Annual Report 2006 2007

Marksans Pharma Limited

Vision

"To become a research driven pharmaceutical company globally"

Mission

"Health care in safe hands"

About us

Marksans Pharma Limited (here after referred as 'Marksans') is a niche Formulations, Bulk drugs and Biopharmaceutical player. We are an integrated player with manufacturing facilities for both Formulations and API and a presence across the entire pharmaceutical value chain.

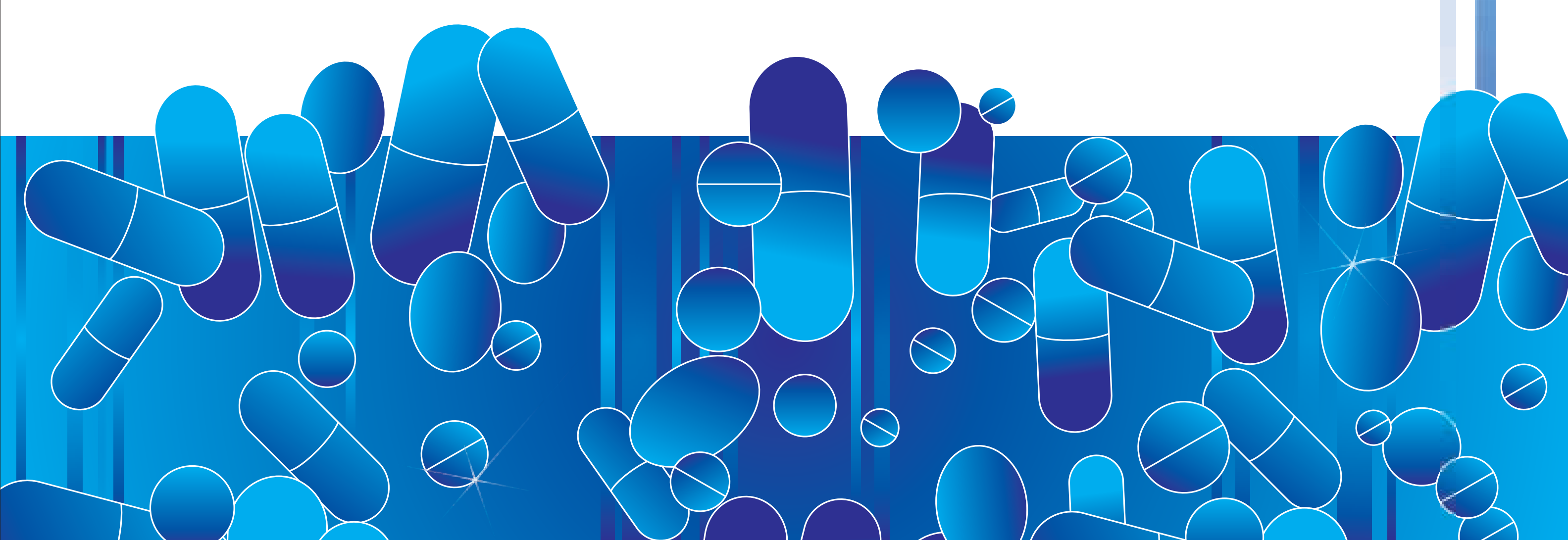
engines of our growth

Our global perspective,
our renewed thrust on research
and our empowered team of
skilled minds are fueling the
engines of our growth story

Research Thrust

Global Perspective

People Power



Strategic Initiatives

The strategic initiatives taken by Marksans over the last few years are an intrinsic part of our Business Plan to gain competitive advantage and achieve our long-term goals :

- Seamless integration of research and development competencies and creating the appropriate research infrastructure to expedite work on product development for products going off-patent over the next five years through the filing of DMFs, ANDAs and dossiers and conducting bio-equivalence studies, with filing already started in the U.S., European and Australian markets.
- Emergence as a vertically integrated player through a strong presence across the entire value chain from APIs to formulations to biopharmaceuticals and across key therapy areas and both the evolving and developed markets.
- Adopting a pragmatic and integrated global growth strategy of entering the regulated markets of US, Europe and Australia through inorganic acquisitions and enhancing the domestic market footprints through strategic in-licensing agreements and collaborations.
- Leverage the opportunities in the post-patent regime by significantly growing the APIs business to target the global markets besides the domestic markets through the upgradation of manufacturing facilities and benchmarking them to the stringent USFDA standards and by foraying into high margin and fast growing therapy areas such as anti-diabetic, cardio vascular and CNS.
- Discovering, developing and marketing innovative new medicines by integrating the approach to solving problems with bio-pharmaceuticals and pursuing collaborative research for New Chemical Entities (NCE) and Novel Drug Discovery System (NDDS).
- Integrate our objectives across the short term, medium and long term by offering comprehensive CRAMS services to leading multinationals, expediting own product filings and receiving market authorization, targeting post-patent production in niche segments such as NDDS, sustained release form in different technologies, migrating to the next level by adding high value products to our portfolio, establishing global presence with enhanced visibility and featuring amongst the leading pharmaceutical companies in the country.

Year under review

FY 2006-07 was operationally a year of investments for building our capacities and infrastructure with major thrust being on R&D. Certain turn of events led to a performance far below our expectations, such as the diminishing profitability in certain products triggered by the price collapse in Ciprofloxacin and Ranitidine API prices. The Company also faced stiff competition during the year, from China for its API products.

R&D

We filed three COSs and one DMF, which would enable us to entrench and fortify ourselves in the regulated markets.

Manufacturing

With a view to reinforce our manufacturing capacities, a multi-purpose plant was commissioned at Kurkumbh, in Pune and the capacity of our Formulation manufacturing plant was also enhanced. We have inched closer to our aspiration of achieving a USFDA certification for our manufacturing facilities by making all our plant USFDA compliant and we look forward to receiving the certification in a year's time.

Marketing and alliances

Our strategic alliances with global players would enable us to export our formulations products to US, Europe and emerging markets. We have also initiated the process to receive South African MCC for our formulation facility. We believe Marksans, with its low cost manufacturing advantage, is well-placed to grab a huge market share of the generic drugs market. This optimism stems from the premise that in future, US, Europe and other emerging markets will provide huge opportunities to Indian drugs manufacturers.

The continuous demand for more effective medicines is driving the Australian pharmaceutical market at a dynamic pace. Gauging this, Marksans Pharma has acquired a substantial stake in Nova Pharmaceuticals in Australia, the first major investment by Marksans in the international pharma market. Nova Pharmaceuticals specialises in the research, development and marketing of high quality generic pharmaceutical products to meet the ever changing demands of the healthcare environment. As we already possess a Australian TGA approved manufacturing facility, this synergistic acquisition will enable us to leverage upon our research and manufacturing infrastructure and provide us a launching pad into the fast-evolving Australian and New Zealand markets.

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

Across the value chain

We have upgraded our competitive abilities, especially with our preparatory work to enter the regulated markets and we have already started receiving approvals from international regulatory authorities.

While we go about strengthening our Company, we are also effectively de-risking our business. The Company is likely to enter into joint marketing tie-ups, both in and out-licensing marketing arrangements in key areas, offer comprehensive CRAMS services and focus on developing a large product pipeline in niche segment, address the opportunity in NDDS, creation of intelligent property through New Chemical Entity (NCE), focus on niche therapeutic areas in the domestic markets and increase geographic footprints, all of which would enable us move up the value chain and simultaneously extend our presence across the value chain.

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. Over the next five years, an estimated USD 13 bn worth of biologic products are likely to go off-patent, representing a huge opportunity for us. To capitalize 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.

Strong R&D focus

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

Marksans views its R&D capabilities as a vital component of its business strategy that will provide the Company with a sustainable, long-term competitive advantage. The Company today has a pool of scientists many from IIT, AIIMS and different reputed research institutes. The R&D team is engaged in path-breaking research and is driving the Company's drug discovery, drug delivery systems, process development and analytical research.

Marksans research efforts are currently focused towards widening its 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.

Marksans is committed to world class research and over the years the R&D initiatives implemented by the Company encompasses:

- Setting up an R&D laboratory at Goa for drug delivery and new formulation development.
- Set up a new R&D unit in New Delhi, which largely focuses on innovation in the area of new molecule and drug delivery systems.
- The Company houses modern scientific equipments to carry out drug discovery as per National / International standards and regulations.
- Put in place a team of scientists catering to specialized requirements such as NDDS
- The R&D center is well equipped for Formulation development, analytical method development and Stability studies.
- Collaborating with its partners for development of drugs which are going off-Patent, NDDS and basic and fundamental research.
- Identifying new emerging segments such as Cardiovascular, Diabetes, and Neuroscience, as area of interest for Post Patent filing.
- Marksans has established itself as a brand for itself in developing Soft Gelatin Capsules.
- The Company is also working towards developing API's which are likely to go off-patent in the next few years as their market size is estimated at USD 20 bn.
- Marksans is constantly embarking on developing new products and currently the Company's R&D team is working on a basket of high potential molecules.

The strong and cutting edge research abilities at Marksans enable it to provide the following services :

Research Thrust

Our continued thrust on path-breaking research and the renewed initiatives towards drug discovery, drug delivery systems, process development and analytical research has indeed borne results.

Global Perspective

Our global perspective is based on the premise that a geographically expanded playing field would mean a bigger pie and more revenue opportunities than ever.

1. Filing for ANDAs and DMFs

Research is, and always has been, critical to success at Marksans; it is the foundation upon which the company's strategy of participating in a variety of therapeutic areas, multiple markets, brand building and vertical integration, stands. To propel its entry into the global markets, the company's R&D team is working on filings for various DMFs in the API segment and ANDAs in the formulations segment selectively, based on fast moving products that can seize opportunities in the post product-patent regime.

2. New Chemical Entities (NCE)

NCE is a chemical molecule developed by the innovator company in the early drug discovery stage, which after undergoing clinical trials could translate into a drug that could be a cure for some disease. In the last decade, drug discovery has witnessed a paradigm shift as today Indian companies are exploring the potential that NCE offers. Despite the fact that NCE is a long, uncertain and risky coupled with high financial and resource commitments Indian pharma companies are still undertaking them individually or through collaborations with foreign players.

Marksans is also following the same route and is constantly embarking on developing NCEs which is evident from the fact that the company is currently working on two NCEs.The details of the NCEs that MPL is working on are as follows :

- Firstly, an injectable contraceptive for men based on a process called Reversible Inhibition of Sperm under Guidance (RISUG) which is in the third phase of clinical trials. This non-hormonal drug molecule is patented in India, Bangladesh, USA, Malaysia, Thailand and China by its originator Dr. Sujoy Guha. To carry out the basic research the Company has signed a contract with Dr. Sujoy Guha, Indian Council of Medical Research, Ministry of Health and Family Welfare for the development and commercialization of this male contraceptive.
- Secondly a female contraceptive for which it has filed patents in its own name. This is still in the pre-clinical stages.

3. Emerging as a Contract Manufacturing (CRAMS) player

Global Market size

Globally, contract manufacturing is estimated to be a USD 30 bn opportunity, growing at 10-12 per cent annually. While the contract research market is estimated to be USD 6-10 bn growing at 16-18 per cent annually.

Opportunities galore

Outsourcing is likely to gain magnitude as Multinational companies are focusing to contract with Indian companies for manufacturing due to low production and R&D costs. The low R&D costs are evident from the fact that the cost of pharmaceutical innovation in India is estimated as low as one-seventh levels as compared to Europe and the cost of clinical trials in India is also around one-tenth as compared to US levels. The unique combination of superior chemistry and regulatory skills, as well as good quality at low costs augurs well for India as a preferred outsourcing destination.

Given the high entry barriers, very few players in India are prepared to exploit this opportunity and only resource-rich companies which can undertake the requisite front-ended capex will be in a position to deliver such scale of operations.

Despite the initial teething problems and long gestation period, CRAMS holds lucrative opportunities and Marksans is all geared to benefit from these opportunities.

Marksans competitive advantage

Due to its R&D capabilities Marksans is emerging as a strong player in CRAMS segment and has secured orders from top notch multinationals. These orders are spread across a time frame of 3 to 5 years and are targeted at regulated markets such as US and Europe.

In the years to come CRAMS would be the biggest growth driver for the Company.

4. Launching new Bio-pharmaceuticals products

Significance of Bio-pharmaceuticals products

Biotechnology will continue to fuel major transformation in the healthcare sector because it emphasizes earlier disease detection which enables more targeted treatments and adjunctive support through enhanced nutrition.

Market size

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 which is a minuscule 2.4% of global size. Gauging this it is evident that the biotech sector holds huge untapped opportunities.

Leveraging its R&D skills Marksans has forayed into this lucrative segment and has 8 products in the pipeline of which three have been approved by the Drug Controller of India (DCI).

