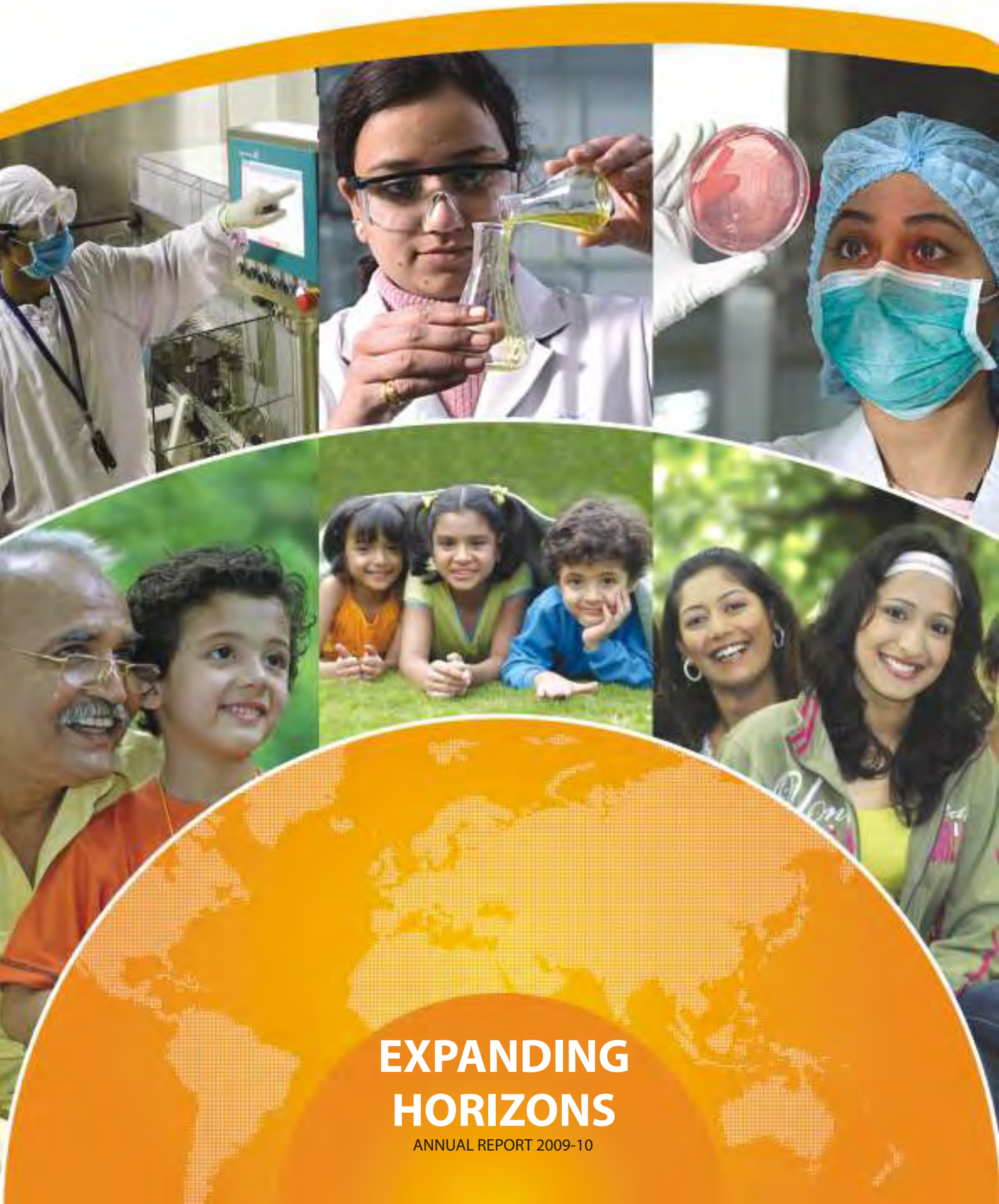
Panacea Biotec

Innovation in support of life



EXPANDING HORIZONS

ANNUAL REPORT 2009-10

Safe Harbour Statement

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

Contents

Corporate Information - 1

Know Panacea Biotec - 4

Our Values, Vision & Mission - 6

Chairman's Message - 8

Managing Director's Message - 10

Our Nucleus of Strengths - 12

Milestones - 14

Setting the Scene - 16

Management Discussion & Analysis - 17

Financial Highlights - 51

Director's Report - 53

Corporate Governance Report - 65

Auditors' Report - 79

Financial Statements - 82

Auditors' Report on Consolidated Financial Statements - 121

Consolidated Financial Statements - 122

Corporate Information

Board of Directors

Promoter-Directors

Mr. Soshil Kumar Jain
Chairman

Mr. Ravinder Jain
Managing Director

Dr. Rajesh Jain
Joint Managing Director

Mr. Sandeep Jain
Joint Managing Director

Mr. Sumit Jain
Director - Operations & Projects

Independent Directors

Mr. R.L. Narasimhan
Mr. N.N. Khamitkar
Mr. Sunil Kapoor
Mr. Gurmeet Singh
Mr. K.M. Lal
Dr. A.N. Saksena

G.M. Legal & Company Secretary

Mr. Vinod Goel

Registered Office

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

Corporate Offices

- B-1 Extn./G-3, Mohan Co-operative Indl. Estate
  Mathura Road, New Delhi – 110 044, India
- B-1 Extn./A-27, Mohan Co-operative Indl. Estate
  Mathura Road, New Delhi – 110 044, India

Works

- Ambala-Chandigarh Highway
  Lalru – 140 501, Punjab, India
- Malpur, Baddi, Dist. Solan
  Himachal Pradesh – 173 205, India
- B-1/E-12, Mohan Co-operative Indl. Estate
  Mathura Road, New Delhi – 110 044, India
- A-241/242, Okhla Indl. Area, Phase – I
  New Delhi – 110 020, India

R & D Centers

- Ambala-Chandigarh Highway
  Lalru – 140 501, Punjab, India
- B-1/E-12, Mohan Co-operative Indl. Estate
  Mathura Road, New Delhi – 110 044, India
- A-224, Okhla Indl. Area, Phase – I
  New Delhi – 110 020, India
- Plot No. E-4, Phase II, Indl. Area
  Mohali – 160 055, Punjab, India
- Plot No. 72/3, Gen Block, T.T.C. Indl.
  Area Mahape, Navi Mumbai – 400 710, India

Sales & Marketing Office

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

Statutory Auditors

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

Cost Auditors

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

Registrar & Transfer Agents

M/s. Skyline Financial Services Pvt. Ltd.
D-153 A, Ist Floor, Okhla Indl. Area, Phase-I,
New Delhi - 110020

Banks

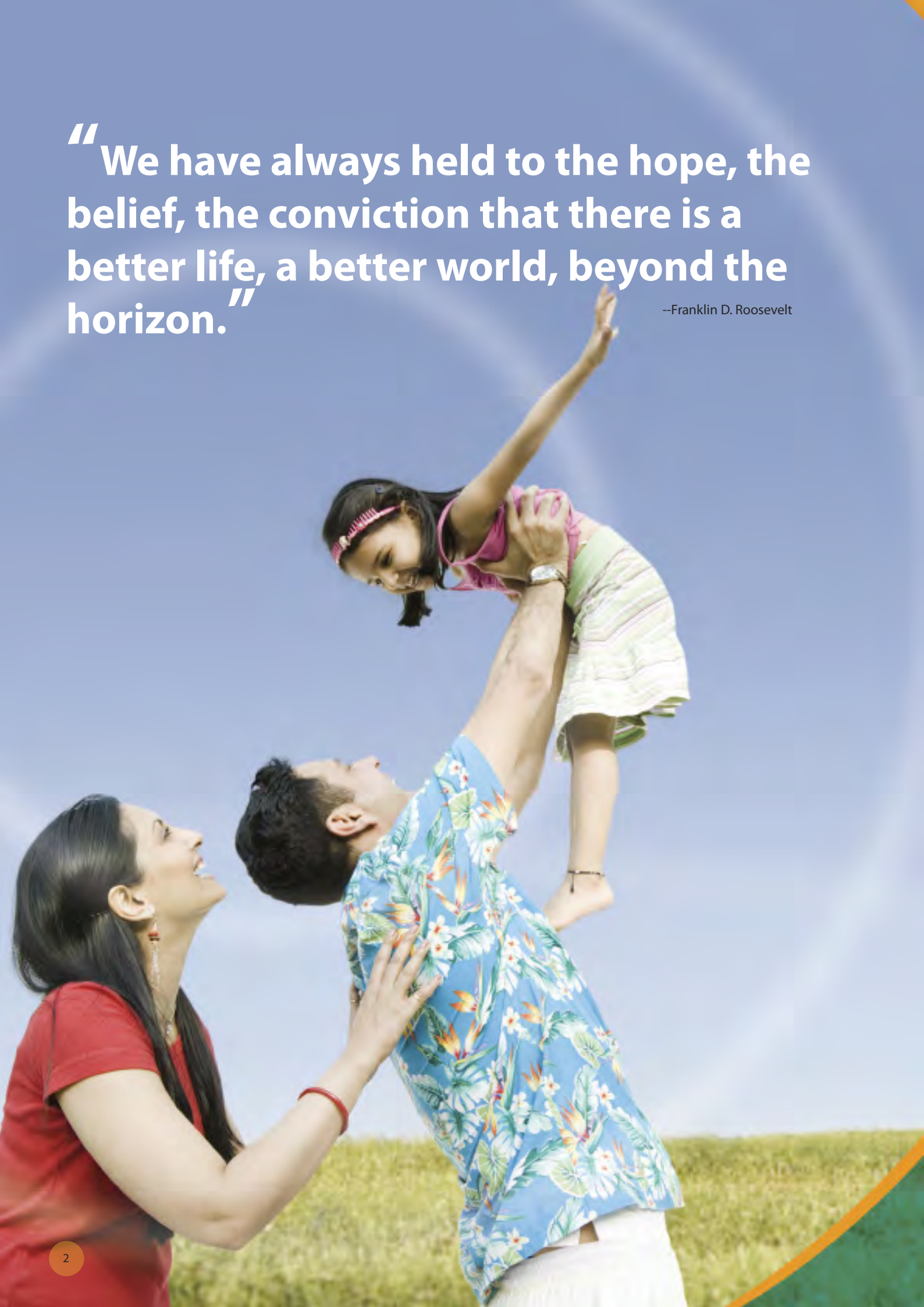
Axis Bank Ltd.
Bank of India
IDBI Bank Ltd.
Indian Overseas Bank
State Bank of India
State Bank of Mysore
State Bank of Travancore
Union Bank of India

Website

www.panaceabiotec.com

"We have always held to the hope, the belief, the conviction that there is a better life, a better world, beyond the horizon."

--Franklin D. Roosevelt



That is the world that Panacea Biotec is continuously aiming for.

A world where affordable healthcare is not a distant dream but an achievable goal

Where human life is nurtured in a spirit of complete care for the individual and the environment

Where distinctive innovation collaborates with excellence in execution for a growing portfolio of quality products & services

At Panacea Biotec, we are constantly striving to reach that world by expanding our horizons:

- Across the widest possible portfolio of our brands & services
- Beyond the furthest boundaries within our reach
- Extending to newer and bigger markets every day
- And touching human lives in the remotest corners of the globe

On the back of our robust strengths and our ever-growing basket of innovations, driven by the pioneering & dedicated efforts of our people, and steered by our unique brand of quality & credibility, we are relentlessly expanding our horizons to reach out to that new & better world.

Know Panacea Biotec

Panacea Biotec occupies a distinct position in the Indian pharmaceutical and biotechnology industry with its business model focusing on innovation, collaboration and brand building. The Company has endeavoured to provide research based products to fulfill unmet medical needs. The Company has established infrastructure and capabilities in R&D, manufacturing and marketing of vaccines, pharmaceuticals and biopharmaceuticals. Panacea Biotec occupies the position of the 2nd largest vaccine producer in India and has been ranked as the 3rd largest biotechnology Company (ABLE Survey 2010). Based on the finished pharmaceutical formulations business, the Company is placed at 49th rank amongst pharmaceutical companies in India (ORG IMS MAT March 2010).

Innovative product portfolio

The Company has a large bouquet of brands that includes highly innovative prescription products in important therapeutic areas such as pain management, diabetes management, cardiovascular disease managment, organ transplantation, renal-disease management, oncology, anti-osteoporosis, gastro-intestinal care products and vaccines. The Company has 26 product patents in more than 60 countries worldwide.

Global footprints

Backed by strong collaborations and tie-ups with leading national and international research organizations and corporations, the Company has extensive global footprints spanning more than 55 countries.

Quality hallmark

Quality lies at the core of the Company's business processes and systems and its state-of-the-art manufacturing facilities for vaccines and pharmaceutical formulations comply with international regulatory standards like WHO cGMP, US FDA, UK MHRA, TGA Australia and SA MCC.

With five dedicated research and development centers, and an employee base of around 3,300 including around 300 scientists, the Company stands at the forefront of delivering innovative healthcare solutions aimed at fulfilling unmet medical needs of the people.

GRAND R&D Center at Navi Mumbai

Our Values

Innovation

A process which transforms business ideas to marketable products

Bringing together different functions of the organization like marketing, finance, R&D, manufacturing to meet a common goal

A `way of life' in every activity, from administration to innovation

To challenge every process & solution to discover ways to make them better

Intolerance towards stability, encouraging continuous change

Thinking about the impossible and discovering ways to execute it

Deep rooted and sustainable change and superficial efforts

Pioneer

Striving for leadership in every activity and to become the guiding star

Having a vision of the future and succeed in reaching there before anyone else

Persevere in owning innovation and be the first mover in the market

Empowering people to speed up the organization growth

Always embracing new technology and processes

Confidence to stand apart from competitive organizations

Integrity

Honesty

Ethical practices

Transparent and clear communication

Always learning & improving

Mission : **Innovation in support of life**

Humane

Humility to respect all individuals

Care for individuals and environment

Placing betterment of people (external and internal) at the core of each activity

Core of new developments

Vision : Leading Health Management Company

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

Objective : Take ideas from Grey Cell to Market in a Proactive Manner

Chairman's Message

Dear friends

Beyond every horizon is a rainbow, in the colours of which lie the hopes of those millions of people around the world who are constantly striving to improve their lives. As I speak to you today, it is my endeavour to try and capture those myriad hues that brighten lives from beyond the expanding horizons of your Company.

It was for all of us, at Panacea Biotec, an year of expansion across every aspect of our business. It was an year when our vision to become the largest and most admired health management company, leading the industry in developing brands and vaccines that preserve and improve human life across the globe, scaled new heights of achievement, as manifested by our expanding numbers and our exemplary performance.

Exemplary performance

It gives me immense pride to report excellent numbers for the year gone by, with your Company leaving the tough times behind to be back on the growth track. Consolidation and optimization of product mix and increased thrust on overseas market saw revenues go up during the financial year under review.

The company's net turnover, with a growth of 14%, stood at Rs. 8,844 million for the year ended 31st March 2010, up from Rs. 7,734 million for the previous year. This was a clear reflection of the success of your Company's growth strategy during the year gone by.

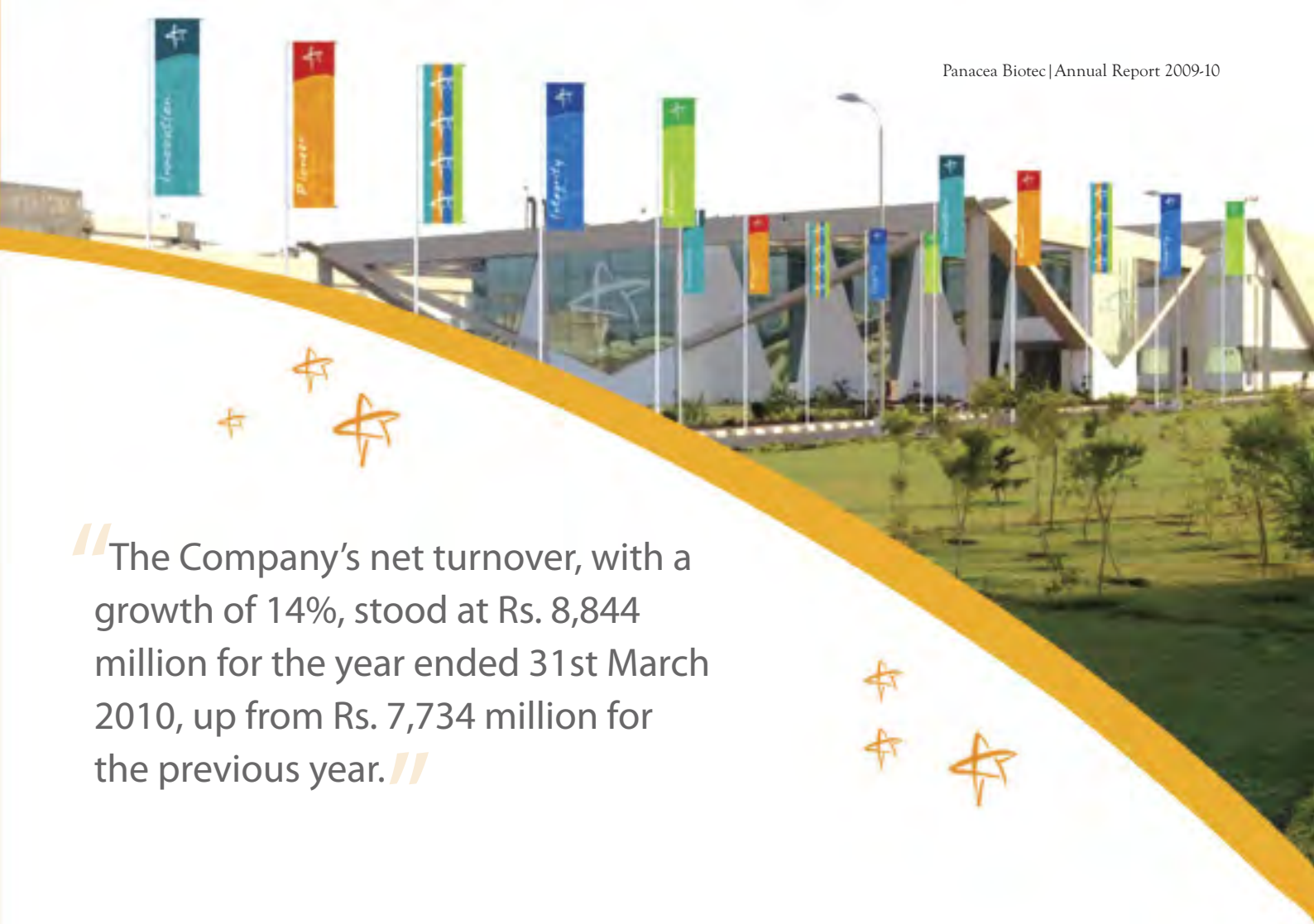
In another endorsement of its exemplary performance, your Company went on to report substantial growth in its PBT at Rs. 1,181 million, significantly up from a negative PBT of Rs. 924 million during FY09.

This growth is very much in line with our expectations, and a true reflection of the dedication and commitment of each member of the Panacea Biotec family to perform well at all times and to chart a firm course to future success.

Expanding horizons

Committed to remain globally and regionally attractive to customers and investors, we saw the Company expand its horizons across every aspect of its business – from innovations to products, from customers to markets, from manufacturing to regulatory approvals – during the fiscal under review.

During the year, your Company firmly entrenched in the roots of our historical success in developing products, projects and exploring new opportunities - on which we have developed the



"The Company's net turnover, with a growth of 14%, stood at Rs. 8,844 million for the year ended 31st March 2010, up from Rs. 7,734 million for the previous year."

foundation for our future. Further nurturing these roots, your Company continued to innovate new brands and products to expand its portfolio of offerings, even as it engaged itself in the growth of the existing brands.

The development of the indigenously produced Pandyflu™ vaccine against H1N1 (Swine flu) virus marked a milestone in the brand expansion programme of your Company, which has always seen vaccine development and production as one of its greatest strengths and a manifestation of its innovation prowess.

What makes this achievement even more noteworthy is that it reflects the ability of the Company and its scientists to respond effectively and efficiently to a global emergency of such an unparalleled scale.

Another remarkable achievement, which has considerably augmented our presence in the global markets, is the approval received from US Food and Drug Administration (USFDA) for our state-of-the-art Pharmaceutical Formulation facility at Baddi in Himachal Pradesh.

This approval, coupled with the recent approvals from regulatory agencies of Germany and Australia, is in line with the Company's strategic plan to expand formulation business to ICH markets. It gives me pleasure, indeed, to inform you that we expect to launch products in US soon through our distribution partner.

Conclusion

The expansion, as you can gauge, is across the board and a clear vindication of our commitment to take the Company to the next level in its growth trajectory. We have already laid the platform for this growth through enhancement of operational efficiencies and focus on prudent financial management, which has enabled us to reduce forex-related losses substantially.

However, I am well aware that none of these would have been possible without the unwavering commitment and hard work of every member and employee of Panacea Biotec, as also the encouragement and support of all our partners and associates. I am confident that this support and commitment shall continue to steer the Company as it transcends into new horizons in its onward journey.

Thank you
Soshil Kumar Jain

Managing Director's Message

"The future, as I see from here, is one of expanding horizons for the Company, and for each of its members, employees, partners and stakeholders."

Not long ago, we saw a dream, a vision to be known as a truly global organization. The year under review laid the foundation for the translation of that vision into a realizable goal.

On the back of strong financial performance, an expanding customer network, innovative developments of far-reaching impact and growing technological prowess, your Company expanded its global footprints during the year to reach out to new horizons.

While the development of Pandyflu™ to tackle Swine flu reflected our commitment to dedicated service to the people at large, the Award Notification from UNICEF for supply of EasyFive (pentavalent vaccine) for 2010, 2011 and 2012 marked a giant leap in our efforts to save precious lives of millions of children in the developing world. For us, these two developments proved to be a successful test of our technological, managerial, operative and administrative competency that went beyond commercial aspects into the realm of global corporate social responsibility.

The speed with which your Company responded to the global emergency situation triggered by the widespread outbreak of Swine flu was a clear reflection of our supply chain management competencies and the robust R&D capabilities which constitute the nucleus of Panacea Biotec's growth.
Innovation, in fact, is one of the key growth drivers which, we expect, will have a significant impact on our overall performance in the coming years. I am confident that, going ahead, we shall be able to further capitalize our strengths in R&D to establish a firm foothold in various immunization and other healthcare programmes across the globe, thereby leveraging our execution capabilities to improve our operational and financial performance year after year.

Going ahead, our aim is to continue to invest funds and efficiencies in an increasing number of healthcare and vaccine products to fulfill the unmet healthcare needs of the masses around the world, and thus successfully take forward our efforts to build the world's leading health management company.

The future, as I see from here, is one of expanding horizons for the Company, and for each of its members, employees, partners and stakeholders. Together, we have come this far. And together, we shall scale the next level of growth and expansion.

Thank you
Ravinder Jain

BILL & MELINDA GATES *foundation*

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May 25, 2010

Dr. Rajesh Jain
Joint Managing Director
Panacea Biotec Limited
B-1 Extn/ A-27
Mohan Co-op; Industrial Estate
Mathura Road
New Delhi 110044
India

Dear Dr. Jain:

It was a pleasure to meet you during my recent visit to India.

I appreciate your participating in the roundtable discussion on the challenges and opportunities for vaccine development and introduction in India. Your company's efforts are critical, and we look forward to working with you to help save and improve millions of lives.

Thank you for sharing your time and expertise with me.

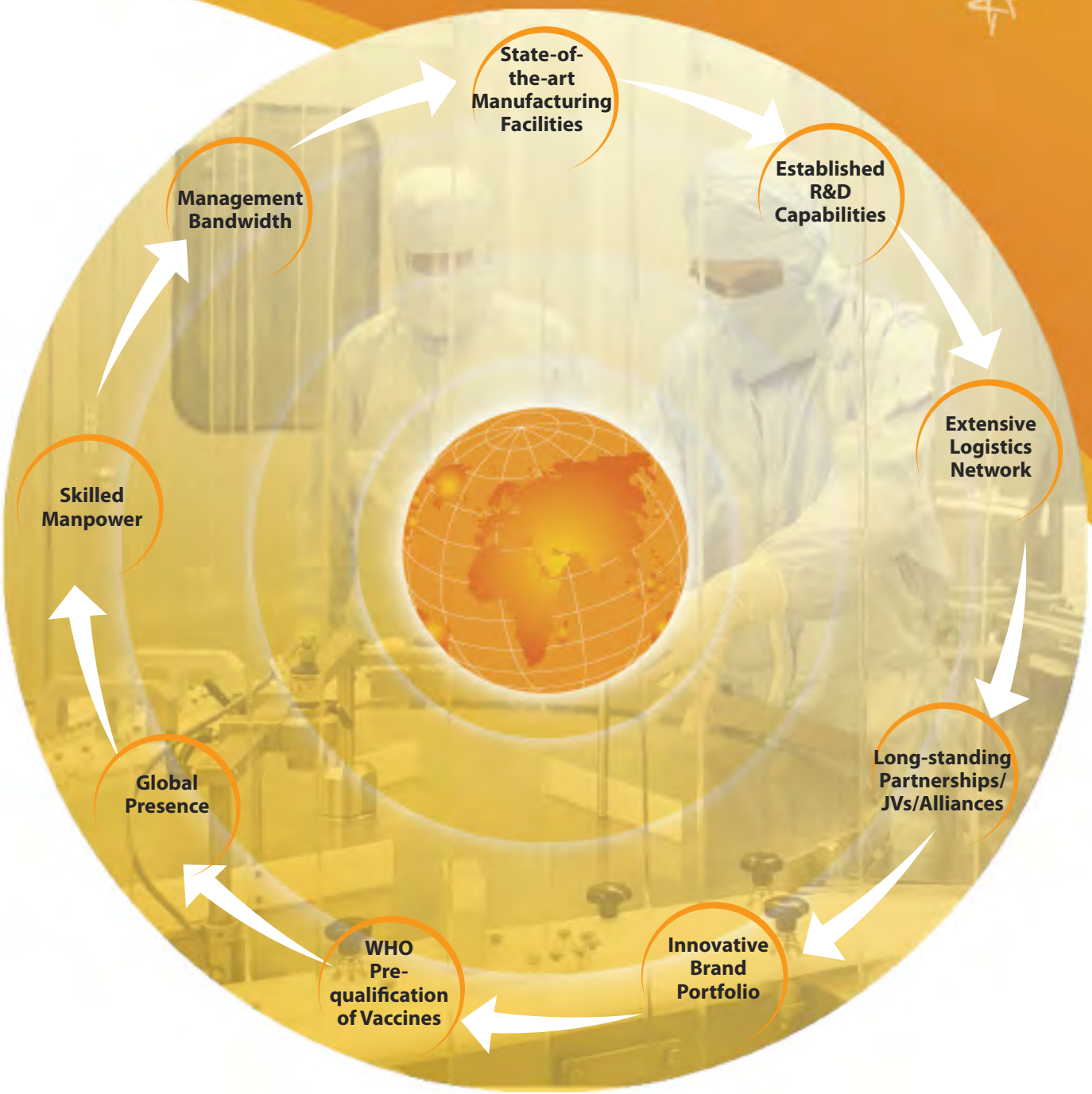
Sincerely,

Bill

Bill Gates

Cc: Mr. Ashok Alexander, Director, India Country Office, Bill & Melinda Gates Foundation

Our Nucleus of Strengths


State-of-the-art Manufacturing Facilities
Established R&D Capabilities
Extensive Logistics Network
Long-standing Partnerships/ JVs/Alliances
Innovative Brand Portfolio
WHO Pre-qualification of Vaccines
Global Presence
Skilled Manpower
Management Bandwidth

This is How we Have expanded Our Horizons...

1984
Panacea Drugs (P) Ltd. was formed.

1988
Established a plant for vaccines production at New Delhi, under the name of Radicura Pharma.

1989
Established Pharmaceutical formulations plant at New Delhi, under the name of Panacea Drugs (P) Ltd.

1993
Merger of Panacea Drugs (P) Ltd. & Radicura Pharma to form Panacea Biotec Ltd.

1995
IPO of Equity Shares of Rs.180 Million

Set-up State-of-the-art Drug Delivery R&D centre at Lalru, Punjab.

1997
First Product Patent in several countries.

2001
In-licensing Agreement with Biotechnology Consortium of India for Development & Commercialization of Anthrax Vaccine.

R&D tie up with European MNC.

2002
Commissioned Recombinant Vaccine Production facility at Lalru, Punjab.

2003
WHO pre-qualification for trivalent OPV.

2004
In-licensing agreement with National Institute of Immunology, New Delhi, for Japanese Encephalitis Candidate Vaccine.

Marketing Joint Venture with Chiron (now Novartis) Vaccines, UK.

2006

International offering by way issue of FCCBs of USD 100 million.

Commissioned cGMP compliant Pharmaceutical Formulation facility at Baddi.

Inauguration of Drug Discovery Center at Mohali.

Inauguration of Biopharmaceutical R&D Centre at New Delhi.

WHO pre-qualification for Enivac HB Vaccine.

Landmark collaboration with The Nederlands Vaccin Instituut (NVI) for manufacture & marketing of finished IPV and IPV based combination vaccines in India and across the globe.

Collaboration with PT Bio Farma to manufacture & market Measles Vaccine.

In-licensing Agreement with National Institutes of Health, USA for Dengue Vaccine.

2005

In-licensing agreement with National Institutes of Health, USA for Hair Growth Hormone.

2007

WHO pre-qualification for Ecovac4 and Easyfour Vaccines.

Commissioned State-of-the-art Vaccine Formulation Plant at Baddi.

Research Agreement with Punjab University to develop New Chemical Entities for Psychiatric Disorders.

2008

Inauguration of GRAND R&D Center at Navi Mumbai

WHO pre-qualification for fully liquid innovative combination Pentavalent Vaccine Easyfive.

Received award from UNICEF for supplying Easyfive vaccine for the first time worth US$ 34.20 million to UNICEF in years 2008 & 2009.

Got US Patent for ThankGod™, a product for effective management of hemorrhoids & piles.

2009

WHO pre-qualification for mOPV Type 1, bOPV Type 1 & Type 3.

Received award worth US$ 222 million from UNICEF for supply of Easyfive Vaccine.

Received cGMP certification for Pharmaceutical Formulation facility at Baddi from German Regulatory Authority.

2010

Received cGMP certification for Pharmaceutical Formulation facility at Baddi from US FDA, TGA Australia.

Launch of bivalent OPV.

Strategic Alliances for marketing & distribution of products in U.S., Australia and New Zealand.

Commissioned state-of-the-art manufacturing facility for Pandemic flu (H1N1)and cell culture based vaccines.

Received financial assistance of Rs.100 million from DBT for development of Influenza A (H1N1) vaccines.

Received Grant from DSIR for development & demonstration of technology for a NCE.

Setting the Scene

- Panacea Biotec is India's 2nd largest Vaccine producer.
- Panacea Biotec is India's 3rd largest Biotechnology Company.*
- Panacea Biotec is ranked 49th amongst Pharmaceutical Companies in India.**
- Panacea Biotec is the first company to develop and launch the innovative fully liquid pentavalent combination vaccine Easyfive globally.
- Panacea Biotec is the first company to develop bivalent Oral Polio Vaccine globally.
- The Company's Oral Polio (tOPV, mOPV & bOPV), Enivac HB (Recombinant Hepatitis B), Ecovac 4 (DTwP-Hep B), Easyfour (DTwP-Hib) and Easyfive (DTwP-Hep B-Hib) Vaccines are pre-qualified by World Health Organisation (WHO).
- The Company's Pharmaceutical Formulation facility at Baddi is certified as cGMP compliant by various regulatory authorities including US FDA, German Regulatory Authority, TGA Australia and ANVISA Brazil.
- The Company has played a key role in polio eradication program by supplying more than 7 billion doses of Oral Polio Vaccine to Govt. of India and UNICEF.
- The Company's Products reach more than 55 countries globally. Organ transplantation products are at an advanced stage of registration in U.S. and Europe.
- The Company has 26 product patents valid in more than 60 countries world wide.
- Panacea Biotec has over 1,300 patent applications filed, 380 either granted or accepted for grant globally.
- Established Brand Equity in niche therapeutic areas like Pain Management, Diabetes Management, Cardiovascular Disease Management, Organ Transplant, Renal Disease Management, Oncology and Pediatric Immunization.
- Over the years, continued contribution made by the Company has enabled millions of patients enjoy happy and healthy life through our well established brands and services.
- The Company has made a significant contribution to Shareholders' value.
- Research & Development activities is core focus with around 9% of net turnover invested during fiscal 2010.
- Panacea Biotec has around 300 scientists working in 5 state-of-the art R&D Centers.
- Panacea Biotec is a family of around 3,300 people working relentlessly in improving quality of life of billions of people across the globe.

* (Able Survey 2010)
**(ORG IMS MAT March'10).

LAKSH Drug Discovery Center at Mohali

Management Discussion and Analysis

Industry Structure & Developments

Global Vaccine Industry

Vaccines are important preventive medicines for primary health care and are a critical component of a nation's health security. The Vaccines have emerged as one of the most lucrative segment in the global pharmaceutical industry. The global market for vaccines is expected to grow at a Compounded Annual Growth Rate (CAGR) of more than 13% in the next five years and is expected to reach USD 36 bn by 2013, as per various industry estimates. The vaccine industry will emerge as the fastest growing prophylactic/therapeutic area. While U.S. and Europe represent the two largest vaccine markets and will continue to experience healthy growth in future, at the same time developing markets with over 124 million birth cohort will become key growth drivers.

Presently, Pediatric vaccines dominate the global vaccines market and growth in this segment is expected to continue in future. At the same time, the share of adult and therapeutic vaccines is likely to increase and will continue to fuel the future growth in the global vaccines market. Successful development of vaccines against infectious diseases like Pandemic Flu, Pneumonia, Dengue, HIV, rotavirus and cervical cancer in addition to the Hexavalent pediatric combination vaccines would add to the growth of the vaccine industry.

Immunization is a cornerstone of public health programs and serves as a platform for other interventions. These programs have been sustained for decades, even through war and conflict. In one of the greatest successes in public health history, smallpox was eradicated by immunization campaigns in 1979, and polio eradication is now within reach.

Each year approximately 25 million infants do not receive the necessary immunizations, and at least 2.4 million children die from vaccine-preventable diseases — approximately 14 % of deaths in children under 5 years of age. 14 millions survive, but are left severely impaired. The long-term effects of these childhood illnesses limit the ability of those who survive to become educated, to work, or to care for themselves or others.

The WHO and The United Nations Children's Fund (UNICEF) have taken a number of measures to boost the awareness and access to vaccines in their efforts to meet the challenges in global immunization. One such program launched in 2005 is the Global Immunization Vision and Strategy (GIVS). In brief, GIVS aims to assist countries to immunize more people, from infants to seniors, with a greater range of vaccines. GIVS is the first ever global ten-year framework to fight vaccine-preventable diseases through immunization and covers the period 2006 to 2015.

Indian Vaccine Market

India represents one of the fastest growing vaccine markets in the world. India is among the major buyers and manufacturers of vaccines, locally as well as globally, and has traditionally aimed at self-reliance in vaccine technologies and production. The Indian Vaccine market is currently at the centre of attraction for all leading pharmaceutical majors. Now, the vaccine market is registering growth rates much faster than the conventional pharma market. As many blockbuster vaccines are going to hit the market in near future, the growth is expected at a much faster pace. Though market analysis has identified pediatric vaccines as the largest constituent of the vaccines segment, the future holds promise for adult, therapeutic, influenza and cancer vaccine segments as well.

Presently, domestic companies dominate the vaccines market

"The Indian Vaccine market is currently at the centre of attraction for all leading pharmaceutical majors. Now, the vaccine market is registering growth rates much faster than the conventional pharma market."

covering around seven out of top 10 players. But with India's Intellectual Property Rights (IPR) laws improving considerably and healthcare expenditure increasing, foreign companies have now begun to acknowledge India's potential as a vaccine hub. Taking into consideration the factors like increasing public and private healthcare spending, birth of around 24 million babies each year and a large prevalence of both infectious and chronic diseases, the domestic demand for vaccines in India will continue to grow at a significant rate, offering vaccine players enough opportunities to expand their horizon in the country.

Along with the improvements in the domestic market, India has also emerged as a centre for exports. Exports presently account for more than 50% of the country's vaccine market and with growing investment by both domestic and international players, India is expected to fulfill the vaccine demand of both developing and developed countries.

Polio Eradication in India

The goal of Global Polio Eradication Initiative (GPEI) is to ensure that no child will ever again know the crippling effects of polio. There is no cure for polio, but the disease can be prevented by immunization with polio vaccine.

Alarmed that polio remained entrenched in the four countries that had never stopped transmission, and that an increasing number of polio-free areas were becoming re-infected, in May 2008 the World Health Assembly (WHA) called for a new strategy to complete polio eradication.

The new Global Polio Eradication Initiative - `GPEI Strategic Plan 2010-2012' builds on the special 2009 Programme of Work and incorporates the myriad lessons learnt since the GPEI began.

The multi-year planning process of the Global Polio Eradication Initiative (GPEI) was subsequently replaced with a one-year 2009 Programme of Work which examined the major barriers to interrupting Wild Polio Virus (WPV) transmission in each of the remaining endemic areas (through an Independent Evaluation); fast-tracked the development and clinical trials of four new vaccines or vaccine approaches; and assessed new approaches to reach children previously missed by vaccination efforts due to

weak operations management, insecurity or other factors. Though the number of Polio cases in India have reduced significantly from 1,934 in 1998 to 741 in 2009 and 25 till June, 2010 (source: www.npspindia.org), as per WHO guidelines, a WHO region can be certified polio free only if it does not record any case of polio during three consecutive years; following the year; in which zero case is registered first time. Assuming that India achieves zero case for the first time in 2011 and thereafter, if it does not record any case of polio in 2012, 2013 and 2014, India can achieve its target of becoming polio free and become eligible for being declared as a polio free nation by WHO. However, immunization activities will continue until the entire region (including Pakistan & Afghanistan) becomes polio free.

Immunization against Polio to Continue: In developing countries, low effectivness of Oral Polio Vaccine (OPV) in the highest-risk communities (believed to be caused by a combination of high incidence of diarrheal diseases, malnutrition and the high force of Wild Polio Virus infection attributed to crowding) has been identified as the key challenge to interrupting Wild Polio Virus transmission. Responses being explored include enhanced inactivated poliovirus vaccine (eIPV) as a supplement to Oral Polio Vaccine (tOPV, mOPV1 & mOPV3) and development of a bivalent OPV (bOPV) containing both type 1 and type 3 virus. The immunization against polio will continue in the post polio eradication era.

Global Pharmaceutical Market

As per IMS, the global market for pharmaceuticals is expected to grow nearly USD 300 bn over the next five years, reaching USD 1.1 trillion in 2014. The 5-8% Compound Annual Growth Rate (CAGR) during this period reflects the impact of leading products losing patent protection in developed markets, as well as strong overall growth in the world's emerging countries. Global pharmaceutical sales growth of 4-6% is expected in 2010. In 2009, the market grew 7% to USD 837 bn, compared with a 4.8% growth rate in 2008.

Patient demand for pharmaceuticals is expected to remain robust, despite the ongoing effects of the economic downturn being felt in many parts of the world. In developed markets with publicly funded healthcare plans, pressure by payers to curb drug spending growth will only intensify, but that will be more than offset by the ongoing rapid expansion of demand in the emerging markets. Net growth over the next five years is

expected to be strong - even as the industry faces the peak years of patent expiries for innovative drugs introduced 10-15 years ago and subsequent entry of lower-cost generic alternatives.

As the pharmaceutical industry's research & development programs adjust to the broad availability of low-cost generic options in many chronic therapy areas, higher growth will occur in those therapy areas where there is significant unmet clinical need, high-cost burden of disease, and innovative science that can bring new treatment options to patients. In the areas of oncology, diabetes, multiple sclerosis and HIV, annual growth is expected to exceed 10% through 2014 as new drugs are brought to market, patient access is expanded and funding is redirected from other areas where lower-cost generics will be available.

Geographic balance of the pharmaceutical market continues to shift towards emerging countries. Emerging markets are expected to grow at a 14-17% pace through 2014, while major developed markets will grow 3-6%. As a result, the aggregate growth through 2014 from emerging markets will be similar to the growth experienced in developed markets - about USD 120-140 bn. This compares to aggregate growth over the past five years of USD 69 bn in emerging markets and USD 126 bn in developed markets. The U.S. will remain the single largest market, with 3-6% growth expected annually in the next five years and reaching USD 360-390 bn in 2014, up from USD 300 bn in 2009.

Total Unaudited and Audited Global Pharmaceutical Market By Region

	2009			2008	2004-2009	2010	2009-2014
	Mkt Size *USD bn	Mkt Size **Const. USD	% Growth **Const. USD	% Growth **Const USD	CAGR % **Const USD	Forecast % Growth **Const USD	CAGR % **Const USD
Total global market	808.3	837.3	7.0%	5.5%	6.7%	4-6%	5-8%
North America	322.1	323.8	5.5%	1.9%	5.2%	3-5%	3-6%
Europe	247.6	263.9	4.8%	7.0%	6.6%	3-5%	3-6%
Asia/Africa/ Australia	102.6	106.6	15.9%	15.0%	13.9%	13-15%	12-15%
Japan	90.3	95.0	7.6%	2.1%	3.9%	0-2%	2-5%
Latin America	45.8	47.9	10.6%	12.7%	10.9%	10-12%	12-15%

(Source: IMS Health Market Prognosis, March 2010)

* USD uses actual quarterly exchange rates

** Constant USD uses Q409 average exchange rates

Notes:
All forecasts are from IMS Market Prognosis International 2010-2014 which provides a view of the audited and unaudited market, using audited sales and adjusting for unaudited sales. The forecasts are based on the March 2010 Market Prognosis release. Includes IMS Audited and Unaudited markets.

The pharma market world over will experience significant shifts. Asia-Pacific region will emerge as the fastest growing pharmaceutical market over the recent past. Here, the pharmaceutical industry is expected to grow at a CAGR of around 12.6% during 2010-2012. It can, in fact, become the global API production hub in next few years.

Pharmaceutical sales are growing at a fast rate in India, China, Malaysia, South Korea and Indonesia due to the rising disposable income, several health insurance schemes, fast-growing medical tourism and intense competition among top pharmaceutical companies in the region that has boosted the availability of low cost drugs.

As a result of the pharmaceutical industry's increased focus on these high-growth markets, the developing countries are benefiting from greater government spending on healthcare and broader public and private healthcare funding - which is driving greater access to, and demand for, innovative medicines.

The pharmaceutical industry has, in the recent past, seen a trend of alliances and deals between innovators and generic companies creating a collaborative business model. The generic partner gets access to rich product pipeline under development & the research capabilities of the innovator while the innovator benefits from lower R&D costs and makes a faster entry into emerging markets through the generic partner, hence realizing higher gains from existing portfolio. With competitive advantages in terms of R&D, manufacturing and marketing, Indian companies are today in a strong position to partner with innovator pharmaceutical companies.

Indian Pharmaceutical Market

The pharmaceutical industry in India is among the most highly organized sectors and is one of the fastest growing and the safest sectors in Indian economy. This industry plays an important role in promoting and sustaining development in the field of global medicine. Due to the presence of low cost manufacturing facilities, educated and skilled manpower and cheap labour force, the industry is set to scale new heights in the fields of production, development, manufacturing and research.

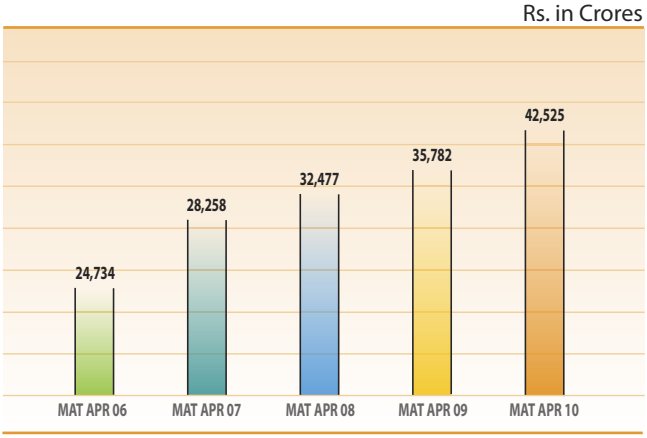
The Indian Pharmaceutical Market (IPM) is the third largest in world in terms of volume and ranks 14th in terms of value at over Rs.1.0 trillion and by 2015, it is slated to be amongst the top 10 overtaking Brazil, Mexico, South Korea and Turkey. The incremental 14 bn USD which it is expected to add, will be the third largest, next only to US (200 bn USD) and China (23 bn

"The pharma market world over will experience significant shifts. Asia-Pacific region will emerge as the fastest growing pharmaceutical market over the recent past."

USD). The Indian Pharma market is slated to be a high growth market growing at 14-18% every year for the next 10 years. The market is expected to grow from 6.3 bn USD in 2005 to 20 bn USD in 2015 which implies CAGR of around 12.3%.

One of the major factor contributing the growth of Indian Pharma market is the increasing prevalence of the chronic diseases. The prevalence of Diabetes will rise from 2.8% in 2005 to 3.7% in 2015; Coronary Heart Disease from 3.3 to 4.9%; and Obesity from 1.3 to 2.7%. The population with Hypertension is expected to grow by another 50 mio cases over the next decade.

IPM Performance in last 5 years



The growth of the Indian pharmaceutical industry has been fuelled by exports. Exports of pharmaceuticals have consistently outstripped imports. India exports drug, intermediaries, active pharmaceutical ingredients, finished dosage formulations, bio-pharmaceuticals and clinical services. The top five destinations for such exports are U.S., Germany, Russia, U.K. and China. Several units are approved by regulatory authorities in U.S. and U.K.

Industry Structure

The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units, severe price competition and government price control. The leading 250 pharmaceutical companies control around 70% of the market with market leader holding nearly 7% of the market share. The pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates and pharmaceutical formulations. Today over 90% of medicine consumed in India is produced domestically.

Growth Drivers

Growing population: India is the world's second most populous country and by 2050, the population is projected to reach 1.6 bn.

Rising disposable income: Per capita disposable income will rise from 463 USD in 2005 to 765 USD in 2015.

Growing middle class: India's thriving economy is creating an expanding middle class which has more disposable income to spend on healthcare. Middle income category will experience, the steepest rise with an additional 59 million households.

Increasing healthcare infrastructure: Driven largely through private investments, the number of hospital beds and physicians is expected to double by 2015 (i.e. additional

> "India's thriving economy is creating an expanding middle class which has more disposable income to spend on healthcare."

2 million beds and 4 million physicians). Corporate hospital chains will play a leading role in transforming the quality of secondary and tertiary care.

Health insurance penetration: Health Insurance penetration is expected to double by 2015 to cover 220 million people.

Medical advancements: Patent infrastructure will scale up to 30 approvals annually and an average approval timeframe of two years. Patented products will be concentrated in five therapeutic areas: Neuropsychiatry, Oncology, Anti-infective, Gastro-intestinal and Cardiovascular. These five therapies are expected to contribute approximately 60 to 70% of the growth.

India growing as a medical tourism center: India provides best-in-class treatment at about less than one-tenth the cost incurred in the U.S. English speaking medical staff and relatively low cost is attracting more tourists year-on- year. Indian medical tourism is expected to grow into a 2 bn USD by 2012.

Large talented pool: India has a large, talented human resource pool including dedicated scientists and professionals in niche specialized and knowledge-based scientific fields.

Cost-competitiveness: Unmatched cost competitiveness with lower cost of infrastructure, skilled manpower and vertical integration.

Value-added services: Leading Indian companies are climbing the value chain in the field of innovative research and developing into a Drug Discovery services outsourcing destination.

"The leading 250 pharmaceutical companies control around 70% of the market with market leader holding nearly 7% of the market share."

Panacea Biotec – Innovation in Support of Life

Healthcare beckons innovation and it goes well with Panacea Biotec. Panacea Biotec is recognized as a leading, research based Health Management Company engaged in research and development, manufacturing and marketing of innovative products to meet unmet medical needs. To achieve these objectives, Panacea Biotec has the following core strengths:

Established capabilities in R&D: Panacea Biotec has established five state-of-the-art R&D Centers with each center dedicated to specific research areas, driven by the intellectual capabilities of around 300 scientists.

The research facilities are self-reliant with cross-functional capabilities for research and development of drugs starting right from lead identification to pre-clinical and clinical development and product registration.

The current research strengths of Panacea Biotec are focused, inter-alia, on:

- Drug delivery system design and optimization;
- Discovery and synthesis of new chemical and biological entities;
- Design and development of new generation prophylactic and therapeutic vaccines; and
- Development of humanized and fully human therapeutic monoclonal antibodies.

The Company has been granted 26 product patents worldwide valid in more than 60 countries including the U.S., E.U. Member States, Russia, Japan, China, South Korea, Australia and Brazil.

State-of-the-art manufacturing facilities: Panacea Biotec has state-of-the-art manufacturing facilities for vaccines, pharmaceuticals and biopharmaceuticals complying to cGMP standards. The Vaccine Formulation facility at New Delhi is approved by WHO for Oral Polio (tOPV, mOPV and bOPV), Enivac HB (Recombinant Hepatitis B) and Combination vaccines Ecovac-4 (DTwP-HepB), Easyfour (DTwP-Hib) and Easyfive (DTwP-HepB-Hib). The Pharmaceutical Formulations facility at Baddi has been audited and certified as cGMP compliant by various regulatory agencies, including the US FDA, German Regulatory Authority, TGA Australia and ANVISA Brazil.

WHO Pre-qualification Status: The pre-qualified supplier status enables the Company to participate in UN Organizations procurement process around the world. The Company's Oral Polio (tOPV, mOPV & bOPV), Enivac HB, Ecovac-4, Easyfour and Easyfive Vaccines are pre-qualified by WHO.

