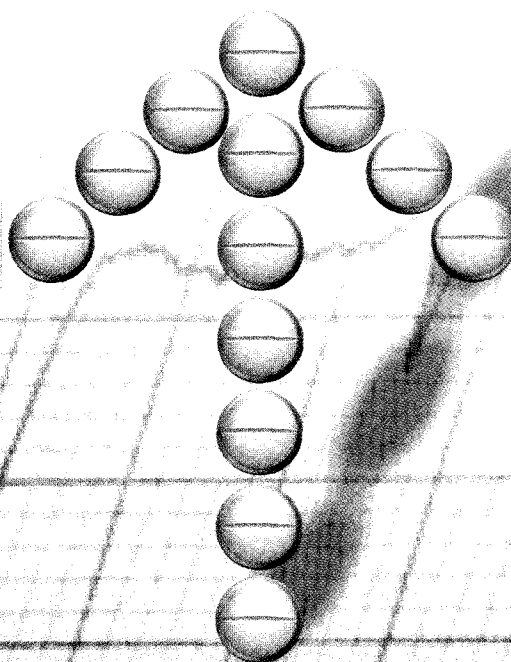




RPG LIFE SCIENCES LIMITED

38th Annual Report 2005-06

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BOARD OF DIRECTORS

Mr. H. V. Goenka Chairman
 Mr. R. A. Shah Alternate to Mr. Dilip Sen
 Mr. C. L. Jain
 Mr. Ajit Gulabchand
 Mr. Niraj Bajaj
 Dr. Lalit S. Kanodia
 Mr. Mahesh S. Gupta
 Mr. Manoj K. Maheshwari
 Mr. P. K. Mohapatra
 Mr. Dilip Sen

AUDIT COMMITTEE

Mr. C. L. Jain
 Mr. Niraj Bajaj
 Mr. Mahesh S. Gupta
 Mr. P. K. Mohapatra

COMPANY SECRETARY

Mr. M. C. Mehta

REGISTERED OFFICE

CEAT Mahal,
 463, Dr. Annie Besant Road,
 Worli, Mumbai - 400 030.
 Tel : 2498 1650/51/52
 Fax : 2497 0127
 E-mail : info@rpglifesciences.com
 Website : www.rpglifesciences.com

AUDITORS

Lovelock & Lewes

MANAGEMENT TEAM

Mr. M. H. Narasimhan
 Chief Executive - Global Formulations

 Mr. R. R. Dalvi
 Vice President & Chief Technology Officer

 Mr. G. Srinivas
 Vice President & Head of Business-
 Global Generics, API & Biotech

 Mr. Ashoke Roy
 General Manager - Finance
 (w.e.f. 15-06-2006)

Mr. Sridhar Bharadwaj
 Head - Human Resources
 (w.e.f. 06-07-2006)
 Mr. M. V. Lotlikar
 General Manager - QA & Regulatory Affairs

SOLICITORS

Crawford Bayley & Co.

BANKERS

Union Bank of India
 State Bank of India
 Canara Bank
 Corporation Bank

REGISTRARS

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (West),
 Mumbai - 400 078.
 Tel.: 2596 3838 Fax: 2596 2691

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RPG LIFE SCIENCES LIMITED

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RPG LIFE SCIENCES LIMITED WILL BE HELD ON FRIDAY, AUGUST 25, 2006 AT M.C.GHIA HALL, BHOGILAL HARGOVINDAS BUILDING, 18/20, KAIKHUSHRU DUBASH MARG, (BEHIND PRINCE OF WALES MUSEUM) MUMBAI-400 001 TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at March 31, 2006, the profit and loss account for the year ended on that date together with the reports of the board of directors and the auditors thereon.
2. To declare a dividend for the year ended March 31, 2006.
3. To appoint a director in place of Mr. H.V. Goenka, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Ajit Gulabchand, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Mahesh S. Gupta, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Lovelock & Lewes as statutory auditors to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Dilip Sen who was appointed as a director in casual vacancy by the board of directors of