Marksans foray into bio-pharmaceuticals

Product	Segment/Indication	Current Status
Interferon Alfa 2b	Viral hepatitis infections and hematological Cancers	Approved and registered for import and marketing.
Granulocyte Colony Stimulating Factor (GCSF)	Protein stimulator of bone marrow cells. Useful for neutropenia in cancer patients	Has been approved by Drug Controller of India and is going to be commercialized from current year
Recombinant Epidermal Growth Factor cream (EGF)	Useful to treat 2nd & 3rd degree burns	Has been approved by Drug Controller of India and is going to be commercialized from current year

Manufacturing facilities

At Marksans, our manufacturing facilities match international standards and adhere to stringent quality norms. The world class manufacturing capabilities at Marksans cater to APIs as well as formulations and the manufacturing units at Marksans are US FDA compliant.

Formulations

- The Company has set up a formulation plant at Goa, India, comprising of a built-up area of 18,000 square feet with scalable capacity.
- This plant has been built as per US FDA guidelines and has been approved by UK MHRA, Australian TGA and Brazilian ANVISA health authorities.
- This plant has one of the biggest manufacturing facility for soft gelatin capsules and tablets in Asia (**Capacity of 2.50 bn tablets**/line/annum for tablets, **1.20 bn capsules** / line / annum).
- Fully automated in terms of packing operations. (Automatic & Semi Automatic Cartonators).
- This plant also encompasses an R&D centre which comprises of three divisions for formulation development, devising analytical methods and conducting stability studies.
- Marksans has filed six product dossiers for registration with the Australian regulatory authorities, two product dossiers with UK MHRA and one product dossier with New Zealand. These product dossiers cover the cardiovascular, antibiotic & pain-management segments.
- The Company is looking to achieve South African MCC and US FDA approval in the near future.

APIs

The Company is creating large versatile multi-product facilities, upgrading its manufacturing standards, covering improvements in the manufacturing facility, design and development of total quality systems which will facilitate the attainment of the USFDA & COS approval for its API units.

- Marksans has two large multi-product API manufacturing facilities located at Kurkumbh, Pune, Maharashtra.
- Marksans has 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.
- In addition to manufacturing its own products at the API facilities, the company also pursues contract-manufacturing services for global generics players.
- To drive its CRAMS business in the segment, the Company has invested in balancing systems to reduce process costs and enhance product quality.
- The Company also plans to upgrade its analytical lab and pilot plant facilities to offer chemical synthesis and process development-related research services to global pharmaceutical companies.

The above initiatives have resulted in Marksans emerging as a dependable provider of APIs and it has been awarded 'supplier of choice' status for pharmaceutical companies which it intends to leverage and supply to more generic manufacturers globally.

Therapy area presence

Therapeutic areas

To address the therapeutic segments enjoying more global relevance and manufacture products that enjoy strong demand in the US and European markets, the Company plans to cater to 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 segment over the next five years has been calculated at USD 20 bn.

1. Diabetes

An estimated 194 mn adults worldwide are suffering from diabetes, a chronic and debilitating illness and this number is expected to exceed 300 mn in the next 20 years. It is a global epidemic, increasing in incidence and prevalence, and growing very rapidly among children. Diabetes is the sixth leading cause of death by disease in the United States, where it currently affects more than 20 mn people.

In people with diabetes – a complex disorder of carbohydrate, fat and protein metabolism – not enough glucose can enter and fuel the body's cells. Instead, it accumulates in the blood stream causing hyperglycaemia or high blood sugar. This can lead to sever complications, including kidney failure, nerve damage, blindness, amputation and cardiovascular disease.

2. Cardiovascular

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

3. Neuroscience

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

Neuropsychiatry

- The market is valued at USD 42 bn. More than 6 mn people suffer from schizophrenia and 17 mn suffer from bipolar disorder in major markets.

Neurology

- The market is valued at USD 25 bn. 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.

4. Oncology

The world market value for cancer therapies is estimated at USD 22 bn and is growing strongly. In 2004, over 10 mn people were diagnosed with cancer; 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.

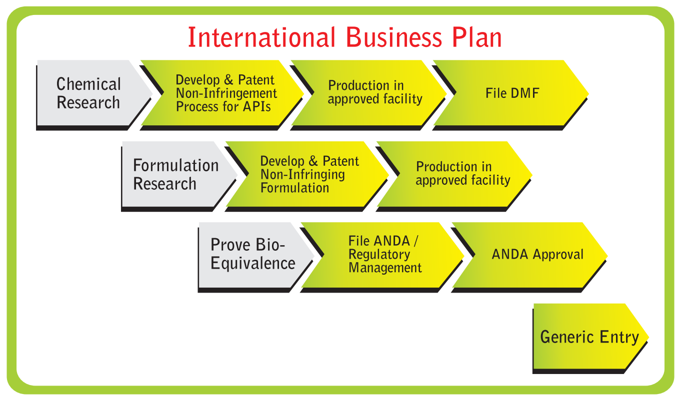
5. Anti-infective

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

International markets

Strategically, the progression from global markets into the regulated markets is a logical one and Marksans is waiting to tread this spectacular path.

Marksans has an established presence in the global markets and to accelerate the pace of its business growth has strengthened its presence in the existing markets and forayed into new geographies.



APIs – International market

Products offered

Currently the Company's API exports are restricted and they contribute a very high percentage towards the total revenues generated. The product offered include Ciprofloxacin, Ranitidine, Losartan Potassium, Metformin to name a few but in future Marksans intends to strengthen its operations in the international arena by developing molecules which are likely to go off-patent over the next few years.

- The Company plans to cater to the lifestyle segments as well which would encompass cardiovascular, anti-depressant, anti-diabetic, gastrointestinal therapeutic segments. The Company is concentrating on developing new molecules and is thus filing more DMFs/COSs, which will put the company on a different growth trajectory.
- Currently the Company's strategy is to concentrate on contract research of APIs by entering into collaboration with MNCs and once the molecule is researched, developed and been manufactured by Marksans it is supplied to the global companies for marketing of this products. This will facilitate the Company to build the competencies of manufacturing varied range of APIs from diverse therapeutic segments and which will also make the Company expert in expediting the filing

work of different APIs thereby capitalizing the R&D competencies which will in future help the Company to build its expertise in this segments of products.

Marksans has designed an aggressive roadmap to drive growth two-fold :

- **Manufacturing-centric growth** : It intends to launch a basket of new molecules in the cardiovascular, and other lifestyle-related therapeutic segments for regulated and developing markets.
- **Service-centric growth** : It intends to set up a robust platform to deliver services over the entire value chain of drug development.

The Company possesses adequate capacity to service the growing needs of the future with two versatile API manufacturing units at Kurkumbh (Pune, India), benchmarked with GMP standards and leading to a probable US FDA approval in the foreseeable future.

Formulations

The Company's robust product basket and quality control measures as well as manufacturing accreditations such as UK MHRA and Australian TGA approved facilities enables to establish its presence in the global markets.

In the global markets the Company's products are available through collaborations with big multinational companies. But in future the Company has identified a list of proprietary products which it intends to develop post patent regime.

To succeed in the international market one key strategy adopted by the company is to propel growth inorganically and the acquisition of an Australian company Nova Pharmaceuticals, is the first step in the direction.

Marksans has already established tie ups with MNCs for future products :

Domestic Markets

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 9 bn.

Strategy for APIs

- In the domestic markets the Company has embarked on ambitious expansion projects to scale up its existing capacity, to enter new therapeutic segments covering high growth lifestyle-related diseases.
- Currently the Company is addressing antibiotic and antiulcerant therapeutic segments and in future plans to foray into neuropsychiatry, CVS, anti-diabetic and pain management therapeutic segments which are growing radically.
- Marksans has a reputed clientele and has been supplying and exporting its products regularly to big pharma companies & exports its products to various countries like Japan, Latin America, Bangladesh, Spain, Egypt, Jordan, Iran, Mexico, Germany and Africa.

Formulations

Strategy for formulations

- Marksans offers a product range exceeding 200 products in the domestic markets which are marketed through five distinct divisions which have been set up by the Company catering to different therapeutic segments.
- The Company is presently providing formulations facilities (through CRAMS model) to European and Australian companies. Now the Company is taking steps to enter into US markets as well.

Products offered

Marksans offers a wide product basket and aims to be across all therapeutic segments from lifestyle related segments to future segments such as neuropsychiatry and biopharmaceuticals.

The Company has **five separate divisions** with each of them focusing on specific therapeutic segments. Today they cumulatively offer a product range exceeding 200 products.

- **Criti care,** an in-licensing division which focuses on niche biotech products. Currently it is focused on ten brands. The Company has obtained DCI approval for marketing Interferon and Enoxaparin in India and also has an exclusive agreement with Centre of Genetic Engineering and Biotechnology, Cuba and Dr. Lazar Labs of Argentina to market these products in parts of Asia. In future it plans to enter into in-licensing and joint development programs for several products.
- **Cerebella** markets CNS and Psychiatry products.
- **Mark Remedies** - 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.
- Lastly, **Zenamark & Marksans** focus on branded generic products.

  In future, the Company plans to introduce as many as four to five products every quarter which would further enhance its profitability. Marksans plans to launch one to two in-licensed biotech products every year in the domestic market through its Criticare division. Currently, the Company has four in-licensed products in the biotech segment.

DIRECTORS

Mr. Mark Saldanha	-	Chairman & Managing Director
Mr. V. Nagaraj	-	Whole Time Director
Mr. Mahesh B. Parikh	-	Director
Dr. Kim Tan	-	Director
Mr. Ajay Mittal	-	Director
Mr. Kumar Nair	-	Director

Company Secretary & Legal Manager

Mr. H.P. Kanaani

Auditors

Nitin Pota & Associates
Chartered Accountants
N.K. Mittal
Chartered Accountants

Legal Advisors

M/s. Crawford Bayley & Co.

Bankers

State Bank of India
Bank of India
Corporation Bank
IDBI

Share Transfer Agent

Big Share Services Pvt. Ltd.,
E-2, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), Mumbai - 400 072.

Registered Office

601-622, 6th Floor,
Mohan Studio Compound,
Chintamani Plaza,
Andheri -Kurla Road,
Andheri (East), Mumbai - 400099.

Works

L-82 & 83, Verna Industrial Estate,
Verna, Goa- 403 722
D-10, Kurkumbh, M.I.D.C. Tal. Daund,
District - Pune.
A-88, Kurkumbh, M.I.D.C., Tal. Daund,
District - Pune.

15th Annual General Meeting

Day & Date	:	Thursday, 27th September, 2007
Time	:	11.00 a.m.
Venue	:	Hotel Sunville 9, Dr. Annie Besant Road, Worli, Mumbai - 400 018

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NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of Marksans Pharma Limited will be held on Thursday the 27th day of September, 2007 at Sunville Banquet & Conference Hall, 3rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2007, the Profit and Loss Account for the period ended as on that date and the Report of the Directors and the Auditors thereon.
2) To appoint a Director in place of Mr. Ajay Mittal, who retires by rotation and being eligible, offers himself for re-appointment.
3) To appoint a Director in place of Mr. Kumar Nair, who retires by rotation and being eligible, offers himself for re-appointment.
4) To appoint auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

5) To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to provision of Section 257 of the Companies Act, 1956, Mr. V. Nagaraj, who was appointed as an Additional Director at the Board Meeting held on 30th October 2006 and whose term of office expires at the commencement of this meeting and in respect of whom notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Mr. V. Nagaraj, as a candidate for the office of the Director of the Company, together with necessary deposits, be and is hereby appointed as Director of the Company."

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

   "RESOLVED THAT pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in terms of the Articles of Association of the Company, consent of the members of the Company be and is herby accorded for appointment of Mr. V. Nagaraj as Whole Time Director (Marketing) of the Company with effect from 30.10.2006, liable to retire by rotation, on the following remuneration.

Basic	....	43900
HRA	....	21950
Education Allowance	....	2000
City Compensatory Allowance	....	2000
Transportation	....	800
Conveyance	....	12000
Lunch Allowance	....	5000
Career Development	....	10000
Soft Furnishing	....	4000
Wardrobe Allowance	....	4000
Petrol Allowance	....	6000
Driver/Helper Allowance	....	6000
Conference & Meeting Allowance	....	5000
Total Monthly Salary	....	**122650**
Bonus	....	8780
LTA	....	3658
Medical	....	3658
PF 12%	....	5268
Gratuity 4.33%	....	1901
Gross Salary per month	....	**145916**
Gross Salary per annum	....	**1750986**

RESOLVED FURTHER THAT the remuneration payable to Mr. V. Nagaraj shall be subject to deduction of tax as per the provisions of the Income Tax Act.

RESOLVED FURTHER THAT the remuneration payable to the Whole Time Director (including the salary, perquisites, benefits and amenities) does not exceed the limits laid down in Sections 198 and 309 of the Companies Act, 1956, or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT in any financial year during the currency of the tenure of the Whole Time Director, the Company has no profits or its profits are inadequate the Company will pay remuneration by way of salary, perquisites, allowances and benefits as specified above, as the minimum remuneration, provided that the total remuneration shall not exceed the ceiling as provided in part II of Schedule XIII to the Companies Act, 1956, as amended.

RESOLVED FURTHER THAT Board of Directors of the Company be and are hereby authorized to increase remuneration of the said Whole Time Director during his tenure within the limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do such acts, deeds and things as may be necessary in this regard."

