Annual Report
(1996-97)

Panacea Biotec

In Support of Life

PROFITS THROUGH INNOVATION

(Rs. in lacs)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Equity Share Capital – Paid Up	59.50	90.71	272.13	535.64	570.43
Reserves & Surplus	255.77	460.97	350.59	1991.02	2911.09
Net Fixed Assets	194.20	279.80	355.64	901.91	1511.89
Loan Funds					
Short Term	317.59	586.34	601.20	720.31	859.41
Long Term	63.09	50.92	104.14	185.99	189.81
Total	380.68	637.26	705.34	906.30	1049.22
Current Asset	954.12	1100.60	1494.37	2951.44	3574.07
Current Liabilities	770.39	821.87	1223.29	1420.34	1813.49
Sales	**2504.93**	**3123.44**	**4361.73**	**6041.82**	**9166.06**
% Change		***24.69%***	***39.65%***	***38.52%***	***51.71%***
Total Income	2507.73	3125.86	4363.76	6050.81	9193.02
Cost of Production	2106.37	2564.21	3532.08	4810.86	6961.18
Gross Profit	401.36	561.65	831.68	1239.94	2231.84
Profit Before Depreciation, Interest & Tax	**209.37**	**252.27**	**385.06**	**628.66**	**1289.57**
% of Sales	***8.36%***	***8.08%***	***8.83%***	***10.41%***	***14.07%***
Financial Expenses	86.26	95.22	159.22	116.27	219.91
Depreciation	22.21	30.72	43.07	59.67	153.58
Profit Before Tax	100.90	126.33	182.77	452.72	916.08
Provision for Tax	34.00	40.00	55.00	0.00	102.00
Profit After Tax	**66.90**	**86.33**	**127.77**	**452.72**	**814.08**
% of Sales	***2.67%***	***2.76%***	***2.93%***	***7.49%***	***8.88%***
Cash Accruals	89.29	131.84	204.89	566.76	1009.88
Dividend (Value)	–	10.88	24.95	54.78	113.92
Net Worth	**315.27**	**551.68**	**622.72**	**2526.66**	**3481.52**
% Change		***74.99%***	***12.88%***	***305.75%***	***37.79%***
Book Value	52.99	60.82	22.88*	47.14	61.03
Earning Per Share	11.24	9.52	4.70*	7.91	14.23
ROCE (%)	**17.68%**	**14.33%**	**17.58%**	**16.69%**	**22.17%**
Current Ratio	1.24	1.34	1.22	2.08	1.97
Debt Equity Ratio	20.01%	9.23%	16.72%	7.36%	5.45%
RONW (%)	21.22	15.65	20.52	17.92	23.38

* Fall due to increase in Paid Up Capital

Panacea Biotec Limited

BOARD OF DIRECTORS

Sh. Soshil Kumar Jain	*Chairman*
Sh. Ravinder Jain	*Managing Director*
Sh. Rajesh Jain	*Director-Marketing & R & D*
Sh. Sandeep Jain	*Director-Exports*
Sh. Jai Bhushan Jain	*Director-Finance*
Sh. Ashwani Jain	*Director-Production*
Sh. Gurmeet Singh	*Director-Sales*

AUDITORS

M/s Sudhir Sunil & Co.
Chartered Accountants

BANKERS

Punjab National Bank (Lead Bank)
ANZ Grindlays Bank
Canara Bank
State Bank of India

FINANCIAL INSTITUTIONS

Industrial Development Bank of India
Punjab State Industrial Development Corporation

REGISTERED & CORPORATE OFFICE

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

ADMINISTRATIVE & SECRETARIAL OFFICE

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

R & D UNITS

B-1 /A-27, 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,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1997 and Auditors' Report thereon.

STATE OF THE INDIAN ECONOMY

Last decade has seen India's economic landscape transform itself, and across the diverse political spectrum that charecterises Indian polity, there is a unique consensus that economic liberalisation and globalisation is a paramount necessity if India is to stand erect among the comity of nations as we approach the new millennium just a few years ahead.

A TIGER UNCAGED?

Progressive unshackling of the economy has shown immediate results and the last five years have seen the economy growing at the macro level at rates matching the best performers in the world. Furthermore, seeds for a much faster growth rate have been sown for the next decade and beyond with reform of the investment, industrial licencing, exchange rate and foreign trade and the tax system, and other measures to deregulate the domestic markets, integrate them with the global markets and reduce the role of the government. The immediate result has been that an indigineous industrial entrepreneur class has emerged and powered by cutting edge technology, the industry has acquired competetive strength with the output of best products anywhere in the world becoming available here.

In the next phase - the more difficult and politically painful - Govt. has shown willingness to carry forward the reform process to the Public Sector, Agriculture, Infrastructure and labour markets. Disinvestment of the Public Sector and greater autonomy is on the cards; specific sectors of infrastructure - power, road transport, civil aviation and telecommunications have been opened for private sector entry both by Indian and foreign investors. Next step would be for private participation in the ports and railways. Intention of dismantling the most inefficient subsidy delivery mechanism has been exhibited - food, fertiliser and petroleum product subsidy continues to be loosely targeted, leading to massive leakages and siphoning away of the benefits by the creamy layer rather than the needy poor, besides telling heavily on the fiscal deficit.

One critical area which has still not received sufficient attention is that for the economic reforms to sustain themselves over a longer term framework, there has to be the necessary input of intangibles - intangibles of literacy, education and skills, and the health status of the population charecterised not merely by the absence of disease (which itself has not been achieved) but by basic needs fulfillment.

THE STATE OF INDIA'S HEALTH SECTOR

The world's biggest killer and the greatest cause of ill-health and suffering across the globe is listed almost at the end of the International Classification of Diseases. It is given the code Z59.5 - extreme poverty.

POVERTY - THE SYMPTOM OR THE DISEASE ITSELF

Poverty in India is the main reason why babies are not vaccinated, why clean water and sanitation are not provided, why curative drugs and other treatments are unavailable and why mothers die in childbirth. It is the underlying cause of reduced life expectancy, handicap, disability and starvation. Poverty is a major contributor to mental illness, stress, suicide, family disintegration and substance abuse. Every year in the country more than 4 million children under 5 years die, most of them from causes which could be prevented for just a few Rupees per child. They die largely because the development of the economy has bypassed them, but most of all they die because they are poor.

In the time it takes to read this sentence, somewhere in India a baby has died in its mother's arms. For that mother, the message that her neighbour's infant will live is no consolation. It does not stem her grief to know that 8 out of 10 children in the country have been vaccinated against the five major killer diseases of childhood, or that since 1970 infant mortality has fallen by 40%, while overall life expectancy has increased by more than 10 years during the period, to about 65 years at present.

HEALTH SECTOR PRIORITIES

Beneath the heartening facts about decreased mortality and increasing life expectancy, and many other undoubted health advances, lie unacceptable disparities in health. The gaps between rich and poor, between one population group and another, between ages and between the sexes, are widening. For most people in the world today every step of life, from infancy to old age, is taken under the twin shadows of poverty and inequity, and under the double burden of suffering and disease.

With the opening up of the economy to the world at large, besides the aforesaid poverty diseases, health status of the Indian population is being increasingly affected by a number of factors over which the individual has little control, and over which the conventional health sector also has little sway: social and economic circumstances, labour-saving technologies, and the information and communication revolutions. People in India are now acquiring many of the unhealthy lifestyles and behaviours of the industrialised world: sedentary occupations, inadequate physical activity, unsatisfactory diets, tobacco, alcohol and drugs. Populations in richer countries continue to live with all these risks. Problems are aggravated by the international spread of misleading information about consumer products. All these factors together, unless addressed with suitable response immediately, will lead to substantial increase in premature ill-health from chronic diseases in India.

CHARTING THE FUTURE

Seen in the above backdrop, while on the macro front we are all for India's grand globalisation spree, the economic planners must not lose sight of such inequities in access to basic human needs. Besides answering other crucially important questions ,the wider question which needs to be tackled is: what are the country's health priorities? Which are the major diseases, the major causes of death, handicap, disability and diminution of the quality of life? Which conditions cause most misery, although they may not be fatal? Which parts of the country, or communities within states, have the greatest health needs? Where should health resources be targeted?

INDIAN PHARMACEUTICAL INDUSTRY
- 2000 AND BEYOND
A PLACE OF PRIDE **FOR PANACEA BIOTEC**

Pharmaceutical industry in India continues to record growth rates in turnover much higher than other industrial segments of the economy, riding as it is on crest of an export boom and liberalisation ,of the licencing and price controls by the Govt. of India. The volume growth is expected to continue as the markets within the country get more entrenched and more and more countries in Africa, South East Asia and CIS look towards India for sourcing their requirements of bulk drugs as also formulations. With the avowed goal of the national planners of Health for All by 2000 AD, and growing awareness of the common man towards preventive and curative health issues, domestic demand of pharma products is going to keep increasing in the years to come.

