



Marksans Pharma Limited

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Marksans Pharma Limited
Annual Report 2005-06

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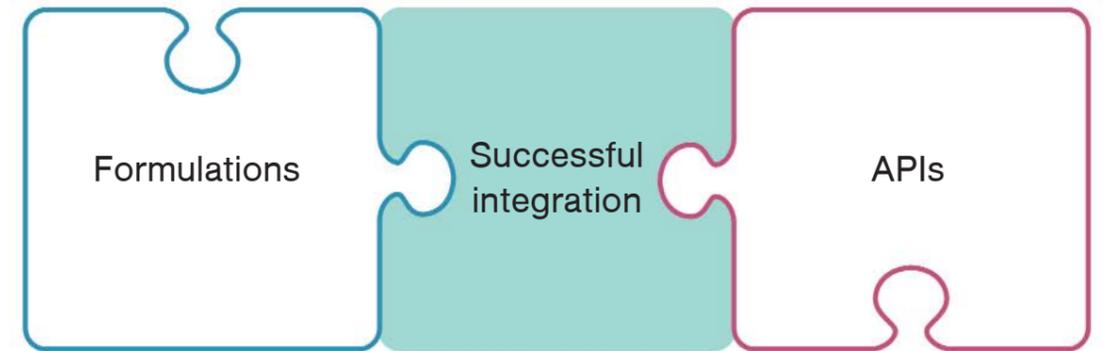


The amalgamation of Marksans Pharma with Tasc Pharmaceuticals is a perfect instance of successful integration in the pharmaceutical industry, where it may be emphasized that the integration transcends much more than the book entry of two different entities.

At Marksans Pharma, this 'successful integration' manifests into the seamless integration of business models, of strategic thought leadership across business segments and therapy areas, of complimentary research and development capabilities and of manufacturing facilities; all of which will help us adopt an integrated approach towards increasing our presence in global markets.



Successful Integration



Marksans integrated approach can be simplistically explained through the **strategic initiatives** taken over the last year to achieve long-term goals which include:

- **Integrating research and development** competencies and creating the right research infrastructure • By expediting work on product development for products going off-patent over the next five years through the filing of DMFs, ANDAs and dossier development and conducting bio-equivalence studies • By initiating the filing for the U.S., European and Australian markets.
- **Integrating businesses** from APIs to formulations to biopharmaceuticals, across key therapy areas and across all markets: evolving and developed and emerge as a vertically integrated player having a strong presence across the entire value chain.
- **Integrating strategies** • By foraying into the regulated markets of US, Europe and Australia through inorganic acquisitions and by entering into strategic in-licensing agreements and collaborations to enhance domestic presence.
- **Integrating focus** • Leveraging the opportunities in the post-patent regime by significantly growing the APIs businesses that was till now focused on the domestic market, to target the global markets • By upgradation manufacturing facilities and benchmarking them to the stringent US FDA standards • And by foraying into high margin and fast growing therapy areas such as anti-diabetic, cardiovascular and CNS.
- **Integrating approach** to discover, develop and bring to market innovative new medicines by pursuing collaborative research for New Chemical Entities (NCE) and Novel Drug Discovery System (NDDS).
- **Integrating our objectives** across the short term, medium and long term • By offering comprehensive Contract Research and Manufacturing Services (CRAMS) to leading multinationals • By expediting our own product filings and receiving market authorisation • By targeting post-patent production in niche segments such as NDDS. • By adding high-value products to our portfolio and migrating to the next level • And lastly, by establishing global presence with improved visibility which will help us feature amongst the leading pharmaceutical companies in the country.

Chairman's letter



« Our theme in this year's annual report captures our ability to forward think and maintain an integrated approach in all our strategies which will help deliver on our promises to be even more exciting, fruitful and extraordinary than before.»

Dear Stakeholders,

The biggest highlight for your company in 2005-06 was the successful integration of the two companies, the process for which we had started in the previous fiscal. Our theme in this year's annual report captures this milestone and exemplifies our ability to prudently maintain an integrated approach in all our strategies which we are confident will help us build an even more exciting, fruitful and extraordinary business in the years to come.

Year under review

Operationally, Marksans made excellent progress in 2006. Our revenues vaulted 18 per cent while our profits notched a commendable 15 per cent over the previous fiscal.

KEY ACHIEVEMENTS

Research and Development (R&D)

During the course of 2005-2006, we developed as many as five products, which would be launched in a year's time. We have strengthened our R&D capabilities by setting up a new research centre in New Delhi, which will help further enrich our product portfolio. We have filed six product dossiers for registration with the Australian regulatory authorities, two product dossiers with UK MHRA and one product dossier with New Zealand covering the cardiovascular, antibiotic and pain-management segments.

Manufacturing

We enhanced the capacity of our multi-purpose API manufacturing plant at Kurkumbh, in Pune and benchmarked all our plants to the stringent US FDA standards and are optimistic of receiving the US FDA certification within a years time.

Acquisitions and marketing alliances

Australia is an important market for us with the demand for more effective medicines continuing to rise. Gauging this, your company acquired a majority stake in Nova Pharmaceuticals Australasia Pty Ltd. (Nova) in Australia, the first major investment by Marksans in the international pharma market. Nova specialises in the research, development and marketing of high quality generic/OTC pharmaceutical products to meet the ever-changing demands of the healthcare environment. It offers 17 product licenses approved by TGA authorities and has also filed over 20 plus dossiers with TGA authorities for marketing products in Australia.

As we already possess Australian TGA approved manufacturing facilities in India, this synergistic acquisition will enable us to leverage our research & manufacturing infrastructure and launch our products into the fast-evolving Australian and New Zealand markets.

We believe that this is just the first step towards our macro inorganic growth plan, which, in future will be central to our strategic direction, manifested in our eagerness to make a series of acquisitions in US and Europe.

We have also entered into a strategic alliance with a South African company to market our formulations products in this geography. We have also triggered the process to receive the South African MCC for our formulation facility to capture a huge share of the generic drugs market in such emerging economies. This optimism is primarily based on the premise that in future, Africa will provide a huge opportunity to Indian drugs manufacturers particularly

following the withdrawal of the patent suit filed by 39 global pharma companies against the South African government, which allowed the sale of cheaper branded generic drugs.

Across the value chain

We have upgraded our competitive abilities reflected in our preparatory work to enter the regulated markets. As you may already be aware, we have started receiving approvals from international regulatory authorities.

While on one hand, we are strengthening our capabilities, at the same time we are effectively de-risking our business. As a move towards this objective, your company is likely to enter into joint marketing tie-ups, both in-licensing and out-licensing marketing arrangements in key areas, offer comprehensive contract research and manufacturing services (CRAMS), focus on developing a large product pipeline across niche segments for both the domestic and international markets, address the opportunities in NDDS, create intellectual property rights through New Chemical Entities (NCE), and aggressively enhance our geographic footprints.

Product pipeline

The bio-pharmaceutical market represents a significant opportunity as it offers innovative therapeutic approaches which help heal threatening and congenital diseases such as cancer, cardiovascular, diabetes, cosmetic reconstruction to name a few. It is estimated that over the next five years biologic products worth USD 13 bn are likely to go off patent. To capitalise on the prevailing opportunities, we have put in place a strategic plan to

fuel growth by partnering with international agencies and local research institutes for product development and marketing and at the same time we also intend to develop our own set of proprietary products. We have identified as many as eight products, which are currently under development, of which two of them - Granulocyte Colony Stimulating Factor (GCSF) and Recombinant Epidermal Growth Factor Cream (EGF) have been approved by Drug Controller of India (DCI) and are likely to be launched by 2006-07.

Conclusion

For Marksans, FY05-06 was a year of tremendous advancement. We now have Reversible Inhibition of Sperm Under Guidance (RISUG) in third phase of clinical trials - the only Indian company to report this feat. We are building a leadership position in few API segments, and we believe that all these integrated measures will result in enhancing long-term value for our shareholders. We are confident that the work we do, the discoveries we make and the medicines we bring to the market can ultimately improve the health and well-being of millions of people worldwide.

All of us at Marksans are grateful for this opportunity, and we welcome this responsibility always.

Mark Saldanha
Chairman & Managing Director

Financial Highlights

Surpassed a turnover of
Rs 2.91 bn,
up by 18 per cent over FY05.

EBIDTA up from
Rs 434.24 mn in FY05
to Rs 497.13mn in FY06,
an increase of
14%

PAT up
15%
to Rs 231.80mn
(FY05: Rs 201.69 mn).

USD 50 mn
raised through FCCB
for overseas acquisitions and
research and development
projects.

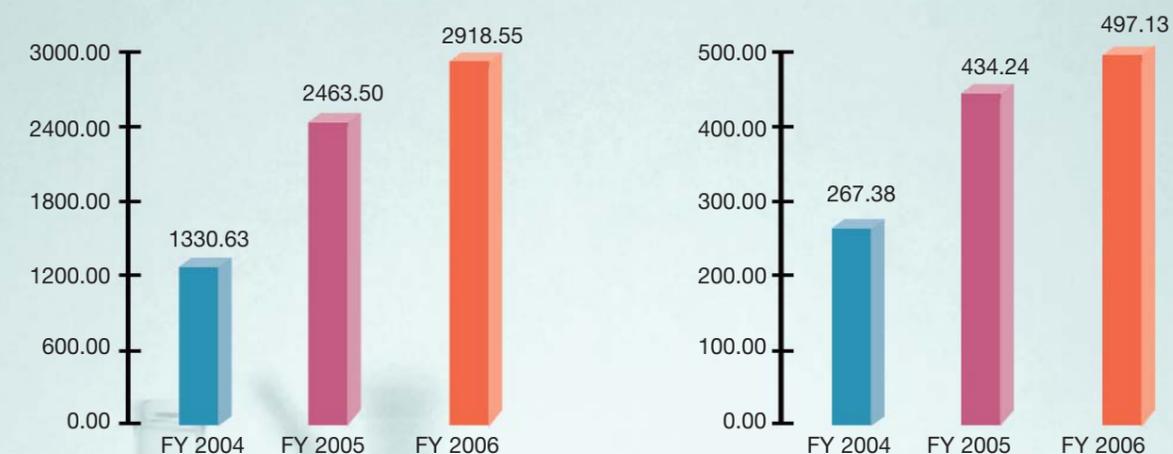
(Rs. in mn.)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
PARTICULARS					
PAID UP CAPITAL	150.00	200.00	200.00	359.41	359.41
NET SALES	935.84	1078.80	1330.63	2463.50	2918.55
PBDIT	109.03	64.55	267.38	434.24	497.13
PBIT	71.05	29.74	205.86	364.19	416.73
PBT	10.53	(62.45)	102.17	248.63	313.22
PAT	8.23	(59.37)	81.82	201.69	231.80
EPS (in Rs)	0.55	-	4.09	5.61	6.45
PROFITABILITY RATIOS (in %)					
PBDIT	11.65	5.98	20.19	17.63	17.03
PBIT	7.59	2.76	15.47	14.81	14.28
PBT	1.13	(5.79)	7.68	10.09	10.73
PAT	0.88	(5.50)	6.15	8.19	7.94
GROWTH RATIOS (in %)					
NET SALES	11.53	15.28	23.34	85.14	18.47
PBDIT	66.63	(40.79)	314.20	62.40	14.48
PBIT	25.94	(58.14)	592.15	77.20	14.24
PBT	(60.71)	(693.11)	263.60	143.36	25.98
PAT	(66.46)	(821.51)	237.80	146.52	14.92

Notes:

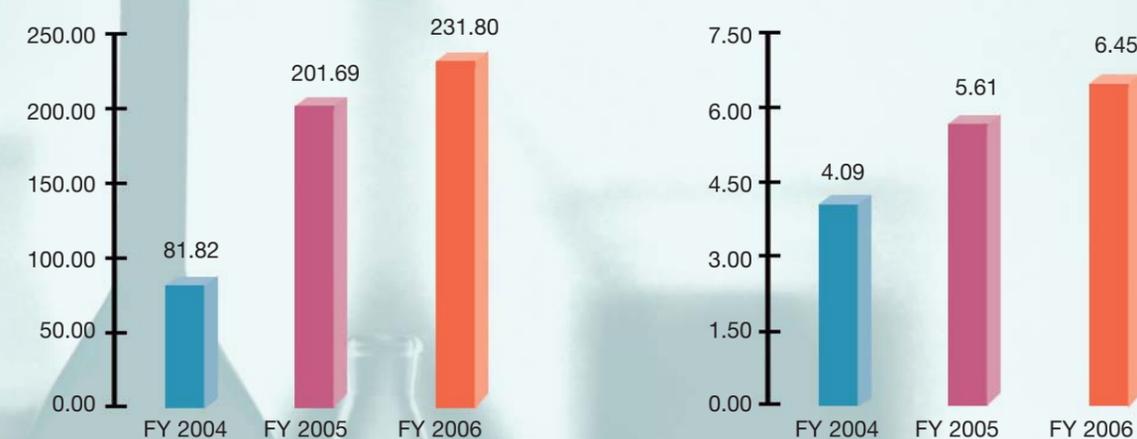
(A) For comparison purpose figures of Marksans Pharma Limited (erstwhile Glenmark Laboratories Limited) and Tasc Pharmaceuticals Limited (Now known as Marksans Pharma Limited) are consolidated for the FY 2002 & FY 2003. Due to that figures for those years might be different as shown in their standalone Balance Sheet.

(B) EPS has been calculated simply by dividing Profit After Tax (PAT) into number of issued shares by the end of the year.



Net Sales (Rs. in mn.)

PBDIT (Rs. in mn.)



PAT (Rs. in mn.)

EPS (in Rs.)

Strong R & D focus



Research & Development

CRAMS

Providing services to top league MNC's for ANDA/DMF filings, dossier development & bio-equivalence study support.

Biotech

Working on eight products of which four have been approved by DCI.

NCE

RISUG

Female contraceptives

Anti-diabetic & oncology segment

Research and development is a powerful engine to enrich the company's product pipeline, provide a powerful drug-discovery platform, enter the developed markets and to fortify its position as a fast-growing pharmaceutical company.

Marksans views its R&D capabilities as a vital component of the business strategy which will provide it with a sustainable, long-term competitive advantage.

The company today has a pool of 45-50 scientists, many of which are from the country's ivy league institutes such as IIT, AIIMS and other reputed research institutes. This team is responsible for embarking on path-breaking research and for driving the company's drug discovery, drug delivery systems, process development and analytical research initiatives.

Currently, the company invests 2 per cent of its revenues on R&D initiatives which it plans to increase to 5 per cent in the coming years.

Objectives and initiatives

Marksans research efforts are currently focused towards widening product portfolio with a view to maximizing impact on regulated markets, and to create non-infringing processes to produce high

quality and cost-effective generic drug versions.

Over the years, the key R&D initiatives undertaken by the company encompass:

- Setting up of a R&D laboratory at Goa and New Delhi for drug delivery and new formulation development.

- Putting in place formulation facilities well-equipped with state-of-the-art R&D centre to develop products, devise analytical methods and conduct stability studies.

- Investing in latest scientific equipments to carry out drug discovery as per national / international standards and regulations.

The cutting edge research abilities enable the company to provide the following services:

01 FILING FOR ANDAS AND DMFS

To propel its entry into the global markets, the company's R&D

team has initiated the process of filing various DMFs and ANDAs based on fast moving products that can seize opportunities in the post product-patent regime.

02 NEW CHEMICAL ENTITIES (NCE)

Marksans is currently working on the following NCEs:

- Developing an injectable contraceptive for men based on a process called Reversible Inhibition of Sperm under Guidance (RISUG), which is currently in the third phase of clinical trials. This non-hormonal drug molecule is patented in India, Bangladesh, USA, Malaysia, Thailand and China. To carry out the basic research, the company has signed a contract with Dr Sujoy Guha, the innovator, Indian Council of Medical Research, Ministry of Health and Family Welfare for the development and commercialization of this male contraceptive.

- Focussing on a female contraceptive for which it has already filed a patent.

03 EMERGING AS A CONTRACT RESEARCH AND MANUFACTURING SERVICES (CRAMS) PROVIDER

Globally, contract manufacturing is estimated to be a USD 30 bn

opportunity, growing at 10-12 per cent annually while the global contract research market is estimated to be USD 6-10 bn growing at 16-18 per cent annually. The contract manufacturing opportunity in India is likely to grow to USD 1 bn by 2010.

India stands to gain tremendously as the cost of pharmaceutical innovation in India is estimated to be one-seventh as compared to the same in European markets while the cost of clinical trials in India is around one-tenth as compared to the US levels. Superior chemistry skills and ability to match global quality standards at low costs makes India a perfect outsourcing destination. Marksans is focussing on this opportunity and has already secured orders from top notch multinationals for the next 3-5 years.

04 LAUNCHING NEW BIO-PHARMACEUTICALS PRODUCTS

The global market size for bio-pharmaceuticals is valued at USD 44 bn as compared to a domestic market size of Rs 47.45 bn, a mere 2.4 per cent of global size. Encashing on the huge under penetration of this segment, Marksans has eight products in the pipeline, of which two have been approved by the

Drug Controller of India (DCI) in the current year.

Epidermal Growth Factor (EGF)

A biotechnology product which in addition to be used for treating second and third degree burns also possesses anti-diabetic properties and rejuvenates the skin on application: one of the few products to offer these benefits. Marksans has entered into licensing agreement for this product with the patent holder and has also received marketing approval from Drug Controller of India (DCI).

Granulocyte Colony stimulating Factor (GCSF)

A product used for treating neutropenia in cancer patients. Marksans has received marketing approval from the Drug

Controller of India (DCI) for GCSF.

