

Trust  
is built  
over a time



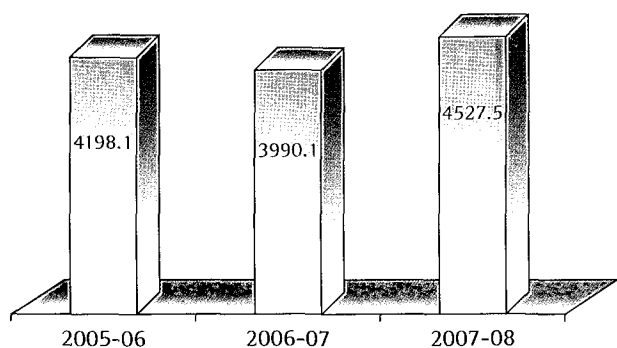
Caring & Curing  
for over  
six decades



## Financial Highlights

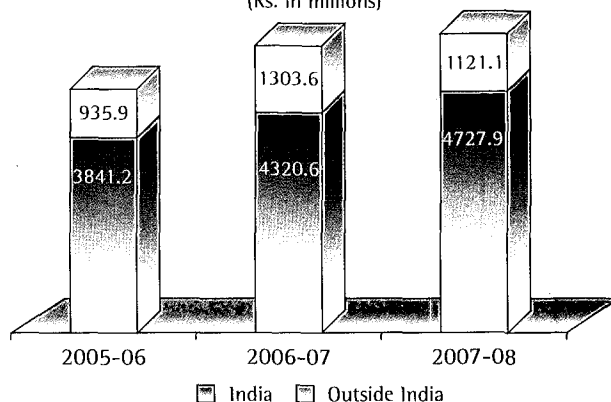
- Sales/Income from operations (Gross) up by 5.6% to Rs.5939.1 millions.
- Revenues from Domestic business up by 9.4% to Rs. 4727.9 millions.
- Recommendation of 100% Dividend of Rs. 5 on equity share of Rs. 5 each.

**Formulations India Sales\***  
(Rs. in millions)

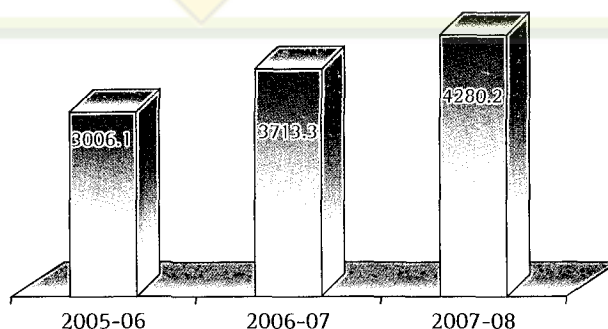


\* Excluding Income from Operations

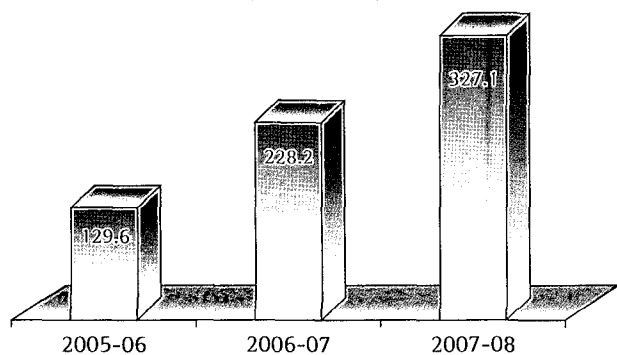
**Sales Mix by Geographical Segment**  
(Rs. in millions)



