



UNICHEM
LABORATORIES LTD.



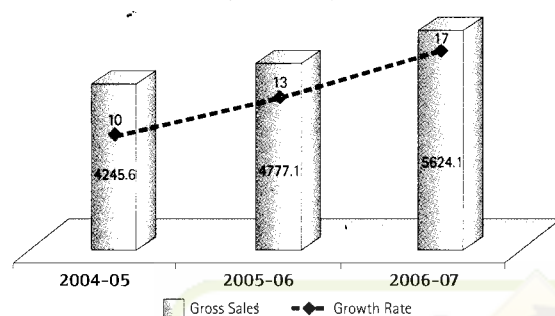
Report  [junction.com](http://www.reportjunction.com)

Annual Report 2006-2007

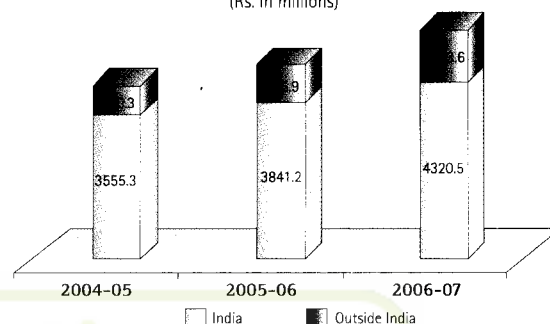
Financial Highlights

- Sales/Income from operations (Gross) up by 17.7% to Rs. 5624.1 millions
- Profit before tax & extraordinary gains up by 29.7% to Rs. 1057.4 millions
- Revenues from International business up by 39.3% to Rs. 1303.6 millions
- Recommendation of 100% Dividend of Rs. 5 on equity share of Rs. 5 each.

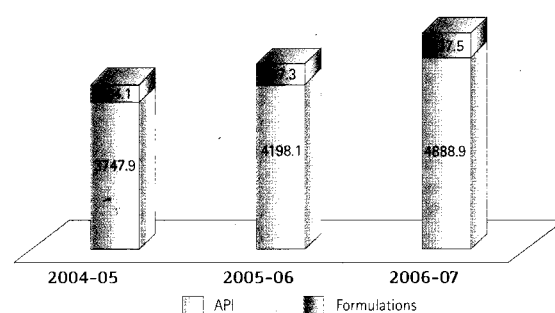
Sales/Income from Operations (Gross)
(Rs. in millions)



Sales Mix by Geographical Segment
(Rs. in millions)

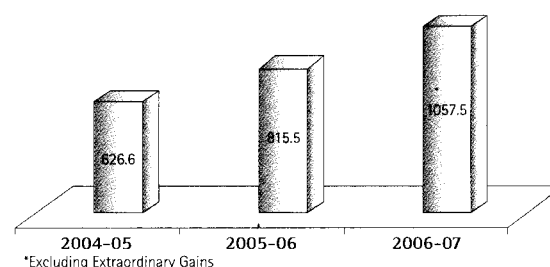


Sales Revenue Mix*
(Rs. in millions)



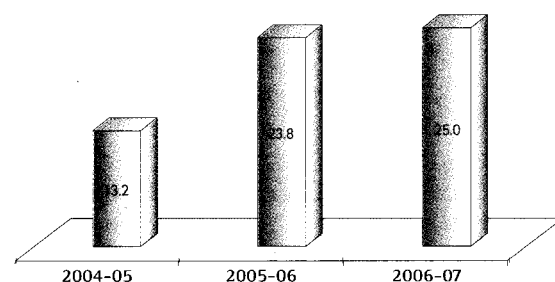
* Excluding income from Operations

Profit Before Tax*
(Rs. in millions)

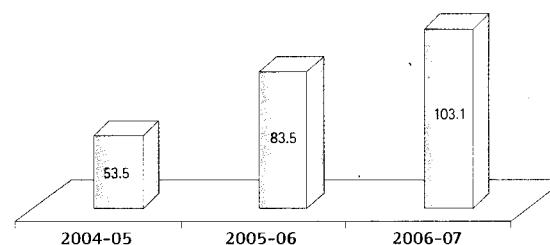


*Excluding Extraordinary Gains

Earning Per Share
(Rs.)

