

Trust  
is built  
over a time



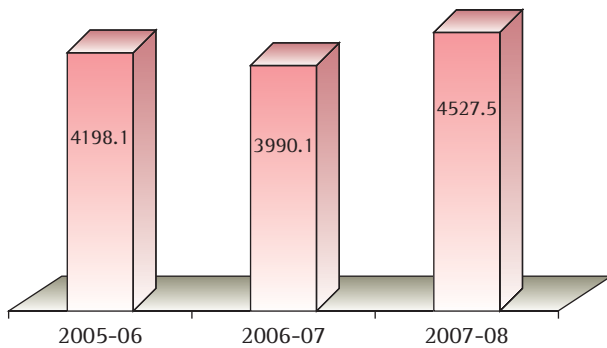
Caring & Curing  
for over  
six decades



## Financial Highlights

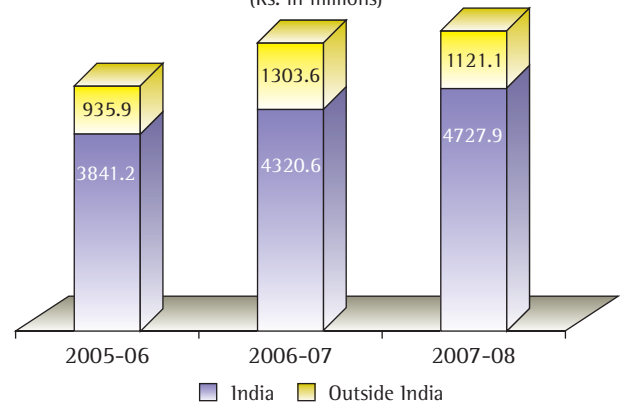
- Sales/Income from operations (Gross) up by 5.6% to Rs.5939.1 millions.
- Revenues from Domestic business up by 9.4% to Rs. 4727.9 millions.
- Recommendation of 100% Dividend of Rs. 5 on equity share of Rs. 5 each.

Formulations India Sales\*  
(Rs. in millions)

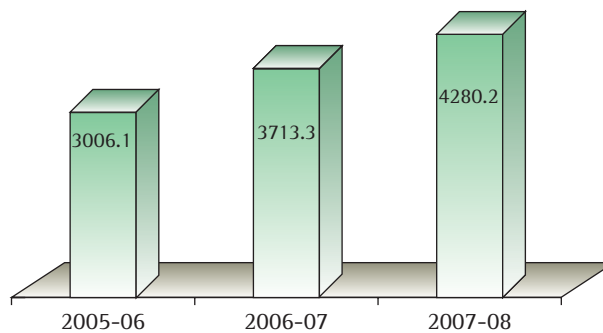


\* Excluding Income from Operations

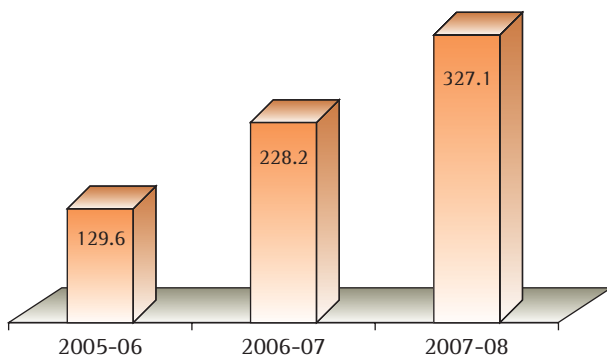
Sales Mix by Geographical Segment  
(Rs. in millions)



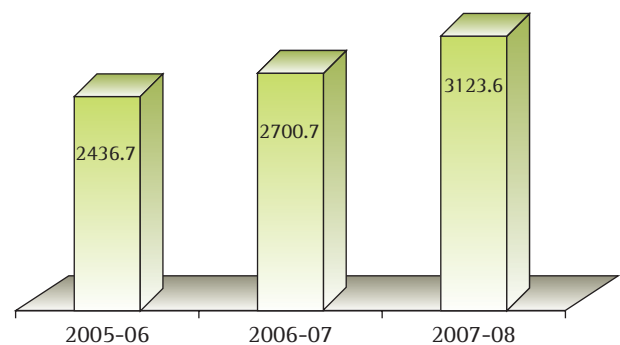
Net Worth  
(Rs. in millions)



R&D Expenditure  
(Rs. in millions)



Gross Block of Fixed Assets  
(Rs. in millions)



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*Board of Directors*



**Dr. Prakash A. Mody**  
Chairman & Managing Director



**B. K. Sharma**  
Executive Director



**Prafull Anubhai**  
Non-Executive Director



**Ramdas M. Gandhi**  
Non-Executive Director



**Nasser Munjee**  
Non-Executive Director



**Prafull D. Sheth**  
Non-Executive Director



**Anand Mahajan**  
Non-Executive Director



### Board Committees

#### Audit Committee

Prafull Anubhai - Chairman  
Ramdas Gandhi  
Nasser Munjee

#### Shareholders' Grievance Committee

Ramdas Gandhi - Chairman  
B K. Sharma

#### Compensation Committee

Prafull D. Sheth - Chairman  
Prafull Anubhai  
Ramdas Gandhi

### Registered & Corporate Office

Unichem Laboratories Limited  
Unichem Bhavan  
Prabhat Estate, Off. S. V. Road  
Jogeshwari (West),  
Mumbai - 400 102.  
Tel.: 022 66888333  
Fax: 022 26794089/26784391  
unichemindia.com

### Company Secretary & Compliance Officer

K. Subharaman

### Plant Locations

#### Formulation Plants

##### GOA

Plot No. 17 & 18,  
Pilerne Industrial Estate,  
Pilerene Bardez,  
Goa - 403 511

##### BADDI

Bhatauli Kalan,  
District Solan, Baddi,  
Himachal Pradesh - 173 205

##### GHAZIABAD

C 31-32, Industrial Area,  
Meerut Road, Ghaziabad,  
Uttar Pradesh - 201 003

#### API Plants

##### ROHA

99, MIDC Area, Roha,  
District Raigad,  
Maharashtra - 402 116

##### PITHAMPUR

Plot No. 197, Sector -1,  
Pithampur -454 775  
District Dhar (MP)

### Registrar & Share Transfer Agents

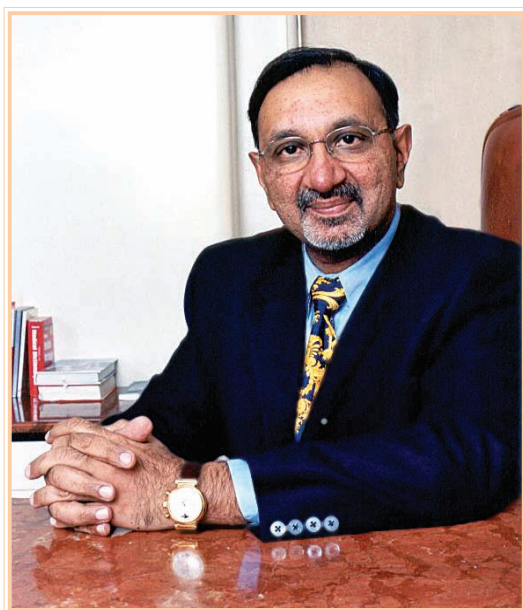
Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills  
Compound, LBS Marg,  
Bhandup (West)  
Mumbai - 400 078.  
Tel.: 022 25963838  
Fax: 022 25946969

### Statutory Auditors

B D. Jokhakar & Co.  
Chartered Accountants  
8, Ambalal Doshi Marg  
Fort, Mumbai - 400 001.



## Message from the Chairman



Dear Stakeholders,

I am happy to inform you that Unichem has grown by 13.5% in the Indian Formulations Market thereby maintaining its growth momentum. Indian Formulation Market contributes nearly 78% of our total turnover within India. This performance from our Domestic team has come despite intense competition and price cuts. On the Export front, there was a dip of about 7% and we closed at a turnover of Rs. 121.1 crore as against Rs. 130.4 crore in the previous year. I am confident that in the current financial year, we will be able to do better both in Indian Formulation business and Export business. Our strategy for the domestic market is to expand the product basket covering more therapeutic segments and deepen penetration by expanding our reach to a larger number of customers. To this end we have created a

new marketing division.

Last year our UK subsidiary Niche Generics Ltd became wholly owned when we bought out the minority stake from its earlier founders. Having achieved the major objective of establishing our foothold in Europe through this acquisition we reviewed our operating model. We decided to shift development to India, pared costs and concentrated on marketing. In the process we took redundancy costs and revamped the management team. A new leader has been appointed to implement this change. Current year will see a turnaround in this subsidiary. At the same time our efforts in developing some of the other global markets continued to elude us. Cost of these efforts could not be recouped in the short term. Such initiatives have a long gestation time to yield results. Global economic slowdown did not help matters. Our strategies in the International markets are under constant review to maximize value. Many of our product registrations including approval of ANDA's by the US FDA are under progress. I am confident that these subsidiaries will provide the growth momentum in the near future.

In the last few years, in our domestic business, we have built sufficient scale and have equipped ourselves to meet any competitive challenge and are geared to meet the changing needs of our consumers. Expansion projects with strong cost-benefit ratio were initiated with a view to further enhance capital productivity. In this direction,



Unichem has initiated projects including setting up of a Formulation Plant at Sikkim and the expansion of its existing formulation facility at Baddi (Himachal Pradesh). The Baddi expansion is on the verge of completion.

Export oriented API has been a thrust area of our strategy. We have made sizeable investments in both API facilities situated at Roha and Pithampur to upgrade these facilities to global standards. At the same time our R & D has developed processes to service global customers in the regulated markets. This will help in optimizing cost and expanding the customer base. We expect that expansion of both the plants will be soon completed and we will benefit because of the scalability we shall achieve.

We have also made sizeable spends in R&D. Apart from developing the API business it will support our Formulations business both in domestic and international markets. Our R&D spends touched 5.6% of our sales as against 4.1% in the previous year. The Company's Bio-Science facility has been shifted from IISc Bangalore to Goa in its well designed infrastructure. This facility is equipped to handle scaling up of Bio-Science products from lab level to plant level.

After a period of consolidation Unichem has embarked on a programme of long-term profitable growth. New challenges have emerged for the Indian pharma industry

both from developments within the country and globally. We have carefully calibrated our strategy to position ourselves in this turbulent environment. Course corrections have been initiated. Many had short impact period and have started yielding results. Some others have started gathering momentum. As in any business we have to continuously review and make adjustment to secure our future. Our basic model has been de-risked. New investments have been made in plants, R & D and people across geographies. Such investments involve risk and waiting capacity. But without calculated risk we cannot secure our future. I am confident that soon we shall all be able to see the results of these steps. Many of these decisions were tough and would have been difficult to execute without the support of the Board and the commitment of our people. I would like to record my appreciation for the valuable inputs provided by them.

Our customers, business associates and shareholders have reposed their faith in us. I am grateful to them for their continued confidence in the management. I firmly believe that with the solid foundation that has been laid and the large opportunities in front of us, we will continue to create superior value for all our stakeholders.

Warm Regards,

**Dr. P. A. Mody**

*Chairman and Managing Director*



(Rupees in millions)

## Balance Sheet

As at 31st, March	2004	2005	2006	2007	2008
<b>Sources of funds</b>					
Equity share capital	170.60	170.60	180.02	180.17	180.21
Reserves & surplus	1,340.12	1,655.62	2,826.09	3,533.11	4,099.97
Net worth	1,510.72	1,826.22	3,006.11	3,713.28	4,280.18
Secured Loans	228.83	258.31	104.67	89.63	55.33
Unsecured Loans	248.56	190.55	178.16	162.81	178.30
Total Loans	477.39	448.86	282.83	252.44	233.63
<b>Total Liabilities</b>	<b>1,988.11</b>	<b>2,275.08</b>	<b>3,288.94</b>	<b>3,965.72</b>	<b>4,513.81</b>
<b>Application of funds</b>					
Gross block	1,672.47	1,977.49	2,436.69	2,700.69	3,123.56
Depreciation	474.03	557.23	656.19	742.12	880.55
Net block	1,198.44	1,420.26	1,780.50	1,958.57	2,243.01
Capital WIP	72.33	365.82	106.09	654.32	1,031.92
NB + CWIP	1,270.77	1,786.08	1,886.59	2,612.89	3,274.93
Investment	142.58	31.18	274.93	366.17	418.10
<b>Current Assets</b>					
Inventories	472.57	540.80	597.46	702.03	714.50
Debtors	657.29	711.45	956.56	1,253.05	1,235.80
Cash and bank balance	26.78	18.95	436.15	75.09	69.68
Loans & advances	240.42	189.91	213.80	292.65	270.32
Total current assets	1,397.06	1,461.11	2,203.97	2,322.82	2,290.30
<b>Current Liabilities</b>					
Creditors	459.88	534.47	474.38	821.62	725.45
Other current liabilities	59.60	87.94	72.86	100.56	85.07
Provisions	115.48	155.74	289.17	132.84	336.36
Total current liabilities	634.96	778.15	836.41	1,055.02	1,146.88
Deferred tax liability	187.34	225.14	240.14	281.14	322.64
Net current assets	574.76	457.82	1,127.42	986.66	820.78
<b>Total assets</b>	<b>1,988.11</b>	<b>2,275.08</b>	<b>3,288.94</b>	<b>3,965.72</b>	<b>4,513.81</b>





(Rupees in millions)

## Profit and Loss Account

For the year ended 31st March	2004	2005	2006	2007	2008
Sales and income from operations	3,871.96	4,245.61	4,777.06	5,624.13	5,939.12
Other Income	21.36	119.85	42.08	106.07	66.98
<b>Total Income</b>	<b>3,893.32</b>	<b>4,365.46</b>	<b>4,819.14</b>	<b>5,730.20</b>	<b>6,006.10</b>
Material consumption	1,037.06	1,045.53	1,183.14	1,443.37	1,450.10
Purchase of finished goods	610.20	741.75	796.29	923.69	1,010.91
Increase/ Decrease in stocks of semi-finished and finished goods	(49.76)	(37.57)	(27.27)	(30.10)	(33.01)
Research & Development Expenses	68.23	85.13	100.63	196.68	215.70
Stores and spares	21.31	24.67	33.33	46.29	29.00
Power and fuel	79.76	90.66	119.63	125.69	141.95
Staff costs (Excluding R&D)	342.90	378.94	439.86	555.04	619.12
Excise	337.47	310.95	219.52	168.19	128.18
Selling expenses	336.80	400.70	434.11	490.13	599.60
Other expenses	469.57	581.87	567.50	614.77	730.83
<b>Total cost</b>	<b>3,253.54</b>	<b>3,622.63</b>	<b>3,866.74</b>	<b>4,533.75</b>	<b>4,892.38</b>
<b>PBDIT</b>	<b>639.78</b>	<b>742.83</b>	<b>952.40</b>	<b>1,196.45</b>	<b>1,113.72</b>
Interest	31.23	23.07	22.74	18.88	15.17
<b>PBDT</b>	<b>608.55</b>	<b>719.76</b>	<b>929.66</b>	<b>1,177.57</b>	<b>1,098.55</b>
Depreciation	83.78	93.13	114.19	120.12	153.72
<b>Profit before tax</b>	<b>524.77</b>	<b>626.63</b>	<b>815.47</b>	<b>1,057.45</b>	<b>944.83</b>
Exceptional & prior period items	(53.80)	0.12	(133.48)	(11.75)	0.23
Current tax	127.57	141.50	81.00	118.60	105.50
Fringe benefit tax	-	-	19.00	21.00	25.50
Profit after current tax	451.00	485.01	848.95	929.60	813.60
<b>Deferred tax</b>	<b>16.43</b>	<b>37.80</b>	<b>15.00</b>	<b>28.00</b>	<b>41.50</b>
Profit after tax	434.57	447.21	833.95	901.60	772.10
<b>Note:</b>					
Exports at FOB value	411.26	591.18	890.62	1,170.21	1,105.22
Equity dividend	102.36	119.42	180.02	180.17	180.21
Expenditure on R&D :					
-Capital	16.04	75.12	28.94	31.52	111.42
-Recurring	68.23	85.13	100.63	196.68	215.70
<b>Total R &amp; D expenditure</b>	<b>84.27</b>	<b>160.25</b>	<b>129.57</b>	<b>228.20</b>	<b>327.12</b>

## KEY RATIOS

### Key Financial

As at 31st March	2004	2005	2006	2007	2008
ROCE	27.20	27.90	27.80	27.68	21.14
RONW	25.10	24.50	23.70	24.00	18.04
EVA	287.20	330.40	449.30	450.60	234.20
<b>Per share Data</b>					
EPS	12.98	13.22	23.84	25.02	21.57
Dividend	60%	70%	100%	100%	100%
Book Value per Share	44.30	53.55	83.50	103.05	118.75



## Dear Members,

Your Directors have pleasure in presenting the 45<sup>th</sup> Annual Report on the business and operations of the Company for the financial year ended March 31, 2008.

## Financial Highlights

The table given below gives the financial highlights of the Company on Standalone basis for the year ended March 31, 2008 as compared to the previous financial year.

For the year ended March 31  
(Rupees in millions)

Particulars	2008	2007
Sales/Income from operations (Gross)	5939.1	5624.1
Sales/ Income from operations (Net)	5810.9	5455.9
Other Income	67.0	106.1
Total Revenue	5877.9	5562.0
PBDIT	1113.7	1196.5
PBIT	960.0	1076.3
PBT & exceptional items	944.8	1057.4
Provision for taxation (including deferred tax & fringe benefit tax)	172.5	167.6
PAT before exceptional and prior-period items	772.3	889.9
Exceptional items	-	12.0
Profit after tax and exceptional items but before prior-period items	772.3	901.9
Prior period Expenses	0.2	0.3
Excess/(Short) provision for taxation pertaining to previous year	5.0	(0.8)
Profit after tax, exceptional and prior-period items	<b>777.1</b>	<b>900.8</b>

Notes: Previous year's figures have been regrouped/reclassified wherever necessary.

## Review of Operations

During the year under review, Total Revenue increased to Rs. 5877.9 million in 2007-08 from Rs. 5562.0 million in 2006-07 registering a growth of 5.7%. Profit before tax and exceptional items stood at Rs. 944.8 million in the current year. The profit after tax and exceptional items and after prior period adjustments stood at Rs. 777.1 million in the current year.

## Appropriations

Your Company has transferred Rs. 150 million to the General Reserve during the year under review. An amount of Rs. 2380.6 million is proposed to be carried forward from the Profit & Loss Account.

## Dividend

Your Directors are pleased to recommend a dividend of Rs. 5/- per Equity Share of Rs. 5/- each for the financial year

2007-08. The total dividend payout for the financial year 2007-08 is Rs. 180.2 million as against Rs. 180.1 million for the previous financial year.

The register of members and share transfer books shall remain closed from July 14, 2008 to July 17, 2008, both days inclusive. The Annual General Meeting of the Company has been scheduled for July 17, 2008.

## Employee Stock Options Scheme

During the year under review, 9,700 options were exercised and equivalent numbers of equity shares were allotted (on pari passu basis) under the Employees Stock Option Scheme – 2004.

Details of the options granted up to March 31, 2008 are set out in Annexure I to this Report, as required under Clause 12 of the SEBI (Employees Stock Option Scheme) Guidelines, 1999.



### Management's Discussions and Analysis

A detailed report on Management's Discussion and Analysis forms part of this Annual Report.

### Corporate Governance

A detailed report on Corporate Governance forms part of this Annual Report. Your Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate on compliance with Corporate Governance requirements by the Company is attached to the report on Corporate Governance.

### Information for Shareholders

Additional information pertaining to shareholders like Growth in Shareholders Fund, Shareholders spread, Equity History of the Company, etc. is provided in this Annual Report.

### Consolidated Financial Statements

In accordance with the Accounting Standards AS – 21 on Consolidated Financial Statements, your Directors provide the Audited Consolidated Financial Statements in the Annual Report.

### Notes on Subsidiaries

Your Company has 4 (four) subsidiaries as on March 31, 2008. Your Company had applied to the Government of India for an exemption from attaching the Financial Statements of its Subsidiaries, since the Audited Consolidated Financial Statements are presented in the Annual Report. Your Directors believe that the Consolidated Financial Statements present a full and fair view of the state of affairs of your Company as a whole. In terms of approval granted by the Central Government under Section 212(8) of Companies Act, 1956, financial statements pertaining to the subsidiaries have not been attached with the Balance Sheet of the Company. However, for the benefit of the members, we have published a summary of the financials of the subsidiaries in the Annual Report. The financial statements of subsidiaries, along-with related information and reports are available for inspection at the registered office of your Company.

### Review of Subsidiaries

#### *Niche Generics Limited*

Niche Generics Limited is a wholly-owned subsidiary of your Company. It is engaged in manufacturing formulations, product development and dossier filing in European markets. It posted a turnover of GBP 11.6 million during the current year as compared to GBP 11.1 million during the previous

year. It suffered a loss of GBP 2.2 million for the current year as against a loss of GBP 1.80 million during the previous year due to higher development costs and exceptional items on account of restructuring.

#### *Unichem S.A. (Proprietary) Limited*

Unichem S.A. (Proprietary) Limited is a wholly owned subsidiary of your Company in South Africa. This subsidiary has been set-up for business development and to own product registrations and not to carry out direct marketing operations. The subsidiary has suffered a loss of SA Rand 2229 in the current year against profit of SA Rand 1960 during the previous year.

#### *Unichem Farmaceutica Do Brasil Ltda.*

Unichem Farmaceutica Do Brasil Ltda., is a wholly owned subsidiary of your Company in Brazil. This subsidiary has been set-up to own product registrations, launch generic and branded generic products in the Brazilian market.

The subsidiary plans to have its own set-up for sales, marketing, warehousing and distribution. The entity incurred loss of Brazilian Reals 0.93 million in the current year as against Brazilian Reals 1.3 million during the previous year on account of expenditure incurred towards setting up of business.

#### *Unichem Pharmaceuticals (USA) Inc.*

Unichem Pharmaceuticals (USA) Inc., a wholly owned subsidiary of your Company in USA, has been set up for business development, filing of ANDA's and exploring opportunities for marketing alliances in North American markets. The subsidiary suffered a loss of US \$0.80 million during the year as against US \$0.62 million in the previous year on account of marketing & administration expenditures.

### Directors' Responsibility Statement

In terms of section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

1. in preparation of annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgements 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 2007-08 and profit made by the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records, in



accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. they have prepared the annual accounts on a going concern basis.

### Fixed Deposits

The total amount of Fixed Deposits as at March 31, 2008 was Rs. 74,000/-. There are no overdue deposits except unclaimed deposits amounting to Rs. 74,000/- as on March 31, 2008.

### Credit Rating

ICRA has reaffirmed the A1+ rating for short-term debt (including Commercial Paper) Programme of Rs. 150 million. The rating indicates highest safety, the prospect of timely repayment of debt/obligation being the best.

### Directors Retiring by Rotation

Mr. Prafull Anubhai and Mr. Anand Mahajan, Directors of the Company, retire by rotation as per Article 141 of the Articles of Association and being eligible, offer themselves for re-appointment. Attention of the Members is invited to the relevant items in the Notice of the Annual General Meeting for seeking their approval for the aforesaid appointments. The information required under Clause 49 IV (G) of the Listing Agreement is given in the Notice of the Annual General Meeting.

### Statutory Auditors

The Statutory Auditors of the Company, M/s. B.D. Jokhakar & Co., retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. They have given a certificate to the effect that the reappointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. They have confirmed their willingness to accept office, if reappointed.

The Audit Committee of Board recommends the reappointment of M/s. B.D. Jokhakar & Co. as Statutory Auditors of your Company for the financial year 2008-2009.

### Cost Auditors

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Bulk Drugs and Formulations Division. The Cost

Audit for the financial year 2007-2008 is under process and the Company will submit the Cost Auditor's Report to the Central Government in due course.

The Board of Directors of your Company has reappointed Mr. Y.R. Doshi, Cost Accountant as the Cost Auditor to audit the cost accounts relating to "Bulk Drugs" and "Formulations" for the financial year ending 2008-2009.

### Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earning and Outgo.

The particulars as prescribed under Clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rule, 1988 are set out in Annexure II to this Report.

### Particulars of Employees

Particulars of employees, as required under 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However in pursuance of Section 219(1)(b)(iv) of the Act this report is being sent to all shareholders of the Company, excluding the aforesaid information and the said particulars are available at the Registered Office of the Company. The members interested in obtaining such particulars may write to the Secretarial Department at the Registered Office of the Company.

### Employee Relations

Relations with employees across all the offices and units continued to be cordial throughout the year. Your Directors place on record, their sincere appreciation of the significant contribution made by the employees at all levels through their dedication, hard work and commitment.

### Quality and Environment

ISO 9001 and ISO 14001 certificates for Quality and Environmental Management System enhance the credibility of your Company to increase process efficiencies, reduce consumption of energy and lower risk of environmental damage.