the company, and in respect of whom the company has received a notice in writing, under section 257 of the Companies Act, 1956, from a member of the company, proposing candidature of Mr. Dilip Sen to the office of director of the company, and who has consented, if appointed, to act as director of the company, be and is hereby appointed as a director of the company liable to retire by rotation."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The explanatory statement setting out material facts concerning the special business mentioned under item no.7 of the notice as required under section 173(2) of the Companies Act, 1956, is annexed hereto.
3. The register of members and share transfer books of the company will remain closed from Thursday, August 17, 2006 to Friday, August 25, 2006 (both days inclusive).
4. The members who have not encashed their dividend warrants for the financial year 1998-99 onwards, may write to the Registrar and Share Transfer Agent of the company. The members are requested to note that the dividend for the aforesaid years which remains unclaimed for a period of seven from the date of transfer to the unclaimed dividend account will be transferred to the Investor Education and Protection Fund as per section 205A of the Companies Act, 1956, and thereafter no claim shall lie against the said fund or the company. The members are also requested to note that unclaimed dividend pertaining to the financial year 1998-99 will become due for transfer to the Investor Education and Protection Fund on October 9, 2006.
5. A brief profile of the directors seeking re-appointment is given hereunder.

Mr. H.V. Goenka

Mr. Harsh Vardhan Goenka (48) is chairman of the Rs 9500 crores RPG Enterprise, one of the largest

RPG LIFE SCIENCES LIMITED

industrial groups in India, active in tyre, power, life sciences, retail, information technology and entertainment. Mr. Goenka comes from the well known family of industrialists of Kolkata and is the son of Mr. Rama Prasad Goenka. Born in December 1957, Mr. Goenka graduated in Economics and thereafter MBA from the International Institute of Management Development (IMD), Lausanne, Switzerland.

Mr. Goenka is the chairman of RPG Enterprises Ltd., KEC International Ltd., Zensar Technologies Ltd., and Raychem RPG Ltd., and vice chairman of CEAT Ltd. Mr. Goenka is also a director of Bajaj Electricals Ltd., State Industrial & Investment Corporation of Maharashtra Ltd. (SICOM), Spencer International Hotels Ltd. and Zensar Technologies Inc. Mr. Goenka is a chairman of the remuneration committee of CEAT Ltd. and a member of the board of IMD, Lausanne.

He is a director of the company since December 1983 and does not hold any shares in the company.

Mr. Ajit Gulabchand

Mr. Ajit Gulabchand is a B.Com. (Hons.) from Mumbai University. He is an industrialist and chairman and managing director of Hindustan Construction Co. Ltd. He has over 27 years of experience in construction business.

Mr. Ajit Gulabchand is chairman and managing director of Hindustan Construction Co. Ltd. He is on the board of renowned listed companies such as Bajaj Electricals Ltd. and the Indian Hume Pipe Co. Ltd., and also on the board of unlisted companies like Lavasa Corporation Ltd., Hindustan Finvest Ltd., HCC Infotech Ltd., Hicon Technoconsult Ltd., Hicon Holdings Ltd., Hicon Realty Ltd., Western Securities Ltd., Shalaka Investment Pvt. Ltd., Champali Garden Pvt. Ltd. and Motorsports Association of India. He is also the chairman of board of governance, National Institute of Construction Management & Research (NICMAR) and chairman of Walchand College of Engineering, Sangli. He is also a member of Shareholders/Investors Grievance Committee of Hindustan Construction Co. Ltd. and the Indian Hume Pipe Co. Ltd.

He is a director of the company since June 1997 and does not hold any shares in the company.

Mr. Mahesh S. Gupta

Mr. Mahesh S. Gupta (49), has an Honours degree in B. Com; and is L.L.B. (Gen.), F.C.A., and F.C.S. He has an outstanding academic record- a rank holder and a silver medallist in Company Secretaries final examination.