05 BLOCKBUSTER PRODUCTS

Marksans plans to aggressively market the API for Atorvastatin (used to treat high cholesterol levels), and generate sales of Rs 450 mn by 2008

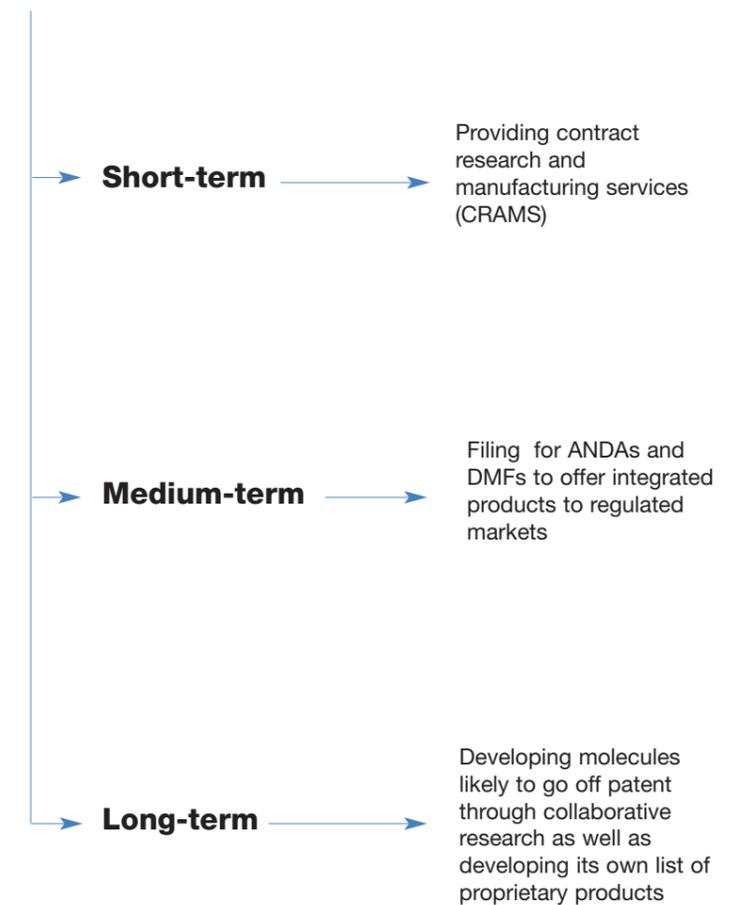
Moving ahead, the company also plans to launch two products - Erythropoietin, for regulation of red blood cell production and Interlukin-2, a chemotherapy drug.

The margins from biotech products are significantly higher and therefore launching new products in this segment either in the form of APIs or formulations would significantly enhance the company's profitability.



Product	Licensor/Joint R&D	Segment/Indication	Current Status
Interferon Alfa 2b	Center of Genetic Engineering and Biotechnology, Cuba	Viral hepatitis infections and hematological cancers	Approved and registered for import and marketing. World market size
Granulocyte Colony Stimulating Factor (GCSF)	Beijing four rings, China	Protein stimulator of bone marrow cells. Useful for neutropenia in cancer patients	Has been approved by Drug Controller of India (DCI) and is going to be commercialized from current year
Erythropoietin	Beijing four rings, China	Treatment of anemia in HIV infected and cancer patients	To be applied for product registration. World market size
Interlukin 2	Laboratorio Pablo Cassara, Argentina	Indicated for the therapy of melanoma and renal cell carcinoma	Only Chiron USA has introduced the product in India
Recombinant Epidermal growth factor cream (EGF)	Center of Genetic Engineering and Biotechnology, Cuba	Useful for patients undergoing superficial and deep radiotherapy	Has been approved by Drug Controller of India and is going to be commercialized from current year
Salmon Calcitonin	Laboratorios Gramon, Argentina	Osteoporosis and treatment of chronic pain in terminal cancer patients	Received dossier from the manufacturer and application under preparation
Citicoline	Laboratorios Gramon, Argentina	Cardiovascular disorder	Dossier awaited from the manufacturer and will go for phase III clinical trials
Octreotide	Laboratorios Gramon, Argentina	AIDS, chemotherapy, GI tumors and breast cancers	Dossier awaited from the manufacturer
GCSF	Department of Biochemical Engineering & Biotechnology, IIT Delhi	Oncology	Product development program for pilot scale development of fermentation facilities to manufacturing recombinant proteins

Strategy at Marksans





« The world class manufacturing capabilities at Marksans cater to API's as well formulations and all the manufacturing units at Marksans are US FDA compliant. »»

Manufacturing facilities



Marksans possesses world-class manufacturing facilities for APIs and formulations which match the most demanding international standards and adhere to stringent quality norms.

Formulations

- The company has set up a formulation plant at Goa, India, comprising of a built-up area of 18,000 sq mt with scalable capacity.
- Built as per USFDA guidelines, it has been approved by UK MHRA, Australian TGA and Brazilian ANVISA health authorities.
- With a capacity to manufacture of 2.50 bn tablets / line / annum for tablets, 1.20 bn capsules / line / annum, the plant is considered as one of the biggest manufacturing facility for soft gelatin capsules and tablets in Asia.
- The plant possesses a fully automated unit for packing operations (automatic and semi-automatic cartonators).
- The company expects to receive the South African MCC and US FDA approval by the end of this year.

APIs

- The company has two large multi-product USFDA compliant API manufacturing facilities located at Kurumbh, Pune.
- In the year under review, Marksans embarked on expansion plans, which will double the annual capacity of its flagship product Ciprofloxacin from 600 MT to 1000 MT and for Ranitidine from 360 MT to 600 MT.
- Going forward, Marksans intends to upgrade its analytical lab and pilot plant facilities to offer chemical synthesis and process development-related research services to global pharmaceutical companies.

The company has emerged as a dependable provider of APIs and has been awarded 'supplier of choice' status by leading pharmaceutical companies.

Therapy Segments



SEGMENT	MOLECULE	PATENT EXPIRY
CARDIOVASCULAR	Ramipril	2008
	Atorvastatin	2009
	Carvedilol	2007
	Losartan	2009
	Fenofibrate	2009
ANTIDIABETICS	Pioglitazone	2006
	Rosiglitazone Malete	2008
	Glimipride	2005
CNS	Venlafaxine	2007
	Risperidone	2007
	Escitalopram	2009
	Mirtazapine	2010

To address the therapeutic segments enjoying more global relevance, Marksans plans to address the lifestyle, anti-diabetic, cardiovascular, CNS, oncology and anti-infective segments. It is estimated that the market size for the products going off patent in these segments over the next five years has been calculated at USD 20 bn.

Diabetes

An estimated 194 mn adults worldwide are suffering from diabetes, a chronic and debilitating illness and it is estimated that this number will exceed 300 mn in the next 20 years. Diabetes is the sixth leading cause of death by disease in the United States, where it currently affects more than 20 mn people.

Cardiovascular

Cardiovascular disease accounts for 17 mn deaths globally each year making it the greatest risk to life for most adults and the world market is valued at USD 116 bn making it the single largest therapy area in the global health care market.

Neuroscience

Neuroscience world market is valued at over USD 98 bn and is growing at 11 per cent annually.

NEUROPSYCHIATRY

More than 6 mn people suffer from schizophrenia and 17 mn suffer from bipolar disorder in major markets. The market is

valued at USD 42 bn.

NEUROLOGY

Migraine is one of the leading causes of disability in the world. Stroke is the second leading cause to death and the leading cause of adult disability in industrialised countries. Alzheimer's disease, the most common cause of dementia, affects more than 4.5 mn people in the US. The market is valued at USD 25 bn.

Oncology

In 2004, over 10 mn people were diagnosed with cancer and by 2020 it is likely to reach 15 mn. 6 mn people die from cancer every year - representing 12 per cent of deaths world wide. The world market value for cancer therapies is estimated at USD 22 bn and is growing strongly.

Anti-infective

Infectious diseases cause more than 11 mn deaths each year and the infection market across the world is valued at USD 53 bn. World demand for antibiotics remains high due to escalating resistance and the increased risk serious infections.



International Markets



« The company has acquired a majority stake in an Australian company called Nova Pharmaceuticals Australasia Pty Limited (Nova). »

APIs

Presence

Japan	Bangladesh	Africa
Latin America	Egypt	Mexico
Spain	Germany	Iran

STRATEGIC DIRECTION

The company intends to launch 15 new molecules in the anti-diabetic, cardiovascular and other lifestyle-related therapeutic segments for both the regulated and developing markets.

▣ The company is addressing the contract research opportunity by entering into collaborations with MNCs. Under these arrangements, the company researches, develops and manufactures molecules which is then supplied back to the original patent holder for marketing same across different markets. This will help the company build competencies across a range of APIs and also acquire expertise in filing dossiers for different APIs. In the future, the company intends to set up a robust platform to deliver services over the entire value chain of research and development.

Formulations

PRESENCE

The company exports as many as 30 products in the regulated and semi-regulated markets either directly or through collaborations with big multinational companies.

INORGANIC GROWTH

The company has acquired a majority stake in an Australian company called Nova Pharmaceuticals Australasia Pty Limited (Nova). Nova specializes in the research, development and marketing of high quality generic pharmaceutical products and its products are compliant with the requirements of the Australian Therapeutic Goods Administration (TGA). Nova products are purchased by a reputed clientele and leading retailers (pharmacies) in Australia. Nova has also entered into long-term contracts with leading pharmacies in Australia for the supply of Generics & OTC products to them.

This acquisition will enable the company to leverage upon its existing manufacturing capabilities, strengthens its global foothold, tap into the Australian pharmaceutical market and cross-sell its products in the Australian & New-Zealand markets by leveraging the Nova network.

Domestic Market

The changing lifestyles in India have transformed people's health needs opening a whole new set of opportunities for the Indian pharmaceutical sector estimated to be over USD 5 bn.

Top Therapy groups in India by value contribution

Therapy Groups	Values in %
Anti-Infective	18
Gastro-Intestinal	11
Cardiac	10
Respiratory	9
Vitamins/Minerals/Nutrients	9
Pain/Analgesics	9
Gynaecologicals	5
Dermatology	5
Neuro/CNS	5
Anti-Diabetic	4
Others	15

APIs

Currently the company is addressing the antibiotic and anti-ulcerant therapeutic segments.

PRODUCTS OFFERED

The company is one of the largest producer of Ciprofloxacin and

Existing APIs

- Ciprofloxacin HCL IP/USP/BP/EP
- Enrofloxacin Base
- Ranitidine HCL IP/USP/BP/EP
- NMSM (Intermediate of Ranitidine HCL)
- F.Q.Acid (Intermediate of Ciprofloxacin)
- Ciprofloxacin Acrylate
- Metformin Hydrochloride
- Tinidazole
- Trimethoprim
- Dicyclomine Hydrochloride
- Methyl dopa
- Glucosamine Hydrochloride
- Glucosamine Sulphate
- Glucosamine Sulphate Potassium Chloride
- Glucosamine Sulphate Sodium Chloride
- N-Acetyl Glucosamine
- Erythromycin Stearate
- Erythromycin Estolate
- Roxithromycin
- Atenolol
- Mefenamic Acid
- 3,4,5 Trimethoxybenzaldehyde
- Losartan
- Atorvastatin

Ranitidine in India. Ciprofloxacin is a major drug of the quinolone family, India's largest anti-infective segment. Ciprofloxacin is effective in treating respiratory tract infections and is one of the most prescribed drugs of the quinolone family as it is a low-cost, anti-biotic treatment.

Ranitidine is extensively used to treat gastro-intestinal ailments (anti-ulcerant). Together the Ciprofloxacin Hydrochloride and Ranitidine Hydrochloride rank amongst the top 20 highest selling drugs in the world. Hence, looking at the growing demand potential the company plans to further scale its operations by undertaking capacity expansions.

FUTURE

The company has ambitious expansion projects to scale up its existing capacity and enter new therapeutic segments such as cardiovascular, neuropsychiatry and anti diabetic therapeutic segments which are growing radically. The company plans to acquire few manufacturing facilities which will facilitate its foray into new therapeutic area swiftly in the future.

Formulations

□ Marksans offers a range of over 200 products in the domestic markets which are marketed through five distinct divisions catering to different therapeutic segments.

□ DIVISION 1: Criti care, an in-licensing division focuses on niche

Cerebella product basket		Mark Remedies (100 % subsidiary)	
Brand	Segment	Brand	Segment
Ropeway	Anti-parkinson	Ambrol Plus	Cough preparations
Donaz	Anti-depressant	Acixx	Antacid
Bazzy	Anti-epileptic	Methovit	Vitamin B1 & Metabolites
Markparin	Anti-coagulant	Marcef	Cephalosporins
Citofast	Anti-depressant	Flox O	Quinolones
Paro XL	Anti-depressant	X Cal	Calcium preparations, gynecology
Xenotril SL	Anti-epileptic	Hemcap	Iron supplement, gynecology
Olanzotic	Anti-psychotic	Seromark	Anti rheumatic non-steroidal
Bilif	Anti-psychotic	Aclav	Amoxicillin preparations
		Alfacaps Plus	Anti osteoporosis
		Ampty	GI prokinetic

Criti care product basket	
Brand Name	Segment
Markparin	Anti-coagulant
Gemcel	Anti-cancer
Paclimark	Anti-cancer
Oplax	Anti-cancer
Docemark	Anti-cancer
Markferon	Anti-cancer
Stineugen	Supportive therapy

biotech products and owns two brands - 'Markferon' and 'Markparin'. Criti care has obtained DCI approval for marketing Interferon and Enoxaparin in India and also has an exclusive agreement with Cuba-based Centre of Genetic Engineering & Biotechnology and Argentina-based Dr. Lazar Labs to market these products in defined countries across Asia. In future, Criti

care plans to enter into in-licensing and joint development programs for several products.

□ Division 2: Cerebella markets CNS and Psychiatry products

□ Division 3: Mark Remedies (a 100 per cent subsidiary) markets Prescription/Ethical products focused on women's health, geriatric disorders, internal medicine, nutritional support and lifestyle disorder associated with gastro-intestinal, cardiology and diabetology,

□ Division 4: Lastly, Zenamark & Marksans focuses on OTC and branded generic products.

FUTURE PLANS

In future, the company plans to introduce as many as four to five products every quarter and launch two to three in-licensed biotech products each year in the domestic market through its Criticare division.

Financials

Directors' Report

DEAR SHAREHOLDERS,

Your Directors take pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

(RS. IN LACS)

Particulars	2005-06	2004-05
Turnover	29185.45	24635.02
Profit Before Depreciation, Taxation & non recurring items	3936.18	3180.81
Less: Depreciation	803.98	694.48
Provision for Taxation	490.07	228.75
Non Recurring Items	0	0
Deferred Tax	353.70	217.02
Net Profit for the year	2288.43	2040.56
Add: Profit & Loss A/c . Balance at the beginning of the year	1934.78	-105.78
Less : Opening Balance of Deferred Tax	0	0
Add: Excess Provision Written Back	0	0
Add: Depreciation Written Back	0	0
Balance Carried to Balance Sheet	4223.21	1934.78

OPERATIONS:

During the year under review, Company focused on strengthening manufacturing facility, removal of bottlenecks, reduction in wastage, improving productivity of manpower and capital assets, enhancing efficiency in supply chain management and sales and distribution. During the year under review, your Company has achieved a noteworthy raise in the turnover and net profits, when compared with the previous year. During the year, Company has achieved a turnover of Rs. 29185.45 Lacs as compared to Rs. 24635.02 Lacs of the last year, showing a 18.47% increase in the turnover over the previous year. These remarkable performance is attributed to management's dedicated, firm and planned approach towards tapping market potentials both local as well as international, up gradation and modernization of the existing facility on a continues basis so as to keep pace with the requirements of the regulated markets as well as highly dedicated professional and task oriented management team to execute the plan in a phased manner and in the right direction.

Your Company acquired a majority stake in Nova Pharmaceuticals Australasia Pty Ltd.

RESEARCH AND DEVELOPMENT:

The Research and Development activity of your Company are moving in great earnest and right direction. It is playing a pivotal role in selecting and developing molecules that are being commercialized successfully. Research and Development activity gained a further momentum during the year. Total R & D expenditure during the year was Rs. 500.41 Lacs. The corresponding previous year spends were Rs.467.32 Lacs.

QUALITY ASSUARANCE:

Quality Assurance department has initiated a process of quality harmonization across various manufacturing facilities in line with the current regulated market standards and its mission to become a key world player in the field of CRAMS. To further its endeavor in globalizing quality norms across the development and manufacturing facilities, quality manual, policies and guidelines have been framed and implemented to have uniformity in systems. A strong cross functional team of QA, project, manufacturing and R & D has been formed on the initiative of this department for all manufacturing facility to achieve global standards in all aspects.

INFORMATION TECHNOLOGY:

Your Company has continued to leverage on information Technology and progressed its strategic investments in this area. Technology investments to upgrade internal planning systems have progressed satisfactorily during the year. This capability would synchronize daily productions and distributions with day to day customer off take - unlocking significant benefits in terms of supply chain efficiency and customer service.

Knowledge management had received a major attention during the year. Your Company will continue the IT investment in the strategic area, simplifying process to reduce costs, leveraging quality information to enhance decisions effectiveness, connecting with business partners to achieve enhanced supply chain efficiencies and customer service.

HEALTH, SAFETY & ENVIRONMENT:

Your Company continues to accord utmost priority to the areas of health, safety & environment. Compliance with safety norms

and regular monitoring of effluents are an integral part of the Company's operating systems.

