

20th Annual Report

Preferred Partner in
Quality Health Care

SCALING NEW HEIGHTS



Bal Pharma Limited



Bal Pharma Limited



MANAGEMENT, BANKERS AND AUDITOR

Board of Directors

Mr. Shailesh Siroya	-	Managing Director
Dr. S. Prasanna	-	Whole-time Director
Mr. Shrenik Siroya	-	Non-executive Director
Dr. G.S.R. Subba Rao	-	Independent Director
Mr. Arun Bhan	-	Independent Director
Mr. N.D. Prabhu	-	Independent Director - upto 31-03-2007
Mr. David Rasquinha	-	Nominee Director - w.e.f. 09-03-2007

Company Secretary

Mr. S. Ramji

Registered Office

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Corporate Office

5th Floor, Lakshmi Narayan Complex,
10/1, Palace Road, Bangalore - 560052

Plant Locations

Unit I : Formulations

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit II : R & D Centre & Bulk Drugs

61/B, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit III : Parenterals

732/735, Off. National Highway No. 4,
Village Kenjal, Dist. Bhor, Maharashtra.

Formulations plant project at Uttaranchal

Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,
Rudrapur, Udham Singh Nagar, Uttaranchal - 263 153.

Bankers

Canara Bank
Punjab National Bank
ICICI Bank Ltd.,
EXIM Bank

Auditor

Ostawal & Jain

Registrar & Share Transfer Agent

TSR Darashaw Limited,
(previously Tata Share Registry Limited)
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road, Mahalaxmi Mumbai - 400 001

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ECS Mandate Form	Attached



NOTICE

NOTICE IS HEREBY GIVEN THAT the 20th (Twentieth) Annual General Meeting of the members of Bal Pharma Limited will be held at 4.00 p.m. on Thursday, the 20th September, 2007, at Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2007, and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon;
2. To declare dividend;
3. To appoint a Director in place of Mr. Arun Bhan, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Dr. S. Prasanna, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors and to authorise the Board to fix their remuneration;

SPECIAL BUSINESS:

6. To consider and if thought fit, pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 and the rules made hereunder and subject to the relevant Articles of Association of the Company, appointment of and the managerial remuneration paid in terms of Schedule XIII of the Companies Act, 1956, to Mr. A.R Hegde, Whole-time Director of the Company as recommended by the Remuneration Committee and the board for the period from 27th October, 2006 up to 8th June, 2007 for a total amount of Rs. 16,57,974/- (Rupees sixteen lakhs fifty seven thousand nine hundred and seventy four only) inclusive of salary and perquisites as explained hereunder are be and is hereby approved.

By order of the Board

Bangalore
31-07-2007

S. Ramji
Company Secretary

NOTES:

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE ON HIS / HER BEHALF. A PROXY NEED NOT BE A MEMBER.**

Proxy in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report;

2. For the convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance;
3. The Register of Members and Share Transfer Books of the Company will be closed for 10 Days from 11th September, 2007 to 20th September, 2007 (both days inclusive);
4. Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting;
5. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his / her queries to the Company at least 7 days prior to the meeting, so that the required information can be made available at the meeting;
6. Members may kindly recall their approval in the 17th AGM for introduction of ESOP in the Company. The formula for the exercise price under the scheme formulated is 50% of the closing price of the exchange in which the height trade volume took place on a day prior to the date on which the compensation committee under the scheme decided to grant the option.
7. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and transfer Agent M/s. TSR Darashaw Limited. Members holds shares in electronic form may intimate any such changes in their respective Depository participants (DPs).
8. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share



- certificates to the Company's Registrar and Share Transfer Agent;
9. Dividend, if declared, will be paid on or before 19.10.2007, to those members whose names appear on the Company's Register of Members as on the date of 20th AGM. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose;
10. Members are kindly requested to bring Annual Report along with them to the Annual General Meeting since extra copies will not be supplied at the meeting;
11. In order to protect the investors from fraudulent encashment of their dividend warrants or Demand Drafts, the Company hereby offers Electronic Clearing Services Facility to the shareholders having Bank Accounts at centres notified for ECS by RBI. RBI is continuously adding more centres for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is forwarded as detachable part of Annual Report. The Members from the ECS notified centres desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar and Share Transfer Agent, on or before 7th September, 2007.
12. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and thereafter the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 1994-95 and 1995-96 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The Company did not declare dividend for the financial years 1996-97, 1997-98 and 1998-99. The Members who have not encashed the Dividend Warrants for the financial years 1999-2000 onwards are requested to write to, TSR Darashaw Limited, the Registrars and Share Transfer Agents of the Company.

13. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.
14. An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item no. 6 are annexed hereto.

By order of the Board

Bangalore
31-07-2007

S. Ramji
Company Secretary

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

Item No. 6:

The Management was looking for a senior professional to guide and streamline the systems and operations of the Company. In this background, the Management had discussions with Mr. Amaranth R. Hegde, who was the Ex-Managing Director of Astra – IDL and had held senior positions in various leading Pharma companies including Pfizer, Hoechst and Ranbaxy. Mr. A.R. Hegde accepted the offer of the Management and hence based on the recommendation of the Remuneration Committee as per approval of the Board of Directors, the Company appointed Mr. Hegde as Whole-time Director and Chief Operating Officer of the Company on 25th September, 2006.

However due to personal reasons Mr. Hegde resigned from directorship on 30th April, 2007 and the Board accepted his letter of resignation in the Board meeting held on 31st May, 2007.

In terms of the provisions of the Companies Act, 1956 the appointment of Mr. A.R. Hegde as Whole-time Director and the managerial remuneration paid to him needs to approved by the shareholders. The remuneration was fixed keeping in mind his qualifications and experience as per industry norms and practices.

None of the Directors other than Mr. A.R. Hegde is concerned / interested in the said resolution.

By order of the Board
For **BAL PHARMA LIMITED**

Bangalore
31-07-2007

S. Ramji
Company Secretary



Your Directors have pleasure in presenting the 20th Annual Report together with the Audited Accounts of your Company for the financial year ended 31st March, 2007 :

1. FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars	2006-07	2005-06
1) Total Income	7861.31	7647.41
2) Profits before Depreciation and provision for Taxation	465.87	520.73
Less:		
3) Depreciation	142.50	117.79
4) Profits before Taxation and prior year adjustments	323.37	402.94
Less:		
5) Provision for Taxation	32.89	37.78
6) Fringe Benefit Tax	15.65	22.72
7) Deferred Tax	65.69	3.96
8) Extraordinary / Non recurring items	—	41.40
9) Prior year adjustment	7.45	4.50
	(-)121.68	(-) 110.36
	201.69	292.58
Add:		
10) Profit & Loss Account balance at the beginning of the year	468.22	267.51
11) Profit made available for appropriation	669.91	560.09
Less:		
12) Dividend on Preference Shares	—	2.23
13) Proposed Dividend on Equity Shares	78.34	78.34
14) Tax on dividends	13.32	11.30
	-91.66	-91.87
15) Balance Carried to Balance Sheet	578.25	468.22

2. DIVIDEND

In view of the satisfactory results and at the same time keeping in view the requirement of resources for the ongoing current expansion, the Directors are pleased to recommend payment of dividend of 7.5% (Rs. 0.75 per equity share of Rs. 10/- each) as in the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS:

Industry Structure and Development, Opportunities, Threats and Outlook

The Indian economic and business environment has witnessed a sea of change and pharma industry is no exception. The Indian pharma industry is all set for tremendous growth, with western manufacturers seeking to shift jobs to India to reduce cost and to tap the skilled professionals available here. In the European and US pharmaceutical markets, many products are heading toward generics, and India's share in the world pharma market is expected to grow to 10% by the year 2010. There is also a very high momentum in Japan, the world's second largest pharma market at US \$ 60 billion to bring down the health care cost and this provides excellent opportunity for Indian Pharma Industry. There is a significant increase in international business both from regulated as well as semi regulated market. On the domestic front many Companies are focusing on R&D and new innovative products are expected in the market.

4. BUSINESS OPERATIONS:

Your Company achieved a overall turnover of Rs. 78.61 crores. as compared to previous year figure of Rs. 76.47 crores, registering a marginal growth of 3%. The slow rate of growth is attributable to various factors such as strengthening of the Indian rupee and also high level competition in the generic segment of business due to influx of production from various excise free zones. This has brought down the Company's turnover in the zennova division to 10 % of the peak turnover since the introduction of the MRP based excise duty regime. The Company has already geared upto meet this challenge and our new plant in the excise free zone at Uttranchal should be operational shortly.

The Company's operational profit before taxation is at Rs. 3.16 crores as against the previous year's figure of Rs. 3.98 crores. The previous year profit included a sum of Rs. 0.96 crore from profit on sale of investments. The appreciation of Rupee against dollar also adversely affected our profit margin on export business.

The Companies' branded formulation business mainly diabetic and cardiac products registered an increased turn over of 31 crores as compared to 28 crores (an increase of



22%). Various new products were launched during the year and Pantofix group of products and Zanozole launched in 2006 are getting established as big brands. Further this has given the Company an entry in to Gastro-segment. A new product Diagrm-40 and 80 launched for better Management of diabetics is gaining very good acceptance among the doctors. "Lipofix-R" which is a combination of two times tested molecules is also getting excellent response. We are focussing on creative marketing on specific segments to achieve rapid sales increase and build ourseleves into a formidable force.

The Ayurvedic Division registered a growth of 24% and is likely to increase the sales rapidly in future by innovative marketing approach. Two new products "Menoleap" & "Anarsha" have been launched in the markets and are getting good response from Allopathic as well as Ayurvedic doctors.

Bulk Drugs continued to operate at high capacity and we were also successful in getting our products registered in the most difficult markets of Japan and also increase our presence in various new markets in Europe. The Company has geared for TGA Australia audit and the same would be received shortly.

Inspite of the strengthening of the Rupee our Export formulations have registered a significant growth of 36% as compared to last year and we have been able to extend our product reach to various new markets in Latin America, Africa and Asia..

The new project to manufacture formulations in Uttranchal is progressing well and trial productions are planned shortly.

5. RESEARCH & DEVELOPMENT:

Pharma industry is a business driven by research and your Company has a well developed Govt. approved in house R & D facility. During the year the R & D division has developed laboratory scale processes for the manufacture of the various new products.

One of the major R & D project is back ward integration for the manufacture of intermediate for "Gliclazide". The R & D team has successfully prepared this intermediate in the laboratory and is poised to scale up the process. In this connection BAL Pharma has received funding for pilot plant studies and scale up from the department of scientific and industrial research, Govt. of India. This would enhance our competitiveness in various markets against the Chinese Competitor.

A 300 Mhz Nuclear Magnetic Resonance Spectrometer was installed in May, 2006. This advanced equipment is of great use to the R & D activities of the Company. The Company is now poised to enter the custom synthesis as contract research opportunities opening up in India.

The R & D divison was actively involved in assisting our production departments for process improvements and the regulatory section for impurity synthesis and compliance function.

6. AUDIT COMMITTEE:

The Audit Committee, a sub-committee of Board consisted of Mr. N.D. Prabhu, Independent Director, Dr. G.S.R. Subba Rao, Independent Director and Mr. Shrenik Siroya, Non-executive Director. The said Committee has been re-constituted since Mr. N.D. Prabhu has resigned from the Directorship of Bal Pharma Limited and Mr. David Rasquinha nominee Director of EXIM Bank has been appointed as Member in Audit Committee in his place.

This committee headed by Dr. G.S.R. Subba Rao has been discharging its duties under SEBI Guidelines read with the listing agreement. The said committee is also functioning as Audit committee under Section 292A of The Companies Act, 1956.

7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed Management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs G.V. Sundar & Company, Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there are no audit observations of major importance in respect of areas carried out by them.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with



reference to statement of Accounts for the financial year ended 31st March, 2007:

- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and Loss Account of the Company for the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing / detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on going concern basis.

9. SUBSIDIARY COMPANY:

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary Company is given as Annexure forming part of the Director' Report.

10. PARTICULARS OF EMPLOYEES:

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is annexed and forms part of this report.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgoings are given in Annexure forming part of the Directors Report.

12. PUBLIC DEPOSITS:

As on date of the Report, the Company has not accepted any public deposits.

13. DIRECTORS:

The Board on date consists of 6 Directors, 4 of whom are non-executive Directors and 3 of whom are Independent Directors. Mr. Arun Bhan and Dr. S. Prasanna retire by rotation at the 20th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Your Directors have pleasure in recommending their re-appointment.

14. AUDITORS:

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for reappointment.