> "Panacea Biotec is recognized as a leading, research based Health Management Company engaged in research and development, manufacturing and marketing of innovative products to meet unmet medical needs."

The Company is currently supplying Oral Polio and Easyfive Vaccines to UNICEF and Easyfive Vaccine to Pan American Health Organization (PAHO).

Established Brand Equity: Panacea Biotec has established brand equity in a number of therapeutic areas like Diabetes Management, Pain Management, Cardiovascular Disease Management, Organ Transplantation, Renal Disease Management, Oncology and Pediatric immunization. The Company's leading brands include Glizid-M, Nimulid, Panimun Bioral, Pangraf and Mycept which are amongst the top five positions in their respective therapeutic segments. Its flagship brand, Glizid-M is ranked 178th amongst the top brands in Indian Pharmaceutical Market, according to the stockists secondary audit by ORG IMS (MAT Mar'10).

Global Presence: In addition to the strategic alliances with

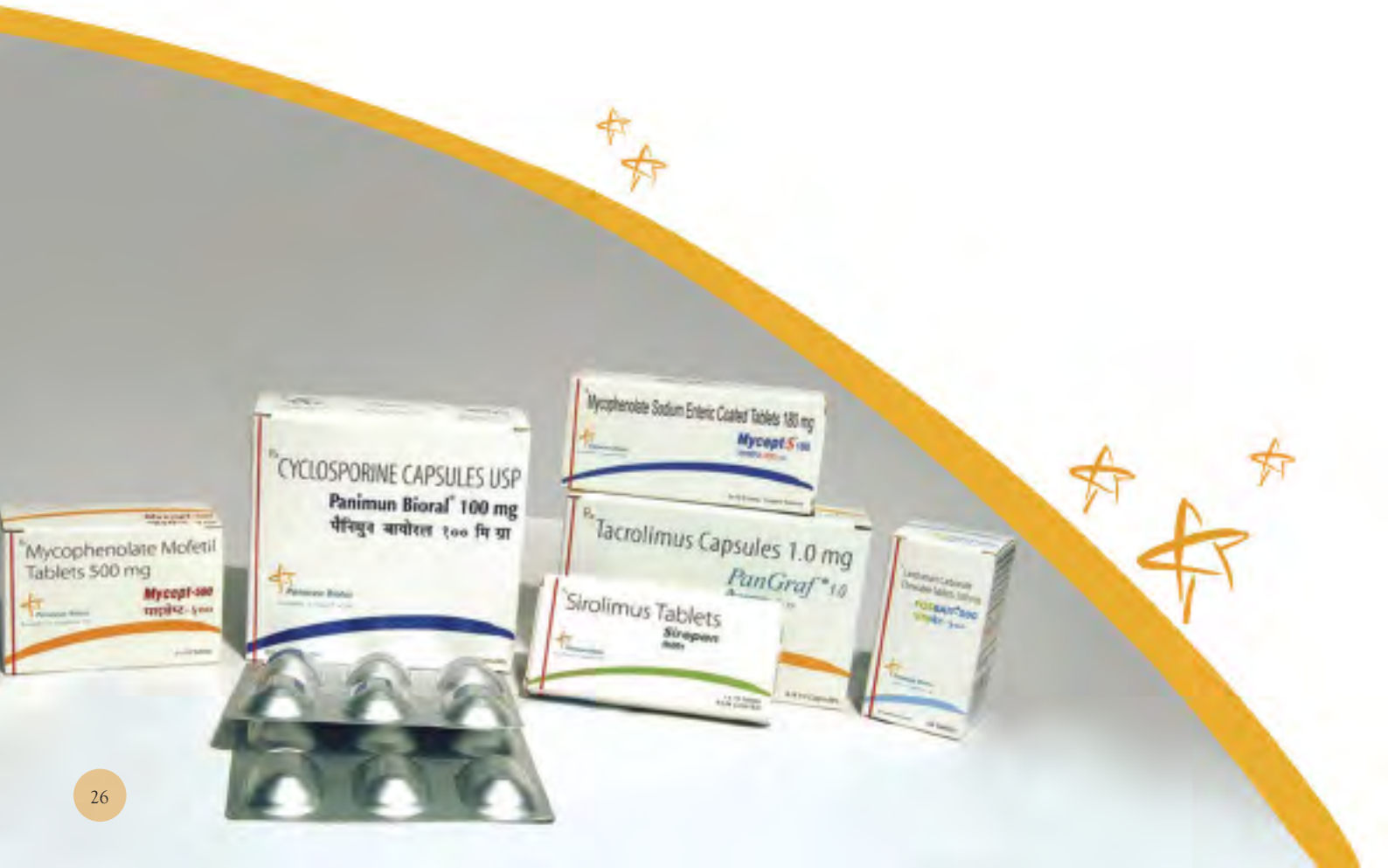
multinational and leading regional companies in United States, Europe, Latin America, South East Asia, CIS and Africa; Panacea Biotec has created a global presence through its wholly-owned subsidiaries in strategic markets including U.S., Germany, Switzerland and UAE.

Relationship with Key Business Associates: Panacea Biotec has a long-standing relationship with its key customers and business partners including a successful business record spanning more than a decade with UNICEF. It has been supplying oral polio vaccines to UNICEF since fiscal 2000. The Company has successfully nurtured this relationship and has steadily expanded the same with the supply of Easyfive vaccines since fiscal 2009. In addition to long-standing relationship with its customers, the relationships with key suppliers like Novartis Vaccines, Sanofi Pasteur, PT Bio Farma and Nederlands Vaccine Institute are also a source of its competitive strength.

Collaborations & Joint Ventures with Key Industry Players: Panacea Biotec has a rich history of successful collaborations, ventures and business relationships with several national/international research institutes, academic universities and commercial corporations including National Institutes of Health (U.S.), Novartis Vaccines, Sanofi Aventis, Biotech Consortium India Ltd., Nederland Vaccine Institute (NVI), PT Bio Farma, etc. These collaborations, ventures and relationships enable the Company to secure in-licensing, out-sourcing and other business opportunities.

Qualified & Experienced Manpower: Panacea Biotec has close to 3,300 employees including around 300 scientists engaged in R&D, over 1,000 employees engaged in production & Quality Control /Quality Assurance and over 1,400 employees engaged in sales & marketing activities.

> "Panacea Biotec has a rich history of successful collaborations, ventures & business relationships with several national/international research institutes, academic universities and commercial corporations."



Business Segments

Pharmaceutical Formulations

Domestic Sales & Marketing Network

Panacea Biotec has successfully established leading brands through a focused scientific marketing approach. To cater to the individual nuances of specific therapeutic segments, Panacea Biotec operates through seven Strategic Business Units (SBUs). The domestic pharmaceutical business is organized into three classes – Super-specialty i.e. Critical Care (Nephrology & Transplantation) & OncoTrust, Specialty i.e., Diacar Alpha & Diacar Delta and Multi-specialty i.e., Procare & Growcare. To cater to the large and voluminous bottom of the Indian Pharmaceutical Market pyramid, the Company has launched a new SBU, viz. Value India Healthcare in fiscal 2009.

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

Diacar Alpha

Diacar Alpha has dedicated marketing and sales infrastructure for Diabetes and Cardiovascular Disease Management. Diacar Alpha SBU is committed to provide new therapies and innovations in drug delivery in overall Diabetes and Cardiovascular disease management. Today India is already the Diabetes and Hypertension capital of the world and by end 2010, India is heading towards becoming the CAD capital of the world. WHO estimates that diabetes related mortality could increase to an alarming 35% by 2015. In this context, Diacar promises to be in one of the most promising markets in the IPM. DIACAR Alpha team promotes the brands to target specialist's viz. Endocrinologists, Diabetologists, Cardiologists and Physicians in a fiercely competitive scenario and has achieved significant leadership position in oral anti-diabetic segment. The SBU has also recently started focusing on Nephrologists.

The flagship brand of Diacar Alpha, Glizid-M (Gliclazide + Metformin) is the No. 1 brand in its respective categories. Today, Glizid-M is ranked at 178th position amongst 30,000 pharmaceutical brands. Apart from Glizid-M, the brand portfolio of Diacar Alpha includes:

Oral Hypoglycemic agents: Metlong & Metlong DS (Metformin), Gliben Total (Glibenclamide+Metformin+ Rosiglitazone) and Glizid Total (Gliclazide+Metformin+ Rosiglitazone).

Cardiovascular agents: Hitarget (Telmisartan) range and Oglibo (Voglibose).

Co-prescriptive: In co-morbid conditions like Diabetic peripheral neuropathy Diacar Alpha has Myelogen Forte (Methylcobalamin combination).

> "Panacea Biotec has established brand equity in a number of therapeutic areas like Diabetes Management, Pain Management, Organ Transplantation and Pediatric immunization."

Diacar Delta

Diacar Delta SBU is committed to provide new therapies and innovations in drug delivery and overall Diabetes and Cardiovescular disease management. Diacar Delta promotes the brands to target specialists viz. Endocrinologists, Diabetologists, Cardiologists and Physicians in a fiercely competitive scenario and has achieved significant leadership position in oral anti-diabetic segment. To tap the growing cardiology segment the SBU now has sharpened its focus on Cardiology and plans to launch innovative molecules in that segment.

The brand portfolio of Diacar Delta includes:

Oral Hypoglycemic agents: Glizid MR (Gliclazide modified release), Betaglim (Glimepiride), Betaglim M (Glimepiride + Metformin), Glim Total (Glimeperide, Metformin & Pioglitazone), Pioryl (Pioglitazone + Glimepiride), Oglo (Pioglitazone).

Cardiovascular agents: Lower A (Atorvastatin), Lower EZ (Atorvastatin + Ezetimibe), Lower TG (Atorvastatin + Fenofibrate), Kingbeta (Metoprolol) Kingbeta AM (Metoprolol & Amlodipine).

Critical Care

Critical Care, a Super Specialty SBU of the company, is focused on the highly specialized organ transplantation and dialysis management segments. It offers a complete range of pre-transplant and post transplant therapies. The SBU has carved a niche in super – specialty segment and created a scientific image and has achieved clear leadership in these segments.

This Super Specialty division has now progressed to branch itself into two strategic arms of Transplantation and Nephrology SBUs. The Nephrology SBU focuses on the Chronic Kidney Disease and dialysis therapy and the Transplantation SBU continues to cater to multi organ transplant patients primarily kidney, liver, heart transplants, etc.

The move to create two business arms was made to tap on the vast potential of the nephrology and the dialysis market along with continued services in the Post organ transplant segment. The SBUs together aim to provide complete care to patients suffering from initial stages of organ failure till the improvement of the quality of life post organ transplant.

Transplantation

The transplantation SBU further consolidated and strengthened its leadership status in organ transplantation in the year 2009-10 with all major brands in the SBU either at No. 1 or No. 2 position in the respective market of immuno-suppressants. With the high penetration of the SBU in the post organ transplantation segment, PanGraf (Tacrolimus) continued to dominate the market and is the major brand for the SBU with an aggressive growth.

The launch of Mycept 750 for the first time globally gave a boost to existing Mycept brand and family. Mycept was also launched in the Rheumatology segment which will become growth lever for future.

"The market is currently at the centre of attraction for all leading pharmaceutical majors. Now, the vaccine market is registering growth rates much faster than the conventional pharma market."

The flagship brand Panimun Bioral is also being rejuvenated by entering in Hematology segment.

Nephrology

The Nephrology SBU was launched in April 2010. It covers a number of brands catering to nephrology patients in its umbrella including Epotrust (Erythropoietin Alpha), Overcom (Iron Sucrose), Kbait (Calcium Polystyrene Sulphonate), Fosbait (Lanthanum Carbonate), Mimcipar (Cinacalcet Hydrochloride) and Alphadol (Alphacalcidol).

Fosbait continues its leadership stance in the Lanthanum Segment. Mimcipar, launched last year, has been growing steadily in the Cinacalcet Market in India.

OncoTrust

OncoTrust, the oncology SBU of Panacea Biotec has completed 2 years in the market, gaining the familiarity and wisdom to compete in the highly competitive oncology market of India. The position of OncoTrust as an ethical and scientific organization has been cemented in the oncology community with the several initiatives including foray of OncoTrust in Hematology, the first international speaker program and restructuring the Field force.

With a view to provide a clear understanding on the right patient selection for BorteTrust, OncoTrust has launched for the first time the test del 13q cytogenetics for the onco-hemato community.

Brain tumor therapy, the other core segment of OncoTrust, continued its initiatives involving various segment of doctors like Oncologists, Neuro Surgeons etc.

Lung cancer therapeutic area was further strengthened by the launch of PexeTrust (pemetrexed). PexeTrust that contributes to enhancing life of a major sub group of Non-Small Cell Lung Cancer (NSCLC) patients has strengthened our endeavor to offer enhanced and excellent quality of life in Lung cancer.

This SBU looks forward to further strengthen its hematology and Lung cancer segments in FY 2010-11, with new molecule launches and continued marketing activities.

Procare

Procare SBU of the Company endeavours to consolidate and strengthen its image in the field of chronic health care management in Orthopedic and Gastroenterology through specific focus on Osteoporosis, Osteoarthritis & Rheumatoid arthritis. As far as Gastrointestinal disorders are concerned, focus is on IBD, Hepatology & Chronic constipation.

Procare has taken definite steps towards making significant inroads in the Gastroenterology segment with two important launches of Livoluk Fibre (Lactulose + Ispaghula) and Sitcom tab & cream (Euphorbia Prostrata) during the year.

In the process of establishing the SBU in Orthopedic segment, the company has introduced Vacosteo (Zoledronic acid, 3rd generation injectable bisphosphonate) once in a year injection for an effective management of Osteoporosis. Keeping the overall potential in mind, this SBU has also initiated the process of launching Ibandronic acid kit, the oral form of bisphosphonate to ensure having a basket approach to increase reach to the targeted segment of Osteoporosis.

The SBU is progressing towards achieving significant growth during the current financial year by building Sitcom & Vacosteo as the mega brands.

This SBU promotes a portfolio of brands with special focus on Orthopedicians, Surgeons, Dentists & Gastroenterologists apart from Consulting Physicians & General practitioners. Some of the major brands of Procare across different therapeutic segments are:

Anti-arthritis: Willgo, Kondro OD, Kondro Acute.

Pain relievers: Nimulid, Nimulid SP, Nimulid MR, Nimulid HF, Jaiho, Dolzero.

Gastrointestinal: Livoluk, Livoluk Fibre, OD-pep, Sitcom tab & Cream.

Anti-osteoporosis: Vacosteo, Alphadol-C, Kingcal.

Growcare

Growcare is the non-chronic care business of Panacea Biotec with special focus in Respiratory Disorders, Tuberculosis, Gastro-Intestinal (GI) and Pain Management therapies.

Committed to reduce the burden of disease, Growcare marks Panacea Biotec's presence in therapy areas like Anorectal Disorders (Piles & Hemorrhoids), Gastro-Intestinal, Respiratory (Cough, Cold & Allergy), Anti-Infectives, Anti-TB & Pain Relievers. The different specialties serviced by Growcare are General Practitioners, Chest physicians, Consulting Physicians, ENT Surgeons, Paediatricians, General Surgeons and Gastroenterologists.

A strong and committed Growcare team of over 350 professionals services to over 50,000 doctors across 270 territories in India, marketing 24 different products with presence in multiple therapy areas.

Some of the popular brands of Growcare include:

Anti haemmorohidal: Thank OD (Euphorbia Prostrata) Tablets & Cream, Fiberforte (Lactulose+Ispaghula) granules.

Anti-infective: Cefmentin (Cefixime), Ocimix (Ornidozole+Ofloxacin).

Anti-Allergic: Zomont AL (Montelukast+Levocetrizine) Tab, Zomont AL Kid.

Cough, Cold and Fever: Toff MD, Toff DC & Toff expectorant, Orangemol Suspension.

Pain Management: Nimulid MD & Nimulid MD Kid (Mouth dissolving) tablets, Nimulid Suspension, Nimulid Transgel.

Anti TB: Xeed 2, Xeed 3E & Xeed 4 tablets (fixed dose combinations with Rifampicin), Myser (Cycloserine) & Myobid (Ethionamide).

Value India Healthcare

To cater to the needs of the ever growing mass markets in upwardly mobile extra urban & rural areas, ValueIndia Healthcare was launched by Panacea Biotec in July 2008 in Rest of Maharashtra (ROM). July 2009 saw this SBU expanding its field force in ROM & launching the brands in Madhya Pradesh & Chattisgarh.

The trend set by Panacea Biotec in offering significant innovative brands to fight pain, allergy and gastro-intestinal disorders to the extra urban and rural markets via this SBU has started paying rich dividends reflecting high growth for Panacea Biotec in ROM. Panacea Biotec's ranking in ROM pharma market has improved from 55 to 46. The Company is now recognized as one of the fastest growing pharma companies in ROM.

The current brand portfolio of ValueIndia Healthcare covers all general practice therapy areas like Anti–infectives, Gastro–intestinal products, Respiratory products & NSAIDs. The main brands are ValueCef, ValueOrni, ValueMentin, ValueThral, ValueMox, Instanim MD, Instanim HF, TwinEase ER, Combipunch, KofZero, KoldZero, Roj OD & TwoWks. Two Brands of ValueIndia Healthcare, TwoWks (Euphorbia Prostrata) & ValueCef (Cefixime), with sales of over Rs.10 million each in ROM, are amongst the top 25 new introductions in ROM in the last two years.

Success of the penetration model is seen by the improvement in prescription generation for Panacea Biotec products in the areas covered by this SBU. Panacea Biotec's ranking in the latest prescription audit by CMarc shows a sharp improvement from over 50 to now 27.

Brands Review

Over the years, Panacea Biotec has established leading brands that enjoy top of the mind recall by the medical fraternity. The Company's brands command excellent market share in their therapeutic segments. By ORG (MAT Mar'10) Sales value, Panacea Biotec is the 49th ranked company in the Indian Pharmaceutical Market with Nephrologists, Dentists, Orthopaedicians and Diabetologists giving the best support. As per Stockist Secondary Audit of ORG (MAT Mar'10), Glizid-M stands at 178th rank among top brands in the Indian Pharmaceutical market and retain number one position within its category.

"Panacea Biotec has established leading brands that enjoy top of the mind recall by the medical fraternity."

The following table sets forth the key brands of the Company across therapeutic categories and their ranking/ market share in India as per ORG IMS audit (MAT MAR'10):

Brand Standing and Market share

Brands	Market Share %	Ranking
Diabetes and Cardiac Care:		
Glizid M	24	1
Glizid 80mg	23	2
Glizid 40mg	28	2
Glizid MR 60mg	11	3
Glizid MR 30mg	15	2
Glizid Total	23	2
Pain Management:		
Willgo	60	1
Nimulid MD	29	1
Nimulid 100mg	9	2
Nimulid Suspension	21	2
Nimulid SP	8	4
Nimulid MR	11	4
Softdiclo	10	3
Kondro OD	22	3
Vacosteo	38	1
Tuberculosis Management:		
Myser	14	3
Gastro-intestinal:		
Livoluk	7	4

*Source: ORG IMS SSA audit MAR2010.
*Market Share and rank is calculated within its immediate operating market i.e. the strength or the immediate market (wherever applicable).

Critical care brands, Panimun Bioral, Mycept and Pangraf are also the leading brands in the Organ Transplantation segment but have a poor reflection in ORG IMS audit, as ORG IMS SSA audit does not track institutional sales or sales made directly to patients.

International Pharmaceuticals Business

The year under review marked the consolidation year for the international pharmaceutical business – wherein, several new products/therapies were scheduled for commercialization across various regions. During the year, the Company's pharmaceutical formulation business clocked export sales of

Rs. 292.9 million as compared to Rs. 426.1 million during previous financial year. The Company has identified Organ Transplantation, Nephrology, Metabolic Disorders, Pain management, Oncology, Gastro-intestinal & Anti-infective products as major thrust areas for the future. The Company is currently in the process of registering its products in key new markets including US, European Union, Switzerland, South Africa, Turkey, Brazil, Mexico, Columbia, Venezuela, Chile, Philippines & Malaysia. The Company has set-up international subsidiaries in US, Germany, Switzerland and U.A.E. to steer product registration. The Company focuses on brand building primarily leveraging its portfolio of novel patented therapeutic products in key segments.

The major achievements in terms of international pharmaceutical formulation business during the year have been:

- The Company signed a Licensing and Distribution Agreement with a leading MNC for distribution of the Company's organ transplantation products in U.S.
- Strategic Alliances for marketing and distribution of the Company's products in Australia and New Zealand.
- One of the key markets – Brazil saw the registration clearance for Tacrolimus 5mg. This marked the Company's first registration clearance in the hugely potential Brazil market.
- Nephrology line of Products got accepted in the "Originator dominated" Middle East markets of Jordan & Syria.
- Entry into Asian markets like Philippines with Tacrolimus & Mycophenolate Mofetil.
- Sustained promotional endeavors have resulted in our product Mycept being included in the Federal Purchase list of Ministry of Health, Russia.
- Nephrology products included in the MOH formularies of the following markets of Syria, Sri Lanka, Brazil & Ukraine.

The Company plans to boost its growth prospects significantly in the coming years by registering and commercializing a series of innovative & potential products across all the targeted markets.

With a view to create a strong and positive image of the Company in the minds of the local doctors through our Innovative strategies & robust promotional efforts for the unique products, the Company has steadily but surely moved from a trading business model to a "Promotional oriented" approach in markets like Sri Lanka, Vietnam, Kazakhstan, Philippines, Syria. The Company has placed specialized personnel in these markets to exercise & enforce the promotional initiatives in these markets. The Company also has plans to extend this band width to other existing and/or planned potential markets with more robust strategies and control.

Vaccines

Domestic Vaccines Business

Immunization has become one of the most important & cost effective ways of reducing morbidity and mortality. Keeping this trend in mind, Panacea Biotec has adopted a strategy of development of advanced combination vaccines; opening a whole new dimension towards protecting multiple diseases with a single vaccine.

The Company has set-up a joint venture company, viz. Chiron Panacea Vaccines Pvt. Ltd. in fiscal 2005, for marketing of innovative combination and other vaccines in India. The Company has a strong portfolio of vaccines including the Company's innovative Pediatric combination vaccines Easyfive & Easyfour, PolProtec (enhanced Injectable Polio Vaccine) and PrimOpol (Triavalent Oral Poliomyelitis Vaccine). The JV Company commands a significant market share in the pediatric combination vaccines segment in India.

International Vaccines Business

Panacea Biotec is one of the largest vaccine suppliers to UNICEF. The Company has been supplying Oral Polio Vaccines to UNICEF and has steadily expanded and grown on this relationship with the commencement of supply of Easyfive and bivalent Oral Polio Vaccines to UNICEF. The Company has also commenced supply of Easyfive Vaccines to Pan American Health Organisation (PAHO).

The Company is poised to make further inroads into global markets and has deployed a specialized team for its Vaccine Business in the emerging & rest of world markets.

The vaccines of focus to start with would be Easyfive and Polprotec (enhanced Inactivated Polio vaccine, eIPV). These would be followed by new introductions from a strong & innovative vaccine pipeline on a consistent note.

The year 2009-10 marked the introduction of Easyfive through direct supplies in Nepal, Pakistan as well an entry into the Latin American Market of Chile. During the close of the year, Bangladesh started featuring in the list of countries where Easyfive has been registered for direct supply.

Going forward, about 20 key markets have been identified wherein extensive work has been initiated on Customization of business models, Identification & collaboration with partners in accordance with the business strategy and Regulatory filings.

Logistics Network

Panacea Biotec has an advanced professional logistics network throughout the country. The Company has a nationwide sales and marketing network covering approximately 450 districts in India and targets more than 1.1 million customers through a field force of over 1,000 trained marketing and sales professionals and 23 sales depots/carrying and forwarding agents all over India. The Company through its efficient sales force reaches more customers, effectively. The Company has its Central Warehouse at Delhi. Besides this the Company also has expertise in cold chain management for storage and distribution of Vaccines under monitored conditions using a system of Vaccine Vial Monitors, Data Loggers, Ice Boxes, Coolant, Cold Rooms and Refrigerated Vehicles. This ensures that the Vaccines remain safe and effective against changes in the variant temperature conditions.

Supply Chain Management

Panacea Biotec has created new business processes of Supply Chain Management (SCM) in both Pharmaceuticals and Vaccines segments, with an objective to ensure customer satisfaction by monitoring and improving delivery performance on various parameters including Turn-around Time (TAT), On-time in Full (OTIF) and Error-free delivery of products and promotional materials. SCM has been designed for creating end-to-end visibility and controls right from sourcing of materials till collection of receivables. SCM team has designed its processes aimed to achieve Distributors and Vendors WOW.

Manufacturing Facilities

Panacea Biotec has its manufacturing facilities for vaccines and pharmaceutical formulations in India in Delhi, at Lalru in Punjab and at Baddi in Himachal Pradesh. The Company also has state of the art integrated facility for bulk vaccines, antigens and biopharmaceuticals at Lalru in Punjab. The manufacturing facilities have been set up in compliance with international regulatory standards including WHO-cGMP and European Union standards.

The Company's manufacturing expertise lies in various solid, semi solid & liquid oral dosage forms and vaccines such as:

Oral-solids-Conventional tablets/capsules, Controlled/delayed release/enteric coated tablets and capsules, Tablet in Tablet, Tablet in Capsule, Multi Layered Capsules, Hard gelatin/ Soft Gelatin capsules, Mouth Dissolving/Chewable Tablets, Beads Encapsulation, Coating (film, sugar & functional), Taste masking and fast-dissolving tablets.

Semi-solids - Ointments/Creams/Gels, Transdermal Drug Delivery System.

Liquids - Suspensions/Syrups/Solutions.

Vaccines - Recombinant Vaccines, Combination Vaccines, Cell culture Vaccines and live vaccines.

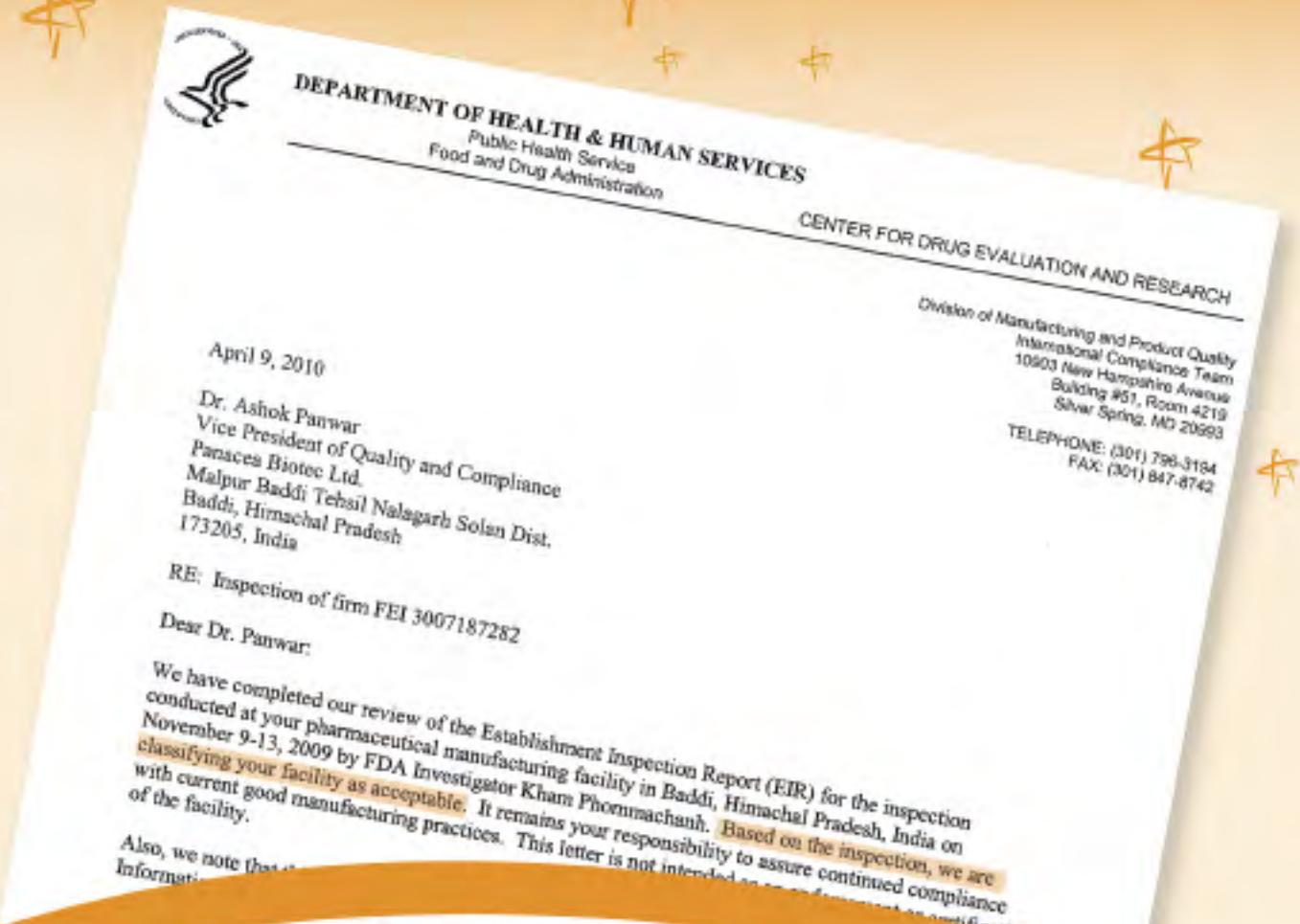
Manufacturing Facilities for Vaccine Antigens at Lalru, Punjab

The Company has separate dedicated bulk vaccine manufacturing facilities with dedicated blocks for manufacture of Recombinant, Bacterial, Tetanus & cell culture based vaccines and biopharmaceuticals at Lalru in Punjab. All the facilities have been designed, constructed, adapted and maintained following current Good Manufacturing Practices (cGMPs) prescribed by WHO. Two bulk vaccines manufactured at Company's Lalru unit (Recombinant Hepatitis B Vaccine and Haemophilus influenzae type b conjugate vaccine) are WHO pre-qualified which are being used for manufacture of innovative combination vaccines Easyfive for supply to UNICEF and Pan American Health Organization (PAHO). The Bacterial and Tetanus vaccine manufacturing facilities are approved by National Regulatory Authorities (NRA) for commercial production. The recent integrated facility comprising three lines will cater to the biopharmaceutical / vaccine on mammalian cell culture system with the option of conventional as well as disposable bioreactors; microbial products and egg based viral vaccines.

Pharmaceutical Formulations facility at Baddi

The Company's state-of-the-art pharmaceuticals formulations manufacturing facility at Baddi, built in compliance with cGMP standards, received encouraging acclaim and numerous plant approvals from various regulatory authorities. The facility has been audited and certified as cGMP compliant by various regulatory agencies including the US FDA, German Regulatory Authority, TGA Australia and ANVISA Brazil. The Company's soft gelatin manufacturing facility is also approved for markets in European Union. The Company is expecting clearances from other regulatory agencies like MCC South Africa and UK MHRA in the current fiscal. The facility has annual capacity for producing 900 million tablets, 120 million hard gelatin capsules, 12 million tubes for gels, ointments, etc. and 12 million bottles for liquids, syrups, suspensions, etc.,150 million soft gelatin capsules and 60 million herbal tablets.

> "The Company's Pharmaceutical Formulations facility at Baddi has been certified as cGMP compliant by various regulatory agencies including the US FDA, German Regulatory Authority, TGA Australia and ANVISA Brazil."



DEPARTMENT OF HEALTH & HUMAN SERVICES
Public Health Service
Food and Drug Administration

CENTER FOR DRUG EVALUATION AND RESEARCH

Division of Manufacturing and Product Quality
International Compliance Team
10903 New Hampshire Avenue
Building #51, Room 4219
Silver Spring, MD 20993

TELEPHONE: (301) 796-3184
FAX: (301) 847-8742

April 9, 2010

Dr. Ashok Panwar
Vice President of Quality and Compliance
Panacea Biotec Ltd.
Malpur Baddi Tehsil Nalagarh Solan Dist.
Baddi, Himachal Pradesh
173205, India

RE: Inspection of firm FEI 3007187282

Dear Dr. Panwar:

We have completed our review of the Establishment Inspection Report (EIR) for the inspection conducted at your pharmaceutical manufacturing facility in Baddi, Himachal Pradesh, India on November 9-13, 2009 by FDA Investigator Kham Phommachanh. Based on the inspection, we are classifying your facility as acceptable. It remains your responsibility to assure continued compliance with current good manufacturing practices. This letter is not intended

Also, we note that

Information

Tree Plantation by US FDA Official at Pharmaceutical Formulation Facility at Baddi

Vaccines Formulation facility at Baddi

The state-of-the-art Vaccine Formulation plant at Baddi in Himachal Pradesh, has two filling lines complying with WHO-cGMP norms for liquid Vaccines in pre-filled syringe and liquid & lyophilized Vaccines in vials. The total production capacity of this facility is 600 million doses per annum which may be increased by the addition of third line to one billion doses per annum. This facility would significantly improve our market presence globally and augment our plans to become a global leader in this field. The three-storey main building consisting of production, quality control and quality assurance is spread over approximately 2800 square meters construction area at each floor. The plant also has a five-storey block of Warehouse-cum-Cold Storage facility admeasuring approximately 2500 square meters on each floor.

Vaccines Formulation facility in Delhi

Vaccines formulation facility in Delhi is also a WHO cGMP approved facility with WHO Prequalification for Oral Polio (tOPV, mOPV & bOPV), Enivac HB and combination vaccines Ecovac-4, Easyfour & Easyfive. The facility has been designed, constructed and maintained to suit production of Vaccines following Good Manufacturing Practices. It has three vial filling lines – two lines dedicated to Oral Polio Vaccines and one line dedicated to injectable Vaccines (Hepatitis B & Combination Vaccines).

Manufacturing Facility for Anti-Cancer Products at Navi Mumbai

The Company is setting-up a manufacturing facility for manufacture of Anti-Cancer products at Mahape, Navi Mumbai. This state-of-the-art containment facility will be unique and capable of providing clinical supply and production of high value cytotoxic products. Products from this facility will augment the strength and presence of Panacea Biotec in Oncology segment.

Research & Development

Panacea Biotec has built a strong R&D base over the last decade to support its business segments, vaccines, pharmaceutical formulations and biopharmaceuticals. It has five highly sophisticated ultra-modern R&D centers with 392 employees including around 300 qualified and experienced scientists for its various research projects. The core area of research & development includes new Vaccine Development, Biopharmaceuticals, proteins, peptides, monoclonal antibodies, Novel Drug Delivery Systems, Advanced Drug Delivery System and Drug Discovery (small molecules), in compliance with

> "The total R&D Expenditure during the year has been Rs.808.6 million (9.1% of net turnover)."

international regulatory standards. All the five R&D Centers have been accorded registration by Department of Scientific and Industrial Research, Ministry of Science & Technology, New Delhi. As a result of its research efforts, the Company has been granted more than 300 patents in India and worldwide including major countries like U.S., Europe, Australia, Canada, China, Japan, Russia etc. For carrying out pre-clinical research, the Company has a state-of-the-art animal house and facilities for undertaking in-vitro and in-vivo microbiology, pharmacology, safety, efficacy, proof of concept and toxicology studies.

The Company has been steadily increasing its expenditure on R&D, both revenue and capital expenditure, and has spent Rs.577.2 million (6.5% of net turnover) in fiscal 2010, as compared to Rs.500.9 million (6.5% of net turnover) in fiscal 2009, an increase of around 15% in value terms. Further, the Company has also invested an amount of Rs.231.4 million in fiscal 2010 as capital expenditure on R&D. The total R&D Expenditure during the year has been Rs.808.6 million (9.1% of net turnover). The Company has plans to further strengthen the R&D base to cater to more healthcare needs and expanding niches in vaccines, pharmaceuticals formulations and biopharmaceutical segments, both in domestic as well as international markets.

LAKSH Drug Discovery R&D Center at Mohali in Punjab

Laksh, the Company's state-of-the-art Research Center for development of New Chemical Entities (small molecules) at Mohali, Punjab is spread over 70,000 sq. ft. of Laboratory Space with latest infrastructure. The R&D Centre employs more than 96 scientists including 12 PhDs. LAKSH has expertise to carry out work on different aspects of drug discovery which include medicinal chemistry, process chemistry, in vitro and in vivo biology, analytical & bio-analytical research with high throughout capability to analyze clinical samples, pharmacokinetics, drug metabolism and toxicology studies. The focus of research is on development of NCEs for the treatment of metabolic disorders, CNS and infectious diseases. This R&D center has successfully delivered two Pre-Clinical Candidates (PCCs) which are currently under Investigational New Drug (IND) directed toxicology phase.

The Company has recently entered into an agreement with Department of Scientific & Industrial Research (DSIR) as per which DSIR has agreed to provide a grant of Rs.37.8 million to partially fund one of this R&D Center's project for development and demonstration of the technology.

SAMPANN Drug Delivery R&D Center at Lalru in Punjab

The Research & Development Centre at Lalru named as SAMPANN Drug Delivery is spread across 40,000 sq. ft. of laboratory space with superior infrastructure, specialized laboratory equipments, adequate resources and skilled manpower. This center's primary focus is to develop value added drug delivery products that would address unmet medical needs, enhanced patient convenience and compliance.

A large number of high potential drug delivery based projects have been selected for development, based on highly specialized drug delivery technologies, including controlled release formulations, controlled release liquid suspensions and protein-peptide formulations. Apart from this in fiscal 2010, product development has been done for different categories of drugs which include Anti-inflammatory, Anti-allergics, Anti-tubercular, Anti-haemmorrhoidal, Anti-emetics, Anti-psychotics, Anti-bacterials, Anti-hypertensives, Immuno-suppressants, Anti-arrhythmics, Anti-retrovirals, Anti-diabetics, Anti-cancer etc. and various combinations thereof in the above category of drugs.

Vaccine Research and Development of SAMPANN Drug Delivery has a portfolio of innovative pediatric vaccines which protect children against dreadful diseases such as Polio, Hepatitis, Diphtheria, Tetanus, Pertusis and Haemophilus Influenzae type b. Responding to the worldwide need of prevention against widespread deadly disease of Swine Flu, the Vaccine Research has expedited development of candidate vaccine for H1N1 Swine Flu.

Saha Vaccine Research Center in Delhi

The Saha Vaccine Research Center in Delhi, spread across 24,000 Sq ft has been established with an objective to develop novel, effective and affordable vaccines for prevention against various epidemic /endemic life threatening diseases for global market. SVRC has the infrastructure and expertise to take an 'idea' through different stages of product development towards a successful commercialization. In line with the Company's strategy for expanding its scientific strength to innovate more vaccines, this center is carrying out extensive research in vaccines and biologicals using animal cell culture, fermentation, purification, serology, analytical and bioanalytical development.

Biopharmaceutical R&D Center in Delhi

The Biopharmaceutical R&D center (BRC) has around 40 scientists working in the areas of molecular biology, cell biology, immunology and peptides. BRC is focusing on development of novel preventive & therapeutic vaccines, novel therapeutic peptides and therapeutic fully human monoclonal antibodies for treating infectious diseases and life style related disorders are the focus of discovery projects. BRC is also actively involved in developing different bio-similar products.

"During the year 2009-10 the highlight of Biopharmaceutical R&D Center's performance was development of the Company's candidate vaccine for H1N1 Swine Flu."

During the year 2009-10 the highlight of the Center's performance was development of the Company's candidate vaccine for H1N1 Swine Flu. This has enabled the Company to procure an advanced marketing commitment of Rs.100 million from Ministry of Health & Family Welfare, Government of India.

Department of Biotechnology (DBT) has also awarded financial assistance of Rs.100 million in the form of a long-term loan on concessional rate of interest of 2% p.a. for indigenous research & development of Influenza A (H1N1) and / or other Pandemic Flu vaccines of paramount national importance.

Additionally, during 2009-10 the Biopharmaceutical research center has been on a progressive path for the development of hair growth peptide, a technology for Alopecia (hair loss) management in-licensed from National Institute of Health, USA, a novel peptide for the treatment of Rheumatoid Arthritis, biosimilars, Dengue Vaccine and fully human monoclonal antibodies.

The research work as BRC has enabled filing of three product patents during the year.

GRAND R&D Center at Navi Mumbai

Global Research and Development (GRAND) Center at Mahape, Navi Mumbai is dedicated to research activities involving Novel Drug Delivery Systems (NDDS). At GRAND more than 50 highly skilled and committed research scientists including 19 Ph.Ds are working to innovate in the field of novel therapeutic alternates for unmet medical needs.

The Research Center is involved in development of products based drug delivery technologies and working segments are divided broadly into:

- Oral delivery of bioactives using controlled drug delivery by utilizing the concept of Gastro-retentive systems, zero order release systems and site specific delivery system in gastrointestinal tract.
- Topical delivery of antimicrobial loaded nanoparticles for better patient compliance and reduced frequency of application at infected site.
- Parenteral formulations based on Nanotechnology for target oriented delivery of Anti-cancer molecules leading to reduced side effect and better patient compliance.
- Controlled and sustained delivery of actives using injectable micro-particulate delivery systems with an advantage of reduced frequency of dosing and improved therapeutic outcome.
- Drug delivery of immunosuppressants for better efficacy and compliance.

Liposomal delivery using the "Stealth" concept of prolongation in systemic circulation to achieve better therapeutic effects and reduced untoward effects.

GRAND center has earned strong intellectual property for Panacea Biotec.

Dr. Rajesh Jain inaugurating 10th International Symposium on Advances in Technology and Business Potential of New Drug Delivery Systems organised by Controlled Release Society (CRS), India Chapter.

Quality Assurance

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

Clinical Research Operations

Clinical Research plays a pivotal role in the drug development process. Clinical development establishes the safety and efficacy of a new drug product involving significant expertise, time and investment. Panacea Biotec is the first Indian pharmaceutical company to indigenously implement the Oracle Remote Data Capture (RDC) enabling it to conduct e-clinical trials.

Recently, the Company successfully completed clinical part of trial of bOPV, aimed towards the planned application for WHO prequalification.

The year 2009-10 witnessed several milestone achievements from Clinical Research Operations of the Company, including:

- A large randomized controlled trial in ~1,800 subjects across 40 centers for a novel drug delivery product for Osteoarthritis;
- A multinational trial, spread across two geographical regions (Asia/EU) and three countries (India/Germany/Poland) for a GI product;
- A long duration trial with a 2-year follow-up to evaluate the relapse rate 24 months after the completion of therapy for an anti-infective product; and
- Phase I trial of indigenously developed influenza A (H1N1) vaccines.

Pharmaco vigilance: Pharmaco vigilance is getting recognized today as a specialized function. It has evolved as a science of collecting, monitoring, researching, assessing and evaluating information from healthcare providers and patients on the adverse effects of medicines, biological products, herbals and traditional medicines with a view to identifying information about potential new hazards and preventing harm to patients.

Intellectual Property

Panacea Biotec has a full fledged Intellectual Property Rights department which manages all the Intellectual Property from inception to enforcement. As at the end of fiscal 2010, the Company has filed over 1,300 patent applications worldwide including 189 Indian patent applications and 67 applications filed through the PCT (Patent Cooperation Treaty) route.

Out of the total number of patent applications filed, 380 patents had been granted / accepted for grant. Apart from this, the Company had in-licensed several patent applications, some of which are under process in different countries of the world.

Panacea Biotec has been granted 11 product patents in India and 26 product patents worldwide for different products/ technologies, so far. During fiscal 2010, 20 patents were granted including in Mexico, Indonesia, Serbia, Morocco, Eurasia, India, South Africa and Ukraine.

Besides this, the Company had filed 123 applications for the registration of Copyrights of which 81 had been granted. So far the company has filed over 300 applications for registration

14th Annual Day celebrations

of Trade Marks of which 275 have been registered. In addition to this, the Company has also filed 51 International Trade Mark Applications in various countries during 2009-10 of which 23 have been granted. The Company has till date filed four Design Applications and all of them have already been registered.

Human Resources

Human Resources have been a strategic partner in the organization in its endeavour to build a leadership position in the market with its differentiated products. Human resources have been taking up challenges and initiatives for bringing in a remarkable change in its mode of operation and decision making and to bring in a new paradigm to ensure a hassle free transaction of HR services. Along with this, the Company took great strides in strengthening connectivity with the entire cross section of employees.

The Company has 3,229 permanent employees which include 2,838 skilled employees including corporate and managerial staff, sales staff and staff located at its manufacturing facilities. Of these permanent employees, 392 are engaged in R&D Centers, over 1,000 are engaged in manufacturing, Quality Control & Quality Assurance, over 1,400 are engaged in sales and marketing and rest are engaged in support functions. Panacea Biotec's human capital constitutes a diverse pool of knowledge & expertise, a judicious blend of youth, imagination, risk-taking ability and experience. The Company enjoys excellent industrial relations and there have been no work disruptions, strikes, lock-outs or any other employee unrest.

In order to make its human capital as an important differentiator for its long term business objectives, your Company has embarked upon number of initiatives, including:

Annual Day Celebrations: 14th Annual Day celebrations were organised on 25th September with a new innovative turn, where all employees of the Company at all locations were involved. A video recording of warm and inspiring address voiced by Mr. Soshil Kumar Jain, Chairman was created and shown to all the employees at all locations, followed by our corporate Anthem. The audio-video presentation was followed by the awe-inspiring performances of our employees made the day all the more colorful and memorable across locations to celebrate the "Spirit of Togetherness". With enthusiastic participation, the Annual Day was a great success.

Company Newsletter: A quarterly Company Newsletter is developed with the key objective to develop strong communication links and connect with the employees and imbibe the true spirit of togetherness and infuse a sense of pride for the significant achievements made together at the Company.

HR Buddy: HR4U, an email based employee connect initiative, is an friendly channel that helps employees connect with the Company and efficiently resolve any problems which they may face. This HR buddy program also seeks to provide answers to every query within a short span of time.

Aap Ki Awaaz: This is an annual online employee satisfaction survey across the organization. This year more than 65 % employee participated in the survey. The survey has shown 24 % improvement in the satisfaction level across the company. One of the major area of improvement has been in the area of "Follow through and delivery on commitment" shown by HR.

Learning and Performance management: Continuous development of its human resources has always been the focus of the Company. Panacea Biotec continuously strives to provide seminars and training programs to assure the development of employees.

Information Technology

As a research based organization, your Company believes in accelerating value realization and delivering operational efficiencies in healthcare. Panacea Biotec has been continuously investing in information technology to enhance communication channels with a view to provide a strong knowledge base to its employees, enable faster scanning & monitoring of external environment, improve the knowledge of best practices and relevant leading-edge technologies and improve efficiencies.

Microsoft Exchange and Share point portal solution is available for messaging & collaboration, addressing the internal & external communication and workflow needs. The Company's sales depots & manufacturing facilities are well connected through secure and robust Virtual Private Network (VPN)
As an effort towards implementation and leveraging of technology initiatives to improve the efficiency of various departments, your Company has already implemented System Analysis and Product in Data Processing (SAP) covering Financial Accounting, Controlling, Asset Management, Materials Management, Production Planning and Sales Distribution. The Company's SAP HR Module is successfully running. During the year under review, the Company has implemented project systems and systems for plant maintenance, business process consolidation & strategy management.

The Company has also adopted Oracle clinical trial software and SAS analysis tool to manage, standardize and control clinical data for fast study set-up and consistent interpretation of data in compliance with regulatory requirements. Considering the coming requirement of Phama-co-vigilance, the company is implementing ARGUS (Adverse Event Reporting System).

BestOnHealth Portal: The Company's health portal "www.bestonhealth.com", developed and launched in the year 2002 with an objective to provide comprehensive health related information and services to the people and medical practitioners. It offers a unique interactive 'Individualized Health Management plan' which links individual health record with investigations, diet, exercise, yoga and medication. The portal is a treasure trove of knowledge based health information featuring information on Holistic healing through Ayurveda, Homeopathy and Yoga apart from Allopathy; Health Calculators and other useful ready reckoners. An additional feature is the search facility for various common illnesses and diseases. The portal also features: comprehensive health information focusing on children & elderly; and neighborhood resources for doctors, labs, chemists etc.

Christmas Day Celebrations at SAMPANN R&D Center at Lalru, Punjab

International Women's Day Celebrations at Lalru on 8th March, 2009

It also offers unique interactive facility for Medical practitioners, including creation of their own Information & Resource Centre; tools to create and maintain patient records & interact with them online; latest information on diseases & therapeutic areas of their interest; interface with peers and specialists from related fields online; explore placement opportunities; opportunities for participation in clinical trials; and holding patient/public awareness programs.

The portal has received excellent response and is being regularly accessed by healthy individuals, patients & medical practitioners from all across the globe.

Internal Audit & Control System

Your Company has internal control systems that commensurate with the size of operations and for business processes across various Plants, Research & Development centres, Warehouses and Sales offices besides Corporate Office with regard to efficiency of operations, financial reporting, compliance of applicable laws, rules and regulations.

The business processes and Internal control systems are evaluated periodically by independent auditors from M/s Dass Gupta & Associates, Chartered Accountants, M/s S.K. Badjatya & Co., Chartered Accountants and M/s K.K. Garg & Associates, Chartered Accountants who continue to act as Internal Auditors of the Company.

The Audit Committee of Board of Directors comprising of Independent Directors viz., Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor actively review the adequacy, effectiveness of internal control and internal audit systems and suggest improvements where necessary.

Post audit follow-ups are carried out to ensure identified risks are adequately addressed and the recommendations of the Audit Committee are implemented.

An effective budgetary control mechanism on both revenue and capital expenditure through SAP fund management process ensures that actual expenditure is within budgeted outlay.

Any material change in the business process or outlook is reported to the Board of Directors.

