



UNICHEM
LABORATORIES LTD.



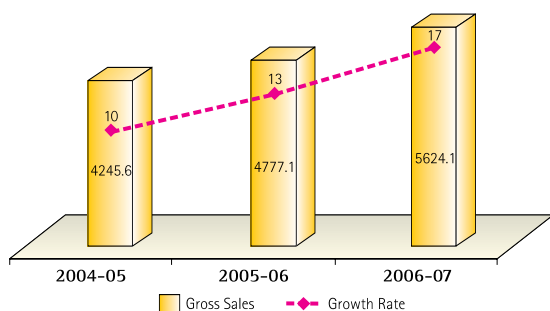
Annual Report

2006-2007

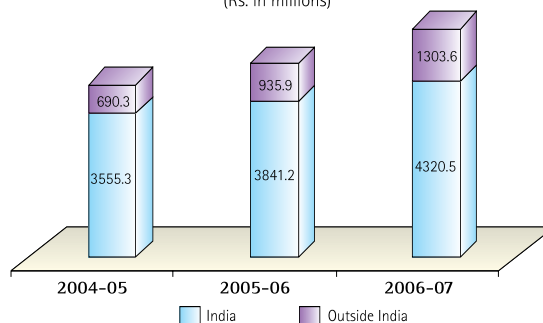
Financial Highlights

- Sales/Income from operations (Gross) up by 17.7% to Rs. 5624.1 millions
- Profit before tax & extraordinary gains up by 29.7% to Rs. 1057.4 millions
- Revenues from International business up by 39.3% to Rs. 1303.6 millions
- Recommendation of 100% Dividend of Rs. 5 on equity share of Rs. 5 each.

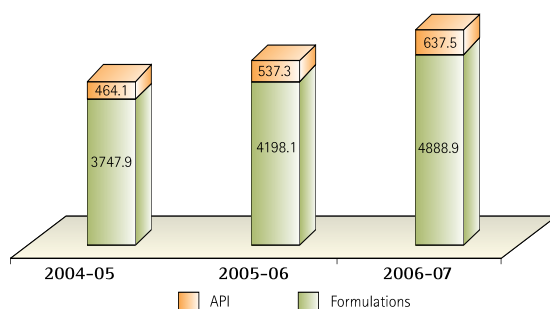
Sales/Income from Operations (Gross)
(Rs. in millions)



Sales Mix by Geographical Segment
(Rs. in millions)

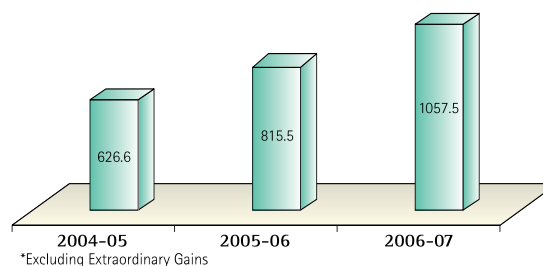


Sales Revenue Mix*
(Rs. in millions)



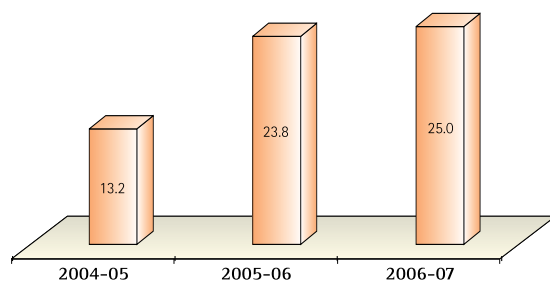
* Excluding income from Operations

Profit Before Tax*
(Rs. in millions)

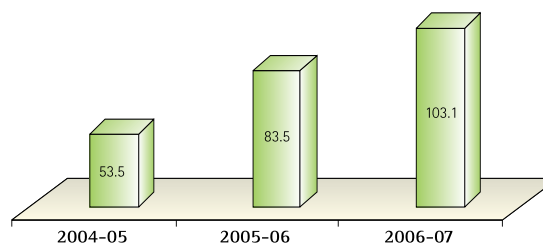


*Excluding Extraordinary Gains

Earning Per Share
(Rs.)



Book Value Per Share
(Rs.)





Unichem brings to the customer a blend of modern-day research and nearly six decades of rich experience in the Indian pharmaceutical industry



Chairman's Letter	2
Corporate Information	4
Profile of Directors	5
Five-Year Financial Highlights	6
Director's Report & Annexures	8
Management Discussion & Analysis	17
Corporate Governance Report	32
Information for Shareholders	42
Standalone Financial Statements	53
Consolidated Financial Statements	79
Summary of Subsidiary Financials	98
Notice	100
Glossary	102

Chairman's Letter



I hope you would find our performance in the financial year ended March 31, 2007 good. Let me highlight the main points therein. Our Sales/Income from operations (Gross) grew by 17.7% over the previous year to cross the Rs. 5500 million mark with profit before tax and before extra-ordinary gains increasing by 29.7% and profit after tax but before extraordinary gains and prior period adjustments increasing by 27.0% to Rs 889.9 million from Rs. 700.5 million in 2005-06. Unichem's focus to enhance capital, operational and human productivity has been the key to this achievement.

In spite of the pricing pressures, the domestic pharma industry continues to show decent growth rates, led by the chronic therapeutic (lifestyle) segments like cardiovascular, central nervous system and anti-diabetic. Higher awareness and exposure to newer therapies at affordable prices has been the key driver of growth in the chronic/lifestyle segment. The Indian domestic formulations market is expected to show better growth in the next fiscal as compared to the current year subject to any unforeseen developments taking place in the regulatory environment.

Unichem Domestic sales of formulations touched almost Rs. 4000 million. The Company is looking at expanding its domestic portfolio and strengthen its

product portfolio in the domestic market through organic and inorganic modes. We believe that our brand and marketing strategies will drive greater penetration and our market share growth across the Indian market, coupled with our focus on costs, are likely to accord us superior returns over the medium term.

Our Active Pharmaceutical Ingredients (API) Business recorded a turnover of Rs. 638 million as compared to Rs. 537 million in the previous year. The export market is expected to witness a healthy growth in the coming years due to imminent patent expiries and pro- generic initiatives across the US & Europe. Unichem is also expected to benefit from some of these emerging opportunities in the near future with its expanded capacity and its increased focus of API business approach.

Unichem's revenues from International Business grew to Rs. 1303.6 million from Rs. 935.9 million in the previous year registering a growth of 39.3% and contributing to 23.1% of total revenues against 19.6% last year. International business of formulations contributed around 75% of the total export turnover and is expected to be the key driver of growth of future. At present, the Company exports both API as well as formulations to more than 60 countries across the continents.

“We believe that our brand and marketing strategies will drive greater penetration and our market share growth across the Indian market”



Unichem is targeting growth in exports to regulated markets like Europe, USA and fast growing semi-regulated markets like CIS. The Company's strategy is to leverage its competencies in R&D, manufacturing and business development to exploit the increasing opportunities presented by the generic segment in regulated markets.

The Company got US FDA approval for its API plant at Roha, Formulation plant at Goa and its first abbreviated new drug approval i.e. ANDA approval in the year under review. Further, the Company continues its focus on high value added branded generics in select markets. In addition, the Company is actively pursuing strategic and marketing alliances with Companies abroad, in addition to the agreements inked with Lannet & Pliva in the US markets.

Expansion projects with strong cost-benefit ratio were initiated with a view to further enhance capital productivity. In this direction, Unichem initiated and completed several expansion projects including expansion of its existing manufacturing facility at Baddi (Himachal Pradesh) and upgradation of its API facilities at Roha & Pithampur.

Growth is imperative for enterprise success. We are constantly scouting for and evaluating new opportunities of growth that will propel Unichem to the next higher orbit. The Company acquired balance 40% stake in its subsidiary M/s. Niche Generics Ltd. (U.K.) during the year under review making it a wholly-owned subsidiary. You are aware Niche Generics Ltd. is engaged in developing, marketing and distributing generic pharmaceutical products in European markets.

Unichem is increasingly investing on enhancing its research and development capabilities to meet its own requirements as well as to provide it as a service to the global industry which is under costs pressure and is looking for outsourcing to low-cost, advanced capability countries like India.

None of these endeavours would have been possible without dedicated contribution of our human resources. People are our prime assets. Unichem's quest for value creation would not have been possible but for the support that my colleagues

and I received from all the customers, business associates, shareholders and members of the Board. 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 global market beckoning us, we will continue to create superior value for all our stakeholders.

Warm Regards,

Dr. Prakash A. Mody
Chairman & Managing Director



Corporate Information

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

Registered & Corporate Office
Unichem Laboratories Ltd.
Unichem Bhavan,
Prabhat Estate, Off. S. V. Road,
Jogeshwari (West),
Mumbai - 400 102.
Tel: 022 66888333
Fax: 022 26794089/2678 4391
unichemindia.com

Registrar and Shares Transfer Agents
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

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



Our Mission:

“To be a caring
pharmaceutical company
helping to enhance health
through quality products”



Dr. Prakash Amrut 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 was appointed Chairman and Managing Director in 1999. He is the Chairman of the Management Committee of Unichem.

Mr. Bhoopendra Kumar Sharma holds a Masters degree in Commerce from Agra University and a Postgraduate Diploma in Personnel Management from Delhi University. He was appointed as our Executive Director in 1994. Prior to this appointment he was Vice President in charge of operations and marketing since 1989. He joined the Company in 1969 and was in charge of operations of our Ghaziabad plant till 1989. He serves on the Board of all Subsidiary Companies of Unichem. He has served on the Board of Unichem since 1994. He is a member of the Management Committee and Shareholders Grievance Committee of Unichem.

Mr. Prafull Anubhai holds B.Sc. (Econ.) from the London School of Economics and attended PMD at Harvard Business School. He 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 over 30 years of experience in top management of Textile and other businesses. He serves on the Boards of Torrent Cables Ltd., The EMSAF – Mauritius (The Emerging Markets South Asia Fund), Vardhaman Textiles Ltd., Birla Sun Life Trustee Co. Pvt. Ltd., H. K. Finechem Ltd. 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.

Mr. Ramdas M Gandhi is an advocate and solicitor by profession. He holds a Masters degree in law from University of Mumbai. He was enrolled as an attorney at law in the High Court of Mumbai in 1956. He also served as partner in a leading law firm in India namely M/s. Bhaishanker Kanga & Girdharlal, and of M/s. Manilal Kher Ambalal & Co. He presently serves on the Boards of Pidilite Industries Limited, Aarti Industries Limited, Vinyl Chemicals (India) Limited and Aarti Drugs Limited. He has served on the Board of Unichem since 1985. He is the Chairman of the Shareholders Grievance Committee and member of Audit Committee, Compensation Committee and Management Committee of Unichem.

Mr. Nasser Munjee holds a Bachelors degree from the University of Chicago and a Masters degree from the London School of Economics, U.K. Prior to joining Development Credit Bank (DCB) as its Chairman, he was with the Infrastructure Development Finance Company Limited, India (IDFC Ltd.)

as its Managing Director and CEO. His journey in creating financial institutions began with the Housing Development Finance Corporation Limited (HDFC Ltd.), whom he has been assisting since its inception in February 1978. In March 1993, he joined the Board of HDFC Ltd. as Executive Director with primary responsibility for resource mobilization, research, publications, training, communication and managing the Center for Housing Finance.

He continues to be on the Board of HDFC Ltd. along with fourteen other companies and several other institutions as Chairman, Member of the Board or as a Trustee. He has a deep interest for rural development, housing finance, urban issues, specially the development of modern cities and humanitarian causes. He is a Technical Advisor on the World Bank – Public Private Partnership Infrastructure Advisory Fund, Member of the Board of Emerging Markets of South Asia Fund (EMSAF), Trustee on HSBC Asset Management Trust and an Advisor to Primary (Quantum) Real Estate Fund. He is a Member of the Goa Planning Board, Government of Goa, Special Invitee to the Managing Committee of the Goa Chamber of Commerce & Industry, Member of the Managing Committee of the Managing Committee of the Bombay Chamber of Commerce & Industry and also of CII, Western Region.

He is a Trustee of Welham Boys School, Dehradun, Member of the Academic Council of Goa University, on the Board of Governors of the Narsee Monjee Institute of Managing Studies (NMIMS), Member and an Honorary Distinguished Professor at IIT, Kanpur. He has been on the Board of Unichem since 2003. He is member of the Audit Committee of Unichem.

Mr. Prafull D. Sheth holds a Bachelor degree in Chemistry from University of Mumbai, Bachelors and Masters degrees in Pharmacy from University of Missouri, Kansas City, USA. He has served as Executive Vice-President and Member on the Board of M/s. Ranbaxy Laboratories Limited, and as President of Indian Pharmaceutical Association. Currently serves as Vice-President, International Pharmaceutical Federation, The Hague, The Netherlands and Professional Secretary, SEAR Pharm Forum, (South East Asian FIP-WHO Forum of National Pharmaceutical Associations), New Delhi. He has been on the Board of Unichem since 2003. He is the Chairman of the Compensation Committee of Unichem.

Mr. Anand Y. Mahajan holds a Masters degree in Economics and Econometrics from University of Mumbai and Master of Business Administration from the Johnson Graduate School of Management, Cornell University USA. He 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 serves on the Boards all Saint-Gobain subsidiaries and associate companies in India. He has served on the Board of Unichem since 2005.



Five-year Financial Highlights

(Rupees in millions)

Balance Sheet

As at March 31	2003	2004	2005	2006	2007
Sources of funds					
Equity Share Capital	85.30	170.60	170.60	180.02	180.17
Reserves & Surplus	1,096.55	1,340.12	1,655.62	2,826.09	3,533.11
Net Worth	1,181.85	1,510.72	1,826.22	3,006.11	3,713.28
Secured Loans	211.80	228.83	258.32	104.67	89.63
Unsecured Loans	337.49	248.56	190.53	178.16	162.81
Total Loans	549.29	477.39	448.86	282.83	252.44
Total Liabilities	1,731.14	1,988.11	2,275.08	3,288.94	3,965.72
Application of funds					
Gross Block	1,545.95	1,672.47	1,977.48	2,436.69	2,700.69
Depreciation	395.09	474.03	557.23	656.19	742.12
Net Block	1,150.86	1,198.44	1,420.25	1,780.50	1,958.57
Capital WIP	23.84	72.33	365.82	106.09	654.32
Net Block + Capital WIP	1,174.70	1,270.77	1,786.07	1,886.59	2,612.89
Investments	147.33	142.58	31.19	274.93	366.17
Current Assets					
Inventories	379.62	472.57	540.80	597.46	702.03
Debtors	569.39	657.29	711.45	956.56	1,253.05
Cash and Bank Balance	14.45	26.78	18.95	436.15	75.09
Loans & Advances	165.95	240.43	189.91	213.80	292.65
Total Current Assets	1,129.41	1,397.06	1,461.11	2,203.97	2,322.82
Current Liabilities					
Creditors	428.12	459.88	534.47	474.37	821.61
Other Current Liabilities	43.05	59.60	87.93	72.86	100.57
Provisions	78.22	115.48	155.74	289.17	132.84
Total Current Liabilities	549.40	634.96	778.14	836.40	1,055.02
Deferred Tax Liability	170.91	187.34	225.14	240.14	281.14
Net Current Assets	409.11	574.77	457.82	1,127.42	986.66
Total Assets	1,731.14	1,988.11	2,275.08	3,288.94	3,965.72

Five-year Financial Highlights

(Rupees in millions)

Profit and Loss Account

For the year ended 31st March	2003	2004	2005	2006	2007
Sales and income from operations	3,250.10	3,871.96	4,245.61	4,777.06	5,624.13
Other Income	29.26	12.04	119.85	42.08	106.07
Total Income	3,279.36	3,884.00	4,365.46	4,819.14	5,730.20
Material consumption	858.27	1,037.06	1,045.53	1,183.14	1,443.37
Purchase of goods	512.26	610.20	741.75	796.29	923.69
Increase/Decrease in stocks of semi-finished and finished goods	(45.83)	(49.78)	(37.57)	(27.27)	(30.10)
Research & Development Expenses	66.60	68.23	85.13	100.63	196.68
Stores and spares	15.79	21.31	24.67	33.33	46.29
Power and fuel	70.55	88.08	90.66	119.63	125.69
Staff costs	259.97	320.99	378.93	439.86	555.04
Excise	308.03	337.47	310.95	219.52	168.19
Selling expenses	336.68	336.80	400.70	434.11	490.13
Other expenses	388.37	473.86	581.87	567.50	614.77
Total cost	2,770.69	3,244.22	3,622.63	3,866.74	4,533.75
PBDIT	508.67	639.78	742.83	952.40	1,196.45
Interest	48.78	31.23	23.07	22.74	18.88
PBDT	459.89	608.55	719.76	929.67	1,177.57
Depreciation	69.85	83.78	93.13	114.20	120.12
Profit before tax	390.04	524.77	626.63	815.47	1,057.45
Extra ordinary & prior period items	(0.27)	1.85	0.12	(133.48)	(11.75)
Current tax	83.46	127.57	141.50	81.00	118.60
Fringe benefit tax	-	-	-	19.00	21.00
Profit after current tax	306.85	395.35	485.01	848.95	929.60
Deferred tax	36.00	16.43	37.80	15.00	28.00
Profit after tax	270.85	378.92	447.21	833.95	901.60
Note					
Export at FOB value	242.85	411.26	591.18	890.62	1,170.21
Equity dividend	68.24	102.36	119.42	180.02	180.17
Expenditure on					
R & D - Capital	19.82	16.04	68.80	22.62	31.63
- Recurring	66.60	68.23	85.13	100.63	196.68
Total R & D expenditure	86.42	84.27	153.93	123.25	228.31

KEY RATIOS

Key Financial

As at 31st March	2003	2004	2005	2006	2007
ROCE	25.80	27.20	27.90	27.80	27.68
RONW	22.80	25.10	24.50	23.70	24.00
EVA	167.60	250.00	257.50	449.30	450.60
Per share Data					
EPS	31.75*	12.98	13.22	23.84	25.02
Dividend	80%	60%	70%	100%	100%
Book Value per Share	138.50	44.30	53.55	83.50	103.05

* Prior to sub-division of shares from Rs. 10/- to Rs. 5/- and issue of bonus shares in the ratio of 1:1.



Directors' Report



Dear Members,

Your Directors are pleased to present the 44th Annual Report on the business and operations of the Company for the year ended March 31, 2007.

Financial highlights

The table given below gives the financial highlights of the Company on Standalone basis for the year ended March 31, 2007 as compared to the previous financial year.

Particulars	For the year ended March 31 (Rupees in millions)	
	2007	2006
Sales/Income from operations (Gross)	5624.1	4777.1
Sales/Income from operations (Net)	5455.9	4557.5
Other Income	106.1	42.1
Total Revenue	5562.0	4599.7
Operating PBDIT	1090.4	910.3
PBIT	1076.3	838.2
PBT & extraordinary gains	1057.4	815.5
Provision for taxation (including deferred tax & fringe benefit tax)	167.6	115.0
PAT before extraordinary gains and before prior-period items	889.9	700.5
Extraordinary gains	12.1	133.9
Profit after tax including extraordinary gains but before prior-period items	901.9	834.3
Prior period Expenses	0.3	0.4
Short provision for taxation pertaining to previous year	0.8	15.4
Profit after tax including extraordinary gains and after prior-period items	900.8	818.6

During the year under review, Sales/Income from operations (Gross) increased to Rs. 5624.1 million in 2006-07 from Rs. 4777.1 million in 2005-06 registering a growth of 17.7%.



Notes: (1) In order to get a more accurate picture of the Company's operational performance, Operating PBDIT has been calculated net of "Other Income".

(2) Previous year's figures have been regrouped/reclassified wherever necessary.

Review of Operations

During the year under review, Sales/Income from operations (Gross) increased to Rs. 5624.1 million in 2006-07 from Rs. 4777.1 million in 2005-06 registering a growth of 17.7%. Revenues from International Business increased to Rs. 1303.6 million from Rs. 935.9 million registering a growth of 39.3%. Profit before tax and before extraordinary gains has increased to Rs. 1057.4 million in the current year from Rs. 815.5 million, registering a growth of 29.7%. The profit after tax, after extraordinary gains and after prior period adjustments increased to Rs. 900.8 million in the current year from Rs. 818.6 million in the previous year, registering a growth of 10.0%.

Appropriations

Your Company has transferred Rs. 150 million to the General Reserve during the year under review after declaring interim dividend. An amount of Rs. 1964.3 million is proposed to be retained in the Profit & Loss Account.

Dividend

Your Directors at their meeting held on March 13, 2007, had declared an Interim Dividend of Rs. 5/- (100%) per equity share of Rs. 5/- for the year 2006-07. The Record Date for this purpose was fixed as March 20, 2007 and Interim Dividend was paid on March 26, 2007. The total dividend payout for year 2006-07 (including dividend distribution tax) was Rs. 205.4 million. The above Interim Dividend declared and paid is to be confirmed by the Members at the ensuing Annual General Meeting. The Board at their meeting held on May 17, 2007, have decided to consider the said interim dividend as final.