15. APPRECIATION:

The Directors place on record their appreciation of the co-operation and guidance provided by Canara Bank, Punjab National Bank, Exim Bank, ICICI Bank, and other Banks and financial institutions, members of the medical profession, customers, suppliers and other business associates. Your Directors also place their appreciation of the good work rendered by all the employees. The Directors express their gratitude to all shareholders for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Bangalore
30th June, 2007

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director



ANNEXURE I

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended 31st March, 2007:

1. Conservation of Energy

A. POWER AND FUEL CONSUMPTION

		2006-07	2005-06
1. Electricity			
(a) Purchased Units	(kwhr)	1,999,804	1,845,520
Total Amount	(Rs.)	9,479,542	7,928,235
Rate/Unit	(Rs.)	4.74	4.30
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	213,705	145,355
Units per ltr of Diesel	(kwhr)	2.91	2.82
Cost/unit	(Rs.)	12.94	12.52
(ii) Through Steam Turbine/Generator		nil	nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Standards * (if any)	2006-07**	2005-06**
(i) Electricity		
(ii) Furnace Unit		
(iii) Coal		
(iv) Others		

* Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production;

** For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.

2. Disclosure of particulars with respect to Technology absorption:

1. Research and Development (R & D)	
(a) Specific areas in which R & D is carried by the Company	The Company's research activities are focused towards developing new molecules / active pharmaceutical ingredients (APIs) as medicines.
(b) Benefits derived as a result of	R & D team has been successful in lab scale backward integration for the manufacture of intermediate for "Gliclazide".
(c) Future plan of action	Scaling up the above for commercial production
(d) Expenditure on R & D during the financial year ended 31st March, 2007:	(Rs. in Lakhs)
(i) Capital	102.72
(ii) Recurring	65.34
(iii) Total	168.06
(iv) Total R & D expenditure as a percentage of total turnover	2.13%

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	Continuous efforts are under way to improve quality and yield and add more products.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.,	Cost saving, improvement in yield, product development and increased turnover.
(iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be furnished:	
(a) Technology imported	Nil
(b) Year of import	Nil
(c) Has the technology been fully absorbed	Not applicable
(d) If not fully absorbed, areas where this has not taken place, reason therefore and future plan of action	Not applicable

4. Total Foreign Exchange Earnings and Outgo:

	2006-07	2005-06
	Rs.	Rs.
Total Foreign Exchange Earnings	265,555,885	170,429,804
Total Foreign Exchange Outgo	129,653,742	122,723,622
(a) Raw Materials	125,654,110	118,360,287
(b) Other Foreign currency payments		
(i) Travelling Expenses	676,300	797,198
(ii) Export Promotion Expenses	653,895	1,293,505
(iii) Others – Capital import	2,669,437	2,272,632

5. Statement pursuant to Section 212 of the Companies Act, 1956 :

(1) Name of the Company	Novosynth Research Labs Pvt. Ltd.,
(2) The financial year of the subsidiary Company ended	31 st March, 2007
(3) Date from which it became subsidiary	10th August, 2001
(4) Number of shares held by Bal Pharma Ltd., with its nominees in the subsidiary Company at the end of the financial year of the subsidiary Company	346 shares of Rs. 1000/- each
(5) Extent of interest of holding Company at the end of the financial year of the subsidiary Company	100%
(6) Net aggregate amount of the subsidiary Company's profits (loss) so far it concerns the members of holding Company	
(a) Not dealt within the holding Company's accounts:	
(i) for the financial year ended 31.03.2007	Nil
(ii) for the previous financial years	Nil
(b) Dealt within the holding Company's accounts:	
(i) for the financial year ended 31.03.2007	Nil
(ii) for the previous financial years	Nil

ANNEXURE II

Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975

Sl.No.	Name & Designation	Qualification	Age	Gross Remuneration (Rs.)	Date of Commencement	Total Experience	Last Employment	Share holding
1 *	Shailesh Siroya Managing Director	MBA	40	36,00,000	01.08.1994	15 years	Business	6.24%
2 **	Amaranath Hegde Chief Operating Officer	M.Pharma, DMS	65	12,40,000	25.09.2006	40 years	Astra Ltd	0%

* Mr. Shailesh Siroya is relative of Mr. Shrenik Siroya Non-Executive Director of the Company.

** Mr. Amaranath Hegde resigned and his resignation was accepted at the Board meeting held on 31.05.2007.

for and on behalf of the Board of Directors

Bangalore
30th June, 2007

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

**REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2006-07**

In the fast changing business scenario, good Corporate Governance helps in achieving long term corporate goals of enhancing stake holder's value. Corporate Governance focuses on commitment to values adhering to ethical business practices. This includes corporate structures, culture, policies and the manner in which the corporate entity deals with various stake holders, with transparency are the key word. Accordingly, timely, adequate and accurate disclosures of information on the performance and ownership form the cornerstone of Corporate Governance.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company is committed to customer satisfaction and enrichment of shareholders' value and strongly believes that good Corporate Governance and best Corporate Practices are the key tools for increasing the value and wealth of the shareholders.

The Company's philosophy on Corporate Governance aims at attaining the highest level of transparency, accountability towards its stakeholders, including shareholders, employees, the government and lenders and to maximise the returns to shareholders through creation of wealth on sustainable basis.

2. BOARD OF DIRECTORS:

The constitution of the Board aims at ensuring Directors commitment to participate in the affairs of the company with understanding and competence to deal with current and emerging business issues.

The Board comprises of 8 (eight) Directors as on 31st March, 2007, with a Managing Director, 2 (two) Whole-time Directors, 4 (four) non-executive Directors and 1 (one) nominee Director. 50% of the Board comprises of Independent Directors. During the financial year under review, 6 (six) Board meetings were held on 30.04.2006, 30.06.2006, 27.07.2006, 31.07.2006, 27.10.2006 and 31.01.2007. Composition of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their chairmanship / membership on Boards / Committees during the financial year 2006-07 are as given below:

Sl No	Name of the Director	Category	Attendance at		Total Number of Directorships in Boards of Public Limited Companies on the date of this report	Total Number of memberships in Committees of Public Limited Companies on the date of this report	
			Board Meetings	Last AGM on 20.09.2006		As Chairman	As Member
1	Mr. Shailesh Siroya	Executive	5	Yes	2	-	3
2	Dr. S. Prasanna	Executive	5	Yes	1	-	-
3	Mr. Shrenik Siroya	Non-executive	5	Yes	7	-	2
4	Dr. G.S.R. Subba Rao	Independent	3	Yes	1	2	1
5	Mr. N.D. Prabhu	Independent	5	Yes	6	5	3
6	Mr. Arun Bhan	Independent	3	Yes	nil	nil	nil
7	Mr. A.R. Hegde	Executive	1	nil	nil	nil	nil
8	Mr. David Rasquinha	Nominee Dir.	nil	nil	3	nil	1

NOTES :

1. Mr. A.R. Hegde was appointed as Whole-time Director w.e.f. 27.10.2006.
2. Mr. David Rasquinha was appointed as Nominee Director (Exim Bank) w.e.f. 09.03.2007.

3. AUDIT COMMITTEE:

As a measure of good Corporate Governance and to provide assistance to the board of Directors in fulfilling the boards, overall responsibilities, an Audit Committee has been constituted by the Board comprising of three Directors, all being non-executive and majority of them are Independent Directors. The Chairman of the Audit Committee is an independent Director. The Company Secretary acts as the secretary to the Audit Committee.

3.1 The Audit Committee consists of the following members as on 31st March, 2007:

Sl No.	Name of the Member	Category
1	Mr. N.D. Prabhu, Chairman *	Independent Director
2	Dr. G.S.R. Subba Rao, Member	Independent Director
3	Mr. Shrenik Siroya, Member	Non-executive Director

* Mr. N.D. Prabhu resigned on 01.04.2007 and Mr. G.S.R. Subba Rao was appointed as Chairman and Mr. David Rasquinha was inducted after 31.03.2007.

The primary objective of the Audit Committee is to monitor and provide effective supervision of our financial reporting process with a view towards ensuring accurate, timely proper disclosure and the transparency, integrity and quality of financial reporting. Our Audit Committee oversee the work carried out in the financial reporting process – by our management, the internal auditors and the independent auditors – and reviews the process and safe guards employed by each.

3.2 The Audit Committee meetings were held during the year 2006-07 on 30.04.2006, 30.06.2006, 31.07.2006, 27.10.2006 and 31.01.2007 and the attendance of the members are as given below:

Sl No.	Name of the Member	Number of meetings attended
1	Mr. N.D. Prabhu, Chairman	5
2	Dr. G.S.R. Subba Rao, Member	3
3	Mr. Shrenik Siroya, Member	4

The terms of reference of the Committee also cover the matters specified under Section 292A of the Companies Act, 1956.

**4. REMUNERATION COMMITTEE AND REMUNERATION TO DIRECTORS:**

- 4.1 Remuneration Policy: The Managerial Remuneration to Executive Directors of the Company is paid in terms of all applicable provisions / schedules of the Companies Act, 1956, and the rules made thereunder;
- 4.2 Remuneration Committee was constituted on 26.04.2003 and is presently functioning with the following members:

SI No.	Name of the Member	Category
1	Dr. G.S.R. Subba Rao, Chairman	Independent Director
2	Mr. N.D. Prabhu, Member	Independent Director
3	Mr. Shrenik Siroya, Member	Non-Executive Director

Note : Mr. N.D. Prabhu has been resigned w.e.f. 01.04.2007 & Mr. Arun Bhan has been appointed in his place.

- 4.3 The terms of reference of the Committee cover the matters specified under Clause 49 of the Listing Agreement with the Bombay Stock Exchange and National Stock Exchange. The Committee also functions as 'Remuneration Committee' under Schedule XIII of the Companies Act, 1956;
- 4.4 The Committee was also authorised to function as 'Compensation Committee' under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- 4.5 The remuneration paid to Mr. Shailesh Siroya, Managing Director, Dr. Prasanna, Whole-time Director and sitting fee paid to Non-executive Director and independent Directors are as under:

SI No	Particulars	Mr. Shailesh Siroya Rs.	Dr. S. Prasanna Rs.	Mr. Shrenik Siroya Rs.	Mr. N.D. Prabhu Rs.	Dr. G.S.R. Subba Rao Rs.	Mr. Arun Bhan Rs.	Dr. A.R. Hegde Rs.
1	Salary & Perquisites	36,00,000	18,00,000	N.A.	N.A.	N.A.	N.A.	16,57,974
2	Sitting Fees	N.A.	N.A.	12,000	28,000	25,000	5,000	N.A.
	Total	36,00,000	18,00,000	12,000	28,000	25,000	5,000	16,57,974

5. SHAREHOLDERS' AND INVESTORS' GRIEVANCES COMMITTEE:

- 5.1 The Committee consists of the following members of the Board:

SI No.	Name of the Member	Category
1	Dr. G.S.R. Subba Rao, Chairman	Independent Director
2	Mr. N.D. Prabhu, Member	Independent Director
3	Mr. Shailesh Siroya, Member	Managing Director

Note : Mr. N.D. Prabhu resigned w.e.f. 01.04.2007 and Mr. Shrenik Siroya was appointed in the place.

- 5.2 The terms of reference of the Committee cover the matters specified under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd.;
- 5.3 The Committee regularly meets every fortnight to dispose of the matters under its reference;
- 5.4 Name and designation of the Compliance Officer : Mr. S. Ramji, Company Secretary;
- 5.5 Investor complaints handled:

Year	Opening balance as on 01.04.2006	Received	Resolved	Pending as on 31.03.2007
2006-07	NIL	146	146	NIL

6. OTHER COMMITTEES :**6.1 Banking Transaction Committee**

Considering the size and the continuous growth of a sub-Committee of Directors, named Banking Transactions Committee was constituted on 30th April, 2006 for approving specific Banking Transactions illustrated below. The Committee comprises Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director:

- To review periodically the banking transactions of the Company;
- To open new bank accounts for the business purposes of the Company, wherever required;
- To close bank accounts of the Company, where required;
- To change signatories to the bank accounts of the Company, where required;
- To borrow funds from various Banks and financial institutions, not exceeding Rs. 50, 00,000 (Rupees Fifty Lakhs only) for purchase of immoveable assets like motor vehicles and utilities and to create charge on these assets;

7. GENERAL BODY MEETINGS:

- 7.1 The last 3 Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2003-04	23-09-2004	16.00 hrs	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.
2004-05	23-09-2005	16.00 hrs	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.
2005-06	20-09-2006	11.30 hrs	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.