GROWTH WITH CONSOLIDATION - R&D THE KEY TO SURVIVAL

Along side volume growth, following the global trends, the pharmaceutical industry is going through a phase of consolidation with thousands of companies in the unorganised sector with their weak manufacturing base, bowing out to more organised and quality geared Companies. Within the organised sector the winners are going to be the ones who pre-empt the market demand with disease specific products matching the needs of the tropical climate. Well entrenched marketing network and dedicated Research and Development are going to make all the difference in the ensuing battle of survival of the fittest in the market place.

Developments of far reaching consequences have been taking place in the industry in the recent past. With the signing of the new GATT accord, pharmaceutical industry in India has been irretrievably linked with the global pharma trade, which is dominated by well entrenched majors with turnovers many times those of the largest Companies of India. In the emerging scenario, Research and Development capability both at newer product development and advanced drug delivery systems, of a Company would make the real difference. Panacea Biotec Limited realised this fact long back and ventured to create a state-of-the-art R&D facility of its own, manned by some of the best professionals in the field.

PATENT PROTECTION - A MUST

A major controversy marred by ecrie flash points & stubborn stand offs is raging through the pharmaceutical industry in India on the matter of India's Patent laws.

Going by the experience of other countries in the world - both developed and the developing - we are of the reasoned opinion that patent protection is absolutely necessary in the research-based pharmaceutical industry. Patent protection for pharmaceuticals as per new GATT (TRIPS) laws would sharply increase local pharmaceutical research and development, attract foreign investment in, and foster technology transfer in what is one of the most successful worldwide high-technology industries besides producing high-technology employment and the potential for exports.

Most important of all, patent protection for pharmaceuticals would facilitate the availability of modern medicine to improve the health and well-being of the population.

If there were no patent protection for pharmaceuticals worldwide, there would simply be no research-based industry. Worse, from a public policy view, there would be no new medicines for patients who need them.

EXPORT THRUST

Another change which has taken place in the Indian Pharma Industry is that, today India is the net exporter of Drugs and Pharmaceuticals. Industry, both at the basic drugs and formulation level, has grown at 15-18 per cent compounded per annum in the last decade. This growth rate is going to be in excess of 20 per cent per annum in the next five years. Exports have not only grown to African and Asian markets, but the Industry, riding on an improving quality curve, has been successful in exporting basic drugs and formulations to the US and EU markets also. Panacea Biotec Limited has also taken concrete steps of product registration and patent filing abroad and increasing share of its turnover is expected to be exported - thus deriving benefits of higher profit margins and tax shield.

INDIA SPECIFIC THERAPY TO THE FORE

India today stands on the threshold of a new era in which hundreds of millions of citizens will at last be safe from some of the most terrible diseases. With the active contribution by the corporate sector - **Panacea Biotec is justifiably proud at being the pioneer and leader in this regard** - about 8 out of 10 of all the India's children are protected by immunisation against six major life threatening diseases.

But fatal complacency of the industry towards other infectious diseases is literally costing thousands of lives - lives that we have the knowledge and means to save. Infectious diseases constitute the country's leading cause of pre-mature death and morbidity - accounting for some 5 million out of total about 12 million deaths in the country per year. To give an example, acute lower respiratory diseases like pneumonia and tuberculosis kill about 1 million Indians per year. An equal number die of diarrhoeal diseases. Some estimates suggest that about a quarter of the population is a chronic carrier of Hepatitis B virus and 10 per cent of the Hepatitis C virus. There is no cure known to mankind of the diseases related to these two viruses, and the only remedy is prevention. Incidentally Panacea Biotec is again going to be playing a pioneering role in preventive therapy of this deadly disease.

Knowing fully well that the advanced West would not be interested in researching any therapy for diseases endemic to tropical coutries like India, we at Panacea Biotec, as a responsible corporate citizen have always worked towards this goal of introducing into the Indian market, pharmaceutical products with 'India Specificity'. While giving us a tremendous sense of satisfaction, it has been the primary reason of our commercial success as well.

The direction of our R&D effort is geared towards evolving effective therapeutic molecules and drug delivery systems of relevance to this country. Research on Anti Tubercular drugs and immuno supperessant chemical entities on the formulations side and preventive therapy for communicable disease prevalent in near epidemic forms in India by producing viral vaccines, only goes to show the 'India Centric' thrust of Panacea Biotec Limited even while it is globalising its operations.

INDUSTRY GROWTH IN THE NEXT FIVE YEARS......
.......AND PANACEA GOES PLACES

The working group on drugs and pharmaceuticals for the Ninth Five year Plan (1997-2002) has anticipated an increase in production corresponding to Rs. 16,552 crores in the sector. There would be an increase of Rs. 3,617 crores and Rs. 12,935 crores respectively in the value of production of bulk drugs and formulations. The investment required for creating facilities for additional production is estimated to be Rs. 1,800 crores for bulk drugs and Rs. 1,000 crores for formulations, totalling Rs. 2,800 crores. The group has assumed 15 per cent growth in domestic consumption, 10 per cent in the export of formulations, 20 per cent in the export of bulk drugs and another 20 per cent in the growth of bulk drug production. Based on the available data, it has opined that the domestic market would grow at the rate of 15 per cent and exports at the rate of 25 per cent.

PANACEA BIOTEC — GROWING FASTER THAN THE INDUSTRY

When comparisons are drawn, Panacea Biotec Limited already ranks among the top 50 pharmaceutical companies of the country - a list which includes companies which continue to derive brand and psychological advantage of their international lineage and in respect of some of them, their major turnovers come from frivolous segments like health drinks, baby foods and vitamins, or at best OTC and generic products. Some of Panacea Biotec's products are unique to the industry - there are atleast ten formulations which were manufactured for the first time in India by Panacea Biotec Limited.

Panacea Biotec's ranking among Indian Pharma giants comes out still better when comparisons are made for Gross and Net Profit ratio and of return on Net Worth and return on capital employed, vis-a-vis other companies in the industry.

Formulating branded and generic drugs (generic drugs only for the export market) and blending of viral vaccines since 1989 at its two manufacturing facilities in New Delhi, Panacea Biotec today has acquired significant market presence and share in each of its product lines. It is competing successfully with large multinationals in the domestic market place. More recently, it has globalised its operations with product registration, patent filing and establishment of offices in a number of countries abroad, opening up markets for exports and licenced production abroad.

Panacea Biotec commands major market share in India in Viral vaccines. Riding on its nation wide ethical marketing and product efficacy strengths, Company enjoys substantial brand equity for some of its speciality formulations. After having pioneered in their launch, some of its formulations have reached a brand leadership status in the therapeutic segments it is operating, in a very short span of time.

Panacea Biotec has achieved consistent improvement in rating of retail chemist sales out of top 200 companies in India (source ORG Retails Sales Rating) out of companies promoting products ethically. The Company's ranking (as reported by ORG) made tremendous progress from 161 in June'93 to 101 in May '97 a jump of 60 ranks in less than 4 years.

The turnover of the Company comprises of vaccine and formulation sales, almost in equal proportion at present. For the company as a whole, the proportion of vaccine sales is going to progressively decrease in the years to come. The Company has been consistently improving its market share in all its product lines, viz. Vaccines, Biologicals, branded formulations and natural products. In formulations, the Company has successfully introduced some speciality formulations like Nimulid (two of these formulations are under world wide patent in PBL's name with applications filed in 72 countries), Glizid, Myticef and Panimun Bioral each of 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.

EXPANSION AND INTEGRATION........TO TAKE ON THE WORLD

With a view to immunise itself from the vagaries of the market of raw materials for its critical formulations and vaccines, Panacea Biotec has taken up implementation of a backward integration project at Lalru on the Delhi-Chandigarh National Highway, 35 kms before Chandigarh in Punjab, North India.

At the same site, with a view to increase its production capacity of formulations and also to comply with Good Manufacturing Practices (GMP) requirements of WHO and UKMCA, Panacea Biotec is setting up an advanced formulations facility. Some segments of the formulation facility have already become operational beginning the first quarter of 1997-98. Once all the facilities coming up at Lalru become fully operational in about 18 month's time, Panacea Biotec would command some of the best manufacturing facilites in the country, comparable with the best in the world, with full integration in its major product areas.

R&D DRIVEN STRENGTHS

Realising the implications of new world wide patent regime following the signing of the Uruguay round of GATT negotiations, the Company took specific steps at organising its own Research and Development set up geared towards discovery of newer molecules. The R&D facility operating from two locations, at New Delhi and at Lalru in Punjab is recognised by the Ministry of Science and Technology of Govt. of India (there are only three Govt. recognised Industry R&D facilities in North India). During the past year, the Company, backed by this in-house R & D, has filed product patents in 72 countries worldwide.