By Order of the Board of Directors

H. P. Kanaani
Company Secretary and Legal Manager

Mumbai, 31st August 2007.

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

NOTES:

a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE MEMBER OF THE COMPANY. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

b) The relative Explanatory statements pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special business is attached hereto.

c) The Register of Members and Transfer Books of the Company will be closed from 21st September, 2007 and will remain closed till 27th September, 2007 (both days inclusive).

d) Shareholders desiring any information as regards the Accounts are requested to write to the Company at least 8 days in advance so as to enable the Management to keep the information ready.

e) Members holding shares in physical form are requested to immediately intimate to the Company /Share Transfer Agents, changes, if any, in their registered address along with the pin code number. Members holding shares in dematerialized mode are requested to forward intimation for change of address, if any, to their respective Depository Participant.

f) Trading in the Company's shares through Stock Exchange is permitted only in dematerialized /electronic form. The equity shares of the Company have been inducted in both National Securities Depository Limited and Central Depository Services (India) Limited to enable shareholders to hold and trade the securities in dematerialized / electronic form. In view of the numerous advantages offered by the Depository System, members holding shares of the Company in physical form are requested to avail of the facility of dematerialization.

g) Details of the Directors seeking re-appointment at the forthcoming Annual General Meeting:

"Mr. Ajay Mittal has over 13 years experience in funds management, taxation and finance. He was earlier involved in managing 'India Access Fund', a U.S $ 80 million India dedicated offshore fund of UTI.

He was a key member of UTI's Investment monitoring function where he was involved in extensive performance monitoring of around 300 portfolio companies spanning various sectors such as information technology, fast moving consumer goods, pharmaceuticals and power, in the course of which he gained valuable experience in negotiations, restructuring and in mergers and divestures.

He also has experience in mutual fund accounting and back office functions. He has been with UTI Ventures since its inception and has played an active part in identification and evaluation of investment opportunities and monitoring the investments made. He represents UTI Ventures on the Boards of portfolio companies. He is a Chartered Accountant and a Cost Accountant by profession."

"Mr. Kumar Nair is a qualified Chartered Accountant. He is the Promoter and Managing Director of Transwarranty Finance Limited, a listed company with BSE and NSE. He has 21 years of experience in Capital Market and Investment Banking Industry. His core competencies in financial services industry encompasses wide gamut of functions like Corporate Finance, Trade Finance, Project Finance, Stock / Commodities/ Foreign Exchange Broking, Research, Investment Banking. Prior to this he was with Kotak Mahindra Finance Limited for 9 years and was last positioned as Vice President. "

By Order of the Board of Directors

H. P. Kanaani
Company Secretary and Legal Manager

Mumbai, 31st August 2007.

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

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5 & 6.

The Board of Directors appointed Mr. V. Nagaraj, as Additional Director and Whole Time Director (Marketing) of the Company at the Board Meeting held on 30th October 2006.

Under Section 260 of the Companies Act, 1956, Mr. V. Nagaraj holds office as Director up to the date of the forthcoming Annual General Meeting.

Company has received notice from a member, Under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr. V. Nagaraj, as Director of the Company.

Mr. V. Nagaraj is head of Domestic Marketing Department of the Company. He is associated with the Company right from the inception. Prior to joining Marksans Pharma Limited, he was associated with Park Davis for 20 years and with Sarabhai Chemicals for 2 years. He has the distinction of finalizing marketing joint ventures with international Companies and was instrumental in bringing many first time molecules in India. He has a successful track record of launching new divisions. Under his leadership Company has successfully launched Criticare, Cerebella and Mark Remedies divisions with bouquet of niche products catering to Critical Care, Neuro – psychiatric and G.P. segments. He is Science Graduate with Postgraduate Diploma in Marketing Management. His wide variety of experience shall be of great help to the Company in the long run, if appointed as a Director.

His detailed salary break up as Whole Time Director (Marketing) is forming the part of the resolution for his appointment. Members are requested to treat this as disclosure as required Under Section 302 of the Companies Act, 1956.

Save and except, Mr. V. Nagaraj, no other Directors of the Company are interested in the resolution.

By Order of the Board of Directors

H. P. Kanaani
Company Secretary and Legal Manager

Mumbai, 31st August 2007.

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

DIRECTORS' REPORT

To,
Dear Shareholders,

Your Directors take pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

(RS. IN LACS)

Particulars	2006-07	2005-06
Turnover	23988.74	29740.72
Profit Before Depreciation, Taxation & non recurring items	1688.48	3945.39
Less: Depreciation	732.32	804.78
Provision for Taxation	-17.47	498.16
Non Recurring Items	0	0
Deferred Tax	281.04	353.31
Net Profit for the year	**692.59**	**2289.14**
Add: Profit & Loss A/c. Balance at the beginning of the year	4241.98	1952.84
Balance Carried to Balance Sheet	**4934.57**	**4241.98**

OPERATIONS:

During the year ended 31.03.2007, total turnover achieved by the Company was Rs. 239.89 Crores.

During the year under review, the Formulation division registered a growth of 0.58% by achieving turnover of Rs. 136.30 Crores as compared to Rs. 135.52 crores in the previous year.

During the year, the API division achieved turnover of Rs. 103.59 Crores as compared to Rs. 161.88 crores in the previous year, registering a de-growth of 36.01%.

REASONS FOR DE-GROWTH IN API BUSINESS

Several external factors like severe pricing pressures and competition from China adversely affected the API business culminating in price erosions and margin pressures during the year. During the year average Ciprofloxacin price realization per kg. dipped to Rs. 950/975 per kg. from Rs.1250/1300 per kg. The prices of Ranitidine also took a fall from Rs.625/- per kg. to Rs. 525/- per kg. Thus prompting us to reduce the production for these APIs. These factors cumulatively resulted in a de-growth in the API business.

STEPS INITIATED TO REDUCE DEPENDENCY ON CIPROFLOXACIN & RANITIDINE.

- Steps initiated to tap the lucrative regulated markets of US and Europe for the API business.
- Steps initiated for speedy backward integration of the API business with our Formulation business.
- Filed DMF for Metformin Hydrochoride with USFDA authorities.
- Construction of the ambitious Pilot Plant at Kurkumbh - Pune begun with earnest.
- Total number of COS filed with European Health Authority increased to three.
- Increased our basket of offerings by New Product Launches-Losartan Potassium (Cardiovascular), Metformin Hydrocloride (Anti - Diabetic).

FORMULATIONS – GLOBAL

- With a strong focus on the US markets, we have entered into an Agreement with Pharmgen LLC, US for the development and filing of 11 ANDAs. The envious product list boasts of a mix of off-patent and patent protected molecules with cumulative annual sales of about USD 17 billion in the US.
- Adhering to the set international guidelines and compliances and readying the Goa facility for South Africa MCC audit which is expected anytime during 2007-2008.
- Initiated the CRAMS offerings to capitalise on the US markets. This would bear healthy results in the near future with the US revenues slated to start by the year 2008-2009.
- Consolidating the operations of NOVA - Australia and initiating more filings with TGA authorities, all directed at achieving sustainable growth.

FORMULATIONS – DOMESTIC

- Scaled up the value chain through New Product Launches - Critical Care Division - Oncology Division
  - GCSF
  - Docetaxel Inj (120, 80, 20 mg)
  - Placitaxel Inj (260, 100, 30 mg)
  - Oxaliplatin (100, 50 mg)
  - EGF
- Awaiting the clinical trials / DCI approval for the following ambitious products namely,
  - Interlukin 2
  - Erythropoietin

RESEARCH AND DEVELOPMENT:

In today's world of rapid technological advancements, your Company has always kept abreast with the latest developments across the globe. With a strong emphasis on our Research and Development capabilities we have always been prepared for new technological challenges, thereby ensuring a continuous move up the value chain.

INTERNAL CONTROL SYSTEMS:

The Company has appropriate internal control and management information systems which are focused towards achieving efficiency in operations, optimum utilization of the resources, financial reporting, safeguarding of assets and compliance with policies, applicable laws and regulations. These systems are IT enabled which facilitate effective checks and tight monitoring of all parameters and control on a continuous basis.

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 endeavour 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 continues to make required investments in the Information Technology area to cope up with the growing information needs necessary to manage operations efficiently.

HEALTH, SAFETY & ENVIRONMENT:

Your Company believes in good health of its employees. To pursue this objective, efforts are being made on both treatment as well as maintaining good health. Periodic health checkups are carried out of all employees and regular training programmes are organised on safety and precautionary measures.

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.

AMALGAMATION :

As approved by the shareholders at the Court conveyed meeting held on 28th September, 2006, Company has successfully completed the process of Amalgamation of its 100% subsidiary Company, Mark Remedies Limited, with the Company pursuant to High Courts order dated 9th February, 2007.

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, 2007 and the Profit and Loss Account for the period ended 31st March, 2007;
- 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.669.30 lacs.

SUBSIDIARY:

As required under the provisons of Section 212 of the Companies Act, 1956 the audited accounts together with Director's Report and Auditor's Report of the subsidiary namely M/s. Nova Pharmaceuticals Australasia PTY 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 2006-07, M/s. Nova Pharmaceuticals Australasia PTY Limited achieved a turnover of Rs.212.03 lacs and net profit (before tax) of Rs. (23.29) lacs.

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. V. Nagaraj was appointed as Additional Director and Whole Time Director (marketing) of the Company at the Board Meeting held on 30.10.2006. During the year Mr. Atul Vyas and Dr. A.V. Sharma, tendered their resignation from Directorship of the Company. Mr. Ajay Mittal and Mr. Kumar Nair retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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. Out of the joint Auditors M/s Nitin Pota and Associates, Chartered Accountant and M/s. N. K. Mittal and Associates, Chartered Accountant, M/s Nitin Pota and Associates have expressed their inability to continue as Joint Auditors of the Company. It is proposed to appoint M/s. N. K. Mittal and Associates, Chartered Accountant, the existing joint Auditor as the Statutory Auditor of the Company. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits Under Section 224 of the Companies Act, 1956. The Board recommends their appointment as Statutory Auditors.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS:

In order to make Human Resource Management a part of its business strategy, your Company continuously reviews its function in order to ensure overall development of its entire work force. Your Company believes in a learning organisation, where learning is a continuous process. There is room for those driven by zeal to surpass their peers and most importantly, themselves. Hence it mixes and matches intensive training with equal thrust on job skills an behavioural development. It has been Companies constant effort to enhance all aspects of the employment experience to attract and retain quality manpower which will help to achieve its growth objective.

APPRECIATION:

Your Directors appreciate the trust reposed by the medical fraternity and patients in the Company and look forward to their continued patronage. The Directors are also grateful and pleased to place on record their appreciation for the excellent support, guidance and cooperation extended by various Government authorities, Financial Institutions, Banks, Company's employees, Distributors and clients both locally as well as internationally and business associates. The Board also expresses its appreciation of the understanding and support extended by the shareholders and employees of the Company.

By Order of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Mumbai, 31st August 2007.

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, 2007.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

- Cold insulation ducting and HVAC system was checked and sections redone.
- Installed energy efficient motors for chilling plant compressors.
- Intensified internal audit aimed at detecting wastage and leakage of utility circuits.

b) Additional investments:

Company has made total investment of Rs. 1.37 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. 0.57 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 number of products exported to Europe and other regulated markets. Patent filings of new developed drugs.

(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	541.84
(c) Total	541.84
(d) Total R & D as a percentage of total turnover.	2.26 %

Technology absorption, adaptation and innovation

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

   Improvements in process parameters, Upgradation 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.3864.00 lacs and earned foreign exchange amounting to Rs. 4281.08 lacs during the Financial Year 2006-07 as compared to previous year's Rs.2760.14 lacs and Rs.5191.70 lacs respectively.

FORM A

ENERGY CONSERVATION

Particulars	2006-2007	2005-2006
1. Electricity		
(a) Purchases		
Units (in '000 Kwhrs)	8172.35	8538.00
Total Amount (Rs. In '000s)	34027.31	31364.00
Rate/Unit (Rs.)	4.16	3.67
(b) Own Generation		
(i) Diesel Generator		
Units (in '000 Kwhrs)	526.23	333.00
Units per Ltr. of Diesel Oil	2.96	3.42
Cost/Unit (Rs.)	12.26	7.74
(ii) Through Steam Turbine/Generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace oil		
Quantity (K.ltrs)	2536.70	2025.00
Total Amount (Rs. In '000s)	48858.58	29575.00
Average Rate (Rs. /K.Ltr)	19260.68	14605.00
4. Light Diesel Oil		
Units(K.ltrs)	167.68	214.00
Total Amount (Rs. In '000s)	4841.00	5267.00
Average Rate (Rs. /K.Ltr)	28870.15	24612.00
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 August 2007.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Global Pharmaceutical Market *

The Economic, Structural, Political and Health dynamics that impact growth are rebalancing the worldwide pharmaceutical market, driving global growth of 5-6% for 2007, according to IMS Health. This Compares to 6-7% in 2006 and will see global pharmaceutical sales reach $665-685 billion in 2007.

