FDC Limited

Regd. Office: B-8, M.I.D.C Industrial Estate, Waluj Dist., Aurangabad 431 136
Corp. Office: 142-48, Swami Vivekananda Road, Jogeshwari (West), Mumbai 400 102

Anand L. Chandavarkar (1905-1959)
Founder

Ramdas A. Chandavarkar (1933-2001)
Chairman Emeritus

DIRECTORS

Mohan A. Chandavarkar
(Chairman and Managing Director)

Ashok A. Chandavarkar

Nandan M. Chandavarkar
(Joint Managing Director)

Ameya A. Chandavarkar

(Ceased to be a wholetime director w.e.f April 01, 2007, continues to be a non-executive director)

Girish C. Sharedalal

Dr. Satish S. Ugrankar

Dr. Rahim H. Muljiani

Dr. Nagam H. Atthreya

Dr. Ravindra Y. Chittal

COMPANY SECRETARY

Shalini Kamath

AUDITORS

RSM & Co., Mumbai

PLANTS

Jogeshwari	(Mumbai, Maharashtra)
Roha	(Raigad, Maharashtra)
Waluj	(Aurangabad, Maharashtra)
Sinnar	(Nashik, Maharashtra)
Verna	(Goa)
Baddi	(Himachal Pradesh)

REGISTRAR & SHARE TRANSFER AGENTS*

Sharex Dynamic (India) Pvt. Ltd
Unit-1, Luthra Industrial Premises, Andheri Kurla Road
Safed Pool, Andheri (East), Mumbai – 400 072
Tel. : (022) 2851 5606, 2851 5644
Fax. : (022) 2851 2885
Email. ID: sharexindia@vsnl.com

* Kindly correspond directly with the Registrar & Share Transfer Agents regarding share transfers and share related matters.

DIRECTORS' REPORT

Your directors are pleased to present their report on the business and operations of your Company for the year ended March 31, 2007.

1.FINANCIAL RESULTS

	Year ended 31.03.2007 Rupees in lacs	Year ended 31.03.2006 Rupees in lacs
Sales (gross)	**46,904.92**	37,752.30
Other income	**1,363.74**	2,698.13
Gross profit (before interest & depreciation)	**9,324.32**	9,452.49
Deductions:		
Interest	**101.33**	91.62
Depreciation	**949.15**	796.03
Amortisation of VRS expenses	**142.07**	142.05
Profit before taxation	**8,131.77**	8,422.79
Provision for taxation	**1,685.18**	1,404.23
Provision for taxation of earlier year written off	**13.18**	74.94
Profit after taxation	**6,433.41**	6,943.62
Brought forward profit	**6,057.28**	4,860.18
Amount available for appropriation	**12,490.69**	11,803.80
Appropriations:		
Interim dividend	**1,914.62**	957.31
Final dividend	**-**	574.39
Dividend tax	**268.52**	214.82
Transfer to general reserve	**2,500.00**	4,000.00
Balance carried over to next year	**7,807.55**	6,057.28
	12,490.69	11,803.80

Previous years figures have been regrouped/reclassified, wherever necessary.

2. DIVIDEND

The board of directors of your Company at its meeting held on March 10, 2007, declared and paid to the shareholders an interim dividend of 100% on the paid up equity share capital of the Company of Rs.1914 lakhs. The dividend distribution tax borne by the Company amounted to Rs. 268 lakhs. The dividend is tax free in the hands of the shareholders. The interim dividend declared and paid is commensurate with the profits of the Company for the year 2006-2007 and hence no final dividend is recommended by your board of directors. The interim dividend declared and paid is confirmed as final dividend for the year 2006-2007.

3. BUSINESS REVIEW

The global pharmaceutical market grew by 7% to reach US$608 billion in 2006. The generic segment growth, continued to outpace the global pharmaceutical market due to increasing ageing population and Government's effort to reduce their healthcare expenditure. Generics are increasingly being prescribed by the general practitioners as an alternative to high priced originator brands.

According to ASSOCHAM and Cygnus research paper, the Indian domestic pharma market, which consistently grew at a single digit figure of 9.5% CAGR in the last five years, is poised to accelerate at 13.6% between 2006–2010 to touch the market size of $9.48 billion by 2010 from present level of little over $ 5.7 billion.

The new patent regime encouraged many MNCs to introduce their block buster drugs in India, while Indian companies were focused on fostering cross border alliances in the form of mergers, acquisitions, joint ventures, marketing tie ups, and strengthening their Research & Development for providing clinical trials, contract research, contract manufacturing, drug development, and licensing.

The Indian pharmaceutical market (consisting of indigenous and multinationals companies) estimated at Rs. 27,902 crores, grew by 14.3%. On the whole Indian Pharmaceutical companies, consisting of domestic companies, outgrew the market by 16.2%, while multinational companies registered a healthy growth of 7.4.%. (Source: 'ORG IMS March 2007 MAT')

Around 4716 new products were introduced in the Indian Pharma market in the year 2006-2007 (Source: 'ORG IMS March 2007 MAT'). With the increase in the overall health awareness and the improvement in life-style of the middle-class segment of the population, the market is shifting to life-style products. Chronic segments namely cardiovascular, anti-depressants and anti-diabetics etc, are growing more rapidly than the acute segments namely anti-infectives, analgesics and antacids etc. The industry is focusing its efforts towards specialised products, while

DIRECTORS' REPORT

spreading their awareness among the medical fraternity. Further health awareness has also reached the semi urban and rural areas, which has resulted in increased demand for domestic as well as western medicines.

With Indian companies being accredited with large number of international regulatory approvals like the USFDA, UKMHRA, UKFDA, ANVISA, SA-MCC, India will soon be established as a manufacturing hub for multinational drug manufacturers. Indian pharma companies can now boast of having filed the maximum number of drug master filings (DMFs) with the USFDA. Indian Pharmaceutical Industry has thus been recognized as a reliable source of drugs and drug intermediates, pharmaceutical dosage forms.

India is able to produce cost effective world class products because it has the advantages of having good clinical trial laboratories, talented medical faculty, large patient pool, mass production, quality products supported by Intellectual Property Protection regime. This has also led to multinational preferring domestic companies as a preferred site for outsourcing their requirements.

Price reductions and revisions from the much awaited Drug (Price Control) Order, which is expected to affect profit margins, is a cause of concern of all pharma companies. The new patent regime has led to companies to make huge investment in research & development to tap the new opportunities set out by the multinationals and the introduction of the product patent to create niche products. In the year 2005-2006 a survey conducted on fifty major pharmaceutical companies witnessed R & D expenditure growth by 26% over the previous year, which was mainly attributed to the new patent regime introduced in the year 2005 (Source : ASSOCHAM and Cygnus research paper) and thereafter the expenditure has been on rise. Also that the product patent regime is going to witness a strong competition in terms of prices.

Against the above market background, given below is a brief review of various functions of your Company:

a. Marketing:

As per 'ORG-IMS' Stockists' Secondary audit report for March 2007 MAT', your Company registered a growth of 13% during the year 2006-2007, as against the Indian pharma industry growth of 14.30%. Your Company has maintained a market share of 1.50% and its rank has been maintained at 22nd. Your Company has shown good performance in the western region. Most of the leading products continued to register excellent growth with the flagship brand "ZIFI", which is now ranked as the 13th largest pharmaceutical product in India as against 14th rank of last year. Brand extension "ZIFI LBX" has been ranked 3rd most successful product amongst all the new products launched in the industry during 2006.

During the year 2006-2007, your Company continued to introduce innovative products which are being aggressively promoted in various therapeutic categories which is as under:

Therapeutic Group	Trade Name
ORS	"Enerzal" (Ready to drink product)
Ophthalmologicals	"U.V. Lube"
Dermatologicals	"Zocon" Lotion
Anti-biotics/ Anti-bacterials	"Zilee"-OZ, "ZO"-SR 400, "Zorno" Susp., "Zemi"
Haematologicals	"Clip-MF", Vitcofer
Anti-allergies	"Ralzal"
Neutraceuticals	"Reliter"-D
Pain management	"Arflur" 3D, "Arflur" -MR
Cardiovasculars	"Synplatt", "Zilos"-H, "Zivast"-AM, "Zivast" ASP
Anti-diabetics	"Zoform" SR, "Ziglim", "Ziglim" M, "Ziglim" Plus, "Zilmet", "Zipio", "Zipio"-M

The performance of the new products is encouraging.

b. Financial Performance

Your Company recorded sales growth of 27 % in domestic market over previous year, which constitutes 91% of the Company's total sales. The margins were however under pressure due to price reduction in some of the Company's leading brands and an all round increase in costs of active ingredients, utilities and marketing costs. In addition, the investment income from dividends and gains on investments was substantially lower during the year, since the Company chose to deploy a major portion of surplus funds in safer liquid mutual funds than in equity / equity related instruments, in view of extreme market volatility.

We are happy to report that Forbes Asia October 2006 Magazine has ranked your company as one of the 23 publicly quoted companies in the region with sales of less than $ 1 billion with solid top and bottom line gains and potentials for more success.

The Company's internal control procedures commensurate with its size and nature of business. The internal audit reports are regularly placed before the Audit Committee for its review.

c. Expansion and Up-gradation of facilities

Expansion and up-gradation is an ongoing process at each manufacturing location to meet the international standards and quality systems. Continuous improvements have been made in GMP standards, infrastructure and quality systems at various locations to meet international standards. Your directors have pleasure in informing that Roha plant has obtained certification of HACCP (Hazard Analysis and Critical Control Point) for infant milk substitutes. This is a process control system designed to identify and prevent microbial and other hazards in production of range of Neutraceuticals. It includes steps designed to prevent problems before they occur and to correct deviations as soon as they are detected. Such preventive control system with documentation and verification are widely recognized by scientific authorities and international organizations as the most effective approach available for producing safe food.

We are pleased to inform you that your Company's bulk drug plant at Roha has been recently cleared with USFDA accreditation for the eighth time.

As reported to you earlier, the new state of art production facility at Baddi, Himachalpradesh, has gone into commercial production during July 2006. This facility is geared to meet international quality systems.

d. Exports

The annual export turnover of the Company was Rs. 4,090.16 Lakhs as compared to Rs. 4,191.43 Lakhs in 2005-2006. The export performance for the year was almost par with the previous year on account of increase in price of Dextrose, coupled with increases in air and sea freight resulting in an upward price revision of the large volume ORS business, leading several large NGOs to migrate to other low cost suppliers/ countries. The planned foray into several new markets took longer than anticipated regulatory hurdles, thereby delaying market entry into strategic export zones. African markets continued to insist on low-margin products, holding back business under price pressure leading to loss in sales.

Through planned entry into new markets Australia, Azerbaijan, Jamaica and cultivating new NGOs into customers, new business reversed loss of ORS business. Gentamycin Eye Drops won a long-term contract with a leading NGO generating new business generation.

The Company's ORS was forayed into new markets like Angola, Afghanistan, Netherlands and Fiji.

Your board of directors are pleased to inform that your Company has entered into an exclusive agreement with Akorn Inc., a leading marketing Company for Ophthalmic drugs in the United States, for development and supply agreement for two Ophthalmic suspension drug products. The two drugs currently have a combined United States market size of approximately $170 million. Under the terms of the agreement, FDC will fund the development and will be responsible for manufacturing the two Ophthalmic suspensions. Akorn will be responsible for marketing the two drugs in the United States and will receive 40% of the gross profit, while FDC will receive 60% of the gross profit generated from sales of the two drugs. FDC will own the ANDAs and Akorn has agreed to meet the annual minimum unit sales requirements in order to maintain United States marketing exclusivity.

Your directors hope that FDC's strong product development and manufacturing capabilities are very well complemented by Akron's strengths in sales and marketing.

4. RESEARCH & DEVELOPMENT

Indian Pharmaceutical industry is identified as a growing R & D hub. FDC recognized **"For Dedicated Care"** has continuously contributed in giving cost effective products without compromising on quality. Introduction of new products, innovation and improvement in the existing products are attributed to the efforts of the R&D team backed by the excellent support structure of the organisation.

a. Formulations

Your Company has been making continuous endeavor to deliver efficient and cost effective products to the ultimate consumer. At places, we have revised the formulas and manufacturing process, resulting in cost savings and have developed alternative vendors for supply of raw material. The Research and Development Center of your Company continued to contribute to the quality of the existing products and the Company has been successful in launching variety of cost effective products.

We have launched several new products in this financial year.

Highlights of our new developments were as follows:

a) developed Chloroquine Phosphate Eye drops (UV Lube Unims) and launched first time in India.

b) Developed three tablets formulations (targeted for ANDA submission) ready for pilot bio-studies.

c) Successfully launched Fluconazole capsules in Australian market including developing and executing the bulk pack.

Your Company has entered into a non-exclusive license agreement with GILEAD Sciences Inc., for production and distribution of Tenofovir disoproxil fumarate (tenofovir DF) to 95 low-income countries around the world, including India. Tenofovir DF is sold by Gilead under the brand name "Viread". In addition, this agreement also allows the manufacture of commercial quantities of both Active Pharmaceutical Ingredient (API) and finished product.

DIRECTORS' REPORT

b. Synthetics

Development and commercialization of technology was carried out for API's namely Brimodine Tartrate, Dorzolamide Hydrochloride and Flucanazole. Four Indian process patents for APIs and two U.S patents for antifungal NCEs were also filed. Three NCEs belonging to anti-fungal class of compounds are currently in–vivo testing.

c. Nutraceuticals

Several nutritional products are in the pipeline this year. R & D is going on for releasing a low calorie sucralose based tabletop sweetener for calorie conscious people. A protein supplement with ten other essential nutrients in disc form for children, sports person is under development. Also your company's well renowned brand "RELITER" D, will be re-launched in a pan masala flavour.

d. Biotechnology

As reported to your earlier with regards to the technology agreement, entered into with the Israel based Company, your Company is actively involved in the process of introducing an additional chromatography step to obtain high quality consistent pure product. Thereafter, the consistency batches will be submitted to the Review Committee on Genetic Manipulation for which we have already obtained permission from the Department of Bio-Technology (DBT).

5. PERSONNEL

The overall industrial and employee relations remained healthy. Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Statement of Particulars of Employees) Rules, 1975, forms a part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, this report and the accounts are being sent to all shareholders excluding the particulars of employees under Section 217(2A). Any shareholder interested in obtaining a copy of the statement may write to the secretarial department at the corporate office of the Company.

6. SOCIAL RESPONSIBILITIES

In discharge of its social obligations, your Company regularly contributes to trusts formed for charitable purposes

7. DIRECTORS

In accordance with Article 60 of the Articles of Association and the relevant provisions of the Companies Act, 1956, Dr. S.S. Ugrankar and Dr. R.H.Muljiani, retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for re-appointment. A brief profile of Dr. S.S. Ugrankar and Dr. R.H.Muljiani is given under the section on corporate governance of this report.

Mr. Ameya A. Chandavarkar's, term as a wholetime director, expired on March 31, 2007. Mr. Chandavarkar will now continue as a non-executive, (promoter), non-independent director, since he has proceeded on leave for pursuing accelerated MBA programme at INSEAD at France and Singapore.

8. DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

a. in the preparation of the annual accounts, the applicable accounting standards have been followed;

b. the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended March 31, 2007 and of the Profit and Loss Account for that period;

c. the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the directors have prepared the annual accounts on going concern basis.

9. CORPORATE GOVERNANCE

As required by the existing clause 49 of the listing agreements entered into with the stock exchanges, a separate report on corporate governance is given as a part of the annual report alongwith the auditors' statement on its compliance.

10. AUDITORS

The existing statutory auditors, RSM & Co., have communicated to the Company that their professional services practice has merged with PriceWaterhouse Coopers and hence, they are not offering themselves for re-appointment as statutory auditors of the Company in the ensuing annual general meeting.

The Company has received a special notice under the provisions of Section 225 of the Companies Act, 1956, proposing the appointment of S.R. Batliboi & Co., chartered accountants, as the auditors of the Company in place of the retiring auditors. The Company has received a certificate pursuant to section 224(1B) of the Companies

Act, 1956 from S.R. Batliboi & Co., certifying their eligibility for appointment as auditors of the Company.

The board commends passing of the resolution at item no. 6, of the accompanying notice.

11. COST AUDITORS

The directors have appointed Shri. Prakash Sevekari, cost auditor, to conduct the cost audit of bulk drugs and formulations for the financial year ending March 31, 2008. The requisite applications for approval of their appointment will be submitted to the Central Government.

12. PUBLIC DEPOSITS

At the close of the year, there were no fixed deposits matured and payable by the Company.

13. PARTICULARS OF SUBSIDIARIES

Your Company's Wholly Owned Subsidiary (WOS), FDC International Limited, United Kingdom, FDC Holdings Netherlands BV, Netherlands, FDC Inc., United States of America, reported a profit of 47,297 pounds (Rs.45.06 lacs), Euro 35,151, (Rs.36.73 lacs), USD 93,410 (Rs.39.31 lacs) respectively.