Employee Stock Options Scheme

During the year under review, 28,700 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, 2007 are set out in **Annexure I** to this Report, as required under Clause 12 of the SEBI (Employees Stock Option Scheme) Guidelines, 1999.

Management Discussions and Analysis

A detailed management discussions and analysis on the industry structure, key developments, opportunities, threats,

review of operational performance and risks is provided in 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.

Additional Information to 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 this Annual Report.

Notes on Subsidiaries

Your Company has 4 (four) subsidiaries as on March 31, 2007. 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.



Directors' Report

Review of Subsidiaries

Niche Generics Limited

Niche Generics Limited, wherein your Company had a majority stake of 60%, became a wholly owned subsidiary with the acquisition of balance stake of 40% in December 2006. The said subsidiary is engaged in product development, dossier filing and manufacturing formulations for European markets. With this acquisition, your Company plans to venture into Central and Northern European markets. The subsidiary has its manufacturing facility in Ireland and post-acquisition, your Company proposes to expand the product basket of Niche Generics.

Niche Generics posted a turnover of £ 11.1 million during the current year as compared to £ 12.3 million during the previous year. It posted a loss of £ 1.8 million for the current year as against a profit of £ 0.1 million during the previous year.

Unichem SA (Proprietary) Limited

Unichem SA (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 generated profit of SA Rand 1,960 in the current year against loss of SA Rand 96,648 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 generics products in the Brazilian market.

The subsidiary plans to have its own set-up for sales, marketing, warehousing and distribution. The focus on business building saw the operations result in a loss of R\$1.3 million in the current year, same as in the previous year.

Unichem Pharmaceuticals (USA) Inc.

Unichem Pharmaceuticals (USA) Inc., is a wholly owned subsidiary of your Company in USA, has been set up for business development, filing of own ANDA's and exploring opportunities for marketing alliances in North American markets.

The subsidiary suffered a loss of US \$0.6 million during the year as against loss of US \$0.4 million in the previous year.

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;
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 2006-07 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, 2007 was Rs. 2.30 million. There are no overdue deposits except unclaimed deposits amounting to Rs. 0.18 million as on March 31, 2007. Out of that, deposit amounting to Rs. 0.04 million was repaid to one depositor.

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 or obligation being the best.

Directors Retiring by Rotation

Mr. Prafull D. Sheth and Mr. Nasser Munjee, Directors of the Company, retire by rotation as per Article 141 of the Articles of Association and being eligible, offer themselves for



re-appointment. The information required to be furnished under Clause 49 IV (G) of the Listing Agreement is given in the Notice of the ensuing Annual General Meeting enclosed in this Report.

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 2007-08.

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 2006-07 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 2007-08.

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) Rules, 1988 are set out in Annexure II to this Report.

Particulars of Employees

Particulars of employees, as required under Section 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 said 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 and 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.



Directors' Report

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 located near our facilities. Periodic health checkups are carried out of all employees and regular training programmes are organised on safety and precautionary measures.

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. Prakash A. Mody
Chairman & Managing Director

Mumbai,
May 17, 2007



Registered & Corporate Office, Mumbai



API Facility, Roha

Annexure I to Directors' Report

Information relating to Employee Stock Option Scheme - 2004

Description	Details
a)	Total Number of Options granted in 2004-05
	100,000
	Total Number of Options granted in 2005-06
	2,00,000*
	Total Number of Options granted in 2006-07
	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
	37,900
d)	Options exercised
	37,900
e)	The total number of Shares arising as a result of exercise of Options
	37,900
f)	Options lapsed
	16,200**
g)	Variation of terms of Options
	As per the notice of 43 rd AGM.
h)	Money realised by exercise of Options
	Rs. 41,69,000/-
i)	Total number of Options in force
	245,900*
j)	Employee wise detail of Options granted to
(i)	Senior manager personnel
	Name
	No. of Options
	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 2005-06, which were approved by the shareholders in the 43rd Annual General Meeting.

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



Annexure I to Directors' Report

- 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 |



Formulations Plant, Goa



Formulations Plant, Baddi

Form A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION	2006-07	2005-06
(a) ELECTRICITY		
(i) Purchased Units (Lacs)	182.4	188.8
Total Amount (Rs. In millions)	75.2	72.5
Rate / Unit (Rs.)	4.1	3.8
(ii) Own Generation		
Through Diesel Generator Units (Lacs)	20.8	16.4
Units per litre of Diesel Oil	3.3	3.3
Cost per unit (Rs.)	8.2	7.7
Through Steam Turbine / Generator	N.A.	N.A.
(b) COAL	N.A.	N.A.
(c) FURNACE OIL/HSD		
Quantity (Kilo Litres)	1440.7	1375.9
Total Amount (Rs. In Millions)	33.9	29.7
Average Rate (Rs./Kilo Ltr.)	23.5	21.6
(d) OTHERS / INTERNAL GENERATION		
Steam Purchased (M.T.)	4789.3	6359.1
Total Amount (Rs. In Millions)	6.4	7.6
Average Rate (Rs. per M.T.)	1341.0	1188.8

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 (R & D)

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 of 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.

Annexure II to Directors' Report

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 in business to the Company in current and future years.
3. Pharma Technology Development departments worked in collaboration with the 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 13 patent applications were filled of which 11 were PCT applications.

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

(Rs in millions)

Expenditure on R&D	2006-07	2005-06
a) Capital	31.6	22.6
b) Recurring	196.7	100.6
c) Total	228.3	123.2
d) Total R & D expenditure as a percentage of Turnover	4.1%	2.6%

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.

Management Discussion and Analysis

FINANCIAL PERFORMANCE

The following table gives a summary of Unichem's financial performance as a standalone corporate entity.

For the year ended March 31
(Rupees in millions)

	2007	2006
Sales/Income from Operations (Gross)	5624.1	4777.1
Excise Duty	168.2	219.5
Net Sales	5455.9	4557.6
Other Income	106.1	42.1
Total Income	5562.0	4599.7
(Increase) / Decrease in Closing stock of Finished and Semi-finished goods	(30.1)	(27.3)
Consumption of Raw/Packing materials	1443.4	1183.1
Purchase of Finished goods	923.7	796.3
Staff cost	611.5	476.6
Other expenditure	1417.6	1218.6
Interest	18.9	22.7
Depreciation	120.1	114.2
Total Expenditure	4504.6	3784.2
Operating PBDIT	1090.4	910.3
PBIT	1076.3	838.2
PBT	1057.4	815.5
Provision for taxation (including deferred tax & fringe benefit tax)	167.6	115.0
PAT	889.9	700.5
Extraordinary gains	12.1	133.9
Profit after tax including extraordinary gains but before prior-period items	901.9	834.3
Prior period Expenses	0.3	0.4
Short provision for taxation pertaining to previous year	0.8	15.4
Profit after tax including extraordinary gains and after prior-period items	900.8	818.6

Notes: (1) In order to get a more accurate picture of the Company's operational performance, Operating PBDIT has been calculated net of "Other Income".

(2) Previous years figures have been regrouped/reclassified wherever necessary.

Salient features of the Company's financial performance for the year 2006-07 are:

- Gross Sales increased by 17.7% from Rs. 4777.1 million in 2005-06 to Rs. 5624.1 million in 2006-07.
- Total income (Net) grew by 20.9% from Rs. 4599.7 million in 2005-06 to Rs. 5562 million in 2006-07.
- Profit after tax but before extraordinary gains and prior period adjustments increased by 27.0% from Rs. 700.5 million in 2005-06 to Rs. 889.9 million in 2006-07.
- Exports grew from Rs. 935.9 million in 2005-06 to Rs. 1303.6 million in 2006-07 registering a growth of 39.3%.
- Exports contributed 23.1% of total turnover as against 19.6% last year.

Before discussing the business performance of the Company during the year 2006-07, we would first assess the developments in the Global Pharma Market including India.



Management Discussion and Analysis

GLOBAL PHARMA MARKET

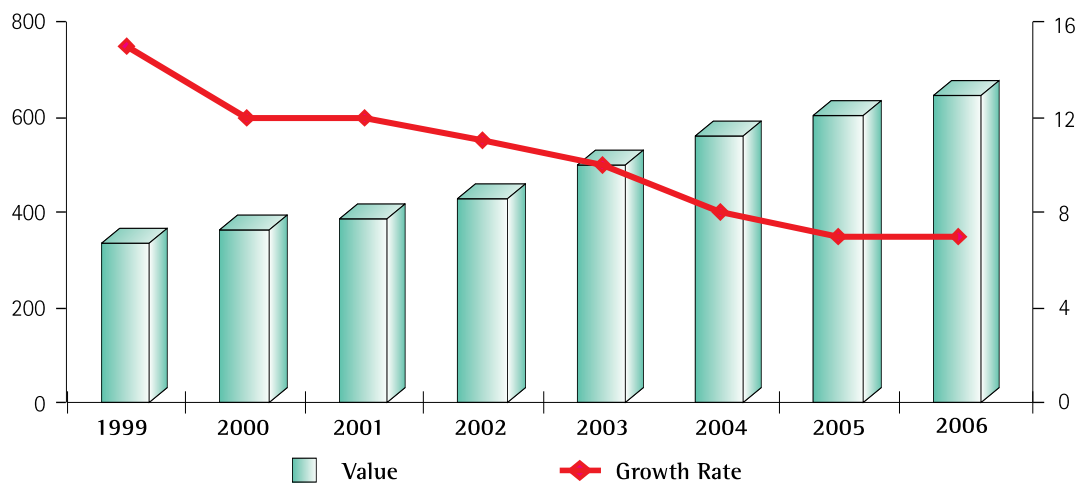
The total global pharmaceutical sales in 2006 grew by 7% to \$643 billion. In 2006, pharmaceutical growth continued to be driven by increased longevity of populations, strong economies and innovative new products. Last year, 31 new molecular entities were launched in key markets. U.S. pharmaceutical market has emerged as a world's largest pharmaceutical market for the third consecutive year with U.S. prescription drug sales growing by 8.3% to \$274.9 billion in 2006. The North American market contributed 47.7% of the global sales with European markets contributing 30% of the global sales in 2006.

The global pharmaceutical sales for the period 1999-2006 along-with the growth rate, is depicted in Graph 1. The Graph clearly indicates the increase in total sales over the years. However the growth rate is not increasing in the same proportion.

The year 2006 saw a shift in favour of specialist-driven therapies, contributing upto 62% of the market's total growth. This was basically due to below average market growth of traditional therapeutic classes due to entry of low-cost, high-quality generics and switch to over-the-counter products. Last year, generics represented more than half of the volume of pharmaceutical products sold in key world markets.

Though there has been growth in the market for new therapies, overall growth in sales & profits continued to remain poor in 2006 as well. Despite continued expansion of the pharmaceutical market, underlying dynamics continued to alter the landscape. In 2006, products with sales in excess of \$18 billion lost their patent protection in seven key markets – including the U.S., which represents more than \$14 billion of these sales. With growing demand for lower-cost therapies replacing branded products in classes such as lipid regulators, antidepressants, platelet aggregation inhibitors, antiemetics and respiratory agents, generics continued to assume a more central role as patients sought to restrict the growth of healthcare expenditures. Additional burden of legal expenses and adverse exchange rates in terms of US Dollar also restricted growth rate in 2006. The pharmaceutical policies in certain countries, frequent regulatory interventions, parallel imports, mergers & acquisitions and rigorous price containment measures also placed considerable stress on operational margins. The performance of the pharmaceutical companies globally remained under pressure during the year 2006 with stiff generic competition in key markets, slower rate of product launches, higher cost of drug development and marketing.

Graph1: Global Pharma Market - (US\$ Billion)



Source: IMS Health Market Prognosis (includes IMS Audited and Unaudited Markets). All information as of March 2, 2007.



Management Discussion and Analysis

REGIONAL PERFORMANCE

Amongst the global markets, North America accounted for 47.7% of global pharmaceutical sales in 2006, with a growth of 8% to US \$289.9 billion. The five major European markets (France, Germany, Italy, Spain and the U.K.) experienced 4.8% growth to US \$181.8 billion. Sales in Latin America grew 12.9% to US \$27.5 billion, while Asia Pacific (outside of Japan) and Africa grew 9.8% to US \$52 billion.

U.S. pharmaceutical market has emerged as a world's largest pharmaceutical market for the third consecutive year with U.S. prescription drug sales growing by 8.3% to US \$274.9 billion in 2006. This strong growth was due to the impact of changes in regulatory insurance benefits and the resulting increase in prescribing volume.

As per IMS forecast, U.S. prescription sales growth are expected to decline in 2007, but remain in the range of 6-9% CAGR 2010 as the benefits derived from the regulatory insurance benefits will be annualized and more generic products enter the market, driving the cost of prescriptions lower.

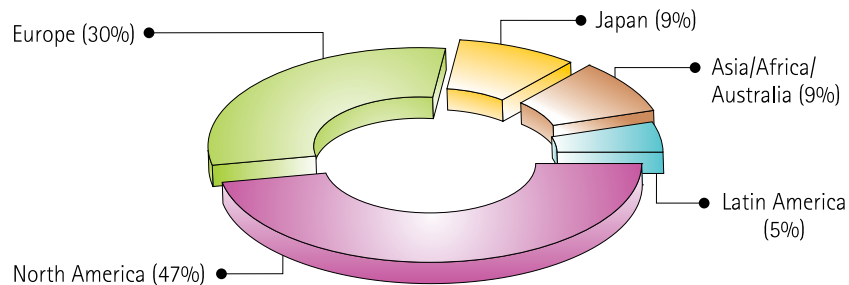
Region-wise Global Pharmaceutical Sales (US\$ Billion) during the year 2006, is depicted in Chart 1.

Comparative analysis of Region-wise Global Pharmaceutical Sales (US\$ Billion) in year 2006 over the last year, is depicted in Graph 2.

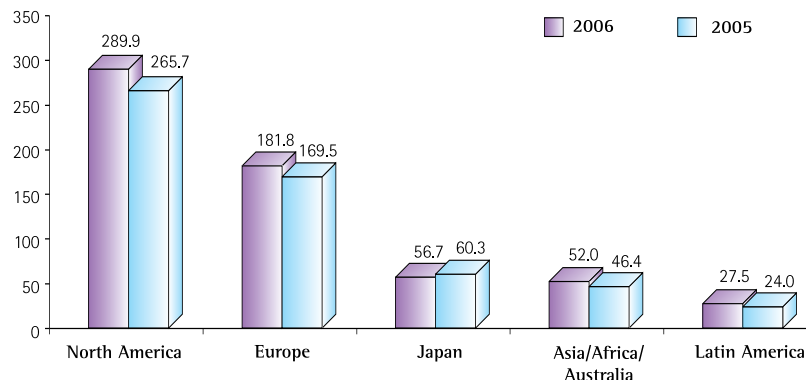
EMERGING MARKETS

Asia/Africa/Australia market grew by 9% to US \$52 billion from US \$46.4 billion in the last year. Between them, India

Chart 1: Region-wise Global Pharmaceutical Sales (US\$ Billion)



Graph 2: Comparative analysis Region-wise Global Pharmaceutical Sales (US\$ Billion)



Management Discussion and Analysis

and China are home to more than one-third of the world's population, but the entire Asia region currently represents only 9% of global pharmaceutical sales. The disparity suggests room for tremendous growth.

IMS Health Report on Global Pharmaceutical Market has evaluated the performance of such emerging markets and has found that overall, 27% of total market growth is now coming from countries with a per-capita Gross National Income of less than US \$20,000 as compared to just 13% of growth contributed by such countries in 2001.

RESEARCH & DEVELOPMENT

One of the positive developments has been the shift towards product patent regime from 2005 onwards. This has led to a structural change in the industry, which has encouraged innovation and greater investment in Research and Development (R&D). While there would not be any impact in the short term, in longer term this will lead to strengthening and consolidation of the industry. Companies have been increasingly stepping up their R&D expenditure in a bid to be recognised as research and discovery oriented companies in the global arena from a long-term perspective.

R&D continues to drive pharmaceutical industry. The top 10 pharmaceutical companies of the world spent approximately US \$50 billion towards R&D activities. Pharmaceutical R&D as a percentage of sales was one of the highest of any industry and oscillated between 15-20% of top companies' sales.

On an average, 50% of top pharmaceutical companies R&D budget is allocated for development of in-licensed drugs (from smaller companies), with some companies spending as much as 75-80% of their R&D budget on in-licensed drugs. This huge investment is mainly attributed to lack of innovation in their own R&D efforts, requiring these companies to actively search for new products from smaller companies.

OUTSOURCING

Outsourcing takes place in the pharma industry at the levels of research, clinical trials, sourcing of APIs, intermediates and finished products. Many MNCs have achieved backward integration here on innovative research. Clinical Research

Outsourcing (CRO) is a young industry worth about US \$118 million a year in India. It is estimated to be worth US \$380 million by the year 2010.

There is tremendous potential for outsourcing in developing countries like India and China. The underlying reason for pharmaceutical outsourcing is to increase their productivity, accelerate drug discovery and development, and expand their core research capabilities. While it provides global pharmaceutical companies the much-needed cost-benefit, it is a huge opportunity for smaller companies that do not have a well developed drug discovery programme, to get a toehold, making it a win-win strategy.

INDIA

India was one of the fastest growing global markets in 2006, with pharmaceutical sales growing at the rate of 17.5% to US \$7.3 billion. India is transitioning from a 'developing' market to an emerging one, with many multi-national pharmaceutical companies tapping into the huge opportunities that its pharmaceutical market offers. Several factors, including the acceptance of intellectual property rights, a robust economy and the country's burgeoning healthcare needs have contributed to accelerated growth in India.

As per ORG-IMS Feb '07, domestic formulations market is estimated to be around Rs. 2,77,000 million growing at 15.8% p.a. With favourable economy, the domestic pharma industry is forecasted to grow at a CAGR of 13.6% between 2006-2010, to become a Rs. 41,500 crore industry by the year 2010 (Source: ASSOCHAM & Cygnus).

In spite of the price war, the domestic pharma industry continues to show decent growth rates, led by the chronic therapeutic (lifestyle) segment like anti-diabetic, cardiovascular and central nervous system. Higher awareness, exposure to newer therapies and aggressive introduction of new drugs at a affordable price has been the key driver of growth in the chronic/lifestyle segment. Chronic therapy segments like Central Nervous System (CNS) and Cardiovascular are providing domestic pharma companies high pricing opportunities, as the target market for these segments form part of the higher level of disposable income.

Patent law changes have led the Indian Pharmaceutical Industry towards exploring newer avenues of drug development, thus promising higher capital investment in the pharmaceutical industry in the near future.

New drug research and development skills would be the primary driver in the long term. Building a strong new drug pipeline is crucial to the growth of Indian drug companies as the generics-oriented growth is expected to slow down in the product patent era. With an objective to launch their new drugs in the global market, Indian Pharmaceutical Companies are looking out for technical and marketing alliances with Foreign Pharmaceutical Companies. Discovery research not only involves significant risks and costs, but also requires considerable expertise and time. It takes 12 years on an average for commercialization of new discoveries and costs an estimated US \$802 million in the process. The gap in the Indian research effort is an opportunity for global pharma companies in licensing deals.

Domestic Pharma Companies turned to a range of inorganic growth strategies in 2006 to improve sales and profit. This allowed branded companies to expand their geographical presence, while enhancing the strength of their pipelines, frequently with the acquisition of small pharma and biotech companies providing additional products and supplementary technologies.

Domestic Pharma Companies are also on the lookout for mergers & acquisitions to strengthen their position in the international markets, to counteract pressures due to intense competition in the US market, increased investment in international markets and most importantly rising R&D costs. This will also help them to integrate and increase their inorganic growth. Domestic Pharma Companies are also going in for marketing arrangements with multinational companies to increase their strengths in marketing.

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.

Many multinational companies have moved into India with an aim to market drugs and conduct clinical trials. Thus, Indian pharmaceutical research, manufacturing and outsourcing have received an impetus, thereby, creating an image of a huge potential healthcare market and a base for KPO.

With large investments in R&D, expansion of cGMP facilities, higher filing of ANDAs and DMFs, and ability to offer cost effective quality products, the domestic pharma companies are set to achieve better performance in the coming years with higher return.

CONTRACT RESEARCH & MANUFACTURING SERVICES (CRAMS)

The Indian market started to attract a number of foreign players with the implementation of product patent in January 2005. The FDI in pharma industry is estimated at US \$172 million during 2005-06, recording a CAGR of 62.6% during the period beginning in the year 2002.

It is estimated that globally, drugs worth US \$70 billion would be going off-patent by 2011 and Indian Companies providing contract manufacturing services are expected to garner approximately 30-40 percent of this opportunity. The pre-patent regime in India gave an impetus to the existing reverse engineering skills of Indian pharmaceutical companies. Benefits like availability of skilled labour at low cost (labour costs in India are around 1/7th the levels in developed countries), capital efficiency in setting up of world-class facilities in line with US FDA norms at a reduced cost of around 25-50 percent due to access to locally fabricated equipment and high quality local technology or engineering are passed on directly to MNCs seeking to market drugs at lower cost.