Being a corporate leader in the field of viral vaccines in the country, and knowing fully well that preventive immunisation of the population against viral diseases is an absolute must if the health status of the citizens is to be improved and many lives presently being lost or wasted to be saved, Panacea Biotec is undertaking frontline research in developing newer and safer methods of vaccine delivery at the Lalru research facility.

Company's current research is in the area of newer chemical entities, Viral Vaccines, Biologicals, New Drug delivery systems and natural products ensuring excellent bio-availability, stability and organoleptic charecteristics.

Havng filed patent in the NSAID category, work was initiated for filing of product patents in three more categories of drugs, namely, a wound healing preparation with anti TB efficacy, an anti spasmodic drug, and a natural preparation meant to cure (not just provide relief from) piles.

FINANCIAL PERFORMANCE

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Equity Capital	59.50	90.71	272.13	535.64	570.43
Reserves & Surplus	255.77	460.97	350.59	1,991.02	2,911.09
Gross Fixed Assets	242.70	358.53	475.87	1,079.86	1,840.39
Loan Funds					
Short term	317.59	586.34	601.20	720.31	859.41
Long term	63.09	50.92	104.14	185.99	189.81
Total	380.68	637.26	705.34	906.30	1049.22
Sales	**2,504.93**	**3,123.44**	**4,361.73**	**6,041.82**	**9,166.06**
Other Income	2.80	2.42	2.03	8.99	26.96
Total Income	**2,507.73**	**3,125.86**	**4,363.76**	**6,050.81**	**9,193.02**
Cost of Production	2,106.37	2,564.21	3,532.08	4,810.86	6,961.18
Gross Profit	401.36	561.65	831.68	1,239.94	2,231.84
PBDIT	**209.37**	**252.27**	**385.06**	**628.66**	**1,289.57**
Financial Expenses	86.26	95.22	159.22	116.27	219.91

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Depreciation	22.21	30.72	43.07	59.67	153.58
Profit Before Tax	100.90	126.33	182.77	452.72	916.08
Dividend (%)	Nil	15%	15%	15%	20%
Earning Per Share	**11.24**	**9.52**	**4.70**	**7.91**	**14.23**
Cash EPS	15.01	14.53	7.53	9.90	17.65
ROCE (%)	17.68%	14.33%	17.58%	16.69%	22.17%
Current Ratio	1.24	1.34	1.22	2.08	1.97
Debt Equity Ratio	20.01%	9.23%	16.72%	7.36%	5.45%
RONW (%)	21.22	15.65	20.52	17.92	23.38

It would be observed from the figures above that Panacea Biotec Limited has exhibited sustained growth in sales and profitability performance in the last three years. Sales have grown consistently from Rs. 43.62 crores in 1994-95 and Rs. 60.42 crores in 1995-96 to about Rs. 91.66 crores in 1996-97, registering a compounded annual growth rate of about 50 per cent. Profits before tax during the same period have grown from 1.83 crores to Rs. 4.52 crores and further to about Rs. 9.16 crores, registering a geometrical progression 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 14.07 per cent of sales in 1996-97.

The turnover growth rate of Panacea Biotec Limited is more than double the pharmaceutical industry average in India. 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.3481.52 lacs as at the end of 1996-97 from Rs. 622.72 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. 61.03 per share in two 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 1996-97 it was at 1.97. The net working capital available is sufficient to take care of future working capital requirements.

The total long term debt at the end of 1996-97 was Rs. 190 lacs only, thus giving a healthy debt equity ratio of 0.055:1.00 As such, total debt is virtually negligible as compared to the net worth. As cash accruals of the Company are fairly good and a very small component of debt, the debt service coverage ratio is at 18 . With a view to balance its capital structure, as at present it is heavily loaded in favour of net worth compared to negligible long term debt, the company decided to implement the expansion cum backward integration projects with the financial assistance of the Indian Financial Institutions/Banks. All the financing for the expansion program currently in hand has been fully tied up in advance and at most competitive rates.

In the performance and profitability projections accepted by the Indian Financial 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 about 5. 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.

PRODUCT DEVELOPMENT AND MARKETING STRENGTHS

The Panacea Biotec is engaged in all product lines of pharmaceuticals viz. biologicals, formulations and natural products.

Panacea Biotec Limited was the first company in India to manufacture formulations of Nimulid (in three dosage forms), Cisapride, Gliclazide, Roxythromycine, Cefaperazone and Cyclosporine (in two dosage forms).

ETHICAL MARKETING

The Company's products/formulations are being sold both in the domestic and export market. In the domestic market the company is exclusively into branded formulations marketed through the ethical promotion route of prescription medication. Formulations are being promoted on all India basis through Company's own marketing network with a field force of over 325, 20 branches/C&F/Consignee agents (super distributors) and 560 distributors/dealers spread all over the country.

All the 20 centres are linked to the Central Warehouse as also the Accounts Deptt. through a fully computerised Online network, besides an E Mail network and the position as at the end of any given day is down loaded at New Delhi, thus allowing for effective control and check on the movement of material and an update on the market situation.

The present field force of 325 and 65 Managers/Supervisors in the field is covering a doctor population of more than 80,000 on a 30 day cycle basis. This spread and penetration gives Panacea Biotec accessability to about 75 per cent of all prescribing Doctors in the therapeutic areas the company is presently operative in the domestic market.

SALES BEYOND SHORES

On the Export front the Company started its efforts in 1992-93 by initiating product registration in different countries of Africa, CIS, SAARC and West Asia, to begin with. As on date 52 of its products are registered in 21 countries and actual exports have taken place to 12 of these countries during 1996-97. Company has already opened representative offices abroad and atleast two warehouses/depots are planned for the current financial year itself, with the number going up to 6 by next year. With depots abroad it would become possible to service the export orders with a much lesser lead time and consistency in supplies would get established. Local distributors have also been appointed in 13 countries

The real boost in export volume and value is expected beginning 1998-99 when the advanced formulation facility meeting UKMCA standards would go operational and by which time product patents in respect of atleast five of Panacea's products would also have been registered worldwide.

DIVIDEND

The Directors of your Company are pleased to recommend the dividend of 20 % for the year ended 31st March, 1997 on pro-rata basis to all equity shareholders on their paid up equity share capital.

PERFORMANCE VIS-A-VIS PROJECTIONS

Your Company has surpassed all the projections made in the prospectus for Public Issue made in Sept.1995. In terms of Clause 43 of the Listing Agreement with Stock Exchanges, the comparison between the actual results and projections for the year 1996-97, made in the Prospectus dated 16th August, 1995 are given hereunder :

Particulars	Projections	Performance
Total Income	7699.91	9193.02
Profit before depreciation Interest & Tax	737.07	1289.57
Depreciation	143.51	153.58
Financial Expenses	192.59	219.91
Deferred Expenses W/o	33.82	42.23
Profit before Tax	400.97	916.08
Profit after Tax	356.99	814.08
Earning per share (weighted)	6.24	14.83
Book Value	46.13	61.03
Share Capital	572.13	570.43
Reserve & Surplus	2219.56	2911.09
Dividend	20%	20%

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

There are no employees of the category mentioned in section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended. The Directors being wholetime Directors having been appointed under Section 198, 269 & 309 read with Schedule XIII of the Companies Act, 1956 and by virtue of holding substantial powers of management, are not covered under this Section. 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 the report.

PUBLIC DEPOSITS

The Company under the provisions of Section 58 A of the Companies Act, 1956 filed statement in lieu of advertisement with ROC, Delhi & Haryana for accepting Public Deposits without issuing advertisement. The Company, however, during the year under review, did not accept any deposits from the public within the meaning of Section 58 A of the Companies Act, 1956.

HUMAN RESOURCE

The sweeping economic changes has also made its demands on the Human capital of your Company. Your Company has been able to adapt well with the changes taking place around the globe. This has been made possible by the team of highly talented and dedicated employees, which has been built over the years. We have been working towards achieving environment where people at all levels work together for achieving the goals of the company as a whole. The synergy effect which has been the driving force towards achieving the present growth has crossed all linguistic as well as territorial boundaries. We have been able to form a small INDIA at Panacea Biotec. The Directors place on record their deep appreciation for the hard work and unfailing faith of these 'partners' in the noble endeavour called Panacea.

DIRECTORS

In accordance with the provisions of Articles of Association of the Company, Mr.Soshil Kumar Jain, and Mr.Rajesh Jain, Directors of the Company retire by rotation at this meeting and being eligible offer themselves for reappointment.

AUDITORS

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

ACKNOWLEDGMENT

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

For and on behalf of the Board

New Delhi
the 25th day of June, 1997

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 Director's) Rules, 1988.

FORM A

ENERGY CONSERVATION

The Company remains committed to its policy of according highest priority to energy conservation. The Research and Development efforts in the Company are focussed on productivity improvement as well as better control on process parameters for quality improvement and higher efficiencies. Energy audits by qualified people were conducted at plants.

