

**Annual Report  
1997 - 98**



**Panacea  
Biotec**

***In Support of Life***

## ENGINEERING SUCCESS

(In Rs. lacs)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Equity Share Capital - Paid Up	90.71	272.13	535.64	570.43	570.78
Reserves and Surplus	460.97	350.59	1991.02	2911.09	3619.44
Net Fixed Assets	279.80	355.64	901.91	1511.89	2574.58
Loan Funds					
Short Term	586.34	601.20	720.31	859.41	2328.50
Long Term	50.92	104.14	185.99	189.81	992.74
Total	637.26	705.34	906.30	1049.22	3321.24
Current Assets	1100.60	1494.37	2951.44	3574.07	5832.19
Current Liabilities	821.87	1223.29	1420.34	1813.49	3525.32
<b>Sales</b>	<b>3123.44</b>	<b>4361.73</b>	<b>6041.82</b>	<b>9166.06</b>	<b>9237.78</b>
Total Income	3125.86	4363.76	6050.81	9193.02	9251.80
Cost of Production	2564.21	3532.08	4810.86	6961.18	6240.30
Gross Profit	561.65	831.68	1239.94	2231.84	3011.50
<b>Profit Before Depreciation, Interest &amp; Tax % of Sales</b>	<b>252.27 8.08%</b>	<b>385.06 8.83%</b>	<b>628.66 10.41%</b>	<b>1289.57 14.07%</b>	<b>1424.14 15.41%</b>
Financial Expenses	95.22	159.22	116.27	219.91	307.87
Depreciation	30.72	43.07	59.67	153.58	162.01
Profit Before Tax	126.33	182.77	452.72	916.08	954.26
Provision for Tax	40.00	55.00	0.00	102.00	75.00
<b>Profit After Tax % of Sales</b>	<b>86.33 2.76%</b>	<b>127.77 2.93%</b>	<b>452.72 7.49%</b>	<b>814.08 8.88%</b>	<b>879.26 9.51%</b>
Cash Accruals	131.84	204.89	566.76	1009.88	1089.24
Dividend (Value)	10.88	24.95	54.78	113.92	114.20
<b>Net Worth</b>	<b>551.68</b>	<b>622.72</b>	<b>2526.66</b>	<b>3481.52</b>	<b>4190.22</b>
Book Value (Rs.)	60.82	22.88	47.17	61.03	73.41
Earning Per Share (Rs.)	9.52	4.70	8.45	14.27	15.40
Current Ratio	1.34	1.22	2.08	1.97	1.65
Debt Equity Ratio	9.23%	16.72%	7.36%	5.45%	23.69%
Return on Net Worth	15.65%	20.52%	17.92%	23.38%	20.98%



# Panacea Biotec Limited

ANNUAL REPORT 1997 - 98

## BOARD OF DIRECTORS

Sh. Soshil Kumar Jain	<i>Chairman</i>
Sh. Ravinder Jain	<i>Managing Director</i>
Sh. Rajesh Jain	<i>Director - Marketing &amp; 'R &amp; D'</i>
Sh. Sandeep Jain	<i>Director - Exports</i>
Sh. Jai Bhushan Jain	<i>Director - Finance</i>
Sh. Ashwani Jain	<i>Director - Production &amp; Projects</i>
Sh. Gurmeet Singh	<i>Director - Sales</i>

## AUDITORS

M/s Sudhir Sunil & Co.  
Chartered Accountants

## BANKERS

Punjab National Bank  
ANZ Grindlays Bank  
Canara Bank  
IDBI Bank Ltd.  
State Bank of India

## FINANCIAL INSTITUTIONS

Industrial Development Bank of India  
Life Insurance Corporation of India

## REGISTERED OFFICE

- 102 Ashok Plaza, 24 School Lane, New Delhi 110 001

## CORPORATE & SECRETARIAL OFFICE

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

## R & D UNITS

- B 1 / E 12, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi 110 044  
- Lalru, Sub-tehsil Derra Bassi, Ambala-Chandigarh National Highway, Punjab

## WORKS

- B 1 / E 12, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi 110 044  
- A 241/242, Okhla Industrial Area, Phase I, New Delhi 110 020  
- Lalru, Sub-tehsil Derra Bassi, Ambala-Chandigarh National Highway, Punjab

## DIRECTORS' REPORT

Dear Members,

It is my pleasure to place, on behalf of the Board, the Fourteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1998 and Auditors' Report thereon.

### INTO THE NEW MILLENIUM - HEALTH FOR ALL

The desire for a healthier and better world in which to live our lives and raise our children is common to all people and all generations. Now, as we near the end of one century and enter the next, our past achievements and technological advances make us more optimistic about our future than perhaps at any stage in recent history.

It is no mean achievement that in spite of being a fledgling economy, the life expectancy of an average Indian has gone up by more than 50 per cent in the last 50 years. Looking at the next 50 years, there is need to recognise that increased longevity without quality of life is an empty prize - that *health* expectancy is more important than *life* expectancy. We must learn one of life's most important lessons: not just how to live longer, but also how to stay longer in good health with less disability, and therefore, less dependence on others.

A review of health trends in the past 50 years indicate that overall, remarkable improvements in health have been due to socioeconomic development, the wider provision of safe water, sanitation facilities and personal hygiene, and the establishment and expansion of national health services.

Major infectious diseases, such as poliomyelitis and leprosy are steadily being defeated. There have been spectacular advances in the development of vaccines and medicines, and countless other innovations in the investigation, diagnosis and treatment of illness, in the reduction of disability and in rehabilitation.

### LOOKING FORWARD TO HEALTH

Tragically, however, while average life expectancy has been increasing throughout the 20th century, 3 out of 4 people in the least developed areas of the country today are dying before the age of 50 - the life expectancy figure in the Country of half a century ago. This year, 5 million deaths - 2 out of every 5 people in India - will be among the under-50s, including 2 million small children who will never see their fifth birthday, though most children are now immunized against major childhood killers. Over 1 million will be men and women in what should be some of the best and most productive years of their lives. Reducing these premature deaths is one of the greatest challenges facing this country of almost a billion people at the dawn of the 21st century.

### IMMUNIZATION : GOING THE NEXT EXTRA MILE

*Immunization is the greatest public health success story in history. Between 1970 and 1998, a massive effort raised coverage rates countrywide from 5 per cent to 90 per cent. But just as a new generation of vaccines is about to come on the market — capable of saving millions more children's lives each year, but at much greater cost — the momentum to sustain immunization is faltering.*

Deaths from six diseases (measles, tetanus, whooping cough, tuberculosis, polio and diphtheria) have been slashed by at least a million a year, and at least 5,00,000 fewer children are left blind, paralysed or mentally disabled. Thanks to a triumphant eradication campaign, of which Panacea Biotec is proud to have been actively associated for more than a decade now, polio is expected to follow smallpox into extinction — saving millions in treatment and rehabilitation costs every year.

By any standard, the immunization effort is the greatest public health story in history. And immunization is also a bargain, with a price tag of just about Rs. 200 per child for the six original vaccines plus the expenses of delivery to some of the least accessible places. The impact of these modest investments on the lives of children and their parents is momentous.

The future holds even greater promise. A new generation of vaccines, about to make entrance, hold amazing potential: vaccines against increasing numbers of diseases; one-shot vaccines that eliminate the need for booster shots; vaccines aimed at ever-younger infants, to protect them at a vulnerable age; and even vaccines that are simply spread on the skin.

Fourteen new or improved vaccines have entered the market since 1980, and dozens more are in the pipeline. They will prevent some of the most pernicious killers of children, such as diarrhoeal diseases and acute respiratory infections. Experts predict that, by early in the next millennium, these antigens could be saving the lives of up to 8 million children each year worldwide.

The basic vaccines already available to combat the 'big six' diseases could save up to half a million children still dying from vaccine-preventable disease every year — *if every child were reached in the Country.*

And there's the catch. Despite the low cost of the existing immunization package, many of the poorest children, those most vulnerable to diseases, are already falling through the vaccine net.

To safeguard the health and well-being of children, two things need to happen. First, those children not receiving the existing low-cost vaccines must be reached. Second, we must take steps now to ensure that these children are not bypassed by the wonders of the next generation of vaccines, which will cost many times more than those now in use.

### HEALTH AGENDA FOR THE 21ST CENTURY

Its almost two decades that the national planners decided that the main social target of government should be the attainment by all the people of the country by the year 2000 of a level of health that would permit them to lead a socially and economically productive life. In other words, as a minimum, all people in all parts of the country should have at least such a level of health that they are capable of working productively and of participating actively in the social life of the community in which they live. The period since then has seen



significant improvements both in health status and in access to health care.

However, although, all political parties in the country have endorsed at the highest levels the necessary policies and strategies, the much needed strong political commitment towards achieving the health-for-all goals is woefully lacking. Existing health services need to be urgently reoriented to a health system based on primary health care, taking into account the role of the individual, the family, the community and local non-governmental organizations, as well as health personnel. Substantial attention needs to be given to the health of women and their role in development.

