2012-13. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the limit prescribed under section 224(1B) of the Act, and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Act.

Based on the recommendation of the Audit Committee, the Board of Directors of the Company proposes the re-appointment of M/s. S.R. Batliboi & Co., Chartered Accountants, as the Statutory Auditors of the Company.

Auditors' Report

With regard to the matters of emphasis and observations contained in the Auditors' Report, the Management's explanations are given below:

- With regard to capitalization of expenditure on clinical trials for the purpose of registration of Company's products outside India, the management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from the regulatory authorities. An amount of Rs.186.5 million towards the above said expenditure on clinical trials during the year ended March 31, 2012, has been capitalized.
- On account of the unexpected inadequacy of profits during the year ended March 31, 2012, the managerial remuneration of Rs.65.9 million has exceeded the limits prescribed under Section 198 and 309 read with Part II of Schedule XIII of the Companies, Act, 1956. The Company had adequate profits for past many years and thus was paying remuneration to its managerial personnel within overall limits as specified under the Act. However, in view of the losses incurred during the financial year 2011-12, the managerial remuneration paid during that year exceeded the limits prescribed under the Act. The company has initiated steps to obtain approval from Central Government for the excess remuneration paid.
- As regards the stock of raw material and finished goods inventories of Rs.1,526.7 million and Rs.363.0 million, respectively, as at March 31, 2012, of the Company's DTP based combination vaccines and oral polio vaccines delisted by WHO from its list of pre-qualified vaccines, the management is confident that with the corrective & preventive measures being taken to ensure compliance with the WHO pre-qualification guidelines,the Company will be able to get re-listing of these vaccines in the WHO's list of pre-qualified vaccines in due course and these stock would be utilized/sold accordingly. Further as fixed assets relating to above vaccines cannot be quantified separately, hence, impact, if any, on such fixed assets cannot be ascertained. Pending outcome of above measures, no adjustment has been made to the financial statements.

Cost Auditors

Pursuant to the provisions of Section 233B of the Act, M/s J.P. Gupta & Associates, Cost Accountants, have been appointed as the Cost Auditors to conduct the audit of the Company's Cost Records for the year ended 31st March, 2012, with the approval of the Central Government. The cost audit is under process and the Company will submit the Cost Auditors' Report to the Central Government in time. They have also been appointed as the Cost Auditors for the financial year 2012-13, subject to the approval of Central Government.

Disclosures Under Section 217 of the Act

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

As required under Section 217(2) of the Act, the Board of Directors inform the members that during the financial year, there have been no material changes, except as disclosed elsewhere in this report:

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

Directors' Report

Energy Conservation, Technology Absorption & Foreign Exchange

Particulars required under Section 217(1)(e) of the Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings & outgo, are given in Annexure A, forming part of this Report.

Directors' Responsibility Statement

The Directors hereby confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;

ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

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

Particulars of employees

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended are annexed to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956 the Report and Accounts are being sent to all the Members of the Company excluding the aforesaid information. Any Member interested in obtaining such particulars may write to the Company Secretary.

Acknowledgements

Your Directors acknowledge with gratitude the co-operation and assistance received from the UN Agencies, Central Government, State Governments and all other Government agencies and encouragement they have extended to the Company.

Your Directors also thank the shareholders, Financial Institutions, Banks/ other lenders Customers, Vendors and other business associates for their confidence in the Company and its management and look forward for their continuous support.

The Board wishes to place on record its appreciation for the dedication and commitment of your Company's employees at all levels which has continued to be our major strength.

For and on behalf of the Board

New Delhi — Soshil Kumar Jain
7th August, 2012 — Chairman

Annexure A

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

I. Conservation of Energy

Conservation of energy has always been given top priority and the Company is strongly committed for energy conservation which includes regular review of energy consumption and maintaining effective control on utilization of energy. Panacea Biotec strives to continuously conserve energy by adopting innovative measures to reduce wastage and optimize consumption. The Company has undertaken strong measures to minimize energy losses and ensure sustainable energy utilization.

1. Energy Conservation measures taken

   The Company is constantly making all possible efforts for conservation of energy and is committed to stringent energy conservation measures. The Company had devised its production lines and other facilities keeping in view the objective of minimum energy losses.

   The following are the major energy conservation measures implemented during the year under review and recent past:

   - Installed lighting energy saver at Baddi Unit II & Mohali to reduce the power consumption by lighting system in facilities.
   - Installed Electrical Steam Generator at Baddi Unit II to reduce the consumption of fuel by stopping FO based Boiler at night.
   - Optimized operation of AHUs at Baddi site.
   - 100% recovery of D.M waste water (waste of R.O & UF) used in cooling tower make-up water (Water Conservation).
   - Reject less resulting fuel consumption of MCDS is used in Boiler feed water to increase the feed water temperature and hence reduction in fuel at Okhla.
   - Electrical and instrumentation audit is also performed on regular basis.
   - Premises in Mumbai are designed to utilize maximum day light in the labs and offices.
   - Incorporating temperature controller in CT fan of 200TR chiller at Okhla.
   - Reduced Air compressor Pressure from 8.5kg/cm2 to 7.5kg/cm2at Okhla.
   - 100% recovery of DM water & used the same in cooling tower & Boiler feed water at Okhla.
   - Reduction of water consumption by modification in needles of washing m/c of OPV & Injectable from 600 ltrs/hr to 300 ltrs/hrs at Okhla
   - Conduct leakage test of Air compressor's line & Steam Line at Okhla.

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

   The Company's initiatives in energy consumption extend beyond the needs of the present to ensure sustainable growth for years ahead. Continuous efforts are being made to further reduce the expenditure on power & fuel in the time to come.

   The following proposals are being considered for further reduction in Energy Consumption:

- Alternate source of power generation system i.e. Steam turbine explored for Lalru Location. The concept will evolve around Green Power hence contribution to Environment.
- Solar System for Street Lighting explored for Lalru & Baddi location.
- LED Lighting explored for Baddi & Lalru location to reduce the power consumption.
- Alternate source of power being explored to reduce per unit generation cost.
- Conversion of HSD-based 1250 Kg/hr Boiler to CNG-based fuel at Okhla. Feasibility check to be done as per present scenario of CNG Cost & HSD as well as the statutory guide lines.
- Increase in batch sizes wherever feasible.
- Operation of all AHU's with VFD.
- Energy monitoring system.
- Replacement of Existing light fixtures by LED Based fitting.
- Transformer Radiator modification to reduce the losses

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

   The energy conservation measures indicated above have helped the Company to restrict the impact of increase in the cost of energy, thereby reducing the cost of production of goods to that extent.

Annexure to the Directors' Report

Form A

Particulars of Consumption of Energy

	Current Year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (Nos. in thousand)	24,170.0	20,944.9
Total Amount (Rs. million)	135.5	107.0
Rate/Unit (Rs.)	5.6	5.1
(b) Own generation		
(i) Through Diesel Generator		
Units (Nos.) (Nos. in thousand)	3,887.2	4,780.9
Unit per litre of Diesel/Oil	2.6	3.6
Cost/Unit (Rs.)	13.2	9.6
(ii) Through Steam Turbine/Generator		
Units (Nos.)	Nil	Nil
Unit per litre of Diesel/Oil		
Cost/Unit (Rs.)		
2. Coal		
Quantity (tonnes)	Nil	Nil
Total Cost		
Average Rate		
3. Furnace Oil		
Quantity (Kilolitres)	54.8	1,186.9
Total Cost (Rs. Million)	2.1	38.0
Rate/Unit (Rs.)	38.5	31.9
4. Others/Internal generation		
Quantity	Nil	Nil
Total Cost		
Rate/Unit		
B. Consumption per unit of production		
Tablets		
Production (Nos. in thousand)	638.1	625.6
Electricity Consumption (Units per thousand)	4.6	4.1
Capsules		
Production (Nos. in thousand)	75.1	95.0
Electricity Consumption (Units per thousand)	19.6	16.0
Syrups		
Production (in Kiloliters)	250.0	334.7
Electricity Consumption (Units per thousand)	0.6	0.6
Gels		
Production (in kilograms)	42.7	52.9
Electricity Consumption (Units per thousand)	4.7	4.3
Vaccines		
Production (No. of vials in thousand)	26.9	60.3
Electricity Consumption (Units per thousand)	84.2	71.3
Pre-filled Syringe (PFS)		
Production (no. of PFS in thousand)	1.3	2.1
Electricity Consumption (Units per thousand)	271.7	248.4
Granules		
Production (Packs in thousands)	6.4	43.3
Electricity Consumption (Units per thousand)	8.6	5.3

Annexure to the Directors' Report

II. Technology Absorption

Form B

Form for disclosure of particulars with respect to Technology Absorption

Research & Development (R&D)

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

   Strong Research & Development capabilities have always been a key fundamental strength of the Company. The Company is a research-focused and IPR oriented company, with one of its end objectives as innovation and development of patentable products and technologies.

   The areas of research being pursued by the Company include:

   - Development of novel preventive & therapeutic vaccines, novel therapeutic peptides, therapeutic fully human monoclonal antibodies and biopharmaceuticals.
   - Development of advanced drug delivery technologies.
   - Discovery and synthesis of new chemical and biological entities.
   - Development of recombinant clones for biosimilars
   - Drug Delivery Research:
     - Self Emulsifying Drug Delivery System in Soft gels
     - Oral Controlled Release Systems – Solid and liquid dosage form
     - Long Acting Injectable Preparations
     - Transdermal Gel
     - Gastroretentive System
     - Mucoadhesive System
     - Orally Disintegrating System
     - Taste Masking
   - Difficult to develop generics:
     - Solid-solid dispersion for highly variable drug
     - SEDDS technique
   - NCE formulation development
   - Vaccine and biopharmaceutical development
     - Emulsion adjuvant based viral vaccines
     - Lyophilized vaccines (Live attenuated vaccines)
     - Fully liquid combination vaccines (Bacterial & viral antigen combinations)

2. Benefits derived as a result of the above R&D
   - Novel Drug Delivery products
   - Fulfilling unmet therapeutic needs
   - Improved product quality and customer satisfaction
   - Competitively priced products
   - Minimization of wastes
   - Grant of new product/process patents
   - Entry into newer markets and Export of quality products
   - Export of quality products

3. Future Plan of Action

   The futuristic approach of the Company will continue to concentrate its focus on Research & Development activities for growing its revenues and profitability, inter-alia, in the following areas:

   - Oral Controlled Release Formulation
   - Microemulsion technology based dosage form
   - Nanocrystal Technology
   - Solid –Solid Dispersion of Critical Dose Drugs
   - Biodegradable Polymer Based Long Acting Injection
   - IPV based pentavalent and hexavalent combination vaccines
   - Recombinant, polysaccharide conjugate and cell culture based vaccines.
   - Development and discovery of new drugs to address disease areas with significant unmet medical needs.
   - Development and improvement in existing conjugation technology for better yield and quality.
   - Further development of recombinant, polysaccharide conjugate and cell culture based vaccines.
   - Drug Discovery Research.
   - Natural Products Research.
   - Advanced Drug Delivery Research.
   - Biopharmaceuticals Research for development of novel preventive & therapeutic vaccines, therapeutic fully human monoclonal antibodies and therapeutic peptides.
   - Chemical Research & Development.

4. Expenditure on R&D

(Rs. in million)

	2011-12	2010-11
a) Revenue (excl. Depreciation on R&D assets)	872.2	594.5
b) Capital	154.3	255.1
c) Total	1026.5	849.7
d) Total R&D expenditure as a percentage of net sales	14.9%	7.5%

Technology absorption, adaptation and innovation

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

   Research & Development plays a vital role in developing and adopting new technologies to enhance our operational efficiencies. The Company R&D is continuously focusing on translating into the development of a strong R&D base to support its business segments, vaccines, pharmaceutical formulations and biopharmaceuticals. All the R&D Centers of the Company are placed with highly sophisticated ultra-modern instruments with around 300 qualified and experienced scientists for its various research projects. The core areas of research & development include new Vaccine Development, Biopharmaceuticals, Proteins, Peptides, Monoclonal Antibodies, Novel Drug Delivery Systems, Advanced Drug Delivery Systems and Drug Discovery (small molecules), in compliance with international regulatory standards.

   The company has developed indigenous technologies in respect of various products being manufactured by it. The latest technological innovation is the development and successful commercialization of fast acting range of TecPara (Paracetamol Tablets IP 500mg), TecPara – D (Paracetamol and Diclofenac Sodium Tabelts, TecPara-AC & Delupa P (Paracetamol and Aceclofenac Tablets).

   The other innovative marketed products of the year includes PanGraf 0.25 (Tacrolimus Capsules 0.25 mg), Glizid MR 30 (Gliclazide Modified Release Tablets 30 mg), Thank OD Forte (Euphorbia Prostrata Extract and Calcium Dobesilate Tablets), SevBait-DT 400/ 800 (Sevelamer Carbonate Dispersible Tablets 400 mg / 800 mg).

2. Benefits derived as a result of the above efforts include product improvement, cost reduction, product development, import substitution, competitive products, product quality improvement, product development and import substitution. With in-licensing arrangements, the Company will be able to commercialize these products in the domestic and international markets.

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

	Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action
	(a)	(b)	(c)	(d)
1.	Tetravalent Dengue Virus Vaccine	2006-07	No	The technologies are being worked upon at the Company's OneStream Research Centre. Proof of concept has been established and Formulation development is in advanced stage. The safety evaluation of the vaccine is planned to be performed during this year.
2.	Technology for manufacture of Hepatitis B Antigen and Bulk Vaccines	2007-08	Yes	NA
3.	Technology for development of sabin IPV Vaccine	2011-12	No	Technology transfer is in progress

III. Foreign Exchange Earnings and Outgo

1. Activities relating to exports

   During financial year 2011-12, exports turnover (C.I.F Value) was Rs.3,436.5 million (including deemed export of Rs.38.5 million) as compared to Rs.7,103.9 million (including deemed export of Rs.1,098.5 million) in the previous year. Exports contributed 49.0% of the net sales of the Company during financial year 2011-12, as compared to 62.8% during previous year.

2. Initiatives taken to increase export

   The year under review was a year of sustained growth and expansion for international pharmaceuticals business by strengthening the existing trade business in market place and venturing into new markets. The Company ventured into new markets of Latin America, CIS region, Asia and Africa with products in various therapeutic areas like organ transplantation, pain management, nephrology, gastro-intestinal and anti-infectives.

   In the vaccine segment, the Company focuses on the emerging and ROW countries. Over the last couple of years strategic business partnerships have been initiated in more than 50 countries with customized business models. Vaccines have been registered in 11 countries with further registrations in around 20 countries expected in the near future.

   The Company is continuously expanding its global aspirations by improving its international marketing efforts into various global markets.

   It has been a continuous effort to expand the global footprints of the Company and to boost future growth by registering & commercializing a series of innovative products across all the potential markets. The Company focuses on brand building, primarily leveraging its portfolio of novel patented products in key segments. With a view to develop a strong & positive image of the Company in the minds of medical practitioners through its innovative strategies and robust promotional efforts for its unique products, the Company has steadily but surely moved from a trading business model to a "promotional oriented" approach in markets like Sri Lanka, Vietnam, Kazakhstan, Philippines and Syria, to name a few. The Company has put in place a team of dedicated human resource in several markets. New markets have been opened across Asia, LATAM and Africa. To provide impetus to our brand building and promotional efforts, manpower and office infrastructure was established in Russia, Kazakhstan, Vietnam and Myanmar.

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

With a view to increasing global opportunities, the Company's efforts on international marketing have been intensified, during the year. The Company has been adopting a strategy of increasing its international brand image and is actively exploring opportunities for launching as well as licensing out some of its patented products for manufacture/ marketing in key new markets including US, European Union, Switzerland, South Africa, among others.

The Company has adopted a strategy of development of advanced combination vaccines, opening a whole new dimension towards protecting multiple diseases with a single vaccine. The Company is poised to make inroads into global markets and has deployed a specialised team for its Vaccine Business in the emerging & rest of world markets. The Company has already launched Easyfive and Polprotec vaccines in the emerging markets. These would be followed by new introductions from a strong & innovative vaccine pipeline on a consistent note.

Going forward, about 20 key markets have been identified for launch of vaccines, wherein extensive work on customization of business models, identification & collaboration with partners in accordance with the business strategy and regulatory filings has been initiated.

4. Total foreign exchange earned and used

(Rs. in million)

Particulars	2011-12	2010-11
Foreign Exchange Earned		
F.O.B. value of Exports (including deemed export of Rs.38.5 million (Previous Year Rs.1,098.5 million)	3,436.5	7,103.9
Income from distribution rights	0.5	-
Interest Income from subsidiary company	36.2	42.0
Total	3,473.2	7,145.9
Foreign Exchange Used		
Raw Materials & Packing Materials	2,184.0	2,839.9
Capital Goods	226.9	91.2
Know-how Fee	15.0	13.7
Royalty	1.2	2.8
Interest	298.0	251.0
Professional & Consultation Fees	64.0	36.7
Other Expenses		
- Patents, Trade Marks & Product Registration	16.6	26.0
- Advertising and Sales Promotion	30.1	28.7
- Commission on Sales	147.7	36.4
- Market Research	-	21.1
- Others	61.0	47.3
Total	3,044.5	3,394.8

For and on behalf of the Board

New Delhi
7th August, 2012

Soshil Kumar Jain
Chairman

Report on Corporate Governance

1. Philosophy on Corporate Governance

Good Corporate Governance procedures in operation naturally imply commitment to values, ethical business conduct, objectivity, self-regulation and accountability. We, at Panacea Biotec, are dedicated to upholding the highest standards of corporate governance, compliance and administration as we continue holding our faith in the robust foundation. Our success is closely interwoven in the pillars of integrity, stability and our commitment to our value systems. The Company believes in responsible decision making and enjoys the continued trust and support of all the stakeholders.

Panacea Biotec is and continues to strive and adopt to the best practices involving independence, disclosure, uncompromising application of internal control procedures and complete corporate transparency to serve the interest of all the stakeholders including but not limited to shareholders, employees, consumers, lenders and the community at large.

2. Board of Directors

Composition & Size of the Board

Panacea Biotec's Board of Directors consists of an optimal combination of Executive Directors and Independent Non-Executive Directors, representing a judicious mix of professionalism, knowledge and experience.

The Directors bring in expertise in the fields of human resource development, strategy, management, finance and economics, among others. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

Currently, the Board comprises 5 (Five) Executive Directors (1 Executive Chairman, 1 Managing Director, 2 Joint Managing Directors and 1 Whole-time Director) and 5 (Five) Non-Executive Directors. All the Non-Executive Directors are Independent Directors. The Non-Executive Directors bring external and wider perspective in the Board's deliberations and decisions. The size and composition of the Board is in conformance with the requirements of Clause 49 of the Listing Agreement (Corporate Governance Guidelines) with the Stock Exchanges.

Board functioning & procedure

Panacea Biotec's Board is committed to ensuring good governance through a style of functioning that is self-governing. The members of the Board enjoy complete liberty to express their opinion and decisions are taken on the basis of consensus arrived at after detailed discussions. They are also free to bring up any matter for discussion at the Board Meetings.

Panacea Biotec's Board meets at least once in every quarter to discuss and review the quarterly results and other items of agenda, including the information required to be placed before the Board, as required under Annexure 1A of Clause 49 of Listing Agreement. The Board also meets and conduct additional meetings as and when required and thought fit. The dates for the Board Meetings are decided well in advance and communicated to the Directors. The Chairman/Joint Managing Director of the Board and the Company Secretary discuss the items to be included in the agenda and the agenda is sent in advance to the Directors along with the draft of relevant documents and explanatory notes.

During the financial year 2011-12, four (4) Board Meetings were held on 13th May, 2011, 27th July, 2011, 21st October, 2011 and 10th February, 2012.

Attendance of Directors at the Board Meeting & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2012:

S. No.	Name of Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships$ and Committee memberships/chairmanships*		
						Other Directorship	Committee Membership	Committee Chairmanship
1.	Mr. Soshil Kumar Jain	Promoter - WTD Chairman	4	4	No	1	-	-
2.	Mr. Ravinder Jain	Promoter – MD	4	4	No	2	2	-
3.	Dr. Rajesh Jain	Promoter – JMD	4	3	No	-	-	-
4.	Mr. Sandeep Jain	Promoter – JMD	4	3	No	1	-	-
5.	Mr. Sumit Jain	Promoter Group – WTD	4	-	No	1	-	-
6.	Mr. Sunil Kapoor	Non-Executive – ID	4	4	No	6	2	-
7.	Mr. R.L. Narasimhan	-do-	4	4	Yes	1	1	1
8.	Mr. N.N. Khamitkar	-do-	4	4	Yes	1	1	-
9.	Mr. K.M. Lal	-do-	4	4	No	7	4	-
10.	Dr. A.N. Saksena	-do-	4	4	Yes	-	1	1

Note: WTD =Whole-time Director, MD = Managing Director, JMD = Joint Managing Director, ID = Independent Director;
$ Excludes directorships in private limited companies, foreign companies, membership of managing committees of various chambers/bodies/Section 25 companies.
*Membership in Audit and Shareholders' Grievance Committees.

Report on Corporate Governance

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

Brief information on Directors proposed for re-appointment

The brief resume, experience and other details pertaining to the Directors seeking appointment / re-appointment in the ensuing Annual General Meeting, to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, is furnished below.

Directors liable to retire by rotation seeking re-appointment and/or whose re-appointment as Managing/ Joint Managing/ Whole-time Directors is placed for approval:

a) Mr. Soshil Kumar Jain

Age : 79 Years

Qualification : Qualified Pharmacist

Professional Expertise : He has more than 56 years' experience in the pharmaceutical industry. He is the founder promoter/director of the company and has been the Chairman of the Company since October, 1984. He started his career in the Indian pharmaceutical industry by joining his family business in the form of a chemist shop set up by his father. Prior to promoting the company, he was associated with Radicura & Co., a partnership firm (formerly owned by the promoters of Panacea Biotec Ltd. and subsequently taken over by Radicura & Co. Ltd.).

Directorships : He is a director of PanEra Biotec Pvt. Ltd., Neophar Alipro Ltd., Adveta Power Pvt. Ltd. (formerly known as Advaita Power Ventures Pvt. Ltd.) and White Pigeon Estate Pvt. Ltd.

Committee Membership/ Chairmanship : He is a member of Executive Committee of Panacea Biotec Ltd.

Shareholding in the Company : He holds 5,000,000 Equity Shares of Re.1 each, comprising 8.16% shareholding of the Company.

b) Mr. Sunil Kapoor

Age : 55 Years

Qualification : Commerce Graduate from Shri Ram College of Commerce, University of Delhi and holds a LL.B. Degree from Law Faculty, University of Delhi.

Professional Expertise : He practices as an advocate and is a member of the Delhi High Court Bar Association and Bar Association Income Tax, New Delhi.

Directorships : He is a director of Golden Peakock Overseas Ltd., Residency Resorts Pvt. Ltd., Indo-Dan Lampshades Pvt. Ltd., GPL Exports Ltd., Bikman Constructions Pvt. Ltd., Best on Health Ltd., Residency Hospitality Services Pvt. Ltd., Hitkari Potteries Ltd. and Hitkari China Ltd.

Committee Membership/ Chairmanship : He is a member of Audit Committee, Remuneration Committee, Share Transfer-Cum-Investors' Grievances Committee of the Company.

Shareholding in the Company : Nil

c) Mr. N. N. Khamitkar

Age : 71 Years

Qualification : B.E. – Electrical & Mechanical (Pune University), MBA (University of District of Columbia, Washington DC, USA) and Post Graduate Diploma in Public Administration, Indian Institute of Public Administration.

Professional Expertise : He is a retired Govt. Official belonging to Indian Engineering Service and retired as Dy. Director General, Ministry of Home Affairs, Govt. of India, New Delhi. He has also held various senior and middle level positions in various Govt. Ministries and Offices before his retirement. His expertise lies in the field of administration, planning and procurement.

Directorships : He is a director of Best on Health Ltd. and Blue Surmount Education.

Committee Membership/ Chairmanship : He is a member of Audit Committee and Remuneration Committee of the Company.

Shareholding in the Company : Nil

Information supplied to the Board

In addition to the regular business items, the Company provides the following information to the Board and Board Committees as and when required. Such information is submitted either as part of the agenda papers in advance of the meetings or by way of presentations and discussions material during the meetings:

- Annual operating plans and budgets and any updates
- Capital budgets and any updates
- Quarterly results for the company and its operating divisions or business segments
- Minutes of meetings of audit committee and other committees of the Board
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary

- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature including any judgment or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant regulatory matters concerning Indian or Foreign Regulatory Authorities.
- Contracts/Arrangements in which directors are deemed to be interested.
- Significant labour problems and their proposed solutions and any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non - payment of dividend, delay in share transfer etc., if any.

Post Meeting Follow-Up Mechanism

In adherence to good corporate governance, the important and significant decisions taken at the Board/Committee levels are promptly communicated to the concerned departments. Moreover, the action taken in respect of such decisions is also reported in the form of status report and is placed at the next meeting of the Board/Committee.

Statutory Compliance of Laws

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

Code of Conduct

The Board has laid down a code of conduct for all Board Members and senior management of the Company. The said Code has been communicated to the Directors and Senior Management Personnel and is also posted on the web-site of the Company viz. www.panaceabiotec.com.

Declaration from the Managing Director confirming that the Company has received affirmations from the Board Members and the Senior Management Personnel regarding compliance of Code of Conduct during the year under review, is attached as Annexure-I.

3. Audit Committee

Composition & Terms of Reference

The Audit Committee of the Company has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The Audit Committee of the Company comprises of three non-executive directors, all of them being independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee. All the members are financially literate and one member is having requisite accounting and financial management expertise.

The management is responsible for the Company's internal controls and the financial reporting process, while the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits. The Board of Directors has entrusted the Audit Committee to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The terms of reference and scope of the activities of the Audit Committee are as set out in Clause 49 of the Listing Agreements with the Stock Exchanges, as well as in Section 292A of the Companies Act, 1956, including the following:

- to supervise the financial reporting process;
- to review compliance with internal control systems;
- to review the findings of the Internal Auditor relating to various functions of the Company;
- to hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;

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- to review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- to make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory & Internal Audit Reports;
- recommending the appointment of statutory auditors and branch auditors and fixation of their remuneration;
- discuss with management the Company's major policies with respect to risk assessment and risk management;
- to review the independence of the auditors; and
- recommend the appointment of Cost Auditors.

Review of information by Audit Committee

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

- management discussion and analysis of financial condition and results of operations;
- statement of significant transactions, submitted by the Management;
- management letters/letters of internal control weakness issued by statutory auditors;
- Internal Audit Reports relating to internal control weakness;
- the appointment, removal and terms of remuneration of the Internal Auditors; and
- related party transactions.

Meetings of Audit Committee and attendance of members during the year

During the year, 4 (four) Audit Committee meetings were held on 12th May, 2011, 26th July, 2011, 20th October, 2011 and 9th February, 2012.

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

S. No.	Name of the Member	Designation	Category of Directorship	No. of Meetings held	No. of Meetings attended
1.	Mr. R. L. Narasimhan	Chairman	Independent Director	4	4
2.	Mr. N. N. Khamitkar	Member	Independent Director	4	4
3.	Mr. Sunil Kapoor	Member	Independent Director	4	4

The Statutory Auditors, Internal Auditors, Associate Director Finance, Chief Financial Officer, DGM Accounts & Finance, DGM Accounts & Taxation and AGM Audit & Compliance and Co-ordinator of Audit Committee are the permanent invitees to the meetings of Audit Committee. Apart from them, Joint Managing Director, Senior Manager Costing and Cost Auditors attended one or more of the Audit Committee Meetings.

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

The Chairman of the Audit Committee, Mr. R.L. Narasimhan, was present at the Annual General Meeting of the Company held on 24.09.2011.

Subsidiary Companies

Best on Health Ltd. is a material non-listed Indian subsidiary of the Company as its net worth (i.e. paid-up capital and free reserves) exceeded 20% of the consolidated net worth of the Company. The Company's independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor are directors on the Board of Directors of Best on Health Ltd.

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

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

4. Remuneration Committee

Brief description of terms of reference

The Company has constituted a Remuneration Committee. The terms of reference of the Committee include:

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

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Composition

Remuneration Committee comprises three non-executive Independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee. The Company Secretary is acting as the Secretary to the Remuneration Committee.