		Current Year	Previous Year
A. Power and Fuel Consumption			
1. Electricity			
(a) Purchased			
Units (Nos.)		**3,97,161**	2,59,606
Total Amount (Rs.)		**12,15,104**	7,82,930
Rate/Unit (Rs.)		**3.05**	3.02
(b) Own generation			
(i) Through Diesel Generator			
Unit		**4,52,399**	4,64,830
Unit per liter of Diesel Oil		**3.02**	2.35
Cost/Unit		**2.64**	3.02
ii) Through steam turbine/generator		**NIL**	NIL
Units			
Unit per liter of fuel oil/Gas			
Cost/Unit			
2. Coal		**NIL**	NIL
Quantity (tonnes)			
Total cost			
Average rate			
3. Furnace Oil		**NIL**	NIL
Quantity-Liters			
Total amount			
Average rate/Liter			
4. Others/Internal Generation		**NIL**	NIL
Quantity			
Total cost			
Rate/unit			
B. Consumption per unit of production			(000's omitted)
TABLETS			
Production	Nos.	**6,61,500**	4,56,330
Electricity	Unit	**.37**	.22
SYRUPS			
Production	Nos.	**89,160**	46,472
Electricity	Unit	**.39**	.18
CAPSULES			
Production	Nos.	**90,540**	35,606
Electricity	Unit	**.42**	.25
GELS			
Production	Gms.	**28,260**	—
Electricity	Unit	**.35**	—
VACCINE			
Production	Vials	**11,033**	8,486
Electricity	Unit	**7**	24

FORM B

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

1. Specific areas in which R & D carried out by the Company :
   The search for new molecules in the science of life has been Panacea Biotec's R & D mission. That's why, constant focus has been laid on critical life saving drugs and the new drugs to fill the gaps of therapy. The R&D centre of the company is approved by the Department of Scientific and Industrial Research, Ministry of Science and Technology and provides a stimulating atmosphere to the research scientists. The Company owns best equipped Research and Development Laboratory to achieve and establish consistent quality of products in the market. Currently Research is being pursued by the Company in following areas :
   - Design & Development of new drug molecules.
   - Continous improvement & upgradation of existing technologies/products.
   - Advanced Drug Delivery System.
   - Blood based products and blood substitutes.
   - Molecular modifications to achieve New Molecular Entities with better therapeutic profiles.
   - Newer drugs for Anti-cancer therapy, Alzeheimer's Disease and like.
   - Biotechnology based products.
2. Benefits derived as a result of the above R & D :
   - Improved productivity/process efficiencies
   - Improved product quality
   - Waste minimisation
   - Safe and environmental friendly processes
   - Grant of process patents
   - Import substitution
   - Enhanced global presence
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 1996-97 :

	1996-97	(Rs. in lacs) 1995-96
Capital	**251**	186
Recurring	**446**	167
Total	**697**	353
Total R&D expenditure as a percentage of total turnover	**7.60%**	5.84%

ANNEXURE TO THE DIRECTORS REPORT *(Contd.)*

Technology absorption, adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	Technical collaboration for manufacture of vaccines.
2. Benefits derived as a result of the above efforts	Product improvement Cost reduction Product development Import substitution
3. In case of imported technology (Imported during,the last 5 years reckoned from the beginning of the financialyear), following information may be furnished.	
a) Technology imported	Technical collaboration for manufacture, maintenance and marketing of Vaccines
b) Year of import	1995-96 & 1996-97
c) Has technology been fully absorbed ?	Fully absorbed on pilot scale
d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action	Would be fully absorbed on commercial scale in the upcoming production facility at Lalru, Punjab.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports :

Initiatives taken to increase exports; development of new export markets for products and services; Export sales during the year were Rs. 61.7 million - an increase of 36 % over the preceding year. The Company is presently operating in Asian, African, Russian, C.I.S., European, South American & Middle East regions. The Company has also set up branch offices/representative offices abroad. Besides, the Company has also taken steps to patent its products and has been successful in obtaining product registration in 22 countries. The Company is further gearing towards becoming cost competetive in order to compete in the international markets.

2. Total foreign exchange earned and used :

(Rs. in Lacs)

	Current Year	Previous Year
Earnings	**600.73**	453.06
Outgo	**2746.17**	1997.57

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman

New Delhi, the 25th day of June, 1997

AUDITORS' REPORT

To the Members of Panacea Biotec Limited

We have audited the attached Balance Sheet of PANACEA BIOTEC LIMITED as at 31st March, 1997 and the Profit and Loss Account of the Company for the year ended on the date annexed hereto and report that:

1. As required by the Manufacturing and Other Companies (Auditors' 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.

   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 and 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 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 give a true and fair view :

      (i) in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 1997, and

      (ii) in so far as it relates to Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For **SUDHIR SUNIL & CO.**
Chartered Accountants

SUDHIR KAPOOR
Partner

New Delhi
May 31, 1997.

Annexure to Auditors' Report

Referred to in paragraph 1 of our report of even date

1. 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 on comparison between book records and physical inventory were not material and have been properly dealt with in the books of accounts.

2. None of the fixed assets have been revalued during the year.

3. As explained to us, the stock of stores, spare parts, raw materials, and finished goods have been physically verified by the management at reasonable intervals during the year at Company's Factory premises, Godowns / Warehouses, Branch and with 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.

4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. As explained to us, there were 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 the operation of the company.

6. The valuation of stock is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

7. 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 sub section (1B) of Section 370 of the Companies Act, 1956.

8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 and/or to the companies under the same management as defined under sub section (1B) of section 370 of the Companies Act, 1956.

9. 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 the payment of interest.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and with regard to the sale of goods.

11. In our opinion and according to the information and explanations given to us, there are no transactions of purchases 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.

12. 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 and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

13. In our opinion and according to the information and explanations given to us, the Company has not invited any deposits from the Public within the meaning & scope of provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap wherever significant.

15. In our opinion the internal audit system of the Company is commensurate with its size and the nature of its business. A senior functionary of the rank of a General manager is incharge of the internal audit functions of the company.

16. 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 the 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.

17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the Appropriate Authorities.

18. According to information and explanations given to us there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs duty, Sales Tax and Excise Duty outstanding as on 31st March 1997 for a period of more than six months from the date of their becoming payable.

19. 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.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub sectioh (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **SUDHIR SUNIL & CO.**
Chartered Accountants

SUDHIR KAPOOR
Partner

New Delhi
May 31, 1997.

BALANCE SHEET
As at 31st March, 1997

	Schedule		As at 31st March, 1997 (Rs.)		As at 31st March, 1996 (Rs.)
SOURCES OF FUNDS					
Shareholders Funds					
Share Capital	I	5,70,43,290		5,35,64,220	
Reserves & Surplus	II	29,11,08,745		19,91,02,445	
			34,81,52,035		25,26,66,665
LOAN FUNDS					
Secured Loans	III	10,49,21,853		9,06,29,857	
Unsecured Loans	IV	62,59,280		41,71,400	
			11,11,81,133		9,48,01,257
			45,93,33,168		34,74,67,922
APPLICATION OF FUNDS					
Fixed Assets	V				
Gross Block		18,40,38,701		10,79,86,418	
Less : Depreciation		3,28,49,633		1,77,94,880	
Net Block			15,11,89,068		9,01,91,538
Current Assets, Loans & Advances	VI	35,74,06,614		29,51,44,396	
Less :					
Current Liabilities & Provisions	VII	9,54,08,265		7,00,02,582	
Net Current Assets			26,19,98,349		22,51,41,814
Miscellaneous Expenditure (To the extent not written off or adjusted)	VIII		4,61,45,751		3,21,34,570
			45,93,33,168		34,74,67,922
Notes to Accounts, Significant Accounting Policies & Abstract of Balance Sheet forming part of the Accounts.	XV & 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
May 31, 1997

(RAJIV GIROTRA)
G.M.(Finance)

(ASHEESH AWASTHY)
Company Secretary

PROFIT & LOSS ACCOUNT

For the Year Ended 31st March, 1997

	SCHEDULE	For the Year ended 31st March, 1997 (Rs.)	For the Year ended 31st March, 1996 (Rs.)
INCOME			
-Domestic Sales		85,42,18,877	55,84,29,577
-Export Sales		6,23,87,724	4,57,52,854
TOTAL SALES		91,66,06,601	60,41,82,431
Other Income	IX	26,95,500	8,98,546
Increase /(Decrease) in Stock	X	6,17,91,431	7,92,68,034
		98,10,93,532	68,43,49,011
EXPENDITURE			
Cost Of Production		75,75,59,558	56,02,43,744
Personnel Expenses	XI	2,69,53,274	1,78,26,922
Administration Expenses	XII	3,56,43,753	1,96,09,916
Financial Expenses	XIII	2,19,91,362	1,16,26,732
Selling Expenses	XIV	2,74,08,366	1,82,54,115
Miscellaneous Expenditure (written off during the year)	VIII	42,22,709	54,37,892
Depreciation	V	1,53,58,054	59,67,410
		88,91,37,076	63,89,66,731
Profit for the year		9,19,56,456	4,53,82,280
Less : prior period adjustments		3,48,594	1,10,060
PROFIT BEFORE TAX		9,16,07,862	4,52,72,220
Provision for Income Tax		1,02,00,000	—
PROFIT AFTER TAX		8,14,07,862	4,52,72,220
Add: Investment Allowance Reserve Written Back		6,85,892	—
		8,20,93,754	4,52,72,220
APPROPRIATION :			
Proposed Dividend(20% Pro-rata)		1,13,91,820	52,50,250
Balance Carried to Balance Sheet and transferred to Generel Reserves		7,07,01,934	4,00,21,970

As per our separate report of even date attached.