7.2 The special resolutions passed by the Company at its 17th, 18th and 19th Annual General Meeting(s) held on 23.09.2004, 23.09.2005 and 20.09.2006 are as under:

Date of AGM	AGM No.	Business Transacted by Special Resolution
23.09.2004	17	<ol style="list-style-type: none"> 1. Re-appointment of Mr. Shailesh Siroya, Managing Director; 2. Amendment to Article 3 (Capital Clause) of Articles of Association; 3. Issue of a maximum of 10,30,000 Equity Shares of Rs. 10/- each at a price not less than price arrived at in accordance with Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000, on preferential basis; 4. Introduction of Bal Pharma Ltd., Employee Stock Option Scheme to employees of the Company; 5. Introduction of Bal Pharma Ltd., Employee Stock Option Scheme to employees of the Subsidiary / Holding Company of Bal Pharma Ltd.,; 6. Issue of 34,00,000 Equity Shares of Rs. 10/- each on Rights basis at a premium not exceeding Rs. 20/-; 7. Amendment to Articles of Association for introduction of new Articles on (i) Employee Stock Option Scheme and Employee Stock Purchase Scheme, (ii) Buy Back of Shares, and (iii) postal ballot;
23.09.2005	18	<ol style="list-style-type: none"> 1. Authorising the Board to determine the sitting fee payable to Non-Executive Directors for attending Board Meetings and Committee Meetings within the limits prescribed under Companies Act, 1956.
20.09.2006	19	<ol style="list-style-type: none"> 1. Revision in remuneration of Mr. Shailesh Siroya, Managing Director. 2. Revision in remuneration of Dr. S. Prasanna, whole time Director.

8. POSTAL BALLOT:

The Company has not passed any resolution by way of Postal Ballot during the financial year 2006-07;

9. DISCLOSURES:

Messrs. Desa Marketing International, Bangalore, under an agreement with the Company, provides service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya, Managing Director, is interested in the said agreement and the said agreement was approved by the Central Government.

10. MEANS OF COMMUNICATIONS:

Unaudited quarterly / half yearly financial results are published in widely circulating national dailies. Press release on the highlights of the quarterly/half yearly results is also given. These are, however, not sent individually to the shareholders. The results are also promptly forwarded to Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd., wherein the shares are listed. As per requirement of Clause 51 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern etc., are being provided to the website www.sebiedifar.nic.in. During the financial year, the Company has not made any presentation to the institutional investors or analysts.

11. GENERAL SHAREHOLDER INFORMATION:

SI No.	Item	Particulars
1.	Date of Incorporation	19th May, 1987
2.	Date and Time of Annual General Meeting	20th September, 2007 at 4 p.m.
3.	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560 001
4.	Date of Book Closure	11.09.2006 to 20.09.2006 (both days inclusive)
5.	Financial Calendar	01.04.2007 to 31.03.2008
6.	Financial reporting for the first quarter ended 30.06.07	Last week of July, 2007
7.	Financial reporting for the second quarter ended 30.09.07	Last week of October, 2007
8.	Financial reporting for the third quarter ended 31.12.07	Last week of January, 2008
9.	Financial reporting for the year ended 31.03.08	Last week of April, 2008
10.	Listing on Stock Exchanges	Bombay Stock Exchange Ltd., (BSE) National Stock Exchange of India Ltd., (NSE)
11.	Stock Code	BSE Scrip Code - 524824 NSE symbol - BALPHARMA
12.	ISIN Number	INE083D01012
13.	Dividend payment date	On or before 19.10.2007
14.	Outstanding GDR / ADR Warrants	Not Applicable



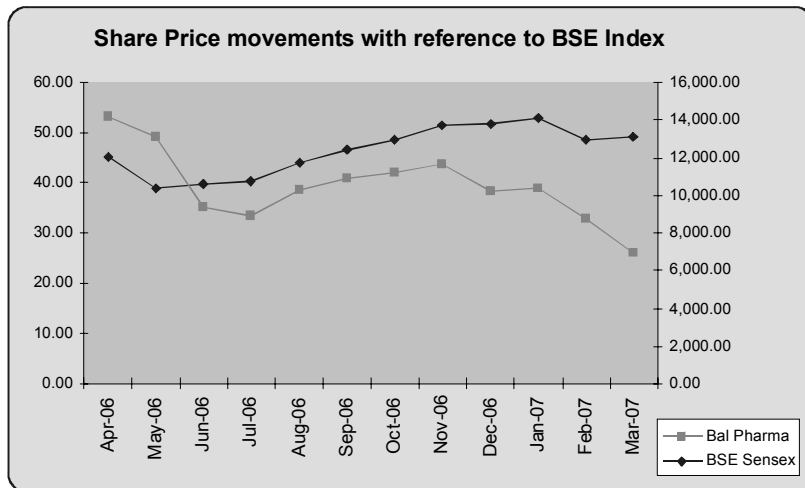
12. MARKET PRICE DATA:

Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd., during 2006-07 are as under:

Month	High (Rs.)	Low (Rs.)	Volume
April 2006	56.00	47.00	342375
May 2006	64.90	45.55	1436807
June 2006	49.00	30.25	503,998
July 2006	40.85	30.00	301026
August 2006	42.70	31.80	677502
September 2006	40.95	36.10	706433
October 2006	45.05	37.70	739111
November 2006	45.10	36.00	922582
December 2006	45.60	36.30	723828
January 2007	41.75	37.70	720113
February 2007	39.95	32.05	157406
March 2007	33.45	24.20	294412

Share price movements with reference to BSE Index.

Performance of the share price of the Company in comparison to BSE Sensex is as under:



(Source : www.bseindia.com)

13. SHARE TRANSFER SYSTEM:

13.1 Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Demat Requests are processed within 21 days from the date of electronic request. The Shareholders and Investors Grievances Committee whose terms of reference includes approving transfer of shares meets every fortnight. Besides, the Company also engages a Practising Company Secretary to carry out periodical audits.

13.2 Registrars and Share Transfer Agents:

TSR Darashaw Limited,
 (previously Tata Share Registry Limited)
 6-10, Haji Moosa Patrawala Industrial Estate
 20 Dr. E. Moses Road, Mahalaxmi Mumbai - 400 001,
 Tel : 91-22-66568484, Fax : 91-22-66568494, Email: csg-unit@tsrdarashaw.com

Shareholders can also contact the branch offices of TSR Darashaw Limited whose addresses are given below:

- i. TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore - 560 001,
 Tel: 080-25580019/25320321, Fax: 080-25580019, Email: tsrdlbg@tsrdarashaw.com
- ii. TSR Darashaw Limited, Bungalow No: 1 E Road, N Town, Bistupur, Jamshedpur - 831001,
 Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com
- iii. TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata - 700071.
 Tel: 033-22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com
- iv. TSR Darashaw Limited, Plot No: 2/42, Sant Vihar, Ansari Road, Darya Gunj, New Delhi - 110002,
 Tel: 011-23271805, Fax: 011-23271802, Email: tsrdldel@tsrdarashaw.com



13.3 Statistics under physical transfers during the period 01.04.2006 to 31.03.2007

Sl. No.	Process Period	No. of Transfers	% to total Transfers	No. of Shares	% to total Capital
1	1 - 10 days	64	62.75	15,076	0.14
2	11 - 15 days	37	36.27	7,121	0.07
3	16 - 20 days	—	—	—	—
4	21 - 25 days	1	0.98	500	—
5	26 - 30 days	—	—	—	—
6	Beyond 30 days	—	—	—	—
	Total	102	100	22,677	0.21

14. DISTRIBUTION OF SHAREHOLDING:

DISTRIBUTION OF SHAREHOLDINGS AS ON 31.03.2007

Sl. No.	No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1	1 TO 500	7,364	85.63	1,171,700	11.22
2	501 TO 1000	661	7.69	546,750	5.23
3	1001 TO 2000	314	3.65	491,548	4.71
4	2001 TO 3000	83	0.97	214,952	2.06
5	3001 TO 4000	47	0.55	169,546	1.62
6	4001 TO 5000	35	0.41	165,900	1.59
7	5001 TO 10000	44	0.51	317,118	3.04
8	ABOVE 10000	52	0.60	7,368,710	70.54
	Total	8,024	100.00	10,446,224	100.00

15. CATEGORIES OF SHAREHOLDING:

Distribution Schedule – categorywise as on 31st March, 2007

Sl. No.	Category	No. of Shareholders	No. of Shares held	% to Capital
1	FII	—	—	—
2	Non-Resident	53	794,232	7.60
3	Other Banks	1	1,800	0.02
4	Mutual Fund	1	200	0.00
5	Bodies Corporate	285	651,744	6.24
6	Promoters, Directors and relatives	29	5,399,079	51.68
7	Indian Public	8,231	3,599,169	34.46
	Grand Total	8,600	10,446,224	100.00

16. DEMATERIALISATION OF SHARES AND LIQUIDITY:

The Company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the Company's shares. The ISIN number allotted for the Company is INE 083D01012.

17. DEMAT PROCESSING SYSTEM:

Demat processed during the period 01.04.2006 to 31.03.2007

Sl No.	Process period	No. of demat requests	% to total requests	No. of Shares	% to total capital
1	1 - 7 days	120	59.70	28,097	0.28
2	8 - 10 days	81	40.30	21	0.20
3	11 - 15 days	—	—	—	—
4	16 - 20 days	—	—	—	—
5	21 - 25 days	—	—	—	—
6	26 - 30 days	—	—	—	—
7	Beyond 30 days	—	—	—	—
	Total	201	100.00	28,168	0.48



18. DETAILS OF DEMAT THROUGH THE DEPOSITORIES:

Holding breakup in NSDL and CDSL as on 31.03.2007

Sl.No.	Depository Name	Number of Shareholders	No. of shares Dematerialised	% to Capital
1	NSDL	4,988	69,53,048	66.56
2	CDSL	1,552	12,88,325	12.34
	TOTAL	6,540	82,41,373	78.90

19. EMPLOYEES ACCESS TO AUDIT COMMITTEE (WHISTER BOWLER POLICY):

As per the requirement of Clause 49 of the Listing Agreement, the Company has issued a circular informing the employees about their right to access Audit Committee for the purpose of bringing to the Committee's notice unethical or improper practices in the Company. The Company affirms that no employee has been denied access to the Audit Committee.

20. NON MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

(1) (a) Non Executive Chairman (b) Tenure of Independent Directors	The Company has no Non-Executive Chairman None of the Independent Directors are on Board for more than 9 years on date
(2) Remuneration Committee	The Board constituted a Remuneration Committee, a Sub-Committee of the Board.
(3) Audit qualifications	The statutory financial statements of the Company are unqualified.
(4) Whistle Blower Policy	A whistle blower policy is in place

The Company is keen and will be implementing other Non-mandatory requirements in phases in due course.

21. ADDRESS FOR CORRESPONDENCE:

Mr. S. Ramji, Company Secretary & Compliance Officer, Bal Pharma Limited,
Corporate Office : 5th Floor, 'Lakshmi Narayan Complex', 10/1, Palace Road, Bangalore - 560052
Tel : 080 - 41379500, Fax : 080 - 22354057, e-mail : secretarial@balpharma.com

CERTIFICATE

To the Members of Bal Pharma Limited

- I have examined the compliance of conditions of Corporate Governance by Bal Pharma Limited for the year ended 31st March, 2007, as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchange, Mumbai.
- The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.
- I 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.
- I state that in respect of investors' grievances received during the year ended 31st March, 2007, no investor grievances are pending against the Company as on 31st March, 2007, as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

Bangalore
30th June, 2007

Vijayakrishna K.T.
Practising Company Secretary
FCS – 1788;
CP – 980



To the Members of **M/s. Bal Pharma Limited**

We have audited the attached Balance Sheet of Bal Pharma Limited as at 31st March, 2007, the Profit and Loss Account for the year ended on that date annexed thereto and the 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Act to the extent applicable;
- (v) On the basis of the written representations received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Act; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said

accounts, together with the notes thereon and attached thereto and subject to Note No. 14 regarding non-confirmation of balances in parties accounts and pending review of old balances, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company, as at 31st March, 2007;
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Ostawal & Jain**
Chartered Accountants

Bangalore
Date : 30th June, 2007

T.D. Jain
Partner

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Paragraph 3 of the report of the Auditors to the members of Bal Pharma Limited for the year ended 31st March, 2007:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by Management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and we have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.
2. The stock of inventory has been physically verified during the year by the Management at reasonable intervals. In our opinion, the procedures of physical verification of inventory followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of stocks as compared to book records were not material; however, the same has been properly dealt with in the books of account.
3. a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Sub-Clauses (b), (c) and (d) of Clause 4(iii) of the Order are not applicable.
b) The Company has taken interest free unsecured loans, from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The