Mr. Gupta has over 25 years of professional experience in all aspects of over-all management including 22 years experience in over-all finance function including treasury, mergers and acquisitions, operational review, strategic planning, direct taxation and company law matters. Mr. Gupta worked with 'Piramal Group' for over 17 years including last 9 years as Group CFO. He was on the board of several companies in the Piramal Group including whole time director of Nicholas Piramal India Limited, and also worked with RPG group as Group CFO and Management Board Member and as CEO-Welspun India Limited. Mr. Gupta is presently employed as Group Executive Director with 'Piramal Group' for their realties, textile, retail and engineering business.

Mr. Gupta is also a director of CEAT Ltd., Peninsula Land Ltd., Morarjee Textiles Ltd., Piramyd Retail Ltd., Peninsula Investment Management Company Ltd. and RPG Raychem Ltd. He is also a member of Audit Committee of CEAT Ltd.

Mr. Gupta has been associated with number of professional bodies and currently he is a member on various committees including member Governing Council of Indian Association Corporate CFOs & Treasures (In Act).

Mr. Gupta was awarded the CFO of the Year Award, Special Commendation for Financial Excellence (Mergers & Acquisitions category) by IMA (formerly known as EIU), New Delhi.

He is a director of the company since October 2003 and does not hold any shares in the company.

6. A brief profile of Mr. Dilip Sen, whose candidature as a director of the company is placed before the members, is as under.

Mr. Sen (57), is Bachelor of Electrical Engineering with Honours distinction. He worked as a project engineer

RPG LIFE SCIENCES LIMITED

in Union Carbide Limited, and joined CESC Limited in 1974 as an engineer in distribution division and presently works as Executive director (Commercial), over seeing the entire commercial functions and IT initiatives of the company. Mr. Sen is widely experienced in all facets of power utility activities with particular emphasis on power distribution. In between for three years, Mr. Sen also worked as chief Executive, RPG Netcom Ltd., setting up a State of the Art cable company for cable services in the city of Kolkata and Howrah. Mr. Sen has contributed many papers in national and international conferences relating to power sector and has been a part of CII delegations in international interactions.

Mr. Sen does not hold directorship in any other company. He does not hold any shares in the company.

7. Members holding shares in physical form are requested to notify the change, if any, in their address and bank mandate details to the Registrar and Share Transfer Agent M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078.

By Order of the Board of Directors

M.C.Mehta
Company Secretary
& Controller – Legal

Registered office:

463, Dr. Annie Besant Road,
CEAT Mahal, Worli,
Mumbai- 400 030

Place: Mumbai

Date: June 27, 2006

ANNEXURE TO NOTICE**Explanatory Statement as required under section 173(2) of the Companies Act, 1956.****Item No.7 :**

Mr. Dilip Sen was appointed as a director by the board on January 18, 2006 in casual vacancy caused by death of Mr. S. Ranji. Pursuant to section 262 of the Companies Act, 1956, Mr. Dilip Sen holds office only up to the date of the ensuing annual general meeting. A notice under section 257 of the Companies Act, 1956 has been received from a member of the company proposing candidature of Mr. Dilip Sen to the office of director of the company. A brief profile of Mr. Dilip Sen has been provided under note 6 above.

Your directors believe that continued association of Mr. Dilip Sen would be of immense benefit to the company and accordingly recommend the resolution mentioned at item no. 7 of the notice for your approval.

None of the directors, except Mr. Dilip Sen, is in any way concerned or interested in the resolution.

By Order of the Board of Directors

M.C.Mehta
Company Secretary
& Controller – Legal

Registered office:

463, Dr. Annie Besant Road,
CEAT Mahal, Worli,
Mumbai- 400 030

Place: Mumbai

Date: June 27, 2006

RPG LIFE SCIENCES LIMITED



DIRECTORS' REPORT

Your directors are pleased to present the thirty-eighth annual report and audited statement of accounts of the company for the year ended March 31, 2006.