Bhoomi Pujan for upcoming multi super-specialty hospital at Gurgaon

Subsidiaries, Joint Ventures, Collaborations & Tie-ups

The Company is continuously expanding its horizon through its subsidiaries, joint ventures and associates including the following:

Subsidiaries

Best On Health Limited: The Company's wholly-owned subsidiary (WOS) namely Best On Health Ltd. ("BOH"), which owns a prime immovable property being used by the Company as its Corporate Office, has charted out a plan for diversification in related health management space as part of its future growth plans.

BOH has purchased a substantial piece of land on its own and through its four wholly owned subsidiaries (namely Radicura & Co. Ltd., Panacea Hospitality Services Pvt. Ltd., Panacea Educational Institute Pvt. Ltd. and Sunanda Steel Company Ltd.) for setting up of Sector-Specific Bio-tech Special Economic Zone located at Pataudi Road, Gurgaon, Haryana. BOH has got the formal approval for setting up Sector Specific Bio-tech SEZ and is to apply for its Notification and is taking the necessary steps for business modeling exercises, approaching prospective investors/ clients/ service providers for its SEZ project.

Umkal Medical Institute Pvt. Ltd.: The Company is expanding its portfolio by entering the fast growing healthcare sector by way of setting-up a multi super-specialty hospital with the modern equipments in the NCR of Delhi at Gurgaon through its subsidiary, viz. Umkal Medical Institute Private Limited. Your Company has invested an amount of Rs.166.38 million for acquiring 75.2% stake (59% paid-up) in Umkal Medical Institute Private Limited.

Panacea Biotec Inc.: A Wholly Owned Subsidiary (WOS) in U.S. has been set-up during previous year, with its main objects of, inter-alia, research, development, manufacture, register, market, distribute, import and export pharmaceutical and biological products etc. in United States. The Company has remitted an amount of Rs.2.4 million (USD 50,000) as a capital contribution, during the year.

Panacea Biotec FZE: This WOS was incorporated in UAE to perform the activities relating to registration and marketing of the Company's patented products worldwide and an amount of Rs.5.5 million (AED 500,000) had been remitted towards its capital contribution.

Rees Investments Limited: It has been set-up as a Company's WOS in Islands of Guernsey (located in the bay of St. Malo in the English Channel) with its main objects including, inter-alia, making strategic investments in other entities, entering into joint venture and collaborations and/or for carrying out other permissible activities.

Rees Investments has further established its WOS Company namely, Kelisia Holdings Limited, Cyprus whose principal activity is holding of Investments. Kelisia Investment Holding AG and Panacea Biotec (International) SA had been set-up in Switzerland as step-down WOS companies of Rees Investments Ltd., with the purpose of carrying out investment activity as well as to engage in all other related activities.

Kelisia Holdings Ltd. has a strategic equity investment of USD13.1 million in PharmAthene, Inc., Annapolis, MD, US, a bio-defense company developing medical countermeasures against biological and chemical threats, in exchange for the purchase of common stock and warrants in PharmAthene.

During the year, Panacea Biotec (Europe) AG had been set-up in Switzerland as step-down WOS company of Panacea Biotec (International) SA with its main objects of manufacture, marketing and/or import/ export of pharmaceutical formulations, vaccines and other products.

Joint Ventures & Associates

Chiron Panacea Vaccines Pvt. Ltd.: Your Company's Joint Venture Company (JV Company), Chiron Panacea Vaccines Pvt. Ltd. ("CPV"), was incorporated in fiscal 2005 in India with Chiron Vaccines Holding Srl., Italy (now Novartis Vaccines and Diagnostics), a division of Novartis, the world's fifth largest vaccines manufacturer, for marketing of innovative combination and other vaccines in India. The Company has invested Rs.23.0 million in CPV for a 50% equity stake.

CPV has a strong portfolio of vaccines including the Company's innovative fully-liquid pediatric combination vaccines Easyfive & Easyfour, PolProtec (enhanced Injectable Polio Vaccine) and PrimOpol (Triavalent Oral Poliomyelitis Vaccine). Polprotec has captured 28% market share in its category within a short span of two years since its launch. CPV achieved a turnover of Rs.559.2 million and net profit of Rs.33.4 million during the year under review as compared to turnover of Rs.538.4 million and net profit of Rs.41.6 million during previous year and commands a significant market share in the pediatric combination vaccines segment in India.

PanEra Biotec Private Limited: Your Company's associate Company, PanEra Biotec Pvt. Ltd. (PanEra) is continuing to meet the Company's requirement of bulk vaccines and antigens for the manufacture of Hepatitis B and Combination Vaccines by the Company. PanEra has become a specialized company

focused on bulk manufacture of vaccines and plans to venture into new products and technologies. It has also launched its web-site namely www.panerabiotec.com.

Collaborations and Tie-ups

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

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

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

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

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

Nederlands Vaccine Institute (NVI), Netherlands: The Company has an agreement with NVI for manufacturing and marketing of Inactivated Polio Vaccine (PolProtec) in global markets except Netherlands, Denmark, Norway, Finland and South Korea.

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

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

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

Tree Plantation by Strategic Partner in New Zealand, at Pharmaceutical Formulation Facility at Baddi

Financial Performance

Summarised Balance Sheet

(Rs. in million)

Particulars	As at March 31, 2010	As at March 31, 2009
Sources of Funds:		
Shareholders Funds	6,965.0	6,151.5
Loan Funds	7,054.4	7,002.9
Deferred Tax Liability	708.9	333.8
FCMITDA*	16.8	-
Total Liabilities	14,745.1	13,488.2
Application of Funds:		
Net Fixed Assets	6,946.6	6,938.7
Investments	2,258.3	2,165.7
FCMITDA*	-	96.0
Net Current Assets	5,538.2	4,284.2
Miscellaneous Expenses not written off	2.0	3.6
Total Assets	14,745.1	13,488.2

(*Foreign Currency Monetary Item Translation Difference Account)

Net Worth: The Net Worth of your Company has increased to Rs.6,963.0 million during the year under review from Rs.6,147.8 million as at the end of previous year registering an increase of around 13.3%.

Loan Funds: The total loan funds as at 31st March, 2010, has marginally increased to Rs.7,054.4 million as against Rs.7,002.9 million mainly on account of the working capital loans and a soft loan of Rs.30.0 million received from Government of India under Biotechnology Industrial Partnership Programme (BIPP) for swine flu (H1N1) vaccine development project.

Deferred Tax Liability: The deferred tax liability has increased to Rs.708.9 million as at the end of fiscal 2010 as compared to Rs.333.8 million as at the end of the previous year.

Fixed Assets: The net fixed assets have grown to Rs.6,946.6 million as against Rs.6,938.7 million as at the end of the previous year on account of capital expenditure on ongoing expansion/ new projects and de-capitalization of forex exchange gains as per option given by the Companies (Accounting Standards) Amendment Rules, 2009.

Investments: The investments have increased to Rs. 2,258.3 million from Rs. 2,165.7 million as at the end of previous year primarily on account of investment of Rs. 90.3 million in its subsidiary Umkal Medical Institute Pvt. Ltd. to finance the Company's foray in healthcare industry and Rs. 2.3 million in its WOS Panacea Biotec Inc., USA.

Net Current Assets: The Company's net current assets have improved to Rs.5,538.2 million as against Rs. 4,284.2 million as at the end of previous financial year. The inventories have increased to Rs.4,555.1 million from Rs.4,478.0 million and the inventories to net turnover ratio decreased marginally to 52% from 58% during previous year. The receivables decreased to Rs.1,094.1 million as against Rs.1,238.8 million as at the end of previous financial year and the receivables to net turnover ratio decreased to 12% from 16% during previous year. The Cash and bank balances declined to Rs.363.4 million as against Rs.594.8 million as at the end of previous financial year. Other current assets increased marginally to Rs.1,391.4 million as against Rs.1,358.2 million as at the end of the previous year.

The current liabilities decreased to Rs.1,382.2 million as compared to Rs.1,528.1 million as at the end of previous financial year. Decrease in current liabilities is mainly on account of decrease in amount payable to vendors for vaccines raw material. The Provisions decreased to Rs.483.5 million as against Rs.1,857.5 million mainly on account of decrease in provision for Open Derivative Contracts to Rs.356.9 million as compared to Rs.1,743.1 million as at the end of previous financial year.

Summarized Profit & Loss Account

(Rs. in million)

Particulars	For the year ended	
	31.03.2010	31.03.2009
Net Turnover	8,843.7	7,734.2
Other Operating Income	172.1	30.9
Total Income	9,015.8	7,765.1
Materials & Finished Goods Purchases	4,680.22,660.9	
Operating & Other Expenses	863.9	806.4
Personnel Expenses	990.2	916.1
Selling & Distribution Expenses	396.7	434.5
Research & Development Expenses (Excl. Depreciation)	577.2500.9	
Misc. Expenses written off	1.7	1.7
Earnings Before Interest, Depreciation, Taxes & Amortization (EBITDA)	1,505.92,444.6	
Foreign Exchange Fluctuation Loss	-	2,260.4
Financial Expenses	423.4	347.4
Depreciation / Amortization	664.5	705.1
Other Income	762.8	228.8
Provision for impairment	-	284.2
Profit/ (Loss) Before Tax (PBT)	1,180.8	(923.7)
Provision for Taxes (including deferred tax)	380.6	(233.2)
Profit/(Loss) After Tax (PAT)	800.2	(690.5)

Turnover: The Company has achieved a net turnover of Rs.8,843.7 million during financial year 2009-10 as compared to Rs.7,734.2 million during financial year 2008-09 registering a growth of 14%. The increase in net turnover is mainly on account of higher sales of Easyfive vaccines. This has enabled the Company to reduce the reliance on oral polio vaccine with the enhanced performance of other vaccines and pharmaceutical formulation products.

Segment-wise Turnover

Fiscal	2010		2009	
	Rs. Million	%	Rs. Million	%
Vaccines	6,443.9	72.8	5,470.2	70.7
Pharmaceutical Formulations*	2,398.8	27.1	2,262.3	29.2
Research & Development	1.0	0.1	1.7	0.1
Total	**8,843.7**	**100.0**	**7,734.2**	**100.0**

(*Net of excise duty of Rs.7.9 million and Rs.18.8 million during fiscal 2010 & 2009, respectively.)

Vaccines: In fiscal 2010, the Vaccines segment's turnover grew by 18% and contributed Rs.6,443.9 million or 72.8% of net turnover, as compared to Rs.5,470.2 or 70.7% of net turnover for fiscal 2009.

The institutional vaccine business contributed Rs.6,198.8 million as against Rs.5,186.9 million during the fiscal 2009, registering a growth of 19.5%. This increase is mainly on account of higher sales of Easyfive vaccines.

The Vaccine sales to JV company for domestic market has increased marginally to Rs.243.5 million as against Rs.243.3 million during fiscal 2009. Despite having pricing pressure from entry of generic players, the JV company continued to grow and maintained leadership position in the pediatric combination vaccines segment.

Pharmaceutical formulations: The pharmaceutical formulations segment's turnover grew by 6% and contributed Rs.2,398.8 million or 27.1% of net turnover during fiscal 2010, as compared to Rs.2,262.3 million or 29.2% of the net turnover for fiscal 2009.

In the pharmaceutical formulations segment, the domestic net turnover increased by 14.5% to Rs. 2,077.7 million during fiscal 2010 from Rs.1,815.3 million during fiscal 2009. The export turnover of formulations was Rs. 292.9 million during fiscal 2010 as against Rs. 426.0 million during fiscal 2009.

The following table sets forth the Company's gross turnover (inclusive of excise duty but exclusive of income from contract manufacturing activities) from pharmaceutical formulations in various categories:

Fiscal	2010		2009	
	Rs. Million	%	Rs. Million	%
Pain Management	481.4	20	397.9	18
Diabetes & Cardiovascular Management	682.1	29	619.6	28
Renal Disease Management	582.1	24	658.6	30
Oncology	96.0	4	45.0	2
Anti-Osteoporosis	64.2	3	144.9	7
Anti-Tubercular	67.9	3	50.7	2
Gastro-Intestinal & Constipation	216.8	9	127.6	6
Other Segments	188.1	8	172.9	7
Total	**2,378.5**	**100**	**2,217.2**	**100**

Expenditures:

Materials & Finished Goods Purchases: The raw and packing materials and finished goods purchases during the year under review has increased by 75.9% at Rs.4,680.2 million as against Rs.2,660.9 million during the previous financial year. In view of increase in material consumption mainly on account of change in product mix and increase in overages, the materials consumption ratio as a percentage to net turnover has increased to 52.9% from 34.4% during previous year.

Operating & Other Expenses: The operating & other expenses increased by 7.1% to Rs.863.9 million for fiscal 2010 from Rs.806.4 million for fiscal 2009. As a percentage of net turnover, the said expenses marginally decreased to 9.8% in fiscal 2010 from 10.4% in fiscal 2009.

Personnel Expenses: The personnel expenses increased by 8.1% to Rs.990.2 million for fiscal 2010 from Rs.916.1 million for fiscal 2009. As a percentage of net turnover, these expenses marginally decreased to 11.2% in fiscal 2010 from 11.8% in fiscal 2009.

Selling & Distribution Expenses: The selling & distribution expenses decreased by 8.7% to Rs.396.7 million for fiscal 2010 from Rs.434.5 million for fiscal 2009. As a percentage of net turnover, these expenses decreased to 4.5% in fiscal 2010 from 5.6% in fiscal 2009.

Research & Development (R&D) Expenses: The R&D expenses, excluding depreciation on R&D assets, increased by 15.2% to Rs.577.2 million for fiscal 2010 as against Rs.500.9 million for fiscal 2009. The increase is mainly on account of expenses related to research & analysis and increase in personnel cost of R&D Centers. During the year under review, depreciation on R&D assets increased by 4.1% at Rs.175.9 million as against Rs.169.0 million during previous financial year. Total R&D expenses (including depreciation) increased to 12.4% of net turnover during fiscal 2010 as against 8.7% during previous year.

Interest: Interest charges increased to Rs.382.7 million during fiscal 2010 as against Rs.321.1 million during fiscal 2009. The increase in interest charges is attributable to overall increase in interest rates, higher utilization of borrowed funds on account of Foreign Currency Loan and utilization of increased working capital limits from Banks. As a percentage of net turnover, the interest charges marginally increased to 4.3% from 4.1% in fiscal 2009.

Finance & Miscellaneous Charges: Finance and miscellaneous charges increased to Rs.42.5 million during fiscal 2010 from Rs.28.0 million during fiscal 2009. As a percentage of net turnover, these expenses were at 0.5%.

Depreciation: Depreciation decreased by 5.75% to Rs.664.5 million as compared to Rs.705.1 million during fiscal 2009 mainly due to de-capitalization of exchange fluctuation gains in terms of the Companies (Accounting Standards) Amendment Rules, 2009. Depreciation as a percentage of net turnover decreased to 7.5% in fiscal 2010 from 9.1% in fiscal 2009.

Profitability

Earnings Before Interest, Tax, Depreciation & Amortizations (EBITDA): The Company registered EBITDA of Rs.1,505.9 million for fiscal 2010 as compared to Rs.2,444.6 million for fiscal 2009. The EBITDA margin was 17% during fiscal 2010 as against 31.6% during fiscal 2009 mainly on account of change in product mix and increase in overages.

Profit/(Loss) Before Tax (PBT): The Company earned a profit before tax of Rs.1,180.8 million for fiscal 2010 as against loss of Rs.923.7 million for fiscal 2009.

Profit/(Loss) After Tax (PAT): The PAT was Rs.800.2 million for fiscal year 2010 against negative PAT of Rs.690.5 million for fiscal 2009.

Earning per Share (EPS): The basic EPS and diluted EPS stood at Rs.12.0 and Rs.11.2 per share of Re.1, respectively, as compared to negative EPS of Rs.10.35 per share, for the fiscal 2009.

Cash Flow Statement

The following table summarizes our statements of cash flows:

(Rs. in million)

Cash Flows from:	Fiscal 2010	Fiscal 2009
Operating Cash Profit	738.8	1,917.7
Changes in Working Capital	127.2	(1,632.6)
Net Direct Taxes Paid	(108.6)	(235.2)
Operating Activities	757.4	49.9
Investing Activities	(1,216.8)	(1,261.9)
Financing Activities	305.2	1,571.3
Net Cash Flows	(154.2)	359.3

Cash Flow from Operating Activities: The operating cash profits decreased by 61.5% during fiscal 2010 to Rs.738.8 million as compared to Rs.1,917.7 million during fiscal 2009. The net cash flow from operating activities increased 1,417% during fiscal 2010 primarily on account of increase in inventories and decline in trade and other receivables and current liabilities.

Cash Flow from Investing Activities: Net cash used in investing activities amounted to Rs.1,216.8 million as primarily used for acquiring fixed assets for various ongoing expansion/ new projects and loans/ investment in subsidiaries during the year under review.

Cash Flow from Financing Activities: The Cash Flow from Financial Activities had declined by 80.5% to Rs.305.2 million, which basically consists of funds raised by way of long term/ working capital loans to fund various ongoing projects/working capital requirement.

Consolidated Financial Statements:

The consolidated net turnover of the Company as a group has increased to Rs.9,001.5 million during financial year 2009-10 as compared to Rs.7,881.7 million during financial year 2008-09 registering a growth of 14%. The consolidated EBITDA was Rs.2,401.5 million for fiscal 2010 as compared to Rs.2,473.0 million for fiscal 2009. On consolidated basis, the Company earned profit before tax of Rs.1,127.7 million for fiscal 2010 as against loss before tax of Rs.866.7 million for fiscal 2009. The consolidated PAT was Rs.724.1 million for fiscal year 2010 against negative of Rs.659.9 million for fiscal 2009.

"The consolidated net turnover of the Company as a group has increased to Rs.9,001.5 million during financial year 2009-10 as compared to Rs.7,881.7 million during financial year 2008-09 registering a growth of 14%."

Opportunities and Outlook

India accounts for over one-third of Drug Master Files (DMFs) in biggest market, viz. US and ranks 2nd in approved Abbreviated New Drug Applications (ANDAs) with a major share of 30% of total approvals in U.S. India has the highest number of U.S. FDA approved plans outside the U.S. Despite all hue and cries about financial turmoil across the globe in recent times, Indian Contract Research and Manufacturers (CRAMs) with their ready infrastructure and R&D capability in hand stands strong to deliver better growth.

SWOT Analysis

Strengths:

Cost competitiveness.

Well Developed industry with strong manufacturing base.

Third largest English speaking scientific and technical manpower in the world.

Strong research & development focus and portfolio of patented products.

A brand focused model.

Strong marketing and distribution network and presence in major markets.

Weakness:

Highly fragmented industry.

Low investments in innovative R&D.

High Price Regulation.

Production of spurious and low quality drugs.

Strong linkages between industry and academia is lacking.

Opportunities:

Significant export potential in regulated as well as emerging geographical markets.

Huge unmet need for medication.

Increased expenditure on healthcare due to inter-alia, India being the world's second most populous country, increased disposable income, the ageing population, emergence of "life-style" drugs, a shift to newer and more expensive drugs, an increase in therapeutic coverage (i.e. new drugs for diseases that previously could not be treated).

Increased penetration of the health insurance sector.

Edge in CRAMs due to unmatched cost competitiveness with lower cost of infrastructure and skilled manpower & vertical integration.

Marketing alliances with MNCs to sell their products in domestic market.

Potential for developing India as a centre for international clinical trials.

Niche player in global pharmaceutical R&D.

Innovation in Biotechnology.

Rapidly increasing global population of seniors and obese patients leading to higher risks for cardiovascular diseases, certain types of cancer, diabetes and arthritis.

Over 150 countries, including 65 GAVI countries, have introduced Hib vaccine or have applied for GAVI funding for Hib vaccine.

Global demand of pandemic as well as universal flu vaccine.

Huge potential of pediatric combination vaccines in U.S., Europe & Emerging markets.

Rising per-capita income coupled with increasing awareness in most of the developing countries.

Threats, Risks and Concerns:

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

Global recession – The recent global recession has resulted in lower investments both in existing business and new drug research. However, this has not impacted your Company much.

Pricing pressure imposed by Government of India.

Foreign Exchange fluctuations due to the unprecedented international currency imbalances in the aftermath of the global financial crisis.

Increased competition from low cost manufacturing base such as China, Korea and Taiwan.

FDA Compliance - Rising audit burdens, inspections and fines.

Risk of Product failure.

Strong lobbying by MNC players.

Risk of IPR challenges.

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

The Company operates in a highly regulated industry and must comply with a broad range of dynamic regulatory controls.

In an industry where R&D is of critical importance, the Company faces a risk of all R&D initiatives not leading to commercially viable and successful products.

Patent challenges or delay in receipt of regulatory

Brainstorming Session on Vision 2020

approvals could delay product launch in key markets.

Failure to obtain regulatory approval for new drugs under development could affect long term business opportunities.

The Company has several joint ventures and collaborations with varied partners. Any adverse developments in such JVs and collaborations may impact the Company.

The Company also faces competition from other players in the industry.

Delay in approvals from regulatory agencies in various international markets.

Other risks include rise in input costs, rise in interest rates, loss of key personnel, exchange rate fluctuations, environmental liabilities, tax laws, litigations, labour relations and significant changes in the global political and economic environment.

Way Forward

With the inherent strengths of Indian economy, medicines becoming almost a necessity and Indian drug companies being generic manufacturers, export growth is unlikely to fall. Domestic growth is expected to remain healthy especially with the Government expected to open more `Jan Aushadhis' (a new low-priced medicine store chain). The outbreak of Swine Flu is also expected to aid the sales growth of Indian drug companies.

Further, this industry has witnessed a tremendous growth in consumer spending on healthcare and is expected to continue the same. There is no doubt about the capacity of Indian pharmaceutical sector in taking the big leap forward. Therefore, with the rise in disposable income, tremendous growth in exports, edge in CRAMS, stunning interest of global investors in Indian pharma and large number of USFDA approved plants, Indian pharmaceuticals industry's growth potential is vast.

Future Growth Drivers

Panacea Biotec aims to become a leading global research based health management company with an established leadership in niche therapeutic areas and aims to become the world's greatest, largest and most admired Biotechnology Company by 2020. The Company is strategically positioned to create sustainable competitive advantage through Innovation (Incremental & Disruptive). Innovation & Global Brand building is a distinctive position the Company has acquired. The Company has well laid strategy for its future growth with clearly identified growth drivers to sustain and boost its revenues and profitability over the short, medium to long term.

> "The Company is strategically positioned to create sustainable competitive advantage through Innovation."

The Company's key growth drivers are as under:

Short-term < 2 years

Global launch of a NCE of herbal origin in GI segment.

Launch of Vaccine for Swine flu (H1N1) and seasonal flu.

Launch of organ transplantation products in ICH regions and key emerging markets.

Launch of drug delivery based products in anti-cancer, CVD, GI and Pain Management therapeutic segments in key markets across the world.

Diversification in related healthcare segment.

Medium-term 2-5 years

Launch of new IPV based combination and other Vaccines currently under development for pediatric and adults.

Supply of anti-TB and ARV products to WHO/UNICEF.

Launch of biosimilars

Long-term > 5 years

Global Launch of NCEs and NBEs.

Potential supply of Anthrax Vaccine to US for national stockpiling program.

Expansion of healthcare segment.

In addition to above identified growth factors, the Company will continue to explore in-licensing of technologies and products from national/ international research agencies/ institutions to fasten its growth strategy.

Corporate Social Responsibility

Safety, Health and Environment Protection

Panacea Biotec undertakes all its operations with a high concern for safety, health and environment and is committed to maintaining high standards in these areas. Substantial investments have been made in setting up Effluent Treatment Plants and in developing a "Green Belt" and green landscaping at the manufacturing sites at Lalru & Baddi to prevent possible adverse environmental impact on the community.

The vaccine R&D facility has been created with classified laboratories including BL-3 facility for carrying out certain R&D activities which require containment. All personnel working in R&D are vaccinated as per the Vaccination Policy. Bio-waste is disposed off as per the bio-waste management system. All the bio-safety measures are periodically reviewed by the Bio-safety Committee.

The Company has installed Modern Fire Hydrant System with sprinkler system and smoke detection & sensing devices at its all major facilities, for an early detection and extinguishing of accidental fire. Surprise mock fire-fighting drills are also undertaken to create awareness amongst the employees to meet any challenge which may arise out of such incidents. Regular training is also provided to the Company's employees about the importance of safety in day-to-day life in general and work in particular. The integration of environment friendly measures and cleaner production practices in the business process has resulted in better efficiency of operations.

"Panacea Biotec undertakes all its operations with a high concern for safety, health and environment and is committed to maintaining high standards in these areas."

Social Responsibility

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

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

Donation of life saving drugs to hospitals as per their need.

Transplant Fortnight - Patient awareness activities spread across India covering 72 Organ Transplant centers and drawing more than 3500 patients. Major emphasis has been on ways and means to improve the post-transplant life of transplant recipients

Organized a symposium on "Challenges in Prevention and Management of Dengue" at Delhi, with a view to provide a global snap shot of Dengue to the medical fraternity and facilitate deep insights about prevention and management of Dengue.

Organized various renal function detection camps as part of the awareness towards prevention of Chronic Kidney Disease on World Kidney Day.

Vigorously involved in spreading awareness and facilitating detection for diabetes and neuropathic complications of diabetes through regular diabetes detection and neuropathy screening initiatives.

Use of BMD machines to conduct highly subsidized tests to measure bone mineral density of patients for facilitating early diagnosis of osteoporosis, which not only has a huge morbidity burden but also is a leading cause of death in older patients due to hip fractures. In last 12 months, Panacea Biotec has screened more than 1 lakh patients.

On the occasion of 'World Piles Day' on November 20th, and on 20th May, 20th Aug, 20th Feb, the Company conducted 520 Piles Detection Camps across geographies in India with a view to facilitate piles detection across all strata of patient population and to bring awareness for piles, which is highly under diagnosed in India.

One of the first Indian companies to successfully run a month long Breast Cancer Awareness Program to create awareness on Importance of Early Detection in Breast Cancer.

To keep pace with the rapidly advancing field of Oncology, 3 therapy specific symposiums were conducted on Breast Cancer, Lung Cancer and Radiation Oncology.

Indian Diabetes Guidelines, an academic initiative has been taken, with primary focus to prevent and cure Diabetes and improve the life of all people affected by Diabetes.

DHRUVARSITY: An innovative step of conducting "DHRUVARSITY - Workshop in Cardiology" in order to disseminate expert knowledge in cardiology field.

CONTROL: An initiative with the help of Elsevier to formulate guidelines relevant for Indian population based on the pattern for Dyslipidaemia – Abnormal lipid content in the body which is different in different parts of the world.

Hepatitis B Immunization Camp: Striding towards its Vision 2020 of becoming the "Greatest, Largest and the most

Hepatitis B Immunization Camp

Admired Biotechnology Company by the year 2020", the Company initiated a series of activities to bring health and hygiene in the nearby society. As a step towards the goal of bringing health hygiene to people around, the Hepatitis B immunization camp was successfully organised under the aegis of Mohan Cooperative Industrial Estate Association and Amrapali Cultural Foundation, a non-profit NGO Delhi in which more than 4,000 denizens were immunized.

Doctor's Day: Continuing the gesture of showing it's gratitude towards the medical fraternity, the Company wished all the doctors a `Happy Doctor's Day' on 1st July 2009. Messages of good wishes from the Chairman Mr. Soshil Kumar Jain for the doctors were released through Newspapers, SMS as well as FM Radio.

The patients were also encouraged to show their gratitude towards their doctors by wishing them on the occasion. Many doctors responded to the message of the Chairman by sending e-mails and SMS. This pioneering activity from Panacea Biotec would strengthen the relationship between the doctors and the people at large.

CHINH: As in the past, during the current year, the Company continued to support CHINH to make a difference in lives of nomads in foothills of Aravali and began a tradition of development that must continue. CHINH is an NGO's initiative to support Nomadic communities in generating livelihood through harnessing their traditional wisdom, art and culture. Dedicated to nomads of India, this initiative's prime focus is helping future generation of nomads in creating space for them in civil society and encouraging them to lead a life of dignity.

"Panacea Biotec works closely towards the development of society, in line with its philosophy of creating happier and healthier society."

People for Animals: As in the past, during the year under review, the Company continued to support People for Animals an NGO based at Delhi to bring help and hope to thousands of needy animals around the Country.

Cautionary Note

Certain statements in the "Management Discussion and Analysis" and other sections in the Annual Report are forward-looking statements. These statements and expectations envisaged by the management are only estimates in nature and are based on current expectations and forecasts about future events. Such statements involve known/unknown risks, uncertainties and other factors and may cause and defer the actual results materially. Such factors include, but are not limited to, changes in local and global economic conditions, the Company's ability to successfully implement its strategies, the market acceptance and demand of the Company's products and services, the Company's growth rates, expansion, technological changes and the Company's exposure to market risks. By this nature, these indications and forecasts/projections are only estimates and actual results could differ from these in future. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date hereof.

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

Financial Highlights

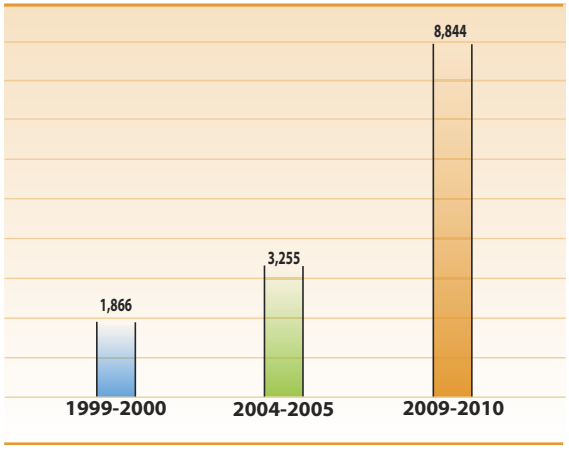
Particulars	2009-10		2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
	Rs. in mn	USD mn	Rs. in mn								
Financial Performance Summary											
Net Turnover	8,843.7	197.0	7,734.2	8,304.4	8,315.5	5,363.5	3,255.4	2,616.2	2,691.5	2,739.3	2,176.7
Total Income	9,778.6	217.8	7,993.9	8,676.2	8,615.1	5,434.5	3,309.9	2,686.7	2,733.0	2,763.4	2,251.7
EBITDA	1,506.0	33.5	2,444.6	2,177.6	2,298.8	1,233.8	652.3	389.2	520.5	547.0	480.0
PBT	1,180.8	26.3	(923.7)	1,903.9	2,091.0	1,002.1	429.4	217.6	336.3	406.4	426.1
PAT	800.2	17.8	(690.5)	1,331.7	1,468.1	609.4	300.7	164.5	214.2	249.3	228.8
Cash Accurals	1,095.8	24.4	2,001.4	1,802.2	1,823.2	791.6	463.1	283.2	310.5	314.5	287.6
Balance Sheet Summary											
Equity Share Capital	66.8	1.5	66.8	66.8	65.8	57.2	57.2	57.2	57.2	57.2	57.2
Preference Share Capital	-	-	-	-	-	904.3	904.3	957.8	53.5	63.0	68.0
Reserves & Surplus	6,898.2	153.6	6,084.7	6,905.3	5,325.1	1,546.0	1,192.4	1,039.0	948.1	805.8	701.6
Net Worth	6,963.0	155.1	6,147.9	6,966.7	5,383.9	1,593.6	1,235.1	1,076.9	981.2	839.9	754.5
Loan Funds	7,054.4	157.1	7,002.9	3,982.4	2,134.2	5,866.5	1,610.4	1,680.2	1,292.2	1,060.1	719.8
Deferred Tax Liablity	708.9	15.8	333.8	595.0	383.9	246.8	135.1	74.8	60.6	73.5	-
FCMITDA+	16.8	0.4	-	-	-	-	-	-	-	-	-
Total Liabilities	14,745.1	328.4	13,488.2	11,549.5	7,909.0	8,620.9	3,899.3	3,808.9	2,411.6	2,059.6	1,546.6
Net Fixed Assets	6,946.6	154.7	6,938.7	5,343.7	4,136.1	2,337.1	1,376.8	1,054.5	963.0	893.5	565.3
Investments	2,258.3	50.3	2,165.7	2,049.3	229.5	61.4	61.4	39.1	52.6	52.6	47.1
FCMITDA+	-	-	96.0	-	-	-	-	-	-	-	-
Net Current Assets	5,538.2	123.3	4,284.2	4,151.2	3,536.4	6,212.8	2,446.7	2,696.0	1,371.8	1,090.4	929.9
Miscllaneous Expenditure	2.0	0.0	3.6	5.3	7.0	9.6	14.4	19.3	24.1	23.1	4.3
Total Assets	14,745.1	328.4	13,488.2	11,549.5	7,909.0	8,620.9	3,899.3	3,808.9	2,411.6	2,059.6	1,546.6
Key Performance Indicators											
Profitability Ratios											
EBITDA Margin	17%		32%	26%	28%	23%	20%	15%	19%	20%	22%
PBT Margin	13%		-12%	23%	25%	19%	13%	8%	12%	15%	20%
PAT Margin	9%		-9%	16%	18%	11%	9%	6%	8%	9%	11%
Shareholders Related Ratios											
Equity Dividend	25.0%		-	100%	100%	100%	150%	100%	100%	100%	100%
EPS (Basic)* (In Rs.)	12.0		(10.3)	20.1	23.7	9.9	4.4	2.7	3.6	4.2	3.8
Cash EPS (Basic)* (In Rs.)	31.1		30.0	27.0	29.5	13.1	7.2	4.8	5.3	5.4	4.9
Book Value* (In Rs.)	104.2		92.1	104.3	81.9	27.9	21.6	18.8	17.2	14.7	13.2
Return on Net Worth	11%		-11%	19%	27%	35%	19%	14%	20%	29%	28%
Other Ratios											
Current Ratios	1.9		1.6	2.8	3.0	2.8	1.4	1.7	1.3	1.3	1.3
Debt Equity Ratio	0.7		0.9	0.5	0.4	2.9	0.3	0.5	0.4	0.4	0.1
Return on Capital Employed	16%		-6%	13%	20%	8%	10%	8%	14%	17%	19%
Interest Coverage Ratio	5.9		7.6	18.7	15.1	10.4	6.6	3.2	4.0	5.5	6.8
Debt Service Coverage Ratio	5.7		7.2	16.2	6.8	4.1	2.3	1.6	2.8	3.5	1.8

+Foreign Currency Monetary item Translation Difference Account
* Per Equity Share of Re.1.each

Performance Highlights and Growth

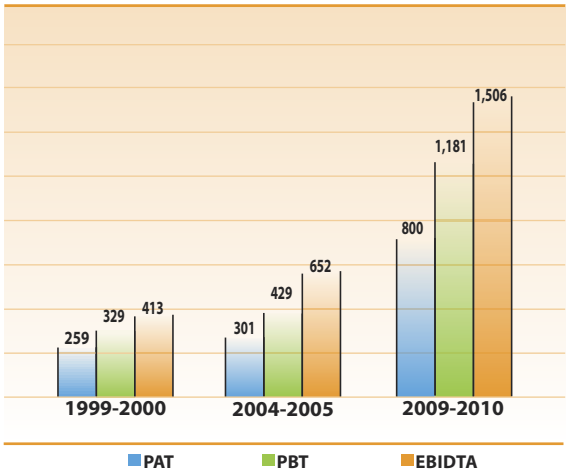
Gross Turnover

Rs. in million



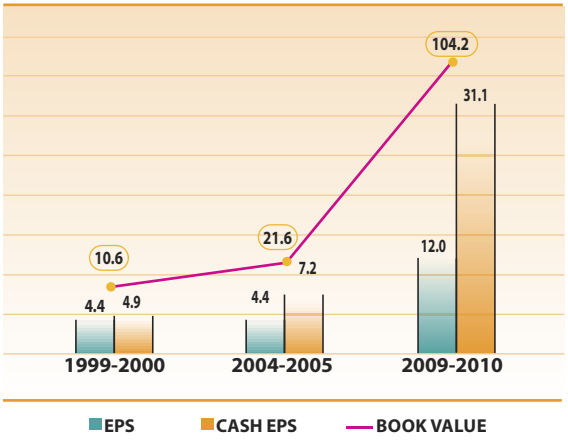
Growth in Profitability

Rs. in million



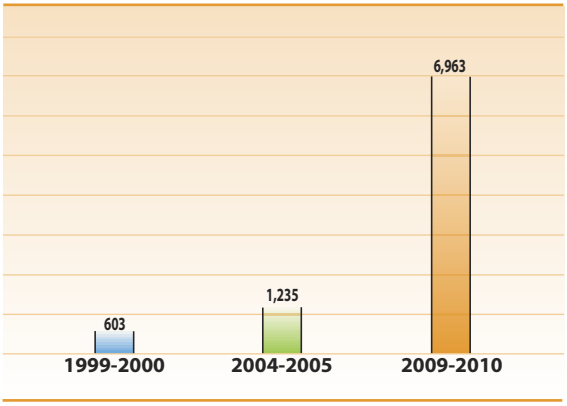
EPS, CEPS & Book Value

Amount in Rs.



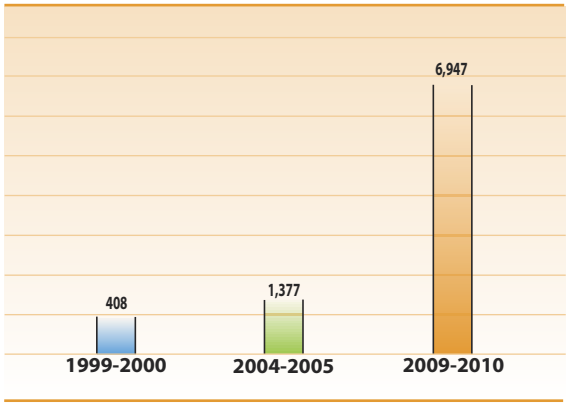
Growing Net Worth

Rs. in million



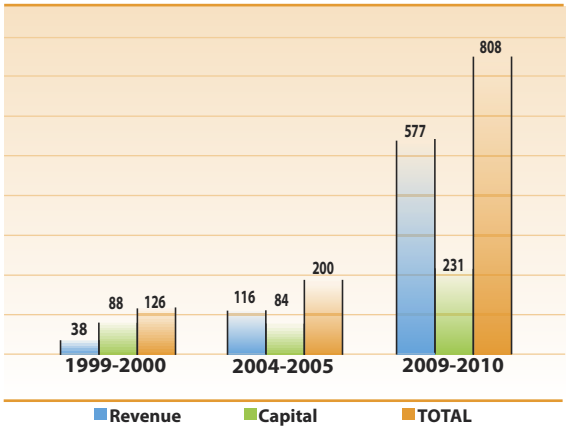
Growing Asset Base

Rs. in million



Growing investment in R&D

Rs. in million



*Graphs not to scale

DIRECTORS' REPORT

Dear Members,

Backed by strong credentials and expanding footprints, the Company has reported excellent business and operational performance during the fiscal 2009-10.

Your Directors have pleasure in presenting here the 26th Annual Report on business and operations, along with the audited standalone and consolidated financial accounts and the auditors' report thereon for the financial year ended March 31, 2010. The financial highlights for the year under review are given below:

FINANCIAL RESULTS

(Rs. in million)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Net Turnover	8,843.7	7,734.2
Other Income	934.9	259.7
Total Income	9,778.6	7,993.9
Profit before Interest, Depreciation, Exceptional items & Tax (EBITDA)	1,506.0	2,444.6
Financial Expenses	423.4	347.4
Depreciation	664.5	705.1
Unrealized Foreign Exchange Fluctuation Loss	-	1,750.7
Profit/(Loss) before Exceptional items & Tax	1,180.8	(639.5)
Exceptional Item	-	284.2
Profit/(Loss) before Tax (PBT)	1,180.8	(923.7)
Provision for Taxation	(380.6)	(233.2)
Profit/(Loss) after Tax (PAT)	800.2	(690.5)
Dividend proposed on Equity Shares	16.7	-
Tax on Dividend	2.8	-
Transfer to General Reserve	80.0	-
Balance in Profit & Loss Account	2,855.8	2,155.2
Basic EPS (Rs.)*	12.0	(10.3)
Cash EPS (Rs.)*	31.1	30.0
Book Value per Share (Rs.)*	104.2	92.1
Dividend per Equity Shares (Rs.)	0.25	-

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

OPERATING RESULTS AND PROFITS

The exemplary performance of the Company is manifest in the numbers posted for the year under review. During the year ended March 31, 2010, the Company registered a record net turnover of Rs.8,843.7 million as against Rs.7,734.2 million during the corresponding previous financial year, a growth of 14%. The Company registered EBITDA of Rs.1,506.0 million as compared to Rs.2,444.6 million during the corresponding previous financial year. The PBT and PAT for the year under review grew to stand at Rs.1,180.8 million and Rs.800.2 million respectively, as compared to the negative PBT and PAT at Rs.923.7 million and Rs.690.5 million respectively in the previous fiscal.

This growth was recorded across our business segments, with the domestic pharmaceutical formulations segment growing by 14%. The Formulations Segment registered net turnover of Rs.2,398.8 million as compared to Rs.2,262.3 million during the previous financial year. The Vaccines Segment grew by 18% and registered net turnover of Rs.6,443.9 million as against Rs.5,470.2 million during previous financial year.

Your Company strives to remain globally and regionally attractive to customers and investors by continuing to focus on sustained growth, cost optimization and efficient management of working capital. These strategic initiatives are continually fueling the Company's growth across its business operations.

A detailed discussion on operations for the year ended March 31, 2010 is given in the Management Discussion and Analysis section.

DIVIDEND

The Directors are pleased to recommend a dividend of Re.0.25 (25%) per share on Equity Share Capital of the Company for the financial year 2009-10.

The Company has made a provision for dividend in the books of accounts on the Equity Share Capital as at the date of the Board Meeting for approval of Financial Statements. The Company is obliged to pay dividend to those bond holders who convert their bonds into Equity Shares after approval of the financial statements by the Board of Directors and upto the book closure date for dividend purposes. Incremental dividend, if any, and dividend distribution tax thereon will be paid out of the balance available in the Profit & Loss Account.

The dividend on Equity Shares is placed before you for approval at the ensuing Annual General Meeting and, if approved, will absorb an amount of Rs.16.7 million. However, the amount of dividend on Equity Shares may increase in case any bonds are converted into Equity Shares before the book closure date. On the other hand, such amount may also decrease due to buyback of Equity Shares, if any, in terms of the proposed scheme of buyback before the book closure date.

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 ("the Act"), dividend for the year 2001-02, which remained unpaid or unclaimed for a period of 7 years, amounting to Rs.122,880 has been transferred by the Company to the Central Government's Investors Education and Protection Fund.

TRANSFER TO RESERVES

An amount of Rs.80.0 million is proposed to be transferred to the general reserves of the Company out of the profits of the Company for the year.

SHARE CAPITAL

The Issued & Subscribed Equity Share Capital of the Company remained unchanged at Rs.66.8 million, consisting of 66,842,746 Equity Shares of Re.1 each.

During the year under review, 149,000 forfeited Equity Shares of the Company, which were earlier re-issued and held in the name of the Company's employees as nominees/trustees, were sold during the year in the open market for Rs.29.9 million, out of which Rs.29.8 million has been credited in the Securities Premium Account. As a result, the paid-up Equity Share Capital of the Company stands increased from 66.7 million to Rs.66.8 million, consisting of 66,842,746 Equity Shares of Re.1 each.

BUYBACK OF SHARES

In a strategic measure, as approved by the shareholders, the Company has decided to purchase its Equity Shares upto 5,592,000 Equity Shares at a price not exceeding Rs.229 per share, with the total aggregate amount to be expended not to exceed Rs.1,280.6 million, from the existing holders of Equity Shares other than the Promoters, Persons who are in control of the Company and Promoter Group, through the methodology of Open market purchases through stock exchanges using the electronic trading facilities of the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

The exemption from SEBI under regulation 4(2) read with regulation 3(1)(*l*) of SEBI (Substantial Acquisition & Takeover) Regulations, 1997 has been obtained. The Buyback is slated to commence w.e.f. 21st July, 2010.

FOREX IMPACT

As per advice of its Bankers, the Company signed two derivative documents dated 24th October, 2007 and 21st January, 2008 with an exposure of US$ 4.0 million and US$ 3.0 million per month, and which are expiring in October, 2010 and January, 2011 respectively.

The advice given and the representations made by the Bank have turned out to be not correct with the result the Company suffered a direct loss of Rs. 730.7 Million during the year. The cumulative losses till the end of the year under review have been Rs.1,226.1 million, which have further increased to Rs.1,365.5 million till 30th June, 2010.

In addition to the said direct losses, the Company has also suffered consequential losses on account of interest accrued on actual losses, additional interest charged by Banks on FCNR B Loans and non-hedging of future obligations including for imports, etc., and other consequential losses, which are being quantified.

As there seems to have been more than meets the eye, the matter is being investigated and once the investigations are complete, the company will take up the matter with the bank to see how the losses suffered by the Company can be made good, and if so advised, the Company may take such other steps in this behalf as are considered appropriate.

But for the above direct losses during the year, and in the circumstances aforesaid, the Company has earned a Profit after Tax of Rs.801.8 million during the fiscal 2010. Had the Company not been a victim of the derivatives, the net worth of the Company would have been increased by Rs.1,226.1 million as at 31st March, 2010.

REPORT ON CORPORATE GOVERNANCE

An organization's Corporate Governance philosophy is directly linked to its excellence in performance. Keeping this important dictum in view, your Company has always placed major thrust on managing its affairs with diligence, transparency, responsibility and accountability.

The Company is committed to adopting and adhering to the best corporate governance practices recognized globally. The Company understands and respects its fiduciary role and responsibility towards stakeholders and the society at large, and strives hard to serve their interests, resulting in creation of value and wealth for all stakeholders at all times.

The compliance report on Corporate Governance and a certificate from M/s. Dass Gupta & Associates, Chartered Accountants regarding compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is attached herewith and forms part of this Annual Report.

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

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

SUBSIDIARIES

Driven by prudent operational stratagem and aimed at facilitating ease of functioning, the Company has put in place a network of Subsidiaries.

The Company, as on March 31, 2010, had 5 wholly owned subsidiaries (WOS), viz. Best On Health Ltd., Panacea Biotec Inc., Panacea Biotec FZE, Panacea Biotec GmbH and Rees Investments Ltd. Umkal Medical Institute Pvt. Ltd. is also a subsidiary in terms of

Section 4(1)(b)(ii) of the Act. The Company has 8 other subsidiaries in terms of Section 4(1)(c) of the Act, as under:

- Radicura & Co. Ltd., Panacea Hospitality Services Pvt. Ltd., Sunanda Steel Company Ltd. & Panacea Educational Institute Pvt. Ltd., all being WOS of Best On Health Ltd.;
- Kelisia Holdings Limited, Cyprus, the WOS of Rees Investment Limited; and
- Kelisia Investment Holding AG, Switzerland, Panacea Biotec (International) SA, Switzerland and Panacea Biotec (Europe) AG, all being the step-down subsidiaries of Rees Investments Ltd.

In terms of the approval granted by the Central Government under Section 212(8) of the Act, copies of the Balance Sheet, Profit and Loss Account and Reports of the Board of Directors and Auditors of the subsisting Subsidiaries have not been attached with the Balance Sheet of the Company. However, these documents will be made available upon request by any investor of the Company/ Subsidiary, interested in obtaining the same. The annual accounts of the Subsidiary companies will be kept for inspection by any investor at the Company's Corporate Office at B-1 Extn./G-3, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044, India and at the office of the respective Subsidiary companies during business hours of the respective company. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial statements of each of its Subsidiaries. The Financial Statements of each Subsidiary shall also be available on the Company's website www.panaceabiotec.com.

As required, pursuant to the provisions of Section 212 of the Act, a statement of the holding company's interest in the Subsidiary companies is attached herewith and forms part of the Annual Report. The following information, in aggregate, for each Subsidiary is also being disclosed (a) capital, (b) reserves & surplus, (c) total assets, (d) total liabilities, (e) details of investment (except in case of investment in subsidiaries), (f) turnover including other income, (g) profit/loss before tax, (h) provision for tax, (i) profit after tax, and (j) proposed dividend. The said information is given at some other place herein and forms part of the Annual Report.

JOINT VENTURES

Chiron Panacea Vaccines Pvt. Ltd.

Panacea Biotec's strong legacy of growth and excellence makes it an ideal Joint Venture partner for Indian and global companies. The Company has nurtured several important JVs that enable it to strengthen its growth fundamentals and to enhance its customer value.

During the year under review, your Company's Joint Venture Company (JV Company), Chiron Panacea Vaccines Pvt. Ltd. ("CPV"), has grown its business by 4% as compared to the previous financial year in spite of intense competitive price pressure within the pediatric combination vaccine market.

CPV has retained its position of having most satisfied customers by offering value added products and services by introducing combination vaccines in pre-filled syringes, and through introduction of Luer Lok syringes, which help prevent needle stick injury and are safe for vaccine administration and newer medical education initiatives in developing the overall vaccine market.

During the year, the polio franchise of CPV gained momentum, with Polprotec attaining significant market share in spite of not having the first mover advantage.

CPV continues to have a strong portfolio of innovative pediatric vaccines and enjoys its significant position at market place. CPV achieved a turnover of Rs.559.2 million and net profit of Rs.33.4 million during the year under review and commands a significant market share in the pediatric combination vaccines segment in India.

Cambridge Biostability Ltd.

The Company's another JV Company, Cambridge Biostability Ltd. (CBL), a U.K-based company in which Panacea Biotec acquired 10% stake and also given a convertible loan of £ 1.5 million in previous years, has gone into creditors' voluntary liquidation proceedings, during the year under review, due to its adverse financial position. The insolvency Administrator is in the process of deciding the quantum and timing of distribution of returns to stakeholders, including Panacea Biotec.

ASSOCIATES

Your Company's associate Company, PanEra Biotec Pvt. Ltd. is continuing to meet requirement of bulk vaccines and antigens for the manufacture of Hepatitis B and Combination Vaccines by your Company. The Company's another Associate Company, Lakshmi & Manager Holdings Ltd. is mainly engaged in the business of making investments.