Your Company's mission envisages a strong sense of commitment to work towards being a caring pharmaceutical company, which will continuously strive to enhance health through quality products. Your Company aims to consistently provide products that meet customer as well as national and international regulatory requirements as may be applicable. It has been steadily raising the bar, setting higher



goals for environmental performance and enlarging the scope of initiatives.

The environmental policy of your Company emphasizes at being a caring company, which shall protect and promote the environment by complying with applicable environmental regulations and preventing pollution in all operations. Your Company continues to strive for energy saving and conservation of natural resources.

#### Corporate Social Responsibility

Good governance demands adherence of social responsibility coupled with creation of value in the larger interest of the general public. Your Company and its dedicated employees continue to contribute towards several worthwhile causes. Your Company aims to enhance the quality of life of the community in general and has a strong sense of social responsibility. The range of our activities begins with organising blood donations camps in collaboration with Blood Banks, facilitating plantation of trees, extending educational and on-job training facilities and goes on to cover vocational guidance and supporting seminars in coordination with Universities, etc.

#### Health & Safety

Your Company assiduously endeavours to act in a responsible manner to avoid causing any harm to the health and safety of its employees, contract personnel and visitors. Your

Company takes pride in providing various forms of medical assistance to the families of its employees and also to all those living in surrounding villages. Periodic health checkups are carried out of all employees and regular training programmes are organised on safety and precautionary measures. Our API facility at Roha is accredited OHSAS-18001-1999 which stands for Occupational Health and Safety Management System.

#### Acknowledgement

Your Directors acknowledge the support and wise counsel extended to the Company by analysts, bankers, government agencies, shareholders, investors, suppliers, distributors, stockists and others associated with the Company as its trading partners. Your Directors also acknowledge the trust reposed in the Company by medical fraternity and patients.

We look forward to having the same support in our mission to enhance health through quality products.

On behalf of the Board of Directors,

Dr. P. A. Mody  
*Chairman & Managing Director*

Mumbai  
May 12, 2008

## Information relating to Employee Stock Option Scheme - 2004

Sr. Description No.	Details
a) Total Number of Options granted in 2005-06	200,000*
Total Number of Options granted in 2006-07	Nil
Total Number of Options granted in 2007-08	Nil
b) The pricing formula	Rs. 110/- per share for options granted in 2004 and thereafter @15% discount to the market price.
c) Options vested	47,600
d) Options exercised	47,600
e) The total number of Shares arising as a result of exercise of Options	47,600
f) Options lapsed	22,500**
g) Variation of terms of Options	As per the notice of 43 <sup>rd</sup> AGM.
h) Money realised by exercise of Options	Rs. 52,36,000/-
i) Total number of Options in force	2,29,900*
j) Employee wise detail of Options granted to	
(i) Senior manager personnel	
<b>Name</b>	<b>No. of Options</b>
Mr. B.K. Sharma – Executive Director	222,500*
Mr. Ashok Jain – Chief Executive – Pharma	9,000
Mr. Rajeev Lamba – Vice President – International Business Division	9,000
Mr. Rakesh Parikh – Vice President – Finance	4,500
Dr. P. Nandakumar – Vice President – HR & ER	4,000
(ii) Any other employee who received a grant in any one year of Options amounting to 5% or more of Options granted during the year.	Mr. B.K. Sharma*
(iii) Identified employees who were granted options, during one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil
k) Diluted earnings per share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'.	Rs. 25.0
l) Difference between employee compensation cost calculated as per intrinsic value of stock options and fair value of the options. Impact of the difference on Profit and EPS.	The Company has calculated the employee compensation cost using fair value of the options.

\* 2,00,000 Options were granted to Mr. B.K. Sharma during the year, which were approved by the shareholders in the 43<sup>rd</sup> Annual General Meeting.

\*\* Options granted to employees who are no longer associated with the Company.



- m) Weighted average exercise prices and weighted average fair values of options whose exercise price either equals or exceeds or is less than the market price of the stock.

Options granted on	Weighted average exercise price (Rs.)	Weighted average fair value (Rs.)	Closing price at NSE on date prior to date of grant (Rs.)
23.12.2004	110.00	138.71	209.75
10.02.2006	263.55	154.85	310.05

- n) Description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:

The Black Scholes option - pricing model which values options based on stock price at the date of grant, expected life of the options, estimated volatility of the stock, expected dividend payments and risk-free interest rate over expected life of the options.

The main assumptions used in the Black Scholes option - pricing model during the year were as follows:

- (i) Risk-free interest rate (average) : 6.60%
- (ii) Expected life of options from the date (s) of grant : 5 years
- (iii) Expected volatility of common stock : 36.90%
- (iv) Dividend yield : 1.10%
- (v) The price of the underlying share in the market at the time of option grant : Rs. 310.05

## Form A

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

For the year ended March 31,

A. POWER AND FUEL CONSUMPTION	2008	2007
(a) ELECTRICITY		
(i) Purchased Units (Lacs)	207.1	182.4
Total Amount (Rs. in millions)	50.7	75.2
Rate/Unit (Rs.)	2.5	4.1
(ii) Own Generation		
Through Diesel Generator Units (Lacs)	25.9	20.8
Units per litre of Diesel Oil	3.3	3.3
Cost per unit (Rs.)	7.7	8.2
Through Steam Turbine/Generator	N.A.	N.A.
(b) COAL	N.A.	N.A.
(c) FURNACE OIL/HSD		
Quantity (Kilo Litres)	1148.5	1440.7
Total Amount (Rs. in millions)	18.7	33.9
Average Rate (Rs./Kilo Ltr.)	16.3	23.5
(d) OTHERS/INTERNAL GENERATION		
Steam Purchased (M.T.)	3902.6	4789.3
Total Amount (Rs. in millions)	6.2	6.4
Average Rate (Rs. per M.T.)	1599.5	1341.0

## B. CONSUMPTION PER UNIT OF PRODUCTION

In view of the varied nature of the products and packs, the compilation of accurate consumption per unit of production is not feasible.

## Form B

### FORM FOR DISCLOSURE WITH RESPECT TO TECHNOLOGY ABSORPTION

#### RESEARCH & DEVELOPMENT

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

- a) Development of a cost effective process for Bulk Drugs and Intermediates.
- b) Development innovative as well as patentable routes of synthesis for Bulk Drugs and Intermediates.
- c) To undertake contract research with multinational companies.
- d) Improvement in the quality & productivity.
- e) To contain the cost of products by process simplification and improving the efficiency of the processes.
- f) Formulation development of new dosage forms of generic API for domestic and international market.





**B. Benefits derived as a result of the above R & D**

1. The above research has resulted in launching of new products at the right time in international as well as domestic market in various therapeutic segments.
2. Products developed for the international market will result into increase business to the Company in current and future years.
3. Pharma Technology Development Department worked in collaboration with multinational company and developed formulation of NCE for international market. Department also undertook development work for international customer as contract research lab for generic product development.
4. During the year 8 patent applications were filled.

**C. Future Plan of action**

- a. Organization will continue to work on the therapeutic segments of
  - i. Anti-infective
  - ii. Cardiovascular
  - iii. Psychiatry and neurology
  - iv. Musculo-skeletal
  - v. Gastrointestinal
  - vi. Nutritional
  - vii. Anti -allergic
- b. Develop cost effective processes for the existing molecules.
- c. Development of new products for international business.
- d. Development of new drug delivery systems.
- e. Undertake contract research work, in the area of synthesis of API and product dossiers.
- f. Develop products and delivery systems through Biotechnology.
- g. Improvements in quality of products and productivity.

**D. Expenditure on R & D**

Particulars	For the year ended March 31, (Rupees in millions)	
	2008	2007
a) Capital	111.4	31.5
b) Recurring	215.7	196.7
c) Total	327.1	228.2
d) Total R & D expenditure as a percentage of Turnover	5.6%	4.1%

**E. Technology absorption, adaptation and innovation**

The technologies developed by the research and development division of the Company has been commercialized and adopted by the manufacturing facilities of the Company.

**F. Foreign exchange earnings and outgo**

The details of foreign exchange earnings and outgo are given in notes to accounts.



### Financial Highlights of the Company (Standalone) for the year 2007-08 are:

- Total income grew from Rs. 5562 million in 2006-07 to Rs. 5877.9 million in 2007-08.
- Profit after tax but before extraordinary gain and prior period adjustments is Rs. 772.3 million in 2007-08.
- Domestic Formulations grew by 13.5% over the previous year.
- Exports of Active Pharmaceutical Ingredients grew by 16% over the previous year.

The Company has been investing consistently in manufacturing facilities & R&D for Formulations & API business in the last few years. The Company's state-of-the-art formulation plants at Goa, Baddi & Ghaziabad have received certifications from international health authorities. Its API plant at Pithampur is also expected to get US FDA approval. The Company has entered into long-term supply and distribution arrangements with customers in various countries. With these investments and arrangements, the Company is looking at international markets as a key driver for its growth in future. In order to increase its presence in the domestic market further, the Company plans to tap new markets as well as introduce new products and broad base its product basket in order to cater to more therapeutic areas and lessen its dependence on older molecules.

### Business Highlights of the year 2007-08:

- Launched new division focusing on Dermatology.
- Launched new division aimed at promoting high-end Antibiotics, pain management, and other scientifically advanced products.
- Losar (Anti-hypertensive brand) touched Rs. 1000 million as per ORG-IMS.
- API Plant at Pithampur received WHO GMP certificates for 8 of its units.

### GLOBAL PHARMA MARKET

The performance of the pharmaceutical companies globally remained under pressure during the year 2007 with stiff generic competition in key markets, slower rate of product launches, higher cost of drug development and marketing.

In 2007, Global pharmaceutical sales grew by 6-7 per cent. The emerging markets of China, Brazil, Mexico, South Korea, Turkey, India and Russia contributed 17% of the total global sales, up from 13% in 2001. By the year 2020, it is expected

to reach 21%-22%, and these markets will be contributing over 50% to global market growth, at \$70-\$90 billion.

US with \$286.5 billion in sales, accounted for 25.5% of the prescription drug market despite its low prescription drug turnover of 3.8% in 2007. Although the five major European markets France, Germany, Britain, Italy and Spain grew only by 4.8% to \$140 billion, Russia and Turkey registered a spurt in drug sales.

However, the Asian market buoyed by the rapid growth in China (growth of 25.7%), India (growth of 13.0%) and South Korea (growth of 10.7%) grew by 18%. The Latin American markets also climbed by 11.6% to \$42.4 billion. Consequently, the world prescription drug market rose 6.4% in 2007 to \$712 billion.

According to IMS Health, the global pharmaceutical market is predicted to grow 5%-6% this year to a value of over \$735 billion. The emerging markets of China, Brazil, Mexico, South Korea, Turkey, India and Russia are expected to grow 12%-13% this year, compared to low single-digit growth in the mature markets of the US and the five leading European nations, where growth is expected to be no more than 4%-5%, and just 1%-2% for Japan.

Drugs with approximately \$20 billion in annual sales will face patent expiry in 2008, similar to levels seen over the past two years, with the US seeing the largest proportion of such expiries. This will be good news for companies manufacturing generics (cheaper versions of branded medicines) as they might grow by 14-15 per cent next year, to more than \$70 billion, says the IMS Health report. Indian pharmaceutical companies represent a major force in the global generics business.

### INDIA

India's pharmaceutical industry is well positioned for sustainable growth and expansion, according to KPMG – CII Report. The industry has grown at a CAGR of 13% from 2002-2007 and is expected to grow at a CAGR of 16% over 2007-2011. The rise in disposable income has a positive impact on healthcare spend.

On the international front, Indian generic drug makers are playing an important role in the global consolidation process and are augmenting their market presence across regulated as well as semi regulated markets through their organic as well as inorganic initiatives. In spite of increasing competitive intensity on account of continued pricing pressure, several significant opportunities are being leveraged by Indian generic players.



At an average growth rate of 10-15% p.a., the pharmaceutical industry in India is well set for rapid expansion. The Indian pharmaceutical and healthcare market is undergoing a spurt of growth in its coverage, services, and spending in the public and private sectors. The healthcare market has opened a window of opportunities in the medical device field and has boosted clinical trials in India.

## PERFORMANCE

The Total Turnover increased to Rs. 5939.1 million in 2007-08 from Rs. 5624.1 million in 2006-07. Profit after tax but before extraordinary gain and prior period adjustments is Rs. 772.3 million in 2007-08.

Out of the Total Turnover, Formulations contributed around 89% with Active Pharmaceutical Ingredients (APIs) contributing approximately 9%. Out of the total export turnover of Rs. 1211.2 million, formulations contributed Rs. 769.4 million.

## FORMULATIONS

Formulations business continues to be a major contributor to the revenues of the Company. The Company has a wide chronic care portfolio with cardiovascular and diabetology therapeutic segments contributing around 50 percent of the domestic formulations.

Unichem's formulations are spread across various therapeutic classes as depicted in Graph 1. The segmental performance is given as percentage of formulations.

In the financial year 2007-08, domestic formulations market was estimated to be around Rs. 3,21,000 millions growing @ 14.8% p.a. with Unichem having market share of 1.56%.

Cardiology continues to be the thrust segment for the Company and it contributed approx. 43 percent of the formulations sales in the year 2007-08. The market for cardiovascular and diabetic ailments is still at the nascent stage in India and the segment is expected to double from the current level by the year 2015.

## New Product launches

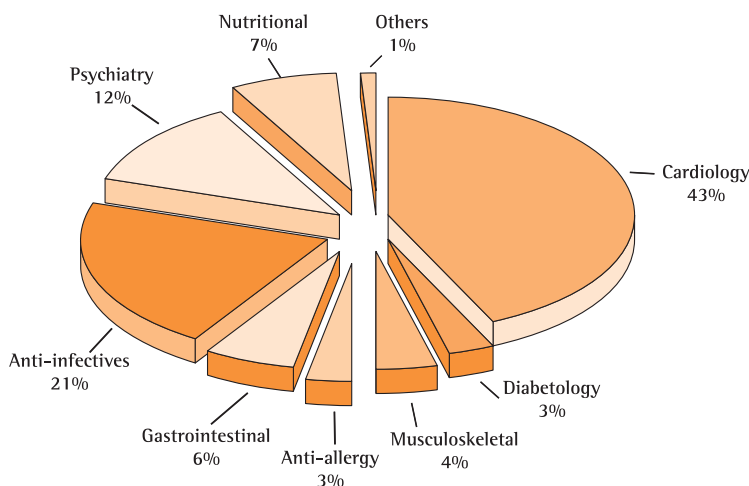
The Company has launched 27 new products in various therapeutic segments and plans to focus more on high margin products like lifestyle drugs. Out of these new launches 15 products have been launched in dermatological segment. These new products have contributed approx. 2 percent to the domestic formulations sales in the year under review. The Company is evaluating inorganic growth opportunities especially to add value to the existing product portfolio.

## Formulations Sales Internationally

The Company has presence in over 20 countries across the five continents. Unichem has four wholly owned subsidiaries in South Africa, Brazil, USA and UK. Apart from this, the Company has a network of distribution and marketing alliances in the CIS, Nepal, South-East Asian region, Europe and Latin America.

Formulations - International contributed approx. 13% to

**Graph 1: Unichem Therapeutic Segments**



the total turnover. The Company has 467 valid product registrations. The Company has filed 12 USDMFs till date taking EDMFs total filings to 202.

### Power Brands

The Company is specifically focusing to build power brands as part of its marketing strategy. The Company is taking steps to grow its brands in the chronic segments at a rapid rate, leveraging on the brand equity that it has built through brands like Losar and Ampoxin.

A comparison of power brands of Unichem (Rs. Million) between the current year and previous year is depicted in Graph 2.

Losar group and Ampoxin group have forged ahead and Ampoxin brand has completed twentieth year of success. Losar Group has been the top grosser for the Company in the last few years. Losar is the first Rs. 1000 Million brand of the Company.

### ACTIVE PHARMACEUTICAL INGREDIENTS (API)

The Indian pharmaceutical industry has emerged as a formidable player in the Active Pharmaceutical Ingredients (API) and Key Intermediates market. India is now becoming a sourcing base for European and US generic companies. India offers a strong manufacturing base at competitive costs, supported by a well-developed engineering pool and good scientific talent.

Unichem's APIs and Intermediates are marketed both in the domestic as well as international regulated markets. The Company is involved in contract manufacturing primarily for international customers besides manufacturing APIs for internal consumption for our own finished dosages forms (FDF) for domestic markets; this forms a small portion of the API business.

In 2007-08, API business recorded a turnover of Rs. 545 million.

### Highlights for API Division for the year 2007-08

- API Plant at Pithampur received WHO GMP certificates for 8 of its units.
- Completed successful customer audits for both national and international customers from regulated markets at Roha.
- Significant enhancement of installed capacities at Roha and Pithampur for existing APIs – Intermediates as also for creation of capacity for new APIs for which product patent is expiring in the current year.

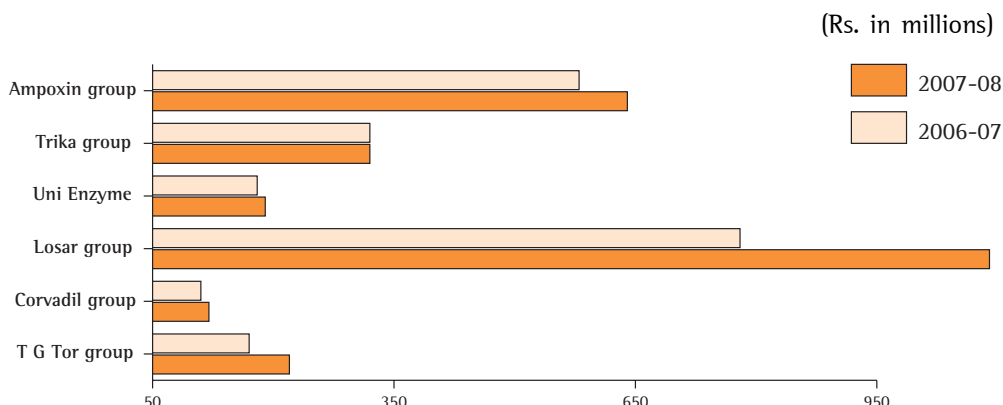
### INTERNATIONAL BUSINESS

The increasing opportunities presented by products getting off patent in international markets, offer sizeable revenue and margin-enhancing opportunities. Understanding the regulatory environment, scanning development horizons, establishing competitive positions and organizing production and distribution based on efficient outsourcing and manufacturing are some of the challenges being met by the Company.

Unichem has wholly-owned subsidiaries in UK, Brazil, South Africa and USA. The Company continues to focus on high value added branded generics with immediate focus on unbranded generics. In addition, the Company is pursuing strategic alliance with research-based companies abroad for in-licensing patented new drugs.

The Company has filed 817 dossiers of which registration/ approvals have been received for 467 dossiers, to be marketed in various countries. The products of the Company are marketed in more than 60 countries.

Graph 2 : Comparison of Power Brands of Unichem



### INFRASTRUCTURE

Unichem's quality infrastructure is reflected in its people, processes and practices. It leverages state-of-the-art manufacturing facilities to make quality products for customers at all times. Unichem has consistently maintained highest Quality standards which is evident from the certifications that it has received from various international agencies like USFDA, MHRA, TGA, ANVISA, WHO-GMP, etc.

Unichem's formulation facilities are located at Ghaziabad, Baddi and Goa. The API facilities are located in Roha and Pithampur. The technology employed in these plants are in-house and automated to a great extent.

Unichem set up its first API manufacturing facility at Roha in 1976. Starting in a modest way with a single block, this API facility quickly multiplied into six production blocks with two multipurpose blocks, which are designed to supply Quality Products that fulfils or even surpasses the stringent requirements of all major regulatory authorities and customers.

In 2005, Unichem acquired its second API manufacturing unit at Pithampur, a recognized Industrial Area. This facility is upgraded to meet the domestic and international production requirements and regulatory approvals. There are three API manufacturing plants in Pithampur at present and four intermediate plants supported with state of the art quality control facility.

### HUMAN RESOURCES

Unichem is dedicated to cultivate a work environment that encourages high performance, leadership and innovation. Unichem employs over 2500 employees who are vital to the growth of the Company. As a part of our Talent development & Retention strategy, Unichem Leadership Programme was evolved. The objective of the programme is to identify and develop key employees to occupy positions of higher roles and responsibilities.

Senior managerial personnel are sponsored for training programmes conducted by various reputed institutions like IIM, Kolkata. During the year under review around 240 manhours were spent for such training programmes.

### EMPLOYEE STOCK OPTION SCHEME

Unichem introduced the Employee Stock Option Scheme – 2004 mainly to incentivise performance towards creating better value for shareholders, building a very strong commitment amongst employees towards critical goals/milestones of the Company and offering substantial wealth

creation opportunities for its employees. The Scheme is administered by the Compensation Committee of the Board of Directors and is applicable to the eligible employees and eligible Directors of the Company and its subsidiaries. During the year, 9,700 options were exercised by employees of the Company.

For further details kindly refer to the disclosure made in the Directors' Report as required under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

### RESEARCH AND DEVELOPMENT

R&D continues to be the focus area in view of the generic market opportunities. The Company relies upon an energetic, resourceful and competent R&D function supporting existing products and focusing on the following:

- a) Development of a cost effective processes for Bulk Drugs and Intermediates.
- b) Development of innovative as well as patentable routes of synthesis for Bulk Drugs and Intermediates.
- c) To undertake contract research for MNCs.
- d) Improvement in the quality & productivity
- e) To contain the cost of products by process simplification and improving efficiency of the processes.
- f) Formulation development of new dosage forms of generic API for domestic and international market.

With more than 153 scientists engaged in the R&D & Product Technology Development Centres in Mumbai and Goa, all efforts are directed towards creating valuable Intellectual Property for the Company. Our R&D center at Mumbai is accredited ISO 9001-2000 and recognized by the Department of Science & Technology, Government of India. The Product Technology Development Centre in Mumbai has state of the art laboratory with capacity of developing novel drug delivery systems, platform therapeutic systems and other novel technologies. The Centre is already conducting contract research for generic product development for regulated markets such as US, Canada, Europe etc.

### INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company is committed to ensuring a comprehensive internal control structure across its operations to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition. The Company has well defined independent procedures to execute financial transactions.



The Company has an Internal Audit Department to assist the management in effective discharge of its responsibilities by furnishing it with analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed. The Company's system of internal control and accounting records enables safeguarding of assets, prevention and detection of frauds as well as other irregularities. These are reviewed, evaluated and updated on an ongoing basis.

### FINANCIALS

#### Share Capital

The Share Capital stood at Rs. 180.2 million as on March 31, 2008. During the year, the Company issued 9,700 shares to employees of the Company who exercised their options under the Employee Stock Option Scheme – 2004.

#### Reserves and surplus

The Company transferred Rs. 150 million to General Reserves during the year 2007-08, stepping up the reserves to Rs. 4100 million.

#### Loan and interest

The interest outgo during the year under review came down from Rs. 18.9 million in the last year to Rs. 15.2 million in the current year despite the increase in turnover due to lower borrowing and better working capital management.

#### Fixed Assets

The setting up of formulations plants at Baddi and creation of additional capacities for APIs at Roha and Pithampur, have resulted in an increase in the Fixed Assets of the Company (including WIP). The Gross Block (excluding WIP) stood at Rs. 3123.6 million on March 31, 2008 as against Rs. 2700.7 million on March 31, 2007.

#### Investments

During the year under review, the Company invested an aggregate sum of Rs. 51.9 million in its four fully owned subsidiaries.

#### Inventories and Debtors

Inventories stood at Rs. 714.5 million as on March 31, 2008 as against Rs. 702.0 million on March 31, 2007. This was due to increase in the stock of Finished goods partly offset by decrease in Semi-finished and raw materials in line with increased operation of the Company. Debtors decreased from Rs. 1253.1 million as on March 31, 2007 to Rs. 1235.8 million as on March 31, 2008 due to reduction in debtors of domestic API and international formulation businesses.

#### Forex income

Unichem's FOB value of exports as on March 31, 2008 stood at Rs. 1162.7 million.

#### Other income

The non-operational income earned during the year 2007-08 stood at Rs. 67 million arising due to written back of excess provisions for expenses and insurance claims received during the year.

#### Current Liabilities

The Current Liabilities during the year 2007-08 was Rs. 810.5 million as against Rs. 922.2 million in previous year.

#### Provisions

The provisions during the year 2007-08 was Rs. 336.4 million as against Rs. 132.8 million in previous year.

#### Manufacturing and Other Expenses

The Manufacturing and other expenses during the year 2007-08 were Rs. 4764.2 million as against Rs. 4365.6 million in previous year. This was due to increase in scale of operations of existing and newer facilities and higher marketing and R&D costs incurred during the year.

#### Closing stock of Finished goods

Closing Stock of Finished goods as on March 31, 2008 was Rs. 333 million as compared to Rs. 286.4 million during the previous year.

#### Material Consumption

Consumption of Raw Materials, Packing Materials and Finished Goods increased to Rs. 2428.0 million in the year 2007-08 as compared to Rs. 2336.9 million in the year 2006-07, keeping in line with increased sales.