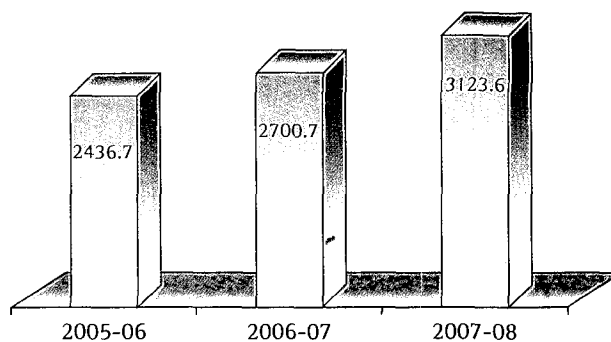
**Net Worth**  
(Rs. in millions)



**R&D Expenditure**  
(Rs. in millions)



**Gross Block of Fixed Assets**  
(Rs. in millions)



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## Corporate Information

### *Board of Directors*



**Dr. Prakash A. Mody**  
Chairman & Managing Director



**B. K. Sharma**  
Executive Director



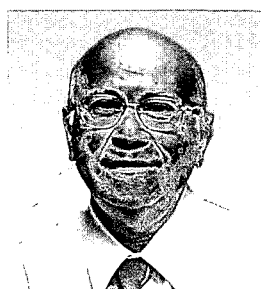
**Prafull Anubhai**  
Non-Executive Director



**Ramdas M. Gandhi**  
Non-Executive Director



**Nasser Munjee**  
Executive Director



**Prafull D. Sheth**  
Non-Executive Director



**Anand Mahajan**  
Non-Executive Director

## Corporate Information

### Board Committees

#### Audit Committee

Prafull Anubhai - Chairman  
Ramdas Gandhi  
Nasser Munjee

#### Shareholders' Grievance Committee

Ramdas Gandhi - Chairman  
B K. Sharma

#### Compensation Committee

Prafull D. Sheth - Chairman  
Prafull Anubhai  
Ramdas Gandhi

### Registered & Corporate Office

Unichem Laboratories Limited  
Unichem Bhavan  
Prabhat Estate, Off. S. V. Road  
Jogeshwari (West),  
Mumbai - 400 102.  
Tel.: 022 66888333  
Fax: 022 26794089/26784391  
unichemindia.com

### Company Secretary & Compliance Officer

K. Subharaman

### Plant Locations

#### Formulation Plants

##### GOA

Plot No. 17 & 18,  
Pilerne Industrial Estate,  
Pilerene Bardez,  
Goa - 403 511

##### BADDI

Bhatauli Kalan,  
District Solan, Baddi,  
Himachal Pradesh - 173 205

##### GHAZIABAD

C 31-32, Industrial Area,  
Meerut Road, Ghaziabad,  
Uttar Pradesh - 201 003

#### API Plants

##### ROHA

99, MIDC Area, Roha,  
District Raigad,  
Maharashtra - 402 116

##### PITHAMPUR

Plot No. 197, Sector -I,  
Pithampur -454 775  
District Dhar (MP)

### Registrar & Share Transfer Agents

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills  
Compound, LBS Marg,  
Bhandup (West)  
Mumbai - 400 078.  
Tel.: 022 25963838  
Fax: 022 25946969

### Statutory Auditors

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



## Message from the Chairman



Dear Stakeholders,

I am happy to inform you that Unichem has grown by 13.5% in the Indian Formulations Market thereby maintaining its growth momentum. Indian Formulation Market contributes nearly 78% of our total turnover within India. This performance from our Domestic team has come despite intense competition and price cuts. On the Export front, there was a dip of about 7% and we closed at a turnover of Rs. 121.1 crore as against Rs. 130.4 crore in the previous year. I am confident that in the current financial year, we will be able to do better both in Indian Formulation business and Export business. Our strategy for the domestic market is to expand the product basket covering more therapeutic segments and deepen penetration by expanding our reach to a larger number of customers. To this end we have created a

new marketing division.