DIVIDEND:

In view of Company's ongoing expansion plans and to support the fund requirements of the Company to stimulate further growth, your Board of Directors are not recommending any dividend for the current year.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB):

As approved by the shareholders at the Extra Ordinary General Meeting held on 12th May 2005, Company has successfully raised USD 50 Million through Zero Coupon Foreign Currency Convertible Bonds. Currently these bonds are listed on Singapore Stock Exchange. The bondholders have an option to convert these bonds into Equity Shares determined at an initial conversion price of Rs. 336.92 per share with a fixed rate of exchange on conversion of Rs. 44.9119 = US \$1, at any time on or after 7th December, 2005 and prior to 9th October, 2010. The conversion price is subject to adjustment in certain circumstances. These bonds may be redeemed, in whole but not in part, at the option of the Company at any time on or after 8th November, 2008 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the bonds fall due for redemption on 9th November 2010 at 145.20 % of their principal amount. Upto 31st March 2006, none of the bonds have been converted in to Equity Shares.

FIXED DEPOSITS:

During the year under review, your Company has not accepted any deposits.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and the profit and loss account for the period ended 31st March, 2006;
- proper and sufficient care has been taken 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;
- the annual accounts have been prepared on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENTS:

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year. From the Consolidated Profit and Loss Account, it may be observed that the net Profit after tax stands at Rs.2289.14 lacs.

SUBSIDIARY:

As required under the provisions of Section 212 of the Companies Act, 1956 the audited accounts together with Director's Report and Auditor's Report of the wholly owned subsidiary namely Mark Remedies Limited, made out in accordance with the requirements of the Companies Act, 1956 are appended to and form part of the Annual Report. For the Financial Year 2005-06, Mark Remedies Limited achieved a turnover of Rs. 555.27 lacs and net profit (before tax) of Rs. 8.41 lacs.

The Statement pursuant to Section 212 of the Companies Act, 1956 is attached and forms part of this report.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of

Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

EMPLOYEES:

Your Company does not have any employee whose particulars are required to be given under section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employee) Rules 1975, as amended up to date.

DIRECTORS:

Mr. Kumar Nair and Mr. Mahesh B. Parikh, were appointed as Additional Directors of the Company at the Board meeting held on 31.01.2006. Mr. Atul Vyas was appointed as Additional Director of the Company at the Board meeting held on 29.06.2006. During the year Mr. Vijay Thakkar, Mr. B. K. Mishra, Mr. Nitin Parikh, Mr. Rajesh Maheshwari, Mrs. Sandra Saldanha and Mr. Sanjeev Kumar Agarwal (Nominee Director of IDBI), tendered their resignation from Directorship of the Company.

CORPORATE GOVERNANCE:

Pursuant to the Clause 49 of the Listing Agreement, a detailed report on Corporate Governance and Management Discussion and Analysis and a certificate from the Auditors regarding compliance with the conditions of Corporate Governance forms a part of this report.

AUDITORS:

Members of the Company are requested to appoint Auditors for the ensuing year. M/s. Nitin Pota and Associates, Chartered Accountant and M/s. N. K. Mittal and Associates, Chartered Accountant, Joint Auditors retire and being eligible offer themselves for re-appointment. Both M/s. Nitin Pota and Associates and M/s. N. K. Mittal and Associates, have given their consent to act as Statutory Auditors of the Company. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits U/S 224 of the Companies Act, 1956. The Board recommends their appointment as Statutory Auditors.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS:

Employees are vital to your Company. Your Company has created a favorable work environment that encourages innovation and meritocracy. Your Company has also put in place a scalable recruitment and human resource management process, which enables it to attract and retain high caliber employees. At your Company, the key focus has been to change the mindset from 'human resource utilisation' to 'nurturing and leveraging talent'. Your Company believes in investing in people competencies for the business requirements of tomorrow.

APPRECIATION:

Your Directors take this opportunity to place on record it's sincere thanks to their Bankers, all of it's employees, Distributors and clients both locally as well as internationally, business associates and shareholders for their ongoing support and the trust they have put in the management of the Company and look forward for the same in future.

By Order of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Mumbai, 31st July 2006.

Registered office:
601-622, Chintamani Plaza,
Mohan Studio Compound,
Andheri- Kurla Road,
Andheri (E),
Mumbai 400 099.

Annexure To The Report Of The Board Of Directors

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULAR IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

A. Conservation Of Energy

- a) Energy Conservation measures taken:
Replacement of existing Brine Plant with Ammonia base Brine plant. Replacement of conventional cooling towers by forced induced type cooling tower in FRP material. Rationalizing cooling towers and improvement in power factor by installing capacitors. Replacement of LDO fuel by FO fuel for the existing boilers.
- b) Additional investments:
Company has made total investment of Rs. 2. 75 Crores in the aforesaid areas:
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
The aforesaid measures is expected to yield overall savings to the tune of Rs. 1.27 Crores p.a.
- d) Energy Consumption:
Energy Consumption details as per prescribed Form A is given at the end of this part.

B. Technology Absorption

Research and Development (R&D)

- (1) Specific areas in which R&D carried out by the Company:
Foray into Generic business and identification of few niche areas for product development, mainly in dossier development, post patent filing for regulated market.
- (2) Benefits derived as a result of above R & D:
Increase in exports to Europe and other regulated markets. Patent filings of new developed drugs. Increase in over all sales volume.
- (3) Future plan in action:
Development of new and innovative products will lead to evolution of robust New Chemical entity and Novel Drug Delivery System pipeline and comprehensive range of generics leading to Abbreviated New Drug applications.
- (4) Expenditure on R &D:
Company continues a benefit from the extensive Research and Development (R&D) activity carried on.
The details of expenditure incurred by your Company on the above is as under:

	Rs. In lacs
(a) Capital	Nil
(b) Recurring	500.41
(c) Total	500.41
(d) Total R & D as a percentage of total turnover.	1.71%

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
Installation of new fuel efficient boiler, improvements in process parameters, Up-gradation of Plant and Systems facility, working systems, documentation and practices to international regulatory standards for European and U.S. Market.
2. Benefits derived as a result of the above efforts:
Furnace oil being substantially cheaper to high - speed diesel, its usage will generate savings in fuel cost. Also it will save time on steam generation and add to operator safety, access to highly regulated markets, thereby increasing the sales volumes, Installation of new testing equipment has substantially reduced dependency on external testing, thereby reducing the overall operational time cycles. The same has also resulted in reduction in manpower, Improvements in process parameters have reduced the percentage rejection in the process thereby reducing the wastage of costly raw material.
3. Imported Technology: Nil

C. Foreign Exchange Earnings & Outgo

- (a) Activities relating to export; initiatives taken to increase exports; development of new export markets for products and export plans:
Upgradation of Production systems, documentation and practices to International Regulatory Standards to increase exports to regulated markets, maintaining focus on less regulated markets as well, synergise the export activities in that direction and achieve significant growth in exports.
- (b) Foreign Exchange Earnings and Outgo:
The Company used foreign exchange amounting to Rs.2760.14 lacs and earned foreign exchange amounting to Rs.5191.70 lacs during the Financial Year 2005-06 as compared to previous year's Rs.2137.57 lacs and Rs.4470.66 lacs respectively.

FORM A

ENERGY CONSERVATION

Particulars	2005-06	2004-05
1. Electricity		
(a) Purchases		
Units (in '000 Kwhrs)	8538	8376
Total Amount (Rs. In '000's)	31364	29625
Rate/Unit (Rs.)	3.67	3.54
(b) Own Generation		
(i) Diesel Generator		
Units (in '000 Kwhrs)	333	1022
Units per Ltr. Of Diesel Oil	3.42	3.67
Cost/Unit (Rs.)	7.74	6.83
(ii) Through Steam Turbine/Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace oil		
Quantity (K.ltrs)	2025	2102
Total Amount (Rs. In '000's)	29575	26236
Average Rate (Rs. /K.Ltr)	14605	12481
4. Light Diesel Oil		
Units(K.ltrs)	214	378
Total Amount (Rs. In '000's)	5267	7268
Average Rate (Rs. /K.Ltr)	24612	19230
5. Other/ Internal Generation	NIL	NIL

FORM B

CONSUMPTION PER UNIT OF PRODUCTION

The company being engaged in production of a number of bulk drugs and formulations, the figures of consumption per unit of production / product are not ascertainable with accuracy and hence the details of consumption of energy per unit of production cannot be given.

By Order of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Mumbai, 31st July 2006.

Registered office:
601-622, Chintamani Plaza,
Mohan Studio Compound,
Andheri- Kurla Road,
Andheri (E),
Mumbai 400 099.

Management Discussion and Analysis

INDUSTRY STRUCTURE

Presently, the Indian Pharmaceutical Companies contribution to the global drug industry is sizeable in terms of volume (8 percent); yet its corresponding value share is very restricted at 1 percent. However, with the advent of the GATT regime and the new Indian Patents Act coming into force, the outlook for growth is optimistic. In view of the current trends, it is predicted that the market will grow at a constant CARG of 8 to 10 percent, taking the India's share from USD 4.6 billion in 2004 to USD 7.8 billion in 2008.

The Industry has also been characterised by

- A need for product patent recognition, which served as an entry impediment for large global players.
- Domination by local companies (77 percent) which have shown twice as much growth as that of their global counterparts in the country.
- High price sensitivity with the government playing a role of moderator.
- Fragmented market place, which has moved towards consolidation especially in light of the new patent act.
- A nascent health Insurance sector where an overwhelming majority of people cannot afford insurance.
- Shift in the growth of therapy areas.

While acute illness still dominate, the growth rate of chronic category, cardiovascular, CNS and diabetes segments have demonstrated the fastest growth.

The upcoming implementation of the VAT has raised issues of apprehension amongst stockiests and wholesalers, signaling a possible negative impact in the initial stages.

OPERATIONAL OVERVIEW

Marksans constantly reviews its product-market portfolio with a view to strengthen sustainable growth. In the four years leading to the post GATT era, Marksans has worked towards strengthening its competitive status by investing in long-term value assets.

Likewise, research continues to remain an area of focus. Similarly, manufacturing facilities across our three facilities have been upgraded or expanded to cater to the regulated market needs

To ensure superior control of operations, the Company has instituted a top quality managerial and executive information system, which has started delivering the desired results and consequently, the Company has been able to better monitor its operations and costs.

REVENUES

Marksans revenues for 2005-06 for its operations was Rs.2965.66 million compared to Rs.2479.87 million in 2004-05, resulting in an increase of around 20 percent with each of its business segments making their contributions.

SUBSIDIARIES

Mark Remedies Limited, a wholly-owned subsidiary of Marksans, has achieved sales revenue of Rs 55.53 million and profit before tax of Rs. 0.84 million.

COST OF SALES

The Cost of sale showed a increase from 75.63 percent in 2004-05 to 77.76 percent in 2005-06 mainly on account of general decline in the realisations of bulk actives and increased competition in the domestic market.

SELLING AND ADMINISTRATION EXPENSES

Selling and Operating Expenses were Rs.160.30 million in 2005-06, an increase of 22.31 percent against Rs.131.06 million in 2004-05

DEPRECIATION

The provision for depreciation was Rs.80.39 million in 2005-06 compared with Rs.69.45 million in 2004-05. This rise is mainly due to the increase in fixed assets of the Company.

INTEREST

The expenditure on account of interest was Rs.103.51 million in 2005-06 compared with Rs.116.16 million in 2004-05. The interest expenditure decrease mainly due to some repayment of Secured loans during the year.

RESEARCH AND DEVELOPMENT EXPENSES

The Research and Development Expenses was Rs.50.04 million in 2005-06 as compared to Rs.46.73 million in 2004-05. The increase was in line with the growth of the R&D staff strength and increase in research activity.

PROVISION FOR TAXATION

The Taxation charged for the financial year 2005-06 was Rs.45.00 million compared with Rs.22.28 million in 2004-05.

PROVISION FOR DEFERRED TAXATION

A Provision for Deferred Tax of Rs 35.37 million was made as per Accounting Standard 22 'Accounting for Taxes on Incomes' issued by the Institute of Chartered Accountant of India.

RESERVES & SURPLUS

The Reserves & Surplus increased from Rs 526.84 million to Rs.700.04 million on account of profits earned during the year.

SECURED LOANS

Secured loans decreased from Rs.833.64 million in 2004-05 to Rs.795.15 million in 2005-06, due to repayments of few term loans.

UNSECURED LOANS

Unsecured loans increased to Rs.2230.75 million in 2005-06 compared with Rs.42.00 million in 2004-05 due to issue of Foreign Currency convertible bonds during the year.

FIXED ASSETS

The Company's gross assets block increased from Rs.1251.97 million as at 31st March 2005 to Rs.1561.81 million as at 31st March 2006 on account of modernization of the plant at Goa and construction of multipurpose, versatile API manufacturing facility at Kurkumbh.

INVENTORY

Inventory increased from Rs. 485.23 million in 2004-05 to Rs. 743.79 million in 2005-06, mainly to service a larger product basket for the domestic, export and API business and also largely due to change in taxation, i.e. MRP-based Excise and VAT implementation.

RECEIVABLE

Receivables decreased from Rs. 572.09 million in 2004-05 to Rs. 464.10 million in 2005-06 due to extra efforts taken for recoveries during the year.

LOANS AND ADVANCES

Loans and advances increased from Rs.126.42 million in 2004-05 to Rs.197.45 million in 2005-06

CASH AND BANK BALANCE

Cash and Bank balance increased to Rs.1972.98 million from Rs. 95.08 million mainly due to short term deposits with banks.

CURRENT LIABILITIES

Current liabilities and provisions decreased from Rs. 379.63 million in 2004-05 to 370.40 million in 2005-06.

NET WORKING CAPITAL

The net working capital has increased from Rs.899.13 million to Rs. 3007.92 million due to an increase in the inventory, cash and bank balances, loans & advances and reduction in current liabilities

OPPORTUNITIES

Low per capita expenditure on pharmaceuticals

India has one of the lowest per capita health care expenditures in the world which is likely to correct over the coming years. For instance, India's capita expenditure on pharmaceuticals is only USD 4 well below USA (USD 1992), Canada (USD 1483), Germany (USD 1819) and United Kingdom (USD 1415).

PRIVATISATION OF INSURANCE

Presently, only two million Indian - 0.2 percent of the population are medically insured even as a recent study indicates that 75 percent are potential insurable. Insurance companies have estimated that household healthcare

spending will rise from 2 percent to 6 percent in the coming years, translating into attractive growth for India's pharmaceuticals industry.

RISING INCOME LEVELS

Rising income and an increase in the geriatrics population, sustained by advance in hygiene and medicine, are driving a shift in market away from vitamins, anti - infectives and gastrointestinal treatment towards products that treat cardiovascular problem, central nervous systems disorders, diabetes and other complex ailments. By 2010, cardiovascular and central nervous systems treatment will account for a higher share of remedies provided. This is expected to result in a faster growth for companies like Marksans that specialise in related niches.

RURAL OPPORTUNITY

Presently, 76 percent of the Indian pharmaceutical off -take transpires in urban centres. The four metros namely Delhi, Kolkata and Chennai account for about a fourth of the entire IPM. Within rural India , the market is concentrated in areas where the level of infrastructure development is relatively high. Accordingly to the World Development Report 2000, only 50 percent of the population in India has access to healthcare facilities. In rural areas, this percentage is lower. As penetration levels improve, a broader growth for India's pharmaceuticals industries is expected.

THREATS

The implementation of GATT from 2005 represents the biggest threats facing the IPI. India will recognize product patents, thus reducing process reverse engineering opportunities. Indian companies that have not prepared for this reality will face intense competition and perhaps even de-grow over the coming years.

OUTLOOK

Marksans short term and long term outlook appears encouraging for the following:

An integrated approach with presence in R&D, bulk actives and formulation along with an increasing coverage of regulated markets.

A strong focus on establishing each element in its integrated chain as a revenue generators commitment to expand to new global markets with customised strategies.

A horizontal and vertical expansion in therapeutic segments in all target markets.

An aggressive and adoptable marketing approach to widen its doctor reach, e.g. creation of 5 new divisions, each having its own marketing focus.

A variety of investments ranging from upgrading manufacturing capabilities, understanding regulatory requirements, alliances and building IPR assets, like new drugs and delivery systems for the future.

REGULATORY COMPLIANCE SYSTEMS

Since pharmaceutical products affect human lives directly, the corresponding raw material quality is stringently regulated by the health authorities of the various countries. These authorities govern each aspect of bringing a drug to the market, moreover, these regulatory agencies keep raising their quality benchmarks in response to consumer concerns. In view of this, a manufacturer seeking to serve these countries requires to invest in, closely track and comply with this evolving regulatory environment. Any delay in compliance

could potentially lead to a staggered market entry and lost business opportunities.

Marksans has built a dedicated Regulatory Affairs team engaged in tracking and building protocols to comply with the stringent regulatory requirements across geographies. It has also extended this ability into a confidence-building documentation system, which proves the quality of the Company's products as safe for consumption and customized to the precise requirements of these geographies.

INTERNAL CONTROL AND SYSTEMS

Marksans adequate controls cover a comprehensive definition of individual roles and responsibilities, an effective feedback flow to facilitate effective monitoring and a responsible internal audit process.