Your Company's joint venture business at South Africa namely Fair Deal Corporation Pharmaceutical (Pty) Limited (FDC SA), reported a profit of Rand 541,682. (Rs.31.72 lacs)

Your Company acquired an additional 35% shareholding (representing 113,750 Equity shares having face value of Rand 1 each) in FDC SA on December 12, 2006 from one of the joint venture partners for a consideration of Rs 6.55 lacs, thereby making FDC SA, a subsidiary of the Company. Further, subsequent to the balance sheet date, your Company has entered into an agreement for transfer of the aforesaid 35% shareholding in FDC SA to a new joint venture partner, Micro Healthcare (Proprietary) Limited, a company incorporated in South Africa, who presently manufacture and sell to FDC SA. The manufacturing capabilities of Micro coupled with FDC's strong Research & Development abilities is expected to earn good volumes and profits for the joint venture. The accounting treatment of FDC SA is explained in detail in notes to accounts of the Company and also to the consolidated accounts. (refer Schedule 'N')

We are pleased to inform you that UKMHRA has granted marketing Authorisations under The Medicines for Human Use (Marketing Authorisations etc.,) Regulations, for marketing of our product Flucanazole tablets and Sodium Cromoglicate Eye drops in United Kingdom.

In terms of section 212(8) of the Company's Act 1956, the Company has received exemption from Government of India, Ministry of Company Affairs, New Delhi, from attaching the accounts of its subsidiaries viz. FDC Holdings Netherlands B.V., FDC International Limited, U.K., FDC Inc., U.S.A., and Fair Deal Corporation Pharmaceutical SA (Pty) Limited, South Africa, for the financial year ended March 31, 2007. However as directed by the Central Government, the financial data of the subsidiaries have been furnished under" Notes to the Consolidated Accounts" (refer note 21 of Schedule 'N').

Also, as directed by the Central Government, annual accounts of the subsidiaries and the related detailed information will be made available to the holding and subsidiary company investors on request and the same is available for inspection by the members at the registered office of the Company, between 10.00 a.m. to 12.00 noon on all days except Fridays and holidays, till the date of the forthcoming meeting and will also be placed before the said meeting.

Any shareholder interested in obtaining a copy of the annual accounts of the subsidiary company and the detailed information with the financial statement of the said subsidiaries may write to the secretarial department at the corporate office of the Company.

14.CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The information pursuant to 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, is annexed as Annexure A to this Report.

15. ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their gratitude for the continued support and co-operation extended to the Company by the medical fraternity, trade, Government agencies, financial institutions, investors, bankers, consumers and employees.

For and on behalf of the board

Place: Mumbai
Date : June 26, 2007

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ANNEXURE A

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, forming part of the report of the directors for the year ended March 31, 2007.

A. CONSERVATION OF ENERGY

a. Energy conservation measures undertaken

1. Installation of new screw chiller in place of old reciprocating type brine compressor at Roha plant
2. All process condenser are converted to chilled water type from brine type saving in calcium chloride consumption at Roha plant
3. Old pumps replaced with high efficiency pumps at Roha plant
4. Solar system for canteen at Jogeshwari
5. Replaced split A.C. units of quality control department by fan coil units of chilled water at Jogeshwari
6. Installed timer on A.H.U. of canteen at Jogeshwari
7. Running of 100 TR screw chiller in place of 120 TR screw chiller during night at Sinnar plant.
8. Switching over to lesser capacity air compressors as per demand conditions at Sinnar plant
9. Installation of heat recovery wheel for one pass through air conditioning systems at Goa plant
10. Conversion of old furnace oil fired boiler to agro fuel at Waluj plant

b. Proposals for energy conservation

1. Replacement of existing fluorescent tube lights by energy saving CFL tube lights
2. Reactors to be fitted with energy saving inline gearbox with VFD
3. Solar heating system for making hot water of 80 degree to be used in Na-flurbiprofen manufacturing
4. Solar systems for hot water to A.H.U.'s for RH control

c. Impact of the measures of (a) and (b)

The adoption of energy conservation measures of the type indicated above has resulted in significant savings.

d. Total energy consumption and energy consumption per unit of production as per Form A

Since pharmaceutical production comprises of wide variety of products, each requiring different compositions and mix, the compilation of consumption per unit of production is not feasible.

Form A

Form for disclosure of particulars with respect to conservation of energy

A. Power and fuel consumption

	2006-2007	2005-2006
1. Electricity		
a. Purchased unit (kwh)	**12,806,030**	11,494,901
Total amount (Rs.)	**71,565,741**	46,695,943
Rate/Unit (Rs.)	**5.59**	4.06
b. Own Generation		
i. Through diesel Generator unit (kwh)	**1,436,106**	326,472
Unit per litre of diesel oil (kwh)	**3.37**	4.33
Cost/Unit (Rs.)	**9.89**	7.68
ii. Through steam turbine/generator	**N.A.**	N.A.
2. Coal	**N.A.**	N.A
3. Furnace Oil		
Qty. (kilo litre)	**500**	640
Total cost (Rs.)	**10,148,285**	10,863,958
Rate/unit (Rs.)	**20.30**	16.97
4. Bagasse		
Qty. (kgs)	**1,084,045**	455,645
Total cost (Rs.)	**3,828,461**	1,338,067
Rate / unit (Rs.)	**3.53**	2.94
5. Others/ Internal Generation	**N.A.**	N.A.

B. TECHNOLOGY ABSORPTION

FORM B

Form for disclosure of particulars with respect to absorption

Research & Development (R&D)

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

- New product introductions under various therapeutic groups
- Improvement in quality and reduction of costs of all products including new products

- Development of 'recombinant DNA technology' based products
- Bio-transformation studies for anti-diabetic molecule
- Development of generic APIs(Active Pharmaceutical Ingredients) and their intermediaries
- Import substitution of active raw materials
- Attempts towards creation of single enantiomeric drugs
- Development of products meeting the quality requirement of regulated markets, conforming to TGA, ANVISA, MHRA, USFDA requirements
- Launching new products in the anti-diarrhoeal, anti-ulcer and anti -diabetics with enhanced stability

2. Benefits derived as a result of the R&D activities

- Launch of new products under various therapeutic groups
- Reduction in time cycles of conversion and raw material consumption
- Improvement in quality and yield
- Evolution of eco-friendly, cost-effective and safe processes
- Product range extensions
- Development / improvements of products and processes with patent potential
- Development of cost effective therapeutic molecules

3. Future plan of action

- Designing economically viable sequences to manufacture APIs (Active Pharmaceutical Ingredients) with local and export potential
- Development of APIs based on patent expiry
- Backward integration to make imported raw materials to file process and product patent(s)
- To develop modified release dosage forms
- Registering ophthalmic and solid oral dosage forms with USFDA/EU
- Preparation for five consistency trial batches, the data of which shall be submitted to Department of bio-technology to obtain permission for conducting clinical trials for manufacture of recombinant therapeutic protein
- Development of nutraceuticals and extensions to the range of food products

4. Expenditure on R&D

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
a. Capital	*46.78	196.65
b. Recurring	582.57	443.84
c. Total	629.35	640.49
d. Total R&D expenditure as a percentage of total turnover	1.34%	1.70%

* Including W.I.P.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation

- The technology transfer and training for manufacture of recombinant protein, has been successfully absorbed and implemented at laboratory and pilot scale. Work is underway for commercialisation of the recombinant human cytokine and an additional chromatography step is being worked out to obtain a consistent quality product
- Innovation in the manufacturing process and successful technology transfer in Brimonidine Tartrate and Fluconazole
- Successful full scale batches for Dorzolamide HCI
- Sustained release technology

2. Benefits derived as a result of the above efforts

- Product development and cost competitiveness
- Introduction of new products
- Substitution of imported raw materials
- Management of SHE (Safety, Health and Environment) parameters as per stringent safety standards
- Designed cost effective processes, saving in time cycles, offering better yields and quality
- Backward integration and / or in-house preparation of raw materials which are imported

3. Information regarding imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

a. **Technology imported:** Know how for the manufacture of a recombinant therapeutic protein, including genetically engineered clone.

b. **Year of import:** 2003-2004

c. **Has the technology been fully absorbed:** Yes

d. **If not fully absorbed, area where this has not taken place, reasons therefore and future plans of action:** Technology has been standardised on laboratory scale for one rDNA product as of date. After obtaining high quality updated consistent pure product, the consistency batches will be submitted to the Review Committee on Genetic Manipulation, for which the Company has already obtained permission from the Department of Bio-Technology (DBT).

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services, and export plans

As reported to you in the director's report, FDC's foreign exchange earnings, stood at Rs. 4,091.32 lacs, as on March 31, 2007, against Rs. 4,192.89 lacs. The export performance for the year was almost at par with the previous year on account of loss of ORS business from NGOs as a result of increase in material and other costs which resulted in an upward price revision. Through planned entry into new markets like Australia, Azerbaijan, Jamaica and cultivating new NGO customers, new business reversed the loss of ORS business. The Company's ORS was forayed into new markets like Angola, Afghanistan, Netherlands and Fiji.

2. Total foreign exchange earnings and outgo

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
i. Earnings	**4,091.32**	4,192.89
ii. Outgo	**4,142.57**	1,969.08

Place: Mumbai
Date : June 26, 2007

For and on behalf of the board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company believes in carrying out its activities in an ethical and transparent manner. The management is committed towards maximising shareholders value and interest of all other stakeholders.

2. BOARD OF DIRECTORS

a. Composition of board of directors and category of individual directors

Name of the director	Category
Mr. Mohan A. Chandavarkar Mr. Ashok A. Chandavarkar Mr. Nandan M. Chandavarkar Mr. Ameya A. Chandavarkar	Promoters and executive directors
Mr. Girish C. Sharedalal Dr. Satish S. Ugrankar Dr. Rahim H. Muljiani Dr. Nagam H. Atthreya Dr. Ravindra Y. Chittal	Independent and non-executive directors

b. Attendance at the board meetings and last Annual General Meeting ('AGM')

During the year under review, 7 board meetings were held on May 13, 2006, June 24, 2006, July 27, 2006, October 31, 2006, January 30, 2007, March 10, 2007 and March 13, 2007. The last AGM of the Company was held on September 16, 2006.

The gap between any two meetings did not exceed four months.

Attendance of each director at board meetings and last AGM

Name of the director	No. of board meetings attended	Attendance at the last AGM
Mr. Mohan A. Chandavarkar	7	Present
Mr. Ashok A. Chandavarkar	5	Present
Mr. Nandan M. Chandavarkar	7	Present
Mr. Ameya A. Chandavarkar	3	Present
Mr. Girish C. Sharedalal	6	Present
Dr. Satish S. Ugrankar	6	Present
Dr. Rahim H. Muljiani	6	Present
Dr. Nagam H. Atthreya	6	Absent
Dr. Ravindra Y. Chittal	4	Present

c. Membership/Chairmanship of other boards and committees thereof

Name of the director	*Number of directorships held in other Companies	Other committees	
		Member	Chairman
Mr. Mohan A. Chandavarkar	1	Nil	Nil
Mr. Ashok A. Chandavarkar	1	Nil	Nil
Mr. Nandan M. Chandavarkar	Nil	Nil	Nil
Mr. Ameya A. Chandavarkar	1	Nil	Nil
Mr. Girish C. Sharedalal	7	Nil	1
Dr. Satish S. Ugrankar	1	Nil	Nil
Dr. Rahim H. Muljiani	Nil	Nil	Nil
Dr. Nagam H. Atthreya	1	1	Nil
Dr. Ravindra Y. Chittal	Nil	Nil	Nil

* The listing above excludes foreign companies.

d. Code of Conduct

All board members and the senior management personnel of the Company have affirmed compliance with the Code of Conduct for the year ended March 31, 2007. The said code is posted on the website of the company www.fdcindia.com.

e. Notes on directors seeking appointment reappointment

i. Dr. S.S. Ugrankar

Dr. S.S. Ugrankar is a non-executive director of the Company. He is a renowned consulting Orthopaedic surgeon. Dr. Ugrankar is holding directorship in Flush Media Records Private Ltd.

ii. Dr. R.H. Muljiani

Dr. R.H. Muljiani is a non-executive director of the Company. He is a reputed and one of the senior most Ophthalmologists in India. He is actively associated with the Company and provides advice and guidance to the Company on its varied range of Opthalmic products. Dr. Muljiani is the member of the Company's Audit Committee and Investor Grievance Committee. He is not holding directorship in any other Company.

3. AUDIT COMMITTEE

a. Brief description of terms of reference

The terms of reference of this committee covers the matters specified under Section 292A of the Companies Act, 1956 and also the matters listed under the listing agreement with the stock exchanges. The committee, comprising of financially literate members, is responsible for effective supervision of the financial operations and ensuring that financial, accounting activities and operating controls are exercised as per the laid down policies and procedures. The financial results of every quarter are reviewed by the committee before being

CORPORATE GOVERNANCE

placed before the board of directors for its approval. The Company has set up an internal audit team, which reviews the functions and operations of the Company and submits its report to the audit committee. The internal auditors as well as the statutory auditors are regular invitees to the audit committee meetings.

b. Constitution of the Committee

The committee comprises of three independent non-executive directors. The said committee functions under the chairmanship of Mr. Girish C. Sharedalal, who is a chartered accountant by profession and has considerable accounting and related management expertise. Dr. R. H. Muljiani and Dr. Nagam H. Atthreya are the other members of the committee, who are financially literate. Ms. Shalini Kamath acts as the Secretary to the committee. During the year under review, nine audit committee meetings were held on May 13, 2006 , May 30, 2006, June 10, 2006, June 24, 2006, July 27, 2006, September 23, 2006, October 31, 2006, January 30, 2007 and March 10, 2007.

The attendance of members at the meetings was as follows

Name of the member	Status	No. of meetings attended
Mr. Girish C. Sharedalal	Chairman	9
Dr. Rahim H. Muljiani	Member	8
Dr. Nagam H. Atthreya	Member	9

4. REMUNERATION TO DIRECTORS

a. Details of remuneration paid to whole-time directors for the year under review

Name of the director	Salaries (Rs.)	Perquisites (Rs.)	Benefits (Rs.)	Commission (Rs.)
Mr. Mohan A. Chandavarkar	2,744,533	Nil	463,140	3,902,064
Mr. Ashok A. Chandavarkar	2,395,200	25,710	404,190	3,121,651
Mr. Nandan M. Chandavarkar	2,285,200	16,480	385,628	2,731,444
Mr. Ameya A. Chandavarkar	1,277,000	Nil	215,494	1,482,784

The agreement with wholetime directors is for a period of five years.

The remuneration to the whole-time directors is paid in terms of Schedule XIII of the Companies Act, 1956 and is duly approved by the shareholders.

b. Details of remuneration paid to non-executive directors for the year under review

	Name of the director	Commission (Rs.)	Sitting fees (Rs.)	Audit committee fees (Rs.)
#	Mr. Girish C. Sharedalal	40,000	15,000	67,500
	Dr. Satish S. Ugrankar	40,000	15,000	N.A.
#	Dr. Rahim H. Muljiani	40,000	15,000	60,000
#	Dr. Nagam H. Atthreya	40,000	15,000	67,500
	Dr. Ravindra Y. Chittal	40,000	10,000	N.A.

\# Members of audit committee

The remuneration paid to the non-executive directors comprises sitting fees and commission. The sitting fees paid to the non-executive directors in respect of the meetings of the board and the audit committee is within the maximum limit set out under the Companies Act, 1956.The directors' sitting fees and commission are made in accordance with industry norms and subject to the overall ceilings imposed by the Companies Act, 1956 and applicable statutes if any.

c. Details of shareholding of non-executive directors in the Company

Name of the director	No. of shares
Mr. Girish C. Sharedalal	20,000
Dr. Satish S Ugrankar	595,990
Dr. Rahim H. Muljiani	4,000
Dr. Nagam H. Atthreya	Nil
Dr. Ravindra Y. Chittal	2,000

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

a. Composition of the Committee

The Shareholders'/ Investors' Grievance Committee has been constituted at the meeting of the board of directors held on January 31, 2002. The committee functions under the chairmanship of Dr. Rahim H. Muljiani a non-executive independent director. Mr. Mohan A. Chandavarkar and Mr. Ashok A. Chandavarkar are the other members of the committee. During the year, the committee met once on March 31, 2007. All the members of the committee attended the above meeting.

b. Name and designation of the compliance officer

Ms. Shalini Kamath
Company Secretary

c. Number of complaints received and resolved

During the year under review, the Company received forty one complaints from Shareholders/Investors. All the complaints have been resolved to the satisfaction of the shareholders. There were no applications for transfers pending as on March 31, 2007. In order to expedite the process of transfers of shares the board has delegated the power to approve share transfers to the share transfer committee set up by the board of directors.

CORPORATE GOVERNANCE

6. GENERAL BODY MEETINGS

a. Location & time of the last three annual general meetings

Financial year	Location	Date	Time	No. of special resolutions passed
2003-2004	WelcomHotel Rama International R-3, Chikalthana Aurangabad 431 210 Maharashtra	September 11,2004	10.00 a.m.	Nil
2004-2005	WelcomHotel Rama International R-3, Chikalthana Aurangabad 431 210 Maharashtra	September 17,2005	10.00 a.m.	Nil
2005-2006	WelcomHotel Rama International R-3, Chikalthana Aurangabad 431 210 Maharashtra	September 16,2006	10.00 a.m.	1

b. There were no special resolutions required to be passed through postal ballot at any of the above annual general meetings. None of the resolutions proposed for the ensuing annual general meeting need to be passed by postal ballot.

7. DISCLOSURES

a. The Company has not entered into any transaction of material nature with any related party as described under the listing agreement entered into with the stock exchanges, that may have potential conflict with the interests of the Company at large.

b. During the past three years there has been no instance of non-compliance by the Company with the requirements of the stock exchanges, Securities Exchange Board of India ('SEBI') or any other statutory authority on any matter related to capital markets.

c. Non-mandatory requirements of corporate governance have not been adopted.