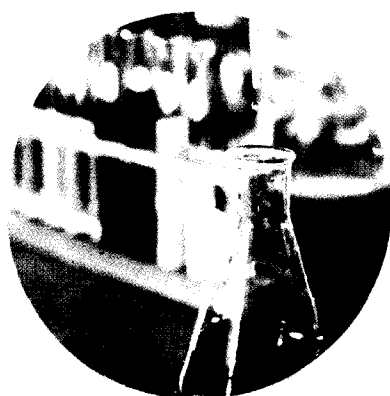


Book Value Per Share
(Rs.)



Contents

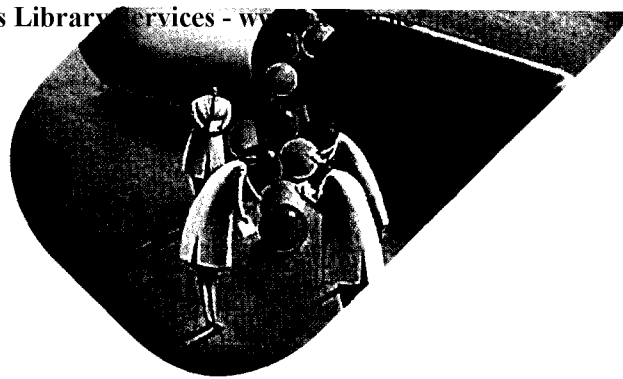
Unichem brings to the customer a blend of modern-day research and nearly six decades of rich experience in the Indian pharmaceutical industry



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Chairman's Letter



I hope you would find our performance in the financial year ended March 31, 2007 good. Let me highlight the main points therein. Our Sales/Income from operations (Gross) grew by 17.7% over the previous year to cross the Rs. 5500 million mark with profit before tax and before extra-ordinary gains increasing by 29.7% and profit after tax but before extraordinary gains and prior period adjustments increasing by 27.0% to Rs 889.9 million from Rs. 700.5 million in 2005-06. Unichem's focus to enhance capital, operational and human productivity has been the key to this achievement.

In spite of the pricing pressures, the domestic pharma industry continues to show decent growth rates, led by the chronic therapeutic (lifestyle) segments like cardiovascular, central nervous system and anti-diabetic. Higher awareness and exposure to newer therapies at affordable prices has been the key driver of growth in the chronic/lifestyle segment. The Indian domestic formulations market is expected to show better growth in the next fiscal as compared to the current year subject to any unforeseen developments taking place in the regulatory environment.

Unichem Domestic sales of formulations touched almost Rs. 4000 million. The Company is looking at expanding its domestic portfolio and strengthen its

product portfolio in the domestic market through organic and inorganic modes. We believe that our brand and marketing strategies will drive greater penetration and our market share growth across the Indian market, coupled with our focus on costs, are likely to accord us superior returns over the medium term.

Our Active Pharmaceutical Ingredients (API) Business recorded a turnover of Rs. 638 million as compared to Rs. 537 million in the previous year. The export market is expected to witness a healthy growth in the coming years due to imminent patent expiries and pro- generic initiatives across the US & Europe. Unichem is also expected to benefit from some of these emerging opportunities in the near future with its expanded capacity and its increased focus of API business approach.

Unichem's revenues from International Business grew to Rs. 1303.6 million from Rs. 935.9 million in the previous year registering a growth of 39.3% and contributing to 23.1% of total revenues against 19.6% last year. International business of formulations contributed around 75% of the total export turnover and is expected to be the key driver of growth of future. At present, the Company exports both API as well as formulations to more than 60 countries across the continents.

“We believe that our brand and marketing strategies will drive greater penetration and our market share growth across the Indian market”



Chairman's Letter

Unichem is targeting growth in exports to regulated markets like Europe, USA and fast growing semi-regulated markets like CIS. The Company's strategy is to leverage its competencies in R&D, manufacturing and business development to exploit the increasing opportunities presented by the generic segment in regulated markets.