Last year our UK subsidiary Niche Generics Ltd became wholly owned when we bought out the minority stake from its earlier founders. Having achieved the major objective of establishing our foothold in Europe through this acquisition we reviewed our operating model. We decided to shift development to India, pared costs and concentrated on marketing. In the process we took redundancy costs and revamped the management team. A new leader has been appointed to implement this change. Current year will see a turnaround in this subsidiary. At the same time our efforts in developing some of the other global markets continued to elude us. Cost of these efforts could not be recouped in the short term. Such initiatives have a long gestation time to yield results. Global economic slowdown did not help matters. Our strategies in the International markets are under constant review to maximize value. Many of our product registrations including approval of ANDA's by the US FDA are under progress. I am confident that these subsidiaries will provide the growth momentum in the near future.

In the last few years, in our domestic business, we have built sufficient scale and have equipped ourselves to meet any competitive challenge and are geared to meet the changing needs of our consumers. Expansion projects with strong cost-benefit ratio were initiated with a view to further enhance capital productivity. In this direction,



## Message from the Chairman

Unichem has initiated projects including setting up of a Formulation Plant at Sikkim and the expansion of its existing formulation facility at Baddi (Himachal Pradesh). The Baddi expansion is on the verge of completion.

Export oriented API has been a thrust area of our strategy. We have made sizeable investments in both API facilities situated at Roha and Pithampur to upgrade these facilities to global standards. At the same time our R & D has developed processes to service global customers in the regulated markets. This will help in optimizing cost and expanding the customer base. We expect that expansion of both the plants will be soon completed and we will benefit because of the scalability we shall achieve.

We have also made sizeable spends in R&D. Apart from developing the API business it will support our Formulations business both in domestic and international markets. Our R&D spends touched 5.6% of our sales as against 4.1% in the previous year. The Company's Bio-Science facility has been shifted from IISc Bangalore to Goa in its well designed infrastructure. This facility is equipped to handle scaling up of Bio-Science products from lab level to plant level.

After a period of consolidation Unichem has embarked on a programme of long-term profitable growth. New challenges have emerged for the Indian pharma industry

both from developments within the country and globally. We have carefully calibrated our strategy to position ourselves in this turbulent environment. Course corrections have been initiated. Many had short impact period and have started yielding results. Some others have started gathering momentum. As in any business we have to continuously review and make adjustment to secure our future. Our basic model has been de-risked. New investments have been made in plants, R & D and people across geographies. Such investments involve risk and waiting capacity. But without calculated risk we cannot secure our future. I am confident that soon we shall all be able to see the results of these steps. Many of these decisions were tough and would have been difficult to execute without the support of the Board and the commitment of our people. I would like to record my appreciation for the valuable inputs provided by them.

Our customers, business associates and shareholders have reposed their faith in us. 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 large opportunities in front of us, we will continue to create superior value for all our stakeholders.

Warm Regards,

**Dr. P. A. Mody**

*Chairman and Managing Director*



## Five-year Financial Highlights

(Rupees in millions)