SEGMENTAL ANALYSIS

Particulars	(Rs. in Lakhs)	
Business Segment as Primary Segments		
1 Segment Revenue	31.03.06	31.03.05
a)Bulk Drugs Division	16188.26	14371.14
b)Formulation Division	12997.19	10263.87
Total	29185.45	24635.01
Less : Inter Segment Revenue	-	-
Net Sales	29185.45	24635.01

Particulars (Rs. in Lakhs)

2. Segment Results [Profit/(Loss)

before tax and interest from each segment]		
a) Bulk Drugs Division	2032.85	2385.66
b) Formulation Division	2134.43	1351.32
Total	4167.28	3736.98
Less:1)Interest & Finance Charges	1035.08	1165.04
2) Other un-allocable expenditure		
net off unallocable income	-	85.09
Extra Ordinary Item (Net)	-	-
Total Profit / (Loss) before tax	3132.20	2486.85

CAUTIONARY STATEMENT

Statements in the Management's Discussion and Analysis Report describing the Company's Objective, projections and estimates are forward looking statements and progressive within the meaning of applicable Security Laws and Regulations. Actual results may vary from those expressed.

Report on Corporate Governance

The Company pursuant to the code on the Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) furnishes its report as under:

PHILOSOPHY ON CODE OF GOVERNANCE

The Company has always been committed to the principles of good corporate governance. The Board of Directors are committed in their responsibility for all the constituents including investors, employees and regulatory authorities. The Company believes in adopting and adhering to best recognize corporate governance practices and continuously benchmarking itself against each such practices. The compliance report is prepared and given below in conformity with the mandatory requirements of the Listing Agreement with the Stock Exchange.

BOARD OF DIRECTORS

The size and composition of the Board conforms to the requirements of the Corporate Governance Code under the Listing Agreement with Stock Exchanges.

During the financial year under review, 6 Board meetings were held on the following dates: 14th April, 2005, 28th July 2005, 6th October, 2005, 18th October, 2005, 29th October, 2005, and 31st January, 2006.

None of the Directors are members of more than 10 Committees of the Board nor are they Chairman of more than 5 Committees in which they are Directors. The details as to Composition, Status, Attendance at the Board Meetings, and the last Annual General Meeting, outside Directorship and other Committees membership are as follows:

Name of the Director	Status i.e Executive, Non - Executive and independent Director	No. of Board Meetings attended out of 6 held	No. of Membership in other Boards or Committees as a member or Chairman, excluding foreign and Private Companies		Whether attended the last AGM
			Board	Committee	
Mr. Mark Saldanha (Chairman & Managing Director)	Executive and Non - Independent	3	1	NIL	YES
Mr. B. K. Mishra "	Executive and Non - Independent	1	NIL	NIL	NO
Mrs. Sandra Saldanha "	Non -Executive and Non- Independent	3	1	NIL	NO
Dr. A. V. Sharma	Non- Executive and Independent	3	NIL	NIL	YES
Mr. Ajay Mittal (Nominee - UTI)	Non- Executive and Independent	3	3	6	YES
Dr. Kim Tan	Non- Executive and Independent	3	NIL	NIL	NO
Mr. Sanjay K. Agarwal " (Nominee - IDBI)	Non- Executive and Independent	3	NIL	NIL	NO
Mr. Vijay Thakkar "	Executive and Non - Independent	3	NIL	NIL	NO
Mr. Nitin Parikh "	Non- Executive and Independent	2	NIL	NIL	NO
Mr. Rajesh Maheshwari "	Non- Executive and Independent	2	NIL	NIL	NO
Mr. Mahesh B. Parikh *	Non- Executive and Independent	NIL	1	1	NO

Name of the Director	Status i.e Executive, Non - Executive and independent Director	No. of Board Meetings attended out of 6 held	No. of Membership in other Boards or Committees as a member or Chairman, excluding foreign and Private Companies		Whether attended the last AGM
			Board	Committee	
Mr. Kumar Nair *	Non- Executive and Independent	NIL	2	1	NO
Mr. Atul Vyas*	Non- Executive and Independent	NIL	NIL	NIL	NO

" During the year Mr. Vijay Thakkar, Mr. B. K. Mishra, Mr. Nitin Parikh, Mr. Rajesh Maheshwari, Mrs. Sandra Saldanha and Mr. Sanjeev Kumar Agarwal (Nominee Director of IDBI), tendered their resignation from Directorship of the Company.

* Mr. Mahesh B. Parikh and Mr. Kumar Nair, were appointed as Additional Director at the Board Meeting held on 31.01.2006. Mr. Atul Vyas, was appointed as Additional Director at the Board Meeting held on 29.06.2006.

AUDIT COMMITTEE

The Audit Committee, consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Mr. Kumar Nair, Mr. Atul Vyas and Dr. A. V. Sharma, all of them are independent Director. The Committee was reconstituted during the year. The Managing Director, head of Finance along with internal auditors and statutory auditors were invited to the Audit Committee meetings. Company Secretary acts as a Secretary to the Committee. The constitution, functions and the terms of the reference of the Audit Committee are those prescribed under clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956. During the financial year under review, 3 Audit Committee meetings were held, which were attended by all the members of the Committee.

REMUNERATION COMMITTEE AND REMUNERATION OF THE DIRECTORS

The Remuneration Committee of the Company consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Dr. A. V. Sharma and Mr. Atul Vyas. All the members of the committee are Non-Executive Director. The Committee has power to determine the remuneration of the executive Directors of the Company as per the provision of Clause 49 of the Listing Agreement and applicable provisions of the Companies Act, 1956.

GENERAL BODY MEETINGS

Annual General Meetings	Date	Time	Venue	No. of Special Resolutions
Thirteenth	22/12/2005	2.30 P.M.	Hotel Tunga International, B/11, M.I.D.C., Central Road, Andheri (E). Mumbai 400 093.	NIL
Twelfth	30/9/2004	10.00 AM	Ivy Restaurant Banquets, Above Shoppers' Stop, Amar Mahal, Chembur, Mumbai - 400089.	1
Eleventh	25/9/2003	10.00 AM	Shri Sai Leela, A-1/1, Rajawadi Hsg. Soc., Ghatkopar(E) Mumbai - 400077.	NIL

INVESTORS GRIEVANCE REDRESSAL COMMITTEE

The Investor Grievance Redressal Committee, consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Dr. A. V. Sharma and Mr. Atul Vyas. The Committee was reconstituted during the year. The Committee looks into the shareholders' and investors' grievances.

The Committee oversees the performance of the Registrars and Transfer agents and recommends measures to improve the level of investor services.

Bigshare Services Pvt. Limited, Company's registrar and Transfer agent process these transfers. The company has authorised Mr. H.P. Kanaani, Company Secretary and Legal Manager of the Company to approve the share transfers, and all shares have been transferred and returned in 15 days from the date of receipt, so long as the documents have been clear in all respects.

The Board has designated Mr. H.P. Kanaani as compliance officer.

Number of complaints received during the year: 85

Number of complaints resolved to the satisfaction of shareholders: 85

Number of share transfers pending as on March 31st, 2006: NIL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Annual Report has a separate and detailed chapter on Management Discussion and Analysis which deals with industry structure and development, opportunities and threats, segment wise performance, outlook, risks and concerns of the Company and discussions on financials with respect to operation.

DISCLOSURES

- a) No material, financial and commercial transactions were reported by the management to the Board of Directors in which management had personal interest having a potential conflict with the interest of the Company at large.
- b) There are no transactions with the Director or Management, their associates or their relatives etc. that may have potential conflict with the interest of the Company at large.
- c) There was no non-compliance during the last three years by the Company on any matter related to the capital market. Consequently, there were neither any penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.

MEANS OF COMMUNICATION

Quarterly, Half-yearly, and Annual results of the Company are published in one English (usually Economic Times) and one Marathi newspaper (usually Maharashtra Times). These are also submitted to the stock exchanges in accordance with the Listing Agreement and are available on the website of the BSE (www.bseindia.com) & NSE (www.nseindia.com) and also on the SEBI's website (www.sebidifarnic.in). No presentations were made to institutional investors or to analysts under review.

MARKET PRICE DATA ON BSE

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares
April 2005	324.65	337.35	264.80	264.80	1132409
May 2005	270.00	274.80	236.80	269.80	1903667
June 2005	272.00	280.90	239.85	259.80	1917992
July 2005	261.00	285.85	249.20	261.75	2858719
August 2005	264.70	326.90	259.00	291.85	7307610
September 2005	295.50	318.20	230.00	255.60	1526195
October 2005	258.00	270.00	208.50	214.70	2244995
November 2005	220.00	229.00	206.15	208.00	1147706
December 2005	212.00	238.00	204.70	210.95	2093910
January 2006	212.70	224.25	200.00	203.85	1396627
February 2006	200.90	241.65	200.50	224.75	2514131
March 2006	227.00	264.00	223.50	227.25	8075789

Registrar and Transfer agents

Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate,
Saki Vihar Road, Andheri (East),
Mumbai 400 072.
Ph. No. 28470652/53/28473474

Share Transfer System

All the transfers received are processed and approved by the Investors Grievance's Redressal Committee, which normally meets twice a month or more depending upon the volume of the transfers.

GENERAL SHAREHOLDER INFORMATION:

AGM:	Fourteenth Annual General Meeting
Date:	28 th September, 2006
Time:	1.30 p.m.
Venue :	Hotel Tunga International, B/11, Central Road, M.I.D.C., Andheri (East), Mumbai - 400 093.
Financial Calendar	Financial Year - April to March First Quarter Results - Last week of July Second Quarter Results - Last week of October Third Quarter Results - Last week of January Last Quarter Results - Last week of April
Date of Book Closure	21 st September, 2006 to 28 th September, 2006 (both days inclusive)
Dividend payment date	Nil, as there is no proposal to declare dividend.
Listing on Stock Exchanges	BSE and NSE
Stock Code	BSE- 524404, NSE- MARKSANS ISIN No.:INE750C01018.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31ST, 2006 :

No. of shares		No. of shareholders		No. of shares	
From	To	Number	%	Number	%
Less Than	500	10982	91.58	13,30,109	3.70
501	1000	495	4.13	4,01,088	1.12
1001	2000	219	1.83	3,31,942	0.92
2001	3000	98	0.57	1,75,798	0.49
3001	4000	33	0.28	1,19,916	0.33
4001	5000	36	0.30	1,73,335	0.48
5001	10000	67	0.56	5,13,143	1.43
10001	and above	92	0.77	3,28,95,232	91.53
Total		11992	100.00	3,59,40,563	100.00

Dematerialization of the Shares and Liquidity

Based on SEBI directives, Company's shares are traded in Dematerialised form. As on 31.3.2006, 90.13% of the paid up share capital of the Company was in the dematerialised form.

Outstanding GDR/ADR/Warrants or any convertible instrument, conversion dates and likely impact on equity.

Company has issued FCCB on 08.11.2005, convertible into Equity Shares of the Company. (Details are appearing in note no. 6 of notes to accounts)

Plant Locations

One plant of the Company is located at Verna, Goa and two plants of the Company are located at MIDC, Village - Kurkumbh, Taluka - Daund, District- Pune, Maharashtra.

Address for Correspondence

Mr. H.P. Kanaani
Company Secretary and Legal Manager
Marksans Pharma Limited
601-622, Chintamani Plaza, Mohan Studio Compound,
Andheri- Kurla Road, Andheri (E), Mumbai 400 099.
Tel.: 022-40012000, Fax: 022-67021004
E-mail: hitesh@marksanspharma.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
MARKSANS PHARMA LTD.
[Formerly TASC PHARMACEUTICALS LTD.]

We have examined the compliance of conditions of Corporate Governance by MARKSANS PHARMA LTD. [Formerly TASC PHARMACEUTICALS LTD.], for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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 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 the above-mentioned Listing Agreements.

We state that as per the records maintained by the Company, there were no investor grievances remaining unattended / pending for a period exceeding one month.

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

For NITIN POTA & ASSOCIATES Chartered Accountants For N.K. MITTAL & ASSOCIATES Chartered Accountants

NITIN POTA Proprietor Membership No. 42215 N.K. MITTAL Proprietor Membership No. 46785

Place: Mumbai
Date : 31st July, 2006

Auditors' Report

To the members of MARKSANS PHARMA LIMITED

We have audited the attached Balance Sheet of MARKSANS PHARMA LIMITED as at 31st March 2006 and the Profit & Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report as follows:

- 1) As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified therein.
- 2) Further to our comments in the Annexure referred to above, we state 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 these books;
 - c) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;

For NITIN POTA & ASSOCIATES Chartered Accountants For N.K. MITTAL & ASSOCIATES Chartered Accountants

NITIN POTA (Proprietor) Membership No. 42215 N.K. MITTAL (Proprietor) Membership No. 46785

Place: Mumbai
Date : 29th June 2006

ANNEXURE

Re : MARKSANS PHARMA LIMITED

Referred to in point no.1 of our report of even date.

- i. (a) The company has maintained proper records showing particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the management at reasonable intervals. We have been informed that no material discrepancies were noticed on such verification.
 - (c) Substantial part of fixed assets have not been disposed off during the year.
- ii. (a) Physical verification of inventory (excluding stocks with third parties) has been conducted at reasonable intervals by the management. In respect of inventory lying with third parties, these have substantially been confirmed by them.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.
- iii. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- iv. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
- v. (a) According to the information & explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.
 - (b) In our opinion, each of these transactions and exceeding the value of five lakh rupees in respect of any party during the financial year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the company has an internal audit system commensurate with its 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 maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However we are neither required to carry out nor have carried out any detailed examination of such accounts and records.
- ix. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.

- (b) According to the information & explanations given to us, no undisputed amounts payable in respect of Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess were in arrears, as at 31st March 2006, for a period of more than 6 months from the date they became payable.
- (c) According to the information & explanations given to us, except the dues of Income-tax amounting to Rs.6.69 lacs shown as contingent liability, there are no dues of Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess which have not been deposited on account of any dispute.
- x. At the end of the financial year, the Company does not have accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- xi. According to the information & explanations given to us, the company has not defaulted in payments of dues to financial institution & banks.
- xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. The company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. Term loans availed by the Company were, prima facie, applied for the purpose for which the loans were obtained.
- xvii. On an overall basis, the funds raised on short-term basis have, prima facie, not been used for long term investment and vice versa.
- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix. The company has not issued any debentures.
- xx. The company has not raised money by public issues during the year.
- xxi. Based on the checks carried out by us, any fraud on or by the company has not been noticed or reported during the year.

For NITIN POTA & ASSOCIATES Chartered Accountants For N.K. MITTAL & ASSOCIATES Chartered Accountants

NITIN J. POTA (Proprietor) M. No. 42215 N.K. MITTAL (Proprietor) M. No. 46785

Place: Mumbai
Date : 29th June 2006

Balance Sheet as on March 31, 2006

(Amount in Rs.)

Particulars	Sch. No.	31.03.2006	31.03.2005
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	494,405,630	494,405,630
Reserves & Surplus	2	700,043,998	526,839,345
Loan Funds			
Secured Loans	3	795,145,953	833,642,636
Unsecured Loans	4	2,230,750,000	42,000,000
		4,220,345,581	1,896,887,611
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	1,561,806,619	1,251,970,580
Less: Provision for Depreciation		313,561,068	235,616,364
Net block		1,248,245,551	1,016,354,216
Investments	6	2,550,000	2,550,000
Current Assets, Loans & Advances			
Inventories	7	743,793,385	485,230,289
Sundry Debtors	8	464,099,982	572,038,377
Loans & Advances	9	197,453,417	126,415,083
Cash & Bank Balances	10	1,972,977,085	95,083,614
Total (A)		3,378,323,869	1,278,767,363
Current Liabilities			
Current Liabilities	11	370,401,802	379,633,577
Total (B)		370,401,802	379,633,577
Net Current Assets (A) - (B)		3,007,922,067	899,133,786
Deferred Tax Assets/(Liability) (Net)		(56,994,168)	(42,127,764)
Miscellaneous Expenditure (To the extent not written off)	12	18,622,131	20,977,373
Total		4,220,345,581	1,896,887,611
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

N. K. Mittal & Associates
Chartered Accountants

Nitin Pota
(Proprietor)
M. No. 42215

N. K. Mittal
(Proprietor)
M. No.46785

Place : Mumbai
Date : 29th June 2006

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Dr. A. V. Sharma
Director

H.P. Kanaani
Company Secretary
& Legal Manager

Profit & Loss Account for the Period ended as on March 31, 2006

(Amount in Rs.)