For M/s.SUDHIR SUNIL & CO.
Chartered Accountants

For and on behalf of the Beard

(SUDHIR KAPOOR)
Partner

(SOSHIL KUMAR JAIN)
Chairman

(RAVINDER JAIN)
Managing Director

(JAI BHUSHAN JAIN)
Director (Finance)

New Delhi
May 31, 1997

(RAJIV GIROTRA)
G.M.(Finance)

(ASHEESH AWASTHY)
Company Secretary

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31st March, 1997 (Rs.)	As at 31st March, 1996 (Rs.)
SCHEDULE - I		
SHARE CAPITAL		
AUTHORISED	15,00,00,000	10,00,00,000
Comprising of		
i. 1,25,00,000 Equity Share of Rs. 10/-each	12,50,00,000	10,00,00,000
ii. 25,00,000 Preference Shares of Rs. 10/- each	2,50,00,000	—
ISSUED, SUBSCRIBED & PAID UP		
57,22,560 Equity shares of Rs. 10/- each issued and subscribed	5,72,25,600	5,72,25,600
Less : Calls in Arrears	1,82,310	36,61,380
Paid Up Equity Share Capital	5,70,43,290	5,35,64,220

Note : –

During the year the Company raised its Authorised capital by Rs. 5,00,00,000/- comprising of 25,00,000 equity shares and 25,00,000 preference shares of Rs. 10/- each.

SCHEDULE - II

RESERVES AND SURPLUS

	1997	1997 (Rs.)	1996	1996 (Rs.)
i) **GENERAL RESERVE**				
Balance Brought Forward		6,22,83,817		2,26,70,464
Less				
-Short Provision of Dividend for 95-96	2,28,094		—	
-Short Provision of Income Tax for 95-96	8,08,579		6,35,397	
-Provision of Gratuity for Previous Years	13,26,559	23,63,232	—	6,35,397
		5,99,20,585		2,20,35,067
Add:				
-Excess provision of dividend written back	—		2,26,780	
-Profit as per Profit & Loss Account	7,07,01,934	7,07,01,934	4,00,21,970	4,02,48,750
		13,06,22,519		6,22,83,817
ii) **SHARE PREMIUM**				
Balance Brought B/f	13,61,32,736		1,17,02,400	
Additions during the year on receipt of Allotment Money due.	2,43,53,490		12,44,30,336	
		16,04,86,226		13,61,32,736
iii) Investment Allowance Reserve*		—		6,85,892
		29,11,08,745		19,91,02,445

* Investment allowance Reserve created as per Section 32 A of the I.T.Act,1961 is being written back upon its utilisation.

		As at 31st March, 1997 (Rs.)		As at 31st March, 1996 (Rs.)
SCHEDULE - III				
SECURED LOANS				
i) **TERM LOANS**				
ANZ Grindlays Bank, New Delhi.	—		18,72,086	
Punjab National Bank, New Delhi.	—		23,29,160	
Punjab State Industrial Development Corporation, Chandigarh. (Including accrued interest of Rs.4,44,326)	1,37,74,134		1,30,00,000	
		1,37,74,134		1,72,01,246
ii) **OTHER LOANS**				
Balance in Cash Credit accounts with :				
Punjab National Bank, New Delhi. (Lead Bank)	5,00,94,840		3,00,93,029	
ANZ Grindlays Bank, New Delhi.	2,18,18,957		57,07,114	
Canara Bank, New Delhi.	71,00,000		1,46,35,678	
State Bank of India, New Delhi.	69,27,223		1,42,38,360	
Standard Chartered Bank, New Delhi	-		73,56,817	
		8,59,41,020		7,20,30,998
iii) **OTHER LOANS**				
Loans Raised For Purchase Of Vehicles/equipment from :				
-Esanda Finanz	15,766		5,67,098	
-Corporation Bank.	6,23,929		8,30,515	
-Bank Of America	43,62,842		—	
-Modi Xerox Ltd.	2,04,162		—	
		52,06,699		13,97,613
		10,49,21,853		9,06,29,857
SCHEDULE - IV				
UNSECURED LOANS				
C&F Agent's Security Deposits*		60,89,880		41,71,400
Security from Foreign Customer		1,69,400		—
		62,59,280		41,71,400

*Company is paying simple interest @ 15% p.a. on these deposits.

1. Term Loan from PSIDC is secured by hypothecation of specific items of plant & Machinery and equipment, besides equitable mortgage on Company's land at Lalru on Pari-Passu basis with IDBI.
2. Working Capital Limits from Banks under a consortium arrangement led by PNB are secured by hypothecation of present & future stocks of raw materials stock in process finished goods and book debts, outstanding monies, receivable claims, trust receipts,e tc.
3. All the above loans from Banks/FI's/SFC's are also collaterally secured by personal guarantees of the promoter directors of the company.
4. The amount of Term Loans due for repayment within one year from the date of Balance sheet is Rs. 58.07 Lacs.
5. Besides,the above loans, Company has been sanctioned Term loans by IDBI and ANZ Grindlays Bank. The Company has however not taken any disbursement of these loans on this Balance Sheet date.

SCHEDULE - V
FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.96	ADDITIONS DURING THE YEAR	SALE/ ADJUSTMENTS	AS AT 310.3.97	AS AT 01.04.96	PROVIDED DURING THE YEAR	SALE/ ADJUSTMENTS	AS AT 310.3.97	AS AT 31.03.97	AS AT 31.03.96
LAND	86,18,707	-	-	**86,18,707**	-	-	-	-	**86,18,707**	86,18,707
BUILDING	2,11,02,002	1,33,09,643	-	**3,44,11,645**	16,79,929	54,30,153	-	**71,10,082**	**2,73,01,563**	1,94,22,073
PATENTS & TRADE MARK	87,300	84,88,205	-	**85,75,505**	8,781	4,38,837	-	**4,47,618**	**81,27,887**	78,519
FURNITURE & FITTINGS	43,78,111	16,25,589	-	**60,03,700**	12,88,604	7,08,551	-	**19,97,155**	**40,06,545**	30,89,507
PLANT & MACHINERY	3,80,48,846	1,85,93,140	-	**5,66,41,986**	97,89,831	52,09,804	-	**1,49,99,635**	**4,16,42,351**	2,82,59,015
OFFICE EQUIPMENT	22,93,884	19,87,834	-	**42,81,718**	8,12,208	3,86,535	-	**11,98,743**	**30,82,975**	14,81,676
VEHICLE	65,63,403	62,56,634	4,30,512	**1,23,89,525**	30,15,054	20,56,705	3,03,301	**47,68,458**	**76,21,067**	35,48,349
COMPUTER EQUIPMENT	23,45,824	26,95,433	-	**50,41,257**	12,00,473	11,27,469	-	**23,27,942**	**27,13,315**	11,45,351
CAPITAL WORK IN PROGRESS	2,45,48,341	3,52,60,813	1,17,34,496	**4,80,74,658**	-	-	-	-	**4,80,74,658**	2,45,48,341
CURRENT YEAR	10,79,86,418	8,82,17,291	1,21,65,008	**18,40,38,701**	1,77,94,880	1,53,58,054	3,03,301	**3,28,49,633**	**15,11,89,068**	9,01,91,538
PREVIOUS YEAR	4,75,87,527	6,06,91,866	2,92,975	10,79,86,418	1,20,23,144	59,67,410	1,95,674	1,77,94,880	9,01,91,538	-