- Company has taken unsecured interest free loan from its Directors. The maximum balance outstanding during the year was Rs. 35,32,329/- and the year end balance of loan was Rs. 35,32,329/-.
- c) Based on the information received and the explanations given, the terms and conditions of the loan are prima facie not prejudicial to the interest of the Company.
- d) As informed to us, the repayment of principal amount was not due during the year.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. In our opinion, there is no continuing failure to correct major weaknesses in internal control.
5. In our opinion, and according to the information and explanations given by the Management, we are of the opinion that contracts and arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act; and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determining whether they are accurate and complete.
9. According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
10. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31st March, 2007 for a period of more than six months from the date they became payable.
11. According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure 1 to this report.
12. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
13. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
14. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, Clause 4(xii) of the Order is not applicable.
15. The Company is not a chit fund, nidhi or mutual benefit fund / society. Accordingly, Clause 4 (xiii) of the Order is not applicable.
16. Accordingly to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly Clause 4(xiv) of the Order is not applicable
17. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
18. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
19. According to the information and explanations given to us, and on an overall examination of Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.
20. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, Clause (xviii) of the Order is not applicable.
21. The Company has not issued any debentures. Hence the requirements of Clause (xix) of Paragraph 4 of the Order are not applicable to the Company.
22. The Company has not raised any money by way of public issue during the year.
23. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Ostawal & Jain**
Chartered Accountants

Bangalore
Date : 30th June, 2007

T.D. Jain
Partner



Annexure I as referred to in para 11 of annexure to the auditor's report:

Name of the Statute	Nature of the dues	Amount in Rs.	Period to which amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Central Excise Duty and Penalty	8,68,598	2000-01	Customs, Excise, Service Tax Appellate Tribunal, Mumbai
The Kerala General Sales Tax Act, 1963	Local Sales Tax	7,49,720	2002-03	The Deputy Commissioner (Appeals), Ernakulam
The Central Excise Act, 1944	Central Excise Duty	10,34,757	1996-97	Supreme Court of India
The Central Excise Act, 1944	Central Excise Duty	8,98,929	1997-98	Supreme Court of India

On the Consolidated Financial Statements of M/s. BAL PHARMA LTD., and its subsidiary M/s. NOVOSYNTH RESEARCH LABS PRIVATE LTD.

We have examined the attached Balance Sheet of M/s. Bal Pharma Ltd., and its subsidiary, M/s. Novosynth Research Labs Pvt. Ltd., as at 31st March, 2007. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the

requirements of Accounting Standard (AS) 21-consolidated financial statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of M/s. Bal Pharma Ltd., and its subsidiary M/s. Novosynth Research Labs Pvt. Ltd. included in the consolidated financial statements.

On the basis of information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s. Bal Pharma Ltd., and its aforesaid subsidiary, we are of the opinion that the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of M/s. Bal Pharma Ltd., and its subsidiary M/s. Novosynth Research Labs Pvt. Ltd., as at 31st March, 2007.

For **Ostawal & Jain**
Chartered Accountants

Place : Bangalore
Date : 30th June, 2007

T.D. Jain
(Partner)



ANNUAL ACCOUNTS 2006 - 2007

BALANCE SHEET AS AT 31st MARCH, 2007

	SCH	AS AT 31.03.2007		AS AT 31.03.2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1	104,462,240		104,462,240	
b. Reserves & Surplus	2	<u>229,560,456</u>	<u>334,022,696</u>	<u>218,557,222</u>	323,019,462
II. LOAN FUNDS					
a. Secured Loans	3	<u>329,903,008</u>		349,653,706	
b. Unsecured Loans	4	<u>24,032,329</u>	<u>353,935,337</u>	<u>10,400,000</u>	360,053,706
III. DEFERRED TAX LIABILITY					
	5		<u>46,247,217</u>		39,678,036
TOTAL			<u><u>734,205,250</u></u>	<u><u>722,751,204</u></u>	
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	6	<u>346,191,406</u>		272,514,477	
b. Less : Accumulated Depreciation		<u>85,571,976</u>		<u>71,568,154</u>	
c. Net Block		<u>260,619,430</u>		200,946,323	
d. Capital Work in Progress		<u>51,742,892</u>	<u>312,362,322</u>	<u>21,278,786</u>	222,225,109
II. INVESTMENTS					
	7		<u>1,503,850</u>		24,136,792
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories	8	<u>238,858,035</u>		249,009,463	
b. Sundry Debtors		<u>217,273,830</u>		222,090,615	
c. Cash & Bank Balances		<u>8,576,936</u>		52,751,158	
d. Loans & Advances		<u>83,371,664</u>		65,797,194	
Total (A)		<u><u>548,080,465</u></u>		<u><u>589,648,430</u></u>	
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	9	<u>150,587,047</u>		138,838,225	
b. Provisions		<u>19,934,436</u>		17,970,081	
Total (B)		<u><u>170,521,483</u></u>		<u><u>156,808,306</u></u>	
NET CURRENT ASSETS (A-B)			<u>377,558,982</u>		432,840,124
IV. MISCELLANEOUS EXPENSES					
(To the extent not written off or adjusted)	10		<u>42,780,096</u>		43,549,179
TOTAL			<u><u>734,205,250</u></u>	<u><u>722,751,204</u></u>	
NOTES ON ACCOUNTS					
	20				

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T.D. JAIN
Partner

H.R. NANDEESH KUMAR
GM - Finance

S. RAMJI
Company Secretary

Dr. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director

Bangalore
30th June, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007**

	SCH	Year Ended 31.03.2007		Year Ended 31.03.2006	
		Rs.	Rs.	Rs.	Rs.
I. INCOME					
Sales & Services	11	786,130,692		764,741,039	
Less : Goods Returned		24,314,091		18,536,649	
		<u>761,816,601</u>		<u>746,204,390</u>	
Less : Excise Duty		53,765,847	708,050,754	71,214,180	674,990,210
Other Income	12		375,277		10,868,951
			<u>708,426,031</u>		<u>685,859,161</u>
II. EXPENDITURE					
Cost of Materials Consumed	13	330,307,847		331,195,081	
Manufacturing Expenses	14	39,768,093		34,095,501	
Employees Remuneration & Benefits	15	73,959,726		63,622,574	
Selling & Distribution Expenses	16	135,435,067		126,815,922	
Administration Expenses	17	43,118,040		41,994,885	
Financial Expenses	18	31,946,976		29,865,391	
Miscellaneous Expense Written Off	19	7,302,884		6,196,808	
Depreciation		14,249,937	676,088,570	11,778,899	645,565,061
III. Profit for the year			32,337,461		40,294,100
Prior Year Adjustment (Dr)			745,083		450,000
IV. Profit Before Income Tax			31,592,378		39,844,100
Provision for Income Tax - Current Year			3,369,061		3,004,470
Provision for wealth tax			18,622		—
(Excess) / Short Provision for Tax - Earlier Years			(98,986)		773,209
Deferred Tax (As Per AS 22)			6,569,181		396,170
Fringe Benefit Tax			1,565,096		2,271,465
V. Profit After Tax			20,169,404		33,398,786
VI. Less : Extra Ordinary / Non Recurring Items			—		4,140,396
			20,169,404		29,258,390
VII. Balance Brought Forward From Previous Year			46,821,872		26,751,254
			<u>66,991,276</u>		<u>56,009,644</u>
VIII. Appropriations					
Proposed Dividend:					
- Equity Shares		7,834,668		7,834,668	
- Preference Shares		—		223,014	
Provision for Corporate Tax on Dividend					
- Equity Shares		1,331,502		1,098,812	
- Preference Shares		—		31,278	
Transfer to Redemption Reserve (Preference Share)		—	9,166,170	—	9,187,772
IX. Balance Carried to Balance Sheet			57,825,106		46,821,872
EARNINGS PER SHARE (AFTER GIVING EFFECT TO RIGHTS ISSUE)					
Basic EPS			1.93		2.90
Diluted EPS			1.93		2.90
No. of Equity Shares			10,446,224		10,446,224

NOTES ON ACCOUNTS

20

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T.D. JAIN
Partner

H.R. NANDEESH KUMAR
GM - Finance

S. RAMJI
Company Secretary

Dr. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director

Bangalore
30th June, 2007



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007

	AS AT 31.03.2007		AS AT 31.03.2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
11,000,000 (PY 11,000,000) Equity Shares of Rs. 10 each	110,000,000		110,000,000	
400,000 (PY 400,000) Redeemable Preference Shares of Rs. 100 each	40,000,000	150,000,000	<u>40,000,000</u>	<u>150,000,000</u>
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
10,446,224 (PY 6,530,000) Equity Shares of Rs. 10 each fully paid (of the above 3,040,000 Equity Shares have been issued as Bonus Shares by capitalisation of reserves)		104,462,240		104,462,240
		104,462,240		<u>104,462,240</u>
SCHEDULE - 2				
RESERVES & SURPLUS				
1. Capital Reserve		3,000,000		3,000,000
2. Share Premium				
Opening Balance	144,720,350		69,260,388	
Add : Premium on Rights Issue Allotment of Equity Shares			78,324,480	
Less : Rights issue expenses	—	144,720,350	<u>2,864,518</u>	<u>144,720,350</u>
3. General Reserve				
Opening Balance	24,015,000		23,355,000	
Add : Transferred from Redemption Reserve	—	24,015,000	<u>660,000</u>	<u>24,015,000</u>
4. Redemption Reserve (Preference Shares)				
Add : Transferred from P & L account	—		660,000	
Less : Transferred to General Reserve	—		<u>660,000</u>	
5. P & L Account -Surplus				
Opening Balance	46,821,872		26,751,254	
Add : Surplus for the year	11,003,234	57,825,106	<u>20,070,618</u>	<u>46,821,872</u>
		229,560,456		<u>218,557,222</u>
SCHEDULE - 3				
SECURED LOANS				
TERM LOANS				
UTI	14,791,690		23,738,690	
EXIM Bank	75,000,000		61,673,650	
State Bank of Indore	25,489,728		—	
Others	4,270,321	119,551,739	<u>2,095,783</u>	<u>87,508,123</u>
WORKING CAPITAL LOAN				
Canara Bank	66,877,205		87,996,176	
Exim Bank	23,019,363		13,032,337	
Punjab National Bank	72,571,640		77,407,741	
ICICI Bank Ltd.,	47,156,594		80,997,101	
Small Industries Development Bank of India (SIDBI)	726,467	210,351,269	<u>2,712,228</u>	<u>262,145,583</u>
		329,903,008		<u>349,653,706</u>



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007 (Contd.,)

	AS AT 31.03.2007		AS AT 31.03.2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 4				
UNSECURED LOANS				
Industrial Development Bank of India		—	10,400,000	
State Bank of Hyderabad	18,500,000		—	
Department of Scientific and Industrial Research	2,000,000		—	
Loan from Directors	3,532,329		—	
	<u>24,032,329</u>		<u>10,400,000</u>	
SCHEDULE - 5				
DEFERRED TAX LIABILITY				
Opening Balance	39,678,036		39,281,866	
Add : Liability created for the year	6,569,181		396,170	
	<u>46,247,217</u>		<u>39,678,036</u>	

SCHEDULE - 6

FIXED ASSETS

Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2006	Additions	Deletions	As at 31.03.2007	As at 01.04.2006	Written Back/ Adjustments	For the Year	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land	11,891,766	—	12,602,621	24,494,387	—	—	—	—	24,494,387	11,891,766
Buildings	68,468,929	—	21,379,158	89,848,087	14,065,157	—	2,676,209	16,741,366	73,106,721	54,403,772
Plant & Machinery	59,242,786	—	11,736,399	70,979,182	21,096,832	—	3,110,720	24,207,552	46,771,630	38,145,954
Utilities	59,378,816	115,060	9,018,908	68,282,663	14,664,324	65,866	3,047,991	17,646,449	50,636,214	44,714,492
Furniture & Fixtures	11,420,769	—	1,540,909	12,961,678	2,644,887	—	771,165	3,416,052	9,545,626	8,775,882
Misc. Fixed Assets	54,963,802	—	13,075,149	68,038,951	15,993,142	—	3,680,517	19,673,659	48,365,292	38,970,660
Vehicles	7,147,609	250,250	4,689,099	11,586,458	3,103,812	180,250	963,336	3,886,899	7,699,559	4,043,797
TOTAL	272,514,477	365,310	74,042,243	346,191,406	71,568,154	246,116	14,249,937	85,571,976	260,619,430	200,946,323
Previous Year	217,556,400	1,886,785	568,448,62	272,514,477	60,743,736	(954,481)	11,778,899	71,568,154	200,946,323	156,812,664
Capital Work In Progress									51,742,892	21,278,786

SCHEDULE - 7

INVESTMENTS

QUOTED :

Non Trade : (at Cost) (Market Value as on 31.03.2007 not available)