Meetings of Remuneration Committee and attendance of members during the year

During the year, 1 (one) Remuneration Committee meeting was held on 10th February, 2012. The attendance of members of the Remuneration Committee at such meetings is as follows:

The attendance of members of the Remuneration Committee at such meetings was as follows:

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

Remuneration Policy

The Directors' Remuneration Policy of the Company is in conformity with the provisions under the Companies Act, 1956. Subject to the approval of the Company's shareholders in general meeting and such other approvals as may be necessary, the Managing/Joint Managing Directors and the Whole-time Directors are paid remuneration as per the terms of remuneration decided by the Board/ Remuneration Committee and approved by the Shareholders. The remuneration payable to the executive Directors is decided from time to time, keeping in view the overall performance of the Company, the performance of the concerned Director and the industry trends.

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

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

Directors' remuneration

The details of remuneration paid to Directors during the financial year ended 2011-12 are as under:

i) Executive Directors (Managing/Joint Managing/Whole-time Directors) (Rs. in Lac)

S. No.	Name	Salary	Commission	Perquisites	Total
1.	Mr. Soshil Kumar Jain	144.00	0.00	7.07	151.07
2.	Mr. Ravinder Jain	144.00	0.00	56.62	200.62
3.	Dr. Rajesh Jain	120.00	0.00	10.31	130.31
4.	Mr. Sandeep Jain	120.00	0.00	7.15	127.15
5.	Mr. Sumit Jain	36.00	0.00	14.41	50.41

Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director, Dr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company is for 5 years w.e.f. 1st April, 2011. The tenure of office of Mr. Sumit Jain, Director (Operations and Projects) is for 5 years w.e.f. 20th July, 2010.
2. Notice period for termination of appointment of Managing/Joint Managing/ Whole time Directors is three months by either party or a shorter period decided mutually. No severance fee is payable on termination of contract.
3. The Company does not have any Stock Option Scheme.
4. All elements of remuneration of the Managing / Joint Managing / Whole-time Directors, i.e., Salary, Perquisites and other benefits, etc. are given in Note 31 annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
5. Provision for Gratuity and Leave Encashment amounting to Rs.43.86 Lac and Rs.22.87 Lac respectively, made during the year, has not been included above.

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ii) Non-Executive Directors

Payment Criteria:

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

The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2012 are as under:

(Rs. in Lac)

S. No.	Name	Allowances	Sitting Fees	Total
1	Mr. R.L. Narasimhan	1.86	0.85	2.71
2	Mr. N.N. Khamitkar	1.86	0.85	2.71
3	Mr. Sunil Kapoor	1.86	1.0	2.86
4	Mr. K.M. Lal	1.86	0.40	2.26
5	Dr. A.N. Saksena	1.86	0.55	2.41

None of the non-executive Directors holds any shares/ convertible securities of the Company.

5. Share Transfer cum Investors' Grievance Committee

The Investors Grievance Committee aims at redressal of shareholder complaints and oversees investor services.

The Board of Directors of the Company has, with a view to expediting the process of share transfers, delegated the power of share transfer to the Company Secretary, who attends to share transfer formalities on a weekly basis.

Terms of reference

The terms of reference of Share Transfer cum Investors' Grievance Committee include transfer or transmission of shares, issue of duplicate share certificates, review or redressal of investors' grievances and other areas of investor service.

Composition

The Committee comprise of the following Directors as the members of the Committee:

i. Dr. Aditya Narain Saksena, Chairman
ii. Mr. Ravinder Jain, Member
iii. Mr. Sunil Kapoor, Member

Mr. Vinod Goel, Company Secretary, is acting as the Secretary to the Committee as well as the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

Details of meetings of Share Transfer-cum-Investors' Grievance Committee and attendance of members during the year

During the financial year 2011-12, 3 (three) meetings of Share Transfer-cum-Investors' Grievance Committee were held on 30th June, 2011, 6th September, 2011 and 9th February, 2012. The attendance of members at such meetings was as follows:

S. No.	Name of the Member	Designation	Category of Directorship	No. of Meetings held	No. of Meetings attended
1.	Dr. A.N. Saksena	Chairman	Independent Director	3	3
2.	Mr. Ravinder Jain	Member	Promoter Director	3	3
3.	Mr. Sunil Kapoor	Member	Independent Director	3	3

Details of Investors' complaints received during the year 2011-12:

S. No.	Nature of Complaints	Received	Resolved	Pending
1.	Non-receipt of Dividend	9	9	0
2.	Non-receipt of Annual Report for the year 2011-12	1	1	0
	Total	10	10	0

The Company put utmost priority to the satisfaction of its shareholders, which is evident from the fact that only a few complaints were received by the Company. The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/issues have been resolved expeditiously, except in case of dispute over facts or other legal constraints.

There were no share transfers lying pending as on 31st March, 2012.

6. CEO/CFO Certification

The Managing Director, Chief Financial Officer & Head Information Technology & BPR and D.G.M. (Accounts & Finance) have certified, in terms of revised clause 49 of the Listing Agreement, to the Board that the financial statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards.

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

7. General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue	Special Resolution passed
2010-11	24.09.11	11:00 AM	Regd. Office at Ambala Chandigarh Highway, Lalru – 140501, Punjab	Approval for re-appointment of Mr. Soshil Kumar Jain as Whole – Time Director designated as Chairman of the Company for a period of 5 years w.e.f. 1st April, 2011.
				Appointment of Mr. Shagun Jain to the Office or Place of Profit as approved by shareholders and the Central Government from time to time.
				Appointment of Mrs. Radhika Jain to the Office or Place of Profit as approved by the Shareholders and the Central Government from time to time.
				Appointment of Mrs. Shilpy Jain to the Office or Place of Profit as approved by the Shareholders from time to time.
				Appointment of Mr. Ankesh Jain to the Office or Place of Profit as approved by the Shareholders from time to time.
2009-10	25.09.10	11:00 AM	-do-	Approval for payment of remuneration to Mr. K.M. Lal for a period of five years w.e.f. 1st May, 2010.
				Approval for payment of remuneration to Mr. R.L. Narasimhan, Mr. Sunil Kapoor, Mr. N.N. Khamitkar and Dr. A.N. Saksena for a period of five years w.e.f. 1st August, 2011 in case of Mr. R.L. Narasimhan, Mr. Sunil Kapoor, Mr. N.N. Khamitkar and w.e.f. 1st January, 2011 in respect of Dr. A.N. Saksena.
				Approval for appointment of Mr. Ankesh Jain as Executive – Business Development w.e.f. 1st July, 2010.
2008-09	25.09.09	11:00 AM	-do-	Approval for protection of Remuneration paid to Mr. Soshil Kumar Jain, Chairman, for the financial year 2008-09.
				Approval for protection of Remuneration paid to Mr. Ravinder Jain, Managing Director, for the financial year 2008-09.
				Approval for protection of Remuneration paid to Dr. Rajesh Jain, Joint Managing Director, for the financial year 2008-09.
				Approval for protection of Remuneration paid to Mr. Sandeep Jain, Joint Managing Director, for the financial year 2008-09.

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8. Postal Ballot

No Postal Ballot resolution was passed during the year 2011-12.

9. Disclosure

a) Related Party Transactions

During the year, there were no materially significant related party transactions with the promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large. The other related party transactions are given in Note No. 31 of the Notes to Financial Statements for the year ended March 31, 2012 annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

b) Disclosure of Accounting Treatment

There has not been any change in accounting policies of the Company during the year except as stated in Note No. 2 of the Notes to Financial Statements for the year ended March, 2012 annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

c) Risk Management

The Company has a dedicated department for Risk mitigation and has a procedure to inform the Board about the risk assessment and minimization procedures. The Board of Directors periodically review the risk management framework of the Company and comes out with strategic risk mitigation measures.

d) Compliances by the Company

During the last three years, there were no strictures or penalties imposed by either SEBI or Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital markets.

e) Non-Mandatory Requirements under Clause 49 of the Listing Agreement

The Company has complied with all the mandatory requirements of clause 49 of the listing Agreement. As regards the adoption of non-mandatory requirements as contained in Annexure I-D to clause 49 of the listing agreement, the company has implemented the requirements as per details given below:

i) Chairman of the Board

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

ii) Remuneration Committee

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

iii) Shareholders' rights

The quarterly/ half-yearly results, after they are approved by the Board of Directors, are sent forthwith to the Stock Exchanges where the Company's shares are listed, published in the newspapers as mentioned under the heading "Means of Communication" at Sl. No. 10 hereinbelow, and also displayed on the Company's website www.panaceabiotec.com. The results are not separately circulated to the shareholders.

iv) Training of Board Members

No specific training program was arranged for Board members. However, at the Board/Committee meetings, detailed presentations are made by Professionals, Consultants, as well as Senior Executives of the Company on business related matters, risk assessment, strategy, effect of the regulatory changes, etc.

v) Mechanism for evaluating non-executive Board members

The Company has not adopted any mechanism for evaluating individual performance of Non- Executive Directors.

vi) Whistle Blower Policy

The Company has implemented a Whistle Blower Policy in the Company and no personnel is denied access to the Audit Committee of the Company.

f) Corporate Governance Voluntary Guidelines 2009-The Company's policies and practices embrace most of the elements of Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs. The Company will be reviewing its Corporate Governance parameters in the context of other recommendations under said Guidelines for appropriate adoption in due course of time.

10. Prohibition of Insider Trading

In compliance with the SEBI Regulations on Prevention of Insider Trading, the Company has instituted a comprehensive Code of Conduct for its management, staff and relevant business associates. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made while dealing with the Shares of the Company.

11. Means of communication

i) The Quarterly and Half-Yearly results are published in one or more of the prominent daily newspapers, viz. Business Standard, all editions (New Delhi, Chandigarh, Lucknow, Kolkata, Pune, Kochi, Mumbai, Ahmedabad, Bengaluru, Bhubaneshwar, Hyderabad and Chennai) and Financial Times, New Delhi and Economics Times, New

Delhi & Mumbai and in Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated.

ii) Periodic teleconferences were held with the Financial Institutions, Foreign Institutional Investors and Analysts. They are also provided with a copy of the quarterly results after the same have been sent to the Stock Exchanges.

iii) The Company also intimates the Stock Exchanges all price sensitive matters or such matters which, in its opinion, are material and of relevance to the shareholders and subsequently issues a Press Release on the matter, wherever necessary.

iv) The Annual Results (Annual Report containing Balance Sheet etc.) are posted to every shareholder of the Company.

v) The Company's web-site, viz. www.panaceabiotec.com, is regularly updated with the financial results, annual report and other important events.

vi) Management's Discussion and Analysis Report has been included in the Annual Report being sent to the shareholders of the Company.

12. General Shareholder Information

i) Date of AGM

The Annual General Meeting is proposed to be held on Saturday, the 29th day of September 2012, at 11:00 A.M. at the registered office of the Company at Ambala-Chandigarh Highway, Lalru - 140501, Punjab.

Posting of Annual Report	On or before 30th August, 2012
Last date of receipt of Proxy Form	27th September, 2012 before 11:00 A.M.

ii) Financial Calendar 2012-13 (tentative):

S. No.	Tentative Schedule	Tentative Date
1	Financial reporting for the quarter ended 30th June, 2012	7th August, 2012(Actual)
2	Financial reporting for the half year ending 30th September, 2012	Mid of November, 2012
3	Financial reporting for the quarter ending 31st December, 2012	Mid of February, 2013
4	Financial reporting for the quarter ending 31st March, 2013	Mid of May, 2013*
5	Annual General Meeting for the year ending 31st March, 2013	End of September, 2013

*As provided in clause 41 of Listing Agreement, the Board may also consider publishing Audited Results for the year 2012-13 in lieu of Unaudited Results for fourth quarter, by 30th May, 2013 (or such other period as may be stipulated from time to time).

iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from 24th September 2012 to 29th September, 2012 (both days inclusive).

iv) Dividend Payment Date

In view of non-availability of profits during the current financial year, the Board of Directors has not recommended any dividend on the Equity Shares of the Company.

v) Unclaimed Dividends

As provided in Section 205A and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 2005 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund (IEP Fund) established by the Central Government, and no payments shall be made in respect of any such claims by the IEP Fund.

During the year, the Company had transferred Rs.161,039 lying unclaimed in Unpaid Dividend Account in respect of Dividend for the Year 2003-04 to the said Fund on 9th November, 2011.

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Information in respect of other unclaimed dividend when due for transfer to the said Fund is given below:

Financial Year	Date of declaration of Dividend	Last date for claiming unclaimed Dividend	Due date for transfer of dividend
2004-05	20.08.2005	17.09.2012	16.10.2012
2005-06	30.09.2006	29.10.2013	28.11.2013
2006-07	29.09.2007	28.10.2014	27.11.2014
2007-08	27.09.2008	26.10.2015	25.11.2015
2009-10	25.09.2010	24.10.2017	23.11.2017
2010-11	24.09.2011	23.10.2018	22.11.2018

vi) Listing on Stock Exchange

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

- The National Stock Exchange of India Ltd. (NSE), Bandra Kurla Complex, Bandra (E), Mumbai.
- Bombay Stock Exchange Ltd. (BSE), P J Tower, Dalal Street, Fort, Mumbai.

The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

vii) Stock Code of Equity Shares

Trade symbol at National Stock Exchange is PANACEABIO.

Stock Code at Bombay Stock Exchange is 531349.

ISIN No. for Dematerialization : INE922B01023.

viii) Market Price data:

The High and Low prices of the shares of the Company at Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Ltd. (NSE) for the year ended 31st March, 2012 are as under:

Month	Share Prices (Rs.) at BSE		Share Prices (Rs.) at NSE	
	High	Low	High	Low
April, 2011	195.00	180.00	199.45	178.50
May, 2011	193.50	170.70	205.00	172.40
June, 2011	183.95	153.50	181.50	154.15
July, 2011	174.50	156.00	173.90	157.00
August, 2011	183.85	128.90	183.40	127.15
September, 2011	155.70	125.05	147.50	124.60
October, 2011	125.45	88.05	124.50	88.10
November, 2011	112.00	83.05	111.90	83.10
December, 2011	96.00	70.00	92.70	74.00
January, 2012	91.00	72.20	90.90	65.25
February, 2012	89.70	75.55	99.00	76.00
March, 2012	85.45	67.50	85.55	67.20

ix) Registrar and Transfer Agents

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

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

x) Nomination Facility

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

xi) Share Certificates in respect of sub-divided Shares

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

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

xii) Elimination of Duplicate Mailing

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

xiii) Share Transfer System

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

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

xiv) Secretarial Audit

A Practicing Company Secretary carries out secretarial audit in each quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/paid up capital is in agreement with the total number of Shares in physical form and the total number of dematerialized Shares held with NSDL and CDSL. The Secretarial Audit Reports for each quarter of the Financial Year ended March 31, 2012 have been filed with Stock Exchanges within one month of the end of each quarter.

xv) Dematerialisation of Shares and its liquidity

The Company has been among the few top-most companies in India in which maximum number of shares have been dematerialized. As on 31st March, 2011, 99.13% of the Company's total Equity Share Capital representing 60716175 Equity Shares was held in dematerialized form and only 534,571 Equity Shares were in paper/physical form.

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

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

xvi) Share Dematerialisation System

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

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xvii) Distribution of Shareholding as on 31st March, 2012:

No. of Shares	No. of Shareholders	No. of Shares
0-2500	10,584	2,433,922
2501-5000	129	472,600
5001-10000	38	283,942
10001-100000	33	922,876
100001 and above	30	57,137,406
Total	10,814	61,250,746

xviii) Pattern of Shareholding as on 31st March, 2012:

S. No.	Category	No. of Shares	Percentage
1.	Promoters and Promoter Group	45,823,554	74.81
2.	Institutional Investors (FIIs, Banks & Mutual Funds)	1,930,293	3.15
3.	NRIs / OCBs / Foreign Corporate Bodies	1,111,757	1.82
4.	Domestic Companies	9,046,975	14.77
5.	Indian Public/ Others	3,338,167	5.45
	Total	61,250,746	100.00

xix) Plant Locations

1. Bulk Vaccines facilities at Samalheri, Ambala-Chandigarh Highway, Lalru - 140 501, Dist. Mohali, Punjab, India
2. Vaccines Formulations facility at Village Malpur, Baddi, Dist. Solan, H.P. - 173 205, India
3. Vaccine Formulations facility at A-239-242, Okhla Indl. Area, Phase I, New Delhi - 110 020, India
4. Pharmaceuticals Formulations facility at Malpur, Baddi, Dist. Solan, H.P. - 173 205, India
5. Pharmaceuticals Formulations facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044, India
6. Pharmaceutical Formulations facility at Plot No. 72/3, Gen Block, T.T.C. Indl. Area, Mahape, Navi Mumbai - 400 710, India.

xx) Address for correspondence

For transfer/ dematerialisation of shares, payment of dividend and any other query relating to shares	Skyline Financial Services Pvt. Ltd. D-153 A, 1st Floor, Okhla Indl. Area, Phase-I, New Delhi – 110 020, India. Phone : +91-11-26812682-83, 30857575 (10 lines) Fax : +91-11- 30857562 E-mail : admin@skylinerta.com, virenr@skylinerta.com
For investors assistance	The Company Secretary, Panacea Biotec Limited B-1 Extn./G-3, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044, India. Phone : +91-11-41679000 Extn. 2073 (D) 41578024 Fax : +91-11-41679075, 41679070 E-mail : companysec@panaceabiotec.com investorgrievances@panaceabiotec.com Contact Person : Mr. Sanjay Kumar Babu, Manager Secretarial

For query relating to financial matters		: Mr. Chandresh Ohri, Sr. Manager - Banking & Treasury
	Phone	: +91-11-41679000 Extn. 2242
	Fax	: +91-11-41679066, 41679070
	E-mail	: chandreshohri@panaceabiotec.com

For and on behalf of the Board

Place : New Delhi
Date : 7th August, 2012

Soshil Kumar Jain
Chairman

Annexure - I

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

To

The Members of Panacea Biotec Ltd.

I hereby declare that all the Board Members and the Senior Management Personnel of the Company have affirmed the compliance with the provisions of the Code of Conduct for the period ended 31st March, 2012.

For Panacea Biotec Ltd.

Date : 7th August , 2012
Place : New Delhi

Ravinder Jain
Managing Director

Annexure - II

Certificate from Managing Director & Chief Financial Officer

To
The Board of Directors
Panacea Biotec Limited

We do hereby confirm and certify that:

a) We have reviewed financial statements and the cash flow statement for the year and that, to the best of our knowledge and belief:
   i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls, and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the auditors and the Audit committee:
   i) significant changes in internal control during the year;
   ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For Panacea Biotec Ltd.

Date : 7th August, 2012	Ravinder Jain	Partha Sarathi De	I.K. Sharma
Place : New Delhi	Managing Director	Chief Financial Officer & Head - Information Technology & BPR	DGM (Accounts & Finance)

AUDITORS' CERTIFICATE

To
The Members of Panacea Biotec Limited

We have examined the compliance of conditions of Corporate Governance by Panacea Biotec Limited, for the year ended on 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

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

For R & D Company Secretaries
Debabrata Deb Nath
Partner
Membership No. ACS: 23935
C.O.P. No. - 8612

Place : New Delhi
Date : 7th August, 2012

Auditors' Report

To the Members of Panacea Biotec Limited

1. We have audited the attached Balance Sheet of Panacea Biotec Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, we draw attention to:

   a) Note 44 to the financial statements regarding expenditure on Pre-clinical development studies which are under progress amounting to Rs. 68.9 million for year ended March 31, 2012 and Rs. 186.5 million as at March 31, 2012. The ultimate approval of such products, which has been considered as highly likely by the management, is not within direct control of the Company. Pending such final approval, no adjustments have been made to the accompanying financial statements.

   b) Note 45 to the financial statements regarding the managerial remuneration of Rs. 66.0 million for the financial year ending March 31, 2012, which is in excess of the limits specified by the relevant provisions of the Companies Act, 1956, by Rs. 42.0 million on account of losses incurred during the current year. The Company has initiated steps to obtain approval from Central Government in respect to excess remuneration paid. Pending outcome of the steps taken, no adjustments have been made to the accompanying financial statements.

   c) Note 46 to the financial statements regarding delisting of Company's DTP-based combination vaccines and oral polio vaccines by World Health Organization (WHO) from its list of pre-qualified vaccines. Company has stock of raw material and finished goods inventory of Rs.1,526.7 million and Rs.363.0 million respectively as at March 31, 2012 of the above said vaccines. Impact, if any, on fixed assets relating to the delisting of above products cannot be separately quantified. The Company has initiated steps in order to get these products re-listed in the list of prequalified vaccines of WHO. Pending outcome of the above measures, no adjustments have been made to the accompanying financial statements.

5. Further to our comments in the annexure referred to in para 3 above, we report that:

   i. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. the Balance Sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. in our opinion, the balance sheet, statement of profit and loss 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 the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   vi. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;

      b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per Rajiv Goyal
Partner
Membership No.: 94549

Place: New Delhi
Date: May 18, 2012

Annexure To the Auditors' Report

Annexure referred to in paragraph (3) of our report of even date, Re: Panacea Biotec Limited (the Company')

i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   c) There was no disposal of a substantial part of fixed assets during the year.

ii. a) The management has conducted physical verification of inventory at reasonable intervals during the year.

   b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

iii. a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 654.3 million and the year- end balance of loans (including interest accrued) granted to the party was Rs. 654.3 million.

   b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

   c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest has been regular.

   d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

   e) The Company has taken loan from one partnership firm covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 472.0 million and the year-end balance of loans taken from such parties was Rs. 277.0 million.

   f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

   g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.

iv. In our opinion and according to the information and explanations given to us, and having regard to the explanation that most of the fixed assets purchased are unique and specialized nature and alternate sources do not exist for obtaining comparative quotations thereof, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

v. a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

   b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

vii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the manufacture of pharmaceuticals goods, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

ix. a) Undisputed statutory dues including provident fund, employees' state insurance, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

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

Name of the statute	Nature of dues	Amount (Rs. in million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax Demand raised by Assessing Officer	38.4	Assessment Year from 2003-04 to 2008-09	Appeal pending with High Court
Income Tax Act, 1961	Demand raised by Assessing Officer	0.8	Assessment Year 2007-08	Appeal pending with AO
Income Tax Act, 1961	Demand raised by Assessing Officer	11.8	Assessment Year 2009-10	Appeal pending with CIT(Appeals)
The Finance Act, 1994	Service Tax Demand raised by Assessing Officer	50.0	Financial Year 2003-04 to 2007-09	Pending with CESTAT
The Finance Act, 1994	Service tax Demand raised by Assessing Officer	2.1	Financial Year 2009-10	Pending with Assessing Officer

x. The Company has no accumulated losses at the end of the financial year. *The Company has incurred cash losses during the year.* In the immediately preceding financial year, the Company had not incurred cash loss.

xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank.

xii. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's 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 (Auditor's 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. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment

xviii.The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix. The Company did not have any outstanding debentures during the year.

xx. During the year under review, the Company has not raised any money through public issue, hence clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R.Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per Rajiv Goyal
Partner
Membership No. 94549

Place: New Delhi
Date: May 18, 2012

Panacea Biotec
Innovation in support of life

Balance Sheet As at March 31, 2012

(Rs. in million)

	Notes	As at March 31, 2012		As at March 31, 2011	
Equity and Liabilities					
Shareholders' funds					
Share capital	3	61.3		61.3	
Reserves and surplus	4	8,059.1	8,120.4	6,306.8	6,368.1
Foreign currency monetary item translation difference account (net of amortisation) (Refer note 47)			20.5		-
Non-current liabilities					
Long term borrowings	5	4,830.3		4,237.2	
Deferred tax liabilities (net) (Refer note 29)		205.0		756.6	
Long term provisions	6	20.6	5,055.9	23.6	5,017.4
Current liabilities					
Short term borrowings	7	2,693.4		3,824.4	
Trade payables	8	1,181.4		826.9	
Other current liabilities	8	1,363.6		1,010.0	
Short term provisions	6	93.6	5,332.0	131.1	5,792.4
Total			18,528.8		17,177.9
Assets					
Non current assets					
Fixed assets	9				
Tangible assets		9,543.4		5,346.3	
Intangible assets		469.7		124.5	
Capital work-in-progress		120.7		229.4	
Intangible assets under development		349.9	10,483.7	823.4	6,523.6
Non-current investments	10		2,584.7		2,329.4
Long-term loans and advances	11		821.7		1,046.5
Other non current assets	15		1.2		0.9
			13,891.3		9,900.4
Current assets					
Trade receivables	12		664.5		2,788.4
Inventories	13		3,397.3		3,680.2
Cash and bank balances	14		113.3		393.8
Short-term loans and advances	11		411.7		334.8
Other current assets	15		50.7		80.3
			4,637.5		7,277.5
Total			18,528.8		17,177.9
Summary of significant accounting policies	2				

The accompanying notes are an integral part of the financial statements.

As per our report of even date

S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Statement of Profit & Loss Account For the Year ended March 31, 2012

(Rs. in million)

	Notes	For the year ended March 31, 2012		For the year ended March 31, 2011	
Income					
Revenue from operations (gross)	16		7,015.6		11,501.9
Less: Excise duty			(9.8)		(3.6)
Revenue from operations (net)			7,005.8		11,498.3
Other Income	17		74.6		156.8
Total (a)			7,080.4		11,655.1
Expenses					
Purchases of traded goods			245.2		244.4
Cost of raw and packing material consumed	18		3,021.2		4,473.9
Decrease in inventories	19		205.6		588.7
Employee benefits expense	20		1,504.5		1,543.1
Other expenses (Including prior period expenses of Rs.47.5 million (Previous year Rs.Nil))	21		2,968.4		1,961.5
Finance costs	22		1,011.1		557.5
Depreciation and amortisation expense	9	870.2		731.1	
Less : recoupment from revaluation reserve		(116.3)		-	
Net depreciation and amortisation expense			753.9		731.1
Total (b)			9,709.9		10,100.2
(Loss)/Profit before tax for the year (a-b)			(2,629.5)		1,554.9
Tax expenses					
Current tax (MAT payable)		-		324.6	
Less: MAT credit entitlement		-		(174.8)	
Net current tax			-		149.8
Deferred income tax (credit)/charge			(551.6)		47.7
Provision for tax (earlier years)			-		6.9
Total tax expenses			(551.6)		204.4
(Loss)/Profit after tax for the year			(2,077.9)		1,350.5
Earnings per Share (nominal value per share Re.1)					
Basic earnings per Share (in Rs.)	23		(33.92)		21.35
Diluted earnings per Share (in Rs.)	23		(33.92)		21.35
Summary of significant accounting policies	2				

The accompanying notes are an integral part of the financial statements.

As per our report of even date

S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Notes to Financial Statements For the Year ended March 31, 2012

1. Corporate information

Panacea Biotec Limited ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on stock exchanges in India. The Company is one of the India's leading research based health management companies engaged in the business of research, development, manufacture and marketing of branded Pharmaceutical Formulations and Vaccines. The Company has products for various segments, which include pain management, diabetes management, organ transplantation, pediatric vaccines etc.

2. Basis of Preparation

The financial statements have been prepared to comply in accordance with generally accepted accounting in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on a going concern basis under the historical cost convention on an accrual basis except in case of assets for which revaluation is carried out (also refer note 46). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except for the change in accounting policy. The significant accounting policies are as follows:

a) Change in accounting policy

Presentation and disclosure of financial statements: During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c) Tangible assets

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

On 1 April 2011, the Company revalued all its land and buildings existing as on that date. These land and buildings are measured at fair value less accumulated depreciation and impairment losses, if any, recognized after the date of the revaluation. In case of revaluation of tangible assets, any revaluation surplus is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of profit and loss, in which case the increase is recognized in the statement of profit and loss. A revaluation deficit is recognized in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Subsequent expenditure related to an item of tangible asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

From accounting periods commencing on or after 7 December 2006, the Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is de-recognized.

d) Depreciation on tangible assets

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

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

ii) Leasehold Land is amortized over the period of lease on straight line basis.

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

e) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If the persuasive evidence exists to the effect that useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit and loss when the asset is derecognized.

Patents, trademarks & designs - Costs relating to patents, trademarks and designs, which are acquired, are capitalized.

Research and development costs - Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Company's intention to complete the asset and use or sell it;
- the Company's ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of estimated useful life. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

Product development – Product Development is capitalized on successful completion of development activities and commercial launch of developed products.

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

Software and Website - Software and website are stated at cost of acquisition and include all attributable costs of bringing them to their working condition for their intended use.