CONSOLIDATED FINANCIAL STATEMENTS

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

LISTING OF EQUITY SHARES / BONDS

The Equity Shares of the Company continue to be listed on NSE and BSE and the Foreign Currency Convertible Bonds (FCCBs) are listed at Singapore Stock Exchange. The requisite annual listing fees have been paid to these Exchanges.

PUBLIC DEPOSITS

During the year under review, your Company has not invited or accepted any deposits from the public pursuant to the provisions of

Section 58A of the Act and no amount of principal or interest was outstanding in respect of deposits from the public as of the date of Balance Sheet. However, during the year under review, the Company has continued to accept deposits from the Company's Directors, their relatives, associates and the Company's employees without inviting deposits from them.

INSURANCE

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

INTERNAL CONTROL SYSTEM

The Company has devised a strong Internal Control System through its extensive experience that ensures control over various functions in its business.

The Company has a well placed, proper and adequate Internal Control System, which ensures that all assets are protected against loss from unauthorized use and all transactions are recorded and reported correctly. The Company's internal control system comprises internal audit carried out by independent firms of Chartered Accountants and periodical review by management. The Audit Committee of the Board addresses significant issues raised by both, the internal Auditors and the Statutory Auditors.

DIRECTORS

There was no change in the composition of the Board of Directors of the Company during the year under review.

In accordance with the provisions of the Act and Articles of Association of the Company, Mr. Soshil Kumar Jain, Mr. Gurmeet Singh and Mr. K.M. Lal, Directors of the Company, are liable to retire by rotation and being eligible, offer themselves for re-appointment.

The brief resumes of the Directors who are to be re-appointed, the nature of their expertise in specific functional areas, names of companies in which they have held directorships, committee memberships/chairmanships, their shareholding, etc. are furnished in the explanatory statement to the notice of the ensuing Annual General Meeting.

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

AUDITORS

M/s. S.R. Batliboi & Co., Chartered Accountants, Statutory Auditors of your Company, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as statutory auditors for the financial year 2010-11. The Company has received a letter dated May 5, 2010 from them to the effect that their re-appointment, if made, would be within the limit prescribed under section 224(1B) of the Act, and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Act.

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

AUDITORS' REPORT

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

- Non-provision of proportionate premium on redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' amounting to Rs.565 million: The Board of Directors are of the opinion that the bonds are redeemable only if there is no conversion of bonds earlier, the probability of which cannot be presently ascertained. Hence, the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. Therefore, the same has been disclosed as a contingent liability. Moreover, in case of redemption, the redemption premium will be offset against the Securities Premium Account, thus having no impact on the Profit and Loss Account.

- Capitalization of expenditure on clinical trials amounting to Rs.32.1 million for the year ended March 31, 2010 for the purpose of registration of Company's products in US and/or Europe: The expenditure is not towards basic research and therefore no New Chemical Entity comes into being. Basic Research is conducted by the Company in its own R&D Centres but such developmental work is performed through external agencies (CROs). Safety profile of the basic molecule is well established in several countries in Europe and in India and the products are being marketed successfully in several countries. There is no experience to suggest that the studies conducted by CROs on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in US and/or Europe. The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities in US and/or Europe.

- Payment of managerial remuneration of approx. Rs.38.17 million during financial year 2008-09, in excess of the limits prescribed under Section 198 and 309 read with Part II of Schedule XIII to the Act, without obtaining approval of Central Government: The Company had adequate profits for past many years and thus was paying remuneration to its managerial personnel within overall limits as specified under the Act. However, in view of the losses incurred during the financial year 2008-09, the managerial remuneration paid during that year exceeded the limits prescribed under the Act. While the

approvals from Central Government to the extent of Rs.14.6 million of excess remuneration in respect of Dr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors, have been received, the requisite approvals for balance amount of excess remuneration of Rs.23.6 million in respect of Mr. Soshil Kumar Jain, Chairman and Mr. Ravinder Jain, Managing Director are awaited.

- Slight delay in deposition of Value Added Tax (VAT)in few cases: The amount involved was not significant and the said delays were due to normal operational difficulties and that too for a maximum period of 4 days from the due date. The total amount of such VAT was Rs.5,530,132 only, and the Company has already deposited the said amount.

Further, with regard to the matters of emphasis and observations contained in the Auditors' Report on the Consolidated Financial Statement, the Management's explanations are given below:

- Unaudited Annual Accounts of Subsidiary, Panacea Biotec GmbH, Germany: Though the Annual Accounts of Panacea Biotec GmbH were prepared by its Board of Directors, the audit thereof could not be completed till the date on which the Company's Accounts were finalised.

COST AUDITORS

Pursuant to the provisions of Section 233B of the Act, M/s J.P. Gupta & Associates, Cost Accountants, have been appointed as the Cost Auditors to conduct the audit of the Company's Cost Records in respect of formulations for the year ended 31st March, 2010, with the approval of the Central Government. The cost audit is under process and the Company will submit the Cost Auditors' Report to the Central Government in time. They have also been appointed by the Board as the Cost Auditors for the financial year 2010-11, subject to the approval of Central Government.

DISCLOSURES UNDER SECTION 217 OF THE ACT

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

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

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

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

INFORMATION REGARDING EMPLOYEES

The information required to be furnished under section 217(2A) of the Act, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees covered under these Rules are set out in Annexure B, forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm:

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

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

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

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

ACKNOWLEDGEMENTS

Your Directors place on record their gratitude to the UN Agencies, Central Government, State Governments and all other Government agencies for the assistance, co-operation and encouragement they have extended to the Company.

Your Directors also take this opportunity to extend a special thanks to the medical fraternity and patients for their continued co-operation, patronage and trust reposed in the Company and its products.

Your Directors also greatly appreciate the commitment and dedication of all the employees at all levels, that has contributed to the growth and success of the Company. We also thank all our customers, strategic partners, business associates, Banks, financial institutions and our shareholders for their assistance, co-operation and encouragement to the Company during the year.

For and on behalf of the Board

New Delhi
20th July, 2010

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.

I. Conservation of Energy

In line with the increasing global focus on the critical need for energy conservation, the Company has undertaken strong measures to keep its power consumption levels under strict control and ensure sustainable energy utilization.

1. Energy Conservation measures taken:

The Company accords the highest priority to energy conservation and is committed to stringent energy conservation measures, including regular review of energy consumption and effective control on utilization of energy. The Company had devised its production lines and other facilities keeping in view the objective of minimum energy losses.

The following are the major energy conservation measures implemented during the financial year 2009-10:

- Installed heat recovery unit at Mohali.
- Stoppage 02 Nos Packaged Compressor at Baddi Unit 1.
- Increased condensate recovery up to 90% in place of 80% and 2% fuel at Baddi Unit I.
- Reduced running frequency in HZ of Production & QC AHUs in Baddi Unit II.
- Conducted Leakage test of Compressor, rectified leakages and improved efficiency at Lalru.
- Installed hot water recovery system from Incinerator at Lalru.
- Sample evaporated system in LCMS (R&D) to use N2 cylinder, and use of compressed air through refrigerated air dryer already running for other use.
- Modified the air line of root blower at ETP plant at Lalru and reduced from 2 nos. of root blower to only 1.
- Optimized operation of AHUs at Lalru.
- To have a better load sharing / part load conditions, three Cooling Towers are interlinked to cater the need of part load.
- Increased Condensate water recovery from 15% to 50% from Herbal plant & cell culture & Vaccine Block I, II & III at Lalru.
- New boiler procured with economizer, which will help in increasing the efficiency of boiler by 2%.
- Incorporating temperature controller in CT fan of 200TR chiller at Okhla.
- Reduced Air compressor Pressure from 8.5kg/cm^2 to 7.5kg/cm^2 at Okhla.
- Reduced/replaced the GLS, flouroscent tube lights with CFL.
- Reduced Boiler Working pressure from 10 to 9 Kg/Sq. cm at Okhla.
- Installed signal isolator in Main Autoclave of Line three so as to produce two charts at a time.

Electrical and Instrumentation audit is also performed on regular basis and no major points/ observations have been recorded in recent audit reports.

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

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

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

- Alternate source of power being explored to reduce per unit generation cost.
- Conversion of HSD-based 1250 Kg/hr Boiler to CNG-based fuel at Okhla.
- Increase in batch sizes wherever feasible.

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

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

FORM A

The particulars of consumption of energy are given below:

	Current year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (Nos.)	16,854,197	15,011,387
Total Amount (Rs.)	78,145,453	67,830,374
Rate/Unit (Rs.)	4.64	4.52
(b) Own Generation		
i) through Diesel Generator		
Units (Nos.)	3,615,835	3,397,584
Unit per litre of Diesel Oil	3.56	3.49
Cost/Unit (Rs.)	8.29	8.91
ii) through Steam/ Turbine Generator	Nil	Nil
Units (Nos.)		
Unit per litre of Diesel Oil		
Cost/Unit (Rs.)		
2. Coal		
Quantity (tones)	Nil	Nil
Total Cost		
Rate/Unit		
3. Furnace Oil		
Quantity (Litres)	955,707	505,115
Total Cost	25,718,310	11,824,571
Rate/Unit	26.91	23.41
4. Others/ Internal generation		
Quantity Nil	Nil	Nil
Total Cost		
Rate/Unit		
B. Consumption per unit of production		
Tablets		
Production (Nos. in thousand)	1,233,584	504,389
Electricity Consumption (Units per thousand)	1.52	4.52
Capsules		
Production (Nos. in thousand)	152,705	61,027
Electricity Consumption (Units per thousand)	8.54	24.33
Syrups		
Production (in liters)	983,821	283,921
Electricity Consumption (Units per thousand)	0.27	0.76
Gels		
Production (in kilograms)	64,697	23,475
Electricity Consumption (Units per thousand)	3.11	2.62
Vaccines		
Production (no. of vials in thousand)	50,011	50,554
Electricity Consumption (Units per thousand)	70.36	65.44
*Pre-filled Syringes (PFS)**		
Production (no. of PFS in thousand)	3,774	1,680
Electricity Consumption (Units per thousand)	226.74	244.15
Granules		
Production (Packs in thousands)	114,955	17,639
Electricity Consumption (Units per thousand)	4.45	17.07

* Higher due to under utilisation of Baddi Vaccine Facility

II. TECHNOLOGY ABSORPTION

FORM B

Form for disclosure of particulars with respect to Technology Absorption –

Research & Development

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

   Strong Research & Development capabilities have always been a key fundamental strength of the Company.

   The Company is a research-focused & IPR oriented company, with one of its end objectives as innovation and development of patentable products and technologies.

   The areas of research being pursued by the Company include:

   - Development of novel preventive & therapeutic vaccines, novel therapeutic peptides, therapeutic fully human monoclonal antibodies and biopharmaceuticals.
   - Development of advanced drug delivery technologies.
   - Discovery and synthesis of new chemical and biological entities.
   - Development of recombinant clones for biosimilars.

2. Benefits derived as a result of above R&D
   - Improved product quality, leading to customer satisfaction
   - Vaccine against bioterrorism
   - Safe and environment friendly process
   - Fulfilling the unmet therapeutic needs
   - Novel drug delivery products
   - Competitively priced products
   - Waste minimisation
   - Grant of Product/Process Patents
   - Import substitution, leading to lower cost of goods
   - Enhanced global presence
   - Export of Quality Products

3. Future Plan of Action

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

   - Development and improvement in existing conjugation technology for better yield and quality.
   - Further development of recombinant, polysaccharide conjugate and cell culture based vaccines.
   - Development of IPV based pentavalent and hexavalent combination vaccines.
   - Drug Discovery Research.
   - Advanced Drug Delivery Research.
   - Bio-pharmaceuticals Research for development of novel preventive & therapeutic vaccines, therapeutic fully human monoclonal antibodies and therapeutic peptides.
   - Natural Products Research.
   - Chemical Research & Development.

4. Expenditure on R&D

(Rs. in million)

		2009-10	2008-09
a)	Revenue (excl. Depreciation on R&D assets)	577.2	500.9
b)	Capital	231.4	578.4
c)	Total	808.6	1,079.3
d)	Total R&D expenditure as a percentage of net sales	9.1%	14.0%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology adaptation and innovation: The Company R&D focus has been translated into the development of a strong R&D pentagon to support its business segments, vaccines, pharmaceutical formulations and biopharmaceuticals. It has 5 highly sophisticated ultra-modern R&D centers with around 300 qualified and experienced scientists for its various research projects. The core areas of research & development include new Vaccine Development, Biopharmaceuticals, Proteins, Peptides, Monoclonal Antibodies, Novel Drug Delivery Systems, Advanced Drug Delivery Systems and Drug Discovery (small molecules), in compliance with international regulatory standards.

   The Company has developed indigenous technologies in respect of various products being manufactured by it and is at present working on several novel products and technologies. Further, the Company has, during earlier financial years, in-licensed technologies for development of:

   - Hepatitis B Antigen and Bulk Vaccines,
   - Vero cell adapted Japanese encephalitis (JE) Vaccine,
   - Peptide based product for generation of hair follicles and hair growth
   - Recombinant Chimeric Dengue Vaccine, and
   - Recombinant Anthrax Vaccine

   The technology for Hepatitis B Antigen and Bulk Vaccines has already been fully absorbed in earlier years. The technology in-licensed for JE Vaccine has been further modified significantly at our research center to yield a commercially viable and safer product. The candidate vaccine is in trial stages of

development and should enter pre-clinical/ clinical development by next year. The process for the scale-up production of hair growth peptide, a technology for alopecia (hair loss) management has been optimised.

As regards recombinant anthrax vaccine, Phase I/IIa of human trials have been successfully completed. The Company has plans to submit an IND application to US FDA for performing Phase IIb clinical trial in India.

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

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

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action
(a)	(b)	(c)	(d)
1. Technology for use of peptide based products for generation of hair follicles and hair growth	2004-05	No	The technologies are being worked upon. The process for the scale-up production of hair growth peptide has been optimised. A pre-clinical toxicological study has been planned.
2. Tetravalent Dengue Virus Vaccine	2006-07	No	The technologies are being worked upon at the Company's Biopharmaceutical Research Centre. A suitable cell line for the assay and amplification technology has been prepared & appropriate Dengue viruses have been amplified. Immunogenicity of the tetravalent vaccine has been done. An efficacy study with certain modification in the tetravalent vaccine is planned.
3. Technology for manufacture of Hepatitis B Antigen and Bulk Vaccines	2007-08	Yes	NA

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports

The total export turnover of the Company was Rs.5,612.9 million (including deemed exports of Rs.3,708.4 million) during fiscal 2010, as against Rs.6,442.8 million (including deemed exports of Rs.5,797.3 million).

The Company is supplying Oral Polio and Combination Vaccines to various countries through UNICEF against its global tenders and achieved an export turnover of Rs.2,716.5 million during fiscal 2010, an excellent growth of around 84% over previous year, by way of supplies of vaccines to various countries, including Afghanistan, Bangladesh, Bhutan, Central Africa, Kenya, Kyrgyzstan, Myanmar, Nigeria, Philippines, Sudan, Tanzania, Uganda, Uzbekistan, Yemen, Zambia and Zimbabwe.

The Company has also achieved an export turnover of Rs.85.8 million during fiscal 2010 by way of direct supply of vaccines to Nepal, Pakistan and the Latin American Market of Chile.

As regards pharmaceutical formulations, the Company is continuously expanding its global aspirations by improving its international marketing efforts into various markets across the globe and is currently exporting its branded formulations in CIS countries, Asia, Eastern Europe and African region. Today, the Company's products are available to people in various countries across the globe. The export turnover of formulations during fiscal 2010 was Rs.292.9 million as against Rs.426.0 million during fiscal 2009. The exports to most of the countries where the Company has presence have shown a growth, the highlights being Ukraine, Mongolia and Sri Lanka, over the previous fiscal.

2. Initiatives taken to increase export

The Company has continuously striven to expand its global footprints and plans to boost its growth prospects significantly in the coming years by registering & commercialising a series of innovative products across all the potential markets. With a view to creating a strong & positive image of the Company in the minds of the local doctors through its innovative strategies & robust promotional efforts for its unique products, the Company has steadily but surely moved from a trading business model to a "promotional oriented" approach in markets like Sri Lanka, Vietnam, Kazakhstan, Philippines, Syria. The Company has placed specialised personnel in these markets to implement the promotional initiatives in these markets. The Company has plans to extend this bandwidth to other existing and/or planned potential markets with more robust strategies & control.

The Company focuses on brand building, primarily leveraging its portfolio of novel patented products in key segments. The year under review marked an year of consolidation for the business, wherein lot of new products / therapies were scheduled for commercialisation across various regions. The Company has identified Organ Transplantation, Nephrology, Metabolic Disorders, Pain management, Oncology, Gastro-intestinal & Anti-infective products as major thrust areas for the future. The Company has also set up international subsidiaries in US, Germany, Switzerland and UAE to steer product registration.

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

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

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

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

4. Total foreign exchange earned and used

(Rs. in million)

	2009-10	2008-09
Foreign Exchange Earned		
F.O.B. value of Exports (including deemed export of Rs.3,396,590,606 (Previous Year Rs.3,708,466,456))	6,465.4	5,589.0
R & D Services (Know-how) Income	0.9	1.7
Interest received on loan from Joint Venture Company	-	16.9
Interest accrued but not due on loan from subsidiary company	45.0	28.9
Total	6,511.3	5,636.5
Foreign Exchange Used		
Raw Materials & Packing Materials	3,137.2	4,571.3
Capital Goods	406.5	457.2
Know-how Fee	12.5	12.8
Royalty	2.7	0.0
Interest	218.1	206.2
Professional & Consultation Fees	19.6	54.7
Other Expenses		
- Patents, Trade Marks & Product Registration	20.2	26.3
- Advertising and Sales Promotion	14.6	5.3
- Printing & Stationery	0.0	0.1
- Commission on Sales	18.9	65.8
- Market Research	8.0	30.3
- Others	34.1	39.6
Total	3,892.4	5,469.6

For and on behalf of the Board

Place : New Delhi
Date : 20th July, 2010

Soshil Kumar Jain
Chairman

ANNEXURE B

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2010

S No.	Name	Designation and Nature of Duties	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Commence-ment	Age (Yrs,)	Particulars of Last Employment Name of Employer, Designation, Period of Service (Years)
A.	**Persons employed throughout the Financial Year ended 31st March, 2010, who were in receipt of remuneration for the year in which the aggregate was not less than Rs.2,400,000.**							
1.	Mr. Soshil Kumar Jain	Chairman	16,750,928	Pharmacist	55	02.02.1984	77	None, NA, NA
2.	Mr. Ravinder Jain	Managing Director	21,229,331	Matriculate	30	15.11.1984	53	None, NA, NA
3.	Dr. Rajesh Jain	Joint Managing Director	14,203,889	B.Sc., PGDBM & Advanced Mgmt. Diploma in Market Research, Ph.D.	26	15.11.1984	46	None, NA, NA
4.	Mr. Sandeep Jain	Joint Managing Director	14,099,119	B.Com	25	15.11.1984	44	None, NA, NA
5.	Mr. Sumit Jain	Director Operations & Projects	3,523,735	B.Com, MBA	7	16.05.2003	29	None, NA, NA
6.	Dr. Lallan Giri	President & Chief Operating Officer	10,774,000	Ph.D. - Doctor of Philosophy	27	01.07.2008	64	Oshiva Enterprise LLC, USA. C.E.O./ M.D., 3 years.
7.	Mr. Narayan B. Gad	Chief Executive Formulations (Marketing)	9,014,125	B.Sc, D. Pharma, MBA	34	26.10.2005	59	Nicholas Piramal India Ltd., President Mktg. & Org. Dev., 4 years
8.	Mr. Partha Sarathi De	C.F.O and Head IT & BPR	6,337,621	B.Sc. (Econ), ACA, AICWA	22	02.06.2008	48	Gujrat Glass Ltd., President-Finance Glass Group, 2.5 years
9.	Mr. R.K. Suri	Chief Executive Biologicals	3,326,637	M.Sc. (Hons)	32	12.11.2007	55	Sanofi Aventis, Sr. Dir.-Bus. Effect., 10 years
10.	Dr. S. C. Marwah	C.E.O Healthcare Venture	4,862,865	M.B.B.S., Diploma - Av. Med., PGADHM, MBA	39	16.06.2008	63	Fortis Health Care Ltd., Head Medical Edu. & Facility Planning, 4.5 Months
11.	Dr. Sanjay Trehan	Sr. Vice President Drug Discovery Research	7,187,935	Ph.D. - Doctor of Philosophy, M.Sc. (H)	22	01.07.2004	51	Dr. Reddy's Laboratories Ltd., Research Director, 3 years
12.	Dr. V.K. Vinayak	President (R&D) BRC	4,501,194	Ph.D. - Doctor of Philosophy, M.Sc, FICAI, FRSTMH (London)	39	01.10.2005	67	Dept. of Biotechnology, Govt. of India, Sr. Advisor, 11 years
13.	Dr. Arani Chatterjee	Vice President Clinical Research	4,633,209	MBBS, M. Phil, PGCPM	19	24.07.2004	42	Dr. Reddy's Laboratories Ltd., Principal Physician, 6 years
14.	Dr. Ashok Panwar	Vice President Quality & Compliances	4,831,768	Ph.D. - Doctor of Philosophy, M.Sc.	16	01.05.2001	42	Dishman Pharmaceuticals & Chemicals Ltd., AGM-Q.C., 2 years
15.	Dr. Goutam Ghosh	Vice President Tech Mgmt Group	3,169,843	M. Tech, Ph.D. - Doctor of Philosophy	24	02.06.2008	49	The Pearey Lal Group L Group, CEO, 1 year
16.	Mr. Kallol Chakraborty	Vice President H.R.	5,498,945	PG Dip. in Pers. Mgmt., LL.B.	20	19.11.2007	46	Federal Mogul Goetze (India) Ltd., Director HR, 8 months
17.	Mr. Karunakar J. Shetty	Head Training & Sales Administration	5,248,412	B.Com.	25	01.01.2006	51	Nicholas Piramal India Ltd., Vice - President Sales & Mktg., 4.5 years
18.	Mr. Kulvinder Sarao	Vice President Audit & Compliances (HR)	4,775,985	PGDPMIR	25	14.01.2005	48	Hero Honda Motors Ltd., DGM-HR, 5 Mths
19.	Dr. M. Sitaram Kumar	Vice President (R&D)	5,914,509	Ph.D. - Doctor of Philosophy, M. Sc	33	17.06.2005	59	Dr. Reddy's Laboratories Ltd., Sr. Director, 4.5 years
20.	Dr. S. Mahender Rao	Vice President CRD	4,237,242	Ph.D. - Doctor of Philosophy	14	08.12.2008	44	Orchid Chemicals & Pharma Ltd., Vice President, 4.5 years
21.	Dr. Sanjiv Sharma	Vice President Regulatory Affairs.	5,174,714	Ph.D. - Doctor of Philosophy Org. Chem.	21	30.06.2008	44	Orchid Chemicals & Pharma Ltd., VP-RA & QA, 3 years
22.	Mr. Sukhjeet Singh	Vice President (R&D)	5,269,408	Post Graduate	16	17.08.2006	41	Strides Acrolabs Ltd. VP-Formulations & Development, 1 year
23.	Mr. Sunil K. Bajaj	Country Head Super Specialties	4,223,344	B Sc.	30	15.09.2004	49	Novartis India Ltd., NSM, 20 years
24.	Dr. Jagattaran Das	General Manager (R&D) Laksh	3,523,191	Ph.D. - Doctor of Philosophy, M.Sc.	16	01.07.2005	46	Dr. Reddy's Laboratories Ltd., Research Director, 6 years
25.	Mr. Kaustubh Y. Berde	General Manager International Marketing	3,127,984	B.Pharma, M.Pharma, M-Marketing Management	15	13.03.2006	39	USV Ltd., Deputy General Manager, 5 years
26.	Dr. Manish Kumar	General Manager Analytical & Bioanalytical	2,605,500	Ph.D. -Chemistry	15	29.11.1996	41	Cipla Ltd., Executive -QC, 1 year
27.	Ms. Neeta S. Sanghi	Head Value India Health Care	4,075,644	B.Sc. & B.Sc. Tech (Pharmaceutical & Fine Chemicals)	25	01.06.2007	51	Nicholas Piramal (I) Ltd., V.P. Dom. Form. Supply Chain, 11 years
28.	Mr. Pawan Malik	General Manager Business Development	2,467,940	PGDBM, B.Pharma	13	10.06.2008	35	Bilcare Research, Head, 1 year

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S No.	Name	Designation and Nature of Duties	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Commencement	Age (Yrs,)	Particulars of Last Employment Name of Employer, Designation, Period of Service (Years)
29.	Mr. Rajneesh Chatrath	General Manager Q.A	2,648,712	PGDIM, M.Sc Microbiology, B.Sc	18	03.10.2000	42	Eco Med Pharmaceuticals, Quality Assurance Associate, 3 months
30.	Mr. Sanjay Mishra	Head Sales & Marketing (Human Resources)	2,446,697	MBA, PGHRM, B.Com	17	20.04.2006	41	J K Organisation, DGM HR, 2 years
31.	Mr. Sarabjit Singh	Sr. General Manager Pharma	3,181,495	M.Pharma, B. Pharma	15	21.05.2005	40	Lupin Research Park, Sr. Manager, 1.5 years
32.	Mr. Syed. Saadir Ahmed	Head International Vaccine Business	3,603,316	B. Pharma, M.B.A.	16	14.01.2006	40	Nicholas Piramal India Ltd., GM. S&M., 4 years.
33.	Mr. Vikas Katial	General Manager Production	2,669,633	B.Tech Chemical Technology, MMS (Finance)	20	23.07.2007	41	Wockhardt Ltd., DGM, 3.5 years
34.	Mr. Vinod Goel	General Manager Legal & Company Secretary	2,568,929	AICWA, FCS, LL.B., M.Com	23	13.01.1999	45	Prakash Industries Ltd., Company Secretary, 9 years
B.	**Persons employed for a part of the Financial Year ended 31st March, 2010, who were in receipt of remuneration for any part of the year, at the rate which in the aggregate was not less than Rs.200,000 per month.**							
35.	Mr. Narotam Kumar Juneja	COO Order Execution (Pharma Opr. Proj. & Eng.)	872,173	B. Pharma, M. Pharma	30	01.01.2010	54	Magbro Pvt. Ltd., Director, 1 year
36.	Mr. Abhay N. Lonkar	Country Head India	3,459,754	Post Graduate Dip. in Mktg.	21	11.06.2008	50	Unichem Labs Ltd. , VP, 5 years
37.	Mr. M. M. S. Raju	Vice President Projects	2,425,151	B.E. (Mechanical), PGDIM	25	28.12.2006	47	Ranbaxy Laboratories Ltd., GM Engineering, 2 years
38.	Mr. Sanjiv Kumar Pant	Chief Information Officer	2,529,438	B Sc, PGD- Computer Science	24	10.04.2009	46	HCL Technical Ltd., AGM, 3 years
39.	Mr. V. Punya Kumar	Country Head Acute & Chronic Care	1,803,217	B. Sc Chemistry, Botany	29	21.10.2009	51	Emcure Pharmaceutical, Director-Mktg. & Sales, 5 years
40.	Dr. Shekhar Patel	General Manager Risk Treatment	443,336	Ph. D- Bio-systems Engineering, M. Tech, B. Tech., Certificate in Finance & Accounting	11	01.02.2010	37	Quest Diagnostics India Pvt. Ltd., Business Head (Director) - Insurer Solutions Segment, 1.5 Years

Notes:

1. Remuneration includes salary, house rent allowance, bonus, Company's contribution to Provident Fund, Leave Travel Allowance, Medical Assistance and all allowances paid in cash and monetary value of taxable perquisites wherever applicable and also includes Gratuity/ Retirement Benefit.
2. There was no employee who was employed either throughout the financial year or part thereof, who was holding either by himself or along with the spouse and dependent children 2% or more of the Shares of the Company and drawing remuneration in excess of the remuneration drawn by Managing Director / Joint Managing Director / Whole-time Director.
3. The terms and conditions of employees at Sl. No. 1 to 5 are as approved by the Board of Directors and Shareholders. The employees at Sl. No. 6 to 40 are paid remuneration as per the policy/rules of the Company.
4. All the above said appointments are contractual.
5. None of the above employees is related to any of the Directors except that Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain, Mr. Sandeep Jain and Mr. Sumit Jain are related to each other.
6. The nature of duties of Chairman, Managing Director and Joint Managing Directors is as under: Mr. Soshil Kumar Jain, Chairman - Strategic planning, vision and formulation of strategies. Mr. Ravinder Jain, Managing Director - Overall supervision of day-to-day operations with emphasis on strategic planning and business development. Dr. Rajesh Jain, Joint Managing Director - Overall supervision of day-to-day operations with emphasis on R&D, business development and marketing. Mr. Sandeep Jain, Joint Managing Director - Overall supervision of day-to-day operations with emphasis on finance, international marketing and regulatory affairs.

For and on behalf of the Board

Place : New Delhi
Date : 20th July, 2010

Soshil Kumar Jain
Chairman

REPORT ON CORPORATE GOVERNANCE

1. PHILOSOPHY ON CORPORATE GOVERNANCE

A good Corporate Governance system is the key to meaningful and holistic growth of an organization and the foundation through which is nurtured its sustainable progress into the future. The Corporate Governance philosophy of the Company stems from its belief that attainment of the highest levels of transparency, disclosure, financial controls, accountability and equity are the pillars of any good system of Corporate Governance. Panacea Biotec is committed to continuously evolving and adopting Corporate Governance's best practices in all facets of its operations and in all interactions with its stakeholders, including shareholders, employees, consumers, lenders and the community at large.

At Panacea Biotec, good Corporate Governance process includes independence, integrity, commitment to values, ethical business conduct and a high degree of transparency directing the intellectual capabilities and moral authority of its independent Board, that go a long way in preserving stakeholders trust while maximizing long-term corporate values.

2. BOARD OF DIRECTORS

Composition & size of the Board

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

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

At present, the Board comprises 5 (Five) Executive Directors (1 Executive Chairman, 1 Managing Director, 2 Joint Managing Directors and 1 Whole-time Director) and 6 (Six) Non-Executive Directors. All the non-executive Directors are Independent Directors. The non-executive Directors bring external and wider perspective in the Board's deliberations and decisions.

The size and composition of the Board exceeds the requirements of the Clause 49 of the Listing Agreement (Corporate Governance Guidelines) with the Stock Exchanges.

Board functioning & procedure

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

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

During the financial year 2009-10, six (6) Board Meetings were held on 27th May 2009, 30th July 2009, 29th October 2009, 30th December 2009, 21st January 2010 and 29th January 2010.

Attendance of Directors at the Board Meetings & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2010:

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorship$ and Committee memberships/chairmanships*		
						Other Director-ship	Committee Member-ship	Committee Chairman-ship
1.	Mr. Soshil Kumar Jain	Promoter – WTD Chairman	6	6	No	1	-	-
2.	Mr. Ravinder Jain	Promoter – MD	6	5	No	3	1	-
3.	Dr. Rajesh Jain	Promoter –JMD	6	5	No	-	-	-
4.	Mr. Sandeep Jain	Promoter –JMD	6	5	Yes	1	-	-
5.	Mr. Sumit Jain	Promoter Group –WTD	6	4	No	1	-	-
6.	Mr. Sunil Kapoor	Non–Executive – ID	6	5	Yes	6	-	-

Contd...

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorship$ and committee memberships/ chairmanships*		
						Other Director-ship	Committee Member-ship	Committee Chairman-ship
7.	Mr. R.L. Narasimhan	- do -	6	6	Yes	1	-	-
8.	Mr. N.N. Khamitkar	- do -	6	5	Yes	1	-	-
9.	Mr. Gurmeet Singh	- do -	6	0	Yes	-	-	-
10.	Mr. K.M. Lal	- do -	6	5	No	6	4	-
11.	Dr. A.N. Saksena	- do -	6	4	No	-	-	-

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

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

Brief information on Directors proposed for re-appointment

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

a)	Name	:	Mr. Soshil Kumar Jain
	Age	:	77 Years
	Qualification	:	Qualified Pharmacist
	Professional Expertise	:	He has more than 54 years experience in the pharmaceutical industry. He is the founder promoter/director of the company and has been the Chairman of the Company since October, 1984. He started his career in the Indian pharmaceutical industry by joining his family business in the form of a chemist shop set up by his father. Prior to promoting the company, he was associated with Radicura & Co., a partnership firm (formerly owned by the promoters of Panacea Biotec Ltd. and subsequently taken over by Radicura & Co. Ltd.) engaged in the retail and wholesale trading of pharmaceutical products.
	Directorships	:	He is chairman of PanEra Biotec Pvt. Ltd. & Neophar Alipro Ltd.
	Shareholding in the Company	:	He holds 5,000,000 Equity Shares of Re.1 each, comprising 7.48% shareholding of the Company.
b)	Name	:	Mr. Gurmeet Singh
	Age	:	48 Years
	Qualification	:	Bachelor of Commerce
	Professional Expertise	:	He is having experience of more than 27 years in the pharmaceutical industry. He was appointed as a Director of the Company w.e.f. 29.06.1996 and has worked with the Company as Whole-time Director designated as Director (Logistics) till 26th October, 2002. He has vast experience in the areas of finance, commercial, logistics and general management.
	Directorships	:	He is director of Angad Hospitality Pvt. Ltd., Raga Entertainment Pvt. Ltd., Raga Business Solutions Pvt. Ltd., Richa Construction Pvt. Ltd., A to Z Amusement Concept Pvt. Ltd., GSA Enterprises Pvt. Ltd., Ulterior Holding Pvt. Ltd., Excellion Capital Ventures Pvt. Ltd., Parv Promoters (P) Ltd., Raga Softech Pvt. Ltd., Grandslam Developers Pvt. Ltd., Union Developers Pvt. Ltd., Ahuja and Anand Buildwell Pvt. Ltd.
	Shareholding in the Company	:	Nil

c)	Name	:	Mr. K.M. Lal
	Age	:	70 Years
	Qualification	:	M.Sc. (Chemistry)
	Professional Expertise	:	He is a retired Government official belonging to Indian Administrative Services and retired as Chairman, Staff Selection Commission, Government of India. He has vast experience in the field of finance, accounts, audit, taxation, legal, project and general management. He had held various senior level positions in Government Ministries and offices.
	Directorships	:	He is director of SREI Capital Markets Ltd., GEM Spinners Ltd., Hindustan Wires Ltd., Polylink Polymer Ltd., Gem Sugar Ltd. & Ram Sarup Industries Ltd.
	Shareholding in the Company	:	Nil

Information supplied to the Board

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

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions and any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc., if any

Statutory Compliance of Laws

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

Code of Conduct

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

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

3. AUDIT COMMITTEE

Composition & Terms of Reference

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

member is having requisite accounting and financial management expertise.

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

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

- To review compliance with internal control systems;
- To review the findings of the Internal Auditor relating to various functions of the Company;
- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory & Internal Audit Reports;
- Recommending the appointment of statutory auditors and branch auditors and fixation of their remuneration.

Review of information by Audit Committee

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

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

Meetings of Audit Committee and attendance of members during the year

During the year, 4 (four) Audit Committee meetings were held on 26th May, 2009, 29th July, 2009, 28th October, 2009 and 28th January, 2010.

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

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

The Statutory Auditors, Internal Auditors, Associate Director, Cost Auditors, DGM - Accounts & Finance, D.G.M. Accounts & Taxation, Chief Financial Officer and A.G.M. Audit & Compliance & Co-ordinator of Audit Committee are the permanent invitees to the meetings of Audit Committee. Apart from them, Joint Managing Director, Asst. Manger Finance, Vice President H.R. & Manager Personnel etc. attended one of the Audit Committee Meeting(s).

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

The Chairman of the Audit Committee, Mr. R.L. Narasimhan, was present at the Annual General Meeting of the Company held on 25.09.2009.

Subsidiary Companies

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

The Audit Committee of the Company reviewed the financial statements, in particular the investments made by all unlisted subsidiary companies, except the financial statements of one of its subsidiaries namely Panacea Biotec GmbH, whose unaudited financial results were reviewed by the committee for the fiscal period ended 31st March, 2010.

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

4. REMUNERATION COMMITTEE

Brief description of terms of reference

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

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

Composition

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

Meetings of Remuneration Committee and attendance of members during the year

During the year, 1 (one) Remuneration Committee meeting was held on 27th May, 2009.

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

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

Remuneration Policy

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

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

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

Directors' remuneration

The details of remuneration paid to Directors during the financial year ended 2009-10 are as under:

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

(Rs. in Lac)

Sl. No.	Name	Salary	Allowances	Perquisites	Total
1.	Mr. Soshil Kumar Jain	144.00	6.46	3.16	153.62
2.	Mr. Ravinder Jain	144.00	6.46	48.26	198.72
3.	Dr. Rajesh Jain	120.00	5.38	5.34	130.72
4.	Mr. Sandeep Jain	120.00	5.38	4.30	129.68
5.	Mr. Sumit Jain	27.00	1.21	5.87	34.08

Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director, Dr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company is for 5 years w.e.f. 1st April, 2006.The tenure of office of Mr. Sumit Jain, Director (Operations and Projects) is for 5 years w.e.f. 20th July, 2010.
2. Notice period for termination of appointment of Managing/Joint Managing/ Whole time Directors is three months by either party or a shorter period decided mutually. No severance fee is payable on termination of contract.
3. The Company does not have any Stock Option Scheme.
4. All elements of remuneration of the Managing/Joint Managing/ Whole-time Directors, i.e., Salary, Perquisites and other benefits, etc. are given in Schedule XX C annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
5. Provision for Gratuity and Leave Encashment amounting to Rs.38.14 Lac and Rs.13.09 Lac respectively, made during the year, has not been included above.

ii) Non-Executive Directors

Payment Criteria:

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

The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2010 are as under:

(Rs. in Lac)

Sl. No.	Name	Allowances	Sitting Fees	Total
1.	Mr. R.L. Narasimhan	1.86	1.05	2.91
2.	Mr. N.N. Khamitkar	1.86	0.95	2.81
3.	Mr. Sunil Kapoor	1.86	0.85	2.71
4.	Mr. Gurmeet Singh	-	0.50	0.50
5.	Mr. K.M. Lal	1.86	0.50	2.36
6.	Dr. A.N. Saksena	1.86	1.00	2.86

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

5. SHARE TRANSFER CUM INVESTORS' GRIEVANCE COMMITTEE

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

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

Terms of reference

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

Composition

The Share Transfer-cum-Investors' Grievance Committee comprises three Directors viz. Dr. A.N. Saksena, Mr. Ravinder Jain and Mr. Gurmeet Singh. Dr A.N. Saksena, an independent non-executive Director acts as Chairman of the Committee.

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

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

During the year, 12 (twelve) meetings of Share Transfer-cum-Investors' Grievance Committee were held. The attendance of members at such meetings was as follows:

Sl. No.	Name of the Member	Designation	Category of Directorship	No. of Meetings held	No. of Meetings attended
1.	Dr. A. N. Saksena	Member	Chairman	12	12
2.	Mr. Ravinder Jain	Member	Promoter Director	12	10
3.	Mr. Gurmeet Singh	Member	Independent Director	12	10

Details of investors' complaints received during the year 2009-10:

Sl. No.	Nature of Complaints	Received	Resolved	Pending
1	Non-receipt of desired information	1	1	0
2	Non-receipt of dividend	3	3	0
3	Non-receipt of new Share Certificate	2	2	0
4	Non-receipt of postal ballot notice seeking consent for buy back offer	1	1	0
	Total	7	7	0

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

There were no share transfers lying pending as on 31st March, 2010.

6. CEO/CFO Certification

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

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

7. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue	Special Resolution passed
2008-09	25.09.09	11:00 AM	Regd. Office at Ambala Chandigarh Highway, Lalru-140501,Punjab	• Approval for protection of Remuneration paid to Mr. Soshil Kumar Jain, Chairman, for the financial year 2008-09. • Approval for protection of Remuneration paid to Mr. Ravinder Jain, Managing Director, for the financial year 2008-09. • Approval for protection of Remuneration paid to Dr. Rajesh Jain, Joint Managing Director, for the financial year 2008-09. • Approval for protection of Remuneration paid to Mr. Sandeep Jain, Joint Managing Director, for the financial year 2008-09.
2007-08	27.09.08	11:00 AM	-do-	• No Special Resolution was passed.
2006-07	29.09.07	10:30 AM	-do-	• Approval for promotion of Mr. Shagun Jain, as Deputy General Manager Systems and increase in remuneration w.e.f. 1st April 2007 under section 314 of the Companies Act, 1956("Act"). • Approval for promotion of Mrs. Radhika Jain as Sr. Manager w.e.f 1st April 2007 under section 314 of the Act. • Approval for increase in remuneration to Ms. Shilpy Jain, as Manager- Food & Beverages, under section 314 of the Act.

Postal Ballot

During the year, the Company had conducted voting through two Postal Ballots on 10th February 2010 & 8th March 2010, respectively. The Company complied with the procedures for the Postal Ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto. Ms. Shikha Singhal of M/s U.S. & Associates, Company Secretaries, acted as scrutinizer for first Postal Ballot whose results were announced on 10th February 2010 and voting pattern of the same was as under:

S. No.	Item	Votes cast	
		For	Against
1	Special Resolution under Section 77A of the Companies Act, 1956 and Securities & Exchange Board of India (Buy back of Securities) Regulations, 1998 for the Buy-back of 5,592,000 Equity Shares of the Company at a price not exceeding Rs.189 per Equity Share with the total aggregate amount to be expended not to exceed Rs.1,056,888,000.	30,309	33,087,535

The above resolution was therefore not approved by the requisite majority.

The second postal ballot was conducted by Mr. U. K. Singhal of M/s Singhal Law Associates, Advocates and the results of the same were announced on 8th March, 2010 and voting pattern for these resolutions was as under:

S. No.	Item	Votes cast	
		For	Against
1.	Special Resolution under Section 77A of the Companies Act, 1956 and Securities & Exchange Board of India (Buy back of Securities) Regulations, 1998 for the Buy-back of 5,592,000 Equity Shares of the Company at a price not exceeding Rs.229 per Equity Share with the total aggregate amount to be expended not to exceed Rs.1,280,568,000.	33,276,597	7,703

The above special resolution has therefore, been approved by the overwhelming majority.

Procedure for voting by Postal Ballot:

The Postal Ballot Forms and the draft Resolution(s), along with the Explanatory Statement pertaining to the said Resolution(s) explaining in detail the material facts and the self-addressed, postage prepaid envelope, are sent to all the members under Certificate of Posting.

The members are required to carefully read the instructions printed in the Postal Ballot Form, give their assent or dissent on the resolution (s) at the end of the Form and sign the same as per the specimen signatures available with the Company or Depository Participant, as the case may be, and return the form duly completed in the attached self-addressed, postage prepaid envelope so as to reach the scrutinizer before the close of working hours of the last date fixed for the purpose. Postal Ballot Forms received after this date are strictly treated as if the form has not been received from the member.

The scrutinizer appointed for the purpose scrutinizes the postal ballots received and submit his report to the Company.

Voting rights are reckoned on the basis of number of shares and paid-up value of shares registered in the name of the shareholders as on the date of dispatch of the postal ballot notice. A resolution is deemed to have been passed as special resolution if the votes cast in favour are at least three times than the votes cast against and in case of ordinary resolution, the resolution is deemed to have been passed, if votes cast in favour are more than the votes cast against.

8. DISCLOSURE

a) Related Party Transactions

During the year, there were no materially significant related party transactions with the promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large. The other related party transactions are given in Note No.9 of Schedule XXC annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

b) Disclosure of Accounting Treatment

There has not been any change in accounting policies of the Company during the year except as stated in Note No.2 of Schedule XXB annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

c) Risk Management

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

d) Compliances by the Company

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

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

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

i) Chairman of the Board

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

ii) Remuneration Committee

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

iii) Shareholders' rights

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

iv) Training of Board Members

No specific training programme was arranged for Board members. However, at the Board/Committee meetings, detailed presentations are made by Professionals, Consultants, as well as Senior Executives of the Company

on business related matters, risk assessment, strategy, effect of the regulatory changes, etc.

v) Mechanism for evaluating non-executive Board members

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

vi) Whistle Blower Policy

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

f) Corporate Governance Voluntary Guidelines 2009

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

9. PROHIBITION OF INSIDER TRADING

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

10. MEANS OF COMMUNICATION

i) The Quarterly and Half-Yearly results are published in one or more of the prominent daily newspapers, viz. Business Standard, All editions, New Delhi, Chandigarh, Lucknow, Kolkata, Pune, Kochi, Mumbai; Ahmedabad, Bangalore, Bhuwaneshwar, Hyderabad, Chennai and Financial Express, all editions Delhi, Mumbai, Ahmedabad, Bangalore, Chandigarh, Hyderabad, Lucknow, Kolkata, Pune, Kochi, Chennai and in Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated.

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

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

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

v) As per the requirements, pursuant to clause 51 of the listing agreement, financial information like annual and quarterly financial statements, segment-wise results, shareholding pattern and annual report were made available on SEBI's web-site www.sebiedifar.nic.in.

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

11. GENERAL SHAREHOLDER INFORMATION

i) Date of AGM

The Annual General Meeting is proposed to be held on Saturday, the 25th day of September, 2010, at 11:00 A.M. at the registered office of the Company at Ambala-Chandigarh Highway, Lalru - 140501, Punjab.

Posting of Annual Report	On or before 1st September, 2010
Last date of receipt of Proxy Form	23rd September, 2010 before 11.00 A.M.

ii) Financial Calendar 2010-11 (tentative):

S. No.	Tentative Schedule	Tentative Date
1.	Financial reporting for the quarter ended 30th June, 2010	20th July, 2010 (Actual)
2.	Financial reporting for the half year ending 30th September, 2010	Mid of November, 2010
3.	Financial reporting for the quarter ending 31st December, 2010	Mid of February, 2011
4.	Financial reporting for the quarter ending 31st March, 2011	Mid of May, 2011*
5.	Annual General Meeting for the year ending 31st March, 2011	End of September, 2011

*As provided in clause 41 of Listing Agreement, the Board may also consider publishing Audited Results for the year 2010-11 in lieu of Unaudited Results for fourth quarter, by 30th May, 2011 (or such other period as may be stipulated from time to time).

iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from 20th September, 2010 to 25th September, 2010 (both days inclusive).

iv) Dividend Payment Date

a) The Company will pay dividend, if declared by the members in the forthcoming Annual General Meeting, on or before 24th day of October, 2010:

- to those members whose names appear in the Register of Members of the Company as on 25th September, 2010, after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 20th September, 2010 and registered before 25th September, 2010.

- in respect of Shares held in electronic form to those "deemed members" whose names appear on the statement of beneficial ownership furnished by NSDL and

CDSL at the end of business hours on 17th September, 2010 (i.e. before the date of commencement of closure of Register of Members and Share Transfer Books, viz. 20th September, 2010).

b) Dividend payment date — On or before 24th October, 2010

c) Probable date of dispatch of dividend Warrants — On or before 24th October, 2010

v) Unclaimed Dividends

As provided in Section 205A and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 2003 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund (IEP Fund) established by the Central Government, and no payments shall be made in respect of any such claims by the IEP Fund.

During the year, the Company had transferred Rs.122,880 lying unclaimed in Unpaid Dividend Account in respect of Dividend for the Year 2001-02 to the said Fund on 15th October 2009.

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

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
2002-03	20.09.2003	18.10.2010	16.11.2010
2003-04	18.09.2004	16.10.2011	14.11.2011
2004-05	20.08.2005	17.09.2012	16.10.2012
2005-06	30.09.2006	29.10.2013	28.11.2013
2006-07	29.09.2007	28.10.2014	27.11.2014
2007-08	27.09.2008	26.10.2015	25.11.2015

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

vi) Listing on Stock Exchange

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

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

The Foreign Currency Convertible Bonds (FCCBs) of the Company are listed on Singapore Exchange Ltd.(SGX), 2 Shenton Way, #19-00 SGX Centre 1, Singapore 068804, under the BONDS Sector.

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

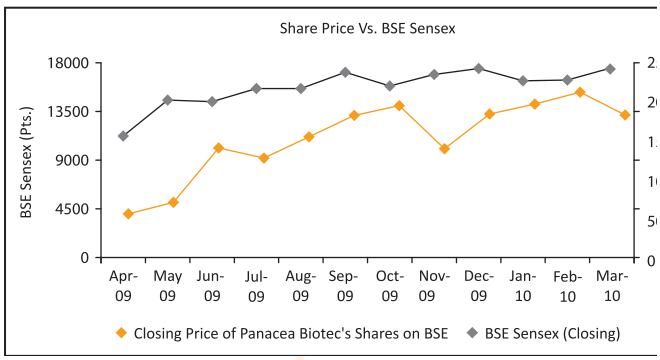
vii) Stock Code of Equity Shares / FCCBs

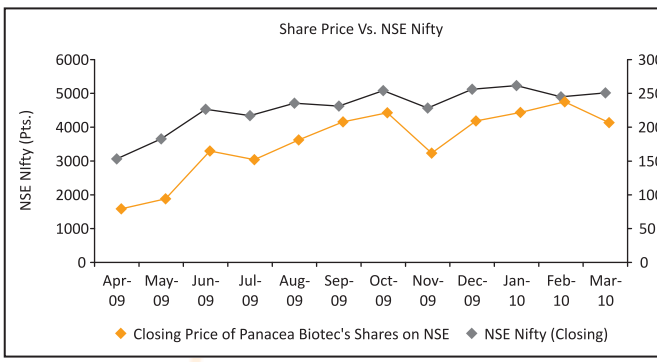
Trade symbol at National Stock Exchange is PANACEABIO.

Stock Code at Bombay Stock Exchange is 531349.

ISIN No. for Dematerialization : INE922B01023.