	AS AT 31.03.2007		AS AT 31.03.2006	
	Rs.	Rs.	Rs.	Rs.
(i) Lamina Foundries Limited 10,000 (PY 1000) Equity Shares of Rs. 10 each fully paid	371,850		371,850	
(ii) Sri Jayalakshmi Autospin Limited 73,600 (PY 73,600) Equity Shares of Rs. 10 each fully paid	736,000	1,107,850	736,000	1,107,850

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007 (Contd.,)**

	AS AT 31.03.2007		AS AT 31.03.2006	
	Rs.	Rs.	Rs.	Rs.
Un quoted :				
Trade :				
In subsidiary company Novosynth Research Lab Pvt. Ltd. (346 eq shares of Rs 1000 each)		346,000		346,000
Non Trade :				
EQUITY SHARES of The Shamrao Vithal Co-operative Bank Ltd., (5,000 Shares of Rs. 10 each fully paid)		50,000		50,000
Investments in Debt Funds :				
(Current investment, at lower of cost or market value)				
Kotak Floater - NIL (PY 591355.459 units)	—		5,918,995	
Tata Floating Rate Fund Short Term - NIL (PY 297161.898 units)	—		3,331,452	
Magnum Intra Cash Fund -NIL (PY213351.055 units)	—		3,350,785	
Birla Floating Rate -NIL (PY 320465.335 units)	—		3,325,853	
K Bond Short Term Plan Dividend - NIL (PY 664973.263 units)	—		6,705,857	22,632,942
		1,503,850		24,136,792
SCHEDULE - 8				
CURRENT ASSETS, LOANS & ADVANCE				
1. INVENTORIES				
(As valued & certified by the Management)				
Raw Materials	63,351,938		81,739,568	
Packing Materials	21,468,043		30,229,092	
Work in Progress	37,076,051		37,279,070	
Finished Goods	116,499,516		99,130,693	
Stores & Consumables	462,487	238,858,035	631,040	249,009,463
2. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months)	53,303,792		38,215,989	
Other Debts	163,970,038	217,273,830	183,874,626	222,090,615
3. CASH & BANK BALANCES				
Cash in Hand	349,330		180,997	
Balance with Scheduled Banks: - in Current Account	8,227,606	8,576,936	52,570,161	52,751,158
4. LOANS & ADVANCES				
(Unsecured, considered good)				
Advance recoverable in cash or in kind or for value to be received	50,241,123		34,070,566	
Deposit with Govt. Dept. & Others	16,988,559		14,844,428	
Fixed Deposits	10,472,270		12,089,512	
Advance Income Tax & TDS	5,555,472		4,261,692	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	10,725		10,725	
Interest Receivable	100,315		517,071	
Advance to Subsidiary Company	200	83,371,664	200	65,797,194
		548,080,465		589,648,430

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007 (Contd.,)**

	AS AT 31.03.2007		AS AT 31.03.2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 9				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Trade Creditors :				
- Dues to SSI Undertakings (Refer notes Sl.No. 26)	880,889		350,705	
- Other Dues	50,379,255		88,345,385	
Capital Creditors	14,057,839		186,003	
Creditors for Expenses	39,112,334		28,597,464	
Other Current Liabilities	38,279,417		12,597,663	
Deposits received from customers	7,195,505		8,040,380	
Unclaimed Rights Issue Application Money	144,870		181,170	
Unclaimed Dividends - Equity (Refer Notes Sl.No. 27)	536,938	150,587,047	539,255	138,838,025
PROVISIONS				
Gratuity	5,815,487		4,277,487	
Provision for Tax	3,387,683		3,214,385	
Provision for Fringe Benefit Tax	1,565,096		1,290,437	
Dividend Payable (Equity Shares)	7,834,668		7,834,668	
Dividend Payable (Preference Shares)	—		223,014	
Corporate Tax on Dividend Payable:				
Equity Shares	1,331,502		1,098,812	
Preference Shares	—	19,934,436	31,278	17,970,081
		170,521,483		156,808,106
SCHEDULE -10				
MISCELLANEOUS EXPENSES				
(To the extent not written off or adjusted)				
Opening Balance				
Development Expenses	3,677,911		5,329,018	
Research & Development expense	39,871,268		37,723,038	
Rights issue expenses	—	43,549,179	619,000	43,671,056
Add : Additions during the year				
- Rights issue expenses	—		2,245,518	
- Research & Development expenses	6,533,801	6,533,801	6,693,931	8,939,449
		50,082,980		52,610,505
Less : Written off during the year	7,302,884		6,196,808	
Rights issue expenses trs., to share premium a/c	—	7,302,884	2,864,518	9,061,326
		42,780,096		43,549,179

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	2006-2007		2005-2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 11				
INCOME FROM SALES & SERVICES				
Exports :				
Sales	288,053,687		196,937,705	
Incentives	4,323,398		4,662,012	
	292,377,085		201,599,717	
Domestic Sales	492,625,601		562,644,631	
	785,002,686		764,244,348	
Less : Goods Returns	24,314,091	760,688,595	18,536,649	745,707,699
Conversion charges	—	1,128,006	—	496,691
		761,816,601		746,204,390



SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007 (Contd.,)

	2006-2007		2005-2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 12				
OTHER INCOME				
Interest -				
Bank		140,315		382,529
Others		20,092		—
Dividend Income		128,797		906,974
Profit on sale of Investments		—		9,570,931
Misc. Income		57,797		8,517
Provisions / Creditors no longer payable written back		28,276		—
		<u>375,277</u>		<u>10,868,951</u>
SCHEDULE - 13				
COST OF MATERIALS CONSUMED				
RAW MATERILAS				
Opening Stock	81,739,568		59,806,201	
Add : Purchases	233,784,757		266,153,575	
Less : Closing Stock	<u>63,351,938</u>	252,172,387	<u>81,739,568</u>	244,220,208
PACKING MATERIALS				
Opening Stock	30,229,092		24,780,828	
Add : Purchases	39,777,409		49,809,907	
Less : Closing Stock	<u>21,468,043</u>	48,538,458	<u>30,229,092</u>	44,361,643
WORK IN PROGRESS				
Opening Stock	37,279,070		34,460,867	
Closing Stock	<u>37,076,051</u>	203,019	<u>37,279,070</u>	(2,818,203)
FINISHED GOODS				
Opening Stock	99,130,693		112,711,981	
Add : Purchases	46,762,806		31,850,145	
Less : Closing Stock	<u>116,499,516</u>	29,393,983	<u>99,130,693</u>	45,431,433
		<u>330,307,847</u>		<u>331,195,081</u>
SCHEDULE -14				
MANUFACTURING EXPENSES				
Consumables and Stores-opening stock	631,040		789,942	
Add : Purchases	9,788,442		9,623,618	
Less : Closing Stock	<u>462,487</u>	9,956,995	<u>631,040</u>	9,782,520
Power & Fuel	13,418,008		11,409,306	
Water Charges	987,656		993,797	
Laboratory and Testing	4,631,232		4,356,263	
Labour charges paid	6,331,186	25,368,082	3,573,974	20,333,340
Repairs & Maintenance:				
Building	203,741		184,680	
Machinery	3,361,253		3,762,571	
Others	4,681,605	8,246,599	4,730,435	8,677,686
		43,571,676		38,793,546
Less : Expenses relating to R & D		3,803,583		4,698,045
		<u>39,768,093</u>		<u>34,095,501</u>
SCHEDULE - 15				
EMPLOYEES REMUNERATION & BENEFITS				
Salaries Wages & Allowances	57,406,683		48,825,764	
Bonus & Exgratia	2,108,564		2,335,596	
PF & E.S.I. Contributions	5,578,838		5,072,682	
Employees Welfare	2,661,574		2,031,209	
Recruitment & Training	556,285		669,709	
Gratuity	1,738,000		2,483,500	
Remuneration to Directors	6,640,000		4,200,000	
Less : Expenses relating to R & D	(2,730,218)		(1,995,886)	
		<u>73,959,726</u>		<u>63,622,574</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007 (Contd..)**

	2006-2007		2005-2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 16				
SELLING & DISTRIBUTION EXPENSES				
Advertisement		828,455		632,898
Seminar & Conference Exp.		4,825,995		4,200,626
Freight & Handling Charges on Export Sales		17,602,699		12,824,131
Commission on Sales		8,137,731		5,695,767
Field Staff Salaries & Incentives		47,317,909		43,624,465
Field Staff Travelling Expenses		28,762,586		25,961,577
Freight Outwards & Others		4,640,500		6,100,909
Breakages & Expired Goods		5,333,632		2,843,619
Other Selling Expenses		10,244,706		11,546,486
Sales Promotional Items		7,740,854		13,385,444
		<u>135,435,067</u>		<u>126,815,922</u>
SCHEDULE - 17				
ADMINISTRATION EXPENSES				
Travelling expenses	- Inland			
	- Directors	1,066,737		522,453
	- Others	3,431,249		3,968,712
Travelling expenses	- Foreign			
	- Directors	284,084		852,387
	- Others	933,771	5,715,841	1,208,455
Repairs and Maintenance	- Office	2,172,150		2,327,893
Rates & Taxes		1,432,483		1,161,451
Conveyance		1,091,465		1,105,917
Postage, Telegram & Telephone		4,488,946		4,025,414
Legal & Professional charges		3,704,098		2,856,911
Printing & Stationery		6,043,433		4,800,466
Insurance		4,055,447		3,291,911
Rent		3,418,805		4,078,644
Donations		25,701		27,951
Directors Sitting fees		73,000		83,000
Electricity Charges		797,896		1,005,145
Audit Fees		200,000		106,061
Bad Debts / Advances written off		1,501,351		4,242,471
Registration Fees		284,949		389,401
Vehicle Operation and Maintenance		4,116,180		3,538,920
Loss on Sale of Fixed Assets		26,972		508,927
Foreign Exchange Fluctuation (Net)		1,621,632		716,426
Loss on Sale of Investments		253,126		—
Service Charges		125,660		28,865
Miscellaneous Expenses		1,968,905	37,402,199	1,147,104
			<u>43,118,040</u>	<u>41,994,885</u>
SCHEDULE - 18				
FINANCIAL CHARGES				
Interest on Term Loan		3,356,275		5,623,476
Interest on Working Capital Loan		21,662,348		17,511,522
Other Interest		1,751,667	26,770,290	2,000,207
Bank Charges			5,176,686	4,730,186
			<u>31,946,976</u>	<u>29,865,391</u>
SCHEDULE - 19				
MISCELLANEOUS EXPENSES WRITTEN OFF				
Development Expenses	- Written off	1,651,104		1,651,107
R & D Expenses	- Written off	5,651,780		4,545,701
			<u>7,302,884</u>	<u>6,196,808</u>



SCHEDULE - 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

A. SIGNIFICANT ACCOUNTING POLICIES :

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accruals basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

b) USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates.

c) REVENUE RECOGNITION

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized on shipment of products.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Export entitlements under the Duty entitlement Pass Book ("DEPB") scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment.

d) FIXED ASSETS

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized. The cost of fixed assets also includes the exchange differences arising in respect of foreign currency loans or other liabilities incurred for the purpose of their acquisition or construction.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

e) DEPRECIATION

Depreciation on fixed assets is provided for on the straight line method as per the rates and in the manner pre-scribed under Schedule XIV of the Companies Act, 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition.



f) VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in-first-out (FIFO)
Stores and spares	First in-first-out (FIFO)
Work-in-process and finished goods (manufactured)	FIFO and including an appropriate share of production Overheads
Finished goods (traded)	Actual cost of purchase

g) RETIREMENT BENEFITS

Gratuity is a defined benefit scheme and is accrued on actuarial valuations carried out by an independent actuary. The Company has taken a Group Gratuity Scheme Master Policy with LIC. A Trust under the name Bal Pharma Employees Gratuity Trust has been formed consisting of three members for administering the scheme. Actuarial gains and losses are charged to the profit and loss account.

Contributions payable to the recognised provident fund, which is defined contribution scheme, are charged to the profit and loss account.

h) INVESTMENTS

Investments are either classified as current or long-term based on the managements intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

i) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account except that exchange differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences (except those related to acquisition of fixed assets) are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

j) EXPENDITURE ON RESEARCH AND DEVELOPMENT

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is depreciated at the estimated useful life of the related assets.

k) LEASES

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after 1st April, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

l) INCOME TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax: The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax: Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a



virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

m) EARNINGS PER SHARE

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

n) PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

o) IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

B. NOTES ON ACCOUNTS :

1) National Savings Certificates have been deposited with Commercial Tax Department.