SCHEDULES *(Contd.)*

		As at 31st March, 1997 (Rs.)		As at 31st March, 1996 (Rs.)
SCHEDULE - VI				
CURRENT ASSETS , LOANS & ADVANCES				
CURRENT ASSETS				
INVENTORIES				
Valued at lower of cost or net realisable value (as certified by the management)				
i) Raw Materials (Including Packing Materials)	8,35,24,358		5,30,50,284	
ii) Finished goods	7,61,24,231		5,53,93,038	
iii) Stock in Process	3,75,50,388		2,69,64,224	
		19,71,98,977		13,54,07,546
SUNDRY DEBTORS		11,62,06,175		11,10,98,065
CASH & BANK BALANCES				
i) Cash in Hand	1,62,051		8,80,761	
ii) Cheques in Hand	15,96,943		1,30,00,000	
iii) Balances with Scheduled Banks In Current Accounts\Fixed Deposits*	1,94,40,472		2,08,88,946	
		2,11,99,466		3,47,69,707
* Company has pledged FDRs with Custom Authorities as per revised guidelines of duty free imports under Advance Licence Scheme				
LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or for value to be received				
Advances to suppliers	12,13,665		8,93,188	
Security Deposits	24,71,201		26,28,691	
Income Tax :				
-Advance Income Tax 95-96	18,19,088		26,27,667	
-Advance Income Tax 96-97	1,02,00,000		—	
-Advance Income Tax 96-97 (Deposit Carried Forward under the Scheme of MAT 1997)	4,65,470		—	
Staff Advances	19,85,379		17,74,298	
Prepaid Expenses	4,28,608		11,52,136	
Balance with Excise Authorities	8,96,277		19,29,730	
Advance Rent	6,59,392		4,62,234	
TDS Refund Due	3,435		—	
Other Advances	26,59,481		24,01,134	
		2,28,01,996		1,38,69,078
		35,74,06,614		29,51,44,396
SCHEDULE-VII				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
i) Trade Creditors	5,56,15,710		5,50,83,809	
ii) Creditors for Fixed Assets	98,50,000		57,08,034	
iii) TDS Payable	47,739		1,81,509	
iv) Expenses Payable	61,30,379		32,39,745	
v) Other Liabilities	4,05,540		5,39,235	
		7,20,49,368		6,47,52,332
PROVISIONS				
Provision for Gratuity	17,67,077		—	
Provision for Income Tax	1,02,00,000		—	
Proposed Dividend	1,13,91,820	2,33,58,897	52,50,250	52,50,250
		9,54,08,265		7,00,02,582

SCHEDULES *(Contd.)*

		As at 31st March, 1997 (Rs.)		As at 31st March, 1996 (Rs.)
SCHEDULE - VIII				
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
i) Preliminary Expenses as per last Balance Sheet	2,256		2,738	
Less : written off during the year	482		482	
		1,774		2,256
ii) Deferred Revenue Expenditure				
Balance Brought forward	1,62,90,113		86,88,482	
Add : Additions during the year	—		1,22,05,241	
Less : Transferred to : –	1,62,90,113		2,08,93,723	
-Profit & Loss Account	22,92,797		46,03,610	
-Patent & Trade mark(in Fixed Assets)	14,84,208		—	
-Preoperative for Project (WIP in Fixed Assets)	23,52,208		—	
		1,01,60,900		1,62,90,113
iv) Research & Development Expenses				
Balance Brought forward	1,58,42,201		—	
Less : Transferred to :				
-Plant & Machinery(in Fixed Assets)	29,96,490		—	
	1,28,45,711		—	
Add : Additions during the year	2,50,66,796		1,66,76,001	
	3,79,12,507		1,66,76,001	
Less : Transferred to Profit & Loss Account	19,29,430		8,33,800	
		3,59,83,077		1,58,42,201
		4,61,45,751		3,21,34,570
SCHEDULE - IX				
OTHER INCOME				
Export Incentives Received		5,29,793		2,36,842
Interest on Fixed Deposits		6,39,557		6,35,342
Interest from customers		18,803		12,741
Interest received on allotment money due		1,98,435		11,373
Interest on Loans to Employee		1,15,379		—
Profit on Sale of Fixed Assets		1,95,788		2,248
Foreign Exchange Gain(net)		9,97,745		—
		26,95,500		8,98,546
SCHEDULE - X				
INCREASE / (DECREASE) IN STOCK				
OPENING STOCK				
Finished Goods	5,53,93,038		2,35,52,249	
Raw Material & Packing Material	5,30,50,284		2,99,24,420	
Stock in Process	2,69,64,224		26,62,843	
		13,54,07,546		5,61,39,512
LESS : CLOSING STOCK				
Finished Goods	7,61,24,231		5,53,93,038	
Raw Material & Packing Material	8,35,24,358		5,30,50,284	
Stock In Process	3,75,50,388		2,69,64,224	
		19,71,98,977		13,54,07,546
		6,17,91,431		7,92,68,034

SCHEDULES *(Contd.)*

	For the Year ended 31st March, 1997 (Rs.)	For the Year ended 31st March, 1996 (Rs.)
SCHEDULE - XI		
PERSONNEL EXPENSES		
Salary & Wages	2,08,47,343	1,38,63,579
Contribution to Provident and other funds	13,29,897	8,53,587
Bonus Ex-Gratia & Staff Welfare	30,19,960	16,24,468
Staff Recruitement Expenses	17,56,074	14,85,288
	2,69,53,274	1,78,26,922

	For the Year ended 31st March, 1997 (Rs.)	For the Year ended 31st March, 1996 (Rs.)
SCHEDULE - XII		
ADMINISTRATIVE EXPENSES		
Rent	10,28,658	8,10,400
Directors Remuneration	28,20,000	11,40,000
Printing & Stationery	25,09,185	12,67,882
Postage, Telephone & Telex Charges	47,55,373	36,43,142
Insurance	26,88,124	13,12,587
Conveyance	25,40,112	13,89,372
Travelling Expenses	1,06,13,735	32,34,694
Newspapers, Books & Periodicals	1,55,419	1,57,202
Professional & Consultancy Charges	21,59,726	17,59,457
Vehicle Running & Maintenance	17,77,602	15,31,725
Repair & Maintenance	16,88,271	5,68,186
Auditors Remuneration:		
-Statutory Audit Fees	75,000	20,000
-Tax Audit Fees	15,000	7,500
-Fees for Company Law Matters	10,000	5,000
-Certification\Reimbursement Expenses	36,500	54,500
Fees & Taxes	17,09,165	17,46,608
Subscription	1,63,734	3,42,771
Directors Travelling	7,16,153	4,87,837
Sundry Expenses	1,81,996	1,31,053
	3,56,43,753	1,96,09,916

	For the Year ended 31st March, 1997 (Rs.)	For the Year ended 31st March, 1996 (Rs.)
SCHEDULE - XIII		
FINANCIAL EXPENSES		
Bank Interest	1,69,75,372	90,47,035
Other Financial expenses	33,77,270	17,45,918
Interest other than Bank	16,38,720	8,33,779
	2,19,91,362	1,16,26,732

	For the Year ended 31st March, 1997 (Rs.)	For the Year ended 31st March, 1996 (Rs.)
SCHEDULE - XIV		
SELLING EXPENSES		
Advertising	16,19,467	4,59,019
Meeting & Conference	46,21,979	24,22,985
Sales Promotion & Incentive	20,87,954	6,24,729
Freight & Cartage	90,70,168	67,89,028
Commission on Sales	40,91,541	23,94,444
Rent for Cold Storage & Depots	4,86,900	3,57,900
Marketing Expenses	54,30,357	52,06,010
	2,74,08,366	1,82,54,115

SCHEDULE XV

SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

The Accounts of the company are prepared in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

The Company follows Accrual Method of Accounting and recognises all significant and ascertainable items of income and expenditure on accrual basis.

2. Fixed Assets

Fixed Assets are stated at cost, net of modvat, less accumulated depreciation plus any subsequent improvements. All costs including freight, duties, levies, financing cost till the commencement of commercial production, and any directly attributable cost of bringing the assets to their working condition are capitalised.

Capital Works in Progress includes advances and provisions.

3. Depreciation

Depreciation on all items of fixed assets is provided on Written Down Value method at rates prescribed in the Schedule XIV of the Companies Act, 1956.

For items of Patents and Trade Marks, the Company has charged depreciation at 5 per cent per annum, by estimating the life of a patent to be 20 years after it comes into use.

4. Foreign Currency Transaction

a. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of specific transaction.

b. Monetary items of current assets and current liabilities is denominated in foreign currencies are restated at the rates prevailing at the year end, and the difference between the year end rate and the exchange rate at the date of the transaction is recognised as income or expense, as the case may be, in the profit and loss account.

c. Non monetary transactions, including items of contingent liability like guarantees and letters of credit are stated at cost.

5. Employee Terminal benefits

Company's contribution to Employee's provident fund and ESI is charged to the profit and loss account. Provision for gratuity is on actuarial basis.

6. Inventory Valuation

Items of inventory have been valued as under:

a. Raw materials, packaging material and stores and spares	:	at cost;
b. Finished Goods	:	at lower of cost (material cost plus direct expenses) or net realisable value;
c. Work/Stocks in Process	:	at cost upto estimated stage of process.

7. Sales

Sales are stated net of returns and Sales Tax.

8. Issue Expenses

Issue expenses pertaining to the expansion project of the company are capitalised

9. Deferred Revenue Expenditure

Deferred revenue expenditure relating to years before 1995 is being written off over a four year period and that relating to subsequent years is being written off over a period of ten years. During the year there is no addition to the deferred revenue expenditure except the revenue expenditure on Research and Development which is being written off over a period of twenty years.