The recent study of Frost & Sullivan valued Indian CRAMS business to be worth US \$895 million in 2006 and a CAGR of 32% forecasted for the next seven years to reach close to US \$6.6 billion by 2013. As per the study, the CRAMS segment has been contributing 8% to the total Indian pharmaceutical business.



Management Discussion and Analysis

PERFORMANCE

In the financial year 2005-06, domestic formulations market was estimated to be around Rs. 2,77,000 millions growing at 15.8% p.a. with Unichem having a market share of 1.49%.

The Company registered a topline growth of 20.9% in the year 2006-07 as compared to the year 2005-06. The Total Revenue increased to Rs. 5562.0 million in 2006-07 from Rs. 4599.7 million in 2005-06. Out of the Total Revenue, Formulations contributed around 87% with Active Pharmaceutical Ingredients (APIs) contributing approximately 11%. The Company's exports constituted 23.1% of the total turnover in the year 2006-07 as against 19.6% in the last year. Out of the total export turnover of Rs. 1303.6 million, formulations contributed Rs. 9018 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% of the domestic formulations. During the financial year 2004, the Company ventured into psychiatry and neurological segment and presently the segment is contributing approx. 14% of the total domestic formulations. The Company is in the final stages of launching Dermatology Division in the next financial year.

For survival and growth in the domestic Pharma market wherein 'competitive price' rules the roost, the Company's strategy of

deeper penetration in select therapeutic segments will enable it to withstand the competition and improve profitability.

Unichem's formulations are spread across various therapeutic classes as depicted in Graph 3. The Graph depicts growth of various therapeutic segments over the previous year. The segmental performance is given as percentage of formulations.

Cardio/Diabetology has been the thrust segment for the Company in the last few years and it contributed approx. 41% of the formulations sales in the year 2006-07. 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. Central Nervous System (CNS) and Psychiatry therapeutic segment are likely to grow in the next few years.

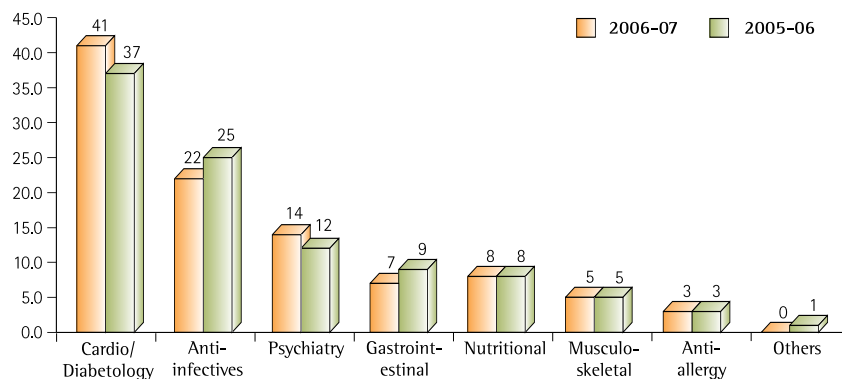
The overall formulations business of the Company is organised into various marketing divisions as discussed below.

Unichem Pharma

Unichem Pharma is the flagship division of Unichem Laboratories. Unichem Pharma mainly operates in the Anti-Infectives, Musculo-skeletal system, Nutritionals, Gastroenterology and Respiratory segments which broadly account for 50% of the pharmaceutical market. The division recorded a turnover of approx Rs. 1740 million for the year ended 2006-07.

The division has attained leadership in key segments of Cephalosporins and Anti-allergics with brands that have been

Graph 3: Comparative Growth of Unichem Therapeutic Segments (in %)



launched in the past 3 to 4 years. Key amongst these are Sefdin, a brand of Cerfdinir and Lezyncet, the leading brand by volumes in the Levocetirizine market.

Unichem Specialities

The Specialities division was launched in January 2006 to serve more and more customers with quality products and services. It focuses on the brands that are new generation products, which are scientific, and concept driven. Recently, this division has been amongst the first few to launch a novel combination of Diacerein with a micro-nutrient to treat Osteoarthritis, under the brand DIASTEN GM.

The top brands of this division accounting for substantial turnover are Ampoxin, Unienzyme, Sefdin and Linox. Ampoxin Group had a market share of 33% as per IMS-ORG Feb '07. The division launched Mecobalamin brands such as Trinergic Plus and Forte during the last year.

Unisearch

This division of Unichem operates in chronic therapy areas such as Cardiology & Diabetology, which broadly account for 15% of the pharmaceutical industry and are fast growing segments of the market. The division with its 8 brands primarily focuses in areas of Cardiology with presence in Tranquilisers and Nutritionals. Its flagship brands are LOSAR, TRIKA, TG TOR and CLODREL.

Across various therapeutic classes in which this division operates, the brands of the Company are ranked among the top 3 brands. Unisearch division recorded a turnover of approx Rs. 2020 million for the year 2006-07.

To cater to the needs of these rapidly expanding market segments, Unisearch division was also restructured into two sub-divisions to enable the Company to substantially consolidate its market share and market standing. The sub-divisions - Unisearch CD caters to Diabetologists and practicing Diabetologists and Unisearch CV caters to Cardiologists and practising Cardiologists.

Unisearch CD

This sub-division of Unisearch, launched in July 2004 primarily focuses in areas of Cardiology and Diabetology. The objective of launching a speciality sub-division was to create and establish the Company in the Diabetology segment. It has

around 11 brands being promoted in the growing segments in Cardiology as well as Diabetology.

Unisearch CD is already on its way to establish itself in Diabetology with its brand Metride and in Cardiology with emerging brands like Telsar and Teram.

Unisearch CV

This division with its 8 brands, is a specialized division catering to the Cardiology Therapeutic segment with presence in Tranquilisers and Nutritionals.

Unisearch is today known in the industry for its flagship brands like LOSAR, TRIKA, TG TOR and CLODREL.

Neu-Foreva

CNS segment is one of the fastest growing & promising markets. Neu Foreva, the division that has been launched with a vision to service the growing needs and demands of this segment is a specialty wing of Unichem, which is catering to the field of Neuro-psychiatry product basket.

Within a very short span, Neu Foreva has aggressively expanded and strengthened its roots deeper into the Neuropsychiatry market. Presently, it has 16 brands covering wide array of Antidepressant, Antipsychotic, Antiepileptic, Tranquilizer, Cerebral Activator, Antiplatelet and Neuropathic pain drugs segments. The division has marked its strong identity with SERTA, C-PRAM S, TRIKA SR as among the top brands in their respective markets.

Neu Foreva division recorded a turnover of approx Rs. 290 million for the year 2006-07

New Product launches

The Company has launched 11 new products in various therapeutic segments and plans to focus more on high margin products like lifestyle drugs. Out of these new launches 3 products are line-extensions of the existing brands while the rest are new molecules. These new products have contributed approx. 1.3% 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.



Management Discussion and Analysis

Regional Distribution of Sales

In the context of the Company's product mix being wide and varied, the Company's business is distributed across markets. Largest markets of the Company in India are Uttar Pradesh, Andhra Pradesh, Bihar, Gujarat and Maharashtra. These five states contribute to approx. 50% of Unichem turnover. With a view to reach out to untapped semi-urban and rural market, the Company is relying upon its well-established distribution channels. With increase in disposable income combined with improved accessibility and modes of communication, these markets present an opportunity for growth.

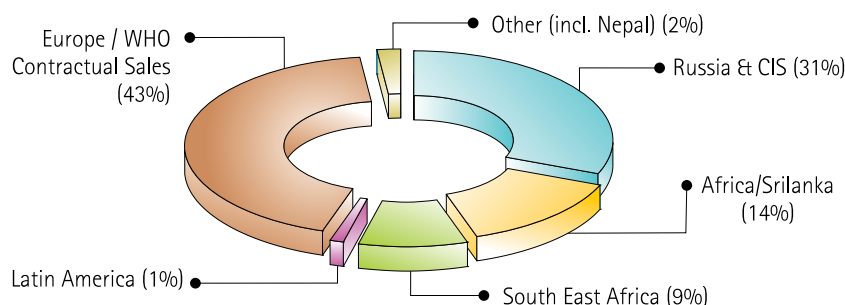
Formulations Sales Internationally

The Company has presence in over 60 countries across the 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 contributes 23.2% to the revenues. The Company has 408 valid product registrations with 374 in the pipeline. The Company has filed 10 US DMFs till date taking EDMFs total filings to 132. The key products of the Company are Tagera, Sulbacin, M-Cam, Lanpro, Zyncet, Losar, TG-tor, Domadol, Ampozin, Corvadil, Myclav, Unienzyme and Maxigan.

The following Chart 2 depicts region-wise performance of formulations international.

Chart 2: Region-wise performance of formulations international



Power Brands

The Company is specifically focussing to build power brands as part of 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 4. The Graph clearly depicts the contribution of Losar group and Ampoxin group in the performance of Unichem.

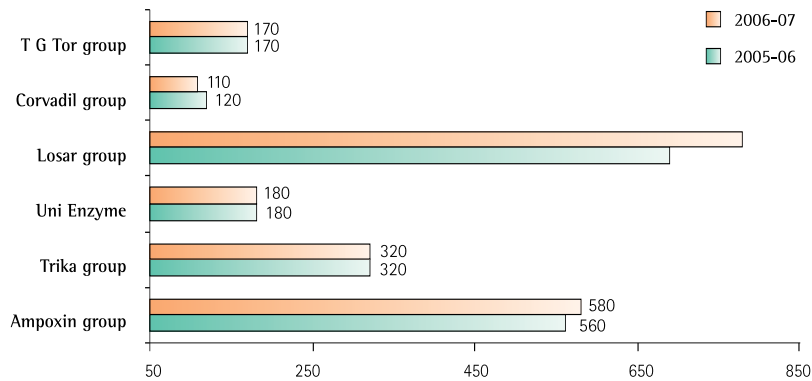
ACTIVE PHARMACEUTICAL INGREDIENTS (API)

IMS is forecasting U.S. pharmaceutical sales growth at 6-9% through 2010 as a result of the influence of lower-priced generics. Generics will have a greater impact on 2007 performance compared to other years as the market realizes the full impact of the \$14 billion in branded products that were exposed to generics in 2006.

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 an abundance of 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

Graph 4: Comparison of power brands of Unichem (Rs. Million)



internal consumption for our own finished dosages forms (FDF) for domestic markets.

Sales performance analysis

In 2006-07, API business recorded a turnover of Rs. 637.5 million as against Rs. 537.3 million during the previous year. Segment-wise performance of sales is depicted in **Chart 3**

Highlights for the year 2006-07

- International Regulatory approvable API Plant at Roha and Pilot plant at Pithampur commissioned during the current year.
- Upgradation of Roha plant complying with the regulatory as well as customer requirements.
- Completed successful customer audits at Roha for both national and international customers from regulated markets.
- 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.

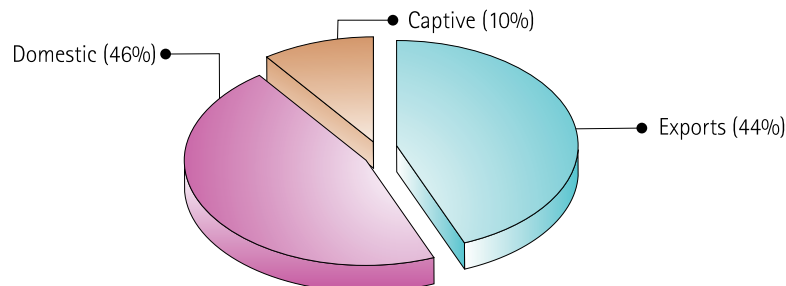
- Metronidazole, Bisoprolol Fumarate, Tinidazole, Hydrochlorothiazide, Meloxicam were the top performers among the APIs during the year under review.

The Company has started supplying generic APIs to the US market in the current year, for which it has received a number of orders from US customers. Plants at Roha and Pithampur with optimum utilization of its installed capacities shall enable the Company to introduce at least 15-20 new APIs for the regulated markets.

INTERNATIONAL BUSINESS

- Export revenues increased to Rs. 1303.6 million from Rs. 935.9 million registering a growth rate of 39.3%.
- Exports contributed 23.1% of total turnover against 19.6% last year.
- New products were launched in Ukraine.

Chart 3: Segment-wise performance of sales



Management Discussion and Analysis

- First ANDA filed by the Company in USA in the previous year was approved during the year under review. During the year 3 more ANDAs were filed.
- Ghaziabad plant was successfully inspected by MCC Authorities - South Africa. Ghaziabad & Baddi plants inspected by MoH-Ukraine.
- Ghaziabad and Baddi II plants were inspected and approved by MoH-Malawi.
- Baddi II plant inspected by MoH-Ghana, Uganda & Zimbabwe.

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 already set-up 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 782 dossiers of which registration/ approvals have been received for 408 dossiers, to be marketed in various countries. The products of the Company are marketed in more than 60 countries. The continent wise sales of formulations around the world are captured in **Chart 2**.

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 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.

Ghaziabad facility was established in the year 1965 and has undergone several changes during the last four decades to maintain its competitiveness in global pharma markets. This is the first plant in India where all the critical operations are monitored on-line with the SCADA and BMS system. The plant is a multi-faceted and multi-product facility and has been built to meet the International Regulatory Requirements.

Baddi plant houses the manufacturing facility for different formulations of Beta Lactam range of antibiotics. The plant is approved by World Premier Regulatory Bodies - WHO, MCC - South Africa and MHRA-UK.

Goa plant is exclusively dedicated to the manufacturing of non-antibiotic oral solid dosage forms. The plant consistently meets cGMP guidelines and WHO specifications. Environmental regulations and safety requirements are also rigorously complied with. This Plant also supports the International Business Operations and enables the Company to meet the international standards of Good Manufacturing Practices.

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.

In addition to enhancing the formulations facility, the Company is also investing in building US FDA approvable API plants in Roha and Pithampur.



HUMAN RESOURCES

Unichem is dedicated to cultivate a work environment that encourages high performance, leadership and innovation. Unichem employs over 2400 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 programme content is a blend of competencies required to develop leadership skills. The objective of the programme is to identify and develop key employees to occupy positions of higher roles and responsibilities.

Senior managers are sponsored for training programmes conducted by various reputed management institutions like the IIM – Ahmedabad. During the year under review around 348 manhours were spent for such training programmes.

The number of employees in the Company have grown over the last 3 years. The growth in the number of employees over the last 3 years is depicted in Graph 5.

EMPLOYEE STOCK OPTION SCHEME

Unichem introduced the Employee Stock Option Scheme – 2004 to incentivise performance towards creating better value for shareholders, building a very strong commitment amongst employees towards critical goals/milestone 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, 28,700 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.

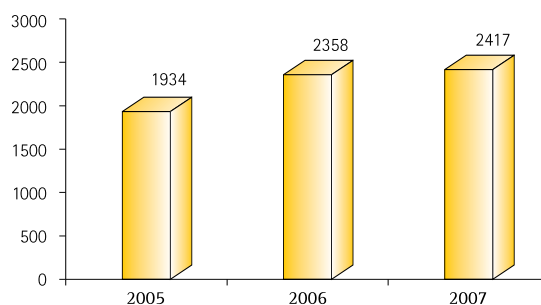
RESEARCH AND DEVELOPMENT

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:

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

With more than 156 scientists engaged in the three R&D & Product Technology Development Centres in Mumbai, Goa and Bangalore, 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

Graph 5: The Growth in the number of employees over the last 3 years



Management Discussion and Analysis

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.

A detailed report on the Company's Internal Control Systems and adequacy is given in the Corporate Governance section, which forms a part of this Annual Report.

FINANCIALS

Share Capital

The Share Capital stood at Rs. 180.2 million as on March 31, 2007. During the year, the Company issued 28,700 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 2006-07, stepping up the reserves to Rs. 3533.1 million.

Loan and Interest

The interest outgo during the year under review came down from Rs. 22.7 million in the last year to Rs. 18.9 million in the current year despite the increase in turnover due to lower borrowing, lower short term borrowing rate and 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. 2700.7 million on March 31, 2007 as against Rs. 2436.7 million on March 31, 2006.

Investments

During the year under review, the Company invested a sum of Rs. 286.7 million in all its four subsidiaries. During the year, the Company acquired the balance stake in its subsidiary Niche Generics Ltd. making it a wholly-owned subsidiary. The investment for acquiring this stake was worth Rs. 229.2 million.

Inventories and Debtors

Inventories stood at Rs. 702.0 million as on March 31, 2007 as against Rs. 597.5 million on March 31, 2006. This was due to increase in the stock of Raw Materials and Finished goods in line with increased turnover of the Company. Debtors increased from Rs. 956.6 million as on March 31, 2006 to Rs. 1253.1 million as on March 31, 2007 due to increased sales and change in market mix.

Forex Income

Unichem's FOB value of exports increased from Rs. 890.6 million in 2005-06 to Rs. 1170.2 million in 2006-07 registering a growth of 31.3%.

Other Income

The non-operational income earned during the year 2006-07 was Rs. 106.1 million as against Rs. 42.1 million in previous year, due to income arising out of temporary cash surpluses and insurance claims settled during the year.

Current Liabilities

The Current Liabilities during the year 2006-07 was Rs. 922.2 million as against Rs. 547.2 million in previous year due to higher creditors mainly on account of projects.

Provisions

The provisions during the year 2006-07 was Rs. 132.8 million as against Rs. 289.2 million in previous year.

Manufacturing and Other Expenses

The Manufacturing and other expenses during the year 2006-07 was Rs. 4365.5 million as against Rs. 3647.2 million in previous year. This was due to increase in scale of operations of existing and newer facilities and higher R&D costs incurred during the year.

Closing stock of Finished goods

Closing Stock of Finished goods as on March 31, 2007 was Rs. 286.4 million as compared to Rs. 258.4 million during the previous year.

Material Consumption

Consumption of Raw Materials, Packing Materials and Finished Goods increased to Rs. 2336.9 million in the year 2006-07 as compared to Rs. 1952.2 million in the year 2005-06, keeping in line with increased sales.

Staff Cost

The Staff cost increased from Rs. 476.6 million in the year 2005-06 to Rs. 611.5 million in the year 2006-07 mainly due to increase in the number of employees pertaining to Marketing and R&D function, in line with the Company's future growth.

Other Expenditure

The other expenditure was Rs. 1417.2 million during the year 2006-07 as against Rs. 1218.4 million during the year 2005-06. This increase was due to higher administrative and maintenance cost at various plants.

RISKS & CONCERNS

The Company has implemented appropriate processes to review risk, mitigate risk and to safeguard its interest.

OUTLOOK & THREATS

Despite continued growth of the pharmaceutical market, underlying dynamics continued to alter the landscape. In 2006, products with sales in excess of \$18 billion lost their patent protection in seven key markets – including the U.S., which represents more than \$14 billion of these sales. With high intake of lower-cost therapies replacing branded products in classes such as lipid regulators, antidepressants, platelet aggregation

inhibitors, antiemetics and respiratory agents, generics will assume a more central role as payers seek to restrict the growth of healthcare expenditures. Another factor influencing the market is the increasingly active role of patients as they take charge of their health and demand greater access to therapies that will improve or prolong their lives.

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.

While growth in the global pharmaceutical market remaining anemic, rising just 6-7% in 2006, emerging economies are galloping ahead to outpace growth in mature markets like the United States and major European nations.

Pharmaceutical companies are finding bright spots outside of these traditional markets to compensate for increasingly flat global growth. Within the last five years, the emerging markets' share of growth in the global pharmaceutical market has grown from 5% to 31%. The most stellar opportunity lies in China, which continues to emerge as a significant healthcare market.

In order to increase India's share in the global pharma market, global clinical diagnosis and treatment guidelines should be adopted and the decision-making process surrounding disease management should be streamlined for physicians and payers. Tax breaks for the pharmaceutical industry could fund and encourage greater disease awareness programs in key urban areas. The pharmaceutical industry could play an important role in this education endeavor, deploying sales teams to communicate guidelines and help instruct physicians.

As growth in regulated markets moderates, industry attention is shifting to smaller, developing markets that are performing exceptionally well. Many of these countries, especially in the

Management Discussion and Analysis

Asian region, are experiencing significant GDP growth, which helps finance improvements in their healthcare systems, increases patient access, and fuels double-digit growth. Pharmaceutical companies are working to address the unmet healthcare needs in these markets as a means to improve overall business performance. IMS Health Report on Global Pharmaceutical Market has evaluated the performance of such emerging markets and has found that overall, 27% of total market growth is now coming from countries with a per-capita Gross National Income of less than US \$20,000 as compared to just 13% of growth contributed by such countries in 2001.