Policies directed at improving health and ensuring equity are the keys to economic growth and poverty reduction.

Safeguarding the gains already achieved in health depends largely on sharing health and medical knowledge, expertise and experience between the private and the public sector. The private sector can play a vital part in helping solve health problems. Global surveillance for the detection of and response to emerging infectious diseases is essential. As a result of increased global trade and travel, the prevention of foodborne infections in particular is of increasing importance. Wars, conflicts, refugee movements and environmental degradation also facilitate the spread of infections as well as being health hazards in themselves.

**Enhancing health potential** in the future depends on preventing and reducing premature mortality, morbidity and disability. It involves enabling people of all ages to achieve over time their maximum potential, intellectually and physically through education, the development of life skills and healthy lifestyles.

#### **INVESTING IN HEALTH - A STRATEGY FOR INDIA**

##### ***Foster an environment that enables households to improve health.***

Household decisions shape health, but these decisions are constrained by the income and education of household members. In addition to promoting overall economic growth. Government can help to improve those decisions if it will :

- Pursue economic growth policies that will benefit the poor (including, where necessary, adjustment policies that preserve cost-effective health expenditures).
- Expend investment in schooling, particularly for girls. Promote the rights and status of women through political and economic empowerment and legal protection against abuse.

##### ***Improve government spending on health***

The challenge for the Government is to concentrate resources on compensating for market failures and efficiently financing services that will particularly benefit the poor. A few adoptive directions and policy responses to this challenge are :

- Reduce Government expenditures on tertiary facilities, specialist training, and intervention that provide little health gain for the money spent.
- Finance and implement a package of public health intervention to deal with the substantial externalities surrounding infectious disease control, prevention of AIDS, environmental pollution, and behaviours (such as drunk driving) that put others at risk.
- Finance and ensure delivery of a package of essential clinical services. The comprehensiveness and composition of such a package can only be defined by each state and district, taking into account epidemiological conditions, local preferences, and income.
- Improve management of Government health services through such measures as decentralisation of administrative and budgetary authority and contracting out of services.

##### ***Promote diversity and competition***

Government finance of public health and of a nationally defined package of essential clinical services would leave the remaining clinical services to be financed privately. Government can promote diversity and competition in provision of health services and insurance by adopting policies that :

- Encourage social or private insurance (with regulatory incentives for equitable access and cost containment ) for clinical services outside the essential package.
- Encourage suppliers (both public and private) to compete both to deliver clinical services and to provide inputs, such as drugs, to publicly and privately financed health services. Domestic suppliers need not be protected from international competition.
- Generate and disseminate information on provider performance, on essential equipment and drugs, on the costs and effectiveness of interventions, and on the accreditation status of institutions and providers.

**Increased scientific knowledge** has accounted for much of the dramatic improvement in health that has occurred in this century-by providing information that forms the basis of household and government action and by underpinning the development of preventive, curative, and diagnostic technologies. Investment in continued scientific advance through applied research and development will amplify the effectiveness of each element of the above stated three-pronged strategy. As the fruits of science benefit all segments of the society, collaborative efforts of the industry, the Scientific Labs and Govt., of which there are several excellent examples, will often be the right way to proceed.

The implications of *healthy ageing* - the physical and mental characteristics of old age and their associated problems - need to be better understood. Much more research is required in order to reduce disability among older age groups.

Lest any complacency set in, we also stand on the brink of a global crisis in *infectious diseases*. The optimism of a relatively few years ago that many of these diseases could easily be brought under control has led to a fatal complacency among the policy makers. This complacency is now costing millions of lives - lives that we have the knowledge and the means to save, yet we are allowing to trickle through our fingers. Furthermore, most of the lives lost are in the vital age groups that societies rely on to alleviate poverty - school-age children and working-age adults - the potential workforces of tomorrow, and the actual workforces of today.

**Major diseases** such as malaria and tuberculosis are making a deadly comeback in more virulent varieties. In addition to HIV / AIDS, other new and highly infectious diseases such as dengue haemorrhagic fever are emerging at an unprecedented rate - at least 30 have been recorded in the last 20 years - and many of them are incurable. Until recently, antibiotics were regarded as the solution to many infectious diseases. Today, however, they are becoming less and less effective as resistance to them spreads. Meanwhile, evidence gathers on the role of viruses, bacteria and parasites in the genesis of deadly cancers of the stomach, cervix and liver.

The only answer to a great threat is a greater response - a response of the kind that saw smallpox vanquished for ever, and saw the protection of the children as a priority. What is needed now is consensus action across the entire political spectrum to provide a truly unprecedented response to make this country a safer and healthier one for all - rich or poor, male or female, young or old.

The focus now must be to renew the attack on those major diseases that are already targets for elimination or eradication. Extra resources must be mobilised against them, because to slacken the pace now would be to compromise progress already made. The surveillance and control of infectious diseases must be improved, and laboratory facilities for rapid recognition of outbreaks and monitoring antibiotic susceptibility have to be strengthened; they should be in the mainstream of health systems development. Intensive research on new and emerging diseases and on ways of controlling them has to be promoted and supported. If catastrophe is to be avoided, education of people in simple personal hygiene practices and basic food safety measures should be intensified.

#### CROSSING THE THRESHOLD

The war against ill-health in the 21st century will have to be fought simultaneously on two main fronts: infectious diseases and chronic, non-communicable diseases. India will come under greater attack from both, as heart diseases, cancer, diabetes and other "lifestyle" conditions become more prevalent, while infectious illnesses remain undefeated. Of this latter group, HIV / AIDS and Hepatitis B and C will continue to be the deadliest menace.

This double threat imposes the need for difficult decisions about the allocation of scarce resources. Experience shows that reduced spending on controlling infectious diseases can cause them to return with a vengeance, while globalisation - particularly expanding international travel and trade, including the transportation of foodstuffs - increases the risks of their global spread. At the same time, the stealthy onset of chronic conditions also saps a nation's strength. The past few decades have seen the growing impact on health of poverty and malnutrition; widening health inequalities between rich and poor; the emergence of "new" diseases such as HIV / AIDS; the growing problem of antibiotic-resistant infections; and the epidemic of tobacco-related diseases.

These are only some of the problems representing the unfinished agenda of public health actions at the end of one century and requiring urgent action at the beginning of the next.

There are others challenges. While health levels at the averages have steadily improved over the years, great numbers of people have seen little if any improvement at all. The gaps between the health status of rich and poor are at least as wide as they were half a century ago, and are becoming wider still.

#### A SHARED VISION FOR ALL

The prime concern of the community must be the plight of those most likely to be left furthest behind as the rest of us step confidently into the future. These are the many hundreds of millions of men, women and children still trapped in the past by the grimmest poverty. They live mainly in the rural hinterland and the urban ghettos of our high rise cities, where the burdens of ill-health, disease and inequality are heaviest, the outlook is bleakest, and life is shortest.

Majority of premature deaths are preventable. At least 1 million children a year die from diseases for which there are vaccines. There is sufficient evidence that premature deaths among adults, too, can be significantly reduced. Deaths from heart disease have been dramatically reduced in many countries which are experiencing a transition from high incidence of circulatory diseases to low incidence mainly due to the adoption of healthier lifestyles. It is imperative that such a favourable shift, conducive to further reductions in the incidence of these diseases, should be sustained and if possible accelerated. Infectious diseases, meanwhile, remain leading causes of premature death among adults in much of the developing world. Reducing these tolls depends largely on the political will and commitment of individual State Governments, and the active support of the Central Government and the community at large.

This means putting health high on the agenda of nation and keeping it there. It is time to realise that health is a common issue which transcends all shades of political opinion and it must be treated as such.

The progress and achievements of the past 50 years are solid foundations for a healthier and better world. It is already time to build on them. Life in the 21st century could and should be better for all.



We can pass no greater gift to the next generation than a healthier future. That is our vision. Together, the people of the India can make it a reality.

### FINANCIAL PERFORMANCE OF THE COMPANY

Your Directors are pleased to advise continued superlative performance by the Company during the financial year ended March 31st, 1998.

Particulars	(Rs. in lacs)
Total Income	9237.78
Profit before Depreciation, Interest & Tax	1424.13
Depreciation	162.01
Financial Expenses	307.87
Deferred Expenses w/o	47.97
Profit before tax	954.26
Profit after tax	879.26
Earning per share	15.40
Book value	73.41
Dividend	30%

Panacea Biotec Limited has exhibited sustained growth in sales and profitability performance over the years. Sales have grown consistently from Rs. 43.62 crores in 1994-95 to Rs. 92.38 crores in 1997-98, registering a compounded annual growth rate of about 30 per cent. Profits before tax during the same period have grown from Rs. 1.83 crores to Rs. 9.54 crores, registering a more than 75 per cent annualised growth rate. The profit margins, both at the net and the gross levels have been increasing steadily. PBDIT margin improved from 8.83 per cent of sales in 1994-95 to about 15.39 per cent of sales in 1997-98.