1. FINANCIAL RESULTS

The following is the summary of financial performance of the company during the year under review.

	(Rs in crores)	
	2005-06	2004-05
Total Income	148.31	130.68
Profit before depreciation, interest and tax	42.80	16.90
Less: Interest	14.86	16.88
Less: Depreciation	5.58	4.69
Profit/(loss) for the year before tax	22.36	(4.67)
Provision for tax	2.67	—
Profit/(loss) for the year after tax	19.69	(4.67)
Add: Transfer from general reserve	—	0.27
Balance brought forward from previous year	(4.40)	—
	<u>15.29</u>	<u>(4.40)</u>
Appropriations:		
Proposed dividend	3.59	—
Tax on proposed dividend	0.50	—
Transfer to general reserve	1.97	—
Balance carried forward to balance sheet	9.23	(4.40)
	<u>15.29</u>	<u>(4.40)</u>

2. DIVIDEND

Your directors recommend a dividend of Rs 2.50 per equity share of par value of Rs 10.

3. OPERATIONS

Your directors are pleased to report that the company has returned to profits with an impressive performance during the year. While the total income at Rs 148.31 crores grew by 13.50% compared to the previous year, the profit after tax for the year grew significantly to Rs 19.69 crores compared to a loss of Rs 4.67 crores in the previous year. An improved focus on business strategy, accelerated cost optimisation and closure of unit at Pune during the year helped achieve this performance.

Despite increased competition, the domestic formulation business achieved an encouraging growth of 17%, which stands well ahead of industry growth of about 12%. The focus on key brands helped achieve good growth in both Sertec division, which caters to chronic therapy segments and Acumed division, which caters to acute therapy segments. During the current year, several initiatives have been launched to grow the company's traditionally strong therapy segments like cardiovascular, nephrology, pain management, diabetology, central nervous system and gastro intestinal. The company has re-oriented and re-organized its marketing team and also plans to launch four new products and several line extensions during the current year to support the planned growth in these segments. Meanwhile, export of branded formulations grew by 13% during the year. The company proposes to have a dedicated marketing set-up in the destination countries to harness full growth potential of the markets for the company's formulations.

The global generics business continued to do well, with revenues growing by 38% and contributing significantly to overall profitability. Further efforts will be made during the current year to further strengthen relationship with existing global partners and to develop new partnerships in areas where the company has significant competitive advantages. The company is in discussion with potential new customers for long term supply of generic formulations as well as plans to launch a novel drug delivery formulation of a key drug in UK during the current year. The company has also finalised formulation development contracts for two other major categories that will help build a comprehensive basket for global generics products.

With a view to support these growth objectives, the company is in the process of setting up a new US FDA approvable bulk drugs facility at its existing plant at Navi Mumbai. The new facility is expected to be completed by December 2006. The company also plans to upgrade its existing UK MHRA approved formulation facility at Ankleshwar to US FDA standards.

During the year under review, exports of synthetic bulk drugs grew by 14%. The company launched two new bulk drugs each in the domestic and international market during the year and three new bulk drugs are under advance stage of development.

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The sale of bulk drugs manufactured through the fermentation process registered a healthy growth of 29%, with two key products Doxorubicin and Epirubicin finding good demand in both domestic as well as international markets. During the current year too, the company will continue to focus on the oncology and immuno-suppressants group of products. In order to enhance focus on oncology products, the company has set up a dedicated manufacturing facility at Ankleshwar during the year under review, which will be upgraded to US FDA standards during the current year. On receipt of necessary regulatory approvals, this will open up the attractive American and European markets for these products, and in preparation for the same, the company has already filed drug master file in US for two products. The company has a robust process for identifying and scanning next generation molecules both in oncology and immuno-suppressant segment. The company has already completed pilot scale batches for two new generation molecules and would commercially launch the same during the current year. Growth in fermentation business will be further driven by two new anti-cancer drugs that are under advance stages of development. This is aimed at maintaining the company's niche position in oncology. The company has also been granted patent in the important markets of South Africa and Australia for its Cyclosporin formulation. In this segment too, two new drugs are under development process.

