21st Annual Report

2007-2008

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Bal Pharma Limited



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MANAGEMENT, BANKERS AND AUDITOR

Board of Directors

Mr. Shailesh Siroya	-	Managing Director
Dr. S. Prasanna	-	Whole-time Director
Mr. A.R Hegde	-	Whole time Director up to 30-05-2007
Mr. Shrenik Siroya	-	Non-executive Director
Dr. G.S.R. Subba Rao	-	Independent Director
Mr. Arun Bhan	-	Independent Director
Mr. David Rasquinha	-	Nominee Director - w.e.f. 09-03-2007

Company Secretary

Mr. S. Ramji

Registered Office

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

Plant Locations

Unit I : Formulations
21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit II : R & D Centre & Bulk Drugs
61/B, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit III : Parenterals
732/735, Off. National Highway No. 4,
Village Kenjal, Dist. Bhor, Maharashtra.

Unit IV : Formulations plant at Uttaranchal
Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,
Rudrapur, Udham Singh Nagar, Uttaranchal - 263 153.

Bankers

Canara Bank
Punjab National Bank
ICICI Bank Limited
EXIM Bank

Auditors

Ostawal & Jain

Registrar & Share Transfer Agent

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011

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NOTICE

NOTICE IS HEREBY GIVEN THAT the 21st (Twenty First) Annual General Meeting of the members of Bal Pharma Limited, will be held at 4.00 PM on Tuesday, the 23rd September, 2008 at Bharatiya Vidya Bhavan, Race Course Road, Bangalore, 560001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2008, and the Profit and Loss Account for the financial year ended on that date and the reports of the Directors and the Auditors thereon;
2. To declare dividend ;
3. To appoint a Director in place of Mr.Shrenik Siroya, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Dr. G.S.R Subba Rao, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors and to authorize the Board to fix their remuneration;

SPECIAL BUSINESS:

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

"**RESOLVED THAT** pursuant to, and in accordance with, the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any re-enactment or modifications thereof, approval of the members be and is hereby accorded to the re-appointment of, and remuneration payable to, Dr. S. Prasanna, as Whole Time Director of the Company for a period of 5 years, as recommended by the Board of Directors and the Remuneration Committee with effect from 01.10.2008 up to 30.09.2013 with all inclusive of remuneration of Rs. 1,70,000/- (Rupees One Lakh Seventy Thousand only) per month and perquisites but exclusive of the followings:

i) Contribution to provident fund, superannuation fund or annuity fund to the extent they either singly or put together are not taxable under the Income Tax Act, 1961;

ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and

iii) Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or any Committee thereof be authorized on behalf of the Company to take all necessary steps in this regard in order to facilitate the legal and / or procedural formalities and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members of the Company.

FURTHER RESOLVED THAT the Board of Directors be empowered to alter the remuneration payable to Dr. S. Prasanna so long as any such increase or variation be within the limits prescribed under Schedule XIII of the Companies Act, 1956.

MINIMUM REMUNERATION:

FURTHER RESOLVED THAT in the event of absence or inadequacy of profits in any financial year during the currency of tenure of the appointment, the entire applicable remuneration by way of salary and perquisites mentioned above shall be paid as minimum remuneration, subject to the provisions under Schedule XIII of the Companies Act, 1956."

By order of the Board

Bangalore
30-07-2008

S. Ramji
Company Secretary

NOTES:

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

   Proxy, in order to be effective, must be deposited the proxy instrument duly filled, at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report;
2. Corporate Members intending to send their authorised representative to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. For the convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance;
4. The Register of Members and Share Transfer Books of the Company will be closed for 13 Days from 11-09-2008 to 23-09-2008 (Both days inclusive) for determining the names of the members eligible for dividend on equity shares, if declared at the meeting.
5. Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
6. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting;
7. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and transfer Agent M/s TSR Darashaw Limited. Members holds shares in electronic form may intimate any such changes to their respective Depository participants (DPs).

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8. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, M/s. TSR Darashaw Limited.

9. Dividend, if declared, will be paid on or before 22-10-2008, to those members whose names appear on the Company's Register of Members as on the date of 21st AGM. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose;

10. Members are kindly requested to bring Annual Report 2007-08 along with them to the 21st Annual General Meeting, since extra copies will not be supplied at the meeting;

11. In order to protect the investors from fraudulent encashment of their dividend warrants or Demand Drafts, the Company hereby offers Electronic Clearing Services (ECS) facility to the shareholders having Bank Accounts at Centers notified for ECS by RBI. RBI is continuously adding more centers for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is forwarded as detachable part of Annual Report. The Members from the ECS notified centers desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar and Share Transfer Agent, M/s. TSR Darashaw Limited, on or before 07.09.2008.

12. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 1994-95 and 1995-96 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The Company did not declare dividend for the financial years 1996-97, 1997-98 and 1998-99. The members who have not enchased the Dividend Warrants for the financial years 2001-2002 onwards are requested to write to, M/s. TSR Darashaw Limited, the Registrars and Share Transfer Agents of the Company.

13. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.

14. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item 6 is annexed hereto;

Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956
Item no .6

Dr. S. Prasanna was appointed as Whole time Director in the 16th Annual General Meeting held on 17-09-2003 for a period of 5 years w.e.f 01-10-2003 and was paid Rs.1 lakh only/- per month as remuneration. His remuneration was revised in the 19th AGM held on 20th September, 2006 from Rs.1 lakh per month to Rs. 1.5 lakh per month in terms of Schedule XIII of the Companies Act, 1956 as follows :

Salary Per month	Rs 150,000/-
Provident fund, superannuation fund	Contribution to Provident fund , Superannuation Fund, to the extent they , either singly or put together, are not taxable under the Income Tax Act,1961
Gratuity	Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
Leave Encashment	Encashment of leave at the end of the tenure

The above appointment is valid up to 30-09-2008. He is heading the Research & Development centre of the Company. As the Company benefits immensely from his vast and extensive experience, your Directors (based on the recommendation of the Remuneration Committee in their meeting held on 30-07-2008) recommended the proposal for renewal of his appointment for a further period of 5 years from 01-10-2008 to 30-09-2013.

Keeping in mind the industry norms and remuneration paid to similar appointees in other Companies and the active role played by Dr. S.Prasanna as Whole Time Director, the Remuneration Committee of the Company, in its meeting held on 30-07-2008 and Board in its meeting held on 30-07-2008 considered and recommended the proposal for revising the managerial remuneration of the Whole Time Director, Dr. S. Prasanna with effect from 01.10.2008 from Rs. 1,50,000/- (Rupees One lakh fifty thousand only/-) per month to Rs.1,70,000/- (Rupees one lakh seventy thousand only/-) per month, as per the limits specified in part II Schedule XIII of the Companies Act,1956. The proposed amount is inclusive of salary and perquisites but excluding;

(i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

(ii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service; and

(iii) Encashment of Leave at the end of the tenure.

The remuneration recommended may be deemed as the minimum remuneration payable in the event of loss or inadequacy of Profits.

The above may be treated as abstract of terms of appointment in terms of Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors other than Dr. S. Prasanna,is concerned / interested in the said resolution.

By order of the Board

Bangalore
30-07-2008

S. Ramji
Company Secretary

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ADDITIONAL INFORMATION RELEVENT TO Dr.S.PRASANNA, WHOLE TIME DIRECTOR (AS PER SCETION II PART II OF SHEDULE XIII OF THE COMPANIES ACT 1956).

GENERAL INFORMATION:

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of Commercial Production	The Company was incorporated on 19-05-1987 as a Private Limited Company and its Commercial Production started from 1992
3.	Financial performance based on given Indicators	For the FY ended on 31-03-2008. (Rs. In Crores) Turnover and other Income : 90.93 Profit before tax : 4.20 Net worth : 35.03
4.	Export Performance and net foreign exchange collaborations	The Company's export income was Rs. 33.72 Crores in 2007-08 and there was no foreign exchange collaboration.
5.	Foreign investments or collaborations, if any	Nil

Information about the Whole Time Director whose remuneration is under review

1	Name of the Director	Dr. S. Prasanna
2.	Back ground details	Dr. S. Prasanna has been associated with the Company from the inception. He has Phd in Organic Chemistry and extensive exposure as a research scientist. He has been heading the R& D Centre of the Company
3.	Immediate past remuneration	Rs 1,50,000/- was paid as salary and perquisites during 2007-08 which is in line with the provisions of Schedule XIII of the Companies Act ,1956 & in terms of approval accorded by the members in the 19th AGM held on 20th September, 2006.
4.	Job profile and his suitability	Dr. Prasanna is heading the R& D centre of the Company. He has been associated with the Company right from the inception. With his extensive experience and knowledge, he is the most appropriate person to guide the original research efforts of the Company.
5.	Remuneration Proposed	Details of remuneration proposed have been given in the notice. Taking into consideration the size of the Company, profile of the appointee, responsibilities shouldered by them, the remuneration proposed is commensurate with the remuneration packages paid or is comparable to other Companies in the industry. Further more, the Company has been steadily achieving enhanced profitability, which is attributed to a great extent to the above Whole Time Director who are responsible for the day to day affairs of the Company.
6.	Pecuniary relationship with the managerial person	Dr. S. Prasanna, besides the above remuneration, does not have any pecuniary relationship with the Company, and its managerial personnel