In spite of being the second largest populated country in the world, the Indian pharma industry is not among the top markets. It ranks 13th in the world in value terms and 4th in terms of volume. The market size in 2010 as projected by Mckinsey is around US \$25 billion. For India to really take its place in the sun and achieve the Mckinsey projection, the pharma industry will have to substantially increase its spend on innovative R&D. The biggest challenge faced by India in global pharma market is from China. China has

the potential to become the seventh largest pharmaceutical industry by 2010.

The outlook on the pharma industry is positive from a long-term perspective. One of the reasons for the same is that besides the considerable generics opportunity, even outsourcing of clinical trails (by global innovator companies) is likely to emerge as a major opportunity for Indian pharma companies in the next couple of years due to the impact of the product patent regime. The thrust on rural health programmes, life saving drugs and preventive vaccines, as announced in the budget, also augurs well for the pharma companies. Increased competition and the consequent price erosion in the generics space, however, might dampen growth going forward.

Indian companies will continue to successfully enhance their ability to launch new products by filing more DMFs and ANDAs in the highly regulated markets. This will be helped by the fact that country's prowess in R&D is supported by strong skill-sets, cost effective technologies and trained manpower.



Unichem - Goa manufacturing facility certified by US-FDA, UK-MHRA, MCC (South Africa), WHO (Geneva), TGA (Australia) and ANVISA (Brazil)

Auditors' Report on Corporate Governance

To the Members of Unichem Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Unichem Laboratories Limited (the Company) for the year ended March 31, 2007 as stipulated in the 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 the 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 March 31, 2007.

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

P. J. Sethna
Partner

Membership No. 2474



Corporate Governance Report



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, accountability and control form the cornerstone of Unichem corporate governance philosophy.

Trusteeship implies responsibility on the Board of Directors to ensure equity, v.i.z., that the rights of all stakeholders, large or small, are protected. Transparency means openness in the Company's relationship with its employees and in the conduct of its business. Empowerment by vesting decision-making powers as close to the scene of action as feasible shall unleash the potential of employees. Lastly, Control to ensure that freedom of management is exercised within a framework of appropriate checks and balances.

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.

In accordance with 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, 2007, Unichem's Board comprised of Seven Directors, viz., the Chairman & Managing Director, the Executive Director and five Non-Executive and Independent Directors. The composition of the Board is in conformity with the Clause 49 of the Listing Agreement.

Unichem's Board met 5 times during the year under review i.e. on May 18, 2006, July 27, 2006, October 18, 2006, January 18, 2007 and March 13, 2007. 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.

Table-1 gives details of the composition of the Board and the attendance record of the Directors during 2006-07, as well as at the last Annual General Meeting.

Compliance to the code of Corporate Governance forms an integral part of the Company's philosophy.



Table-1: Composition of Unichem's Board & attendance record during the year 2006-07

Name	Category	No. of Board Meetings during the year 2006-07		Whether attended last AGM held on July 27, 2006	**No. of Directorships in other public companies	***No. of Committee positions in other public companies	
		Held	Attended			Chairman	Member
Dr. Prakash A. Mody (Chairman & Managing Director)	Promoter Director, Executive	5	5	Yes	1	0	0
Mr. B. K. Sharma (Whole-time Director)	Executive Director	5	4*	Yes	0	0	0
Mr. Prafull Anubhai	Non-Executive, Independent	5	5	Yes	5	4	3
Mr. Ramdas Gandhi	Non-Executive, Independent	5	5	Yes	4	4	2
Mr. Prafull Sheth	Non-Executive, Independent	5	4*	Yes	0	0	0
Mr. Nasser Munjee	Non-Executive, Independent	5	2*	No	14	4	5
Mr. Anand Mahajan	Non-Executive, Independent	5	4*	Yes	10	3	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 IA of the Listing Agreement. As per Clause 49 IC 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.

Board Meetings

The Board of Directors of Unichem meet at least once in each quarter, interalia for consideration of audited or 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

Corporate Governance Report

as and when required. The purpose of such disclosure and transparency is to enable the Board or the Committees to make informed decisions. All such material information is submitted either as part of the agenda papers or dispatched in advance or disseminated by way of presentations during the meetings of the Board. In case it is not practicable to attach the supporting documents to the Agenda papers, the same is tabled before the meeting with specific reference to this effect in the Agenda. 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 or information on various significant items.

Post-Meeting Procedures:

The draft minutes of the Board and Committee Meetings are circulated to the respective Directors or Members for their comments and suggestions. The minutes of the Committees are also placed before the Board. The minutes are signed in the immediately succeeding Board or Committee meetings.

Directors' Remuneration

Non-Executive Directors of the Company play a crucial role in the independent functioning of the board. They bring in an external perspective to decision-making.

Recognizing the valuable time spent and inputs provided by the Non-Executive Directors at each of the Board & Committee Meetings, during the year under review, the Board of Directors enhanced the payment of sitting fees from Rs. 10,000/- (Rupees Ten thousand) to Rs. 20,000/- (Rupees Twenty thousand) to the Non-Executive Directors for attending Board and Audit Committee Meetings. The said increase 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 remuneration of Executive Directors is approved by the Board by way of salary, perquisites and allowances, including commission based on the Net Profit of the Company. The remuneration paid to Executive Directors during the year under review was in conformity with the applicable provisions of the Companies Act, 1956.

In 2006-07, 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 2006-07 is given in Table-2.

Table-2: Remuneration paid or payable to the directors for 2006-07 (in Rs.)

Name	Sitting fees	Commission payable for 2006-07@	Consolidated Salary#	Perquisites & Allowances#	Total
Dr. Prakash A. Mody*	Nil	104,47,169	46,08,400	40,08,430	190,63,999
Mr. B. K. Sharma**	Nil	104,47,169	38,99,131	1,72,062	145,18,362
Mr. Prafull Anubhai	1,40,000	Nil	Nil	Nil	1,40,000
Mr. Ramdas Gandhi	1,80,000	Nil	Nil	Nil	1,80,000
Mr. Prafull Sheth	70,000	Nil	Nil	Nil	70,000
Mr. Nasser Munjee	50,000	Nil	Nil	Nil	50,000
Mr. Anand Mahajan	60,000	Nil	Nil	Nil	60,000
Total					340,82,361

* 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.

Fixed Component

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

Apart from receiving director's remuneration, the Independent Directors do not have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates that may affect independence of the director. 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, 2007

Name	Number of shares held	% of total shareholding
Dr. Prakash A. Mody*	47,88,913	13.29
Mr. B. K. Sharma	102,592	0.28
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. Prakash 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. Anand Mahajan holds 10,894 shares as a guardian to his son and jointly with his wife but none in his own name.

None of the Directors were granted ESOPs during the year under review.

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. Prakash A. Mody was appointed as Chairman & Managing Director for a period commencing from July 01, 2003 and ending on June 30, 2008.

Mr. B. K. Sharma was appointed as Whole-time 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 43rd Annual General Meeting. 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.



Corporate Governance Report

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 Audit Committee has authority to conduct or authorize investigations into any matters within the scope of its responsibility. It is empowered to undertake the following:

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 thereon;
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 or 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 2006-07 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.

b) Compensation Committee:

The Compensation Committee was constituted in the year 2004 to administer and superintend 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 2006-07.

Table-4: Audit Committee attendance during the year 2006-07

Member Director	Position	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	1

* Leave of absence was granted to Mr. Naseer Munjee.



Corporate Governance Report

Table-5: Composition of Compensation Committee during the 2006-07

Member Director	Position	Category
Mr. Prafull 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 of investors' services rendered in compliance with Clause 49 of the Listing Agreement.

The Committee noted that the Company promptly attends to all shareholders' and investors' queries or grievances through correspondence, fax, phone or E-mail. No query or complaint received during the year under review remained unattended or unresolved, except where the matters were sub-judice. Members can refer to the relevant section on Information for Shareholders 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 2006-07 are given in Table-6. The Company Secretary is the Secretary to the Committee.

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 government or non-government authorities;
2. Approve loans to subsidiaries or other entities or 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 affixation 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 2006-07 is given in Table-7. The Company Secretary is the Secretary to the Committee. During the year under review, the Committee passed two resolutions by circulation amongst its members. No meetings were held during the year 2006-07.

Table-6: Shareholders Grievance Committee attendance during the year 2006-07

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

Table-7: Compensation of Management Committee during the year 2006-07

Member Director	Position	Category
Dr. Prakash 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 have been no violations 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 in compliance with applicable laws and regulations.

The integrity and reliability of the internal control systems are achieved through clear policies and procedures, checks and balances.

The Internal Audit at Unichem is an independent, objective and assurance function responsible for evaluating and improving effectiveness of internal controls and cost rationalization. The internal audit function is managed by professionals and top management is very active and supportive towards internal audit function. 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 on a periodic basis through review of audit plans, audit findings and resolution of 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.

N. A. Shah uses its proprietary process 'NASMAP' for conducting these audits. NASMAP is an effective way to identify the

operational weaknesses and the hidden opportunities of the business. These audits are 'simple and easy to implement recommendations and have achieved the desirable effects and resulted in cost saving, risk mitigation by way of early warning signals, improvement in business processes and other intangible benefits to Unichem.

On completion of each audit area, a presentation is made by the Management Auditors to the Management. Active discussion during these meetings facilitate in development of strategic action plan to address the issue affecting organization goals and objectives.

Review of Legal Compliance Reports

The Board periodically reviewed during the year, the compliance reports in respect of the laws applicable to the Company as prepared and placed before the Board by the Company.

Subsidiary Companies

The Company has four 100% Foreign Subsidiaries as on March 31, 2007. During the year under review, Ministry of Company Affairs granted to the Company an exemption from attaching the financial statements of its Subsidiary Companies vide its Letter No. 47/228/2007 – CL – III dated May 16, 2007. 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.

Management Discussion and Analysis

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

Additional Shareholder Information

The detailed additional shareholder information section is part of this Annual Report.

Statutory Auditors

For the financial year 2006-07, M/s. B.D. Jokhakar & Co. audited the financial statements. While auditing the



Corporate Governance Report

operations of the Company the Statutory 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. 12.70 Lakhs 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 Clause 49 of the Listing Agreement. This Certificate is annexed to this Report.

General Body Meetings

a) Date, Time and Venue of AGM

Date – July 19, 2007

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
43 rd	2005-06	Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018.	July 27, 2006	3.30 pm
42 nd	2004-05	SASMIRA, Sasmira Marg, Worli, Mumbai – 400 025.	August 11, 2005	3.30 pm
41 st	2003-04	M C Ghia Hall, Mumbai – 400 001.	July 22, 2004	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 New Vernon Private Equity Limited. The details of which are as follows:

Venue	Date	Time
M C Ghia Hall, Bhogilal Mumbai – 400 001.	February 4, 2006	11.30 am

Two Special Resolutions were passed by the Company at the 43rd 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 website of the Company - 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. Apart from official news 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.sebiedifar.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.

Code of Conduct

The Company has adopted a Code of Business Conduct & Ethics applicable to all Directors and Senior Management Personnel of the Company. The Code of Business Conduct & Ethics is posted on the Company's website i.e. www.unichemindia.com for information of the shareholders.

All Board members and senior management personnel have affirmed compliance with the code for 2006-07. A declaration to this effect signed by our Chairman & Managing Director is given in this Annual Report.

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. Prakash 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 17, 2007.

Disclosure regarding re-appointment of Directors

Pursuant to provisions of Companies Act, 1956, Mr. Prafull D. Sheth and Mr. Nasser Munjee, 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 44th Annual General Meeting.

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended March 31, 2007.

Dr. Prakash A. Mody
Chairman & Managing Director

Mumbai,
May 17, 2007

Information for Shareholders

Financial Year

April – March

Financial Calendar (Tentative)

Results for the Quarter Ending on	Tentative date of declaration
June 30, 2007	July third week
September 30, 2007	October second week
December 31, 2007	Jan second week
March 31, 2008	May second week
Annual General Meeting for the year ended March 31, 2008	July second week
Final Dividend Payment (if any) for the year ended March 31, 2008	July third week

Date of Book Closure

July 10, 2007 to July 13, 2007 (both days inclusive)

Dividend Payment Date

March 26, 2007 (Interim Equity Dividend 2006-07)

Listing on Stock Exchanges:

The Bombay Stock Exchange Limited (BSE)	National Stock Exchange of India Limited (NSE)
Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.	Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai – 400 051 .

Stock Codes:

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

International Securities Identification Number (ISIN) for NSDL & CDSL

ISIN is an unique identification number of a traded scrip. This number has to be quoted in each transaction relating to the dematerialized equity transaction of the Company.



Constantly widening the horizons of qualitative health-care with a commitment to excellence.



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. If, however, the investor does not know the ISIN, he can ascertain the same from his DP or get it from websites of National Securities Depositories Ltd. or Central Depository Services (India) Ltd.

Listing Fees for the year 2007-08

The Listing fees for the year 2007-08, 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.

Custodial Fees for the year 2007-08

The Company has paid custodial fees for the year 2007-08 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, 2007.

Equity History of the Company

Date	Particulars	No. of Shares Issued*	Cumulative No. of shares issued
August 09, 1962	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
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 New Vernon Equity Pvt. Ltd.	18,75,000	3,60,02,600
February 15, 2006	ESOP Scheme - 2004	700	3,60,03,300



Information for Shareholders

Date	Particulars	No. of Shares Issued*	Cumulative No. of shares issued
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

*All shares carry equal voting rights.

Dividend Payment History

Year	Share Capital (Rs. in millions)	Face Value per share (Rs.)	Dividend (%)	Total Dividend (Rs. in millions)
1999-00	42.7	10	60	25.6*
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*

* Interim Dividend

Unclaimed Dividend

Pursuant to the provisions of Section 205A of the Companies Act, 1956, unclaimed dividend upto and including for the financial year 1999-2000, have been transferred to Investor Education and Protection Fund established by the Central Government.

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 once in a year.

Communication with Members

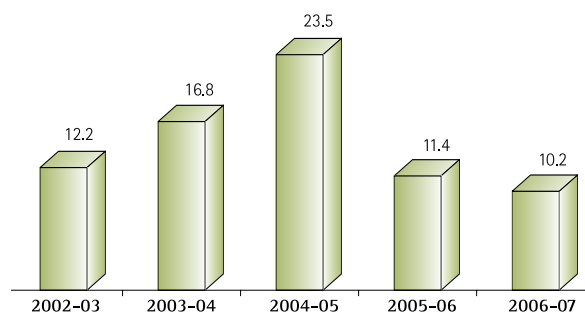
The Company has a Board-level Shareholders Grievance Committee to examine and redress shareholders complaints. Members can also E-mail their queries and suggestions at shares@unichemindia.com or investorrelations@unichemindia.com.

EPS & Book Value 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

* 1:1 Bonus shares issued during the year.

Growth in Price-Earning Ratio



Growth in Shareholders' Funds

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

Information for Shareholders

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 or 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 Intime Spectrum Registry Ltd. Presently, the share transfers which are received in physical form are processed and the share certificates duly transferred are returned generally within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

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

Analysis of Shareholders Queries

Queries/Requests	Pending as on 1 April, 2006	Received during the year	Answered during the year	Pending as on March 31, 2007
Change of Address	0	5	5	0
Transfer/Transmission of Shares/ Deletion of Name/Stop Transfer	0	8	8	0
Request of Bank Details/Bank Mandate	0	0	0	0
Demat Complaints	0	2	2	0
Revalidation/Issue of new Dividend Warrants	0	2	2	0
Request of correction of Name/ share certificates	0	7	7	0
Request of issue of Duplicate Share Certificate/Dividend Warrants/ Interest	0	64	64	0
Splitting/Replacement/ Consolidation of share certificates	0	0	0	0
Any other request	0	2	2	0
Non-receipt of dividend warrant/ Interest	0	28	28	0
Non-receipt of Allotment/Bonus/ Sub-divided/Transferred Shares	0	1	1	0
Miscellaneous	0	66	66	0

The Company has redressed all the complaints received from the investors within the adopted service standards and no correspondence in the nature of complaint was pending as on March 31, 2007.

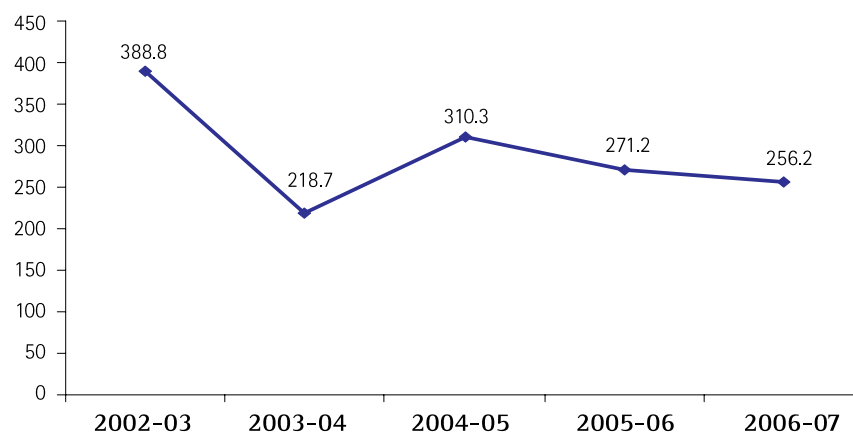
Statutory Compliance

During the year under review, the Company has complied with all applicable provisions, filed all relevant returns / forms and furnished all the relevant particulars 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 provision of Clause 49 of the Listing Agreements by the Company, a certificate issued by M/s. B. D. Jokhakar & Co., Statutory Auditors, is annexed in this Annual Report.

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

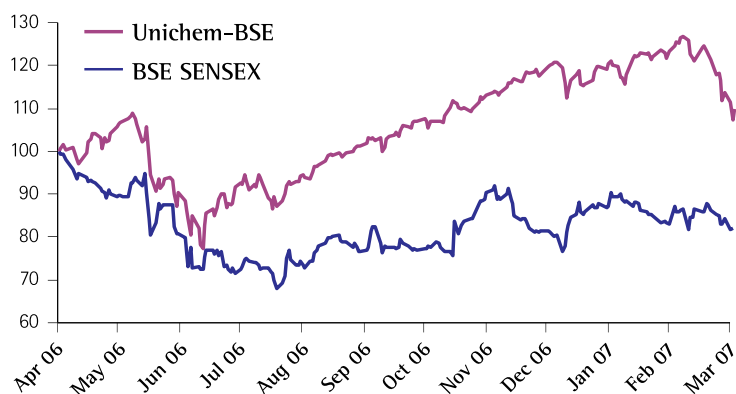
Unichem Stock quotes						
Month	BSE – Sensex			NSE-Nifty		
	High	Low	Volume	High	Low	Volume
April 2006	321.8	262.0	2,08,417	338.4	270.0	2,64,146
May 2006	302.0	236.0	13,88,829	298.0	235.0	3,89,196
June 2006	283.2	200.0	4,08,336	278.0	192.5	3,61,952
July 2006	242.0	208.0	1,22,133	250.0	207.0	1,65,866
August 2006	253.0	222.2	89,693	255.0	220.3	1,02,355
September 2006	264.8	234.4	2,24,635	264.0	235.0	1,78,662
October 2006	278.0	232.0	4,11,611	277.0	231.1	5,43,172
November 2006	303.0	249.0	3,10,633	301.8	245.1	3,48,237
December 2006	286.0	234.2	3,29,154	285.0	235.5	2,71,400
January 2007	284.7	255.1	2,37,131	284.1	255.1	2,70,267
February 2007	274.9	243.0	1,64,725	273.0	251.0	1,66,340
March 2007	265.0	232.0	1,66,979	265.0	230.1	1,77,050

Unichem Share Price movement on BSE - Sensex over the last five years

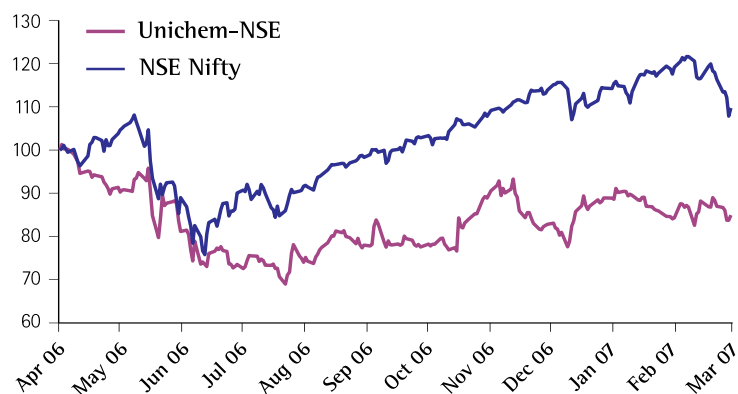


Information for Shareholders

Unichem share price versus the BSE-Sensex (Indexed)