10. Research and Development

Research and Development expenditure 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 have been deferred and are being written off over a period of 20 years, being the period for which product patents in the pharmaceutical industry are valid. 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.

11. Duty draw back

Duty draw back from the Govt. of India has been accounted for on receipt basis.

12. 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 1995-96, released in Nov. 1996 has been adjusted against the allotment money due.

NOTES TO ACCOUNTS

1. Contingent Liabilities

(Rs. in Lacs)

			Current Year	Previous Year
i)	Claims against the Company not acknowledged as debts	:	NIL	NIL
ii)	Other money for which the Company is contingently liable on account of disputed Sales Tax demand	:	74.19	4.15
iii)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for.	:	414.50	318.85
iv)	Counter Guarantees issued by the company to bankers in respect of guarantees/letters of credit issued by them on behalf of company for normal business operations	:	641.92	941.89
v.)	Contingent liability against disputed Delhi Vidyut Board demand	:	17.60	Nil

2. Authorised Capital

The authorised Capital of the Company has been increased by Rs. 5,00,00,000/- comprising of Rs. 2,50,00,000/- of preference capital divided into 25,00,000/- preference shares of Rs. 10/- each and Rs. 2,50,00,000/- of equity capital comprising 25,00,000 equity shares of Rs. 10/- each. As on this Balance Sheet date the Authorised Capital of the company stands at Rs. 15,00,00,000/-

3. Income Tax as per MAT

With the introduction of the scheme of Minimum Alternative Tax (MAT) in the July, 1996, Finance Bill regarding charging of tax on book profits, and its subsequent amendment in the Finance Bill, 1997, providing for its carry forward to subsequent five assessment years, the Companyís liability towards income tax amounts to Rs. 1,18,17,414/- being 12.9 per cent of the book profits for 1996-97. However, as per extant Income Tax Laws, the tax liability of the company in respect of profits for the Financial Year 1996-97 (Assessment Year 1997-98) after providing for all the deductions/exemptions to which the Company is eligible, comes to approximately Rs. 1,02,00,000/- against Advance tax balance of Rs. 1,06,65,470/- with Income Tax deptt. in respect of the Company. Accordingly, an amount of Rs. 4,65,470/- would get carried forward for adjustment in future years and has been recorded as an element of current assets.

4. Expenditure on Research and Development

The company has incurred the following expenditure on R & D during the FY 1996-97:

Revenue	Rs. 250.67 lacs	Deferred; to be written off over 20 years
Capital	Rs. 445.50 lacs	Clubbed with other items of fixed assets and depreciation charged as per Schedule XIV of the Companies Act, 1956.

5. Term Loan from IDBI

The Company was sanctioned a Term Loan of Rs. 1000 lacs by the Industrial Development Bank of India for its expansion project at Lalru in Punjab. The company executed the loan documents in March 1997 and with a view to providing security for the loan, besides specific charge on the items of fixed assets to be created out of the loan, the immovable property of the company at Lalru site has been equitably mortagaged to IDBI on a pari passu basis with PSIDC. As on this Balance Sheet date the company has, however, not drawn any disbursement from IDBI.

6. Provision and/or payments in respect of Auditor's Remuneration

	Current year	Previous year
Statutary Audit	**75,000/-**	20,000/-
Tax Audit	**15,000/-**	7,500/-
Company Law matters	**10,000/-**	5,000/-
Certification/out of pocket/reimbursement expenses	**36,500/-**	54,500/-

7. Investment Allowance Reserve

Investment Allowance Reserve of Rs. 6,85,892/- created under Section 32 A of the Income Tax Act, 1961, has been written back upon its utilisation on aquisition of plant and machinery, and transferred to General Reserve.

8. Sales Tax Assessment

Company has been depositing its sales tax dues in time and also filing the required returns in due course on time. In respect of some demands made by the Sales Tax Deptt. for period 1989-1992, the company has preferred appeals with the appropriate Appellate Authorities. A sum of Rs. 15,92,793/- has been deposited with the Sales Tax authorites on this account.

9. Directors' Remuneration:

All the Directors on the Board of the Company are whole time Directors looking after specific functional areas and fixed monthly remuneration has been paid to them within the limits specified in the Companies Act, 1956. As no commission has been paid to the Directors, the Company has been advised that computation of net profits for the purpose of Directors' remuneration under Section 349 of the Companies Act, 1956, need not be enumerated.

10. Remittance in Foreign Currency on Account of Dividend

No. of Shareholders	No. of shares held	Dividend due	TDS deducted	Amount remitted
04	5,74,100	Rs.3,03,520	Rs.60,704	Rs. 2,42,816

11. Depreciation

Recognising the fast changes in the technology, the company is providing depreciation on all items of fixed assets on Written Down Value method at rates prescribed in the Schedule XIV of the Companies Act, 1956.

As the Companies Act, 1956 does not prescribe any rate of depreciation for items of Patents and Trade Marks, the Company has charged depreciation at 5 per cent per annum, by estimating the life of a patent to be 20 years after it comes into use.

Group of Temporary erection has been merged with the Buildings group. The entire outstanding under the Temporary Erection head have been depreciated at 100 per cent during 1996-97 itself.

12. Export Sales

Export Sales of Rs. 6,23,87,724/- are inclusive of Export Sales worth Rs. 23,14,824/- to Nepal.

13. Dividend

Provision for dividend to the tune of Rs. 52,50,250/- was made by the company in the accounts for the year 1995-96. However, on detailed calculation, a dividend of Rs. 54,78,344/- was actually paid. The excess payment of Rs. 2,28,094/- has been drawn out of general reserve.

14. Foreign Currency Transactions

a. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of specific transaction.

b. Monetary items of current assets and current liabilities denominated in foreign currencies are restated at the rates prevailing at the year end, and the difference between the year end rate and the exchange rate at the date of the transaction is recognised as income or expense, as the case may be, in the profit and loss account.

c. Non monetary transactions, including items of contingent liability like guarantees and letters of credit are however stated at cost.

15. Previous Year figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

16. In the opinion of the management, all the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

Additional information required under para 3 & 4 of 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

i) Vaccine	3000	lac Doses per annum
ii) Tablets	5500	lac per annum
iii) Capsules	600	lac per annum
iv) Liquids	25	lac Bottles per annum

c) Production

PARTICULARS	UNITS	QUANTITY	
		Current year	Previous Year
i) Tablets	Nos.	**66,15,00,000**	45,63,29,980
ii) Syrups/Liquids	Ml	**8,91,60,000**	4,64,72,100
iii) Capsules	Nos.	**9,05,40,000**	3,56,06,412
iv) Gel	Gms	**2,82,60,000**	—
v) Vaccine	Vials	**1,10,32,856**	84,85,530

B. Particulars of Stocks & Sales (1996-97)

PARTICULARS	UNITS	STOCK Current Year Opening	STOCK Previous Year Opening	STOCK Current Year Closing	STOCK Previous Year Closing	SALES Current Year	SALES Previous Year
i) Tablets	Nos	90255422	43496687	107233457	90255422	644521965	409571245
	Rs. in lacs	339.70	135.79	302.08	339.70	2740.70	2653.16
ii) Capsules	Nos	24159055	7293088	54804714	24159055	59894341	35606412
	Rs. in lacs	83.33	26.38	168.55	83.33	615.80	415.81
iii) Syp/Liq.	Ml	12259420	13461320	25988800	12259420	75430620	46472100
	Rs. in lacs	24.24	24.82	50.57	24.24	240.56	174.56
iv) Gels	Gms	—	—	3549200	—	24710800	—
	Rs. in lacs	—	—	19.70	—	137.98	—
v) Vaccine	Nos (vials)	60800	10680	163470	60800	10930186	8435410
	Rs. in lacs	17.63	3.20	62.12	17.63	5286.47	3004.08
vi) Others	Nos	—	—	—	—	—	—
	Rs. in lacs	89.03	45.33	158.22	89.03	144.56	94.21
Total (Rs. in lacs)		553.93	235.52	761.24	553.93	9166.07	6041.82

Particulars	Current Year (Rs. in lacs)	Previous Year (Rs. in lacs)
C. Particulars of Raw Material Consumed:		
Basic	**5914.26**	4159.82
Others	**607.63**	—
D. Value of Imports on CIF basis:		
Material, Machinery & spares, Technical knowhow/patents	**87.68**	38.52
E. Expenditure in Foreign Currency		
Expenses (travel, dividend, books, etc)	**46.76**	64.04
Purchases	**2699.41**	1902.01
F. Earnings in Foreign Currency		
Export Sales (realisable in convertible FOREX)	600.73	453.06

G. Value of Imported/Indigenous Raw Materials Consumed:

Particulars	Current Year (Rs. in lacs)	Current Year %age	Previous Year (Rs. in lacs)	Previous Year %age
Indigenous	**3972.48**	**60.91**	2600.19	62.51
Imported	**2549.41**	**39.09**	1559.63	37.49

SCHEDULE XVI

Additional information as required under Part IV of Schedule VI to the Companies Act 1956 :

i) Registration Details

Registration No. 17475 — State Code 55

Date 02/02/84

ii) Capital raised during the year (Amount in Rs.Thousands).