8. MEANS OF COMMUNICATION

a. The Company publishes its annual, half yearly and quarterly financial results in the following newspapers:

i. Economic Times (English)

ii. Maharashtra Times (Marathi)

The abovementioned results are also displayed on the Company's website, www.fdcindia.com. In addition, information like the shareholding pattern, details of persons holding more than 1% of the fully paid up capital, etc. is also displayed on the Company's website.

b. As per Clause 51 of the listing agreement all the data related to quarterly financial results, shareholding pattern etc. is posted on the Electronic Data Information Filing and Retrieval ('EDIFAR') website namely www.sebiedifar.nic.in.

c. The information required under the Management Discussion and Analysis Report has been aptly covered by the directors' report.

9. GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting

Date : August 25, 2007
Time : 10.00 a.m.
Venue: WelcomHotel Rama International, R-3, Chikalthana, Aurangabad 431 210, Maharashtra

b. Financial Calendar (tentative)

Particulars	Date
Unaudited results of the first quarter ending June 30, 2007	Last week of July 2007
Unaudited results of the second quarter and half year ending September 30, 2007	Last week of October 2007
Unaudited results of the third quarter and nine months ending December 31, 2007	Last week of January 2008
Audited results for the year ending March 31, 2008	Last week of June 2008

c. Dates of book closure

August 16, 2007 to August 25, 2007 (both days inclusive).

d. Dividend payment date

Interim dividend declared and paid by the board of directors @ 100% on the paid up capital at its meeting held on March 10, 2007, is hereby confirmed as the final dividend for the year 2006-2007.

e. Stock Exchanges where listed

The Stock Exchange, Mumbai (BSE)
The National Stock Exchange of India Limited (NSE)

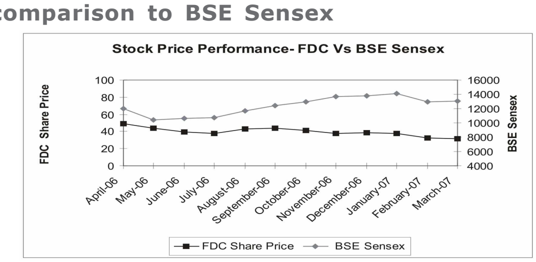
f. Stock Code: BSE - 531599, NSE – FDC EQ

g. Market Price Data

	BSE		NSE	
Month	High	Low	High	Low
April, 2006	54.50	47.30	54.25	45.55
May, 2006	57.60	39.25	57.80	35.05
June, 2006	45.65	35.05	45.40	34.60
July, 2006	40.00	33.15	40.95	33.10
August, 2006	44.95	36.30	45.20	36.25
September, 2006	46.25	40.80	46.95	40.05
October, 2006	45.10	41.00	45.20	40.95
November, 2006	46.40	37.00	44.90	37.05
December, 2006	41.70	34.45	41.50	34.55
January, 2007	43.00	36.60	41.30	37.50
February, 2007	38.40	30.40	38.40	29.00
March, 2007	34.00	30.00	34.00	30.00

(Source: BSE website/NSE trade statistics)

h. Performance of the Company's stock in comparison to BSE Sensex



Note: Based on monthly closing price of FDC and monthly closing index point of BSE Sensex.

CORPORATE GOVERNANCE

i. Registrars & Share Transfer Agents

Sharex Dynamic (India) Pvt. Ltd.
Unit-1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai – 400 072
Tel.: (022) 2855 5606, 2851 5644,
Fax.: (022) 2851 2885
Email ID.: sharexindia@vsnl.com

j. Share Transfer System

The Company has set up a committee of the board of directors known as the share transfer committee, which meets generally once in fifteen days inter alia for approving the transfer of shares. The formalities for transfer of shares in the physical form are completed and the share certificates are dispatched to the transferee within thirty days of receipt of transfer documents, provided the documents are complete and the shares under transfer are not under dispute. If however, the transfer documents are not in order, objections are communicated to the transferee within thirty days from the date of receipt of the transfer documents.

k. Shareholding Pattern as on March 31, 2007

Category	No. of shares held	Percentage of shareholding
A. Promoters holding		
1. Promoters		
- Indian Promoter	122,504,656	63.98
- Foreign Promoter	-	-
2. Persons acting in concert	-	-
Sub-Total	**122,504,656**	**63.98**
B. Non-Promoter Holding		
3. Institutional Investors		
- Mutual Funds & UTI	18,523,631	9.68
- Banks, Financial Inst., Insurance Co.(Central / State Govt. Inst. / Non-Govt. Inst.)	1,930,027	1.01
c. Foreign Institutional Investors	3,023,850	1.58
Sub-Total	**23,477,508**	**12.27**
4. Others		
a. Pvt. Corporate Bodies	7,658,593	4.00
b. Indian Public	36,230,995	18.92
c. NRIs/OCBs	1,152,374	0.60
d. Any other		
i. Foreign companies	7,000	0.01
ii. Clearing members	429,976	0.22
Sub-Total	**45,478,938**	**23.75**
Grand Total	**191,461,102**	**100.00**

Distribution of Shareholding as on March 31, 2007

Equity shares of face value of Re. 1/- each	Shareholders		Equity shares	
	Number	% to total	Number	% to total
Upto 5,000	30,945	97.59	17,465,044	9.12
5,001 to 10,000	475	1.50	3,512,072	1.83
10,001 to 20,000	137	0.43	2,037,845	1.06
20,001 to 30,000	31	0.10	761,646	0.40
30,001 to 40,000	14	0.04	513,311	0.27
40,001 to 50,000	8	0.03	376,236	0.20
50,001 to 1,00,000	20	0.06	1,570,833	0.82
Above 1,00,001	80	0.25	165,224,115	86.30
TOTAL	**31,710**	**100.00**	**191,461,102**	**100.00**

l. Dematerialisation of shares and liquidity

The shares of the Company are in the compulsory demat segment and are available in the depository system both in National Security Depository Limited (‘NSDL’) and Central Depository Services (India) Limited (‘CDSL’). As on March 31, 2007, 183,047,000 shares aggregating to 95.61% of the total number of fully paid equity shares having face value of Re.1 each are held by the shareholders in the dematerialised form.

m. Outstanding GDR / ADR’s / Warrants or any convertible instruments, conversion date and likely impact on equity

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

n. Plant locations

As mentioned on the cover page.

o. Address for correspondence

Shareholders holding shares in the physical form should address their correspondence to the Company’s registrar and share transfer agents at the address as given under (i) above. Shareholders holding shares in the demat form should address their correspondence to their respective depository participants with whom they have their accounts.

For and on behalf of the board

Place: Mumbai
Date : June 26, 2007

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

Certificate

To,
The Members of **FDC Limited**

We have examined the compliance of conditions of corporate governance by **FDC Limited** (‘the Company’) for the year ended on March 31, 2007 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreement.

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

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

For **RSM & Co.**
Chartered Accountants

Place : Mumbai
Date : June 26, 2007

VILAS Y. RANE
Partner (F-33220)

AUDITORS' REPORT

Auditors' Report
To the Members of FDC Limited

1. We have audited the attached Balance Sheet of **FDC Limited** ('the Company') as at March 31, 2007, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to above, we report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

   c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e. on the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2007 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India;

      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

      ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

      iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place: Mumbai
Date : June 26, 2007

AUDITORS' REPORT

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report to the members of FDC Limited on the accounts for the year ended March 31, 2007)

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

(b) The fixed assets are physically verified by the management in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern is not affected.

(ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management. In case of materials lying with the third parties, certificates have been obtained by the Company from most of the parties.

(b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.

(iii) According to information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to/ from companies, firms, or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (b), (c), (d), (f) and (g) of paragraph 4 (iii) of the Order relating to the rate of interest and other terms and conditions of loans, regularity of receipt/ repayment of principal and interest, and steps for recovery of overdue amount in excess of rupees one lac are not applicable.

(iv) In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures 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. Further, in our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal control system.

(v) (a) According to the information and explanations given to us and based on the disclosure of interest made by the directors of the Company, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 which need to be entered in the register required to be maintained under that section, have been entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under.

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records for Bulk Drugs and Formulations under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

AUDITORS' REPORT

(ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Service Tax, Wealth Tax, Custom duty, Excise duty, Cess and any other statutory dues with the appropriate authorities during the year, and there were no such outstanding dues as at March 31, 2007 for a period exceeding six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of Sales tax, Income tax, Custom duty, Wealth tax, Service tax, Excise duty and Cess as at March 31, 2007 which have not been deposited on account of a dispute, are detailed below:

Name of the Statute	Nature of Dues	Year	Amount (Rupees in lacs)	Forum where the dispute is pending
Local Sales Tax – Bihar	Various matters	A.Y. 2000-2001	12.09	Joint Commissioner of Commercial Taxes (Appeal), Patna
Local Sales Tax – Bihar	Various matters	A.Y. 2001-2002	5.14	Joint Commissioner of Commercial Taxes (Appeal), Patna
Local Sales Tax – Tamil Nadu	Various matters	A.Y. 2001-2002	0.46	Asst. Commissioner of Commercial Taxes, Chennai
Local Sales Tax – West Bengal	Various matters	A.Y. 2002-2003	15.25	Deputy Commissioner of Commercial Taxes, Kolkata
Local Sales Tax – West Bengal	Various matters	A.Y. 2003-2004	13.15	Deputy Commissioner of Commercial Taxes, Kolkata
Central Sales Tax Act	Various matters	A.Y. 2001-2002	5.93	Joint Commissioner of Commercial Taxes (Appeal), Patna
Central Excise Act	Classification of products	Various	11.77	Customs, Excise & Service Tax Appellate Tribunal
Central Excise Act	Levy of excise duty on "Principal Manufacfurer"	Various	12.38	Commissioner of Central Excise & Customs (Appeals)

(x) The Company does not have any accumulated losses as at the year-end, and has not incurred any cash losses during the financial year and the immediately preceding financial year.

(xi) The Company has not obtained any borrowings from any bank, financial institution or by way of debentures. Accordingly, paragraph 4 (xi) of the Order is not applicable.

(xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, paragraph 4 (xii) of the Order is not applicable.

(xiii) The Company is engaged in manufacturing activity, and accordingly, clauses (a), (b), (c) and (d) of paragraph 4 (xiii) of the Order relating to a chit fund or a nidhi/ mutual benefit fund/ society are not applicable to the Company.

AUDITORS' REPORT

(xiv) In respect of Company's investments, proper records have been maintained of transactions and contracts and timely entries have been made. The investments have been held by the Company in its own name.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company did not have any term loans during the year. Accordingly, paragraph 4 (xvi) of the Order is not applicable.

(xvii) The Company has not raised any funds on short-term basis. Accordingly, paragraph 4 (xvii) of the Order is not applicable.

(xviii) The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the year, and accordingly, paragraphs 4 (xviii), 4 (xix) and 4 (xx) of the Order are not applicable to the Company.

(xix) To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place: Mumbai
Date : June 26, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	**31st March, 2007** Rupees in lacs	31st March, 2006 Rupees in lacs
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	'A'	**1,922.47**	1,922.47
Reserves and surplus	'B'	**31,285.80**	27,097.39
		33,208.27	29,019.86
DEFERRED GOVERNMENT GRANTS (Refer Note 6 of Schedule 'N')		**-**	15.00
LOAN FUNDS			
Unsecured loans	'C'	**310.86**	317.74
DEFERRED TAX			
Deferred tax liabilities		**1,463.70**	1,196.16
Less: Deferred tax assets		**161.74**	234.38
		1,301.96	961.78
TOTAL		**34,821.09**	30,314.38
II. APPLICATION OF FUNDS			
FIXED ASSETS	'D'		
Gross block		**21,815.50**	16,221.67
Less: Depreciation		**6,521.26**	5,585.14
Net block		**15,294.24**	10,636.53
Capital work-in-progress and advances		**4,497.26**	4,279.77
Less: Provision for impairment of assets		**144.79**	144.79
		19,646.71	14,771.51
INVESTMENTS	'E'	**5,077.50**	6,837.18
CURRENT ASSETS, LOANS AND ADVANCES	'F'		
Inventories		**9,763.87**	7,082.27
Sundry debtors		**2,122.38**	1,987.77
Cash and bank balances		**2,021.33**	1,982.92
Loans and advances		**2,339.58**	2,929.10
		16,247.16	13,982.06
Less:			
CURRENT LIABILITIES AND PROVISIONS	'G'		
Current liabilities		**5,943.99**	4,645.79
Provisions		**208.14**	777.59
		6,152.13	5,423.38
NET CURRENT ASSETS		**10,095.03**	8,558.68
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	'H'	**1.85**	147.01
TOTAL		**34,821.09**	30,314.38
Significant Accounting Policies	'M'		
Notes to Accounts	'N'		

As per our report of even date

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : June 26, 2007

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

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

	Schedule	**2006-2007** Rupees in lacs	2005-2006 Rupees in lacs
INCOME			
Sales		**46,904.92**	37,752.30
Less: Excise duty		**4,529.02**	3,786.70
		42,375.90	33,965.60
Other income	'I'	**1,363.74**	2,698.13
TOTAL		**43,739.64**	36,663.73
EXPENDITURE			
Cost of materials	'J'	**20,115.75**	15,458.27
Employees' cost	'K'	**4,640.88**	3,662.86
Operating expenses	'L'	**9,658.69**	8,090.11
Depreciation		**957.92**	804.80
Less: Transfer from revaluation reserve		**8.77**	8.77
		949.15	796.03
Interest (Refer Note 10 of Schedule 'N')		**101.33**	91.62
TOTAL		**35,465.80**	28,098.89
Profit before taxation and exceptional item		**8,273.84**	8,564.84
Amortisation of voluntary retirement scheme expenses		**142.07**	142.05
Profit before taxation		**8,131.77**	8,422.79
Provision for taxation			
For the year			
- Current		**1,170.00**	1,205.00
- Deferred		**340.18**	12.23
- Fringe benefit tax		**175.00**	187.00
		1,685.18	1,404.23
For earlier years		**13.18**	74.94
		1,698.36	1,479.17
Profit after taxation		**6,433.41**	6,943.62
Balance brought forward		**6,057.28**	4,860.18
Amount available for appropriation		**12,490.69**	11,803.80
APPROPRIATIONS			
Interim dividend		**1,914.62**	957.31
Final dividend - proposed		**-**	574.39
Dividend tax		**268.52**	214.82
Transfer to General Reserve		**2,500.00**	4,000.00
Balance carried to Balance Sheet		**7,807.55**	6,057.28
		12,490.69	11,803.80
Significant Accounting Policies	'M'		
Notes to Accounts	'N'		
Earnings per share			
Basic and diluted - Par value Re. 1 per share (Refer Note 16 of Schedule 'N')		**3.36**	3.63

As per our report of even date

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : June 26, 2007

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

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

PARTICULARS	2006-2007 Rupees in lacs		2005-2006 Rupees in lacs	
CASH FLOWS FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAXATION		**8,131.77**		8,422.79
Adjustments for:				
Depreciation	**949.15**		796.03	
Interest expense	**101.33**		91.62	
Interest income	**(97.38)**		(103.00)	
Loss on sale of fixed assets	**3.67**		21.06	
Profit on sale of fixed assets	**(3.15)**		(11.16)	
Dividend income	**(178.86)**		(210.74)	
Profit on sale of investments (net)	**(440.07)**		(1,409.41)	
Unrealised foreign exchange loss/ (gain) on restatement	**22.76**		(26.62)	
Bad debts and advances written off	**80.41**		85.66	
Provision for doubtful debts/ advances	**37.85**		345.71	
Provision for expenses no longer required written back	**(28.71)**		(55.65)	
Provision for doubtful debts/ advances no longer required written back	**(283.97)**		(3.34)	
Miscellaneous expenditure amortised during the year	**145.16**	**308.19**	145.14	(334.70)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**8,439.96**		8,088.09
Adjustments for:				
(Increase)/decrease in debtors	**14.27**		2,310.49	
(Increase)/decrease in inventories	**(2,681.60)**		(1,384.29)	
(Increase)/decrease in advances	**641.27**		(606.40)	
Increase/(decrease) in creditors	**1,332.86**		(1,511.89)	
Increase/(decrease) in provisions	**32.41**	**(660.79)**	35.22	(1,156.87)
CASH GENERATED FROM OPERATIONS		**7,779.17**		6,931.22
Direct taxes paid (including Fringe benefit tax)		**(1,404.96)**		(1,496.63)
NET CASH FROM OPERATING ACTIVITIES (A)		**6,374.21**		5,434.59
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES				
Purchase of fixed assets		**(5,856.27)**		(4,728.76)
Proceeds from sale of fixed assets		**22.63**		12.18
(Increase)/ decrease in loans (net)		**2.33**		76.19
Purchase of investments		**(20,427.75)**		(17,312.18)
Proceeds from sale of investments		**22,627.50**		18,193.43
Dividend received		**178.86**		210.74
Interest received		**74.92**		72.96
NET CASH FROM / (USED IN) INVESTING ACTIVITIES (B)		**(3,377.78)**		(3,475.44)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Receipt of Government grant		-		15.00
Repayment of Government grant		**(15.00)**		-
Repayment of borrowings		**(6.88)**		(8.51)
Dividend paid		**(2,841.29)**		(1,074.12)
Interest paid		**(101.33)**		(94.56)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES (C)		**(2,964.50)**		(1,162.19)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)		**31.93**		796.96
OPENING CASH AND CASH EQUIVALENTS		**1,963.99**		1,167.03
CLOSING CASH AND CASH EQUIVALENTS (Refer Note 1 below)		**1,995.92**		1,963.99