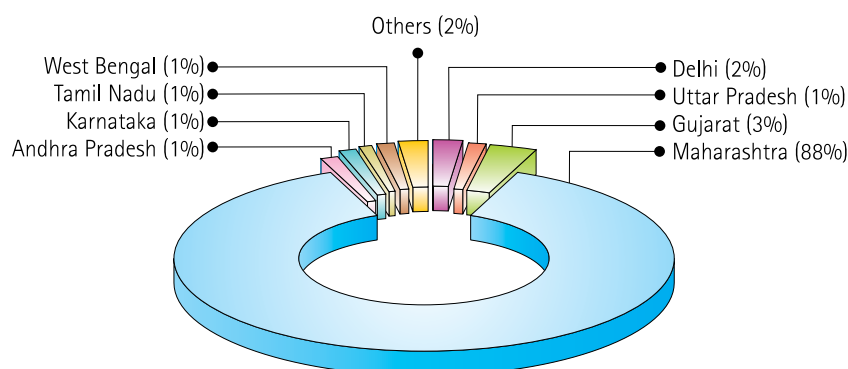
Unichem share price versus S&P CNX Nifty (Indexed)



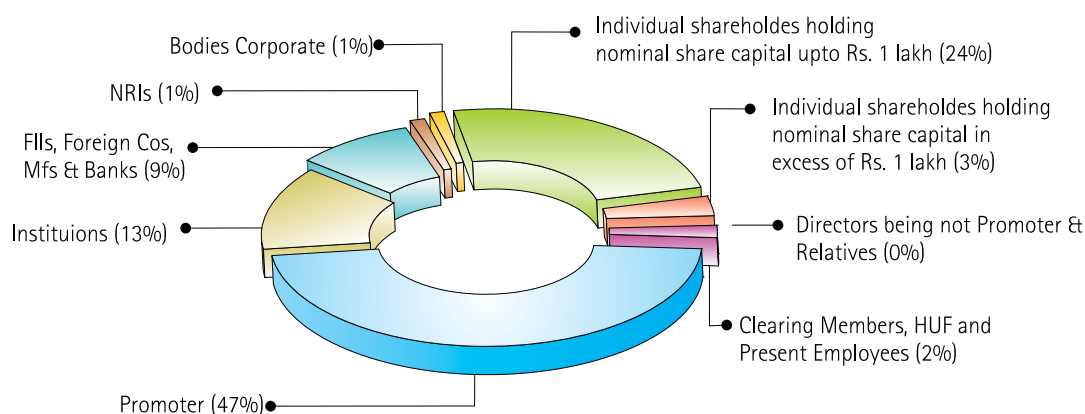
Distribution of Shareholding as on March 31, 2007

No. of Shares	Demat			Physical			Total		
	Holders	Shares	% to Total Shares	Holders	Shares	% to Total Shares	Holders	Shares	% to Total Shares
Upto 5,000	12,560	25,70,059	13.6	1,774	4,83,532	2.8	14,334	30,53,591	8.5
5,001 - 10,000	861	12,94,273	6.9	331	5,20,612	3.0	1,192	18,14,885	5.0
10,001 - 20,000	494	13,69,453	7.3	208	5,27,184	3.1	702	18,96,637	5.3
20,001 - 30,000	122	5,96,577	3.2	28	1,38,380	0.8	150	7,34,957	2.0
30,001 - 40,000	54	3,86,236	2.0	20	1,41,072	0.8	74	5,27,308	1.5
40,001 - 50,000	53	4,82,713	2.6	6	51,928	0.3	59	5,34,641	1.5
50,001- 1,00,000	59	7,89,273	4.2	12	1,52,096	0.9	71	9,41,369	2.6
Above 1,00,000	50	114,00,064	60.4	20	151,29,448	88.2	70	265,29,512	73.6
TOTAL	14,253	188,88,648	100.0	2,399	171,44,252	100.0	16,652	360,32,900	100.0

Geographical Distribution of our Shareholders as on March 31, 2007

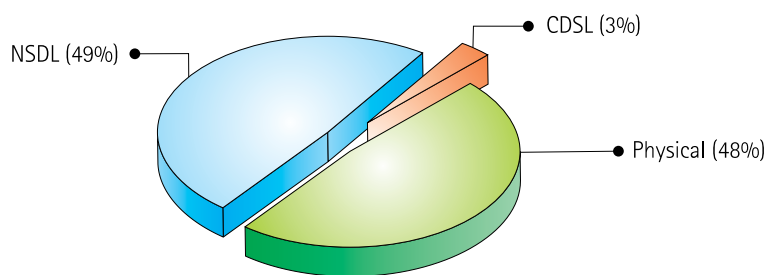


Shareholding Pattern as on March 31, 2007



Dematerialisation of Shares and Liquidity

The securities 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, 2007, 52.4% of the shareholding is held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.



Information for Shareholders

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
<p>Unichem Bhavan, Prabhat Estate, Off. S. V. Road, Jogeshwari (West) Mumbai – 400 102</p> <p>Tel: 022 66888333 Fax: 022 2679 4089</p> <p>Website www.unichemindia.com</p>	<p>Mr. Dilip Bhor/Ms. Radhika Kamath Unichem Bhavan, Prabhat Estate, Off. S. V. Road, Jogeshwari (West) Mumbai – 400 102</p> <p>Tel: 022 66888439/478 Email dilip@unichemindia.com radhikak@unichemindia.com</p>	<p>Mr. Rakesh Parikh Unichem Bhavan, Prabhat Estate, Off S. V. Road, Jogeshwari (West) Mumbai – 400 102.</p> <p>Email rparikh@unichemindia.com</p>

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

Subsidiaries Locations

<p>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</p> <p>TEL: (+2718) 2974055 / 0823361954 FAX: (+2718) 2974059</p>	<p>Unichem Pharmaceuticals (USA), Inc. Sherbrooke Office Centre II 201, West Passaic Street Suite C 301 A, Rochelle Park, New Jersey NJ 07662 USA</p> <p>Tel: 001 201 2260240 Fax: 001 201 2260241</p>
<p>Niche Generics Ltd. (U.K.) 1 The Cam Centre Wilbury Way, Hitchin Hertfordshire – SG4 0TW UK</p> <p>TEL: +44 (0) 1462 633804</p>	<p>Unichem Farmaceutica Do Brasil Ltda (Brazil) Rua Ramos Batista 152, Andar 12, CEP – 04552020 Vila Olimpia Sao Paulo – Brasil</p>

Representative Offices of the Company around the world

Russia

Unichem Laboratories Ltd.
St. Bolshaya Yakimanka
H. No. 31/18
Moskow
Russia

Tel.: 007-495-2302380
Cell: 007-495-5895030

Country Business Head - Mr. Pundari Baba

Email

unichemindia@col.ru

Kazakhstan

Unichem Laboratories Ltd.
St. Cheikovskova 22,
Office 312
City: Almaty,
Kazakhstan

Tel.: 007-3272-794997
Cell: 007-701-7821517

Country Business Manager - Dr. Praveen Kumar Reddy

Email

pk anumuru@yahoo.com

Ukraine

Unichem Laboratories Ltd.
Kiev 01014
Strutinskogo St. 8, 4th Flr., Office 12
Kiev Ukraine

Telefax: 00-380-44 5024550
Cell: 00-380-67-2304247

Country Business Manager - Dr. Rajith Puthen

Email

unichem_kiev@yahoo.com

Ghana

Unichem Laboratories Ltd.
P O Box 3368,
Accra. Ghana.
West Africa

Tel.: 00-233-21-684183/Telefax: 00-233-21-665625
Cell-00-233-243-323349

Country Business Executive - 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 above address:
 - Any change in their address/mandate/bank details, etc.
 - Particulars of their bank account in which they wish their dividend to be credited, in case the same has not been furnished earlier.
 - 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.
 - To avail facility of ECS, members are requested to send their details in ECS mandate form.



Information for Shareholders

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 required 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 before lodging shares 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 communication.

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

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.

To the Members of Unichem Laboratories Limited

1. We have audited the attached Balance Sheet of Unichem Laboratories Limited as at March 31, 2007 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 said 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, 2007 and taken on record by the Board of Directors we report that none of the Directors is disqualified as on March 31, 2007 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 March 31, 2007;
 - 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

P. J. Sethna
Partner

Membership No. 2474

Mumbai
May 17, 2007



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 on the basis of information available.
(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. 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 accounts 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 March 31, 2007 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 Statute	Nature of the Dues	Amount (Rs. in millions)	Forum where dispute is pending	Assessment Year to which it relates
Income Tax Act	Income Tax	11.65	Income Tax Appellate Tribunal	1995-96
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

P. J. Sethna
Partner

Membership No. 2474

Mumbai
May 17, 2007



Balance Sheet

As at 31st March, 2007
(Rupees in millions)

Schedule		Current Year		Previous Year	
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1	180.17		180.02	
Reserves and Surplus	2	3,533.11		2,826.09	
			3,713.28		3,006.11
Loan Funds					
Secured Loans	3	89.63		104.67	
Unsecured Loans	4	162.81		178.16	
			252.44		282.83
			281.14		240.14
Deferred Tax Liability (Refer note no. 13)					
Total			4,246.86		3,529.08
APPLICATION OF FUNDS					
Fixed Assets					
Gross Fixed Assets	5	2,700.69		2,436.69	
Less: Depreciation		742.12		656.19	
Net Fixed Assets		1,958.57		1,780.50	
Capital Work in Progress		654.32		106.09	
			2,612.89		1,886.59
Investments	6		366.17		274.93
Current Assets, Loans and Advances					
Inventories	7	702.03		597.46	
Sundry Debtors	8	1,253.05		956.56	
Cash and Bank Balances	9	75.09		436.15	
Loans and Advances	10	292.65		213.80	
			2,322.82		2,203.97
Less: Current Liabilities and Provisions					
Current Liabilities	11	922.18		547.24	
Provisions	12	132.84		289.17	
			1,055.02		836.41
Net Current Assets			1,267.80		1,367.56
Total			4,246.86		3,529.08
Notes to Accounts	18				

Schedules 1 to 18 referred to above form an integral part of the Balance Sheet and Profit & Loss Account

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

For and on behalf of the Board of Directors

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007

Profit & Loss Account

For the year ended 31st March, 2007
(Rupees in millions)

	Schedule	Current Year	Previous Year
INCOME			
Sales / Income from operations (Gross)	13	5,624.13	4,777.06
Less: Excise duty		168.19	219.52
Sales / Income from operations (Net)		5,455.94	4,557.54
Other Income	14	106.07	42.08
Total		5,562.01	4,599.62
EXPENDITURE			
Manufacturing, selling and administrative and R and D expenses	15 & 16	4,365.56	3,647.22
Interest	17	18.88	22.74
Depreciation .		120.12	114.19
		4,504.56	3,784.15
PROFIT BEFORE TAX AND EXTRAORDINARY GAIN			
		1,057.45	815.47
Add: Extra ordinary gain (Refer note no. 12)		12.07	133.87
PROVISION FOR TAXATION			
Current Tax (including Wealth tax)		118.60	81.00
Deferred Tax (Refer note no. 13)		28.00	15.00
Fringe Benefit Tax		21.00	19.00
NET PROFIT AFTER TAX AND EXTRAORDINARY GAIN			
		901.92	834.34
Less: Prior Period items		(0.32)	(0.39)
Less: Excess/(Short) provision for taxation pertaining to previous years		(0.82)	(15.38)
Add: Balance Brought Forward		1,418.98	955.68
Amount available for Appropriation		2,319.76	1,774.25
APPROPRIATIONS			
Proposed Dividend		-	180.02
Interim Dividend paid		180.17	-
Tax on Interim Dividend paid / Proposed Dividend		25.27	25.25
General Reserve		150.00	150.00
Surplus Carried to Balance Sheet		1,964.32	1,418.98
Total		2,319.76	1,774.25
Basic Earnings per share of Rs. 5/- (Pr Yr Rs. 5/-) each (in Rs.)		25.02	23.84
Diluted Earnings per share of Rs. 5/- (Pr Yr Rs. 5/-) each (in Rs.)		25.00	23.78
Notes to Accounts	18		

Schedules 1 to 18 referred to above form an integral part of the
Balance Sheet and Profit & Loss Account

As per our report of even date attached

For B. D. Jokhakar & Co.
Chartered Accountants

For and on behalf of the Board of Directors

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007



Cash Flow Statement

For the year ended 31st March 2007
(Rupees in millions)

	Current Year		Previous Year	
A. Cash Flow from Operating Activities				
Net Profit before tax		1,057.45		815.47
Adjustment for :				
Depreciation	120.12		114.19	
Loss/(Profit) on Sale of Assets (Net)	6.12		0.87	
Exchange difference	11.73		(2.29)	
Interest expenses	24.07		25.75	
Provision for doubtful debts, loans advances & deposits for the year	8.11		15.16	
Employees compensation expenses (ESOS)	8.55		3.18	
Loss/(Profit) on Sale of Investments	(30.47)		(2.88)	
Interest income	(5.19)		(3.01)	
Excess provision for expenses written back	(28.48)		(3.71)	
Dividend Income	(0.07)		(2.38)	
		114.49		144.88
Operating Profit Before Working Capital Changes		1,171.94		960.35
Adjusted for:				
Trade & other receivables	(415.91)		(293.83)	
Inventories	(104.57)		(56.65)	
Current Liabilities	374.30	(146.18)	(29.14)	(379.62)
Cash Generated from Operations		1,025.76		580.73
Direct Taxes Paid (Net of refund and including Fringe benefit tax)		118.70		106.85
Net Cash Flow from Operating Activities		907.06		473.88
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets including Capital WIP		(766.54)		(199.91)
Sale of Fixed Assets including extra ordinary gain (Refer Note no. 12)		15.26		142.72
Investment in subsidiary		(286.23)		(48.10)
Investment in others (Net)		225.47		(192.75)
Interest Received		6.65		1.28
Dividend on Investments		0.07		2.38
Net Cash used in Investing Activities		(805.32)		(294.38)

Cash Flow Statement

For the year ended 31st March 2007
(Rupees in millions)

	Current Year		Previous Year	
C. Cash Flow from Financing Activities				
Repayments of Borrowings		(15.35)		(142.23)
Proceeds from issue of Share capital & share premium		3.26		563.41
Receipt/(Payment) of short term borrowing (Security deposit)		19.93		7.08
Receipt/(Payment) of External commercial borrowings		(34.98)		(30.88)
Interest Paid		(24.95)		(24.88)
Dividend paid		(180.02)		(118.05)
Interim Dividend paid		(180.17)		-
Dividend distribution tax paid		(50.52)		(16.75)
Net Cash used in Financing Activities		(462.80)		237.70
Net (Decrease)/ Increase in Cash and Cash Equivalents (A+B+C)		(361.06)		417.20
Opening Balance of Cash and Cash Equivalents		436.15		18.95
Closing Balance of Cash and Cash Equivalents		75.09		436.15

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

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

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
May 17, 2007



Schedules to Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 1		Current Year	Previous Year
SHARE CAPITAL			
AUTHORISED			
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
ISSUED , SUBSCRIBED AND PAID UP			
36,032,900	Equity Shares of Rs. 5/- each fully paid up * (Previous year 36,003,300 Equity Shares of Rs. 5/- each fully paid up *)	180.17	180.02
	Total	180.17	180.02
NOTE :	(*) Includes		
1)	450,000 Equity Shares of Rs. 5/- each allotted as fully paid up pursuant to a contract without payment being received in cash.		
2)	29,390,000 Equity Shares of Rs. 5/- each issued as bonus Shares by Capitalisation of General Reserve.		
3)	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.		
4)	Outstanding Employees stock option exercisable into 2,45,900 Equity shares; (Previous year 78,700 Equity shares) (Refer Note no. 10)		

SCHEDULE 2		Current Year	Previous Year
RESERVES AND SURPLUS			
SHARE PREMIUM			
	[Net of Premium on unpaid allotment money in arrears of due from members other than directors]	176.85	176.85
	Add: Addition during the year	557.11	554.00
		733.96	730.85
CAPITAL RESERVE			
	Balance as per last Balance Sheet	3.25	3.25
GENERAL RESERVE			
	Balance as per last Balance Sheet	669.08	519.08
	Add: Transfer from Profit and Loss Account	150.00	150.00
		819.08	669.08
EMPLOYEES STOCK OPTIONS			
	Employees stock options outstanding	43.03	13.87
	Add: Addition during the year	0.11	29.16
		43.14	43.03
	Less: Deferred Employees stock compensation	(30.64)	(13.11)
	During the year	-	(25.99)
		(30.64)	(39.10)
		12.50	3.93
BALANCE IN PROFIT AND LOSS ACCOUNT			
		1,964.32	1,418.98
	Total	3,533.11	2,826.09

Schedules to Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 3	Current Year		Previous Year	
SECURED LOANS				
Term loans from Banks		65.39		100.37
Loans from Banks for working capital		24.24		4.30
Total		89.63		104.67
SCHEDULE 4				
UNSECURED LOANS				
Fixed Deposits				
From a Director	-		0.25	
Others	2.30		7.57	
(Repayable within one year Rs. 2.30 millions, Previous year Rs. 5.52 millions)		2.30		7.82
Short term loans and advances				
Overdrawn book balance in current account with Banks		-		3.55
Other Loans and Advances				
Other than from Banks		160.51		161.63
Sales tax deferment Loan		-		5.16
Total		162.81		178.16

SCHEDULE 5										
FIXED ASSETS										
ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost As at 01/04/2006	Additions	Deduct- ions	Cost As at 31/3/2007	Opening As at 01/04/2006	For the year	Deduction/ Transfer	As at 31/3/2007	As at 31/3/2007	As at 31/3/2006
Land										
Freehold	26.57	-	-	26.57	-	-	-	-	26.57	26.57
Leasehold	17.29	-	(0.08)	17.21	2.02	0.24	(0.03)	2.23	14.98	15.27
Buildings	700.34	88.33	(0.63)	788.04	101.36	21.64	(0.25)	122.75	665.29	598.98
Plant and Machinery	1,530.61	199.51	(38.10)	1,692.02	455.54	84.20	(30.21)	509.53	1,182.49	1,075.07
Furniture Fixtures and Equipments	111.11	13.90	(1.30)	123.71	66.65	8.37	(1.14)	73.88	49.83	44.46
Cars and Vehicles	37.56	5.76	(3.39)	39.93	17.41	5.67	(2.56)	20.52	19.41	20.15
Patents and Trademarks	13.21	-	-	13.21	13.21	-	-	13.21	-	-
Total	2,436.69	307.50	(43.50)	2,700.69	656.19	120.12	(34.19)	742.12	1,958.57	1,780.50
Previous Year	1,977.49	483.85	(24.65)	2,436.69	557.23	114.19	(15.23)	656.19	1,780.50	-
Capital Work in Progress including Capital Advances									654.32	106.09

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.