#### Staff cost

The Staff cost increased from Rs. 555.0 million in the year 2006-07 to Rs. 619.1 million in the year 2007-08 mainly due to increase in the number of employees pertaining to Marketing function in line with the Company's future growth.

#### Other expenditure

The other expenditure was Rs. 1845.3 million during the year 2007-08 as against Rs. 1641.8 million during the year 2006-07. This increase was due to

- Increase in Selling expenses due to new marketing divisions and higher promotional expenses.

- Increase in Research & Development expenditure due to cost of Bio-Equivalence study for regulated markets.
- Increase in Power & fuel cost due to increased maintenance cost at various plants.

### RISKS & CONCERNS

The Company has a Risk Management Policy in force to review risk, mitigate risk and to safeguard its interest. Risk Management is basically a process applied in strategy setting across the enterprise, designed to identify risks that may affect the entity and manage risk to be within its set tolerance limit. The Company has identified top 10 Risks faced by the Company and the same has been informed to the Board. The Company has also identified the 'Risk Owner' who form a Committee to mitigate risks. The Committee will meet from time to time and review the action taken by 'Risk Owners' to mitigate risks.

### OUTLOOK & THREATS

Key factors limiting growth in pharma industry in the coming years include patent expiration on branded products and an associated increase in the use of generics and increased pressure from consumers/regulators to control costs. These industry trends require enhanced knowledge, innovation and technology. To sustain growth, pharmaceutical companies need to stay ahead of the dynamics that are rebalancing the marketplace worldwide. This requires a sharper focus on realizing productivity gains from their sales, marketing and launch investments, a comprehensive assessment of their R&D and portfolio strategies to support opportunities in both emerging and mature markets, and a commitment to better demonstrate the value of their medications among key stakeholders.

### AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,  
The Members  
Unichem Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Unichem Laboratories Limited (the Company) for the year ended 31<sup>st</sup> March 2008 as stipulated in revised Clause 49 of the Listing Agreement of the said Company with the stock exchange(s) in India.

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in revised Clause 49 of the above mentioned Listing Agreement.

We state that as per the records maintained by the Company and certified by the Registrars of the Company, there were no investors' grievances remaining unattended/pending for more than 30 days as at 31<sup>st</sup> March 2008.

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

For B. D. Jokhakar & Co.  
Chartered Accountants

Raman Jokhakar  
Partner

Membership No. 103241

Mumbai  
May 12, 2008



Compliance to the code of Corporate Governance forms an integral part of the Company's philosophy. Unichem firmly believes that any meaningful policy on Corporate Governance must provide empowerment to the management of the Company and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the management are not misused and are exercised with care and responsibility to meet stakeholders' aspirations and societal expectations.

The core principles of Corporate Governance i.e. trusteeship, transparency, empowerment and accountability and control form the cornerstone of Unichem corporate governance philosophy.

The Company continues to focus its resources, strengths and strategies to achieve highest standards of Corporate Governance and endeavours to implement the code of Corporate Governance in its true spirit. The governance practices followed by the Company have contributed to its success.

In accordance with the Clause 49 of the Listing Agreement

and applicable provisions of the Companies Act, 1956, a report on Corporate Governance is detailed below:

### Board Composition

As on March 31, 2008, Unichem's Board comprised of Seven Directors, viz., the Chairman & Managing Director, the Executive Director and five Non-Executive and Independent Directors. The Board of Directors of your Company comprise of an optimal proportion of Executive and Non-Executive Directors.

Unichem's Board met 7 times during the year under review i.e. on May 17, 2007, July 19, 2007, October 18, 2007, November 27, 2007, December 4, 2007, January 31, 2008 and March 20, 2008. The intervening period between two Board Meetings was well within the maximum time gap of four months prescribed under Clause 49 of the Listing Agreement. The annual calendar of Board Meetings is agreed upon at the beginning of each year.

Table-1 gives details of the composition of the Board and the attendance record of the Directors during 2007-08, as well as at the last Annual General Meeting.

**Table-1: Composition of Unichem's Board & attendance record during the year 2007-08**

Name	Category	No. of Board Meetings during the year 2007-08		Whether attended last AGM held on July 19, 2007**	No. of Directorships in other public companies***	No. of Committee positions in other public companies	
		Held	Attended			Chairman	Member
Dr. P. A. Mody (Chairman & Managing Director)	Promoter Director, Executive	7	7	Yes	1	0	0
Mr. B. K. Sharma (Whole-time Director)	Executive Director	7	7	Yes	1	0	0
Mr. Prafull Anubhai	Non-Executive, Independent	7	7	Yes	5	4	4
Mr. Ramdas Gandhi	Non-Executive, Independent	7	7	Yes	4	4	2
Mr. Prafull Sheth	Non-Executive, Independent	7	7	Yes	0	0	0
Mr. Nasser Munjee	Non-Executive, Independent	7	5*	No	14	5	5
Mr. Anand Mahajan	Non-Executive, Independent	7	6*	Yes	8	2	1

\* Granted leave of absence on request.

\*\* Excludes Directorship in Unichem and Directorships in Indian Private Limited Companies, Foreign Companies (including Unichem's foreign subsidiaries), memberships of Managing Committees of various Chambers / bodies and Alternate Directorships.

\*\*\* Represents Memberships/Chairmanships of Audit Committee & Investors Grievance Committee excluding those held on Committees of Unichem.



All Independent Directors meet the criteria of independence defined in sub-clause (iii) of Clause 49 1A of the Listing Agreement. As per Clause 49 1C of the Listing Agreement, none of the Directors on the Board of Unichem serve as Chairman in more than 5 Committees or have Memberships in more than 10 Committees. In compliance with Section 275 of the Companies Act, 1956, none of the Directors have directorships in more than 15 Companies including Unichem.

Graphical representation of the composition of the Board during the period 2007-08 is depicted in Chart 1.

### Board Meetings

The Board of Directors of Unichem meet at least once in each quarter, interalia for consideration of audited/unaudited financial results. Apart from these, the Board meets as and when the need arises.

### Information placed before the Board

The Company provides information pertaining to its business activities to the Board or the Committees of the Board as and when required. The purpose of such disclosure and transparency is to enable the Board/Committees to make informed decisions. The Company has followed all the provisions of the Secretarial Standard on Board Meetings issued by the Institute of Company Secretaries of India, though not mandatory.

In addition to the items enumerated in Annexure – 1A of Clause 49 of the Listing Agreement and items that are required to be placed before the Board for its noting and/or approval under various other statutes or regulations,

information is also provided for the periodic review/ information on various significant items.

### Post- meeting Procedures

All the deliberations and the decisions occurring in every meeting of the Board & its Committees are recorded and minuted. The draft minutes are circulated to the respective members for their comments and suggestions. The minutes are signed in the immediately succeeding Board/Committee meetings.

### Directors' Remuneration

Non-executive Independent Directors of the Company play a crucial role in the independent functioning of the board. They bring in an external perspective to decision-making. Non-Executive Independent Directors are paid sitting fees of Rs. 20,000/- (Rupees Twenty thousand) for attending Board and Audit Committee Meetings. The said fees is within the limits set out by the Central Government in GSR 580 (E) vide Rule 10B of the Companies (Central Government) General Rules & Forms, 1956, with effect from July 24, 2003.

The Company has entered into agreements with Executive Directors of the Company, detailing terms of employment and remuneration, which are duly approved by the Board of Directors as well as the shareholders. These agreements are for the period of five years and are renewed on mutually acceptable terms and conditions. In 2007-08, the Company did not advance any loans to any of the Executive and/or Non-Executive Directors.

The remuneration paid or payable to the Directors for the services rendered during 2007-08 is given in Table-2.

Chart 1 : Composition of the Board

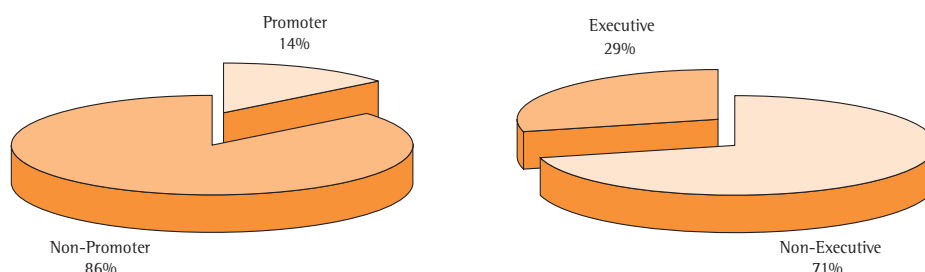


Table-2: Remuneration paid or payable to the Directors for 2007-08 (in Rs.)

Name	Sitting fees	Commission payable for 2007-08@	Consolidated Salary#	Perquisites & Allowances#	Total Amount
Dr. P. A. Mody*	Nil	98,94,526	49,91,688	34,74,735	1,83,60,949
Mr. B. K. Sharma**	Nil	98,94,526	39,41,688	1,84,108	1,40,19,922
Mr. Prafull Anubhai	2,20,000	Nil	Nil	Nil	2,20,000
Mr. Ramdas Gandhi	2,60,000	Nil	Nil	Nil	2,60,000
Mr. Prafull Sheth	1,40,000	Nil	Nil	Nil	1,40,000
Mr. Nasser Munjee	1,40,000	Nil	Nil	Nil	1,40,000
Mr. Anand Mahajan	1,20,000	Nil	Nil	Nil	1,20,000
				Total	3,32,60,871

\* Eligible to receive commission @ 1% of the Net Profit of the Company computed under Section 198, 309 & 349.

\*\* Eligible to receive commission @ 1% of the Net Profit of the Company computed under Section 198, 309 & 349, pursuant to the revised terms of remuneration effective April 01, 2006, as approved at the Board Meeting held on March 21, 2006 and by the members at the 43<sup>rd</sup> Annual General Meeting held on July 27, 2006.

# Fixed Component

@ Variable depending upon performance of the Company and the Director.

There have been no materially significant related party transactions, pecuniary transactions between the Company and its Directors that may have potential conflict with the interests of the Company at large.

As a matter of good corporate governance, the Company has a practice of procuring declaration from the Non-Executive Directors regarding declaration of their independence during the year under review.

### Shareholding in the Company

Table-3: Shares held by the Directors in the Company as on March 31, 2008

Name	Number of shares held	% of total shareholding
Dr. P. A. Mody*	47,88,913	13.29
Mr. B. K. Sharma**	1,09,092	0.3
Mr. Prafull Anubhai	3,176	0.01
Mr. Ramdas Gandhi	12,000	0.03
Mr. Prafull Sheth	0	0
Mr. Nasser Munjee	0	0
Mr. Anand Mahajan***	0	0

\* Dr. P. A. Mody holds 27,46,480 shares in his capacity as Karta of HUF and Trustee to various Family Trusts, which is included hereinabove.

\*\* Mr. B. K. Sharma has exercised 4,500 ESOPs during the year.

\*\*\* Mr. Anand Mahajan holds 10,894 shares as a guardian to his son and jointly with his wife but none in his own name.



### Service Contracts, Notice Period, Severance fees

The appointment of the Managing Director and Whole-time Director is governed by the Articles of Association of the Company, the Resolutions passed by the Board of Directors and the Members and the service contracts individually entered into by the Company with the Managing Director and the Whole-time Director respectively.

Dr. P. A. Mody was appointed as Chairman and Managing Director for a period commencing from July 01, 2003 and ending on June 30, 2008. He was re-appointed by the Board of Directors at its meeting held on May 12, 2008 as Chairman and Managing Director for the period of 5 years effective from July 1, 2008. The said re-appointment is subject to the approval of the members at the forthcoming 45<sup>th</sup> Annual General Meeting of the Company. The terms of employment and remuneration form part of the Notice annexed to this Annual Report.

Mr. B K. Sharma was appointed as Executive Director for a period of 3 years commencing from August 16, 2004 and ending on August 15, 2007. During the year 2005-06, the terms of his appointment were revised by the Board of Directors at its Meeting held on March 21, 2006 and approved by the Members at the 43<sup>rd</sup> Annual General Meeting held on July 27, 2006. As per the revised terms, he has been appointed for a period commencing from August 16, 2004 and ending as on March 31, 2009.

There is no provision for payment of severance fee.

### Committees of the Board

In order to ensure that the functions of the Board are discharged effectively and information disclosed in the financial statements are in order besides ensuring stricter implementation of the Corporate Governance Code, the Board has formed several Committees. The Committees appointed by the Board focus on specific areas and make informed decisions within the limits of the authority delegated. The

Committees also make specific recommendations to the Board on various matters from time to time.

All decisions and recommendations of the Committees are placed before the Board for information or for approval. There are four such Committees namely:

- Audit Committee;
- Compensation Committee;
- Shareholders Grievance Committee; and
- Management Committee.

#### a) Audit Committee

The Audit Committee of Unichem was constituted in the year 2000. Since then, the Company has been reviewing and making appropriate changes in the composition and working of the Committee from time to time to bring about greater effectiveness and to comply with various requirements under the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Composition of the Audit Committee is in compliance with Clause 49 of Listing Agreement. All the Members are independent and financially literate. The Committee provides assistance to the Board of Directors in fulfilling its oversight responsibilities.

#### The principle functions of the Committee are:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the Financial Statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees;
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;

4. Reviewing, with the management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
    - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
    - b. Changes, if any, in accounting policies and practices and reasons for the same;
    - c. Major accounting entries involving estimates based on the exercise of judgment by management;
    - d. Significant adjustments made in the financial statements arising out of audit findings;
    - e. Compliance with listing and other legal requirements relating to financial statements;
    - f. Disclosure of any related party transactions;
    - g. Qualifications in the draft audit report.
  5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
  6. Reviewing, with the management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems;
  7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
  8. Discussion with internal auditors any significant findings and follow up there on;
  9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
  10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
  12. To review the functioning of the Whistle Blower mechanism, in case the same is existing;
  13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- In addition to the above, the Audit Committee also reviews the following information:
1. Management discussion and analysis of financial condition and results of operations;
  2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  3. Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
  4. Internal audit reports relating to internal control weaknesses; and
  5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
- The composition of the Audit Committee and the details on the number of Audit Committee meetings held and attended by the Members during the financial year 2007-08 are given in Table-4. The Company Secretary is the Secretary to the Committee. The Vice President-Finance, Chief Internal Auditor, Statutory Auditor and Cost Auditors are permanent invitees to Audit Committees meetings when it meets to review the quarterly, half yearly and annual results.

**Table-4: Audit Committee attendance during 2007-08**

Member Director	Designation	Category	No. of Meetings attended (Total meetings held: 4)
Mr. Prafull Anubhai	Chairman	Independent Non-executive	4
Mr. Ramdas Gandhi	Member	Independent Non-executive	4
Mr. Nasser Munjee*	Member	Independent Non-executive	2

\*Leave of absence was granted.

## b) Compensation Committee

The Compensation Committee was constituted in the year 2004 to administer and supervise the implementation of Employee Stock Option Scheme.

The Compensation Committee formulates the detailed terms and conditions of the Employee Stock Option Scheme/Plan including the following:

- (a) the quantum of option to be granted under an ESOS per employee and in aggregate.
- (b) the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- (c) the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;

- (d) the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
- (e) the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- (f) the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.
- (g) the grant, vestment and exercise of option in case of employees who are on long leave; and
- (h) the procedure for cashless exercise of options.

The composition of the Compensation Committee is given in Table-5. The Committee had met on February 10, 2006. Consequently, the Committee did not convene and hold any meetings during the financial year 2007-08.

**Table-5: Composition of Compensation Committee during 2007-08**

Member Director	Position	Category
Mr. Prafull D. Sheth	Chairman	Independent Non-Executive
Mr. Prafull Anubhai	Member	Independent Non-Executive
Mr. Ramdas Gandhi	Member	Independent Non-Executive

### c) Shareholders Grievance Committee

The Shareholders Grievance Committee was constituted in 2001 to review the status investors' services rendered in compliance with Clause 49 of the Listing Agreement. The Committee focuses on shareholders grievances and strengthening of investor relations.

The Committee noted that the Company promptly attends to all shareholders' and investors' queries / grievances through correspondence, fax, phone or E-mail. No query / complaint

received during the year under review remained unattended/ unresolved, except where the matters were sub-judice. Members can refer to the relevant section on Additional Shareholder Information for nature of complaints received during the year under review.

The composition of the Shareholders' Grievance Committee and the details on the number of meetings held and attended by the members during the financial year 2007-08 are given in Table-6. The Company Secretary is the Secretary to the Committee.

**Table-6: Shareholders Grievance Committee attendance during 2007-08**

Member Director	Position	Category	No. of Meetings attended (Total meetings held : 4)
Mr. Ramdas Gandhi	Chairman	Independent Non-Executive	4
Mr. B. K. Sharma	Member	Executive	4

### d) Management Committee

The Management Committee was constituted in the year 2004 for looking into day-to-day functioning of the Company. The Committee is empowered to undertake the following:

1. Authorise Executive Directors and officers of the Company to carry out day to day business operations viz. banking, treasury, insurance, excise, customs, administrative and dealing with other govt. / non govt. authorities;
2. Approve loans to subsidiaries or other entities/ persons within an overall limit of Rs. 15 crores;

3. Approve borrowings from any person within an overall limit of Rs. 10 crores;
4. Approve Business Contracts, Power of Attorneys and other related matters;
5. Approve application of common seal on any documents;
6. To review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

The composition of the Management Committee during the financial year 2007-08 is given in Table-7. The Company Secretary is the Secretary to the Committee.

**Table-7: Composition of Management Committee during 2007-08**

Member Director	Position	Category
Dr. P. A. Mody	Chairman	Executive
Mr. B. K. Sharma	Member	Executive
Mr. Ramdas Gandhi	Member	Non-Executive

### Prohibition of Insider Trading

In adherence with the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended in 2002, the Company has implemented a policy prohibiting insider trading. This policy basically prohibits an insider from dealing in the shares and securities of the Company while in possession of unpublished price sensitive information in relation to the Company. The Company Secretary monitors the functioning of the Code.

Till date, there has been no violation under SEBI (Prohibition of Insider Trading) Regulations, 1992.

### Internal Control and Audit

Unichem has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly, compliance with applicable laws and regulations.

The Internal Audit at Unichem is an independent, objective and assurance function responsible for evaluating and improving effectiveness of the internal controls and cost rationalization. The scope of the internal audit activities is broadly guided by the Annual Internal Audit plan prepared by the Internal Audit Department and approved by the Audit Committee. The Audit Committee monitors the performance of Internal Audit Department on a periodic basis through review of audit plans and its audit findings.

The Internal Auditors examine and evaluate the adequacy and effectiveness of the internal control system and appraises the Audit Committee, statutory auditors and the top management about activities and audit findings.

Besides having an in house Internal Audit Department, the Company has also appointed N A Shah Associates, Mumbai, a firm of Chartered Accountants for conducting Management Audit and Special Assignments.

### Review of Legal Compliance Reports

The Board periodically reviewed during the year the compliance reports in respect of the laws applicable to the Company duly placed before the Board during the year.

### Subsidiary Companies

The Company has four 100% Foreign Subsidiaries as on March 31, 2008. During the year under review, Ministry of Company Affairs granted an exemption from attaching the financial statements of its Subsidiary Companies. Members may refer to Statement under Section 212 of Companies Act, 1956 and the information on the financials of Subsidiaries appended to the Statement. The financials of the Subsidiary Companies are available for inspection by the Members at the registered office of the Company during business hours on any working day from 10.00 am to 1.00 pm.

### Managements' Discussion and Analysis

This report is given as a separate section in this Annual Report.

### Information for Shareholders

The detailed additional shareholder information section is part of this annual report.

### Statutory Auditors

For the financial year 2007-08, M/s. B.D. Jokhakar & Co. audited the financial statements. While auditing the operations of the Company the external auditors recorded their observations and findings and forwarded the same to the management. These observations were then discussed at the Audit Committee and corrective actions wherever required were carried out.

### Audit Fees

During the year, the Company paid Rs. 1.2 million to the Statutory Auditors of the Company as audit remuneration. Details of payment under other heads are discussed in Schedule 18 of the financial statements.



### Auditors' Certificate

The Company has obtained a Certificate from its Statutory Auditors regarding compliance with the provisions relating to corporate governance laid down in Revised Clause 49 of the Listing Agreement. This Certificate is annexed to this Report.

### General Body Meetings

#### a) Date, Time and Venue of 45<sup>th</sup> AGM

Date – July 17, 2008

Time – 3.30 p.m.

Venue – Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

#### b) Details of last 3 Annual General Meetings

AGM	Period	Venue	Date	Time
44 <sup>th</sup>	2006-07	Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018.	July 19, 2007	3.30 pm
43 <sup>rd</sup>	2005-06	Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018.	July 27, 2006	3.30 p.m.
42 <sup>nd</sup>	2004-05	SASMIRA, Sasmira Marg, Worli, Mumbai – 400 025.	August 11, 2005	3.00 pm

#### c) Extraordinary General Meeting

The Company held an Extraordinary General Meeting of its shareholders on February 4, 2006 to approve preferential allotment of equity shares to M/s. New Vernon Private Equity Limited. The details of which are as follows:

Venue	Date	Time
M C Ghia Hall, Bhogilal Hargovindas Bldg. 2nd Floor, 18/20, Kaikhushru Dubhash Marg, Mumbai – 400 001.	February 4, 2006	11.30 pm

Two Special Resolutions were passed by the Company at the 43<sup>rd</sup> Annual General Meeting approving revision in the terms of appointment and remuneration of Mr. B K. Sharma as the Executive Director of the Company and the other being for amendment of Employees Stock Option Scheme – 2004.

There were no special resolutions passed through Postal Ballot at any of the above General Meetings. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

#### Disclosure of information

The Company has a well-established system to disclose relevant information to stakeholders, including shareholders, analysts, suppliers, customers, employees and society at large. The primary sources of information regarding the operations of the Company are available on the corporate web site of the Company - [www.unichemindia.com](http://www.unichemindia.com). The Company has a separate dedicated section 'Investors Update' where shareholders information is available. Members are requested to access the section for updated information.

The quarterly results and annual results of the Company are published in widely circulated national newspapers. These are also submitted to the Stock Exchange in accordance with Listing Agreement. The Results are also regularly posted on the Company's website [www.unichemindia.com](http://www.unichemindia.com). Apart from official new releases, code of conduct, the website also provides shareholding pattern of the Company.

As per Clause 51 of the Listing Agreement, quarterly results, shareholding pattern, segment-wise results, etc. pertaining to the Company are uploaded on the SEBI EDIFAR website maintained on-line by National Informatics Centre (NIC) as specified by SEBI and the members can have access to the same at the website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).



The Company is registered on MCA website for filing relevant statutory forms under the provisions of Companies Act, 1956 via e-filing mode. Members can also access information from the master data source at the website [www.mca.gov.in](http://www.mca.gov.in).

### Code of Conduct

The Company has adopted a Code of Business Conduct & Ethics applicable to all Directors and employees of the Company. The Code of Business Conduct & Ethics is posted on the Company's website i.e. [www.unichemindia.com](http://www.unichemindia.com) for information of the shareholders.

All Board members and senior management personnel have affirmed compliance with the code for 2007-08. A declaration to this effect signed by our Chairman & Managing Director is given below:

### Related Party Transactions

The details of related party transactions are discussed in detail in note no. 15 of Schedule 18 to the financial statements of the Company.

### CEO/CFO Certification under Clause 49 of the Listing Agreement

As required under revised Clause 49 of the Listing Agreement, certification from Dr. P. A. Mody, Chairman & Managing Director and Mr. Rakesh Parikh, Vice President – Finance was placed before the Board of Directors at its meeting held on May 12, 2008.

### Disclosure regarding Re-appointment of Directors

Pursuant to provisions of Companies Act, 1956, Mr. Prafull Anubhai and Mr. Anand Mahajan, Non-Executive Directors, are liable to retire by rotation and offer themselves for re-appointment. Their brief profiles and particulars for re-appointment are given in the Notes to the Notice of 45<sup>th</sup> Annual General Meeting.

## Declaration

As provided under Revised Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the financial ended March 31, 2008.

Dr. P. A. Mody  
*Chairman & Managing Director*

## Financial Year

April 1 – March 31

## Financial Calendar (Tentative)

Results for the Quarter Ending on	Tentative date of declaration
June 30, 2008	Third week of July 2008
September 30, 2008	Second week of October 2008
December 31, 2008	Second week of January 2009
March 31, 2009	Second week of May 2009
Annual General Meeting for the year ended March 31, 2009	Second week of July 2009
Dividend Payment (if any) for the year ended March 31, 2009	Third week of July 2009

## Date of Book Closure

July 14, 2008 to July 17, 2008 (both days inclusive)

## Dividend Payment Date

July 28, 2008

## Stock Exchanges on which shares are listed

The Bombay Stock Exchange Limited (BSE)  
 Phiroz Jeejeebhoy Towers,  
 Dalal Street,  
 Mumbai – 400 001.  
 Tel. : 022 - 22721233 / 34  
 Fax : 022 - 22722061

National Stock Exchange of India Limited (NSE)  
 Exchange Plaza, 5<sup>th</sup> Floor,  
 Plot No. C/1, G Block,  
 Bandra-Kurla Complex,  
 Bandra (East)  
 Mumbai – 400 051.  
 Tel. : 022 - 26598100 / 8114  
 Fax : 022 - 26598237 / 38

## Stock Codes

BSE - 506690  
 NSE - UNICHEMLAB  
 Reuters - UNLB.BO  
 Bloomberg - UN@IN



## Information for Shareholders

### International Securities Identification Number (ISIN) for NSDL & CDSL

ISIN is a unique identification number of a traded scrip. The ISIN number of the equity shares of Unichem Laboratories Ltd. is INE351A01027. The investors holding shares of the Company in the electronic mode are requested to mention ISIN of the security in the Dematerialisation Request Form ('DRF') as well as in all debit/credit instructions to ensure that the correct security is demated /delivered.