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

Name of the Director	**Mr. Shrenik Siroya**	**Dr. G.S.R Subba Rao**
Date of Birth	10-09-1964	21-08-1937
Date of Appointment	30-09-1997	08-07-2000
Qualification	B.E (UK)	B.Sc (Honors), M.Sc, D.Sc,PhD, F.A.Sc, F.N.A
Experience / Expertise	He has vast experience in managing huge construction contracts and in managing pharmaceutical Companies.	Formerly Professor and Dean in Indian Institute of Science, (IISc) Bangalore, is also a consultant to many Indian and Foreign Pharmaceutical Companies on synthesis of Drugs, intermediates, natural products, Steriod Hormones, combinatorial Synthesis.
Other Directorships	1. Siroya Exports (P) Limited – Director. 2. Siroya Developers (P) Limited (Erstwhile Siroya Trading Co.(P) Limited)– Director. 3. Mokalsar Stone Private Limited – Director. 4. Siroya FM Construction Private Limited – Director. 5. Mannat Properties Private Limited – Director. 6. Siroya Nabar Housing Private Limited - Director. 7. Mannath Developers (P) Limited - Director. 8. Sarabjit Construction (P) Limited – Director. 9. Basav Chem Limited – Additional Director.	1. Novosynth Research Labs (P) Limited – Director 2. Basav Chem limited - Additional Director.
Other Committee Memberships in the Company	A) Bal Pharma Limited i) Audit Committee :Member ii) Shareholders & Investors Grievances Committee : Member iii) Remunaration Committee Member	A) Bal Pharma Limited i) Audit Committee : Chairman ii) Remuneration Committee : Chairman iii) Shareholders & Investors Grievances Committee : Chairman
Number of shares held directly or indirectly	374,700 (3.59%) – Equity Shares as on 31.03.2008	NIL

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 21st Annual Report together with the Audited Accounts of your Company for the financial year ended on March 31st, 2008.

1. FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars		2007-08		2006-07	
1)	Total Income		9092.53		7621.91
2)	Profits before Depreciation and provision for Taxation		567.19		465.87
Less :	Depreciation		163.46		142.50
	Profits before Taxation and prior year adjustments		403.73		323.37
Less :					
3)	Provision for Taxation	78.98		32.89	
4)	Fringe Benefit Tax	18.63		15.65	
5)	Deferred Tax	36.97		65.69	
6)	Extraordinary/ Non recurring items	-------		------	
7)	Prior year adjustment	(16.56)	118.02	7.45	(-)121.68
			285.71		201.69
Add:					
8)	Profit & Loss Account balance at the beginning of the year		578.25		468.22
9)	Profit made available for appropriation		863.96		669.91
Less:					
10)	Dividend on Preference Shares	-		-	
11)	Proposed Dividend on Equity Shares	104.46		78.34	
12)	Tax on dividends	17.75	(-)122.21	13.32	(-) 91.66
13)	Balance Carried to Balance Sheet		741.75		578.25

2. DIVIDEND:

In view of the satisfactory results and keeping in view of the requirement of resources for the ongoing current expansion programs, the Directors are pleased to recommend payment of dividend of 10% (Re.1 per equity share of Rs.10/- each) as against 7.5% in the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS:

Industry overview and Outlook

GLOBAL PHARMACEUTICAL INDUSTRY SCENARIO:

Pharmaceutical Industry plays an important role in the economic development of the world as it caters for the health and well being of the society. The Industry includes branded drug manufacture, generic drugs manufacture, firms developing bio-pharmaceutical products and firms undertaking contract research.