Particulars	Sch. No.	31.03.2006	31.03.2005
INCOME			
Sales		2,918,545,013	2,463,501,987
Other Income	13	47,117,288	16,365,009
		2,965,662,301	2,479,866,996
EXPENDITURE			
Cost of Sales	14	2,269,463,482	1,863,072,469
Administration, Selling & Distribution Expenses	15	160,301,530	131,061,229
Interest & Financial Charges	16	103,508,379	116,155,030
Research and Development Expenses	17	50,040,735	46,731,761
Depreciation	5	80,398,199	69,448,393
Exchange Loss/(Gain)		(21,782,822)	(898,187)
Loss on Sale of Fixed Assets		4,023,604	-
Miscellaneous Expenditure Writtern Off		6,489,154	5,662,371
		2,652,442,261	2,231,233,066
Profit Before Tax		313,220,040	248,633,930
Provision for Taxation			
Current Year		45,000,000	22,283,878
Earlier Years		2,952,816	591,189
Deferred Tax		35,369,943	21,702,412
FBT		1,054,086	
Net Profit after Tax		228,843,195	204,056,451
Balance Profit brought forward		193,477,533	(10,578,918)
Closing Balance Transferred to Balance Sheet		422,320,728	193,477,533
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

Nitin Pota
(Proprietor)
M. No. 42215

Place : Mumbai
Date : 29th June 2006

N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
(Proprietor)
M. No.46785

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Dr. A. V. Sharma
Director

H.P. Kanaani
Company Secretary
& Legal Manager

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 1 [SHARE CAPITAL]		
Authorised		
4,60,00,000 Equity Shares of Rs.10/- each	460,000,000	460,000,000
14,00,000 7% redeemable cumulative preference Shares - of Rs.100/- each	140,000,000	140,000,000
	600,000,000	600,000,000
Issued Subscribed and Paid-up.		
3,59,40,563 Equity Shares of Rs.10/- each	359,405,630	359,405,630
13,50,000 7% redeemable cumulative preference Shares - of Rs.100/- each	135,000,000	135,000,000
	494,405,630	494,405,630
SCHEDULE - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	2,668,162	2,668,162
Share Premium	330,571,148	330,571,148
Less: FCCB Issue Expenses	(76,142,078)	-
Add: Deferred tax asset on FCCB Issue Expenses	20,503,539	
Profit & Loss Account - Opening Balance	193,477,533	(10,578,916)
Add: Transferred During the Year	228,843,195	204,056,451
	700,043,998	526,839,345
SCHEDULE - 3 [SECURED LOANS]		
Term Loan	580,063,727	539,423,741
Working Capital Facilities	209,288,348	290,157,375
Other Loans (Vehicle Loans)	5,793,878	4,061,520
	795,145,953	833,642,636
SCHEDULE - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	2,230,750,000	-
Deposits & Others	-	42,000,000
	2,230,750,000	42,000,000

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

SCHEDULE - 5 [FIXED ASSETS]

Particulars	Gross Block			Depreciation				Net Block		
	As on	Additions	Sales	As on	Upto	For the Year	Wr.Back	As on	As on	As on
	01.04.2005		/Dedn.	31.03.2006	01.04.2005			31.03.2006	01.04.2005	31.03.2006
Land & building	330,600,081	12,188,842	8,055,690	334,733,233	30,566,183	10,170,875	644,141	40,092,917	300,033,898	294,640,316
Plant & Machinery	889,267,275	304,802,156	-	1,194,069,431	196,230,339	67,624,222	-	263,854,561	693,036,936	930,214,869
Computer & Software	4,668,864	1,232,659	-	5,901,523	2,778,143	706,440	-	3,484,583	1,890,721	2,416,940
Office Equipments	3,397,760	472,712	-	3,870,472	491,117	215,460	-	706,578	2,906,643	3,163,894
Furnitures & Fixtures	9,251,851	455,209	-	9,707,060	1,933,213	592,384	-	2,525,597	7,318,638	7,181,463
Vehicles	14,784,749	4,430,800	5,690,649	13,524,900	3,617,368	1,088,818	1,809,354	2,896,832	11,167,381	10,628,068
Total	1,251,970,580	323,582,378	13,746,339	1,561,806,619	235,616,363	80,398,199	2,453,495	313,561,068	1,016,354,216	1,248,245,551
Previous Year	976,354,427	275,616,153	-	1,251,970,580	166,167,971	69,448,393	-	235,616,364	810,186,456	1,016,354,216

(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 6 [INVESTMENT]		
Inv.in share of Mark Remedies Ltd. (100%subsidiary of Marksans Pharma Limited)	2,500,000	2,500,000
In Equity Share of Development Credit Bank Ltd.	50,000	50,000
	2,550,000	2,550,000
SCHEDULE - 7 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	283,842,055	260,823,345
Work - in - Process	61,692,321	32,828,129
Finished Goods	398,259,010	191,578,815
	743,793,386	485,230,289
SCHEDULE - 8 [SUNDRY DEBTORS]		
Debtors (Unsecured and Considered good)		
Outstanding for over six month	22,436,909	21,351,814
Others	445,132,729	554,156,219
	467,569,638	575,508,033
Less: Provision for doubtful Debts	3,469,656	3,469,656
	464,099,982	572,038,377
SCHEDULE - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances (Including advances to subsidiary (recoverable in cash or kind or value to be received)	117,184,364	93,871,943
Balances with Excise Authorities	26,429,908	21,124,370
Deposits	53,839,145	11,418,770
	197,453,417	126,415,083

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 10 [CASH AND BANK BALANCES]		
Cash in Hand	1,028,899	1,012,646
Balance with Scheduled Banks in Current Account	32,773,645	17,324,922
Deposits with Banks	1,939,174,541	76,746,045
	1,972,977,085	95,083,614
SCHEDULE - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	325,298,639	357,177,243
Unclaimed Dividend	103,163	172,456
Provision for Taxation	45,000,000	22,283,878
	370,401,802	379,633,577
SCHEDULE - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	1,719,108	2,165,320
Product launch, Investigation and Registration Expenses	16,903,023	18,812,053
	18,622,131	20,977,373
SCHEDULE - 13 [OTHER INCOME]		
DEPB Income	10,426,090	12,393,645
Other Income	36,691,198	3,971,364
	47,117,288	16,365,009
SCHEDULE - 14 [COST OF SALES]		
Purchase	1,799,387,354	1,270,751,294
(Increase)/Decrease in Inventories	(235,544,387)	(139,674,165)
Net Raw Material Consumption	465,449,537	521,070,332
Water Charges	2,241,961	2,540,995
Power & Fuel	69,440,064	62,871,828
Excise Duty Paid	74,890,000	69,615,417
Freight Inward & Raw Material Clearing Charges	14,731,788	17,554,853
Salaries, Wages, Allowances & Staff Welfare	61,981,873	42,342,807
Repairs & Maintenance of Production Facility (plant)	10,154,086	8,838,917
Other Manufacturing Expenses	6,731,206	7,160,192
	2,269,463,482	1,863,072,469

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 15 [ADMIN., SELLING & DISTRIBUTION]		
Rent, Rates & Taxes	8,411,496	8,017,709
Salaries & Allowances	33,709,537	34,244,147
Staff Welfare	307,790	1,104,538
Directors' Remuneration	3,864,964	4,268,760
Travelling Expenses	8,706,973	6,482,607
Communication Expenses	3,042,364	3,256,550
Courier & Postage Expenses	1,404,244	1,049,524
Printing & Stationery	4,521,022	3,121,572
Repairs & Maintenance (others)	2,075,097	609,769
Audit Fees	320,912	275,500
Vehicle Expenses & Local Conveyance	4,917,839	3,999,016
Legal & Professional Fees	2,857,876	8,511,000
Office Expenses	2,436,706	1,761,282
Insurance Charges	2,407,999	1,281,047
Other Operating Expenses	1,423,303	2,381,780
Freight outward & Export Clg. Exps	36,203,406	26,192,412
Selling & Distribution Expenses	43,690,002	24,504,017
	160,301,530	131,061,229
SCHEDULE - 16 [INTEREST & FINANCIAL CHARGES]		
Interest on Term Loans	50,448,914	59,287,649
Interest on Working Capital, Other Interest & Bank charges	53,059,464	56,867,380
	103,508,379	116,155,030
SCHEDULE - 17 [RESEARCH AND DEVELOPMENT EXPENSES]		
Directors Remuneration	513,720	770,580
Salary and other allownces	5,369,704	4,256,900
Consumables, Chemicals & Other Material	35,805,995	34,045,660
Other Expenses	8,351,316	7,658,621
	50,040,735	46,731,761

18) NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Standards

The Accounts have been prepared to comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) System of Accounting

The Accounts have been prepared under the Historical Cost convention. The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. Interest from customers for delayed payments is also accounted on the ascertainment of realisability.

(c) Fixed Assets

Fixed assets are stated at cost alongwith costs directly attributable to bring the assets to their working condition as reduced by MODVAT credit and set off available for Sales Tax.

(d) Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Department of Company Affairs from time to time. Leasehold land is not amortise.

- (e) Impairment of Assets
The company identifies impairable assets at the year end in terms of cash generating unit concept based on para-5 to 13 of AS-28 issued by ICAI for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.
- (f) Expenditure during construction period
In case of new projects and substantial expansion of existing factories, expenditure incurred including financing costs prior to commencement of commercial production is capitalized. All pre-operative and trial run expenditure accumulated as Capital Work in Progress is allocated on a pro- rata basis depending on the prime cost of the assets.
- (g) Inventories
Inventories are valued at the lower of cost (net of Modvat Credit) or Net Realisable Value as under :
Raw materials, Packing Material and Stores - At Weighted Average Cost on FIFO basis.
Work in Process - At Cost (Direct Cost plus Conversion Cost) upto estimated stage of completion.
By-Products - At Net Realisable Value.
Finished Goods - At Cost (Direct cost plus Conversion Cost and Excise Duty) or Net Realisable Value, whichever is lower.
- (h) Customs / Excise duty
Excise Duty on Finished goods and Custom Duty on imported materials are accounted on production of packed finished goods / receipt of material in Customs bonded warehouses.
- (i) Foreign Currency Transaction
Purchase of imported raw materials, capital goods and components are accounted based on presentation memos from bank on the date of the transaction. In respect of liabilities on imports of raw materials, capital goods and components for which invoices / bills are not received, the liability is accounted based on the exchange rates prevailing on the date of the balance sheet.
Export Sales of finished goods are accounted on the basis of export invoices on the invoice date. In respect of the unrealised exports, the receivables are accounted based on the exchange rates prevailing on the date of the balance sheet.
- (j) Miscellaneous Expenditure
Expenditure on launch of new products and their sales promotion and expenditure for registration and for obtaining regulatory approvals for products for overseas market are being amortised over a period of 60 months.
- (k) Research and Development
Capital expenditure on research and development is capitalized as fixed assets. Other expenditure on R&D is expensed as incurred.
- (l) Investments
Long Term Investments are stated at cost.
- (m) Gratuity
Gratuity is accounted on accrual basis
- (n) Revenue Recognition
The company recognizes sale of goods on the invoice date. Sales comprise of amounts invoiced for goods sold, including excise duty but net of returns and trade discounts.
Dividend Income is accounted when right to receive dividend is established.
- (o) Income Tax
Provision for Current Income tax liability is made on estimated Taxable Income under Income Tax Act, 1961 after considering permissions, deductions and disallowances. This liability is calculated at the applicable tax rate or minimum alternate tax rate u/s 115JB of the Income tax Act, 1961, as the case may be. Provision is also made for deferred tax liability / asset arising due to timing differences between profits computed for Income tax and the book profits as per the financial statements, for creation of a deferred tax asset or liability. This liability is recognised only if there is a reasonable certainty that the deferred tax assets / liability will be created and are reviewed at each balance sheet date. This liability is calculated at the applicable tax rate or minimum alternate tax rate u/s 115JB of the Income Tax Act, 1961 as the case may be.

	31st March 2006	31st March 2005
(2) CONTINGENT LIABILITIES		
(a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	NIL	NIL
(b) Claim against the Company not acknowledged as debt.	NIL	NIL
(c) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	Rs. 2098.09 Lacs	Rs. 352.10 Lacs
(d) Disputed Taxes/Dues	Rs. 6.69 Lacs	Rs. 41.01 Lacs
(3) AUDITORS REMUNERATION		
Audit Fees	Rs. 2,58,152	Rs. 2,25,910
Tax Audit Fees	Rs. 84,180	Rs. 49,590
Other Services	Rs. 4,72,097	Rs. 1,65,907
(4) DIRECTORS' REMUNERATION		
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	Rs. 19,92,960	Rs. 22,92,960
(b) Other Directors' Remuneration		
Salaries and Allowances	Rs. 18,72,004	Rs. 27,23,380
(c) Directors' Sitting Fees	Rs. 8,000	Rs. 23,000

(5) COMPUTATION OF NET PROFITS IN ACCORDANCE WITH SECTION 349 AND SECTION 309(5) OF THE COMPANIES ACT, 1956

	(Amount in Rs. In lacs) 2005 - 2006
Profit before taxation as per statement of profit & loss	3132.20
Add: Depreciation as per statement of profit and loss	803.98
Add: Loss on sale of assets as per statement of profit & loss	40.24
	3976.42
Less: Depreciation calculated under Section 350 of the Companies Act, 1956	803.98
Net Profit in accordance with Section 349	3172.44
Add: Managerial Remuneration paid / payable to directors	38.65
Net Profit in accordance with Section 309(3) of the Companies Act, 1956	3211.09
Maximum managerial remuneration allowed under section 198 of the Companies Act, 1956, 10percent of the above	321.11

(6) During the year, the Company issued Zero Coupon Foreign Currency Convertible Bonds (Bonds) aggregating to US \$ 50 million, at par. The bondholders have an option to convert these bonds into Equity shares determined at an initial conversion price of Rs.336.92 per share with a fixed rate of exchange on conversion of Rs.44.9119 = US \$ 1, at any time on or after 7th December 2005 and prior to 9th October 2010. The conversion price is subject to adjustment in certain circumstances.

The Bonds may be redeemed, in whole but not in part, at the option of the Company at any time on or after 8th November 2008 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the bonds fall due for redemption on 9th November 2010 at 145.20 per cent of their principal amount. Upto 31st March 2006, none of the Bonds have been converted into Equity shares.

In view of the unascertainty of redemption, premium on redemption of the Bonds has not been provided in the accounts. Issue expenses relating to this FCCB issue has been debited to Securities Premium Account.

(7) Balances with Scheduled Banks in Deposit Accounts includes Balances in respect of Unclaimed Dividend of Rs.1,03,163.20

(8) During the year, the company has started providing for gratuity of its bulk drugs division on accrual basis as compared to previously followed cash basis accounting. The total provision for gratuity payable as on 31st March, 2006 has been made for Rs.13,51,540 comprising Rs.11,55,162 upto 31st March, 2005 and Rs.1,96,378 for the current year. Had the company not

changed the method for gratuity accounting, the profit for the current year would have been higher by Rs.13,51,540 including the charge for earlier years of Rs.11,55,162. Consequently the Reserves & Surplus of the company are lower by Rs.13,51,540. The company now provides for gratuity on accrual basis for both bulk drugs and formulations division.

(9) LEASES

The company has taken various residential, office and godown premises under operating lease or leave & license agreement. The leasing agreement which are non cancelable are for a period of three years. As at 31.03.2006, the company had committed minimum lease payment under non-cancelable operating lease as follows:

	(Amount in Rs'000s)	
	2005-2006	2004-2005
Minimum lease payments		
Due within one year	6034	7284
Due later than one year and not later than five years	-	6413
Total	6034	13697

The leasing arrangements, which are cancelable range between 11 months and 3 years, are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally refundable interest free deposits have been given. The aggregate lease rentals payable are charged to Profit & loss accounts as rent.

(10) Security for Loans in Schedule 3 :

- 1] Term Loans: Secured by Mortgage on pari-passu charge basis of the Company's all Immovable assets, present and future, situated at Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of a specific machinery situated at the Company's Manufacturing facility at Verna, Goa.
- 2] Cash Credit from Banks: Secured against hypothecation of Current assets viz; stock of raw material, packing material, work in progress, receivables.
- 3] Vehicle Loans: Secured by Hypothecation of respective vehicle.

(11) As required by AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, list of parties with whom transactions have taken place during the year are as follows:

a) Key Management Personnel / Directors - Remuneration:

Mark Saldanha	Rs. 16,92,960.00
Mrs. Sandra Saldanha	Rs. 4,42,800.00
Dr. Anu Sharma	Rs. 5,13,720.00
Vijay P. Thakkar	Rs. 3,00,000.00
Sanjay P. Thakkar	Rs. 2,40,000.00
Kishor D. Sheth	Rs. 2,40,000.00
B. K. Mishra	Rs. 4,35,484.00
Nitin B. Parikh	Rs. 3,000.00
Rajesh M. Maheshwari	Rs. 3,000.00
Sanjeev Kumar Agarwal	Rs. 2,000.00
Total	Rs. 38,72,964.00

b) Key Management Personnel / Directors - sale of car:

Vijay P. Thakkar	Rs. 3,25,000.00
Sanjay P. Thakkar	Rs. 1,75,000.00
Kishor D. Sheth	Rs. 2,00,000.00
B. K. Mishra	Rs. 2,25,000.00

c) Parties where control exists

Wholly owned subsidiary companies
Mark Remedies Limited

d) Related party relationships where transaction have taken place during the year

Subsidiary Companies
Mark Remedies Limited

e) Transaction with related parties during the year

	(Amount in Rs'000s)	
	2005 - 2006	2004 - 2005
Subsidiary company		
Sale of Finished products	834	8,457
Advance given	15,840	27,933
Related party balances		
Unsecured advance receivable from wholly owned subsidiary	70,465	53,790

(12) The Company has no information as to whether any of its suppliers constitute small scale undertakings and therefore the amount due to such suppliers has not been identified.