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

f) Amortization of intangible assets

Amortization of intangibles assets is provided on straight line basis of the estimated useful lives as follows:-

Patents, Trademarks & Designs	- Amortized over a period of 7 years
Product Development	- Amortized over a period of 5 years
Technical Know-how	- Amortized over a period of 5 years
Software	- Amortized over a period of 5 years
Websites	- Amortized over a period of 2 years

g) Leases

Where the Company is the Lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on written down value method as per the rates based on the useful life of the assets estimated by the management, or as per rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is higher. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

Where the Company is the Lessor

Leases in which the company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in tangible assets. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

h) Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Notes to Financial Statements For the Year ended March 31, 2012

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

i) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

j) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that

(i) the Company will comply with the conditions attached to them, and

(ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost, it is recognized at a nominal value.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as a part of the shareholders' funds.

k) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

l) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

m) Revenue Recognition

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

Sales of products- Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and Sales Tax / Value Added Tax (VAT) but includes Excise Duty. The Company collects sales taxes and value added taxes on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from Services - Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

Export incentives - Export entitlements under Duty Entitlement Pass Book Schemes are recognized in the statement of profit and loss when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Interest income - Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend income - Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

n) Foreign currency transactions

Initial recognition

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

Conversion

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

Exchange differences

From accounting periods commencing on or after 7 December 2006, the Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

- Exchange differences arising on long-term foreign currency monetary items related to acquisition of a tangible asset are capitalized and depreciated over the remaining useful life of the asset. For this purpose, the company treats a foreign currency monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination.
- Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
- All other exchange differences are recognized as income or as expense in the period in which they arise.

Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability.

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

o) Retirement and other employee benefits

i) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident funds.

ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation using projected unit credit method made at the end of each financial year. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

iv) The company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

p) Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

q) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares), if any.

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

r) Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

s) Segment reporting policies

(i) Identification of segments:

Primary segment

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

Secondary segment

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

The geographical segments considered for disclosure are as follows:

- Revenue from domestic market includes sales to customers located within India.
- Revenue from overseas market includes sales to customers located outside India.

(ii) Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

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

(iv) Segmental accounting policies: The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

t) Derivative instruments

As per announcement of the Institute of Chartered Accountants of India, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the statement of profit and loss. Net gains are ignored.

u) Cash & cash equivalent

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

v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
3. Share Capital				
Authorised				
i. 125,000,000 (Previous Year 125,000,000) Equity Shares of Re.1 each		125.0		125.0
ii. 110,000,000 (Previous Year 110,000,000) Preference Shares of Rs.10 each		1,100.0		1,100.0
		1,225.0		1,225.0
Issued, Subscribed and Paid up				
61,250,746 (Previous Year 61,250,746) Equity Shares of Re.1 each fully paid-up		61.3		61.3
		61.3		61.3
a) Terms/right attached to equity shares : The Company has only one class of equity shares having a par value of Re.1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees except disclosed in note 42. The dividend if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. During the year ended March 31, 2012, the amount of per share dividend recognized as distribution to equity shareholders is Rs. Nil (Previous year Re. 0.75). In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.				
b) Reconciliation of the shares outstanding at the beginning and at the end of the reporting financial year :	No.	Amount	No.	Amount
At the beginning of the year	61,250,746	61.3	66,842,746	66.8
Less: Buy back of equity shares during the year	-	-	5,592,000	5.5
Outstanding at the end of the year	61,250,746	61.3	61,250,746	61.3
c) Aggregate no. of equity shares bought back during the period of five years immediately preceding the reporting date :		No. of shares		No. of shares
Equity share bought back by the Company		-		5,592,000
d) Detail of shareholders holding more than 5% shares in the Company :	No. of shares	% age of holding	No. of shares	% age of holding
Name of Persons				
Mr. Soshil Kumar Jain	5,000,000	8.16%	5,000,000	8.16%
Mr. Ravinder Jain	4,646,200	7.59%	4,646,200	7.59%
Dr. Rajesh jain	6,213,500	10.14%	5,713,500	9.33%
Mr. Sandeep Jain	4,792,100	7.82%	4,792,100	7.82%
Soshil Kumar Jain (HUF)	3,446,800	5.63%	3,946,800	6.44%
Ravinder Jain (HUF)	4,135,000	6.75%	4,135,000	6.75%
Rajesh Jain (HUF)	4,368,500	7.13%	4,368,500	7.13%
Sandeep Jain (HUF)	4,105,000	6.70%	4,105,000	6.70%
Serum Institute of India Ltd.	8,002,387	13.06%	6,036,291	9.86%
As per the records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.				
4. Reserves and Surplus				
Capital redemption reserve				
Balance as per last financial statements	1,022.3		1,016.8	
Add: Credited upon buy back of equity shares (Refer note 49)	-		5.5	
Closing balance		1,022.3		1,022.3
Capital reserve		3.1		3.1
Securities premium reserve				
Balance as per last financial statements	897.0		2,792.5	
Less: Premium paid on redemption of FCCBs (Refer note 26)	-		(797.2)	
Less: Transferred to capital redemption reserve on buy back of equity shares (Refer note 49)	-		(5.5)	
Less: Premium paid on buy back of equity shares (Refer note 49)	-		(1,092.8)	
Closing balance		897.0		897.0
General reserve				
Balance as per last financial statements	364.9		229.9	
Add: Amount transferred from surplus balance in the statement of profit and loss	-		135.0	
Closing balance		364.9		364.9

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
Revaluation reserve				
Balance as per the last financial statements	-		-	
Revaluation reserve credited during the year (refer footnote 1 of note 9)	3,946.5		-	
Less: Amount transferred to the statement of profit and loss as reduction from depreciation	(116.3)		-	
Closing balance		3,830.2		-
(Deficit)/Surplus in the statement of profit and loss				
Balance as per last financial statements	4,019.5		2,856.1	
(Loss)/Profit after tax for the year	(2,077.9)		1,350.5	
Less: Appropriations				
Proposed final dividend on equity shares (amount per share Rs. Nil (Previous year Re.0.75))	-		(45.9)	
Tax on proposed final dividend on equity shares	-		(7.5)	
Proposed dividend written back (Refer note 49)	-		1.1	
Tax on proposed final dividend on equity shares written back (Refer note 49)	-		0.2	
Transfer to general reserve	-		(135.0)	
Closing balance		1,941.6		4,019.5
		8,059.1		6,306.8

(Rs. in million)

	Non-current portion as at		Current maturities as at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
5. Long Term Borrowings				
Term loans				
Foreign currency term loans from banks (secured)				
State Bank of India [loan - I]	1,017.6	1,427.2	610.6	356.8
State Bank of India [loan - II]	763.2	669.0	-	-
State Bank of Travancore	638.5	895.4	383.1	223.9
Bank of India	1,272.0	-	-	-
Indian rupee term loans from banks (secured)				
State Bank of India	-	148.3	131.0	150.0
Indian Overseas Bank	1,000.0	1,000.0	-	-
Indian rupee term loans from Government of India				
Through Department of Biotechnology (secured)	112.0	78.3	-	-
Through Department of Science & Technology (unsecured)	18.0	-	2.0	-
Other long term borrowings				
Deposits from public and related party (unsecured) (Refer note 31)	9.0	-	-	-
Finance lease obligation (unsecured) (Refer note 34 (ii) (d) and (e))	-	19.0	19.0	15.8
	4,830.3	4,237.2	1,145.7	746.5
The above amount includes				
Secured borrowings	4,803.3	4,218.2	1,124.7	730.7
Unsecured borrowings	27.0	19.0	21.0	15.8
Amount disclosed under the head "Note 8 : Other current liabilities"	-	-	(1,145.7)	(746.5)
Net Amount	4,830.3	4,237.2	-	-

Notes :

a) Foreign currency term loan from State Bank of India (loan - I) carries interest @ 6 months LIBOR plus 7.5%. The loan is repayable in three installments (i.e. 20% in September 2011, 30% in September 2012 & 50% in September 2013).

b) Foreign currency term loan from State Bank of India (loan - II) carries interest @ 6 months LIBOR plus 5.75%. The loan is repayable in four equal quarterly installments of Rs.17.5 million starting from June 2013 to March 2014.

c) Foreign currency term loan from State Bank of Travancore carries interest @ 6 months LIBOR plus 7.5%. The loan is repayable in three installments (i.e. 20% in September 2011, 30% in September 2012 & 50% in September 2013).

d) Foreign currency term loan from Bank of India carries interest @ 6 months LIBOR plus 4.75%. The loan is repayable in three equal yearly installments commencing at the end of sixth year from the date of first drawdown (i.e. in financial year 2017-18).

e) Indian rupee term loan from State Bank of India carries interest @ SBAR. The loan is repayable in eight quarterly installments starting from June, 2011.

f) Above Foreign currency term loans taken from banks and Indian rupee term loan taken from State Bank of India are secured by way of first pari-passu charge by hypothecation of the Company's entire movable fixed assets, both present and future and mortgage of immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh and land admeasuring 9435.66 sq. yards situated at Indl. Plot No. E-4, PH-2, Indl. Area, S.A.S Nagar, (Mohali), Punjab. Foreign currency term loans from State Bank of India and Bank of India are also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

g) Indian rupee loan from Indian Overseas Bank carries interest @ Base rate plus 1.5% . The loan is repayable in eight equal quarterly installments starting from January, 2014.

h) Term loan from Indian Overseas Bank is secured by way of first pari-passu charge by hypothecation of the company's entire movable fixed assets, both present and future and mortgage of immovable properties of the company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh and land admeasuring 9435.66 sq. yards situated at Indl Plot No. E-4, PH-2, Indl. Area, S.A.S Nagar, (Mohali), Punjab. It is also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

i) Indian rupee term loans from Government of India through Department of Biotechnology are project specific loans which carry interest @ 2% p.a. These loans are repayable in ten equal half-yearly installments. The repayment of these loans would commence from one year after the completion of the respective projects.

j) Secured term loan from Government of India is secured by way of hypothecation of the company's all equipments, apparatus, machineries, spares, tools and other accessories, goods and/or other movable property present and future by way of first charge on pari-passu basis.

k) Indian rupee term loan from Government of India, through Department of Science & Technology is a project specific loan which carries interest @ 3% p.a. The loan is repayable in ten equal annual installments and its repayment would commence from one year after the completion of the project.

(Rs. in million)

	Long term as at		Short term as at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
6. Provisions				
Provision for employees benefits				
Provision for gratuity (Refer note 43)	20.6	23.6	15.5	19.6
Provision for leave encashment	-	-	66.7	56.9
Other provisions				
Provision for wealth tax	-	-	1.4	1.2
Proposed dividend on equity shares	-	-	-	45.9
Provision for dividend distribution tax	-	-	-	7.5
Provision for contingencies (Refer note 24 (v))	-	-	10.0	-
	20.6	23.6	93.6	131.1

(Rs. in million)

	As at March 31, 2012	As at March 31, 2011
7. Short Term Borrowings		
Cash credits from banks (secured)	1,159.1	810.9
Working capital loans from banks (secured)	-	1,268.3
Buyers' credit from banks (secured)	1,064.8	1,193.9
Deposits from public and related party (unsecured) (Refer note 31)	271.5	366.3
Loan from related parties (unsecured) (Refer note 31)	198.0	185.0
	2,693.4	3,824.4
The above amount includes		
Secured borrowings	2,223.9	3,273.1
Unsecured borrowings	469.5	551.3
	2,693.4	3,824.4

Note: Working capital loans, cash credits & Buyers' credits from banks are secured by way of first pari passu charge by hypothecation of all current assets and also by way of second pari-passu charge on all the movable fixed assets (including machinery and spares) of the Company and existing immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh and land admeasuring 9435.66 sq. yards situated at Indl. Plot No. E-4, PH-2, Indl. Area, S.A.S. Nagar, (Mohali), Punjab. These are also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

	As at March 31, 2012	As at March 31, 2011
8. Other Current Liabilities		
Trade payables (including acceptances)	1,181.4	826.9
(Refer note 28 for details of dues to micro and small enterprises)		
Other liabilities		
Current maturities of long term borrowings (Note 5) (includes current maturities of finance lease obligation Rs.19.0 million (Previous year Rs.15.8 million))	1,145.7	746.5
Interest accrued but not due on borrowings	15.8	10.2
Interest accrued and due on borrowings	29.7	28.7
Advances from customers	109.3	115.7
Income received in advance	13.4	-
Sundry deposits	15.3	15.1
Investor education and protection fund will be credited by following amount (as and when due)		
Unpaid dividend on equity shares	1.2	1.3
Others :		
Statutory dues	33.2	92.5
	1,363.6	1,010.0

Notes to Financial Statements For the Year ended March 31, 2012

9. Fixed Assets

Tangible Assets (Rs. in million)

Description	Land - freehold	Land - leasehold	Buildings	Leasehold improvement	Plant and equipments	Furniture and fittings	Vehicles	Office equipments	Computer equipments	Total
Cost or Valuation										
At 1 April 2010	293.5	54.8	1,797.7	83.4	4,819.2	296.7	152.8	195.9	161.5	7,855.5
Additions	12.6	-	167.2	-	594.5	24.6	21.7	5.1	7.4	833.1
Sale/ Adjustment	-	-	-	-	0.1	0.4	17.9	0.1	0.6	19.1
Other Adjustments										
- Exchange Differences*	-	-	7.6	-	35.2	0.6	-	1.0	0.2	44.6
At 31 March 2011	306.1	54.8	1,957.3	83.4	5,378.4	320.3	156.6	199.9	168.1	8,624.9
Additions	0.1	-	151.8	0.1	595.5	27.6	16.9	15.1	15.2	822.3
Revaluation	2,211.6	155.5	1,579.4	-	-	-	-	-	-	3,946.5
Disposals	-	-	-	-	2.6	-	9.4	1.5	0.3	13.8
Other Adjustments										
- Exchange Differences*	-	-	41.7	0.1	189.9	3.5	-	9.2	0.9	245.3
At 31 March 2012	2,517.8	210.3	3,730.2	83.6	6,161.2	351.4	164.1	222.7	183.9	13,625.2
Depreciation										
At 1 April 2010	-	1.6	418.1	77.1	1,646.5	161.7	80.9	92.1	127.3	2,605.3
Charge for the year	-	0.8	108.6	3.0	496.8	26.1	20.9	14.9	15.9	687.0
Deduction & Adjustment during the year	-	-	-	-	-	0.1	13.0	0.1	0.5	13.7
At 31 March 2011	-	2.4	526.7	80.1	2,143.3	187.7	88.8	106.9	142.7	3,278.6
Charge for the year	-	2.7	222.4	2.0	473.5	30.5	19.8	14.9	15.1	780.9
Deduction & Adjustment during the year	-	-	-	-	2.0	-	7.7	0.9	0.2	10.8
Other Adjustments										
- Exchange Differences*	-	-	5.0	-	26.5	0.5	-	1.0	0.1	33.1
At 31 March 2012	-	5.1	754.1	82.1	2,641.3	218.7	100.9	121.9	157.7	4,081.8
Net Block										
At 31 March 2011	306.1	52.4	1,430.6	3.3	3,235.1	132.6	67.8	93.0	25.4	5,346.3
At 31 March 2012	2,517.8	205.2	2,976.1	1.5	3,519.9	132.7	63.2	100.8	26.2	9,543.4
Capital work-in-progress										
At 31 March 2011										229.4
At 31 March 2012										120.7

Intangible Assets (Rs. in million)

Description	Patent, Trademark & Copyrights	Softwares**	Websites	Product Development	Total
Cost or Valuation					
At 1 April 2010	61.9	96.9	9.2	66.8	234.8
Additions	5.6	72.3	-	20.2	98.1
Sale/ Adjustment	-	0.4	-	-	0.4
Other Adjustments					
- Exchange Differences*	-	-	-	-	-
At 31 March 2011	67.5	168.8	9.2	87.0	332.5
Additions	-	23.7	-	377.7	401.4
Disposals	-	-	-	-	-
At 31 March 2012	67.5	192.5	9.2	464.7	733.9
Depreciation					
At 1 April 2010	49.9	69.7	9.2	35.1	163.9
Charge for the year	3.8	27.3	-	13.0	44.1
Deduction & Adjustment during the year	-	-	-	-	-
At 31 March 2011	53.7	97.0	9.2	48.1	208.0
Charge for the year	3.2	32.2	-	20.8	56.2
Deduction & Adjustment during the year	-	-	-	-	-
At 31 March 2012	56.9	129.2	9.2	68.9	264.2
Net Block					
At 31 March 2011	13.8	71.8	-	38.9	124.5
At 31 March 2012	10.6	63.3	-	395.8	469.7
Intangible Assets under development					
At 31 March 2011					823.4
At 31 March 2012					349.9

Notes : 1. The Company has revalued freehold land, leasehold land and buildings as on 1 April 2011, at the fair values determined by an independent external valuer. The valuer determined the fair value by reference to market-based evidence. This means that valuations performed by the valuer were based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The historical cost of freehold land, leasehold land and building fair valued by the Company was Rs.306.1 million, Rs.54.8 million and Rs.1,957.3 million respectively and their fair value were Rs.2,517.7 million, Rs.207.9 million and Rs.3,010.0 million respectively. Hence, the revaluation resulted in an increase in the book value of freehold land, leasehold land and building by Rs.2,211.6 million, Rs.155.5 million and Rs.1,579.4 million respectively which has been credited to revaluation reserve (Refer note 4). In accordance with the option given in the guidance note on accounting for depreciation in companies, the Company recoups depreciation on revaluation of these assets out of revaluation reserve.

2. Plant & Machinery includes Plant & Machinery amounting to Rs.2.9 million (Previous year Rs.3.4 million) (net block) lying with third parties.

3. For assets given on operating lease, refer note 34 i) a).

* Exchange differences capitalized during the year (Refer Note 47).

** includes assets taken on finance lease : Gross book value Rs.55.3 million (Previous year Rs.55.3 million), Net book value Rs.23.0 million (Previous year Rs.41.5 million)

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
10. Non Current Investments				
Trade - Unquoted (valued at cost unless stated otherwise)				
Investment in subsidiaries :				
a) 1,902,160 (Previous year 1,902,160) equity shares of Re.1 each, fully paid up in Best On Health Ltd.	22.9		22.9	
b) 7,211,666 (Previous year 6,636,666) 0.5% Optionally convertible non-cumulative redeemable preference shares of Re.1 each, fully paid up in Best On Health Ltd.	2,163.5		1,991.0	
c) 103,142,818 (Previous year 41,257,126) equity shares of Re.1 each, fully paid up in Lakshmi & Manager Holdings Ltd.*	115.5		41.3	
d) 5 (Previous year 5) Equity shares of AED 100,000 each, fully paid in Panacea Biotec FZE	5.5		5.5	
e) 3,765,701 (Previous year 3,765,701) equity shares of Rs.10 each, partly paid up Rs.7.75 (Previous year Rs.5.90) in NewRise Healthcare Pvt. Ltd. (Formerly known as Umkal Medical Institute Pvt. Ltd.) (Refer note 25)	248.2		239.7	
f) 25,000 (Previous year 25,000) equity shares of € 1 each, fully paid up in Panacea Biotec GmbH	1.6		1.6	
g) 1,000 (Previous year 1,000) equity shares of US $ 0.01 each, fully paid up in Rees Investments Limited	0.0		0.0	
h) Nil (Previous year 501) equity shares of US $ 100 each, fully paid up in Panacea Biotec Inc., USA	-		2.4	
Less : Provision for permanent diminution in value of investment (Refer note 50)	-		(2.4)	
Investment in Joint Ventures :				
a) 2,295,910 (Previous year 2,295,910) equity shares of Rs.10 each, fully paid up in Chiron Panacea Vaccines Pvt. Ltd.	23.0		23.0	
b) 5,000 (Previous year Nil) equity shares of Rs.10 each, fully paid up in Adveta Power Private Limited	0.1		-	
c) Nil (Previous year 4,608,608) Ordinary shares of GBP 0.01 (Face value) each, fully paid up in Cambridge Biostability Limited, U.K.	-		168.1	
Less: Provision for permanent diminution in the value of Investments (Refer note 50)	-		(168.1)	
Investment in Associates :				
a) 419,767 (Previous year 419,767) equity shares of Rs.10 each fully paid in PanEra Biotec Pvt. Ltd.	4.2		4.2	
		2,584.5		2,329.2
Non Trade - Unquoted (valued at cost unless stated otherwise)				
a) 20,250 (Previous year 20,250) equity shares of Rs.10 each fully paid up in Shivalik Solid Waste Management Ltd.	0.2		0.2	
		0.2		0.2
		2,584.7		2,329.4
Aggregate amount of unquoted Investments		2,584.7		2,499.9
Aggregate provision for the diminution in the value of Investments		-		170.5

* Became a subsidiary company during the year w.e.f. November 24, 2011. Prior to this it was an associate company.

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

		Non-current as at		Current as at	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
11. Loans and Advances					
Capital advances (Unsecured, considered good)	(a)	211.7	184.6	-	-
Security deposits (Unsecured, considered good)	(b)	24.6	25.0	-	-
Loan and advances to related parties (Refer note 31)					
Unsecured, considered good		232.9	484.4	-	-
Doubtful		385.2	108.8	-	-
		618.1	593.2	-	-
Less : Provision for doubtful loans*		(385.2)	(108.8)	-	-
	(c)	232.9	484.4	-	-
Advances recoverable in cash or in kind					
Unsecured, considered good		-	-	46.3	57.0
Doubtful		-	-	35.3	5.3
		-	-	81.6	62.3
Less : Provision for doubtful advances		-	-	(35.3)	(5.3)
	(d)	-	-	46.3	57.0
Other loan and advances					
Unsecured, considered good					
Balance with excise, custom etc.		-	-	67.4	41.5
Prepaid expenses		-	-	57.0	34.8
Staff loans and advances		-	-	20.2	17.5
Advance income tax (Net of provision of Rs.1,687.4 million (Previous year Rs.1,687.4 million))		-	-	220.8	184.0
MAT credit entitlement		352.5	352.5	-	-
Doubtful					
Staff loans and advances		-	-	4.2	4.2
		352.5	352.5	369.6	282.0
Less : Provision for doubtful advances		-	-	(4.2)	(4.2)
	(e)	352.5	352.5	365.4	277.8
Total (a)+(b)+(c)+(d)+(e)		821.7	1,046.5	411.7	334.8

* Provision for doubtful loans of Rs.385.2 million as on March 31, 2012 pertains to provision made during the current year in respect to loan given to Rees Investments Ltd., a subsidiary company and provision of Rs.108.8 million as on March 31, 2011 pertains to provision made in earlier year in respect to loan given Cambridge Biostability Ltd., erstwhile joint venture company. Provision pertaining to loan given to Cambridge Biostability Ltd. has been adjusted against loan recoverable balance in the current year - refer note 50.

		March 31, 2012	March 31, 2011
12. Trade Receivables			
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured, Considered good		63.2	25.0
Doubtful		51.2	3.5
		114.4	28.5
Less : Provision for doubtful receivables		(51.2)	(3.5)
	(a)	63.2	25.0
Other receivables			
Unsecured, Considered good		601.3	2,763.4
	(b)	601.3	2,763.4
Total (a)+(b)		664.5	2,788.4
13. Inventories (valued at lower of cost and net realizable value)			
Raw materials (including packing materials)		2,386.4	2,466.7
Finished goods (Including stock in transit of Rs.17.6 million (Previous year Rs.17.9 million))		638.4	918.5
Traded goods		80.8	80.1
Work in progress		190.0	116.2
Stores and spares		101.7	98.7
		3,397.3	3,680.2

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	Non-current as at		Current as at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
14. Cash and Bank Balances				
Cash and cash equivalents				
Cash balance on hand	-	-	1.4	2.6
Balances with banks				
Current accounts	-	-	9.6	76.3
Unpaid dividend accounts*	-	-	1.2	1.3
Deposits with original maturity less than 3 months	-	-	-	-
Exchange earner foreign currency accounts	-	-	99.3	313.3
(a)			111.5	393.5
Other bank balances				
Deposits with original maturity for more than 12 months**	1.2	0.9	-	-
Deposits with original maturity for more than 3 months but less than 12 months**	-	-	1.8	0.3
(b)	1.2	0.9	1.8	0.3
Amount disclosed under the head "Note 15 : Other assets"	(1.2)	(0.9)	-	-
Total (a)+(b)	-	-	113.3	393.8

*Not available for use by the Company as they represent corresponding unpaid dividend liabilities.

**Fixed deposits amounting to Rs.1.3 million (Previous year Rs.0.9 million) are pledged with banks and various Government authorities.

	Non-current as at		Current as at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
15. Other Assets				
Unsecured, considered good unless stated otherwise				
Export benefits receivable	-	-	50.7	73.9
Interest accrued on deposits (considered good)	-	-	0.0	6.1
Interest accrued on loans (doubtful)	-	-	36.2	7.3
Non current bank balances (Note 14)	1.2	0.9	-	-
Miscellaneous expenditure	-	-	-	0.3
	1.2	0.9	86.9	87.6
Less : Provision for doubtful receivables	-	-	(36.2)	(7.3)
	1.2	0.9	50.7	80.3

*Provision for doubtful receivables of Rs.36.2 million as on March 31, 2012 pertains to provision made during the current year in respect of interest accrued on loan given to Rees Investments Ltd., a subsidiary company and provision of Rs.7.3 million as on March 31, 2011 pertains to provision made in earlier year in respect of interest accrued on loan given Cambridge Biostability Ltd., erstwhile joint venture company. Provision pertaining to loan given to Cambridge Biostability Ltd. has been adjusted against loan recoverable balance in the current year - refer note 50.