### Listing Fees for the 2008-09

The Listing fees for the year 2008-09, has been paid for all the above Stock Exchanges. The Company has complied with all the applicable provisions of the Listing Agreement, SEBI regulations and guidelines and Companies Act, 1956 and there have been no strictures, penalties, fines, etc. levied on the Company during the financial year under review.

### Custodian Fees for the 2008-09

Pursuant to Securities and Exchange Board of India Circular No. MRD/DoP/SE/DEP/CIR – 4/2005 dated January 28, 2005 the Issuer companies are required to pay custodial fees to the depositories with effect from April 1, 2005. Accordingly, the Company has paid custodial fees for the year 2008-2009 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them as on March 31, 2008.

### Equity History of the Company

Date	Particulars	No. of Shares Issued*	Cumulative
August 09, 1962	Taken by subscribers to Memorandum of Association	310	310
March 14, 1963	Issued to Public	22,190	22,500
June 29, 1963	Issued for consideration other than cash	22,500	45,000
April 25, 1969	Bonus Shares	9,000	54,000
July 29, 1972	Bonus Shares	9,000	63,000
December 12, 1975	Bonus Shares	9,000	72,000
August 16, 1980	Bonus Shares	18,000	90,000
July 16, 1986	Sub-division of Shares	9,00,000	9,00,000
July 16, 1986	Bonus Shares	4,50,000	13,50,000
October 20, 1993	Rights Issue	6,50,000	20,00,000
August 16, 1994	Bonus Shares	10,00,000	30,00,000
September 08, 1994	Private Placements	6,00,000	36,00,000
November 29, 1997	Issued to Shareholders of Unisearch Ltd. pursuant to Amalgamation	6,65,000	42,65,000



Date	Particulars	No. of Shares Issued*	Cumulative
May 18, 2000	Bonus Shares	42,65,000	85,30,000
February 28, 2004	Sub-division of Shares	1,70,60,000	1,70,60,000
March 27, 2004	Bonus Shares	1,70,60,000	3,41,20,000
November 15, 2005	ESOP Scheme - 2004	7,000	3,41,27,000
January 18, 2006	ESOP Scheme - 2004	600	3,41,27,600
February 15, 2006	Preferential Allotment to M/s. New Vernon Equity Pvt. Ltd.	18,75,000	3,60,02,600
February 15, 2006	ESOP Scheme - 2004	700	3,60,03,300
July 27, 2006	ESOP Scheme - 2004	900	3,60,04,200
October 18, 2006	ESOP Scheme - 2004	1200	3,60,05,400
January 18, 2007	ESOP Scheme - 2004	12,200	3,60,17,600
March 13, 2007	ESOP Scheme - 2004	15,300	3,60,32,900
January 31, 2008	ESOP Scheme - 2004	4,300	3,60,37,200
March 20, 2008	ESOP Scheme - 2004	5,400	3,60,42,600

\*All shares carry equal voting rights.

### Dividend Payment History

Year	Share Capital (Rs. in Million)	Face Value per Share (Rs.)	Dividend per share (%)	Total Dividend (Rs. in Million)
2000-01	85.3	10	50	42.7
2001-02	85.3	10	80	68.2
2002-03	85.3	10	80	68.2
2003-04	170.6	5	60	102.4
2004-05	170.6	5	70	119.4
2005-06	180.0	5	100	180.0
2006-07	180.1	5	100	180.1
2007-08	180.2	5	100	180.2



## Information for Shareholders

### Unclaimed Dividend

The Dividends for the following financial years remaining unclaimed for seven years, will be transferred to Investor Education and Protection Fund. The table given below gives the transfer dates. Shareholders who have not claimed the dividends are requested to do so before these are statutorily transferred. Shareholders who have not encashed their dividend warrants relating to the years given below are requested to immediately approach the Investor Relations Department of the Company for issue of duplicate dividend warrants.

Financial Year	Type of Dividend	Date of Declaration	Due for transfer on
2000-2001	Final	28.09.2001	02.11.2008
2001-2002	Final	04.07.2002	08.08.2009
2002-2003	Final	22.09.2003	27.10.2010
2003-2004	Final	22.07.2004	26.08.2011
2004-2005	Final	11.08.2005	10.08.2012
2005-2006	Final	27.07.2006	23.09.2013
2006-2007	Interim	13.03.2007	11.03.2014

### Intimation Letters to Investors

The Company gives an opportunity to investors to claim their outstanding dividend amount that is due for transfer to Investor Education & Protection Fund, by sending individual intimation letters twice a year.

### Communication with Members

The Company has a Board-level Shareholders Grievance Committee to examine and redress shareholders complaints. Members can also e-mail their queries and suggestions at [shares@unichemindia.com](mailto:shares@unichemindia.com) or [investorrelations@unichemindia.com](mailto:investorrelations@unichemindia.com).

### EPS & BV per share

Year	Earning per Share (Rs.)	Book Value per Share (Rs.)
2001-02	36.3	115.7
2002-03	31.8	138.5
2003-04*	13.0	44.3
2004-05	13.2	53.6
2005-06	23.8	83.5
2006-07	25.0	103.1
2007-08	21.6	118.8

\* 1:1 Bonus shares issued during the year.



### Growth in Shareholders' Funds

Year	Shareholder's funds (Rs. in million)
2001-02	986.9
2002-03	1181.9
2003-04	1510.7
2004-05	1826.2
2005-06	3006.1
2006-07	3713.3
2007-08	4280.2

### Share Transfer System

In pursuance to the relevant provisions of the Companies Act, 1956 and the Listing Agreement, Share transfers are registered and returned within a month from the date of receipt, if the documents are complete in all respect. Share certificates duly endorsed are issued/transferred to all those shareholders who opt for shares in physical mode.

The Company has delegated the authority to approve shares received for transfer, to its RTA M/s. Intime Spectrum Registry Ltd. Presently, the transfers of shares which are in physical form are completed by dispatching the certificates duly transferred within a period of 15 days from the date of receipt of documents provided such documents are valid and complete in all respects.

There are no legal proceedings pending against the Company before the Company Law Board in respect of dispute over title to shares in which the Company has been made a party.

### Investors Complaints

The Company has received 23 complaints during the year and have redressed all of them and none were pending as on March 31, 2008.

### Statutory Compliance

During the year under review, the Company has complied with all applicable provisions, filed all relevant returns/forms and furnished all the relevant particulars or information as required under the Companies Act, 1956 and allied acts, and rules, the regulations and guidelines issued by SEBI and the listing agreements. As regards the compliance of the provisions of Clause 49 of the Listing Agreements by the Company, a certificate issued by Messrs. B D. Jokhakar & Co., Statutory Auditors of the Company, is annexed elsewhere in this Annual Report.

### Stock Market Price Data (in Rs. per share) & Trading Volume

Month	Unichem Stock quotes					
	BSE - Sensex			NSE-Nifty		
	High	Low	Volume	High	Low	Volume
Apr-2007	275.0	241.0	83119	278.0	240.0	130297
May-2007	274.8	249.0	96928	298.8	251.1	137531
Jun-2007	284.0	250.0	516035	284.0	250.0	473080
Jul-2007	262.0	230.2	281567	262.0	231.0	374639



# Information for Shareholders

Unichem Stock quotes						
Month	BSE – Sensex			NSE-Nifty		
	High	Low	Volume	High	Low	Volume
Aug-2007	234.0	216.0	115338	248.8	201.7	69184
Sep-2007	228.9	217.0	198001	244.5	204.9	75794
Oct-2007	228.9	195.0	795700	226.0	196.0	940088
Nov-2007	209.0	183.1	330607	209.0	179.0	232283
Dec-2007	248.0	182.2	2918899	238.0	184.0	4099729
Jan-2008	241.9	137.7	805272	241.5	136.0	970055
Feb-2008	169.0	140.0	199894	169.9	140.0	212573
Mar-2008	157.1	116.6	235031	156.8	118.2	270524

Chart 1: Unichem share price versus the BSE-Sensex (Indexed):

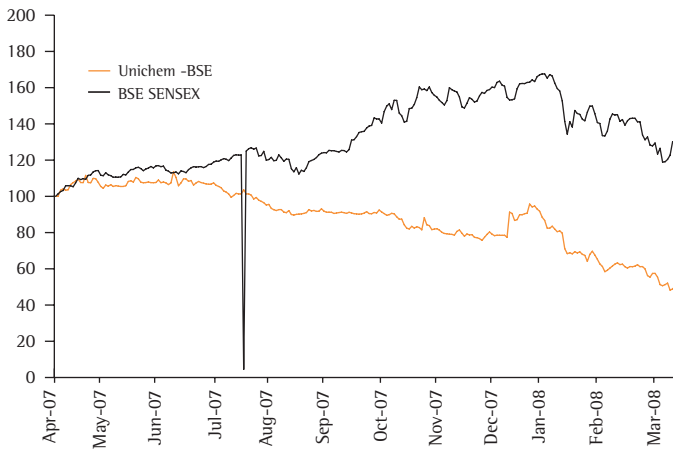
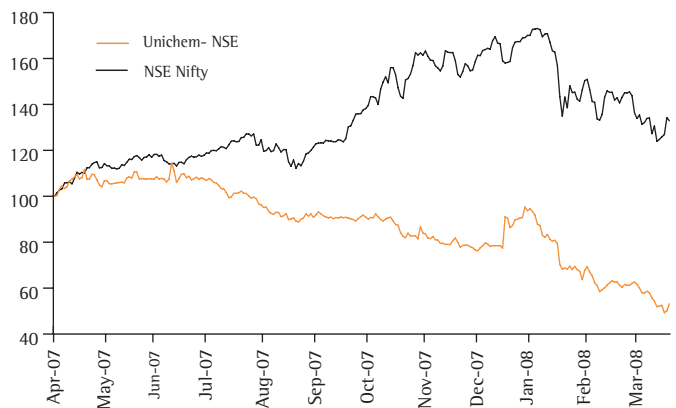


Chart 2 – Unichem share price versus S&P CNX Nifty (Indexed):

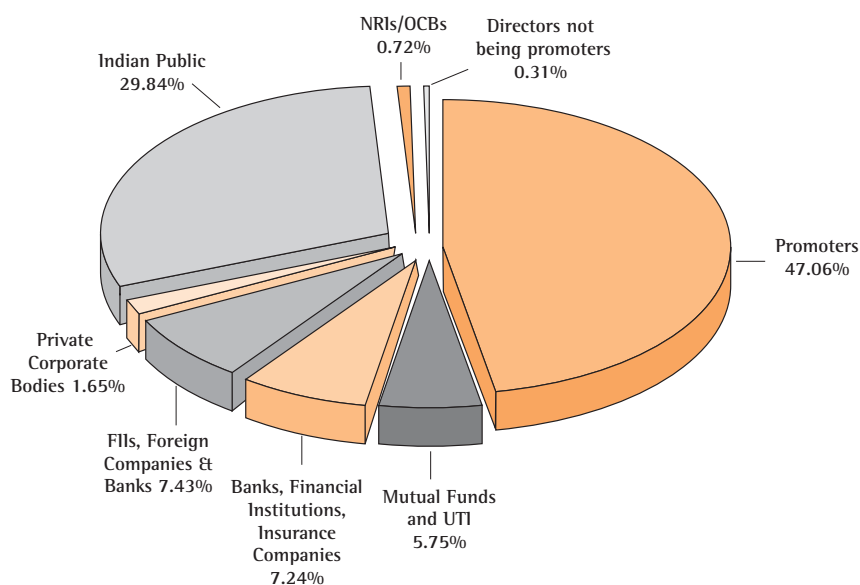




## Distribution of Shareholding as on March 31, 2008

No. of Shares	Demat			Physical			Total		
	Holders	Shares	% to Total Shares	Holders	Shares	% to Total Shares	Holders	Shares	% to Total Shares
Upto 1,000	15,874	30,54,091	16.04	1,651	4,43,986	2.61	17,525	34,98,077	9.71
1,001-2,000	896	13,47,473	7.08	305	4,81,258	2.83	1,201	18,28,731	5.07
2,001-4,000	534	14,82,062	7.78	192	4,86,144	2.86	726	19,68,206	5.46
4,001-6,000	138	6,74,872	3.54	27	1,34,444	0.79	165	8,09,316	2.24
6,001-8,000	55	3,90,962	2.05	18	1,27,696	0.75	73	5,18,658	1.44
8,001-10,000	42	3,83,108	2.01	6	51,928	0.31	48	4,35,036	1.21
10,001-20,000	67	8,92,657	4.69	11	1,41,440	0.83	78	10,34,097	2.87
Above 20,000	51	1,08,21,031	56.81	20	1,51,29,448	89.02	71	2,59,50,479	72.00
<b>TOTAL</b>	<b>17,657</b>	<b>1,90,46,256</b>	<b>100.00</b>	<b>2,230</b>	<b>1,69,96,344</b>	<b>100.00</b>	<b>19,887</b>	<b>3,60,42,600</b>	<b>100.00</b>

## Shareholding Pattern as on March 31, 2008



### Dematerialisation of Shares and Liquidity

The securities of the Company form part of the Compulsory dematerialisation segment for all investors as on January 17, 2000. Securities Exchange Board of India (SEBI) has vide its circular No. MRD/Dop/SE/Dep/Cir-4/2005 dated January 28, 2005, announced that no custody charges would be levied on any investor with effect from April 01, 2005. As on March 31, 2008, 52.8% of the total shareholding is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

### Outstanding GDRs, ADRs, Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

### Address for correspondence

Registered & Corporate Office	Retail Investors	Institutional Investors/ Financial Analysts
Unichem Bhavan, Prabhat Estate, Off. S. V. Road, Jogeshwari (West) Mumbai – 400 102 Tel: 022 66888333 Fax: 022 2679 4089  Website: www.unichemindia.com	Mr. Dilip Bhor/ Ms. Radhika Kamath Unichem Bhavan, Prabhat Estate, Off. S. V. Road, Jogeshwari (West) Mumbai – 400 102 Tel: 022 66888439/478  Email: dilip@unichemindia.com radhikak@unichemindia.com	Mr. K. Subharaman Unichem Bhavan, Prabhat Estate, Off S. V. Road, Jogeshwari (West) Mumbai – 400 102. Tel: 022 66888404  Email: subharamank@unichemindia.com

### Registrar and Shares Transfer Agents (RTA)

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound,  
L B S Marg, Bhandup (West),  
Mumbai – 400 078.  
Tel. : 022 – 2596 3838 Fax : 022 – 2594 6969

### Plant Locations

Formulations Plant Locations	API Plant Locations
<b>GOA</b> Plot No. 17 & 18, Pilerne Industrial Estate, Pilerene Bardez, Goa – 403 511	<b>ROHA</b> 99, MIDC Area, Roha, District Raigad, Maharashtra – 402 116
<b>BADDI</b> Bhatauli Kalan, District Solan, Baddi, Himachal Pradesh – 173 205	<b>PITHAMPUR</b> Plot No. 197, Sector –I, Pithampur –454 775 District Dhar (MP)
<b>GHAZIABAD</b> C 31-32, Industrial Area, Meerut Road, Ghaziabad, Uttar Pradesh – 201 003	

### Subsidiaries Locations

**Unichem S.A. (Pty) Ltd. (South Africa)**  
 Adrina Building, 1st Floor  
 32-34, Klinkenberg Road,  
 Van Der Hoff Park  
 Potchefstroom  
 P.O.Box - 20434  
 Noordbrug  
 TEL: (+2718)-2974055 / 0823361954  
 FAX: (+2718)-2974059

**Unichem Pharmaceuticals (USA), Inc.**  
 Sherbrooke Office Centre II  
 201, West Passaic Street  
 Suite C 301 A, Rochelle Park,  
 New Jersey  
 NJ 07662 USA  
 Tel: 001-201-2260240  
 Fax: 001-201-2260241

**Niche Generics Ltd. (U.K.)**  
 1 The Cam Centre  
 Wilbury Way  
 Hitchin Hertfordshire - SG4 OTW  
 UK  
 TEL: +44 [0] 1462 633804

**Unichem Farmaceutica Do Brasil Ltda (Brazil)**  
 Rua Ramos Batista 152,  
 Andar 12  
 CEP - 04552020 Vila Olimpia  
 Sao Paulo - Brasil

### Representative Offices of the Company around the world

**Russia**  
 St. Bolshaya Yakimanka  
 Hno. 31/18  
 Moskow, Russia  
 Tel.: 007-495-2302380  
 Email: unichemindia@col.ru

**Kazakhstan**  
 ST. Cheikovskova 22-310  
 City: Almaty,  
 Kazakhstan  
 Tel.: 007-7272-794997, Cell: 007-7771-510784  
 Country Business Manager - Dr. Rahul Singh  
 Email: drrahul Singh@gmail.com/ ininfo@inbox.ru

**Ukraine**  
 Kiev 01014  
 Strutinskogo  
 St. 8, 4th Flr., Office 12  
 Kiev Ukraine  
 Telefax: 00-380-44 5024550  
 00-380-44 5024590, Cell: 00-380-67-2304247  
 Country Business Manager - Dr. Rajith Puthen  
 Email: unichem\_kiev@yahoo.com

**Ghana**  
 P O Box 3368,  
 Accra. Ghana.  
 West Africa  
 Tel.: 00-233-21-684183/665625(FAX)  
 Cell-00-233-243-323349  
 Country Business Executive - Mr. Narendra Kumar  
 Email: narendra\_unichem@rediffmail.com

### General Information

#### Requests to Members

##### a. Physical Shareholdings:

- Members holding shares with multiple folios are requested to consolidate their folios into single folio and for this purpose, send the original share certificates along with a request to the Company/ RTA specifying the folio number under which they desire to hold the shares.
- Members are requested to communicate the following information directly to the Registered Office/ RTA at the abovementioned address:
  - a. Any change in their address/ mandate/ bank details, etc.



- b. Particulars of their bank account in which they wish their dividend to be credited, in case the same has not been furnished earlier.
- c. Changing nomination in respect of their shareholding in the Company by submitting Nomination Form as per the provisions of Section 109A of the Companies Act, 1956.
- d. To avail facility of ECS, members are requested to send their details in ECS mandate form.

b. Demat Shareholdings:

- Members are requested to intimate all changes pertaining to their bank account details, ECS mandates, nominations, power of attorney, change of address/ name etc., only to their Depository Participant (DP) with whom their demat account is maintained and not to the Company or its RTA. Periodically, as instructed by the Company, the RTA will obtain details regarding Beneficial Owners including addresses from the National Securities Depository Limited or the Central Depository Services (India) Limited.
- To prevent fraudulent encashment of dividend warrants, members should send their bank account details (if not provided earlier) to the DP for printing these on the dividend warrants.

c. General Requests:

- In case shares are lost or misplaced, members should immediately lodge a complaint with the police and inform the Company enclosing the original or certified copy of the FIR or an acknowledged copy of the complaint.
- For expeditious transfer of shares, members should fill in complete and correct particulars in the transfer deed. Wherever applicable, the registration number of the power of attorney should also be quoted in the transfer deed at the appropriate place.
- Members should keep a record of their specimen signature provided to the Company/RTA and reconcile their signature with the same before lodging shares for transfer with the Company to prevent the possibility of a difference in signature at a later date.
- Members should quote their email addresses, telephone / fax numbers to get a prompt reply to their communications.

Members may give their valuable suggestions for improvement of our Investor Relation Services.

### Nomination of shares

Section 109A of the Companies Act, 1956, extends a nomination facility to individuals holding shares in physical form in Companies. Shareholders, in particular those holding shares in a single name should, in their own interest, avail of this facility by giving the particulars of their nomination in the prescribed nomination form.

In case shares are held in a single name and the shareholder has expired, the following documents are required to be submitted by nominee(s):

- Original or certified copy of death certificate of the deceased holder.
- A letter of request from the nominee(s) duly filled in and signed.

It is possible to revoke / vary a nomination once made. If nomination is made by joint holders, and one of the joint holders dies, the remaining joint holder(s) can make a fresh nomination by revoking the existing nomination.

### Voting Rights

All the shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded. Since the fundamental voting principle in a Company is "One Share-One Vote", if demanded, voting takes place by a poll. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands. No business has been transacted at any general meeting, requiring postal ballot.

## Auditors' Report to the Members of Unichem Laboratories Limited

1. We have audited the attached Balance Sheet of Unichem Laboratories Limited as at 31st March, 2008 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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 the 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 the management, as well as evaluating the overall financial statements 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) ('the order') 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 paragraph 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
  - (d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement are prepared in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India referred to in section 211(3C) of the Companies Act, 1956.
  - (e) On the basis of the written representations received from the Directors, as on March 31<sup>st</sup>, 2008 and taken on record by the Board of Directors we report that none of the Directors is disqualified as on March 31<sup>st</sup>, 2008 from being appointed as a director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial statements, read with the notes thereon 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:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
    - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - iii) in the case of cash flow statement, of the cash flow for the year ended on that date.

For B. D. JOKHAKAR & CO.  
Chartered Accountants

Raman Jokhakar  
Partner  
Membership No. 103241

Mumbai  
12<sup>th</sup> May, 2008



### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year according to the program of verification, covering all the fixed assets over a period of 3 years, which in our opinion is reasonable, having regard to the size of the Company and nature of the assets. We are informed that no material discrepancies were noticed on such verification.  
(c) During the year the company has not disposed off substantial part of its fixed assets so as to affect its going concern status.
2. In respect of Inventories:  
(a) As explained to us, the inventories of the company except stocks in transit have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of the business.  
(c) The company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification.
3. We are informed that during the year, the Company has not taken/granted any loans, secured or unsecured, from / to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses 4(iii)(b), 4(iii)(c), 4(iii)(d), 4(iii)(e), 4(iii)(f), 4(iii)(g) of the Order are not applicable.
4. In our opinion, and according to the information and explanation 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. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in such internal control systems.
5. To the best of our knowledge and belief and as explained to us the company has not entered into any transactions required to be entered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, clause 4(v)(b) of the order is not applicable.
6. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58 A, 58 AA or any relevant provisions of the Companies Act, 1956 and the Rules framed there under and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal.
7. In our opinion, the internal Audit system is commensurate with the size of the company and the nature of its business.
8. We have broadly reviewed the books of account and records 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 relating to the manufacture of Bulk drugs and pharmaceutical specialties and are of the opinion that, *prima facie*, the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
9. (a) The company has been regular in depositing undisputed statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year. There were no undisputed statutory dues as mentioned above in arrears as at 31<sup>st</sup> March, 2008 for a period of more than six months from the date they became payable.



(b) According to the information & explanations given to us, following dues in respect of income tax and sales tax which have not been deposited with appropriate authorities on account of disputes, are mentioned below:

Name of the Statutes	Nature of the dues	Amount (Rs.in million)	Forum where dispute is pending	Assessment Year to it relates
Sales tax Act	Sales Tax	0.17	Asst. Comm. Sales Tax (Appeals)	2000-01

10. The company does not have any accumulated losses at the end of the financial year and it has not incurred any cash losses in the current or in the immediately preceding financial year.
11. According to the information and explanations given to us the company has not defaulted in repayment of dues to banks and financial institutions.
12. According to the information and explanations given 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. Therefore, the provisions of clause 4(xii) of the order are not applicable to the company.
13. The company is not a chit fund or a nidhi mutual benefit fund /society. Therefore, the provisions of clause 4(xiii) of the order are not applicable to the company.
14. In respect of transactions of the company in dealing in shares, securities and other investments, we report that the company has kept adequate records of its transactions and timely entries have been made therein. The shares, securities, and other investments, are held in the name of the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company during the year have been used for the purpose for which they are obtained.
17. According to the Cash Flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis, have *prima facie*, not been used during the year for long term investments.
18. According to the information and explanations given to us no preferential allotment of shares has been made by the company to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any secured debentures and accordingly the provisions of clause 4(xix) of Order are not applicable.
20. The company has not raised any money through a public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For B. D. JOKHAKAR & CO.  
Chartered Accountants

Raman Jokhakar  
Partner  
Membership No. 103241

Mumbai  
12<sup>th</sup> May, 2008



# Balance Sheet

As at 31st March, 2008  
(Rupees in millions)

Schedule		Current Year		Previous Year	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share Capital	1	180.21		180.17	
Reserves and Surplus	2	4,099.97		3,533.11	
			4,280.18		3,713.28
<b>Loan Funds</b>					
Secured Loans	3	55.33		89.63	
Unsecured Loans	4	178.30		162.81	
			233.63		252.44
Deferred Tax Liability (Refer note no. 13)			322.64		281.14
<b>Total</b>			<b>4,836.45</b>		<b>4,246.86</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	3,123.56		2,700.69	
Less: Depreciation		880.55		742.12	
Net Block		2,243.01		1,958.57	
Capital Work in Progress		1,031.92		654.32	
			3,274.93		2,612.89
<b>Investments</b>	6		418.10		366.17
<b>Current Assets, Loans and Advances</b>					
Inventories	7	714.50		702.03	
Sundry Debtors	8	1,235.80		1,253.05	
Cash and Bank Balances	9	69.68		75.09	
Loans and Advances	10	270.32		292.65	
			2,290.30		2,322.82
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	11	810.52		922.18	
Provisions	12	336.36		132.84	
			1,146.88		1,055.02
<b>Net Current Assets</b>			<b>1,143.42</b>		<b>1,267.80</b>
<b>Total</b>			<b>4,836.45</b>		<b>4,246.86</b>
Notes to Accounts	18				

Schedules 1 to 18 form an integral part of accounts.