Compared to other companies in the pharmaceutical industry in the country, the turnover growth rate of Panacea Biotec is just about double the industry average. Gross and net profit ratios are also better than the industry aggregates.

With the induction of additional equity at a premium (with the promoters also contributing at the same premium as the public) and retained earnings, the Net Worth of the company has zoomed up to Rs. 3775.48 lacs as at the end of 1997-98 from Rs. 522.58 lacs as at the end of 1994-95. The Book Value of the shares of the company has concomitantly moved up from Rs. 22.88 per share to Rs. 73.41 per share in four years. Higher stake of owned funds in the total funds employed in the Company not only gives a higher safety and comfort level, it allows for sufficient leverage for raising long term sources for growth through the equity as also the debt route.

### LIQUIDITY AND LEVERAGE

As regards short term liquidity position, the current ratio of the Company has always been comfortable. As at the end of 1995-96 it was at 2.08 and remained comfortable at 1.97 and 1.65 as at the end of 1996-97 and 1997-98, respectively.

The total long term debt at the end of 1997-98 was less than Rs. 10 crores, thus giving a healthy debt equity ratio of 0.28:1.00. As cash accruals of the Company are estimated to remain healthy, the debt service coverage ratio, at a high of about 8 in 1997-98, is estimated to remain high in the foreseeable future. With a view to balance its capital structure, which at present is heavily loaded in favour of net worth compared to a low long term debt, the company decided to implement the backward integration and advanced formulations manufacturing facility projects with the financial assistance of Industrial Development Bank of India, Punjab National Bank, ANZ Grindlays Bank and IDBI Bank Ltd.

In the performance and profitability projections accepted by the Industrial Development Bank of India and other Institutions, the future liquidity position of the Company is comfortable and, there are sufficient cash accruals to meet the present and future debt obligations. Even if the entire external funding of the expansion projects is by the debt route for the company as a whole the average net DSCR during the next five years is estimated at 4.89. Even at the level of maximum term debt, the debt equity ratio is at 0.40 : 1.00 and the current ratio is estimated throughout at levels above 1.50.

### PERFORMANCE OF THE COMPANY IN 1997-98

Aggressive branded formulations marketing strategy adopted by the Company since 1995-96 paid off and sales in this segment more than doubled over 1996-97. While the products launched in the domestic market in 1995 and 1996 continue to grow in absolute terms as also in terms of their market share, five new product launches during the course of the year ensured that the pace of growth would be sustained in the years to come as well.

Among the new products launched during the year was the genetically engineered Hepatitis B Vaccine. Even in its first year, not only the monopoly of a well entrenched MNC was broken, the product has been well received by the medical fraternity in both its paediatric and adult dosage forms. The vaccine manufacturing facility of the company has been approved as per the Good Manufacturing Practices (GMP) of the World Health Organisation for campaign production of Hepatitis B vaccine.

Another product launched during the course of the year heralded the entry of the Company in the psychiatric segment. Rispid, the brand name of the drug Risperidone, has successfully made inroads into the territory held by a Multinational Company.

Among the other products, Nimulid continues to be the brand leader in the NSAID segment in the country. Its paediatric dosage form has made it the drug of first choice for therapeutic use among children because of its better efficacy and absorption. Transdermal Gel has also performed exceedingly well.

### EXPORTS

Exports of formulations recorded an 85 per cent growth rate over the previous year. Rather than going in for newer markets, the emphasis this year was on entrenching the presence in the markets where product registrations have been completed.

## SIGNIFICANT FEATURES OF 1997-98 PERFORMANCE

As a deliberate policy the Company decided to cannibalise production and marketing of generic and other low volume, low value and low margin products and concentrate on the high value added, technology driven, branded formulations products. As a result the unnecessary flogging of machines as also other resources has been stopped and we are striding into specific thrust areas.

The reach of our marketing team now covers all the districts of the country and more than 1,00,000 medical practitioners of relevant specialities are being covered. An information resource centre has also been established at New Delhi to cater to the information needs of the Medical fraternity.

The formulations and viral vaccine research facility of the company at Lalru in Punjab has become fully functional.

## PROFITABILITY OF OPERATIONS

The shortfall in sales during 1997-98 vis-a-vis our targets was mainly on account of a big shortfall in pick up of vaccine supplies by the Govt. of India, as for still unexplained reasons, the Government decided to import finished vaccine at much higher prices rather than buy from indigenous manufacturers like your Company. Further, the Company as a deliberate policy decided to stop production of low value, low margin generic products. As a result of these factors, the sales of the Company as a whole during 1997-98 did not go up materially over 1996-97. However, as explained above, this gross position gives an illusive picture as the Company has performed exceedingly well in its core focus areas.

*The performance, however, comes out distinctly better when the profitability of operations is compared.*

Operational Profits have gone up from Rs. 20.55 crores in 1996-97 to Rs. 28.35 crores in 1997-98, recording an almost 40 per cent growth rate. The Operational profit ratio has improved from 22.42 per cent to 30.69 per cent. This clearly reflects the very high value addition in our speciality branded formulations. Had the Rupee remained stable during 1997-98, this ratio would have been still higher.

As the Company has spent heavily in the recent years (especially the last year) on the creation of a nationwide marketing infrastructure and on product development, administrative and selling expenses have gone up considerably compared to the previous years. As the initial expenses on these heads are always higher, the increase is expected to taper in the coming years, thus the improved operational profitability would start getting reflected in improved net profitability and cash flows in the coming years.

## PROSPECTS DURING 1998-99 AND BEYOND

Your directors have evolved a long term strategy of maximising the shareholder value as the single aim of all operations. Over the next five year time frame, concrete steps would be taken to achieve growth in Economic Value Added of the Company as also in Earnings Per Share. With this as the aim of our operations, all parameters of sales growth, profitability, marketing and product development automatically get taken care of.

**Branded Formulations:** During 1997-98 the Company launched five new products under its own brand name. Each of these has been well received by the market and are expected to contribute substantially to the incremental sales in the current year. Current trend in sales during the first four months of the year indicate that sales of branded formulations are just about double than that of the same period last year. If this trend is sustained, which our marketing team is making every effort for, we may be able to exceed the targets internally set.

**Exports:** Efforts at exploring, identifying and cultivating new markets abroad in the last four years have now given us the strength that our export earnings would grow at an estimated 50 per cent per annum basis through the next five years. The strategy for the current year is on deepening our presence in the markets where product registration process has been completed.

## PROFITABILITY DURING 1998-99

The big gains in operational profitability notched up in 1997-98 over 1996-97 would be pared to some extent during the current year on account of increase in depreciation (on account of commercial production at Lalru commencing in stages) and increased energy and direct labour costs. The material consumption cost is also estimated to be high on account of dollar depreciation effect and customs duty increase. To some extent the higher material cost would be compensated by much higher value addition.

At the net level, however, the profits and profitability of the company is estimated to be better in the current year and through the next five years on account of better economies of scale resulting from reduced marketing and product development cost and administrative and selling expenses per unit of output & sales. Although at the absolute level the interest cost is estimated to go up, active financial engineering in terms of appropriate mix of financing and derivative products, the average cost of funds is expected to come down progressively.

## PRODUCT DEVELOPMENT AND MARKETING STRENGTHS

The Company has consistently improved its market share in all its product lines, viz. Biologicals, branded formulations and natural products.

In formulations, the Company has successfully introduced some speciality formulations like Nimulid (two of formulations are under world wide patent in PBL's name with applications filed in 72 countries and patent by 7 countries including the United States of America, already granted), Gliclazid, Risparidone, Cefaperazone, Roxithromycin and Panimun, which have been well received by the market and the medical fraternity alike on account of their better efficacy and mode of action/delivery. With its speciality formulations and patented products having found acceptance in the markets in India and abroad, the sales and margins of the Company, which were quite healthy in the past, are expected to improve further in the coming years.



## MANAGEMENT

In terms of its management structure, the Board of Directors of the Company comprises of Directors with varied experience, skills and exposures in the industry, each heading individual functional areas. The operational management is in the hands of the some of the best professionals in the country with cross functional exposure.

The future of the Company is being shaped and made secure in the R&D labs of the Company. The Research and Development setup of the company is recognised by the Govt. of India. Clinical trials in respect of atleast three new products filling identified therapeutic gaps have been completed and the process of patent filing and commercial product launched is in advanced stage.

## DIVIDEND

The Board is pleased to recommend dividend @ 30% for the year ended 31st March, 1998, of which dividend @ 20 % has been declared and paid by the Company as Interim Dividend. The Dividend @ 30% (inclusive of Interim Dividend @ 20%) is placed before you for your approval.