(Rs. in million)

	For the year ended March 31, 2012	For the year ended March 31, 2011
16. Revenue From Operations		
Sale of products		
Finished goods	6,303.2	10,782.0
Traded goods	544.5	486.2
Sale of services		
Contract manufacturing	45.9	40.0
Other operating revenue		
Export benefits	42.2	81.4
Scrap sales	6.4	4.0
Royalty income	31.4	57.9
Lease rent	42.0	50.4
	7,015.6	11,501.9
Details of product sold		
Finished goods		
Formulations	2,725.0	2,449.7
Vaccines	3,578.7	8,332.3
Traded goods		
Formulations	544.5	486.2
	6,848.2	11,268.2

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	For the year ended March 31, 2012		For the year ended March 31, 2011	
17. Other Income				
Interest income on				
Banks deposits		2.0		44.6
Loans given to subsidiary company		36.2		42.0
Income tax refund		7.6		25.0
Others		1.6		2.0
Insurance claim received		-		0.0
Dividend income on:				
Investments in subsidiary		0.0		-
Investments in joint venture		-		11.5
Investment in mutual funds		-		0.1
Miscellaneous income		27.2		31.6
		74.6		156.8
18. Cost of Raw and Packing Material Consumed				
Raw and packing materials consumed				
Opening stock	2,466.7		2,751.3	
Add : Purchases	2,940.9		4,189.2	
	5,407.6		6,940.6	
Less : Closing stock	2,386.4		2,466.7	
		3,021.2		4,473.9
Raw and packing materials consumed				
Formulations				
Active pharmaceutical ingredients	423.6		366.9	
Excipients	69.6		67.1	
Packing materials	95.4		117.6	
		588.6		551.6
Vaccines				
Bulk and Antigens	2,189.4		3,464.6	
Excipients	5.3		5.9	
Packing materials	237.9		451.8	
		2,432.6		3,922.3
		3,021.2		4,473.9
Details of inventory				
Formulations				
Active pharmaceutical ingredients	188.1		162.3	
Excipients	28.6		31.2	
Packing materials	45.7		32.3	
		262.4		225.8
Vaccines				
Bulk and Antigens	1,967.0		2,124.1	
Excipients	5.2		5.7	
Packing materials	151.9		111.1	
		2,124.1		2,240.9
		2,386.5		2,466.7

(Rs. in million)

	As at March 31, 2012	As at March 31, 2011	(Increase)/Decrease
19. (Increase)/Decrease in Inventories			
Inventories at closing of the year			
Finished goods	638.4	918.5	280.1
Traded goods	80.8	80.1	(0.7)
Work in progress	190.0	116.2	(73.8)
	909.2	1,114.8	205.6
Inventories at beginning of the year			
Finished goods	918.5	1,499.1	580.6
Traded goods	80.1	57.9	(22.2)
Work in progress	116.2	146.5	30.3
	1,114.8	1,703.5	588.7
	205.6	588.7	
Detail of purchase of traded goods			
Formulations	245.2	244.4	
Detail of inventory			
Finished goods			
Formulations	154.2	251.7	
Vaccines	484.2	666.8	
	638.4	918.5	
Traded goods			
Formulations	80.8	80.1	
	80.8	80.1	
Work in progress			
Formulations	24.0	29.7	
Vaccines	166.0	86.5	
	189.9	116.2	

(Rs. in million)

	For the year ended March 31, 2012		For the year ended March 31, 2011	
20. Employee Benefits Expense				
Salary, wages and bonus		1,391.2		1,428.3
Contribution to provident and other funds		40.5		40.7
Workmen and staff welfare expenses		59.7		57.8
Gratuity expense (Refer note 43)		13.1		16.3
		1,504.5		1,543.1
21. Other Expenses*				
Processing charges		34.4		26.7
Analytical testing and trial charges		51.0		54.2
Consumption of stores and spares		211.1		209.8
Power and fuel		292.2		224.8
Repair and maintenance :				
Buildings	38.5		28.2	
Plant and Machinery	54.8		39.0	
Others	62.7	156.0	42.2	109.4
Rent		73.0		72.4
Royalty		18.1		17.1
Directors' sitting fees		0.4		0.4
Printing and stationery		34.1		48.2
Postage and communication		50.3		55.5
Insurance		46.3		40.8
Travelling and conveyance expenses		168.4		163.7
Payment to Auditors**		6.5		6.6
Legal and professional charges***		168.1		125.2
Vehicle running and maintenance		30.9		24.1
Rates and taxes		19.9		17.6

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Donation	2.9	3.1
Subscription	30.8	28.8
Staff training and recruitment	39.0	31.9
Bad debts and advances written off	2.5	-
Loss on sale/discard of fixed assets (net)	233.5	39.3
Wealth tax	1.4	0.4
Provision for doubtful debts and advances	499.2	0.4
Provision for permanent diminution in value of investment	-	2.4
Exchange differences (net)	104.1	2.7
Advertising and sales promotion	306.4	394.2
Meetings and conferences	105.5	121.3
Freight and cartage	73.6	49.4
Commission on sales (other than sole selling agents) (Including prior period expenses of Rs.47.5 million (Previous year Rs. Nil))	166.6	50.1
Miscellaneous expenses	42.2	41.0
	2,968.4	1,961.5
*For pre-operative expenses refer note 27		
**Payment to auditors		
As auditor		
- Audit fee	3.6	3.6
- Limited reviews fee	2.0	2.0
In other capacity		
- Management services	0.2	0.3
- Certification services	0.4	0.4
Reimbursement of expenses	0.3	0.3
Total	6.5	6.6
*** includes following :		
Tax audit fee	0.2	0.2
Cost audit fee	0.1	0.0
22. Finance Costs		
Interest on borrowings	642.3	478.0
Bank charges	54.3	43.1
Exchange differences to the extent considered as an adjustment to borrowing cost	314.5	36.4
	1,011.1	557.5
23. Earning Per Share		
Calculation of profit/(loss) for basic and diluted earning per share		
Profit/(Loss) after tax for the year	(2,077.9)	1,350.5
Weighted average number of equity shares in calculating basic & diluted earning per share (Refer note 49)	61,250,746	63,242,590
Basic earnings per share (in Rs.)	(33.92)	21.35
Diluted earnings per share (in Rs.)	(33.92)	21.35
Face/Nominal value per Share (in Rs.)	1.00	1.00

24 i) Contingent Liabilities (to the extent not provided for)

(Rs. in million)

S. No.	Particulars	As at March 31 , 2012	As at March 31 , 2011
I.	Disputed demands/ show-cause notices under:-		
	a) Income Tax cases	4.8	1.8
	b) Customs Duty cases	4.0	4.0
	c) Central Excise Duty cases	6.6	6.6
	d) Service Tax	9.7	8.3
	Total	25.1	20.7
II.	Bank Guarantee	159.9	117.5
III.	Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	1.2	1.2

Notes:

a) In respect of income tax demand, the Assessing Officer disallowed certain expenses in respect of A.Y. 2007-08, A.Y. 2008-09 and A.Y. 2009-10 which were computed in accordance with the provisions of Income Tax Act, 1961. The matters are pending with tax and judicial authorities. Company believes that it has merit in its case, hence no provision is required.

b) In respect of custom duty demand, the Assessing Officer levied custom duty on certain exempted items imported by the Company. Company has deposited the entire amount of demand under protest and the matter is pending before Hon'ble Customs, Excise and Service Tax Appellate Tribunal. Company believes that it has merit in its case, hence no provision is required.

c) In respect of central excise duty demand, the Assessing Officer levied excise duty on common inputs used in manufacture of exempted and taxable products. Company has deposited the entire amount of demand under protest and the matter is pending before the Hon'ble Customs, Excise and Service Tax Appellate Tribunal. Company believes that it has merit in its case, hence no provision is required.

d) In respect of service tax demand, the Assessing Officer levied service tax on foreign services rendered & delivered outside India by the Company & certain other services on which there was no liability to pay service tax. Company believes that it has merit in its case, hence no provision is required.

ii) During the year, a search operation was conducted by Income tax department under section 132 of the Income Tax Act, 1961. During the search operation, certain explanations were demanded and few documents were seized by the tax authorities. Further, the Company is in the process of providing details as and when required by the tax authorities and the Company has not received any demand order related to search operation. The management believes that the transactions of the Company are fully compliant with relevant provisions of the Income Tax Act, 1961. Hence, no provision is required for any tax liability.

iii) Company has received a notice during the year under section 148 of Income Tax Act, 1961 in relation to FY 2004-05. Income Tax Department has issued the notice based on certain grounds related with purchases made by the Company from an overseas party. The Company's view is that the grounds mentioned in the notice are not sustainable and are contrary to the real facts. Hence, Company has not provided any contingent liability corresponding to the notice.

iv) During the current year, the Company has received a demand notice from Department of Biotechonology [Ministry of Health]. In demand notice the department has mentioned the reason that terms of loan arrangement for a project has not been fulfilled by the Company, they have also levied additional interest @ 10% on loan amount , while as per agreement interest is payable @ 2%; the Company has contested the matter with concerned authorities. The Company believes it has complied with all terms and conditions related to this arrangement.

v) Maharashtra State Electricity Distribution Company Ltd. served a demand notice to the company on account of wrong tariff rates applied for the power consumption at research and development center, Navi Mumbai. Company is contesting the matter with electricity board. However, provision of Rs.10.0 million has been accounted for in the books of accounts in the current year on conservative basis.

25. Capital & other commitments

a) Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided in the books are as follows:

(Rs. in million)

S. No.	Particulars	As at March 31 , 2012	As at March 31 , 2011
1.	Tangibles Assets	113.2	76.1
	Intangible Assets	47.4	50.7
	Total	160.6	126.8

b) Other commitments :

i) Uncalled liability of Rs.33.8 million (Previous year Rs.42.3 million) on partly paid shares of a subsidiary company, NewRise Healthcare Pvt. Ltd. (Formerly known as Umkal Medical Institute Pvt. Ltd.) (Refer Note : 10 Non current investments)

ii) Export commitments of Rs.2,617.9 million (Previous year Rs.2,033.0 million) under advance licenses and Duty Entitlement Pass Book Schemes.

iii) The Company has received financial assistance in the form of soft loan under various projects from Government authorities. As per the terms of related agreements, Company is also required to incur expenditure in form of company's contribution to the relevant project. Further, the Company has to repay these loans as per terms of respective agreement.

iv) For commitments relating to lease arrangements, refer note 34.

Notes to Financial Statements For the Year ended March 31, 2012

26. Foreign currency convertible bonds

"US$ 50 Million Zero Coupon Convertible Bonds due 2011" amounting to US$ 36.8 million were redeemed in previous financial year at a price equal to 142.8% of the outstanding principal amount on the maturity date (i.e. February 14, 2011). The premium on redemption of these bonds amounting to Rs.713.0 million and withholding tax thereon amounting to Rs.84.2 million were adjusted against the Securities premium account.

27. Details of pre-operative expenses (included in capital work in progress) relating to fixed assets are as follows:

(Rs. in million)

Particulars	Opening balance		Addition during the year ended		Capitalized during the year ended		Closing balance	
	April 1, 2011	April 1, 2010	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Legal and professional	-	5.2	0.7	1.7	0.7	6.9	-	-
Store and spares consumed	-	2.1	0.3	0.4	0.3	2.5	-	-
Power and fuel	-	0.1	-	6.6	-	6.7	-	-
Rates and taxes	-	0.3	0.3	0.4	0.2	0.7	0.1	-
Repair and maintenance	-	0.1	-	0.0	-	0.1	-	-
Salary and wages	-	-	-	0.4	-	0.4	-	-
Travelling and conveyance	-	0.2	1.8	0.0	1.8	0.2	0.0	-
Rent	-	0.0	0.0	-	0.0	0.0	-	-
Sundry expenses	-	0.0	0.5	1.9	0.0	1.9	0.5	-
Total	-	8.0	3.6	11.4	3.0	19.4	0.6	-

28. Details of dues to micro & small enterprises as defined under the Micro Small and Medium Enterprises Development Act, 2006 [MSMED Act]

(Rs. in million)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Principal	Interest	Principal	Interest
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	4.2	Nil	3.4	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	6.7	0.1	4.2	0.1
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act.	Nil	Nil	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act.	Nil	Nil	Nil	Nil

29. Deferred tax liabilities (net)

(Rs. in million)

The break-up of deferred tax liability	As at March 31 , 2012	As at March 31 , 2011
Deferred tax liabilities		
Differences in depreciation and amortization in block of fixed assets as per Income Tax Act and books of accounts	635.7	552.6
Deferred revenue expenditure	-	0.1
Capital expenditure on research & development	125.4	280.5
Effect of finance lease accounting	0.7	1.1
Gross deferred tax liabilities	761.8	834.3
Deferred tax assets		
Effect of expenditure debited to statement of profit and loss but allowed for tax purposes on payment basis	91.9	77.7
Effect of unabsorbed business loss and depreciation	464.9	-
Gross deferred tax assets	556.8	77.7
Net deferred tax liability	205.0	756.6

30. Details of loans and advances to subsidiaries, associates and companies in which directors are interested (as required by clause 32 of listing agreement):

(Rs. in million)

Particulars	As at March 31 , 2012	As at March 31 , 2011
a) Loans to wholly owned subsidiaries		
Rees Investments Limited	618.1	484.3
Maximum amount due at any time during the year	654.3	771.1
Accrued interest receivable on loan	36.2	6.1
As per terms of agreement, the loan is repayable after 4 years.		
b) Loan to Joint Venture Company		
Cambridge Biostability Ltd. (Refer note below)	-	108.8
Maximum amount due at any time during the year	116.1	116.1
Accrued interest receivable on loan	-	7.3
Provision for doubtful advances on above loan and interest receivable	421.4	116.1

Note: During the financial year 2009-10, the Company's erstwhile Joint Venture Cambridge Biostability Limited (CBL) had initiated steps to place it into creditors' voluntary liquidation. Due to the financial position of erstwhile Joint Venture Company, the Company considered its investment, loan given and other receivables as doubtful for recovery. The necessary provisions in respect of recoverable balances were already provided for in the books of accounts in earlier years. During the current year, CBL was dissolved and the Company received as amount of Rs.1.0 million as final settlement against its recoverable balances. Hence, balances in respect of investment value, loan given and other receivables have accordingly been adjusted against their respective provisions made in earlier years.

31. Related Party Disclosures

A. Names of Related Parties

Names of related parties where control exists irrespective of whether transactions have occurred or not

(a) Joint Ventures
- Chiron Panacea Vaccines Pvt. Ltd.,
- Cambridge Biostability Ltd. (liquidated on September 16, 2011)
- Adveta Power Pvt. Ltd., w.e.f. July 4, 2011

(b) Subsidiaries
- Best On Health Ltd. ("BOH") (Wholly-owned subsidiary (WOS))
- Radicura & Co. Ltd. (Indirect WOS through BOH),
- Panacea Hospitality Services Pvt. Ltd. (Indirect WOS through BOH)
- Panacea Educational Institute Pvt. Ltd. (Indirect WOS through BOH)
- Sunanda Steel Company Ltd. (Indirect WOS through BOH)
- Nirmala Organic Farms & Resorts Pvt. Ltd (Indirect WOS through BOH)
- Best On Health Foods Ltd. (Indirect WOS through BOH)
- Rees Investments Ltd. ("Rees") (Guernsey): (WOS)
- Kelisia Holdings Ltd. ("KHL") (Cyprus) (Indirect WOS through Rees)
- Kelisia Investment Holding AG ("KIH") (Switzerland) (Indirect WOS through KHL)
- Panacea Biotec (International) SA ("PBS") (Switzerland) (Indirect WOS through KIH)
- Panacea Biotec Germany GmbH (Germany) (Indirect WOS through PBS)
- Panacea Biotec GmbH (Germany) (WOS)
- Panacea Biotec (Europe) AG, (Switzerland) (Indirect WOS through PBS) (liquidated on December 15, 2011)
- Panacea Biotec FZE, (UAE) (WOS)
- Panacea Biotec, Inc. (USA) (WOS) (liquidated on March 30, 2011)
- NewRise Healthcare Pvt. Ltd. (Formerly known as Umkal Medical Institute Pvt. Ltd.: (Subsidiary)
- Lakshmi & Manager Holdings Ltd. ("LMH") WOS w.e.f. November 24, 2011*
  *Associate Company prior to becoming WOS.
- Trinidhi Finance Pvt. Ltd. (Indirect WOS through LMH) w.e.f. November 24, 2011**
  ** Subsidiary of LMH w.e.f. 6th August, 2011 and became WOS of LMH on October 7, 2011
- Best General Insurance Company Ltd (indirect subsidiary through LMH)) w.e.f. November 24, 2011

(c) Associates
- PanEra Biotec Pvt. Ltd.

(d) Key Management Personnel
- Mr. Soshil Kumar Jain - Chairman and Whole-time Director
- Mr. Ravinder Jain - Managing Director
- Dr. Rajesh Jain - Joint Managing Director
- Mr. Sandeep Jain - Joint Managing Director
- Mr. Sumit Jain - Whole-time Director

Notes to Financial Statements For the Year ended March 31, 2012

(e) List of Persons having controlling interest together with their relatives*:

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter
Soshil Kumar Jain	-	-	Nirmala Jain	-	-	Ravinder Jain, Rajesh Jain, Sandeep Jain	- -
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	-	Sumit Jain, Nipun Jain	Radhika Jain
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	-	Ankesh Jain, Harshet Jain	-
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	-	-	Priyanka Jain
Sumit Jain	Ravinder Jain	Sunanda Jain	-	Nipun Jain	Radhika Jain	-	-

*Names of relatives holding Equity Shares in the Company have only been disclosed

(f) Relatives of Key Management personnel having transactions with the Company:
Mr. Ashwani Jain, Son-in-law of Mr. Soshil Kumar Jain
Mr. Shagun Jain, Son-in-law of Mr. Ravinder Jain
Mrs. Radhika Jain, Daughter of Mr. Ravinder Jain
Mrs. Shilpy Jain, Wife of Mr. Sumit Jain
Mr. Ankesh Jain, Son of Dr. Rajesh Jain

(g) Enterprises over which person(s) having control or significant influence over the Company / Key management personnel(s), along with their relatives, are able to exercise significant influence:
• Neophar Alipro Ltd. • All India S.L. Jain Charitable Foundation • First Lucre Partnership Co.* • Second Lucre Partnership Co.* • Radhika Associates • Sumit Nipun & Co. • Rattan Sons • Tahir & Co. • Soshil Kumar Jain (HUF)* • Ravinder Jain (HUF)* • Rajesh Jain (HUF)* • Sandeep Jain (HUF)*.

*These enterprises are also holding Shares in the Company.

B. Detail of transactions with subsidiaries, associates and joint ventures companies (Rs. in million)

S. No.	Particulars	Subsidiary		Associate		Joint Ventures	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
I)	Transaction made during the year						
1	Purchase of raw materials						
	PanEra Biotec Pvt. Ltd.	-	-	280.1	771.9	-	-
2	Sale						
	Chiron Panacea Vaccines Pvt. Ltd.	-	-	-	-	304.4	296.2
	PanEra Biotec Pvt. Ltd.	-	-	0.3	0.2	-	-
	Panacea Biotec Germany GmbH	47.8	-	-	-	-	-
3	Processing /development charges paid						
	PanEra Biotec Pvt. Ltd.	-	-	10.7	13.1	-	-
4	Recovery of expenses						
	Best On Health Ltd.	-	0.0	-	-	-	-
	PanEra Biotec Pvt. Ltd.	-	-	35.9	49.5	-	-
5	Reimbursement of expenses						
	Best On Health Ltd.	-	0.1	-	-	-	-
6	Rent paid						
	Best On Health Ltd.	7.1	6.3	-	-	-	-
7	Rent received						
	PanEra Biotec Pvt. Ltd.	-	-	45.2	49.8	-	-
	NewRise Healthcare Pvt. Ltd.	0.1	0.1	-	-	-	-
8	Loan / advance given						
	Rees Investments Ltd.	113.2	59.3	-	-	-	-
	Best On Health Ltd.	700.0	-	-	-	-	-
9	Receipt back of loan / advance given						
	Rees Investments Ltd.	-	304.2	-	-	-	-
	Best On Health Ltd.	700.0	-	-	-	-	-

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

S. No.	Particulars	Subsidiary		Associate		Joint Ventures	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
10	Loan/advance received						
	Best On Health Ltd.	390.0	205.0	-	-	-	-
	Trinidhi Finance Pvt. Ltd.	3.0	-	-	-	-	-
	Lakshmi & Manager Holdings Ltd.	-	-	-	26.5	-	-
11	Repayment of loan/advance received						
	Best On Health Ltd.	380.0	20.0	-	-	-	-
	Lakshmi & Manager Holdings Ltd.	-	-	-	26.5	-	-
12	Interest Income						
	Rees Investments Ltd.	36.2	42.0	-	-	-	-
13	Interest expenses on loans						
	Best On Health Ltd.	4.2	5.1	-	-	-	-
	Trinidhi Finance Pvt. Ltd.	0.1	-	-	-	-	-
	Lakshmi & Manager Holdings Ltd.	-	-	-	1.8	-	-
14	Dividend received						
	Chiron Panacea Vaccines Pvt. Ltd.		-	-	-	-	11.5
	Best On Health Ltd.	0.0	-	-			
15	Investments made						
	NewRise Healthcare Pvt. Ltd.	8.5	73.3	-	-	-	-
	Best On Health Ltd.	172.5	-	-	-	-	-
	Lakshmi & Manager Holdings Ltd.	74.3	-	-	-	-	-
	Adveta Power Pvt. Ltd.	-	-	-	-	0.1	-
II)	Year end balances						
1	Investments [Refer note 10]						
	Best On Health Ltd.	2,186.4	2,013.9	-	-	-	-
	Rees Investments Ltd.	0.0	0.0	-	-	-	-
	Panacea Biotec Inc	-	2.4	-	-	-	-
	Panacea Biotec GmbH	1.6	1.6	-	-	-	-
	NewRise Medical Institute Pvt. Ltd.	248.2	239.7	-	-	-	-
	Panacea Biotec FZE	5.5	5.5	-	-	-	-
	Chiron Panacea Vaccines Pvt. Ltd.	-	-	-	-	23.0	23.0
	Cambridge Biostability Ltd.	-	-	-	-	-	168.1
	PanEra Biotec Pvt. Ltd.	-	-	4.2	4.2	-	-
	Lakshmi & Manager Holdings Ltd.	115.5	-	-	41.3	-	-
	Adveta Power Pvt. Ltd.	-	-	-	-	0.1	-
2	Outstanding loan receivable						
	Rees Investments Ltd.	618.1	484.3	-	-	-	-
	Cambridge Biostability Ltd.	-	-	-	-	-	108.8
3	Outstanding loan payable						
	Best On Health Ltd.	195.0	185.0	-	-	-	-
	Trinidhi Finance Pvt. Ltd.	3.0	-	-	-	-	-
4	Interest accrued receivable						
	Rees Investments Ltd.	36.2	6.1	-	-	-	-
	Cambridge Biostability Ltd.	-	-		-	-	7.3
5	Interest accrued payable						
	Best On Health Ltd.	0.8	-	-	-	-	-
	Trinidhi Finance Pvt. Ltd.	0.0	-	-	-	-	-
6	Provision for doubtful loans						
	Cambridge Biostability Ltd.	-	-	-	-	-	116.1
	Rees Investment Ltd.	421.4	-	-	-	-	-
7	Provision for Impairment loss						
	Cambridge Biostability Ltd.	-	-	-	-	-	168.1
	Panacea Biotec, Inc.	-	2.4		-		-

Notes to Financial Statements For the Year ended March 31, 2012

(Rs. in million)

S. No.	Particulars	Subsidiary		Associate		Joint Ventures	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
8	Outstanding receivable						
	Panacea Biotec, Inc	-	0.1	-	-	-	-
	Chiron Panacea Vaccines Pvt. Ltd.	-	-	-	-	61.4	66.7
	PanEra Biotec Pvt. Ltd.	-	-	-	-	-	-
	Panacea Biotec Germany GmbH	25.1	-	-	-	-	-
9	Outstanding payable						
	PanEra Biotec Pvt. Ltd.	-	-	6.5	110.8	-	-
	Panacea Biotec, Inc.	-	0.0	-	-	-	-
	Panacea Biotec GmbH	0.2	0.2	-	-	-	-

C. Detail of transactions with Key Management Personnel, their relatives and enterprises over which Person(s) having control or significant influence over the Company / Key management personnel(s) along with their relatives:

(Rs. in million)

S. No.	Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprises over which Person(s) having control or significant influence over the Company/ Key management personnel(s) along with their relatives	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
I)	Transaction made during the year						
1	Remuneration	66.0	173.7	7.8	9.0	-	-
2	Fixed Deposit received						
	First Lucre Partnership Co.	-	-	-	-	122.0	232.0
3	Fixed Deposit repaid						
	First Lucre Partnership Co.	-	-	-	-	205.0	187.0
4	Interest on Deposit						
	First Lucre Partnership Co.	-	-	-	-	35.1	31.3
5	Dividend paid - Equity Shares	-	5.1	-	6.3	-	-
6	Rent received						
	Neophar Alipro Ltd.	-	-	-	-	0.1	0.1
II	Year end balances						
1	Outstanding fixed deposits						
	First Lucre Partnership Co.	-	-	-	-	277.0	360.0
2	Interest Accrued						
	First Lucre Partnership Co.	-	-	-	-	5.6	-
3	Commission payable	110.6	110.6	-	-	-	-

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

(Rs. in million)

Particulars	Transactions during the year				Year end balances	
	Remuneration		Equity Dividend		Commission payable	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Transaction made during the year						
Key Management personnel						
Mr. Soshil Kumar Jain	15.1	41.5	3.8	1.2	38.4	38.4
Mr. Ravinder Jain	20.1	50.1	3.5	1.2	36.4	36.4
Dr. Rajesh Jain	13.0	39.3	4.7	1.4	17.9	17.9
Mr. Sandeep Jain	12.7	39.1	3.6	1.2	17.9	17.9

Note: In respect of personal guarantee given by Promoters-Directors refer Note 5 - Long term borrowings and 7 - Short term borrowings.

32. Derivative Instruments and Hedged/Unhedged Foreign Currency Exposure

(i) Forward exchange contract outstanding as at Balance Sheet date

Sell Nil

Buy Nil

(ii) Particulars of Hedged Foreign Currency Exposure as at Balance Sheet date

Particulars	Currency	As at March 31, 2012 Foreign Currency	Closing Exchange Rate*	As at March 31, 2012 Rs. in million	As at March 31, 2011 Foreign Currency	Closing Exchange Rate*	As at March 31, 2011 Rs. in million	Purpose
Buyers' credit	USD	-	-	-	7,152,588	45.22	323.4	To hedge future import payments
Interest accrued but not due	USD	-	-	-	45,072	45.18	2.0	

(ii) Particulars of Unhedged Foreign Currency Exposure as at Balance Sheet date

Particulars	Currency	As at March 31, 2012 Foreign Currency	Closing Exchange Rate*	As at March 31, 2012 Rs.in million	As at March 31, 2011 Foreign Currency	Closing Exchange Rate*	As at March 31, 2011 Rs.in million
Import Creditors	USD	631,686	50.88	32.1	3,796,749	44.60	169.3
	Euro	5,258,143	67.92	357.1	80,491	63.43	5.1
	CHF	26,971	56.37	1.5	(1,404)	48.79	(0.1)
	GBP	9,543	81.55	0.8	4,231	71.71	0.3
	JPY/100	575,680	62.08	0.4	35,800	53.85	0.0
	SEK	16,820	7.73	0.1	16,820	7.15	0.1
	CAD	3,410	51.05	0.2	11,451	46.05	0.5
	AUD	-	-	-	(6,140)	46.18	(0.3)
	AED	-	-	-	(10,000)	12.18	(0.1)
	SGD	-	-	-	(4,000)	35.43	(0.1)
Export Debtors	Euro	4,398,250	67.89	298.6	2,166,248	63.39	137.3
	USD	1,737,041	50.87	88.4	16,996,336	44.59	757.9
Foreign Currency Loans	USD	110,594,390	50.88	5,627.0	98,314,250	44.60	4,384.8
	Euro	1,806,122	67.92	122.7	4,576,500	63.43	290.3
Balance with Banks	USD	1,151,813	50.87	58.6	6,296,738	44.59	280.8
	Euro	599,376	67.89	40.7	513,655	63.39	32.6
Investment in Subsidiaries	USD	10	47.62	0.0	10	47.62	0.0
	AED	137,000	39.96	5.5	137,000	39.96	5.5
	Euro	25,000	63.29	1.6	25,000	63.29	1.6
	USD	-	-	-	50,000	47.48	2.4
	USD	-	-	-	100	50.30	0.0
Investment in joint venture	GBP	-	-	-	1,935,615	86.83	168.1
Loan to joint venture	GBP	-	-	-	1,500,000	72.56	108.8
Loan to subsidiaries	USD	13,173,369	46.9	618.1	10,861,599	44.59	484.3
Payable to subsidiary	USD	-	-	-	100	50.30	0.0
Advance to subsidiaries	USD	-	-	-	1,837	44.59	0.1
Interest receivable	USD	731,214	49.6	36.2	136,770	44.59	6.1
	GBP	-	-	-	100,274	72.56	7.3
Interest accrued & due on term loan	USD	416,937	50.88	21.2	428,528	44.60	19.1
Interest accrued but not due on buyer's credit	USD	181,421	50.88	9.2	47,359	44.60	2.1
	Euro	12,993	67.92	0.9	14,584	63.43	0.9

* Closing exchange rate has been rounded off to two decimal places

33. Segment Information

The primary segment reporting format is determined to be business segments as the company's risks and rates of return are affected predominantly by differences in the products and services produced and sold. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business Segments :

The Company is one of the India's leading research based companies engaged in the business of research, development, manufacture and marketing of Vaccines and Branded Pharmaceutical Formulations. The Company has products for various segments, which include pediatric vaccines, pain management, diabetes management and organ transplantation.

Notes to Financial Statements For the Year ended March 31, 2012

A. Information about Primary Segments

(Rs. in million)

Particulars	Vaccines		Formulations		Research & Development		Total	
	For the year ended		For the year ended		For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Revenue								
Segment revenue	3,579.5	8,332.3	3,304.3	2,972.3	-	-	6,883.8	11,304.6
Other income	11.2	46.4	31.0	35.0	-	-	42.2	81.4
Total	3,590.7	8,378.7	3,335.3	3,007.3	-	-	6,926.0	11,386.0
Segment result	94.4	2,951.2	639.1	571.1	(1041.4)	(753.1)	(307.9)	2,769.2
Unallocated corporate expenses							1,464.9	925.9
Operating (loss)/profit							(1,772.8)	1,843.3
Less: Interest & finance charges							1,011.1	557.5
Add: Other income							154.4	269.1
Less: Income taxes							(551.6)	204.4
Net (loss)/profit							(2,077.9)	1350.5
Other Information	As at		As at		As at		As at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Segment assets	7,505.0	8,355.3	3,373.2	2,044.0	2,407.7	2,169.9	13,285.9	12,569.2
Unallocated corporate assets							5,242.9	4,608.7
Total assets	7,505.0	8,355.3	3,373.2	2,044.0	2,407.7	2,169.9	18,528.8	17,177.9
Segment liabilities	50.9	411.0	534.8	279.9	38.1	45.1	623.8	736.0
Unallocated corporate liabilities							9,784.6	10,073.8
Total liabilities	50.9	411.0	534.8	279.9	38.1	45.1	10,408.4	10,809.8
	For the year ended		For the year ended		For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Capital expenditure on:								
Tangible assets	1962	382.6	1516.3	206.0	617.7	110.6	4096.0	699.2
Intangible assets	0.6	-	0.1	-	114.0	144.5	114.7	144.5
Depreciation expense	389.1	400.7	192.3	100.8	169.8	139.6	751.2	641.1
Amortization expense	0.0	-	1.8	-	26.9	18.9	28.7	19.0

B Information about Secondary Segments

a) Revenue as per Geographical Markets

(Rs. in million)

Segment	Domestic*		Overseas	
	For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Vaccines	976.5	2,929.5	2,603.0	5,402.8
Formulations	2,390.9	2,270.7	913.4	701.6
Total	3,367.4	5,200.2	3,516.4	6,104.4

* Domestic revenue includes revenue from deemed exports of Rs.38.5 million (Previous year Rs.1,098.5 million).

b) Sundry debtors as per Geographical Markets

(Rs. in million)

Segment	Domestic		Overseas	
	As at		As at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Vaccines	119.8	1,763.2	16.4	239.0
Formulations	132.4	150.5	395.9	635.7
Total	252.2	1,913.7	412.3	874.7

c) The Company has common fixed assets for producing goods for domestic market and overseas markets. Hence, separate figures for segment assets / additions to segment assets cannot be furnished.