Stock Code of FCCBs : XS0243888830





viii) Market Price data:

The High and Low prices of the shares of the Company at Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Ltd. (NSE) for the year ended 31st March, 2010 are as under:

Month	Share Prices (Rs.) at BSE		Share Prices (Rs.) at NSE	
	High	Low	High	Low
April, 2009	77.95	58.95	78.00	58.75
May, 2009	136.00	72.00	136.05	71.75
June, 2009	173.45	130.00	173.70	128.25
July, 2009	179.95	118.00	179.10	117.00
August, 2009	201.35	147.35	204.45	147.10
September, 2009	204.95	177.35	204.40	175.70
October, 2009	207.00	148.50	209.00	147.30
November, 2009	192.35	128.25	192.85	127.90
December, 2009	212.00	180.00	215.00	180.50
January, 2010	234.90	193.35	238.90	193.10
February, 2010	226.00	180.00	224.40	180.00
March, 2010	248.00	159.50	246.75	174.20

ix) Registrar and Transfer Agents

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

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

x) Nomination Facility

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

xi) Share Certificates in respect of sub-divided Shares

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

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

xii) Elimination of Duplicate Mailing

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

xiii) Share Transfer System

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

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

The Securities and Exchange Board of India (SEBI), vide circular dated 20th May, 2009, directed that for securities market transactions and off-market/private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTAs for registration of such transfer of shares. Further, in continuation to above, based on representations/

clarifications sought by market participants, SEBI, vide circular dated January 07, 2010, clarified that it shall be mandatory to furnish a copy of PAN in the following cases –

a) Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholders.

b) Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.

c) Transposition of shares – when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

Hence, all prospective shareholders acquiring Shares in physical form are requested to provide a copy of their PAN card, along with their request for registration of transfer/ transmission/ transposition of shares sent by them.

xiv) Secretarial Audit

A Practising Company Secretary carries out secretarial audit in each quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/ paid up capital is in agreement with the total number of Shares in physical form and the total number of dematerialized Shares held with NSDL and CDSL. The Secretarial Audit Reports for each quarter of the Financial Year ended March 31, 2010 have been filed with Stock Exchanges within one month of the end of each quarter.

xv) Dematerialization of Shares and its liquidity

The Company has been among the few top-most companies in India in which maximum number of shares have been dematerialized. As on 31st March, 2010, 99.09% of the Company's total Equity Share Capital representing 66,236,975 Equity Shares were held in dematerialized form and only 605,771 Equity Shares were in paper/physical form.

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

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

xvi) Share Dematerialization System

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

xvii) Distribution of Shareholding as on 31st March, 2010:

No. of Shares	No. of Shareholders	No. of Shares
0-2500	8,701	2,084,297
2501-5000	112	400,046
5001-10000	39	274,991
10001-100000	53	1,606,955
100001 and above	45	62,476,457
Total	8,950	66,842,746

xviii) Pattern of Shareholding as on 31st March, 2010:

S. No.	Category	No. of Shares	Percentage
1.	Promoters, Relatives & Associates	45,937,834	68.73
2.	Institutional Investors (FIIs, Banks & Mutual Funds)	10,915,118	16.33
3.	Domestic Companies	5,241,464	7.84
4.	Indian Public	3,134,312	4.69
5.	NRIs / OCBs / Foreign Corporate Bodies	1,269,859	1.90
6.	Clearing Member(s)/House	316,829	0.47
7.	Others	27,330	0.04
	Total	66,842,746	100.00

xix) GDRs / ADRs / Warrants or other convertible instruments

No GDRs/ ADRs/ Warrants were outstanding as on 31st March 2010. However, Foreign Currency Convertible Bonds (FCCBs) outstanding as on 31st March 2010 were for Rs.1,652,504,000 (comprising US $ 3,68,00,000 Zero coupon convertible Bonds due 2011).

xx) Plant Locations

- Bulk Vaccine facilities at Village Samalheri, Ambala-Chandigarh Highway, Lalru-140501, Punjab.
- Pharmaceutical Formulations facility at Malpur, Baddi, Tehsil Nalagarh, Dist. Solan, Himachal Pradesh-173 205.
- Vaccines Formulations facility at Malpur, Baddi, Tehsil Nalagarh, Dist. Solan, Himachal Pradesh -173 205.
- Vaccines Formulations facility at A-241/242, Okhla Indl. Area, Phase I, New Delhi - 110 020.
- Pharmaceutical Formulations facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044.

xxi) Address for correspondence

For transfer/ dematerialization of shares, payment of dividend and any other query relating to shares	Skyline Financial Services Pvt. Ltd. 246, Sant Nagar, 1st Floor, ISKCON Temple Road, East of Kailash , New Delhi – 110 065, India. Phone : +91-11-26292682-83 Fax : +91-11- 26292681 E-mail : admin@skylinerta.com, virenr@skylinerta.com
For investors assistance	The Company Secretary, Panacea Biotec Limited B-1 Extn./G-3, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044, India. Phone : +91-11-41679000 Extn. 2081 (D) 41578024 Fax : +91-11-41679075, 41679070 E-mail : companysec@panaceabiotec.com investorgrievances@panaceabiotec.com Contact Person: Ms. Sangeeta Nagpal, Dy. Manager Secretarial
For query relating to financial matters	Mr. Chandresh Ohri, Manager - Banking & Treasury Phone : +91-11-41679000 Fax : +91-11-41679066, 41679070 E-mail : chandreshohri@panaceabiotec.com

For and on behalf of the Board

Place: New Delhi
Date : 20th July, 2010

Soshil Kumar Jain
Chairman

Annexure - I

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

To

The Members of Panacea Biotec Ltd.

I hereby declare that all the Board Members and the Senior Management Personnel of the Company have affirmed the compliance with the provisions of the Code of Conduct for the period ended 31st March, 2010.

For Panacea Biotec Ltd.

Date : 20th July, 2010
Place : New Delhi

Ravinder Jain
Managing Director

Annexure - II

Certificate from Managing Director & Chief Financial Officer

To

The Board of Directors

Panacea Biotec Limited

We do hereby confirm and certify that:

a) We have reviewed financial statements and the cash flow statement for the year and that, to the best of our knowledge and belief:

   i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

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

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

d) We have indicated to the auditors and the Audit committee:

   i) significant changes in internal control during the year;

   ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For Panacea Biotec Ltd.

Date : 07.05.2010	Ravinder Jain	I.K. Sharma
Place : New Delhi	Managing Director	DGM (Accounts & Finance)

AUDITORS' CERTIFICATE

To

The Members of Panacea Biotec Limited

We have examined the compliance of conditions of Corporate Governance by Panacea Biotec Limited, for the year ended on 31st March 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

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

Dass Gupta & Associates
Chartered Accountants

Raaja Jindal
Partner
Membership No. 504111

Place : New Delhi
Date : 20th July, 2010

AUDITORS' REPORT

To the Members of Panacea Biotec Limited

1. We have audited the attached balance sheet of Panacea Biotec Limited ("the Company") as at March 31, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

a) Note 3(ii) of Schedule XX C to the financial statements regarding non-provision of proportionate premium on redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' amounting to Rs. 564,995,867. The same has been disclosed as a contingent liability. Management has represented, that the redemption premium will be offset against the securities premium account and, hence, no adjustments have been considered in the accounts.

b) Note 17 of Schedule XX C to the financial statements regarding capitalization of expenditure on clinical trials amounting to Rs. 32,125,547 for year ended March 31, 2010 and Rs. 479,497,285 as of March 31, 2010. The ultimate approval of such products, which has been considered as highly likely by the management, is not within direct control of the Company. Pending such final approval, no adjustments have been made to the accompanying financial statements.

c) Note 5 (b) of Schedule XX C to the financial statements, The Company had incurred managerial remuneration of Rs. 63,035,463 for the financial year ending 31st March 2009, which was in excess of the limits specified by the relevant provisions of the Companies Act, 1956, by Rs. 38,169,706. The Company has obtained approval from Central Government vide its letter dated December 23, 2009 in respect to remuneration paid amounting to Rs.25,296,096 and the requisite approval for balance remuneration is awaited. Pending the final outcome of the Company's application for balance remuneration, no adjustments have been made to the accompanying financial statements in this regard.

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

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

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

iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

v) On the basis of written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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

   a) in the case of the balance sheet, of the state of the affairs of the Company as at March 31, 2010;

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

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

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

per Rajiv Goyal
Partner
Membership No.: 94549

Place : New Delhi
Date : May 07, 2010

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

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

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

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

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

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

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

(iii) a) The Company has granted loan to two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 739,605,679 and the year- end balance of loans granted to such parties was Rs. 733,461,803.

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

c) The loans granted are re-payable on demand. As informed, the company has not demanded repayment of any such loan during the year, thus, there has been no default on the part of the parties to whom the money has been lent. The payment of interest (whenever due) for loans has been regular.

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

e) The Company has taken loan from one partnership firm covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 335,147,700 and the year-end balance of loans taken from such parties was Rs. 315,000,000.

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

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

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

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

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

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

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

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

(ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and other statutory dues have generally been regularly deposited with the appropriate authorities *except for slight delay in few cases in Value added tax (VAT) deposition, where amount involved is not significant*.

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

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

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Demand raised by Assessing Officer	39,255,799	Financial Year 2003-04	Pending with Delhi High Court
The Income Tax Act, 1961	Demand raised by Assessing Officer	30,084	Financial Year 2005-06	Pending with ITAT
The Income Tax Act, 1961	Demand raised by Assessing Officer	5,488,062	Financial Year 2007-08	Pending with CIT(Appeals)
The Finance Act, 1994 (Service tax)	Demand raised by Assessing Officer	27,883,707	Financial Year 2003-04 to 2007-08	Pending with Assessing Officer

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

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

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

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

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

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

(xix) The Company has unsecured 'Zero Coupon Convertible Bonds due 2011' outstanding during the year on which no security or charge is required to be created.

(xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements (Refer Note 3(iii) of Schedule XX C to Financial Statements).

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

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

per Rajiv Goyal
Partner
Membership No.: 94549

Place : New Delhi
Date : May 07, 2010

Panacea Biotec
Innovation in support of life

BALANCE SHEET AS AT 31ST MARCH, 2010

Amount in Rs.

	Schedule No.		As at March 31, 2010		As at March 31, 2009
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	66,842,746		66,786,312	
Reserves and Surplus	II	6,898,199,947	6,965,042,693	6,084,706,629	6,151,492,941
Loan Funds					
Secured Loans	III	5,081,382,387		4,835,939,044	
Unsecured Loans	IV	1,973,004,000	7,054,386,387	2,166,996,000	7,002,935,044
Deferred Tax Liability (Net) (Refer note no.7 of Schedule XX C)			708,903,079		333,785,665
Foreign Currency Monetary Item Translation Difference Account (net of amortisation) (Refer note no.19 of Schedule XX C)			16,773,412		-
Total			14,745,105,571		13,488,213,650
APPLICATION OF FUNDS					
Fixed Assets	V				
Gross Block		8,090,262,108		7,411,174,436	
Less : Accumulated Depreciation/Amortisation		2,769,219,976		2,170,081,361	
Net Block		5,321,042,132		5,241,093,075	
Capital Work-in-Progress (including Capital Advances)		1,625,538,270	6,946,580,402	1,697,610,032	6,938,703,107
Investments	VI		2,258,323,398		2,165,697,596
Foreign Currency Monetary Item Translation Difference Account (net of amortisation) (Refer note no.19 of Schedule XX C)			-		95,961,134
Current Assets, Loans & Advances	VII				
Inventories		4,555,094,297		4,478,012,741	
Sundry Debtors		1,094,076,757		1,238,801,509	
Cash and Bank Balances		363,367,613		594,809,396	
Other Current Assets		72,267,120		54,409,736	
Loans and Advances		1,319,113,259		1,303,765,120	
Sub-total (A)		7,403,919,046		7,669,798,502	
Less : Current Liabilities and Provisions	VIII				
Current Liabilities		1,382,207,188		1,528,090,478	
Provisions		483,479,606		1,857,508,130	
Sub-total (B)		1,865,686,794		3,385,598,608	
Net Current Assets (A)-(B)			5,538,232,252		4,284,199,894
Miscellaneous Expenditure (To the extent not written off or adjusted)	IX		1,969,519		3,651,919
Total			14,745,105,571		13,488,213,650
Significant Accounting Policies and Notes to Accounts	XX				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.
As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board

Ravinder Jain
Managing Director

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

Dr. Rajesh Jain
Joint Managing Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2010

Amount in Rs.

	Schedule No.		For the year ended March 31, 2010		For the year ended March 31, 2009
INCOME					
Turnover (Gross)	X	8,851,642,430		7,753,017,108	
Less: Excise Duty		7,969,727	8,843,672,703	18,845,112	7,734,171,996
Other Income	XI		934,911,772		259,677,471
Total			9,778,584,475		7,993,849,467
EXPENDITURE					
Purchases of traded goods			180,100,823		155,870,989
Raw and packing material consumed	XII		5,014,889,893		2,951,977,608
Operating and other expenses	XIII		863,892,304		3,350,885,603
(Increase)/Decrease in inventories	XIV		(514,763,491)		(446,904,922)
Personnel expenses	XV		990,176,981		916,095,844
Selling and distribution expenses	XVI		396,701,820		434,544,751
Research and development expenses	XVII		753,062,612		669,944,045
Financial expenses	XVIII		423,448,208		347,420,187
Depreciation / Amortisation	V		488,594,089		536,073,835
Miscellaneous expenditure written off during the year			1,682,400		1,682,400
Total			8,597,785,639		8,917,590,340
Profit / (Loss) before tax			1,180,798,836		(923,740,873)
Provision for Income Tax		182,474,920		-	
Less: MAT Credit entitlement		177,691,380		-	
Net Current Tax Liability			4,783,540		-
Deferred Income Tax (Credit)/Charge (Refer note no.7 of Schedule XX C)			375,117,414		(261,243,988)
Provision for Tax (Earlier years)			708,188		-
Provision for Fringe Benefit Tax			-		28,000,000
Profit / (Loss) after Tax			800,189,694		(690,496,885)
Add : Balance brought forward from previous year			2,155,223,908		2,845,720,793
Profit available for Appropriations			2,955,413,602		2,155,223,908
APPROPRIATIONS					
Dividend on Equity Shares - Proposed (not liable to TDS)			16,710,687		-
Dividend Distribution Tax			2,839,981		-
Transfer to General Reserve			80,018,969		-
Balance carried to Balance Sheet			2,855,843,965		2,155,223,908
Basic Earnings per Share	XIX		11.98		(10.35)
Diluted Earnings per Share	XIX		11.22		(10.35)
Face / Nominal Value per Share			1.00		1.00
Significant Accounting Policies and Notes to Accounts	XX				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.
As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board

Ravinder Jain
Managing Director

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

Dr. Rajesh Jain
Joint Managing Director

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

		As at March 31, 2010		As at March 31, 2009
SCHEDULE I - SHARE CAPITAL				
Authorised				
Comprising of				
i. 125,000,000 (Previous Year 125,000,000) Equity Shares of Re.1 each		125,000,000		125,000,000
ii. 110,000,000 (Previous Year 110,000,000) Preference Shares of Rs.10 each		1,100,000,000		1,100,000,000
		1,225,000,000		1,225,000,000
Issued, Subscribed and Paid up				
66,842,746 (Previous Year 66,693,746) Equity Shares of Re.1 each fully paid-up	66,842,746		66,693,746	
Add: Forfeited Shares (14,900 Shares @ Rs.10 each forfeited on May 15, 1999, which were later on sub-divided into 1,49,000 Equity Shares of Re.1 each on February 12, 2003)	-	66,842,746	92,566	66,786,312
(1,49,000 Forfeited Shares which were earlier allotted on 24th August, 2005 in the name of employees of the Company (in their capacity as Company's nominees/trustees) for sale thereof at the prevailing market prices through recognised Stock Exchanges on the terms & conditions as specified by Managing / Joint Managing Directors or Director of the Company, have been sold during the year and net proceeds aggregating Rs. 299.11 Lacs has been received by the Company) (Out of the above shares, 1,814,240 Equity Shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years, which were later on sub-divided into 18,142,400 Equity Shares of Re.1 each on February 12, 2003. These shares have been sold in the open market in the current year as fully paid. Consequently, amount of Rs.92,566 has been transferred to Capital Reserve)				
		66,842,746		66,786,312
SCHEDULE II - RESERVES AND SURPLUS				
Capital Redemption Reserve		1,016,849,140		1,016,849,140
Capital Reserve [Refer note below]		3,092,566		-
Securities Premium				
Amount as per last Balance Sheet	2,762,712,068		2,762,712,068	
Add: Credited upon sale of Forfeited Equity Shares	29,761,726	2,792,473,794	-	2,762,712,068
General Reserve				
Amount as per last Balance Sheet	149,921,513		279,978,346	
Less: Exchange Differences of Earlier Years Capitalised to Fixed Assets (Net of Depreciation Rs. 1,609,882)	-		37,586,515	
Less: Exchange Differences of Earlier Years Transferred to the "Foreign Currency Monetary Item Translation Difference Account"	-		92,470,318	
Add: Transfer from Profit & Loss Account	80,018,969	229,940,482	-	149,921,513
Profit & Loss Account		2,855,843,965		2,155,223,908
		6,898,199,947		6,084,706,629

Note:

Company has received a capital subsidy of Rs. 3,000,000 under the Central Investment Subsidy Scheme, 2003. [Refer to note 21 of schedule XXC]

During the year, 149,000 Forfeited Equity Shares of the Company, which were earlier re-issued and held in the name of the Company's employees as nominees/ trustees, were sold during the year in the open market for Rs. 29,910,726. Out of the above, Rs.29,761,726 has been credited in the Securities Premium Account.

Amount in Rs.

	As at March 31, 2010	As at March 31, 2009
SCHEDULE III - SECURED LOANS		
1. Foreign Currency Term Loans (from Banks)		
i) State Bank of India	1,796,200,000	2,028,800,000
(Due within one Year Rs. Nil (Previous Year Rs.Nil)		
Interest Accrued & Due on the same	8,553,385	12,416,668
ii) State Bank of Travancore	1,126,992,100	1,272,932,614
(Due within one Year Rs. Nil (Previous Year Rs.Nil)		
Interest Accrued & Due on the same	5,642,204	-
2. Term Loan (from Government of India)	30,000,000	-
(Due within one Year Rs. Nil (Previous Year Rs.Nil)		
3. Working Capital Loans from Scheduled Banks	793,577,675	1,521,789,762
Interest Accrued & Due on the same	4,736,147	-
4. Buyers' Credit	1,315,680,876	-
(Due within one year Rs. 1,315,680,876 (Previous Year Rs.Nil)		
	5,081,382,387	4,835,939,044

Notes:

1. Foreign currency Term Loans From State Bank of India and State Bank of Travancore are secured by way of first pari-passu charge by hypothecation of the company's entire movable fixed assets, both present and future and mortgage of immovable properties of the company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh. Foreign currency term loan from State Bank of India is also collaterally secured by personal guarantees of the promoter- directors of the Company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.
2. The loan from Government of India is secured by way of hypothecation of the company's all equipments, apparatus, machineries, machineries spares, tools and other accessories, goods and/or other movable property present and future on a first charges on pari-passu basis. The creation of charge for hypothecation is under progress. (Refer note no. 23 of schedule XX C)
3. Working capital loans from Schedule Banks & Buyers' Credit are secured by way of first pari passu charge by hypothecation of all current assets and also by way of second pari-passu charge on all the movable fixed assets (including machinery and spares) of the Company and existing immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh. These are also collaterally secured by personal guarantees of the Promoter- directors of the Company, viz Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

SCHEDULE IV - UNSECURED LOANS		
Fixed Deposits*	320,500,000	300,500,000
(Due within one Year Rs.181,000,000 (Previous Year Rs. 55,000,000))		
Other Loans:		
Foreign Currency Convertible Bonds**		
US$ 36,800,000 (Previous Year US$ 36,800,000)	1,652,504,000	1,866,496,000
Zero Coupon Convertible Bonds due 2011		
(Due within one year Rs.1,652,504,000 (Previous Year Rs.Nil)		
	1,973,004,000	2,166,996,000

Notes:

* It includes Rs.315,000,000 (Previous Year Rs.300,000,000) from partnership firm in which some directors and their relatives are partner.

** Unless previously converted, redeemed or repurchased & cancelled, the remaining FCCBs of US $ 36,800,000,which were issued on 13.02.2006, will be redeemed on Feb 14, 2011 at 142.80% of their outstanding principal amount.

SCHEDULE V -Fixed Assets

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK					DEPRECIATION/AMORTISATION				NET BLOCK	
	As At April, 01, 2009	Additions during the Year*	Adjustments**	Sale/ Adjustments during the Year	As At March 31, 2010	As At April 01, 2009	Provided during the Year	Deductions & Adjustments during the Year	As At March 31, 2010	As At March 31, 2010	As At March 31, 2009
A. Tangible Assets											
Land - Freehold	293,490,945	-		-	293,490,945	-	-	-	-	293,490,945	293,490,945
Land - Leasehold	54,832,230	-		-	54,832,230	832,615	765,638	-	1,598,253	53,233,977	53,999,615
Buildings	1,733,715,612	142,835,740	78,517,450	302,980	1,797,730,922	311,371,615	106,709,733	25,036	418,056,312	1,379,674,610	1,422,343,997
Leasehold Improvement	78,482,944	5,146,114	217,881	-	83,411,177	71,346,031	5,779,493	-	77,125,524	6,285,653	7,136,913
Plant & Machinery	4,238,671,308	992,635,843	372,937,100	39,149,343	4,819,220,708	1,241,031,086	435,513,225	30,023,344	1,646,520,967	3,172,699,741	2,997,640,222
Furniture & Fittings	287,885,242	17,458,575	6,405,691	2,264,954	296,673,172	135,028,371	28,386,840	1,709,689	161,705,522	134,967,650	152,856,871
Vehicles	138,811,922	28,900,105		14,890,446	152,821,581	72,260,310	19,174,732	10,497,273	80,937,769	71,883,812	66,551,612
Office Equipments	204,987,288	6,079,737	1,709,989	13,429,247	195,927,789	84,268,914	16,835,230	8,981,920	92,122,224	103,805,565	120,718,374
Computer Equipments	166,906,166	10,604,015	1,698,673	14,426,040	161,385,468	122,410,114	18,835,820	14,019,119	127,226,815	34,158,653	44,496,052
TOTAL	**7,197,783,657**	**1,203,660,129**	**461,486,784**	**84,463,010**	**7,855,493,992**	**2,038,549,056**	**632,000,711**	**65,256,381**	**2,605,293,386**	**5,250,200,606**	**5,159,234,601**
Capital Work in Progress										883,305,228	1,049,891,106
PREVIOUS YEAR	4,473,276,664	2,780,994,067	11,695,186	44,791,888	7,197,783,657	1,371,139,029	678,471,332	9,451,423	2,038,549,056	5,159,234,601	3,102,137,635
B. Intangible Assets											
Patents, Trademarks & Copyrights	58,202,844	4,359,339	-	617,828	61,944,355	46,421,326	3,552,609	75,888	49,898,047	12,046,308	11,781,518
Software	85,404,724	11,462,098	-	82,600	96,784,222	54,118,990	15,716,472	67,453	69,768,009	27,016,213	31,285,734
Website	9,202,695	-	-	-	9,202,695	9,202,695	-	-	9,202,695	-	-
Product Development	60,580,516	6,256,328	-	-	66,836,844	21,789,294	13,268,545	-	35,057,839	31,779,005	38,791,222
TOTAL	**213,390,779**	**22,077,765**	**-**	**700,428**	**234,768,116**	**131,532,305**	**32,537,626**	**143,341**	**163,926,590**	**70,841,526**	**81,858,474**
Capital Work in Progress										742,233,043	647,718,926
PREVIOUS YEAR	184,829,374	28,561,405	-	-	213,390,779	104,901,290	26,627,910	(3,105)	131,532,305	81,858,474	79,928,084
TOTAL (A+B)	**7,411,174,436**	**1,225,737,894**	**461,486,784**	**85,163,438**	**8,090,262,108**	**2,170,081,361**	**664,538,337**	**65,399,722**	**2,769,219,976**	**5,321,042,132**	**5,241,093,075**
Capital Work in Progress										1,625,538,270	1,697,610,032
PREVIOUS YEAR	4,658,106,038	2,809,555,472	11,695,186	44,791,888	7,411,174,436	1,476,040,319	705,099,242	9,448,318	2,170,081,361	5,241,093,075	3,182,065,719

Notes:

1. Freehold Land includes Land amounting to Rs.16,395,690 (Previous Year Rs. 17,285,690) pending registration in the name of the Company.
2. Building includes Office Premises amounting to Rs. 155,892,400 (Previous Year Rs.155,892,400) pending registration in the name of the Company.
3. Plant & Machinery includes Plant & Machinery amounting to Rs.3,521,331 (Previous Year Rs. 4,543,083) (Net Block) lying with third parties.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs. 175,944,248 (Previous Year Rs.169,025,407).
5. Capital Work in Progress includes pre-operative expenditure. Refer Note No.4 of schedule XX C.
6. All Intangible assets (except Software) are internally generated Intangible assets.

* Includes exchange differences capitalized during the year Rs.Nil (Previous year Rs. 730,764,477)

** Exchange differences (capitalised) /decapitalized during the year.

Amount in Rs.

	As at March 31, 2010		As at March 31, 2009	
SCHEDULE VI - INVESTMENTS				
Long Term Investments (At cost)				
Trade (Unquoted)				
1) Subsidiary Companies:				
a) 1,902,160 (Previous Year 1,902,160) Equity Shares of Re.1 each, fully paid in Best On Health Ltd.	22,883,050		22,883,050	
b) 6,636,666 (Previous Year 6,636,666) 0.5% Optionally Convertible Non-Cumulative Redeemable Preference Shares of Re.1 each, fully paid in Best On Health Ltd.	1,990,999,800		1,990,999,800	
c) 5 (Previous Year 5) Equity Shares of AED 100,000 each, fully paid in Panacea Biotec FZE.	5,474,520		5,474,520	
d) 3,765,701 (Previous Year 3,765,701) Equity Shares of Rs.10 each, Rs.5.90 (Previous Year Rs. 2.70) paid in Umkal Medical Institute Pvt. Ltd. (Refer note no.1 of Schedule XX C)	166,387,876		76,143,604	
e) 25,000 (Previous Year 25,000) Equity Shares of € 1 each, fully paid in Panacea Biotec GmbH	1,582,250		1,582,250	
f) 1,000 (Previous Year 1,000) Equity Shares of US $ 0.01 each, fully paid in Rees Investments Limited	476		476	
g) 501 (Previous Year Nil) Equity Shares of US $ 100 each, fully paid up in Panacea Biotec Inc., USA	2,379,030	2,189,707,002	-	2,097,083,700
2) Joint Venture Companies:				
a) 2,295,910 (Previous Year 2,295,910) Equity Shares of Rs.10 each, fully paid up in Chiron Panacea Vaccines Pvt. Ltd.	22,959,100		22,959,100	
b) 4,608,608 (Previous Year 4,608,608) Ordinary Shares of GBP 0.01 (Face Value) each, fully paid up in Cambridge Biostability Limited, U.K.	168,068,998		168,068,998	
Less: Provision for Permanent Diminution in the value of Investments (Refer note no. 13(e) of Schedule XX C)	168,068,998	22,959,100	168,068,998	22,959,100
3) 419,767 (Previous Year 419,767) Equity Shares of Rs.10 each fully paid in PanEra Biotec Pvt. Ltd.		4,197,670		4,197,670
4) 20,250 (Previous Year 20,000) Equity Shares of Rs.10 each fully paid up in Shivalik Solid Waste Management Ltd.		202,500		200,000
Non-Traded (Unquoted)				
1) 41,257,126 (Previous Year 41,257,126) Equity Shares of Re.1 each, fully paid up in Lakshmi & The Manager Holdings Ltd*		41,257,126		41,257,126
		2,258,323,398		2,165,697,596

* Company under the same management as defined under section 370(1B) of the Companies Act, 1956.

Note:

1. The aggregate amount of unquoted investments is Rs. 2,258,323,398 (net of Provision for Permanent Diminution in the value of Investments of Rs. 168,068,998) (Previous Year Rs. 2,165,697,596)

Amount in Rs.

	As at March 31, 2010		As at March 31, 2009	
SCHEDULE VII - CURRENT ASSETS, LOANS & ADVANCES				
Inventories (at lower of cost or net realisable value):				
i) Raw Materials (including Packing Materials) (Including lying with third parties Rs. 6,884,502 (Previous Year Rs.34,062,940))	2,751,348,215		3,206,780,619	
ii) Finished Goods (Including goods in transit of Rs. 10,245,325 (Previous Year Rs. 1,192,568) & lying with third parties Rs. 208,800 (Previous Year Rs.844,654))	1,556,986,054		985,858,105	
iii) Work in Progress (Including lying with third parties Rs. 4,068,010 (Previous Year Rs.67,135,348))	146,469,079		202,833,537	
iv) Stores & Spare Parts	100,290,949	4,555,094,297	82,540,480	4,478,012,741
Sundry Debtors (Refer note no 8 (i) & (iii) of Schedule XX C)*				
(Unsecured, Considered good, unless otherwise stated)				
Over six months (including Rs 3,108,712 considered doubtful of recovery (Previous Year Rs.3,108,712))	93,909,262		83,409,270	
Others Debts	1,003,276,207		1,158,500,951	
	1,097,185,469		1,241,910,221	
Less : Provision for Bad & Doubtful Debts	3,108,712	1,094,076,757	3,108,712	1,238,801,509
* Rs. 66,208,504 (Previous Year Rs. Nil) due from PanEra Biotec Pvt. Ltd.				
Cash and Bank Balances				
i) Cash balance on hand	311,035		579,589	
ii) Balance with scheduled banks				
a) On Cash Credit Accounts	108,977,118		-	
b) On Current Accounts	46,933,851		25,557,539	
c) On Unpaid Dividend Accounts*	1,392,070		1,583,956	
d) On Fixed Deposits **	921,813		70,467,843	
e) On Exchange Earner Foreign Currency Current Accounts	204,831,726	363,367,613	496,620,469	594,809,396
* Not available for use by the company as they represent corresponding unpaid dividend liabilities.				
** Fixed Deposits amounting to Rs. 921,813 (Previous Year Rs.1,024,123) are pledged with Banks and various Government Authorities.				
Other Current Assets				
Export Benefits receivable	29,209,403		25,521,973	
Interest accrued but not due on Loans & Deposits	50,333,187		36,163,233	
Less : Provision for doubtful of recovery (Refer note no. 13(e) of Schedule XX C)	7,275,470	72,267,120	7,275,470	54,409,736

Contd...

Amount in Rs.

	As at March 31, 2010		As at March 31, 2009	
Loans and Advances				
(Unsecured, considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received	68,679,787		116,431,593	
(Including Rs.5,327,443 (Previous Year Rs.818,322) considered doubtful)				
Due from PanEra Biotec Pvt. Ltd. *	-		153,950,194	
(Including Rs Nil (Previous Year Rs.135,532,654) considered doubtful)				
Balance with Excise, Custom etc.	14,274,321		15,027,362	
Loans & Advances to Subsidiary Company **	688,547,588		710,811,071	
Loan to Joint Venture Company	108,833,850		108,833,850	
Staff Loans & Advances (including Rs 4,191,959	18,515,443		16,333,010	
(Previous Year Rs.4,191,959) considered doubtful)	898,850,989		1,121,387,080	
Less : Provision for doubtful Loans & Advances (Refer note no. 13(e) of Schedule XX C)	108,833,850		108,833,850	
Less : Provision for Bad & Doubtful Advances	9,519,402		140,542,935	
	780,497,737		872,010,295	
Security Deposits	24,048,446		20,534,409	
Advance Income Tax (Net of Provision of Rs.1,169,208,188 (Previous Year Rs.1,168,500,000))	336,875,696		411,220,416	
MAT Credit	177,691,380	1,319,113,259	-	1,303,765,120
		7,403,919,046		7,669,798,502

* Company's two directors are also directors in PanEra Biotec Private Limited.

** Advances include due from Company under the Same Management (wholly owned subsidiary company) as defined under section 370(1B) of the Companies Act, 1956. Refer note no.8(i) & (ii) of Schedule XX C

SCHEDULE VIII - CURRENT LIABILITIES & PROVISIONS

A.	**Liablities**				
i)	Acceptances	693,348,119		1,115,093,540	
ii)	Sundry Creditors				
a)	Dues to Micro & Small Enterprises (Refer note no.6 of Schedule XX C)	2,793,052		1,274,843	
b)	Dues to other than Micro & Small Enterprises	631,834,283		358,326,378	
iii)	Advances from Customers	5,239,440		5,367,817	
iv)	Sundry Deposits	14,782,800		15,195,000	
v)	Unpaid dividend on Equity Shares*	1,392,070		1,585,056	
vi)	Other Liabilities	28,266,914		31,002,816	
vii)	Payable to Subsidiary Company	207,650		202,620	
viii)	Interest accrued but not due on Loans	4,342,860	1,382,207,188	42,408	1,528,090,478
* This amount does not include amount due/outstanding to be credited to Investor Education & Protection Fund, same shall be credited as and when due.					
B.	**Provisions**				
i)	Provision for Wealth Tax	1,986,550		913,479	
ii)	Provision for Fringe Benefit Tax (Net of Advance Payment of Rs. 101,828,338 (Previous Year Rs.100,954,545))	4,171,662		5,045,455	
iii)	Proposed Dividend on Equity Shares	16,710,687		-	
iv)	Provision for Dividend Distribution Tax	2,839,981		-	
v)	Provision for Gratuity	48,181,817		56,754,771	
vi)	Provision for Leave Encashment	52,656,070		51,690,425	
vii)	Provision for Open Derivative Contracts	356,932,839	483,479,606	1,743,104,000	1,857,508,130
			1,865,686,794		3,385,598,608

Amount in Rs.

		As at March 31, 2010		As at March 31, 2009
SCHEDULE IX - MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
i) License fees				
As per last Balance Sheet	3,651,919		5,334,319	
Less: Written off during the year	1,682,400	1,969,519	1,682,400	3,651,919
		1,969,519		3,651,919

	For the year ended March 31, 2010	For the year ended March 31, 2009
SCHEDULE X - TURNOVER		
Sales	8,822,400,595	7,730,417,599
Services (R&D Income)	973,807	1,699,562
Income from Contract Manufacturing	28,268,028	20,899,947
	8,851,642,430	7,753,017,108
SCHEDULE XI - OTHER INCOME		
Interest received -		
- from Banks (Tax deducted at source Rs.117,188 (Previous Year Rs.25,897,168))	646,872	121,771,587
- from Inter Company Loans / Deposits (Tax deducted at source Rs.Nil (Previous Year Rs.Nil))	44,996,688	45,756,516
- on Income Tax Refund	7,196,265	-
- from others* (Tax deducted at source Rs.100,722 (Previous Year Rs.Nil))	806,944	534,417
Export Incentives	36,649,135	30,855,454
Sale of Scrap	3,617,153	1,779,942
Lease Rent (Tax deducted at source Rs.4,784,050 (Previous Year Rs. 2,403,497))	47,624,800	17,823,031
Profit on Sale of Fixed Assets (Net of loss Rs. Nil (Previous Year Rs.2,039,733))	-	7,171,144
Exchange Fluctuation Gain (Net of loss Rs.44,959,517 (Previous Year Rs.Nil))**	627,196,228	-
Share of Profit From Partnership Firm, in which Company was Partner	-	1,257,126
Insurance Claim Received	1,910,000	4,430,371
Royalty Income	28,555,552	9,266,380
Dividend Received From Long Term Trade Investments (from Subsidiary companies)	33,184	18,367,280
Provisions for doubtful advances written back	135,532,654	-
Miscellaneous Income	146,297	664,223
	934,911,772	259,677,471

* Interest from others includes Rs.157,260 (Previous Year Rs.87,800) from employees, Rs.205,193 (Previous Year Rs.188,248) from debtors, Rs.444,491(Previous Year Rs.Nil) from Punjab State Electricity Board & Rs. Nil (Previous Year Rs.258,369) from Excise department.

** It includes the amortisation of Exchange differences on Foreign Currency Monetary Items Translation Difference Account Rs.16,773,412 (Previous Year Rs.Nil)

SCHEDULE XII - RAW & PACKING MATERIALS CONSUMED				
Raw & Packing Materials consumed				
Opening Stock	3,206,780,619		1,320,981,788	
Add : Material purchased during the year	4,582,492,919		4,857,397,558	
	7,789,273,538		6,178,379,346	
Less : Closing Stock	2,751,348,215		3,206,780,619	
	5,037,925,323		2,971,598,727	
Less: Material consumed for Research & Development	23,035,430		19,621,119	
		5,014,889,893		2,951,977,608

Amount in Rs.

	For the year ended March 31, 2010		For the year ended March 31, 2009	
SCHEDULE XIII - OPERATING AND OTHER EXPENSES				
Processing Charges		14,494,811		35,289,443
Analytical Testing & Trial Charges		7,721,905		6,995,652
Stores & Spare Parts consumed (Refer note no.4 of Schedule XX C)		63,585,872		57,939,559
Power & Fuel (Refer note no.4 of Schedule XX C)		130,397,709		112,167,409
Repair & Maintenance (Refer note no.4 of Schedule XX C)				
- Buildings	37,379,078		16,628,948	
- Plant & Machinery	16,879,018		22,609,114	
- Others	29,777,021		28,139,583	
		84,035,117		67,377,645
Rent (Refer note no.4 of Schedule XX C)		63,577,656		53,248,013
Royalty		17,409,841		14,742,764
Directors' Sitting Fees		485,000		345,000
Printing & Stationery		59,259,270		40,206,382
Postage & Communication expenses		47,755,175		45,366,215
Insurance		33,998,771		41,379,420
Travelling & Conveyance expenses (Refer note no.4 of Schedule XX C)		119,210,034		103,288,987
Books & Periodicals		864,964		2,240,467
Legal & Professional charges (Refer note no.4 of Schedule XX C)		94,891,894		108,984,641
Vehicle Running & Maintenance		17,299,109		17,147,781
Payment made to Auditors: (Refer note no.14 of Schedule XX C)				
- As Auditor:				
Statutory Audit Fee	3,000,000		3,309,000	
Limited Review Fees	1,603,235		1,685,400	
Out of pocket expenses	179,742		161,721	
- As Advisor in respect of				
Management Services	2,500,000		-	
Out of pocket expenses	45,205		-	
- In other manner - Certification	434,120	7,762,302	134,832	5,290,953
Rates & Taxes (Refer note no.4 of Schedule XX C)		10,334,388		15,252,931
Donation		3,948,651		3,408,970
Subscription		12,153,460		13,700,941
Staff Training & Recruitment		23,749,210		31,477,974
Bad Debts & Advances written off		-		72,285
Provision for Doubtful Debts & Advances		4,509,121		116,494,114
Loss on Sale of Fixed assets (Net of profit Rs.793,900 (Previous Year Rs.Nil))		11,382,127		-
Wealth Tax		1,985,248		936,368
Foreign Exchange Fluctuation Loss (Net of Gain Rs.Nil (Previous Year Rs.214,791,328))*		-		557,888,608
Provision for Loss on Open Derivative Contracts		-		1,702,604,000
Provision for Permanent Diminution in the value of Investments (Refer Note no 13(e) of schedule XXC)		-		168,068,998
Miscellaneous expenses (Refer note no.4 of Schedule XX C)		33,080,669		28,970,083
		863,892,304		3,350,885,603

* It includes the amortisation of Exchange differences on Foreign Currency Monetary Items Translation Difference Account Rs. Nil (Previous Year Rs. 47,980,567)

Amount in Rs.

	For the year ended March 31, 2010		For the year ended March 31, 2009	
SCHEDULE XIV - (INCREASE) / DECREASE IN INVENTORIES				
Closing Stock :				
Finished Goods	1,556,986,054		985,858,105	
Work in Progress	146,469,079	1,703,455,133	202,833,537	1,188,691,642
Less: Opening Stock :				
Finished Goods	985,858,105		684,208,806	
Work in Progress	202,833,537	1,188,691,642	57,577,914	741,786,720
		(514,763,491)		(446,904,922)
SCHEDULE XV - PERSONNEL EXPENSES				
Salary, Wages and Bonus* (Refer note no.4 of Schedule XX C)		907,524,870		837,086,165
Contribution to Provident and other Funds		27,542,325		26,949,018
Workmen/Staff Welfare expenses		44,065,920		39,995,607
Gratuity		11,043,866		12,065,054
		990,176,981		916,095,844
* For Director's Remuneration refer note no.5(a) of schedule XX C				
SCHEDULE XVI - SELLING & DISTRIBUTION EXPENSES				
Advertising & Sales Promotion		250,749,594		226,910,009
Meetings & Conferences		53,167,133		62,306,063
Freight & Cartage		64,933,404		64,098,422
Commission on Sales (other than sole selling agents)		27,851,689		81,230,257
		396,701,820		434,544,751
SCHEDULE XVII - RESEARCH AND DEVELOPMENT EXPENSES				
Raw Material & Packing Material consumed		23,035,430		19,621,119
Stores & Spare Parts consumed		142,338,139		134,104,256
Processing charges		57,908		-
Salary, Wages and Bonus		223,009,679		182,045,564
Contribution to Provident & other Funds		4,671,782		4,096,340
Workmen/Staff Welfare expenses		7,083,667		9,504,657
Gratuity		1,129,063		1,062,491
Analytical Testing & Trial charges		47,323,372		26,736,975
Rent		6,729,834		6,401,077
Printing & Stationery		2,407,261		2,212,425
Postage & Communication		3,035,056		3,151,204
Travelling expenses		9,519,317		15,897,191
Books & Periodicals		1,797,969		6,317,043
Legal & Professional expenses		4,952,867		12,052,167
Vehicle Running & Maintenance		3,474,942		2,424,344
Donation		-		30,251
Repair & Maintenance:				
- Buildings	3,400,824		5,726,552	
- Plant & Machinery	6,659,271		14,628,824	
- Others	4,255,411	14,315,506	3,728,604	24,083,980
Rates, Fees & Taxes		5,466,612		622,995
Subscription		12,857,795		9,467,437
Electricity & Water charges		33,845,096		33,714,494
Meeting & Conferences		1,500,659		2,460,794
Staff Training & Recruitment		2,057,087		765,564
Loss on Sale of Fixed assets		2,757,048		
Product Development Expenses written off		19,395,518		-
Depreciation/Amortisation		175,944,248		169,025,407
Sundry expenses		4,356,757		4,146,270
		753,062,612		669,944,045

Amount in Rs.

	For the year ended March 31, 2010		For the year ended March 31, 2009	
SCHEDULE XVIII - FINANCIAL EXPENSES				
Interest on:				
a) Fixed Loans	195,322,184		206,237,568	
b) Others (Including interest on Working Capital Loans)	187,350,501	382,672,685	114,833,232	321,070,800
Bank charges		40,775,523		26,349,387
		423,448,208		347,420,187
SCHEDULE XIX - EARNING PER SHARE				
Calculation of Profit/(Loss) for Basic EPS				
Net profit/(Loss) before Tax		1,180,798,836		(923,740,873)
Less: Adjustment for Tax Expenses		380,609,142		(233,243,988)
Net profit/(Loss) for calculation of Basic EPS		800,189,694		(690,496,885)
Calculation of Profit/(Loss) for Diluted EPS				
Adjusted Net Profit/(Loss) for calculating Diluted EPS		800,189,694		(690,496,885)
No. of Equity Shares resulting from conversion of Foreign Currency Convertible Bonds				
'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Outstanding US$36.80 Million) at conversion price Rs. 357.57		4,542,752		4,542,752
Add: Weighted average number of Equity Shares in calculating basic EPS		66,781,921		66,693,746
Weighted average number of Equity Shares in calculating diluted EPS		71,324,673		71,236,498
Basic Earnings per Share		11.98		(10.35)
Diluted Earnings per Share		11.22		(10.35)
Face / Nominal Value per Share		1.00		1.00

SCHEDULE XX - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. NATURE OF OPERATIONS

Panacea Biotec Limited is one of the India's leading research based companies engaged in the business of research, development, manufacture and marketing of Branded Pharmaceutical Formulations and Vaccines. The Company has products for various segments, which include pain management, diabetes management, organ transplantation and pediatric vaccines.

B. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards pursuant to Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2. Use of Estimates

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

3. Revenue Recognition

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

Sale of Goods - Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and Sales Tax /VAT but includes Excise Duty. Excise Duty deducted from turnover is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

Research & Development - Income from Research &

Development Services is accounted for as per the stage of completion.

Contract Manufacturing - Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

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

Dividend - Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the Balance Sheet date but pertains to the period on or before the date of Balance Sheet, as per the requirements of Schedule VI to the Companies Act, 1956.

Royalty - Revenue is recognized on an accrual basis in accordance with the term of the relevant agreement.

Export Benefits - Export entitlements under Duty Entitlement Pass Book Schemes and Advance Licenses are recognized in the Profit & Loss Account when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

4. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

As a result of change in Accounting Policy during the previous year in respect of accounting periods commencing on or after 7th December, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

5. Impairment of Fixed Assets

The carrying amounts of assets are reviewed at each Balance Sheet date as to whether if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

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

6. Intangibles

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

Research and Development Costs - Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

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

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

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

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

7. Depreciation / Amortization

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

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

b) Amortization on intangibles is provided on the basis of the estimated useful lives as follows:-

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

c) Leasehold Land is amortized over the period of lease or useful life, whichever is shorter.

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

e) No Depreciation is provided on freehold land, as Accounting Standard-6 on 'Depreciation Accounting' notified by the Companies Accounting Standard Rules, 2006, does not apply to land unless it has a limited useful life.

8. Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to qualifying assets, are recognized as an expense in the period in which they are incurred.

9. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

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

10. Leases

Where the Company is the Lessee:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term

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

Where the Company is the Lessor:

Assets given under a finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognized as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

11. Deferred Revenue Expenditure

Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter. Expenditure of the similar nature incurred during the year is charged off to revenue.

12. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution, if any, in value is made to recognize a decline other than temporary in the value of the investments.

13. Inventories

Finished Goods, Work in Progress, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spare parts are stated at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

'Cost' of Finished Goods, Work in progress, Raw Materials, Packing Materials and Stores & Spare parts is arrived at by using 'Moving Average Price' method.

Cost of Work in Progress and Finished Goods is determined by considering direct material cost and appropriate portion of manufacturing overheads based on normal operating capacity. Cost of traded goods is arrived at by using 'Moving Average Price' method. Cost of Finished Goods includes Excise Duty.

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

14. Retirement and Other Employee Benefits

a) Retirement benefits in the form of Provident Fund are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions

to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

b) The contribution to Gratuity Fund, which is a defined benefit plan, is expensed on the basis of funding claims of the fund manager, Life Insurance Corporation of India. At the end of the accounting year, actuarial valuation is done as per projected unit credit method by an independent Actuary and any shortfall in the fund balance is further provided for.

c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation done as per projected unit credit method.

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

e) Actuarial gains/losses are immediately taken to Profit & Loss Account and are not deferred.

15. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except those monetary items as mentioned below.

Exchange differences, in respect of accounting periods commencing on or after 7th December, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to, or deducted from, the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before 31st March, 2011.

Exchange differences arising on a monetary item that, in substance, form part of company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Forward Exchange Contracts not intended for trading or speculation purposes

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

16. Income Taxes

Tax expense comprises of current, deferred & fringe benefit tax. Current Income Tax & fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. Deferred Income Taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred Income Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient

future taxable income will be available against which such deferred tax assets can be realized.

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

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

17. Earnings per Share

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

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

18. Provisions

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management's best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

19. Segment Reporting Policies

a) Identification of Segments:

Primary Segment

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

Secondary Segment

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

The geographical segments considered for disclosure are as follows:

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

b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

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

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

20. Derivative Instruments

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

21. Cash & Cash Equivalent

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

22. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Direct expenditure incurred during construction period is capitalized as part of the direct construction cost to the extent to which the expenditure is directly related to construction.

C. NOTES TO ACCOUNTS

(All amounts are in Rs. unless otherwise stated)

1. Contingent Liabilities (to the extent not provided for)

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Disputed demands/ show-cause notices under:-		
a) Income Tax cases	777,204	110,557
b) Customs Duty cases	3,999,923	3,999,923
c) Central Excise Duty cases	6,596,620	6,596,620
d) Service Tax	2,744,567	29,789,842
Total	14,118,314	40,496,942
Uncalled liability on partly paid shares of Umkal Medical Institute Pvt. Ltd. (Refer Schedule VI – Investments)	115,625,473	205,869,745
Demand from Maharashtra State Electricity Distribution Company Limited (Refer note (e) below)	8,055,506	-
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	2,003,390	2,803,586
Premium on Redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Refer note 3(ii) below)	564,995,867	470,992,269

Notes:

a) In respect of Income Tax demand for the Assessment Year 2007-08, the Assessing Officer disallowed Rs.2,259,000 under section 14A of the Act, computed in accordance with Rule 8D of the Act, contending the same to be expenditure incurred in relation to income which does not form part of the total income under the Act in the Order passed under section 143(3) of the Act. The company preferred appeal before the CIT (Appeals). The appeal is yet to be disposed off by the CIT (Appeals).

b) In respect of Customs Duty demand of Rs.3,999,923 towards Customs Duty on certain items imported as exempted by the Company, the Company has deposited the entire amount under protest. The matter is pending before the Honorable Supreme Court of India. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.

c) In respect of Central Excise Duty demand of Rs.6,596,620 towards Excise Duty on common inputs used in manufacture of exempted and taxable products, the Company has deposited the entire amount under protest. The matter is pending before Central Excise and Customs Tribunal. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.

d) In respect of service tax demand of Rs. 29,789,842 relating to foreign services rendered & delivered outside India & others services, which were brought in service tax net w.e.f. 18.04.06 and against which numerous decisions/ judgments have been pronounced by the competent courts/judicial authorities, the Company has sent suitable reply to the concerned authority. The Company has assessed Rs.2,744,567 as contingent liability out of total demand. No provision is considered necessary on the balance amount in this regard since the Company believes it has a good case based on nature of the demand and legal advice obtained by it.

e) In respect of demand notice of Rs. 8,055,506 received from Maharashtra State Electricity Distribution Company Ltd. on account of wrong tariff rates for the activities at R&D center, Navi Mumbai, the Company has taken legal opinion which is in favor of the Company & thus no provision is considered necessary in this regard.