Global Pharmaceutical sales in 2007 was at US $ 695 billion which is expected to grow by 5 to 6 % to reach a level of US $735 billion in 2008. The growth trend is expected to be driven by the declining cost of drug treatment in major therapy areas, in addition to paradigm shift in growth from developed countries to emerging markets such as China, Brazil, Mexico, South Korea, India, Turkey and Russia. These emerging markets are expected to grow by 12 to 13 % to reach a combined market size of US $ 85 – 90 billion driven by greater access to generic and innovative new medicines.

EMERGING TRENDS:

Developing countries are confronting with the phenomenon of ageing of population resulting in increasing pressure on countries national health care system. While chronic diseases particularly cardio vascular diseases are the main cause of death in developed countries, infectious diseases remain more common cause in developing countries. In addition, life style related diseases like diabetes are becoming common among the fast developing countries like China and India.

Large pharmaceutical firm's block buster drugs will be going off patent in coming four years and production of generic in such products will put considerable pressure on the profit margin of these Companies and are opening up opportunities for Companies developing market.

INDIAN PHARMACEUITICAL INDUSTRY – SURGEING GLOBALLY:

Indian pharmaceutical industry has been witnessing tremendous progress due to increased integration with global trade which began with the signing of GATT in 2005.

The annual turnover of the Indian pharmaceutical industry is over US $ 11 billion. Globally it ranks 4th in terms of volume with share of 8% of the world pharmaceutical market. In terms of value it ranks 14th. It is one of the high performing knowledge based segment of the manufacturing sector. Key therapeutic segments of the industry include anti infective, gastro intestinal and cardio vascular. Consumer spending on health care went up from 4% of GDP in 1995 to 7% in 2007 and is expected to rise to 13% of GDP by 2015.

The Industry meets around 95% of the Country's domestic demand for medicine. In addition, it is also engaged in contract manufacturing, contract research, clinical trials, contract R& D and direct exports to developed and developing market. There has also been a tremendous increase in the R& D expenditure as well as the capital expenditure mainly towards USFDA approval for plants. Indian Companies have been at the forefront both in terms of filing of drug master files and abbreviated new drug applications.

Exports from Pharmaceutical Industry account more than 4% of the total India's exports and 50% of the Industry total production and it has grown at a CAGR of 14% in the last decade. Major exports market includes highly regulated markets such as USA, UK, Germany and Canada.

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4. BUSINESS OPERATIONS:

Your Company achieved an overall turnover of Rs 90.93 crores during the year under review, as against Rs. 76.22 crores during the previous year, thus registering a growth of 19.3%.This increase in business resulted in improvement in the net profit after tax of the Company by 41.58 % from Rs. 2.02 crores in the previous year to Rs. 2.86 crores in the year under review. Your management intends to take full advantage of this momentum of growth by continuing the aggressive thrust on the Pharmaceutical Industry.

Your Company's branded formulations business made a turnover of Rs. 31 crores successfully overcoming the acute price competition. The division focussed on marketing Cardiac and Diabetic products by introducing 6 more new products and strengthening the sales manpower by another 25%.The performance of the division is being escalated to further heights by increasing our market share in Northern India.

The Ayurvedic division registered a growth of 38.36% by increasing its turnover to Rs. 2.26 crores from Rs. 1.37 crores in the previous year. Additional new products are being introduced in the current year while our well known brands are being registered in U.A.E market.

The Institution business continued a good performance with a turnover of Rs. 7.55 crores against Rs. 4.34 crores in the year 2006-07.

Your Company revived its generic business by increasing its turnover from Rs. 0.97 crores of the previous year to Rs. 3.31crores in the year despite stiff competition. The Company is working with new establishments at various regions to have a complete distribution network.

The export formulation division registered a significant growth of 23.54% by increasing its turnover from Rs. 15.75 crores in the previous year to Rs. 22.19 crores in the year under review. Your Company is in the process of registering their formulations in various Countries by filing drug master files.

The performance of API business both domestic and exports have been encouraging with the growth of 22.38% as the turnover of the division reached Rs. 22.25 crores against Rs. 17.27 crores in the previous year. The acquisition of Basav Chem Limited as its subsidiary during the year has contributed to the increase in API production.

As reported in the last Directors Report the Company received the coveted accreditation from the heath authorities of Japan. On the basis of this accreditation, your Company already started supplying active pharmaceutical ingredients, like Ebastine developed and produced at its facilities, to the Japanese market during the year.

Early this year, TGA, an Australian regulatory body gave its approval to Bal Pharma Limited as being GMP compliant. With this approval, the Company is now in a position to supply the antidiabeties drug Gliclazide, which is in good demand in Australia and New Zealand.