- In 2006, North America grew 8.3%, to US $ 290.1 billion, which accounts for 45% of global pharmaceutical sales.
- Sales in Latin America grew an exceptional 12.7% to US $33.6 billion.
- The five major European markets [France, Germany, Italy, Spain and U.K.] experienced 4.4 percent growth to $ 123.2 billion.
- Pharmaceutical sales in China grew 12.3 percent to US $ 13.4 billion in 2006, compared with a 20.5 percent pace the prior year due to the government's introduction of a campaign to limit physician promotion of pharmaceuticals.
- The Asia Pacific (excluding Japan) and Africa market grew 10.5 % to US $ 66 billion. Japan, the world's second largest market, which has historically posted slower growth rates, performed strongly in 2005, decline 0.4 percent to $ 64.0 billion due to government's biennial price cuts.

IMS forecasts reveal that the total pharmaceutical market is expected to expand at a compounded annual growth rate of 5-8% over the next five years. Projected growth of North America at 4-5% and Europe at 3-4%; Japan at 5-6%. While emerging markets including China and India are expected to growing by more than 10 % in 2006 and will do so again in 2007, largely due to their expanding economies and broader access to medications. Growth in China will be 15-16% and the market size will reach $ 15-16 billion in 2007.

Selected pockets of the market will experience high level of demand and rapid expansion in 2007. Key amongst these will be biotechnology products, with estimated growth of 13-14%, generics with 13-14% growth, and specialist-initiated products with 10-11% growth. Generic growth will stem from opportunity in several key therapeutic areas and from increased volume as cost control efforts intensify as per IMS.

(* IMS Health Reports & World Markets)

Indian Pharmaceutical Market

Today, the Pharmaceutical industry in India is estimated to be over a US $ 5 billion. The year 2005-06 is marked the beginning of an era in the Indian pharmaceutical Industry with the introduction of the product patent regime. The Patent bill not only provided the confidence to multinational companies to bring in their research molecules but it also gave Indian companies reason to focus on developing brands and exploring in licensing and marketing alliances. The Indian pharmaceutical market continued to grow in size, powered by 9% value and 7% volume growth respectively.

The Knowledge based Indian Pharmaceutical industry has acquired capabilities in the complex field of drug manufacture and technology. It is escalating up the value chain from being a pure reverse engineering industry focused on the domestic market, to a research driven, export oriented industry.

Indian Pharmaceutical Companies today offer formulations ranging from simple paracetamol to sophisticated antibiotic and complex cardic compounds.

The Pharma industry is fast assimilating latest technologies and its strengths include sturdy entrepreneurship, low cost of production, proficient workforce, qualitative research at low cost, proper legal framework and world class manufacturing opportunities in a big way.

ORG IMS forecasts that with buoyant market conditions continuing, the Indian Pharma Industry should outperform itself as compared to last year with a double-digit growth rate.

OPERATIONAL OVERVIEW

Marksans constantly reviews its product-market portfolio with a view to strength sustainable growth. 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 Plants have been upgraded or expanded to cater to the regulated market needs.

To ensure superior control of operations, the Company has been able to better monitor its operations and costs.

REVENUES

Marksans revenues for 2006-07 for its operations was Rs.2503.90 Million compared to Rs.3021.19 million in 2005-06, resulting in decline of 17 percent due to increase in Competition, Oversupply and Price erosion in the API segment.

MERGER

During the year, the Company has successfully merged its wholly owned subsidiary, Mark Remedies Limited as per order of Bombay High Court dated 9th February, 2007.

COST OF SALES

The Cost of sale showed an increase from 77.05 percent in 2005-06 to 81.57 percent in 2006-07 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.228.48 million in 2006-07, an increase of 20 percent against Rs.190.45 million in 2005-06.

DEPRECIATION

The Provision for Depreciation was Rs. 73.23 million in 2006-07 compared with Rs.80.48 million in 2005-06.

INTEREST

The expenditure on account of interest was Rs.114.98 million in 2006-07 compared with Rs. 105.66 million in 2005-06. The interest expenditure increase due to increase in Working Capital loans during the year.

RESEARCH AND DEVELOPMENT EXPENSES

The Research and Development Expenses was Rs. 54.18 million in 2006-07 as compared to Rs.50.04 million in 2005-06. 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 2006-07 was Rs.12.00 million compared with Rs.45.37 million in 2005-06.

PROVISION FOR DEFERRED TAXATION

A Provision for Deferred Tax of Rs.28.10 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.701.92 million to Rs.771.18 million on account of profits earned during the year.

SECURED LOANS

Secured loans increased from Rs.806.68 million in 2005-06 to Rs.1007.68 million, due to the fund raised for Working Capital during the year.

UNSECURED LOANS

Unsecured loans decreased to Rs.2179.50 million in 2006-07 compared with Rs.2231.95 million in 2005-06 largely due to revaluation of FCCB on account of Rupee appreciation.

FIXED ASSETS

The Company's gross assets block increased from Rs.1562.37 million as at 31st March, 2006 to Rs.1771.27 million as at 31st March, 2007 on account of modernization of the plant at Goa and Construction of multipurpose versatile API manufacturing facility at Kurkumbh.

INVENTORY

Inventory increased from Rs.789.07 million in 2005-06 to Rs.1234.58 million in 2006-07, mainly to service a larger product basket for the domestic, export and API business.

RECEIVABLE

Receivables increased from Rs.506.96 million in 2005-06 to Rs.533.35 million in 2006-07.

LOANS AND ADVANCES

Loans and advances increased from Rs. 129.44 million in 2005-06 to Rs.203.52 million in 2006-07.

CASH AND BANK BALANCE

Cash and Bank balance decreased to Rs.1584.49 million from Rs.1976.07 million due to utilization of funds in capex activities.

CURRENT LIABILITIES

Current liabilities and provisions increased from Rs. 377.43 million in 2005-06 to Rs.449.26 million in 2006-07.

NET WORKING CAPITAL

The Net working capital has increased from Rs.3024.13 million to Rs.3106.68 million due to an increase in the inventory, Sundry Debtors loans and advances and increase 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 192), 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-invectives 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 specialize in related niches.

Rural Opportunity

Presently, 76 percent of the Indian pharmaceutical off take transpires in urban centers. The four metros namely Mumbai, 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. According to the World Development Report 2000, only 50 percent of the population in India has access to the healthcare facilities. In rural areas, this percentage is lower. As penetration levels improve, a broader growth for India's pharmaceuticals industries is expected.

THREATS

- Two years after the implementation of the new patent laws, the government is yet to address important issues like ever greening of patents and compulsory licensing. Unless Government takes some decisive steps, these can have serious adverse effect on the functioning and future of the Indian pharmaceutical industry.
- The steady appreciation of the rupee against all major currencies is bound to have an adverse impact on realizations.

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

REGULATORY COMPLIANCE SYSTEMS

Since pharmaceuticals 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. And 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 customised to the precise requirements of these geographies.

INTERNAL CONTROL AND SYSTEMS

Marksans has 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.

SEGMENT ANALYSIS

(Rs. in Lakhs)

Particulars	31.03.2007	31.03.2006
Business Segment as Primary Segments		
1. Segment Revenue		
[a] Bulk Drug Division	10359.04	16188.26
[b] Formulation Division	13629.69	13552.46
Total	23988.73	29740.72
Less: Inter Segment Revenue	---	---
Net Sales	23988.73	29740.72
2. Segment Results		
Profit/(Loss) before tax and Interest from each segment		
[a] Bulk Drugs Division	281.91	2032.85
[b] Formulation Division	1824.06	2164.34
Total	2105.97	4197.19
Less: [1] Interest and Finance Charges	1149.80	1056.58
[2] Other un-allocable expenditure - net off unallocable income	---	---
Extra Ordinary item [Net]	---	----
Total Profit / (Loss) before tax	**956.17**	**3140.61**

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 believed in and followed good business principles and practices, so as to align them with all the requirements of Clause 49 of the Listing Agreement. The Company will continue its efforts in raising the standards in corporate governance and will also review its systems and procedures, to keep pace with the changing environment. 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, 4 Board Meetings were held on the following dates: 29th June, 2006, 31st July, 2006, 30th October, 2006 and 31st January, 2007.

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 4 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 and Managing Director)	Executive and Non - Independent	4	NIL	NIL	YES
Mr. V. Nagaraj (Whole Time Director) *	Executive and Non - Independent	2	NIL	NIL	NO
Mr. Ajay Mittal	Non- Executive and Independent	4	2	6	YES
Dr. Kim Tan	Non- Executive and Independent	4	NIL	NIL	NO
Mr. Mahesh B. Parikh	Non- Executive and Independent	4	1	2	YES
Mr. Kumar Nair	Non- Executive and Independent	4	2	3	NO
Mr. Atul Vyas #	Non- Executive and Independent	2	NIL	NIL	NO
Dr. A. V. Sharma #	Non- Executive and Independent	1	NIL	NIL	NO

During the year Mr. Atul Vyas and Dr. A. V. Sharma tendered their resignation from Directorship of the Company on 31st January, 2007.

* Mr. V. Nagaraj was appointed as Additional Director and Whole Time Director (Marketing) at the Board Meeting held on 30th October, 2006.

Audit Committee

The Audit Committee, consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Mr. Kumar Nair, Mr. V. Nagaraj. The Committee was reconstituted during the year. The Managing Director, head of Finance along with 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, 4 Audit committee meetings were held, which were attended by all the members of the Committee.

Remuneration Committee

The Remuneration Committee of the Company consists of Directors, namely Mr. Kumar Nair (Chairman), Mr. Mahesh B. Parikh and Mr. V. Nagaraj. 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.

Investors' Grievance Redressal Committee

The Investor Grievance Redressal Committee, consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Mr. Kumar Nair and Mr. V. Nagaraj. 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	:	11
Number of complaints resolved to the satisfaction of shareholders	:	11
Number of share transfers pending as on March 31, 2007.	:	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, segmentwise performance, outlook, risks and concerns of the Company and discussions on financials with respect to operation.

General Body Meetings

Annual General Meetings	Date	Time	Venue	No. of Special Resolutions
Fourteenth	28/09/2006	1.30 P.M.	Hotel Tunga International, B/11, M.I.D.C., Central Road, Andheri (E), Mumbai - 400 093.	Nil
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	30/09/2004	10.00 AM	Ivy Restaurant Banquets, Above Shoppers' Stop, Amar Mahal, Chembur, Mumbai - 400 089.	1

Postal ballot

No resolution was passed through postal ballot during the financial year ended 31st March, 2007.

Disclosures

a) There were transactions with the Companies in which professional Directors of the Company were interested and were on a arms length basis, made in the due course of the business after due disclosure and which were purely of professional in nature and the same do not have potential conflict with the interest of the Company at large.

b) 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.

c) The Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

Means of Communication

Quarterly, Half-yearly, and Annual results of the Company are published in one English and one Marathi newspaper. 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), website of the Company (www.marksanspharma.com) and also on the SEBI's website (www.sebiedifar.nic.in).

General Shareholder Information

AGM	:	Fifteenth Annual General Meeting.
Date	:	27th September, 2007
Time	:	11.00 a.m.
Venue	:	Sunville Banquet & Conference Hall, 3rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018
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	:	21st September 2007 to 27th September 2007 (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.

Market price data on BSE

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares
April 2006	229.70	302.00	216.60	232.10	5405269
May 2006	235.70	249.00	145.00	159.80	1471595
June 2006	161.00	167.00	87.25	116.40	1135769
July 2006	115.50	119.00	94.80	104.50	438205
August 2006	102.10	136.20	100.00	115.00	608102
September 2006	118.00	118.00	103.00	103.90	482949
October 2006	104.85	121.00	101.10	103.50	869617
November 2006	104.70	132.80	99.05	116.20	2646209
December 2006	115.55	119.80	97.50	107.90	865200
January 2007	111.50	116.00	104.10	106.60	1199316
February 2007	107.85	121.00	75.00	81.50	1783479
March 2007	81.00	83.85	49.55	51.05	1847657

Registrar and Transfer Agents	Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate, Saki Vihar Road, Andheri (East), Mumbai 400 072. Ph. No. 28473747 / 28473474 / 28470652 / 28573034 / 28573108
Share Transfer System	All the transfers received are processed and approved by the Investors' Grievances Redressal Committee, which normally meets twice a month or more depending upon the volume of the transfers.