The Company got US FDA approval for its API plant at Roha, Formulation plant at Goa and its first abbreviated new drug approval i.e. ANDA approval in the year under review. Further, the Company continues its focus on high value added branded generics in select markets. In addition, the Company is actively pursuing strategic and marketing alliances with Companies abroad, in addition to the agreements inked with Lannet & Pliva in the US markets.

Expansion projects with strong cost-benefit ratio were initiated with a view to further enhance capital productivity. In this direction, Unichem initiated and completed several expansion projects including expansion of its existing manufacturing facility at Baddi (Himachal Pradesh) and upgradation of its API facilities at Roha & Pithampur.

Growth is imperative for enterprise success. We are constantly scouting for and evaluating new opportunities of growth that will propel Unichem to the next higher orbit. The Company acquired balance 40% stake in its subsidiary M/s. Niche Generics Ltd. (U.K.) during the year under review making it a wholly-owned subsidiary. You are aware Niche Generics Ltd. is engaged in developing, marketing and distributing generic pharmaceutical products in European markets.

Unichem is increasingly investing on enhancing its research and development capabilities to meet its own requirements as well as to provide it as a service to the global industry which is under costs pressure and is looking for outsourcing to low-cost, advanced capability countries like India.

None of these endeavours would have been possible without dedicated contribution of our human resources. People are our prime assets. Unichem's quest for value creation would not have been possible but for the support that my colleagues

and I received from all the customers, business associates, shareholders and members of the Board. I am grateful to them for their continued confidence in the management. I firmly believe that with the solid foundation that has been laid and the global market beckoning us, we will continue to create superior value for all our stakeholders.

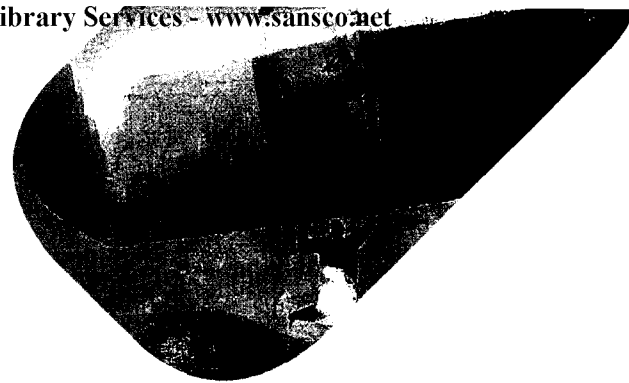
Warm Regards,

Dr. Prakash A. Mody

Chairman & Managing Director



Corporate Information



Board of Directors



Dr. Prakash A. Mody
Chairman & Managing Director



B. K. Sharma
Executive Director



Prafull Anubhai
Non-Executive Director



Ramdas M. Gandhi
Non-Executive Director

Our Mission:

**“To be a caring
pharmaceutical company
helping to enhance health
through quality products”**



Nasser Munjee
Non-Executive Director



Prafull D. Sheth
Non-Executive Director

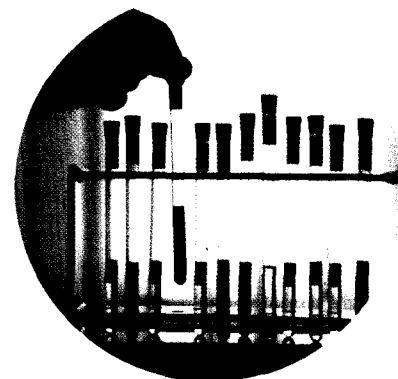


Anand Mahajan
Non-Executive Director

Registered & Corporate Office
Unichem Laboratories Ltd.
Unichem Bhavan,
Prabhat Estate, Off. S. V. Road,
Jogeshwari (West),
Mumbai - 400 102.
Tel: 022 66888333
Fax: 022 26794089/2678 4391
unichemindia.com

Registrar and Shares Transfer Agents
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills
Compound, L B S Marg,
Bhandup (West)
Mumbai - 400 078.
Tel: 022 - 2596 3838
Fax: 022 - 2594 6969

Statutory Auditors
B D. Jokhakar & Co.
Chartered Accountants
8, Ambalal Doshi Marg
Fort, Mumbai - 400 001.