## PERFORMANCE VIS-A-VIS PROJECTIONS

In terms of Clause 43 of the Listing Agreement with Stock Exchanges, the comparison between the actual results and projections for the year 1997-98, made in the Prospectus dated 16th August, 1995, are given hereunder :

(Rs. in lacs)

Particulars	Projections	Performance
Total Income	9074.98	9237.78
Profit before Depreciation, Interest & Tax	897.84	1424.13
Depreciation	144.13	162.01
Financial Expenses	186.74	307.87
Deferred Expenses W/o	19.22	47.97
Profit before tax	566.97	954.26
Profit after tax	483.37	879.26
Earning per share	8.45	15.40
Book value	53.44	73.41
Share Capital	572.13	570.79
Reserves and Surplus	2588.50	3619.44
Dividend	20%	30%

It would be observed that inspite of an economy wide recession, Panacea Biotech has outperformed on all fronts from the projections made to the public in 1995.

## INFORMATION UNDER SECTION 217 (1) (D) & SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956

The information as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particular of employees) Rules,

1975, forms part of this record. The matters specified in Section 217 of the Companies Act, 1956 to the extent to which they are applicable to our company are incorporated in this report.

The Board also confirms that there are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of this report.

## PUBLIC DEPOSITS

The Company did not, under the provisions of section 58 A of the Companies Act, 1956, invite or accept deposits from the Public, during the financial year 1997-98.

## HUMAN RESOURCE

The company continues to employ the best of professionals in the industry. The employees are oriented and trained on a regular basis to adapt well to the industrial changes taking place and as well to take on the pressures of the challenges posed by the competitive economic environment. The board proudly places on record their deep appreciation for the hard work, unfailing faith and commitment of the employees in their endeavour to make 'Panacea' a global company.

## INDUSTRIAL RELATIONS

Industrial relations played a vital role in the Company's activities and a congenial atmosphere prevailed at all levels during the year.

## DIRECTORS

In accordance with the provisions of Articles of Association of the Company, Mr. Ravinder Jain and Mr. Sandeep Jain, Directors of the Company retire by rotation at this meeting, and, being eligible, offer themselves for re-appointment.

## AUDITORS

M/s Sudhir Sunil & Co., Chartered Accountants, hold office as Statutory Auditors of your company till the conclusion of the ensuing General Meeting, and, being eligible, offer themselves for appointment. The Company has received the certificate from them as required under Section 224 (1B) of the Company's Act 1956. The Board seeks your approval for the appointment.

## ACKNOWLEDGEMENTS

Your directors acknowledge the support received from the Investors, Bankers, Financial Institutions, Government Agencies and Customers and wish to place on record their deep appreciation for the same.

for and on behalf of the Board

New Delhi,  
the 18th Day of August 1998

**SOSHIL KUMAR JAIN**  
Chairman

# ANNEXURE TO THE DIRECTORS REPORT

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

## FORM A

### ENERGY CONSERVATION

Quality products through efficient production lines - the policy of the Company, is of accord highest priority to energy conservation, which is in the best interests of the Industry and the Nation. The Company has so devised its production lines which results in minimum energy losses. The employees of the Company are well oriented to accord priority to energy conservation, at all times & places.

	Current Year	Previous Year
<b>A. Power and Fuel Consumption</b>		
1. Electricity		
(a) Purchased		
Units (Nos.)	3,31,920	3,97,161
Total Amount (Rs.)	13,62,347	12,15,104
Rate/Unit (Rs.)	4.10	3.05
(b) Own generation		
(i) Through Diesel Generator		
Unit	4,48,423	4,52,399
Unit per litre of Diesel Oil	1.48	3.02
Cost/Unit (Rs.)	5.92	2.64
(ii) Through Steam/Turbine Generator		
	Nil	Nil
2. Coal		
	Nil	Nil
3. Furnace Oil		
	Nil	Nil
4. Others/Internal generation		
	Nil	Nil
<b>B. Consumption per unit of production (000's omitted) :</b>		
<b>TABLETS</b>		
Production	3,76,714	6,61,500
Electricity	0.96	0.67
<b>SYRUPS</b>		
Production	1,54,442	89,160
Electricity	0.84	0.54
<b>CAPSULES</b>		
Production	75,404	90,540
Electricity	0.84	0.52
<b>GELS</b>		
Production	25,763	28,260
Electricity	0.75	0.47
<b>VACCINE</b>		
Production	6,655	11,033
Electricity	31	27

## FORM B

### Form for disclosure of particulars with respect to absorption - Research & Development (R&D)

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

*In support of life* - the mission of the Company, has led itself to strive in search of newer molecules to eradicate the diseases in

India and abroad, by becoming a worthy partner of the Doctor. The Company in consequence has established a state-of-the-art R & D Unit at Lairu, Sub-tehsil Derra Bassi, Ambala-Chandigarh National Highway, Punjab. The R & D Unit is managed by an experienced and senior functionary of the Company and is manned by among the best research associates/scientists. Research being pursued by the Company is in the following broad areas :

- Advanced Drug Delivery System.
- Continuous improvement & upgradation of existing technologies / products.
- Design & Development of new drug molecules.
- Molecular modifications to achieve New Molecular Entities with better therapeutic profiles.
- Biotechnology based products.

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

- Competitively advanced products
- New products
- Improved productivity/process efficiencies.
- Improved product quality
- Waste minimisation
- Safe and environmental friendly processes
- Grant of process patents
- Import substitution
- Enhanced global presence
- Export Quality products

#### 3. Future plan of Action :

The Company's R & D division will focus on achieving the results in following areas :

- Analytical research
- Pharmaceutical research
- Chemical research
- Natural Products Research
- Viral Vaccine research

#### 4. Expenditure on R & D during 1997 - 98

	(Rs. in lacs)	
	1997-98	1996-97
Capital	470	319
Recurring	251	251
<b>Total</b>	<b>721</b>	<b>570</b>
Total R&D expenditure as a percentage of total turnover	7.80%	6.21%

#### Technology absorption, adaptation and innovation

- |  |   |
|--|---|
| 1. Efforts, inbrief, made towards technology adaptation and innovation | Technical collaboration for manufacture of vaccines   |
| 2. Benefits derived as a result of the above efforts                   | - Competitive products<br>- Product Improvement<br>- Product Development<br>- Import Substitution |



## ANNEXURE TO THE DIRECTORS REPORT (contd.)

## AUDITOR'S REPORT

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

a. Technology imported	Technical collaboration for manufacture of vaccines
b. Year of import	1995-96, 1996-97 & 1997-98
c. Has technology been fully absorbed	Fully absorbed
d. If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action	

### FOREIGN EXCHANGE EARNINGS AND OUTGO

#### 1. Activities relating to exports :

The much needed liberalised policy of the Government of India in investments outside India for trade promotion is going to help our Company to get better organised and equipped to promote image of the Company, increase service to customer, create demand for Company's quality products and thus increasing better revenues/sales.

Panacea's export base has expanded considerably over the year and our presence is being felt in the markets through our Offices abroad.

During the year 1997-98 exports were to the tune of Rs. 1105.24 lacs.

Our Company has taken concrete steps to hasten product registration and patent filing abroad so as to cross the entry barriers of international markets and establish ourselves.

Panacea is thus fully geared to compete in the International market.

The desire to be a truly worthy partner of the doctor in his battle against disease in India and abroad will remain, forever, ours.

#### 2. Total Foreign exchange earned and used :

	(Rs. in lacs)	
	Current Year	Previous Year
Earnings	1075.69	600.73
Outgo	3374.22	2746.17

for and on behalf of the Board

#### TO THE MEMBERS OF PANACEA BIOTEC LIMITED

We have audited the attached Balance Sheet of PANACEA BIOTEC LIMITED as at 31st March, 1998 and the Profit & Loss Account of the Company for the year ended on that date, annexed hereto and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that ;
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit ;
  - b) In our opinion, proper books of account, as required by law have been kept by the Company, in so far, as appears from our examination of such books ;
  - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account ;
  - d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account read together with the Significant Accounting Policies and other notes thereon, give the information as required by the Companies Act, 1956, in the manner so required and also give a true and fair view ;
    - i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998, and
    - ii) in so far as it relates to the Profit & Loss Account, of the profit of the Company, for the year ended on that date.

For SUDHIR SUNIL & CO.,  
Chartered Accountants

New Delhi,  
the 18th day of August 1998

SOSHIL KUMAR JAIN  
Chairman

New Delhi  
June 25, 1998

SUDHIR KAPOOR  
Partner

## Annexure to the Auditor's Report

Referred to in paragraph 1 of our report of even date.