Exports

The exports during the year amounted to Rs 51 crores against Rs 40 crores in the previous year. The company expects to achieve good growth in exports during the current year despite steep price erosion in international business, through several initiatives like new products, broad basing of its customers, improving R & D productivity and cost reduction.

4. RESPONSIBILITY STATEMENT

The directors confirm:

- (i) That in the preparation of the annual accounts for the year under review, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (ii) That they have selected appropriate accounting policies and applied them consistently and made judgements and estimates 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 March 31, 2006 and of the profit for the year ended on that date;

- (iii) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) That they have prepared the annual accounts on a going concern basis.

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

The particulars as required 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 are given in annexure A to this report.

6. PARTICULARS OF EMPLOYEES

The particulars of employees of the company, in terms of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in annexure B to this report.

7. SUBSIDIARY

The accounts as of March 31, 2006 and the report of the directors and auditors of Instant Trading and Investment Company Limited, a subsidiary of the company, are not attached pursuant to exemption granted by the Central Government. The members are informed that annual accounts of the said subsidiary and the related detailed information will be made available on request. The accounts of the said subsidiary for the year ended March 31, 2006 are also open for inspection to members at the head office of the company as well as that of its subsidiary.

8. CORPORATE GOVERNANCE

As required by the listing agreement, certificate of a practising company secretary on compliance of conditions of corporate governance is annexed to this report. The management discussion and analysis report and compliance report on corporate governance as required by clause 49 of the listing agreement form part of the annual report for the year ended March 31, 2006.



RPG LIFE SCIENCES LIMITED

9. PUBLIC DEPOSITS

The total amount of public deposits as on March 31, 2006 is Rs 1.35 crores. Deposits amounting to Rs 25.38 lacs remained unclaimed by the depositors at the end of the year.

10. INCREASE IN CAPITAL

During the year, the paid up equity share capital increased to Rs 14.37 crores consequent to allotment of 19,40,000 equity shares on March 31, 2006. These shares were issued on preferential basis at a price of Rs 158 per share (including premium of Rs 148 per share) pursuant to a special resolution passed by the members at the extraordinary general meeting held on March 17, 2006.

11. EMPLOYEE STOCK OPTION PLAN

During the year, the company established "2005 Employee Stock Option Plan" with a view to reward and retain the key employees as also attract the best talent. The disclosures in compliance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in annexure C to this report.

12. DIRECTORS

Mr. H.V. Goenka, Mr. Ajit Gulabchand and Mr. Mahesh S. Gupta retire by rotation at the ensuing annual general meeting, and being eligible, offer themselves for re-appointment. Your directors regret to inform you of the sad demise of Mr. S. Ranji, a director of the company for several years. The board of directors wish to place on record the valuable contribution made by Mr. Ranji during his 18 years long tenure on the board. The board of directors at its meeting held on January 18, 2006 has appointed Mr. Dilip Sen as a director in the casual vacancy caused by the demise of Mr. S. Ranji. Pursuant to section 262 of the Companies Act, 1956, Mr. Dilip Sen holds office upto the date of the ensuing annual general meeting. A notice has been received under section 257 of the Companies Act, 1956 from a member of the company for appointment of Mr. Dilip Sen to the office of director of the company. The resolution for his appointment is being placed before the members at the ensuing annual general meeting. On June 27, 2006, Mr. R. A. Shah has been appointed as an alternate director to Mr. Dilip Sen.

13. SAFETY

The safety inspection and audits were periodically carried out during the year across all factories. The safety awareness programmes were organised and employees concerned were also imparted safety training. The annual comprehensive health check-up of employees was also carried out.