Profile of Directors

Dr. Prakash Amrut Mody is a Doctorate in Organic Medicinal Chemistry from University of Mumbai and graduate alumni of Harvard Business School. He is associated with various industry associations. He serves on the Board of M/s. Kewal Kiran Clothing Limited and on all Subsidiary Companies of Unichem. He was appointed Chairman and Managing Director in 1999. He is the Chairman of the Management Committee of Unichem.

Mr. Bhoopendra Kumar Sharma holds a Masters degree in Commerce from Agra University and a Postgraduate Diploma in Personnel Management from Delhi University. He was appointed as our Executive Director in 1994. Prior to this appointment he was Vice President in charge of operations and marketing since 1989. He joined the Company in 1969 and was in charge of operations of our Ghaziabad plant till 1989. He serves on the Board of all Subsidiary Companies of Unichem. He has served on the Board of Unichem since 1994. He is a member of the Management Committee and Shareholders Grievance Committee of Unichem.

Mr. Prafull Anubhai holds B.Sc. (Econ.) from the London School of Economics and attended PMD at Harvard Business School. He is a management consultant and is associated with educational, research and cultural institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Centre for Science, Technology and Policy (CSTEP), ATIRA, Saptak (An Indian Classical Music organization) etc. He has over 30 years of experience in top management of Textile and other businesses. He serves on the Boards of Torrent Cables Ltd., The EMSAF – Mauritius (The Emerging Markets South Asia Fund), Vardhaman Textiles Ltd., Birla Sun Life Trustee Co. Pvt. Ltd., H. K. Finechem Ltd. etc. He has served on the Board of Unichem since 1979. He is the Chairman of the Audit Committee and member of the Compensation Committee of Unichem.

Mr. Ramdas M Gandhi is an advocate and solicitor by profession. He holds a Masters degree in law from University of Mumbai. He was enrolled as an attorney at law in the High Court of Mumbai in 1956. He also served as partner in a leading law firm in India namely M/s. Bhaishanker Kanga & Girdharlal, and of M/s. Manilal Kher Ambalal & Co. He presently serves on the Boards of Pidilite Industries Limited, Aarti Industries Limited, Vinyl Chemicals (India) Limited and Aarti Drugs Limited. He has served on the Board of Unichem since 1985. He is the Chairman of the Shareholders Grievance Committee and member of Audit Committee, Compensation Committee and Management Committee of Unichem.

Mr. Nasser Munjee holds a Bachelors degree from the University of Chicago and a Masters degree from the London School of Economics, U.K. Prior to joining Development Credit Bank (DCB) as its Chairman, he was with the Infrastructure Development Finance Company Limited, India (IDFC Ltd.)

as its Managing Director and CEO. His journey in creating financial institutions began with the Housing Development Finance Corporation Limited (HDFC Ltd.), whom he has been assisting since its inception in February 1978. In March 1993, he joined the Board of HDFC Ltd. as Executive Director with primary responsibility for resource mobilization, research, publications, training, communication and managing the Center for Housing Finance.

He continues to be on the Board of HDFC Ltd. along with fourteen other companies and several other institutions as Chairman, Member of the Board or as a Trustee. He has a deep interest for rural development, housing finance, urban issues, specially the development of modern cities and humanitarian causes. He is a Technical Advisor on the World Bank – Public Private Partnership Infrastructure Advisory Fund, Member of the Board of Emerging Markets of South Asia Fund (EMSAF), Trustee on HSBC Asset Management Trust and an Advisor to Primary (Quantum) Real Estate Fund. He is a Member of the Goa Planning Board, Government of Goa, Special Invitee to the Managing Committee of the Goa Chamber of Commerce & Industry, Member of the Managing Committee of the Managing Committee of the Bombay Chamber of Commerce & Industry and also of CII, Western Region.

He is a Trustee of Welham Boys School, Dehradun, Member of the Academic Council of Goa University, on the Board of Governors of the Narsee Monjee Institute of Managing Studies (NMIMS), Member and an Honorary Distinguished Professor at IIT, Kanpur. He has been on the Board of Unichem since 2003. He is member of the Audit Committee of Unichem.