34. Leases

i. For assets given under Operating Lease agreements:

a) The Company has leased out certain assets situated at Lalru, Punjab on operating lease to its Associate, PanEra Biotec Pvt. Ltd., the summary of which is as under:

(Rs. in million)

Particulars	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
	As at		As at		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Building	249.4	228.9	77.1	57.2	17.9	17.9
Furniture and fixture	22.6	21.9	12.2	9.7	2.5	2.7
Office equipment	5.2	3.1	1.8	1.4	0.4	0.4
Plant & machinery	1,759.6	1,734.8	687.1	519.3	170.6	193.4
Computer equipment	5.8	4.8	4.1	3.2	1.0	1.1
Total	2,042.6	1,993.5	782.3	590.8	192.4	215.5

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

(Rs. in million)

Particulars	As at March 31, 2012*	As at March 31, 2011*
a) Receivable within 1 year	264.6	264.6
b) Later than 1 year but not later than 5 years	264.6	135.2
c) Later than 5 years	-	-

*The Lease term for the assets given on lease vide Agreement for providing Manufacturing Facility, Utilities and Services of Employees with PanEra Biotec Pvt. Ltd. As per the said Agreement, during the period of usage, if any facility is used for manufacture of the Company's Vaccines other than those mentioned therein or the facility remains idle due to insufficiency of orders from the Company, no lease rental shall be payable by PanEra Biotec Pvt. Ltd. for that relevant period.

ii. For assets taken on Lease

a) The Company has taken various residential, office and godown premises under operating lease agreements. These are generally not non-cancelable and are renewable by mutual consent on mutually agreed terms. There is no sublease payments expected to be received under non-cancellable subleases at the balance sheet date and no restriction is imposed by lease arrangements.

b) Lease payments for the year are Rs.73.0 million (Previous year Rs.72.4 million).

c) Total of future minimum lease payments under non-cancelable operating leases:

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
a) Payable within 1 year	6.4	5.8
b) Later than 1 year but not later than 5 years	15.4	21.8
c) Later than 5 years	-	-

d) The Company has purchased software licenses on finance lease. The lease term is for 3 years after which the legal title is passed on to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

e) Total of future minimum lease payments under non-cancelable finance leases:

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Total minimum lease payments at the year end	21.5	41.0
Less : amount representing finance charges	2.5	6.2
Present value of minimum lease payments (Rate of interest: 11.75%.per annum)	19.0	34.8
Lease payments for the year	19.9	20.5
Contingent rent recognized in statement of profit and loss statement	-	-
Minimum Lease Payments :		
Not later than one year (Present value Rs.19.0 million (previous year Rs.18.4 million))	21.5	20.5
Later than one year but not later than five years (Present value Rs.Nil (previous year Rs.16.4 million))	-	20.5
Later than five years (Present value Rs.Nil (previous year Rs.Nil))	-	-

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

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	(%) Holding as on March 31, 2012	(%) Holding as on March 31, 2011
1.	Chiron Panacea Vaccines Pvt. Ltd.	Joint venture	India	50	50
2.	Adveta Power Pvt. Ltd.	Joint venture	India	50	-
3.	Cambridge Biostability Ltd.*	Joint venture	UK	-	10

*Cambridge Biostability Ltd., UK has not been considered while giving the disclosures relating to joint ventures as the investee company has been liquidated in the current year.

Notes to Financial Statements For the Year ended March 31, 2012

b) Aggregate interest of the Company in Assets, liabilities, revenue & expenses in the jointly controlled entities are as follows: (Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Current assets	97.5	93.7
Non-current assets	32.5	39.9
Current liabilities	43.6	47.3
Non-current liabilities	1.6	2.8

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue	272.9	284.6
Cost of goods sold	166.9	171.5
Depreciation and amortization expense	0.6	0.9
Employee benefits expense	43.9	44.0
Other expenses	59.0	52.1

c) The Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided in the books of companies' with which the Company has a Joint venture, are as follows:

Name of the Company	March 31, 2012	March 31, 2011
Chiron Panacea Vaccines Pvt. Ltd.	-	-
Total	-	-

Estimated amount of contracts remaining to be executed, net of advances and not provided in the books of companies' with which the Company has a Joint venture, are as follows:

Particulars	March 31, 2012	March 31, 2011
Commitments to purchase goods	335.1	41.0
Total	335.1	41.0

d) During the financial year 2009-10, Company's erstwhile Joint Venture Cambridge Biostability Ltd. (CBL) had initiated steps to place it into creditors' voluntary liquidation. Due to the financial position of erstwhile Joint Venture company, the Company considered its investment, loan given and other receivables as doubtful for recovery. The necessary provisions in respect of recoverable balances were already provided for in books of accounts in earlier years. During the current year, CBL was dissolved and the Company received as amount of Rs.1.0 million as final settlement against its recoverable balances. Hence balances in respect of investment value, loan given and other receivables have accordingly been adjusted against their respective provisions made in earlier years.

e) Contingent liabilities (to the extent not provided for) - Nil (Previous year Nil).

36. Research and development expenditures incurred by the Company during the financial year are mentioned below: (Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue expenditures		
Material consumption	21.7	16.3
Employee benefits expense	257.7	249.3
Other expenses	592.8	328.9
Depreciation and amortization expense	169.2	158.5
Capital expenditure	154.3	255.1
Total	1,195.7	1,008.1

Note: The above expenditures do not include capital expenditure of Rs.577.4 million which represents the increase in the book value of fixed assets on account of revaluation of fixed assets and depreciation of Rs.27.5 million which represents depreciation on such revaluation.

37. Value of Imports on CIF basis (on accrual basis) (Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Raw materials & packing materials	2,184.0	2,839.9
Capital goods	226.9	91.2

38. Expenditure in Foreign Currency (on accrual basis)

Know-how fee	15.0	13.7
Royalty	1.2	2.8
Interest	298.0	251.0
Legal & professional fees	64.0	36.7
Other Expenses		
- Patents, trademarks & product registration	16.6	26.0
- Advertising and sales promotion	30.1	28.7
- Commission on sales	147.7	36.4
- Market research	0.0	21.1
- Others	61.0	47.3

39. Earnings in Foreign Exchange (on accrual basis)

(Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
F.O.B. value of exports (including deemed export of Rs.38.5 million (Previous year Rs.1,098.5 million)	3,436.5	7,103.9
Income from distribution rights	0.5	-
Interest income from subsidiary company	36.2	42.0

40. Value of imported/indigenous raw materials & packing materials consumed

(Rs. in million)

Particulars	For the year ended March 31, 2012		For the year ended March 31, 2011	
	Amount	% age	Amount	% age
Indigenous	850.7	28.2	1,440.0	32.2
Imported	2,170.5	71.8	3,033.9	67.8
Total	3,021.2	100.0	4,473.9	100.0

41. Value of imported/indigenous stores & spares consumed

(Rs. in million)

Particulars	For the year ended March 31, 2012		For the year ended March 31, 2011	
	Amount	% age	Amount	% age
Indigenous	184.2	87.4	185.4	88.4
Imported	26.9	12.6	24.4	11.6
Total	211.1	100.0	209.8	100.0

42. Remittance in foreign currency on account of dividend

(Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Amount of dividend on equity shares	0.7	0.3
Number of non-resident equity shareholders	1	1
No. of equity shares held by them	1,045,000	1,045,000

43. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to a maximum of Rs.1.0 million (except in case of Managing/ Joint Managing/ Whole time Directors). The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense for gratuity (recognized in Employee Cost)

(Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Current service cost	15.0	15.1
Past service cost	-	9.4
Interest cost on benefit obligation	11.0	8.8
Expected return on plan assets	(7.8)	(5.7)
Net actuarial (gain)/loss recognized in the year on account of return on plan assets	(5.2)	(11.3)
Net benefit expense	13.1	16.3
Actual return on plan assets	(3.7)	(6.7)

Balance Sheet

Details of Provision for Gratuity

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Defined benefit obligation	136.2	126.9
Fair value of plan assets	100.1	83.7
Net obligation	36.1	43.2
Less: Unrecognized past service cost	-	-
Plan asset / (liability)	(36.1)	(43.2)

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

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Opening defined benefit obligation	126.8	109.5
Interest cost	11.0	8.8
Past service cost	-	9.4
Current service cost	15.0	15.1
Benefits paid	(7.4)	(5.6)
Actuarial (Gain)/losses on obligation	(9.3)	(10.3)
Closing defined benefit obligation	136.2	126.9

Notes to Financial Statements For the Year ended March 31, 2012

Changes in the fair value of plan assets for gratuity are as follows: (Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Opening fair value of plan assets	83.6	61.3
Expected return	7.8	5.7
Contributions by employer	20.2	21.3
Benefits paid	(7.4)	(5.6)
Actuarial Gain /(losses)	(4.1)	1.0
Closing fair value of plan assets	100.1	83.7

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

Particulars	As at March 31, 2012	As at March 31, 2011
	%	%
Investments with insurer	100	100

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

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

Particulars	As at March 31, 2012	As at March 31, 2011
	%	%
Discount rate	8.7	8
Expected rate of return on plan assets	9.3	9.25
Increase in compensation cost	5	5
Employee turnover:		
upto 30 years	10	10
above 30 years but upto 44 years	5	5
above 44 years	1	1

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

Gratuity amount for the current and previous four periods are as follows*: (Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
Defined benefit obligation	136.2	126.9	109.4	99.5	86.9
Plan assets	100.1	83.7	61.2	42.7	29.2
Deficit	36.1	43.2	48.2	56.8	57.7
Experience adjustments on plan liabilities-(Gain)/Loss	(9.3)	(10.3)	(7.7)	(3.3)	-
Experience adjustments on plan assets-(Gain)/Loss	4.1	(1.0)	(0.8)	(0.8)	-

(Rs. in million)

Defined Contribution Plan	As at March 31, 2012	As at March 31, 2011
Contribution to provident fund & other funds charged to statement of profit and loss	40.5	40.7

The Company expects to contribute Rs.15.5 million (Previous year Rs.19.6 million) to gratuity fund in the next financial year.

44. The Company has incurred expenditure on Pre-clinical development studies which are under progress amounting to Rs.68.9 million during the year and Rs.186.5 million as at March 31, 2012. This expenditure mainly relates to studies carried out by Clinical Research Organization (CRO) towards obtaining registration of Company's products outside and within India. The expenditure incurred has been carried in intangible assets under development. Management believes that it is in the nature of development expenditure and meets the capitalization criteria set out in Accounting Standard 26 on Intangible Assets notified by the Companies (Accounting Standards) Rules, 2006 (as amended) due to the following reasons:

- The expenditure is not towards basic research and therefore no new chemical entity comes into being. This expenditure primarily relates to the developmental work performed through external agencies (CROs). Safety profile of the basic molecule is well established in India and certain other countries. These products are being marketed successfully in such countries under different brand names.
- There is no experience to suggest that the studies conducted by CROs on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in countries where the Company intends to market these products.

The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities of respective countries.

45. The Company has paid managerial remuneration of Rs.66.0 million during the year. The amount paid as managerial remuneration has exceeded the limits prescribed under Section 198 and 309 read with Part II of Schedule XIII to the Companies, Act, 1956 by Rs.42.0 million due to unexpected losses during the current year. The Company has initiated steps to obtain approval from Central Government for the excess remuneration paid.

46. During the year, following a routine site audit, World Health Origination (WHO) has delisted the Company's DTP-based combination and monovalent hepatitis B vaccines from its list of pre-qualified vaccines on account of deficiencies in quality management system. However, the issue is not about the quality, safety or efficiency of the products. The Company has initiated corrective and preventive measures to ensure compliance with the WHO pre-qualification guidelines and is in touch with WHO in this respect.

Further, in the light of series of changes made to the manufacturing facility at Okhla, New Delhi and WHO assessment during site audit, the Company has voluntarily withdrawn its oral polio vaccines (OPV) from WHO's list of prequalified vaccines as further corrective actions were required to be implemented. Again WHO has confirmed that OPV manufactured prior to site audit in September, 2011 and supplied through UN agencies can continue to be used as monitoring and testing of these lot confirm compliance quality specifications. As a part of continued commitment to Global Polio Eradication Initiative (GPEI), the Company is exploring various alternatives, including identification of alternate facilities and/or putting up a new facility at its existing plant at Baddi, Himachal Pradesh.

For the above products, Company has a stock of Rs.1,526.7 million and Rs.363.0 million of raw material and finished goods respectively as at March 31, 2012. Fixed assets relating to above products cannot be quantified separately. Company is confident that with these corrective & preventive measures, it will be able to get re-listing of above said vaccines in the list of WHO pre-qualified vaccines in due course and these stocks would be utilized/sold accordingly. Pending outcome of above measures, no adjustment has been made to the financial statements.

During the year, the Company has incurred net losses of Rs.2,077.9 million mainly because of delisting of its vaccine products from list of pre-qualified vaccines manufacturers. However, the Company's cash flow projections show that credit facilities from banks and internal accruals would be sufficient to meet the working capital and other liquidity requirements associated with the existing operations.

47. During the year, the Company has exercised the option as per the Companies (Accounting Standards) (Second Amendment) Rules, 2011. As per the option exchange differences related to long term foreign currency monetary items so far as they relate to the acquisition of depreciable capital assets are capitalized or de-capitalized from cost of assets and depreciated over the useful life of the assets. In other cases, such exchange differences can be accumulated in a "Foreign currency monetary item translation difference account" and amortized over the balance period of such long term assets/liabilities. Accordingly, exchange differences of Rs.245.3 million have been capitalized during the year and unamortized balance of "Foreign currency monetary item translation difference account" is Rs.20.5 million as on March 31, 2012.

48. The Company has appointed independent consultants for conducting a Transfer pricing study to determine whether the transactions with associated enterprises were undertaken at "Arm's length basis". The Transfer Pricing Study under the Income Tax Act, 1961 in respect of transactions with the group companies for the current year is not yet complete and would be completed before the filing of tax return for the relevant assessment year. Adjustments, if any, arising out of the aforesaid will be recorded in the next year. The management confirms that all international transactions with associated enterprises are undertaken at negotiated contracted prices on usual commercial terms.

49. During the previous year, the Company carried out buy back of 5,592,000 equity shares of face value of Re.1 each at an average price of Rs.196.39 per share, from the open markets through Stock Exchanges. The Company accordingly transferred Rs.5.5 million to Capital redemption reserve from Securities premium account and also utilized an amount of Rs.1,092.8 million from Securities Premium Account towards the premium paid on the buyback of equity shares. Consequent to the buy back the proposed dividend and dividend distribution tax thereon pertaining to the financial year 2009-10 amounting to Rs.1.1 million and Rs.0.2 million respectively were written back during the previous financial year.

The shares so bought back were considered to determine weighted average number of equity shares for the purpose of computing diluted EPS of the previous year.

50. In earlier years, the Company's erstwhile wholly owned subsidiary viz. Panacea Biotec Inc. and erstwhile joint venture viz. Cambridge Biostability Ltd. went into liquidation. Due to the financial position of both companies, the Company already considered its investment, loan given and other receivables as doubtful for recovery in earlier years and the necessary provisions in respect of recoverable balances were also provided for in the books of accounts. During the current year, the Company has received an amount of Rs.2.0 million as final settlement against its recoverable balances from these companies. Therefore, balances in respect of investment value, loan given and other receivables have accordingly been adjusted against their respective provisions made in earlier years.

51. As at March 31, 2012, an amount of Rs.654.3 million (previous year Rs.490.5 million) including interest of Rs.36.2 million (previous year Rs.6.1 million) is receivable from its wholly owned subsidiary viz. Rees Investment Ltd. During the current year, pursuant to the diminution in the value of investment in US based listed company 'PharmAthene Inc.' by Rees through its subsidiary and losses in Rees & its other subsidiaries, Company assessed that the loan repayment capability of Rees Investment Ltd. has come under pressure. Based on a conservative approach, an amount of Rs.421.4 million has been provided for as 'Provision for bad and doubtful advances'.

52. 0.0 under "Rs. in million" represents amount less than Rs. 50,000 and 0.0 under units represents units less than 50,000.

53. Till the year ended March 31, 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report of even date

S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Cash Flow Statement Annexed to Balance Sheet for the Year ended March 31, 2012

(Rs. in million)

	For the year ended March 31, 2012		For the year ended March 31, 2011	
Cash Flow from Operating Activities:				
(Loss)/Profit before tax for the year		(2,629.5)		1,554.9
Non-cash adjustment to reconcile profit before tax to net cash flows				
Depreciation and amortisation expense	753.9		731.1	
Provision for doubtful debts and advances	499.2		0.4	
Bad debts and advances written off	2.5		-	
Provision for permanent diminution in the value of investment	-		2.4	
Loss on sale/discard of fixed assets (net)	233.6		39.3	
Unrealized foreign exchange loss/(gain) (net)	393.6		(349.8)	
Amortised exchange differences charge/(credit)	(245.2)		27.8	
Deferred revenue expenditure written off during the year	-		1.7	
Liabilities/provisions no longer required written back	(25.5)		(25.6)	
Interest expense	642.3		478.0	
Wealth tax	1.4		0.5	
Interest income	(47.5)		(113.6)	
Dividend income	(0.0)		(11.6)	
		2,208.3		780.6
Operating profit before working capital changes		(421.2)		2,335.5
Movements in working capital				
Increase/(Decrease) in trade payables	374.8		(173.7)	
Increase/(Decrease) in other current liabilities	344.2		(118.9)	
(Decrease) in long-term provisions	(3.1)		(0.8)	
Increase/(Decrease) in short-term provisions	5.8		-	
(Increase) in long-term loans and advances	(26.8)		(0.1)	
Decrease/(Increase) in trade receivables	2,080.7		(1,697.5)	
Decrease in inventories	282.8		874.9	
(Increase) in short-term loans and advances	(70.1)		(61.0)	
Decrease/(Increase) in other current assets	23.2		(44.8)	
		3,011.5		(1,221.9)
Cash generated from/ (used in) operations		2,590.3		1,113.6
Direct taxes paid (net of refunds)		37.9		184.1
Net cash flow from/ (used in) operating activities (A)		2,552.4		929.5
Cash flow from investing activities				
Purchase of fixed assets, including intangible assets, CWIP and intangible assets under development	(874.3)		(527.1)	
Investments in bank deposits having original maturity of more than three months	(1.7)		(0.3)	
Purchase of non-current investments	(255.3)		(73.3)	
Loans and advances to related parties	(113.1)		206.6	
Proceeds from sale of fixed assets	2.6		5.8	
Interest received	24.7		150.5	
Dividends received	0.0		11.6	
Net cash flow from/ (used in) investing activities (B)		(1,217.1)		(226.2)
Cash flow from financing activities				
Buy back of shares	-		(1,098.3)	
Proceeds from long-term borrowings	1,323.7		1,995.7	
Repayment of long term borrowings	(962.2)		(2,449.7)	
Repayment of short-term borrowings	(1,197.4)		1,161.7	
Repayment of finance lease rental	(15.8)		(20.5)	
Proceeds from deposits from public	474.8		234.6	
Repayment of deposits from public	(560.6)		(188.8)	
Loan taken from related party	393.0		205.0	
Loan repaid to related party	(380.0)		(20.0)	
Interest paid	(635.8)		(472.1)	
Dividend paid on equity shares	(45.9)		(15.6)	
Dividend distribution tax paid	(7.5)		(2.6)	
Net cash flow from/ (used in) financing activities (C)		(1,613.7)		(670.6)
Net increase/ (decrease) in cash & cash equivalents (A+B+C)		(278.4)		32.7
Effect of exchange differences on cash and cash equivalents held in foreign currency		(3.6)		(1.6)
Cash and cash equivalents at the beginning of the year		393.5		362.4
Cash and cash equivalents at the end of the year		111.5		393.5
Components of cash and cash equivalents				
Cash balance on hand		1.4		2.6
Balances with banks				
Current accounts		9.6		76.3
Unpaid dividend accounts*		1.2		1.3
Exchange earner foreign currency accounts		99.3		313.3
Total cash & cash equivalents (note 14)		111.5		393.5
*The Company can utilize these balances only toward settlement of the respective unpaid dividend liabilities.				

As per our report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Statement u/s 212 of the Companies Act, 1956 Relating to Subsidiary Companies

S. No.	Name of the Company	Date from which they became subsidiary Company	Financial Year of the subsidiary ended on	Shares of the subsidiary held by Panacea Biotec Ltd. on the above dates			Net aggregate Profit or (Loss) for the current year (in Rs.)	Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is dealt with in the accounts of holding company (in Rs.)		Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is not dealt with in the accounts of holding company (in Rs.)	
				i) Number & face value		ii) Extent of holding		a) for the financial year of the subsidiary	b) for the previous financial years of the subsidiary since it became its subsidiary	a) for the financial year of the subsidiary	b) for the previous financial years of the subsidiary since it became its subsidiary
1	Best On Health Ltd.$	15.03.2000	31.03.2012	9,113,826	Re.1	100%	17,733,905	33,184	-	17,700,721	61,807,674
2	Radicura & Co. Ltd.*	16.07.1999	31.03.2012	1,982,500	Re.1	100%	(419,110)	-	-	(419,110)	(566,492)
3	Panacea Hospitality Services Pvt. Ltd.*	23.08.2007	31.03.2012	100,000	Re.1	100%	(470,979)	-	-	(470,979)	(854,609)
4	Panacea Educational Institute Pvt. Ltd.*	23.08.2007	31.03.2012	100,000	Re.1	100%	(231,613)	-	-	(231,613)	(515,172)
5	Sunanda Steel Co. Ltd.*	05.09.2007	31.03.2012	500,000	Re.1	100%	(48,706,967)	-	-	(48,706,967)	(237,880)
6	Best on Health Foods Ltd*	06.12.2010	31.03.2012	500,000	Re.1	100%	(22,561)	-	-	(22,561)	(14,263)
7	Nirmala Organic Farms & Resorts Pvt. Ltd.*	23.02.2011	31.03.2012	100,000	Re.1	100%	(44,415)	-	-	(44,415)	(35,940)
8	NewRise Heathcare Pvt Ltd.(Formerly known as Umkal Medical Institute Pvt. Ltd)	30.06.2008	31.03.2012	3,765,701	Rs.10	75.2%	774,407	-	-	582,354	373,944
9	Lakshmi & Manager Holdings Ltd.******	24.11.2011	31.03.2012	103,142,818	Re.1	100%	1,176,721	-	-	1,176,721	-
10	Best General Insurance Company Ltd.*******	24.11.2011	31.03.2012	2,000,000	Re.1	80.0%	7,412	-	-	5,930	-
11	Trinidhi Finance Pvt. Ltd.*******	24.11.2011	31.03.2012	101,754,000	Re.1	100%	5,337,005	-	-	5,337,005	-
12	Panacea Biotec GmbH	11.06.2008	31.03.2012	2	Euro 12,500	100%	(178,745)	-	-	(178,745)	(791,486)
13	Panacea Biotec, FZE	16.03.2008	31.03.2012	5	AED 100000	100%	(713,972)	-	-	(713,972)	(1,417,090)
14	Rees Investments Ltd.	16.09.2008	31.03.2012	1,000	US $ 0.01	100%	(186,325,792)	-	-	(186,325,792)	(2,663,732)
15	Kelisia Holdings Ltd.**	18.09.2008	31.03.2012	1,000	Euro 1	100%	(168,261,526)	-	-	(168,261,526)	(55,000,000)
16	Kelisia Investment Holdings SA***	22.10.2008	31.03.2012	5,000	CHF 100	100%	258,499	-	-	258,499	2,880
17	Panacea Biotec (International) SA****	19.02.2009	31.03.2012	6,000	CHF 100	100%	3,734,570	-	-	3,734,570	(87,394,646)
18	Panacea Biotec (Europe) AG*****	10.06.2009	31.03.2012	1,000	CHF 100	100%	(49,440)	-	-	(49,440)	(2,217,450)
19	Panacea Biotec Germany GmbH*****	12.08.2010	31.03.2012	1	Euro 25000	100%	(78,939,008)	-	-	(78,939,008)	(23,955,427)

$ Share capital includes preference share capital.
** Indirect subsidiary through Rees Investment Ltd.
**** Indirect subsidiary through Kelisia Investment Holdings SA
****** Become wholly owned subsidiary as on 24.11.2011 and earlier it was an associate.

* Indirect subsidiary through Best on Health Ltd.
*** Indirect subsidiary through Kelisia Holdings Ltd.
***** Indirect subsidiary through Panacea Biotec (International) SA
******* Indirect subsidiary through Lakshmi & Manager Holding Ltd.

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Place : New Delhi
Dated : May 18, 2012

Vinod Goel
G.M. Legal & Company Secretary

Panacea Biotec
Innovation in support of life

Financial Details of Subsidiary Companies

(All figures are in Rs.)

S. No.	Name of the Company	As on 31st March, 2012					For the year/ period ended 31st March, 2012				
		Capital	Reserves & Surplus	Total Assets	Total Liabilities	Details of investment (except in case of investment in subsidiary)	Turnover (including other income)	Profit/ (Loss) before Tax	Provision for Tax	Profit after Tax	Proposed Dividend #
1	Best On Health Ltd.$	9,113,826	2,522,646,277	2,552,379,460	2,552,379,460	12,263,696	27,132,732	22,370,744	4,636,839	17,733,905	33,184
2	Radicura & Co. Ltd.*	1,982,500	92,872,250	551,345,380	551,345,380	100,000	50,126	(249,103)	170,007	(419,110)	-
3	Panacea Hospitality Services Pvt. Ltd.*	100,000	48,252,998	348,272,198	348,272,198	-	54,167	(454,241)	16,738	(470,979)	-
4	Panacea Educational Institute Pvt. Ltd.*	100,000	38,198,205	358,537,696	358,537,696	-	52,212	(215,479)	16,134	(231,613)	-
5	Sunanda Steel Co. Ltd.*	500,000	(48,944,847)	164,106,328	164,106,328	-	12,475	(48,703,107)	3,860	(48,706,967)	-
6	Best on Health Foods Ltd.*	500,000	(178,499)	359,708	359,708	-	23,517	(22,061)	500	(22,561)	-
7	Nirmala Organic Farms & Resorts Pvt. Ltd.*	100,000	(108,621)	130,325,988	130,325,988	-	-	(44,415)	-	(44,415)	-
8	New Rise Heathcare Pvt. Ltd.(Formerly known as Umkal Medical Institute Pvt. Ltd.)	45,556,970	216,250,743	571,128,572	571,128,572	-	1,507,592	1,277,750	503,343	774,407	-
9	Lakshmi & Manager Holdings Ltd.******	10,3142,818	20,198,796	123,977,261	123,977,261	-	5,396,052	1,602,278	425,557	1,176,721	-
10	Best General Insurance Company Ltd.*******	2,500,000	(6,688,476)	2,479,255	2,479,255	-	62,110	18,192	10,780	7,412	-
11	Trinidhi Finance Pvt. Ltd.*******	101,754,000	10,398,858	115,231,957	115,231,957	585,308	11,582,202	8,117,076	2,780,071	5,337,005	-
12	Panacea Biotec GmbH	1,697,625	(991,289)	774,241	774,241	-	657	(178,688)	57	(178,745)	-
13	Panacea Biotec, FZE	6,969,163	(2,320,154)	4,690,929	4,690,929	-	-	(713,972)	-	(713,972)	-
14	Rees Investments Ltd.	509	(421,461,982)	286,843,222	286,843,222	-	25,197,827	(186,325,792)	-	(186,325,792)	-
15	Kelisia Holdings Ltd.**	67,905	(271,730,821)	246,348,543	246,348,543	165,162,004	10,396	(168,261,526)	-	(168,261,526)	-
16	Kelisia Investment Holdings SA***	28,177,500	(9,789)	82,508,414	82,508,414	-	1,692,010	258,499	-	258,499	-
17	Panacea Biotec (International) SA****	33,813,000	(107,330,968)	24,234,570	24,234,570	-	14,180,436	3,768,406	33,836	3,734,570	-
18	Panacea Biotec (Europe) AG*****	-	-	-	-	-	-	(31,367)	18,074	(49,440)	-
19	Panacea Biotec Germany GmbH*****	1,697,625	(107,714,387)	40,705,311	40,705,311	-	6,233,142	(78,939,008)	-	(78,939,008)	-

$ Share capital includes preference share capital.
** Indirect subsidiary through Rees Investment Ltd.
**** Indirect subsidiary through Kelisia Investment Holdings SA
****** Become wholly owned subsidiary as on 24.11.2011 and earlier it was an associate.
# Propsed dividend does not include dividend distribution tax

* Indirect subsidiary through Best on Health Ltd.
*** Indirect subsidiary through Kelisia Holdings Ltd.
***** Indirect subsidiary through Panacea Biotec (International) SA
******* Indirect subsidiary through Lakshmi & Manager Holdings Ltd.