Distribution of Shareholding as on 31st March, 2007 :

Category Code	Category of Shareholders	Total No. of Shares	Total Share holding as percentage of total no. of shares As % age of (A + B)
(A)	**Shareholding of Promoter and Promoter Group**		
1	**Indian**		
(a)	Individuals/ Hindu Undivided Family	17164018	47.75668
(b)	Central Govt / State Govts	0	0.00000
(c)	Bodies Corporate	0	0.00000
(d)	Financial Institutions / Banks	0	0.00000
(e)	Any other	0	0.00000
	Sub Total A (1)	**17164018**	**47.75668**
2	**Foreign**		
(a)	Non Resident Individuals / Foreign Individuals	0	0.00000
(b)	Bodies Corporate	0	0.00000
(c)	Institutions	0	0.00000
(d)	Any others	0	0.00000
	Sub Total A (2)	**0**	**0.00000**
	Total Shareholding of Promoter Group	**17164018**	**47.75668**
(B)	**Public Shareholding**		
1	**Institutions**		
(a)	Mutual Funds /UTI	863766	2.40332
(b)	Financial Institutions / Banks	200	0.00056
(c)	Central Govt / State Govt	0	0.00000
(d)	Venture Capital Funds	0	0.00000
(e)	Insurance Companies	0	0.00000
(f)	Foreign Institutional Investors	6330869	17.61483
(g)	Foreign Venture Capital Investors	0	0.00000
(h)	Any other	0	0.00000
(h1)	NRI Banks	0	0.00000
	Sub Total B (1)	**7194835**	**20.01870**
2	**Non - Institutions**		
(a)	Bodies Corporate	5140276	14.30216
(b1)	Individuals - shareholders holding normal Share capital upto Rs 1 Lac	5079637	14.13344
(b2)	Individuals - shareholders holding normal Share capital in excess of Rs 1 Lac	827945	2.30365
(c)	Any other	0	0.00000
(c1)	Clearing Member	169906	0.47274
(c2)	NRI	359946	1.00150
(c3)	OCBs	0	0.00000
(c4)	Trust	4000	0.01113
	Sub Total B (2)	**11581710**	**32.22462**
	Total Public Shareholding B(1) + B(2)	**18776545**	**52.24332**
	TOTAL (A) + (B)	**35940563**	**100.00000**
(C)	**Shares held by Custodians and against which Depository receipts have been issued**	**0**	**0.00000**
	Grand Total A + B + C	**35940563**	**100.00000**

Dematerialization of the Shares and Liquidity	Based on SEBI directives, Company's shares are traded in Dematerialised form. As on 31.3.2007, 99.28% of the paid up share capital of the Company was in the dematerialised form.
Outstanding GDR / ADR / Warrants or any convertible instruments, conversion dates and likely impact on equity.	Company has issued US $ 50,000,000 FCCB on 08.11.2005, convertible into Equity Shares of the Company, on or before 9th October, 2010. If all the investors exercise their option to convert the FCCBs into the Equity Shares of the Company, 6665068 shares will have to be issued on conversion.
Plant Locations	**Formulation Plant:** L-82 & 83, Verna Industrial Estate, Verna, Goa- 403 722
	A. P. I. Plant: D-10, Kurkumbh, M.I.D.C. Tal. Daund, District - Pune. A-88, Kurkumbh, M.I.D.C., Tal Daund, District - Pune
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. Telephone No : 022-40012000 Fax No : 022-67021004 E-mail : companysecretary@marksanspharma.com

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

In terms of the requirements of Clause 49 I D (ii) of the Listing Agreement, this is to confirm that all the members of the Board and the senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2007.

Mumbai
Date: 31st August, 2007.

For Marksans Pharma Limited

Mark Saldanha
Managing Director

Brief resume of the person proposed to be appointed / re-appointed as Director of the Company at the Annual General Meeting.

Name	Mr. Ajay Mittal	Mr. Kumar Nair	Mr. V. Nagaraj
Age	39 Years	45 Years	48 Years
Qualification	C.A., I.C.W.A.	C.A.	B.Sc., Diploma in Marketing Management
Experience	Mr. Ajay Mittal has over 13 years experience in funds management, taxation and finance. He was earlier involved in managing 'India Access Fund' a U.S $ 80 million India dedicated offshore fund of UTI. He was a key member of UTI's Investment monitoring function where he was involved in extensive performance monitoring of around 300 portfolio companies spanning various sectors such as information technology, fast moving consumer goods, pharmaceuticals and power, in the course of which he gained valuable experience in negotiations, restructuring and in mergers and divestures. He also has experience in mutual fund accounting and back office functions. He has been with UTI Ventures since its inception and has played an active part in identification and evaluation of investment opportunities and monitoring the investments made. He represents UTI Ventures on the Boards of portfolio companies. He is a Chartered Accountant and a Cost Accountant by profession.	Mr. Kumar Nair is a Qualified Chartered Accountant. He is the Promoter and Managing Director of Transwarranty Finance Limited, a listed company with BSE and NSE. He has 21 years of experience in Capital Market and Investment Banking Industry. His core competencies in financial services industry encompasses wide gamut of functions like Corporate Finance, Trade Finance, Project Finance, Stock/ Commodities/ Foreign Exchange Broking, Research, Investment Banking. Prior to this he was with Kotak Mahindra Finance Limited for 9 years and was last positioned as Vice President.	Mr. V. Nagaraj is head of Domestic Marketing Department of the Company. He is associated with the Company right from the inception. Prior to joining Marksans Pharma Limited, he was associated with Park Davis for 20 years and with Sarabhai Chemicals for 2 years. He has the distinction of finalizing marketing joint ventures with international Companies and was instrumental in bringing many first time molecules in India. He has a successful track record of launching new divisions. Under his leadership Company has successfully launched Criticare, Cerebella and Mark Remedies divisions with bouquet of niche products catering to Critical Care, Neuro - psychiatric and G.P. segments. He is Science Graduate with Postgraduate Diploma in Marketing Management.
Name of the other Companies in which also holds directorship	• Koutons Retails Limited • Zylog Systems Limited • Cyber Motion Technologies Private Limited • Semantic Space Private Limited	• Transwarranty Finance Limited • Transwarranty Capital Private Limited • Transwarranty Forex & Commodities Private Limited • Transwarranty Credit Care Private Limited • Transwarranty Advisors Private Limited • Transwarranty Private Limited • Menon Bearings Limited	NIL
Name of the other Companies in the committee of which also holds membership / chairmanship	• Koutons Retails Limited • Zylog Systems Limited • Cyber Motion Technologies Private Limited • Semantic Space Private Limited	• Menon Bearings Limited	NIL
No. of shares held in the Company	NIL	NIL	NIL

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
MARKSANS PHARMA LTD.

We have examined the compliance of conditions of Corporate Governance by MARKSANS PHARMA LTD., for the year ended 31st March, 2007, 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 August 2007

AUDITORS' REPORT

To,
The Members,
MARKSANS PHARMA LTD.

We have audited the attached Balance Sheet of **MARKSANS PHARMA LIMITED** as at 31st March 2007 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 purpose 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;

   d) In our opinion the Balance Sheet and the Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred with in Section 211(3C) of the Companies Act, 1956;

   e) On the basis of the written representations received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March, 2007 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 explanations given to us, the said accounts read together with the notes give the information required by the Companies Act, 1956 and 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, 2007, and

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

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

For **NITIN POTA & ASSOCIATES**	For **N.K. MITTAL & ASSOCIATES**
Chartered Accountants	Chartered Accountants
NITIN POTA	**N.K. MITTAL**
Proprietor	*Proprietor*
Membership No. 42215	Membership No. 46785

Place: Mumbai
Date : 31st August 2007

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 of 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 thereunder.

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 2007, for a period of more than 6 months from the date they became payable.

(c) According to the information & explanations given to us, 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

NITIN POTA
Proprietor
Membership No. 42215

For **N.K. MITTAL & ASSOCIATES**
Chartered Accountants

N.K. MITTAL
Proprietor
Membership No. 46785

Place: Mumbai
Date : 31st August 2007

BALANCE SHEET AS ON MARCH 31, 2007

(Amount in Rs.)

Particulars	Sch. No.	As on 31.03.2007	As on 31.03.2006
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	494,405,630	494,405,630
Reserves & Surplus	2	771,180,790	701,921,450
Loan Funds			
Secured Loans	3	1,007,680,017	806,681,872
Unsecured Loans	4	2,179,500,000	2,231,950,000
		4,452,766,436	**4,234,958,952**
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	1,771,271,065	1,562,376,609
Less: Provision for Depreciation		386,086,372	313,718,134
Net block		1,385,184,693	1,248,658,475
Investments	6	26,879,850	50,000
Current Assets, Loans & Advances			
Inventories	7	1,234,580,873	789,075,196
Sundry Debtors	8	533,350,787	506,965,991
Loans & Advances	9	203,517,050	129,444,908
Cash & Bank Balances	10	1,584,489,602	1,976,070,945
Total (A)		3,555,938,313	3,401,557,040
Current Liabilities			
Current Liabilities & Provisions	11	449,257,585	377,428,094
Total (B)		449,257,585	377,428,094
Net Current Assets (A) - (B)		3,106,680,728	3,024,128,946
Deferred Tax Assets/(Liability) (Net)		(84,985,681)	(56,881,277)
Miscellaneous Expenditure (To the extent not written off)	12	19,006,846	19,002,809
		4,452,766,436	**4,234,958,952**
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

N. K. Mittal & Associates
Chartered Accountants

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Nitin Pota
Proprietor
M. No. 42215

N. K. Mittal
Proprietor
M. No.46785

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED AS ON MARCH 31, 2007

(Amount in Rs.)

Particulars	Sch. No.	31.03.2007	31.03.2006
INCOME			
Sales		2,398,873,509	2,974,071,906
Other Income	13	105,029,440	47,117,288
		2,503,902,949	**3,021,189,194**
EXPENDITURE			
Cost of Sales	14	1,956,780,419	2,291,534,079
Administration, Selling & Distribution Expenses	15	228,482,400	190,449,534
Interest & Financial Charges	16	114,980,180	105,658,369
Research and Development Expenses	17	54,183,510	50,040,735
Depreciation	5	73,231,953	80,477,876
Exchange Loss/(Gain)		(27,779,851)	(21,782,822)
Loss on Sale of Fixed Assets		-	4,023,604
Miscellaneous Expenditure Written Off		8,407,815	6,726,385
		2,408,286,424	**2,707,127,761**
Profit Before Tax		**95,616,524**	**314,061,433**
Provision for Taxation			
- Current Year		12,000,000	45,375,000
- Earlier Years		(15,841,311)	3,188,722
- Deferred Tax		28,104,405	35,331,333
- FBT		2,094,090	1,252,146
Net Profit after Tax		**69,259,340**	**228,914,232**
Balance Profit brought forward		**424,198,179**	**195,283,947**
Closing Balance Transferred to Balance Sheet		**493,457,519**	**424,198,179**
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

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2007

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
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	274,932,609	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	424,198,179	195,283,947
Add: Transferred During the Year	69,259,340	228,914,232
	771,180,790	**701,921,450**
Schedule - 3 [SECURED LOANS]		
Term Loan	558,672,829	580,063,727
Working Capital Facilities	444,366,798	220,824,266
Other Loans (Vehicle Loans)	4,640,390	5,793,878
	1,007,680,017	**806,681,872**
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	2,179,500,000	2,230,750,000
Deposits & Others	-	1,200,000
	2,179,500,000	**2,231,950,000**

Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block				Depreciation				Net Block	
	As on 31.03.2006	Additions	Sales/ Deduction	As on 31.03.2007	Upto 31.03.2006	For the Year	Written Back	As on 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land & building	334,733,233	45,717,813	4,803,393	375,647,653	40,092,918	10,789,083	863,715	50,018,286	325,629,367	294,640,315
Plant & Machinery	1,194,069,431	162,004,211	785,082	1,355,288,561	263,854,562	58,866,910	-	322,721,471	1,032,567,089	930,214,869
Computer & Software	6,471,513	2,834,034	-	9,305,547	3,641,648	1,240,300	-	4,881,948	4,423,599	2,829,865
Office Equipments	3,870,472	801,656	-	4,672,128	706,578	261,876	-	968,454	3,703,674	3,163,894
Furnitures & Fixtures	9,707,060	1,333,042	-	11,040,102	2,525,596	652,309	-	3,177,906	7,862,196	7,181,464
Vehicles	13,524,900	1,792,174	-	15,317,074	2,896,832	1,421,474	-	4,318,306	10,998,768	10,628,068
Total	**1,562,376,609**	**214,482,930**	**5,588,475**	**1,771,271,065**	**313,718,134**	**73,231,953**	**863,715**	**386,086,372**	**1,385,184,693**	**1,248,658,475**
Previous Year	*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*	*1,248,658,475*	*1,016,619,177*

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
Schedule - 6 [INVESTMENT]		
Investment in Nova Pharmaceuticals Australia Pty Ltd.	26,879,850	-
In Equity Share of Development Credit Bank Ltd.	-	50,000
	26,879,850	**50,000**
Schedule - 7 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	322,554,572	283,842,055
Work - in - Process	67,780,979	61,692,321
Finished Goods	844,245,323	443,540,820
	1,234,580,873	**789,075,196**
Schedule - 8 [SUNDRY DEBTORS]		
Debtors		
(Unsecured and Considered good)		
Outstanding for over six months	45,937,651	25,252,033
Others	487,413,137	485,183,614
	533,350,787	510,435,647
Less: Provision for doubtful Debts	-	3,469,656
	533,350,787	**506,965,991**
Schedule - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances	104,460,971	48,278,487
(recoverable in cash or kind or value to be received)		
Balances with Excise Authorities	45,886,201	26,429,908
Deposits	53,169,878	54,736,513
	203,517,050	**129,444,908**
Schedule - 10 [CASH AND BANK BALANCES]		
Cash in Hand	797,914	1,107,926
Balance with Scheduled Banks in Current Account	25,892,024	35,788,478
Deposits with Banks	1,557,799,665	1,939,174,541
	1,584,489,602	**1,976,070,945**