(13) DEFERRED TAX LIABILITY / (ASSET) :

The major elements of deferred tax liability / (asset) are as under :

	Deferred Tax (Asset)/Liability As at 1-4-2005	Current Year charge/(Credit)	Deferred Tax (Asset)/Liability As at 31-03-2006
Depreciation	44404637	35971180	80375817
Provision For Excise Duty	(1760581)	(18798)	(1779379)
Preliminary Expenses Written Off	343212	27595	370807
FCCB Issue cost	0	(20503539)	(20503539)
Provision for Gratuity	(859505)	(610034)	(1469539)
	42127763	14866404	56994168

(14) Segment-wise Disclosure as per Accounting Standard 17:

PARTICULARS	(Rs. In Lakhs)	
BUSINESS SEGMENTS AS PRIMARY SEGMENTS		
1. Segment Revenue	31.03.06	31.03.05
a) Bulk Drugs Division	16188.26	14371.14
b) Formulations Division	12997.19	10263.87
Total	29185.45	24635.01
Less: Inter Segment Revenue	-	-
Net Sales	29185.45	24635.01
2. Segment Results [Profit / (Loss) before tax and interest from each segment]	31.03.06	31.03.05
a) Bulk Drugs Division	2032.85	2385.66
b) Formulations Division	2134.43	1351.32
Total	4167.28	3736.98
Less: (1) Interest & finance charges	1035.08	1165.04
(2) Other un-allocable expenditure net off un-allocable income	-	85.09
Extra Ordinary Item (Net)	-	-
Total Profit / (Loss) before Tax	3132.20	2486.85
3. Other Information:	31.03.06	31.03.05
Segment Assets		
a) Bulk Drugs Division	33094.65	10723.82
b) Formulations Division	13196.54	12252.89
Unallocated assets	-	-
Total assets	46291.19	22976.71

Segment Liabilities		
a) Bulk Drugs Division	28870.00	6528.32
b) Formulations Division	5662.92	6445.73
Unallocated liabilities	-	-
Total liabilities	34532.92	12435.40

Capital Expenditure		
a) Bulk Drugs Division	2717.09	2460.56
b) Formulations Division	518.73	295.61
Total capital expenditure	3235.82	2756.17

Depreciation		
a) Bulk Drugs Division	609.87	518.81
b) Formulations Division	194.11	175.68
Total depreciation	803.98	694.49

Non cash expenses other than depreciation		
a) Bulk Drugs Division	9.52	2.25
b) Formulations Division	55.37	56.60
Total	64.89	58.85

GEOGRAPHICAL SEGMENTS AS SECONDARY SEGMENTS		(Rs. In Lakhs)
Segment Revenue	31.03.06	31.03.05
a) Exports	4903.89	4850.89
b) Others	24281.56	19784.12
Total	29185.45	24635.01

(15) Additional information pursuant to the provisions of paragraphs 3, 4C, 4D of Part II of Schedule VI to the Companies Act, 1956 (figures in brackets relates to the previous year)

a) Licensed capacity, installed capacity and production (as certified by the management and not verified by auditors, it being technical matter)

Bulk Drugs Division	31st March 2006	31st March 2005
1) Installed Capacity :	1140 TPA	1140 TPA
2) Actual Production :	546442 kgs	669560 kgs.

NOTE : Licensed capacity is not mentioned since the same is not applicable.

Formulations Division

Qty: No.in Lacs

Item	Installed Capacity		Actual Production	
	2005-06	2004-05	2005-06	2004-05
Tablets	12600	12600	5285.43	5,030.19
Soft Gel Capsules	6000	6000	152.15	538.80

Note: The Products of the company are exempt from Licensing Procedures

b) Opening Stock, Closing Stock and Sales

b) Opening Stock, Closing Stock and Sales

(Amount Rs. In lacs)

	Opening Stock		Closing Stock		Sales	
	Quantity (Units)	Value	Quantity (Units)	Value	Quantity (Units)	Value
Bulk Drugs	*	1504.97	*	2224.21	*	16188.26
Division	(*)	(488.19)	(*)	(1504.97)	(*)	(14371.14)
Formulations	*	410.82	*	1758.38	*	12997.19
Division	(*)	(105.82)	(*)	(410.82)	(*)	(10263.88)

* Quantities cannot be aggregated

c) Consumption of Major Raw Materials :

	(Units)	(Rs. In lacs)
Bulk Drugs	*	2941.43
Division	(*)	(2393.85)
Formulations	*	1713.06
Division	(*)	(1354.29)

* Quantities cannot be aggregated

d) Value and Percentage of Raw Materials and Stores and Spares consumed :

	Percentage (%)	Value (Rs. In lacs)
Raw Materials :		
Indigenous	63.64	2962.24
	(75.03)	(2812.23)
Imported	36.36	1692.25
	(24.97)	(935.91)
Stores & Spares :		
Indigenous	100.00	35.59
	(100.00)	(28.74)

e) C. I. F. Value of Imports. -Raw materials Rs. 2732.17 lacs
 -Capital Goods Rs. 13.39 lacs
 -Total forex outflow Rs. 2745.56 lacs
 (Rs. 2128.72 lacs)

f) Expenditure in Foreign Currency for travelling, brokerage & commission, etc. Rs. 14.58 lacs
 (Rs. 8.85 lacs)

g) Earnings in foreign currency from exports / other income Rs. 5191.70 lacs
 (Rs. 4470.66 lacs)

(16) Figures of the previous year have been regrouped and re-arranged wherever necessary, so as to make them comparable with the current year's figures.

Signatures to Schedule No. 1 to 18

For and on Behalf of

FOR NITIN POTA & ASSO.
Chartered Accountants

FOR N.K. MITTAL & ASSO.
Chartered Accountants

For and on Behalf of the Board of Directors

MARK SALDANHA
Chairman & Mg. Director

NITIN POTA
(Proprietor)
M. NO. 42215

N.K. MITTAL
(Proprietor)
M.NO. 46785

DR. A.V. SHARMA
Director

H.P. KANAANI
Company Secretary
& Legal Manager

Place : Mumbai
Date : 29th June 2006

Balance Sheet Abstract & Company's General Business Profile

(Amount in '000s.)

(a) Registration Details			
Registration No.	0 6 6 3 6 4	State Code	
Balance Sheet Date	3 1 0 3 2 0 0 6		1 1
(b) Capital raised during the year			
Public Issue	NIL	Right issue	NIL
Bonus Issue	NIL	Private Placement	NIL
(c) Position of mobilisation and deployment of funds			
Total Liabilities and shareholders funds	4 2 2 0 3 4 6	Total assets	4 2 2 0 3 4 6
SOURCES OF FUNDS			
Paid-up Capital	4 9 4 4 0 6	Reserves and surplus	7 0 0 0 4 4
Secured loans	7 9 5 1 4 6	Unsecured loans	2 2 3 0 7 5 0
APPLICATION OF FUNDS			
Net fixed assets and capital work in progress including advances	1 2 4 8 2 4 6	Investments	0 0 2 5 5 0
Net current assets	3 0 0 7 9 2 2	Deferred Tax assets / (Liability)	(5 6 9 9 4)
Miscellaneous expenditure	0 1 8 6 2 2	Accumulated losses	NIL
(d) Performance of the Company			
Turnover	2 9 6 5 6 6 2	Total Expenditure	2 6 5 2 4 4 2
Profit/(loss) before tax	3 1 3 2 2 0	Profit/(loss) after tax	2 2 8 8 4 3
Basic Earning per share in Rs	6 . 3 7	Diluted Earning per share in Rs	
Dividend Rate	NIL		
(e) Generic Names of Three Principal Products/Services of Company			
Item Code No.	2 9 4 1 9 0 0 3	Product Description	CIPROFLOXACIN
	2 9 4 2 0 0 0 6		RANITIDINE
	3 0 0 4 5 0 9 0		SOFT GEL CAPSULE

For and on Behalf of

FOR NITIN POTA & ASSO.
Chartered Accountants

NITIN POTA
(Proprietor)
M. NO. 42215

Place : Mumbai
Date : 29th June 2006

FOR N.K. MITTAL & ASSO.
Chartered Accountants

N.K. MITTAL
(Proprietor)
M.NO. 46785

For and on Behalf of the Board of Directors

MARK SALDANHA
Chairman & Mg. Director

DR. A. V. SHARMA
Director

H.P. KANAANI
Company Secretary
& Legal Manager

Statement of Cash Flow for the period ended as on March 31, 2006

(Amount in Rs.)

Particulars	For the period ended as on	
	31.03.2006	31.03.2005
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Profit Before Tax	313,220,040	248,633,930
Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
Depreciation	80,398,199	69,448,393
Preliminary & Deferred Revenue Expenses Written off	6,489,154	5,662,371
Loss on sale of Fixed Assets	4,023,604	-
Interest Expenses	50,448,914	59,287,649
Interest Receipt	(34,439,444)	-
Provision for Gratuity & Leave Encashment	1,812,340	-
Operating Profit before working capital changes	421,952,807	383,032,344
(Increase)/Decrease in Current Assets, Loans & advances		
Inventories	(258,563,096)	(144,775,642)
Trade and other receivables	107,938,396	(49,754,045)
Loans & Advances	(71,038,334)	(85,976,269)
Income Tax Paid	(25,355,220)	(7,820,903)
Deferred Revenue Expenses	(4,133,913)	-
Increase/(Decrease) in current Liabilities and provisions	(34,695,798)	(27,492,588)
Net cash used in operating activities	136,104,842	67,212,897
B. CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(316,313,138)	(275,616,153)
Interest Receipt	34,439,444	-
Net Cash used in Investing Activities	(281,873,694)	(275,616,153)
C. CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Increase in Equity Share Capital	-	155,225,150
Increase in Share Premium	(76,142,078)	219,772,348
Proceeds/(Repayment) of Secured Loans	(38,496,684)	(52,102,067)
Proceeds/(Repayment) of Unsecured Loans	2,188,750,000	(2,148,833)
Interest Paid	(50,448,914)	(59,565,367)
Net cash provided by Financing Activities	2,023,662,323	261,181,231
Net Increase /(Decrease) in Cash and Bank Balances	1,877,893,471	52,777,975
Cash & Bank Balances as at 31.03.2005	95,083,614	42,305,639
Cash & Bank Balances as at 31.03.2006	1,972,977,085	95,083,614

Notes :

1 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting-Standard-3 Cash Flow Statements issued by the Institute of Chartered Accountants of India

2 The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation

For and on Behalf of

FOR NITIN POTA & ASSO.
Chartered Accountants

NITIN POTA
(Proprietor)
M. NO. 42215

Place : Mumbai
Date : 29th June 2006

FOR N.K. MITTAL & ASSO.
Chartered Accountants

N.K. MITTAL
(Proprietor)
M.NO. 46785

Place : Mumbai
Date : 29th June 2006

For and on Behalf of the Board of Directors

MARK SALDANHA
Chairman & Mg. Director

DR. A.V. SHARMA
Director

H.P. KANAANI
Company Secretary
& Legal Manager

AUDITORS REPORT

We have verified the above Cash flow statement of Marksans Pharma Limited. This statement has been prepared by company from the audited financial statements for the year ended 31 March 2006. Subject to reallocations made by the company, we found the same to be in accordance with requirement of Clause 32 of the Listing Agreement with Stock Exchange.

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

Nitin Pota
Proprietor
M. No. 42215

Place : Mumbai
Date : 29th June 2006

N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

Directors' Report

To,
The Members,
MARK REMEDIES LIMITED.

Directors of your Company hereby present Fourth Annual Report together with Audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS:

Particulars	(Rs. in Lacs)	
	2005-2006	2004-2005
Turnover	555.27	654.54
Operating Profit	334.56	415.86
Profit Before Taxation	8.41	20.44
Less: Provision for Taxation	7.70	5.15
Net Profit for the year	0.71	15.29
Add: Profit & Loss A/c ..		
Balance at the beginning of the year	18.06	2.77
Balance Carried to Balance Sheet	18.77	18.06

OPERATIONS:

During the year under review, your Company has achieved a turn over of Rs. 555.27 Lacs as compared to Rs.654.54 Lacs of the last year and profits after provision for Tax were Rs. 0.71 Lacs.

DIVIDEND:

Directors have not recommended any dividend for the current financial year.

PARTICULARS OF EMPLOYEES:

There are no employees drawing salaries in excess of the limit provided in the Section 217 (2A) of the Companies Act, 1956 and hence no information for the same, for the year ended 31st March, 2006.

FIXED DEPOSITS:

During the year under review, your Company has not accepted any deposits

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, the Directors' confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and the profit and loss account for the period ended 31st March, 2006;
- Proper and sufficient care has been taken 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;
- the annual accounts have been prepared on a going concern basis.

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

Since the Company is not involved into manufacturing activity, the information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable.

AUDITORS:

At the Annual General Meeting, M/s. N. K. Mittal & Associates, Chartered Accountants retires and they have given the Certificate of their eligibility for re-appointment as the Company's Auditor.

For and on behalf of the Board of Directors

Mark Saldanha
Chairman & Director

Place : Mumbai
Date : 29th June 2006.

Auditors' Report

To
The Members of
MARK REMEDIES LIMITED

We have audited the attached Balance Sheet of **MARK REMEDIES LIMITED** as at 31st March, 2006 and the related Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1) As required by the Companies (auditors' Report) order, 2003, issued by the Central Government of India in terms of Sections 227 (4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the company as we considered appropriate and according to the information given to us, we give in the Annexure A statement on the matters specified in paragraphs 4 & 5 of the said order, to the extent applicable to the company.

Further to our comments in the Annexure referred to in paragraph (1) 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 purpose of our audit;
- (b) In our opinion, proper book of accounts as required by law have been kept by the company, so far as it appears from our examination of those books.

- (c) The Balance Sheet, Profit & 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 & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standard referred to in sub-sections (3C) of section 211 of the companies Act, 1956.
- (e) Based on the written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors and the information & explanation given to us, we report that non of the directors are as at 31st March, 2006, prima-facie disqualified from being appointed as a Director in terms of 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 explanation given to us, the said account give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March'2006
 - (ii) in the case of Profit & Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For N. K. MITTAL & ASSOCIATES
Chartered Accountants

N. K. MITTAL
(Proprietor)
M. No. 46785

Place : Mumbai
Date : 29th June, 2006.

Annexure to the Auditors' Report

(This is the annexure referred to in our Report of even date)

In terms of the information and explanation given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- (i) {a} The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- {b} As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- {c} In our opinion and according to the information explanations given to us, no fixed assets has been disposed off by the Company during the year.
- (ii) {a} The stock of inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- {b} In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- {c} On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records which have been properly dealt with in the books of account were not material.
- (iii) The Company has not granted any loans, secured or unsecured, to companies covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has not taken any loans, secured or unsecured, from Companies covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedure commensurate with size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of companies Act, 1956 have been so entered. There was no transaction made during the year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not purchased goods and material and sold goods, material and services aggregating during the year of Rs. 5 lacs or more in value from / to any of the parties listed in the register maintained under Section 301 of the Act.
- (vii) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (viii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (ix) The Central Government has not prescribed for the maintenance of cost records for the company under clause (d) of sub-section (1) of Section 209 of the Act.

- (x) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (xi) According to the information and explanations given to us and the records of the company examined by us, no undisputed amount payable in respect of income tax, sales tax, custom duty and excise duty were outstanding as at March 31, 2006 for a period of more than six months from the date they became payable.
- (xii) The company does not have accumulated losses and has not incurred cash losses in current financial year covered by our audit and the immediately preceding financial year.
- (xiii) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- (xiv) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xv) The provisions of any special statute applicable to chit fund, nidhi, mutual benefit fund and societies are not applicable to the Company.
- (xvi) In our opinion, the Company is not a dealer or trader in shares, securities debentures and other investments.
- (xvii) 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 banks or financial institutions during the year.
- (xviii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long- term investment.
- (xix) The Company has not made any preferential allotment of shares to parties and companies covered in register maintained under Section 301 of the act during year.
- (xx) The Company has not raised any money by public issues during year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For N. K. MITTAL & ASSOCIATES
Chartered Accountants
N. K. MITTAL
(Proprietor)
M. No. 46785

Place : Mumbai
Date : 29th June, 2006.

Balance Sheet as on March 31, 2006

(Amount in Rs.)

Particulars	Sch. No.	31.03.2006	31.03.2005
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	2,500,000	2,500,000
Reserves & Surplus	2	1,877,448	1,806,412
		4,377,448	4,306,412
Loan Funds			
Secured Loans	3	11,535,919	20,696,375
Unsecured Loans	4	22,725,361	22,725,361
		38,638,728	47,728,149
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	569,990	342,350
Less: Provision for Depreciation		157,066	77,389
Fixed Assets (Net Block)	5	412,924	264,961
Current Assets, Loans & Advances			
Inventories	6	45,281,810	38,928,192
Sundry Debtors	7	42,866,009	44,185,694
Loans & Advances	8	1,621,776	1,569,705
Cash & Bank Balances	9	3,093,860	1,970,543
Total (A)		92,863,455	86,654,134
Current Liabilities			
Current Liabilities	10	54,756,216	39,017,956
Provisions	11	375,000	865,176
Total (B)		55,131,216	39,883,132
Net Current Assets (A) - (B)		37,732,238	46,771,002
Deferred Tax Asset/(Liability) Net		112,891	74,281
Miscellaneous Expenditure (To the extent not written off)	12	380,674	617,905
		38,638,728	47,728,149

The Accompanying notes 1 to 4 are integral part of this Statement.

For and on Behalf of
N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

Place : Mumbai
Date : 29th June 2006

For and on Behalf of the Board

Mark Saldanha
Chairman & Director

V. Nagaraj
Director

Profit & Loss Account for the Period ended as on March 31, 2006

(Amount in Rs.)

Particulars	Sch. No.	31.03.2006	31.03.2005
INCOME			
Sales		55,526,893	65,453,606
EXPENDITURE			
Cost of Sales	13	22,070,597	23,866,730
Administration, Selling & Distribution Expenses	14	30,148,004	36,414,758
Interest & Financial Charges	15	2,149,991	2,839,992
Depereciation	5	79,677	50,951
Deffered Revenue Exp.W.Off		223,191	223,191
Preliminary Expenses W.Off		14,040	14,040
		54,685,500	63,409,662
Profit Before Tax		841,393	2,043,944
Provision for Taxation			
Current Year		375,000	750,000
Earlier Year		235,906	-
Deffered Tax		(38,610)	(235,010)
FBT		198,060	-
Net Profit After Tax		71,037	1,528,954
Add: Opening Balance of Profit & Loss A/c.		1,806,411	277,459
Closing Balance Transferred to Balance Sheet		1,877,448	1,806,413

The Accompanying notes 1 to 4 are integral part of this Statement.