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

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Tangibles Assets	279,959,672	420,258,712
Intangible Assets	11,907,371	21,946,833
Total	291,867,043	442,205,545

3. Foreign Currency Convertible Bonds

i) Conversion price of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (FCCBs) has already been fixed at Rs. 357.57 per Share. This rate is used to determine dilutive Equity Shares against outstanding Bonds.

ii) 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' amounting to US$ 36,800,000 are pending for redemption as on 31st March 2010. Unless these Bonds have been previously converted, redeemed, repurchased and cancelled, the Company will redeem

these Bonds at a price equal to 142.80% of the outstanding principal amount on the maturity date i.e February 14, 2011 (including premium amounting to Rs. 707,271,712). Since the redemption of bonds is contingent upon its non-conversion into Equity Shares and the probability of redemption cannot presently be ascertained, the Company has not provided for the proportionate premium on redemption for the period up to 31st March, 2010 amounting to Rs. 564,995,867 (Previous Year Rs. 470,992,269). Such premium has been disclosed as contingent liability. These Bonds are considered a monetary liability and are redeemable only if there is no conversion before maturity date.

iii) The Company has fully utilized the issue proceeds of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' in earlier years.

iv) The Company is obliged to pay dividend to those bondholders who convert their Bonds into Equity Shares after approval by the Board of the financial statements and upto the book closure date for dividend purposes. Incremental dividend and dividend distribution tax, if any, will be paid out of the balance available in the Profit & Loss Account.

4. Details of pre-operative expenses (included in Capital Work in Progress) relating to Fixed Assets are as follows:

PARTICULARS	As at April 1, 2009	Additions during the year	Capitalized during the year	As at March 31, 2010
Legal & Professional	-	5,185,650	-	5,185,650
	(3,681,923)	(168,360)	(3,850,283)	(-)
Store & Spare parts consumed	-	3,730,673	1,633,987	2,096,686
	(22,419,030)	(50,376)	(22,469,406)	(-)
Power & Fuel	82,124	1,244,706	1,234,706	92,124
	(31,254,050)	(357,323)	(31,529,249)	(82,124)
Rates & Taxes	285,008	41,142	-	326,150
	(9,857,569)	(-)	(9,572,561)	(285,008)
Repair & Maintenance :				
- Plant & Machinery	-	-	-	-
	(4,452,852)	(-)	(4,452,852)	(-)
- Others	90,281	9,257	9,257	90,281
	(5,861,464)	(773,882)	(6,545,065)	(90,281)
Salary & Wages	-	5,129,289	5,129,289	-
	(13,191,507)	(-)	(13,191,507)	(-)
Office Expenses	-	-	-	-
	(2,733,205)	(73,934)	(2,807,139)	(-)
Travel & Conveyance Expenses	769,537	426,622	1,044,500	151,659
	(3,736,531)	(764,537)	(3,731,531)	(769,537)
Rent	-	7,116	-	7,116
	(25,800)	(-)	(25,800)	(-)
Miscellaneous Expenses	-	67,279	42,938	24,342
	(4,444,120)	(4,310,572)	(8,754,693)	(-)
Total	12,26,950	15,841,734	9,094,677	7,974,008
	(101,658,051)	(6,498,984)	(106,930,086)	(1,226,949)

Note: Figures in brackets represent previous year figures (2008-09).

5. a) Directors' Remuneration:

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Managing / Joint Managing Directors/ Whole-time Directors		
Salary and Allowances*	58,260,386	58,346,813
Perquisites (taxable value)	6,413,989	4,679,290
Contribution to Provident Fund	9,360	9,360
Total	64,683,735	63,035,463
Non Whole-time Directors		
Allowances	930,000	930,000
Sitting Fees	485,000	345,000
Total	1,415,000	1,275,000
Grand Total [Refer Note 1]	66,098,735	64,310,463

*Provision for leave encashment and gratuity amounting to Rs.1,309,051 (Previous year Rs.3,263,596) and Rs.3,814,217 (Previous year Rs.6,007,834) respectively, made during the year, is not included above.

b) Computation of net profit in accordance with Section 198 read with section 349 of the Companies Act, 1956 ("the Act") and maximum amount permissible for managerial remuneration:

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Profit/ (Loss) as per Profit & Loss Account (before taxes & extraordinary items)	1,180,798,836	(923,740,873)
Add:		
Directors' Remuneration	66,098,735	64,310,463
Depreciation as per books	664,538,337	705,099,242
Loss /(Profit) on sale of fixed assets (net)	14,139,175	(7,171,144)
Provision / (Write back) for Doubtful Debts and Advances	(131,023,533)	384,794
Product Development Expenses written off	19,395,518	-
Depreciation under section 350 of the Companies Act, 1956	(664,538,337)	(705,099,242)
Net profit in accordance with Section 198 of the Act	1,149,408,731	(866,216,760)
Maximum amount permissible under Section 309 read with Section II of Part II of Schedule XIII of the Act for payment to Managing/Joint Managing Directors and Whole-time Directors	114,940,873	24,865,757
Maximum amount permissible under Section 309 of the Act for payment to Non Whole -time Directors	11,494,087	930,000*
Total Allowable to Managing/ Joint Managing/ Whole-time and Non Whole-time Directors	126,434,960	25,795,757

Note:

1. With regard to payment of managerial remuneration of Rs.38,169,706 during Financial Year 2008-09, in excess of limits prescribed under Section 198 and 309 read with part II of Schedule XIII of the Companies, Act, 1956, without obtaining Central Government approval, the Company has sought approval of the Central Government for such remuneration. While the approvals in respect of remuneration to Dr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company, have been received, the requisite approvals in respect of Mr. Soshil Kumar Jain, Chairman and Mr. Ravinder Jain, Managing Director are awaited and that shall be received in due course.

   *This amount is as per the approvals of Ministry of Corporate Affairs , New Delhi vide their letters no. 12/301/2006-CL.VII dated 08.02.2007, F.No.2/119/2005-CL.VII dated 16.01.2005 and 12/304/2006-CL.VII dated 08.02.2007.

6. Disclosure of Micro & Small Enterprises

Details of dues to Micro, Small and Medium Enterprises as per Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act)	As at March 31, 2010		As at March 31, 2009	
	Principal	Interest	Principal	Interest
Principal amount and interest due thereon remaining unpaid to any supplier as at year end	2,793,052	Nil	1,274,843	Nil
Interest paid by the Company in terms of section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during accounting year	2,147,609	44,081	3,552,413	68,868
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act	Nil	Nil	Nil	Nil
Interest accrued and remaining unpaid at the end of the year	Nil	Nil	Nil	Nil
Further interest remaining due and payable in succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act	Nil	Nil	Nil	Nil

7. Deferred Tax Liabilities (Net):

The break-up of deferred tax liability is as follows:-	As at March 31, 2010	As at March 31, 2009
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per Income Tax Act and books of accounts	535,112,858	498,736,734
Deferred revenue expenditure	654,225	1,241,287
Capital expenditure on research & development	306,905,561	267,365,739
Forex Loss (revenue) deferred as per notification on AS-11 (Revised)	4,232,082	50,254,492
Gross Deferred Tax Liabilities	846,904,726	817,598,252
Deferred Tax Assets		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	43,743,753	47,441,741
Loss as per Income Tax Act carried forward	24,029,627	364,509,363
Unabsorbed Depreciation as per Income Tax Act carried forward	70,228,267	71,861,483
Gross Deferred Tax Assets	138,001,647	483,812,587
Net Deferred Tax Liability	708,903,079	333,785,665

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

PARTICULARS	As at March 31, 2010	As at March 31, 2009
a) Loans and Advances to wholly owned subsidiaries		
- Rees Investments Ltd.		
Balance Recoverable	688,465,116	710,717,916
Maximum amount due at any time during the year	739,605,679	716,413,472
Accrued Interest on loan but not due	44,996,687	28,887,763
- Panacea Biotec Inc.		
Balance Recoverable	82,472	93,154
Maximum amount due at any time during the year	93,154	93,154
b) Dues from Associates		
- PanEra Biotec Pvt. Ltd.		
Balance Recoverable (including Rs. 9,69,38,174 (Previous Year 41,137,053) on account of sale of raw material grouped as sundry debtors under Schedule VII)	66,208,504	195,087,247
Maximum amount due at any time during the year	243,887,545	195,087,247
c) Amount payable to wholly owned subsidiaries		
- Best On Health Ltd.		
Balance Payable	-	-
Maximum amount due at any time during the year	401,200	3,079,105
- Panacea Biotec Inc.		
Balance payable	5,030	-
Maximum amount due at any time during the year	5,030	-
- Panacea Biotec GmbH		
Balance Payable	202,620	202,620
Maximum amount due at any time during the year	202,620	202,620

ii) Debtors include Rs.38,190,606 (Previous Year Rs.78,154,432) receivable from Joint Venture Company in which company's two directors are inter-alia, directors.

iii) Details of Loans and advances to subsidiaries, associates and parties in which directors are interested (as required by clause 32 of listing agreement):

PARTICULARS	As at March 31, 2010	As at March 31, 2009
a) Loans and Advances to wholly owned subsidiaries (refer note no.8 (i) above)	-	-
b) Loan to Joint Venture Company		
- Cambridge Biostability Ltd.	108,833,850	108,833,850
Maximum amount due at any time during the year	116,109,320	133,075,781
Accrued interest receivable on loan	7,275,470	7,275,470
c) Dues from Associates (refer note no.8 (i) above)	-	-

Note:

During the year, Company's erstwhile Joint Venture Cambridge Biostability Limited (CBL), has initiated steps to place it into creditors' voluntary liquidation. Due to the financial position of erstwhile Joint Venture company, Company considers its investment and loan given to it doubtful for recovery. Accordingly, provision created in earlier years for said amount has been continued in the current year. No interest has been accrued during the year on outstanding loan amount.

9. Related Party Disclosures

A. Names of Related Parties

Names of related parties where control exists irrespective of whether transactions have occurred or not

a) Joint Ventures	-	Chiron Panacea Vaccines Private Limited, Cambridge Biostability Limited
b) Subsidiaries	-	Best On Health Limited (BOH) (Wholly-owned subsidiary (WOS)) Radicura & Co. Limited (Indirect WOS through BOH), Panacea Hospitality Services Pvt. Ltd. (Indirect WOS through BOH) Panacea Educational Institute Pvt. Ltd. (Indirect WOS through BOH) Sunanda Steel Company Ltd. (Indirect WOS through BOH) Rees Investments Ltd. (Rees) (Guernsey): (WOS) Kelisia Holdings Ltd. (Cyprus): (Indirect WOS through Rees) Kelisia Investment Holding AG (KIH) (Switzerland): (Indirect WOS through Kelisia Holdings Ltd.) Panacea Biotec (International) SA (PBS) (Switzerland): (Indirect WOS through KIH) Panacea Biotec (Europe) AG, (Switzerland): (Indirect WOS w.e.f. 10th June, 2009 through PBS) Panacea Biotec FZE, (UAE): (WOS) Panacea Biotec GmbH (Germany): (WOS) Panacea Biotec, Inc. (USA): (WOS) Umkal Medical Institute Pvt. Ltd.: (Subsidiary)
c) Associates	-	PanEra Biotec Private Limited Lakshmi & Manager Holdings Ltd. (LMH) Best General Insurance Co. Ltd (Indirect Associate (subsidiary of LMH))
d) Key Management Personnel		
Mr. Soshil Kumar Jain	-	Chairman and Whole-time Director
Mr. Ravinder Jain	-	Managing Director
Dr. Rajesh Jain	-	Joint Managing Director
Mr. Sandeep Jain	-	Joint Managing Director
Mr. Sumit Jain	-	Whole-time Director

e) List of Persons having controlling interest together with their relatives*

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter
Soshil Kumar Jain	-	-	Nirmala Jain	-	-	Ravinder Jain, Rajesh Jain, Sandeep Jain	-
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	-	Sumit Jain, Nipun Jain	Radhika Jain
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	-	Ankesh Jain, Harshet Jain	-
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	-	-	Priyanka Jain
Sumit Jain	Ravinder Jain	Sunanda Jain	-	Nipun Jain	Radhika Jain	-	-

* Relatives holding Equity Shares in the Company have been disclosed.

f) Relatives of Key Management personnel having transactions with the Company

Mr. Ashwani Jain, Son-in-law of Mr. Soshil Kumar Jain
Mr. Shagun Jain, Son-in-law of Mr. Ravinder Jain
Mrs. Radhika Jain, Daughter of Mr. Ravinder Jain
Mrs. Shilpy Jain, Wife of Mr. Sumit Jain

g) Enterprises over which Person(s) having control or significant influence over the Company / Key management personnel(s), along with their relatives, are able to exercise significant influence:

i) Neophar Alipro Limited
ii) All India S. L. Jain Charitable Foundation
iii) First Lucre Partnership Co.*
iv) Second Lucre Partnership Co.*
v) Radhika Associates
vi) Sumit Nipun & Co.
vii) Rattan Sons
viii) Tahir & Co.
ix) Best On Health Foods Ltd.
x) Soshil Kumar Jain (HUF)*
xi) Ravinder Jain (HUF)*
xii) Rajesh Jain (HUF)*
xiii) Sandeep Jain (HUF)*

* These enterprises are also holding Shares in the Company.

B. Detail of transactions with the Related parties

Particulars	Subsidiaries							Joint Ventures		Associates			Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which Person(s) having control or significant influence over the Company/ Key management personnel(s), along with their relatives, are able to exercise significant influence	Total
	Best On Health Ltd.	Radicura & Co. Ltd.	Rees Investment Ltd.	Panacea Biotec Inc.	Panacea Biotec GmbH	Umkal Medical Institute Pvt. Ltd.	Panacea Biotec FZE	Chiron Panacea Vaccines Pvt. Ltd.	Cambridge Biostability Ltd.**	PanEra Biotec Pvt. Ltd.	Lakshmi & Manager	Lakshmi & Manager Holdings Ltd.				
A. During the Year																
Purchase of raw materials	-	-	-	-	-	-	-	-	-	624,650,164	-	-	-	-	-	624,650,164
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(126,185,379)	(-)	(-)	(-)	(-)	(-)	(126,185,379)
Sale	-	-	-	-	-	-	-	243,530,697	-	96,938,174	-	-	-	-	-	340,468,871
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(243,277,970)	(-)	(41,137,053)	(-)	(-)	(-)	(-)	(-)	(284,415,023)
Purchase of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(-)	(45,000)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(45,000)
Processing Charges paid	-	-	-	-	-	-	-	-	-	1,585,080	-	-	-	-	-	1,585,080
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(7,892,040)	(25,157,135)	(-)	(-)	(-)	(-)	(-)	(33,049,175)
Recovery of dues on Account of Expenses	273,197	-	-	-	-	-	-	-	-	50,767,504	-	-	-	-	-	51,040,701
	(273,197)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(66,962,822)	(-)	(-)	(-)	(-)	(-)	(67,236,019)
Reimbursement on Account of Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(202,620)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(202,620)
Rent paid	5,294,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,294,400
	(5,385,040)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(5,385,040)
Rent received	-	-	-	-	-	-	-	-	-	47,289,000	-	-	-	-	72,000	47,361,000
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(17,772,031)	(-)	(-)	(-)	(-)	(-)	(17,772,031)
Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	64,683,735	5,059,344	-	69,743,079
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(63,035,463)	(4,843,885)	-	(67,879,348)
Loan / Advance given	-	-	59,246,405	-	-	-	-	-	-	-	-	-	-	-	-	59,246,405
	(200)	(-)	(667,448,507)	(79,322)	(-)	(-)	(-)	(-)	(79,790,000)	(-)	(-)	(-)	(-)	(-)	(-)	(747,318,029)
Loans/Fixed Deposits received	-	-	-	-	-	-	-	-	-	-		-	-	-	255,000,000	255,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(300,000,000)	(300,000,000)
Loans/Fixed Deposits repaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240,000,000	240,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(432,500,000)	(432,500,000)
Interest paid on Deposits / loans	-	-	-	-	-	-	-	-	-	-		-	-	-	26,831,364	26,831,364
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(35,893,714)	(35,893,714)
Dividend paid - Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(19,503,700)	(24,137,900)	(-)	(43,641,600)
Dividend received - Preference Shares	33,184	-	-	-	-	-	-	-	-	-		-	-	-	-	33,184
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	-
Investments made	-	-	-	2,379,030		90,244,272		-	-	-	-	-	-	-	-	92,623,302
	(199,999,800)	(-)	(476)	(-)	(1,582,250)	(76,143,604)	(5,474,520)	(-)	(-)	(-)	(-)	(41,257,126)	(-)	(-)	(-)	(324,457,776)
Sale of Investment/ Conversion of loan into Equity Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(41,257,126)	(-)	(-)	(-)	(-)	(41,257,126)
Repayment of Loan/Advance given	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(200)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(200)
Interest Income	-	-	44,996,688	-	-	-	-	-	-	-	-	-	-	-	-	44,996,688
	(-)	(-)	(28,887,763)	(-)	(-)	(-)	(-)	(-)	(16,868,753)	(-)	(-)	(-)	(-)	(-)	(-)	(45,756,516)
Donation	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(300,000)	(300,000)
Employee benefits transfer *	-	-	-	-	-	-	-	-	-	5,806,271	-	-	-	-	-	5,806,271
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	-
B. Year end balances																
Investments	2,013,882,850	-	476	2,379,030	1,582,250	166,387,876	5,474,520	22,959,100	168,068,998	4,197,670	-	41,257,126	-	-	-	2,426,189,896
	(2,013,882,850)	(-)	(476)	(-)	(1,582,250)	(76,143,604)	(5,474,520)	(22,959,100)	(168,068,998)	(4,197,670)	(-)	(41,257,126)	(-)	(-)	(-)	(2,333,566,594)
Interest accrued but not Due	-	-	43,057,717	-	-	-	-	-	7,275,470	-	-	-	-	-	-	50,333,187
	(-)	(-)	(28,887,763)	(-)	(-)	(-)	(-)	(-)	(7,275,470)	(-)	(-)	(-)	(-)	(-)	(-)	(36,163,233)
Outstanding receivable	-	-	-	82,472	-	-	-	38,190,606	-	66,208,504	-	-	-	-	-	104,481,583
	(-)	(-)	(-)	(93,154)	(-)	(-)	(-)	(78,154,432)	(-)	(195,087,247)	(-)	(-)	(-)	(-)	(-)	(273,334,833)
Provision for bad and doubt ful advances	-	-	-	-	-	-	-	-	116,109,320	-	-	-	-	-	-	116,109,320
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(116,109,320)	(135,532,654)	(-)	(-)	(-)	(-)	(-)	(135,532,654)
Provision for impairment losses	-	-	-	-	-	-	-	-	168,068,998	-	-	-	-	-	-	168,068,998
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(168,068,998)	(-)	(-)	(-)	(-)	(-)	(-)	(284,178,318)
Outstanding Loan	-	-	688,465,116	-	-	-	-	-	108,833,850	-	-	-	-	-	-	797,298,966
	(-)	(-)	(710,717,916)	(-)	(-)	(-)	(-)	(-)	(108,833,850)	(-)	(-)	(-)	(-)	(-)	(-)	(819,551,766)
Outstanding Fixed deposits	-	-	-	-	-	-	-	-	-	-		-	-	-	315,000,000	315,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(300,000,000)	(300,000,000)
Outstanding payable	-	-	-	5,030	202,620	-	-	-	-	-		-	-	-	-	207,650
		-	-	-	(202,620)	-	-	-	-	-	-	-	-	-	-	(202,620)

Notes: 1. Figures in bracket represent previous year figures.
2. In respect of personal guarantee given by Promoters-Directors refer Note no. 2 of Schedule III.
* Refer to Note 16 of Schedule XX C.
** Refer to Note 13(e) of Schedule XX C.

3. Material related party transactions (More than 10% of aggregate) with individual parties are as follows:

	Unsecured Loans/ Fixed Deposits received/(repaid)		Interest		Managerial Remuneration		Equity Dividend	
	As at March 31, 2010	As at March 31, 200	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at Mar h 31, 2009
Key Management personnel:								
Mr. Soshil Kumar Jain	-	-	-	-	15,362,222	15,155,738	-	5,000,000
Mr. Ravinder Jain	-	-	-	-	19,872,138	19,287,108	-	4,646,200
Dr. Rajesh Jain	-	-	-	-	13,072,895	12,648,046	-	4,706,900
Mr. Sandeep Jain	-	-	-	-	12,968,125	12,648,046	-	4,792,100
Enterprises over which Person(s) having control or significant influence over the Company / Key management personnel(s), along with their relatives, are able to exercise significant influence								
First Lucre Partnership Co.	255,000,000	300,000,000	26,831,364	35,893,714	-	-	-	-
	(240,000,000)	(432,500,000)		-	-	-	-	-
Year end balances:								
First Lucre Partnership Co.	315,000,000	300,000,000		-	-	-	-	-

10. Derivative Instruments and Hedged/Unhedged Foreign Currency Exposure

i) Forward contract outstanding as at Balance Sheet date

Sell Nil

Buy Nil

ii) Particulars of Hedged Future Export Receivables at applicable exchange rates in respect of Options Contracts outstanding as at Balance Sheet date

Currency	Exchange rates	Amount in Foreign Currency	Amount in Indian Rupees	Amount in Foreign Currency	Amount in Indian Rupees	Purpose
		As at March 31, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2009	
USD	40.00	-	-	58,000,000	2,320,000,000	To hedge
USD	39.00	28,000,000	1,092,000,000	48,000,000	1,872,000,000	Future Export
USD	39.60	30,000,000	1,188,000,000	36,000,000	1,425,600,000	Receivables
		58,000,000	2,280,000,000	142,000,000	5,617,600,000	

Accordingly, exchange fluctuation loss on marking them to market as of year end amounting to Rs.356,939,000 (Previous Year Rs.1,702,604,000) has been accounted for and included in "Exchange Fluctuation Gain" under Schedule XI – Other Income (Previous Year: included in "Provision for Loss on Open Derivative Contracts" under Schedule XIII - Operating and Other Expenses).

iii) Particulars of Hedged Foreign Currency Exposure as at Balance Sheet date

PARTICULARS	Amount as at March 31, 2010 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at March 31, 2010 (INR)	Amount as at March 31, 2009 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at March 31,2009 (INR)
Export Debtors	8,120,848	USD	44.90	364,585,489	15,038,066	USD	50.71	762,580,345

iv) Particulars of Unhedged Foreign Currency Exposure as at Balance Sheet date

PARTICULARS	Amount as at March 31, 2010 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at March 31, 2010 (INR)	Amount as at March 31, 2009 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at March 31, 2009 (INR)
Import Creditors (net of advances to suppliers)	9,753,991	USD	44.91	438,002,956	5,542,275	USD	50.72	281,104,206
	4,768,149	Euro	60.55	288,711,392	12,841,668	Euro	67.54	867,327,519
	42,000	CHF	42.43	1,782,060	33,538	CHF	44.56	1,494,481
	5,941	GBP	68.08	404,463	12,289	GBP	72.60	892,159
	-	JPY / 100	-	-	1,217,220	JPY / 100	51.55	627,521
	16,820	SEK	6.26	105,293	16,820	SEK	6.13	103,140
	2,178	CAD	44.32	96,509	1,010	CAD	40.47	40,856
	(6,140)	AUD	41.23	(253,164)	-	-	-	-
	(10,000)	AED	12.26	(122,600)	-	-	-	-
	80	SGD	32.13	2,570	-	-	-	-
Export Debtors	2,616,978	Euro	60.51	158,353,310	2,990,037	Euro	67.50	201,827,823
Foreign Currency Loans	65,097,252	USD	44.91	2,923,192,101	65,097,252	USD	50.72	3,301,732,614
Balance with Banks	3,253,949	USD	44.90	146,086,036	9,652,566	USD	50.71	489,481,613
	970,843	Euro	60.51	58,745,690	105,761	Euro	67.50	7,138,856
FCCBs	36,800,000	USD	44.91	1,652,504,000	36,800,000	USD	50.72	1,866,496,000
Investment in Subsidiaries	10	USD	47.62	476	10	USD	47.62	476
	137,000	USD	39.96	5,474,520	137,000	USD	39.96	5,474,520
	25,000	Euro	63.29	1,582,250	25,000	Euro	63.29	1,582,250
	50,000	USD	47.48	2,379,030	-	-	-	-
	100	USD	50.30		-	-	-	-
Investment in JV	1,935,615	GBP	86.83	168,068,998	1,935,615	GBP	86.83	168,068,998
Loan to JV	1,500,000	GBP	72.56	108,833,850	1,500,000	GBP	72.56	108,833,850
Loan to subsidiaries	15,335,006	USD	44.90	688,465,116	14,015,340	USD	50.71	710,717,916
Payable to Subsidiary	100	USD	50.30	5,030	-	-	-	-
Interest accrued on loan	959,076	USD	44.90	43,057,717	569,666	USD	50.71	28,887,763
	100,274	GBP	72.56	7275,470	100,274	GBP	72.56	7,275,470
Advance to subsidiaries	1,837	USD	44.90	82,472	1,832	USD	50.71	93,154

* Closing Exchange rate has been rounded off to two decimal places.

11. Segment Information

Business Segments:

Panacea Biotec Limited is one of the India's leading research based companies engaged in the business of research, development, manufacture and marketing of Vaccines and Branded Pharmaceutical Formulations. The Company has products for various segments, which include pediatric vaccines, pain management, diabetes management and organ transplantation.

A. Information about Primary Segments

PARTICULARS	Vaccines		Formulations		Research & Development		Total	
	2009 – 10	2008 – 09	2009 – 10	2008 – 09	2009 – 10	2008 – 09	2009 – 10	2008 – 09
Revenue Segment Revenue	6,443,874,912	5,470,170,035	2,398,823,984	2,262,302,399	973,807	1,699,562	8,843,672,703	7,734,171,996
Other Income	85,722,658	5,952,196	18,461,439	24,950,226	-	-	104,184,097	30,902,422
Total	6,529,597,570	5,476,122,231	2,417,285,423	2,287,252,625	973,807	1,699,562	8,947,856,800	7,765,074,418
Segment Result	1,776,642,707	2,661,847,455	417,347,550	466,882,428	(752,055,183)	(668,244,483)	1,441,935,074	2,460,485,400
Unallocated Corporate Expenses							709,191,228	3,291,930,523
Operating Profit /(Loss)							732,743,846	(831,445,123)
Interest & Finance charges							382,672,685	(321,070,800)
Other Income							830,727,675	228,775,049
Income Taxes							380,609,142	233,243,988
Net Profit /(loss)							800,189,694	(690,496,886)
Other information								
Segment Assets	7,926,254,616	8,164,022,933	1,849,317,030	1,757,286,755	1,952,940,391	2,143,579,827	11,728,512,037	12,064,889,515
Unallocated Corporate Assets							4,882,280,328	4,808,922,747
Total Assets	7,926,254,616	8,164,022,933	1,849,317,030	1,757,286,755	1,952,940,391	2,143,579,827	16,610,792,365	16,873,812,262
Segment Liabilities	723,362,939	812,019,662	185,783,935	391,402,477	52,112,134	65,696,536	961,259,008	1,269,118,675
Unallocated Corporate Liabilities							8,684,490,664	9,453,200,641
Total Liabilities	723,362,939	812,019,662	185,783,935	391,402,477	52,112,134	65,696,536	9,645,749,672	10,722,319,316
Capital Expenditure – Additions	262,043,948	1,948,866,420	99,145,584	123,752,797	231,358,900	578,593,601	592,548,432	2,651,212,818
Depreciation	318,952,941	350,826,118	111,067,743	125,068,119	175,944,248	169,025,407	605,964,932	644,919,644

B Information about Secondary Segments

a) Revenue as per Geographical Markets

Segment	Domestic*		Overseas	
	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009
Vaccines	3,640,121,303	3,991,735,243	2,803,753,609	1,478,434,793
Formulations	2,056,529,190	1,798,741,628	342,294,794	463,560,771
R & D	37,987	-	935,820	1,699,562
Total	5,696,688,480	5,790,476,871	3,146,984,223	1,943,695,126

* Domestic revenue includes revenue from deemed exports of Rs.3,396,590,606 (Previous Year Rs.3,708,466,456)

b) Sundry debtors as per Geographical Markets

Segment	Domestic*		Overseas	
	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009
Vaccines	426,601,008	336,012,170	344,959,164	536,329,974
Formulations	129,393,970	143,513,828	196,231,327	226,054,249
Total	555,994,978	479,525,998	541,190,491	762,384,223

c) The Company has common fixed assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for segment assets / additions to segment assets cannot be furnished.

12. Leases

i. For assets given under Operating Lease agreements:

a) The Company has leased out the assets situated at Lalru, Punjab on operating lease to its Associate, PanEra Biotec Private Limited.

PARTICULARS	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at MArch 31, 2009	As at March 31, 2010	As at March 31, 2009
Building	91,001,316	89,955,066	38,146,989	33,159,226	4,843,737	5,327,263
Furniture and Fixture	10,879,579	10,659,476	6,587,888	5,639,670	948,219	1,151,292
Office Equipment	1,858,933	1,904,239	924,829	769,438	154,389	270,436
Plant & Machinery	717,624,285	663,486,845	312,037,079	247,986,666	64,040,256	66,307,911
Computer Equipment	2,598,987	5,950,080	1,979,344	1,549,742	413,095	688,492
Total	823,963,100	771,955,706	359,676,129	289,104,742	70,399,696	73,745,394

The total of Minimum Future Lease Payments under non-cancelable operating lease for various periods for assets stated above is as follows:

PARTICULARS	As at March 31, 2010*	As at March 31, 2009*
a) Receivable within 1 year	67,600,000	67,600,000
b) Later than 1 year but not later than 5 years	-	67,600,000
c) Later than 5 years	-	-

* The Lease term for the assets given on lease vide Agreement for providing Manufacturing Facility, Utilities and Services of Employees with PanEra Biotec Pvt. Ltd. is valid till 31.03.2011. As per the said Agreement, during the period of usage, if any facility is used for manufacture of the Company's Vaccines other than those mentioned therein or the facility remains idle due to insufficiency of orders from the Company, no lease rental shall be payable by PanEra Biotec Pvt. Ltd. during the relevant period.

b) The Company has also given an office space in its building situated at B-1 Extn./A-27, Mohan Co-operative Industrial Estate, New Delhi on operating lease to PanEra Biotec Pvt. Ltd..

Total of future minimum lease payments under operating lease mentioned above:

PARTICULARS	As at March 31. 2010	As at March 31, 2009
a) Receivable within 1 year	7,500	14,000
b) Later than 1 year but not later than 5 years	-	-
c) Later than 5 years	-	-

ii. For assets taken on Lease

a) The Company has taken various residential, office and godown premises under operating lease agreements. These are generally not non-cancelable and are renewable by mutual consent on mutually agreed terms. There is no sublease payments expected to be received under non-cancellable subleases at the balance sheet date and no restrictions is imposed by lease arrangements

b) Lease payments for the year are Rs.70,307,490 (Previous Year Rs.59,649,090).

c) Total of future minimum lease payments under non cancelable operating leases :

PARTICULARS	As at March 31, 2010	As at March 31, 2009
a) Payable within 1 year	6,702,737	4,796,232
b) Later than 1 year but not later than 5 years	19,425,000	402,737
c) Later than 5 years	-	-

13. a) The Company's interest in Joint Venture Companies is as follows:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	(%) Holding as on March 31, 2010
1.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50
2.	Cambridge Biostability Limited*	Joint Venture	UK	10

* Cambridge Biostability Limited, UK has not been considered while giving the disclosures relating to joint ventures in the current year as the investee company is in the process of liquidation.

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

PARTICULARS	As at March 31, 2010 (Audited)	As at March 31, 2009 (Audited)
Reserves and Surplus	63,835,582	46,571,024
Secured Loans	-	163,121
Fixed Assets	3,104,941	3,209,287
Deferred Tax Assets	2,375,937	1,994,049
Current Assets	117,741,090	143,485,483
Current Liabilities	36,427,286	78,995,574
Revenue	287,574,252	274,923,479
Expenses	260,424,922	241,498,029

c) The purchase commitments for fixed assets incidental to the ordinary course of business of companies with which the Company has a joint venture, are as follows:

Name of Company	As at March 31, 2010	As at March 31, 2009
Chiron Panacea Vaccines Pvt. Ltd. (50% interest)	-	-
Cambridge Biostability Ltd. (10% interest)	-	-
Total	-	-

d) During the year, Company's erstwhile Joint Venture Cambridge Biostability Limited (CBL), has initiated steps to place it into creditors' voluntary liquidation. Due to the financial position of erstwhile Joint Venture company, Company considers its investment and loan given to it doubtful for recovery. Accordingly provision created in earlier years for said amount has been continued in the current year. No interest has been accrued during the year on outstanding loan amount:-

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Investment made	168,068,998	168,068,998
Loan Given	108,833,850	108,833,850
Interest accrued on above loan	7,275,470	7,275,470
Total	284,178,318	284,178,318

e) Contingent Liabilities (to the extent not provided for)

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Income tax demand of Rs 2,484,933/- for Assessment Year 2006-07	Rs 1,242,466	-

Note: The joint venture company, Chiron Panacea Vaccines Pvt. Ltd., has filed an appeal against the said demand. Based on Judicial pronouncements, claim is likely to be accepted by appellate authorities,

14. Auditors` Remuneration:

PARTICULARS	As at March 31, 2010	As at March 31, 2009
Statutory Auditors		
- Statutory Audit	3,000,000	3,309,000
- Quarterly Limited Reviews	1,603,235	1,685,400
- Management Services	2,500,000	-
- Certification	234,120	134,833
- Out of Pocket Expenses	224,947	161,720
Total	7,562,302	5,290,953
Tax Auditors*	125,000	140,450
Cost Auditors*	40,000	44,944

* included in Legal & Professional charges given in Schedule XIII.

15. Additional information as required under Para 3 & 4 of Part II of Schedule VI of the Companies Act, 1956.

A. Particulars of Licensed Capacity, Installed Capacity & Production

a) Licensed Capacity per annum

Recombinant Bulk Vaccines – 18 million doses

Others – Not Applicable

b) Installed Capacity per annum*

PRODUCTS	Units of Measure	As at March 31, 2010	As at March 31, 2009
Tablets	Nos./ Million	1,684.00	1,684.00
Capsules	Nos. / Million	370.00	370.00
Syrups/Liquids	Bottles / Million	15.80	15.80
Gels	Tubes / Million	21.20	21.20
Vaccines (Finished Doses)	Doses / Million	861.50	861.50
Pre-filled Syringes	Doses/ Millions	17.00	17.00
Recombinant Bulk Vaccines[1]	Doses / Million	12.50	12.50
Tetanus Bulk Vaccines[2]	Doses/ Millions	75.00	75.00
Bacterial Bulk Vaccines[2]	Doses/ Millions	68.75	68.75
Bulk Vaccine – Plant[3]	Doses/ Millions	18.00	-

*As Certified by the management

1 This facility has been leased to Associate Company, PanEra Biotec Pvt. Ltd. and is capable of manufacturing various bulk vaccines including Hep B, Hib TT and Anthrax.

2 These facilities have been leased to Associate Company, PanEra Biotec Pvt. Ltd. Bacterial Bulk Vaccines Plant is capable of manufacturing various bulk vaccine including Diphtheria, Whole Cell Pertussis (wP), Acellular Pertussis (aP) and its capacity will come down by 5 Million doses to 63.75 million doses in case of production of Acellular Pertussis (aP).

3 Bulk Vaccine Plant is capable of manufacturing various bulk vaccine including Hib TT, Hep B Vaccine (new clone) & aP Bulk etc.

c) Actual Production during the year

PRODUCTS	Units of Measure	As at March 31, 2010*	As at March 31, 2009*
Tablets	Nos.	585,390,618**	504,389,489**
Capsules	Nos.	85,037,342	64,354,858
Syrups / Liquids	Ml	351,255,280	283,920,530
Gels	Gms	41,264,545	23,474,760
Vaccines	Vials	45,585,705	50,553,815
Pre Fill Syringe	PFS	1,201,221	1,679,769
Injection	Nos.	512,320	456,656
Other Products	Gms.	41,163,240	17,638,965

*Actual Production includes production at Loan Licensee locations meant for sale by the Company

** Actual Production includes 185,577,426 (Previous Year 155,993,730) Tablets manufactured for others under Loan License basis.

B. Particulars of Stocks & Sales

Units		Opening Stock		Closing Stock		Sample/Destroyed/ Expired / Shortages		Sales	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
a) Own Manufacturing									
Tablets	Nos.	59,005,305	78,301,586	103,812,036	59,005,305	16,335,635	4,550,993	524,248,252	519,134,777
	Rs.	46,940,103	63,382,524	227,333,781	46,940,103	-	-	1,596,992,275	1,210,177,962
Capsules	Nos.	9,873,246	14,547,473	16,272,418	9,873,246	2,410,687	2,091,314	76,227,483	66,937,771
	Rs.	40,651,005	63,436,317	56,734,281	40,651,005	-	-	590,637,539	557,856,427
Syrups /	Ml.	66,737,470	50,579,060	95,083,490	66,737,470	17,358,230	2,183,150	305,551,030	265,578,970
Liquids	Rs.	17,837,248	15,939,607	23,140,557	17,837,248	-	-	136,802,046	110,582,967
Gels	Gms.	8,458,210	16,354,230	23,444,095	8,458,210	1,347,000	1,132,500	24,931,660	30,238,280
	Rs.	3,873,051	7,689,660	15,757,786	3,873,051	-	-	30,883,483	35,179,463
Vaccines	Vials.	14,913,671	9,372,994	15,984,904	14,913,671	379,068	295,038	44,135,404	44,718,100
	Rs.	733,972,131	477,630,816	1,096,150,202	733,972,131	-	-	5,801,886,473	5,277,342,364
Pre Fill Syringe	PFS	723,796	-	421,968	723,796	103,364	46,492	1,399,685	909,481
	Rs.	92,961,982	-	71,942,278	92,961,982	-	-	216,927,697	142,003,221
Injections	Vials.	66,104	122,833	104,294	66,104	9,324	45,449	464,806	467,936
	Rs.	23,805	309,429	175,909	23,805	-	-	3,354,745	3,278,010
Husk	Gms.	-	9	-	-	45	85	(45)	(76)
	Rs.	-	203	-	-	-	-	(34)	(2,097)
Kit	Nos.	-	-	-	-	5	-	-	-
	Rs.	-	-	-	-	-	-	-	-
Granules	Nos.	4,244,340	-	8,840,790	4,244,340	4,564,500	102,225	32,002,290	13,292,400
	Rs.	4,872,951	-	9,165,265	4,872,951	-	-	43,900,253	16,494,980
Total	Rs.	941,132,276	628,388,556	1,500,400,059	941,132,276	-	-	8,421,384,477	7,352,913,297
b) Trading Activities									
Tablets	Nos.	14,665,408	12,708,601	15,015,084	14,665,408	5,989,850	4,149,231	49,189,412	49,202,158
	Rs.	23,835,584	27,372,156	28,751,861	23,835,584	-	-	257,835,485	240,420,372
Capsules	Nos.	2,454,871	3,449,624	1,895,146	2,454,871	845,862	1,404,069	5,932,560	6,654,519
	Rs.	6,923,483	12,941,050	5,122,652	6,923,483	-	-	34,572,493	35,693,185
Syrups /	Ml.	11,143,960	23,796,760	7,443,680	11,143,960	11,660,770	4,201,200	26,486,420	39,995,770
Liquids	Rs.	1,559,658	3,171,290	1,361,134	1,559,658	-	-	8,033,712	12,547,652
Gels	Gms.	1,830	89,460	2,010	1,830	960	5,700	(1,140)	(80,880)
	Rs.	876	48,430	(517)	876	-	-	(1,450)	(102,920)
Injections	Vials.	58,533	15,422	71,817	58,533	5,253	2,819	157,322	105,112
	Rs.	11,716,770	12,210,592	21,138,954	11,716,770	-	-	97,070,972	47,473,275
Biscuits	Nos.	-	3,659	-	-	39	7,867	(39)	(4,208)
	Rs.	-	76,730	-	-	-	-	(1,210)	(162,354)
Granules	Nos.	1,330,725	-	510,795	1,330,725	476,190	-	1,881,690	505,005
	Rs.	689,458	-	211,911	689,458	-	-	3,501,243	1,640,666
Total	Rs.	44,725,829	55,820,248	56,585,995	44,725,829	-	-	401,011,245	337,509,876
c) Others*	Nos.	-	-	-	-	-	-	-	-
	Rs.	-	-	-	-	-	-	4,873	39,994,426
Total	Rs.	-	-	-	-	-	-	4,873	39,994,426
Grand Total	Rs.	985,858,105	684,208,804	1,556,986,054	985,858,105	-	-	8,822,400,595	7,730,417,599

* Sales of Raw Materials

C. Purchase of Finished Goods

PRODUCTS	Units	Current Year	Previous Year
Tablets	Nos.	55,528,938	55,308,196
	Rs.	102,745,415	100,757,694
Capsules	Nos.	6,218,697	7,063,835
	Rs.	16,781,357	19,211,568
Syrups/Liquids	Ml.	34,446,910	31,544,170
	Rs.	6,295,442	4,920,952
Gel	Gms.	-	(162,810)
	Rs.	-	(75,949)
Injections	Vials.	175,859	151,042
	Rs.	53,395,259	29,913,166
Others	Gms.	1,537,950	1,835,730
	Rs.	883,350	1,143,558
Total	Rs.	180,100,823	155,870,989

D. Consumption of Raw Materials & Packing Materials

PRODUCTS	Current Year		Previous Year	
	Qty. (In doses)	Value	Qty. (In doses)	Value
Polio Virus	753,033,000	3,456,319,832	879,425,400	1,824,633,064
Others*	-	1,581,605,491	-	1,146,965,663
Total	-	5,037,925,323	-	2,971,598,727

* Items comprised in others are individually less than 10% of total value.

E. Value of Imports on CIF basis (on accrual basis)

PARTICULARS	Current Year	Previous Year
Raw Materials & Packing Materials	3,137,158,597	4,571,336,927
Capital Goods	406,552,457	457,267,055

F. Expenditure in Foreign Currency (on accrual basis)

PARTICULARS	Current Year	Previous Year
Know-how Fee	12,463,842	12,847,257
Royalty	2,727,870	38,025
Interest	218,116,913	206,189,558
Legal & Professional Fees	19,643,331	54,682,275
Other Expenses		
- Patents, Trade Marks & Product Registration	20,219,666	26,319,097
- Advertising and Sales Promotion	14,594,504	5,258,076
- Printing & Stationery	3,218	110,588
- Commission on Sales	18,868,008	65,806,641
- Market Research	8,045,375	30,286,500
- Others	34,136,629	39,604,033

G. Earnings in Foreign Exchange (on accrual basis)

PARTICULARS	Current Year	Previous Year
F.O.B. value of Exports (including deemed export of Rs. 3,396,590,606 (Previous Year Rs. 3,708,466,456)	6,465,393,668	5,588,991,868
R & D Services (Know-how) Income	935,820	1,699,562
Interest accrued but not due on loan from Subsidiary Company	44,996,688	28,887,763

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

PRODUCTS	Current Year		Previous Year	
	Amount in Rs.	%	Amount in Rs.	%
Indigenous	868,850,134	17.25	605,547,690	20.38
Imported	4,169,075,189	82.75	2,366,051,037	79.62
Total	5,037,925,323	100.00	2,971,598,727	100.00

I. Value of Imported/Indigenous Stores & Spare parts consumed

PRODUCTS	Current Year		Previous Year	
	Amount in Rs.	%	Amount in Rs.	%
Indigenous	168,801,875	81.97	163,479,798	85.13
Imported	37,122,136	18.03	28,564,016	14.87
Total	205,924,011	100.00	192,043,814	100.00

J. Remittance in foreign currency on account of dividend

PARTICULARS	Current Year	Previous Year
Dividend on Equity Shares *	-	1,045,000
Number of Non-resident Equity Shareholders	1	1
No. of Equity Shares held by them	1,045,000	1,045,000

* Dividend of previous year Rs.1,045,000 pertains to 2007-08.

16. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to maximum of Rs.350,000 (except in case of Managing/ Joint Managing/ Whole time Directors). The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the Profit & Loss Account and the funded status and amounts recognized in the Balance Sheet for the respective plans.

Profit and Loss Account:

Net employee benefit expense for Gratuity (recognized in Employee Cost)

PARTICULARS	2009-10	2008-09
Current service cost	13,810,838	13,052,834
Interest cost on benefit obligation	7,463,438	6,518,123
Expected return on plan assets	(3,955,091)	(2,703,704)
Net actuarial (gain)/loss recognized in the year on account of return on plan assets	(8,576,541)	(3,739,708)
Net benefit expense* (Refer note below)	12,172,929	13,127,545
Actual return on plan assets	(4,806,653)	(3,501,808)

* Includes Gratuity expense of Rs.1,129,063 (Previous Year Rs.1,062,491) accounted under Research & Development Expenses.

Balance Sheet:

Details of Provision for Gratuity

PARTICULARS	2009-10	2008-09
Defined benefit obligation	109,421,629	99,512,513
Fair value of plan assets	61,239,812	42,757,742
	48,181,817	56,754,771
Less: Unrecognized past service cost Plan (liability)	(48,181,817)	(56,754,771)

Changes in the present value of the defined benefit obligation for Gratuity are as follows:

PARTICULARS	2009-10	2008-09
Opening defined benefit obligation	99,512,513	86,908,312
Interest cost	7,463,438	6,518,123
Current service cost	13,810,838	13,052,834
Actual return on plan assets	-	-
Benefits paid	(3,640,181)	(4,025,152)
Actuarial (Gain)/losses on obligation	(7,724,979)	(2,941,604)
Closing defined benefit obligation	109,421,629	99,512,513

Changes in the fair value of plan assets for Gratuity are as follows:

PARTICULARS	2009-10	2008-09
Opening fair value of plan assets	42,757,742	29,229,237
Expected return	3,955,091	2,703,704
Contributions by employer	17,315,598	14,051,849
Benefits paid	(3,640,181)	(4,025,152)
Actuarial Gain /(losses)	851,562	798,104
Closing fair value of plan assets	61,239,812	42,757,742

The Company has since contributed Rs.17,315,598 to the gratuity fund.

The major categories of plan assets as a percentage of the fair value of total plan assets for Gratuity are as follows:

PARTICULARS	2009-10	2008-09
	%	%
Investments with insurer	100	100
Cash and bank balance with the insurer	0	0

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved debt market scenario.

The principal assumptions used in determining Gratuity for the Company's plans are shown below:

PARTICULARS	2009-10	2008-09
	%	%
Discount rate	7.50	7.50
Expected rate of return on plan assets	9.25	9.25
Increase in compensation cost	5.00	5.00
Employee turnover:		
upto 30 years	10.00	10.00
above 30 years but upto 44 years	5.00	5.00
above 44 years	1.00	1.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Gratuity amount for the current and previous four periods are as follows*:

PARTICULARS	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	109,421,629	99,512,513	86,908,312	53,612,703
Plan assets	61,239,812	42,757,742	29,229,237	21,292,086
Deficit	48,181,817	56,754,771	57,679,075	32,320,617
Experience adjustments on plan liabilities-(Gain)/Loss	(7,724,979)	(3,269,245)	-	-
Experience adjustments on plan assets-(Gain)/Loss	(851,562)	(798,104)	-	-

*The revised accounting standard AS-15 – Employee Benefits which provides for Acturial Valuation of Gratuity Liability was adopted in the year 2006-07. In the earlier years, acturial valuation was done in accordance with the pre-revised Accounting Standard, AS-15. Accordingly, comparative numbers of one year earlier than the year 2006-07 have not been furnished.

Defined Contribution Plan:

	2009-10	2008-09
Contribution to Provident Fund Charged to Profit and Loss Account	32,214,107	31,045,359

The Company expects to contribute Rs.16,000,000 to gratuity fund in the year 2010-11.

Note: During the year some employees of the Company have been transferred to its Associate Company PanEra Biotec Pvt. Ltd. As per the agreed terms, the tenure of the service for computation for post employment benefits would be taken in computation of period served with the Company. Accordingly, the liability of Rs.3,430,285 for Gratuity and Rs.2,375,986 for Leave Encashment in respect of transferred employees as at the date of transfer has also been transferred to PanEra Biotec Pvt. Ltd. The process of transferring the gratuity amount lying in the Company's gratuity fund is in progress.

17. The Company has incurred expenditure on Pre-Clinical Development studies amounting to Rs.32,125,547 during the year (Previous Year Rs.123,978,449) and Rs.479,497,285 as of March 31, 2010 (Rs.426,493,761 as of March 31, 2009). This expenditure relates to studies carried out by Clinical Research Organization (CRO) towards obtaining registration of Company's products in US and / or Europe. The expenditure incurred has been capitalized and carried in Capital Work in Progress. Management believes that it is in the nature of development expenditure and meets the capitalization criteria set out in Accounting Standard 26 on Intangible Assets notified by the Companies Accounting Standard Rules, 2006 due to the following reasons:

- The expenditure is not towards basic research and therefore no new chemical entity comes into being. This expenditure relates to the developmental work performed through external agencies (CROs). Safety profile of the basic molecule is well established in several countries in Europe and in India and the products are being marketed successfully in several countries under different brand names.
- There is no experience to suggest that the studies conducted by CROs on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in US and / or Europe.

The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities in US and / or Europe.