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
Schedule - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	442,154,492	331,949,931
Unclaimed Dividend	103,093	103,163
Provision for Taxation	7,000,000	45,375,000
	449,257,585	**377,428,094**
Schedule - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	1,281,657	1,741,908
Product launch, Investigation and Registration Expenses	17,725,189	17,260,901
	19,006,846	**19,002,809**
Schedule - 13 [OTHER INCOME]		
DEPB Income	4,544,245	10,426,090
Other Income	100,485,195	36,691,198
	105,029,440	**47,117,288**
Schedule - 14 [COST OF SALES]		
Purchase	1,306,199,467	1,827,213,622
(Increase)/Decrease in Inventories	(406,793,162)	(241,898,005)
Net Raw Material Consumption	721,635,057	465,449,537
Water Charges	2,545,427	2,241,961
Power & Fuel	91,430,524	69,440,064
Excise Duty Paid	102,814,498	74,890,000
Freight Inward & Raw Material Clearing Charges	20,542,803	14,731,788
Salaries, Wages, Allowances & Staff Welfare	73,434,301	61,981,873
Repairs & Maintenance of Production Facility (plant)	18,568,774	10,154,086
Other Manufacturing Expenses	26,402,728	7,329,154
	1,956,780,419	**2,291,534,079**
Schedule - 15 [ADMIN., SELLING & DISTRIBUTION EXPENSES]		
Rent , Rates & Taxes	11,340,712	8,583,060
Salaries & Allowances	55,514,961	48,039,790
Staff Welfare	1,237,356	307,790
Directors' Remmuneration	3,750,686	3,864,964
Travelling Expenses	10,583,203	8,981,202
Communication Expenses	3,625,650	3,089,490
Courier & Postage Expenses	1,206,991	1,449,840
Printing & Stationery	5,172,464	4,588,782
Repairs & Maintenance (others)	1,503,165	2,084,820
Audit Fees	333,090	345,912
Vehicle Expenses & Local Conveyance	7,072,749	4,918,406
Legal & Professional Fees	12,684,524	2,971,566
Office Expenses	2,725,793	2,449,205
Insurance Charges	2,786,924	2,449,324
Other Operating Expenses	4,677,592	1,492,355
Freight outward & Export Clg. Exps	32,588,490	37,660,594
Selling & Distribution Expenses	71,678,048	57,172,434
	228,482,400	**190,449,534**

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
Schedule - 16 [INTEREST & FINANCIAL CHARGES]		
Interst on Term Loans	49,917,910	50,448,914
Interest on Working Capital, Other Interest & Bank charges	65,062,269	55,209,455
	114,980,180	**105,658,369**
Schedule - 17 [RESEARCH AND DEVELOPMENT EXPENSES]		
Directors' Remuneration	-	513,720
Salary and other allownces	8,621,649	5,369,704
Consumables, Chemicals & Other Material	33,682,856	35,805,995
Other Expenses	118,79,005	8,351,316
	54,183,510	**50,040,735**

18) NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

(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) Basis of Accounting

The financial are prepared under the Historical cost convention on an accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountant of India referred to in Section 211(3C) of the Companies Act,1956.

(c) Fixed Assets

Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition as reduced by CENVAT credit and Input VAT.

(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 CENVAT Credit and Input VAT) 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. All the closing stock of finished goods lying at Goa factory is for export, hence Provision for Excise duty does not arise.

(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

Current Year:

Provision for Current tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

Deferred Tax:

Deferred Income taxes are recognized for the future tax consequence attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities because of a change in tax rates is recognized in the Statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainity that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Fringe Benefit Tax:

Provision for Fringe Benefit Tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

(2) AMALGAMATION

(a) As approved by the shareholders at the court conveyed meeting held on 28th September, 2006, Company has successfully completed the process of Amalgamation of its 100% subsidiary Mark Remedies Limited, with the Company, pursuant to high court order dated 9th February, 2007.

(b) The Amalgamation has been accounted for under the "Pooling of interest" method as prescribed by accounting standard (AS-14) as issued by Institute of Chartered Accountant of India.

(c) Figures of the previous year also include the figures of Mark Remedies Limited, to make them comparable with the current year's figures.

(3) During the year, the Company has acquired 90 fully paid-up equity share (60%) of Nova Pharmaceuticals Australasia Pty Ltd, Australia.

(4) CONTINGENT LIABILITIES (Rs.In Lacs)

	31st March, 2007	31st March, 2006
(a) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	1708.62	2098.09
(b) Disputed Taxes/Dues	NIL	6.69

(5) AUDITORS' REMUNERATION (Rs.In Lacs)

	31st March, 2007	31st March, 2006
Audit Fees	3.30	3.30
Other Services	2.65	5.12

(6) DIRECTORS' REMUNERATION (Rs.In Lacs)

	31st March, 2007	31st March, 2006
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	18.75	19.92
(b) Other Directors' Remuneration Salaries and Allowances	16.75	18.72
(c) Directors' Sitting Fees	2.00	0.08
	37.50	**38.72**

(7) COMPUTATION OF NET PROFITS IN ACCORDANCE WITH SECTION 349 AND SECTION 309(5) OF THE COMPANIES ACT, 1956 (Rs.In Lacs)

	2006-07	2005-06
Profit before taxation as per statement of profit & loss	956.16	3132.20
Add: Depreciation as per statement of profit and loss	732.31	803.98
Add: Loss on sale of assets as per statement of profit & loss	-	40.24
	1688.47	3976.42
Less: Depreciation calculated under Section 350 of the Companies Act, 1956	732.31	803.98
Net Profit in accordance with Section 349	956.16	3172.44
Add: Managerial Remuneration paid / payable to directors	37.50	38.65
Net Profit in accordance with Section 309(3) of the Companies Act, 1956	993.66	3211.09
Maximum managerial remuneration allowed under Section 198 of the Companies Act, 1956, 10 percent of the above	99.37	321.11

(8) Balances with Scheduled Banks in Deposit Accounts includes Balances in respect of Unclaimed Dividend of Rs.1.03 lacs (Previous Year Rs.1.03 lacs)

(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 cancellable are for a period of three years. As at 31.03.2007, the Company had committed minimum lease payment under non-cancellable operating lease as follows: (Rs.In Lacs)

	2006-2007	2005-2006
Minimum lease payments		
Due within one year	118.76	60.34
Due later than one year and not later than five years	254.02	-
Total	372.78	60.34

The leasing arrangements, which are cancellable 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 L-82,L-83 Verna(Goa), Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of Plant and machinery situated at the Company's all three Manufacturing facilities.

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: (Rs.In lacs)

a) Key Management Personnel / Directors' - Remuneration:	**31st March, 2007**
Mark Saldanha	18.75
V.Nagaraj	13.37
Atul Vyas	3.38
Mahesh Parikh	2.00
Total	**37.50**
b) Parties where control exists	
Subsidiary companies	
Nova Pharmaceuticals Australasia Pty Ltd	
c) Related party relationships where transaction have taken place during the year	
Subsidiary Companies	
Nova Pharmaceuticals Australasia Pty Ltd	

d) Transaction with related parties during the year (Rs.In lacs)

	2006 - 2007	2005 - 2006
Subsidiary company		
Sale of Finished products	153.94	Nil
Advance given	Nil	Nil
Related party balances		
Receivable from subsidiary	133.94	Nil

(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 : (Rs.in lacs)

	Deferred Tax (Asset)/ Liability As at 1-4-2006	Current Year charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2007
Depreciation	804.48	265.19	1069.67
Provision for Excise Duty	(5.35)	8.53	3.18
Provision for Doubtful Debts	(12.45)	12.45	-
Preliminary Expenses Written Off	4.74	(2.89)	1.85
FCCB Issue cost	(205.04)	-	(205.04)
Provision for Gratuity	(17.58)	(2.23)	(19.81)
	568.80	**281.05**	**849.85**

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

(Rs.in lacs)

BUSINESS SEGMENTS AS PRIMARY SEGMENTS	31st March, 2007	31st March, 2006
1. Segment Revenue		
a) Bulk Drugs Division	10359.04	16188.26
b) Formulations Division	13629.69	13552.46
Total	23988.73	29740.72
Less: Inter Segment Revenue	-	-
Net Sales	23988.73	29740.72
2. Segment Results [Profit / (Loss) before tax and interest from each segment		
a) Bulk Drugs Division	281.91	2032.85
b) Formulations Division	1824.06	2164.34
Total	2105.97	4197.19
Less: (1) Interest & finance charges	1149.80	1056.58
(2) Other un-allocable expenditure net off un-allocable income	-	-
Extra ordinary Item (Net)	-	-
Total Profit / (Loss) before Tax	956.17	3140.61
3. Other Information:		
Segment Assets		
a) Bulk Drugs Division	24073.60	33094.65
b) Formulations Division	25606.43	13408.01
Unallocated assets	-	-
Total assets	49680.03	46502.66
Segment Liabilities		
a) Bulk Drugs Division	14027.41	28870.00
b) Formulations Division	23186.83	5859.41
Unallocated liabilities	-	-
Total liabilities	37214.23	34729.41
Capital Expenditure		
a) Bulk Drugs Division	1347.83	2717.09
b) Formulations Division	796.99	521.01
Total capital expenditure	2144.82	3238.10
Depreciation		
a) Bulk Drugs Division	512.01	609.87
b) Formulations Division	220.31	194.91
Total depreciation	732.32	804.78
Non cash expenses other than depreciation		
a) Bulk Drugs Division	25.72	9.52
b) Formulations Division	58.36	57.74
Total	84.08	67.26
GEOGRAPHICAL SEGMENTS AS SECONDARY SEGMENTS		
Segment Revenue		
a) Exports	4281.08	4903.89
b) Others	19707.65	24836.83
Total	23988.73	29740.72

(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, 2007	31st March, 2006
1) Installed Capacity :	1140.00 TPA	1140.00 TPA
2) Actual Production :	960.55 TPA	546.44 TPA.

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

Formulations Division (Qty in Lacs)

Item	Installed Capacity		Actual Production	
	2006-07	**2005-06**	**2006-07**	**2005-06**
Tablets	12600	12600	6286.18	8,120.35
Soft Gel Capsules	6000	6000	401.51	796.18

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

b) Opening Stock, Closing Stock and Sales (Rs. in lacs)

	Opening Stock		**Closing Stock**		**Sales**	
	Quantity (Units)	Value	Quantity (Units)	Value	Quantity (Units)	Value
Bulk Drugs Division	*	2224.21	*	4195.85	*	10359.04
	(*)	(1504.97)	(*)	(2224.21)	(*)	(16188.26)
Formulations Division	*	2211.20	*	4246.61	*	13629.69
	(*)	(800.10)	(*)	(2211.20)	(*)	(13552.46)

* Quantities cannot be aggregated

c) Consumption of Major Raw Materials :

	(Units)	**(Rs. In lacs)**
Bulk Drugs Division	*	6358.43
	(*)	(2941.43)
Formulations Division	*	857.91
	(*)	(1713.06)

* Quantities cannot be aggregated

d) Value and Percentage of Raw Materials consumed :

	Percentage (%)	**Value (Rs. In lacs)**
Indigenous	53.71	3875.62
	(63.64)	(2962.24)
Imported	46.29	3340.73
	(36.36)	(1692.25)

e) C. I. F. Value of Imports.	- Raw materials		Rs. 3561.09 lacs
	- Capital Goods		Rs. 292.02 lacs
	- Total forex outflow		Rs.3853.11 lacs
			(Rs 2745.56 lacs)

f) Expenditure in Foreign Currency for travelling, brokerage & commission, etc. Rs. 10.89 lacs (Rs. 14.58 lacs)

g) Earnings in foreign currency from exports / other income Rs.4281.08 lacs (Rs. 5191.70 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

Nitin Pota & Associates
Chartered Accountants

Nitin Pota
Proprietor
M. No. 42215

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

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. :	066364	State Code :	11
Balance Sheet Date :	31032007		

II. Capital raised during the year (Rs. in crore)

Public Issue :	NIL	Rights Issue :	NIL
Bonus Issue :	NIL	Private Placement* :	NIL

III. Position of mobilisation and deployment of funds

Total Liabilities and shareholders funds :	4452766	Total Assets :	4452766

Sources of Funds :

Paid-up Capital :	494405	Reserves and surplus :	771181
Secured loans :	1007680	Unsecured loans :	2179500

Application Of Funds :

Net fixed assets and capital work in progress including advances :	1385185	Investments :	26879
Net current assets	3106681	Deferred Tax assets / (Liability)	(84985)
Miscellaneous expenditure	19006	Accumulated losses	NIL

Performance of the Company

Turnover	2503902	Total Expenditure	2408286
Profit/(loss) before tax	95616	Profit/(loss) after tax	69259
Basic Earning per share in Rs	1.93	Diluted Earning per share in Rs	1.93
Dividend Rate	NIL		

Generic Names of Three Principal Products/Services of Company

Item Code No.	Product Description
29419003	CIPROFLOXACIN
29420006	RANITIDINE
30045090	SOFT GEL CAPSULE

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

N. K. Mittal & Associates
Chartered Accountants

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Nitin Pota
Proprietor
M. No. 42215

N. K. Mittal
Proprietor
M. No.46785

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED AS ON MARCH 31, 2007

(Amount in Rs.)