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008





## Profit & Loss Account

For the year ended 31st March, 2008  
(Rupees in millions)

	Schedule	Current Year	Previous Year
<b>INCOME</b>			
Sales / Income from operations (Gross)	13	5,939.12	5,624.13
Less: Excise duty		128.18	168.19
Sales / Income from operations (Net)		5,810.94	5,455.94
Other Income	14	66.98	106.07
<b>Total</b>		<b>5,877.92</b>	<b>5,562.01</b>
<b>EXPENDITURE</b>			
Manufacturing, selling and administrative expenses	15	4,548.50	4,168.88
Research & Development Expenses	16	215.70	196.68
Interest	17	15.17	18.88
Depreciation	5	153.72	120.12
		<b>4,933.09</b>	<b>4,504.56</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>944.83</b>	<b>1,057.45</b>
Add: Exceptional items (Refer note no. 12)		-	12.07
<b>PROVISION FOR TAXATION</b>			
Less: Current Tax (including Wealth tax)		105.50	118.60
Deferred Tax (Refer Note no. 13)		41.50	28.00
Fringe Benefit Tax		25.50	21.00
<b>NET PROFIT AFTER TAX AND EXCEPTIONAL ITEMS</b>		<b>772.33</b>	<b>901.92</b>
Less: Prior Period items		(0.23)	(0.32)
Less: Excess/(Short) provision for taxation pertaining to previous years		5.04	(0.82)
Add: Balance Brought Forward		1,964.32	1,418.98
<b>Amount available for Appropriation</b>		<b>2,741.46</b>	<b>2,319.76</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		180.21	-
Interim Dividend paid		-	180.17
Tax on Interim Dividend paid / Proposed Dividend		30.63	25.27
Transfer to General Reserve		150.00	150.00
Surplus Carried to Balance Sheet		2,380.62	1,964.32
<b>Total</b>		<b>2,741.46</b>	<b>2,319.76</b>
Basic Earnings per share of Rs 5/- (Pr Yr Rs 5/-) each (in Rs)		21.57	25.02
Diluted Earnings per share of Rs 5/- (Pr Yr Rs 5/-) each (in Rs)		21.56	25.00
Notes to Accounts	18		

Schedules 1 to 18 form an integral part of accounts.

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008



# Cash Flow Statement

For the year ended 31st March, 2008  
(Rupees in millions)

	Current Year		Previous Year	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before tax		944.83		1,057.45
Adjustment for :				
Depreciation	153.72		120.12	
Loss/(Profit) on Sale of Assets (Net)	(0.04)		6.12	
Exchange difference	7.34		11.73	
Interest expenses	20.70		24.07	
Provision for doubtful debts, loans, advances & deposits for the year	34.65		8.11	
Employees compensation expenses (ESOS)	8.15		8.55	
Loss/(Profit) on Sale of Investments	(7.05)		(30.47)	
Interest income	(5.53)		(5.19)	
Excess provision for expenses written back	(33.22)		(28.48)	
Dividend Income	(0.02)		(0.07)	
		178.70		114.49
Operating Profit Before Working Capital Changes		1,123.53		1,171.94
Adjusted for:				
Trade & other receivables	(17.03)		(415.91)	
Inventories	(12.47)		(104.57)	
Current Liabilities	(89.56)	(119.06)	364.14	(156.34)
Cash Generated from Operations		1,004.47		1,015.60
Direct Taxes Paid (Net of refund and including Fringe benefit tax)		(111.36)		(118.70)
Net Cash Flow from Operating Activities		893.11		896.90
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets including Capital WIP		(820.27)		(766.54)
Sale of Fixed Assets including exceptional items (Refer Note No. 12)		4.55		15.26
Investment in subsidiaries		(51.93)		(286.23)
Investment in others (Net)		7.05		225.47
Interest Received		5.53		6.65
Dividend on Investments		0.02		0.07
Subsidy received		3.00		-
Net Cash used in Investing Activities		(852.05)		(805.32)



For the year ended 31st March, 2008  
(Rupees in millions)

	Current Year		Previous Year	
<b>C. Cash Flow from Financing Activities</b>				
Repayments of Borrowings		(1.11)		(15.35)
Proceeds from issue of share capital & share premium		1.06		3.26
Receipt/(Payment) of short term borrowing (Security deposit)		17.71		19.93
Receipt/(Payment) of External commercial borrowings		(35.41)		(34.98)
Interest Paid		(20.70)		(24.95)
Dividend paid		(8.02)		(181.31)
Interim Dividend paid		-		(168.72)
Dividend distribution tax paid		-		(50.52)
Net Cash used in Financing Activities		(46.47)		(452.64)
Net (Decrease)/ Increase in Cash and Cash Equivalents (A+B+C)		(5.41)		(361.06)
Opening Balance of Cash and Cash Equivalents		75.09		436.15
Closing Balance of Cash and Cash Equivalents		69.68		75.09

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

For and on behalf of the Board of Directors

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008



As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 1	Current Year	Previous Year
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
70,000,000 Equity Shares of Rs. 5/- each	350.00	350.00
20,000,000 Unclassified Shares of Rs. 5/- each	100.00	100.00
5,000,000 Preference Shares of Rs. 10/- each	50.00	50.00
	500.00	500.00
<b>ISSUED , SUBSCRIBED AND PAID UP</b>		
36,042,600 Equity Shares of Rs. 5/- each fully paid up (Previous year 36,032,900 Equity Shares of Rs. 5/- each fully paid up)	180.21	180.17
Total	180.21	180.17
<b>NOTE :</b>		
(1) i) 450,000 Equity Shares of Rs. 5/- each allotted as fully paid up pursuant to a contract without payment being received in cash.		
ii) 29,390,000 Equity Shares of Rs. 5/- each issued as bonus Shares by Capitalisation of General Reserve.		
iii) 1,330,000 Equity Shares of Rs. 5/- each allotted pursuant to the scheme of Amalgamation of Unisearch Ltd and Unichem Exports Ltd with the Company without payment being received in cash.		
2) Outstanding Employees' stock option exercisable into 2,29,900 Equity shares; (Previous year 2,45,900 Equity shares) (Refer Note no. 10)		



As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 2	Current Year		Previous Year	
<b>RESERVES AND SURPLUS</b>				
<b>SHARE PREMIUM</b>				
[Net of Premium on unpaid allotment money in arrears due from members other than directors]	733.96		176.85	
Add: Addition during the year	7.62		557.11	
		741.58		733.96
<b>CAPITAL RESERVE</b>				
Balance as per last Balance Sheet	3.25		3.25	
Add: Addition during the year	3.00		—	
		6.25		3.25
<b>GENERAL RESERVE</b>				
Balance as per last Balance Sheet	819.08		669.08	
Add: Transfer from Profit and Loss Account	150.00		150.00	
Less: Charged on account of transitional effect of AS 15- Employee Benefits (Refer Note no. 29)	11.60		-	
		957.48		819.08
<b>EMPLOYEES' STOCK OPTIONS</b>				
Employees' stock options outstanding	43.14		43.03	
Add: Addition during the year	(7.48)		0.11	
	35.66		43.14	
Less: Deferred Employees' stock compensation during the year	(21.62)		(30.64)	
		14.04		12.50
<b>BALANCE IN PROFIT AND LOSS ACCOUNT</b>		2,380.62		1,964.32
Total		4,099.97		3,533.11

As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 3	Current Year	Previous Year
<b>SECURED LOANS</b>		
Term loans from Banks	29.98	65.39
Loans from Banks for working capital	25.35	24.24
<b>Total</b>	<b>55.33</b>	<b>89.63</b>
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Fixed Deposits		
Others	0.07	2.30
(Repayable within one year Rs.0.07 million, Previous year Rs.2.30 millions)		
Other Loans and Advances		
Other than from Banks	178.23	160.51
<b>Total</b>	<b>178.30</b>	<b>162.81</b>

SCHEDULE 5
<b>FIXED ASSETS</b>

(Rupees in millions)

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	Cost As at 01/04/2007	Additions	Deductions	Cost As at 31/03/2008	Opening As at 01/04/2007	For the year	Deductions/ Transfers	As at 31/03/2008	As at 31/03/2008	As at 31/03/2007	
Land											
Freehold	26.57	67.74	-	94.31	-	-	-	-	94.31	26.57	
Leasehold	17.21	1.15	-	18.36	2.23	0.83	-	3.06	15.30	14.98	
Buildings	788.04	141.07	(0.22)	928.89	122.75	26.27	(0.02)	149.00	779.89	665.29	
Plant and Machinery	1,692.02	213.63	(11.14)	1,894.51	509.53	111.44	(9.82)	611.15	1,283.36	1,182.49	
Furniture, Fixtures and Equipments	123.71	12.48	(0.81)	135.38	73.88	9.90	(0.38)	83.40	51.98	49.83	
Cars and Vehicles	39.93	6.60	(7.63)	38.90	20.52	5.28	(5.07)	20.73	18.17	19.41	
Patents and Trademarks	13.21	-	-	13.21	13.21	-	-	13.21	-	-	
<b>Total</b>	<b>2,700.69</b>	<b>442.67</b>	<b>(19.80)</b>	<b>3,123.56</b>	<b>742.12</b>	<b>153.72</b>	<b>(15.29)</b>	<b>880.55</b>	<b>2,243.01</b>	<b>1,958.57</b>	
Previous Year	2,436.69	307.50	(43.50)	2,700.69	656.19	120.12	(34.19)	742.12	1,958.57	-	
Capital Work in Progress including Capital Advances									1,031.92	654.32	

Buildings include Two Flats and a Garage amounting to Rs. 5.00 millions (Previous year Rs. 5.00 millions ) where the co-operative society is yet to be formed.

Addition to Gross Block include Rs.111.42 millions (Previous year Rs. 31.52 millions) being expenditure on Research and Development as under:-

Buildings	Rs. 67.62 millions	(Previous year Rs. Nil )
Plant & Machinery	Rs. 38.35 millions	(Previous year Rs. 31.37 millions)
Furniture, Fixtures and Equipments	Rs. 5.45 millions	(Previous year Rs. 0.15 million)



As at 31st March, 2008  
(Rupees in millions)

## SCHEDULE 6

## INVESTMENTS

	No of Shares/Units		Face value	Current Year	Previous Year
	Current Year	Previous Year			
<b>(A) LONG TERM (at cost)</b>					
<b>(I) UNQUOTED</b>					
<b>(a) GOVERNMENT AND TRUST SECURITIES</b>					
National Saving Certificates and Others				0.01	0.01
6.75% Tax free bonds of Rs. 100 each of Unit Trust of India	5,545	5,545	Rs 100	0.55	0.55
<b>(b) OTHER INVESTMENTS</b>					
Mediklin Healthcare Limited	202,500	202,500	Rs 10	3.04	3.04
(Earlier known as M/s Gravure Art and Healthcare Limited)					
Shivalik Solid Waste Management Limited	20,000	20,000	Rs 10	0.20	0.20
Less : Provision for diminution in value of investments				(3.04)	(3.04)
				0.20	0.20
<b>(c) SUBSIDIARY COMPANIES</b>					
Fully paid Equity Shares of					
Niche Generics Ltd. (UK)	625,000	625,000	1 Pound	255.68	255.68
Unichem SA Pty Ltd.	19,000	19,000	10 SA Rand	1.21	1.21
Unichem Farmaceutica Do Brasil Ltda	3,677,667	2,686,826	1 Brasil Real	75.85	54.17
Unichem Pharmaceuticals USA Inc.	1,961,955	1,211,955	1 US\$	84.60	54.34
<b>TOTAL LONG TERM UNQUOTED INVESTMENTS</b>				<b>418.10</b>	<b>366.16</b>
<b>(II) QUOTED</b>					
Fully paid Equity Bonus Shares of Jindal Polyfilm Limited	1,000	1,000	Rs. 10	-	-
Market value as on 31st March, 2008 is Rs. 0.20 million					
(Previous year Rs. 0.15 million)					
<b>(B) CURRENT INVESTMENTS</b>					
<b>MUTUAL FUNDS</b>					
Birla Sweep Fund - Dividend - Reinvestment	-	400	Rs. 10	}	0.01
DWS Insta Cash Plus Fund	-	291	Rs. 10		
Principal Income Fund - Growth Option (Bonus Units)	-	384,485	Rs. 10		
			Sub Total	-	0.01
			Total	418.10	366.17

## Schedules to Accounts

### Notes:

During the year the following investments were purchased and sold:

Name of the Fund	No of Units
ING Liquid Plus Fund - Institutional Growth	984737
Reliance Liquidity Fund - Growth Option	1325352
Kotak Floater Long Term - Growth	801893
Kotak Liquid (Institutional Premium) - Growth	11900873
Prudential ICICI Liquid Plan - Growth	508127
LIC Mutual Fund - Growth Plan	7553282
LICMF Liquid Plus Fund - Growth Plan	3884687
LIC Mutual Fund - Dividend Plan	912194
Birla Cash Plus - Instl. Prem. - Growth	1100891
Prudential ICICI Institutional Liquid Plan - Super Institutional Growth	1296095
Kotak Flexi Debt Scheme - Growth	6342475
JM High Liquidity Fund - Growth Plan (13)	255624
JM Money Manager Fund Super Plus Plan - Growth	969802
DWS Insta Cash Plus Fund - Growth Option	1189494
DBS chola Liquid Inst. Plus - Cumulative	1751581
DBS Chola Freedom Income STP - Inst. - Cum - Org	4689551
UTI Liquid Cash Plan Institutional - Growth Option	23475
UTI - Liquid Plus Fund Institutional Plan (Growth Option)	28978
Sundaram BNP Paribas Money Fund Institutional - Apprn	148357
Magnum Insta Cash Fund - Cash Option	372248
Principal Cash Management Fund Liquid Option - Instl. Plan - Growth Plan	1288046
Principal Floating Rate Fund FMP Regular Option - Growth Plan	420270
Principal Floating Rate Fund FMP Insti. Option - Growth Plan	1350673
Tata Floater Fund - Growth	1118836
Tata Liquid Fund - Appreciation	2837
Tata Liquid High Investment Fund - Growth	3800





As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 7	Current Year		Previous Year	
<b>INVENTORIES</b>				
Raw Materials (Include Rs.4.42 millions in transit, (Previous year Rs. 20.13 millions))		214.86		236.98
Packing Materials (Include Rs.0.22 million in transit, (Previous year Rs. 0.20 million))		54.77		53.73
Semi- Finished Goods		88.95		102.47
Finished Goods (Include Rs. 11.44 millions in transit, (Previous year Rs. 11.22 millions))		332.96		286.43
Stores and Spares		22.96		22.42
Total		<b>714.50</b>		<b>702.03</b>
<b>SCHEDULE 8</b>				
<b>SUNDRY DEBTORS (UNSECURED)</b>				
Debts outstanding for period exceeding six months Considered good	199.45		129.57	
Considered doubtful	54.01		21.23	
	253.46		150.80	
Less: Provision for Doubtful Debts	54.01		21.23	
		199.45		129.57
Other debts - Considered Good		1,036.35		1,123.48
Total		<b>1,235.80</b>		<b>1,253.05</b>
<b>SCHEDULE 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on Hand		0.92		0.76
Balance with Scheduled Banks				
In Current Accounts	59.90		55.38	
In Fixed Deposit Accounts	0.16		0.91	
In Unpaid Dividend Accounts	7.48		15.50	
		67.54		71.79
Balance with non Scheduled Banks outside India				
UKREXIMBANK (Maximum Balance during the year Rs.2.47 millions (Previous year Rs. 2.78 millions))		0.60		0.90
SG-SSB Bank - Ghana (Maximum Balance during the year Rs.0.02 million (Previous year Rs. 0.42 million))		0.02		0.02
Turan Alem Bank, Almaty, Kazakhstan (Maximum Balance during the year Rs.2.69 millions (Previous year Rs. 1.23 millions))		0.49		0.49
Uni credit Bank (Maximum Balance during the year Rs. 1.00 million (Previous year Rs. 4.10 millions))		0.11		1.13
Total		<b>69.68</b>		<b>75.09</b>

## Schedules to Accounts

As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 10	Current Year		Previous Year	
<b>LOANS AND ADVANCES (UNSECURED)</b>				
Considered good unless otherwise stated				
Advances recoverable in Cash or in kind or for value to be received				
Considered Good	197.90		216.25	
Considered Doubtful	6.19		5.30	
	204.09		221.55	
Less :Provision for Doubtful Advances	6.19		5.30	
		197.90		216.25
Deposits		28.99		28.57
Advance payment of Income Tax (Net of Provision for Taxation)	5.73		7.98	
Balance with Excise Department	37.70		39.85	
		43.43		47.83
<b>Total</b>		<b>270.32</b>		<b>292.65</b>
<b>SCHEDULE 11</b>				
<b>CURRENT LIABILITIES</b>				
Due to Directors		19.79		20.89
<b>Sundry Creditors</b>				
Payable to Small scale industrial undertaking (Refer note no. 33)	26.69		28.60	
Payable to Other Sundry Creditors	698.76	725.45	793.02	
Investor education and protection fund				821.62
Unclaimed Dividend	7.48		15.50	
Unpaid matured deposits	0.30	7.78	0.32	
				15.82
Other Current Liabilities		57.50		63.84
Interest accrued but not due on loans		-		0.01
<b>Total</b>		<b>810.52</b>		<b>922.18</b>
<b>SCHEDULE 12</b>				
<b>PROVISIONS</b>				
Proposed Dividend		180.21		-
Tax on Dividend		30.63		-
Provision for Incentives		63.93		81.12
Provision for Employees benefit schemes		61.59		51.72
<b>Total</b>		<b>336.36</b>		<b>132.84</b>



For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 13	Current Year		Previous Year	
<b>SALES / INCOME FROM OPERATIONS (GROSS)</b>				
Sales		5,841.99		5,529.81
Export benefits		53.62		56.23
Sundries		43.51		38.09
<b>Total</b>		<b>5,939.12</b>		<b>5,624.13</b>
<b>SCHEDULE 14</b>				
<b>OTHER INCOME</b>				
Dividend received		0.02		0.07
Profit on sale of fixed assets		0.31		0.13
Profit on sale of current investments		7.05		30.47
Miscellaneous income		25.43		41.36
Discounting Charges		0.95		5.56
Excess Provision for expenses written back		33.22		28.48
<b>Total</b>		<b>66.98</b>		<b>106.07</b>
<b>SCHEDULE 15</b>				
<b>MANUFACTURING, SELLING AND ADMINISTRATION EXPENSES</b>				
Raw Materials Consumed		1,234.61		1,218.64
Packing materials, containers consumed		215.49		224.73
Stores and Spares consumed		29.00		46.29
Purchases of Finished goods		1,010.91		923.69
Manufacturing Charges		45.79		28.37
Personnel Cost :				
Salaries, wages, Ex-gratia, bonus and commission	541.52		480.39	
Contribution to Provident and other funds	52.49		50.39	
Employees' Welfare Expenses	25.11		24.26	
(Include Rs. 8.15 millions (Previous year Rs. 8.55 millions) of Employees' compensation expenses under ESOS 2004 Scheme.)				
		619.12		555.04
Power and Fuel		141.95		125.69
Rent		9.74		8.76
Insurance		16.31		15.33
Repairs :				
Plant and Machinery		17.71		23.27
Buildings		9.75		7.00
Others		23.08		15.95
Rates and Taxes		32.25		25.90
Advertising and sales promotion		599.60		490.13
Travelling and Conveyance		180.00		146.60
Freight outward		74.12		70.15
Directors' Fees		0.90		0.50
Commission on sales		79.00		102.93

For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 15	Current Year		Previous Year	
Loss on sale / scrapping of assets		0.27		6.25
Exchange loss (Net)		25.72		3.71
Bad debts, loans, advances and deposits written off	-		3.93	
Less : adjusted out of provision for doubtful debts, loans, advances and deposits	-		(3.77)	
		-		0.16
Provision for doubtful debts, loans, advances and deposits for the year		34.65		8.11
Establishment and Administrative Expenses		181.54		151.78
		4,581.51		4,198.98
Increase / (Decrease) in stocks of semi finished and finished goods				
Stocks at commencement				
Semi-Finished Goods		102.47		100.44
Finished Goods		286.43		258.36
		388.90		358.80
Stocks at close				
Semi-Finished Goods		88.95		102.47
Finished Goods		332.96		286.43
		421.91		388.90
		(33.01)		(30.10)
<b>Total</b>		<b>4,548.50</b>		<b>4,168.88</b>
SCHEDULE 16				
<b>RESEARCH &amp; DEVELOPMENT EXPENDITURE</b>				
Salaries, wages and Ex-gratia		64.41		53.26
Contribution to Provident fund and other Funds		3.44		2.87
Employee's welfare expenses		0.25		0.37
Rates and Taxes		2.21		2.21
Repairs:				
Plant and machinery		1.10		0.30
Buildings		0.04		1.38
Others		1.11		1.64
Power and fuel		8.88		6.51
Travelling and conveyance		4.19		4.30
Others		130.07		123.84
<b>Total</b>		<b>215.70</b>		<b>196.68</b>
SCHEDULE 17				
<b>INTEREST</b>				
Paid on :				
Fixed Deposits (Including Rs.Nil paid to Director (Previous year Rs 0.02 million))	0.16		0.23	
Other fixed loans	4.07		7.45	
Banks and others	16.47		16.39	
		20.70		24.07
Less :Interest earned (TDS deducted of Rs.0.01 million (Previous year Rs. 0.43 million))		5.53		5.19
<b>Total</b>		<b>15.17</b>		<b>18.88</b>



For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 18	Current Year	Previous Year
<b>NOTES TO ACCOUNTS</b>		
1		
Previous year's figures have been regrouped, recast and restated wherever necessary.		
2		
<b>Contingent Liabilities :</b>		
(i)	25.00	47.11
(ii)	13.42	9.02
(iii)	4.73	22.99
Total	43.15	79.12
(iv)		
Claims made by the employees whose services have been terminated are not acknowledged as debts, the exact liability, whereof is not ascertainable.		
3		
Estimated amount of Commitments (Net of Advances) on Capital Account not provided for Rs.546.98 millions (Previous year Rs. 207.28 millions)		
4		
No allocation of Salaries, wages and bonus etc. have been made to other Revenue Accounts such as Repairs etc.		
5		
(i) External commercial borrowings (ECB) of Rs.29.27 millions (Previous year Rs. 65.39 millions) from Co-operative Centrale Raiffeisen Boerenleenbank B.A., Singapore are secured by first pari-passu charge on Company's immovable properties at Goa and at Baddi Unit I.		
(ii) Cash credit, Packing credit and Demand loans of Rs.25.35 millions (Previous year Rs. 24.24 millions) from Bank of India and Bank of Baroda are secured against hypothecation of Inventories, Book debts and mortgage of immovable properties located at Jogeshwari, Roha, Ghaziabad on first pari-passu charge and on immovable properties at Baddi Unit I and Goa on a second and subservient charge.		
6		
i) The bifurcation between total outstanding dues of small scale industrial (SSI) undertakings and total outstanding dues of creditors other than SSI Undertakings and the names of the SSI Undertakings as given below, take into account only those creditors who have responded to the enquiries made by the Company for the purpose of determining its creditors who are SSI undertakings.		
ii) Sundry creditors include Rs. 26.69 millions (Previous year Rs. 28.60 millions) due to small scale industrial undertakings.		
iii) Names of the SSI Undertakings to whom the Company owed a sum which was outstanding for more than 30 days as at the end of the financial year are as under:		
	M/s R S G Packaging Pvt Ltd	M/s Novex Polyfilms Pvt Ltd
	M/s Ambika Parentals Containers	M/s Puraj Chemicals
	M/s Oscar Valves Pvt Ltd	M/s Sima Products
	M/s Deziner's Lab Furniture	M/s Sima Chemicals
	M/s New Amir Iron Works	M/s Virdeo Intermediate Pvt Ltd
	M/s Abhinandan Rasayan Pvt Ltd	M/s Enopeck Seals (India)
	M/s Acharya Chemicals	M/s Elppe Chemicals Pvt Ltd
	M/s Deepak Industries	M/s Jaysons Ammonia & Chemicals
		M/s Alpine Packers & Closures
		M/s HBR Packaging
		M/s Kulwant Mechanical Works
		M/s Krish Enterprises
		M/s Health Guard Packing Pvt Ltd
		M/s Mahabir Industries
		M/s New Drugs & Chemicals company
		Ms/ Vardhaman INST & Chemicals
iv) The above information has been determined to the extent such parties have been identified on the basis of data available with the Company. This data has been relied upon by the auditors.		
7		
Managerial Remuneration under Section 198 of the Companies Act,1956 to Directors.		