14. AUDITORS

M/s Lovelock & Lewes, Auditors of the company, hold office until the conclusion of the ensuing annual general meeting. M/s Lovelock & Lewes, being eligible, have offered themselves for re-appointment and have confirmed that their appointment, if made, would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

15. AUDITORS' REPORT

As regards auditors comments vide paragraph 4(a) of their report, your directors request you to refer to note 3(i) and 3(ii)(a) to the accounts, which is self explanatory.

16. APPRECIATION

Your directors record their appreciation of the valuable services rendered by all employees of the company, their gratitude to the financial institutions and banks for their assistance and to the company's shareholders, customers, distributors and suppliers for their continued support.

For and on behalf of the Board of Directors

Place : Mumbai
Date : June 27, 2006

H.V. Goenka
Chairman

RPG LIFE SCIENCES LIMITED**ANNEXURE A TO THE DIRECTORS' REPORT**

The Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY**(a) Energy conservation measures taken during the year:**

The thrust on energy conservation continued during the year across all manufacturing locations and the combined use of systems, devices and process change was made to conserve energy. The various measures taken during the year include installation of variable frequency drive to reactor and water pump, installation of timers to turn off power when not required and installation of pneumatic auto valve in cooling tower in place of manually operated one etc.

(b) Proposals being implemented for reduction of consumption of energy:

Areas covered include increase in cooling tower capacity at Ankleshwar plant to reduce gas consumption, ceiling height reduction in production area to save energy in air conditioning and to reduce horse power of pump motor for chilled water circulation.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

The energy conservation measures undertaken during the year has resulted in saving of around Rs 4 lacs and has thereby contributed in reducing the cost of production.

(d) Total energy consumption and energy consumption per unit as per Form A**FORM A****Form of disclosure of particulars with respect to Conservation of Energy**

	Current Year	Previous Year			
A. Power & Fuel Consumption			3	Furnace Oil	
I Electricity				Quantity (litres) (in '000)	8 295
(a) Purchased				Total amount (Rs in lacs)	1.14 37.58
Units (in '000 kWh)	5185	6673		Average Rate (Rs / litre)	14.25 12.74
Total amount (Rs in lacs)	226.70	292.21	4	Other Internal Generation	
Rate / Unit (Rs)	4.37	4.38		Quantity (units in '000 kwh)	— 2848
(b) Own Generation				Total Cost (Rs in lacs)	— 157.47
(i) Through Diesel Generator				Rate per litre (Rs)	— 5.53
(Unit in '000)	91	112	B	Consumption per unit of production	
Total amount (Rs in lacs)	11.93	12.25		Std if any	Current year
Cost per unit (Rs)	13.10	10.94			Previous year
(ii) Through Steam			Products, Unit	From the records and other books maintained by the company, in accordance with the provisions of the Companies Act, 1956, the company is not in a position to give the information required as per this format for both the current and the previous year.	
Testing Generator			Electricity		
Gas (Units in '000)	242	245	Furnace Oil		
Total amount (Rs in lacs)	21.94	21.52	Coal		
Cost per unit (Rs)	9.07	8.78	Others		
2 Coal					
Quantity (Tonnes)	—	—			
Total Cost	—	—			
Average Rate	—	—			

B. TECHNOLOGY ABSORPTION**I Specific areas in which R & D has been carried out by the company**

- Process development of speciality chemicals, especially bulk drugs using non-infringing routes of synthesis.
- Development of novel drug formulations.
- Commercialisations of processes developed.
- Productivity improvement with reference to quality, yield, and effluents, thereby developing environment friendly processes.

- Development of products using biotechnology/microbiology.

- Generation of data for filing drug master files for bulk drugs.

2 Benefits derived as a result of above R & D

Three cardiovascular drugs, an anti-ulcer drug, and anti-psychotic drug and three oncology drugs are in advanced stage of development. Process improvement for some of the existing bulk drugs were carried out making the processes environment friendly and cost effective. Several pharmaceutical products were launched based on technologies developed in house. Several formulations were launched based on in-house