Land, Buildings and Plant and Machinery include assets at Pithampur, Madhya Pradesh, acquired from ICICI Bank under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, for which the documentation for registration in the name of the Company is in process. Addition to Gross Block include Rs. 31.52 millions (Previous year Rs. 28.94 millions) being expenditure on Research and Development as under:-

Plant & Machinery	Rs. 31.37 millions	(Previous year Rs. 28.53 millions)
Furniture Fixtures and Equipments	Rs. 0.15 million	(Previous year Rs. 0.41 million)



Schedules to Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 6					
INVESTMENTS (AT COST, UNQUOTED, NON TRADE, LONG TERM, UNLESS OTHERWISE STATED)					
	No of Shares/Units		Face value	Current	Previous
	Current Year	Previous Year		Year	Year
(A) LONG TERM					
(I) UNQUOTED					
(a) GOVERNMENT AND TRUST SECURITIES					
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) OTHER INVESTMENTS					
Mediklin Healthcare Limited (Earlier known as M/s. Gravure Art and Healthcare Limited)	202,500	202,500	Rs. 10	3.04	3.04
Shivalik Solid Waste Management Limited	20,000	-	Rs. 10	0.20	
Less : Provision for diminution in value of investments				(3.04)	(3.04)
				0.20	-
(c) SUBSIDIARY COMPANIES					
Fully paid Equity Shares of					
Niche Generics Ltd (UK)	625,000	375,000	1 Pound	255.68	26.48
Unichem SA Pty Ltd	19,000	13,000	10 SA Rand	1.21	0.78
Unichem Farmaceutica Do Brasil Ltda	2,686,826	1,312,757	1 Brasil Real	54.17	25.30
Unichem Pharmaceuticals USA Inc	1,211,955	586,955	1 US\$	54.34	26.18
Advance against Share capital of Unichem S. A. (Proprietary) Limited				-	0.43
TOTAL LONG TERM UNQUOTED INVESTMENTS				366.16	79.73
(II) QUOTED					
Fully paid Equity Bonus Shares of Jindal Polyfilm Limited (Market value as on 31st March 2007 is Rs. 0.15 million (Previous year Rs. 0.28 million))	1,000	1,000	Rs. 10	-	-
(B) CURRENT INVESTMENTS					
MUTUAL FUNDS					
UTI Money Market - Growth Plan		2,303,885	Rs. 10	-	45.00
Chola FMP - Series 2 (Quarterly Plan II) - Cumulative		5,000,000	Rs. 10	-	50.00
HSBC Fixed Term Series 7 - Growth		2,500,000	Rs. 10	-	25.00
DSP Merrill Lynch Fixed Term Plan - Series 1B Growth		25,000	Rs. 1000	-	25.00
Reliance Fixed Maturity Plan Monthly Plan XI - Series II - Growth Option		5,000,000	Rs. 10	-	50.00
Birla Sweep Fund - Dividend - Reinvestment	400	20,287	Rs. 10	} 0.01	0.20
DWS Insta Cash Plus Fund	291	-	Rs. 10		
Principal Income Fund - Growth Option (Bonus Units)	384,485	-	Rs. 10		
			Sub Total	0.01	195.20
			Total	366.17	274.93

As at 31st March, 2007

Notes:

During the year the following investments were purchased and sold:

Name of the Fund	No of Units
Birla Cash Plus - Sweep Plan Dividend - Reinvestment	131
Canliquid Fund - Institutional - Growth	5,856,463
Reliance Treasury Plan - Institutional Option - Growth Option	3,066,836
Reliance Treasury Plan - Retail Option - Daily Dividend Option	1,797,502
Reliance Liquidity Fund - Growth Option	4,986,122
BOB Liquid Fund - Growth Plan	17,670,241
Kotak Liquid (Institutional Premium) - Growth	41,357,604
Reliance Fixed Horizon Fund - Growth Option	20,305,681
Reliance Fixed Horizon Fund - Monthly Plan A - Series V - Growth Option	5,147,508
Reliance Fixed Horizon Fund - Monthly Plan A - Series VI - Growth Option	5,177,055
Reliance Fixed Horizon Fund I - Monthly Plan - Series I - Growth Option	5,208,635
Reliance Fixed Horizon Fund I - Monthly Plan A - Series II - Growth Plan	2,500,000
Reliance Fixed Horizon Fund I - Monthly Plan A - Series III - Growth Plan	2,515,900
Reliance Fixed Horizon Fund I - Quarterly Plan - Series II - Growth Plan	2,500,000
Reliance Fixed Horizon Fund - Quarterly Plan B - Series IV - Growth Option	5,095,350
Reliance Fixed Horizon Fund - Quarterly Plan B - Series II - Growth Option	5,000,000
Reliance Fixed Horizon Fund II - Monthly Plan - Series I - Institutional Growth Plan	2,500,000
Reliance Floating Rate Fund - Growth Plan - Growth option	4,783,113
Reliance Floating Rate Fund - Growth Plan - Growth option	2,208,899
LIC Mutual Fund - Growth Plan	25,247,282
LIC FMP Series 7 - 3 Months Growth Plan	5,000,000
Standard Chartered Liquidity Manager - Plus - Growth	39,588
Birla Sun Life Cash Manager - Institutional Plan - Growth	1,882,772
Birla Cash Plus - Instl. - Growth	2,591,217
Birla Cash Plus - Instl. Prem. - Growth	5,089,698
Birla FMP - Series 2 - Quarterly - Growth	682,062
DSP Merrill Lynch Liquid Plus Growth	28,797
DSP Merrill Lynch Liquidity Fund - Growth	1,645,707
HSBC Liquid Plus - Inst. - Growth	990,953
Prudential ICICI FMP Series 32 - Three Months Plan - A - Retail - Growth	5,000,000
Prudential ICICI FMP Series 32 - One Months Plan - A - Retail - Growth	2,500,000
Prudential ICICI FMP Series 32 - One Months Plan - D - Retail - Growth	2,516,250
Prudential ICICI Flexible Income Plan - Growth	5,002,730
Prudential ICICI Institutional Liquid Plan - Super Institutional Growth	9,530,835
Kotak Flexi Debt Scheme - Growth	17,856,199
Sahara Liquid Fund Variable - Growth	1,976
JM High Liquidity Fund - Growth Plan (13)	258,490
DWS Money plus Fund - Growth Option	12,773,751
DWS Insta Cash Plus Fund - Growth Option	8,827,298
DWS Insta Cash Plus Fund - Institutional Plan - Growth	4,515,203
HDFC FMP 3M May 2006 (1) - Institutional Plan - Growth	2,500,000
HDFC FMP 3M August 2006 (1) - Institutional Plan - Growth	2,542,200
HDFC Cash Management Fund - Savings Plan - Growth	3,362,583
HDFC Cash Management Fund - Savings Plus Plan - Growth	2,598,616
HDFC Cash Management Fund - Call Plan - Growth	1,266,213
DBS Chola Liquid Inst. Plus - Cumulative	6,426,798
DBS Chola Liquid Fund - Regular Cumulative	344,469
DBS Chola FMP - Series 3 (Qtrly Plan - III) - Cumulative	5,097,200
DBS Chola Freedom Income STP - Inst. - Cum - Org	2,808,004
UTI Liquid Cash Plan Institutional - Growth Option	46,157
Sundaram BNP Paribas Fixed Term Plan Series XI (90 Days) - Growth Plan	2,500,000
Sundaram BNP Paribas Money Fund Institutional - Apprn	1,633,768
GMTG GSSIF - Medium Term - Growth Option	880,173
Magnum Insta Cash Fund - Cash Option	603,016
Principal Income Fund Growth Plan	576,728
Optimix Active Debt Multi - Manager FOF Scheme - Growth	250,000
Principal Income Fund Short Term Plan Growth	196,317



Schedules to Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 7	Current Year		Previous Year	
INVENTORIES				
Raw Materials (Include Rs. 20.13 millions in transit, (Previous year Rs. 13.99 millions))		236.98		180.24
Packing Materials (Include Rs. 0.20 million in transit, (Previous year Rs. 2.96 millions))		53.73		36.31
Semi- Finished Goods		102.47		100.44
Finished Goods (Include Rs. 11.22 millions in transit, (Previous year Rs. 7.29 millions))		286.43		258.36
Stores and Spares		22.42		22.11
Total		702.03		597.46
SCHEDULE 8				
SUNDRY DEBTORS (UNSECURED)				
Debts outstanding for period exceeding six months				
Considered good	129.57		76.80	
Considered doubtful	21.23		18.00	
	150.80		94.80	
Less: Provision for Doubtful Debts	21.23		18.00	
		129.57		76.80
Other debts - Considered Good		1,123.48		879.76
Total		1,253.05		956.56
SCHEDULE 9				
CASH AND BANK BALANCES				
Cash on Hand		0.76		1.02
Balance with Scheduled Banks				
In Current Accounts	55.38		42.40	
In Fixed Deposit Accounts	0.91		384.76	
In Unpaid Dividend Accounts	15.50		5.33	
		71.79		432.49
Balance with non Scheduled Banks outside India				
UKREXIMBANK (Maximum Balance during the year Rs. 2.78 millions (Previous year Rs. 2.51 millions))		0.90		1.13
SG-SSB Bank - Ghana (Maximum Balance during the year Rs. 0.42 million)		0.02		-
Turan Alem Bank, Almaty, Kazakhstan (Maximum Balance during the year Rs. 1.23 millions (Previous year Rs. 0.51 million))		0.49		0.21
International Moscow Bank (Maximum Balance during the year Rs. 4.10 millions (Previous year Rs. 3.14 millions))		1.13		1.30
Total		75.09		436.15

Schedules to Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 10	Current Year		Previous Year	
LOANS AND ADVANCES (UNSECURED)				
Considered good unless otherwise stated				
Advances recoverable in Cash or in kind or for value to be received				
Considered Good	216.25		137.88	
Considered Doubtful	5.30		4.20	
	221.55		142.08	
Less : Provision for Doubtful Advances	5.30		4.20	
		216.25		137.88
Deposits				
Considered Good	28.57		26.89	
Considered Doubtful	-		0.01	
	28.57		26.90	
Less : Provision for Doubtful Deposits	-		0.01	
		28.57		26.89
Advance payment of Income Tax including tax deducted at source (Net of Provision for Taxation)	7.98		11.73	
Balance with Excise Department	39.85		37.30	
		47.83		49.03
Total		292.65		213.80
SCHEDULE 11				
CURRENT LIABILITIES				
Due to Directors		20.89		12.51
Sundry Creditors		821.62		474.38
Investor education and protection fund				
Unclaimed Dividend	15.50		5.34	
Unpaid matured deposits	0.32	15.82	1.54	6.88
Other Current Liabilities		63.84		52.58
Interest accrued but not due on loans		0.01		0.89
Total		922.18		547.24
SCHEDULE 12				
PROVISIONS				
Proposed Dividend		-		180.02
Tax on Dividend		-		25.25
Provision for Incentives and Schemes		81.12		48.08
Provision for Employees benefit scheme		51.72		35.82
Total		132.84		289.17

Schedules to Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 13	Current Year		Previous Year	
SALES / INCOME FROM OPERATIONS (GROSS)				
Sales		5,529.81		4,735.40
Export benefits		56.23		26.04
Sundries		38.09		15.62
Total		5,624.13		4,777.06
SCHEDULE 14				
OTHER INCOME				
Dividend received		0.07		2.38
Profit on sale of fixed assets		0.13		0.06
Profit on sale of current investments		30.47		2.89
Miscellaneous income		41.36		25.24
Exchange gain (Net)		–		6.08
Discounting Charges		5.56		1.72
Excess Provision for expenses written back		28.48		3.71
Total		106.07		42.08
SCHEDULE 15				
MANUFACTURING, SELLING AND ADMINISTRATION EXPENSES				
Raw Materials Consumed		1,218.64		989.55
Packing materials, containers consumed		224.73		193.59
Stores and Spares consumed		46.29		33.33
Purchases of Finished goods		923.69		796.29
Manufacturing Charges		28.37		25.40
Payroll Expenses :				
Payments to and provision for employees				
Salaries, wages, Ex-gratia bonus and commission	480.39		374.14	
Contribution to Provident and other funds	50.39		47.95	
Employees' Welfare Expenses	24.26		17.77	
(Include Rs. 8.55 millions (Previous year Rs. 3.18 millions) of Employee's compensation expenses under ESOS 2004 Scheme.)		555.04		439.86
Power and Fuel		125.69		119.63
Rent		8.76		7.67
Insurance		15.33		14.73
Repairs :				
Plant and Machinery		23.27		28.93
Buildings		7.00		16.55
Others		15.95		7.67
Rates and Taxes		25.90		15.74
Advertising and sales promotion		490.13		434.11
Travelling and Conveyance		146.60		127.78
Freight outward		70.15		72.29
Directors' Fees		0.50		0.51
Commission on sales		102.93		65.12

Schedules to Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 15	Current Year		Previous Year	
Loss on sale / scrapping of assets		6.25		0.93
Exchange loss (Net)		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		8.11		15.16
Establishment and Administrative Expenses		151.78		169.02
		4,198.98		3,573.86
Increase / (Decrease) in stocks of semi finished and finished goods				
Stocks at commencement				
Semi-Finished Goods		100.44		62.93
Finished Goods		258.36		268.60
		358.80		331.53
Stocks at close				
Semi-Finished Goods		102.47		100.44
Finished Goods		286.43		258.36
		388.90		358.80
		(30.10)		(27.27)
Total		4,168.88		3,546.59
SCHEDULE 16				
RESEARCH & DEVELOPMENT EXPENDITURE				
Salaries, wages and Exgratia		53.26		34.25
Contribution to Provident fund and other Funds		2.87		2.11
Employee's welfare expenses		0.37		0.35
Rates and Taxes		2.21		2.21
Repairs:				
Plant and machinery		0.30		1.23
Buildings		1.38		2.30
Others		1.64		0.44
Power and fuel		6.51		5.13
Travelling and conveyance		4.30		2.20
Others		123.84		50.41
Total		196.68		100.63
SCHEDULE 17				
INTEREST				
Paid on :				
Fixed Deposits (Including Rs. 0.02 million paid to Director Previous year Rs. 0.02 millions)	0.23		1.82	
Other fixed loans	7.45		7.95	
Banks and others	16.39		15.98	
		24.07		25.75
Less : Interest earned (TDS deducted of Rs. 0.43 million (Previous year Rs. 0.33 million))		5.19		3.01
Total		18.88		22.74



Schedules to Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 18	Current Year	Previous Year
NOTES TO ACCOUNTS		
1	Previous year's figures have been regrouped, recast and restated wherever necessary.	
2	Contingent Liabilities :	
(i)	47.11	15.31
(ii)	9.02	11.12
(iii)	22.99	6.13
(iv)	-	3.39
Total	79.12	35.95
(v)	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. 207.28 millions (Previous year Rs. 242.61 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. 65.39 millions (Previous year Rs. 100.37 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. 24.24 millions (Previous year Rs. 4.30 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. 28.60 millions (Previous year Rs. 27.25 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:
- | | | |
|------------------------------|-------------------------------|--------------------------------|
| R. S. G. Packaging Pvt. Ltd. | Deepak Industries | Novex Poly Film Pvt. Ltd. |
| Ambika Parentals | Indian Commercial Printers | Laxmi Industries |
| Sima Products | Kalindi Medicare Pvt. Ltd. | Maxim Pharmaceuticals |
| Span Chemicals | Prompt Tech Pharma Industries | Virdeo Intermediates Pvt. Ltd. |
| MM Labs | Acharya Chemicals | Data Shoe Company |
| Enopeck Sales (India) | Vasant Electricals | BNL Ammonia Pvt. Ltd. |
| N. K. Enterprises | Sima 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	8.51	8.22
Commission	20.90	12.51
Contribution to Provident Fund and other Funds	2.21	2.05
Perquisites in Cash or in Kind	4.18	3.37
Total	35.80	26.15

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



Schedules to Accounts

For the year ended 31st March, 2007
(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. 0.32 million (Previous year Rs. 0.39 million)	1,069.20	948.95
	Add: Depreciation	120.12	114.19
	Directors' Remuneration	35.80	26.16
	Directors' Fees	0.50	0.51
	Loss on sale of assets per books	6.25	0.93
	Profit on sale of assets u/s 349	0.13	0.06
	Provision for Doubtful Debts/Advances	8.11	15.16
		170.91	157.01
	Less: Depreciation as per Section 350	120.12	114.19
	Fringe benefit tax	21.00	19.00
	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	12.20	133.93
	Profit on sale of current investment	30.47	2.89
	Loss on sale of assets u/s 349	6.25	0.93
	Sub-Total	194.81	271.94
	Profit for Computation of Commission	1,045.30	834.02
	Commission payable to Managing Director @ 1% of Rs. 1,045.30 millions (Previous year @ 1% of Rs. 834.02 millions)	10.45	8.34
	Commission payable to Executive Director @ 1% of Rs. 1,045.30 millions (Previous year @ 0.5% of Rs. 834.02 millions)	10.45	4.17
9	Establishment and Administrative expenses include payment to Statutory Auditors		
	Audit Fees *	0.60	0.55
	Tax Audit *	0.20	0.15
	Certification *	0.40	0.42
	Reimbursement of Expenses	0.08	0.05
	Cost Auditors		
	Audit Fees *	0.21	0.21
	Certification	-	0.01
	Reimbursement of Expenses	0.04	0.01
	Total	1.53	1.40
	* Net of Service tax		

10 The Company has granted 1,00,000 (Previous year 1,00,000) Stock Options to its employees and 2,00,000 stock options to Executive Director formulated under the scheme of ESOS. Out of the above Stock Options 16,200 (Previous year 13,000) have been surrendered/lapsed and 37,900 (previous year 8,300) have been exercised, 2,45,900 (Previous year 78,700) Stock Options are outstanding, which if fully exercised will result in issue of equity shares.

11 Fixed Assets other than Land includes Rs. 31.63 millions (Previous year Rs. 22.62 millions) being expenditure of capital nature on Research & Developments.



Schedules to Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 18		Current Year	Previous Year
12	Extra ordinary items include net consideration for sale of part of immovable property of Rs. 12.07 millions (Previous year 133.87 millions)		
13	The deferred tax liability for the current year amounting to Rs. 28.00 millions (Previous year 15.00 millions) & short provision for previous years accounted during the current year Rs. 13.00 millions is shown in the Profit and Loss Account under Provision for Taxation. The deferred tax liability / (asset) comprises of Deferred Tax Liability on account of Depreciation Deferred Tax Assets Provision for Doubtful Debts, Advances and other disallowances u/s 43 B	877.90	747.34
		42.40	33.90
		835.50	713.44
	Tax	281.14	240.14
14	Expenditure relating to new projects at Roha, Pithampur, Baddi Unit II & III (Previous year at Goa and Baddi Unit II) have been shown under the head Capital work-in-progress (i) Power & fuel (ii) Repairs & maintenance (iii) Other Manufacturing expenses (iv) Payroll expenses (v) Administrative expenses	1.51 - 0.02 3.10 14.63	- 0.54 - 1.00 8.67
		19.26	10.21
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 Investment & Finance Pvt. Ltd.		AVM Investment Pvt. Ltd.
	M Investment Pvt. Ltd.		Pranit Finance & Investment Co. Pvt. Ltd.
	Rudra Pharma Distributors Ltd.		Viramrut Investment 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
	Mrs. Nidhi Sharma		

Schedules to Accounts

For the year ended 31st March, 2007
(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
	2007	2006	2007	2006	2007	2006	2007	2006
Sales of goods, etc.	82.74	79.72			328.79	327.73	411.53	407.45
Rent & Maintenance paid			0.28	0.27	0.06	0.06	0.34	0.33
Managerial remuneration			14.90	13.64			14.90	13.64
Commission			20.90	12.51			20.90	12.51
Dividend paid			72.37	25.45	69.95	34.23	142.32	59.68
Interest paid			0.02	0.02			0.02	0.02
Investment made	286.24	48.53					286.24	48.53
	368.98	128.25	108.47	51.89	398.80	362.02	876.25	542.16

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

Outstanding Balances								
Deposits received			-	0.25			-	0.25
Deposits given			10.03	10.03			10.03	10.03
Debtors outstanding	11.05	21.55			101.11	100.22	112.16	121.77
Investments made	365.40	79.17					365.40	79.17
	376.45	100.72	10.03	10.28	101.11	100.22	487.59	211.22

	Current Year	Previous Year
16 Segment Reporting:		
Primary Segment		
The Company has only one segment i.e. 'Pharmaceuticals'.		
Secondary Segment (By Geographical Segment)		
Sales and Operating Income		
India	4,320.57	3,841.18
Outside India	1,303.56	935.88
Total	5,624.13	4,777.06
In view of the interwoven/intermix nature of business and manufacturing facility, other segmental information is not ascertainable		



Schedules to Accounts

For the year ended 31st March, 2007
(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
Formulations					
Tablets/Capsules	No. in lacs	37,176	34,676	21,993	18,373
Syrups	Litres	960,000	960,000	50,881	62,543
Injections	Litres	90,000	90,000	6,758	17,556
Eyemides, Ointments & Dry and sterile powder	Kilograms	196,800	223,800	63,334	103,284
Bulk Drugs & Chemicals	Kilograms	677,710	631,110	453,143	526,040

* 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.

* The sales quantities includes adjustments on account of goods lost in fire, free issues, shortages & obsolescences.