### Balance Sheet

As at 31st, March	2004	2005	2006	2007	2008
<b>Sources of funds</b>					
Equity share capital	170.60	170.60	180.02	180.17	180.21
Reserves & surplus	1,340.12	1,655.62	2,826.09	3,533.11	4,099.97
Net worth	1,510.72	1,826.22	3,006.11	3,713.28	4,280.18
Secured Loans	228.83	258.31	104.67	89.63	55.33
Unsecured Loans	248.56	190.55	178.16	162.81	178.30
Total Loans	477.39	448.86	282.83	252.44	233.63
<b>Total Liabilities</b>	<b>1,988.11</b>	<b>2,275.08</b>	<b>3,288.94</b>	<b>3,965.72</b>	<b>4,513.81</b>
<b>Application of funds</b>					
Gross block	1,672.47	1,977.49	2,436.69	2,700.69	3,123.56
Depreciation	474.03	557.23	656.19	742.12	880.55
Net block	1,198.44	1,420.26	1,780.50	1,958.57	2,243.01
Capital WIP	72.33	365.82	106.09	654.32	1,031.92
NB + CWIP	1,270.77	1,786.08	1,886.59	2,612.89	3,274.93
Investment	142.58	31.18	274.93	366.17	418.10
<b>Current Assets</b>					
Inventories	472.57	540.80	597.46	702.03	714.50
Debtors	657.29	711.45	956.56	1,253.05	1,235.80
Cash and bank balance	26.78	18.95	436.15	75.09	69.68
Loans & advances	240.42	189.91	213.80	292.65	270.32
<b>Total current assets</b>	<b>1,397.06</b>	<b>1,461.11</b>	<b>2,203.97</b>	<b>2,322.82</b>	<b>2,290.30</b>
<b>Current Liabilities</b>					
Creditors	459.88	534.47	474.38	821.62	725.45
Other current liabilities	59.60	87.94	72.86	100.56	85.07
Provisions	115.48	155.74	289.17	132.84	336.36
<b>Total current liabilities</b>	<b>634.96</b>	<b>778.15</b>	<b>836.41</b>	<b>1,055.02</b>	<b>1,146.88</b>
Deferred tax liability	187.34	225.14	240.14	281.14	322.64
Net current assets	574.76	457.82	1,127.42	986.66	820.78
<b>Total assets</b>	<b>1,988.11</b>	<b>2,275.08</b>	<b>3,288.94</b>	<b>3,965.72</b>	<b>4,513.81</b>



## Five-year Financial Highlights

(Rupees in millions)

## Profit and Loss Account

For the year ended 31st March	2004	2005	2006	2007	2008
Sales and income from operations	3,871.96	4,245.61	4,777.06	5,624.13	5,939.12
Other Income	21.36	119.85	42.08	106.07	66.98
<b>Total Income</b>	<b>3,893.32</b>	<b>4,365.46</b>	<b>4,819.14</b>	<b>5,730.20</b>	<b>6,006.10</b>
Material consumption	1,037.06	1,045.53	1,183.14	1,443.37	1,450.10
Purchase of finished goods	610.20	741.75	796.29	923.69	1,010.91
Increase/ Decrease in stocks of semi-finished and finished goods	(49.76)	(37.57)	(27.27)	(30.10)	(33.01)
Research & Development Expenses	68.23	85.13	100.63	196.68	215.70
Stores and spares	21.31	24.67	33.33	46.29	29.00
Power and fuel	79.76	90.66	119.63	125.69	141.95
Staff costs (Excluding R&D)	342.90	378.94	439.86	555.04	619.12
Excise	337.47	310.95	219.52	168.19	128.18
Selling expenses	336.80	400.70	434.11	490.13	599.60
Other expenses	469.57	581.87	567.50	614.77	730.83
<b>Total cost</b>	<b>3,253.54</b>	<b>3,622.63</b>	<b>3,866.74</b>	<b>4,533.75</b>	<b>4,892.38</b>
<b>PBDIT</b>	<b>639.78</b>	<b>742.83</b>	<b>952.40</b>	<b>1,196.45</b>	<b>1,113.72</b>
Interest	31.23	23.07	22.74	18.88	15.17
<b>PBDT</b>	<b>608.55</b>	<b>719.76</b>	<b>929.66</b>	<b>1,177.57</b>	<b>1,098.55</b>
Depreciation	83.78	93.13	114.19	120.12	153.72
<b>Profit before tax</b>	<b>524.77</b>	<b>626.63</b>	<b>815.47</b>	<b>1,057.45</b>	<b>944.83</b>
Exceptional & prior period items	(53.80)	0.12	(133.48)	(11.75)	0.23
Current tax	127.57	141.50	81.00	118.60	105.50
Fringe benefit tax	-	-	19.00	21.00	25.50
<b>Profit after current tax</b>	<b>451.00</b>	<b>485.01</b>	<b>848.95</b>	<b>929.60</b>	<b>813.60</b>
<b>Deferred tax</b>	<b>16.43</b>	<b>37.80</b>	<b>15.00</b>	<b>28.00</b>	<b>41.50</b>
<b>Profit after tax</b>	<b>434.57</b>	<b>447.21</b>	<b>833.95</b>	<b>901.60</b>	<b>772.10</b>
<b>Note:</b>					
Exports at FOB value	411.26	591.18	890.62	1,170.21	1,105.22
Equity dividend	102.36	119.42	180.02	180.17	180.21
Expenditure on R&D :					
-Capital	16.04	75.12	28.94	31.52	111.42
-Recurring	68.23	85.13	100.63	196.68	215.70
<b>Total R &amp; D expenditure</b>	<b>84.27</b>	<b>160.25</b>	<b>129.57</b>	<b>228.20</b>	<b>327.12</b>