2) EXPORT BENEFITS

The Company has accounted an amount of Rs. 4,323,398/- (PY Rs. 4,662,012/-) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31st March, 2007 is Rs. 5,175,676/- (PY Rs. 5,432,632/-) and the same is reflected under loans and advances.

3) MARKET DEVELOPMENT EXPENSES

Expenditure incurred on Market development amounting to Rs. 1,651,104/- (PY Rs. 1,651,107/-) has been written off during the year. Balance on this account as on 31st March, 2007 is Rs. 2,026,807/- (PY Rs. 3,677,911/-).

4) RESEARCH & DEVELOPMENT REVENUE EXPENSES

An amount of Rs. 6,533,801/- (PY Rs. 6,693,931/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortised over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was Rs. 5,651,780/- (PY Rs. 4,545,701/-). The balance on this account as on 31st March, 2007 is Rs. 40,753,289/- (PY Rs. 39,871,268/-).

5) Imported Goods amounting to Rs. 529,864/- (PY Rs. 5,909,754/-) were in Bonded Warehouse. No customs duty on such goods has been provided.

6) During the year an amount of Rs. 6,999,881/- (PY Rs. 2,324,393/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

7) The Company has provided for Rs. 1,814,379/- being Excise Duty on Finished Goods lying at various manufacturing units as at 31st March, 2007.



8) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES : (in Rupees)	<u>31.03.2007</u>	<u>31.03.2006</u>
Deferred tax Assets recognized for timing differences due to :		
a. Current Liabilities	522,766	970,816
b. Sec. 40a (ia) Disallowances	33,990	495,264
	<u>556,756</u>	<u>1,466,080</u>
Deferred tax Liabilities recognized for timing differences due to :		
a. Depreciation and other differences in block of fixed assets	37,637,746	32,145,928
b. Expenditure on in-house Research & Development	9,166,227	8,998,188
	<u>46,803,973</u>	<u>41,144,116</u>
Net Deferred Tax Liabilities	46,247,217	39,678,036
Charge to Profit & Loss Account	6,569,181	396,170
9) CONTINGENT LIABILITIES NOT PROVIDED FOR : (in Rupees)		
a. Guarantees issued by Company's bankers Rs. 1,585,225/- (PY Rs. 9,324,181/-)		
b. Letter of credit Rs. 40,105,277/- (PY Rs. 74,564,951/-).		
c. Estimated value of contracts remaining to be executed on capital account and not provided for Rs. 92,573,300/- (PY Rs. 62,190,363/-).		
10) CIF VALUE OF IMPORTS : (in Rupees)	<u>31.03.2007</u>	<u>31.03.2006</u>
1. Raw Materials	125,654,110	118,360,287
2. Capital Goods (Including spares & components)	2,669,437	2,272,632
	<u>128,323,547</u>	<u>120,632,919</u>
11) EXPENDITURE IN FOREIGN CURRENCY : (in Rupees)	<u>31.03.2007</u>	<u>31.03.2006</u>
a. Travelling Expenditure	676,300	797,198
b. Registration Fee	120,387	55,199
c. Commission on Export sales	533,508	1,238,306
	<u>1,330,195</u>	<u>2,090,703</u>
12) EARNINGS IN FOREIGN CURRENCY : (in Rupees)	<u>31.03.2007</u>	<u>31.03.2006</u>
a. FOB Value of Exports	265,555,885	170,429,804
13) SECURITY FOR LOANS IN SCHEDULE (3) TO BALANCE SHEET :		
13.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.		
13.2 The Working Capital Loan financed by Canara Bank, ICICI Bank, Punjab National Bank, EXIM Bank and SIDBI under a Consortium arrangement with pari passu charge is secured against hypothecation of stock and book debts and first charge on fixed assets other than those financed by the term lending institutions.		
13.3 UTI Bank - Hypothecation of Office Equipments located at Corporate Office, # 10/5, Lakshminarayan Complex, Palace Road, Bangalore – 560 052, and also assets of Unit I, Unit II and Unit III funded by them.		
13.4 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, funded by them.		
13.5 Secured loans obtained from EXIM Bank of Rs. 21.65 Crores towards establishment of Formulation Plant at Uttaranchal and API project at Bangalore - Hypothecation of whole of moveable fixed assets, both present and future of the Company including :		
(a) Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed and		
(b) Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the Company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto.		
13.6 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.		
14) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation / reconciliation, if any.		



- 15) In the opinion of the Board of Directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
- 16) The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under Schedule 17.
- 17) The Company issued 3,918,000 Equity shares on rights basis in the ratio of 3 equity shares for every 5 equity shares held by the existing shareholders at Rs. 30 per equity share, for part financing the Company's proposed new manufacturing units after obtaining required approvals from the share holders, SEBI and Mumbai Stock Exchange. The issue was opened on 27th April, 2005 and closed on 26th May, 2005. Out of this, the Company allotted 3,916,224 equity shares on 20th June, 2005 and kept in abeyance 1,776 shares whose beneficiary details were not made available by NSDL on the date of allotment. These shares will be allotted in due course after NSDL resolves the issue. Consequently, the post rights capital stood increased to Rs. 1044.62 lakhs.

18) RELATED PARTY DISCLOSURES

- A. The related parties where control exists are the subsidiaries. There are no other parties over which the Company has control.
- B. **Related parties where control / significant influence exists or with whom transactions have taken place during the year :**
- | | |
|---|--|
| i) Subsidiaries | Novosynth Research Labs Private Ltd., |
| ii) Enterprises where principal / promoter shareholders have control or significant influence (significant interest entities) | Micro Labs Ltd., - Enterprise owned by some of the promoter shareholders |
| iii) Others :- (a) Desa Marketing International | - Enterprise owned by the Managing Director of the Company |
| (b) Siroya Developers (P) Ltd., | - Enterprise owned by relatives of Managing Director of the Company |
| (c) Siroya Constructions | - Enterprise over which the Managing Director of the Company exercises joint control with other partners |
- C. **Key managerial Personnel represented on the Board :**
- | | | |
|-------------------|---|---------------------|
| Shailesh D.Siroya | - | Managing Director |
| Dr. S. Prasanna | - | Whole time Director |
| Amarnath R.Hegde | - | Whole time Director |

Mr. Amaranth R.Hegde resigned from the post of whole time director and his resignation has been accepted at the Board meeting held on 31st May, 2007.

- D. **Particulars of related party transactions (in Rupees)**
- | | 31.03.2007 | 31.03.2006 |
|--|------------|------------|
| The following is a summary of significant related party transactions : | | |
| i) Investments in Subsidiaries - Novosynth Research Labs Pvt. Ltd., | Nil | 146,000 |
| ii) Sales to significant interest entities | 18,472,435 | 13,636,475 |
| iii) Purchases from significant interest entities | 686,823 | 109,675 |
| iv) Commission paid to enterprise owned by the Managing Director of the Company | 2,963,943 | 3,824,162 |
| v) Capital advance to enterprise in which the Managing Director of the Company exercises joint control with other partners | 3268 | 651,905 |
- E. Details of remuneration paid to the Managing Director and Whole-time Director are given in Note No. 19 of Schedule 20.
- F. **The Company has the following amounts due from / to related parties : (in Rupees)**
- | Particulars | 31.03.2007 | 31.03.2006 |
|--|------------|------------|
| i) Due from related parties : | | |
| a. Subsidiaries : (included in Loans and Advances) | 200 | 200 |
| b. Significant interest entities (included in Sundry Debtors) | 2,681,212 | 3,947,779 |
| c. Enterprise in which Managing Director of the Company exercises joint control with other partners (included in Loans and Advances) | 655,173 | 651,905 |
| ii) Due to related parties : | | |
| Enterprises owned by Managing Director of the Company (included in Current Liabilities) | 3,311,830 | 2,164,333 |
| iii) Key Managerial Personnel (included in Current Liabilities) | 948,650 | 492,934 |

**19) PARTICULARS OF MANAGERIAL REMUNERATION**

The remuneration paid to Managerial personnel during the year :

	Managing Director		Whole-time Director	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
Salaries & allowances	3,600,000	3,000,000	3,040,000	1,200,000
Commission	Nil	Nil	Nil	Nil
Perquisites	Nil	Nil	Nil	Nil

20) COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 349 & 350 READ WITH SECTION 198 OF THE COMPANIES ACT, 1956

Particulars	Amount (Rs.)
Net Profit before taxation as per profit and loss account	31,592,378
<i>Add :</i>	
Depreciation provided in the accounts	14,249,937
Directors' sitting fee	73,000
Managerial remuneration	6,640,000
Loss on sale of assets	26,972
Loss on sale of Investments	253,126
	<u>21,243,035</u>
	52,835,413
<i>Less :</i>	
Depreciation under Section 350 of the Act	14,249,937
Net Profit for the purpose of Section 269	38,585,476
Managerial Remuneration to Whole-time Directors (10%)	3,858,547
Remuneration paid to Whole-time Directors	6,640,000

The remuneration paid to Mr. Shailesh D. Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director, is in accordance with the stipulations under Schedule XIII, Part II, Section II(B) of the Companies Act, 1956, and in terms of the shareholders approval by way of special resolution in the 17th Annual General Meeting held on 23rd September, 2004, and 16th Annual General Meeting held on 17th September, 2003, respectively.

21) AUDITOR'S REMUNERATION : (in Rupees)

	31.03.2007	31.03.2006
Statutory Fees	1,50,000	60,000
Tax Audit Fees	50,000	10,000
Other services	11,351	6,061
Reimbursement of out of pocket expenses	30,000	30,000
	<u>241,351</u>	<u>106,061</u>

22) DETAILS OF IMPORTED & INDIGENOUS RAW MATERIALS, STORES & SPARE PARTS CONSUMED : (in Rupees)

	31.03.2007	% of Total consumption	31.03.2006	% of Total consumption
Raw Materials				
Imported	127,328,497	50.5%	117,095,457	48%
Indigenous	124,843,890	49.5%	127,124,751	52%
Total	<u>252,172,387</u>		<u>244,220,208</u>	
Stores & spares				
Imported	NIL	0%	NIL	0%
Indigenous	9,956,995	100%	9,782,520	100%
	<u>9,956,995</u>		<u>9,782,520</u>	

23) QUANTITATIVE INFORMATION

a) Installed capacity (as certified by the Management)

PRODUCT	UNIT	31.03.2007	31.03.2006
Tablets	Million Nos.	650	650
Capsules	Million Nos.	100	100
Liquids	Kilo Litres	750	750
Ointment	Metric Tonne	75	75
IV Fluids	Million Nos.	7	7
Eye/Ear Drops	Million Nos.	19	19
Bulk Drugs	Metric Tonne	38	36

b) Licensed Capacity - Not Applicable

Notes : i) Installed capacities are as certified by Management and have not been verified by the Auditor as this is a technical matter.
ii) The increase in the installed capacity of the Bulk drugs unit is on account of installation of new reactors.



c) Particulars of Production, Sale and Stock

(Value in Rs. 000)

Sl. No.	PARTICULARS	UNIT	OPENING STOCK		PRODUCTION & PURCHASE			SALES		CLOSING STOCK	
			QUANTITY	VALUE	QUANTITY	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
1	Tablets	000' Nos.	42802 (68545)	61438 (63792)	444746 (334727)	21047 (80099)	43977 (16976)	435281 (440569)	252025 (423566)	73314 (42802)	109824 (61438)
2	Capsules	000' Nos.	12799 (6651)	13486 (21928)	33663 (22738)	2655 (9026)	2786 (5750)	47605 (25616)	156391 (47413)	1512 (12799)	1693 (13486)
3	Liquids	Kilo Lts.	28 (20)	4683 (3987)	1193 (43)	— (38)	— 1899	1167.6 (73.0)	88650 (17126)	53.40 (28.00)	1901 (4683)
4	Ointments	Kgs.	7586 (6448)	10302 (9968)	37526 (13362)	— (6900)	— 627	44043 (19124)	73379 (17779)	1069 (7586)	1481 (10302)
5	EED	Million	1.9 (2)	3746 (7910)	5.301 (43.66)	— (0.94)	— 7198	7.12 (44.7)	13267 (52060)	0.08 (1.90)	311 (3746)
6	Bulk Drugs	Kgs.	844 (597)	5475 (5127)	25558 (30316)	— (0)	— 0	26185 (30069)	172653 (183101)	217 (844)	1290 (5475)

d) RAW MATERIALS CONSUMED	UNITS	QUANTITY	VALUE (Rs.000)
Powder	Kgs.	1,195,557 (1,241,849)	238,589 (236,034)
Liquid	Ltrs.	231,035 (223,064)	11,395 (6,362)
Capsule	000' Nos.	33,663 (26,377)	2,188 (1,824)

- 24) (a) The claim for differential excise duty of Rs. 1,034,757 on Physician Samples demanded by the Central Excise Dept in the year 1999-2000 was decided in Company's favor by CESTAT in the current year. However, the Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme Court of India against the said order of CESTAT, which is still pending.
- (b) The claim for differential excise duty of Rs. 8.98 lakhs on physician's sales for the period September 1997 to February 1998 demanded by Central Excise Dept. in respect of Unit I was contested and CESTAT, Bangalore upheld our appeal. However, Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme court of India against the said order of CESTAT, which is still pending.
- (c) The claim of duty and penalty of Rs. 868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of Rs. 30,000/- has been made.
- (d) A Sales Tax claim of Rs. 7,49,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle 1, KGST is being contested and a deposit of Rs. 2,53,729 has been made. The appeal is yet to be heard by the Deputy Commissioner, Ernakulam.