	Particulars	For the period ended as on 31.03.2007	31.03.2006
A.	**Cash Flows Provided by /(used in) Operating Activities**		
	Profit Before Tax	95,616,524	314,061,433
	Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
	Depreciation	73,231,953	80,477,876
	Preliminary & Deferred Revenue Expenses Written off	8,407,815	6,726,385
	Loss on sale of Fixed Assets	-	4,023,604
	Interest Expenses on term loans	114,980,180	52,598,905
	Interest Receipt	(95,468,974)	(34,439,444)
	Provision for Gratuity & Leave Encashment	1,241,692	1,812,340
	Operating Profit before working capital changes	198,009,189	425,261,099
	(Increase)/Decrease in Curent Assets, Loans & advances		
	Inventories	(445,505,677)	(264,916,714)
	Trade and other receivables	(26,384,797)	109,258,082
	Loans & Advances	(74,072,142)	(71,090,404)
	Income Tax Paid	(36,627,782)	(26,456,302)
	Deferred Revenue Expenses	(8,411,852)	(4,133,913)
	Increase/(Decrease) in current Liabilities and provisions	108,962,799	(19,155,601)
	Net cash used in operating activities	(284,030,261)	148,766,247
B.	**Cash Flows provided by (used in) Investing Activities:**		
	Purchase of Fixed Assets	(209,758,171)	(316,540,778)
	Investment	(26,829,850)	-
	Interest Receipt	95,468,974	34,439,444
	Net Cash used in Investing Activities	(141,119,047)	(282,101,334)
C.	**Cash Flows provided by (used in) Financing Activities:**		
	Increase in Equity Share Capital	-	-
	Increase in Share Premium	-	(76,142,078)
	Proceeds/(Repayment) of Secured Loans	200,998,145	(47,657,140)
	Proceeds/(Repayment) of Unsecured Loans	(52,450,000)	2,188,750,000
	Interest Paid	(114,980,180)	(52,598,905)
	Net cash provided by Financing Activities	33,567,966	2,012,351,877
	Net Increase /(Decrease) in Cash and Bank Balances	(391,581,345)	1,879,016,788
	Cash & Bank Balances as at 31.03.2006	1,976,070,947	97,054,157
	Cash & Bank Balances as at 31.03.2007	1,584,489,602	1,976,070,945
		(391,581,345)	**1,879,016,788**

Notes : 1 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on 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 the Board of Directors

Mark Saldanha
Chairman & Managing Director

V.Nagaraj
Whole Time Director

H.P.Kanaani
Company Secretary & Legal Manager

Place : Mumbai
Date : 31st August 2007

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 2007. 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

N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

Place : Mumbai
Date : 31st August 2007

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD.

ACN 104 838 440

REPORT OF DIRECTORS

The Directors report on the accounts of the Company for the financial year ended 31st March 2007 as follows:-

1. The persons holding office as Directors at the date of this report are :
   D.H. Mohammed, O. Mohammed, A. Laykoski

2. The Principal activity of the Company is that of Medicines Wholesaling. There were no significant changes in the nature of the activity during the financial year ended 31st March 2007

3. ACCOUNTS

   3.1 During the Financial year ended 31st March 2007 the Company incurred a loss of $ 67,068.

   3.2 No Dividend were paid during the year, other than dividends, if any which may have been provided in the previous year and the Directors recommend no dividend be declared for the year ended 31st March 2007

4. AUDITORS INDEPENDENCE DECLARATION
   The Auditor's Independence Declaration for the year ended 31st March 2007 has been included in the audit report.

5. DIRECTORS BENEFIT
   Since the end of the previous financial year no Director of the Company has received or become entitled to receive a benefit, other than an amount disclosed in the accounts or a fixed salary paid to a full time employee of the Company, by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he or she is a member or with a company in which he or she has a substantial financial interest.

   Signed in accordance with a resolution of the Directors.

   Director
   Dated at Crows Nest this 27th day of June 2007

DIRECTORS' DECLARATION

The directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the Company declare that :

1. the financial statements and notes, as set out on the attached pages :

   (a) Comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporation Act 2001; and

   (b) Present fairly the Company's financial position as at 31 March 2007 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   This declaration is made in accordance with a resolution of the Board of Directors.

D.H. Mohammed
Director

O.Mohammed
Director

Dated this 27th day of June 2007

Independent Audit Report to the Members of Nova Pharmaceuticals Australasia Pty Ltd

Scope

We have audited the attached financial report, being a special purpose financial report of Nova Pharmaceuticals Australasia Pty Ltd (the Company) for the year ended 31st March 2007, consisting of the statement of financial position, Notes to the Financial statements, Directors' Declaration, Director's Report, Statement of cash flows, Trading statement and the Profit and Loss Statement (including Changes in Equity), as set out on pages 1 to 7. The Company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are consistent with the financial reporting requirements of the Company's constitution and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Company's constitution. We disclaim any assumption of responsibility for reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our Procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operation and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Auditor's Independent Declaration

I declare that, to the best of my knowledge and belief, during the year ended 31st March 2007, there have been :

1. No contraventions of the auditor's independence requirements as set out in the Corporations Act, 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Audit opinion

In our opinion, the financial report presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of Nova Pharmaceuticals Australasia Pty Ltd as at 31st March 2007 and the results of its operations and its cash flows for the year then ended.

Robert William Mitchell
Of Robert Mitchell & Company
Dated at Neutral Bay 4th day of July 2007

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD.

ACN 104 838 440

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2007

	Amount in A$
Current Assets	
Cash	
Cash at Bank	69,113
Receivables	
Trade Debtors	254,629
Inventory	
Stock in hand and in Transit	136,496
Total current assets	460,238
Non-Current Assets	
Property, Plant and Equipment	
Plant & Equipment at cost	4,017
Less: Provision for Depreciation	990
	3,027
Intangible Assets	
Formation Expenses at Cost	800
Total Non Current assets	3,827
TOTAL ASSETS	464,065
Current Liabilities	
Trade Creditors	383,472
Accrued Expenses	18,469
GST & Payg Payable	92,549
Shareholders Loan	650
Total Current Liabilities	495,140
TOTAL LIABILITIES	495,140
NET ASSETS	(31,075)
EQUITY	
Contributed Equity	
150 Ordinary Share	150
Accumulated Losses	(31,225)
Total Equity	**(31,075)**

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Amount in A$
Income	
Sales	606,503
Interest Received	4,026
Total Income	610,529
Cost of Sales	
Purchase	363,859
(Increase)Decrease in Inventory	(58,104)
Expenses	
Accounting Fess	2,100
Bank Charges	1,167
Bookeeping Fees	2,871
Consultant Fees	29,857
Depreciation	990
Freight & Cartage	23,977
Insurance	10,162
Leasing Charges	2,730
Legal Cost	9,099
Licence, Registrations, Permits	77,501
Office Expenses	5,291
Postage & Stationery	2,871
Publications	1,902
Rent	27,032
Salaries	149,835
Staff Training & Amenities	2,140
Storage	2,819
Superannuation	13,485
Warehouse Expenses	6,013
Total Cost of sale & Expenses	677,597
Operating Loss and Extraordinary Items	(67,068)
Retained Profit at 1 April 06	35,843
Accumulated Losses	(31,225)

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD.

ACN 104 838 440

STATEMENT ON CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2007

	Amount in A $
Cash flows from Operating Activities:	
Receipts from Customers	534,613
Payment to Suppliers & Employees	(539,564)
Interest Received	4,026
Net Cash used by Operating Activities	(925)
Cashflows to Investing Activities:	
Payment for Equipment	(4,017)
Net Decrease in Cash	(4,942)
Cash at the beginning of the financial year	74,055
Cash at the end of the Financial year	69,113
(As per the Balance Sheet at 31 March 2007)	

Note to the Statement of Cashflows

Reconciliation of Net Cash provided by Operating Activities to Profit for the Financial year:

Loss for the year	67,068
less : Depreciation	(990)
Increase in Trade Creditors & Accruals	(173,544)
Increase in Taxes Payable	(71,628)
Add : Increase in Inventory	58,104
Increase in Trade Debtors	121,915
Net Cash used by Operating Activities	925

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2007

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporation Act 2001. The directors have determined that the Company is not a reporting entity.

NOVA PHARMACEUTICALS AUSTRALIASIA PTY LTD. ACN 104 838 440 is a company limited by shares, incorporated and domiciled in Australia.

The report has been prepared in accordance with the requirements of the Corporation Act 2001, and the following applicable Accounting standards and Urgent Issues Group Consensus Views :

AAS 1	:	Statement of Financial Performance
AAS 5	:	Materiality
AAS 8	:	Events Occuring After Reporting Date
AAS 10	:	Recoverable Amounts of Non-current Assets.
AAS 36	:	Statement of Financial Position
AAS 37	:	Financial Report Presentation and Disclosures

No other Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

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, Nova Pharmaceuticals Australasia Pty Ltd. as at 31st March 2007 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 did not audit the financial statement of a subsidiary Nova Pharmaceuticals Australasia Pty Ltd, Whose financial statement reflect total assets of Rs. -10,85,250 As at 31st March 2007 and total revenues of Rs. 2,12,03,672 For the year ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based on solely on the report of other auditors.

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.

a) In the case of consolidated Balance Sheet, of the state of affairs of Marksans Pharma Ltd. and its subsidiary as at 31st March, 2007; and
b) 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	**FOR N.K.MITTAL & ASSOCIATES**
Chartered Accountants	Chartered Accountants
NITIN J. POTA	**N.K.MITTAL**
(Proprietor)	(Proprietor)
M. NO. 42215	M.NO.46785

Place : Mumbai
Date : 31st August 2007.

CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2007

(Amount in Rs.)

Particulars	Sch. No.	As on 31.03.2007	As on 31.03.2006
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	494,405,630	494,405,630
Reserves & Surplus	2	769,841,382	701,921,451
Loan Funds			
Secured Loans	3	1,007,680,017	806,681,871
Unsecured Loans	4	2,179,500,000	2,231,950,000
Minority Interest		(434,100)	
		4,450,992,929	**4,234,958,952**
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	1,784,236,245	1,562,376,609
Less: Provision for Depreciation		386,120,754	313,718,134
Net block		1,398,115,491	1,248,658,475
Investments	6	-	50,000
Current Assets, Loans & Advances			
Inventories	7	1,239,348,680	789,075,196
Sundry Debtors	8	542,244,978	506,965,991
Loans & Advances	9	203,517,050	129,444,908
Cash & Bank Balances	10	1,586,903,712	1,976,070,945
Total (A)		3,572,014,421	3,401,557,040
Current Liabilities			
Current Liabilities & Provisions	11	453,158,148	377,428,094
Total (B)		453,158,148	377,428,094
Net Current Assets (A) - (B)		3,118,856,273	3,024,128,946
Deferred Tax Assets/(Liability) (Net)		(84,985,681)	(56,881,277)
Miscellaneous Expenditure	12	19,006,846	19,002,809
(To the extent not written off)			
		4,450,992,929	**4,234,958,952**
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

Nitin Pota
Proprietor
M. No. 42215

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

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED AS ON MARCH 31, 2007

Amount in Rs.)