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Place : New Delhi
Dated : May 18, 2012

Auditors' Report on the Consolidated Financial Statements

To

The Board of Directors of Panacea Biotec Limited on Consolidated Financial Statements of Panacea Biotec Limited

1. We have audited the attached consolidated balance sheet of Panacea Biotec Limited ("the Company"), its Subsidiaries, Associates and Joint Venture (together referred to as "PBL Group"), as at March 31, 2012 and also the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Panacea Biotec Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We have not audited the financial statements of the Subsidiaries and Associates whose financial statements reflect Group's share of total assets of Rs. 3,321.04 million as at 31st March 2012 the total revenue of Rs. 42.40 million and net cash out-flows of Rs. 55.24 million for the year then ended as considered in the consolidated financial statements. These financial statements and other financial information of the Subsidiaries and Associates have been audited by other auditors whose report have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these Subsidiaries and Associates, is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Venture, notified pursuant to the Companies (Accounting Standards) Rules 2006.

5. Without qualifying our opinion, we draw attention to:

   a) Note 40 to the financial statements regarding capitalization of expenditure on clinical trials amounting to Rs. 68.9 million for year ended March 31, 2012 and Rs. 186.5 million as of March 31, 2012. The ultimate approval of such products, which has been considered as highly likely by the management, is not within direct control of the Company. Pending such final approval, no adjustments have been made to the accompanying financial statements.

   b) Note 41 to the financial statements regarding the managerial remuneration of Rs. 66.0 million for the financial year ending March 31, 2012, which is in excess of the limits specified by the relevant provisions of the Companies Act, 1956, by Rs. 42.0 million on account of losses incurred during the current year. The Company has initiated steps to obtain approval from Central Government vide its letters dated May 16, 2012 in respect to excess remuneration paid. Pending outcome of the steps taken, no adjustments have been made to the accompanying financial statements.

   c) Note 42 to the financial statements regarding delisting of Company's DTP-based combination vaccines and oral polio vaccines by World Health Organization (WHO) from its list of pre-qualified vaccines. Company has stock of raw material and finished goods inventory of Rs.1,526.7 million and Rs.363.0 million respectively as at March 31, 2012 of the above said vaccines. Impact, if any, on fixed assets relating to the delisting of above products cannot be separately quantified. The Company has initiated steps in order to get these products re-listed in the list of prequalified vaccines of WHO. Pending outcome of the above measures, no adjustments have been made to the accompanying financial statements.

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

   a) in the case of the consolidated balance sheet, of the state of the affairs of the PBL Group as at March 31, 2012;

   b) in the case of the consolidated statement of profit and loss, of the loss of PBL Group for the year ended on that date; and

   c) in the case of the consolidated cash flow statement, of the cash flows of PBL Group for the year ended on that date.

For S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per **Rajiv Goyal**
Partner
Membership No.: 94549

Place : New Delhi
Date : May 18, 2012

Consolidated Balance Sheet As at March 31, 2012

(Rs. in million)

	Notes	As at March 31, 2012		As at March 31, 2011	
Equity and Liabilities					
Shareholders' Funds					
Share Capital	3	61.3		61.3	
Reserves and Surplus	4	8,669.4	8,730.7	6,427.3	6,488.6
Minority Interest	5		66.0		64.0
Foreign Currency Monetary item Translation Difference Account (net of amortisation) (Refer note no. 43)			20.5		-
Non-current liabilities					
Long term borrowings	6	5,125.2		4,237.2	
Deferred tax liabilities (net) (Refer note 31)		207.3		758.2	
Trade payables	9	138.4		-	
Long term provisions	7	20.7	5,491.6	29.9	5,025.3
Current liabilities					
Short term borrowings	8	2,495.4		3,639.4	
Trade payables	10	1,222.1		973.8	
Other current liabilities	10	1,371.0		1,016.2	
Short term provisions	7	100.5	5,189.0	131.2	5,760.6
Total			19,497.8		17,338.5
Assets					
Non current assets					
Fixed assets	11				
Tangible assets		11,427.4		6,686.3	
Intangible assets		523.6		161.1	
Capital work-in-progress		558.5		365.5	
Intangible assets under development		349.8	12,859.3	823.4	8,036.3
Non-current investments	12		309.1		565.8
Long term loans and advances	13		1,019.0		566.7
Other non current assets	17		65.4		33.0
			14,252.8		9,201.8
Current assets					
Current Investments	18		16.0		0.9
Trade receivables	14		683.8		2,755.7
Inventories	15		3,852.6		4,106.3
Cash and bank balances	16		155.1		489.4
Short-term loans and advances	13		483.4		709.2
Other current assets	17		54.1		75.2
			5,245.0		8,136.7
Total			19,497.8		17,338.5
Summary of significant accounting policies	2				

The accompanying notes are an integral part of the financial statements.

As per our report of even date

S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Consolidated Statement of Profit & Loss Account

For the Year ended March 31, 2012

(Rs. in million)

	Notes	For the year ended March 31, 2012		For the year ended March 31, 2011	
Income					
Revenue from operations (gross)	19		7,110.7		11,682.4
Less: Excise duty			(9.8)		(3.6)
Revenue from operations (net)			7,100.9		11,678.8
Other income	20		88.3		161.1
Total (a)			7,189.2		11,839.9
Expenses					
Purchases of traded goods			258.8		273.5
Cost of raw and packing material consumed	21		3,021.9		4,474.3
Decrease in inventories	22		195.0		588.0
Employee benefits expense	23		1,607.2		1,608.1
Other expenses (including prior period expenses of Rs. 47.5 million (Previous year Rs. Nil))	24		2,881.1		2,050.8
Finance cost	25		1,007.1		556.2
Depreciation and amortisation expenses	11	893.5		745.3	
Less: recoupment from revaluation reserve		(122.2)		-	
Net depreciation and amortisation expense			771.3		745.3
Total (b)			9,742.2		10,296.2
(Loss)/Profit before tax for the year (a-b)			(2,553.2)		1,543.7
Tax expenses					
Current tax (MAT payable)		8.9	-	339.0	
Less: MAT Credit entitlement		-		174.8	
Net current tax			8.9		164.2
Deferred income tax (credit)/charge			(550.8)		48.1
Provision for tax (earlier years)			-		6.6
Total tax expenses			(541.9)		218.9
(Loss)/Profit after tax for the year			(2,011.3)		1,324.8
Add : share of profit in associates			(45.3)		121.8
Add : share of minority interests in losses			-		0.1
Net (loss)/profit for the year			(2,056.6)		1,446.7
Earnings per share (nominal value per share Re.1)					
Basic earnings per share (in Rs.)	26		(32.84)		22.98
Diluted earnings per share (in Rs.)	26		(32.84)		22.98
Summary of significant accounting policies	2				

The accompanying notes are an integral part of the financial statements.

As per our report of even date

S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

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Vinod Goel
G.M. Legal & Company Secretary

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

1. Basis of Preparation

The Consolidated financial statements relate to Panacea Biotec Limited (Parent Company), its Subsidiary Companies, Joint Venture and Associates (hereinafter collectively referred as the "Group").

The Consolidated financial statements (CFS) has been prepared to comply in accordance with generally accepted accounting in India (Indian GAAP). The Group has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out.

2. Principles of Consolidation

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

i. The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard –21, Consolidated Financial Statements.

ii. Interest in assets, liabilities, income and expenses of the Joint Venture have been consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses have been eliminated to the extent of Company's proportionate shares as per Accounting Standard –27, Financial reporting of interests in Joint Venture.

iii. In case of Associates, where the Company directly or indirectly through subsidiaries holds more than 20% of equity, investment in Associate is accounted for by Equity Method in accordance with Accounting Standards -23, Accounting for Investment in Associates.

iv. The financial statements of the Subsidiary Companies, Joint Venture and Associates used in the consolidation are drawn for the same period as that of the Parent Company i.e. year ended March 31, 2012.

v. Minorities' interest in net profit/(loss) of consolidated Subsidiary Companies for the year has been identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Parent Company. Minorities' share of net assets has been identified and presented in Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the Parent Company.

vi. List of Subsidiaries, Joint Venture and Associates considered for consolidation is as follows:

S.No.	Name of the Company	Nature of relationship	Country of Incorporation	Extent of Holding/ Voting Power (%)	
				As at March 31, 2012	As at March 31, 2011
1	Best On Health Ltd.	Subsidiary	India	100.0	100.0
2	Panacea Educational Institute Pvt. Ltd	Indirect Subsidiary*	India	100.0	100.0
3	Radicura & Co. Ltd.	Indirect Subsidiary*	India	100.0	100.0
4	Panacea Hospitality Services Pvt. Ltd	Indirect Subsidiary*	India	100.0	100.0
5	Sunanda Steel Company Ltd.	Indirect Subsidiary*	India	100.0	100.0
6	Nirmala Organic Farms & Resorts Pvt. Ltd (w.e.f. February 23, 2011)	Indirect Subsidiary*	India	100.0	100.0
7	Best On Health Foods Limited (w.e.f. December 6, 2010)	Indirect Subsidiary*	India	100.0	100.0
8	NewRise Healthcare Private Limited (Formerly known as Umkal Medical Institute Pvt. Ltd)	Subsidiary	India	75.2	75.2
9	Panacea Biotec GmbH	Subsidiary	Germany	100.0	100.0
10	Panacea Biotec Inc. (liquidated on March 30, 2011)	Subsidiary	USA	-	100.0
11	Panacea Biotec FZE	Subsidiary	UAE	100.0	100.0
12	Rees Investments Ltd.	Subsidiary	Guernsey	100.0	100.0
13	Kelisia Holdings Ltd.	Indirect Subsidiary†	Cyprus	100.0	100.0
14	Kelisia Investment Holdings SA	Indirect Subsidiary††	Switzerland	100.0	100.0
15	Panacea Biotec (International) SA	Indirect Subsidiary†††	Switzerland	100.0	100.0
16	Panacea Biotec (Europe) AG	Indirect Subsidiary††††	Switzerland	100.0	100.0
17	Panacea Biotec Germany GmbH (w.e.f. August 12, 2010)	Indirect Subsidiary††††	Germany	100.0	100.0
18	Lakshmi & Manager Holdings Ltd. (w.e.f. November 24, 2011)	Subsidiary	India	100.0	40.0
19	Best General Insurance Company Ltd. (w.e.f November 24, 2011)	Indirect Subsidiary**	India	80.0	32.0
20	Trinidhi Finance Private Limited (w.e.f. November 24, 2011)	Indirect Subsidiary**	India	100.0	-
21	Chiron Panacea Vaccines Pvt. Ltd.	Joint Venture***	India	50.0	50.0
22	Adveta Power Private Limited (w.e.f. July 4, 2011)	Joint Venture***	India	50.0	50.0
23	PanEra Biotec Pvt. Ltd.	Associate	India	50.0	50.0

* Wholly Owned Subsidiary Best On Health Ltd.
†† Wholly Owned Subsidiary of Kelisia Holdings Ltd.
†††† Wholly Owned Subsidiary of Panacea Biotec (International) SA
*** Jointly controlled entity
† Wholly Owned Subsidiary of Rees Investments Ltd.
††† Wholly Owned Subsidiary of Kelisia Investment Holdings AG.
** Subsidiary of Lakshmi & Manager Holdings Ltd.

vii) Goodwill represents the difference between the Parent Company's shares in the net worth of the Subsidiary / Joint Venture Company and the cost of acquisition at the time of making the investment in the Subsidiary / Joint Venture Companies. For this purpose, the Parent Company's share of net worth of the Subsidiary/ Joint Venture Company is determined on the basis of the latest financial statements of the Subsidiary/Joint Venture Company prior to acquisition, after making the necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

viii) The Consolidated Financial Statements have been prepared using uniform accounting policies unless otherwise stated for like transactions and other events in similar circumstances and are presented in the same manner as the Parent Company's separate financial statements. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the change in accounting policy. Summary of significant accounting policies is listed below.

a) Change in accounting policy

Presentation and disclosure of financial statements.

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b) Uses of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c) Tangible Assets

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

On 1 April 2011, the Company revalued all its freehold land and buildings existing on that date. These land and buildings are measured at fair value less accumulated depreciation and impairment losses, if any, recognized after the date of the revaluation. In case of revaluation of tangible assets, any revaluation surplus is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of profit and loss, in which case the increase is recognized in the statement of profit and loss. A revaluation deficit is recognized in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Subsequent expenditure related to an item of tangible asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

From accounting periods commencing on or after 7 December 2006, the Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is de-recognized.

d) Depreciation on tangible assets

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

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

ii) Leasehold Land is amortized over the period of lease.

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

e) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If the persuasive evidence exists to the effect that useful life of an intangible asset exceeds ten years, the Group amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit and loss when the asset is derecognized.

Patents, trademarks & designs - Costs relating to patents, trademarks and designs, which are acquired, are capitalized.

Research and development costs - Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Group's intention to complete the asset and use or sell it;
- the Group's ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of estimated useful life. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

Product development – Product Development is capitalized on successful completion of development activities and commercial launch of developed products.

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

Software and Website - Software and website are stated at cost of acquisition and include all attributable costs of bringing them to their working condition for their intended use.

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

f) Amortization of intangible assets

Amortization of intangibles assets is provided on straight line basis of the estimated useful lives as follows:-

Patents, Trademarks & Designs	- Amortized over a period of 7 years
Product Development	- Amortized over a period of 5 years
Technical Know-how	- Amortized over a period of 5 years
Software	- Amortized over a period of 5 years
Websites	- Amortized over a period of 2 years

g) Leases

Where the Group is the Lessee:

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on written down value method as per the rates based on the useful life of the assets estimated by the management, or as per rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is higher. However, if there is no reasonable certainty that the group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

Where the Group is the Lessor:

Leases in which the Group transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Group apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in tangible assets. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

h) Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

i) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

j) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that

(i) the Group will comply with the conditions attached to them, and

(ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost, it is recognized at a nominal value.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as a part of the shareholders' funds.

k) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

l) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

m) Revenue recognition

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

Sales of products - Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and Sales Tax /Value Added Tax but includes Excise Duty. The Group collects sales taxes and value added taxes on behalf of the government and, therefore, these are not economic benefits flowing to the Group. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from Services - Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

Export incentives - Export entitlements under Duty Entitlement Pass Book Schemes are recognized in the statement of profit and loss when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Interest income - Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

Dividend income - Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

n) Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

From accounting periods commencing on or after 7 December 2006, the Group accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

- Exchange differences arising on long-term foreign currency monetary items related to acquisition of a tangible asset are capitalized and depreciated over the remaining useful life of the asset. For this purpose, the Group treats a foreign currency monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination.
- Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
- All other exchange differences are recognized as income or as expense in the period in which they arise.

Forward exchange contracts not intended for trading or speculation purposes

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

o) Retirement and other employee benefits

i. Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident funds.

ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation using projected unit credit method made at the end of each financial year. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

iii. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

iv. The group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

p) Income taxes

Tax expense comprises current and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the group operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the group restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the group re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The group writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as MAT Credit Entitlement. The group reviews the MAT credit entitlement asset at each reporting date and writes down the asset to the extent the group does not have convincing evidence that it will pay normal tax during the specified period.

q) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares), if any.

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

r) Provisions

A provision is recognized when the Group has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

s) Segment reporting policies

i) Identification of Segments:

Primary Segment

Business segment: The Group's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are vaccines, formulations, research & development, healthcare and real estate activities.

Secondary Segment

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

The geographical segments considered for disclosure are as follows:

- Revenue from domestic market includes sales to customers located within India.
- Revenue from overseas market includes sales to customers located outside India.

ii) Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

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

iv) Segmental accounting policies: The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

t) Derivative Instruments

As per announcement of Institute of Chartered Accountants of India, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the statement of profit and loss. Net gains are ignored.

u) Cash & Cash Equivalent

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

v) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
3. Share Capital				
Authorised				
i. 125,000,000 (Previous Year 125,000,000) Equity Shares of Re.1 each		125.0		125.0
ii. 110,000,000 (Previous Year 110,000,000) Preference Shares of Rs.10 each		1,100.0		1,100.0
		1,225.0		1,225.0
Issued, Subscribed and Paid up				
61,250,746 (Previous Year 61,250,746) Equity Shares of Re.1 each fully paid-up		61.3		61.3
		61.3		61.3
a) Terms/right attached to equity shares :				
The Company has only one class of equity shares having a par value of Re. 1 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.				
During the year ended March 31, 2012, the amount of per share dividend recognized as distributions to equity shareholders is Rs. Nil (Previous year Re. 0.75).				
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.				
b) Reconciliation of the shares outstanding at the beginning and at the end of the reporting financial year :	No.	Amount	No.	Amount
At the beginning of the year	61,250,746	61.3	66,842,746	66.8
Less: Buy back of equity shares during the year	-	-	5,592,000	5.5
Outstanding at the end of the year	61,250,746	61.3	61,250,746	61.3
c) Aggregate no. of equity shares bought back during the period of five years immediately preceding the reporting date :		No. of shares		No. of shares
Equity share bought back by the Company		-		5,592,000
d) Detail of shareholders holding more than 5% shares in the Company :	No. of shares	% age of holding	No. of shares	% age of holding
Name of Persons				
Mr. Soshil Kumar Jain	5,000,000	8.16%	5,000,000	8.16%
Mr. Ravinder Jain	4,646,200	7.59%	4,646,200	7.59%
Dr. Rajesh jain	6,213,500	10.14%	5,713,500	9.33%
Mr. Sandeep Jain	4,792,100	7.82%	4,792,100	7.82%
Soshil Kumar Jain (HUF)	3,446,800	5.63%	3,946,800	6.44%
Ravinder Jain (HUF)	4,135,000	6.75%	4,135,000	6.75%
Rajesh Jain (HUF)	4,368,500	7.13%	4,368,500	7.13%
Sandeep Jain (HUF)	4,105,000	6.70%	4,105,000	6.70%
Serum Institute of India Ltd.	8,002,387	13.06%	6,036,291	9.86%
As per the records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.				
4. Reserves and Surplus				
Capital redemption reserve				
Balance as per last financial statements	1,022.3		1,016.8	
Add: Credited upon buy back of equity shares (Refer note 45)	-		5.5	
Closing balance		1,022.3		1,022.3
Capital reserve		3.1		3.1
Securities premium reserve				
Balance as per last financial statements	919.4		2,814.9	
Less: Premium paid on redemption of FCCBs (Refer note 29)	-		(797.2)	
Less: Transferred to capital redemption reserve on buy back of equity shares (Refer note 45)	-		(5.5)	
Less: Premium paid on buy back of equity shares (Refer note 45)	-		(1,092.8)	
Closing balance		919.4		919.4
General reserve				
Balance as per last financial statements	367.7		231.6	
Add: Amount transferred from surplus balance in the statement of profit and loss	-		136.1	
Closing balance		367.7		367.7

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
Revaluation reserve				
Balance as per the last financial statements				
Revaluation reserve credited during the year (refer footnote 1 of note 11)	4,402.6		-	
Less: Amount transferred to the statement of profit and loss as reduction from depreciation	(122.2)		-	
Closing balance		4,280.4		-
Foreign Currency Translation Reserve				
Balance as per last financial statements	(5.2)		10.7	
Add: movement during the year	18.2		(15.9)	
Closing balance		13.0		(5.2)
(Deficit)/Surplus in the statement of profit and loss				
Balance as per last financial statements	4,120.1		2,863.5	
(Loss)/Profit after tax for the year	(2,056.6)		1,446.7	
Less: Appropriations				
Proposed final dividend on equity shares (amount per share Rs. Nil (Previous year Re.0.75))	-		(45.9)	
Interim dividend on preference shares	-		(0.0)	
Tax on proposed final dividend on equity shares	-		(9.4)	
Proposed dividend written back (Refer note 45)	-		1.1	
Tax on proposed final dividend on equity shares written back (Refer note 45)	-		0.2	
Transfer to general reserve	-		(136.1)	
Closing balance		2,063.5		4,120.1
		8,669.4		6,427.3

5. Minority Interest

Minority Interest of NewRise Healthcare Private Limited (Formerly known as Umkal Medical Institute Pvt. Ltd.)				
i) Minority Interest in equity		12.4		12.4
1,241,880 Equity Shares of Rs.10 each, fully paid up				
ii) Minority Interest in Non-Equity				
a) Securities Premium		53.3		51.5
b) Balance in Profit & Loss Account				
Share of profit/(loss) brought forward	0.1		0.2	
Share of Profit/(loss) of the year	0.2	0.3	(0.1)	0.1
(a)		66.0		64.0
Minority Interest of Best General Insurance Company Limited, Subsidiary of Lakshmi & Manager Holding Ltd.				
i) Minority Interest in equity				
5,00,000 Equity Shares of Re.1 each, fully paid up		0.5		-
ii) Minority Interest in Non-Equity				
a) Balance in Profit & Loss Account				
Share of Profit/(Loss) brought forward	-		-	
Share of Profit/(Loss) of the year	0.5	(0.5)	-	-
(b)		-		-
Total Minority Interest (a+b)		66.0		64.0

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	Non-current portion as at		Current maturities as at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
6. Long Term Borrowings				
Term loans				
Foreign currency term loans from banks (secured)				
State Bank of India (loan - I)	1,017.6	1,427.2	610.6	356.8
State Bank of India (loan - II)	763.2	669.0	-	-
State Bank of Travancore	638.5	895.4	383.1	223.9
Bank of India	1,272.0	-	-	-
Indian rupee term loan from banks (secured)				-
State Bank of India	-	148.3	131.0	150.0
Indian Overseas Bank	1,000.0	1,000.0	-	-
Bank of Baroda	294.9	-	-	-
Indian rupee term loan from Government of India				-
Through Department of Biotechnology (secured)	112.0	78.3	-	-
Through Department of Science & Technology (unsecured)	18.0	-	2.0	-
Other long term borrowings				
Deposits from public and related party (unsecured) (Refer note 33)	9.0	-	-	-
Finance lease obligation (unsecured) (Refer note 36 (ii) (d) and (e))	-	19.0	19.0	15.8
	5,125.2	4,237.2	1,145.7	746.5
The above amount includes				
Secured borrowings	5,098.2	4,218.2	1,124.7	730.7
Unsecured borrowings	27.0	19.0	21.0	15.8
Amount disclosed under the head "Note 10 : other current liabilities"	-	-	(1,145.7)	(746.5)
Net Amount	5,125.2	4,237.2	-	-

Notes :

a) Foreign currency term loan from State Bank of India (loan - I) carries interest @ 6 months LIBOR plus 7.5%. The loan is repayable in three installments (i.e. 20% in September 2011, 30% in September 2012 & 50% in September 2013).

b) Foreign currency term loan from State Bank of India (loan - II) carries interest @ 6 months LIBOR plus 5.75%. The loan is repayable in four equal quarterly installments of Rs.17.5 million starting from June 2013 to March 2014.

c) Foreign currency term loan from State Bank of Travancore carries interest @ 6 months LIBOR plus 7.5%. The loan is repayable in three installments (i.e. 20% in September 2011, 30% in September 2012 & 50% in September 2013).

d) Foreign currency term loan from Bank of India carries interest @ 6 months LIBOR plus 4.75%. The loan is repayable in three equal yearly installments commencing at the end of sixth year from the date of first drawdown (i.e. in financial year 2017-18).

e) Indian rupee term loan from State Bank of India carries interest @ SBAR. The loan is repayable in eight quarterly installments starting from June, 2011.

f) Above Foreign currency term loans taken from banks and Indian rupee term loan taken from State Bank of India are secured by way of first pari-passu charge by hypothecation of the Company's entire movable fixed assets, both present and future and mortgage of immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh and land admeasuring 9435.66 sq. yards situated at Indl. Plot No. E-4, PH-2, Indl. Area, S.A.S Nagar, (Mohali), Punjab. Foreign currency term loans from State Bank of India and Bank of India are also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

g) Indian rupee loan from Indian Overseas Bank carries interest @ Base rate plus 1.5% . The loan is repayable in eight equal quarterly installments starting from January, 2014.

h) Term loan from Indian Overseas Bank is secured by way of first pari-passu charge by hypothecation of the company's entire movable fixed assets, both present and future and mortgage of immovable properties of the company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh and land admeasuring 9435.66 sq. yards situated at Indl. Plot No. E-4, PH-2, Indl. Area, S.A.S Nagar, (Mohali), Punjab. It is also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

i) Indian rupee loan from Bank of Baroda carries interest @ base rate plus 3% p.a. i.e. 13.75% at present on monthly rests with reset every year. The loan is repayable in 32 quarterly installments, starting from March, 2015 and ending on Dec., 2022. The said term loan is secured by way of first charge on entire movable and immovable (land admeasuring 2.53 Acres at Plot no 3201, Sector 24, DLF Phase III, Gurgaon in the State of Haryana) fixed assets of the company & by way of 1st charge on current assets (present & future) of the company.

j) Indian rupee term loans from Government of India through Department of Biotechnology are project specific loans which carry interest @ 2% p.a. These loans are repayable in ten equal half-yearly installments. The repayment of these loans would commence from one year after the completion of the respective projects.

k) Secured term loan from Government of India is secured by way of hypothecation of the company's all equipments, apparatus, machineries, spares, tools and other accessories, goods and/or other movable property present and future by way of first charge on pari-passu basis.

l) Indian rupee term loan from Government of India, through Department of Science & Technology is a project specific loan which carries interest @ 3% p.a. The loan is repayable in ten equal annual installments and its repayment would commence from one year after the completion of the project.