25) THE NAMES OF SMALL SCALE INDUSTRIAL (SSI) UNDERTAKINGS TO WHOM THE COMPANY IS INDEBTED FOR A PERIOD OF MORE THAN 30 DAYS AS AT 31.03.2007 : (in Rupees)

Name	Amount
Printel Printers Pvt. Ltd.	184,667
Rasi Pharmaceuticals	27,608

The list of SSI undertakings was determined by the Company on the basis of information available with the Company and relied upon by the Auditor.

26) UNCLAIMED DIVIDENDS ON EQUITY SHARES : (in Rupees)

Year	Amount
1999-00	165,459
2000-01	173,646
2001-02	2,855
2002-03	9,400
2003-04	184,828
2005-06	750
Total	536,938

**27) CALCULATION OF EPS (Basic and Diluted) [after giving effect to Rights issue]**

Sl. No.	Particulars	Year ended March 31, 2007	Year ended March 31, 2006
1.	Opening No. of shares	10,446,224	6,530,000
2.	Total shares outstanding	10,446,224	10,446,224
3.	Weighted average No. of shares	10,446,224	9,999,165
4.	Profit after taxation and before non-recurring / Extraordinary items and after preference dividend and dividend tax (Rs. in lakhs)	201.69	327.96
5.	Profit after taxation and after non-recurring / Extraordinary items and after preference dividend and dividend tax (Rs. in lakhs)	201.69	290.04
BASIC			
6.	EPS before non-recurring / extraordinary items (Rs.)	1.93	3.28
7.	EPS after non-recurring / extraordinary items (Rs.)	1.93	2.90
DILUTED			
8.	Weighted average No. of shares (including dilution)	10,446,224	9,999,165
9.	EPS before non-recurring / extraordinary items (Rs.)	1.93	3.28
10.	EPS after non-recurring / extraordinary items (Rs.)	1.93	2.90

28) During the year the Company was sanctioned partial support of Rs. 50 lakhs for 'Process Development for Manufacture of 3-amino-3-azabicyclo (3.3.0) octane' out of the project cost of Rs. 150.26 lakhs by the Department of Scientific and industrial research, Ministry of Science and technology, Government of India, under its TDDP Programme, for a project duration of 24 months. An amount of Rs. 20 lakhs was received by the Company during the year and disclosed under unsecured loans.

29) During the year the 2007-2008 the Company is in the process of taking steps to amalgamate Basava Chem Ltd., Sangli, Maharashtra, with itself and has paid Rs. 55 lakhs to discharge the Bank liability of the Basava Chem Ltd. in Murugarajendra Sahakari Bank, Sangli.

30) The Company operates only in one business segment i.e., pharmaceuticals.

31) Figures in brackets pertain to previous year.

32) Previous year figures have been regrouped / rearranged wherever necessary.

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T.D. JAIN
Partner

H.R. NANDEESH KUMAR
GM - Finance

S. RAMJI
Company Secretary

Dr. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director

Bangalore
30th June, 2007



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	(Rs. 000) 31.03.2007	(Rs. 000) 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	31,592	35,704
Adjustments for :		
Gratuity	1,538	2,250
Depreciation	14,250	11,779
Loss on sale of fixed asset	27	509
Miscellaneous expenditure written off	7,303	6,197
Interest received	(160)	(383)
Interest paid	26,770	25,135
Dividend income	(129)	(907)
Profit from sale of investments	253	(9,571)
Operating profit before working capital changes	81,444	70,713
Adjustments for :		
Increase in inventories	10,151	(16,460)
Increase in Research and Development expenses	(6,533)	(6,694)
Increase / (Decrease) in trade & other payables	11,749	8,422
Decrease / (Increase) in trade & other receivables	(13,269)	(86,603)
Advance Income tax	(4,000)	(3,700)
Income tax payment	(1,514)	(1,544)
	(3,416)	(106,579)
Net Cash from Operating Activities	78,028	(35,866)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets	(104,506)	(44,643)
Net cash used in investing activities	22,380	(22,780)
Sale of fixed asset	95	443
Dividend income	129	907
Profit from sale of investments	—	9,571
	(81,902)	(56,502)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares	—	39,162
Proceeds from share premium	—	78,324
Rights issue expenses	—	(2,246)
Redemption of preference shares	—	(8,800)
Proceeds from long term borrowings	32,044	35,614
Working capital borrowings	(51,795)	81,340
Interest received	160	383
Unsecured Loans	13,632	(42,150)
Interest paid	(26,770)	(25,135)
Dividend & Tax on dividend paid	(9,188)	(12,600)
Net cash from financing activity	(41,917)	143,892
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(45,791)	51,524
Opening cash	64,840	13,316
Closing cash	19,049	64,840
NET CASH CHANGE	(45,791)	51,524

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T.D. JAIN
Partner

H.R. NANDEESH KUMAR
GM - Finance

S. RAMJI
Company Secretary

Dr. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director

Bangalore
30th June, 2007

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****Rs. 000's**

I REGISTRATION No. : 8368 **STATE CODE** 08
Balance Sheet Date : 31.03.2007

II CAPITAL RAISED DURING THE YEAR :

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :

Total Liabilities	734,205	Total Assets	734,205
-------------------	---------	--------------	---------

SOURCES OF FUNDS :

Paid-up Capital	104,462	Secured Loans	329,903
Reserves & Surplus	229,561	Unsecured Loans	24,032
Deferred Tax	46,247		

APPLICATION OF FUNDS :

Net Fixed Assets	312,362	Net Current Assets	377,559
Investments	1,504	Misc. Expenditure	42,780

IV PERFORMANCE OF THE COMPANY :

Turnover	708,426	Profit After Tax	20,169
Total Expenditure	676,089	Earnings per share	1.93
Profit Before Tax	32,337	Dividend	7.50%

V GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY AS PER MONETARY TERMS :

Item Code (ITC Code)	29420029
Product Description	Gliclazide
Item Code (ITC Code)	30042064
Product Description	Azithromycin
Item Code (ITC Code)	29333990
Product Description	Ebastine



CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007

	SCH	AS AT 31.03.2007		AS AT 31.3.2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1	104,462,240		104,462,240	
b. Reserves & Surplus	2	<u>229,560,456</u>	<u>334,022,696</u>	<u>218,557,222</u>	323,019,462
II. LOAN FUNDS					
a. Secured Loans	3	329,903,008		349,653,706	
b. Unsecured Loans	4	<u>24,032,329</u>	<u>353,935,337</u>	<u>10,400,000</u>	360,053,706
III. DEFERRED TAX LIABILITY					
	5		<u>46,247,217</u>		39,678,036
TOTAL			<u><u>734,205,250</u></u>	<u><u>722,751,204</u></u>	
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block		346,191,406		272,514,977	
b. Less : Accumulated Depreciation		<u>85,571,976</u>		<u>71,568,154</u>	
c. Net Block		260,619,430		200,946,323	
d. Capital Work in Progress		<u>51,742,892</u>	<u>312,362,322</u>	<u>21,278,786</u>	222,225,109
II. INVESTMENTS					
	7		<u>1,157,850</u>		23,790,792
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories		238,858,035		249,009,463	
b. Sundry Debtors		217,273,830		222,090,615	
c. Cash & Bank Balances		8,588,724		52,762,946	
d. Loans & Advances		<u>83,371,464</u>		<u>65,796,994</u>	
Total (A)		<u>548,092,053</u>		<u>589,660,018</u>	
CURRENT LIABILITIES AND PROVISIONS					
a. Current Liabilities	9	150,587,047		138,838,225	
b. Provisions		<u>19,934,436</u>		<u>17,970,081</u>	
Total (B)		<u>170,521,483</u>		<u>156,808,306</u>	
NET CURRENT ASSETS (A-B)			<u>377,570,570</u>		432,851,712
IV. MISCELLANEOUS EXPENSES					
(To the extent not written off or adjusted)	10		<u>43,114,508</u>		43,883,591
TOTAL			<u><u>734,205,250</u></u>	<u><u>722,751,204</u></u>	

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T.D. JAIN
Partner

H.R. NANDEESH KUMAR
GM - Finance

S. RAMJI
Company Secretary

Dr. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director

Bangalore
30th June, 2007



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007

	AS AT 31.03.2007		AS AT 31.3.2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
11,000,000 (PY 11,000,000) Equity Shares of Rs. 10 each	110,000,000		110,000,000	
400,000 (PY 400,000) Redeemable Preference Shares of Rs. 100 each	40,000,000	150,000,000	40,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
10,446,224 (PY 6,530,000) Equity Shares of Rs. 10 each fully paid (of the above 3,040,000 Equity Shares have been issued as Bonus Shares by capitalisation of reserves)		104,462,240		104,462,240
		<u>104,462,240</u>		<u>104,462,240</u>
SCHEDULE - 2				
RESERVES & SURPLUS				
1. Capital Reserve		3,000,000		3,000,000
2. Share Premium				
Opening Balance	144,720,350		69,260,388	
Add : Premium on Rights Issue Allotment of Equity Shares			78,324,480	
Less : Rights issue expenses	—	144,720,350	2,864,518	144,720,350
3. General Reserve				
Opening Balance	24,015,000		23,355,000	
Add : Transferred from Redemption Reserve	—	24,015,000	660,000	24,015,000
4. Redemption Reserve (Preference Shares)			660,000	
Add : Transferred from P & L account	—			
Less : Transferred to General Reserve	—		660,000	
5. P & L Account -Surplus				
Opening Balance	46,821,872		26,751,254	
Add : Surplus for the year	11,003,234	57,825,106	20,070,618	46,821,872
		<u>229,560,456</u>		<u>218,557,222</u>
SCHEDULE - 3				
SECURED LOANS				
TERM LOANS				
UTI	14,791,690		23,738,690	
EXIM Bank	75,000,000		61,673,650	
State Bank of Indore	25,489,728		—	
Others	4,270,321	119,551,739	2,095,783	87,508,123
WORKING CAPITAL LOAN				
Canara Bank	66,877,205		87,996,176	
Exim Bank	23,019,363		13,032,337	
Punjab National Bank	72,571,640		77,407,741	
ICICI Bank Ltd.,	47,156,594		80,997,101	
Small Industries Development Bank of India (SIDBI)	726,467	210,351,269	2,712,228	262,145,583
		<u>329,903,008</u>		<u>349,653,706</u>
SCHEDULE - 4				
UNSECURED LOANS				
Industrial Development Bank of India		—		10,400,000
State Bank of Hyderabad		18,500,000		—
Department of Scientific and industrial Research		2,000,000		—
Loan from Directors		3,532,329		—
		<u>24,032,329</u>		<u>10,400,000</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007 (Contd.,)

	AS AT 31.03.2007		AS AT 31.3.2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 5				
DEFERRED TAX LIABILITY				
Opening Balance		39,678,036		39,281,866
Add : Liability created for the year		6,569,181		396,170
		<u>46,247,217</u>		<u>39,678,036</u>

SCHEDULE - 6

FIXED ASSETS

Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2006	Additions	Deletions	As at 31.03.2007	As at 01.04.2006	Written Back/ Adjustments	For the Year	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land	11,891,766	—	12,602,621	24,494,387	—	—	—	—	24,494,387	11,891,766
Buildings	68,468,929	—	21,379,158	89,848,087	14,065,157	—	2,676,209	16,741,366	73,106,721	54,403,772
Plant & Machinery	59,242,786	—	11,736,399	70,979,182	21,096,832	—	3,110,720	24,207,552	46,771,630	38,145,954
Utilities	59,378,816	115,060	9,018,908	68,282,663	14,664,324	65,866	3,047,991	17,646,449	50,636,214	44,714,492
Furniture & Fixtures	11,420,769	—	1,540,909	12,961,678	2,644,887	—	771,165	3,416,052	9,545,626	8,775,882
Misc. Fixed Assets	54,963,802	—	13,075,149	68,038,951	15,993,142	—	3,680,517	19,673,659	48,365,292	38,970,660
Vehicles	7,147,609	250,250	4,689,099	11,586,458	3,103,812	180,250	963,336	3,886,899	7,699,559	4,043,797
TOTAL	272,514,477	365,310	74,042,243	346,191,406	71,568,154	246,116	14,249,937	85,571,976	260,619,430	200,946,323
Previous Year	217,556,400	1,886,785	56844862	272,514,477	60,743,736	(954,481)	11,778,899	71,568,154	200,946,323	156,812,664
Capital Work In Progress									51,742,892	21,278,786

SCHEDULE - 7

INVESTMENTS

QUOTED :

Non Trade : (at Cost)

(Market Value as on 31st March, 2007 not available)

- (i) Lamina Foundries Limited
10,000 (PY 1000) Equity Shares of Rs. 10 each fully paid
- (ii) Sri Jayalakshmi Autospin Limited
73,600 (PY 73,600) Equity Shares of Rs. 10 each fully paid

UN QUOTED :

Non Trade :

EQUITY SHARES of

The Shamrao Vithal Co-operative Bank Ltd.,
(5,000 Shares of Rs. 10 each fully paid)

Investments in Debt Funds :

(Current investment, at lower of cost or market value)

- Kotak Floater - NIL (PY 591355.459 units)
- Tata Floating Rate Fund Short Term - NIL (PY 297161.898 units)
- Magnum Intra Cash Fund -NIL (PY 213351.055 units)
- Birla Floating Rate -NIL (PY 320465.335 units)
- K Bond Short Term Plan Dividend - NIL (PY 664973.263 units)

	371,850		371,850	
	736,000	1,107,850	736,000	1,107,850
			50,000	50,000
	—		5,918,995	
	—		3,331,452	
	—		3,350,785	
	—		3,325,853	
	—		6,705,857	22,632,942
		<u>1,503,850</u>		<u>23,790,792</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007 (Contd.)