Particulars	Sch. No.	31.03.2007	31.03.2006
INCOME			
Sales		2,419,937,358	2,974,071,906
Other Income	13	105,169,263	47,117,288
		2,525,106,621	3,021,189,194
EXPENDITURE			
Cost of Sales	14	1,967,399,290	2,291,534,079
Administration, Selling & Distribution Expenses	15	241,321,560	190,449,534
Interest & Financial Charges	16	115,020,709	105,658,369
Research and Development Expenses	17	54,183,510	50,040,735
Depreciation	5	73,266,335	80,477,876
Exchange Loss/(Gain)		(27,779,851)	(21,782,822)
Loss on Sale of Fixed Assets		-	4,023,604
Miscellaneous Expenditure Written Off		8,407,815	6,726,385
		2,431,819,368	**2,707,127,761**
Profit Before Tax		**93,287,253**	**314,061,433**
Provision for Taxation			
- Current Year		12,000,000	45,375,000
- Earlier Years		(15,841,311)	3,188,722
- Deferred Tax		28,104,405	35,331,333
- FBT		2,094,090	1,252,146
Net Profit after Tax		**66,930,069**	**228,914,232**
Less:-Minority Interest		(931,709)	-
Balance Profit brought forward		424,198,179	195,283,947
Closing Balance Transferred to Balance Sheet		**492,059,956**	**424,198,179**
Notes to the Accounts	18		

For and on Behalf of

Nitin Pota & Associates
Chartered Accountants

Nitin Pota
Proprietor
M. No. 42215

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

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

Schedules Forming Part of the Consolidated Financial Statements as on March 31, 2007

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
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	274,932,609	330,571,148
Less: FCCB Issue Expenses	-	(76,142,078)
Add: Deferred tax asset on FCCB Issue Expenses	-	20,503,539
Exchange Fluctuation Reserve	58,155	-
Profit & Loss Account - Opening Balance	424,198,179	195,283,948
Add: Transferred During the Year	67,861,777	228,914,232
	769,841,382	**701,921,451**
Schedule - 3 [SECURED LOANS]		
Term Loan	558,672,829	580,063,727
Working Capital Facilities	444,366,798	220,824,266
Other Loans (Vehicle Loans)	4,640,390	5,793,878
	1,007,680,017	**806,681,871**
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	2,179,500,000	2,230,750,000
Deposits & Others	-	1,200,000
	2,179,500,000	**2,231,950,000**

Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block				Depreciation				Net Block	
	As on 31.03.2006	Additions	Sales/ Deduction	As on 31.03.2007	Upto 31.03.2006	For the Year	Written Back	As on 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land & building	334,733,233	45,717,813	4,803,393	375,647,653	40,092,918	10,789,083	863,715	50,018,286	325,629,367	294,640,315
Plant & Machinery	1,194,069,431	162,004,211	785,082	1,355,288,560	263,854,562	58,866,910	-	322,721,471	1,032,567,088	930,214,869
Computer & Software	6,471,513	2,834,034	-	9,305,547	3,641,648	1,240,300	-	4,881,948	4,423,599	2,829,865
Office Equipments	3,870,472	941,979	-	4,812,451	706,578	296,259	-	1,002,837	3,809,614	3,163,894
Furnitures & Fixtures	9,707,060	1,333,042	-	11,040,102	2,525,596	652,309	-	3,177,906	7,862,196	7,181,464
Vehicles	13,524,900	1,792,174	-	15,317,074	2,896,832	1,421,474	-	4,318,306	10,998,768	10,628,068
Intangible Assets										
Goodwill	-	12,796,914	-	12,796,914	-	-	-	-	12,796,914	-
Formation Expenses	-	27,944	-	27,944	-	-	-	-	27,944	-
Total	**1,562,376,609**	**227,448,111**	**5,588,475**	**1,784,236,245**	**313,718,134**	**73,266,335**	**863,715**	**386,120,754**	**1,398,115,491**	**1,248,658,475**
Previous Year	*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*	*1,248,658,475*	*1,016,619,177*

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
Schedule - 6 [INVESTMENT]		
In Equity Share of Development Credit Bank Ltd.	-	50,000
	-	**50,000**
Schedule - 7 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	322,554,572	283,842,055
Work - in - Process	67,780,979	61,692,321
Finished Goods	849,013,129	443,540,820
	1,239,348,680	**789,075,196**
Schedule - 8 [SUNDRY DEBTORS]		
Debtors		
(Unsecured and Considered good)		
Outstanding for over six months	45,937,651	25,252,033
Others	496,307,328	485,183,614
	542,244,978	510,435,647
Less: Provision for doubtful Debts	-	3,469,656
	542,244,978	**506,965,991**
Schedule - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)	104,460,971	48,278,487
Advances (Including advances to subsidiary)		
(recoverable in cash or kind or value to be received)		
Balances with Excise Authorities	45,886,201	26,429,908
Deposits	53,169,878	54,736,513
	203,517,050	**129,444,908**
Schedule - 10 [CASH AND BANK BALANCES]		
Cash in Hand	797,914	1,107,926
Balance with Scheduled Banks in Current Account	28,306,134	35,788,478
Deposits with Banks	1,557,799,665	1,939,174,541
	1,586,903,712	**1,976,070,945**

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
Schedule - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	446,055,055	331,949,931
Unclaimed Dividend	103,093	103,163
Provision for Taxation	7,000,000	45,375,000
	453,158,148	**377,428,094**
Schedule - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	1,281,657	1,741,908
Product launch, Investigation and Registration Expenses	17,725,189	17,260,901
	19,006,846	**19,002,809**
Schedule - 13 [OTHER INCOME]		
DEPB Income	4,544,245	10,426,090
Other Income	100,625,018	36,691,198
	105,169,263	**47,117,288**
Schedule - 14 [COST OF SALES]		
Purchase	1,318,836,290	1,827,213,622
(Increase)/Decrease in Inventories	(408,811,114)	(241,898,005)
Net Raw Material Consumption	721,635,057	465,449,537
Water Charges	2,545,427	2,241,961
Power & Fuel	91,430,524	69,440,064
Excise Duty Paid	102,814,498	74,890,000
Freight Inward & Raw Material Clearing Charges	20,542,803	14,731,788
Salaries, Wages, Allowances & Staff Welfare	73,434,301	61,981,873
Repairs & Maintenance of Production Facility (plant)	18,568,774	10,154,086
Other Manufacturing Expenses	26,402,728	7,329,154
	1,967,399,290	**2,291,534,079**
Schedule - 15 [ADMIN., SELLING & DISTRIBUTION EXPENSES]		
Rent, Rates & Taxes	12,374,346	8,583,060
Salaries & Allowances	61,261,387	48,039,790
Staff Welfare	1,237,356	307,790
Directors' Remuneration	3,750,686	3,864,964
Travelling Expenses	10,583,203	8,981,202
Communication Expenses	3,625,650	3,089,490
Courier & Poastage Expenses	1,206,991	1,449,840
Printing & Stationery	5,338,230	4,588,782
Repairs & Maintenance (others)	1,503,165	2,084,820
Audit Fees	333,090	345,912
Vehicle Expenses & Local Conveyance	7,072,749	4,918,406
Legal & Professional Fees	14,210,109	2,971,566
Office Expenses	2,909,550	2,449,205
Insurance Charges	3,139,850	2,449,324
Other Operating Expenses	4,677,592	1,492,355
Freight outward & Export Clg. Exps	33,421,212	37,660,594
Selling & Distribution Expenses	74,676,393	57,172,434
	241,321,560	**190,449,534**

(Amount in Rs.)

Particulars	As on 31.03.2007	As on 31.03.2006
Schedule - 16 [INTEREST & FINANCIAL CHARGES]		
Interst on Term Loans	49,917,910	50,448,914
Interest on Working Capital, Other Interest & Bank charges	65,102,799	55,209,455
	115,020,709	**105,658,369**
Schedule - 17 [RESEARCH AND DEVELOPMENT EXPENSES]		
Directors Remuneration	-	513,720
Salary and other allowances	8,621,649	5,369,704
Consumables, Chemicals & Other Material	33,682,856	35,805,995
Other Expenses	11,879,005	8,351,316
	54,183,510	**50,040,735**

18) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

(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.

b. The Consolidated financial statement envisages combining of financial statement of Marksans Pharma Limited and its following subsidiary

Name of Subsidiary	Country of Incorporation	Percentage of Ownership
Nova Pharmaceuticals Australasia Pty Ltd	Australia	60%

c. Assets and Liabilities of foreign subsidiary are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet Date

Revenues and expenses are translated into Indian Indian rupees at average exchange rates prevailing during the year and the resulting net transaction adjustment has been adjusted to reserve.

d. The excess of cost to the Company of its investment in the subsidiary company is recognise in the financial statements as goodwill.

(2) AMALGAMATION

a. As approved by the shareholders at the court conveyed meeting held on 28th September, 2006, Company has successfully completed the process of Amalgamation of its 100% subsidiary Mark Remedies Limited, with the Company, pursuant to high court order dated 9th February, 2007.

b. The Amalgamation has been accounted for under the "Pooling of interest" method as prescribed by accounting standard (AS-14) as issued by Institute of Chartered Accountant of India.

c. Figures of the previous year also include the figures of Mark Remedies Limited, to make them comparable with the current year's figures.

(3) 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) Basis of Accounting

The financial are prepared under the Historical cost convention on an accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountant of India referred to in Section 211(3C) of the Companies Act,1956.

(c) Fixed Assets

Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition as reduced by CENVAT credit and Input VAT.

(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 CENVAT Credit and Input VAT) 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. All the closing stock of finished goods lying at Goa factory is for export, hence Provision for Excise duty does not arise.

(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

Current Year:

Provision for Current tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

Deferred Tax:

Deferred Income taxes are recognized for the future tax consequence attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities because of a change in tax rates is recognized in the Statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Fringe Benefit Tax:

Provision for Fringe Benefit Tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

(4) CONTINGENT LIABILITIES (Rs.In Lacs)

	31st March, 2007	31st March, 2006
(a) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	1708.62	2098.09
(b) Disputed Taxes/Dues	NIL	6.69

(5) AUDITORS REMUNERATION (Rs.In Lacs)

	31st March, 2007	31st March, 2006
Audit Fees	3.30	3.30
Other Services	2.65	5.12

(6) DIRECTORS' REMUNERATION (Rs.In Lacs)

	31st March, 2007	31st March, 2006
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	18.75	19.92
(b) Other Directors' Remuneration		
Salaries and Allowances	16.75	18.72
(c) Directors' Sitting Fees	2.00	0.08
	37.50	**38.72**

(7) Balances with Scheduled Banks in Deposit Accounts includes Balances in respect of Unclaimed Dividend of Rs.1.03 lacs (Previous Year Rs.1.03 lacs)

(8) LEASES

The Company has taken various residential, office and godown premises under operating lease or leave & license agreement. The leasing agreement which are non-cancellable are for a period of three years. As at 31.03.2007, the Company had committed minimum lease payment under non-cancellable operating lease as follows: (Rs. In lacs)

	2006-2007	2005-2006
Minimum lease payments		
Due within one year	118.76	60.34
Due later than one year and not later than five years	254.02	-
Total	**372.78**	**60.34**

The leasing arrangements, which are cancellable 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.

(9) 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 L-82,L-83 Verna(Goa), Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of Plant and machinery situated at the Company's all three Manufacturing facilities.

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.

(10) 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: (Rs.In lacs)

Key Management Personnel / Directors - Remuneration:	**31st March, 2007**
Mark Saldanha	18.75
V.Nagaraj	13.37
Atul Vyas	3.38
Mahesh Parikh	2.00
Total	37.50

(11) 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.

(12) DEFERRED TAX LIABILITY / (ASSET) :

The major elements of deferred tax liability / (asset) are as under : (Rs.in lacs)

	Deferred Tax (Asset)/ Liability As at 1-4-2006	Current Year charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2007
Depreciation	804.48	265.19	1069.67
Provision For Excise Duty	(5.35)	8.53	3.18
Provision for Doubtful Debts	(12.45)	12.45	-
Preliminary Expenses Written Off	4.74	(2.89)	1.85
FCCB Issue cost	(205.04)	-	(205.04)
Provision for Gratuity	(17.58)	(2.23)	(19.81)
	568.80	**281.05**	**849.85**

(13) 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

Nitin Pota & Associates
Chartered Accountants

N. K. Mittal & Associates
Chartered Accountants

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Nitin Pota
Proprietor
M. No. 42215

N. K. Mittal
Proprietor
M. No.46785

V.Nagaraj
Whole Time
Director

H.P.Kanaani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 31st August 2007

MARKSANS PHARMA LIMITED

Regd Office: 601-622, Chintamani Plaza, Mohan Studio Compound, Andheri-Kurla Road, Andheri [E], Mumbai-400 099

ATTENDANCE SLIP

Regd Folio No./Client & D.P.I.D ____________ No. of Shares held ____________

I hereby record my presence at the 15th Annual General Meeting of the Company to be held at Sunville Banquet & Conference Hall, 3rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018, at 11.00 a.m.

Member's/Proxy Name Member's/Proxy Signature

Note: Please sign this attendance slip and hand over at the entrance of the meeting hall.

MARKSANS PHARMA LIMITED

Regd Office: 601-622, Chintamani Plaza, Mohan Studio Compound, Andheri-Kurla Road, Andheri [E], Mumbai-400 099

PROXY FORM

Regd Folio No./Client & D.P.I.D ____________ No. of Shares held ____________

I/We ____

of ____

(write full address)

being a member/members of Marksans Pharma Limited hereby appoint ____________________

of ____________________ or failing him ____________________

____________________ of ____________________

as my/our proxy to attend and vote for me/us on my/our behalf at the 15th Annual General Meeting of the Company to be held at Sunville Banquet & Conference Hall, 3rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018, on Thursday, 27th September, 2007 at 11.00 a.m. and at any adjournment thereof.

AFFIX
Re. 1
REVENUE
STAMP

Signed this __________ day of __________2007. Signature

Note: The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding of the aforesaid meeting.

www.marksanspharma.com

Designed & Printed by : Print House