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.)
Formulations							
Tablets/Capsules	No.in lacs	2,301	187.08	2,428	157.88	1,546	116.50
Syrups	Litres	139,862	11.89	148,624	8.81	136,959	11.55
Injections	Litres	26,856	20.67	27,548	14.64	36,941	10.40
Eyemides, Ointments & Powder	Kilograms	48,255	41.48	19,792	36.05	61,976	18.11
Bulk Drugs & Chemicals	Kilograms	21,745	25.31	29,778	40.98	79,251	32.63
Total			286.43		258.36		189.19

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.)
Formulations					
Tablets/Capsules	No.in lacs	28,792	4,314.15	24,275	3,626.32
Syrups	Litres	903,134	107.48	751,044	86.17
Injections	Litres	95,101	85.30	114,842	90.46
Eyemides, Ointments & Powder	Kilograms	236,829	381.92	234,338	395.17
Bulk Drugs & Chemicals	Kilograms	450,821	637.46	508,378	537.28
Others			3.50		-
Total			5,529.81		4,735.40

Schedules to Accounts

For the year ended 31st March, 2007
(Rupees in millions)

20 Purchases of Finished Goods

Class of Goods	Unit	Current Year		Previous Year	
		Quantity	Value	Quantity	Value
Formulations					
Tablets/Capsules	No.in lacs	6,673	485.86	5,815	595.17
Syrups	Litres	843,491	95.99	741,811	42.44
Injections	Litres	87,651	231.15	105,482	30.23
Eyemides, Ointments & Powders	Kilograms	201,959	107.89	104,317	128.45
Others					
			2.80		
Total			923.69		796.29

21 Value of Imports (CIF Value)

	Current Year	Previous Year
Raw Materials	167.95	64.12
Packing Materials	13.94	0.31
Stores & Spare Parts	0.22	0.37
Capital Goods	48.98	24.24
Total	231.09	89.04
22 Expenditure in Foreign Exchange		
Salary Paid	33.13	30.81
Travelling expenses	13.19	11.91
Rent paid	1.99	2.03
Freight	0.01	1.29
Marketing expenses	34.95	20.16
Commission paid	8.36	0.09
Other Expenses	22.95	25.47
Interest paid	6.11	6.45
Total	120.69	98.21
23 Earnings in Foreign Exchange (Gross)		
Export of Goods calculated on FOB basis, etc.	1,170.21	890.62
Insurance, Freight and other charges recovered	68.32	56.32
Sale of samples	0.46	0.41
Total	1,238.99	947.35

Schedules to Accounts

For the year ended 31st March, 2007
(Rupees in millions)

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

	Current Year		Previous Year	
	%	Value	%	Value
A. Raw Materials				
Indigenous (including canalised)	86	1,049.12	90	893.98
Imported (including duty and charges)	14	169.52	10	95.57
Total	100	1,218.64	100	989.55
B. Packing Materials, Stores and Spares				
Indigenous (including canalised)	99.88	270.70	99.86	226.61
Imported (including duty and charges)	0.12	0.32	0.14	0.31
Total	100	271.02	100	226.92

25 Break up of Raw Materials Consumed

	Unit	Current Year		Previous Year	
		Quantity	Value	Quantity	Value
Ampicillin	Kilograms	68,594	123.92	54,943	98.75
Miscellaneous (none of which individually accounts for more than 10% of total consumption)			1,094.72		890.80
Total			1,218.64		989.55

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:.		Current Year	Previous Year
Net Profit (Rs. millions)		900.78	818.56
Weighted average number of Equity shares outstanding - Basic		36,007,629	34,357,213
Weighted average number of Equity shares outstanding - Diluted		36,026,587	34,422,625
Earning Per Share - Basic		25.02	23.84
Diluted		25.00	23.78
(Face value of Rs. 5/- per share)			

Schedules to Accounts

For the year ended 31st March, 2007
(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, 2007 is follows:

Particulars	Employees Benefit**		Incentives & Schemes		Total	
	2007	2006	2007	2006	2007	2006
Opening balance	35.74	19.51	45.68	51.86	81.42	71.37
Additions	38.13	21.50	174.90	119.05	213.03	140.55
Utilisations	20.03	5.27	117.49	105.47	137.52	110.74
Reversals	2.20	-	21.97	19.76	24.17	19.76
Closing Balance	51.64	35.74	81.12	45.68	132.76	81.42

** Provision is based on actuarial valuation

Schedules to Accounts

As at 31st March, 2007
(Rupees in Thousands)

29 Balance Sheet abstract and Company's General Business Profile

I. Registration Details														
Registration No.	1	2	4	5	1	/	T	A	State Code				1	1
Balance Sheet Date	3	1	0	3	2	0	0	7						
II. Capital raised during the year														
Public Issue				Right Issue				Bonus Issue						
Private Placement				ESOP										
III. Position of Mobilisation and Deployment of Funds														
Total Liabilities (Excluding Capital and Reserves)						Total Assets (computed taking into account Fixed Assets, Investments, Net current assets and Miscellaneous expenditure)								
Source of Funds						Application of Funds								
Paid-up Capital						Net Fixed Assets (Including Capital Works in Progress)			Investments					
Secured Loans						Net Current Assets (Net of Deferred Tax Liability)			Miscellaneous Expenditure					
IV. Performance of Company														
Turnover				Total Expenditure				Profit before Tax (Net of extraordinary items and prior period expenses)						
Profit after Tax (After adjusting short provision for taxation pertaining to earlier year and extraordinary gain)				Earning per share in Rs.				Interim Dividend paid%						
				Diluted earning per share in Rs.										
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.										

For and on behalf of the Board of Directors

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007

Statement of Significant Accounting Policies

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. Differences between the actual results and estimates are recognised in the year in which the results 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.5,000/- 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 revise drafts specified in Schedule XIV of the Companies Act, 1956.

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 Benefit

Contribution to Provident fund, Family pension and Superannuation fund are charged to Profit and Loss Account as incurred. The Company also provides Retirement benefit in the form of Gratuity and Leave encashment which are based on actuarial valuation.

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.



Statement of Significant Accounting Policies

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 account 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.

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 cash flows 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.

As per our report of even date attached

For B. D. Jokhakar & Co.
Chartered Accountants

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

For and on behalf of the Board of Directors

Mumbai
May 17, 2007

Infrastructure

Regd Et Corp Office, Mumbai



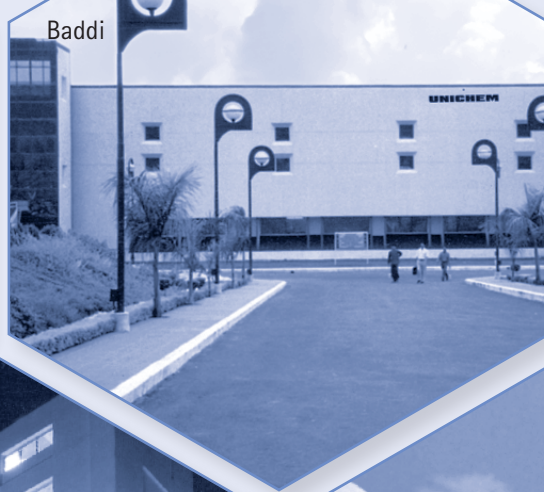
R&D Centre, Mumbai



Goa



Baddi



Ghaziabad



Roha

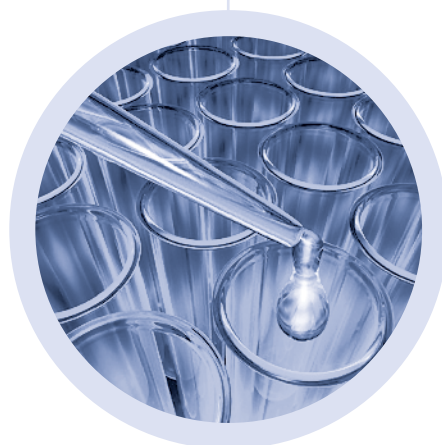


Pithampur





CONSOLIDATED FINANCIAL STATEMENTS



Auditors' Report on the Consolidated Financial Statements

The Board of Directors of Unichem Laboratories Limited

Report on the Consolidated Financial Statements of Unichem Laboratories Limited for the year ended March 31, 2007.

We have examined the attached consolidated Balance Sheet of Unichem Laboratories Limited and its subsidiaries ('the Group') as at March 31, 2007, 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 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. 676.12 millions and total revenues of Rs. 912.87 millions as at March 31, 2007 and
- ii) A subsidiary company whose financial statements reflect total assets (net) of Rs. 0.16 million and total revenues of Rs. Nil as at February 28, 2007.

These financial statements of the subsidiaries were audited by other auditors whose report 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 March 31, 2007;
- (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

P. J. Sethna
Partner

Membership No. 2474

Mumbai
May 17, 2007



Consolidated Balance Sheet

As at 31st March, 2007
(Rupees in millions)

	Schedule	Current Year		Previous Year	
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1	180.17		180.02	
Reserves and Surplus	2	3,843.77		3,077.75	
			4,023.94		3,257.77
Minority Interest (Share of Profit/(Losses)) in excess of equity)			-		213.76
Loan Funds					
Secured Loans	3	100.57		115.24	
Unsecured Loans	4	162.81		178.16	
			263.38		293.40
			282.98		240.14
Deferred Tax Liability					
Total			4,570.30		4,005.07
APPLICATION OF FUNDS					
Fixed Assets					
Gross Fixed Assets	5	3,114.12		2,570.10	
Less: Depreciation		796.63		686.85	
Net Fixed Assets		2,317.49		1,883.25	
Capital Work in Progress		654.32		106.09	
			2,971.81		1,989.34
Investments	6		0.77		195.76
Current Assets, Loans and Advances					
Inventories	7	844.61		697.95	
Sundry Debtors	8	1,415.90		1,015.62	
Cash and Bank Balances	9	271.86		864.29	
Loans and Advances	10	444.71		329.62	
			2,977.08		2,907.48
Less: Current Liabilities and Provisions					
Current Liabilities	11	1,105.51		691.31	
Provisions	12	273.85		396.20	
			1,379.36		1,087.51
Net Current Assets			1,597.72		1,819.97
Total			4,570.30		4,005.07
Notes to Accounts	18				

Schedules 1 to 18 referred to above form an integral part of the Balance Sheet and Profit & Loss Account

As per our report of even date attached

For B. D. Jokhakar & Co.
Chartered Accountants

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007



Consolidated Profit & Loss Account

For the year ended 31st March, 2007
(Rupees in millions)

	Schedule	Current Year	Previous Year
INCOME			
Sales / Income from operations (Gross)	13	6,447.58	5,692.14
Less: Excise duty		168.19	219.52
		6,279.39	5,472.62
Other Income	14	106.07	40.36
Total		6,385.46	5,512.98
EXPENDITURE			
Manufacturing, selling and administrative and R and D expenses	15 & 16	5,352.35	4,585.99
Interest	17	12.23	16.33
Depreciation		139.98	126.50
		5,504.56	4,728.82
PROFIT BEFORE TAX AND EXTRAORDINARY GAIN			
Add/(less): Extra ordinary item net of gain (Refer note no 12)		880.90	784.16
		(12.56)	133.87
PROVISION FOR TAXATION (including Wealth Tax)			
Current Tax (including Wealth tax)		118.60	81.00
Deferred Tax (Refer note no. 13)		26.25	15.00
Fringe Benefit Tax		21.00	19.00
		702.49	803.03
PROFIT AFTER TAX AND EXTRAORDINARY GAIN			
MINORITY INTEREST			
		-	(2.88)
PROFIT AFTER TAX AND MINORITY INTEREST			
Less: Prior Period items		(0.32)	(8.66)
Less: Excess/(Short) provision for taxation pertaining to previous years		(0.82)	(15.38)
Add: Balance Brought Forward		1,597.87	1,177.03
Amount available for Appropriation		2,299.22	1,953.14
APPROPRIATIONS			
Proposed Dividend		-	180.02
Interim Dividend paid		180.17	-
Tax on Interim Dividend paid / Proposed Dividend		25.27	25.25
General Reserve		150.00	150.00
Surplus Carried to Balance Sheet		1,943.78	1,597.87
Total		2,299.22	1,953.14
Basic Earnings per share of Rs. 5/- (Pr Yr Rs. 5/-) each (in Rs.)		19.48	22.59
Diluted Earnings per share of Rs. 5/- (Pr Yr Rs. 5/-) each (in Rs.)		19.47	22.55
Notes to Accounts	18		

Schedules 1 to 18 referred to above form an integral part of the Balance Sheet and Profit & Loss Account

As per our report of even date attached

For B. D. Jokhakar & Co.
Chartered Accountants

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007



Consolidated Cash Flow Statement

For the year ended 31st March 2007
(Rupees in millions)

	Current Year		Previous Year	
A. Cash Flow from Operating Activities				
Net Profit before tax		880.90		784.16
Adjustment for:				
Depreciation	139.98		126.50	
Loss/(Profit) on Sale of Assets (Net)	6.29		2.48	
Exchange difference	11.73		(2.29)	
Interest expenses	24.87		38.24	
Provision for doubtful debts, loans advances & deposits for the year	8.11		15.16	
Employees compensation expenses (ESOS)	8.55		3.18	
Loss/(Profit) on Sale of Investments	(30.47)		(2.88)	
Interest income	(12.64)		(21.91)	
Excess provision for expenses written back	(28.48)		(4.02)	
Dividend Income	(0.07)		(2.38)	
		127.87		152.08
Operating Profit Before Working Capital Changes		1,008.77		936.24
Adjusted for:				
Trade & other receivables	(527.14)		(15.49)	
Inventories	(146.66)		(41.08)	
Current Liabilities	261.75	(412.05)	(110.61)	(167.18)
Cash Generated from Operations		596.72		769.06
Direct Taxes Paid (Net of refund and including Fringe benefit tax)		118.70		349.78
Net Cash Flow from Operating Activities		478.02		419.28
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets including Capital WIP		(864.31)		(275.86)
Sale of Fixed Assets		17.45		109.69
Investment in others (Net)		225.47		(192.33)
Interest Received		14.10		20.17
Dividend on Investments		0.07		2.38
Net Cash used in Investing Activities		(607.22)		(335.95)

Consolidated Cash Flow Statement

For the year ended 31st March 2007
(Rupees in millions)

	Current Year		Previous Year	
C. Cash Flow from Financing Activities				
Proceed from Borrowings		(15.35)		(143.43)
Proceeds from issue of Share capital & share premium		3.26		563.41
Proceeds/(repayment) of short term borrowing (Security deposit)		20.30		7.08
Receipt/(Payment) of loan of External commercial borrowings		(34.98)		(30.88)
Interest Paid		(25.75)		(37.34)
Dividend paid		(180.02)		(118.05)
Interim Dividend paid		(180.17)		-
Dividend Distribution tax paid		(50.52)		(16.75)
Net Cash used in Financing Activities		(463.23)		224.04
Net (Decrease)/Increase in cash and cash equivalents (A+B+C)		(592.43)		307.36
Opening Balance of Cash and Cash Equivalents		864.29		556.93
Closing Balance of Cash and Cash Equivalents		271.86		864.29

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

P. J. Sethna
Partner

Rakesh Parikh
Vice President -
Finance

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
May 17, 2007



Schedules to Consolidated Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 1	Current Year	Previous Year
SHARE CAPITAL		
AUTHORISED		
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
ISSUED, SUBSCRIBED AND PAID UP		
36,032,900 Equity Shares of Rs. 5/- each fully paid up * (Previous year 36,003,300 Equity Shares of Rs. 5/- each fully paid up *)	180.17	180.02
Total	180.17	180.02
NOTE : (*) Includes		
1) 450,000 Equity Shares of Rs. 5/- each allotted as fully paid up pursuant to a contract without payment being received in cash.		
2) 29,390,000 Equity Shares of Rs. 5/- each issued as bonus Shares by Capitalisation of General Reserve.		
3) 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.		
4) Outstanding Employee stock option exercisable into 2,45,900 Equity shares; (Previous year 78,700) (Refer Note no. 10)		

SCHEDULE 2	Current Year	Previous Year
RESERVES AND SURPLUS		
SHARE PREMIUM		
[Net of Premium on unpaid allotment money in arrears of due from members other than directors]	730.85	176.85
Add: Addition during the year	3.11	554.00
	733.96	730.85
CAPITAL RESERVE		
Balance as per last Balance Sheet	3.25	3.25
CAPITAL REDEMPTION RESERVE		
Redemption of Preference Shares	139.00	78.91
GENERAL RESERVE		
Balance as per last Balance Sheet	669.08	519.08
Add: Transfer from Profit and Loss Account	150.00	150.00
	819.08	669.08
Foreign Currency translation reserve	192.20	(6.14)
EMPLOYEE'S STOCK OPTION		
Employee's stock options outstanding	43.03	13.87
Add: Addition during the year	0.11	29.16
	43.14	43.03
Less: Deferred Employee's stock compensation	13.11	(13.11)
During the year	(43.75)	(25.99)
	(30.64)	(39.10)
	12.50	3.93
BALANCE IN PROFIT AND LOSS ACCOUNT	1,943.78	1,597.87
Total	3,843.77	3,077.75

Schedules to Consolidated Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 3	Current Year		Previous Year	
SECURED LOANS				
Term loans from Banks		65.39		100.37
Loans from Banks for working capital		35.18		14.87
Total		100.57		115.24
SCHEDULE 4				
UNSECURED LOANS				
Fixed Deposits				
From a Director	-		0.25	
Others	2.30		7.57	
(Repayable within one year Rs. 2.30 millions, (Previous year Rs. 5.52 millions))		2.30		7.82
Short term loans and advances				
Overdrawn book balance in current account with Banks		-		3.55
Other Loans and Advances				
Other than from Banks		160.51		161.64
Sales tax deferment Loan		-		5.15
Total		162.81		178.16

SCHEDULE 5							
FIXED ASSETS							
ASSETS	Gross Block				Depreciation	Net Block	
	Cost As at 01/04/2006	Additions	Deductions	Cost As at 31/3/2007	As at 31/3/2007	As at 31/3/2007	As at 31/3/2006
Goodwill		229.20		229.20		229.20	
Land							
Freehold	26.57	-	-	26.57	-	26.57	26.57
Leasehold	17.29	0.02	(0.08)	17.23	2.25	14.98	15.27
Buildings	766.39	94.90	(0.63)	860.66	126.99	733.67	663.77
Plant and Machinery	1,588.87	238.93	(38.80)	1,789.00	556.18	1,232.82	1,106.93
Furniture Fixtures and Equipments	118.84	21.08	(2.95)	136.97	77.47	59.50	49.18
Cars and Vehicles	38.81	5.73	(3.39)	41.15	20.53	20.62	21.40
Patents and Trademarks	13.33	0.01		13.34	13.21	0.13	0.13
Total	2,570.10	589.87	(45.85)	3,114.12	796.63	2,317.49	1,883.25
Previous Year	2,070.15	559.78	(59.83)	2,570.10	686.85	1,883.25	-
Capital Work in Progress including Capital Advances						654.32	106.09

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.

Land, Buildings and Plant and Machinery include assets at Pithampur, Madhya Pradesh, acquired from ICICI Bank under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, for which the documentation for registration in the name of the Company is in process.

Addition to Gross Block include Rs. 31.52 millions (Previous year Rs. 28.94 millions) being expenditure on Research and Development as under:-

Plant & Machinery	Rs. 31.37 millions	(Previous year Rs. 28.53 millions)
Furniture Fixtures and Equipments	Rs. 0.15 million	(Previous year Rs. 0.41 million)



Schedules to Consolidated Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 6

INVESTMENTS

	No of Shares/Units		Face value	Current Year	Previous Year
	Current Year	Previous Year			
(A) LONG TERM					
(I) UNQUOTED					
(a) GOVERNMENT AND TRUST SECURITIES					
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) OTHER INVESTMENTS					
Mediklin Healthcare Limited (Earlier known as M/s. Gravure Art and Healthcare Limited)	202,500	202,500	Rs. 10	3.04	3.04
Shivalik Solid Waste Management Limited	20,000	-	Rs. 10	0.20	
Less : Provision for diminution in value of investments				(3.04)	(3.04)
				0.20	-
TOTAL LONG TERM UNQUOTED INVESTMENTS				0.76	0.56
(II) QUOTED					
Fully paid Equity Bonus Shares of Jindal Polyfilm Limited (Market value as on 31st March 2007 is Rs. 0.15 million (Previous year Rs. 0.28 million)	1,000	1,000	Rs.10		
(B) CURRENT INVESTMENTS					
MUTUAL FUNDS					
UTI Money Market - Growth Plan		2,303,885	Rs. 10	-	45.00
Chola FMP - Series 2 (Quarterly Plan II) - Cumulative		5,000,000	Rs. 10	-	50.00
HSBC Fixed Term Series 7 - Growth		2,500,000	Rs. 10	-	25.00
DSP Merrill Lynch Fixed Term Plan - Series 1B Growth		25,000	Rs. 1000	-	25.00
Reliance Fixed Maturity Plan Monthly Plan XI - Series II - Growth Option		5,000,000	Rs. 10	-	50.00
Birla Sweep Fund - Dividend - Reinvestment	400	20,287	Rs. 10	} 0.01	0.20
DWS Insta Cash Plus Fund	291	-	Rs. 10		
Principal Income Fund - Growth Option (Bonus Units)	384,485		Rs. 10		
			Sub Total	0.01	195.20
			Total	0.77	195.76

Schedules to Consolidated Accounts

As at 31st March, 2007

Notes:

During the year the following investments were purchased and sold:

Name of the Fund	No of Units
Birla Cash Plus - Sweep Plan Dividend - Reinvestment	131
Canliquid Fund - Institutional - Growth	5,856,463
Reliance Treasury Plan - Institutional Option - Growth Option	3,066,836
Reliance Treasury Plan - Retail Option - Daily Dividend Option	1,797,502
Reliance Liquidity Fund - Growth Option	4,986,122
BOB Liquid Fund - Growth Plan	17,670,241
Kotak Liquid (Institutional Premium) - Growth	41,357,604
Reliance Fixed Horizon Fund - Growth Option	20,305,681
Reliance Fixed Horizon Fund - Monthly Plan A - Series V - Growth Option	5,147,508
Reliance Fixed Horizon Fund - Monthly Plan A - Series VI - Growth Option	5,177,055
Reliance Fixed Horizon Fund I - Monthly Plan - Series I - Growth Option	5,208,635
Reliance Fixed Horizon Fund I - Monthly Plan A - Series II - Growth Plan	2,500,000
Reliance Fixed Horizon Fund I - Monthly Plan A - Series III - Growth Plan	2,515,900
Reliance Fixed Horizon Fund I - Quarterly Plan - Series II - Growth Plan	2,500,000
Reliance Fixed Horizon Fund - Quarterly Plan B - Series IV - Growth Option	5,095,350
Reliance Fixed Horizon Fund - Quarterly Plan B - Series II - Growth Option	5,000,000
Reliance Fixed Horizon Fund II - Monthly Plan - Series I - Institutional Growth Plan	2,500,000
Reliance Floating Rate Fund - Growth Plan - Growth option	4,783,113
Reliance Floating Rate Fund - Growth Plan - Growth option	2,208,899
LIC Mutual Fund - Growth Plan	25,247,282
LIC FMP Series 7 - 3 Months Growth Plan	5,000,000
Standard Chartered Liquidity Manager - Plus - Growth	39,588
Birla Sun Life Cash Manager - Institutional Plan - Growth	1,882,772
Birla Cash Plus - Instl. - Growth	2,591,217
Birla Cash Plus - Instl. Prem. - Growth	5,089,698
Birla FMP - Series 2 - Quarterly - Growth	682,062
DSP Merrill Lynch Liquid Plus Growth	28,797
DSP Merrill Lynch Liquidity Fund - Growth	1,645,707
HSBC Liquid Plus - Inst. - Growth	990,953
Prudential ICICI FMP Series 32 - Three Months Plan - A - Retail - Growth	5,000,000
Prudential ICICI FMP Series 32 - One Months Plan - A - Retail - Growth	2,500,000
Prudential ICICI FMP Series 32 - One Months Plan - D - Retail - Growth	2,516,250
Prudential ICICI Flexible Income Plan - Growth	5,002,730
Prudential ICICI Institutional Liquid Plan - Super Institutional Growth	9,530,835
Kotak Flexi Debt Scheme - Growth	17,856,199
Sahara Liquid Fund Variable - Growth	1,976
JM High Liquidity Fund - Growth Plan (13)	258,490
DWS Money plus Fund - Growth Option	12,773,751
DWS Insta Cash Plus Fund - Growth Option	8,827,298
DWS Insta Cash Plus Fund - Institutional Plan - Growth	4,515,203
HDFC FMP 3M May 2006 (1) - Institutional Plan - Growth	2,500,000
HDFC FMP 3M August 2006 (1) - Institutional Plan - Growth	2,542,200
HDFC Cash Management Fund - Savings Plan - Growth	3,362,583
HDFC Cash Management Fund - Savings Plus Plan - Growth	2,598,616
HDFC Cash Management Fund - Call Plan - Growth	1,266,213
DBS Chola Liquid Inst. Plus - Cumulative	6,426,798
DBS Chola Liquid Fund - Regular Cumulative	344,469
DBS Chola FMP - Series 3 (Qtrly Plan - III) - Cumulative	5,097,200
DBS Chola Freedom Income STP - Inst. - Cum - Org	2,808,004
UTI Liquid Cash Plan Institutional - Growth Option	46,157
Sundaram BNP Paribas Fixed Term Plan Series XI (90 Days) - Growth Plan	2,500,000
Sundaram BNP Paribas Money Fund Institutional - Apprn	1,633,768
GMTG GSSIF - Medium Term - Growth Option	880,173
Magnum Insta Cash Fund - Cash Option	603,016
Principal Income Fund Growth Plan	576,728
Optimix Active Debt Multi - Manager FOF Scheme - Growth	250,000
Principal Income Fund Short Term Plan Growth	196,317



Schedules to Consolidated Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 7	Current Year		Previous Year	
INVENTORIES				
Raw Materials (Include Rs. 20.13 millions in transit, (Previous year Rs. 13.99 millions))		236.98		180.24
Packing Materials (Include Rs. 0.20 million in transit, (Previous year Rs. 2.96 millions))		53.73		36.31
Semi- Finished Goods		106.39		103.71
Finished Goods (Include Rs. 11.22 millions in transit, (Previous year Rs. 7.29 millions))		425.09		355.58
Stores and Spares		22.42		22.11
Total		844.61		697.95
SCHEDULE 8				
SUNDRY DEBTORS (UNSECURED)				
Debts outstanding for period exceeding six months				
Considered good	129.57		76.80	
Considered doubtful	21.23		18.00	
	150.80		94.80	
Less: Provision for Doubtful Debts	(21.23)		18.00	
		129.57		76.80
Other debts - Considered Good		1,286.33		938.82
Total		1,415.90		1,015.62
SCHEDULE 9				
CASH AND BANK BALANCES				
Cash on Hand		0.80		1.06
Balance with Scheduled Banks				
In Current Accounts	55.38		42.40	
In Fixed Deposit Accounts	0.91		384.76	
In Unpaid Dividend Accounts	15.50		5.33	
		71.79		432.49
Balance with non Scheduled Banks outside India				
Balance with Foreign Banks		196.73		428.10
UKREXIMBANK (Maximum Balance during the year Rs. 2.78 millions (Previous year Rs. 2.51 millions))		0.90		1.13
SG-SSB Bank - Ghana (Maximum Balance during the year Rs. 0.42 million)		0.02		-
Turan Alem Bank, Almaty, Kazakhstan (Maximum Balance during the year Rs. 1.23 millions (Previous year Rs.0.51 million))		0.49		0.21
International Moscow Bank (Maximum Balance during the year Rs. 4.10 millions (Previous year Rs. 3.14 millions))		1.13		1.30
Total		271.86		864.29

Schedules to Consolidated Accounts

As at 31st March, 2007
(Rupees in millions)

SCHEDULE 10	Current Year		Previous Year	
LOANS AND ADVANCES (UNSECURED)				
Considered good unless otherwise stated				
Advances recoverable in Cash or in kind or for value to be received				
Considered Good	226.96		148.58	
Considered Doubtful	5.30		4.20	
	232.26		152.78	
Less : Provision for Doubtful Advances	5.30		4.20	
		226.96		148.58
Deposits				
Considered Good	28.57		26.89	
Considered Doubtful	-		0.01	
	28.57		26.90	
Less : Provision for Doubtful Deposits	-		0.01	
		28.57		26.89
Advance payment of Income Tax including tax deducted at source	149.33		116.83	
Balance with Excise Department	39.85		37.32	
		189.18		154.15
Total		444.71		329.62
SCHEDULE 11				
CURRENT LIABILITIES				
Due to Directors		20.89		12.51
Sundry Creditors		983.45		594.78
Investor education and protection fund				
Unclaimed Dividend	15.50		5.34	
Unpaid matured deposits	0.32	15.82	1.54	6.88
Other Current Liabilities		85.34		76.25
Interest accrued but not due on loans		0.01		0.89
Total		1,105.51		691.31
SCHEDULE 12				
PROVISIONS				
Provision for Income Tax		141.01		107.03
Provision for Employees benefit scheme		51.72		35.82
Provision for Incentives and Schemes		81.12		48.08
Proposed Dividend		-		180.02
Tax on Dividend		-		25.25
Total		273.85		396.20

Schedules to Consolidated Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 13	Current Year		Previous Year	
SALES/INCOME FROM OPERATIONS (GROSS)				
Sales		6,353.26		5,650.47
Export benefits		56.23		26.04
Sundries		38.09		15.63
Total		6,447.58		5,692.14
SCHEDULE 14				
OTHER INCOME				
Dividend received		0.07		2.38
Profit on sale of fixed assets		0.13		0.06
Miscellaneous Income		41.36		25.25
Exchange gain (Net)		-		4.04
Discounting Charges		5.56		1.72
Profit on sale of current investments		30.47		2.89
Excess Provision for expenses written back		28.48		4.02
Total		106.07		40.36
SCHEDULE 15				
MANUFACTURING, SELLING AND ADMINISTRATION EXPENSES				
Raw Materials Consumed		1,400.69		1,260.78
Packing materials, containers consumed		279.18		230.60
Stores and Spares consumed		64.69		49.11
Purchases of Finished goods		1,045.02		956.86
Manufacturing Charges		28.37		25.40
Payroll Expenses:				
Payments to and provision for employees				
Salaries, wages, Ex-gratia bonus and commission	813.95		646.45	
Contribution to Provident and other funds	50.39		47.95	
Employee's Welfare Expenses	28.42		19.84	
(Include Rs. 8.55 millions (Previous year Rs. 3.18 millions) of Employee's compensation expenses under ESOS 2004 Scheme.)		892.76		714.24
Power and Fuel		129.64		121.25
Rent		8.76		7.67
Insurance		22.72		20.57
Repairs:				
Plant and Machinery		23.27		28.93
Buildings		7.00		16.55
Others		35.98		24.91
Rates and Taxes		52.05		33.64
Advertising and sales promotion		490.26		434.81
Travelling and Conveyance		165.76		143.92
Freight outward		70.15		72.29

Schedules to Consolidated Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 15	Current Year		Previous Year	
Directors' Fees		0.50		0.51
Commission on sales		102.93		65.12
Loss on sale/scraping of assets		6.42		2.54
Exchange loss (Net)		2.43		-
Bad debts, loans, advances and deposits written off	3.93		0.27	
Less: adjusted out of provision for doubtful debts, loans, advances and deposits	(3.77)		(0.27)	
Provision for doubtful debts, loans, advances and deposits for the year		0.16		-
Establishment and Administrative Expenses		8.11		15.16
		316.29		290.61
		5,153.14		4,515.47
Increase/(Decrease) in stocks of semi finished and finished goods		2.53		(30.11)
Total		5,155.67		4,485.36
SCHEDULE 16				
RESEARCH & DEVELOPMENT EXPENDITURE				
Salaries, wages and Exgratia		53.26		34.25
Contribution to Provident fund and other Funds		2.87		2.11
Employee's welfare expenses		0.37		0.35
Rates and Taxes		2.21		2.21
Repairs:				
Plant and machinery		0.30		1.23
Buildings		1.38		2.30
Others		1.64		0.44
Power and fuel		6.51		5.13
Travelling and conveyance		4.30		2.20
Others		123.84		50.41
Total		196.68		100.63
SCHEDULE 17				
INTEREST				
Paid on:				
Fixed Deposits (Including Rs. 0.02 million paid to Director (Previous year Rs. 0.02 million))	0.23		1.82	
Debentures & other fixed loans	7.45		7.95	
Banks and others	17.19		28.47	
		24.87		38.24
Less: Interest earned (TDS deducted of Rs. 0.43 million (Previous year Rs. 0.33 million))		12.64		21.91
Total		12.23		16.33

Schedules to Consolidated Accounts

For the year ended 31st March, 2007
(Rupees in millions)

SCHEDULE 18

NOTES ON CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

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 (became 100% during the year) incorporated in United Kingdom and Unichem S. A. Proprietary (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 subsidiaries 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 (100%) Subsidiary Company incorporated in South Africa has different date of 28/02/2007 as a date of reporting than that of the parent Company.

3 The 'Manufacturing and Other Expenses' includes:

(Rupees in millions)

	Current Year	Previous Year
Niche Generics Ltd		
Product Development	76.57	43.16

Schedules to Consolidated Accounts

For the year ended 31st March, 2007
(Rupees in millions)

4 Establishment and Administrative expenses include payment to

	Current Year	Previous Year
Statutory Auditors of the Company		
Audit Fees	0.60	0.55
Tax Audit	0.20	0.15
Taxation & Company Law Matters		
Certification	0.40	0.42
Reimbursement of Expenses	0.08	0.05
Statutory Auditors of the Subsidiary		
Audit Fees	1.70	1.39
Cost Auditors of the Company		
Audit Fees	0.21	0.21
Certification	-	0.01
Reimbursement of Expenses	0.04	0.01
Total	3.23	2.79
5 Earnings in Foreign currency		
Export of Goods calculated on FOB basis	1,170.21	890.62
Insurance, Freight and other charges recovered	68.32	56.32
Sale of Samples	0.46	0.41
6 Expenditure in Foreign currency	120.69	98.21

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 Investment & Finance Pvt. Ltd.

AVM Investment Pvt. Ltd

M Investment Pvt. Ltd

Pranit Finance & Investment Co. Pvt. Ltd

Rudra Pharma Distributors Ltd

Viramrut Investment 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

Mrs. Nidhi Sharma

Mr. G. M. Cole (w.e.f. 5th March 2007)

Mr. L. M. Foster**

Mr. J. A. Josephs**

Mr. G. Ansell**

Mr. C. Moss**

** Resigned as Executive Directors on 14th December 2006



Schedules to Consolidated Accounts

For the year ended 31st March, 2007
(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
	2007	2006	2007	2006	2007	2006
Sales of goods, etc.			328.79	327.73	328.79	327.73
Rent & Maintenance paid	0.28	0.27	0.06	0.06	0.34	0.33
Managerial remuneration	77.09	68.03			77.09	68.03
Commission	20.90	12.51			20.90	12.51
Dividend paid	72.37	25.45	69.95	34.23	142.32	59.68
Interest paid	0.02	0.02			0.02	0.02
	170.66	106.28	398.80	362.02	569.46	468.30

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

Outstanding Balances	2007	2006	2007	2006	2007	2006
Deposits received	-	0.25			-	0.25
Deposits given	10.03	10.03			10.03	10.03
Debtors			101.11	100.22	101.11	100.22
	10.03	10.28	101.11	100.22	111.14	110.50

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	4,320.57	2,127.01	6,447.58

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, 2007
(Rupees in millions)

10	Earning Per Share has been computed as under:	Current Year	Previous Year
	Net Profit (Rs. millions)	701.36	776.10
	Weighted average number of Equity shares outstanding - Basic	36,007,629	34,357,213
	Weighted average number of Equity shares outstanding - Diluted	36,026,587	34,422,625
	Earning Per Share - Basic	19.48	22.59
	Diluted	19.47	22.55

- 11 The deferred tax liability for the current year amounting to Rs. 29.84 millions (Previous year Rs. 15.00 millions) & short provision for previous years accounted during the current 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
Deferred Tax Liability on account of Depreciation	877.90	747.34
Deferred Tax Assets Provision for Doubtful Debts, Advances and other disallowances u/s 43 B	44.15	33.90
	833.75	713.44
Tax	282.98	240.14

- 12 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.

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	March 31, 2007	March 31, 2007	February 28, 2007	March 31, 2007
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	26,86,827 Shares R\$ 1 each fully paid - up	19,000 shares of South African Rand 10/- each fully paid - up	12,11,955 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 31 st March 2007				
i) For the Subsidiary's financial year ended as aforesaid	GBP (17,76,809)	R\$ (13,20,836)	SAR (1,960)	US\$ (6,22,936)
ii) For the Previous financial years of the Subsidiary since it became Holding Company's Subsidiary.	GBP (27,71,022)	R\$ (11,59,524)	SAR (1,65,543)	US\$ (4,26,594)
B) Dealt with in the Holding Company's accounts for the year ended 31 st March, 2007				
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

For and on behalf of the Board of Directors

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007



Summary of Financials of Subsidiaries

(Rupees in millions)

Information on the financials of the Subsidiary Companies (as per the exemption letter of the Ministry of Company Affairs, Government of India)

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	255.68	409.04	675.67	10.95	-	906.20	(146.86)	(1.75)	(145.11)	-
Unichem S.A. (Proprietary) Ltd.	1.21	(1.06)	0.16	-	-	-	0.03	-	0.03	-
Unichem Farmaceutica Do Brasil Ltda	54.17	(49.85)	4.32	-	-	-	(27.36)	-	(27.36)	-
Unichem Pharmaceuticals (USA) Inc.	54.34	(47.26)	7.08	-	-	-	(27.47)	-	(27.47)	-

Notes:

1. The Ministry of Company Affairs vide its letter no. 47/228/2007-CL-III dated May 16, 2007 granted approval to the Company for not attaching the financials of Subsidiary Companies to the financials of the Company for the financial year 2006-07.
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.

For and on behalf of the Board of Directors

Rakesh Parikh
Vice President -
Finance

Dr. P. A. Mody
Chairman &
Managing Director

B. K. Sharma
Executive Director

Prafull Anubhai
Director

Mumbai
May 17, 2007





NOTICE is hereby given that the 44th Annual General Meeting of the members of UNICHEM LABORATORIES LTD. will be held on Thursday, the 19th day of July, 2007 at 3.30 p.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 to transact the following business.

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 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 confirm Interim Dividend of Rs. 5/- per Equity Share of Rs. 5/- each already paid for the year ended March 31, 2007.
3. To appoint a Director in place of Mr. Prafull D. Sheth, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Nasser Munjee, 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.

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 10, 2007 to July 13, 2007 (both days inclusive), for the purpose of Annual General Meeting.
4. Dividend for the financial year ended March 31, 2001, remaining

Our Vision:
**“To be a global
Pharmaceutical company
with increasing
focus on innovative
research and developed
markets”**



unpaid or unclaimed will be due for transfer to the Investor Education Protection Fund of the Central Government ('IEPF') later this year pursuant to provisions of Section 205A of the Companies Act, 1956. Members who have not encashed the dividend warrant(s) so far for the financial year ended 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 44th Annual General Meeting, Mr. Prafull D. Sheth and Mr. Nasser Munjee 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 D. Sheth

Mr. Prafull D. Sheth holds a Bachelors degree in Chemistry from University of Mumbai, Bachelors and Masters degrees in Pharmacy from University of Missouri, Kansas City, USA. He has served as Executive Vice-President and Member on the Board of M/s. Ranbaxy Laboratories Limited, and as President of Indian Pharmaceutical Association. He currently serves as Vice-President, International Pharmaceutical Federation, The Hague, The Netherlands and Professional Secretary, SEARPharm Forum, (South East Asian FIP-WHO Forum of National Pharmaceutical Associations), New Delhi. He has been on the Board of Unichem since 2003. He is the Chairman of the Compensation Committee of Unichem. Mr. Sheth does not hold directorship or committee membership in any other Company.

Profile of Mr. Nasser Munjee

Mr. Nasser Munjee holds a Bachelors degree from the University of Chicago and a Masters degree from the London School of Economics, U.K.

Prior to joining Development Credit Bank (DCB) as its Chairman, he was with the Infrastructure Development Finance Company Limited, India (IDFC Ltd.) as its Managing Director and CEO. His journey in creating financial institutions began with the Housing Development Finance Corporation Limited (HDFC Ltd.), whom he has been assisting since its inception in February 1978. In March 1993, he joined the Board of HDFC Ltd. as Executive Director with primary responsibility for resource mobilization, research, publications, training, communication and managing the Center for Housing Finance. He continues to be on the Board of HDFC Ltd. along with fourteen other companies and several other institutions as Chairman, Member of the Board or as a Trustee.

Mr. Munjee has a deep interest for rural development, housing finance, urban issues, specially the development of modern cities and humanitarian causes. He is a Technical Advisor on the World Bank – Public Private Partnership Infrastructure Advisory Fund, Member of the Board of Emerging Markets of South Asia Fund (EMSAF), Trustee on HSBC Asset Management Trust and an Advisor to Primary (Quantum) Real Estate Fund.

He is a member of the Goa Planning Board, Government of Goa, Special Invitee to the Managing Committee of the Goa Chamber of Commerce & Industry, Member of the Managing Committee of the Bombay Chamber of Commerce & Industry and also of CII, Western Region. He is a Trustee of Welham Boys School, Dehradun, Member of the Academic Council of Goa University, on the Board of Governors of the Narsee Monjee Institute of Managing Studies (NMIMS), Member and an Honorary Distinguished Professor at IIT, Kanpur.

None of the above Directors hold any shares in the Company.

By order of the Board,

Dr. Prakash A. Mody

Chairman & Managing Director

Mumbai

May 17, 2007



Glossary

ANDA	Abbreviated New Drug Application is a collection of supporting documents submitted to US FDA by an intending formulator, requesting approval to market a drug based on the US FDA's prior approval of the same drug to another Company.
API	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.
ANVISA	National Sanitary Surveillance Agency of Brazil.
cGMP	Current Good Manufacturing Practices
CIS	Commonwealth of Independent States
C-MARC	Centre for Marketing and Research Consultancy
CRM	Customer Relationship Management
CROs	Clinical Research Organizations
DMFs	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.
GMP	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.
KPO	Knowledge Process Outsourcing
KOL	Key Opinion Leaders
MHRA	UK Medicines and Healthcare Products Regulatory Agency
MCC	Medicines Control Councils, South Africa
R\$	Brazilian Reais
TGA	Therapeutic Goods Administration Regulatory from Australia
US FDA	United States Food and Drug Administration
WHO-GMP	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 44th Annual General Meeting of the Company at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 on Thursday, July 19, 2007 at 3.30 p.m.

Folio No. /D.P. & 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)



UNICHEM LABORATORIES LTD.

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

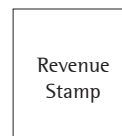
Proxy Form

I/We
of being a member(s) of the Company. 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 44th Annual General Meeting of the Members of the Company to be held on Thursday, July 19, 2007
at 3.30 p.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 and at any adjournment
thereof.

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

No of Shares held:

Signed this day of 2007



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 of 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.



Registered & Corporate Office

Unichem Laboratories Ltd.

Unichem Bhavan,

Prabhat Estate, Off S. V. Road,

Jogeshwari (West),

Mumbai - 400 102.

Tel: 022 66 888 333

Fax: 022 2679 4089 / 2678 4391 / 2678 8665



UNICHEM
LABORATORIES LTD.