	AS AT 31.03.2007		AS AT 31.3.2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 8				
CURRENT ASSETS, LOANS & ADVANCE				
1. INVENTORIES				
(As valued & certified by the Management)				
Raw Materials	63,351,938		81,739,568	
Packing Materials	21,468,043		30,229,092	
Work in Progress	37,076,051		37,279,070	
Finished Goods	116,499,516		99,130,693	
Stores & Consumables	462,487	238,858,035	631,040	249,009,463
2. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months	53,303,792		38,215,989	
Other Debts	163,970,038	217,273,830	183,874,626	222,090,615
3. CASH & BANK BALANCES				
Cash in Hand	349,330		180,997	
Balance with Scheduled Banks :				
- in Current Account	8,239,394	8,588,724	52,581,949	52,762,946
4. LOANS & ADVANCES				
(Unsecured, considered good)				
Advance recoverable in cash or in kind or for value to be received	50,241,123		34,070,566	
Deposit with Govt. Dept. & Others	16,988,559		14,844,428	
Fixed Deposits	10,472,270		12,089,512	
Advance Income Tax & TDS	5,555,472		4,261,692	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	10,725		10,725	
Interest Receivable	100,315		517,071	
Advance to Subsidiary Company		83,371,464		65,796,994
		548,092,053		589,660,018
SCHEDULE - 9				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Trade Creditors :				
- Dues to SSI Undertakings (Refer notes Sl.No. 25)	880,889		350,705	
- Other Dues	50,379,255		88,345,585	
Capital Creditors	14,057,839		186,003	
Creditors for Expenses	39,112,334		28,597,464	
Other Current Liabilities	38,279,417		12,597,663	
Deposits received from customers	7,195,505		8,040,380	
Unclaimed Rights Issue Application Money	144,870		181,170	
Unclaimed Dividends - Equity (Refer Notes Sl.No. 26)	536,938	150,587,047	539,255	138,838,225
PROVISIONS				
Gratuity	5,815,487		4,277,487	
Provision for Tax	3,387,683		3,214,385	
Provision for Fringe Benefit Tax	1,565,096		1,290,437	
Dividend Payable (Equity Shares)	7,834,668		7,834,668	
Dividend Payable (Preference Shares)	—		223,014	
Corporate Tax on Dividend Payable :				
Equity Shares	1,331,502		1,098,812	
Preference Shares	—	19,934,436	31,278	17,970,081
		170,521,483		156,808,306
SCHEDULE - 10				
MISCELLANEOUS EXPENSES				
(To the extent not written off or adjusted)				
Opening Balance				
Development Expenses	4,012,323		5,663,430	
Research & Development expense	39,871,268		37,723,038	
Rights issue expenses	—	43,883,591	619,000	44,005,468
Add : Additions during the year				
- Rights issue expenses	—		2,245,518	
- Research & Development expenses	6,533,801	6,533,801	6,693,931	8,939,449
		50,417,392		52,944,917
Less : Written off during the year	7,302,884		6,196,808	
Rights issue expenses trs., to share premium a/c	—	7,302,884	2,864,518	9,061,326
		43,114,508		43,883,591

Novosynth Research Labs Private Ltd.,

BALANCE SHEET AS AT 31st MARCH, 2007

SOURCES OF FUNDS	SCH	As at 31.03.2007		As at 31.03.2006	
		Rs.	Rs.	Rs.	Rs.
I. SHAREHOLDERS' FUND					
a. Share Capital	1		346,000		346,000
TOTAL			<u>346,000</u>		<u>346,000</u>
II. APPLICATION OF FUNDS					
A. CURRENT ASSETS, LOANS & ADVANCES					
Cash & Bank Balances	2	11,788		11,788	
TOTAL (A)		<u>11,788</u>		<u>11,788</u>	
B. CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	3	200		200	
TOTAL (B)		<u>200</u>		<u>200</u>	
NET CURRENT ASSETS (A-B)			11,588		11,588
C. MISCELLANEOUS EXPENSES					
(To the extent not written off or adjusted)	4		334,412		334,412
TOTAL			<u>346,000</u>		<u>346,000</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007

	AS AT 31.03.2007	AS AT 31.03.2006
	Rs.	Rs.
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
1,000 (PY 1000) Equity Shares of Rs. 1,000/- each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
ISSUED, SUBSCRIBED & PAID UP EQUITY SHARE CAPITAL		
346 (PY 200) Equity Shares of Rs. 1,000/- each fully paid (The entire share capital is being held by M/s. Bal Pharma Ltd., the holding Company)	346,000	346,000
	<u>346,000</u>	<u>346,000</u>
SCHEDULE - 2		
CURRENT ASSETS		
Cash and Bank Balances	11,788	11,788
Balance in Bank in Current Account	11,788	11,788
	<u>11,788</u>	<u>11,788</u>
SCHEDULE - 3		
CURRENT LIABILITIES		
Share Application Money	—	—
Amounts due to Holding Company	200	200
	<u>200</u>	<u>146,200</u>
SCHEDULE - 4		
MISCELLANEOUS EXPENSES		
(To the extent not written off or adjusted)		
Preliminary Expenses	29,734	29,734
Development Expenses	304,678	304,678
	<u>334,412</u>	<u>334,412</u>

Note : Since the operation is yet to begin, there was no income generation. Hence, Profit and Loss Account has not been drawn up.

For OSTAWAL & JAIN
Chartered Accountants

T.D. JAIN
Partner

Bangalore
Date : 30th June, 2007

FOR & ON BEHALF OF THE BOARD

Dr. S. PRASANNA
Director

SHAILESH SIROYA
Director

ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORMAT

To : **M/s. Bal Pharma Limited, Bangalore - 560099**

I wish to participate in the Electronic Clearing Service introduced by Reserve Bank of India. As requested, I give below the details of my bank account, to which you may electronically credit the payment due to me against the reference folio number mentioned against Point 1:

1. Ref. Folio No. / Client I.D. No. with D.P. I.D. No. : _____
2. Particulars of the Bank : _____
 - a. Name of the Bank : _____
 - b. Branch Address : _____
 - c. 9 digit code number of the Bank & Branch as appearing on the MICR cheques issued by the bank* :
 - d. Account type (please tick) : Savings Current Cash Credit
 - e. Ledger Folio No. (if any) of your bank account : _____
 - f. Account No. :

I hereby declare that the particulars given above are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment transaction is delayed or not effected at all for any reason(s) beyond the control of the Company, I would not hold the Company responsible.

Date : _____ Signature of the first holder
 (*) The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number.
 (The following is not necessary if a blank cancelled cheque leaf or photocopy of cheque is enclosed with the form)

VERIFICATION BY THE BANK

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp : _____
 Date : _____ Signature of the Authorised Official from the Bank



Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099

No. of Shares Folio/Client I.D. No. with D.P. I.D. No.

ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall
 Name and Address

**20th Annual
 General Meeting
 on 20.09.2007**

I certify that I am a Registered Shareholder of the Company.
 I hereby record my presence at the above Annual General Meeting of the Company.
 A Member/Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member/Proxy



Bal Pharma Limited

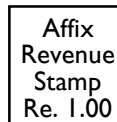
Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099

No. of Shares Folio/Client I.D. No. with D.P. I.D. No.

PROXY FORM

I/We _____ of _____ being a member/members of BAL PHARMA LIMITED hereby appoint _____ of _____ or failing him / her _____ of _____ as my / our proxy to attend and vote for me/us on my / our behalf at the 20th Annual General Meeting of the Members of Bal Pharma Limited to be held on Thursday, the 20th September, 2007, at 4.00 p.m. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

Signed



NOTE : Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. This form duly completed should be deposited at the Registered Office of the Company at Bangalore not later than 48 hours before the commencement of the meeting.



Space for Members' Notes

FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(Rs. in Lakhs)

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
A. Sales and Earnings										
Gross Sales	7861.31	7647.41	6003.73	6204.63	5765.04	4523.67	3796.31	3051.20	2584.30	1909.81
Net Sales	7618.17	7462.04	5799.26	6046.50	5513.87	4408.72	3771.58	2986.13	2489.67	1831.23
Profit Before Tax	315.92	357.03	220.22	284.03	275.50	213.10	152.11	120.37	68.90	40.28
Tax	114.23	64.45	32.38	23.81	13.36	14.33	9.42	12.16	6.72	4.06
Profit After Tax	201.69	292.58	187.84	260.22	262.14	198.77	142.69	108.21	62.18	36.22
Retained Earnings	110.03	200.71	61.86	103.12	149.19	113.47	57.39	48.98	62.18	36.22
B. Assets and Liabilities										
Net Fixed Assets	3123.62	2222.25	1903.83	1611.32	1439.17	1370.52	1257.89	1225.94	1270.94	1244.15
Investments	15.04	241.37	13.58	13.58	13.58	13.71	11.79	11.69	11.67	11.23
Net Current Assets	3775.59	4328.40	2959.32	2441.56	2127.18	1753.16	1566.75	1224.18	1239.38	1019.82
Miscellaneous Expenditure	427.80	435.49	436.71	363.43	278.39	210.32	172.85	166.38	166.11	212.13
Share Capital	1044.62	1044.62	741	973	773	773	773	773	673	573
Reserves & Deferred Tax Liability	2758.08	2582.35	1623.09	1329.24	1226.14	1073.03	959.68	934.31	898.36	902.57
Loan Funds	3539.35	3600.54	2949.35	2127.65	1859.18	1501.68	1276.60	920.88	1116.74	1011.76
C. Ratios										
Earnings per share Rs.	1.93	2.90	1.55	2.63	3.34	2.98	1.95	1.60	1.08	0.63
Dividend per Equity Share %	7.5	7.5	7.5	15	12	10	10	7.50	—	—
Book Value per Equity Share Rs.	27.88	26.75	22.15	20.98	21.52	20.72	23.73	23.40	20.88	22.05



Bal Unit 1 at Bangalore

- Plant commissioned in the year 1992,
- It is WHO - GMP Certified & ISO 9001:2000 approved
- Engaged in Manufacturing of Finished Dosage Forms

Bal Unit 2 at Bangalore

- Plant setup in the year 1996
- Multi Purpose API facility approved as per WHO- GMP guidelines
- Also engaged in manufacture of Drug Intermediates
- Full fledged R&D Lab approved by Department of Science & Technology



Bal Unit 3 with FFS Technology at Pune

- Plant renovated as per WHO-GMP guidelines
- Engaged in manufacture of small volume and large volume parenterals by Form Fill & Seal technology

Bal Unit 4 at Uttaranchal

- State of the art plant designed for regulated market in excise free zone
- Formulation Plant In 4 1/2 acres land, having a construction area of 88000 sq.ft.
- Annual capacity :
 - Tablets : 1.8 billion /annum
 - Capsules : 0.3 billion /annum
 - Ointments : 192 metric tonnes /annum



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