Particulars	Current Year	Previous Year
Salary	8.93	8.51
Commission	19.80	20.90
Contribution to Provident Fund and other Funds	2.39	2.21
Perquisites in Cash or in Kind	3.66	4.18
Directors' fees	0.90	0.50
Total	35.68	36.30

(Exclusive of provision for future liabilities in respect of retirement benefits since these are based on actuarial valuation done on overall Company basis)

For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 18	Current Year	Previous Year
8 Computation of Net Profit as per Section 349 read with Section 309(5) and Section 198 of the Companies Act, 1956		
Profit Before Tax as per Profit and Loss Account, after prior period items of Rs. Nil (Previous year Rs. 0.32 million)	944.60	1,069.20
Add: Depreciation	153.71	120.12
Directors' Remuneration	34.77	35.80
Directors' Fees	0.90	0.50
Loss on sale of assets per books	0.27	6.25
Profit on sale of assets u/s 349	0.31	0.13
Provision for Doubtful Debts/Advances	34.65	8.11
	224.61	170.91
Less: Depreciation as per Section 350	145.07	120.12
Fringe benefit tax	25.50	21.00
Wealth tax	1.00	1.00
Bad debts adjusted against provision for Doubtful Debts	-	3.77
Profit on sale of assets per books including extra ordinary gains	0.31	12.20
Profit on sale of current investment	7.05	30.47
Loss on sale of assets u/s 349	0.27	6.25
Sub-Total	179.20	194.81
Profit for Computation of Commission	990.01	1,045.30
Commission payable to Managing Director @ 1% of Rs. 990.01 millions (Previous year @ 1% of Rs 1,045.30 millions)	9.90	10.45
Commission payable to Executive Director @ 1% of Rs. 990.01 millions (Previous year @ 1% of Rs 1,045.30 millions)	9.90	10.45
9 Establishment and Administrative expenses include payment to Statutory Auditors		
Audit Fees	0.69	0.67
Tax Audit	0.22	0.22
Certification	0.26	0.40
Reimbursement of Expenses	0.06	0.08
Cost Auditors		
Audit Fees	0.23	0.21
Certification	0.04	-
Reimbursement of Expenses	0.02	0.04
<b>Total</b>	<b>1.52</b>	<b>1.62</b>
10 The Company has granted Nil (Previous year 1,00,000) Stock Options to its employees and Nil (Previous year 2,00,000) stock options to Executive Director formulated under the scheme of ESOS. Out of the above Stock Options 22,500 (Previous year 16,200) have been surrendered/lapsed and 47,600 (Previous year 37,900) have been exercised, 2,29,900 (Previous year 2,45,900) Stock Options are outstanding, which if fully exercised will result in issue of equity shares.		
11 Fixed Assets other than Land includes Rs.111.28 millions (Previous year Rs. 31.63 millions) being expenditure of capital nature on Research & Developments.		
12 Exceptional items include net consideration for sale of part of immovable property of Rs.Nil (Previous year Rs.12.07 millions).		

For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 18	Current Year	Previous Year
13 The deferred tax liability for the current year amounting to Rs.41.50 millions (Previous year Rs. 28.00 millions) & short provision for previous years accounted during the current year Rs.5.04 millions (Previous year Rs.13.00 millions) is shown in the Profit and Loss Account under Provision for Taxation The deferred tax liability/(asset) comprises of <b>Deferred Tax Liability</b> on account of Depreciation	353.67	295.43
<b>Deferred Tax Assets</b> Provision for Doubtful Debts, Advances and other disallowances u/s 43 B	31.05	14.29
<b>Tax</b>	322.62	281.14
14 Expenditure relating to new projects have been shown under the head Capital work-in-progress as follows.		
i) Power & fuel	4.00	1.51
ii) Repairs & maintenance	0.21	-
iii) Other Manufacturing expenses	-	0.02
iv) Payroll expenses	7.43	3.10
v) Freight	0.07	-
vi) Insurance	1.49	0.78
vii) Rent	3.13	-
viii) Travelling Expenses	1.75	0.45
ix) Rates & Taxes	0.48	0.15
x) Administrative expenses	25.83	13.25
xi) Depreciation	0.27	-
<b>Total</b>	44.66	19.26

#### 15 Related Party Disclosures

As per AS-18 issued by the Institute of Chartered Accountants of India, the Company's related parties are as under:

##### 1 Relationships

###### (i) Subsidiaries of the Company:

Niche Generics Limited

Unichem SA Pty Ltd.

Unichem Farmaceutica Do Brasil Ltda

Unichem Pharmaceuticals (USA) Inc

###### (ii) Enterprises under significant influence of key management personnel:

Chevy capital services Pvt Ltd.

PM Capital services Pvt Ltd.

AVM Capital services Pvt Ltd.

Pranit Trading Pvt. Ltd.

Rudra Pharma Distributors Ltd.

Viramrut Trading Pvt. Ltd.

Niank Marketing Co.

###### (iii) Key Management personnel and their relatives:

Dr. Prakash A. Mody (Chairman and Managing Director)

Mrs. Anita Mody

Miss Shwetambari Mody

Miss. Supriya Mody

Miss Suparna Mody

Mr. B. K. Sharma (Executive Director)

Mrs. Uma Sharma

Mr. Ankur Sharma

For the year ended 31st March, 2008  
(Rupees in millions)

2 (i) The following is a summary of significant related party transactions:

Particulars	Subsidiaries		Key Management Personnel & their relatives		Enterprises under significant influence of Key Management		Total	Total
	2008	2007	2008	2007	2008	2007	2008	2007
Sales of goods, etc.,	97.26	82.74	-	-	352.27	328.79	449.53	411.53
Rent & Maintenance paid	-	-	0.28	0.28	0.06	0.06	0.34	0.34
Managerial remuneration	-	-	14.98	14.90	-	-	14.98	14.90
Commission	-	-	19.80	20.90	-	-	19.80	20.90
Dividend paid	-	-	-	72.37	-	69.95	-	142.32
Interest paid	-	-	-	0.02	-	-	-	0.02
Investment made during the year	51.93	286.24	-	-	-	-	51.93	286.24
	149.19	368.98	35.06	108.47	352.33	398.80	536.58	876.25

(ii) The Company has the following amounts due from/to related parties:

<b>Outstanding Balances</b>								
Deposits given	-	-	10.03	10.03	-	-	10.03	10.03
Debtors outstanding	27.69	11.05	-	-	89.40	101.11	117.09	112.16
Total Investments	417.33	365.40	-	-	-	-	417.33	365.40
	445.02	376.45	10.03	10.03	89.40	101.11	544.45	487.59

	Current Year	Previous Year
<b>16 Segment Reporting :</b>		
<b>Primary Segment</b>		
The Company has only one segment i.e 'Pharmaceuticals'.		
<b>Secondary Segment (By Geographical Segment)</b>		
Year ended 31st March, 08		
<b>Sales and Operating Income</b>		
India	4,727.91	4,320.57
Outside India	1,211.21	1,303.56
<b>Total</b>	<b>5,939.12</b>	<b>5,624.13</b>

In view of the interwoven/intermix nature of business and manufacturing facility, other segmental information is not ascertainable.





For the year ended 31st March, 2008  
(Rupees in millions)

17 Statement of Installed Capacities (as Certified by the Management) and Actual Production during the year.

Class of Goods	Unit	Installed Capacity		Production*	
		Current Year	Previous Year	Current Year	Previous Year
<b>Formulations</b>					
Tablets/Capsules	No.in lacs	37,176	37,176	21,699	21,993
Syrups	Litres	960,000	960,000	66,562	50,881
Injections	Litres	90,000	90,000	3,627	6,758
Eyemides, Ointments & Dry and sterile powder	Kilograms	196,800	196,800	63,018	63,334
<b>Bulk Drugs &amp; Chemicals</b>	Kilograms	761,638	677,710	546,268	453,143

\* Includes the Company's Products manufactured by others on Loan License basis, but does not include products manufactured by the Company on behalf of others.

18 Opening and Closing Stock of Finished Goods Produced/Purchased by the Company.

Class of Goods	Unit	Closing Stock		Opening Stock		Opening Stock Previous Year	
		Quantity	Value(Rs)	Quantity	Value(Rs)	Quantity	Value(Rs)
<b>Formulations</b>							
Tablets/Capsules	No.in lacs	3,404	203.89	2,301	187.08	2,428	157.88
Syrups	Litres	142,402	12.99	139,862	11.89	148,624	8.81
Injections	Litres	29,189	10.25	26,856	20.67	27,548	14.64
Eyemides, Ointments & Dry and sterile powder	Kilograms	61,838	37.79	48,255	41.48	19,792	36.05
<b>Bulk Drugs &amp; Chemicals</b>	Kilograms	35,413	68.04	21,745	25.31	29,778	40.98
<b>Total</b>			<b>332.96</b>		<b>286.43</b>		<b>258.36</b>

19 Sale of Goods Produced/Purchased by the Company (Excluding Captive Consumption).

Class of Goods	Unit	Current Year		Previous year	
		Quantity	Value (Rs)	Quantity	Value (Rs)
<b>Formulations</b>					
Tablets/Capsules	No.in lacs	28,205	4,661.53	27,496	4,314.15
Syrups	Litres	900,505	115.66	866,204	107.48
Injections	Litres	153,983	105.49	95,101	85.30
Eyemides, Ointments & Dry and sterile powder	Kilograms	363,429	414.32	236,829	381.92
<b>Bulk Drugs &amp; Chemicals</b>	Kilograms	508,514	544.99	450,821	637.46
<b>Others</b>					3.50
<b>Total</b>			<b>5,841.99</b>		<b>5,529.81</b>

\* The sales quantities includes adjustments on account of free issues, shortages & obsolescences

For the year ended 31st March, 2008  
(Rupees in millions)

## 20 Purchases of Finished Goods

Class of Goods	Unit	Current Year		Previous year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>Formulations</b>					
Tablets/Capsules	No.in lacs	7,610	736.71	6,673	703.08
Syrups	Litres	836,484	77.06	843,491	70.90
Injections	Litres	152,688	54.17	87,651	36.91
Eyemides, Ointments & Dry and sterile powder	Kilograms	313,993	142.97	201,959	112.80
<b>Total</b>			<b>1,010.91</b>		<b>923.69</b>

## 21 Value of Imports (CIF Value)

	Current Year	Previous Year
Raw Materials	159.91	167.95
Packing Materials	-	13.94
Stores & Spare Parts	-	0.22
Capital Goods	25.88	48.98
<b>Total</b>	<b>185.79</b>	<b>231.09</b>
<b>22 Expenditure in Foreign Currencies</b>		
Salary Paid	33.25	33.13
Travelling expenses	11.46	13.19
Rent paid	2.41	1.99
Freight	-	0.01
Marketing expenses	29.75	34.95
Commission paid	7.60	8.36
Other Expenses	23.26	22.95
Interest paid	3.35	6.11
<b>Total</b>	<b>111.08</b>	<b>120.69</b>
<b>23 Earnings in Foreign Exchange (Gross)</b>		
Export of Goods calculated on FOB basis, etc.,	1,105.22	1,170.21
Insurance, Freight and other charges recovered	56.23	68.32
Sale of samples	1.26	0.46
<b>Total</b>	<b>1,162.71</b>	<b>1,238.99</b>



For the year ended 31st March, 2008  
(Rupees in millions)

24 Consumption of Raw Materials, Packing Materials, Stores and Spares.

	Current Year		Previous Year	
	%	Value (Rs.)	%	Value (Rs.)
A. Raw Materials				
Indigenous (including canalised)	77	946.95	86	1,049.12
Imported (including duty and charges)	23	287.66	14	169.52
<b>Total</b>	<b>100</b>	<b>1,234.61</b>	<b>100</b>	<b>1,218.64</b>
B. Packing Materials, Stores and Spares				
Indigenous (including canalised)	95.31	233.01	99.88	270.70
Imported (including duty and charges)	4.69	11.48	0.12	0.32
<b>Total</b>	<b>100</b>	<b>244.49</b>	<b>100</b>	<b>271.02</b>

25 Break up of Raw Materials Consumed

	Unit	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Ampicillin	Kilograms	72,693	195.80	68,594	123.92
				-	-
Miscellaneous (none of which individually accounts for more than 10% of total consumption)			1,038.81		1,094.72
<b>Total</b>			<b>1,234.61</b>		<b>1,218.64</b>

26 Operating lease:

Office premises/residential premises (including furniture and fittings therein as applicable) and certain vehicles for use by employees are obtained on operating lease. The lease term in respect of office/residential premises is on the basis of individual agreements entered into with the Landlord. The lease term in respect of vehicles is for five years. Certain agreements provided for increase in rent. There are no restrictions imposed by lease arrangements, there are no subleases.

The aggregate lease rentals payable, are charged as rent (Refer Schedule 15) in the Profit & Loss Account.

27 Earning Per Share has been computed as under:	2008	2007
Net Profit (Rs. millions)	777.14	900.78
Weighted average number of Equity shares outstanding - Basic	36,033,842	36,007,629
Weighted average number of Equity shares outstanding - Diluted	36,045,625	36,026,587
Earning Per Share - Basic	21.57	25.02
Diluted	21.56	25.00
(Face value of Rs. 5/- per share)		

For the year ended 31st March, 2008  
(Rupees in millions)

- 28 Pursuant to the Accounting Standard (AS-29) - Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 31st March, 2008 is as follows.

Particulars	Employees Benefit**		Incentives & Schemes		Total	
	2008	2007	2008	2007	2008	2007
Opening balance	51.64	35.74	81.12	45.68	132.76	81.42
Additions	41.70	38.13	45.43	174.90	87.13	213.03
Utilisations	14.12	20.03	44.59	117.49	58.71	137.52
Reversals	-	2.20	18.03	21.97	18.03	24.17
Closing Balance	79.22	51.64	63.93	81.12	143.15	132.76

\*\* Provision is based on actuarial valuation

### 29 Gratuity & Other retirement benefits

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS-15 Revised) to the company, effective from 1st April, 2007, the additional charge of Rs. 11.60 millions in respect of period upto 31st March, 2007 has been adjusted against opening balance of revenue reserve according to the transitional provision of AS-15 (Revised).

#### i. Gratuity

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. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for gratuity benefits.

#### Profit and Loss account

##### Net employee benefit expense (recognised in Employee Cost)

	Rs. in millions
	Current Year
Current service cost	10.39
Interest cost on benefit obligation	4.97
Expected return on plan assets	(3.69)
Net actuarial (gain) / loss recognised in the year	4.34
Past service cost	-
Net benefit expense	16.01

#### Balance sheet

##### Details of Provision for gratuity

	Rs. in millions
	Current Year
Defined benefit obligation	73.16
Fair value of plan assets	42.70
	(30.46)
Less: Unrecognised past service cost	-
Plan asset / (liability)	(30.46)

For the year ended 31st March, 2008  
(Rupees in millions)

Changes in the present value of the defined benefit obligation are as follows:

	Rs. in millions
	Current Year
Opening defined benefit obligation	62.13
Interest cost	4.97
Current service cost	10.39
Benefits paid	(8.90)
Actuarial (gains) / losses on obligation	4.57
Closing defined benefit obligation	<b>73.16</b>

Changes in the fair value of plan assets are as follows:

	Rs. in millions
	Current Year
Opening fair value of plan assets	41.03
Expected return	3.69
Contributions by employer	6.65
Benefits paid	(8.90)
Actuarial gains / (losses)	0.23
Closing fair value of plan assets	<b>42.70</b>

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Current Year
	%
Investment with Insurer	100

The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

	Current Year
	%
Discount rate	8.00%
Expected rate of return on Plan assets	*9.25%
Increase in Compensation plan cost	*7.00%

\* As per Actuary Certificate

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.

The discounting rate is based on material yield on government bonds having currency and terms consistent with the currency and terms of post-employment benefit obligations.

The overall expected rate of return on assets is based on the LIC structure of interest rates on gratuity funds.

For the year ended 31st March, 2008  
(Rupees in millions)

Amounts for the current period is as follows :

	Rs. in millions
	Current Year
Defined benefit obligation	73.16
Plan assets	42.71
Surplus / (deficit)	(30.45)
Actuarial loss on obligation	4.57
Actuarial gain on obligation	0.23

The above information is certified by the Actuary. This being the first year of implementation, previous year figures are not being given.

### ii. Leave encashment

The Company has a defined benefit unfunded obligation for Leave encashment. Generally the leave encashment is paid to employees in case of retirement, resignation or retirement under VRS except in some case the same is paid annually on the basis of mutual agreement.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for Leave encashment benefits.

#### Profit and Loss account

##### Net employee benefit expense (recognised in Employee Cost)

	Rs. in millions
	Current Year
Current service cost	5.88
Interest cost on benefit obligation	2.44
Expected return on plan assets	-
Net actuarial (gain) / loss recognised in the year	(0.31)
Past service cost	-
Net benefit expense	8.01

#### Balance sheet

##### Details of Provision for Leave encashment

	Rs. in millions
	Current Year
Defined benefit obligation	31.08
Fair value of plan assets	-
	(31.08)
Less: Unrecognised past service cost	-
Plan asset / (liability)	(31.08)

For the year ended 31st March, 2008  
(Rupees in millions)

Changes in the present value of the defined benefit obligation are as follows:

	Rs. In millions
	Current Year
Opening defined benefit obligation	30.52
Interest cost	2.44
Current service cost	5.88
Benefits paid	(7.45)
Actuarial (gains) / losses on obligation	(0.31)
Closing defined benefit obligation	31.08

The principal assumptions used in determining leave encashment obligations for the Company's plans are shown below:

	Current Year %
Discount rate*	8.00%

\* As per Actuary Certificate

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.

The discounting rate is based on material yield on government bonds having currency and terms consistent with the currency and terms of post-employment benefit obligations.

The above information is certified by the Actuary. This being the first year of implementation, previous year figures are not being given.

- 30 The company uses forward contracts to hedge its risk associated with foreign currency fluctuations relating to firm commitments and forecasted transactions. The company does not enter into forward exchange contracts which are intended for speculative purposes.

Following are the outstanding forward contracts as at 31st March, 2008

Currency	Buy / sell	Foreign currency value in millions
EURO	Sell	2.4
USD	Sell	0.1

Foreign Currency exposure not hedged by forward contracts as at 31st March, 2008 are given below:

UNHEDGED	Foreign currency value in millions
A) Receivable	
EURO	1.02
USD	8.30
GBP	0.05
CAD	0.03
B) Payable	
EURO	0.27
USD	1.68

For the year ended 31st March, 2008  
(Rupees in millions)

- 31 Debtors are secured to the extent of security deposit of Rs.175.62 millions (Previous Year Rs.165.21 millions) received from Distributors and Consignment Agents.
- 32 Disputed Income tax Demand for A.Y. 1995-1996- Appeal is pending before the income tax appellate tribunal and hence no provision made, payment adjusted against income tax refunds of Rs.10.23 millions in subsequent years is shown under the head Loans and Advances.
- 33 **Micro, Small and Medium Enterprises Development Act, 2006 :**  
Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2nd October, 2006, certain disclosure are required to be made relating to Micro, Small and Medium Enterprises. The company is in process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the Accounts. However, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of this Act is not expected to be material.





(Amount Rs. in Thousands)

## 34 Balance Sheet abstract and Company's General Business Profile

## I. Registration Details

Registration No.      / T A State Code

Balance Sheet Date

## II. Capital raised during the year

Public Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Rights Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Bonus Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Private Placement <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	ESOP <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 4 8 . 5 0	

## III. Position of Mobilisation and Deployment of Funds

Total Liabilities (Excluding Capital and Reserves) <input type="text"/> <input type="text"/> 5 5 6 2 7 4	Total Assets (computed taking into account Fixed Assets, Investments, Net current assets and Miscellaneous expenditure) <input type="text"/> <input type="text"/> 4 8 3 6 4 4 9
--	--

## Sources of Funds

Paid-up Capital <input type="text"/> <input type="text"/> 1 8 0 2 1 3	Reserve and Surplus <input type="text"/> <input type="text"/> 4 0 9 9 9 6 5
Secured Loans <input type="text"/> <input type="text"/> 5 5 3 3 0	Unsecured Loans <input type="text"/> <input type="text"/> 1 7 8 3 0 1

## Application of Funds

Net Fixed Assets (Including Capital Works in progress) <input type="text"/> <input type="text"/> 3 2 7 4 9 2 9	Investments <input type="text"/> <input type="text"/> 4 1 8 0 9 7
Net Current Assets (Net of Deferred Tax Liability) <input type="text"/> <input type="text"/> 8 2 0 7 8 0	Miscellaneous Expenditure <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

## IV. Performance of Company

Turnover <input type="text"/> <input type="text"/> 5 9 3 9 1 1 5	Total Expenditure <input type="text"/> <input type="text"/> 4 9 3 3 0 9 0	Profit before Tax (Net of exceptional items and prior period expenses) <input type="text"/> <input type="text"/> 9 4 4 8 2 8
Profit after Tax (After adjusting short provision for taxation pertaining to earlier year and exceptional items) <input type="text"/> <input type="text"/> 7 7 7 1 4 2	Earnings per share in Rs. <input type="text"/> <input type="text"/> 2 1 . 5 7	Dividend Rate. <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 0 0 %
	Diluted earning per share in Rs. <input type="text"/> <input type="text"/> 2 1 . 5 6	

## V. Generic Name of Three Principal Products

i. Item Code No. (ITC Code) : 300410.06	Product Description : Ampicillin and Cloxacillin in Capsules, injections etc.
ii. Item Code No. (ITC Code) : 300490.05	Product Description : Losartan Potassium in Tablets
iii. Item Code No. (ITC Code) : 300490.13	Product Description : Alprazolam in Tablets.

As per our report of even date attached  
For B. D. Jokhakar & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

Raman Jokhakar  
Partner

Rakesh Parikh  
Vice President -  
Finance

K. Subharaman  
Head - Legal &  
Company Secretary

Dr. P. A. Mody  
Chairman &  
Managing Director

B. K. Sharma  
Executive Director

Prafull Anubhai  
Director

Mumbai  
12th May, 2008



## 1 Accounting Convention

- 1.1 These accounts have been prepared under the historic cost convention on the basis of Going Concern and comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- 1.2 The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Any revision to accounting estimates is recognised prospectively in current and future periods .Differences between the actual results and estimates are known/materialised.

## 2 Fixed Assets

- 2.1 Fixed Assets are recorded at cost inclusive of taxes, duties and other identifiable direct expenses. Leasehold Land is amortised over the period of lease.
- 2.2 Fixed Assets valuing less than Rs.5000/- are written off to revenue in the year of purchase.
- 2.3 Revenue expenditure relating to new projects are charged to capital work-in-progress and capitalised to respective heads of Fixed Assets on completion of project.

## 3 Depreciation

Depreciation is charged on Straight-line Method on Buildings and Plant and Machinery and on Written Down Value Method on Other Fixed Assets in accordance with and as per revised drafts specified in schedule XIV of the Companies Act, 1956, Except higher rates considering the useful life of assets.

Assets	Rates
Land : Leasehold	Amortised over the lease period
Plant & Machinery (Lab Equipments)	4.75% to 20%
Computers	16.21% to 25%

## 4 Revenue Recognition

- 4.1 Sales are net of sales tax, claims for breakages & expiry dated goods and rate differences.
- 4.2 Revenue from Product development charges is recognised as and when services are rendered and related costs are incurred in accordance with the terms of the specific contracts.
- 4.3 Interest income is recognised on time proportionate basis.
- 4.4 Dividend income is recognised when right to receive is established.

## 5 Research and Development Expenses

Revenue expenditure incurred on research and development is charged to revenue in the year it is incurred. Capital expenditure is included in the respective heads under fixed assets.

## 6 Retirement and other employee benefits

- i) Retirement benefits in the form of Provident Fund and Superannuation/Pension are defined contribution schemes and contribution is charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.
- ii) Gratuity liability is a defined benefit obligation and is provided for, on the basis of an actuarial valuation on projected net credit method made at the end of each financial year.
- iii) Short term compensated absences are provided for, based on estimates. Long term compensated absences are provided for based on actuarial valuation. The provision for leave encashment is accrued and provided for, based on actuarial valuation made at the end of each financial year.
- iv) Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

**7 Investments**

Investments are classified into current and long term investments. Current investments are stated at the lower of cost and fair value. Long term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long - term investments.