Notes to the Cash Flow Statement

1. Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise of the following Balance Sheet items:

PARTICULARS	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
Cash on hand	**7.61**	6.62
Balance with scheduled banks:		
In current accounts	**1,955.60**	1,919.76
In fixed and margin deposits (against letter of credit and bank guarantees)	**58.12**	56.54
Unrealised foreign exchange loss/(gain) on restatement of cash and cash equivalents	**(25.41)**	(18.93)
TOTAL	**1,995.92**	1,963.99

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

As per our report of even date

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place: Mumbai
Date: June 26, 2007

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

SCHEDULES TO THE ACCOUNTS

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
A. SHARE CAPITAL		
AUTHORISED		
250,000,000 (Previous year 250,000,000) Equity shares of Re. 1 each	**2,500.00**	2,500.00
ISSUED AND SUBSCRIBED		
194,606,102 (Previous year - 194,606,102) Equity shares of Re. 1 each	**1,946.06**	1,946.06
PAID-UP		
191,461,102 (Previous year - 191,461,102) Equity shares of Re. 1 each, fully paid-up	**1,914.61**	1,914.61
Add: 3,145,000 (Previous year-3,145,000) Equity shares forfeited	**7.86**	7.86
TOTAL	**1,922.47**	1,922.47
Of the above shares:		
(i) 15,000 shares were alloted as fully paid-up pursuant to a contract for consideration other than cash.		
(ii) 28,900,000 shares were allotted as fully paid-up by way of Bonus shares by capitalisation out of General Reserve.		
(iii) 95,730,551 shares were allotted as fully paid-up by way of Bonus shares by capitalisation out of Share Premium Account.		
B. RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	**45.01**	45.01
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	**16.81**	16.81
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	* **607.58**	* 607.58
* Includes share premium received on forfeited shares Rs. 72.90 lacs (Previous year - Rs. 72.90 lacs)		
REVALUATION RESERVE		
As per last Balance Sheet	**131.22**	139.99
Less: Transfer to Profit and Loss Account	**8.77**	8.77
	122.45	131.22
GENERAL RESERVE		
As per last Balance Sheet	**18,739.49**	14,739.49
Less: Adjustment for change in accounting policy (Refer Note 9 of Schedule 'N')	**53.09**	-
Add: Transfer from Profit and Loss Account	**2,500.00**	4,000.00
	21,186.40	18,739.49
RESERVE FOR DIMINUTION IN VALUE/LOSS ON SALE OF INVESTMENTS		
As per last Balance Sheet	**1,500.00**	1,500.00
SURPLUS IN PROFIT AND LOSS ACCOUNT	**7,807.55**	6,057.28
TOTAL	**31,285.80**	27,097.39
C. UNSECURED LOANS		
Interest-free Sales tax loans	**310.86**	317.74
[Repayable within one year - Rs. 36.04 lacs (Previous year - Rs. 29.01 lacs)]		
TOTAL	**310.86**	317.74

D. FIXED ASSETS

Rupees in lacs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Additions	Deletions/ Adjustments	**As at 31.03.2007**	Upto 31.03.2006	For the year	Deletions/ Adjustments	**Upto 31.03.2007**	**As at 31.03.2007**	As at 31.03.2006
Leasehold land *	373.90	-	-	**373.90**	97.83	5.82	-	**103.65**	**270.25**	276.07
Freehold land	58.43	315.36	-	**373.79**	-	-	-	**-**	**373.79**	58.43
Buildings	4,113.54	2,339.31	16.19	**6,436.66**	730.22	166.03	2.02	**894.23**	**5,542.43**	3,383.32
Plant and machinery	7,089.16	1,693.59	14.93	**8,767.82**	3,570.61	519.64	10.59	**4,079.66**	**4,688.16**	3,518.55
Laboratory testing machines	1,027.78	464.03	0.18	**1,491.63**	160.46	55.30	0.18	**215.58**	**1,276.05**	867.32
Electrical installations	540.70	193.19	0.01	**733.88**	117.03	30.35	0.01	**147.37**	**586.51**	423.67
Furniture, fixtures and fittings	916.75	315.31	2.23	**1,229.83**	262.52	63.89	1.40	**325.01**	**904.82**	654.23
Office equipments	597.68	171.47	2.89	**766.26**	90.36	34.43	1.38	**123.41**	**642.85**	507.32
Vehicles	279.57	78.34	7.58	**350.33**	114.47	27.62	5.41	**136.68**	**213.65**	165.10
Capital expenditure on R&D										
Buildings	109.91	-	-	**109.91**	37.74	3.57	-	**41.31**	**68.60**	72.17
Equipments	1,066.22	63.65	0.73	**1,129.14**	385.04	47.54	0.61	**431.97**	**697.17**	681.18
Furniture and fixtures	41.71	4.53	0.21	**46.03**	17.17	3.43	0.20	**20.40**	**25.63**	24.54
Water coolers and refrigerators	6.32	-	-	**6.32**	1.69	0.30	-	**1.99**	**4.33**	4.63
TOTAL	**16,221.67**	**5,638.78**	**44.95**	**21,815.50**	**5,585.14**	**957.92**	**21.80**	**6,521.26**	**15,294.24**	10,636.53
Previous year	14,416.54	1,911.70	106.57	16,221.67	4,864.83	804.80	84.49	5,585.14	10,636.53	

* Includes leasehold land at Delhi which is in the process of being registered in the name of the Company.

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
E. INVESTMENTS AT COST (Unquoted, unless otherwise stated)		
I. LONG TERM		
Government Securities		
National Savings Certificates	**0.07**	0.07
35 (Previous year - 35) Govt. of India G.P. Notes - face value of Rs.2,000 (Refer Note 8 of Schedule 'N')	**0.02**	0.02
Trade		
Fully paid-up Equity Shares		
In Subsidiaries		
7,890 (Previous year - 7,890) Equity Shares of FDC Holdings, Netherlands B.V. of EUR 45.38 each	**150.80**	150.80
500 (Previous year - 500) Equity Shares of FDC Inc., of USD 100 each	**22.00**	22.00
159,250 (Previous year - 159,250) Equity Shares of Fair Deal Corporation Pharmaceutical SA (Pty) Ltd., of ZAR 1 each (Refer Note 15 of Schedule 'N')	**11.30**	11.30
In Others		
1,000 (Previous year - 1,000) Equity Shares of The Saraswat Co-op. Bank Limited of Rs.10 each	**0.10**	0.10
5,000 (Previous year - 5,000) Equity Shares of The North Kanara G.S.B. Co-op. Bank Limited of Rs.10 each	**0.50**	0.50
100 (Previous year - 100) Shares of Roha Industries Association Sahakari Grahak Bhandar Limited of Rs.25 each	**0.03**	0.03
	184.82	184.82
Non Trade		
Fully paid-up Equity Shares (Quoted)		
Nil (Previous year - 10,000) Equity Shares of Aarti Drugs Limited of Rs.10 each	**-**	10.49
Nil (Previous year - 5,000) Equity Shares of ABG Shipyard Limited of Rs.10 each	**-**	13.23
55,000 (Previous year - Nil) Equity Shares of Ahlcon Parenterals (India) Limited of Rs.10 each	**37.29**	-
8,000 (Previous year - Nil) Equity Shares of Ambuja Cements Limited of Rs.2 each	**7.83**	-
1,100 (Previous year - Nil) Equity Shares of Asian Electronics Limited of Rs.10 each	**5.57**	-
Nil (Previous year - 20,000) Equity Shares of BOC India Limited of Rs.10 each	**-**	18.75
12,000 (Previous year - Nil) Equity Shares of Bharat Forge Limited of Rs.2 each	**44.15**	-
1,000 (Previous year - Nil) Equity Shares of Cipla Limited of Rs.2 each	**2.44**	-
Nil (Previous year - 5,000) Equity Shares of Ennore Foundries Limited of Rs.10 each	**-**	6.79
20,000 (Previous year - 15,000) Equity Shares of Great Eastern Shipping Company Limited of Rs.10 each	**50.55**	31.38
7,250 (Previous year - Nil) Equity Shares of Great Offshore Limited of Rs.10 each	**35.05**	-
Nil (Previous year - 60,000) Equity Shares of Infrastructure Development Finance Compnay Limited of Rs.10 each	**-**	32.68
Nil (Previous year - 15,000) Equity Shares of Indian Petrochemicals Corporation Limited of Rs.10 each	**-**	28.48
41,332 (Previous year - 50,000) Equity Shares of J K Cements Limited of Rs.10 each	**61.17**	74.00
Nil (Previous year - 15,000) Equity Shares of LIC Housing Finance Limited of Rs.10 each	**-**	30.19
Nil (Previous year - 10,000) Equity Shares of Marico Limited of Re.1 each	**-**	23.79
Nil (Previous year - 10,000) Equity Shares of Merck Limited of Rs.10 each	**-**	41.82
Nil (Previous year - 15,000) Equity Shares of Neuland Laboratories Limited of Rs.10 each	**-**	18.35
850 (Previous year - Nil) Equity Shares of Reliance Industries Limited of Rs.10 each	**11.66**	-
2,011 (Previous year - Nil) Equity Shares of Siemens Limited of Rs.2 each	**22.72**	-
Nil (Previous year - 175,000) Equity Shares of Triveni Engineering & Industries Limited of Re.1 each	**-**	84.00
	278.43	413.95
Bonds (Quoted)		
225,000 (Previous year - 225,000) 6.75% tax free bonds of Rs.100 each of Unit Trust of India	**234.09**	234.09
	234.09	234.09
SUB-TOTAL	**697.34**	832.86

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
II. CURRENT		
Trade		
Fully paid-up Equity Shares in Subsidiary company		
113,750 (Previous year - Nil) Equity Shares of Fair Deal Corporation Pharmaceutical SA (Pty) Ltd., of ZAR 1 each (Refer Note 15 of Schedule 'N')	6.55	-
	6.55	-
Non Trade		
Units of Mutual Funds		
Nil (Previous year - 5,010,000.000) units of Rs.10 each in DBS Chola Contra Fund - Dividend Payout Option	-	501.00
27,626.169 (Previous year - Nil) units of Rs.1000 each in DSP Merrill Lynch Fixed Term Plan Series 1 Institutional - Dividend Reinvest Option	276.26	-
Nil (Previous year - 5,371,892.256) units of Rs.10 each in HDFC Floating Rate Income Fund - Short Term Plan - Growth Option	-	621.63
Nil (Previous year - 4,689,859.116) units of Rs.10 each in JM Emerging Leaders Fund - Dividend Payout Option	-	571.69
Nil (Previous year - 5,000,000.000) units of Rs.10 each in JM Fixed Maturity Fund Series II Quarterly - Growth Option	-	500.00
Nil (Previous year - 13,235,156.431) units of Rs.10 each in Kotak Liquid Institutional Premium - Growth Option	-	1,860.59
5,000,000.000 (Previous year - Nil) units of Rs.10 each in Kotak Twin Advantage Series III - Dividend Payout Option	500.00	-
5,038,709.150 (Previous year - Nil) units of Rs.10 each in Lotus India Fixed Maturity 3 months Series I Institutional - Dividend Reinvest Option	503.87	-
3,000,000.000 (Previous year - Nil) units of Rs.10 each in Principal Pnb Fixed Maturity Plan 91 days Series VIII - Dividend Payout Option	300.00	-
14,616,294.798 (Previous year - Nil) units of Rs.10 each in Magnum Income Fund Floating Rate Long Term Regular - Dividend Payout Option	1,502.37	-
6,891,291.507 (Previous year - Nil) units of Rs.10 each in Sundaram BNP Paribas Fixed Term Plan Series XXIII 90 days - Dividend Reinvest Option	689.13	-
985,085.801 (Previous year - Nil) units of Rs.10 each in UTI Spread Fund - Dividend Reinvest Option	98.99	-
5,029,933.050 (Previous year - Nil) units of Rs.10 each in UTI Fixed Maturity Plan Quarterly Series (02/07) - Dividend Reinvest Option	502.99	-
Nil (Previous year - 9,597,312.668) units of Rs.10 each in Reliance Floating Rate Fund - Growth Option	-	1,025.46
Nil (Previous year - 6,000,000.000) units of Rs.10 each in Reliance Equity Fund - Dividend Payout Option	-	600.00
Nil (Previous year - 2,205,338.493) units of Rs.10 each in Sundaram Money Fund Institutional - Growth Option	-	323.95
	4,373.61	6,004.32
SUB-TOTAL	4,380.16	6,004.32
TOTAL	5,077.50	6,837.18
Aggregate cost of quoted investments	512.52	648.04
Aggregate market value of quoted investments	485.49	878.91
Aggregate repurchase prices of mutual funds	4,390.88	6,075.62

During the year, the following number of units of Mutual Funds were purchased and sold: CURRENT (NON TRADE)

No.	Name of Mutual Fund	Name of Scheme	Face Value (Rs.)	No of units	Cost (Rs. in lacs)
1	DBS Chola Mutual Fund	Contra Fund	10	**1,980,198.020**	200.00
		Fixed Maturity Plan Quarterly	10	**5,333,104.395**	533.31
		Freedom Income STP Institutional	10	**8,646,704.309**	1,000.00
		Midcap Fund	10	**877,893.057**	110.00
		Multicap Fund	10	**1,888,662.472**	235.00
		Short Term Floating Rate Fund	10	**16,111,011.479**	1,706.12
				34,837,573.732	3,784.43
2	DSP Merrill Lynch Mutual Fund	Fixed Term Plan Institutional	1000	**22,538.636**	225.39
				22,538.636	225.39
3	Fidelity Mutual Fund	Special Situations Fund	10	**4,645,476.773**	475.00
				4,645,476.773	475.00
4	Franklin Templeton Mutual Fund	Floating Rate Income Fund - Long Term	10	**4,217,894.468**	550.00
		Floating Rate Income Fund - Short Term	10	**778,343.374**	100.00
				4,996,237.842	650.00
5	HDFC Mutual Fund	High Interest Fund Short Term	10	**4,110,029.219**	550.00
		Floating Rate Fund STP	10	**15,048,007.787**	1,873.23
		Prudence Fund	10	**3,743,557.997**	1,200.60
				22,901,595.003	3,623.83
6	HSBC Mutual Fund	Floating Rate Fund	10	**4,454,942.867**	490.15
		MIP - Savings Plan	10	**4,020,326.772**	500.00
				8,475,269.639	990.15
7	ING Vysya Mutual Fund	Optimix Active Debt Multi Manager FoF Scheme	10	**7,000,000.000**	700.00
				7,000,000.000	700.00
8	J M Mutual Fund	Arbitrage Fund	10	**13,000,000.000**	1,300.00
		Floater Fund - STP	10	**5,153,616.163**	595.83
				18,153,616.163	1,895.83
9	Kotak Mahindra Mutual Fund	Balance Unit Scheme 99	10	**3,173,620.305**	707.53
		Bond Short Term	10	**3,044,672.964**	400.00
		Floater Fund - STP	10	**9,419,250.303**	1,104.74
		Floater Fund - LTP	10	**9,307,722.655**	1,042.51
		Income Plus Plan	10	**1,545,690.615**	200.00
		K - 30	10	**1,490,281.769**	536.81
				27,981,238.611	3,991.59
10	Lotus India Mutual Fund	Liquid Plan	10	**3,000,000.000**	300.00
				3,000,000.000	300.00
11	Principal Pnb Mutual Fund	Income Fund Short Term Plan	10	**2,297,354.214**	300.00
		Income Fund Short Term Plan Institutional	10	**7,376,284.582**	900.00
		Income Fund Institutional Plan	10	**1,225,940.910**	150.00
				10,899,579.706	1,350.00
12	Prudential ICICI Mutual Fund	Income Multiplier Regular Plan	10	**2,889,985.478**	400.00
		Institutional Short Term Plan	10	**2,889,203.868**	405.94
				5,779,189.346	805.94

No.	Name of Mutual Fund	Name of Scheme	Face Value (Rs.)	No of units	Cost (Rs. in lacs)
13	Reliance Capital Mutual Fund	Fixed Horizon Fund II Quarterly Series IV Institutional	10	**5,000,000.000**	500.00
		Floating Rate Fund	10	**5,868,435.502**	664.53
		Liquid Fund Treasury Plan Retail	10	**578,569.776**	100.00
		Short Term Fund Retail Plan	10	**6,311,682.982**	800.00
				17,758,688.260	2,064.53
14	SBI Mutual Fund	Arbitrage Opportunities Fund	10	**14,450,343.703**	1,455.74
		Magnum Insta Cash Fund Liquid Floater Plan	10	**2,469,115.481**	300.00
		Magnum Income Fund Floating Rate Long Term Plan Regular	10	**8,066,621.621**	896.29
		Magnum Income Fund Floating Rate Long Term Plan Institutional	10	**7,120,351.745**	800.00
		Magnum Income Fund Floating Rate Short Term Plan	10	**2,252,861.134**	250.00
		Magnum Monthly Income Plan	10	**1,856,578.693**	300.64
				36,215,872.377	4,002.67
15	Sundaram BNP Paribas Mutual Fund	Balanced Fund	10	**2,839,562.664**	444.44
		Floater ST Institutional	10	**10,694,777.663**	1,172.77
		Floater ST Regular	10	**5,713,765.428**	641.97
		Rural Fund	10	**6,000,000.000**	600.00
		Select Debt Short Term Asset Plan	10	**2,842,094.652**	362.25
		Select Focus Fund	10	**4,415,964.196**	634.44
		Select Midcap Fund	10	**1,115,604.376**	209.57
				33,621,768.979	4,065.44
16	UTI Mutual Fund	Spread Fund	10	**16,937,697.629**	1,702.01
				16,937,697.629	1,702.01