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available. According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of the assets. The discrepancies noticed, if any, on comparison between book records and physical inventory were not material and have been properly dealt with in the books of account.
- ii) None of the fixed assets has been revalued during the year.
- iii) As explained to us, the stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals during the year at the Company's Factory premises, Godowns/Warehouses, Branch and C & F Agents Consignees as also Loan License manufacturers. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
- iv) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate, in relation to the size of the Company and the nature of its business.
- v) As explained to us, there are no material discrepancies noticed on physical verification of the stocks of raw materials, stores and spares and finished goods having regard to the size of operations of the Company.
- vi) In our opinion and on the basis of our examination, the valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles. The valuation of stocks is on the same basis as in the previous year.
- vii) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties within the meaning of Section 301 of the Companies Act, 1956, or from Companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
- viii) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, and/or to the Companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
- ix) In respect of the loans and advances in the nature of loans given by the Company to employees and others, they are generally repaying the principal amounts as stipulated and are also generally regular in payment of interest.
- x) In our opinion and according to the informations and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Stores, Raw Materials, including components, Plant and Machinery, Equipments and other assets and with regard to the sale of goods.
- xi) In our opinion and according to the information and explanations given to us there are no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- (Rupees Fifty thousand only), or more in respect of any party.
- xii) According to the information and explanations given to us, the Company has a reasonable system for the determination of unserviceable, expired or damaged Stores, Raw Materials, finished goods and formulations. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- xiii) According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning and scope of provisions of Section 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap, wherever significant.
- xv) In our opinion, the Company has an Internal Audit System which is adequate in relation to the size of the Company and the nature of its business. A senior functionary is in charge of the Internal Audit function of the Company.
- xvi) We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 and are of opinion that prima facie the prescribed accounts and records are being maintained. However, we have not carried out any detailed examination of such accounts and records.
- xvii) According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
- xviii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which remained outstanding as on 31st March, 1998, for a period of more than six months from the date of their becoming payable.
- xix) According to the information and explanations given to us, and on the basis of records examined by us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under any contractual obligation or in accordance with generally accepted business practice.
- xx) The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

for SUDHIR SUNIL & CO.  
Chartered Accountants

New Delhi  
June 25, 1998

SUDHIR KAPOOR  
Partner



# BALANCE SHEET

## As at 31st March, 1998

		(Amount in Rs.)	
Schedule		As at 31st March, 1998	As at 31st March, 1997
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Funds</b>			
Share Capital	I	5,70,78,550	5,70,43,290
Share Application Money		2,50,00,000	—
Reserves & Surplus	II	<u>36,19,43,863</u>	<u>29,11,08,745</u>
		<b>44,40,22,413</b>	<b>34,81,52,035</b>
<b>Loan Funds</b>			
Secured Loans	III	33,21,24,567	10,49,21,853
Unsecured Loans	IV	<u>1,13,21,500</u>	<u>62,59,280</u>
		<b>34,34,46,067</b>	<b>11,11,81,133</b>
		<b>78,74,68,480</b>	<b>45,93,33,168</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	V	30,62,64,212	18,40,38,701
less : Depreciation		<u>4,88,06,049</u>	<u>3,28,49,633</u>
<b>Net Block</b>		<b>25,74,58,163</b>	<b>15,11,89,068</b>
Current Assets, Loans & Advances	VI	58,32,18,939	35,74,06,614
less : Current Liabilities & Provisions	VII	<u>11,96,82,388</u>	<u>9,54,08,265</u>
<b>Net Current Assets</b>		<b>46,35,36,551</b>	<b>26,19,98,349</b>
Miscellaneous Expenditure (To the extent not written off or adjusted)	VIII	<u>6,64,73,766</u>	<u>4,61,45,751</u>
		<b>78,74,68,480</b>	<b>45,93,33,168</b>
Significant Accounting Policies, Notes to Accounts & Abstract of Balance Sheet forming part of the Accounts.	XV & XVI		

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

As per our separate report of  
even date attached

For M/s SUDHIR SUNIL & CO,  
Chartered Accountants

For and on behalf of the Board

(SUDHIR KAPOOR)  
Partner

(SOSHIL KUMAR JAIN)  
Chairman

(RAVINDER JAIN)  
Managing Director

(JAI BHUSHAN JAIN)  
Director (Finance)

New Delhi  
the 25th day of June 1998

(RAJIV GIROTRA)  
G.M. (Finance)

(SANJAY JAIN)  
D.G.M. (Accounts)

(ASHEESH AWASTHY)  
Company Secretary

# PROFIT & LOSS ACCOUNT

## For the Year ended 31st March, 1998

(Amount in Rs.)

	Schedule	For the Year ended 31st March, 1998	For the Year ended 31st March, 1997
<b>INCOME</b>			
Sales			
- Domestic		81,32,53,499	85,42,18,877
- Export		11,05,24,693	6,23,87,724
<b>TOTAL SALES</b>		<b>92,37,78,192</b>	<b>91,66,06,601</b>
Other Income	IX	14,01,828	16,97,755
Increase / (Decrease) in Stock	X	6,02,90,736	6,17,91,431
		<b>98,54,70,756</b>	<b>98,00,95,787</b>
<b>EXPENDITURE</b>			
Cost of Production		68,43,20,744	75,27,01,023
Personnel Expenses	XI	3,77,02,338	2,51,97,200
Administration Expenses	XII	6,15,36,518	3,73,29,182
Financial Expenses	XIII	3,07,86,783	2,19,91,362
Selling Expenses	XIV	5,43,30,988	3,13,39,801
Miscellaneous Expenditure (written off during the year)	VIII	47,97,251	42,22,709
Depreciation	V	1,62,00,964	1,53,58,054
		<b>88,96,75,586</b>	<b>88,81,39,331</b>
Profit for the year		9,57,95,171	9,19,56,456
less : Prior Period adjustments		3,69,494	3,48,594
<b>PROFIT BEFORE TAX</b>		<b>9,54,25,677</b>	<b>9,16,07,862</b>
Provision for Income Tax		75,00,000	1,02,00,000
<b>PROFIT AFTER TAX</b>		<b>8,79,25,677</b>	<b>8,14,07,862</b>
add : Investment Allowance Reserve Written Back		—	6,85,892
		<b>8,79,25,677</b>	<b>8,20,93,754</b>
<b>APPROPRIATION :</b>			
Dividend		1,14,19,950	1,13,91,820
Income Tax on Dividend		11,41,995	—
Transfer to General Reserve		6,00,00,000	7,07,01,934
Balance of Profit carried forward		1,53,63,732	—

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

As per our separate report of  
even date attached

For M/s SUDHIR SUNIL & CO.  
Chartered Accountants

For and on behalf of the Board

(SUDHIR KAPOOR)  
Partner

(SOSHIL KUMAR JAIN)  
Chairman

(RAVINDER JAIN)  
Managing Director

(JAI BHUSHAN JAIN)  
Director (Finance)

New Delhi  
the 25th day of June 1998

(RAJIV GIOTRA)  
G.M. (Finance)

(SANJAY JAIN)  
D.G.M. (Accounts)

(ASHEESH AWASTHY)  
Company Secretary



## SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	(Amount in Rs.)	
	As at 31st March, 1998	As at 31st March, 1997
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>AUTHORISED</b>	<u>15,00,00,000</u>	<u>15,00,00,000</u>
Comprising of		
-1,25,00,000 Equity Share of Rs. 10/- each, issued & subscribed	12,50,00,000	12,50,00,000
-25,00,000 Preference Shares of Rs. 10/- each	<u>2,50,00,000</u>	<u>2,50,00,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
-57,22,560 Equity Shares of Rs. 10/- each	5,72,25,600	5,72,25,600
less : Calls in Arrears (from shareholders other than Directors)	<u>1,47,050</u>	<u>1,82,310</u>
	<u>5,70,78,550</u>	<u>5,70,43,290</u>
	<u>5,70,78,550</u>	<u>5,70,43,290</u>
<b>SCHEDULE II - RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
Amount as per last Balance Sheet	13,06,22,519	6,22,83,817
less : Short Provision of Dividend for 1996-97	24,330	2,28,094
Short Provision of Income Tax for 1995-96, 1996-97	16,80,519	8,08,579
Tax on Dividend for 1996-97	11,41,615	—
Previous year short provision of Gratuity and leave encashment	<u>19,28,900</u>	<u>13,26,559</u>
	<u>12,58,47,155</u>	<u>5,99,20,585</u>
add : Transfer from Profit & Loss A/c	<u>6,00,00,000</u>	<u>7,07,01,934</u>
	<u>18,58,47,155</u>	<u>13,06,22,519</u>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<u>15,363,732</u>	<u>—</u>
<b>SHARE PREMIUM</b>		
Amount as per last Balance Sheet	16,04,86,226	13,61,32,736
add : Additions during the year	<u>2,46,750</u>	<u>2,43,53,490</u>
	<u>16,07,32,976</u>	<u>16,04,86,226</u>
	<u>36,19,43,863</u>	<u>29,11,08,745</u>

## SCHEDULES (contd.)

(Amount in Rs.)