**8 Inventories**

Inventories are valued after providing for obsolescences as under :

- 8.1 Stock of Raw Materials, Semi finished goods and Finished Goods are valued at lower of cost or net realisable/ replacement value.
- 8.2 Packing Materials and Stores and Spares are valued at cost.
- 8.3 In case of Finished Goods, cost is determined adding material, labour and related factory overheads including depreciation & excise duty.
- 8.4 In case of Semi Finished Goods, Cost is determined adding material, labour and related factory overheads including depreciation.
- 8.5 Material Cost is ascertained on weighted average cost.

**9 Foreign Exchange Transactions**

The transactions in foreign currencies are accounted at the exchange rate prevailing on the date of transaction. Any exchange gains or losses arising out of subsequent fluctuations are accounted for in the Profit and Loss account. Receivables and liabilities outstanding in foreign currencies are translated at the exchange rates prevailing as at the close of the year. Exchange difference are dealt with in the Profit and Loss A/c except those relating to the acquisition of fixed assets which are capitalised. Investment in foreign subsidiaries are expressed in Indian currency at the rate of exchange prevailing at the time when the original investment were made.

The Company enters into forward exchange contracts to hedge its risks associated with foreign currency fluctuations.

The premium or discounts arising at the inception of forward exchange contract is amortised as expense or income over the life of contract. Exchange differences on such contracts are recognised as gain / loss in the Profit and Loss account of the period.

**10 Deferred employees compensation**

The accounting value of stock options representing the excess of the market price over the exercise price of the shares granted under “Employees Stock Option Scheme” of the company, is amortised on straight - line basis over the vesting period as Deferred employees compensation” and the unamortised portion of the cost is shown under Reserves and Surplus, in accordance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

**11 Provisions**

A Provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Provision is not discounted to its present value and is determined based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the best current estimate.

**12 Taxes on income**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Provision for Fringe Benefit Tax is recognised on the basis of a harmonious contextual interpretation of the provision of the Income Tax Act, 1961.

### 13 Impairment

The carrying amounts of assets are reviewed at each Balance sheet date if there is any indication of impairment based on internal / external factors, impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cashflows expected to arise from the continuing use of an assets and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

### 14 Provision for Doubtful Debts

Specific provision for doubtful debts is made in cases where collection of debt is uncertain. Besides ,a percentage based provision is also made for debtors outstanding for more than one year based on ageing analysis thereof.

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008





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# CONSOLIDATED FINANCIAL STATEMENTS

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The Board of Directors  
Unichem Laboratories Limited  
Mumbai

We have examined the attached consolidated balance sheet of Unichem Laboratories Limited and its subsidiaries ('the Group') as at 31<sup>st</sup> March 2008 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of:

- i) Three subsidiary companies whose financial statements reflect total assets (net) of Rs.244.54 millions and total revenues of Rs.969.26 millions as at March 31, 2008 and
- ii) A subsidiary company whose financial statements reflect total assets (net) of Rs.0.11 million and total revenues of Rs. Nil as at February 29, 2008.

These financial statements of the subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, so far as it relates to the amounts included in respect of these subsidiaries are based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21- 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on the basis of the individual financial statements of Unichem Laboratories Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31<sup>st</sup> March, 2008;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year then ended and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year then ended.

For B. D. Jokhakar & Co.  
*Chartered Accountants*

Raman Jokhakar  
Partner

Membership No. 103241

Mumbai  
12<sup>th</sup> May, 2008



# Consolidated Balance Sheet

As at 31st March, 2008  
(Rupees in millions)

Schedule		Current Year		Previous Year	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share Capital	1	180.21		180.17	
Reserves and Surplus	2	3,935.00		3,630.02	
			4,115.21		3,810.19
<b>Loan Funds</b>					
Secured Loans	3	64.91		100.57	
Unsecured Loans	4	178.30		162.81	
			243.21		263.38
			322.64		282.98
Deferred Tax Liability (Refer note no. 11)					
Total			4,681.06		4,356.55
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	3,330.15		2,900.37	
Less: Depreciation		948.01		796.63	
Net Block		2,382.14		2,103.74	
Capital Work In Progress		1,031.92		654.32	
			3,414.06		2,758.06
			0.76		0.77
<b>Investments</b>					
<b>Current Assets, Loans and Advances</b>					
Inventories	7	832.76		844.61	
Sundry Debtors	8	1,399.26		1,415.90	
Cash and Bank Balances	9	100.55		271.86	
Loans and Advances	10	282.04		303.69	
			2,614.61		2,836.06
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	11	1,012.01		1,105.51	
Provisions	12	336.36		132.83	
			1,348.37		1,238.34
Net Current Assets			1,266.24		1,597.72
Total			4,681.06		4,356.55
Notes to Accounts	18				

Schedules 1 to 18 form an integral part of accounts.

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008





# Consolidated Profit & Loss Account

For the year ended 31st March, 2008  
(Rupees in millions)

	Schedule	Current Year	Previous Year
<b>INCOME</b>			
Sales / Income from operations (Gross)	13	6,841.67	6,447.58
Less: Excise duty		128.18	168.19
Other Income	14	6,713.49	6,279.39
		66.98	106.07
<b>Total</b>		<b>6,780.47</b>	<b>6,385.46</b>
<b>EXPENDITURE</b>			
Manufacturing, selling and administrative expenditure	15	5,528.41	5,155.67
Research & Development expenditure	16	321.50	196.68
Interest	17	14.34	12.23
Depreciation	5	181.42	139.98
<b>Total</b>		<b>6,045.67</b>	<b>5,504.56</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>734.80</b>	<b>880.90</b>
Add/(less): Exceptional items (Refer Note no. 12)		(53.47)	(12.56)
<b>PROVISION FOR TAXATION</b>			
Current Tax (including Wealth tax)		105.50	118.60
Deferred Tax (Refer Note no. 11)		41.50	26.25
Fringe Benefit Tax		25.50	21.00
<b>PROFIT AFTER TAX AND EXCEPTIONAL ITEMS</b>		<b>508.83</b>	<b>702.49</b>
Less: Prior Period items		(0.23)	(0.32)
Less: Excess/(Short) provision for Taxation pertaining to previous years		5.04	(0.82)
Add: Balance Brought Forward		1,943.78	1,597.87
<b>Amount available for Appropriation</b>		<b>2,457.42</b>	<b>2,299.22</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		180.21	-
Interim Dividend paid		-	180.17
Tax on Interim Dividend paid / Proposed Dividend		30.63	25.27
General Reserve		150.00	150.00
Surplus Carried to Balance Sheet		2,096.58	1,943.78
<b>Total</b>		<b>2,457.42</b>	<b>2,299.22</b>
Basic Earnings per share of Rs 5/- (Pr Yr Rs 5/-) each (in Rs)		14.25	19.48
Diluted Earnings per share of Rs 5/- (Pr Yr Rs 5/-) each (in Rs)		14.25	19.47
Notes to Accounts	18		

Schedules 1 to 18 form an integral part of accounts.

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008



# Consolidated Cash Flow Statement

For the year ended 31st March, 2008  
(Rupees in millions)

	Current Year		Previous Year	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before tax		681.33		880.90
Adjustment for :				
Depreciation	181.42		139.98	
Loss/(Profit) on sale of assets (Net)	2.77		6.29	
Exchange difference	41.25		11.73	
Interest expenses	21.95		24.87	
Provision for doubtful debts, loans, advances & deposits for the year	34.65		8.11	
Employees compensation expenses (ESOS)	8.15		8.55	
Loss/(Profit) on Sale of Investments	(7.05)		(30.47)	
Interest income	(7.61)		(12.64)	
Excess provision for expenses written back	(33.22)		(28.48)	
Dividend income	(0.02)		(0.07)	
		242.29		127.87
Operating profit before working capital changes		923.62		1,008.77
Adjusted for:				
Trade & other receivables	(52.56)		(527.14)	
Inventories	11.85		(146.66)	
Current liabilities	(71.41)	(112.12)	251.59	(422.21)
Cash generated from operations		811.50		586.56
Direct taxes paid (Net of refund and including fringe benefit tax)		(111.20)		(118.70)
Net cash flow from Operating Activities		700.30		467.86
<b>B. Cash flow from Investing Activities</b>				
Purchase of fixed assets including Capital WIP		(843.00)		(864.31)
Sale of fixed assets including exceptional items (Refer Note no.12)		2.80		17.45
Investment in others (Net)		7.05		225.47
Interest received		7.61		14.10
Dividend on Investments		0.02		0.07
Subsidy received		3.00		-
Net cash used in Investing Activities		(822.52)		(607.22)



For the year ended 31st March, 2008  
(Rupees in millions)

	Current Year		Previous Year	
<b>C. Cash flow from Financing Activities</b>				
Proceeds from borrowings		(2.48)		(15.35)
Proceeds from issue of share capital & share premium		1.05		3.26
Proceeds/(repayment) of short term borrowing (Security deposit)		17.72		20.30
Receipt/(Payment) of loan of External commercial borrowings		(35.41)		(34.98)
Interest paid		(21.95)		(25.75)
Dividend paid		(8.02)		(181.31)
Interim Dividend paid		-		(168.72)
Dividend Distribution tax paid		-		(50.52)
Net cash used in financing activities		<b>(49.09)</b>		<b>(453.07)</b>
Net (decrease)/ increase in cash and cash equivalents (A+B+C)		(171.31)		(592.43)
Opening balance of cash and cash equivalents		271.86		864.29
Closing balance of cash and cash equivalents		100.55		271.86

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008



## Schedules to Consolidated Accounts

As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 1	Current Year	Previous Year
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
70,000,000 Equity Shares of Rs. 5/- each	350.00	350.00
20,000,000 Unclassified Shares of Rs. 5/- each	100.00	100.00
5,000,000 Preference Shares of Rs. 10/- each	50.00	50.00
	500.00	500.00
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
36,042,600 Equity Shares of Rs. 5/- each fully paid up (Previous year 36,032,900 Equity Shares of Rs. 5/- each fully paid up)	180.21	180.17
<b>Total</b>	<b>180.21</b>	<b>180.17</b>
<b>NOTE :</b>		
(1) i) 450,000 Equity Shares of Rs. 5/- each allotted as fully paid up pursuant to a contract without payment being received in cash.		
ii) 29,390,000 Equity Shares of Rs. 5/- each issued as bonus Shares by Capitalisation of General Reserve.		
iii) 1,330,000 Equity Shares of Rs. 5/- each allotted pursuant to the scheme of Amalgamation of Unisearch Ltd and Unichem Exports Ltd with the Company without payment being received in cash.		
(2) Outstanding Employees' stock option exercisable into 2,29,900 Equity shares; (Previous year 2,45,900 Equity Shares).		

SCHEDULE 2	Current Year		Previous Year	
<b>RESERVES AND SURPLUS</b>				
<b>SHARE PREMIUM</b>				
[Net of Premium on unpaid allotment money in arrears due from members other than directors]	733.96		730.85	
Add: Addition during the year	7.62		3.11	
		741.58		733.96
<b>CAPITAL RESERVE</b>				
Balance as per last balance sheet	3.25		3.25	
Add: addition during the year	3.00	6.25	-	3.25
<b>CAPITAL REDEMPTION RESERVE</b>				
Redemption of Preference Shares		83.40		83.40
<b>GENERAL RESERVE</b>				
Balance as per last Balance Sheet	819.08		669.08	
Add: Transfer from Profit and Loss Account	150.00		150.00	
Less: Charged on account of transitional effect of AS-15 Employees' Benefits	11.60		-	
		957.48		819.08
Foreign Currency translation reserve		35.67		34.05
<b>EMPLOYEES' STOCK OPTION</b>				
Employees' stock options outstanding	43.14		43.03	
Add: Addition during the year	(7.48)		0.11	
	35.66		43.14	
Less: Deferred Employee's stock compensation During the year	(21.62)		13.11	
	-		(43.75)	
	14.04		(30.64)	
		14.04		12.50
<b>BALANCE IN PROFIT AND LOSS ACCOUNT</b>		<b>2,096.58</b>		<b>1,943.78</b>
<b>Total</b>		<b>3,935.00</b>		<b>3,630.02</b>



## Schedules to Consolidated Accounts

As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 3	Current Year		Previous Year	
<b>SECURED LOANS</b>				
Term loans from Banks		29.98		65.39
Loans from Banks for working capital		34.93		35.18
Total		64.91		100.57
<b>SCHEDULE 4</b>				
<b>UNSECURED LOANS</b>				
Fixed Deposits				
Others	0.07		2.30	
(Repayable within one year Rs.0.07 million, (Previous year Rs.2.30 millions))		0.07		2.30
Other Loans & Advances				
Other than from Banks		178.23		160.51
Total		178.30		162.81

### SCHEDULE 5

#### FIXED ASSETS

(Rupees in millions)

ASSETS	GROSS BLOCK			DEPRECIATION		NET BLOCK	
	Cost As at 01/04/2007	Additions	Deductions	Cost As at 31/03/2008	As at 31/03/2008	As at 31/03/2008	As at 31/03/2007
Goodwill	15.45	-	-	15.45	-	15.45	15.45
<b>Land</b>							
Freehold	26.57	67.74	-	94.31	-	94.31	26.57
Leasehold	17.23	1.16	-	18.39	3.09	15.30	14.98
Buildings	860.66	141.49	(0.22)	1,001.93	155.61	846.32	733.67
Plant and Machinery	1,789.00	235.06	(26.41)	1,997.65	666.85	1,330.80	1,232.82
Furniture, Fixtures and Equipments	136.97	14.82	(2.73)	149.06	88.52	60.54	59.50
Cars and Vehicles	41.15	6.48	(7.63)	40.00	20.73	19.27	20.62
Patents and Trademarks	13.34	0.02	-	13.36	13.21	0.15	0.13
<b>Total</b>	<b>2,900.37</b>	<b>466.77</b>	<b>(36.99)</b>	<b>3,330.15</b>	<b>948.01</b>	<b>2,382.14</b>	<b>2,103.74</b>
Previous Year	2,570.09	376.13	(45.85)	2,900.37	796.63	2,103.74	-
Capital Work in Progress including Capital Advances						1,031.92	654.32

Buildings include Two Flats and a Garage amounting to Rs. 5.00 millions (Previous year Rs. 5.00 millions) where the co-operative society is yet to be formed.

Addition to Gross Block include Rs.111.42 millions (Previous year Rs. 31.52 millions) being expenditure on Research and Development as under:-

Buildings	Rs. 67.62 millions	(Previous year Rs. Nil)
Plant & Machinery	Rs. 38.35 millions	(Previous year Rs. 31.37 millions)
Furniture, Fixtures and Equipments	Rs. 5.45 millions	(Previous year Rs. 0.15 million)



As at 31st March, 2008  
(Rupees in millions)

## SCHEDULE 6

## INVESTMENTS

	No of Shares/Units		Face value	Current Year	Previous Year
	Current Year	Previous Year			
<b>(A) LONG TERM (at cost)</b>					
<b>(I) UNQUOTED</b>					
<b>(a) GOVERNMENT AND TRUST SECURITIES</b>					
National Saving Certificates and Others				0.01	0.01
6.75% Tax free bonds of Rs. 100 each of Unit Trust of India	5,545	5,545	Rs. 100	0.55	0.55
<b>(b) OTHER INVESTMENTS</b>					
Mediklin Healthcare Limited	202,500	202,500	Rs. 10	3.04	3.04
(Earlier known as M/s Gravure Art and Healthcare Limited)					
Shivalik Solid Waste Management Limited	20,000	20,000	Rs. 10	0.20	0.20
Less : Provision for diminution in value of investments				(3.04)	(3.04)
				0.20	0.20
<b>TOTAL LONG TERM UNQUOTED INVESTMENTS</b>				<b>0.76</b>	<b>0.76</b>
<b>(II) QUOTED</b>					
Fully paid Equity Bonus Shares of Jindal Polyfilm Limited	1,000	1,000	Rs. 10	-	-
(Market value as on 31st March, 2008 is Rs. 0.15 million (Previous year Rs. 0.28 million))					
<b>(B) CURRENT INVESTMENTS</b>					
<b>MUTUAL FUNDS</b>					
Birla Sweep Fund - Dividend - Reinvestment		400	Rs. 10	}	0.01
DWS Insta Cash Plus Fund		291	Rs. 10		
Principal Income Fund - Growth Option (Bonus Units)		384,485	Rs. 10		
			<b>Sub Total</b>	<b>-</b>	<b>0.01</b>
			<b>Total</b>	<b>0.76</b>	<b>0.77</b>



## Notes:

During the year the following investments were purchased and sold:

Name of the Fund	No of Units
ING Liquid Plus Fund - Institutional Growth	984737
Reliance Liquidity Fund - Growth Option	1325352
Kotak Floater Long Term - Growth	801893
Kotak Liquid (Institutional Premium) - Growth	11900873
Prudential ICICI Liquid Plan - Growth	508127
LIC Mutual Fund - Growth Plan	7553282
LICMF Liquid Plus Fund - Growth Plan	3884687
LIC Mutual Fund - Dividend Plan	912194
Birla Cash Plus - Instl. Prem. - Growth	1100891
Prudential ICICI Institutional Liquid Plan - Super Institutional Growth	1296095
Kotak Flexi Debt Scheme - Growth	6342475
JM High Liquidity Fund - Growth Plan (13)	255624
JM Money Manager Fund Super Plus Plan - Growth	969802
DWS Insta Cash Plus Fund - Growth Option	1189494
DBS chola Liquid Inst. Plus - Cumulative	1751581
DBS Chola Freedom Income STP - Inst. - Cum - Org	4689551
UTI Liquid Cash Plan Institutional - Growth Option	23475
UTI - Liquid Plus Fund Institutional Plan (Growth Option)	28978
Sundaram BNP Paribas Money Fund Institutional - Apprn	148357
Magnum Insta Cash Fund - Cash Option	372248
Principal Cash Management Fund Liquid Option - Instl. Plan - Growth Plan	1288046
Principal Floating Rate Fund FMP Regular Option - Growth Plan	420270
Principal Floating Rate Fund FMP Insti. Option - Growth Plan	1350673
Tata Floater Fund - Growth	1118836
Tata Liquid Fund - Appreciation	2837
Tata Liquid High Investment Fund - Growth	3800

## Schedules to Consolidated Accounts

As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 7	Current Year		Previous Year	
<b>INVENTORIES</b>				
Raw Materials (Include Rs.4.42 millions in transit, (Previous year Rs. 20.13 millions))		214.86		236.98
Packing Materials (Include Rs.0.22 million in transit, (Previous year Rs. 0.20 million))		54.77		53.73
Semi- Finished Goods		91.39		106.39
Finished Goods (Include Rs. 11.44 millions in transit, (Previous year Rs. 11.22 millions))		448.78		425.09
Stores and Spares		22.96		22.42
<b>Total</b>		<b>832.76</b>		<b>844.61</b>
<b>SCHEDULE 8</b>				
<b>SUNDRY DEBTORS (UNSECURED)</b>				
Debts outstanding for period exceeding six months Considered good	199.45		129.57	
Considered doubtful	54.01		21.23	
	253.46		150.80	
Less: Provision for Doubtful Debts	(54.01)		(21.23)	
		199.45		129.57
Other debts - Considered Good		1,199.81		1,286.33
<b>Total</b>		<b>1,399.26</b>		<b>1,415.90</b>
<b>SCHEDULE 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on Hand		0.92		0.80
Balance with Scheduled Banks				
In Current Accounts	59.90		55.38	
In Fixed Deposit Accounts	0.16		0.91	
In Unpaid Dividend Accounts	7.48		15.50	
		67.54		71.79
Balance with non Scheduled Banks outside India				
Balance with Foreign Banks		30.87		196.73
UKREXIMBANK (Maximum Balance during the year Rs.2.47 millions (Previous year Rs. 2.78 millions))		0.60		0.90
SG-SSB Bank - Ghana (Maximum Balance during the year Rs.0.02 million (Previous Year Rs. 0.42 million))		0.02		0.02
Turan Alem Bank, Almaty, Kazakhstan (Maximum Balance during the year Rs.2.69 millions (Previous year Rs.1.23 millions))		0.49		0.49
Uni credit Bank (Maximum Balance during the year Rs. 1.00 million (Previous year Rs. 4.10 millions))		0.11		1.13
<b>Total</b>		<b>100.55</b>		<b>271.86</b>





## Schedules to Consolidated Accounts

As at 31st March, 2008  
(Rupees in millions)

SCHEDULE 10	Current Year		Previous Year	
<b>LOANS AND ADVANCES (UNSECURED)</b>				
Considered good unless otherwise stated				
Advances recoverable in Cash or in kind or for value to be received				
Considered Good	209.41		226.96	
Considered Doubtful	6.19		5.30	
	215.60		232.26	
Less :Provision for Doubtful Advances	6.19		5.30	
		209.41		226.96
Deposits		28.99		28.57
Advance payment of Income Tax (Net of provision for taxation)	5.94		8.32	
Balance with Excise Department	37.70		39.85	
		43.64		48.17
<b>Total</b>		<b>282.04</b>		<b>303.70</b>
<b>SCHEDULE 11</b>				
<b>CURRENT LIABILITIES</b>				
Due to Directors		19.79		20.89
Sundry Creditors				
Payable to small scale industrial undertakings.	26.69		28.60	
Payable to other sundry creditors	873.82		954.85	
		900.51		983.45
<b>Investor education &amp; protection fund</b>				
Unclaimed Dividend	7.48		15.50	
Unpaid matured deposits	0.30		0.32	
		7.78		15.82
Other Current Liabilities		83.93		85.34
Interest accrued but not due on loans		-		0.01
<b>Total</b>		<b>1,012.01</b>		<b>1,105.51</b>
<b>SCHEDULE 12</b>				
<b>PROVISIONS</b>				
Provision for Employees benefit scheme		61.59		51.71
Provision for Incentives		63.93		81.12
Proposed Dividend		180.21		-
Tax on Dividend		30.63		-
<b>Total</b>		<b>336.36</b>		<b>132.83</b>

## Schedules to Consolidated Accounts

For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 13	Current Year		Previous Year	
<b>SALES / INCOME FROM OPERATIONS (GROSS)</b>				
Sales		6,744.54		6,353.26
Export benefits		53.62		56.23
Sundries		43.51		38.09
<b>Total</b>		<b>6,841.67</b>		<b>6,447.58</b>
<b>SCHEDULE 14</b>				
<b>OTHER INCOME</b>				
Dividend received		0.02		0.07
Profit on sale of fixed assets		0.31		0.13
Miscellaneous Income		25.43		41.36
Discounting Charges		0.95		5.56
Profit on sale of current investments		7.05		30.47
Excess Provision for expenses written back		33.22		28.48
<b>Total</b>		<b>66.98</b>		<b>106.07</b>
<b>SCHEDULE 15</b>				
<b>MANUFACTURING, SELLING AND ADMINISTRATION EXPENSES</b>				
Raw Materials Consumed		1,443.44		1,400.69
Packing materials, containers consumed		315.80		279.18
Stores and Spares consumed		42.81		64.69
Purchases of Finished goods		1,162.90		1,045.02
Manufacturing Charges		151.59		28.37
Personnel cost :				
Payments to and provision for employees				
Salaries, wages, Ex-gratia, bonus and commission	858.80		813.95	
Contribution to Provident and Other funds	52.49		50.39	
Employees' Welfare Expenses	37.31		28.42	
(Include Rs. 8.15 millions (Previous year Rs. 8.55 millions) of Employee's compensation expenses under ESOS 2004 Scheme.)		948.60		892.76
Power and Fuel		146.42		129.64
Rent		9.74		8.76
Insurance		25.22		22.72
Repairs :				
Plant and Machinery		17.71		23.27
Buildings		9.75		7.00
Others		33.31		35.98
Rates and Taxes		56.57		52.05
Advertising and sales promotion		602.91		490.26
Travelling and Conveyance		199.37		165.76
Freight outward		74.12		70.15
Directors' Fees		0.90		0.50
Commission on sales		79.00		102.93



## Schedules to Consolidated Accounts

For the year ended 31st March, 2008  
(Rupees in millions)

SCHEDULE 15	Current Year		Previous Year	
Loss on sale / scrapping of assets		0.38		6.42
Exchange loss (Net)		41.25		2.43
Bad debts, loans, advances and deposits written off	-			3.93
Less adjusted out of provision for doubtful debts, loans, advances and deposits	-			(3.77)
		-		0.16
Provision for doubtful debts, loans, advances and deposits for the year		34.65		8.11
Establishment and Administrative Expenses		172.56		316.29
		5,569.00		5,153.14
Increase / (Decrease) in stocks of Semi finished and Finished Goods		(40.59)		2.53
<b>Total</b>		<b>5,528.41</b>		<b>5,155.67</b>
<b>SCHEDULE 16</b>				
<b>RESEARCH &amp; DEVELOPMENT EXPENDITURE</b>				
Salaries, wages & Ex-gratia		64.41		53.26
Contribution to Provident fund & other Funds		3.44		2.87
Employee's welfare expenses		0.25		0.37
Rates & Taxes		2.21		2.21
<b>Repairs:</b>				
Plant & machinery		1.10		0.30
Buildings		0.04		1.38
Others		8.72		1.64
Power & fuel		8.88		6.51
Travelling & conveyance		4.68		4.30
Others		227.77		123.84
<b>Total</b>		<b>321.50</b>		<b>196.68</b>
<b>SCHEDULE 17</b>				
<b>INTEREST</b>				
Paid on :				
Fixed Deposits (Including Rs. Nil paid to Director Previous year Rs 0.02 million)		0.16		0.23
Debentures & other fixed loans		19.02		7.45
Banks and others		2.77		17.19
		21.95		24.87
Less : Interest earned (TDS deducted of Rs.0.01 million (Previous year Rs. 0.43 million))		7.61		12.64
<b>Total</b>		<b>14.34</b>		<b>12.23</b>

## SCHEDULE 18

### NOTES ON CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008

#### 1 Basis of Accounting

- a) The financial statements are prepared under the historical cost convention and comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956
- b) The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

#### 2 Principles of consolidation

The consolidated financial statements relate to Unichem Laboratories Limited ("The Company") and its subsidiaries Niche Generics Limited (100%) incorporated in United Kingdom and Unichem S. A. Proprietary Ltd. (100%) incorporated in South Africa, Unichem Farmaceutica do Brasil Ltda (100%) incorporated in Brazil, and Unichem Pharmaceuticals (USA) Inc. (100%) incorporated in USA.