During the year, the following number of Equity Shares were purchased and sold: LONG TERM (NON TRADE)

No.	Company	Face Value (Rs).	No of shares	Cost (Rs. in lacs)
1	Aarti Drugs Limited	10	**7,300**	6.07
2	ABG Shipyard Limited	10	**7,500**	24.83
3	Ambuja Cements Limited	2	**4,500**	4.40
4	Great Eastern Shipping Company Limited	10	**16,100**	36.57
5	Hindustan Zinc Limited	10	**6,000**	48.48
6	ITC Limited	1	**13,000**	23.75
7	Indian Petrochemicals Corporation Limited	10	**4,000**	10.07
8	LIC Housing Finance Limited	10	**5,000**	9.45
9	Larsen & Toubro Limited	2	**1,450**	36.89
10	Neuland Laboratories Limited	10	**1,473**	1.67
11	Parsvnath Developers Limited	10	**1,122**	3.37
12	Reliance Communications Limited	5	**10,500**	30.14
13	Reliance Industries Limited	10	**1,500**	15.47
14	Reliance Petroleum Limited	10	**14,001**	8.40
15	Shasun Chemicals & Drugs Limited	2	**13,000**	11.77
16	Sobha Developers Limited	10	**247**	1.58
17	Tantia Constructions Limited	10	**14,643**	28.83
18	Tata Steel Limited	10	**3,000**	17.34
19	Wockhardt Limited	5	**6,000**	24.08

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
F. CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES		
Raw materials	**1,569.67**	1,064.80
Packing materials	**387.87**	319.67
Work-in-process	**1,075.55**	694.43
Finished products	**6,730.78**	5,003.37
	9,763.87	7,082.27
SUNDRY DEBTORS (Unsecured)		
Over six months:		
Considered good	**160.95**	59.55
Considered doubtful	**119.69**	290.72
Other debts:		
Considered good	**1,961.43**	1,928.22
Considered doubtful	**9.98**	85.14
	2,252.05	2,363.63
Less: Provision for doubtul debts	**129.67**	375.86
	2,122.38	1,987.77
CASH AND BANK BALANCES		
Cash on hand	**7.61**	6.62
Balance with scheduled banks:		
In current accounts	**1,955.60**	1,919.76
In fixed and margin deposits (against letter of credit and bank guarantees)	**58.12**	56.54
	2,021.33	1,982.92
LOANS AND ADVANCES (Unsecured)		
Advances recoverable in cash or in kind or for value to be received:		
Considered good	**1,291.29**	1,930.95
Considered doubtful	**32.47**	32.43
	1,323.76	1,963.38
Less: Provision for doubtful advances	**32.47**	32.43
	1,291.29	1,930.95
Loan to subsidiaries	**638.83**	641.16
[Maximum balance during the year Rs.656.20 lacs (Previous year-Rs.720.22 lacs)]		
Sundry deposits	**94.46**	90.39
Advance tax (net of provision)	**311.55**	264.77
Balance with customs and excise authorities	**3.45**	1.83
	2,339.58	2,929.10
TOTAL	**16,247.16**	13,982.06

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
G. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors (Refer Note 7 of Schedule 'N')	**4,951.40**	4,040.77
Security deposits	**908.20**	498.52
Due to customers	**48.84**	67.75
Unclaimed dividend (Refer Note 23 of Schedule 'N')	**35.55**	38.75
	5,943.99	4,645.79
PROVISIONS		
Provision for retirement benefits	**208.14**	122.64
Proposed dividend - final	**-**	574.39
Dividend tax	**-**	80.56
	208.14	777.59
TOTAL	**6,152.13**	5,423.38
H. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Technical know-how fees as per last Balance Sheet	**4.94**	8.03
Less: Amortised during the year	**3.09**	3.09
	1.85	4.94
Voluntary Retirement Scheme expenses		
Less: Amortised during the year	**142.07**	284.12
	142.07	142.05
	-	142.07
TOTAL	**1.85**	147.01

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
I. OTHER INCOME		
Export incentives	**119.45**	121.06
Claims received	**43.89**	631.71
Interest recevied [Includes Rs. 25.15 lacs (Previous year Rs. 28.90 lacs) from subsidiaries]	**97.38**	103.00
[Tax deducted at source Rs. 1.63 lacs (Previous year - Rs. 1.85 lacs)]		
Miscellaneous receipts	**168.26**	152.06
Profit on sale of fixed assets	**3.15**	11.16
Provision for doubtful debts/advances no longer required, written back	**283.97**	3.34
Provision for expenses no longer required, written back	**28.71**	55.65
Income from current investments :		
Dividend on current investments (non-trade)	**166.30**	198.15
Profit on sale of current investments (net)	**322.74**	812.19
	489.04	1,010.34
Income from long term investments:		
Dividend on long term investments (non-trade)	**12.56**	12.59
Profit on sale of long term investments (net)	**117.33**	597.22
	129.89	609.81
	618.93	1,620.15
TOTAL	**1,363.74**	2,698.13
J. COST OF MATERIALS		
Raw materials consumed	**14,734.17**	9,767.18
Packing materials consumed	**2,951.80**	2,926.88
Purchase for resale	**4,643.05**	3,966.54
(Increase) / decrease in stock		
Closing stock :		
Work - in - process	**1,075.55**	694.43
Finished products	**6,730.78**	5,003.37
	7,806.33	5,697.80
Less: Opening stock :		
Work - in - process	**694.43**	598.93
Finished products	**5,003.37**	3,822.10
	5,697.80	4,421.03
	(2,108.53)	(1,276.77)
Increase/ (decrease) in excise duty on finished products	**(104.74)**	74.44
TOTAL	**20,115.75**	15,458.27
K. EMPLOYEES' COST		
Salaries, wages, bonus and commission	**3,907.28**	3,061.84
Contribution to provident and other funds	**458.20**	381.14
Welfare expenses	**275.40**	219.88
TOTAL	**4,640.88**	3,662.86

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
L. OPERATING EXPENSES		
Processing charges	**569.51**	480.76
Power, fuel and water charges	**899.97**	641.87
Repairs and maintenance:		
Building	**222.20**	220.40
Plant and machinery	**305.80**	294.42
Other assets	**173.78**	158.10
	701.78	672.92
Stores and spares	**181.76**	126.53
Rent	**59.35**	61.98
Rates and taxes	**22.67**	17.17
Insurance	**56.66**	49.41
Travelling and conveyance	**1,624.74**	1,223.75
Communication expenses	**116.03**	113.95
Carriage, freight and forwarding	**893.04**	803.21
Advertisement and sales promotion	**2,299.93**	1,885.13
Sales tax / Value added tax	**104.02**	100.36
Commission on sales	**327.96**	167.91
Auditors' remuneration:		
Audit fees	**13.03**	8.25
Tax audit fees	**3.98**	2.06
Other services	**0.39**	0.27
Out of pocket expenses	**0.14**	0.07
	17.54	10.65
Cost audit fees	**0.62**	0.47
Bad debts and advances written off	**80.41**	85.66
Provision for doubtful debts/advances	**37.85**	345.71
Miscellaneous expenses	**1,636.52**	1,256.58
Loss on fixed assets sold/scrapped	**3.67**	21.06
Amortisation of technical know-how fees	**3.09**	3.09
Donation	**21.57**	21.94
TOTAL	**9,658.69**	8,090.11

M. SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

The financial statements are prepared under the historical cost convention, except for certain fixed assets, which were revalued on 30th September 1993 (refer Note 2 below), on accrual basis and are in accordance with the requirements of the Companies Act, 1956 and mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

2. FIXED ASSETS

All fixed assets other than revalued assets are stated at cost less accumulated depreciation/amortisation. Cost comprises of the purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from exchange rates variances relating to liabilities attributable to fixed assets are also capitalised.

Land, buildings, major items of plant and machinery and research and development equipment at Jogeshwari and Roha were revalued on 30th September 1993 on the basis of the report of an approved valuer. Difference between the book value and the value as per valuer's report amounting to Rs. 730.70 lacs was transferred to Revaluation Reserve during the year ended 31st March 1994. These fixed assets are stated at revalued amounts less accumulated depreciation.

3. DEPRECIATION/ AMORTISATION/ IMPAIRMENT

Depreciation on the historical cost of fixed assets is provided on straight line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

Depreciation on revalued portion of fixed assets is calculated on straight line method over balance useful life of assets as determined by the valuer and is transferred from Revaluation Reserve to the Profit and Loss Account.

At the balance sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

After recognition of impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on straight line basis over its remaining useful life.

Assets costing less than Rs. 5,000 are depreciated fully in the year of acquisition.

Leasehold land/ improvements are amortised over the period of lease.

4. INVESTMENTS

Long term investments are valued at cost less provision for permanent diminution in value, if any.

Current investments are valued at lower of cost or fair value (repurchase price or market value) on individual item basis.

5. INVENTORIES

Finished products including traded goods, and work-in-process are valued at lower of cost or net realisable value.

Raw materials and packing materials are valued at cost, which includes duties and taxes (net off CENVAT and VAT, wherever applicable) and is arrived at on weighted average cost basis.

Cost of finished products and work-in-process includes material cost, labour, direct expenses, production overheads and excise duty, where applicable. Cost of imported raw materials and packing materials lying in bonded warehouse includes customs duty.

6. MISCELLANEOUS EXPENDITURE

Technical know-how fees for process know-how incurred upto 31st March 2003 are treated as deferred revenue expenditure and amortised equally over six years. Such expenditure incurred after 31st March 2003 is charged off to Profit and Loss Account.

Compensation paid under Voluntary Retirement Scheme is treated as deferred revenue expenditure and amortised equally over five years for schemes effected upto 31st March, 2006. Compensation paid for schemes effected after 31st March, 2006 is amortised upto 31st March, 2010.

7. REVENUE RECOGNITION

Income from sale of goods is accounted for on despatch of goods to customers and includes excise duty but excludes sales tax/ value added tax.

Other income is accounted for on accrual basis except where the receipt of income is uncertain in which case it is accounted for on receipt basis.

8. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the rates prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency outstanding at the year end are restated at the year end exchange rates.

Exchange differences arising on repayment and translation of liabilities relating to acquisition of fixed assets are adjusted to the carrying cost of such fixed assets. All other exchange differences are taken to the Profit and Loss Account.

9. GOVERNMENT GRANTS

Government grants received as capital incentives are credited to Capital Reserve. Government grants in other forms are credited to Profit and Loss Account.

Government grants relating to specific fixed assets are disclosed as deduction from the gross value of the assets concerned.

10. EMPLOYEE BENEFITS

Company's contribution to recognised provident fund, family pension fund and superannuation fund is charged to the Profit and Loss Account on accrual basis.

Contribution to gratuity fund and provision for leave encashment are made based on actuarial valuations as at the Balance Sheet date.

11. RESEARCH AND DEVELOPMENT (R & D)

Capital expenditure on R & D is included in fixed assets. Revenue expenditure is charged off to Profit and Loss Account.

12. LEASE ACCOUNTING

Operating lease expenses/income is recognised in the Profit and Loss Account on a straight line basis over the lease term.

13. ACCOUNTING FOR TAXES ON INCOME

Provision for current tax is made, based on the tax payable under the Income-tax Act, 1961. Deferred tax assets and liabilities from timing differences between taxable income and accounting income is accounted for using the tax rates and the tax laws enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets other than unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realisation supported by convincing evidence.

N. NOTES TO FINANCIAL STATEMENTS

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
1. Contingent liabilities not provided for:		
(i) Disputed tax matters		
Income tax	**120.50**	158.60
Excise duty	**66.91**	89.96
Sales tax	**52.02**	31.53
(ii) In respect of guarantees given by banks	**68.49**	59.10
2. Letter of credit issued by bankers	**297.82**	1,239.24
3. Estimated amount of export obligation against outstanding advance licenses	**6.36**	18.78
4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)		
- Tangible assets	**1,287.69**	2,670.07

5. Under various schemes of Government of Maharashtra, the Company is entitled to Sales Tax deferral incentives for its units at Waluj and Sinnar. These are repayable in 5-6 installments after a period of 10-12 years from the year of availment.

6. In the previous year, the Company had received Rs. 15 lacs from Department of Scientific and Industrial Research ("DSIR") towards partial funding of a project for development of a product for treatment of Thalassemia. This receipt qualified as a Government grant as defined under Accounting Standard – 12 "Accounting for Government Grants". Since this project was not commenced and no expenditure was incurred by the Company in the previous year, the entire amount was disclosed as "Deferred Government Grant".

   However, in the current year, the Company has abandoned the aforesaid project due to technical and commercial non-viability. Accordingly, the Company has refunded the entire amount of Rs. 15 lacs to DSIR.

7. Sundry creditors include amounts due to Small Scale Industrial Undertakings (SSI) Rs. 2.73 lacs (Previous year - Rs. 31.03 lacs) identified on the basis of available information. The names of such SSI creditors where individual balances are due for more than 30 days are as under :
   Analax Chemifarma Private Limited, Anuroop Packaging Private Limited, Jasmine Art Printers Private Limited, M.P. Colour Containers, Mexim Adhesive Tapes Private Limited, Swastik Flexipack Private Limited, Shailesh Packaging, Vimal Art Printery, Viva Impressions Private Limited.

   Based on the information available with the Company, no suppliers/ service providers have informed/ confirmed of being registered as Micro, Small or Medium Enterprise as at 31st March, 2007 in terms of the provisions of "The Micro, Small, and Medium Enterprise Development Act, 2006".

8. Of the total investments stated in Schedule 'E' to the accounts, National Savings Certificates of the value of Rs. 0.04 lacs (Previous year – Rs. 0.04 lacs) and Government of India G.P. Notes of the value of Rs. 0.02 lacs (Previous year – Rs. 0.02 lacs) have been lodged with the Excise authorities. National Savings Certificates of Rs. 0.03 lacs (Previous year – Rs. 0.03 lacs) have been lodged with the Sales tax authorities.

9. Consequent to the early adoption of Accounting Standard 15 (Revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India, the Company has reviewed and revised its accounting policy in respect of employee benefits. Consequent upon the change, profit before tax for the year ended 31st March, 2007 is lower by Rs. 7.16 lacs. In accordance with the transitional provisions contained in the Accounting Standard, the difference of Rs. 53.09 lacs between the liability in respect of short-term employee benefits existing on the date of adoption and the liability that would have been recognized at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve. As the Accounting Standard is not yet mandatory, the additional disclosures prescribed in the Notes to Accounts have not been made.

10. Interest does not include any interest paid towards fixed loans.

11. Following are the major components of Deferred tax (asset)/liability:

		31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
Deferred tax liabilities			
Depreciation		**1,463.70**	1,196.16
	(A)	**1,463.70**	1,196.16
Less:- Deferred tax assets			
Provision for doubtful debts/advances		**55.11**	137.43
Liabilities under section 43B of the Income-tax Act, 1961		**106.28**	95.38
Others		**0.35**	1.57
	(B)	**161.74**	234.38
Net Deferred tax liability	(A)-(B)	**1,301.96**	961.78

12. Segment Information

Primary segment information - The Company is engaged in pharmaceutical business which as per Accounting Standard – 17 "Segment Reporting" is considered the only reportable business segment.

Secondary segment information - The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India and others. The country-wise segmentation is not relevant as exports to individual countries are not more than 10% of enterprise revenue.

The information related to secondary segment is as under:

Rupees in lacs

Particulars	India	Others	Total
Segment Revenue	**42,669.79** (33,523.44)	**4,235.13** (4,228.86)	**46,904.92** (37,752.30)
Carrying amount of assets by location of assets	**34,444.76** (27,072.38)	**1,449.11** (1,681.19)	**35,893.87** (28,753.57)
Additions to tangible and intangible assets	**5,856.27** (4,728.76)	**-** (-)	**5,856.27** (4,728.76)

Previous year's figures are shown in brackets.

13. Related party disclosures, as required by Accounting Standard – 18 "Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below:

A. Subsidiary Companies
- FDC Holdings, Netherlands B.V.
- FDC International Limited
- FDC Inc.
- Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. (from 12th December, 2006)

B. Joint Venture Entity
- Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. (up to 11th December, 2006)

C. Key Management Personnel
- Mr. Mohan A. Chandavarkar
- Mr. Ashok A. Chandavarkar
- Mr. Nandan M. Chandavarkar
- Mr. Ameya A. Chandavarkar

D. Relatives of Key Management Personnel
- Ms. Sandhya M. Chandavarkar
- Ms. Mangala A. Chandavarkar
- Ms. Aditi Bhanot

E. Nature of transaction:

Rupees in lacs

Particulars	Subsidiary Companies		Joint Venture Entity		Key Management Personnel		Relatives of Key Management Personnel		Total	
	2006-2007	2005-2006	**2006-2007**	2005-2006	**2006-2007**	2005-2006	**2006-2007**	2005-2006	**2006-2007**	2005-2006
Sale of goods	**1,006.94**	746.61	**2.03**	92.78	**-**	-	**-**	-	**1,008.97**	839.39
Finance										
- Loans granted	**7.04**	2.87	**-**	-	**-**	-	**-**	-	**7.04**	2.87
- Loans recovered	**-**	-	**-**	82.75	**-**	-	**-**	-	**-**	82.75
- Equity contributions in cash or in kind	**6.55**	-	**-**	-	**-**	-	**-**	-	**6.55**	-
Interest received	**11.76**	4.94	**13.39**	23.97	**-**	-	**-**	-	**25.15**	28.91
Remuneration*	**-**	-	**-**	-	**102.13**	101.12	**-**	-	**102.13**	101.12
Commission	**-**	-	**-**	-	**112.38**	115.75	**-**	-	**112.38**	115.75
Dividend paid	**-**	-	**-**	-	**336.06**	129.25	**303.64**	116.79	**639.70**	246.04
Outstanding Balances										
- Payable	**-**	-	**-**	-	**118.67**	123.11	**-**	-	**118.67**	123.11
- Receivable	**798.33**	352.49	**-**	652.35	**-**	-	**-**	-	**798.33**	1,004.84

* Including perquisites, contribution to Provident fund and other funds

14. Pursuant to Accounting Standard - 19 "Leases", disclosure on leases is as follows:
The Company's significant leasing arrangements are in respect of godowns/office premises taken on operating lease basis. The aggregate lease rentals payable are charged as Rent and shown under 'Operating Expenses' (Schedule 'L').
These leasing arrangements, which are cancellable, range between 3 years and 5 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms.