18. In accordance with Accounting Standard 9 on 'Revenue Recognition' notified by the Companies Accounting Standard Rules, 2006, Excise Duty on turnover amounting to Rs.7,969,727 (Previous year Rs.18,845,112) has been reduced from turnover in Profit & Loss Account and differential Excise Duty on opening and closing stock of finished goods amounting to Rs.Nil (Previous year Rs.Nil) has been adjusted from Raw Materials, Finished Goods, Work in Progress and Job Processing charges in Schedule XIII.

19. The Company had exercised the option as per the Companies (Accounting Standard) Amendment Rules, 2009 in the financial year 2008-09. As per the option, exchange differences related to long term foreign currency monetary items so far as they relate to the acquisition of a depreciable capital assets are capitalized and depreciated the same over the useful life of the assets. In other cases, have transferred to Foreign Currency Monetary Item Translation Difference Account and amortized over the balance period of such long term assets/liabilities but not beyond accounting period ending on or before 31st March 2011. The unamortized balance in this account is Rs.16,773,412 (liability) (Previous year Rs. 95,961,134 (asset)).

20. The Company has appointed independent consultants for conducting a Transfer Pricing study to determine whether the transactions with associated enterprises were undertaken at "arms length basis". The management confirms that all international transactions with associated enterprises are undertaken at negotiated contracted prices on usual commercial terms. Further there has been no change in the terms of such international transactions till March 31, 2010.

21. In the current year, the Company has received a capital subsidy of Rs.3,000,000 under the Central Investment Subsidy Scheme, 2003 based on investment in plant & machinery as its manufacturing unit at Baddi, in the state of Himachal Pradesh which is in the nature of promoters' contribution. As per the scheme, the Company has to maintain such investment for a minimum period of five years. This has been treated as capital reserve in books of account.

22. Owing to recoveries, during the year, the Company has written back the provision for bad and doubtful advances of Rs. 135,532,654 created during earlier years on account of old recoverable from PanEra Biotec Pvt. Ltd., an associate company. The same has been shown as other income during the year.

23. The Company has received a soft loan from President of India acting through Department of Biotechnology, Ministry of Science & Technology, Government of India under Biotechnology Industrial Partnership Programme (BIPP) for its H1N1 project. Repayment of the loan shall be in 10 equal half-yearly installments and repayment would commence one year after the completion of the said project.

24. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date

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

For and on behalf of the Board

Ravinder Jain
Managing Director

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

Dr. Rajesh Jain
Joint Managing Director

ADDITIONAL INFORMATION
AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

1. Registration Details

Registration No.	22350	State Code	16
Balance Sheet Date	31/03/2010		

2. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3. Position of mobilization and deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	14,745,105	Total Assets	14,745,105
Source of Funds			
Paid up Capital	66,843	Reserves & Surplus	6,898,200
Secured Loans	5,081,382	Unsecured Loans	1,973,004
Deferred Tax Liability	708,903	Foreign Currency Monetary Item Translation Difference Account	16,773
Application of Funds			
Net Fixed Assets	6,946,580	Investments	2,258,323
Net Current Assets	5,538,232	Misc. Expenditure (to the extent not W/off)	1,970
Accumulated Losses	Nil		

4. Performance of Company (Amount in Rs. Thousand)

Turnover (Including Other Income)	9,778,584	Total Expenditure	8,597,785
Profit/(Loss) before Tax	1,180,799	Profit/Loss after Tax	800,190
Earnings per share (Rs.)	11.98	Dividend @	25%

5. Generic Name of Three Principal Products/ Services of Company

Item Code No. (ITC Code)	3002 20 14
Product Description	Vaccine-Polio
Item Code No. (ITC Code)	3004 20 99
Product Description	Gliclazide Tab
Item Code No. (ITC Code)	3002 20 29
Product Description	Vaccine-Mixed

For and on behalf of the Board

Ravinder Jain
Managing Director

Dr. Rajesh Jain
Joint Managing Director

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

Vinod Goel
G.M. Legal & Company Secretary

Place : New Delhi
Dated : May 7, 2010

CASH FLOW STATEMENT
ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2010

Amount in Rs.

		For the year ended 31st March, 2010		For the year ended 31st March, 2009
A. Cash Flow from Operating Activities				
Net Operating Profit / (Loss) before Tax & Extraordinary Items		1,180,798,836		(923,740,873)
Adjustments for:				
Depreciation	664,538,337		705,099,242	
Interest Expenses	382,672,685		321,070,800	
Provision for Doubtful Debts & Advances	(131,023,533)		384,794	
Interest Income	(53,646,769)		(168,062,520)	
Dividend Income	(33,184)		(18,367,280)	
Loss/ (Profit) on sale of Fixed Assets (Net)	14,139,175		(7,171,144)	
Profit on sale of Investments	-		(1,257,126)	
Unrealized foreign exchange loss/(gain) (net)	(1,322,898,935)		1,675,903,989	
Amortised exchange differences Charge/(Credit)	(16,773,412)		47,980,567	
Deferred Revenue Expenditure written off during the year	1,682,400		1,682,400	
Product Development Expenses written off	19,395,518		-	
Provision for Impairment	-		284,178,318	
		(441,947,718)		2,841,442,040
Operating Profit before Working Capital changes		738,851,118		1,917,701,167
(Increase) / Decrease in Trade and Other Receivables	315,601,084		221,686,892	
(Increase)/Decrease in Inventories	(77,081,556)		(2,361,589,208)	
Increase / (Decrease) in Current Liabilities & Provisions	(111,321,901)		507,284,405	
		127,197,627		(1,632,617,911)
Cash generated from Operations		866,048,745		285,083,256
Net Income Taxes Paid		108,639,110		235,177,426
Net cash from Operating Activities		757,409,635		49,905,830
B. Cash flow from Investing Activities				
Purchase of Fixed Assets	(1,172,773,839)		(1,614,772,785)	
Proceeds of deposits matured (with maturity more than three months)	69,546,030		1,250,968,300	
Deposits (with maturity more than three months)	-		(70,467,843)	
Trade Investment in Shares of Joint Venture/ Subsidiary Companies	(92,623,302)		(283,200,650)	
Non-trade Investment in Shares of Associate	(2,500)		(41,257,126)	
Loan to Joint Venture & Subsidiary Companies	(65,761,732)		(747,317,829)	
Sale of Non-trade Investments in Partnership Firm	-		41,257,126	
Sale of Fixed Assets	5,334,741		42,514,714	
Interest Received	39,476,815		142,045,313	
Dividends received	33,184		18,367,280	
Net cash used in investing activities		(1,216,770,603)		(1,261,863,500)
Net cash from Operating and Investing Activities		(459,360,968)		(1,211,957,670)
C. Cash flow from Financing Activities				
Issue of Equity Share Capital (incl premium)	29,910,726		-	
Capital Subsidy received	3,000,000			
Net increase / (Decrease) in Working Capital Borrowings	602,186,740		1,265,036,897	
Long Term Borrowings raised	30,000,000		840,998,055	
Fixed Deposits received	320,500,000		300,500,000	
Fixed Deposits repaid	(300,500,000)		(436,110,000)	
Interest paid	(379,910,006)		(321,130,220)	
Dividend paid	-		(66,693,746)	
Tax paid on Dividend Distribution	-		(11,334,602)	
Net Cash from Financing activities		305,187,460		1,571,266,384
Net Cash from Operating, Investing & Financing Activities		(154,173,508)		359,308,714
Net increase/ (decrease) in Cash & Cash equivalent		(154,173,508)		359,308,714
Opening balance of Cash & Cash equivalent		524,341,553		160,834,507
Add/Less: Effect of Exchange Differences on Cash and Cash Equivalents held in foreign currency		(7,722,245)		4,198,332
Closing balance of Cash & Cash equivalent		362,445,800		524,341,553

Contd...

Amount in Rs.

		For the year ended 31st March, 2010	For the year ended 31st March, 2009
	Components of cash and cash equivalents		
i)	Cash Balance on Hand	311,035	579,589
ii)	Balance with Scheduled Banks :		
	a) In Cash Credit Accounts	108,977,118	-
	a) In Current Accounts	46,933,851	25,557,539
	b) In Unpaid Dividend Accounts*	1,392,070	1,583,956
	c) On Fixed Deposits	921,813	70,467,843
	d) In Exchange Earner Foreign Currency Current Accounts	204,831,726	496,620,469
	Cash & Bank Balances as per Schedule VII	363,367,613	594,809,396
	Less: Fixed deposits not considered as cash equivalents	(921,813)	(70,467,843)
	Cash & Cash Equivalents in Cash Flow Statement	362,445,800	524,341,553

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board

Ravinder Jain
Managing Director

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

Dr. Rajesh Jain
Joint Managing Director

STATEMENT U/S 212
OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of the Company	Date from which they became subsidiary Company	Financial Year of the subsidiary ended on	Shares of the subsidiary held by Panacea Biotec Ltd. on the above dates			Net aggregate Profit or (Loss) for the current year (in Rs.)	Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is dealt with in the accounts of holding company		Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is not dealt with in the accounts of holding company	
				i) Number & face value		ii) Extent of holding		a) for the financial year of the subsidiary	b) for the previous financial years of the subsidiary since it became its subsidiary.	a) for the financial year of the subsidiary	b) for the previous financial years of the subsidiary since it became its subsidiary
1	Best On Health Ltd.	15.03.2000	31.03.2010	1,902,160	Re.1	100%	16,792,880	-	-	16,792,880	34,870,682
2	Radicura & Co. Ltd.	16.07.1999*	31.03.2010	1,98,250	Rs.10	100%	(130,824)	-	-	(130,824)	(151,553)
3	Panacea Hospitality Services Pvt. Ltd.	23.08.2007*	31.03.2010	100,000	Re.1	100%	10,602	-	-	10,602	(95,257)
4	Panacea Educational Institute Pvt. Ltd.	23.08.2007*	31.03.2010	100,000	Re.1	100%	9,249	-	-	9,249	(94,101)
5	Sunanda Steel Co. Ltd.	05.09.2007*	31.03.2010	500,000	Re.1	100%	(31,464)	-	-	(31,464)	(172,808)
6	Umkal Medical Institute Pvt Ltd.	30.06.2008	31.03.2010	3,765,701	Rs.10	75.2%	(82,817)	-	-	(82,817)	812,693
7	Panacea Biotec GmbH	11.06.2008	31.03.2010	25,000	Euro 1	100%	(490,993)	-	-	(490,993)	59,639
8	Panacea Biotec, Inc	15.07.2008	31.03.2010	501	US $ 100	100%	(495,451)	-	-	(495,451)	(485,926)
9	Panacea Biotec, FZE	16.03.2008	31.03.2010	5	AED 100000	100%	(692,994)	-	-	(692,994)	(82,560)
10	Rees Investments Ltd.	16.09.2008	31.03.2010	1,000	US $ 0.01	100%	(1,305,329)	-	-	(1,305,329)	(1,706,647)
11	Kelisia Holdings Ltd.**	18.09.2008	31.03.2010	1000	Euro 1	100%	(39,782,508)	-	-	(39,782,508)	(41,380,725)
12	Kelisia Investment Holdings Ltd.***	22.10.2008	31.03.2010	5000	CHF 100	100%	(3,808,315)	-	-	(3,808,315)	(817,345)
13	Panacea Biotec International SA****	19.02.2009	31.03.2010	6000	CHF 100	100%	(58,052,805)	-	-	(58,052,805)	(312,976)
14	Panacea Biotec (Europe) AG*****	10.06.2009	31.03.2010	1000	CHF 100	100%	(1,234,417)	-	-	(1,234,417)	-

** Indirect Subsidiary through Rees Investment Ltd.

*** Indirect Subsidiary through Kelisia Holdings Ltd.

**** Indirect Subsidiary through Kelisia Investment Holdings Ltd.

***** Indirect Subsidiary through Panacea Biotec International SA Ltd.

For and on behalf of the Board

Ravinder Jain
Managing Director

Dr. Rajesh Jain
Joint Managing Director

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

Vinod Goel
G.M. Legal & Company Secretary

Place : New Delhi
Dated : May 7, 2010

FINANCIAL DETAILS OF SUBSIDIARY COMPANIES

	Name of the Company	As on 31st March, 2010					For the year/ period ended 31st March, 2010				
		Capital	Reserves & Surplus	Total Assets	Total Liabilities	Details of investment (except in case of investment in subsidiary)	Turnover including other income)	Profit/ (Loss) before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1	Best On Health Ltd	18,538,826	2,046,437,400	2,102,261,642	2,102,261,642	164,380	36,707,673	29,776,851	12,983,971	16,792,880	-
2	Radicura & Co. Ltd.*	1,982,500	8,350,994	412,224,264	412,224,264	-	64,461	(131,524)	(700)	(130,824)	-
3	Panacea Hospitality Services Pvt. Ltd.*	100,000	(84,655)	298,692,304	298,692,304	-	54,167	27,340	16,738	10,602	-
4	Panacea Educational Institute Pvt. Ltd.*	100,000	(84,852)	319,545,148	319,545,148	-	52,212	25,383	16,134	9,249	-
5	Sunanda Steel Co. Ltd.*	500,000	(204,272)	212,785,036	212,785,036	-	13,765	(27,609)	3,855	(31,464)	-
6	Umkal Medical Institute Pvt. Ltd.	34,636,437	144,845,608	179,548,225	179,548,225	-	-	(119,851)	(37,034)	(82,817)	-
7	Panacea Biotec GmbH	1,513,750	26,794	1,661,644	1,661,644	-	-	(490,993)	-	(490,993)	-
8	Panacea Biotec, Inc	2,249,741	30,146	2,611,689	2,611,689	-	-	(495,451)	-	(495,451)	-
9	Panacea Biotec, FZE	6,151,356	42,141	6,255,017	6,255,017	-	-	(692,994)	-	(692,994)	-
10	Rees Investments Ltd.	449	(2,913,571)	729,290,340	729,290,340	-	46,334,855	(1,305,329)	-	(1,305,329)	-
11	Kelisia Holdings Ltd.**	60,550	(415,252,000)	299,720,644	299,720,644	243,176,342	-	(39,782,508)	-	(39,782,508)	-
12	Kelisia Investment Holdings Ltd. ***	21,215,000	(4,521,856)	52,689,156	52,689,156	-	-	(3,797,853)	10,462	(3,808,315)	-
13	Panacea Biotec International SA ****	25,458,000	(56,822,032)	6,615,719	6,615,719	-	-	(58,037,112)	15,693	(58,052,805)	-
14	Panacea Biotec (Europe) AG *****	4,243,000	(1,201,508)	4,622,748	4,622,748	-	-	(1,216,980)	(17,437)	(1,234,417)	-

Notes:

* Wholly owned subsidiary till 24.01.2008 and became indirect subsidiary through Best On Health Ltd. from 25.01.2008.

** Indirect Subsidiary through Rees Investment Ltd.

*** Indirect Subsidiary through Kelisia Holdings Ltd.

**** Indirect Subsidiary through Kelisia Investment Holdings Ltd.

***** Indirect Subsidiary through Panacea Biotec International SA Ltd.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To

The Board of Directors of Panacea Biotec Limited on Consolidated Financial Statements of Panacea Biotec Limited, its Subsidiaries, Associates and Joint Venture.

1. We have audited the attached consolidated balance sheet of Panacea Biotec Limited ("the Company"), its Subsidiaries, Associates and Joint Venture (together referred to as "PBL Group"), as at March 31, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Panacea Biotec Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. (a) We have not audited the financial statements of the Subsidiaries and Associates whose financial statements reflect PBL Group's share of total assets of Rs.2,986,339,336 as at 31st March 2010, the total revenue of Rs.37,814,598 and net cash out flows of Rs.39,263,835 for the year then ended as considered in the consolidated financial statements. These financial statements and other financial information of the Subsidiaries and Associates have been audited by other auditors whose report have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these Subsidiaries and Associates, is based solely on the report of other auditors.

   (b) *The consolidated financial statements of PBL Group includes assets, revenues and cash out flows of Rs.1,225,830, Rs. Nil and Rs.569,831 respectively in relation to Group's share in Subsidiary (Panacea Biotec GmbH-Germany), based on unaudited financial statements. The effect of adjustments, if any, that may have been required to be made to the accompanying consolidated financial statements, had those component been audited, is not currently ascertainable.*

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Venture, notified pursuant to the Companies (Accounting Standards) Rules 2006.

5. (a) Without qualifying our opinion, we draw attention to Note 3(ii) of Schedule XXI B to the financial statements regarding non-provision of proportionate premium on redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' amounting to Rs. 564,995,867. The same has been disclosed as a contingent liability. Management has represented, that the redemption premium will be offset against the securities premium account and, hence, no adjustments have been considered in the accounts.

   (b) Without qualifying our opinion, we draw attention to Note 14 of Schedule XXI B to the financial statements regarding capitalization of expenditure on clinical trials amounting to Rs. 32,125,547 for year ended March 31, 2010 and Rs.479,497,285 as of March 31, 2010. The ultimate approval of such products, which has been considered as highly likely by the management, is not within direct control of the Company. Pending such final approval, no adjustments have been made to the accompanying financial statements.

   (c) Without qualifying our opinion, we draw attention that the Company had incurred managerial remuneration of Rs. 63,035,463 for the financial year ending 31st March 2009, which was in excess of the limits specified by the relevant provisions of the Companies Act, 1956, by Rs. 38,169,706. The Company has obtained approval from Central Government vide its letter dated December 23, 2009 in respect to remuneration paid amounting to Rs.25,296,096 and the requisite approval for balance remuneration is awaited. Pending the final outcome of the Company's application for balance remuneration, no adjustments have been made to the accompanying financial statements in this regard.

6. Based on our audit on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanation given to us, we are of the opinion that the attached consolidated financial statements, *subject to matter referred to para 3(b), the effect of which is not currently ascertainable*; give a true and fair view in conformity with the accounting principles generally accepted in India.

   (a) in the case of the consolidated balance sheet, of the state of the affairs of the PBL Group as at March 31, 2010;

   (b) in the case of the consolidated profit and loss account, of the profit of PBL Group for the year ended on that date; and

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

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

per Rajiv Goyal
Partner
Membership No.: 94549

Place : New Delhi
Date : May 07, 2010

Panacea Biotec
Innovation in support of life

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2010

Amount in Rs.

	Schedule No.	As at 31st March, 2010		As at 31st March, 2009	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	66,842,746		66,786,312	
Reserves & Surplus	II	6,940,442,926	7,007,285,672	6,100,715,573	6,167,501,885
Minority Interest	III				
Equity		12,418,800		12,418,800	
Non Equity		35,921,710	48,340,510	16,550,130	28,968,930
Loan Funds					
Secured Loans	IV	5,081,382,387		4,836,102,165	
Unsecured Loans	V	1,973,004,000	7,054,386,387	2,193,996,000	7,030,098,165
Deferred Tax Liability (Net) (Refer note no. 7 of Schedule XXI B)			710,078,177		334,786,544
Foreign Currency Monetary Item Translation Difference Account (net of amortisation) (Refer note no.16 of Schedule XXI B)			16,773,412		-
	Total		14,836,864,158		13,561,355,524
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	VI	9,737,165,372		9,025,576,963	
Less : Depreciation/Amortisation		2,822,827,634		2,213,043,241	
Net Block		6,914,337,738		6,812,533,722	
Capital Work-in-Progress (including capital advances)		1,719,607,602	8,633,945,340	1,777,023,749	8,589,557,471
Investments	VII		726,682,719		700,599,288
Foreign Currency Monetary Item Translation Difference Account (net of amortisation) (Refer note no.16 of Schedule XXI B)			-		95,961,134
Current Assets, Loans & Advances	VIII				
Inventories		4,576,716,912		4,513,037,066	
Sundry Debtors		1,075,893,668		1,201,730,208	
Cash & Bank Balances		470,448,888		748,422,730	
Other Current Assets		31,253,974		28,502,889	
Loans and Advances		1,340,791,766		1,233,020,316	
	(A)	7,495,105,208		7,724,713,209	
Less : Current Liabilities & Provisions	IX				
Current Liabilities		1,532,355,354		1,692,582,309	
Provisions		488,483,274		1,861,052,904	
	(B)	2,020,838,628		3,553,635,213	
Net Current Assets (A)-(B)			5,474,266,580		4,171,077,996
Miscellaneous Expenditure (To the extent not written off or adjusted)	X		1,969,519		4,159,635
	Total		14,836,864,158		13,561,355,524
Significant Accounting Policies and Notes to Accounts	XXI				

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

As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board

Ravinder Jain
Managing Director

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

Dr. Rajesh Jain
Joint Managing Director

CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010

Amount in Rs.

	Schedule No.		As at 31st March, 2010		As at 31st March, 2009
INCOME					
Turnover (Gross)	XI	9,009,467,958		7,900,564,192	
Less: Excise Duty		7,969,727	9,001,498,231	18,845,112	7,881,719,080
Other Income	XII		936,346,858		311,956,924
Total Income			9,937,845,089		8,193,676,004
EXPENDITURE					
Purchases of Finished Goods			205,753,312		186,401,696
Raw and packing material consumed	XIII		5,015,567,380		2,952,548,877
Operating and other expenses	XIV		898,374,304		3,393,917,326
(Increase)/Decrease in inventories	XV		(501,408,435)		(452,622,474)
Personnel Expenses	XVI		1,036,099,036		956,778,484
Selling & Distribution Expenses	XVII		474,655,532		458,230,492
Research & Development Expenses	XVIII		753,062,612		669,944,045
Financial expenses	XIX		426,233,420		348,181,812
Depreciation/Amortisation	VI		499,609,623		545,172,635
Miscellaneous Expenditure written off during the year	X		2,190,116		1,787,071
Total Expenditure			8,810,136,900		9,060,339,964
Profit/(Loss) Before Tax			1,127,708,189		(866,663,960)
Provision for Income Tax		204,533,320		24,396,207	
Less: MAT Credit entitlement		177,691,380		-	
Net Current Tax Liability			26,841,940		24,396,207
Provision for Tax (Earlier years)			1,454,423		89,323
Deferred Income Tax (Credit)/ Charge (Refer note no.7 of Schedule XXI B)			375,291,633		(260,618,147)
Provision for Fringe Benefit Tax			-		29,393,489
Profit/(Loss) After Tax			724,120,193		(659,924,832)
Add: Share of Profit / (Loss) in Associates			93,039,141		5,306,590
Add: Share of Minority Interests in (Profit) / Losses			20,538		(188,030)
Net Profit/(Loss) for the Year			817,179,872		(654,806,272)
Add : Balance brought forward from previous year			2,145,733,324		2,806,000,020
Profit available for Appropriations			2,962,913,196		2,151,193,748
APPROPRIATIONS					
Dividend					
- Equity Shares-Proposed (not liable to TDS)			16,710,687		-
- Preference Shares - Interim (not liable to TDS)			-		33,184
Dividend Distribution Tax			2,839,981		3,127,240
Transfer to General Reserve			80,018,969		2,300,000
Balance carried to Balance Sheet			2,863,343,559		2,145,733,324
Basic Earnings per Share	XX		12.24		(9.82)
Diluted Earnings per Share	XX		11.46		(9.82)
Face value/Nominal Value per Share			1.00		1.00
Significant Accounting Policies and Notes to Accounts	XXI				

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

As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

For and on behalf of the Board

Ravinder Jain
Managing Director

Dr. Rajesh Jain
Joint Managing Director

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Amount in Rs.

		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE I - SHARE CAPITAL				
Authorised				
Comprising of				
i. 125,000,000 (Previous Year 125,000,000) Equity Shares of Re.1 each		125,000,000		125,000,000
ii. 110,000,000 (Previous Year 110,000,000) Preference Shares of Rs.10 each		1,100,000,000		1,100,000,000
		1,225,000,000		1,225,000,000
Issued, Subscribed & Paid up				
66,842,746 (Previous Year 66,693,746) Equity Shares of Re 1 each fully paid-up	66,842,746		66,693,746	
Add: Forfeited Shares (14,900 Shares @ Rs.10 each forfeited on May 15, 1999, which were later on sub-divided into 1,49,000 Equity Shares of Re.1 each on February 12, 2003)	-	66,842,746	92,566	66,786,312
(1,49,000 Forfeited Shares which were earlier allotted on 24th August, 2005 in the name of employees of the Company (in their capacity as Company's nominees/ trustees) for sale thereof at the prevailing market prices through recognised Stock Exchanges on the terms & conditions as specified by Managing/Joint Managing Directors or Director of the Company, have been sold during the year and net proceeds aggregating Rs. 299.11 Lacs has been received by the Company)				
(Out of the above shares, 1,814,240 Equity Shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years, which were later on sub-divided into 18,142,400 Equity Shares of Re.1 each on February 12, 2003, these shares have been sold in the open market in the current year as fully paid, consequently amount of Rs.92,566 has been transferred to Capital Reserve)				
		66,842,746		66,786,312
SCHEDULE II - RESERVES AND SURPLUS				
Capital Redemption Reserve		1,016,849,140		1,016,849,140
Capital Reserve (Refer Note below)		3,092,566		-
Securities Premium				
Amount as per last Balance Sheet	2,785,103,626		2,785,103,626	
Add: Credited Upon Issue of Forfeited Equity Shares	29,761,726	2,814,865,352	-	2,785,103,626
General Reserve				
Amount as per last Balance Sheet	151,577,286		279,334,119	
Less: Exchange Differences of Earlier Years Capitalised to Fixed Assets (Net of Depreciation Rs. 1,609,882)	-		37,586,515	
Less: Exchange Differences of Earlier Years Transferred to the "Foreign Currency Monetary Item Translation Difference Account"	-		92,470,318	
Add: Transfer from Profit & Loss Account	80,018,969	231,596,255	2,300,000	151,577,286
Foreign Curreny Translation Reserve				
Amount as per last Balance Sheet	1,452,197		7,009,383	
Less: Transfer to P&L Account	-		7,009,383	
Add: Additions during the year	9,243,857	10,696,054	1,452,197	1,452,197
Profit & Loss Account		2,863,343,559		2,145,733,324
		6,940,442,926		6,100,715,573

Note:
Company has received a capital subsidy of Rs.3,000,000 under the Central Investment Subsidy Scheme, 2003 [Refer note 20 of Schedule XXI B]. During the year, 149,000 Forfeited Equity Shares of the Company, which were earlier re-issued and held in the name of the Company's employees as nominees/ trustees, were sold during the year in the open market for Rs. 29,910,726. Out of the above, Rs.29,761,726 has been credited in the Securities Premium Account.

Amount in Rs.

		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE - III MINORITY INTEREST				
i) Minority Interest in Equity of Umkal Medical Institute Pvt. Ltd.				
1,241,880 Equity Shares of Rs.10 each, fully paid up		12,418,800		12,418,800
ii) Minority Interest in Non-Equity of Umkal Medical Institute Pvt. Ltd.				
a) Securities Premium		35,754,218		16,362,100
b) Balance in Profit & Loss Account				
Share of Profit/(Loss) brought forward	188,030		-	
Share of Profit/(Loss) of the year	(20,538)	167,492	188,030	188,030
		48,340,510		28,968,930
SCHEDULE IV- SECURED LOANS				
Foreign Currency Term Loans (from Banks)				
i) State Bank of India		1,796,200,000		2,028,800,000
(Due within one year Rs. Nil (Previous Year Rs.Nil))				
Interest Accrued & Due		8,553,385		12,416,668
ii) State Bank of Travancore		1,126,992,100		1,272,932,614
(Due within one year Rs. Nil (Previous Year Rs.Nil))				
Interest Accrued & Due		5,642,204		-
Term Loan (from Government of India)		30,000,000		-
(Due within one year Rs. Nil (Previous Year Rs.Nil))				
Working Capital Loans from Scheduled Banks		793,577,675		1,521,789,762
Interest Accrued & Due		4,736,147		-
Buyers' Credit		1,315,680,876		-
(Due within one year Rs. 1,315,680,876 (Previous Year Rs.Nil))				
Vehicle Loan		-		163,121
Secured by hypothecation of Vehicle				
		5,081,382,387		4,836,102,165

Notes :

1. Foreign currency Term Loans from State Bank of India and State Bank of Travancore are secured by way of first pari-passu charge by hypothecation of the company's entire movable fixed assets, both present and future and mortgage of immovable properties of the company being land admeasuring 96 bighas, 19 biswas & 93 bighas, 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh. Foreign currency term loan from State Bank of India is also collaterally secured by personal guarantees of the promoter- Directors of the company, viz. Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

2. Company has received a soft loan from President of India acting through Department of Biotechnology, Ministry of Science & Technology, Government of India under Biotechnology Industrial Partnership Programme (BIPP). This loan is secured by way of hypothecation of the company's all equipments, apparatus, machineries, machineries spares, tools, and other accessories, goods and/or other movable property present and future on a pari-passu basis. The creation of charge for the hypothecation is in progress. (Refer note no. 21 of schedule XXI B)

3. Working capital loans from schedule banks & Buyers' Credit are secured by way of first pari passu charge by hypothecation of all current assets and also by way of second pari-passu charge on all the movable fixed assets (including machinery and spares) of the company and existing immovable properties of the company being land admeasuring 96 bighas, 19 biswas & 93 bighas, 12 biswas & 10 biswasi situated at village Samalheri, Tehsil Dera Bassi, District S.A.S. Nagar (Mohali), Punjab and land admeasuring 26 bighas, 3 biswas situated at Village Manpura, Tehsil Nalagarh, District Solan and land admeasuring 91 bighas, 1 biswas situated at Village Malpura, Tehsil Nalagarh, District Solan in the state of Himachal Pradesh. These are also collaterally secured by personal guarantees of the Promoter- Directors of the company, viz Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Dr. Rajesh Jain and Mr. Sandeep Jain.

Amount in Rs.

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE V - UNSECURED LOANS		
Fixed Deposits*	320,500,000	300,500,000
(Due within one Year Rs.181,000,000 (Previous Year Rs. 55,000,000))		
Other Loans:		
Foreign Currency Convertible Bonds** US$ 36,800,000 (Previous Year US$ 36,800,000)		
Zero Coupon Convertible Bonds due 2011 (Due within one year Rs.1,652,504,000 (Previous Year Rs.Nil))	1,652,504,000	1,866,496,000
Loan from Lakshmi & Manager Holdings Ltd. (Due within one year Rs.Nil (Previous Year Rs.27,000,000)	-	27,000,000
	1,973,004,000	2,193,996,000

Notes:

*It includes Rs.315,000,000 (Previous Year Rs.300,000,000) from partnership firm in which some directors and their relatives are partner.

**Unless previously converted, redeemed or repurchased & cancelled, the remaining FCCBs of US $ 36,800,000, which were issued on 13.02.2006, will be redeemed on Feb 14, 2011 at 142.80% of their outstanding principal amount.

DESCRIPTION	GROSS BLOCK					DEPRECIATION / AMORTISATION				NET BLOCK	
	As At 1/4/2009	Additions during the Year*	Adjustments**	Sale/ Adjustment during the Year	As At 31/3/2010	As At 1/4/2009	Provided during the Year	Sale/Adjustment during the Year	As At 31/3/2010	As At 31/3/2010	As At 31/3/2009
A. Tangible Assets											
Land - Freehold	1,782,408,983	9,735,170	-	54,000	1,792,090,153	-	-	-	-	1,792,090,153	1,782,408,983
Land - Leasehold	54,832,230	-	-	-	54,832,230	832,615	765,638	-	1,598,253	53,233,977	53,999,615
Buildings	1,803,639,617	142,835,740	78,517,450	302,980	1,867,654,927	321,039,401	109,697,722	25,036	430,712,087	1,436,942,840	1,482,600,216
Leasedhold Improvement	81,039,422	5,146,114	217,881	-	85,967,655	77,518,595	5,779,493	-	83,298,088	2,669,567	3,520,827
Plant & Machinery	4,238,941,692	992,635,841	372,937,100	39,149,343	4,819,491,090	1,240,572,196	435,552,949	30,023,343	1,646,101,802	3,173,389,288	2,998,369,496
Furniture & Fittings	289,418,865	17,458,575	6,405,691	2,264,954	298,206,795	132,123,747	28,585,424	1,709,689	158,999,482	139,207,313	157,295,118
Vehicles	144,617,819	31,813,492	-	14,890,446	161,540,865	74,191,606	20,387,291	10,497,273	84,081,624	77,459,241	70,426,213
Office Equipments	209,422,526	6,226,363	1,709,989	13,633,739	200,305,161	85,807,456	17,307,653	9,162,889	93,952,220	106,352,941	123,615,070
Computer Equipments	170,422,507	10,875,100	1,698,673	14,642,983	164,955,951	125,005,147	19,270,120	14,207,907	130,067,360	34,888,591	45,417,360
TOTAL (A)	8,774,743,661	1,216,726,395	461,486,784	84,938,445	9,445,044,827	2,057,090,763	637,346,290	65,626,137	2,628,810,916	6,816,233,911	6,717,652,898
Capital Work in Progress										974,206,821	1,129,304,823
Previous Year	5,696,516,544	3,142,227,273	11,695,186	52,304,970	8,774,743,661	1,389,132,586	683,962,960	14,394,901	2,057,090,763	6,717,652,898	4,307,383,958
B. Intangible Assets											
Goodwill	36,248,978	19,392,118	-	-	55,641,096	22,901,279	5,276,136	-	28,177,415	27,463,681	13,347,699
Patents, Trademarks & Designs	58,054,640	4,359,340	-	617,828	61,796,152	46,865,796	3,552,609	75,888	50,342,517	11,453,635	11,188,844
Softwares	86,746,473	11,843,385	-	82,600	98,507,258	55,193,414	16,078,316	67,453	71,204,277	27,302,981	31,553,059
Website	9,202,695	136,500	-	-	9,339,195	9,202,695	31,975	-	9,234,670	104,525	-
Product Development	60,580,516	6,256,328	-	-	66,836,844	21,789,294	13,268,545	-	35,057,839	31,779,005	38,791,222
TOTAL (B)	250,833,302	41,987,671	-	700,428	292,120,545	155,952,478	38,207,581	143,341	194,016,718	98,103,827	94,880,824
Capital Work in Progress										745,400,781	647,718,926
Previous Year	368,055,883	54,813,775	-	172,036,356	250,833,302	172,089,812	30,235,082	46,372,416	155,952,478	94,880,824	195,966,071
TOTAL (A+B)	9,025,576,963	1,258,714,066	461,486,784	85,638,873	9,737,165,372	2,213,043,241	675,553,871	65,769,478	2,822,827,634	6,914,337,738	6,812,533,722
Capital Work in Progress										1,719,607,602	1,777,023,749
Previous Year	6,064,572,427	3,197,041,048	11,695,186	224,341,326	9,025,576,963	1,561,222,398	714,198,042	60,767,317	2,213,043,241	6,812,533,722	4,503,350,029

Notes :

1. Freehold Land includes Land amounting to Rs.16,395,690 (Previous Year Rs. 17,285,690) pending registration in the name of the Company
2. Building includes Office Premises amounting to Rs. 155,892,400 (Previous Year Rs. 155,892,400) pending registration in the name of the Company.
3. Plant & Machinery includes Plant & Machinery amounting to Rs.3,521,331 (Previous Year 4,543,083) (Net Block) lying with third parties.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs. 175,944,248 (Previous Year Rs.169,025,407).
5. Capital Work in Progress includes pre-operative expenditure. (Refer Note No.4 of schedule XXI B)
6. All Intangible assets (except Softwares) are internally generated Intangible assets.

* Includes exchange differences capitalized during the year Rs.Nil (Previous year Rs. 730,764,477)

** Exchange differences (capitalised) / decapitalized during the year.

Amount in Rs.

		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE VII - INVESTMENTS				
Long Term Investments (At cost)				
A. Non-Trade - Quoted:				
10,000 (Previous Year 10,000) Equity Shares of Rs.10 each fully paid up of Medicamen Biotec Ltd.		100,000		100,000
- Unquoted:				
41,257,126 (Previous Year 41,257,126) Equity Shares of Re.1 each fully paid up in Lakshmi & Manager Holdings Ltd.	39,853,180		41,957,109	
Add: Profit / (Loss) for the year	3,284,576	43,137,756	(2,103,929)	39,853,180
B. Trade -Quoted:				
3,733,334 (Previous Year 3,733,334) Equity Shares of US $ 0.0001 each fully paid up in PharmAthene Inc.		582,654,761		649,777,351
- Unquoted :				
a) 419,767 (Previous Year 419,767) Equity Shares of Rs.10 each fully paid up in PanEra Biotec Pvt. Ltd.	10,668,757		3,258,238	
Add: Profit / (Loss) for the year	89,754,565	100,423,322	7,410,519	10,668,757
b) 20,250 (Previous Year 20,000) Equity Shares of Rs.10 each fully paid up in Shivalik Solid Waste Management Ltd.		202,500		200,000
c) 4,608,608 (Previous Year 4,608,608) Ordinary Shares of GBP 0.01 (Face Value) each fully paid up in Cambridge Biostability Limited, U.K.	168,068,998		168,068,998	
Less : Provision for Permanent Diminution in the value of Investments (Refer note no. 12(b) of Schedule XXI B)	168,068,998	-	168,068,998	-
Current Investments (at lower of cost or market value)				
- Quoted				
164.201 Units (Previous Year NIL) of Rs. 1,001.1364 NAV in Reliance Liquid Plus Fund - Inst - Daily Dividend		164,380		-
		726,682,719		700,599,288
Notes:				
1. Aggregate value of Unquoted Investments (Net of Provision for Permanent Diminution in the value of Investments of Rs.168,068,998) (Previous Year Rs. 168,068,998)		143,763,578		50,721,937
2. Aggregate value of Quoted Investments		582,919,141		649,877,351
(Market value of Quoted Investment)		243,491,257		466,069,086

Amount in Rs.

	As at 31st March, 2010		As at 31st March, 2009	
SCHEDULE VIII - CURRENT ASSETS, LOANS & ADVANCES				
Inventories (at lower of cost or net realisable value)				
i) Raw Materials (including Packing Materials) (Including lying with third parties Rs. 6,884,502 (Previous Year Rs.34,062,940))	2,751,457,008		3,206,936,066	
ii) Finished Goods (Including goods in transit of Rs.10,245,325 (Previous Year Rs.1,192,568) & lying with third parties Rs. 208,800 (Previous Year Rs.844,654))	1,578,499,876		1,020,726,983	
iii) Work in Progress (Including lying with third parties Rs.4,068,010 (Previous Year Rs.67,135,348))	146,469,079		202,833,537	
iv) Stores & Spare Parts	100,290,949	4,576,716,912	82,540,480	4,513,037,066
Sundry Debtors				
(Unsecured, Considered good, unless otherwise stated)				
Over six months (including Rs 3,114,130 considered doubtful of recovery (Previous Year Rs.3,146,023))	93,914,680		83,446,581	
Others Debts	985,093,118		1,121,429,650	
	1,079,007,798		1,204,876,231	
Less : Provision for Bad & Doubtful Debts	3,114,130	1,075,893,668	3,146,023	1,201,730,208
*Rs. 66,208,504 (Previous Year Rs. Nil) due from PanEra Biotec Pvt. Ltd.				
Cash and Bank Balances				
i) Cash balance on hand	426,053		9,243,607	
ii) Balance with scheduled banks				
a) On Cash Credit Accounts	108,977,118		-	
b) On Current Accounts	80,187,846		100,130,657	
c) On Unpaid Dividend Accounts*	1,392,070		1,583,956	
d) On Fixed Deposits**	74,634,075		140,844,041	
e) On Exchange Earner Foreign Currency Current Accounts	204,831,726	470,448,888	496,620,469	748,422,730

*Not available for use by the Company as they represent corresponding unpaid dividend liabilities.
**Fixed Deposits amounting to Rs.20,690,627 (Previous Year Rs.26,779,030) are pledged with Banks and various Government Authorities.

Other Current Assets				
Export Benefits receivable	29,209,403		25,521,973	
Interest accrued but not due on Loans & Deposits	9,320,041		10,256,386	
Less : Provision for doubtful of recovery (Refer note no. 12(b) of Schedule XXI B)	7,275,470	31,253,974	7,275,470	28,502,889
Loans and Advances				
(Unsecured, considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received (Including Rs.5,327,443 (Previous Year Rs.818,322) considered doubtful)	776,438,459		749,656,508	
Due from PanEra Biotec Pvt. Ltd.* (Refer note no. 19 of Schedule XXI B) (Including Rs. Nil (Previous Year Rs.135,532,654) considered doubtful)	-		153,950,194	
Balance with Excise, Customs, etc.	14,274,321		15,042,362	
Loan to Joint Venture Company	108,833,850		108,833,850	
Staff Loans & Advances (including Rs 4,191,959 (Previous Year Rs.4,191,959) considered doubtful)	18,533,443		16,357,286	
	918,080,073		1,043,840,200	
Less : Provision for doubtful Loans & Advances (Refer note no. 12(b) of Schedule XXI B)	108,833,850		108,833,850	
Less : Provision for Bad & Doubtful Advances	9,519,402		140,542,935	
	799,726,821		794,463,415	
Security Deposits	26,727,721		23,446,850	
Advance Income Tax (Net of Provision of Rs.1,192,468,836 (Previous Year Rs.1,180,600,195))	336,645,844		415,110,051	
MAT Credit	177,691,380	1,340,791,766	-	1,233,020,316
		7,495,105,208		7,724,713,209

* Company's two directors are also directors in PanEra Biotec Private Limited.

Amount in Rs.

	As at 31st March, 2010		As at 31st March, 2009	
SCHEDULE IX - CURRENT LIABILITIES & PROVISIONS				
A. Liabilities				
i) Acceptances	693,348,119		1,140,108,339	
ii) Sundry Creditors				
a) Dues to Micro & Small Enterprises (Refer note no.6 of Schedule XXI B)	2,793,052		1,274,843	
b) Dues to other than Micro & Small Enterprises	778,822,356		482,859,566	
iii) Advances from Customers	7,308,682		7,060,675	
iv) Sundry Deposits	14,782,800		15,195,000	
v) Unpaid dividend on Equity Shares*	1,392,070		1,291,245	
vi) Other Liabilities	29,565,415		44,401,611	
vii) Interest accrued but not due on Loans	4,342,860	1,532,355,354	391,030	1,692,582,309
* This amount does not include amount due/ outstanding to be credited to Investor Education & Protection Fund, same shall be credited as and when due.				
B. Provisions				
i) Provision for Wealth Tax	2,927,142		1,371,020	
ii) Provision for Fringe Benefit Tax (Net of Advance Payment of Rs. 101,828,338 (Previous Year Rs.72,954,545))	4,171,662		5,174,455	
iii) Proposed Dividend on Preference Shares	-		33,184	
iv) Proposed Dividend on Equity Shares	16,710,687		-	
v) Provision for Dividend Distribution Tax	2,839,981		5,640	
vi) Provision for Gratuity	48,753,786		57,056,954	
vii) Provision for Leave Encashment	56,147,177		54,307,651	
viii) Provision for Open Derivative Contracts	356,932,839	488,483,274	1,743,104,000	1,861,052,904
		2,020,838,628		3,553,635,213
SCHEDULE X - MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
i) License fees				
As per last Balance Sheet	3,651,919		5,334,319	
Less: Written off during the year	1,682,400	1,969,519	1,682,400	3,651,919
ii) Preliminary Expenses				
As per last Balance Sheet	507,716		132,006	
Add: Addition during the year	-		480,381	
Less: Written off during the year	507,716	-	104,671	507,716
		1,969,519		4,159,635

	For the year ended March 31, 2010	For the year ended March 31, 2009
SCHEDULE XI - TURNOVER		
Sales	8,980,226,123	7,877,964,683
Services (R&D Income)	973,807	1,699,562
Income from Contract Manufacturing	28,268,028	20,899,947
	9,009,467,958	7,900,564,192

Amount in Rs.

	For the year ended March 31, 2010	For the year ended March 31, 2009
SCHEDULE XII - OTHER INCOME		
Interest received -		
-from Banks (Tax deducted at source Rs.770,971 (Previous Year Rs.27,038,973))	6,810,287	127,865,846
-from Inter Company Loans/Deposits (Tax deducted at source Rs.3,181,346 (Previous Year Rs.Nil))	31,813,465	16,878,059
-on Income Tax Refund	7,196,265	-
-from others* (Tax deducted at source Rs.100,722 (Previous Year Rs.7,455,603))	806,944	35,037,872
Export Incentives	36,649,135	30,855,454
Miscellaneous Balances/ Provisions written back	-	123,707
Sale of Scrap	3,617,153	1,779,942
Lease Rent (Tax deducted at source Rs.4,784,050 (Previous Year Rs. 2,403,497))	47,624,800	17,823,031
Profit on Sale of Fixed Assets (Net of loss Rs. Nil (Previous Year Rs.2,039,733))	-	6,937,487
Exchange Fluctuation Gain (Net of loss Rs.44,959,517 (Previous Year Rs.Nil))**	635,300,516	-
Profit on Sale of Investment	-	1,257,126
Insurance Claim Received	1,998,548	4,430,371
Royalty Income	28,555,552	9,266,380
Income from Short Term Investments	80,259	-
Dividend on other than Trade Investments Long Term (Gross)	33,184	5,453,494
Foreign Currency Translation Account	-	7,009,383
Income from Derecognition of JV company	-	46,263,349
Provisions for doubtful advances written back	135,564,546	-
Miscellaneous Income	296,204	975,422
	936,346,858	311,956,924

*Interest from others includes Rs.157,260 (Previous Year Rs.87,800) from employees Rs.205,193 (Previous Year Rs.188,248) from debtors, Rs. 444,491(Previous Year Rs.Nil) from Punjab State Electricity Board & Rs. Nil (Previous Year Rs.258,369) from Excise department.

** It includes the amortisation of Exchange differences on Foreign Currency Monetary Items Translation Difference Account Rs.16,773,412 (Previous Year Rs. Nil)

SCHEDULE XIII - RAW & PACKING MATERIALS CONSUMED				
Raw & Packing Materials consumed				
Opening Stock	3,206,936,066		1,321,160,291	
Add : Material purchased during the year	4,583,014,959		4,857,945,771	
	7,789,951,025		6,179,106,062	
Less : Closing Stock	2,751,348,215		3,206,936,066	
	5,038,602,810		2,972,169,996	
Less: Material consumed for Research & Development	23,035,430		19,621,119	
		5,015,567,380		2,952,548,877

Amount in Rs.

		For the year ended March 31, 2010		For the year ended March 31, 2009
SCHEDULE XIV - OPERATING AND OTHER EXPENSES				
Processing Charges		14,494,811		35,289,443
Analytical Testing & Trial Charges		7,721,905		6,995,652
Stores & Spare Parts consumed (Refer note no.4 of Schedule XXI B)		63,585,872		57,939,559
Power & Fuel (Refer note no.4 of Schedule XXI B)		130,932,044		112,861,694
Repair & Maintenance (Refer note no.4 of Schedule XXI B)				
-Buildings	37,392,116		16,628,948	
-Plant & Machinery	16,879,018		22,609,114	
-Others	30,201,380	84,472,514	28,492,441	67,730,503
Rent (Refer note no.4 of Schedule XXI B)		63,688,346		53,624,943
Royalty		17,409,841		14,742,764
Directors' Sitting Fees		540,000		345,000
Printing & Stationery		59,269,516		40,222,731
Postage & Communication expenses		49,874,578		47,716,557
Insurance		35,917,333		42,835,287
Travelling & Conveyance expenses (Refer note no.4 of Schedule XXI B)		131,079,919		116,933,775
Books & Periodicals		864,964		2,240,467
Legal & Professional charges (Refer note no.4 of Schedule XXI B)		105,640,794		113,140,386
Vehicle Running & Maintenance		17,347,843		17,155,503
Auditors Remuneration (Refer note no.5 of Schedule XXI B)		9,184,863		6,166,087
Rates & Taxes (Refer note no.4 of Schedule XXI B)		11,589,184		15,615,884
Donation		3,948,651		3,420,245
Subscription		12,153,460		13,700,941
Staff Training & Recruitment		23,749,210		31,477,974
Bad Debts & Advances written off		24,468		115,891
Provision for Doubtful Debts & Advances		4,509,121		116,531,425
Loss on Sale of Fixed assets (Net of profit Rs.793,900 (Previous Year Rs.Nil))		11,400,361		-
Wealth Tax		2,468,299		1,393,909
Foreign Exchange Fluctuation Loss (Net of Gain Rs.Nil (Previous Year Rs.214,791,328))*		-		571,574,318
Provision for Loss on Open Derivative Contracts		-		1,702,604,000
Provision for Permanent Diminution in the value of Investments (Refer Note no 12 (b) of schedule XXI B)		-		168,068,998
Miscellaneous expenses (Refer note no.4 of Schedule XXI B)		36,506,407		33,473,390
		898,374,304		3,393,917,326

* It includes the amortisation of Exchange differences on Foreign Currency Monetary Items Translation Difference Account Rs. Nil (Previous Year Rs.47,980,567)

Amount in Rs.