Mr. Prafull D. Sheth holds a Bachelor degree in Chemistry from University of Mumbai, Bachelors and Masters degrees in Pharmacy from University of Missouri, Kansas City, USA. He has served as Executive Vice-President and Member on the Board of M/s. Ranbaxy Laboratories Limited, and as President of Indian Pharmaceutical Association. Currently serves as Vice-President, International Pharmaceutical Federation, The Hague, The Netherlands and Professional Secretary, SEAR Pharm Forum, (South East Asian FIP-WHO Forum of National Pharmaceutical Associations), New Delhi. He has been on the Board of Unichem since 2003. He is the Chairman of the Compensation Committee of Unichem.

Mr. Anand Y. Mahajan holds a Masters degree in Economics and Econometrics from University of Mumbai and Master of Business Administration from the Johnson Graduate School of Management, Cornell University USA. He is the Managing Director of Grindwell Norton Limited and the General Delegate of Compagnie de Saint-Gobain responsible for India, Sri-Lanka and Bangladesh. He serves on the Boards all Saint-Gobain subsidiaries and associate companies in India. He has served on the Board of Unichem since 2005.



Five-year Financial Highlights

(Rupees in millions)

Balance Sheet

As at March 31	2003	2004	2005	2006	2007
Sources of funds					
Equity Share Capital	85.30	170.60	170.60	180.02	180.17
Reserves & Surplus	1,096.55	1,340.12	1,655.62	2,826.09	3,533.11
Net Worth	1,181.85	1,510.72	1,826.22	3,006.11	3,713.28
Secured Loans	211.80	228.83	258.32	104.67	89.63
Unsecured Loans	337.49	248.56	190.53	178.16	162.81
Total Loans	549.29	477.39	448.86	282.83	252.44
Total Liabilities	1,731.14	1,988.11	2,275.08	3,288.94	3,965.72
Application of funds					
Gross Block	1,545.95	1,672.47	1,977.48	2,436.69	2,700.69
Depreciation	395.09	474.03	557.23	656.19	742.12
Net Block	1,150.86	1,198.44	1,420.25	1,780.50	1,958.57
Capital WIP	23.84	72.33	365.82	106.09	654.32
Net Block + Capital WIP	1,174.70	1,270.77	1,786.07	1,886.59	2,612.89
Investments	147.33	142.58	31.19	274.93	366.17
Current Assets					
Inventories	379.62	472.57	540.80	597.46	702.03
Debtors	569.39	657.29	711.45	956.56	1,253.05
Cash and Bank Balance	14.45	26.78	18.95	436.15	75.09
Loans & Advances	165.95	240.43	189.91	213.80	292.65
Total Current Assets	1,129.41	1,397.06	1,461.11	2,203.97	2,322.82
Current Liabilities					
Creditors	428.12	459.88	534.47	474.37	821.61
Other Current Liabilities	43.05	59.60	87.93	72.86	100.57
Provisions	78.22	115.48	155.74	289.17	132.84
Total Current Liabilities	549.40	634.96	778.14	836.40	1,055.02
Deferred Tax Liability	170.91	187.34	225.14	240.14	281.14
Net Current Assets	409.11	574.77	457.82	1,127.42	986.66
Total Assets	1,731.14	1,988.11	2,275.08	3,288.94	3,965.72



Five-year Financial Highlights

(Rupees in millions)