15. The Company has acquired an additional 35% shareholding (representing 113,750 Equity shares having face value of Rand 1 each) in the joint venture company, Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. ("FDC SA") on 12th December, 2006 from one of the joint venture partners for a consideration of Rs 6.55 lacs, thereby making FDC SA, a subsidiary of the Company. Further, FDC Limited has entered into an agreement for transfer of the aforesaid 35% shareholding in FDC SA to a new joint venture partner subsequent to the balance sheet date, and hence, the same has been disclosed as "Current Investment" in the Balance Sheet (Schedule 'E').

16. Earnings per share has been computed as under:

	2006-2007	2005-2006
Profit after tax for the year (Rupees in lacs)	**6,433.41**	6,943.62
Average number of shares	**191,461,102**	191,461,102
Nominal value per share (Rupees)	**1.00**	1.00
Earnings per share - Basic (Rupees)	**3.36**	3.63
- Diluted (Rupees)	**3.36**	3.63

17. Remuneration to Managerial Personnel included in Profit and Loss Account:

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
A) Chairman and Wholetime Directors		
Salaries	**87.02**	85.96
Commission	**112.38**	115.75
Perquisites	**0.42**	0.65
Contribution to Provident fund and other funds	**14.69**	14.51
	214.51	216.87

B) Non-wholetime Directors		
Commission	**2.00**	2.00
Sitting Fees	**2.65**	1.80
	4.65	3.80
Total Managerial Remuneration	**219.16**	220.67

Note: The above remuneration does not include contribution to Gratuity Fund and provision for leave encashment, as this contribution/ provision is a lumpsum amount for all relevant employees based on an actuarial valuation.

18. Computation of net profit in accordance with section 349 of the Companies Act, 1956:

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
Profit before tax as per Profit and Loss Account	**8,131.77**	8,422.79
Add: Directors' remuneration (including commission)	**216.51**	218.87
Provision/(write back) for doubtful debts/advance (net)	**(246.12)**	342.37
Amortisation of voluntary retirement scheme expenses	**142.07**	142.05
	8,244.23	9,126.08
Less: Profit on sale of investments	**440.07**	1,409.41
Net Profit as per Section 349 of the Companies Act, 1956	**7,804.16**	7,716.67
Commission payable to Managing Director and Wholetime Directors @ 1.5% of the net profit calculated above. (One Wholetime Director has been paid commission proportionately for 9 months)	**112.38**	115.75
Commission payable to Non-Wholetime Directors @ 1% of the net profit calculated above, restricted to Rs.40,000/- (Previous year - Rs. 40,000/-) per Director	**2.00**	2.00

19. Foreign currency transactions/ balances of the Company are not hedged by derivative instruments or otherwise. The details of foreign currency transactions/ balances of the Company are:

Balances	Foreign currency amount			Equivalent amount (Rs. in lacs)	
		31st March, 2007	31st March, 2006	**31st March, 2007**	31st March, 2006
Bank balances	USD	**315,651**	2,246,553	**135.35**	997.69
	EUR	**10,698**	-	**6.09**	-
	GBP	**38,973**	-	**32.60**	-
	JPY	**13,000,000**	-	**47.10**	-
Sundry debtors	USD	**1,590,446**	2,311,380	**682.97**	1,026.92
	AUD	**65,416**	-	**23.52**	-
	EUR	**95,420**	367,538	**54.33**	200.48
	GBP	**96,413**	117,338	**80.64**	90.65
	JPY	**-**	6,838,536	**-**	25.36
Loans and advances	EUR	**295,864**	271,823	**168.46**	146.02
	USD	**1,337,838**	1,840,523	**573.67**	817.38
	GBP	**-**	6,740	**-**	5.19
Sundry creditors	EUR	**93,425**	74,762	**54.40**	41.07
	USD	**185,958**	289,137	**80.56**	129.71

20. Revenue expenditure on research and development (including depreciation) aggregating to Rs. 582.57 lacs (Previous year - Rs. 443.84 lacs) is included under relevant heads in the Profit and Loss Account.

21. Costs of samples (manufactured and purchased) have been included in Cost of Materials.

22. Foreign exchange fluctuation gain (net) during the year Rs. 38.63 lacs (Previous year – Rs. 88.78 lacs) is included in the [redacted] t under Miscellaneous receipts (Schedule 'I').

23. The [redacted] and outstanding to be credited to Investor Education and Protection Fund.

24. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPHS 3, 4C, 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

a) Details of Capacity, Production, Purchases, Sales and Stock:

	CLASS OF PRODUCTS	UNIT OF MEASURE	INSTALLED CAPACITY	OPENING STOCK		PRODUCTION	PURCHASE FOR RESALE		SALES		CLOSING STOCK	
			QTY.	QTY.	Rs. in lacs	QTY.	QTY.	Rs. in lacs	QTY.	Rs. in lacs	QTY.	Rs. in lacs
1.	**FORMULATIONS**											
	(i) Injectables / Ophthalmics	Litres	**192,000.00** (192,000.00)	**63,404.22** (31,659.10)	**713.93** (403.64)	**214,666.56** (213,927.23)	**135,545.11** (108,630.52)	**858.28** (775.19)	**324,755.03** (290,812.63)	**6,069.15** (5,477.60)	**88,860.86** (63,404.22)	**842.09** (713.93)
	(ii) Tablets, Capsules etc	Nos. in crores	**360.96** (226.56)	**20.33** (14.32)	**2,525.31** (1,860.73)	**110.07** (94.45)	**20.57** (17.21)	**2,251.76** (1,626.29)	**124.53** (105.65)	**27,348.99** (20,154.77)	**26.44** (20.33)	**4,115.30** (2,525.31)
	(iii) Cream, Powder, Ointments, Granules, Liquids, etc.	Kgs./Litres	**8,407,920.00** (7,777,920.00)	**753,889.73** (656,756.70)	**1,177.63** (856.53)	**2,135,817.76** (3,192,523.78)	**544,332.40** (417,498.01)	**804.40** (609.66)	**2,693,870.36** (3,512,888.76)	**9,425.45** (9,053.27)	**740,169.53** (753,889.73)	**1,430.55** (1,177.63)
2.	**FOOD PRODUCTS**											
	(i) Powder, Liquids, etc.	Kgs./Litres	**500,000.00** (500,000.00)	**147,623.05** (108,740.45)	**228.74** (209.70)	**706,120.60** (424,169.00)	**-** (-)	**-** (-)	**683,241.90** (385,286.40)	**1,227.19** (819.17)	**170,501.75** (147,623.05)	**241.10** (228.74)
	(ii) Capsules	Nos. in crores	**-** (-)	**0.06** (0.06)	**12.15** (12.22)	**-** (-)	**0.11** (0.14)	**20.81** (27.74)	**0.13** (0.14)	**50.48** (53.68)	**0.04** (0.06)	**8.46** (12.15)
3.	**BASIC DRUGS**	Kgs.	**118,465.00** (119,050.00)	**12,362.39** (31,235.74)	**345.61** (479.28)	**64,857.34** (46,430.45)	**9,305.00** (75,596.00)	**106.71** (496.79)	***78,851.46** *(138,497.00)	**2,783.66** (2,193.81)	**1,757.15** (12,362.39)	**93.28** (345.61)
4.	**OTHERS**		**-** (-)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**601.09** (430.87)	**-** (-)	**-** (-)	**-** (-)	**-** (-)
	TOTAL				**5,003.37** (3,822.10)			**4,643.05** (3,966.54)		**46,904.92** (37,752.30)		**6,730.78** (5,003.37)

(*) Excluding captive consumption 5,916.12 Kgs.(Previous Year - 2,402.80 Kgs.)
Previous year's figures are shown in brackets.

Notes:

(i) Since the industrial licencing for Drugs and Pharmaceuticals has been abolished under the Industrial Policy, the particulars of licenced capacity are not stated.

(ii) Installed capacities are as certified by the Company's Technical Expert, on two shifts basis for Formulation activities, on three shifts basis for Bulk Drugs and Food Products activities and have not been verified by the Auditors, this being a technical matter.

(iii) Actual production includes production for captive consumption and products manufactured under loan licence by others but excludes products manufactured for others and samples manufactured during the year.

(iv) Others under the head Purchase for Resale, includes cost of samples purchased.

b) Consumption of Raw Materials:

		Quantity in M.T.	2006-2007 Rupees in lacs
i)	Cefixime Trihydrate	**37.71**	**6,788.67**
		(17.30)	(2,516.03)
ii)	Other Raw Materials		**7,945.50**
			(7,251.15)
	Total		**14,734.17**
			(9,767.18)

	Rupees in lacs	Percentage
Indigenous	**12,626.55**	**85.70**
	(8,398.36)	(85.98)
Imported	**2,107.62**	**14.30**
	(1,368.82)	(14.02)
Total	**14,734.17**	**100.00**
	(9,767.18)	(100.00)

c) Stores and spares consumed:

Indigenous	**181.76**	**100.00**
	(126.53)	(100.00)
Total	**181.76**	**100.00**
	(126.53)	(100.00)

d) C.I.F. value of imports:

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
Raw material	**2,248.63**	1,277.33
Packing material	**119.27**	134.72
Components	**16.00**	10.46
Capital goods	**1,565.76**	469.38
Total	**3,949.66**	1,891.89

e) Earning in foreign exchange:

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
FOB value of exports	**4,090.16**	4,191.43
Others	**1.16**	1.46
Total	**4,091.32**	4,192.89

f) Expenditure in foreign currency:

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
Legal and professional fees (including consultation fees)	**46.75**	5.90
Foreign traveling	**46.39**	21.43
Others	**99.77**	49.86
Total	**192.91**	77.19

25. Previous year's figures have been regrouped/ reclassified, wherever necessary.
Signatures to Schedules "A" to "N"

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

Place : Mumbai
Date : June 26, 2007

Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No.	3176	State Code	11
Balance Sheet	31 (Date) 03 (Month) 2007 (Year)		

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

Public Issue	NIL	Preferential Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III.Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	4097322	Total Assets	4097322
Sources of Funds			
Paid-up Capital	192247	Reserves & Surplus	3128580
Secured Loans	NIL	Unsecured Loans	31086
Deferred Tax Liability	130196		
Application of Funds			
Net Fixed Assets	1964671	Investments	507750
Net Current Assets	1009503	Misc. Expenditure	185
Accumulated Losses	NIL		

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

Turnover	4373964	Total Expenditure	3560787
Profit/(-)Loss Before Tax	813177	Profit/(-)Loss After Tax	643341
Earning Per Share in Rs.	3.36	Dividend Rate%	100.00

V. Generic names of three principal products/services of the Company (As per monetary terms)

Item Code No. (ITC Code)	300420.19
Product Description	CEFIXIME TRIHYDRATE
Item Code No. (ITC Code)	300420.33
Product Description	CIPROFLOXACIN
Item Code No. (ITC Code)	300420.70
Product Description	CEFADROXIL

Note: Classification of products / services under ITC Code being of a technical nature is not verified by the Auditors.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

PARTICULARS	NAME OF THE SUBSIDIARIES			
	FDC Holdings Netherlands B.V.	**FDC International Limited**	**FDC INC.**	**FDC Pharmaceutical SA (Pty) Ltd.**
1. The Financial Year of the Subsidiary Companies ended on	31.03.2007	31.03.2007	31.03.2007	31.03.2007
2. Date on which they became subsidiaries	30.07.1997	09.10.1997	01.09.2004	12.12.2006
3. Number of shares held by FDC Limited (Holding Company) in the Subsidiary Companies at the end of the financial year of the Subsidiary Companies.	7,890 shares of EUR 45.38 each	Through FDC Holdings Netherlands B.V. 374,085 shares of GBP 0.01 each	500 ordinary shares of common stock of USD 100 each	273,000 ordinary shares of ZAR 1 each
4. Extent of interest of Holding Company as at the end of the financial year of the Subsidiary Companies.	100%	100%	100%	84%
5. The net aggregate amount of the Subsidiary Companies' Profit/(Loss) so far as it concerns members of the Holding Company and is not dealt with in the Holding Company's Accounts				
i. For the year ended 31st March 2007	EUR 35,151	GBP 47,297	USD 93,410	ZAR 455,013
ii. For the financial years since they became Subsidiaries	EUR 72,195	GBP (84,932)	USD 191,776	ZAR 781,504
6. The net aggregate amount of the Subsidiary Companies' Profit/(Loss) so far as it concerns members of the Holding Company and dealt with in the Holding Company's Accounts				
i. For the year ended 31st March 2007	Nil	Nil	Nil	Nil
ii. For the financial years since they became Subsidiaries	Nil	Nil	Nil	Nil

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

Place: Mumbai
Date: June 26, 2007

Auditors' Report to the Board of Directors of FDC Limited

We have examined the attached Consolidated Balance Sheet of **FDC Limited** ('the Company') and its subsidiaries (together constituting 'the Group') as at March 31, 2007, the related Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year then ended annexed thereto (all together referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect the Group's share of total assets of Rs. 1,022.45 lacs and total liabilities of Rs. 204.18 lacs as at March 31, 2007 and the Group's share of total revenue of Rs. 1,015.69 lacs and net cash inflows aggregating Rs. 67.55 lacs for the year ended on that date, which are considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21, Consolidated Financial Statements and Accounting Standard-27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.

Based on our audit, and on consideration of the report of the other auditors on the separate financial statements of the subsidiaries and other financial information of its components, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

a. in the case of the Consolidated Balance Sheet, of the affairs of the Group as at March 31, 2007;

b. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year then ended; and

c. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year then ended.

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place: Mumbai
Date : June 26, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	' A '	**1,922.47**	1,922.47
Reserves and surplus	' B '	**31,404.74**	27,058.19
		33,327.21	28,980.66
DEFERRED GOVERNMENT GRANTS (Refer Note 8 of Schedule 'N')		**-**	15.00
LOAN FUNDS			
Unsecured loans	' C '	**354.28**	402.01
DEFERRED TAX			
Deferred tax liabilities		**1,463.70**	1,196.16
Less : Deferred tax assets		**161.74**	234.38
		1,301.96	961.78
TOTAL		**34,983.45**	30,359.45
II. APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	' D '	**22,106.42**	16,517.54
Less: Depreciation		**6,531.98**	5,595.90
Net block		**15,574.44**	10,921.64
Capital work-in-progress and advances		**4,497.26**	4,279.77
Less: Provision for impairment of assets		**144.79**	144.79
		19,926.91	15,056.62
INVESTMENTS	' E '	**4,893.40**	6,653.08
CURRENT ASSETS, LOANS AND ADVANCES	' F '		
Inventories		**9,767.07**	7,107.97
Sundry debtors		**2,568.14**	2,270.93
Cash and bank balances		**2,221.36**	2,115.14
Loans and advances		**1,918.02**	2,522.28
		16,474.59	14,016.32
Less:			
CURRENT LIABILITIES AND PROVISIONS	' G '		
Current liabilities		**6,105.16**	4,735.99
Provisions		**208.14**	777.59
		6,313.30	5,513.58
NET CURRENT ASSETS		**10,161.29**	8,502.74
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	' H '	**1.85**	147.01
TOTAL		**34,983.45**	30,359.45
Significant Accounting Policies	' M '		
Notes to Accounts	' N '		

As per our report of even date

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : June 26, 2007

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
INCOME			
Sales		**47,676.26**	38,868.65
Less : Excise duty		**4,529.02**	3,786.70
		43,147.24	35,081.95
Other income	' I '	**1,383.78**	2,647.45
TOTAL		**44,531.02**	37,729.40
EXPENDITURE			
Cost of materials	' J '	**20,572.95**	16,296.70
Employees' cost	' K '	**4,678.84**	3,698.96
Operating expenses	'L '	**9,765.81**	8,210.48
Depreciation		**960.14**	807.02
Less: Transfer from revaluation reserve		**8.77**	8.77
		951.37	798.25
Interest (Refer Note 12 of Schedule 'N')		**104.26**	95.90
TOTAL		**36,073.23**	29,100.29
Profit before taxation and exceptional item		**8,457.79**	8,629.11
Amortisation of voluntary retirement scheme expenses		**142.07**	142.05
Profit before taxation		**8,315.72**	8,487.06
Provision for taxation			
For the year			
- Current		**1,219.41**	1,222.12
- Deferred		**340.18**	12.23
- Fringe benefit tax		**175.00**	187.00
		1,734.59	1,421.35
For earlier years		**19.74**	74.94
		1,754.33	1,496.29
Profit after taxation		**6,561.39**	6,990.77
Balance brought forward		**6,053.73**	4,809.48
Amount available for appropriation		**12,615.12**	11,800.25
APPROPRIATIONS			
Interim dividend		**1,914.62**	957.31
Final dividend - proposed		**-**	574.39
Dividend tax		**268.52**	214.82
Transfer to General Reserve		**2,500.00**	4,000.00
Balance carried to Consolidated Balance Sheet		**7,931.98**	6,053.73
		12,615.12	11,800.25
Significant Accounting Policies	' M '		
Notes to Accounts	' N '		
Earnings per share			
Basic and diluted - Par value Re. 1 per share (Refer Note 17 of Schedule ' N ')		**3.43**	3.65