		For the year ended March 31, 2010		For the year ended March 31, 2009
SCHEDULE XV - (INCREASE)/ DECREASE IN INVENTORIES				
Closing Stock :				
Finished Goods	1,578,499,876		1,020,726,983	
Work in Progress	146,469,079	1,724,968,955	202,833,537	1,223,560,520
Less: Opening Stock :				
Finished Goods	1,020,726,983		713,360,132	
Work in Progress	202,833,537	1,223,560,520	57,577,914	770,938,046
		(501,408,435)		(452,622,474)
SCHEDULE XVI - PERSONNEL EXPENSES				
Salary, Wages and Bonus (Refer note no.4 of Schedule XXI B)		949,225,348		874,951,893
Contribution to Provident and other Funds		28,674,755		27,589,020
Workmen/Staff Welfare expenses		46,862,417		42,098,929
Gratuity		11,336,516		12,138,642
		1,036,099,036		956,778,484
SCHEDULE XVII - SELLING & DISTRIBUTION EXPENSES				
Advertising & Sales Promotion		318,391,390		242,016,163
Meetings & Conferences		53,167,133		62,306,063
Freight & Cartage		70,014,572		67,411,807
Commission on Sales (other than sole selling agents)		33,082,437		86,496,459
		474,655,532		458,230,492
SCHEDULE XVIII - RESEARCH AND DEVELOPMENT EXPENSES				
Raw Material & Packing Material consumed		23,035,430		19,621,119
Stores & Spare Parts consumed		142,338,139		134,104,256
Processing charges		57,908		-
Salary, Wages and Bonus		223,009,679		182,045,564
Contribution to Provident & other Funds		4,671,782		4,096,340
Workmen/Staff Welfare expenses		7,083,667		9,504,657
Gratuity		1,129,063		1,062,491
Analytical Testing & Trial charges		47,323,372		14,959,224
Rent		6,729,834		6,401,077
Printing & Stationery		2,407,261		2,212,425
Postage & Communication		3,035,056		3,151,204
Travelling expenses		9,519,317		15,897,191
Books & Periodicals		1,797,969		6,317,043
Legal & Professional expenses		4,952,867		12,052,167
Vehicle Running & Maintenance		3,474,942		2,424,344
Donation		-		30,251
Repair & Maintenance :				
- Buildings	3,400,824		5,726,552	
- Plant & Machinery	6,659,271		14,628,824	
- Others	4,255,411	14,315,506	3,728,604	24,083,980
Rates, Fees & Taxes		5,466,612		622,995
Subscription		12,857,795		9,467,437
Electricity & Water charges		33,845,096		33,714,494
Meeting & Conferences		1,500,659		2,460,794
Staff Training & Recruitment		2,057,087		765,564
Loss on Sale of Fixed assets		2,757,048		-
Product Development Expenses written off		19,395,518		-
Depreciation/Amortisation		175,944,248		169,025,407
Sundry expenses		4,356,757		15,924,021
		753,062,612		669,944,045

Amount in Rs.

		For the year ended March 31, 2010		For the year ended March 31, 2009
SCHEDULE XIX -FINANCIAL EXPENSES				
Interest on:				
a) Fixed Loans	195,327,615		206,260,720	
b) Others (Including interest on Working Capital Loans)	189,391,155	384,718,770	115,282,862	321,543,582
Bank charges		41,514,650		26,638,230
		426,233,420		348,181,812
SCHEDULE XX - EARNING PER SHARE				
Calculation of Profit/(Loss) for Basic EPS				
Net profit/(Loss) before Tax		1,127,708,189		(866,663,960)
Less: Adjustment for Tax Expenses		403,587,996		(206,739,128)
Less: Dividend on Redeemable Preference Shares		-		33,184
Less: Dividend Distribution Tax on Redeemable Preference Shares		-		5,640
Add: Net Profit/(Loss) share of Associates and Minority Interest		93,059,679		5,118,560
Net Profit/(Loss) for calculation of Basic EPS		817,179,872		(654,845,096)
Calculation of Profit/(Loss) for Diluted EPS				
Net profit/(Loss) for calculation of basic EPS		817,179,872		(654,845,096)
Adjusted Net Profit/(Loss) for calculating Diluted EPS		817,179,872		(654,845,096)
No. of Equity Shares resulting from conversion of Foreign Currency Convertible Bonds				
US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Outstanding US$36.80 Million) at conversion price Rs. 357.57		4,542,752		4,542,752
Add: Weighted average number of Equity Shares in calculating basic EPS		66,781,921		66,693,746
Weighted average number of Equity Shares in calculating diluted EPS		71,324,673		71,236,498
Basic Earnings per Share		12.24		(9.82)
Diluted Earnings per Share		11.46		(9.82)
Face / Nominal Value per Share		1.00		1.00

SCHEDULE XXI - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Consolidated Financial Statements)

A. SIGNIFICANT ACCOUNTING POLICIES

1) I) BASIS OF PREPARATION

The Consolidated Financial Statements relate to Panacea Biotec Limited (Parent Company), its Subsidiary Companies, Joint Venture and Associates (hereinafter collectively referred as the "Group").

The Consolidated Financial Statements (CFS) have been prepared to comply in all material respects with the notified Accounting Standards issued by Companies (Accounting Standard) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policies discussed more fully below, are consistent with those used in the previous year.

II) PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements have been prepared on the following basis:

a) The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard–21, Consolidated Financial Statements.

b) Interest in assets, liabilities, income and expenses of the Joint Venture have been consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses have been eliminated to the extent of Company's proportionate shares as per Accounting Standard –27, Financial reporting of interests in Joint Venture.

c) In case of Associates, where the Company directly or indirectly through subsidiaries holds more than 20% of equity, investment in Associate is accounted for by Equity Method in accordance with Accounting Standards -23, Accounting for Investment in Associates.

d) The financial statements of the Subsidiary Companies, Joint Venture and Associates used in the consolidation are drawn for the same period as that of the Parent Company i.e. year ended March 31, 2010.

e) Minorities' interest in net profit/(loss) of consolidated Subsidiary Companies for the year has been identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Parent Company. Minorities' share of net assets has been identified and presented in Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the Parent Company.

f) List of Subsidiaries, Joint Venture and Associates considered for consolidation:

S.No	Name of the Company	Nature of relationship	Country of Incorporation	Extent of Holding/ Voting Power (%) as on March 31, 2010
1	Best On Health Ltd.	Subsidiary	India	100.0
2	Panacea Educational Institute Pvt. Ltd.	Indirect Subsidiary*	India	100.0
3	Radicura & Co. Ltd.	Indirect Subsidiary*	India	100.0
4	Panacea Hospitality Services Pvt. Ltd.	Indirect Subsidiary*	India	100.0
5	Sunanda Steel Company Ltd.	Indirect Subsidiary*	India	100.0
6	Umkal Medical Institute Pvt. Ltd.	Subsidiary	India	75.2
7	Panacea Biotec GmbH	Subsidiary	Germany	100.0
8	Panacea Biotec, Inc.	Subsidiary	USA	100.0
9	Panacea Biotec FZE	Subsidiary	UAE	100.0
10	Rees Investments Ltd.	Subsidiary	Guernsey	100.0
11	Kelisia Holdings Ltd.	Indirect Subsidiary†	Cyprus	100.0
12	Kelisia Investment Holdings AG	Indirect Subsidiary††	Switzerland	100.0
13	Panacea Biotec (International) SA	Indirect Subsidiary†††	Switzerland	100.0
14	Panacea Biotec (Europe) AG (w.e.f. 10th June, 2009)	Indirect Subsidiary††††	Switzerland	100.0
15	Chiron Panacea Vaccines Pvt. Ltd.	Joint Venture	India	50.0
16	PanEra Biotec Pvt Ltd.	Associate	India	50.0
17	Lakshmi & Manager Holdings Ltd.	Associate	India	40.0
18	Best General Insurance Company Ltd.	Indirect Associate**	India	32.0

* Wholly Owned Subsidiary Best on Health Ltd.
** Subsidiary of Lakshmi & Manager Holdings Ltd.
† Wholly Owned Subsidiary of Rees Investments Ltd.
†† Wholly Owned Subsidiary of Kelisia Holdings Ltd.
††† Wholly Owned Subsidiary of Kelisia Investment Holdings AG.
†††† Wholly Owned Subsidiary of Panacea Biotec (International) SA

g) Goodwill represents the difference between the Parent Company's shares in the net worth of the Subsidiary / Joint Venture Company and the cost of acquisition at the time of making the investment in the Subsidiary / Joint Venture Companies. For this purpose, the Parent Company's share of net worth of the Subsidiary/ Joint Venture Company is determined on the basis of the latest financial statements of the Subsidiary/ Joint Venture Company prior to acquisition, after making the necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

h) The Consolidated Financial Statements have been prepared using uniform accounting policies to the extent possible for like transactions and other events in similar circumstances and are presented in the same manner as the Parent Company's separate financial statements.

2) USES OF ESTIMATES

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

3) REVENUE RECOGNITION

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

Sale of Goods - Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, free quantities, returns and sales tax but includes excise duty. Excise Duty deducted from turnover is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arise during the year.

Research & Development - Income from Research & Development Services is accounted for as per the stage of completion.

Contract Manufacturing - Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

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

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

Royalty - Revenue is recognized on an accrual basis in accordance with the term of the relevant agreement.

Export Benefits - Export entitlements under Duty Entitlement Pass Book Schemes and Advance Licenses are recognized in the Profit & Loss Account when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

4) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

As a result of change in Accounting Policy during the previous year in respect of accounting periods commencing on or after 7th December, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

5) IMPAIRMENT OF FIXED ASSETS

The carrying amounts of assets are reviewed at each Balance Sheet date as to whether there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

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

6) EXPENDITURE ON NEW PROJECTS AND SUBSTANTIAL EXPANSION

Expenditure directly relating to construction activity is capitalized. Direct expenditure incurred during construction period is capitalized as part of the direct construction cost to the extent to which the expenditure is directly related to construction.

7) INTANGIBLES

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

Research and Development Costs - Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Product Development - Product Development is capitalized on

successful completion of development activities and commercial launch of developed products.

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

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

Goodwill - Goodwill on consolidation is amortized pro-rata over a period of 5 years.

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

8) DEPRECIATION / AMORTIZATION

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

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

b) Amortisation on intangibles is provided on the basis of the estimated useful lives as follows:-

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

c) Leasehold Land is amortized over the period of lease or useful life, whichever is shorter.

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

e) No Depreciation is provided on freehold land, as Accounting Standard -6 on 'Depreciation Accounting' notified by the Companies Accounting Standard Rules, 2006, does not apply to land unless it has a limited useful life.

9) BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to qualifying assets, are recognized as an expense in the period in which they are incurred.

10) GOVERNMENT GRANTS AND SUBSIDIES

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

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

11) LEASES

Where the Company is the Lessee:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

Where the Company is the Lessor:

Assets given under a finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognized as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Profit and Loss

Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

12) DEFERRED REVENUE EXPENDITURE

Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter. Expenditure of the similar nature incurred during the year is charged off to revenue.

13) INVESTMENTS

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution, if any, in value is made to recognize a decline other than temporary in the value of the investments.

14) INVENTORIES

Finished Goods, Work in Progress, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spare parts are stated at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

'Cost' of Finished Goods, Work in progress, Raw Materials, Packing Materials and Stores & Spare parts is arrived at by using 'Moving Average Price' method.

Cost of Work in Progress and Finished Goods is determined by considering direct material cost and appropriate portion of manufacturing overheads based on normal operating capacity. Cost of traded goods is arrived at by using 'Moving Average Price' method and in Joint Venture as First in first out basis. Cost of finished goods includes Excise Duty.

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

15) RETIREMENT AND OTHER EMPLOYEES BENEFITS

a) Retirement benefits in the form of Provident Fund and Pension Schemes are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

b) Gratuity liability and Post employment Medical Benefit liability are defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation done as per projected unit credit method.

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

e) Actuarial gains/losses are immediately taken to Profit & Loss Account and are not deferred.

16) FOREIGN CURRENCY TRANSACTIONS

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting such monetary items at rate different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except those monetary items as mentioned below.

Exchange differences, in respect of accounting periods commencing on or after 7th December, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before 31st March, 2011.

Exchange differences arising on a monetary item that, in substance, form part of company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Forward Exchange Contracts not intended for trading or speculation purposes

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

17) INCOME TAXES

Tax expense comprises of current, deferred and fringe benefit tax. Current Income Tax and Fringe Benefit Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. Deferred Income Taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred Income Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits. At each Balance Sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

18) EARNINGS PER SHARE

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

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

19) PROVISIONS

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management's best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

20) SEGMENT REPORTING POLICIES

a) Identification of Segments:

Primary Segment

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

Secondary Segment

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

The geographical segments considered for disclosure are as follows:

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

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

(b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

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

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

21) DERIVATIVE INSTRUMENTS

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

22) CASH & CASH EQUIVALENT

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

B. NOTES TO ACCOUNTS (All amounts are in Rs. unless otherwise stated)

1. Contingent Liabilities (to the extent not provided for)

Particulars	31/03/2010	31/03/2009
Disputed demands/ show-cause notices under:-		
a) Income Tax cases	2,019,671	110,557
b) Customs Duty cases	3,999,923	3,999,923
c) Central Excise Duty cases	6,596,620	6,596,620
d) Service Tax	2,744,567	29,789,842
Total	15,360,781	40,496,942
Demand from Maharashtra State Electricity Distribution Company Limited ;(Refer to note (e) below)	8,055,506	-
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	2,003,390	2,803,586
Premium on Redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Refer note 3(ii) below)	564,995,867	470,992,269

Notes:

a) In respect of Income Tax demand for the Assessment Year 2007-08, the Assessing Officer disallowed Rs.22,59,000 under section 14A of the Income Tax Act, computed in accordance with Rule 8D of the Act, contending the same to be expenditure incurred in relation to income which does not form part of the total income under the Act in the Order passed under section 143(3) of the Act. The company preferred appeal before the CIT (Appeals). The appeal is yet to be disposed off by the CIT (Appeals).

The joint venture company, Chiron Panacea Vaccines Pvt. Ltd., has filed an appeal against the Income Tax demand of Rs.2,484,933 for Assessment Year 2006-07. Based on Judicial pronouncements, claim is likely to be accepted by appellate authorities.

b) In respect of Customs Duty demand of Rs.3,999,923 towards Customs Duty on certain items imported as exempted by the Company, the Company has deposited the entire amount under protest. The matter is pending before the Honorable Supreme Court of India. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.

c) In respect of Central Excise Duty demand of Rs.6,596,620 towards Excise Duty on common inputs used in manufacture of exempted and taxable products, the Company has deposited the entire amount under protest. The matter is pending before Central Excise and Customs Tribunal. No provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.

d) In respect of service tax demand of Rs.29,789,842 relating to foreign services rendered & delivered outside India & others services, which were brought in service tax net w.e.f. 18.04.06 and against which numerous decisions/ judgments have been pronounced by the competent courts/judicial authorities, the Company has sent suitable reply to the concerned authority. The Company has assessed Rs.2,744,567 as contingent liability out of total demand. No provision is considered necessary on the balance amount in this regard since the Company believes it has a good case based on nature of the demand and legal advice obtained by it.

e) In respect of demand notice of Rs.8,055,506 received from Maharashtra State Electricity Distribution Company Ltd. on account of wrong tariff rates for the activities at R&D Center, Mumbai, the Company has taken legal opinion which is in favour of the Company & thus no provision is considered necessary in this regard.

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

Particulars	31.03.2010	31.03.2009
Tangibles Assets	302,782,857	529,633,712
Intangible Assets	11,907,371	21,946,833
Total	314,690,228	551,580,545

3. Foreign Currency Convertible Bonds

(i) Conversion price of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (FCCBs) has already been fixed at Rs.357.57 per Share. This rate is used to determine dilutive Equity Shares against outstanding Bonds.

(ii) 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' amounting to US$ 36,800,000 are pending for redemption as on 31st March 2010. Unless these Bonds have been previously converted, redeemed, repurchased and cancelled, the Company will redeem these Bonds at a price equal to 142.80% of the outstanding principal amount on the maturity date i.e February 14, 2011 (including premium amounting to Rs. 707,271,712). Since the redemption of bonds is contingent upon its non-conversion into Equity Shares and the probability of redemption cannot presently be ascertained, the Company has not provided for the proportionate premium on redemption for the period upto 31st March, 2010 amounting to Rs. 564,995,867 (Previous Year Rs. 470,992,269). Such premium has been disclosed as contingent liability. These Bonds are considered a monetary liability and are redeemable only if there is no conversion before maturity date.

(iii) The Company has fully utilized the issue proceeds of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' in earlier years

(iv) The Company has made a provision for dividend in the books of account after considering the application for conversions received, if any, as at the date of the Board Meeting held for approval of Annual Financial Statements. Company is obliged to pay dividend to those bondholders who convert their Bonds into Equity Shares after approval by the Board of the financial statements and upto the book closure date for dividend purposes. Incremental dividend and dividend distribution tax, if any, will be paid out of the balance available in the Profit & Loss Account.

4. Details of pre-operative expenses (included in Capital Work in Progress) relating to Fixed Assets are as follows:

Particulars	As at 1-April-09	Additions during the year	Capitalized during the year	As at 31-March-10
Legal & Professional	61,120,785	7,904,843	-	69,025,628
	(53,548,946)	(11,434,122)	(3,862,283)	(61,120,785)
Store & Spares consumed	-	3,730,673	1,633,987	2,096,686
	(22,419,030)	(50,376)	(22,469,406)	-
Power and Fuel	82,124	1,244,706	1,234,706	92,124
	(31,254,050)	(357,323)	(31,529,249)	(82,124)
Rates & Taxes	289,880	542,243	-	832,123
	(9,860,525)	(4,872)	(9,575,517)	(289,880)
Repair & Maintenance: Plant and Machinery	-	-	-	-
	(4,452,852)	-	(4,452,852)	-
Others	451,747	9,257	9,257	451,747
	(6,222,930)	(773,882)	(6,545,065)	(451,747)
Salary and Wages	5,788,058	11,362,875	5,129,289	12,021,644
	(14,399,373)	(4,580,192)	(13,191,507)	(5,788,058)
Office Expenses	-	-	-	-
	(2,733,205)	(73,934)	(2,807,139)	-
Travel and Conveyance Expenses	1,981,700	649,596	1,044,500	1,586,796
	(3,855,848)	(1,857,383)	(3,731,531)	(1,981,700)
Rent	4,094,446	3,280,568	-	7,375,014
	(1,038,300)	(3,081,945)	(25,799)	(4,094,446)
Miscellaneous Expenses	3,008,227	1,544,493	42,938	4,509,782
	(4,595,999)	(7,215,152)	(8,802,924)	(3,008,227)
Total	76,816,967	30,269,254	9,094,677	97,991,544
	(154,381,058)	(29,429,181)	(106,993,272)	(76,816,967)

Note: Figures in brackets represent previous year figures (2008-09)

5. Auditors' Remuneration:

Particulars	Year ended March 31, 2010			Year ended March 31, 2009		
	Parent Company	Subsidiaries	Joint Ventures	Parent Company	Subsidiaries	Joint Venture
Statutory Auditors						
- Statutory Audit #	3,000,000	1,187,835	444,180	3,309,000	382,919	4,68,762
- Quarterly Limited Reviews	1,603,235	-	-	1,685,400	-	-
- Certificates	234,120	-	-	134,832	1,500	-
- Other Advisory	2,500,000	15,000	-	-	15,000	-
- Out of Pocket Expenses	224,947	2,206	6,375	161,721	-	6,953
	7,562,302	1,205,041	450,555	5,290,953	399,419	475,715
Tax Auditor*	125,000	22,060	104,413	140,450	-	93,038
Cost Auditor*	40,000	-	-	44,944	-	-

* included in the Legal & Professional charges given in Schedule XIV
# Audit remuneration includes Rs.33,090 (Previous Year Rs. Nil) transferred to Pre-operative Expenses.

6. Disclosure of Micro & Small Enterprises

Details of dues to Micro, Small and Medium Enterprises as per Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act)	31.03.2010		31.03.2009	
	Principal	Interest	Principal	Interest
Principal amount and interest due thereon remaining unpaid to any supplier as at year end.	2,793,052	Nil	1,274,843	Nil
Interest paid by the Company in terms of section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during accounting year	2,147,609	44,081	3,552,413	68,868
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act	Nil	Nil	Nil	Nil
Interest accrued and remaining unpaid at the end of the year.	Nil	Nil	Nil	Nil
Further interest remaining due and payable in succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act	Nil	Nil	Nil	Nil

7. Deferred Tax Liabilities (Net):

The breakup of deferred tax liability is as follows:-

	31.03.2010	31.03.2009
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per Income Tax Act and books of accounts	538,235,439	501,434,945
Deferred revenue expenditure	654,225	1,241,287
Capital expenditure on research & development	306,905,561	267,365,738
Forex Loss (revenue) deferred as per notification on AS-11 (Revised)	4,232,082	50,254,492
Gross Deferred Tax Liabilities	850,027,307	820,296,462
Deferred Tax Assets		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	58,978,236	49,139,072
Loss as per Income Tax Act carried forward	24,029,627	364,509,363
Unabsorbed Depreciation as per Income Tax Act carried forward	70,228,267	71,861,483
Gross Deferred Tax Assets	139,949,130	485,509,918
Net Deferred Tax Liability	710,078,177	334,786,544

8. Related Party Disclosures

A. Names of Related Parties:

(a) Key Management Personnel:

Mr. Soshil Kumar Jain - Chairman and Whole-time Director
Mr. Ravinder Jain - Managing Director
Dr. Rajesh Jain - Joint Managing Director
Mr. Sandeep Jain - Joint Managing Director
Mr. Sumit Jain - Whole-time Director

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

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter
Soshil Kumar Jain	-	-	Nirmala Jain	-	-	Ravinder Jain, Rajesh Jain, Sandeep Jain	-
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	-	Sumit Jain, Nipun Jain	Radhika Jain
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	-	Ankesh Jain, Harshet Jain	-
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	-	-	Priyanka Jain
Sumit Jain	Ravinder Jain	Sunanda Jain	-	Nipun Jain	Radhika Jain	-	-

* Relatives holding Equity shares in the Company have been disclosed

(c) Relatives of Key Management personnel having transactions with the Company:
Mr. Ashwani Jain, Son-in-law of Mr. Soshil Kumar Jain
Mr. Shagun Jain, Son-in-law of Mr. Ravinder Jain
Mrs. Radhika Jain, Daughter of Mr. Ravinder Jain
Mrs. Shilpy Jain, Wife of Mr. Sumit Jain

(d) Enterprises over which person(s) having controlling interest in Company / Key management personnel (s) along with their relatives are able to exercise significant influence:

(i) Neophar Alipro Limited
(ii) All India S. L. Jain Charitable Foundation
(iii) First Lucre Partnership Co.*
(iv) Second Lucre Partnership Co.*
(v) Radhika Associates
(vi) Sumit Nipun & Co.
(vii) Rattan Sons
(viii) Tahir & Co.
(ix) Best On Health Foods Ltd.
(x) Soshil Kumar Jain (HUF)*
(xi) Ravinder Jain (HUF)*
(xii) Rajesh Jain (HUF)*
(xiii) Sandeep Jain (HUF)*

* These enterprises are also holding Shares in the Company.

B. Detail of transactions with the Related parties:

Particulars	Joint Venture	Associates			Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which Person(s) having control or significant influence over the Company / Key management personnel(s), along with their relatives, are able to exercise significant influence	Total
	Chiron Panacea Vaccines Pvt. Ltd.	PanEra Biotec Pvt. Ltd. (w.e.f 21.11.2007)	Lakshmi & Manager	Lakshmi & Manager Holdings Ltd.				
A. During the Year								
Purchase of raw materials	-	312,325,082	-	-	-	-	-	312,325,082
	(-)	(63,092,690)	(-)	(-)	(-)	(-)	(-)	(63,092,690)
Sale	121,765,348	48,469,087	-	-	-	-	-	170,234,435
	(121,638,985)	(20,568,527)	(-)	(-)	(-)	(-)	(-)	(142,207,511)
Processing Charges paid	-	792,540	-	-	-	-	-	792,540
	(-)	(12,578,568)	(-)	(-)	(-)	(-)	(-)	(12,578,568)
Recovery of dues on Account of Expenses	-	25,383,752	-	-	-	-	-	25,383,752
	(-)	(33,481,411)	(-)	(-)	(-)	(-)	(-)	(33,481,411)
Rent received	-	23,644,500	-	-	-	-	72,000	23,716,500
	(-)	(8,886,016)	(-)	(-)	(-)	(-)	(-)	(8,886,016)
Remuneration	-	-	-	-	64,683,735	5,059,344	-	69,743,079
	(-)	(-)	(-)	(-)	(63,035,463)	(4,843,885)	-	(67,879,348)
Loans/Fixed Deposits received	-	-		-	-	-	255,000,000	255,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(300,000,000)	(300,000,000)
Loans/Fixed Deposits repaid	-	-		-	-	-	240,000,000	240,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(432,500,000)	(432,500,000)
Interest paid on Deposits/loans	-	-	-	-	-	-	26,831,364	26,831,364
	(-)	(-)	(-)	(-)	(-)	(-)	(35,893,714)	(35,893,714)
Dividend paid - Equity Shares	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(19,503,700)	(24,137,900)	(-)	(43,641,600)
Investments made	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(24,754,276)	(-)	(-)	(-)	(24,754,276)
Sale of Investment/ Conversion of loan into Equity share capital	-	-	-	-	-	-	-	-
	(-)	(-)	(24,754,276)	(-)	(-)	(-)	(-)	(24,754,276)
Donation	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(300,000)	(300,000)
Employee benefits transfer *	-	2,903,136	-	-	-	-	-	2,903,136
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
B. Year end balances								
- Investments	11,479,550	2,098,835	-	24,754,276	-	-	-	38,332,661
	(11,479,550)	(2,098,835)	(-)	(24,754,276)	(-)	(-)	(-)	(38,332,661)
Outstanding receivable	19,095,303	33,104,252	-	-	-	-	-	52,199,555
	(39,077,216)	(97,543,624)	(-)	(-)	(-)	(-)	(-)	(136,620,840)
Provision for bad and doubtful advances	-	-	-	-	-	-	-	-
	(-)	(67,766,327)	(-)	(-)	(-)	(-)	(-)	(67,766,327)
Outstanding Fixed deposits	-	-	-	-	-	-	315,000,000	315,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(300,000,000)	(300,000,000)

Note: 1. Figures in bracket represent previous year figures.
2. In respect of personal guarantee by promoter-Directors refer Note No. 1 & 3 of Schedule IV.
3. In respect of Joint Venture & Associates, figures represents other than Panacea Biotec Ltd.'s share.
4. Material related party transactions (More than 10% of aggregate) with individual parties are as follows:

During the year	Unsecured Loans / Fixed Deposits received / (repaid)		Interest		Managerial Remuneration		Equity Dividend	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Key Management personnel								
Mr. Soshil Kumar Jain	-	-	-	-	15,362,222	15,155,738	-	5,000,000
Mr. Ravinder Jain	-	-	-	-	19,872,138	19,287,108	-	4,646,200
Dr. Rajesh Jain	-	-	-	-	13,072,895	12,648,046	-	4,706,900
Mr. Sandeep Jain	-	-	-	-	12,968,125	12,648,046	-	4,792,100
Enterprises over which Person(s) having control or significant influence over the Company / Key management personnel(s), along with their relatives, are able to exercise significant influence								
First Lucre Partnership Co.	255,000,000	300,000,000	26,831,364	35,893,714	-	-	-	-
	(240,000,000)	(432,500,000)	-	-	-	-	-	-
Year end balances								
First Lucre Partnership Co.	315,000,000	300,000,000	-	-	-	-	-	-

9. Derivative Instruments and Hedged / Unhedged Foreign Currency Exposure

(i) Forward contract outstanding as at Balance Sheet date:

Sell Nil

Buy Nil

(ii) Particulars of Hedged Future Export Receivables at applicable exchange rates in respect of Options Contracts outstanding as at Balance Sheet date

Currency	Exchange rates	Amount in in Foreign Currency	Amount in in Indian Rupees	Amount in Foreign Currency	Amount in in Indian Rupees	Purpose
		31.03.2010	31.03.2010	31.03.2009	31.03.2009	To hedge
USD	40.00	-	-	58,000,000	2,320,000,000	Future
USD	39.00	28,000,000	1,092,000,000	48,000,000	1,872,000,000	Export
USD	39.60	30,000,000	1,188,000,000	36,000,000	1,425,600,000	Receivables
		58,000,000	2,280,000,000	142,000,000	5,617,600,000	

Accordingly, exchange fluctuation loss on marking them to market as of year end amounting to Rs.356,939,000 (Previous Year Rs. 1,702,604,000) has been accounted for and included in "Exchange Fluctuation Gain" under Schedule XII – Other Income (Previous Year: included in "Provision for Loss on Open Derivative Contracts" under Schedule XIV - Operating and Other Expenses).

(iii) Particulars of Hedged Foreign Currency Exposure as at Balance Sheet date

Particulars	Amount as at 31st March'10	Currency	Closing Exchange Rate*	Amount as at 31st March'10 (INR)	Amount as at 31st March'09 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at 31st March'09 (INR)
Export Debtors	8,120,848	USD	44.90	364,585,489	15,038,066	USD	50.71	762,580,345

(iv) Particulars of Unhedged Foreign Currency Exposure as at Balance Sheet date

Particulars	Amount as at 31st March'10 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at 31st March'10 (INR)	Amount as at 31st March'09 (in Foreign Currency)	Currency	Closing Exchange Rate*	Amount as at 31st March'09 (INR)
Import Creditors	9,753,991	USD	44.91	438,002,956	6,035,469	USD	50.72	306,119,006
(net of advances	4,768,149	Euro	60.55	288,711,392	12,841,668	Euro	67.54	867,327,519
to suppliers)	42,000	CHF	42.43	1,782,060	33,538	CHF	44.56	1,494,481
	5,941	GBP	68.08	404,463	12,289	GBP	72.60	892,159
	-	JPY / 100	-	-	1,217,220	JPY/100	51.55	627,521
	16,820	SEK	6.26	105,293	16,820	SEK	6.13	103,140
	2,178	CAD	44.32	96,509	1,010	CAD	40.47	40,856
	(6,140)	AUD	41.23	(253,164)	-	-	-	-
	(10,000)	AED	12.26	(122,600)	-	-	-	-
	80	SGD	32.13	2,570	-	-	-	-
Export Debtors	2,616,978	Euro	60.51	158,353,310	2,990,037	Euro	67.50	201,827,823
Foreign Currency								
Loans	65,097,252	USD	44.91	2,923,192,101	65,097,252	USD	50.72	3,301,732,614
Balance with	3,253,949	USD	44.90	146,086,036	9,652,566	USD	50.71	489,481,613
Banks	970,843	Euro	60.51	58,745,690	105,761	Euro	67.50	7,138,856
FCCBs	36,800,000	USD	44.91	1,652,504,000	36,800,000	USD	50.72	1,866,496,000

* The amount converted in INR have been rounded off to two decimal places.

10. Segmental Information

A. Information about Primary Segments

(Amount in Rs.)

Particulars	Vaccines		Formulations		Research & Development		Healthcare		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Revenue										
Segment Revenue	6,601,700,440	5,617,717,120	2,398,823,984	2,262,302,398	973,807	1,699,562	-	-	9,001,498,231	7,881,719,080
Other Income	85,722,658	5,952,196	18,461,439	24,950,226	-	-	-	-	104,184,097	30,902,422
Total	6,687,423,098	5,623,669,316	2,417,285,423	2,287,252,624	973,807	1,699,562	-	-	9,105,682,328	7,912,621,502
Segment Results	1,797,507,922	2,689,749,974	417,347,550	466,882,428	(752,055,183)	(668,244,483)	(5,007,846)	(5,658,514)	1,457,792,443	2,482,729,405
Unallocated Corporate Expenses									777,528,241	3,308,904,285
Operating Profit / (Loss)									680,264,202	(826,174,880)
Interest & Finance Charges									384,718,770	321,543,582
Other Income									832,162,757	281,054,503
Income Taxes									403,587,996	(206,739,127)
Net Profit / (Loss)									724,120,193	(659,924,832)
Other Information										
Segment Assets	7,940,023,038	8,242,804,702	1,849,317,030	1,757,286,755	1,952,940,391	2,143,579,827	1,115,567,453	2,305,499,096	12,857,847,912	14,449,170,380
Unallocated Corporate Assets									3,999,854,877	2,680,016,136
Total Assets	7,940,023,038	8,242,804,702	1,849,317,030	1,757,286,755	1,952,940,391	2,143,579,827	1,115,567,453	2,305,499,096	16,857,702,789	17,129,186,516
Segmental Liabilities	736,483,735	852,101,141	185,783,935	391,402,477	52,112,134	65,696,536	8,881,857	167,893,005	983,261,660	1,477,093,159
Unallocated Corporate Liabilities									8,867,155,455	9,455,622,542
Total Liabilities	736,483,735	852,101,141	185,783,935	391,402,477	52,112,134	65,696,536	8,881,857	167,893,005	9,850,417,115	10,932,715,701
Capital Expenditure - Additions	263,237,552	1,950,193,086	99,145,584	123,752,797	231,358,900	578,593,601	26,946,664	375,658,708	620,688,700	3,028,198,192
Non Cash Expenses										
Depreciation	320,199,213	351,933,819	111,067,743	125,068,119	175,944,248	169,025,407	4,381,965	7,991,099	611,593,169	654,018,444

B. INFORMATION ABOUT SECONDARY SEGMENTS

a) Revenue as per Geographical Segment

Segment	Domestic*		Overseas	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
Vaccines	3,797,946,831	4,139,282,326	2,803,753,609	1,478,434,793
Formulation	2,056,529,190	1,798,741,628	342,294,794	463,560,771
R&D	37,987	-	935,820	1,699,562
Total	5,854,514,008	5,938,023,954	3,146,984,223	1,943,695,126

* Domestic revenue includes revenue from deemed exports of Rs 3,396,590,606 (Previous Year Rs.3,708,466,456)

b) Debtors as per Geographical Segment

Segment	Domestic		Overseas	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
Vaccines	408,423,337	298,978,180	344,959,164	536,329,974
Formulation	129,393,970	143,513,828	196,231,327	226,054,249
Total	537,817,307	442,492,008	541,190,491	762,384,223

c) The Company has common fixed assets and other current assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets, other current assets and additions cannot be furnished.

11. Leases

i. For assets given under Operating Lease agreements:

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

Particulars	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
Building	91,001,316	89,955,066	38,146,989	33,159,226	4,843,737	5,327,263
Furniture and Fixture	10,879,579	10,659,476	6,587,888	5,639,670	948,219	1,151,292
Office Equipment	1,858,933	1,904,239	924,829	769,438	154,389	270,436
Plant & Machinery	717,624,285	663,486,845	312,037,079	247,986,666	64,040,256	66,307,911
Computer Equipment	2,598,987	5,950,080	1,979,344	1,549,742	413,095	688,492
Total	823,963,100	771,955,706	359,676,129	289,104,742	70,399,696	73,745,394

The total of Minimum Future Lease Payments under non-cancelable operating lease for various periods for assets stated above is as follows:

Particulars	As at March 31, 2010*	As at March 31, 2009
a) Receivable within 1 year	67,600,000	67,600,000
b) Later than 1 year but not later than 5 years	-	67,600,000
c) Later than 5 years	-	-

*The Lease term for the assets given on lease vide Agreement for providing Manufacturing Facility, Utilities and Services of Employees and transfer of raw material with PanEra Biotec Pvt. Ltd. is valid till 31.03.2011. As per the said Agreement, during the period of usage, if any Facility is used for manufacture of the Company's Vaccines other than those mentioned therein or the facility remains idle due to insufficiency of orders from the Company, no lease rental shall be payable by PanEra Biotec Pvt. Ltd. during the relevant period.

The Company has also given an office space in its building situated at B-1 Extn./A-27, Mohan Co-operative Industrial Estate, New Delhi on operating lease to PanEra Biotec Pvt. Ltd.

b) Total of future minimum lease payments under operating lease mentioned above:

	As at March 31, 2010	As at March 31, 2009
a) Receivable within 1 year	7,500	14,000
b) Later than 1 year but not later than 5 years	-	-
c) Later than 5 years	-	-

ii. For assets taken on Lease

a) The Company has taken various residential, office and godown premises under operating lease agreements. These are generally not non-cancelable and are renewable by mutual consent on mutually agreed terms. There is no sublease payments expected to be received at the balance sheet date and no restrictions is imposed by lease arrangements.

b) Lease payments for the year are Rs.70,418,180 (Previous Year Rs.63,107,965).

c) Total of future minimum lease payments under Non Cancelable operating lease:

Particulars	As at March 31, 2010	As at March 31, 2009
a) Payable within 1 year	12,779,377	12,633,415
b) Later than 1 year but not later than 5 years	27,625,774	13,847,545
c) Later than 5 years	3,843,948	4,013,276

12. a) Details of Company's share in Joint Venture included in the Consolidated Financial Statements are as follows:

Particulars	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS		
1. Shareholders' Funds		
a) Share Capital	-	-
b) Reserves & Surplus	63,835,582	46,571,024
2. Loan Funds		
a) Secured Loans	-	163,121
b) Unsecured Loans	-	-
APPLICATION OF FUNDS		
1. Fixed Assets		
Gross Block	11,772,451	11,000,281
Less : Depreciation	8,667,510	7,790,995
Net Block	3,104,941	3,209,286
2. Deferred Tax Assets	2,375,937	1,994,049
3. Current Assets, Loans & Advances		
A. Current Assets	117,741,090	143,485,483
B. Current Liabilities & Provisions	36,427,286	78,995,574
Net Current Assets (A)-(B)	81,313,804	69,420,199

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
INCOME		
Turnover	279,590,877	269,186,069
Other Income	7,983,376	5,737,410
Total Income	287,574,253	274,923,479
EXPENDITURE		
Manufacturing & Administrative Expenses	191,232,640	175,809,060
Personnel Expenses	45,922,053	40,530,528
Interest & Finance Expenses	686,167	289,382
Selling & Distribution Expenses	22,584,060	23,761,359
Total Expenditure	260,424,920	240,390,329

b) During the year, Company's erstwhile Joint Venture Cambridge Biostability Limited (CBL), has initiated steps to place it into creditors' voluntary liquidation. Due to the financial position of erstwhile Joint Venture company, Company considers its investment and loan given to it doubtful for recovery. Accordingly provision created in earlier years for said amount has been continued in the current year. No interest has been accrued during the year on outstanding loan amount.

Particulars	31/03/2010	31/03/2009
Investment made	168,068,998	168,068,998
Loan given	108,833,850	108,833,850
Interest accrued on above loan	7,275,470	7,275,470
Total	284,178,318	284,178,318

13. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to maximum of Rs.350,000. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the Profit & Loss Account and the funded status and amounts recognized in the Balance Sheet for the respective plans.

Profit and Loss Account:

Net employee benefit expense - Gratuity (recognized in Employee Cost)

Particulars	2009-10	2008-09
Current service cost #	14,593,863	13,648,636
Interest cost on benefit obligation	7,586,182	6,643,369
Expected return on plan assets	(4,067,849)	(2,770,184)
Net actuarial (gain)/loss recognized in the year on account of return on plan assets	(8,967,491)	(4,275,782)
Net benefit expense* (Refer note below)	12,574,991	13,246,040
Actual return on plan assets	(4,711,712)	(3,452,434)

*Includes Gratuity expense of Rs.1,129,063 (Previous Year Rs.1,062,491) accounted under Research & Development Expenses.

#Gratuity Expenses includes Rs.109,412 (Previous Year Rs.44,937) transferred to Pre-operative Expenses.

Balance Sheet:

Details of Provision for Gratuity:

Particulars	2009-10	2008-09
Defined benefit obligation	111,101,184	100,695,065
Fair value of plan assets	62,347,398	43,638,111
	48,753,786	57,056,954
Less: Unrecognized past service cost Plan (liability)	(48,753,786)	(57,056,954)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	2009-10	2008-09
Opening defined benefit obligation	100,695,065	87,922,995
Interest cost	7,586,182	6,643,369
Current service cost	14,593,863	13,648,636
Benefits paid	(3,640,181)	(4,025,152)
Actuarial losses on obligation	(8,133,745)	(3,494,783)
Closing defined benefit obligation	111,101,184	100,695,065

Changes in the fair value of plan assets are as follows:

Particulars	2009-10	2008-09
Opening fair value of plan assets	43,638,111	30,002,106
Expected return	4,067,849	2,770,184
Contributions by employer	17,844,701	14,109,975
Benefits paid	(3,640,181)	(4,025,152)
Actuarial Gain /(losses)	436,918	780,999
Closing fair value of plan assets	62,347,398	43,638,111

The Company has since contributed Rs.17,844,701 to the gratuity fund.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	2009-10	2008-09
	%	%
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved debt market scenario.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Particulars	2009-10	2008-09
Discount rate	7.25 % to 8.50%	6.50% to 7.50%
Expected rate of return on plan assets	8.00% to 9.25%	8.00% to 9.25%
Increase in compensation cost	5.00% to 10.00%	5.00% to 12.00%
Employee turnover		
upto 30 years	10% to 25%	10%
above 30 years but upto 44 years	5%	5%
above 44 years	1%	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Gratuity amounts for the current and previous periods are as follows:

Particulars	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	111,101,184	100,695,065	87,922,995	54,165,505
Plan assets	62,347,398	43,638,111	30,002,106	21,981,664
Deficit	48,753,786	57,056,954	57,920,889	32,183,841
Experience adjustments on plan liabilities-(Gain)/Loss	(7,724,979)	(3,286,351)	(236,689)	(21,981)
Experience adjustments on plan assets-(Gain)/Loss	(851,562)	(743,588)	(238,939)	(7,984)

*The revised accounting standard AS-15 – Employee Benefits which provides for Acturial Valuation of Gratuity Liability was adopted in the year 2006-07. In the earlier years, acturial valuation was done in accordance with the pre-revised Accounting Standard, AS-15. Accordingly, comparative numbers of one year earlier than the year 2006-07 have not been furnished.

Defined Contribution Plan:	2009-10	2008-09
Contribution to Provident Fund Charged to Profit and Loss Account	33,346,537	31,045,359

The Company expects to contribute Rs.16,100,000 to gratuity fund in the year 2010-11.

Note: During the year some employees of the Company have been transferred to its Associate Company PanEra Biotec Pvt. Ltd. As per the agreed terms, the tenure of the service for computation for post employment benefits would be taken in computation of period served with the Company. Accordingly, the liability of Rs.3,430,285 for Gratuity and Rs.2,375,986 for Leave Encashment in respect of transferred employees as at the date of transfer has also been transferred to PanEra Biotec Pvt. Ltd. The process of transferring the gratuity amount lying in the Company's gratuity fund is in progress.

14. The Company has incurred expenditure on Pre-Clinical Development studies amounting to Rs.32,125,547 during the year (Previous Year Rs.123,978,449) and Rs.479,497,285 as of March 31, 2010 (Rs.426,493,761 as of March 31, 2009). This expenditure relates to studies carried out by Clinical Research Organization (CRO) towards obtaining registration of Company's products in US and / or Europe. The expenditure incurred has been capitalized and carried in Capital Work in Progress. Management believes that it is in the nature of development expenditure and meets the capitalization criteria set out in Accounting Standard 26 on Intangible Assets notified by the Companies Accounting Standard Rules, 2006 due to the following reasons:

- The expenditure is not towards basic research and therefore no new chemical entity comes into being. This expenditure relates to the developmental work performed through external agencies (CROs). Safety profile of the basic molecule is well established in several countries in Europe and in India and the products are being marketed successfully in several countries under different brand names.
- There is no experience to suggest that the studies conducted by CROs on behalf of the Company would lead to or make it difficult for the Company to obtain regulatory approvals in US and / or Europe.

The management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from regulatory authorities in US and / or Europe.

15. In accordance with Accounting Standard 9 on 'Revenue Recognition' notified by the Companies Accounting Standard Rules, 2006, Excise Duty on turnover amounting to Rs.7,969,727 (Previous year Rs.18,845,112) has been reduced from turnover in Profit & Loss Account and differential Excise Duty on opening and closing stock of finished goods amounting to Rs.Nil (Previous year Rs.Nil) has been adjusted from Raw Materials, Finished Goods, Work in Progress and Job Processing charges in Schedule XIV.

16. The Company had exercised the option as per the Companies (Accounting Standard) Amendment Rules, 2009 in the financial year 2008-09. As per the option exchange differences related to long term foreign currency monetary items so far as they relate to the acquisition of a depreciable capital assets are capitalized and depreciated the same over the useful life of the assets. In other cases, have transferred to Foreign Currency Monetary Item Translation Difference Account and amortized over the balance period of such long term assets/liabilities but not beyond accounting period ending on or before 31st March 2011. The unamortized balance in this account is Rs.16,773,412 (liability) (Previous year Rs.95,961,134 (asset)).

17. Owing to recoveries, during the year, the Company has written back the provision for bad and doubtful advances of Rs. 135,532,654 created during earlier years on account of old recoverable from PanEra Biotec Pvt. Ltd., an associate company. The same has been shown as other income during the year.

18. The Company has appointed independent consultants for conducting a Transfer Pricing study to determine whether the transactions with associated enterprises were undertaken at "arms length basis". The management confirms that all international transactions with associated enterprises are undertaken at negotiated contracted prices on usual commercial terms. Further there has been no change in the terms of such international transactions till March 31, 2010.

19. Details of Loans and advances to Associates and Parties in which directors are interested (as required by clause 32 of listing agreement) to the extent of the share of balances outside group:

Particulars	31/03/2010	31/03/2009
Dues from associates		
- PanEra Biotec Pvt. Ltd.		
Balance Recoverable (including Rs.48,469,087 on account of sale of raw material grouped as sundry debtors under Schedule VIII)	-	97,543,624
Maximum amount due at any time during the year	97,543,624	97,543,624

20. In the current year, Company has received a capital subsidy of Rs.3,000,000 under the Central Investment Subsidy Scheme, 2003 based on investment in plant & machinery as its manufacturing unit at Baddi, Himachal Pradesh which is in the nature of promoters' contribution. As per the scheme, the Company has to maintain such investment for a minimum period of five years. This has been treated as capital reserve in books of account.

21. The Company has received a soft loan from President of India acting through Department of Biotechnology, Ministry of Science & Technology, Government of India under Biotechnology Industrial Partnership Programme (BIPP) for its H1N1 project. Repayment of the loan shall be in 10 equal half-yearly installments and repayment would commence one year after the completion of the said project.

22. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

For and on behalf of the Board

Ravinder Jain
Managing Director

Dr. Rajesh Jain
Joint Managing Director

CASH FLOW STATEMENT ANNEXED TO CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2010

(Amount in Rs.)

	For the year ended 31st March 2010		For the year ended 31st March 2009	
A. Cash flow from operating activities:				
Net operating profit before tax		1,127,708,189		(866,663,960)
Adjustments for:				
Depreciation	675,553,871		714,198,042	
Interest Expenses	384,718,770		321,543,582	
Provison for Doubtful Debts & Advances	(131,055,425)		422,105	
Interest Income	(46,626,961)		(179,781,777)	
Loss/ (Profit) on sale of Fixed Assets (Net)	14,157,409		(6,937,487	
Intangibles written off	-		(46,263,349)	
Provision for Impairment & Doubtful Loans	-		284,178,318	
Unrealized foreign exchange loss/(gain) (net)	(1,322,905,087)		1,689,589,699	
Dividend Income	(33,184)			
Amortised exchange differences Charge/(Credit)	(16,773,412)		47,980,567	
Product Development Expenses written off	19,395,518			
Deferred Revenue Expenditure written off during the year	2,190,116		1,306,690	
		(421,378,385)		2,826,236,390
Operating profit before working capital changes		706,329,804		1,959,572,430
(Increase) / Decrease in Trade and Other Receivables	201,562,825		74,223,324	
(Increase)/Decrease in Inventories	(63,679,847)		(2,367,283,704)	
Increase / (Decrease) in Current Liabilities & Provisions	(95,533,131)		527,604,285	
		42,349,847		(1,765,456,095)
Cash generated from operations		748,679,651		194,116,335
Net Income Taxes Paid		(126,970,207)		(262,488,116)
Net cash from operating activities		621,709,444		(68,371,781)
B. Cash flow from investing activities:				
Purchase of Fixed Assets	(1,220,405,727)		(2,025,133,881)	
Proceeds of deposits matured				
(with maturity more than three months)	(4,257,877)		1,250,968,300	
Deposits (with maturity more than three months)	-		(70,376,198)	
Sale of Fixed Assets	5,424,274		52,261,957	
Interest Received	47,563,305		182,155,836	
Dividend Received	33,184		-	
Invetsment made	(166,880)		(691,734,460)	
Invetsments sold	-		149,108,804	
Net cash used in investing activities		(1,171,809,721)		(1,152,749,642)
Net cash from operating and investing activities		(550,100,277)		(1,221,121,423)
C. Cash flow from financing activities:				
Issue of Equity Share Capital (incl premium)	29,910,726		-	
Capital Subsidy received	3,000,000		-	
Net increase / (decrease) in Working Capital Borrowings	602,186,740		1,292,036,897	
Long Term Borrowings raised	30,000,000		837,914,977	
Fixed Deposits received	320,500,000		300,500,000	
Fixed Deposits repaid	(300,500,000)		(436,110,000)	
Inter-Company loans repaid	(27,000,000)			
Long Term Borrowings repaid	(163,121)		(243,100)	
Interest paid	(382,304,713)		(313,814,246)	
Dividend & Tax on Dividend paid	(38,824)		(81,149,949)	
Net Cash from Financing activities		275,590,808		1,599,134,579
Net cash from operating, investing & financing activities		(274,509,469)		378,013,156
Net increase/ (decrease) in Cash & Cash equivalent		(274,509,469)		378,013,156
Opening balance of Cash & Cash equivalent		678,046,532		295,835,044
Add/Less: Effect of Exchange Differences on Cash and Cash Equivalents held in foreign currency		(7,722,250)		4,198,332
Closing balance of Cash & Cash equivalent		395,814,813		678,046,532
Components of cash and cash equivalents				
i) Cash Balance on Hand		426,053		9,243,607
ii) Balance with Scheduled Banks :				
a) In Cash Credit Accounts		108,977,118		-
b) In Current Accounts		80,187,846		100,130,657
c) In Unpaid Dividend Accounts*		1,392,070		1,583,956
d) In Fixed Deposits		74,634,075		140,844,041
e) In Exchange Earner Foreign Currency Current Accouns		204,831,726		496,620,469
Cash & Bank Balances as per Schedule VIII		470,448,888		748,422,730
Less: Fixed deposits for maturity period more than 3 months		74,634,075		70,376,198
Cash & Cash Equivalents in Cash Flow Statement		395,814,813		678,046,532

* Theses balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our attached report of even date
S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board

Ravinder Jain
Managing Director

Per Rajiv Goyal
Partner
Membership No. 94549
Place : New Delhi
Dated : May 7, 2010

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

Vinod Goel
G.M. Legal & Company Secretary

Dr. Rajesh Jain
Joint Managing Director

PANACEA BIOTEC IN NEWS

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