	As at 31st March, 1998	As at 31st March, 1997
<b>SCHEDULE III - SECURED LOANS</b>		
<b>TERM LOANS</b>		
-ANZ Grindlays Bank	4,00,00,000	—
-IDBI	5,00,00,000	—
-Punjab State Industrial Development Corporation	—	1,37,74,134
	<b>9,00,00,000</b>	<b>1,37,74,134</b>
<b>WORKING CAPITAL LOANS</b>		
Balance in Cash Credit accounts with :		
-Punjab National Bank	11,38,85,309	5,00,94,840
-ANZ Grindlays Bank	2,47,70,792	2,18,18,957
-Canara Bank	3,44,61,130	71,00,000
-IDBI Bank Limited	2,78,24,756	—
-State Bank of India	3,19,08,387	69,27,223
	<b>23,28,50,374</b>	<b>8,59,41,020</b>
<b>OTHER LOANS</b>	<b>92,74,193</b>	<b>52,06,699</b>
	<b>33,21,24,567</b>	<b>10,49,21,853</b>

**Notes :**

1. Term Loan from ANZ Grindlays Bank is secured by hypothecation of specific items of Plant & Machinery and other specified fixed assets of the Company.
2. Term Loan from IDBI is secured by charge on all the fixed assets of the Company at Lalru (Punjab), excepting those items specifically charged to ANZ Grindlays Bank, on a pari passu basis with Punjab National Bank and IDBI Bank Ltd., who have also sanctioned Term loans to the Company.
3. Cash credit from Banks are secured by hypothecation of present and future stocks of raw materials, stock-in-process, finished goods and Book debts, outstanding monies, receivable claims, trust receipts, etc., besides second charge on the fixed assets of the Company.
4. The above loans are further collaterally secured by personal guarantees of the Promoter Directors of the Company.
5. The other loans are secured by way of hypothecation of specific assets financed other than those financed by Term and Working Capital Loans.

### SCHEDULE IV - UNSECURED LOANS

C&F Agents and Contractor Deposits (Unsecured loans are in the nature of trade deposits)	1,13,21,500	62,59,280
	<b>1,13,21,500</b>	<b>62,59,280</b>



## SCHEDULES (contd.)

### SCHEDULE V - FIXED ASSETS

(Amount in Rs.)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.97	Additions during the year	Sale Adjustment As at 31.03.98	As at 01.04.97	Provided during the year	Sale Adjustment As at 31.03.98	As at 31.03.98	As at 31.03.97
Land	86,18,707	—	—	86,18,707	—	—	86,18,707	86,18,707
Buildings	3,44,11,645	2,63,61,437	—	6,07,73,082	25,25,546	—	96,35,628	5,11,37,454
Patents & Trade Mark	85,75,505	43,68,033	—	1,29,43,538	6,57,238	—	11,04,856	1,18,38,682
Furniture & Fixings	60,03,700	6,67,600	—	66,71,300	7,89,214	—	27,86,369	38,84,931
Plant & Machinery	5,66,41,986	2,55,19,373	—	8,21,61,359	66,26,483	—	2,16,26,118	6,05,35,241
Office Equipment	42,81,718	13,53,400	—	56,35,118	5,05,812	—	17,04,555	39,30,563
Vehicle	1,23,89,525	82,10,605	2,91,209	2,03,08,921	29,43,979	2,44,548	74,07,889	1,28,41,032
Computer Equipment	50,41,257	34,07,385	—	84,48,642	16,69,959	—	39,97,901	44,50,741
Temporary Erection	—	4,82,732	—	4,82,732	4,82,732	—	4,82,732	—
Capital Work in Progress	4,80,74,658	5,21,46,154	—	10,02,20,812	—	—	—	10,02,20,812
Current Year	18,40,38,701	12,25,16,720	2,91,209	30,62,84,212	1,62,00,964	2,44,548	4,88,06,049	25,74,58,163
Previous Year	10,79,86,418	8,82,17,291	1,21,85,008	18,40,38,701	1,77,94,880	3,03,301	3,26,49,633	15,11,89,068

## SCHEDULES (contd.)

(Amount in Rs.)

	As at 31st March, 1998	As at 31st March, 1997
<b>SCHEDULE VI - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>INVENTORIES</b>		
(Valued at cost or net realisable value, whichever is lower, as certified by the management)		
Raw & Packing Materials	12,18,68,441	8,35,24,358
Finished Goods	12,53,02,236	7,61,24,231
Stock in Process	1,03,19,036	3,75,50,388
Stock in Transit	51,01,518	—
	<u>26,25,91,231</u>	<u>19,71,98,977</u>
<b>SUNDRY DEBTORS</b>	<b>19,63,31,092</b>	<b>11,62,06,175</b>
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand	7,83,412	1,62,051
With Banks		
-In CC/Current Accounts	1,99,70,167	1,47,53,602
-In Fixed/Term Deposits / CDS	6,18,68,035	46,86,870
Cheques in Hand	22,92,190	15,96,943
	<u>8,49,13,804</u>	<u>2,11,99,466</u>
<b>LOANS &amp; ADVANCES</b>		
(Advances recoverable in cash or in kind or for value to be received - Unsecured, considered good)		
Advances to suppliers for other fixed assets	29,14,091	—
Advance to Suppliers	32,75,807	18,73,057
Staff Advances	60,48,004	19,85,379
Security Deposits	47,69,306	24,71,201
Advance Income Tax	1,65,33,682	1,24,84,558
Other Advances	18,06,357	26,62,916
Balance with Excise Authorities	34,11,463	8,96,277
Prepaid Expenses	6,24,102	4,28,608
	<u>3,93,82,812</u>	<u>2,28,01,996</u>
	<u>58,32,18,939</u>	<u>35,74,06,614</u>
<b>SCHEDULE VII - CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Trade Creditors	7,60,80,922	5,56,15,710
Creditors for Fixed Assets	37,76,062	98,50,000
Taxes payable	8,27,331	47,739
Expenses payable	1,18,85,299	61,30,379
Other Liabilities	6,46,000	3,85,167
Unclaimed dividend	75,907	20,373
	<u>9,32,91,521</u>	<u>7,20,49,368</u>
<b>PROVISIONS</b>		
Provision for Income Tax	75,00,000	1,02,00,000
Dividend	1,14,19,950	1,13,91,820
Provision for Income Tax on Dividend	11,41,995	—
Provision for Gratuity/Leave Encashment	63,28,922	17,67,077
	<u>2,63,90,867</u>	<u>2,33,58,897</u>
	<u>11,96,82,388</u>	<u>9,54,08,265</u>



## SCHEDULES (contd.)

(Amount in Rs.)

	For the Year ended 31st March, 1998		For the Year ended 31st March, 1997
<b>SCHEDULE XI - PERSONNEL EXPENSES</b>			
Salary & Wages	3,15,23,835	2,08,47,343	
Contribution to P.F. and other Funds	22,43,190	13,29,897	
Bonus & Ex-gratia	22,97,562	24,38,682	
Staff Welfare Expenses	16,37,751	5,81,278	2,51,97,200
	<u>3,77,02,338</u>		<u>2,51,97,200</u>
	<u>3,77,02,338</u>		<u>2,51,97,200</u>
<b>SCHEDULE XII - ADMINISTRATIVE EXPENSES</b>			
Rent	9,59,589	10,28,658	
Directors Remuneration	72,00,000	28,20,000	
Printing & Stationery	31,15,633	25,09,185	
Postage, Telephone & Telex Charges	61,02,571	47,55,373	
Insurance	23,96,612	26,88,124	
Conveyance	44,33,866	25,40,112	
Travelling Expenses	1,37,76,933	1,06,13,735	
Newspapers, Books & Periodicals	1,68,590	1,55,419	
Professional & Consultancy Charges	40,14,003	21,59,726	
Vehicle Running & Maintenance	21,55,766	17,77,602	
Repair & Maintenance	21,78,333	29,22,273	
Auditors Remuneration			
- Statutory Audit Fees	75,000	75,000	
- Tax Audit Fees	15,000	15,000	
- Fees for other services	10,000	46,500	
Fees & Taxes	31,75,612	17,09,165	
Donation	26,851	—	
Subscription	15,45,769	1,63,734	
Electricity & Water Charges	5,66,379	4,51,427	
Directors Travelling	36,53,499	7,16,153	
Sundry Expenses	2,61,177	1,81,996	
Bad Debts W/off	57,01,856	—	
Loss on Sale of Vehicles	3,479	—	3,73,29,182
	<u>6,15,36,518</u>		<u>3,73,29,182</u>
	<u>6,15,36,518</u>		<u>3,73,29,182</u>
<b>SCHEDULE XIII - FINANCIAL EXPENSES</b>			
Bank Interest	2,12,61,150	1,69,75,372	
Bank Charges	64,14,833	33,77,270	
Interest other than Bank	31,10,800	16,38,720	2,19,91,362
	<u>3,07,86,783</u>		<u>2,19,91,362</u>
	<u>3,07,86,783</u>		<u>2,19,91,362</u>
<b>SCHEDULE XIV - SELLING EXPENSES</b>			
Advertising	14,84,720	16,19,467	
Meeting & Conference	1,06,93,115	46,21,979	
Sales Promotion	24,29,876	3,45,122	
Sales Incentive	16,65,975	19,98,605	
Freight & Cartage	1,47,44,497	90,70,168	
Commission on Sales	88,58,103	40,91,541	
Rent for Cold Storage & Depots	18,55,259	4,86,900	
Marketing Expenses	1,25,99,443	91,06,019	3,13,39,801
	<u>5,43,30,988</u>		<u>3,13,39,801</u>
	<u>5,43,30,988</u>		<u>3,13,39,801</u>



## SCHEDULES (contd.)

### SCHEDULE XV

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1) METHOD OF ACCOUNTING

- a) The accompanying financial statements have been prepared in accordance with the historical cost conventions and in accordance with the relevant accounting standards and provisions of the Companies Act, 1956, as amended upto date.
- b) Accounting policies not specifically referred to otherwise are consistent and in accordance with generally accepted accounting principles.