As per our report of even date

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : June 26, 2007

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	**2006-2007** Rupees in lacs		2005-2006 Rupees in lacs	
CASH FLOWS FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAXATION		**8,315.72**		8,487.06
Adjustments for :				
Depreciation	**951.37**		798.25	
Interest expense	**104.26**		95.90	
Interest income	**(84.29)**		(91.27)	
Loss on sale of fixed assets	**3.99**		21.22	
Dividend income	**(178.86)**		(210.74)	
Profit on sale of fixed assets	**(3.15)**		(11.16)	
Profit on sale of investments (net)	**(440.07)**		(1,409.41)	
Translation adjustment on consolidation	**30.16**		1.87	
Unrealised foreign exchange loss/ (gain) on restatement	**20.22**		(66.17)	
Bad debts and advances written off	**80.41**		85.66	
Provision for doubtful debts/ advances	**37.85**		345.71	
Provision for expenses no longer required written back	**(28.71)**		(55.65)	
Provision for doubtful debts/ advances no longer required written back	**(283.97)**		(3.34)	
Miscellaneous expenditure amortised during the year	**145.16**	**354.37**	145.14	(353.99)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**8,670.09**		8,133.07
Adjustments for :				
(Increase)/decrease in debtors	**(148.03)**		2,246.22	
(Increase)/decrease in inventories	**(2,659.10)**		(1,354.61)	
(Increase)/decrease in advances	**651.53**		(563.93)	
Increase/(decrease) in trade payables	**1,403.83**		(1,571.93)	
Increase/(decrease) in provisions	**32.41**	**(719.36)**	35.22	(1,209.03)
CASH GENERATED FROM OPERATIONS		**7,950.73**		6,924.04
Direct tax paid (including Fringe benefit tax)		**(1,466.42)**		(1,501.60)
NET CASH FROM OPERATING ACTIVITIES (A)		**6,484.31**		5,422.44
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES				
Purchase of fixed assets		**(5,856.27)**		(4,733.02)
Proceeds from sale of fixed assets		**25.00**		12.19
Purchase of investments		**(20,427.76)**		(17,312.18)
Proceeds from sale of investments		**22,627.51**		18,193.43
Dividend received		**178.86**		210.74
Interest received		**76.38**		75.37
NET CASH FROM / (USED IN) INVESTING ACTIVITIES (B)		**(3,376.28)**		(3,553.47)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Receipt of Government grant		**-**		15.00
Repayment of Government grant		**(15.00)**		-
Proceeds from borrowings		**(40.85)**		36.75
Repayment of borrowings		**(6.88)**		(8.51)
Dividend paid		**(2,841.29)**		(1,074.12)
Interest paid		**(104.26)**		(98.84)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES (C)		**(3,008.28)**		(1,129.72)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**99.75**		739.25
OPENING CASH AND CASH EQUIVALENTS		**2,096.21**		1,356.96
CLOSING CASH AND CASH EQUIVALENTS (Refer Note 1 below)		**2,195.96**		2,096.21

Notes to the Cash Flow Statement

1. Cash and cash equivalents included in the cash flow statement comprise of the following Balance Sheet items:

PARTICULARS	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
Cash on hand	**7.79**	6.79
Balance with scheduled banks:		
In current accounts	**2,155.45**	2,051.81
In fixed and margin deposits (against letter of credit and bank guarantees)	**58.12**	56.54
Unrealised foreign exchange loss/(gain) on restatement of cash and cash equivalents	**(25.40)**	(18.93)
TOTAL	**2,195.96**	2,096.21

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

As per our report of even date

For **RSM & Co.**
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : June 26, 2007

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
A. SHARE CAPITAL		
AUTHORISED		
250,000,000 (Previous year 250,000,000)	**2,500.00**	2,500.00
Equity shares of Re. 1 each		
ISSUED AND SUBSCRIBED		
194,606,102 (Previous year - 194,606,102)		
Equity shares of Re. 1 each	**1,946.06**	1,946.06
PAID-UP		
191,461,102 (Previous year - 191,461,102)		
Equity shares of Re. 1 each, fully paid-up	**1,914.61**	1,914.61
Add : 3,145,000 (Previous year - 3,145,000)		
Equity shares forfeited	**7.86**	7.86
TOTAL	**1,922.47**	1,922.47

Of the above shares:

(i) 15,000 shares were alloted as fully paid - up pursuant to a contract for consideration other than cash.

(ii) 28,900,000 shares were allotted as fully paid-up by way of Bonus shares by capitalisation out of General Reserve.

(iii) 95,730,551 shares were allotted as fully paid-up by way of Bonus shares by capitalisation out of Share Premium Account.

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
B. RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last Consolidated Balance Sheet	**45.01**	45.01
CAPITAL REDEMPTION RESERVE		
As per last Consolidated Balance Sheet	**16.81**	16.81
SHARE PREMIUM ACCOUNT		
As per last Consolidated Balance Sheet	***607.58**	*607.58
* Includes share premium received on forfeited shares Rs. 72.90 lacs (Previous year - Rs. 72.90 lacs)		
REVALUATION RESERVE		
As per last Consolidated Balance Sheet	**131.22**	139.99
Less: Transfer to Consolidated Profit and Loss Account	**8.77**	8.77
	122.45	131.22
GENERAL RESERVE		
As per last Consolidated Balance Sheet	**18,739.49**	14,739.49
Less: Adjustment for change in accounting policy (Refer Note 11 of Schedule 'N')	**53.09**	-
Add: Transfer from Consolidated Profit and Loss Account	**2,500.00**	4,000.00
	21,186.40	18,739.49
RESERVE FOR DIMINUTION IN VALUE / LOSS ON SALE OF INVESTMENTS		
As per last Consolidated Balance Sheet	**1,500.00**	1,500.00
SURPLUS IN CONSOLIDATED PROFIT AND LOSS ACCOUNT	**7,931.98**	6,053.73
TRANSLATION RESERVE	**(5.49)**	(35.65)
TOTAL	**31,404.74**	27,058.19
C. UNSECURED LOANS		
Interest-free Sales tax loans	**310.86**	317.74
[Repayable within one year - Rs.36.04 lacs (Previous year - Rs.29.01 lacs)]		
Other Loan	**43.42**	84.27
(There are no fixed terms for repayment of this loan)		
TOTAL	**354.28**	402.01

D. FIXED ASSETS

Rupees in lacs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Additions	Deletions/ Adjustments	**As at 31.03.2007**	Upto 31.03.2006	For the year	Deletions/ Adjustments	**Upto 31.03.2007**	**As at 31.03.2007**	As at 31.03.2006
Leasehold land *	373.90	-	-	**373.90**	97.83	5.82	-	**103.65**	**270.25**	276.07
Freehold land	58.43	315.36	-	**373.79**	-	-	-	**-**	**373.79**	58.43
Buildings	4,113.54	2,339.31	16.19	**6,436.66**	730.21	166.03	2.02	**894.22**	**5,542.44**	3,383.33
Plant and machinery	7,101.41	1,693.59	15.39	**8,779.61**	3,579.59	520.56	10.82	**4,089.33**	**4,690.28**	3,521.82
Laboratory testing machines	1,027.78	464.03	0.18	**1,491.63**	160.46	55.30	0.18	**215.58**	**1,276.05**	867.32
Electrical installations	540.70	193.19	0.01	**733.88**	117.03	30.35	0.01	**147.37**	**586.51**	423.67
Furniture, fixtures and fittings	918.10	315.31	2.48	**1,230.93**	262.85	64.10	1.52	**325.43**	**905.50**	655.25
Office equipments	597.68	171.47	2.95	**766.20**	90.38	34.44	1.41	**123.41**	**642.79**	507.30
Vehicles	286.66	78.34	11.76	**353.24**	115.91	28.70	7.29	**137.32**	**215.92**	170.75
Capital expenditure on R&D										
Buildings	109.91	-	-	**109.91**	37.74	3.57	-	**41.31**	**68.60**	72.17
Equipments	1,066.22	63.65	0.73	**1,129.14**	385.04	47.54	0.61	**431.97**	**697.17**	681.18
Furniture and fixtures	41.71	4.53	0.21	**46.03**	17.17	3.43	0.20	**20.40**	**25.63**	24.54
Water coolers and refrigerators	6.32	-	-	**6.32**	1.69	0.30	-	**1.99**	**4.33**	4.63
Intangible assets										
Dossiers (Refer Note 4 of Schedule 'M')	275.18	-	-	**275.18**	-	-	-	**-**	**275.18**	275.18
TOTAL	**16,517.54**	**5,638.78**	**49.90**	**22,106.42**	**5,595.90**	**960.14**	**24.06**	**6,531.98**	**15,574.44**	**10,921.64**
Previous year	14,708.42	1,915.96	106.84	16,517.54	4,873.47	807.02	84.59	5,595.90	10,921.64	

* Includes leasehold land at Delhi which is in the process of being registered in the name of the Company.

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
E. INVESTMENTS		
I. LONG TERM		
Trade		
Government securities	**0.09**	0.09
Fully paid-up Equity shares	**0.63**	0.63
Non Trade		
Fully paid-up Equity shares (Quoted)	**278.43**	413.95
Bonds (Quoted)	**234.09**	234.09
SUB-TOTAL	**513.24**	648.76
II. CURRENT		
Trade		
Fully paid up Equity shares in subsidiary company 113,750 (Previous year - Nil) Equity shares of Fair Deal Corporation Pharmaceutical SA (Pty) Ltd., of ZAR 1 each (Refer Note 2 of Schedule 'N')	**6.55**	-
Non Trade		
Units of Mutual Funds	**4,373.61**	6,004.32
SUB-TOTAL	**4,380.16**	6,004.32
TOTAL	**4,893.40**	6,653.08
F. CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES		
Raw materials	**1,569.67**	1,064.80
Packing materials	**387.87**	319.67
Work-in-process	**1,075.55**	694.43
Finished products	**6,733.98**	5,029.07
	9,767.07	7,107.97
SUNDRY DEBTORS (Unsecured)		
Over six months:		
Considered good	**177.04**	70.40
Considered doubtful	**119.69**	302.07
Other debts:		
Considered good	**2,391.10**	2,200.53
Considered doubtful	**9.98**	85.14
	2,697.81	2,658.14
Less: Provision for doubtul debts	**129.67**	387.21
	2,568.14	2,270.93

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
CASH AND BANK BALANCES		
Cash on hand	**7.79**	6.79
Balance with scheduled banks:		
In current accounts	**2,155.45**	2,051.81
In fixed and margin deposits (against letter of credit and bank guarantees)	**58.12**	56.54
	2,221.36	2,115.14
LOANS AND ADVANCES (Unsecured)		
Advances recoverable in cash or in kind or for value to be received:		
Considered good	**1,519.34**	2,181.56
Considered doubtful	**32.47**	32.43
	1,551.81	2,213.99
Less : Provision for doubtful advances	**32.47**	32.43
	1,519.34	2,181.56
Sundry deposits	**94.46**	90.39
Advance tax (net of provision)	**300.77**	248.50
Balance with customs and excise authorities	**3.45**	1.83
	1,918.02	2,522.28
TOTAL	**16,474.59**	14,016.32
G. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors	**5,112.57**	4,130.97
Security deposits	**908.20**	498.52
Due to customers	**48.84**	67.75
Unclaimed dividend	**35.55**	38.75
	6,105.16	4,735.99
PROVISIONS		
Provision for retirement benefits	**208.14**	122.64
Proposed dividend - final	**-**	574.39
Dividend tax	**-**	80.56
	208.14	777.59
TOTAL	**6,313.30**	5,513.58

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
H. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Technical know-how fees as per last Consolidated Balance Sheet	**4.94**	8.03
Less : Amortised during the year	**3.09**	3.09
	1.85	4.94
Voluntary Retirement Scheme expenses	**142.07**	284.12
Less : Amortised during the year	**142.07**	142.05
	-	142.07
TOTAL	**1.85**	147.01

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
I. OTHER INCOME		
Export incentives	**119.45**	121.06
Claims received	**43.89**	631.71
Interest received [Tax deducted at source Rs. 1.63 lacs (Previous year - Rs. 1.85 lacs)]	**84.29**	91.27
Miscellaneous receipts	**201.39**	113.11
Profit on sale of fixed assets	**3.15**	11.16
Provision for doubtful debts/advances no longer required, written back	**283.97**	3.34
Provision for expenses no longer required, written back	**28.71**	55.65
Income from current investments :		
Dividend on current investments (non-trade)	**166.30**	198.15
Profit on sale of current investments (net)	**322.74**	812.19
	489.04	1,010.34
Income from long term investments:		
Dividend on long term investments (non-trade)	**12.56**	12.59
Profit on sale of long term investments (net)	**117.33**	597.22
	129.89	609.81
	618.93	1,620.15
TOTAL	**1,383.78**	2,647.45
J. COST OF MATERIALS		
Raw materials consumed	**14,734.17**	9,767.18
Packing materials consumed	**2,951.80**	2,926.88
Purchase for resale	**5,077.74**	4,775.30
(Increase) / decrease in stock		
Closing stock :		
Work - in - process	**1,075.55**	694.43
Finished products	**6,733.98**	5,029.08
	7,809.53	5,723.51
Less : Opening stock :		
Work - in - process	**694.43**	598.93
Finished products	**5,029.08**	3,877.48
	5,723.51	4,476.41
	(2,086.02)	(1,247.10)
Increase/ (decrease) in excise duty on finished products	**(104.74)**	74.44
TOTAL	**20,572.95**	16,296.70
K. EMPLOYEES' COST		
Salaries, wages, bonus and commission	**3,942.19**	3,094.74
Contribution to provident and other funds	**461.25**	384.34
Welfare expenses	**275.40**	219.88
TOTAL	**4,678.84**	3,698.96

	2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
L. OPERATING EXPENSES		
Processing charges	**569.51**	480.76
Power, fuel and water charges	**899.97**	641.87
Repairs and maintenance:		
Building	**222.20**	220.40
Plant and machinery	**305.80**	294.42
Other assets	**176.39**	161.49
	704.39	676.31
Stores and spares	**181.76**	126.53
Rent	**79.39**	81.01
Rates and taxes	**22.67**	17.17
Insurance	**66.80**	57.28
Travelling and conveyance	**1,628.43**	1,228.81
Communication expenses	**119.36**	118.84
Carriage, freight and forwarding	**893.04**	803.21
Advertisement and sales promotion	**2,300.52**	1,885.21
Sales tax/ Value added tax	**104.02**	100.36
Commission on sales	**327.96**	167.91
Auditors' remuneration :		
Audit fees	**17.88**	12.58
Tax audit fees	**3.98**	2.06
Other services	**0.39**	0.27
Out of pocket expenses	**0.14**	0.07
	22.39	14.98
Cost audit fees	**0.62**	0.47
Bad debts and advances written off	**80.41**	85.66
Provision for doubtful debts/advances	**37.85**	345.71
Miscellaneous expenses	**1,698.07**	1,332.14
Loss on fixed assets sold/scrapped	**3.99**	21.22
Amortisation of technical know-how fees	**3.09**	3.09
Donation	**21.57**	21.94
TOTAL	**9,765.81**	8,210.48

M. SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING AND PRESENTATION

The consolidated financial statements are prepared and presented under the historical cost convention, except for certain fixed assets of FDC Limited which were revalued on 30th September 1993 (refer Note 3 below), following accrual basis of accounting and in accordance with Accounting Standard 21 - "Consolidated Financial Statements", Accounting Standard 27 – "Financial Reporting of Interests in Joint Ventures" and clarifications thereon issued by the Institute of Chartered Accountants of India and to the extent possible in the same format as that adopted by the parent company (FDC Limited) for its separate financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of FDC Limited ("the Company"), the parent company and all of its subsidiaries (collectively referred to as "the Group"). The Group accounts for its proportionate share of interest in the joint venture companies by proportionate consolidation method in accordance with Accounting Standard 27 – "Financial Reporting of Interests in Joint Ventures".

In the preparation of consolidated financial statements, all significant intra-group transactions and accounts are eliminated. Unrealised profits, if any, on items carried in inventories are also eliminated from the consolidated financial statements. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.

The excess of cost to the parent company of its investment in the subsidiaries and joint venture companies over its portion of equity in the subsidiaries/ joint venture companies at the respective dates on which investment in such subsidiaries/ joint venture companies was made, is recognised in the financial statements as Goodwill and the same is charged off during the year of acquisition. The parent company's portion of equity in such subsidiaries/ joint venture companies is determined on the basis of the book values of assets and liabilities as per the financial statements of the subsidiaries/ joint venture companies as on the date of investment.

3. FIXED ASSETS

All fixed assets other than revalued assets are stated at cost less accumulated depreciation/amortisation. Cost comprises of the purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from exchange rates variances relating to liabilities attributable to fixed assets are also capitalised.