- a) The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of Assets, Liabilities, Income & Expenses after fully eliminating intra-group investments.
- b) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- c) Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Where the cost of the equity is lower than the share of equity in the subsidiary, the difference is treated as capital reserve.
- d) Financial statements of foreign subsidiaries considered as non integral in terms of AS 11 are transacted as under:
  - i) Assets and Liabilities at the rate prevailing at the end of the year
  - ii) Revenues & expenses at yearly average exchange rates.

Financial statements of foreign subsidiaries which are considered as integral operation are translated as mentioned above in absence of significant revenue generating activities.

- e) Unichem S. A. Proprietary Ltd. (100%) Subsidiary Company incorporated in South Africa has different date of 28/02/2008 as a date of reporting than that of the parent Company.

#### 3 The 'Manufacturing and Other Expenses' includes :

	Current Year	Previous Year
Niche Generics Ltd. Product Development	105.80	76.57

For the year ended 31st March, 2008  
(Rupees in millions)

4 Establishment and Administrative expenses include payment to

	Current Year	Previous Year
Statutory Auditors of the Company		
Audit Fees	0.69	0.60
Tax Audit	0.22	0.20
Taxation & Company Law Matters		
Certification	0.26	0.40
Reimbursement of Expenses	0.06	0.08
Statutory Auditors of the Subsidiary		
Audit Fees	2.24	1.70
Cost Auditors of the Company		
Audit Fees	0.23	0.21
Certification	0.04	-
Reimbursement of Expenses	0.02	0.04
<b>Total</b>	<b>3.76</b>	<b>3.23</b>
5 Earnings in Foreign currency		
Export of Goods calculated on FOB basis	1,105.22	1,170.21
Insurance, Freight and other charges recovered	56.23	68.32
Sale of Samples	1.26	0.46
6 Expenditure in Foreign currency	111.08	120.69

## 7 Related Party Disclosures

As per AS-18 issued by the Institute of Chartered Accountants of India, the Company's related parties are as under:

### 1 Relationships

#### (i) Enterprises under significant influence of key management personnel:

Chevy capital services Pvt Ltd  
PM Capital services Pvt Ltd.  
AVM Capital services Pvt Ltd  
Pranit Trading Pvt. Ltd  
Rudra Pharma Distributors Ltd  
Viramrut Trading Pvt Ltd  
Niank Marketing Co.

#### (ii) Key Management personnel and their relatives:

Dr. Prakash A. Mody (Chairman and Managing Director)  
Mrs. Anita Mody  
Miss Shwetambari Mody  
Miss. Supriya Mody  
Miss Suparna Mody  
Mr. B. K. Sharma (Executive Director)  
Mrs. Uma Sharma  
Mr. Ankur Sharma  
Mr. G. M. Cole  
Mr. C. Moss (w.e.f 04/06/2007)

For the year ended 31st March, 2008  
(Rupees in millions)

2 (i) The following is a summary of significant related party transactions

Particulars	Key Management Personnel & their relatives		Enterprises under significant influence of Key Management		Total	Total
	2008	2007	2008	2007	2008	2007
Sales of goods, etc.,	-	-	352.27	328.79	352.27	328.79
Rent & Maintenance paid	0.28	0.28	0.06	0.06	0.34	0.34
Managerial remuneration	36.07	77.09	-	-	36.07	77.09
Commission	19.80	20.90	-	-	19.80	20.90
Dividend paid	-	72.37	-	69.95	-	142.32
Interest paid	-	0.02	-	-	-	0.02
	56.15	170.66	352.33	398.80	408.48	569.46

(ii) The Company has the following amounts due from/to related parties

Outstanding Balances	2008	2007	2008	2007	2008	2007
Deposits given	10.03	10.03	-	-	10.03	10.03
Debtors	-	-	89.40	101.11	89.40	101.11
	10.03	10.03	89.40	101.11	99.43	111.14

8 Segment Reporting :

**Primary Segment**

The Company has only one segment i.e 'Pharmaceuticals'.

**Secondary Segment (By Geographical Segment)**

	India	Outside India	Total
Sales and Operating Income	4,727.90	2,113.77	6,841.67

In view of the interwoven / intermix nature of business and manufacturing facility, other segmental information is not ascertainable.

9 Operating lease:

Office premises/ residential premises (including furniture and fittings therein as applicable) and certain vehicles for use by employees are obtained on operating lease. The lease term in respect of office/residential premises is on the basis of individual agreements entered into with the Landlord. The lease term in respect of Vehicles is for five years. Certain agreements provided for increase in rent. There are no restrictions imposed by lease arrangements, there are no subleases.

The aggregate lease rentals payable are charged as Rent (refer schedule 15) in the Profit & Loss Account.



## Schedules to Consolidated Accounts

For the year ended 31st March, 2008  
(Rupees in millions)

10 Earning Per Share has been computed as under:	2008	2007
Net Profit (Rs. millions)	513.64	701.36
Weighted average number of Equity shares outstanding - Basic	36,033,842	36,007,629
Weighted average number of Equity shares outstanding - Diluted	36,045,625	36,026,587
Earning Per Share - Basic	14.25	19.48
Diluted	14.25	19.47

11 The deferred tax liability for the current year amounting to Rs.39.64 millions (Previous year Rs. 29.84 millions) & short provision for previous years accounted during the current year Rs. Nil (Previous Year Rs. 13.00 millions) is shown in the Profit and Loss Account under Provision for Taxation.

The deferred tax liability / (asset) comprises of

	Current Year	Previous Year
<b>Deferred Tax Liability</b> on account of Depreciation	353.67	297.27
<b>Deferred Tax Assets</b> Provision for Doubtful Debts, Advances and other disallowances u/s 43 B	31.05	14.29
<b>Tax</b>	322.62	282.98

12 Exceptional items shown in Profit & Loss Accounts includes the following amounts:

Particulars	Current Year	Previous Year
Net consideration for sale of part immovable property	-	(12.07)
Restructuring costs	53.47	-
Redundancy cost	-	24.63
	53.47	12.56

13 **Gratuity & Other retirement benefits**

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS-15 Revised) to the company, effective from 1st April, 2007, the additional charge of Rs. 11.60 millions in respect of the parent company for the period upto 31st March, 2007 has been adjusted against opening balance of revenue reserve according to the transitional provision of AS-15 (Revised).

14 Other significant Accounting Policies and notes have been set out in the notes to the Accounts of the Company as the same have been applied to the Accounts of the Company and its subsidiaries except in respect of depreciation and taxation which has been provided by the foreign subsidiaries on the methods and at the rates required/permissible by the Local laws. Additional information not impacted by consolidation is also set out in the notes to the Accounts of the Company.

As per our report of even date attached  
For **B. D. Jokhakar & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Raman Jokhakar**  
Partner

**Rakesh Parikh**  
Vice President -  
Finance

**K. Subharaman**  
Head - Legal &  
Company Secretary

**Dr. P. A. Mody**  
Chairman &  
Managing Director

**B. K. Sharma**  
Executive Director

**Prafull Anubhai**  
Director

Mumbai  
12th May, 2008



## Statement Pursuant to Section 212

### Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Niche Generics Limited	Unichem Farmaceutica do Brasil Ltda	Unichem S.A (Proprietary) Limited	Unichem Pharmaceuticals (USA), Inc
Financial year ending of the subsidiary	31st March, 2008	31st March, 2008	28th February, 2008	31st March, 2008
Shares in the Subsidiary held by the Holding Company as at the above date				
i) Number of Shares	625,000 shares of GBP 1 each fully paid -up	36,77,667 Shares R\$ 1 each fully paid - up	19,000 shares of South African Rand 10/- each fully paid - up	19,61,955 shares of US\$ 1 each fully paid
ii) Extent of Holding	100 %	100 %	100 %	100%
Net aggregate amount of Profit / (loss) of the subsidiary Company so far as they concern the members of the Holding Company and				
A) Not dealt with in the Holding Company's accounts for the year ended 31st March 2008				
i) For the Subsidiary's financial year ended as aforesaid	GBP (21,50,412)	R\$ (9,25,934)	SAR (2,229)	US\$ (8,03,885)
ii) For the Previous financial years of the Subsidiary since it became Holding Company's Subsidiary.	GBP 28,41,562	R\$ (24,80,360)	SAR (1,63,583)	US\$ (10,49,530)
B) Dealt with in the Holding Company's accounts for the year ended 31st March 2008				
i) For the Subsidiary's financial year ended as aforesaid	Nil	Nil	Nil	Nil
ii) For the Previous financial years of the Subsidiary since it became Holding Company's Subsidiary.	GBP 6,86,481	Nil	Nil	Nil





### Information on the financials of the Subsidiary Companies

(as per the exemption letter of the Ministry of Company Affairs, Government of India)

(Rs. in millions)

Name of Subsidiary	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
Niche Generics Limited	45.93	188.00	243.51	9.58	-	958.42	(203.02)	-	(203.02)	-
Unichem S.A. (Proprietary) Ltd.	1.21	(1.10)	0.11	-	-	-	(0.04)	-	(0.04)	-
Unichem Farmaceutica Do Brasil Ltda	75.84	(69.56)	6.28	-	-	-	(19.71)	-	(19.71)	-
Unichem Pharmaceuticals USA Inc.	84.60	(80.27)	4.33	-	-	-	(33.01)	-	(33.01)	-

#### Notes:

1. The Ministry of Company Affairs granted approval to the Company for not attaching the financials of subsidiary companies to the financials of the Company for the financial year 2007-08.
2. The Members can obtain a copy of the financials of the subsidiary companies from the registered office of the Company. The financials of the subsidiary companies are also available for inspection during business hours on any working day from 10.00 am to 1.00 p.m.
3. The Financials are given in Indian Rupees.

NOTICE is hereby given that the 45<sup>th</sup> Annual General Meeting of the members of UNICHEM LABORATORIES LIMITED will be held on Thursday, the 17<sup>th</sup> day of July, 2008 at 3.30 p.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider, and adopt the Audited Balance Sheet as at March 31, 2008 and Audited Profit and Loss Account for the year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the year ended March 31, 2008.
3. To appoint a Director in place of Mr. Prafull Anubhai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anand Mahajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. B. D. Jokhakar & Co., as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution the following:  
“RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, and all other statutory provisions, if any, the consent of the Members be and is hereby accorded to the re-appointment of Dr. Prakash A. Mody as Chairman & Managing Director of the Company for a period of five years with effect from July 1, 2008, on the terms, conditions and stipulations, including remuneration and perquisites, as recommended by the Board of Directors in its meeting held on May 12, 2008 and set out in the draft agreement to be entered into by the Company with him and submitted to this meeting duly initialed by the Executive Director for the purpose of identification;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter, vary and modify, the terms and conditions of the said

appointment and/or agreement from time to time within the scope of Schedule XIII of the Companies Act, 1956 and any other applicable provisions of the Companies Act, 1956 or any amendments thereto and as may be agreed to between the Board of Directors and Dr. Prakash A. Mody, in the best interests of the Company;

RESOLVED LASTLY THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary, desirable or expedient to give effect to this Resolution.”

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON POLL TO VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The Instrument appointing the Proxy in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. Members are requested to bring their copy of the Annual Report for the meeting. For the convenience of the members and for the proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip. The Company reserves the right to take any action as may be deemed necessary to restrict non-members from attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from July 14, 2008 to July 17, 2008 (both days inclusive).
4. Dividend for the financial year ended March 31, 2001, remaining unpaid or unclaimed will be due for transfer to the Investor Education Protection Fund of the Central Government ('IEPF') later this year pursuant to Section 205A of the Companies Act, 1956. Members who have not encashed the dividend warrant(s) so far for the financial year March 31, 2001 or any subsequent financial year(s) are requested to make their claim to the Share Department at Unichem Bhavan, Prabhat Estate, Off. S. V. Road, Jogeshwari (West), Mumbai – 400102. **It may also be noted that the dividend once transferred to IEPF cannot be claimed.**
5. Re-appointment of Directors retiring by rotation:  
At the ensuing 45<sup>th</sup> Annual General Meeting, Mr. Prafull Anubhai and Mr. Anand Mahajan retire by rotation



and being eligible, offer themselves for reappointment. The information required to be furnished under Clause 49 IV(G) of the Listing Agreement is given below:

*Profile of Mr. Prafull Anubhai* is a management consultant and is associated with educational, research and cultural institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Centre for Science Technology and Policy (CSTEP), ATIRA, Saptak (An Indian Classical Music organization) etc. He has done his B.Sc.(Econ.) from the London School of Economics and attended PMD at Harvard Business School. He has over 30 years of experience in top management of Textile and other businesses. He serves on the Boards of Torrent Cables Ltd., Vardhman Textiles Ltd., The H K. Finechem Ltd., Birla Sun Life Trustee Co. Pvt. Ltd., The EMSAF – Mauritius (The Emerging Markets South Asia Fund), etc. He has served on the Board of Unichem since 1979. He is the Chairman of the Audit Committee and member of the Compensation Committee of Unichem.

*Profile of Mr. Anand Mahajan* is the Managing Director of Grindwell Norton Limited and the General Delegate of Compagnie de Saint-Gobain responsible for India, Sri-Lanka and Bangladesh. He holds a Masters degree in Economics and Econometrics from University of Bombay and Master of Business Administration from the Johnson Graduate School of Management, Cornell University USA. He serves on the Boards all Saint-Gobain subsidiaries and associate companies in India. He has served on the Board of Unichem since 2005.

Mr. Prafull Anubhai held 3,176 shares in the Company while Mr. Anand Mahajan held 10,894 shares as guardian to his son and jointly with his wife but none in his own name, as on March 31, 2008.

By order of the Board,

**Mr. K. Subharaman**

*Head – Legal & Company Secretary*

Mumbai

May 12, 2008

## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 6:

The present term of Dr. P. A. Mody as Managing Director shall expire on June 30, 2008. At the meeting of the Board of Directors held on May 12, 2008, he was re-appointed as Chairman & Managing Director for a further term of 5 years with effect from July 1, 2008.

Dr. P. A. Mody is a doctorate in Organic Medicinal Chemistry from University of Mumbai and graduate alumni of Harvard Business School. He is associated with various industry associations. He serves on the Board of M/s. Kewal Kiran Clothing Limited and on all Subsidiary Companies of Unichem. He is the Chairman of the Management Committee of Unichem. He is serving as the Chairman & Managing Director of Unichem since 1999.

Dr. P. A. Mody's appointment, terms and conditions and remuneration are within the scope of Schedule XIII of the Companies Act, 1956 and requires approval of the members in the ensuing Annual General Meeting and hence this resolution for your approval.

The terms and conditions contained in the agreement proposed to be made between the Company and Dr. P. A. Mody, upon his aforesaid reappointment, inter-alia, includes the following:

### 6.1 SALARY, COMMISSION & RETIREMENT BENEFITS

#### 6.1.1 Salary (Payable Monthly)

Rs. 8,50,000/- per month with an increase of Rs. 1,00,000/- per annum.

#### 6.1.2 Commission

The Chairman & Managing Director shall be entitled for a commission @ 1% on the net profits of the Company computed in terms of Section 349 read with Section 309(5) and Section 198 of the Companies Act, 1956; which will be over and above the monthly salary payable as aforesaid.

#### 6.1.3 Contribution to Provident Fund (Payable Monthly) Contribution by the Company to the Provident Fund at a rate not exceeding 12% of the Salary.

#### 6.1.4 Contribution to Pension Fund / Superannuation Fund (Payable Monthly) Contribution to the Pension Fund and/or



Superannuation Fund at a rate not exceeding 15% of the Salary.

**6.1.5 Gratuity**

Gratuity payable in accordance with the Gratuity Scheme of the Company provided that it does not exceed one half month's salary for every completed year of continuous service, since the date on which Dr. P. A. Mody was first appointed as Joint Managing Director viz. 22<sup>nd</sup> August, 1977.

**6.2 PERQUISITES**

In addition to Salary, the Chairman & Managing Director will be entitled to the following perquisites:

**6.2.1 Housing**

6.2.1.1 The Company shall provide a fully furnished rent-free residential accommodation as provided earlier. If he is not provided accommodation by the Company, he shall be paid house rent allowance @ 60% of salary on a monthly basis.

6.2.1.2 The Company shall bear expenses which may be incurred on such a house in accordance with Dr. P. A. Mody's status, of insurance, security charges, maintenance and repair of the house and the furniture and fixture therein, gas, electricity and water.

**6.2.2 Medical reimbursement**

Reimbursement of actual medical expenses incurred in India and / or abroad for himself and his family members. Such reimbursement shall be subject to approval of the Board if the same exceeds 5 months average salary over a period of 5 years. In addition, the Chairman & Managing Director and his family members shall be covered under Company's Group Medclaim and Overseas Medclaim Policy.

**6.2.3 Leave Travel Concession**

Leave Travel Concession shall be made available to Chairman & Managing Director for himself and his family once in a year in accordance with the rules of the Company, the total in a year, shall not exceed one month's salary.

**6.2.4 Club fees**

Fees of Corporate / Health Clubs (not exceeding 2 clubs) shall be borne by the Company.

**6.2.5 Conveyance**

Free use of Company's cars not exceeding two in number for the work of the Company as well as for personal use along with driver, Insurance, petrol, cost of repairs, overhauling, maintenance and garage rent.

**6.2.6 Communication Facilities**

The Company shall bear all expenses of Communication facilities installed at the residence allotted to Chairman & Managing Director including but not limited to Telephones (land lines/mobiles), Faxes, Computers/Laptops, Internet connection.

**6.2.7 Personal Accident Insurance**

Personal Accident Insurance of a reasonable insured value commensurate with the earnings of Chairman & Managing Director shall be taken by the Company.

**6.2.8 Leave**

Chairman & Managing Director shall be eligible for leave as per Rules of the Company.

**6.2.9 Entertainment, Traveling and other incidental Expenses**

The Company shall reimburse to Chairman & Managing Director entertainment, traveling and other incidental expenses actually and properly incurred for the business of the Company.

**6.2.10 Other benefits**

The Chairman & Managing Director shall be entitled to the other benefits, schemes, privileges and amenities such as housing loans and other loans at concessional rate of interest, credit cards, products at a discount, as may be granted from time to time to the Top Management of the Company in accordance with the relevant schemes.

**6.2.11 Valuation of perquisites**

Perquisites mentioned in above shall be evaluated in accordance with the Income Tax



Rules, 1962 wherever applicable, and in other cases at the actual cost to the Company.

### 6.3 OTHER TERMS RELATED TO REMUNERATION:

#### 6.3.1 Minimum Remuneration

If in any financial year during the tenure of Dr. P. A. Mody as Chairman and Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay to him remuneration by way of salary and perquisites as specified above as minimum remuneration subject to the limits laid down and in the manner as stipulated in Schedule XIII to the Companies Act, 1956, as in force and as amended from time to time.

#### 6.3.2 Maximum Remuneration :

Except with the permission of the Central Government, remuneration to Chairman & Managing Director shall not exceed the limits specified under the provisions of Section 309 of the Companies Act, 1956.

#### 6.3.3 Disentitlements:

The Chairman & Managing Director shall not be entitled:

6.3.3.1 To supplement his earnings under the Agreement with buying or selling commission involving the Company's transactions.

6.3.3.2 To sitting fees for attending Meetings of the Board of Directors of the Company or any committee or committees thereof.

The Chairman & Managing Director shall be entitled to reimbursement of expenses actually

and properly incurred in the course of legitimate business of the Company.

The terms and conditions of his reappointment and / or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 and any amendments thereto made hereafter in that regard.

Dr. P. A. Mody is concerned or interested in his reappointment as Chairman & Managing Director and the remuneration payable to him. None of the other Directors are concerned or interested in the resolution.

The draft Agreement between the Company and Dr. P. A. Mody is available for inspection to the members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

This may be treated as an abstract of the terms of reappointment of Dr. P. A. Mody and Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956.

By order of the Board,

**Mr. K. Subharaman**  
*Head – Legal & Company Secretary*

Mumbai  
May 12, 2008

<b>ANDA</b>	Abbreviated New Drug Application is a collection of supporting documents submitted to USFDA by an intending formulator, requesting approval to market a drug based on the USFDA's prior approval of the same drug to another Company.
<b>API</b>	Active Pharmaceutical Ingredient - Any component that is intended to furnish pharmacological activity or other direct effect in diagnosis, cure, mitigation, treatment or prevention of disease, or to affect the structure or any function of humans. The term includes those components that may undergo chemical change in the manufacture of the drug product and that may be present in the product in a modified form intended to furnish the specified activity or effect.
<b>ANVISA</b>	National Sanitary Surveillance Agency of Brazil
<b>CII</b>	Confederation of Indian Industries
<b>CIS</b>	Commonwealth of Independent States
<b>CAGR</b>	Compound Annual Growth Rate
<b>DMFs</b>	Drug Master File is the submission to the regulatory authorities that may be used to provide confidential detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging and storing of one or more human drugs. A DMF is submitted solely at the discretion of the holder.
<b>GBP</b>	Great Britain Pound
<b>GMP</b>	Good Manufacturing Practice. The part of the Quality Assurance which is aimed at ensuring that the products are consistently manufactured to a quality appropriate to their intended use.
<b>FOB</b>	Free on Board
<b>IISc</b>	Indian Institute of Science
<b>MHRA</b>	UK Medicines and Healthcare Products Regulatory Agency
<b>MCC</b>	Medicines Control Councils, South Africa
<b>TGA</b>	Therapeutic Goods Administration Regulatory from Australia
<b>USFDA</b>	United States Food and Drug Administration
<b>WHO-GMP</b>	World Health Organization - Good Manufacturing Practices



**UNICHEM  
LABORATORIES LTD.**

Regd. Office: Unichem Bhavan, Prabhat Estate, Off S. V. Road, Jogeshwari (West), Mumbai - 400 102.

## Attendance Slip

(To be handed over at the entrance of the Meeting Hall)

I hereby record my presence at the 45th Annual General Meeting of the Company on Thursday, the 17th day of July, 2008 at 3.30 p.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

Folio No. / D.P. No. & Client I.D. No. ....

Name of the Member/Proxy/Representative:.....

Signature of the Member/Proxy/Representative: .....

(Only members/proxies/representative are allowed to attend the Meeting)



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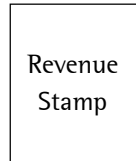
## Proxy Form

I/We.....Of  
.....being a member(s) of UNICHEM LABORATORIES LTD. hereby appoint.....of.....  
or failing whom.....of .....as my/our proxy to attend and vote  
for me/us and on my/our behalf at the 45th Annual General Meeting of the Members of UNICHEM LABORATORIES  
LIMITED to be held on Thursday, July 17, 2008 at 3.30 pm at Hall of Culture, Nehru Centre, Dr. Annie Besant Road,  
Worli, Mumbai - 400 018 and at any adjournment thereof.

Folio No. / D.P. No. & Client I.D. No. ....

No of Shares held:

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.



Signature across Revenue Stamp

Note: The Proxy Form duly completed and signed should be deposited at the Registered Office at the Company shown above, not later than 48 hours before the time of the meeting.

### Forward – Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements -written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on managements' plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent

in assumptions. The achievements of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown results or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



BOOK-POST

If undelivered, please return to:



**UNICHEM**  
**LABORATORIES LTD.**

Unichem Bhavan, Prabhat Estate, S. V. Road, Jogeshwari (W), Mumbai - 400102  
Tel.: 91-22-66888333 • Fax: 91-22-26794089 • Website at [www.unichemindia.com](http://www.unichemindia.com)