Profit and Loss Account

For the year ended 31st March	2003	2004	2005	2006	2007
Sales and income from operations	3,250.10	3,871.96	4,245.61	4,777.06	5,624.13
Other Income	29.26	12.04	119.85	42.08	106.07
Total Income	3,279.36	3,884.00	4,365.46	4,819.14	5,730.20
Material consumption	858.27	1,037.06	1,045.53	1,183.14	1,443.37
Purchase of goods	512.26	610.20	741.75	796.29	923.69
Increase/Decrease in stocks of semi-finished and finished goods	(45.83)	(49.78)	(37.57)	(27.27)	(30.10)
Research & Development Expenses	66.60	68.23	85.13	100.63	196.68
Stores and spares	15.79	21.31	24.67	33.33	46.29
Power and fuel	70.55	88.08	90.66	119.63	125.69
Staff costs	259.97	320.99	378.93	439.86	555.04
Excise	308.03	337.47	310.95	219.52	168.19
Selling expenses	336.68	336.80	400.70	434.11	490.13
Other expenses	388.37	473.86	581.87	567.50	614.77
Total cost	2,770.69	3,244.22	3,622.63	3,866.74	4,533.75
PBDIT	508.67	639.78	742.83	952.40	1,196.45
Interest	48.78	31.23	23.07	22.74	18.88
PBDT	459.89	608.55	719.76	929.67	1,177.57
Depreciation	69.85	83.78	93.13	114.20	120.12
Profit before tax	390.04	524.77	626.63	815.47	1,057.45
Extra ordinary & prior period items	(0.27)	1.85	0.12	(133.48)	(11.75)
Current tax	83.46	127.57	141.50	81.00	118.60
Fringe benefit tax	-	-	-	19.00	21.00
Profit after current tax	306.85	395.35	485.01	848.95	929.60
Deferred tax	36.00	16.43	37.80	15.00	28.00
Profit after tax	270.85	378.92	447.21	833.95	901.60
Note					
Export at FOB value	242.85	411.26	591.18	890.62	1,170.21
Equity dividend	68.24	102.36	119.42	180.02	180.17
Expenditure on					
R & D - Capital	19.82	16.04	68.80	22.62	31.63
- Recurring	66.60	68.23	85.13	100.63	196.68
Total R & D expenditure	86.42	84.27	153.93	123.25	228.31

KEY RATIOS

Key Financial

As at 31st March	2003	2004	2005	2006	2007
ROCE	25.80	27.20	27.90	27.80	27.68
RONW	22.80	25.10	24.50	23.70	24.00
EVA	167.60	250.00	257.50	449.30	450.60
Per share Data					
EPS	31.75*	12.98	13.22	23.84	25.02
Dividend	80%	60%	70%	100%	100%
Book Value per Share	138.50	44.30	53.55	83.50	103.05

* Prior to sub-division of shares from Rs. 10/- to Rs. 5/- and issue of bonus shares in the ratio of 1:1.



Directors' Report



Dear Members,

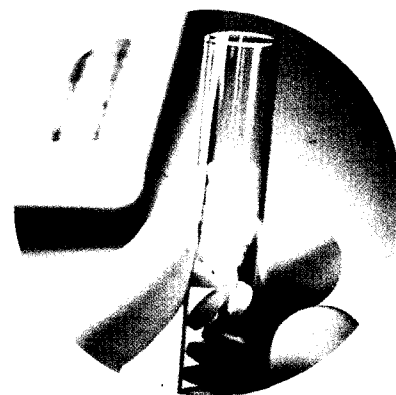
Your Directors are pleased to present the 44th Annual Report on the business and operations of the Company for the year ended March 31, 2007.

Financial highlights

The table given below gives the financial highlights of the Company on Standalone basis for the year ended March 31, 2007 as compared to the previous financial year.

Particulars	For the year ended March 31 (Rupees in millions)	
	2007	2006
Sales/Income from operations (Gross)	5624.1	4777.1
Sales/Income from operations (Net)	5455.9	4557.5
Other Income	106.1	42.1
Total Revenue	5562.0	4599.7
Operating PBDIT	1090.4	910.3
PBIT	1076.3	838.2
PBT & extraordinary gains	1057.4	815.5
Provision for taxation (including deferred tax & fringe benefit tax)	167.6	115.0
PAT before extraordinary gains and before prior-period items	889.9	700.5
Extraordinary gains	12.1	133.9
Profit after tax including extraordinary gains but before prior-period items	901.9	834.3
Prior period Expenses	0.3	0.4
Short provision for taxation pertaining to previous year	0.8	15.4
Profit after tax including extraordinary gains and after prior-period items	900.8	818.6

During the year under review, Sales/Income from operations (Gross) increased to Rs. 5624.1 million in 2006-07 from Rs. 4777.1 million in 2005-06 registering a growth of 17.7%.



- Notes: (1) In order to get a more accurate picture of the Company's operational performance, Operating PBDIT has been calculated net of "Other Income".
(2) Previous year's figures have been regrouped/reclassified wherever necessary.