Intangible assets are recorded at the consideration paid for acquisition.

Land, buildings, major items of plant and machinery and research and development equipment of FDC Limited at Jogeshwari and Roha were revalued on 30th September 1993 on the basis of the report of an approved valuer. Difference between the book value and the value as per valuer's report amounting to Rs. 730.70 lacs was transferred to Revaluation Reserve during the year ended 31st March 1994. These fixed assets are stated at revalued amounts less accumulated depreciation.

4. DEPRECIATION/ AMORTISATION/ IMPAIRMENT

FDC Limited

Depreciation on the historical cost of fixed assets is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

Depreciation on revalued portion of fixed assets is calculated on straight line method over balance useful life of assets as determined by the valuer and is transferred from Revaluation Reserve to the Consolidated Profit and Loss Account.

At the balance sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

After recognition of impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on straight line basis over its remaining useful life.

Assets costing less than Rs. 5,000 are depreciated fully in the year of acquisition.

Leasehold land/ improvements are amortised over the period of lease.

Subsidiaries/ Joint Venture Companies

Depreciation is provided on cost less estimated residual value of fixed assets over their expected useful lives following reducing balance method/ straight-line method.

No depreciation has been provided on intangible assets i.e. "Dossiers".

5. INVESTMENTS

Long term investments are valued at cost less provision for permanent diminution in value, if any.
Current investments are valued at lower of cost or fair value (repurchase price or market value) on individual item basis.

6. INVENTORIES

Finished products including traded goods and work-in-process are valued at lower of cost or net realisable value.

Raw materials and packing materials are valued at cost, which includes duties and taxes (net off CENVAT and VAT, wherever applicable) and is arrived at on weighted average cost basis.

Cost of finished products and work-in-process includes material cost, labour, direct expenses, production overheads and excise duty, where applicable. Cost of imported raw materials and packing materials lying in bonded warehouse includes customs duty.

7. MISCELLANEOUS EXPENDITURE

Technical know-how fees for process know-how incurred upto 31st March 2003 are treated as deferred revenue expenditure and amortised equally over six years. Such expenditure incurred after 31st March 2003 is charged off to Consolidated Profit and Loss Account.

Compensation paid under Voluntary Retirement Scheme is treated as deferred revenue expenditure and amortised equally over five years for schemes effected upto 31st March, 2006. Compensation paid for schemes effected after 31st March, 2006 is amortised upto 31st March, 2010.

8. REVENUE RECOGNITION

Income from sale of goods is accounted for on despatch of goods to customers and includes excise duty but excludes sales tax/ value added tax.

Other income is accounted for on accrual basis except where the receipt of income is uncertain in which case it is accounted for on receipt basis.

9. FOREIGN CURRENCY TRANSLATION/TRANSACTIONS

Transactions in foreign currency are recorded at the rates prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency outstanding at the year end are restated at the year end exchange rates.

Exchange differences arising on repayment and translation of liabilities relating to acquisition of fixed assets are adjusted to the carrying cost of such fixed assets. All other exchange differences are taken to the Consolidated Profit and Loss Account.

The financial statements of the foreign subsidiaries and the joint venture companies are translated into Indian Rupees as follows:

Non–integral operations :

- Revenue items except opening and closing inventories are translated at the average exchange rate for the year. Opening and closing inventories are translated at the rates prevalent at the commencement and close respectively of the accounting period.
- All assets and liabilities are translated using the closing exchange rate.
- The differences on translation including those arising on elimination of non-monetary intra-group balances and transactions are taken to Translation Reserve as a part of Reserves and Surplus.
- The differences arising on elimination of monetary intra-group balances and transactions are taken to the Consolidated Profit and Loss Account.

Integral operations :

- Revenue items except opening and closing inventories are translated at the average exchange rate for the year. Opening and closing inventories are translated at the rates prevalent at the commencement and close respectively of the accounting period.
- All monetary assets and liabilities are translated using the closing exchange rate.
- All non-monetary assets and liabilities, other than fixed assets and inventories, are translated using the exchange rate at the date of their acquisition.

- Fixed assets are translated using the exchange rate at the date of their acquisition. Adjustments arising from exchange rates variances relating to liabilities attributable to fixed assets are also capitalised.
- The differences on translation including those arising on elimination of intra-group balances and transactions are taken to Consolidated Profit and Loss Account.

10. GOVERNMENT GRANTS

Government grants received as capital incentives are credited to Capital Reserve. Government grants in other forms are credited to the Consolidated Profit and Loss account.

Government grants relating to specific fixed assets are disclosed as deduction from the gross value of the assets concerned.

11. EMPLOYEE BENEFITS

Company's contribution to recognized provident fund, family pension fund, superannuation fund and social security schemes are charged to the Consolidated Profit and Loss Account on accrual basis.

Contribution to gratuity fund and provision for leave encashment are made based on actuarial valuations as at the Balance Sheet date.

12. RESEARCH AND DEVELOPMENT (R & D)

Capital expenditure on R & D is included in fixed assets. Revenue expenditure is charged off to Consolidated Profit and Loss Account.

13. LEASE ACCOUNTING

Operating lease expenses/ income is recognised in the Consolidated Profit and Loss Account on a straight line basis over the lease term.

14. ACCOUNTING FOR TAXES ON INCOME

Provision for current tax is made, based on the tax payable under the applicable tax laws. Deferred tax on timing differences between taxable income and accounting income is accounted for using the tax rates and the tax laws enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets other than unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realisation supported by convincing evidence.

N. NOTES TO THE CONSOLIDATED ACCOUNTS

1. Consolidation of Accounts:

The list of subsidiary companies which are included in consolidation are as under:

Name of the Company	Country of Incorporation	Proportion of ownership interest/voting power
1. FDC Holding Netherlands B.V.	The Netherlands	100% (Previous year – 100%)
2. FDC International Limited	United Kingdom	100% (Previous year – 100%)
3. FDC Inc.	United States of America	100% (Previous year – 100%)
4. Fair Deal Corporation Pharmaceutical SA (Pty) Ltd.	Republic of South Africa	84% (Previous year – 49%) [Refer Note 2 below]

2. FDC Limited has acquired an additional 35% shareholding (representing 113,750 Equity shares having face value of Rand 1 each) in Fair Deal Corporation Pharmaceutical SA (Pty) Ltd. ("FDC SA") on 12th December, 2006 from one of the joint venture partners for a consideration of Rs 6.55 lacs, thereby making FDC SA, a subsidiary of the Company. Further, FDC Limited has entered into an agreement for transfer of the aforesaid 35% shareholding in FDC SA to a new joint venture partner subsequent to the balance sheet date.

As per the requirements of Accounting Standard – 21, a subsidiary should be excluded from consolidation when the control intends to be temporary because the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future. Accordingly, the Group has not consolidated FDC SA as a subsidiary as defined under Accounting Standard – 21 and has accounted for its 49% share in FDC SA using proportionate consolidation method in accordance with Accounting Standard – 27. The balance 35% shareholding of the Company in FDC SA is accounted as an investment in accordance with the Accounting Standard – 13, and accordingly, the same has been disclosed as "Current Investment" in the Balance Sheet (Schedule 'E'). Thus, the Group's Profit and Loss Account, Balance Sheet and Cash Flow Statement incorporate the Group's share of income, expenses, assets and liabilities of FDC SA on line by line basis.

The aggregate amount of assets, liabilities, income and expenses related to the Group's share in FDC SA as at March 31, 2007 are given below:

Rupees in lacs

	31st March, 2007	31st March, 2006
BALANCE SHEET		
Unsecured loan	**43.42**	84.27
Fixed assets (net of depreciation)	**278.16**	282.36
Current assets, loans and advances		
Inventories	**-**	12.26
Sundry debtors	**105.70**	91.42
Cash and bank balances	**12.12**	54.31
Loans and advances	**(4.85)**	(2.68)
Current liabilities and provisions		
Current liabilities	**48.86**	23.46
Net current assets	**64.11**	131.85
	2006-2007	2005-2006
PROFIT AND LOSS ACCOUNT		
Income		
Sales	**274.02**	361.94
Other income	**(45.50)**	(85.65)
Expenditure		
Cost of materials	**226.26**	247.74
Employees' cost	**2.07**	3.54
Operating expenses	**12.31**	13.38
Depreciation	**1.51**	1.35
Interest expense	**2.93**	4.27
Provision for taxation	**6.93**	3.65

3. Contingent liabilities not provided for :

	31st March, 2007 Rupees in lacs	31st March, 2006 Rupees in lacs
(i) Disputed tax matters		
Income tax	**120.50**	158.60
Excise duty	**66.91**	89.96
Sales tax	**52.02**	31.53
(ii) In respect of guarantees given by banks	**68.49**	59.10
4. Letter of credit issued by bankers	**297.82**	1,239.24
5. Estimated amount of export obligation against outstanding advance licenses	**6.36**	18.78
6. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)		
- Tangible assets	**1,287.69**	2,670.07

7. Under various schemes of Government of Maharashtra, FDC Limited is entitled to Sales Tax deferral incentives for its units at Waluj and Sinnar. These are repayable in 5-6 installments after a period of 10-12 years from the year of availment.

8. In the previous year, the Company had received Rs. 15 lacs from Department of Scientific and Industrial Research ("DSIR") towards partial funding of a project for development of a product for treatment of Thalassemia. This receipt qualified as a Government grant as defined under Accounting Standard – 12 "Accounting for Government Grants". Since this project was not commenced and no expenditure was incurred by the Company in the previous year, the entire amount was disclosed as "Deferred Government Grant".

   However, in the current year, the Company has abandoned the aforesaid project due to technical and commercial non-viability. Accordingly, the Company has refunded the entire amount of Rs. 15 lacs to DSIR.

9. The subsidiaries of FDC Limited follow different accounting policy for providing depreciation on fixed assets (refer Note 4 to Schedule 'M'). The value of fixed assets on which different depreciation policy is applied, is not significant compared to the overall consolidated financial position and therefore the management has not considered of applying uniform accounting policies to such deviations. The proportion of such value of fixed assets in the consolidated financial statements was 1.80% (Previous year – 2.61%) amounting to Rs. 280.20 lacs (Previous year – Rs. 285.10 lacs), as compared to the total assets in the consolidated financial statements.

10. Of the total investments stated in Schedule 'E' to the accounts, National Savings Certificates of the value of Rs. 0.04 lacs (Previous year – Rs. 0.04 lacs) and Government of India G.P. Notes of the value of Rs. 0.02 lacs (Previous year – Rs. 0.02 lacs) have been lodged with the Excise authorities. National Savings Certificates of Rs. 0.03 lacs (Previous year – Rs. 0.03 lacs) have been lodged with the Sales tax authorities.

11. Consequent to the early adoption of Accounting Standard 15 (Revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India, the Company has reviewed and revised its accounting policy in respect of employee benefits. Consequent upon the change, profit before tax for the year ended 31st March, 2007 is lower by Rs. 7.16 lacs. In accordance with the transitional provisions contained in the Accounting Standard, the difference of Rs. 53.09 lacs between the liability in respect of short-term employee benefits existing on the date of adoption and the liability that would have been recognized at the same date under the previous accounting policy has been adjusted against the opening balance in the General Reserve. As the Accounting Standard is not yet mandatory, the additional disclosures prescribed in the Notes to Accounts have not been made.

12. Interest does not include any interest paid towards fixed loans.

13. Following are the major components of Deferred tax (asset)/ liability:

		31st March, 2007 Rupees in lacs	31st March,2006 Rupees in lacs
Deferred tax liabilities			
Depreciation		**1,463.70**	1,196.16
	(A)	**1,463.70**	1,196.16
Less: Deferred tax assets			
Provision for doubtful debts/advances		**55.11**	137.43
Liabilities under section 43B of the Income-tax Act, 1961		**106.28**	95.38
Others		**0.35**	1.57
	(B)	**161.74**	234.38
Net Deferred tax liability	(A) - (B)	**1,301.96**	961.78

14. Segment information:

Primary segment information

The Group principally operate only in one business segment i.e. pharmaceuticals, hence all the information presented in the consolidated financial statements above will be relevant to this segment.

Secondary segment information

The Group's operating divisions are managed from India. The principal geographical areas in which the Group operates are India and others. The country-wise segmentation is not relevant as exports to individual countries are not more than 10% of enterprise revenue.

The information related to secondary segment is as under:

Rupees in lacs

Paticulars	India	Others	Total
Segment Revenue	**42,669.79** (33,523.44)	**5,006.47** (5,345.21)	**47,676.26** (38,868.65)
Carrying amount of assets by location of assets	**34,714.20** (27,344.20)	**1,687.30** (1,728.74)	**36,401.50** (29,072.94)
Additions to tangible and intangible assets	**5,856.27** (4,728.76)	**-** (4.26)	**5,856.27** (4,733.02)

Previous year's figures are shown in brackets.

15. Related party disclosures, as required by Accounting Standard – 18 "Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below:

A. Key Management Personnel

- Mr. Mohan A. Chandavarkar
- Mr. Ashok A. Chandavarkar
- Mr. Nandan M. Chandavarkar
- Mr. Ameya A. Chandavarkar

B. Relatives of Key Management Personnel

- Ms. Sandhya M. Chandavarkar
- Ms. Mangala A. Chandavarkar
- Ms. Aditi Bhanot

C. Nature of transaction:

Rupees in lacs

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Total	
	2006-2007	2005-2006	**2006-2007**	2005-2006	**2006-2007**	2005-2006
Remuneration *	**102.13**	132.63	**-**	-	**102.13**	132.63
Commission	**112.38**	115.75	**-**	-	**112.38**	115.75
Dividend paid	**336.06**	129.25	**303.64**	116.79	**639.70**	246.04
Outstanding Balances						
- Payable	**118.67**	123.41	**-**	-	**118.67**	123.41
- Receivable	**-**	-	**-**	-	**-**	-

* Including perquisites, contribution to Provident fund and other funds

16. Pursuant to Accounting Standard - 19 "Leases", disclosure on leases is as follows:

The Group's significant leasing arrangements are in respect of godowns/office premises taken on operating lease basis. The aggregate lease rentals payable are charged as Rent and shown under 'Operating Expenses' (Schedule 'L').

These leasing arrangements, which are cancellable, range between 1 year and 5 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms.

17. Earnings per share has been computed as under:

	2006-2007	2005-2006
Profit after tax for the year (Rupees in lacs)	**6,561.39**	6,990.77
Average number of shares	**191,461,102**	191,461,102
Nominal value per share (Rupees)	**1.00**	1.00
Earnings per share - Basic (Rupees)	**3.43**	3.65
- Diluted (Rupees)	**3.43**	3.65

18. Remuneration to Managerial Personnel included in Consolidated Profit and Loss Account:

	2006–2007 Rupees in lacs	2005–2006 Rupees in lacs
A) Chairman and Wholetime Directors		
Salaries	**87.02**	114.33
Commission	**112.38**	115.75
Perquisites	**0.42**	0.65
Contribution to Provident fund and other funds	**14.69**	17.65
	214.51	248.38
B) Non-wholetime Directors		
Commission	**2.00**	2.00
Sitting Fees	**2.65**	1.80
	4.65	3.80
Total Managerial Remuneration	**219.16**	252.18

Note: The above remuneration does not include contribution to Gratuity Fund and provision for leave encashment, as this contribution/ provision is a lumpsum amount for all relevant employees based on an actuarial valuation.

19. Revenue expenditure on research and development (including depreciation) aggregating to Rs. 582.57 lacs (Previous year - Rs. 443.84 lacs) is included under relevant heads in the Consolidated Profit and Loss Account.

20. Cost of samples (manufactured and purchased) has been included in Cost of Materials.

21. Pursuant to the exemption granted by the Department of Company Affairs, Government of India, the Company is publishing the consolidated and standalone financial statements of FDC Limited and its subsidiaries. The financial statements and auditors' reports of the individual subsidiaries are available for inspection by the shareholders at the registered office. However, the information in aggregate on capital, reserves, total assets, total liabilities, details of investments (except in case of investment in subsidiaries), total income, profit before taxation, profit after taxation and proposed dividend for each subsidiary follows:

Rupees in lacs

Sr.	Particulars	FDC Holdings Netherlands B.V.	FDC International Limited	FDC Inc.	FDC Pharmaceutical SA (Pty) Ltd.
	Currency	Euro	UK Pounds	US Dollar	South African Rand
	Exchange Rate as on 31st March,2007	58.21	85.797	43.59	5.991
1.	Capital	150.80	2.23	22.00	23.06
2.	Reserves	99.54	(71.98)	83.39	135.75
3.	Total Assets	422.09	459.64	185.64	798.24
4.	Total Liabilities[Excluding (1) and (2)]	171.75	529.39	80.25	639.43
5.	Investments (other than in Subsidiaries)	-	-	-	-
6.	Sales and Other Income	46.34	727.20	777.29	568.34
7.	Profit/ (Loss) before taxation	36.73	73.67	59.74	45.87
8.	Provision for taxation	-	28.61	20.43	14.15
9.	Profit/ (Loss) after taxation	36.73	45.06	39.31	31.72
10.	Proposed Dividend	-	-	-	-

22. Previous year's figures have been regrouped/ reclassified, wherever necessary.

Signatures to Schedules "A" to "N"

For and on behalf of the Board

MOHAN A. CHANDAVARKAR
Chairman and Managing Director

ASHOK A. CHANDAVARKAR
Director

SHALINI KAMATH
Company Secretary

Place: Mumbai
Date : June 26, 2007