For and on Behalf of
N. K. Mittal & Associates
Chartered Accountants

For and on Behalf of the Board

N. K. Mittal
Proprietor
M. No.46785

Mark Saldanha
Chairman & Director

V. Nagaraj
Director

Place : Mumbai

Date : 29th June 2006

Schedules Forming Part of the Financial Statements as on March 31, 2006

(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 1 [SHARE CAPITAL]		
Authorised		
2,50,000 (Pre.Year - 2,50,000) Equity Shares of Rs.10/- each	2,500,000	2,500,000
	2,500,000	2,500,000
Issued Subscribed and Paid-up.		
2,50,000 (Pre.Year - 2,50,000) Equity Shares of Rs.10/- each	2,500,000	2,500,000
	2,500,000	2,500,000
SCHEDULE - 2 [RESERVES & SURPLUS]		
Profit & Loss Account - Opening Balance	1,806,411	277,458
Add: Transferred During the Year	71,037	1,528,954
	1,877,448	1,806,412
SCHEDULE - 3 [SECURED LOANS]		
Working Capital Facilities - Corporation Bank (Secured by Hypotecation of the stock,Receivables & personal gurantees of Directors)	11,535,919	20,696,375
	11,535,919	20,696,375
SCHEDULE - 4 [UNSECURED LOANS]		
Mr Mark Saldanha	1,200,000	1,200,000
Marksans Pharma Limited	21,525,361	21,525,361
	22,725,361	22,725,361

SCHEDULE - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block			Depreciation			Net Block			
	As on	Additions	Sales	As on	Upto	For the Year	Wr.Back	As on	As on	As on
	01.04.2005		/Dedn.	31.03.2006	01.04.2005			31.03.2006	01.04.2005	31.03.2006
Computer & Software	342,350	227,640	-	569,990	77,389	79,677	-	157,066	264,961	412,924
Total	342,350	227,640	-	569,990	77,389	79,677	-	157,066	264,961	412,924
Previous Year	211,100	131,250	-	342,350	26,438	50,951	-	77,389	184,662	264,961

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 6 [INVENTORIES]		
Finished Goods & Other Materials	45,281,810	38,928,192
	45,281,810	38,928,192
SCHEDULE - 7 [SUNDRY DEBTORS]		
Other Debtors (Unsecured and Considered good)		
Outstanding for over six month	2,815,124	2,651,142
Others	40,050,885	41,534,552
	42,866,009	44,185,694
SCHEDULE - 8 [LOANS AND ADVANCES]		
Advances (recoverable in cash or kind or value to be received)	722,660	926,416
Modvat Receivable	-	39,265
FD with UTI for Bank Gurantee	5,000	5,000
Margin Money with corporation Bank	839,412	131,024
Deposits	52,956	468,000
TDS Receivable	1,748	
	1,621,776	1,569,705
SCHEDULE - 9 [CASH AND BANK BALANCES]		
Cash in Hand	79,027	31,527
Balance with Scheduled Banks in Current Account	3,014,833	1,939,015
	3,093,860	1,970,542
SCHEDULE - 10 [CURRENT LIABILITIES]		
Sundry Creditors	3,651,276	4,236,403
Statutory Dues Payable	585,956	292,798
Other Liabilities	50,518,984	34,488,755
	54,756,216	39,017,956
SCHEDULE - 11 [PROVISIONS]		
Provision for Taxation	375,000	865,176
	375,000	865,176
SCHEDULE - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	22,800	36,840
Deffered Revenue Expenditure	357,874	581,065
	380,674	617,905

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 13 [COST OF SALES]		
Purchase	27,826,268	35,823,341
Other Direct Expenses	597,947	614,839
(Increase)/Decrease in Inventories	(6,353,618)	(12,571,450)
	22,070,597	23,866,730
SCHEDULE - 14 [ADMIN., SELLING & DISTRIBUTION]		
Rent	171,564	283,020
Salaries & Allowances	14,330,253	16,832,556
Recruitment & Training	-	278,269
Travelling Expenses	274,229	940,102
Communication Expenses	47,126	130,553
Courier & Postage Expenses	45,596	157,297
Printing & Stationery	67,760	734,637
Repairs & Maintenance	9,723	68,526
Audit Fees	25,000	27,550
Vehicle Expenses & Local Conveyance	567	142,272
Legal & Professional Fees	113,690	65,525
Office Expenses	12,500	13,313
Other Operating Expenses	69,052	42,723
Insurance	41,325	45,358
Freight Outward	1,457,188	1,115,536
Selling & Distribution Expenses	13,482,432	15,537,521
	30,148,004	36,414,758
SCHEDULE - 15 [INTEREST & FINANCIAL CHARGES]		
Interest on Working Capital Facilities & Other Interest	1,337,354	2,813,987
Bank Charges & Other Financial Charges	812,637	26,005
	2,149,991	2,839,992

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS ON MARCH 31, 2006.

MARK REMEDIES LIMITED was incorporated on February 11, 2002 as a Private Limited Company. The Company becomes wholly subsidiary of Marksans Pharma Limited w.e.f. 31st December, 2003. The Company is principally engaged in the business of Marketing and distribution of pharmaceuticals, drugs, medicines etc.

1. Significant Accounting Policies

- i) Basic Accounting
The financial Statements are prepared under the Historical cost concept on accrual basis of accounting and in conformity with the accounting principles generally accepted in India except where otherwise stated.
- ii) Revenue Recognition
The Company recognises revenues on invoice date. Revenues are recorded at invoice value, inclusive of excise duty but net of returns and trade discounts and sales tax.
- iii) Inventory
Inventories are valued at cost or net realisable value, whichever is lower.

iv) Fixed assets and depreciation

Fixed Assets are stated at cost less accumulated depreciation. The company capitalises all costs relating to the acquisition and installation of fixed assets. Depreciation is provided using the straight line method at the rates specified in Schedule XIV of Companies Act, 1956. Fixed assets having aggregate cost of Rs. 5,000 or less are depreciated fully in the year of acquisition.

v) Employees Benefits

Retirement benefits to employees comprises of payment of gratuity, and Provident fund under the relevant schemes of the government. These benefits are calculated as per the applicable laws and charged to the Profit & Loss Account.

vi) Miscellaneous Expenditure

Expenditure on launch of new products and their sales promotion and expenditure for registration and for obtaining regulatory approvals for products for overseas markets for the products are being amortised over a period of sixty months.

2. Notes to Accounts :

- i) In the opinion of Board, the current assets, loans & advances are approximately of the value stated if realised in the ordinary course of business, provision for known liabilities and not in excess of amounts considered reasonable necessary.
- ii) Closing Stocks is taken as per inventories prepared valued and certified by the management.
- iii) Additional Information pursuant to the provisions of paragraphs 3 & 4 of Part II of Schedule VI of the Companies Act 1956 is as follows:-
There are no employees who are in receipt of or are entitled to receive emoluments excluding retirement benefits amounting to Rs. 24 Lacs per annum or Rs. 2 Lac per month, if employed during a part of the year.
- iv) Company does not have any production facility of its own hence the information regarding Licensed & Installed capacities are not applicable.
- v) Company did not carry out any foreign exchange transactions during the year under review hence there was no foreign exchange earnings or outgo.

3. Breakup of Finished Goods Sold

Material	F.Y. 2005-06		F.Y. 2004-05	
	Qty	Value Rs.	Qty	Value Rs.
Alfa caps & Flox caps	30177	12,40,576	111314	35,62,796
Aclav, Ambrol Syrups	377492	1,65,47,357	391924	1,70,87,830
Ampty	50130	17,26,979	48550	16,73,181
Floxo 200 Tablets	54459	15,88,024	50000	1,40,000
KOF D Tablets& Hemcap	51145	16,57,098	39440	12,77,856
Panloc & Marcef	236697	76,70,955	227002	60,76,843
Ralox & Methovit	207405	32,54,184	279464	42,99,982
X-Cal & Ofloxacin	184984	59,57,573	181647	55,40,738
ACIXX	351399	91,82,056	301866	74,27,409
Others		67,02,090		1,83,66,971
Total		5,55,26,893		6,54,53,606

4. Previous Year Figures:

The Previous year figures are regrouped according to the presentation of the current year figures.

For and on Behalf of the Board of Directors

M/s. N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

Mark Saldanha
Chairman & Director

V. Nagaraj
Director

Place : Mumbai

Date : 29th June 2006

Balance Sheet Abstract & Company's General Business Profile

(Amount in '000s.)

(i) Registration Details			
Registration No.	1 3 4 6 7 6	State Code	
Balance Sheet Date	3 1 0 3 2 0 0 6		1 1
(ii) Capital raised during the year			
Public Issue	N I L	Right issue	N I L
Bonus Issue	N I L	Private Placement	N I L
(iii) Position of mobilisation and deployment of funds			
Total Liabilities and shareholders funds	3 8 6 3 9	Total assets	3 8 6 3 9
SOURCES OF FUNDS			
Paid-up Capital	2 5 0 0	Reserves and surplus	1 8 7 8
Secured loans	1 1 5 3 6	Unsecured loans	2 2 7 2 5
APPLICATION OF FUNDS			
Net fixed assets and capital work in progress including advances	4 1 3	Investments	N I L
Net current assets	3 7 7 3 2	Deffered Tax assets / (Liability)	1 1 3
Miscellaneous expenditure	3 8 1	Accumulated losses	N I L
(iv) Performance of the Company			
Turnover	5 5 5 2 7	Total Expenditure	5 4 6 8 6
Profit/(loss) before tax	8 4 1	Profit/(loss) after tax	7 1
Basic Earning per share in Rs	. 2 8	Diluted Earning per share in Rs	. 2 8
Dividend Rate	N I L		

For and on Behalf of the Board of Directors

M/s. N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

Mark Saldanha
Chairman & Director

V. Nagaraj
Director

Place : Mumbai

Date : 29th June 2006

Statement of Cash Flow for the period ended as on March 31, 2006

(Amount in Rs.)

Particulars	For the period ended as on	
	31.03.2006	31.03.2005
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Profit Before Tax	841,393	2,043,944
Add: Non operating Expenses		
Depreciation	79,677	50,951
Interest & Financial Charges	2,149,991	2,839,992
Deffered Revenue Exps. W.off	223,191	223,191
Preliminary Expenses Writtern Off	14,040	14,040
	3,308,291	5,172,118
(Increase)/ Decrease in Current Assets Loans & Advances	(52,070)	382,916
(Increase)/ Decrease in Sundry Debtors	1,319,685	(17,663,826)
(Increase)/ Decrease in Inventories	(6,353,618)	(12,571,450)
Income Tax paid for 2002-2003	(1,101,082)	(44,824)
Increase/ (Decrease) in current Liabilities	15,540,197	8,578,230
Net Cash Provided (used in) Operating Activities	12,661,403	(16,146,836)
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(227,640)	(131,250)
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Increase /(Decrease) in Secured Loans	(9,160,456)	(627,007)
Increase /(Decrease) in Unsecured Loans	(0)	21,025,361
Interest Paid	(2,149,991)	(2,839,992)
Net cash provided by Financing Activities	(11,310,447)	17,558,362
Net Increase/ (Decrease) in Cash & Bank Balance [A+B+C]	1,123,317	1,280,276
Cash and Bank Balance - beginning of the year	1,970,543	690,267
Cash and Bank Balance - end of the year	3,093,860	1,970,543
Net Increase/ (Decrease) in Cash & Bank Balance	1,123,317	1,280,276

Notes :

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting- Standard-3 Cash Flow Statements issued by the Institute of Chartered Accountants of India
- The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation

For and on Behalf of the Board of Directors

M/s. N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

Mark Saldanha
Chairman & Director

V. Nagaraj
Director

Place : Mumbai

Date : 29th June 2006

Auditors' Report

To the members of **MARKSANS PHARMA LIMITED**

We have audited the attached consolidated Balance Sheet of MARKSANS PHARMA LIMITED (the company) and its subsidiary, Mark Remedies Ltd. as at 31st March 2006 and also the consolidated Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of AS-21 on consolidated financial statements issued by the Institute of Chartered Accountants of India.

On the basis of information and explanation given to us and on consideration of separate audit reports on individual audited financial statements of Marksans Pharma Ltd. and its aforesaid subsidiary, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- In the case of consolidated Balance Sheet, of the state of affairs of Marksans Pharma Ltd. and its subsidiary as at 31st March, 2006; and
- In the case of consolidated Profit and Loss Account, of the profit of Marksans Pharma Ltd. and its subsidiary for the year ended on that date.

FOR NITIN POTA & ASSOCIATES
Chartered Accountants

FOR N.K.MITTAL & ASSOCIATES
Chartered Accountants

NITIN J. POTA
(Proprietor)
M. NO. 42215

N.K.MITTAL
(Proprietor)
M.NO.46785

Place : Mumbai
Date : 29th June 2006

Consolidated Balance Sheet as on March 31, 2006

(Amount in Rs.)

Particulars	Sch. No.	31.03.2006	31.03.2005
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	494,405,630	494,405,630
Reserves & Surplus	2	701,921,450	528,645,757
Loan Funds			
Secured Loans	3	806,681,872	854,339,011
Unsecured Loans	4	2,231,950,000	43,200,000
		4,234,958,952	1,920,590,398
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	1,562,376,609	1,252,312,930
Less: Provision for Depreciation		313,718,134	235,693,753
Net Block		1,248,658,475	1,016,619,177
Investments	6	50,000	50,000
Current Assets, Loans & Advances			
Inventories	7	789,075,196	524,158,481
Sundry Debtors	8	506,965,991	616,224,071
Loans & Advances	9	129,444,908	74,194,289
Cash & Bank Balances	10	1,976,070,945	97,054,156
Total (A)		3,401,557,040	1,311,630,997
Current Liabilities & Provisions	11	377,428,094	387,251,570
Total (B)		377,428,094	387,251,570
Net Current Assets (A) - (B)		3,024,128,946	924,379,427
Deferred Tax Assets/(Liability) (Net)		(56,881,277)	(42,053,483)
Miscellaneous Expenditure (To the extent not written off)	12	19,002,805	21,595,278
		4,234,958,952	1,920,590,398
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

N. K. Mittal & Associates
Chartered Accountants

Nitin Pota
(Proprietor)
M. No. 42215

N. K. Mittal
(Proprietor)
M. No.46785

Place : Mumbai
Date : 29th June 2006

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Dr. A. V. Sharma
Director

H.P. Kanaani
Company Secretary
& Legal Manager

Consolidated Profit & Loss Account for the Period ended as on March 31, 2006

(Amount in Rs.)

Particulars	Sch. No.	31.03.2006	31.03.2005
INCOME			
Sales		2,974,071,906	2,528,955,593
Other Income	13	47,117,288	16,365,009
		3,021,189,194	2,545,320,602
EXPENDITURE			
Cost of Sales	14	2,291,534,079	1,886,939,199
Administration, Selling & Distribution Expenses	15	190,449,534	167,475,987
Interest & Financial Charges	16	105,658,369	118,995,022
Research and Development Expenses	17	50,040,735	46,731,761
Depreciation	5	80,477,876	69,499,344
Exchange Loss / (Gain)		(21,782,822)	(898,187)
Loss on Sale of Fixed Assets		4,023,604	-
Miscellaneous Expenditure Writtern Off		6,726,385	5,899,602
		2,707,127,761	2,294,642,728
Profit Before Tax		314,061,433	250,677,874
Provision for Taxation			
- Current Year		45,375,000	23,033,878
- Earlier Years		3,188,722	591,189
- Deferred Tax		35,331,333	21,467,402
- FBT		1,252,146	-
Net Profit after Tax		228,914,232	205,585,405
Balance Profit brought forward		195,283,947	(10,301,458)
Closing Balance Transferred to Balance Sheet		424,198,179	195,283,947
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

Nitin Pota
(Proprietor)
M. No. 42215

Place : Mumbai
Date : 29th June 2006

N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
(Proprietor)
M. No.46785

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Dr. A. V. Sharma
Director

H.P. Kanaani
Company Secretary
& Legal Manager

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 1 [SHARE CAPITAL]		
Authorised		
4,60,00,000 Equity Shares of Rs.10/- each	460,000,000	460,000,000
14,00,000 7% redeemable cumulative preference Shares - of Rs.100/- each	140,000,000	140,000,000
	600,000,000	600,000,000
Issued Subscribed and Paid-up.		
3,59,40,563 Equity Shares of Rs.10/- each	359,405,630	359,405,630
13,50,000 7% redeemable cumulative preference Shares - of Rs.100/- each	135,000,000	135,000,000
	494,405,630	494,405,630
SCHEDULE - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	2,668,162	2,668,162
Share Premium	330,571,148	330,571,148
Less: FCCB Issue Expenses	(76,142,078)	-
Add: Deferred tax asset on FCCB Issue Expenses	20,503,539	-
Profit & Loss Account - Opening Balance	195,283,947	(10,301,458)
Add: Transferred During the Year	228,914,232	205,585,405
	701,921,450	528,645,757
SCHEDULE - 3 [SECURED LOANS]		
Term Loan	580,063,727	539,423,741
Working Capital Facilities	220,824,267	310,853,750
Other Loans (Vehicle Loans)	5,793,878	4,061,520
	806,681,872	854,339,011
SCHEDULE - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	2,230,750,000	-
Deposits & Others	1,200,000	43,200,000
	2,231,950,000	43,200,000