The total exports of your Company increased from Rs. 29.24 crores from the previous year to Rs. 33.72 crores in the year showing a significant growth of 15.30%.

Uttarakand Formulation Plant:

The new Formulation Plant with the state of art designed facility for regulated market is complete in the Excise Free Zone of Uttarakand. The trial runs are going on and commercial production is expected shortly.

Your Company has also acquired 10 acres of land in SEZ Pharma Zone in Hassan, Karnataka to increase its bulk drug manufacturing capacity. The project is expected to complete by the year 2010.

5. RESEARCH & DEVELOPMENT:

The R&D division of Bal Pharma Limited, in keeping with its genre of activities, has been successful in developing processes for a number of new pharmaceutical products. Several of these products have gone into commercial production at the Company's manufacturing facilities and are being marketed internationally.

The pharmaceutical products that have been developed in the R&D division are backed by extensive documentation of a standard to meet stringent requirements of international regulatory authorities. The quality characteristics of the product offered are well defined and are supported by sophisticated analytical methodologies developed for the specific purpose.

The concepts that guide the development process of a drug in the R&D are based on precepts of sound technical competence and high degree of quality assurance. These characteristics have met with the approval of medicine agencies in Europe and Japan with the result that the prospects of introducing novel and therapeutically more effective drugs from the Company have brightened considerably.

The R&D division is now taking up challenging projects which involve development of processes for drugs possessing chiral characteristics. This particular field of pharmaceutical chemistry holds phenomenal growth prospects.

6. AUDIT COMMITTEE:

The Audit Committee, a sub-committee of the Board of Directors consists of Mr. David Rasquinha, nominee Director of EXIM Bank, Dr. G S R Subba Rao, Independent Director and Mr. Shrenik Siroya, Non-executive Director.

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

7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

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

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Internal Audit is carried out by Messrs. Raghu & Company, an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there are adequate internal control systems in respect of areas carried out by them.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956 your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2008:

(i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;

(ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;

(v) that the Directors have prepared the annual accounts on 'going concern' basis.

9. SUBSIDIARY COMPANIES:

The Company had 2 Subsidiary Companies as on 31st March, 2008.Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary companies are given as Annexure I forming part of the Director' Report.

10. PARTICULARS OF EMPLOYEES:

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

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

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

12. PUBLIC DEPOSITS:

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

13. DIRECTORS:

As on date, your Board consists of 6 Directors, 3 of whom are Non-Executive Directors and of which 2 are Independent Directors. 1 of them is Nominee Director of Exim Bank and. 2 of them are Executive Directors. Mr. Shrenik Siroya and Dr.G.S.R. Subba Rao retire by rotation at the 21st Annual General Meeting of the Company and being eligible, offer themselves for reappointment. Your Directors have pleasure in recommending their reappointments.

14. AUDITORS:

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

15. COST AUDIT:

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations Division.

Subject to the approval of the Central Government, the Board has appointed Mr. G.I. Srinivasamurthy as Cost Auditor of the Company for the financial year 2007-08. The Cost Audit is under process and the Company will submit the Cost Auditors' Report to the Central Government in time.

16. EMPLOYEE STOCK OPTION SCHEME:

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2008 under the "Bal Pharma Limited Employees Stock Option Scheme, 2006" is set out in the Annexure – III to the Directors Report.

17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS:

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the shareholders is given in Additional Shareholders information section.

18. APPRECIATION:

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

For and on behalf of the Board of Directors

Bangalore
30th July, 2008

Dr. S. Prasanna
Whole Time Director

Shailesh Siroya
Managing Director

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ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE I

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31st March, 2008:

1. Conservation of Energy:

A. POWER AND FUEL CONSUMPTION		2007-08	2006-07
1. Electricity			
(a) Purchased Unit	(kwhr)	1,974,652	1,999,804
Total Amount	(Rs.)	9,453,051	9,479,542
Rate/Unit	(Rs.)	4.79	4.74
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	111025	213,705
Units per ltr of Diesel	(kwhr)	2.88	2.91
Cost/unit	(Rs.)	12.83	12.94
(ii) Through Steam Turbine / Generator		Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards * (if any)	**2007-08****	2006-07**
i.	Electricity		
ii.	Furnace Unit		
iii.	Coal		
iv.	Others		

*	Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production;
**	For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year

2. Disclosure of Particulars with respect to Technology absorption:

1. Research and Development (R & D)	
(a) Specific areas in which R & D is carried out by the Company	The R&D division's focus has been on the development of novel procedures for drugs in the therapeutic areas of antihistaminics, antidiabetics and antiglaucoma.
(b) Benefits derived as a result of the above R & D	Processes for new products in the above therapeutic areas have been refined and are being taken to commercial production stage. The products have potential of doing well in the international market.
(c) Future plan of action	The R&D division will continue to work on the development of technology and processes for newer and more active drugs in these and other therapeutic segments.