## KEY RATIOS

## Key Financial

As at 31st March	2004	2005	2006	2007	2008
ROCE	27.20	27.90	27.80	27.68	21.14
RONW	25.10	24.50	23.70	24.00	18.04
EVA	287.20	330.40	449.30	450.60	234.20
<b>Per share Data</b>					
EPS	12.98	13.22	23.84	25.02	21.57
Dividend	60%	70%	100%	100%	100%
Book Value per Share	44.30	53.55	83.50	103.05	118.75



## Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 45<sup>th</sup> Annual Report on the business and operations of the Company for the financial year ended March 31, 2008.

### Financial Highlights

The table given below gives the financial highlights of the Company on Standalone basis for the year ended March 31, 2008 as compared to the previous financial year.

For the year ended March 31  
(Rupees in millions)

Particulars	2008	2007
Sales/Income from operations (Gross)	5939.1	5624.1
Sales/ Income from operations (Net)	5810.9	5455.9
Other Income	67.0	106.1
Total Revenue	5877.9	5562.0
PBDIT	1113.7	1196.5
PBIT	960.0	1076.3
PBT & exceptional items	944.8	1057.4
Provision for taxation (including deferred tax & fringe benefit tax)	172.5	167.6
PAT before exceptional and prior-period items	772.3	889.9
Exceptional items	-	12.0
Profit after tax and exceptional items but before prior-period items	772.3	901.9
Prior period Expenses	0.2	0.3
Excess/(Short) provision for taxation pertaining to previous year	5.0	(0.8)
Profit after tax, exceptional and prior-period items	777.1	900.8

Notes: Previous year's figures have been regrouped/reclassified wherever necessary.

### Review of Operations

During the year under review, Total Revenue increased to Rs. 5877.9 million in 2007-08 from Rs. 5562.0 million in 2006-07 registering a growth of 5.7%. Profit before tax and exceptional items stood at Rs. 944.8 million in the current year. The profit after tax and exceptional items and after prior period adjustments stood at Rs. 777.1 million in the current year.

### Appropriations

Your Company has transferred Rs. 150 million to the General Reserve during the year under review. An amount of Rs. 2380.6 million is proposed to be carried forward from the Profit & Loss Account.

### Dividend

Your Directors are pleased to recommend a dividend of Rs. 5/- per Equity Share of Rs. 5/- each for the financial year

2007-08. The total dividend payout for the financial year 2007-08 is Rs. 180.2 million as against Rs. 180.1 million for the previous financial year.

The register of members and share transfer books shall remain closed from July 14, 2008 to July 17, 2008, both days inclusive. The Annual General Meeting of the Company has been scheduled for July 17, 2008.

### Employee Stock Options Scheme

During the year under review, 9,700 options were exercised and equivalent numbers of equity shares were allotted (on pari passu basis) under the Employees Stock Option Scheme - 2004.

Details of the options granted up to March 31, 2008 are set out in Annexure 1 to this Report, as required under Clause 12 of the SEBI (Employees Stock Option Scheme) Guidelines, 1999.