##### 2) FIXED ASSETS

Fixed Assets are stated at cost of acquisition or construction and the expenses incurred during construction period have been capitalised under respective heads of fixed assets.

##### 3) DEPRECIATION

Depreciation on all items of Fixed Assets is provided on Written Down Value method as per rates and manner prescribed in Schedule XIV of the Companies Act, 1956.

However, depreciation on "Patents and Trade Marks", has been charged at 5 per cent per annum, by estimating the life of a patent to be 20 years.

##### 4) FOREIGN CURRENCY TRANSACTIONS

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date and time of specific transactions.
- b) Outstanding items of liabilities and assets in foreign exchange on this Balance Sheet date have been converted to Indian Rupees at the rate of exchange prevailing on said date and any resultant foreign exchange conversion loss has been accounted for. However, wherever the conversion resulted in a gain, the values have been kept at original exchange rate, to be accounted for only at the time of their actual currency conversion upon payment or receipt, as the case may be.

##### 5) EMPLOYEE TERMINAL BENEFITS

Company's Contribution to Employees Provident Fund and ESI is charged to the Profit and Loss account. Provision for Gratuity and Leave Encashment is accounted for on accrual basis.

##### 6) INVENTORY VALUATION

Items of value forming part of the total inventory have been valued as under :

i) Raw materials, packing material and stores & spares	:	at cost
ii) Finished Goods	:	at lower of cost or net realisable value
iii) Work/Stocks in Process	:	at lower of cost or net realisable value

##### 7) SALES

Sales are stated net of returns and Sales Tax.

##### 8) DEFERRED REVENUE EXPENDITURE

Balance transferred to Deferred Revenue Expenditure till 31.03.1995 is being written off over a period of four years and that relating to subsequent years is being written off over a period of ten years, except revenue expenditure on Research and Development deferred, which is being written off over a period of twenty years corresponding to the commercial life of patents as per international norms and laws.

## 9) RESEARCH AND DEVELOPMENT

The activities of the Company being Research and Development focussed, expenditure under the head Research and Development constitutes expenses directly attributable to the R&D activities of the Company plus expenses of other heads which can be reasonably apportioned to this head.

Revenue expenditure incurred on Research and Development has been deferred and is being written off over a period of 20 years, being the period for which patents are valid in the pharmaceutical industry. Capital Expenditure on Research and Development is included in the gross block of fixed assets and depreciation on them has been provided in the usual manner as per the Companies Act, 1956, as amended upto date.

## 10) DUTY DRAW BACK

Duty draw back from the Govt. of India in respect of Company's exports has been accounted for on receipt basis.

## 11) DIVIDEND ADJUSTMENT AGAINST ALLOTMENT MONEY DUE

In respect of those equity shareholders whose allotment money subsequent to the Public issue of the Company in Sept. 1995 has not been received in full, the dividend for 1996-97 has been adjusted against their allotment money due.

## B. NOTES TO ACCOUNTS

### 1) Contingent Liabilities

	(Rs. in Lacs)	
	Current Year	Previous Year
i. For Bank Guarantees outstanding	140.46	87.85
ii. For Letters of Credit outstanding	921.72	554.07
iii. Disputed claims of Sales Tax	32.41	74.19
iv. Estimated amount of contracts remaining to be executed on Capital Account, net of advances	554.00	414.50
v. Contingent liability against disputed Delhi Vidyut Board demand	17.60	17.60

2) Share Premium is shown net of calls in arrears amounting to Rs. 10.29 lacs due from shareholders other than Directors (Previous Year Rs. 12.76 Lacs)

3) The Industrial Development Bank of India (IDBI) has decided to subscribe to 12 per cent Cumulative Redeemable Preference Shares of the Company. Pending allotment, as on this balance sheet date, Rs. 2,50,00,000/- has been received from them as Application Money. This Preference Share Application Money carries interest payable till allotment and the same has been appropriately accounted for. The Board of the Company has since allotted 25,00,000 -12 per cent Cumulative Redeemable Preference Share of Rs. 10/- each to IDBI at its meeting held on May 21, 1998. These shares are redeemable in five unequal instalments after every 12 months from the date of allotment with 2% premium to be paid alongwith last redemption instalment.

4) Outstanding balances of Sundry Debtors, Advances and Creditors are subject to confirmation.

5) Capital Work-in-Progress includes loans & advances amounting to Rs. 4,06,60,346.00 (previous year Rs. NIL). The addition shown is net of assets already capitalised



## SCHEDULES (contd.)

6) Remittance in Foreign Currency on Account of Dividend (for 1996-97) :

No. of Shareholders	No. of shares held	Dividend due	Amount remitted
4	5,74,100	Rs. 11,48,200	Rs. 11,48,200

7) Export Sales of Rs. 1105.25 lacs are inclusive of Export Sales worth Rs. 29.56 Lacs to Nepal (Previous year Rs. 23.15 Lacs).

8) Provision for Dividend to the tune of Rs. 113.92 lacs was made by the Company in the accounts for the year 1996-97. However, on detailed calculations, dividend of Rs. 114.16 lacs was actually found to be due. The short provision of dividend of Rs. 0.24 lacs has been drawn out of General Reserve.

9) In the opinion of the management, all the current assets, loans & advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

10) Previous year's figures have been reworked, rearranged, regrouped and reclassified wherever necessary to make them comparable with the current year.

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

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

A. Licensed Capacity - N.A.

B. Installed Capacity (Per annum) :

Particulars	Current Year	Previous Year
1. Tablets	5500 lac	5500 lac
2. Syrups/Liquids	25 lac bottles	25 lac bottles
3. Capsules	600 lacs	600 lac
4. Gels	42 lac tubes	42 lac tubes
5. Vaccine	3000 lac doses	3000 lac doses

C. Production

Particulars	Units	Quantity	
		Current Year	Previous Year
1. Tablets	Nos.	37,67,13,520	66,15,00,000
2. Syrups/Liquids	MI	15,44,42,420	8,91,60,000
3. Capsules	Nos.	7,54,04,454	9,05,40,000
4. Gels	Gms	2,57,62,690	2,82,60,000
5. Vaccine	Vials	66,54,604	1,10,32,856

## SCHEDULES (contd.)

### B. Particulars of stocks & Sales (including Samples)

PARTICULARS	UNITS	STOCK				SALES	
		Current Year Opening	Previous Year Opening	Current Year Closing	Previous Year Closing	Current Year	Previous Year
i. Tablets	Nos. Rs. in Lacs	107233457 302.08	90255422 339.70	209721703 499.38	107233457 302.08	274225274 3383.81	644521965 2740.70
ii. Syrups/Liquids	MI Rs. in lacs	25988800 50.57	12259420 24.24	40400160 74.77	25988800 50.57	140031060 446.57	75430620 240.56
iii. Capsules	Nos. Rs. in Lacs	54804714 168.55	24159055 83.33	40896726 332.65	54804714 168.55	89312442 918.26	59894341 615.80
iv. Gels	Gms Rs. in Lacs	3549200 19.70	Nil Nil	2921030 19.65	3549200 19.70	26390860 105.78	24710800 137.98
v. Vaccine	Nos. (Vials) Rs. in lacs	163470 62.12	60800 17.63	24410 9.76	163470 62.12	6793664 3467.03	10930186 5286.47
vi. Others*	Rs. in lacs	158.22	89.03	316.81	158.22	936.33	144.56
<b>Total</b>	<b>(Rs. in lacs)</b>	<b>761.24</b>	<b>553.93</b>	<b>1253.02</b>	<b>761.24</b>	<b>9237.78</b>	<b>9166.07</b>

\* Others includes products which are being manufactured by third parties for the Company under the supervision of & technology provided by Panacea Biotec Ltd.