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

SCHEDULE - 5 [FIXED ASSETS]

Particulars	Gross Block				Depreciation			Net Block		
	As on	Additions	Sales	As on	Upto	For the Year	Wr.Back	As on	As on	
	01.04.2005		/Dedn.	31.03.2006	01.04.2005			31.03.2006	01.04.2005	31.03.2006
Land & building	330,600,081	12,188,842	8,055,690	334,733,233	30,566,183	10,170,875	644,141	40,092,917	300,033,898	294,640,316
Plant & Machinery	889,267,275	304,802,156	-	1,194,069,431	196,230,339	67,624,222	-	263,854,561	693,036,936	930,214,869
Computer & Software	5,011,214	1,460,299	-	6,471,513	2,855,528	786,117	-	3,641,645	2,155,686	2,829,868
Office Equipments	3,397,760	472,712	-	3,870,472	491,121	215,460	-	706,582	2,906,639	3,163,890
Furnitures & Fixtures	9,251,851	455,209	-	9,707,060	1,933,213	592,384	-	2,525,597	7,318,638	7,181,463
Vehicles	14,784,749	4,430,800	5,690,649	13,524,900	3,617,368	1,088,818	1,809,354	2,896,832	11,167,381	10,628,068
Total	1,252,312,930	323,810,018	13,746,339	1,562,376,609	235,693,753	80,477,876	2,453,495	313,718,134	1,016,619,177	1,248,658,475
Previous Year	976,565,527	275,747,403	-	1,252,312,930	166,194,409	69,499,344	-	235,693,753	810,371,118	1,016,619,177

(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 6 [INVESTMENT]		
In Equity Share of Development Credit Bank Ltd.	50,000	50,000
	50,000	50,000
SCHEDULE - 7 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	283,842,055	260,823,345
Work - in - Process	61,692,321	32,828,129
Finished Goods	443,540,820	230,507,007
	789,075,196	524,158,481
SCHEDULE - 8 [SUNDRY DEBTORS]		
Debtors (Unsecured and Considered good)		
Outstanding for over six month	25,252,033	24,002,955
Others	485,183,614	595,690,772
	510,435,647	619,693,727
Less: Provision for doubtful Debts	3,469,656	3,469,656
	506,965,991	616,224,071
SCHEDULE - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances (Including advances to subsidiary) (recoverable in cash or kind or value to be received)	48,278,487	41,007,860
Balances with Excise Authorities	26,429,908	21,163,635
Deposits	54,736,513	12,022,794
	129,444,908	74,194,289

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 10 [CASH AND BANK BALANCES]		
Cash in Hand	1,107,926	1,044,173
Balance with Scheduled Banks in Current Account	35,788,478	19,263,937
Deposits with Banks	1,939,174,541	76,746,045
	1,976,070,945	97,054,156
SCHEDULE - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	331,949,931	364,795,236
Unclaimed Dividend	103,163	172,456
Provision for Taxation	45,375,000	22,283,878
	377,428,094	387,251,570
SCHEDULE - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	1,741,908	2,202,160
Product launch, Investigation and Registration Expenses	17,260,897	19,393,118
	19,002,805	21,595,278
SCHEDULE - 13 [OTHER INCOME]		
DEPB Income	10,426,090	12,393,645
Other Income	36,691,198	3,971,364
	47,117,288	16,365,009
SCHEDULE - 14 [COST OF SALES]		
Purchase	1,827,213,622	1,306,574,635
(Increase)/Decrease in Inventories	(241,898,005)	(152,245,615)
Net Raw Material Consumption	465,449,537	521,070,332
Water Charges	2,241,961	2,540,995
Power & Fuel	69,440,064	62,871,828
Excise Duty Paid	74,890,000	69,615,417
Freight Inward & Raw Material Clearing Charges	14,731,788	17,554,853
Salaries, Wages, Allowances & Staff Welfare	61,981,873	42,342,807
Repairs & Maintenance of Production Facility (plant)	10,154,086	8,838,917
Other Manufacturing Expenses	7,329,153	7,775,031
	2,291,534,079	1,886,939,199
SCHEDULE - 15 [ADMIN., SELLING & DISTRIBUTION]		
Rent, Rates & Taxes	8,583,060	8,300,729
Salaries & Allowances	48,039,790	51,076,703
Staff Welfare	307,790	1,104,538
Directors' Remuneration	3,864,964	4,268,760
Travelling Expenses	8,981,202	7,422,709
Communication Expenses	3,089,490	3,387,103
Courier & Postage Expenses	1,449,840	1,206,821
Printing & Stationery	4,588,782	3,856,209
Repairs & Maintenance (others)	2,084,820	678,295
Audit Fees	345,912	303,050
Vehicle Expenses & Local Conveyance	4,918,406	4,141,288
Legal & Professional Fees	2,971,566	8,576,525
Office Expenses	2,449,206	1,774,595
Insurance Charges	2,449,324	1,326,405
Other Operating Expenses	1,492,355	2,702,772
Freight outward & Export Clg. Exps	37,660,594	27,307,948
Selling & Distribution Expenses	57,172,434	40,041,538
	190,449,534	167,475,987

Schedules Forming Part of the Financial Statements as on March 31, 2006
(Amount in Rs.)

Particulars	31.03.2006	31.03.2005
SCHEDULE - 16 [INTEREST & FINANCIAL CHARGES]		
Interest on Term Loans	50,448,914	59,287,649
Interest on Working Capital, Other Interest & Bank charges	55,209,455	59,707,372
	105,658,369	118,995,022
SCHEDULE - 17 [RESEARCH AND DEVELOPMENT EXPENSES]		
Directors Remuneration	513,720	770,580
Salary and other allowances	5,369,704	4,256,900
Consumables, Chemicals & Other Material	35,805,995	34,045,660
Other Expenses	8,351,316	7,658,621
	50,040,735	46,731,761

SCHEDULE 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

(1) PRINCIPAL OF CONSOLIDATION

- (a) The consolidated financial statements of Group have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Standards

The Accounts have been prepared to comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) System of Accounting

The Accounts have been prepared under the Historical Cost convention. The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. Interest from customers for delayed payments is also accounted on the ascertainment of realisability.

(c) Fixed Assets

Fixed assets are stated at cost alongwith costs directly attributable to bring the assets to their working condition as reduced by MODVAT credit and set off available for Sales Tax.

(d) Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Department of Company Affairs from time to time. Leasehold land is not amortise.

(e) Impairment of Assets

The company identifies impairable assets at the year end in terms of cash generating unit concept based on para-5 to 13 of AS-28 issued by ICAI for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.

(f) Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including financing costs prior to commencement of commercial production is capitalized. All pre-operative and trial run expenditure accumulated as Capital Work in Progress is allocated on a pro-rata basis depending on the prime cost of the assets.

(g) Inventories

Inventories are valued at the lower of cost (net of Modvat Credit) or Net Realisable Value as under :

Raw materials, Packing Material and Stores - At Weighted Average Cost on FIFO basis.

Work in Process - At Cost (Direct Cost plus Conversion Cost) upto estimated stage of completion.

By-Products - At Net Realisable Value.

Finished Goods - At Cost (Direct cost plus Conversion Cost and Excise Duty) or Net Realisable Value, whichever is lower.

(h) Customs / Excise duty

Excise Duty on Finished goods and Custom Duty on imported materials are accounted on production of packed finished goods / receipt of material in Customs bonded warehouses.

(i) Foreign Currency Transaction

Purchase of imported raw materials, capital goods and components are accounted based on presentation memos from bank on the date of the transaction. In respect of liabilities on imports of raw materials, capital goods and components for which invoices / bills are not received, the liability is accounted based on the exchange rates prevailing on the date of the balance sheet.

Export Sales of finished goods are accounted on the basis of export invoices on the invoice date. In respect of the unrealised exports, the receivables are accounted based on the exchange rates prevailing on the date of the balance sheet.

(j) Miscellaneous Expenditure

Expenditure on launch of new products and their sales promotion and expenditure for registration and for obtaining regulatory approvals for products for overseas market are being amortised over a period of 60 months.

(k) Research and Development

Capital expenditure on research and development is capitalized as fixed assets. Other expenditure on R&D is expensed as incurred.

(l) Investments

Long Term Investments are stated at cost.

(m) Gratuity

Gratuity is accounted on accrual basis

(n) Revenue Recognition

The company recognizes sale of goods on the invoice date. Sales comprise of amounts invoiced for goods sold, including excise duty but net of returns and trade discounts.

Dividend Income is accounted when right to receive dividend is established.

(o) Income Tax

Provision for Current Income tax liability is made on estimated Taxable Income under Income Tax Act, 1961 after considering permissions, deductions and disallowances. This liability is calculated at the applicable tax rate or minimum alternate tax rate u/s 115JB of the Income tax Act, 1961, as the case may be. Provision is also made for deferred tax liability / asset arising due to timing differences between profits computed for Income tax and the book profits as per the financial statements, for creation of a deferred tax asset or liability. This liability is recognised only if there is a reasonable certainty that the deferred tax assets / liability will be created and are reviewed at each balance sheet date. This liability is calculated at the applicable tax rate or minimum alternate tax rate u/s 115JB of the Income Tax Act, 1961 as the case may be.

(3) CONTINGENT LIABILITIES

31st March 2006 31st March 2005

(a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	NIL	NIL
(b) Claim against the Company not acknowledged as debt.	NIL	NIL
(c) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	Rs. 2101.54 Lacs	Rs. 352.10 Lacs
(d) Disputed Taxes/Dues	Rs. 6.69 Lacs	Rs. 41.01 Lacs

(4) AUDITORS REMUNERATION

31st March 2006 31st March 2005

Audit Fees	Rs. 2,86,212	Rs. 2,53,460
Tax Audit Fees	Rs. 84,180	Rs. 49,590
Other Services	Rs. 4,72,097	Rs. 1,65,907

(5) DIRECTORS' REMUNERATION

31st March 2006 31st March 2005

Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	Rs. 19,92,960/=	Rs. 22,92,960/=
(b) Other Directors' Remuneration Salaries and Allowances	Rs. 18,72,004/=	Rs. 27,23,380/=
(c) Directors' Sitting Fees	Rs. 8,000/=	Rs. 23,000/=

(6) During the year, the Company issued Zero Coupon Foreign Currency Convertible Bonds (Bonds) aggregating to US \$ 50 million, at par. The bondholders have an option to convert these bonds into Equity shares determined at an initial conversion price of Rs.336.92 per share with a fixed rate of exchange on conversion of Rs.44.9119 = US \$ 1, at any time on or after 7th December 2005 and prior to 9th October 2010. The conversion price is subject to adjustment in certain circumstances.

The Bonds may be redeemed, in whole but not in part, at the option of the Company at any time on or after 8th November 2008 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the bonds fall due for redemption on 9th November 2010 at 145.20 per cent of their principal amount. Upto 31st March 2006, none of the Bonds have been converted into Equity shares.

In view of the unascertainment of redemption, premium on redemption of the Bonds has not been provided in the accounts. Issue expenses relating to this FCCB issue has been debited to Securities Premium Account.

(7) Balances with Scheduled Banks in Deposit Accounts includes Balances in respect of Unclaimed Dividend of Rs.1,03,163.20

(8) During the year, the company has started providing for gratuity of its bulk drugs division on accrual basis as compared to previously followed cash basis accounting. The total provision for gratuity payable as on 31st March, 2006 has been made for Rs.13,51,540 comprising Rs.11,55,162 upto 31st March, 2005 and Rs.1,96,378 for the current year. Had the company not changed the method for gratuity accounting, the profit for the current year would have been higher by Rs.13,51,540 including the charge for earlier years of Rs.11,55,162. Consequently the Reserves & Surplus of the company are lower by Rs.13,51,540. The company now provides for gratuity on accrual basis for both bulk drugs and formulations division.

(9) LEASES

The company has taken various residential, office and godown premises under operating lease or leave & license agreement. The leasing agreement which are non cancelable are for a period of three years. As at 31.03.2006, the company had committed minimum lease payment under non-cancelable operating lease as follows:

	(Amount in Rs'000s)	
	2005-2006	2004-2005
Minimum lease payments		
Due within one year	6034	7284
Due later than one year and not later than five years	-	6413
Total	6034	13697

The leasing arrangements, which are cancelable range between 11 months and 3 years, are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally refundable interest free deposits have been given. The aggregate lease rentals payable are charged to Profit & loss accounts as rent.

(10) SECURITY FOR LOANS IN SCHEDULE 3 :

- 1] Term Loans: Secured by Mortgage on pari-passu charge basis of the Company's all Immovable assets, present and future, situated at Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of a specific machinery situated at the Company's Manufacturing facility at Verna, Goa.
- 2] Cash Credit from Banks: Secured against hypothecation of Current assets viz; stock of raw material, packing material, work in progress, receivables.
- 3] Vehicle Loans: Secured by Hypothecation of respective vehicle.

(11) As required by AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, list of parties with whom transactions have taken place during the year are as follows:

a) Key Management Personnel / Directors - Remuneration:

Mark Saldanha	Rs. 16,92,960.00
Mrs. Sandra Saldanha	Rs. 4,42,800.00
Dr. Anu Sharma	Rs. 5,13,720.00
Vijay P. Thakkar	Rs. 3,00,000.00
Sanjay P. Thakkar	Rs. 2,40,000.00

Kishor D. Sheth	Rs. 2,40,000.00
B. K. Mishra	Rs. 4,35,484.00
Nitin B. Parikh	Rs. 3,000.00
Rajesh M. Maheshwari	Rs. 3,000.00
Sanjeev Kumar Agarwal	Rs. 2,000.00
Total	Rs. 38,72,964.00

b) Key Management Personnel / Directors - sale of car:

Vijay P. Thakkar	Rs. 3,25,000.00
Sanjay P. Thakkar	Rs. 1,75,000.00
Kishor D. Sheth	Rs. 2,00,000.00
B. K. Mishra	Rs. 2,25,000.00

(12) The Company has no information as to whether any of its suppliers constitute small scale undertakings and therefore the amount due to such suppliers has not been identified.

(13) DEFERRED TAX LIABILITY / (ASSET) :

The major elements of deferred tax liability / (asset) are as under :

	Deferred Tax (Asset)/ Liability As at 1-4-2005	Current Year charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2006
Depreciation	44514650	36058355	80573005
Provision For Excise Duty	(1760581)	(18798)	(1779379)
Preliminary Expenses Written Off	343212	(47531)	295681
FCCB Issue cost	0	(20503539)	(20503539)
Provision for Gratuity	(1043798)	(660693)	(1704491)
	42053483	14827794	56881277

(14) Segment-wise Disclosure as per Accounting Standard 17:

PARTICULARS	(Rs. In Lakhs)	
BUSINESS SEGMENTS AS PRIMARY SEGMENTS		
1. Segment Revenue	31.03.06	31.03.05
a) Bulk Drugs Division	16188.26	14371.14
b) Formulations Division	13552.46	10918.41
Total	29740.72	25289.55
Less: Inter Segment Revenue	-	-
Net Sales	29740.72	25289.55
2. Segment Results [Profit / (Loss) before tax and interest from each segment]	31.03.06	31.03.05
a) Bulk Drugs Division	2032.85	2385.66
b) Formulations Division	2164.34	1399.65
Total	4197.19	3785.31
Less: (1) Interest & finance charges	1056.58	1193.44
(2) Other un-allocable expenditure net off un-allocable income	-	85.09
Extra Ordinary Item (Net)	-	-
Total Profit / (Loss) before Tax	3140.61	2506.78
3. Other Information:	31.03.06	31.03.05
Segment Assets		
a) Bulk Drugs Division	33094.65	10723.82
b) Formulations Division	13408.01	12559.18
Unallocated assets	-	-
Total assets	46502.66	23283.00

Segment Liabilities		
a) Bulk Drugs Division	28870.00	6528.32
b) Formulations Division	5859.41	6740.12
Unallocated liabilities	-	-
Total liabilities	34729.41	13268.44

Capital Expenditure		
a) Bulk Drugs Division	2717.09	2460.56
b) Formulations Division	521.01	296.92
Total capital expenditure	3238.10	2757.48

Depreciation		
a) Bulk Drugs Division	609.87	518.81
b) Formulations Division	194.91	176.19
Total depreciation	804.78	695.00

Non cash expenses other than depreciation		
a) Bulk Drugs Division	9.52	2.25
b) Formulations Division	57.74	56.74
Total	67.26	58.99

GEOGRAPHICAL SEGMENTS AS SECONDARY SEGMENTS		(Rs. In Lakhs)
Segment Revenue	31.03.06	31.03.05
a) Exports	4903.89	4850.89
b) Others	24836.83	20437.17
Total	29740.72	25288.06

(15) Figures of the previous year have been regrouped and re-arranged wherever necessary, so as to make them comparable with the current year's figures.

Signatures to Schedule No. 1 to 18

For and on Behalf of		For and on Behalf of the Board of Directors	
Nitin Pota & Associates Chartered Accountants	N. K. Mittal & Associates Chartered Accountants	Mark Saldanha Chairman & Managing Director	
Nitin Pota (Proprietor) M. No. 42215	N. K. Mittal (Proprietor) M. No.46785	Dr.A. V. Sharma Director	H.P. Kanaani Company Secretary & Legal Manager
Place : Mumbai Date : 29 th June 2006			

FORWARD-LOOKING STATEMENT

In our report we have disclosed forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.