(Rs. in million)

	Long term as at		Short term as at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
7. Provisions				
Provision for employees benefits				
Provision for gratuity (Refer note 38)	20.7	29.9	16.0	13.7
Provision for leave encashment	-	-	68.4	62.1
Other provisions				
Provision for wealth tax	-	-	2.1	2.0
Provision for income tax	-	-	4.0	-
Proposed dividend on equity shares	-	-	-	45.9
Provision for dividend distribution tax	-	-	-	7.5
Provision for contingencies (Refer note 27 (v))	-	-	10.0	-
	20.7	29.9	100.5	131.2

	As at March 31, 2012	As at March 31, 2011
8. Short Term Borrowings		
Cash credits from banks (secured)	1,159.1	810.9
Working capital loans from banks (secured)	-	1,268.3
Buyers' credit from banks (secured)	1,064.8	1,193.9
Deposits from public and related parties (unsecured) (Refer note 33)	271.5	366.3
	2,495.4	3,639.4
The above amount includes		
Secured borrowings	2,223.9	3,273.1
Unsecured borrowings	271.5	366.3
	2,495.4	3,639.4

Note : Working capital loan, cash credit & Buyers' credit from banks are secured by way of first pari passu charge by hypothecation of all current assets and also by way of 2nd pari-passu charge on all the movable fixed assets (including machinery and spares) of the Company and existing immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh and land admeasuring 9435.66 sq. yards situated at Indl. Plot No. E-4, PH-2, Indl. Area, SAS Nagar, Mohali. These are also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

	As at March 31, 2012	As at March 31, 2011
9. Other Non-Current Liabilities		
Trade payables (including acceptances)	138.4	-
(Refer note 31 for details of dues to micro & small enterprises)		
	138.4	-
10. Other Current Liabilities		
Trade payables (including acceptances) (Refer note 31 for details of dues to micro & small enterprises)	1,222.1	973.8
Other liabilities		
Current maturities of long term borrowings (Note 6) (includes current maturities of finance lease obligation Rs.19.0 million (Previous year Rs.15.8 million))	1,145.7	746.5
Interest accrued but not due on borrowings	15.8	10.3
Interest accrued and due on borrowings	29.7	28.7
Advances from customers	109.6	117.1
Income received in advance	13.4	-
Sundry deposits	15.3	15.1
Investor education and protection fund will be credited by following amount (as and when due)		
Unpaid dividend on equity shares	1.2	1.3
Others :		
Statutory dues	40.3	97.2
	1,371.0	1,016.2

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

11. Fixed Assets

Tangible Assets

(Rs. in million)

Description	Land - freehold	Land - leasehold	Buildings	Leasehold improvement	Plant and equipments	Furniture and fittings	Vehicles	Office equipments	Computer equipments	Total
Cost or Valuation										
At 1 April 2010	1,792.1	54.8	1,867.7	86.0	4,819.5	298.2	161.5	200.3	165.0	9,445.1
Additions	193.5	-	167.2	-	594.5	24.7	23.6	5.4	7.8	1,016.7
Disposals	403.8	-	-	-	0.1	0.4	19.7	0.1	1.0	425.1
Other Adjustments										
- Exchange Differences*	-	-	7.6	-	35.2	0.6	-	1.0	0.2	44.6
At 31 March 2011	1,581.8	54.8	2,027.3	86.0	5,378.7	321.9	165.4	204.6	171.6	9,992.1
Additions	135.2	-	162.0	0.1	595.5	28.2	17.9	15.3	15.9	970.1
Revaluation	2,299.0	357.4	1,697.6		-	-	-	-	-	4,354.0
Disposals	-	-	-	-	2.6	0.0	9.4	1.5	0.5	14.0
Other Adjustments										
- Exchange Differences*	-	-	41.7	0.1	189.9	3.5	-	9.2	0.9	245.3
At 31 March 2012	4,016.0	412.2	3,928.6	86.2	6,161.5	353.6	173.9	227.6	187.9	15,547.5
Depreciation										
At 1 April 2010	-	1.6	430.7	83.3	1,646.1	159.0	84.1	94.0	130.1	2,628.9
Charge for the year	-	0.8	111.4	2.7	496.8	26.2	22.5	15.3	16.3	692.0
Deduction & Adjustment during the year	-	-	-	-	-	0.1	14.0	0.1	0.9	15.1
At 31 March 2011	-	2.4	542.1	86.0	2,142.9	185.1	92.6	109.2	145.5	3,305.8
Charge for the year	-	2.7	232.8	0.2	473.5	30.8	21.4	15.3	15.6	792.3
Deduction & Adjustment during the year	-	-	-	-	2.0	0.0	7.7	1.0	0.4	11.1
Other Adjustments										
- Exchange Differences	-	-	5.0	0.0	26.5	0.5	-	1.0	0.1	33.1
At 31 March 2012	-	5.1	779.9	86.2	2,640.9	216.4	106.3	124.5	160.8	4,120.1
Net Block										
At 31 March 2011	1,581.8	52.4	1,485.2	-	3,235.8	136.8	72.8	95.4	26.1	6,686.3
At 31 March 2012	4,016.0	407.1	3,148.7	0.0	3,520.6	137.2	67.6	103.1	27.1	11,427.4
Capital work-in-progress										
At 31 March 2011										365.5
At 31 March 2012										558.5

Intangible Assets

(Rs. in million)

Description	Goodwill	Patent, Trademark & Copyrights	Softwares**	Websites	Product Development	Total
Cost or Valuation						
At 1 April 2010	55.6	61.8	98.5	9.3	66.8	292.0
Additions	16.1	7.9	72.3	-	20.2	116.5
Sale/ Adjustment	-	-	0.7	-	-	0.7
Other Adjustments						
- Exchange Differences*	-	-	-	-	-	-
At 31 March 2011	71.7	69.7	170.1	9.3	87.0	407.8
Additions	13.2	16.2	23.7	-	377.7	430.8
Disposals	-	-	0.0	-	-	0.0
Other Adjustments						
- Exchange Differences	-	-	-	-	-	-
At 31 March 2012	84.9	85.9	193.8	9.3	464.7	838.6
Depreciation						
At 1 April 2010	28.2	50.3	71.2	9.2	35.1	194.0
Charge for the year	8.8	3.9	27.5	0.1	13.0	53.3
Deduction & Adjustment during the year	-	-	0.6	-	-	0.6
At 31 March 2011	37.0	54.2	98.1	9.3	48.1	246.7
Charge for the year	11.8	3.5	32.2	0.0	20.8	68.3
Deduction & Adjustment during the year	-	-	0.0	-	-	0.0
Other Adjustments						
- Exchange Differences	-	-	-	-	-	-
At 31 March 2012	48.8	57.7	130.3	9.3	68.9	315.0
Net Block						
At 31 March 2011	34.7	15.5	72.0	-	38.9	161.1
At 31 March 2012	36.1	28.2	63.5	0.0	395.8	523.6
Intangible Assets under development						
At 31 March 2011						823.4
At 31 March 2012						349.8

Notes : 1. The Company has revalued freehold land, leasehold land and buildings on 1 April 2011, at the fair values determined by an independent external valuer. The valuer determined the fair value by reference to market-based evidence. This means that valuations performed by the valuer were based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The historical cost of freehold land, leasehold land and building fair valued by the Company was Rs.1,400.7 million, Rs.55.0 million and Rs.2,026.7 million respectively and their fair value were Rs.3,699.8 million, Rs.409.9 million and Rs.3,182.2 million respectively. Hence, the revaluation resulted in an increase in the book value of freehold land, leasehold land and building by Rs.2,347.7 million, Rs.357.3 million and Rs.1,697.6 million respectively which has been credited to revaluation reserve (Refer note 4) and in a decrease in the book value of freehold land by Rs.48.6 million which has been charged in the statement of profit and loss. In accordance with the option given in the guidance note on accounting for depreciation in companies, the Company recoups depreciation on revaluation of these assets out of revaluation reserve.

2. Plant & Machinery includes Plant & Machinery amounting to Rs.2.9 million (Previous year Rs.3.4 million) (net block) lying with third parties. 3. For assets given on operating lease, refer note 36 i) a).

* Exchange differences capitalized during the year (Refer Note 43).

** includes assets taken on finance lease : Gross book value Rs.55.3 million (Previous year Rs.55.3 million), Net book value Rs.23.0 million (Previous year Rs.41.5 million).

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
12. Non Current Investments				
(valued at cost unless stated otherwise)				
Trade investments				
- Unquoted				
a) 419,767 (Previous year 419,767) equity shares of Rs.10 each fully paid up in PanEra Biotec Pvt. Ltd.	218.6		100.5	
Add: Profit/(Loss) for the year	(54.0)	164.6	118.1	218.6
b) 20,250 (Previous year 20,250) equity shares of Rs.10 each fully paid up in Shivalik Solid Waste Management Ltd.		0.2		0.2
- Quoted				
a) 1,835,319 (Previous year 1,835,319) equity shares of US $ 0.0001 each fully paid up in PharmAthene Inc.	300.0		300.0	
Less: Provision for other than temporary diminution in value	(156.1)	143.9	-	300.0
Non trade investments				
- Unquoted				
a) Nil (Previous year 41,257,126) equity shares of Re.1 each fully paid up in Lakshmi & Manager Holdings Ltd*	-		43.2	
Add: Profit/(Loss) for the year	-	-	3.7	46.9
- Quoted				
a) 10,000 (Previous year 10,000) equity shares of Rs.10 each fully paid up of Medicamen Biotec Ltd.		0.1		0.1
Market price Rs.14.9 (Previous year Rs.27.0)				
Quoted Mutual Funds				
a) 3,222.971 Units (Previous year Nil Units) of Rs.103.2734 NAV in BSL Ultra Short- term fund retail fortnightly dividend		0.3		-
		309.1		565.8
Aggregate amount of unquoted investments		164.8		265.7
Aggregate amount of quoted investments		300.4		300.1
Aggregate market value of quoted investment		165.7		295.0
Aggregate provision for other than temporary diminution in value		156.1		-

*Become subsidiary company during the year (w.e.f. November 24, 2011). Prior to this it was associate company.

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

		Non-current as at		Current as at	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
13. Loans and Advances					
Capital advances (Unsecured, considered good)	(a)	246.3	184.6	-	-
Security deposits (Unsecured, considered good)	(b)	26.9	29.6	3.9	-
Loan and advances to related parties (Refer note 33)					
Unsecured, considered good		-	-	8.9	-
Doubtful		-	108.8	-	-
Less : Provision for doubtful loans & advances*		-	(108.8)	-	-
	(c)	-	-	8.9	-
Loan and advances to other parties					
Unsecured, considered good	(d)	104.0	-	5.5	-
Advances recoverable in cash or in kind					
Unsecured considered good		288.7	-	87.3	464.5
Doubtful		-	-	35.3	-
		288.7	-	122.6	464.5
Less : Provision for doubtful loans		-	-	(35.3)	(5.3)
	(e)	288.7	-	87.3	459.2
Other Loan & Advances					
Unsecured considered good					
Balance with Excise, Custom etc.		-	-	67.4	41.5
Prepaid expenditures		-	-	59.8	3.1
Staff loans & advances		-	-	20.3	17.5
MAT Credit		352.5	352.5	-	-
Advance income tax (net of provision)		0.6	-	230.1	187.9
Other Statutory receivables		-	-	0.2	-
Doubtful					
Staff loans & advances		-	-	4.2	4.2
		353.1	352.5	382.0	254.2
Less : Provision for doubtful advances				(4.2)	(4.2)
	(f)	353.1	352.5	377.8	250.0
Total (a)+(b)+(c)+(d)+(e)+(f)		1,019.0	566.7	483.4	709.2

*Provision of Rs.108.8 million as on March 31, 2011 pertains to provision made in earlier year in respect to loan given to Cambridge Biostability Ltd., erstwhile joint venture company which has been adjusted against loan recoverable balance in the current year.

(Rs. in million)

		Current as at March 31, 2012	Current as at March 31, 2011
14. Trade Receivables			
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured, Considered good		41.4	25.0
Doubtful		51.2	3.5
		92.6	28.5
Less : Provision for doubtful receivables		(51.2)	(3.5)
	(a)	41.4	25.0
Other receivables			
Unsecured, Considered good		642.4	2,730.7
	(b)	642.4	2,730.7
Total (a)+(b)		683.8	2,755.7

(Rs. in million)

	As at March 31, 2012	As at March 31, 2011
15. Inventories		
(valued at lower of cost and net realizable value)		
Raw materials (including packing materials)	2,386.4	2,466.8
Finished goods	658.4	911.2
(Including stock in transit of Rs.17.6 million (Previous year Rs.17.9 million))		
Traded goods	93.6	109.6
Work in progress	190.0	116.2
Stores and spares	101.7	98.7
Land under development	422.5	403.8
	3,852.6	4,106.3

Note: Finished Goods includes inventory valued on FIFO basis by Joint venture company amounting to Rs.27.40 million (Previous year Rs.29.5 million)

(Rs. in million)

	Notes	Non-current as at		Current as at	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
16. Cash and Bank Balances					
Cash and cash equivalents					
Cash balance on hand		-	-	24.9	7.5
Balances with banks					
Current accounts		-	-	26.2	120.5
Unpaid dividend accounts*		-	-	1.2	1.3
Deposits with original maturity less than 3 months		-	-	-	-
Exchange earner foreign currency accounts		-	-	99.3	313.3
	(a)	-	-	151.6	442.6
Other Bank Balances					
Deposits with original maturity for more than 12 months		65.2	33.0	0.7	45.0
Deposits with original maturity for more than 3 months but less than 12 months**		-	-	2.8	1.8
	(b)	65.2	33.0	3.5	46.8
Amount disclosed under the head "Note 17 : Other assets"		(65.2)	(33.0)	-	-
Total (a)+(b)		-	-	155.1	489.4
* Not available for use by the company as they represent corresponding unpaid dividend liabilities. **Fixed deposits amounting to Rs.1.3 million (Previous year Rs.0.9 million) are pledged with Banks and various Government Authorities.					
17. Other Assets					
Unsecured, considered good unless stated otherwise					
Export benefits receivable		-	-	50.7	73.9
Interest accrued on loans (doubtful)		0.2	-	-	7.3
Interest accrued on deposits (considered good)		-		2.9	1.0
Non current bank balance (Refer Note 16)		65.2	33.0	-	-
Miscellaneous expenditure		-	-	0.5	0.3
		65.4	33.0	54.1	82.5
Less : Provision for doubtful receivables		-	-	-	(7.3)
Total		65.4	33.0	54.1	75.2

Provision of Rs.7.3 million as on March 31, 2011 pertains to provision made in earlier year in respect of interest accrued on loan given to Cambridge Biostability Ltd., erstwhile joint venture company which has been adjusted against loan recoverable balance in the current year.

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	As at March 31, 2012		As at March 31, 2011	
18. Current Investments				
(at lower of cost or market value)				
Quoted investments				
a) 58,347.020 Units (Previous Year 64,255.024 Units) of Rs.10.0315 NAV in HDFC Cash Management Fund - Treasury Advantage Plan Retail - Daily Dividend - Option Reinvestment)		0.6		0.6
b) Investment in Shares		3.2		-
c) 9,244.592 Units (Previous Year Nil Units) of Rs. 1000.2141 NAV in UTI - Treasury Advantage Fund - Institutional - DD		9.2		-
d) 1,446.723 Units (Previous Year Nil Units) of Rs. 1045.8742 NAV in UTI - Treasury Advantage Fund - DD		1.5		-
e) 1,49,359.472 Units (Previous Year Nil Units) of Rs. 10.0699 NAV IDFC Money Manager - Treasury Plan - Plan A		1.5		-
f) Nil Units (Previous year 30,212.261 Units of Rs.10.3199 NAV) of Rs.103.2734 NAV in BSL Ultra Short- term fund retail fortnightly dividend		-		0.3
		16.0		0.9
Aggregate value of quoted investment		16.0		0.9
Aggregate market value of quoted investment		16.1		0.9

(Rs. in million)

	For the year ended March 31, 2012		For the year ended March 31, 2011	
19. Revenue From Operations				
Sales of products:				
Finished goods		6,127.1		10,633.9
Traded goods		814.8		763.9
Sales of services:				
Income from contract manufacturing		45.9		40.0
Other operating revenue:				
Export incentives		42.2		81.4
Sale of scrap		7.9		4.0
Royalty income		31.4		57.9
Lease rent		41.4		49.7
Net gain on sale of current investment		-		51.6
		7,110.7		11,682.4
20. Other Income				
Interest income on				
Banks deposits		8.9		50.3
Income tax refund		7.6		25.0
Others		17.9		18.4
Insurance claim received		0.2		0.5
Foreign exchange fluctuation gain (net)		-		34.2
Dividend income on :				
Investments in mutual fund		11.9		1.1
Income from sale of mutual fund		1.2		-
Miscellaneous income		40.6		31.6
		88.3		161.1
21. Cost of Raw and Packing Material Consumed				
Raw & packing materials consumed				
Opening stock	2,466.8		2,751.3	
Add : purchases	2,941.5		4,189.8	
	5,408.3		6,941.1	
Less : Closing stock	2,386.4		2,466.8	
	3,021.9		4,474.3	
		3,021.9		4,474.3

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	For the year ended March 31, 2012		For the year ended March 31, 2011	
22. (Increase) / Decrease in Inventories				
Inventories at closing of the year				
Finished goods	658.4		911.2	
Traded goods	93.6		109.6	
Work in progress	190.0	942.0	116.2	1,137.0
Inventories at beginning of the year				
Finished goods	911.2		1,520.6	
Traded goods	109.6		57.9	
Work in progress	116.2	1,137.0	146.5	1,725.0
		195.0		588.0
23. Employee Benefits Expense				
Salary, wages and bonus		1,492.1		1,487.4
Contribution to provident and other funds		41.2		43.4
Workmen and staff welfare expenses		60.3		60.5
Gratuity (Refer note 37)		13.6		16.8
		1,607.2		1,608.1
24. Other Expenses*				
Processing charges		34.4		26.7
Cost of sale of shares		1.8		
Analytical testing & trial charges		51.0		65.9
Consumption of stores and spare		211.1		209.8
Power and fuel		292.6		225.3
Repair and maintenance				
Buildings	38.5		28.1	
Plant and Machinery	54.8		39.0	
Others	63.8	157.1	42.9	110.0
Rent		72.5		72.0
Royalty		18.1		17.1
Directors' sitting fees		0.4		0.4
Printing and stationery		34.1		99.5
Postage and communication		52.2		57.3
Insurance		49.4		43.0
Travelling and conveyance expenses		183.1		165.8
Legal and professional charges		183.9		135.0
Vehicle running and maintenance		36.5		25.0
Payment made to Auditors (Refer note 39)		8.7		8.0
Rates and taxes		21.2		17.8
Donation		2.9		3.1
Subscription		30.8		28.8
Staff training and recruitment		40.2		31.9
Bad debts and advances written off		2.5		-
Provision for doubtful debts & advances		77.7		0.4
Loss on sale/discard of fixed assets (net)		233.6		39.5
Provision for devaluation of tangible assets		48.6		-
Wealth tax		2.1		5.4
Provision for other than temporary diminution in value of investment		156.1		2.4
Foreign exchange fluctuation loss (net)		134.9		-
Advertising and sales promotion		323.4		372.0
Meetings and conferences		107.1		131.4
Freight and cartage		79.1		53.6
Commission on sales (other than sole selling agents) (Including prior period expenses of Rs.47.5 million (Previous year Rs. Nil))		174.0		55.9
Miscellaneous expenses		60.0		47.8
		2,881.1		2,050.8

* For pre-operative expenses refer note no. 30

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

(Rs. in million)

	For the year ended March 31, 2012	For the year ended March 31, 2011
25. Finance Cost		
Interest on borrowings	638.1	472.9
Bank charges	54.5	43.5
Exchange differences to the extent considered as an adjustment to borrowing cost	314.5	39.8
	1,007.1	556.2
26. Earning Per Share		
Calculation of (loss)/ profit for basic and diluted EPS		
Net (loss)/profit for the year	(2,056.6)	1,446.7
Weighted average number of equity shares in calculating basic & diluted earning per share (Refer note 45)	61,250,746	63,242,590
Basic earnings per share (in Rs.)	(32.84)	22.98
Diluted earnings per share (in Rs.)	(32.84)	22.98
Face/Nominal value per share (in Rs.)	1.00	1.00

27. i) Contingent Liabilities (to the extent not provided for)

(Rs. in million)

Particulars	As at March 31 , 2012	As at March 31 , 2011
Disputed demands/ show-cause notices under:-		
a) Income Tax cases	4.8	1.8
b) Customs Duty cases	4.0	4.0
c) Central Excise Duty cases	6.6	6.6
d) Service Tax	9.7	8.3
Total	25.1	20.7
Bank Guarantee	159.9	117.5
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	1.2	1.2

Notes:

a) In respect of income tax demand, the Assessing Officer disallowed certain expenses in respect of A.Y. 2007-08, A.Y. 2008-09 and A.Y. 2009-10 which were computed in accordance with the provisions of Income Tax Act, 1961. The matters are pending with tax and judicial authorities. The Company believes that it has merit in its case, hence no provision is required.

b) In respect of custom duty demand, the Assessing Officer levied custom duty on certain exempted items imported by the Company. The Company has deposited the entire amount of demand under protest and the matter is pending before Hon'ble Customs, Excise and Service Tax Appellate Tribunal. The Company believes that it has merit in its case, hence no provision is required.

c) In respect of central excise duty demand, the Assessing Officer levied excise duty on common inputs used in manufacture of exempted and taxable products. The Company has deposited the entire amount of demand under protest and the matter is pending before the Hon'ble Customs, Excise and Service Tax Appellate Tribunal. The Company believes that it has merit in its case, hence no provision is required.

d) In respect of service tax demand, the Assessing Officer levied service tax on foreign services rendered & delivered outside India by the Company & certain others services on which there was no liability to pay service tax. The Company believes that it has merit in its case, hence no provision is required.

ii) During the year, a search operation was conducted by Income tax department under section 132 of the Income Tax Act, 1961. During the search operation, certain explanations were demanded and few documents were seized by the tax authorities. Further, the Company is in the process of providing details as and when required by the tax authorities and the Company has not received any demanded order related to search operation. The management believes that the transactions of the Company are fully compliant with relevant provisions of the Income Tax Act, 1961. Hence, no provision is required for any tax liability.

iii) Company has received a notice during the year under section 148 of Income Tax Act, 1961 in relation to FY 2004-05. Income Tax Department has issued the notice based on certain grounds related with purchases made by the Company from overseas party. The company's view is that the grounds mentioned in the notice are not sustainable and are contrary to the real facts. Hence, the company has not provided any contingent liability corresponding to the notice.

iv) During the current year, the Company has received a demand notice from Department of Biotechonology [Ministry of Health]. In demand notice department has mentioned the reason that terms of loan arrangement for a project has not been fulfilled by the Company, they have also levied additional interest @ 10% on loan amount , while as per agreement interest is payable @ 2%; the Company has contested the matter with concerned authorities. The Company believes it has complied with all terms and conditions related to this arrangement.

v) Maharashtra State Electricity Distribution Company Ltd. served a demand notice to the company on account of wrong tariff rates applied for the power consumption at research and development center, Navi Mumbai. The Company is contesting the matter with electricity board. However, provision of Rs.10.0 million has been accounted for in the books of accounts in the current year on conservative basis.

28. Capital & other commitments

a) Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided in the books are as follows:

(Rs. in million)

Particulars	As at March 31 , 2012	As at March 31 , 2011
Tangibles Assets	275.7	109.2
Intangible Assets	47.4	50.7
Total	323.1	159.9

b) Other commitments :

i) Export commitments of Rs.2,617.9 million (Previous year Rs.2,033.0 million) under advance licenses and Duty Entitlement Pass Book Schemes.

ii) The Company has received financial assistance in the form of soft loan under various projects from Government authorities. As per the terms of related agreements, the Company also has to incur expenditures in form of company's contribution to the relevant project. Further, the Company has to repay these loans as per terms of respective agreement.

iii) For commitments relating to lease arrangements, refer note 35.

29. Foreign currency convertible bonds

"US$ 50 Million Zero Coupon Convertible Bonds due 2011" amounting to US$ 36.8 million were redeemed in previous financial year at a price equal to 142.8% of the outstanding principal amount on the maturity date (i.e February 14, 2011). The premium on redemption of these bonds amounting to Rs.713.0 million and withholding tax thereon amounting to Rs.84.2 million were adjusted against the Securities premium account.

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

(Rs. in million)

Particulars	Opening balance		Addition during the year ended		Capitalized during the year ended		Closing balance	
	April 1, 2011	April 1, 2010	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Legal & professional	76.1	69.0	15.0	14.0	0.7	6.9	90.4	76.1
Store & Spares Consumed	-	2.1	0.3	0.4	0.3	2.5	0.0	-
Power & Fuel	0.0	0.1	1.1	6.6	-	6.7	1.1	0.0
Rates & Taxes	0.5	0.8	0.7	0.4	0.2	0.7	1.0	0.5
Repair & Maintenance	0.4	0.5	-	-	-	0.1	0.4	0.4
Salary & Wages	26.4	12.0	12.9	14.8	-	0.4	39.3	26.4
Travelling & conveyance	1.6	1.6	2.0	0.2	1.8	0.2	1.8	1.6
Rent	8.1	7.4	1.5	0.7	0.0	-	9.5	8.1
Sundry Expenses	11.3	4.5	26.5	8.7	0.0	1.9	37.8	11.3
Total	124.4	98.0	60.0	45.8	3.0	19.4	181.4	124.4

31. Details of dues to micro & small enterprises as defined under the Micro Small and Medium Enterprises Development Act, 2006 [MSMED Act]

(Rs. in million)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Principal	Interest	Principal	Interest
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	4.2	Nil	3.4	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	6.7	0.1	4.2	0.1
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act.	Nil	Nil	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act.	Nil	Nil	Nil	Nil

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

32. Deferred tax liabilities (net)

(Rs. in million)

The break-up of deferred tax liability	As at March 31 , 2012	As at March 31 , 2011
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per Income Tax Act and books of accounts	640.1	556.0
Deferred revenue expenditure	-	0.1
Capital expenditure on research & development	125.4	280.5
Effect of finance lease accounting	0.7	1.1
Gross deferred tax liabilities	766.2	837.7
Deferred tax assets		
Effect of expenditure debited to statement of profit and loss but allowed for tax purposes on payment basis	94.0	79.5
Effect of unabsorbed business loss and depreciation	464.9	
Gross deferred tax assets	558.9	79.5
Net deferred tax liability	207.3	758.2

33. Related Party Disclosures

A. Names of Related Parties

Names of related parties where control exists irrespective of whether transactions have occurred or not :

(a) Joint Ventures
- Chiron Panacea Vaccines Private Limited
- Cambridge Biostability Limited (liquidated on September 16, 2011)
- Adveta Power Private Limited (w.e.f. July 4, 2011)

(b) Associates
- PanEra Biotec Private Limited

(c) Key Management Personnel
- Mr. Soshil Kumar Jain - Chairman and Whole-time Director
- Mr. Ravinder Jain - Managing Director
- Dr. Rajesh Jain - Joint Managing Director
- Mr. Sandeep Jain - Joint Managing Director
- Mr. Sumit Jain - Whole-time Director

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

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter
Soshil Kumar Jain	-	-	Nirmala Jain	-	-	Ravinder Jain, Rajesh Jain, Sandeep Jain	-
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	-	Sumit Jain, Nipun Jain	Radhika Jain
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	-	Ankesh Jain, Harshet Jain	-
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	-	-	Priyanka Jain
Sumit Jain	Ravinder Jain	Sunanda Jain	-	Nipun Jain	Radhika Jain	-	-

*Names of relatives holding Equity Shares in the Company have only been disclosed

(e) Relatives of Key Management personnel having transactions with the Company:
Mr. Ashwani Jain, Son-in-law of Mr. Soshil Kumar Jain
Mr. Shagun Jain, Son-in-law of Mr. Ravinder Jain
Mrs. Radhika Jain, Daughter of Mr. Ravinder Jain
Mrs. Shilpy Jain, Wife of Mr. Sumit Jain
Mr. Ankesh Jain, Son of Dr. Rajesh Jain

(f) Enterprises over which person(s) having control or significant influence over the Company / Key management personnel(s), along with their relatives, are able to exercise significant influence:
• Neophar Alipro Ltd. • All India S.L. Jain Charitable Foundation • First Lucre Partnership Co.* • Second Lucre Partnership Co.* • Radhika Associates • Sumit Nipun & Co. • Rattan Sons • Tahir & Co. • Soshil Kumar Jain (HUF)* • Ravinder Jain (HUF)* • Rajesh Jain (HUF)* • Sandeep Jain (HUF)*.

*These enterprises are also holding Shares in the Company.