Particulars	Current Year	Previous Year
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### C. Particulars of Raw Material Consumed

Opening Balance	835.24	530.50
add : Purchases	5,878.02	6,826.63
less : Closing Stock	1,218.68	835.24
<b>Raw Material consumed*</b>	<b>5,494.58</b>	<b>6,521.89</b>

\* Item wise quantitative details of raw materials consumed are not provided, on account of large number of items of raw material.

### D. Value of Imports on CIF basis

Machinery, spares, Technical Know how/patents	82.52	87.68
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### E. Expenditure in Foreign Currency

Expenses (travel, dividend, rent, books, etc.)	75.26	46.76
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Purchases	3,299.96	2,699.41
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### F. Earnings in Foreign Currency

Export Sales (realisable in convertible Forex)	1,075.69	600.73
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### G. Value of Imported/Indigenous Raw Material Consumed :

Particulars	Current Year		Previous Year	
	(Rs. in lacs)	% age	(Rs. in lacs)	% age
Indigenous	2,671.45	49.00	3,972.48	60.91
Imported	2,823.13	51.00	2,549.41	39.09



## SCHEDULES (contd.)

### SCHEDULE XVI - Additional information as required under Part IV to the Companies Act, 1956 :

**1. Registration Details :**

Registration No. 55-17475	Dated 02-02-84
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**2. Capital Raised during the year (Amount in Rs. Thousands) :**

Public Issue 3 (pending allotment money)	Right Issue Nil
Bonus Issue Nil	Private Placement 25,000 (Cumulative Redeemable Preference Shares)

**3. Position of mobilisation and Deployment of Funds (Amount in Rs. Thousands) :**

Total Liabilities 7,87,468	Total Assets 7,87,468
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Source of Funds

Paid up Capital* 82,079	Reserves & Surplus 3,61,944
Secured Loan 3,32,125	Unsecured Loans 11,320

\*Paid up capital includes Rs. 250 Lacs Preference Share application money.

Application of Funds

Net Fixed Assets 2,57,458	Investments Nil
Net current assets 4,63,536	Misc. Expenditure (To the extent not Written off) 66,474
Accumulated Losses Nil	

**4. Performance of Company (Amount in Rs. Thousands) :**

Turnover 9,23,778	Total Expenditure 8,29,385
Profit Before Tax 95,426	Profit After Tax 87,926
Earning per share Rs. 15.40	Dividend @ 20%

**5. Generic Names of three principal Products of the Company :**

Item code No. (ITC Code) Product Description	300220 VACCINE
Item Code No. (ITC Code) Product Description	300290 NIMULID TAB

Signature to Schedule I to XVI

As per our separate report of  
even date attached

For M/s SUDHIR SUNIL & CO.  
Chartered Accountants

For and on behalf of the Board

(SUDHIR KAPOOR)  
Partner

(SOSHIL KUMAR JAIN)  
Chairman

(RAVINDER JAIN)  
Managing Director

(JAI BHUSHAN JAIN)  
Director (Finance)

New Delhi  
the 25th day of June 1998

(RAJIV GIROTRA)  
G.M. (Finance)

(SANJAY JAIN)  
D.G.M. (Accounts)

(ASHEESH AWASTHY)  
Company Secretary

# CASH FLOW STATEMENT

- ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH 31, 1998

Amount in Rs. '000'

Particulars	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRA - ORDINARY ITEMS	95,426	91,608
Adjustments for :		
Depreciation	16,201	15,358
Interest Expenses	30,787	21,991
Interest Income	- 828	- 972
Deferred Expenditure written off	4,797	4,223
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,46,383	1,32,208
Adjustments for :		
Trade & Other Receivables	- 92,657	- 4,184
Inventories	- 65,392	- 61,791
Trade Payables	25,804	9,064
CASH GENERATED FROM OPERATIONS	14,138	75,297
Interest Paid	- 30,787	- 21,991
Net Direct Taxes Paid	- 15,929	- 10,665
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	- 32,578	42,641
EXTRA - ORDINARY ITEMS	- 1,929	- 1327
NET CASH FROM OPERATING ACTIVITIES	- 34,507	41,314
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	- 1,22,517	- 76,483
Sale of Fixed Assets	47	127
Increase in Deferred Revenue Expenditure	- 25,125	- 18,234
Interest Received	828	972
Dividend Received	—	—
NET CASH USED IN INVESTING ACTIVITIES	- 1,46,767	- 93,618
	- 1,81,274	- 52,304
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds arrears of Public Issue	282	27,833
Proceeds from Preference Share Application Money	25,000	—
Net Increase in Working Capital Borrowings	1,46,909	13,910
Net Increase in Long Term Borrowings	80,293	382
Net Increase in Deposits & Securities	5,062	2,088
Dividend & Income Tax on Dividend Paid	- 12,557	- 5,478
NET CASH FROM FINANCING ACTIVITIES	2,44,989	38,735
NET INCREASE IN CASH & CASH EQUIVALENT	63,715	- 13,569
OPENING BALANCE OF CASH & CASH EQUIVALENT	21,199	34,769
CLOSING BALANCE OF CASH & CASH EQUIVALENT	84,914	21,199

For and on behalf of the Board

(SOSHIL KUMAR JAIN)  
Chairman

(RAVINDER JAIN)  
Managing Director

(JAI BHUSHAN JAIN)  
Director (Finance)

New Delhi  
the 25th day of June 1998

(RAJIV GIROTRA)  
G.M. (Finance)

(SANJAY JAIN)  
D.G.M. (Accounts)

(ASHEESH AWASTHY)  
Company Secretary

## AUDITOR'S REPORT

We have verified the attached Cash Flow Statement of Panacea Biotech Limited, derived from audited financial statement and the books and records maintained by the Company for the year ended 31st March, 1998.

For SUDHIR SUNIL & CO.  
Chartered Accountants

New Delhi  
the 25th day of June 1998

SUDHIR KAPOOR  
Partner



## PANACEA BIOTEC - LEAPING AHEAD

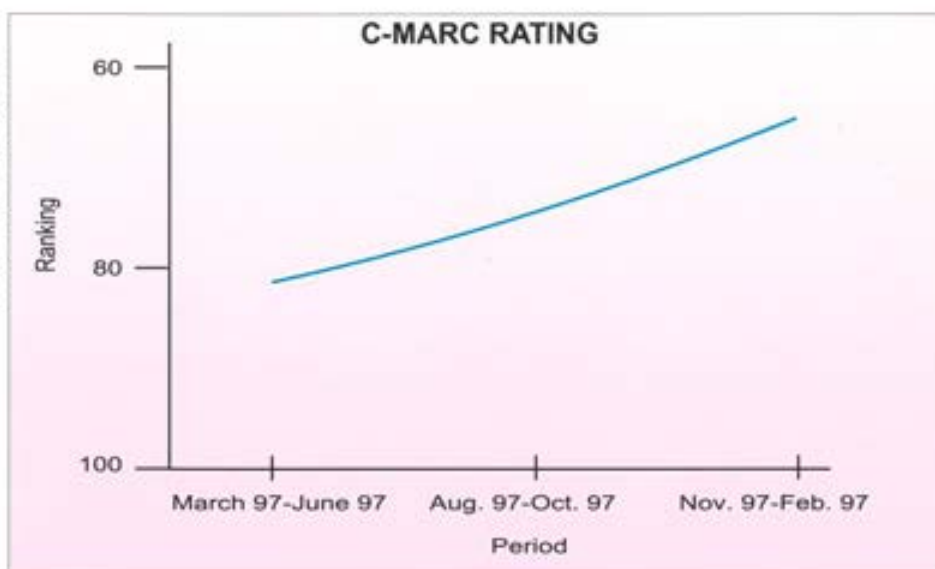


### RISING SALES

*Panacea Biotec is the fastest growing company in the top 100 pharmaceutical companies in the Country. ORG (Operations Research Group), the retail audit agency in the country which ranks Pharmaceutical Companies according to their retail sales, has scaled up the ranking of Panacea Biotec from 113 to 87 during the financial year (1997-98).*

### BUILDING TRUST

*Panacea Biotec is registering its fast growth even in 'Prescription Generation', which consequently reflects the trust of Medical fraternity in the Company. C-MARC, the prescription research agency endorses the same. The 'Prescription Generation' ranking of the Company has leaped from 83 to 65 in the last financial year (1997-98).*



**Nimulid**  
(Nimesulide Tablets, Suspension and Transgel)



Closes the therapeutic gaps of NSAIDs

**Enivac HB**  
(Recombinant Hepatitis B Vaccine)



Purpose is Protection

**Panimun**  
(Cyclosporine 100mg/ml & 100mg bioral)



Smooth Sailing for transplant patients

**Alphadol**  
(1 $\alpha$ -hydroxyvitamin D<sub>2</sub>)



Restores Calcium Balance, Improves Bone Strength



**Panacea Biotec Ltd.**

B-1 Ext./A-27, Mohan Co-op. Indl. Estate,  
Mathura Road, New Delhi - 110 044  
Ph. : 6945270-74 Fax : 6940199