Public Issue	Right Issue
27833 (pending allotment money)	Nil
Bonus Issue	Private Placement
Nil	Nil

iii) Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	Total Assets
459333	459333

Source of Funds

Paid-up Capital	Reserves & Surplus
57043	291109
Secured Loan	Unsecured Loan
104922	6259

Application of Funds

Net Fixed Assets	Investments
151189	Nil
Net Current Assets	Misc.Expenditure (To the extent not W/off)
261998	46146
Accumulated Losses	
Nil	

iv) Performance of Company (Amount in Rs.Thousands)

Turn Over	Total Expenditure
916606	827694
Profit/Loss Before Tax	Profit/Loss After Tax
+ 91607	+ 81408
Earning per weighted share in Rs.	Dividend @ %
14.8	20%

v) Generic Name of Three Principal Products/Services of Company

Item Code No.(ITC Code)	300220
Product Description	VACCINE
Item Code No.(ITC Code)	300290
Product Description	NIMULID TAB
	LIVO-LUK SYP.

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
May 31, 1997

(RAJIV GIROTRA)
G.M.(Finance)

(ASHEESH AWASTHY)
Company Secretary

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE PERIOD APRIL 1996-MARCH 1997

PARTICULARS		AMOUNT (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS		11,09,03,724
Adjustment for :		
Depreciation	1,53,58,054	
Foreign Exchange	—	
Investments	—	
Interest/Dividend	—	
Deferred Expenditure Written off	42,22,709	1,95,80,763
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		13,04,84,487
Adjustment for :		
Trade and other Receivables	(41,84,137)	
Inventories	(6,17,91,431)	
Trade Payables	2,16,47,576	(4,43,27,992)
Cash Generated from Operations		8,61,56,495
Interest Paid	(2,19,91,362)	
Direct Taxes Paid	(1,06,65,470)	
		(3,26,56,832)
CASH FLOW BEFORE EXTRAORDINARY ITEMS		5,34,99,663
EXTRA ORDINARY ITEMS		
Interest Received		24,99,712
NET CASH FROM OPERATING ACTIVITIES		5,59,99,375
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,96,49,889)	
Sale of Fixed Assets	3,22,999	
Deferred Expenditures	(2,50,66,796)	
Purchase of Investments	—	
Sale of Investments	—	
Interest Received	—	
Dividend Received	—	
NET CASH USED IN INVESTING ACTIVITIES		(9,43,93,686)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue Term Borrowings	2,78,32,560	
Proceeds from Long Term Borrowings	71,71,900	
Deposits from C&F Agents	20,87,880	
Repayment of Finance Lease Liabilities	(67,89,926)	
Dividends Paid	(54,78,344)	
Net Cash used in Financing Activities		2,48,24,070
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)		1,35,70,241
OPENING BALANCE OF CASH AND CASH EQUIVALENTS		3,47,69,707
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		2,11,99,466

(SOSHIL KUMAR JAIN)
Chairman

(RAVINDER JAIN)
Managing Director

(JAI BHUSHAN JAIN)
Director (Finance)

New Delhi
May 31, 1997

(RAJIV GIROTRA)
G.M.(Finance)

(ASHEESH AWASTHY)
Company Secretary

Auditors' Report

We have verified the attached Cash Flow Statement of Panacea Biotec Limited, derived from audited financial statements and the books and records maintained by the Company for the Year ended 31st March, 97.

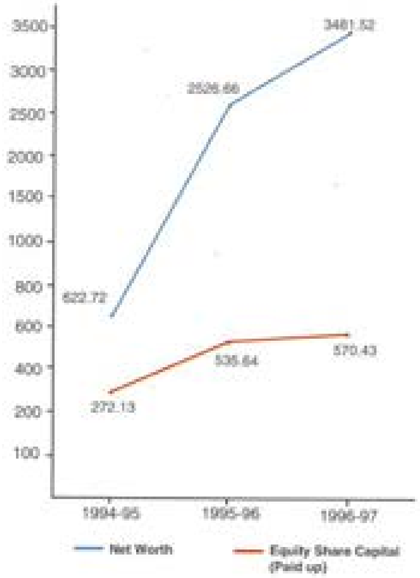
For SUDHIR SUNIL & CO.
Chartered Accountants

New Delhi
May 31, 1997

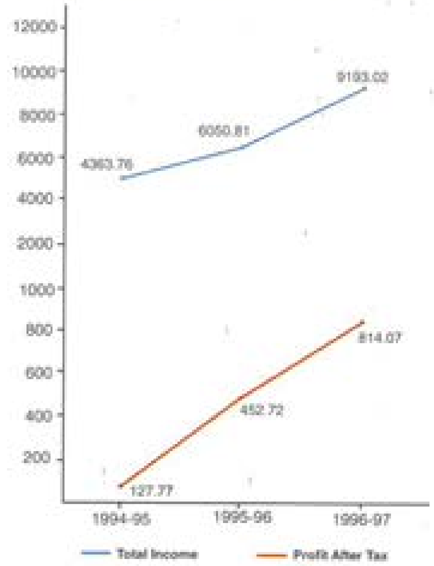
(Sudhir Kapoor)
Partner

NO PEERS TO MATCH OUR PERFORMANCE

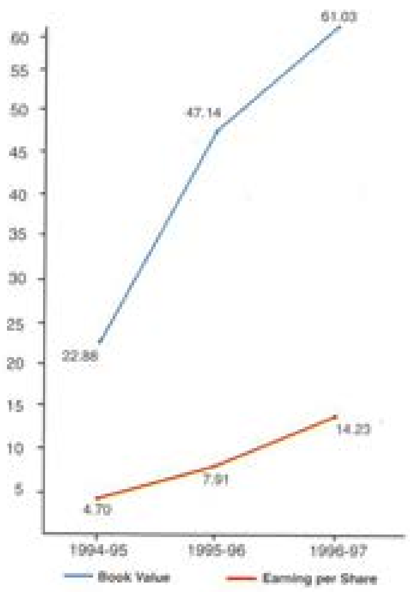
ZOOMING OWNED FUNDS



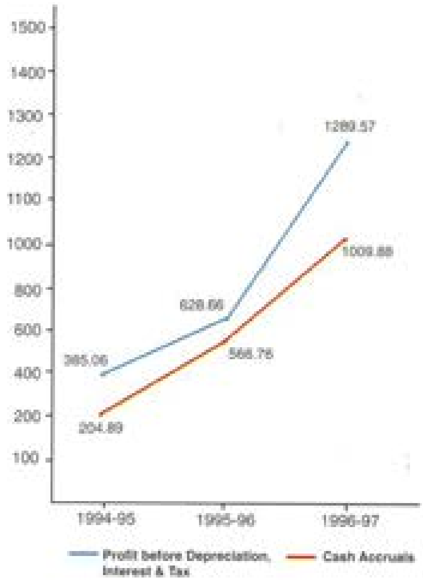
INCREASING INCOME & PROFITS



MAXIMISING SHAREHOLDERS' VALUE



HIGH LIQUIDITY



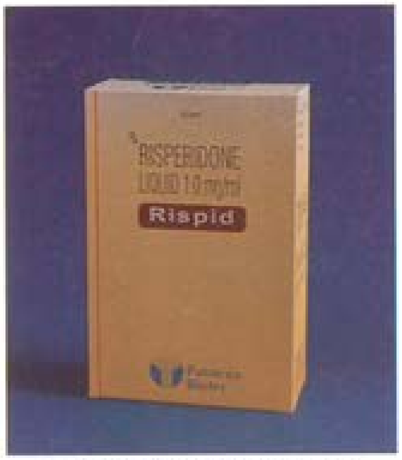
INNOVATION AND RESEARCH
OUR STRENGTH AND COMMITMENT

Products Manufactured for the First Time in India by Panacea Biotec Ltd.

NIMULID
(Nimesulide 100 mg tabs &
50 mg/5 ml suspension)

Closes the therapeutic gaps of NSAIDs

RISPID
(Risperidone -
Tablets & Oral Solutions)



First for Psychosis. First for safety.

NIMULID
(Nimesulide 1% w/w transgel)

A new transdermal therapy

MYTICEF
(Cefoperazone 1 gm vial)

The Cef that succeeds in a mighty way

PANIMUN
(Cyclosporine 100 mg/ml & 100 mg bioral)

Smooth Sailing for transplant patients

Panacea Biotec Ltd.
B-1 Ext./A-27, Mohan Co-op. Indl. Estate,
Mathura Road, New Delhi - 110 044
Ph. : 6945270-74 Fax : 6948548

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