B. Detail of transactions with Associates and Joint Ventures companies: (Rs. in million)

S. No.	Particulars	Associate		Joint Ventures	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
I)	Transaction made during the year				
1	Purchase of raw materials				
	PanEra Biotec Pvt. Ltd.	280.1	771.9	-	-
2	Sale				
	Chiron Panacea Vaccines Private Limited	-	-	152.2	148.1
	PanEra Biotec Pvt. Ltd.	0.3	0.2	-	-
3	Processing /development charges paid				
	PanEra Biotec Pvt. Ltd.	10.7	13.1	-	-
4	Recovery of expenses				
	PanEra Biotec Pvt. Ltd.	35.9	49.5	-	-
5	Rent received				
	PanEra Biotec Pvt. Ltd.	45.2	49.8	-	-
6	Loan/advance received				
	Lakshmi & Manager Holdings Ltd.	-	26.5	-	-
7	Repayment of loan/advance received				
	Lakshmi & Manager Holdings Ltd.	-	26.5	-	-
8	Interest expenses on deposits / loans				
	Lakshmi & Manager Holdings Ltd.	-	1.8	-	-
9	Dividend received				
	Chiron Panacea Vaccines Private Limited	-	-	-	5.7
10	Investments made				
	Adveta Power Private Limited	-	-	0.0	-
II)	Year end balances				
1	Investments				
	Chiron Panacea Vaccines Private Limited	-	-	11.5	11.5
	Cambridge Biostability Ltd.	-	-	-	151.3
	PanEra Biotec Pvt. Ltd.	4.2	4.2	-	-
	Lakshmi & Manager Holdings Ltd.	-	41.3	-	-
	Adveta Power Private Limited	-	-	0.0	-
2	Outstanding loan receivable				
	Cambridge Biostability Ltd.	-	-	-	98.0
3	Interest accrued				
	Cambridge Biostability Ltd.	-	-	-	6.5
4	Provision for doubtful loans				
	Cambridge Biostability Ltd.	-	-	-	104.5
5	Provision for impairment loss				
	Cambridge Biostability Ltd.	-	-	-	151.3
6	Outstanding receivable				
	Chiron Panacea Vaccines Private Limited	-	-	30.7	33.3
7	Outstanding payable				
	PanEra Biotec Pvt. Ltd.	6.5	110.8	-	-

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

C. Detail of transactions with Key Management Personnel, their relatives and enterprises over which Person(s) having control or significant influence over the Company / Key management personnel(s) along with their relatives:

(Rs. in million)

S. No.	Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprises over which Person(s) having control or significant influence over the Company/ Key management personnel(s) along with their relatives	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
I	Transaction made during the year						
1	Remuneration	66.0	173.7	7.8	9.0	-	-
2	Fixed Deposit received						
	First Lucre Partnership Co.	-	-	-	-	122.0	232.0
3	Fixed Deposit repaid						
	First Lucre Partnership Co.	-	-	-	-	205.0	187.0
4	Interest on Deposit						
	First Lucre Partnership Co.	-	-	-	-	35.1	31.3
5	Dividend paid - Equity Shares	-	5.1	-	6.3	-	-
6	Rent received						
	Neophar Alipro Ltd.	-	-	-	-	0.1	0.1
II	Year end balances						
1	Outstanding fixed deposits						
	First Lucre Partnership Co.	-	-	-	-	277.0	360.0
2	Interest Accrued						
	First Lucre Partnership Co.	-	-	-	-	5.6	-
3	Commission payable	110.6	110.6	-	-	-	-

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

(Rs. in million)

Particulars	Transactions during the year				Year end balances	
	Remuneration		Equity Dividend		Commission payable	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Transaction made during the year						
Key Management personnel						
Mr. Soshil Kumar Jain	15.1	41.5	3.8	1.2	38.4	38.4
Mr. Ravinder Jain	20.1	50.1	3.5	1.2	36.4	36.4
Dr. Rajesh Jain	13.0	39.3	4.7	1.4	17.9	17.9
Mr. Sandeep Jain	12.7	39.1	3.6	1.2	17.9	17.9

Note: In respect of personal guarantee given by Promoters-Directors refer Note 6 - Long term borrowings and 8 - Short term borrowings.

34. Derivative Instruments and Hedged/Unhedged Foreign Currency Exposure

(i) Forward contract outstanding as at Balance Sheet date

Sell Nil

Buy Nil

(ii) Particulars of Hedged Foreign Currency Exposure as at Balance Sheet date

Particulars	Currency	As at March 31, 2012 Foreign Currency	Closing Exchange Rate*	As at March 31, 2012 Rs. in million	As at March 31, 2011 Foreign Currency	Closing Exchange Rate*	As at March 31, 2011 Rs. in million	Purpose
Buyers' credit	USD	-	-	-	7,152,588	45.22	323.4	To hedge future import payments
Interest accrued but not due	USD	-	-	-	45,072	45.18	2.0	

(iii) Particulars of Unhedged Foreign Currency Exposure as at Balance Sheet date

Particulars	Currency	As at March 31, 2012 Foreign Currency	Closing Exchange Rate*	As at March 31, 2012 Rs. in million	As at March 31, 2011 Foreign Currency	Closing Exchange Rate*	As at March 31, 2011 Rs. in million
Import Creditors	USD	631,686	50.88	32.1	3,796,749	44.60	169.3
	Euro	5,258,143	67.92	357.1	80,491	63.43	5.1
	CHF	26,971	56.37	1.5	(1,404)	48.79	(0.1)
	GBP	9,543	81.55	0.8	4,231	71.71	0.3
	JPY/100	575,680	62.08	0.4	35,800	53.85	0.0
	SEK	16,820	7.73	0.1	16,820	7.15	0.1
	CAD	3,410	51.05	0.2	11,451	46.05	0.5
	AUD	-	-	-	(6,140)	46.18	(0.3)
	AED	-	-	-	(10,000)	12.18	(0.1)
	SGD	-	-	-	(4,000)	35.43	(0.1)
Export Debtors	Euro	4,398,250	67.89	298.6	2,166,248	63.39	137.3
	USD	1,737,041	50.87	88.4	16,996,336	44.59	757.9
Foreign Currency Loans	USD	110,594,390	50.88	5,627.0	98,314,250	44.60	4,384.8
	Euro	1,806,122	67.92	122.7	4,576,500	63.43	290.3
Foreign currency loan to related party	USD	174,860	50.88	8.9	-	-	-
Balance with banks	USD	1,151,813	50.87	58.6	6,296,738	44.59	280.8
	Euro	599,376	67.89	40.7	513,655	63.39	32.6
Interest accrued & due on Term Loan	USD	416,937	50.88	21.2	428,528	44.60	19.1
Interest accrued but not due on Buyer's Credit	USD	181,421	50.88	9.2	47,359	44.60	2.1
	Euro	12,993	67.92	0.9	14,584	63.43	0.9

* Closing Exchange rate has been rounded off to two decimal places

35. Segmental Information

A. Information about Primary Segments (Rs. in million)

Particulars	Vaccines		Formulations		Research & Development		Healthcare		Real Estate		Total	
	For the year ended		For the year ended		For the year ended		For the year ended		For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Revenue												
Segment Revenue	3,693.2	8,461.9	3,284.8	2,972.3	-	-	-	-	-		6,978.0	11,434.2
Other Income	11.2	46.4	31.0	35.0	-	-	-	-	-		42.2	81.4
Total	3,704.4	8,508.3	3,315.8	3,007.3	-	-	-	-	-		7,020.2	11,515.6
Segment Result	94.5	2,960.5	615.2	571.1	(1,041.4)	(753.1)	(0.2)	(0.1)	(54.6)	(11.1)	(386.5)	2,767.3
Unallocated Corporate Expenses											1,328.6	1040.8
Operating Profit											(1,715.1)	1,726.5
Less: Interest & Finance charges											1,007.1	472.9
Add: Other Income											169.0	290.1
Less: Income Taxes											(541.9)	218.9
Net (Loss)/Profit											(2,011.3)	1,324.8
	As at		As at		As at		As at		As at		As at	
Particulars	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Other Information												
Segment assets	7,705.3	6,162.2	3,373.2	2,044.0	2,407.7	2,169.9	322.9	286.7	2,562.6	2,007.0	16,371.7	12,669.8
Unallocated corporate assets											3,126.1	4,668.4
Total assets	7,705.3	6,162.2	3,373.2	2,044.0	2,407.7	2,169.9	322.9	286.7	2,562.6	2,007.0	19,497.8	17,338.2
Segmental liabilities	64.9	427.8	534.8	279.9	38.1	45.1	111.3	0.2	139.0	137.9	888.1	890.9
Unallocated corporate liabilities											9,813.0	9,958.9
Total liabilities	64.9	427.8	534.8	279.9	38.1	45.1	111.3	0.2	139.0	137.9	10,701.1	10,849.8
	For the year ended		For the year ended		For the year ended		For the year ended		For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Capital Expenditure on:												
Tangible assets	1962.2	381.9	1516.3	206.0	617.7	110.6	0.5	197.9	552.7	1.4	4,649.4	897.8
Intangible assets	0.6	-	0.1	-	114.0	144.5	-	-	-	-	114.7	144.5
Depreciation expense	389.7	401.2	192.3	100.8	169.8	139.6	0.5	9.0	9.9	4.6	762.2	655.2
Amortization expense	0.1		1.8	0.0	26.9	18.9	0.0	-	0.0	0.0	28.8	18.9

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

B Information about Secondary Segments

a) Revenue as per geographical markets

(Rs. in million)

Segment	Domestic*		Overseas	
	For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Vaccines	1,090.2	3,059.1	2,603.0	5,402.8
Formulations	2,390.8	2,270.7	894.0	701.6
Total	3,481.0	5,329.8	3,497.0	6,104.4

* Domestic revenue includes revenue from deemed exports of Rs.38.5 million (Previous year Rs.1,098.5 million).

b) Sundry debtors as per geographical markets

(Rs. in million)

Segment	Domestic		Overseas	
	As at		As at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Vaccines	92.8	1,730.5	16.4	239.0
Formulations	132.3	154.0	404.8	635.7
Real Estate	37.5	-	-	-
Health Care	0.0	-	-	-
Total	262.6	1,884.5	421.2	874.7

c) The Company has common fixed assets for producing goods for domestic market and overseas markets. Hence, separate figures for segment assets/additions to segment assets cannot be furnished.

36. Leases

i. For assets given under operating lease agreements:

a) The Company has leased out the assets situated at Lalru, Punjab on operating lease to its Associate, PanEra Biotec Private Limited

(Rs. in million)

Particulars	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
	As at		As at		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Building	249.4	228.9	77.1	57.2	17.9	17.9
Furniture and fixture	22.6	21.9	12.2	9.7	2.5	2.7
Office equipment	5.2	3.1	1.8	1.4	0.4	0.4
Plant & machinery	1,759.6	1,734.8	687.1	519.3	170.6	193.4
Computer equipment	5.8	4.8	4.1	3.2	1.0	1.1
Total	2,042.6	1,993.5	782.3	590.8	192.4	215.5

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

(Rs. in million)

Particulars	As at March 31, 2012*	As at March 31, 2011*
a) Receivable within 1 year	264.6	264.6
b) Later than 1 year but not later than 5 years	264.6	135.2
c) Later than 5 years	-	-

* The Lease term for the assets given on lease vide Agreement for providing Manufacturing Facility, Utilities and Services of Employees with PanEra Biotec Pvt. Ltd. As per the said Agreement, during the period of usage, if any facility is used for manufacture of the Company's Vaccines other than those mentioned therein or the facility remains idle due to insufficiency of orders from the Company, no lease rental shall be payable by PanEra Biotec Pvt. Ltd. for that relevant period.

ii. For assets taken on Lease

a) The Company has taken various residential, office and godown premises under operating lease agreements. These are generally not non-cancelable and are renewable by mutual consent on mutually agreed terms. There is no sublease payments expected to be received under non-cancellable subleases at the balance sheet date and no restriction is imposed by lease arrangements.

b) Lease payments for the year are Rs. 72.5 million (Previous year Rs.72.0 million).

c) Total of future minimum lease payments under non-cancelable operating leases.

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
a) Payable within 1 year	12.7	11.3
b) Later than 1 year but not later than 5 years	20.3	39.8
c) Later than 5 years	47.7	3.7

d) The Company has purchased software licenses on finance lease. The lease term is for 3 years after which the legal title is passed on to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

e) Total of future minimum lease payments under non-cancelable finance leases:

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Total minimum lease payments at the year end	21.5	41.0
Less : amount representing finance charges	2.5	6.2
Present value of minimum lease payments (Rate of interest: 11.75%.per annum)	19.0	34.8
Lease payments for the year	19.9	20.5
Contingent rent recognized in profit and loss statement	-	-
Minimum Lease Payments :		
Not later than one year (Present value Rs.19.0 (previous year Rs.18.4 million))	21.5	20.5
Later than one year but not later than five years (Present value Rs. Nil (previous year Rs.16.4 million))	-	20.5
Later than five years (Present value Rs. Nil (previous year Rs. Nil million))	-	-

37. a) Details of Company's share in Joint Venture included in the Consolidated Financial Statements are as follows:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	(%) Holding as on March 31, 2012	(%) Holding as on March 31, 2011
1.	Chiron Panacea Vaccines Private Limited	Joint venture	India	50	50
2.	Adveta Power Private Limited	Joint venture	India	50	-
3.	Cambridge Biostability Limited*	Joint venture	UK	-	10

* Cambridge Biostability Limited, UK has not been considered while giving the disclosures relating to joint ventures as the investee company has been liquidated in the current year.

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

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Current assets	97.5	93.7
Non-current assets	32.5	39.9
Current liabilities	43.6	47.3
Non-current liabilities	1.6	2.8

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue	272.9	284.6
Cost of goods sold	166.9	171.5
Depreciation and amortization expense	0.6	0.9
Employee benefits expense	43.9	44.0
Other expenses	59.0	52.1

c) The Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided in the books of companies' with which the Company has a Joint venture, are as follows:

Name of Company	March 31, 2012	March 31, 2011
Chiron Panacea Vaccines Private Limited	-	-
Total	-	-

Estimated amount of contracts remaining to be executed, net of advances and not provided in the books of companies' with which the Company has a Joint venture, are as follows:

Particulars	March 31 , 2012	March 31 , 2011
Commitments to purchase goods	167.6	20.5
Total	167.6	20.5

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

d) During the financial year 2009-10, Company's erstwhile Joint Venture Cambridge Biostability Ltd. (CBL) had initiated steps to place it into creditors' voluntary liquidation. Due to the financial position of erstwhile Joint Venture Company, the Company considered its investment, loan given and other receivables as doubtful for recovery. The necessary provisions in respect of recoverable balances were already provided for in books of accounts in earlier years. During the current year, CBL was dissolved and the Company received an amount of Rs.1.0 million as final settlement against its recoverable balances. Hence balances in respect of investment value, loan given and other receivables have accordingly been adjusted against their respective provisions made in earlier years.

e) Contingent liabilities (to the extent not provided for) - Nil (Previous year Nil).

38. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to maximum of Rs.1.0 million (except in case of Managing/ Joint Managing/ Whole time Directors). The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense for gratuity (recognized in Employee Cost)

(Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Current service cost	15.6	15.7
Past service cost	-	9.4
Interest cost on benefit obligation	11.2	8.9
Expected return on plan assets	(7.9)	(5.8)
Net actuarial (gain)/loss recognized in the year on account of return on plan assets	(5.3)	(11.4)
Net benefit expense	13.6	16.8
Actual return on plan assets	(3.6)	(6.6)

Balance sheet

Details of provision for gratuity

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Defined benefit obligation	138.8	129.2
Fair value of plan assets	102.1	85.6
Net obligation	36.7	43.6
Less: Unrecognized past service cost	-	-
Plan asset / (liability)	(36.7)	(43.6)

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

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Opening defined benefit obligation	128.8	111.2
Interest cost	11.2	8.9
Past service cost	-	9.5
Current service cost	15.6	15.6
Benefits paid	(7.5)	(5.8)
Actuarial (Gain)/losses on obligation	(9.3)	(10.3)
Closing defined benefit obligation	138.8	129.2

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

(Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011
Opening fair value of plan assets	85.5	62.8
Expected return	7.9	5.8
Contributions by employer	20.2	21.8
Benefits paid	(7.5)	(5.8)
Actuarial Gain /(losses)	(4.1)	1.0
Closing fair value of plan assets	102.1	85.6

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

Particulars	As at March 31, 2012	As at March 31, 2011
	%	%
Investments with insurer	100	100

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

The principal assumptions used in determining gratuity for the Company's plans are shown below

Particulars	As at March 31, 2012 (%)	As at March 31, 2011 (%)
Discount rate	8.40 to 8.70	8.00
Expected rate of return on plan assets	7.5 to 9.30	7.50 to 9.25
Increase in compensation cost	5.00 to 11.00	5.00 to 12.00
Employee turnover:		
upto 30 years	10 to 27	10 to 30
above 30 years but upto 44 years	5	5
above 44 years	1	1

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

Gratuity amount for the current and previous four periods are as follows*: (Rs. in million)

Particulars	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
Defined benefit obligation	138.8	129.2	111.1	100.7	87.9
Plan assets	102.1	85.6	62.3	43.6	30.0
Deficit	36.7	43.6	48.8	57.1	57.9
Experience adjustments on plan liabilities-(Gain)/Loss	(9.3)	(10.2)	(7.7)	(3.3)	(0.2)
Experience adjustments on plan assets-(Gain)/Loss	4.1	(1.0)	(0.9)	(0.7)	(0.2)

(Rs. in million)

Defined Contribution Plan:	As at March 31, 2012	As at March 31, 2011
Contribution to provident fund & other funds charged to statement of profit and loss	41.2	41.3

The Company expects to contribute Rs.16.0 million to gratuity fund in the next financial year.

39. Auditors' remuneration:

Particulars	For the year ended March 31, 2012			For the year ended March 31, 2011		
	Parent Company	Subsidiaries	Joint Ventures	Parent Company	Subsidiaries	Joint Venture
As auditor						
- Audit fee	3.6	1.5	0.6	3.6	0.9	0.5
- Limited reviews fee	2.0	-	-	2.0	-	-
In other capacity						
- Management services	0.2	0.1	-	0.3	0.0	-
- Certification services	0.4	-	-	0.4	0.0	-
Reimbursement of expenses	0.3	-	0.0	0.3	0.0	0.0
Total	6.5	1.6	0.6	6.6	0.9	0.5
Tax Auditor*	0.2	-	0.1	0.2	0.0	0.1
Cost Auditor*	0.1	-	-	0.0	0.0	-

Notes to Consolidated Financial Statements For the Year ended March 31, 2012

40. The Company has incurred expenditure on Pre-clinical development studies which are under progress amounting to Rs.68.9 million during the year and Rs.186.5 million as at March 31, 2012. This expenditure mainly relates to studies carried out by Clinical Research Organization (CRO) towards obtaining registration of Company's products outside and within India. The expenditure incurred has been carried in intangible assets under development. Management believes that it is in the nature of development expenditure and meets the capitalization criteria set out in Accounting Standard 26 on Intangible Assets notified by the Companies (Accounting Standards) Rules, 2006 (as amended) due to the following reasons:

- The expenditure is not towards basic research and therefore no new chemical entity comes into being. This expenditure primarily relates to the developmental work performed through external agencies (CROs). Safety profile of the basic molecule is well established in India and certain other countries. These products are being marketed successfully in such countries under different brand names.

- There is no experience to suggest that the studies conducted by CROs on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in countries where the Company intends to market these products.

  The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities of respective countries.

41. The Company has paid managerial remuneration of Rs.66.0 million during the year. The amount paid as managerial remuneration has exceeded the limits prescribed under Section 198 and 309 read with Part II of Schedule XIII to the Companies, Act, 1956 by Rs.42.0 million due to unexpected losses during the current year. The Company has initiated steps to obtain approval from Central Government for the excess remuneration paid.

42. During the year, following a routine site audit, World Health Origination (WHO) has delisted the Company's DTP-based combination and monovalent hepatitis B vaccines from its list of pre-qualified vaccines on account of deficiencies in quality management system. However, the issue is not about the quality, safety or efficiency of the products. The Company has initiated corrective and preventive measures to ensure compliance with the WHO pre-qualification guidelines and is in touch with WHO in this respect.

Further, in the light of series of changes made to the manufacturing facility at Okhla, New Delhi and WHO assessment during site audit, the Company has voluntarily withdrawn its oral polio vaccines (OPV) from WHO's list of prequalified vaccines as further corrective actions were required to be implemented. Again WHO has confirmed that OPV manufactured prior to site audit in September, 2011 and supplied through UN agencies can continue to be used as monitoring and testing of these lot confirm compliance quality specifications. As a part of continued commitment to Global Polio Eradication Initiative (GPEI), the Company is exploring various alternatives, including identification of alternate facilities and/or putting up a new facility at its existing plant at Baddi, Himanchal Pradesh.

For the above products, Company has a stock of Rs.1,526.7 million and Rs.363.0 million of raw material and finished goods respectively as at March 31, 2012. Fixed assets relating to above products cannot be quantified separately. Company is confident that with these corrective & preventive measures, it will be able to get re-listing of above said vaccines in the list of WHO pre-qualified vaccines in due course and these stocks would be utilized/sold accordingly. Pending outcome of above measures, no adjustment has been made to the financial statements.

During the year, the Company has incurred net losses of Rs.2,077.9 million mainly because of delisting of its vaccine products from list of pre-qualified vaccines manufacturers. However, the Company's cash flow projections show that credit facilities from banks and internal accruals would be sufficient to meet the working capital and other liquidity requirements associated with the existing operations.

43. During the year, the Company has exercised the option as per the Companies (Accounting Standards) (Second Amendment) Rules, 2011. As per the option exchange differences related to long term foreign currency monetary items so far as they relate to the acquisition of depreciable capital assets are capitalized or de-capitalized from cost of assets and depreciated over the useful life of the assets. In other cases, such exchange differences can be accumulated in a "Foreign currency monetary item translation difference account" and amortized over the balance period of such long term assets/ liabilities. Accordingly, exchange differences of Rs.245.3 million have been capitalized during the year and unamortized balance of "Foreign currency monetary item translation difference account" is Rs.20.5 million as on March 31, 2012.

44. The Company has appointed independent consultants for conducting a Transfer pricing study to determine whether the transactions with associated enterprises were undertaken at "Arm's length basis". The Transfer Pricing Study under the Income Tax Act, 1961 in respect of transactions with the group companies for the current year is not yet complete and would be completed before the filing of tax return for the relevant assessment year. Adjustments, if any, arising out of the aforesaid will be recorded in the next year. The management confirms that all international transactions with associated enterprises are undertaken at negotiated contracted prices on usual commercial terms.

45. During the previous year, the Company carried out buy back of 5,592,000 equity shares of face value of Re.1 each at an average price of Rs.196.39 per share, from the open markets through Stock Exchanges. The Company accordingly transferred Rs.5.5 million to Capital redemption reserve from Securities premium account and also utilized an amount of Rs.1,092.8 million from Securities Premium Account towards the premium paid on the buy back of equity shares. Consequent to the buy back the proposed dividend and dividend distribution tax thereon pertaining to the financial year 2009-10 amounting to Rs.1.1 million and Rs.0.2 million respectively were written back during the previous financial year.

The shares so bought back were considered to determine weighted average number of equity shares for the purpose of computing diluted EPS of the previous year.

46. In earlier years, the Company's erstwhile wholly owned subsidiary viz. Panacea Biotec Inc. and erstwhile joint venture viz. Cambridge Biostability Ltd. went into liquidation. Due to the financial position of both companies, the Company already considered its investment, loan given and other receivables as doubtful for recovery in earlier years and the necessary provisions in respect of recoverable balances were also provided for in the books of accounts. During the current year, the Company has received an amount of Rs.2.0 million as final settlement against its recoverable balances from these companies. Therefore, balances in respect of investment value, loan given and other receivables have accordingly been adjusted against their respective provisions made in earlier years.

47. 0.0 under "Rs. in million" represents amount less than Rs. 50,000 and 0.0 under units represents units less than 50,000.

48. Till the year ended March 31, 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our attached report of even date

S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

Ravinder Jain
Managing Director
(DIN 00010101)

Dr. Rajesh Jain
Joint Managing Director
(DIN 00013053)

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

Partha Sarathi De
Chief Financial Officer and
Head of IT & BPR

Vinod Goel
G.M. Legal & Company Secretary

Panacea Biotec
Innovation in support of life

Consolidated Cash Flow Statement

Annexed to the Balance Sheet for the Year ended March 31, 2012

(Rs. in million)

	For the year ended March 31, 2012		For the year ended March 31, 2011	
Cash Flow from Operating Activities:				
(Loss)/Profit after tax for the year		(2,553.2)		1,543.7
Non-cash adjustment to reconcile profit before tax to net cash flows				
Depreciation and amortisation expense	771.3		745.3	
Provision for doubtful debts & advances	77.7		0.4	
Bad debts and advances written off	2.5		-	
Provision for other than temporary diminution in value of investment	156.1		2.4	
Loss on sale/discard of fixed assets (net)	233.6		11.6	
Unrealized foreign exchange loss/(gain) (net)	393.6		(369.6)	
Amortised exchange differences charge/(credit)	(245.2)		27.8	
Provision for devaluation of tangible assets	48.7		-	
Deferred revenue expenditure written off during the year	-		1.7	
Liabilities/ provisions no longer required written back	(25.4)		(25.6)	
Interest expense	638.1		472.9	
Wealth tax	2.1		5.4	
Interest income	(34.4)		(93.7)	
Dividend income	(11.9)		(1.1)	
Income form sale of current investments	(1.2)		(60.5)	
		2,005.6		717.0
Operating profit before working capital changes		(547.6)		2,260.7
Movements in working capital				
Increase in other non current liabilities	138.4		69.2	
(Decrease)/Increase in long-term provisions	(9.2)		0.8	
Increase in short-term provisions	18.6		-	
Increase/(Decrease) in trade payables	268.0		(501.1)	
Increase in other current liabilities	385.8		145.3	
(Increase) /Decrease in long-term loans and advances	(451.7)		20.8	
Decrease/(Increase) in trade receivables-Current	2,028.8		(1,683.0)	
Decrease in short-term loans and advances	238.0		249.2	
Decrease in inventories	253.7		470.5	
Decrease/(Increase) in other current assets	23.0		(44.7)	
(Increase)/Decrease in current investments	(15.1)		-	
		2,878.3		(1,273.0)
Cash generated from/ (used in) operations		2,330.7		987.7
Direct taxes paid (net of refunds)		49.8		207.4
Net cash flow from/ (used in) operating activities (A)		2,280.9		780.3
Cash flow from investing activities				
Purchase of fixed assets	(1,344.8)		(743.2)	
Proceeds from bank deposits having original maturity of more than three months	11.1		74.6	
Investments in bank deposits having original maturity of more than three months	-		(79.8)	
Proceeds from sale of fixed assets	2.6		409.9	
Interest received	32.3		94.7	
Dividends received	11.9		1.1	
Proceeds from sale of non-current investments	47.8		363.0	
Net cash flow from/ (used in) investing activities (B)		(1,239.1)		120.3
Cash flow from financing activities		1,041.8		900.6
Buy back of shares	-		(1,098.3)	
Repayment of short-term borrowings	(1,197.3)		1,162.0	
Proceeds from long-term borrowings	1,618.6		1,995.7	
Repayment of long term borrowings	(971.0)		(2,449.7)	
Repayment of finance lease rental	(15.8)		(20.5)	
Proceeds from deposits from public	474.8		234.6	
Repayment of deposits from public	(560.6)		(188.8)	
Interest paid	(631.6)		(467.0)	
Dividend paid on equity shares	(45.9)		(15.6)	
Tax on equity dividend paid	(7.5)		(4.5)	
Net cash flow from/(used in) financing activities (C)		(1,336.3)		(852.1)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(294.5)		48.5
Net Increase/(Decrease) in Cash and Cash equivalent		(294.5)		48.5
Effect of exchange differences on cash and cash equivalents held in foreign currency		3.6		(1.7)
Cash and cash equivalents at the beginning of the year		442.6		395.8
Cash and cash equivalents at the end of the year		151.6		442.6
Components of cash and cash equivalents				
Cash Balance on Hand		24.9		7.5
Balances with scheduled banks :				
a) on Current accounts		26.2		120.5
b) on Unpaid dividend accounts*		1.2		1.3
c) on Exchange earner foreign currency current accounts		99.3		313.3
Total cash & cash equivalents (note 16)		151.6		442.6

* The company can utilize these balances only toward settlement of the respective unpaid dividend liabilities.

As per our report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : May 18, 2012

For and on behalf of the Board

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Managing Director
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Innovation Key to Ride Vaccine Boom'
Biotech sector grows fastest
5 years, revenues touch $4
Panacea to raise anti-cancer output
polio vaccine helps
reduce number of cases by 94%
BioSpectrum
HOT SEGMENT
BIOLOGICS
A Special Report
पैनेसिया बायोटेक द्वारा अत्याधुनिक ऑन्कोलॉजी सुविधा की शुरुआत
Biotech firms offer low-cost vaccines to health NGO GAVI
Panacea to cut price of Hepatitis B drug
Panacea sets up cancer drug-making unit in Himachal
Biotech industry
21.5 per cent in
Panacea Biotec to invest Rs 50 cr on anti-cancer facility
Panacea Biotec inaugurates state of art oncology production unit
Panacea sets up cancer drug-making unit in Himachal
Panacea to invest Rs 50 cr in anti-cancer unit

Panacea Biotec

Innovation in support of life

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