(d) Expenditure on R & D during the financial year ended on **31-03-2008**:	
	(Rs. in Lakhs)
(i) Capital	**27.94**
(ii) Recurring	**76.62**
(iii) Total	**104.56**
(iv) Total R& D expenditure as a percentage of total turnover	**1.21%**

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	Novel processes have been designed in the R&D laboratory for many drugs to meet the requirements of the commercial market. These processes have been and are being tested for applicability and adaptation at the pilot plant scale for their robustness and efficiency. On fine-tuning the processes and checking their viability, commercial level production activity commences. Products like Topiramate, Levobunolol hydrochloride have thus been introduced already.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.,	The benefits fall in the realm of efficiency, lower input costs, higher purity levels of the final products etc. The company backs up the production activities with thorough documentation which is helping it to make a confident foray in the export market
(iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be furnished:	
(a) Technology imported:	Nil
(b) Year of import:	Nil
(c) Has the technology been fully absorbed	Not applicable
(d) If not fully absorbed, areas where this has not taken place, reason therefore and future plan of action:	Not applicable

4. Total Foreign Exchange Earnings and Outgo:

	2007-08 Rs	**2006-07 Rs**
Total Foreign Exchange Earnings	**328,185,208**	288,053,687
Total Foreign Exchange Outgo	**157,387,359**	129,653,742
(a) Raw Materials	**150,863,630**	125,654,110
(b) Other Foreign currency payments		
(i) Travelling Expenses	**2,129,247**	676,300
(ii) Export Promotion Expenses	**1,582,503**	653,895
(iii) Others – Capital import	**2,811,979**	2,669,437

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

(A)

(1) Name of the Company : Novosynth Research Labs Pvt. Ltd.,

(2) The financial year of the Subsidiary Company ended on : 31st March, 2008

(3) Date from which it became subsidiary : 10-8-2001

(4) Number of shares held by Bal Pharma with its nominees in the subsidiary Company at the end of the financial year of the Subsidiary Company. : 346 shares of Rs. 1000/- each

(5) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company : 100%

(6) Net aggregate amount of the Subsidiary Company's profits(loss) so far it concerns the members of HoldingCompany

a. Not dealt within the Holding Company's accounts:
   (i) for the financial year ended on 31-3-2008 : Nil
   (ii) for the previous financial years : Nil

b. Dealt within the holding Company's accounts :
   (i) for the financial year ended on 31-3-2008 : Nil
   (ii) for the previous financial years : Nil

(B)

(1) Name of the Company : Basav Chem Limited

(2) The financial year of the Subsidiary Company ended on : 31st March, 2008

(3) Date from which it became Subsidiary : 06-12-2007

(4) Number of shares held by Bal Pharma with its nominees in the Subsidiary company at the end of the financial year of the Subsidiary Company. : 1,00,000 shares of Rs.10/- each

(5) Extent of interest of Holding company at the end of the financial year of the Subsidiary Company : 100%

(8) Net aggregate amount of the Subsidiary Company's profits(loss) so far it concerns the members of Holding Company : Rs. 6,39,991/-

a. Not dealt within the holding Company's accounts :
   (i) for the financial year ended on 31-3-2008 : NIL
   (ii) for the previous financial years : NIL

b. Dealt within the Holding Company's accounts :
   (i) for the financial year ended on 31-3-2008 : Rs. 6,39,991/-
   (ii) for the previous financial years : NIL

ANNEXURE II

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

Sl. No.	Name & Designation	Qualification	Age	Gross Remuneration	Date of Commencement	Total Experience	Last Employment	Share holding
1 *	Shailesh Siroya Managing Director	MBA	42	36,00,000	01.08.1994	16 years	Business	6.42%

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

***Remuneration includes all costs incurred by the Company on the respective personnel i.e. basic salary & Allowances etc.

For and on behalf of the Board of Directors

Bangalore
30th July, 2008

Dr. S. Prasanna
Whole Time Director

Shailesh Siroya
Managing Director

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