



Alembic 

Redefining

Redefine is to re-examine or re-evaluate, especially with a view to change.

Change in composition or structure; change in character or condition.

A paradigm is a model or set of accepted rules about how things are.

Paradigms



Redefining Markets
Redefining Specialty
Redefining Marketing
Redefining Targets
Redefining Value
Redefining Quest

Founded in 1907, Alembic is fast approaching its centenary year. In these 99 years, Alembic evolved from a tincture manufacturer to one of the largest indigenous pharmaceutical companies in India with a leadership position in macrolides (Anti-infective) and anti-microbials (Animal health). Alembic is today, the largest producer of erythromycin in the private sector and holds the distinction of being the first Indian company and second in the world to manufacture roxithromycin (Anti-infective).

Alembic has long integrated with the global economy and its markets include mature regulated markets like the Americas and Europe, plus fast growing promising markets like BRIC, Myanmar, South Africa, etc.

Last year, we unveiled our new logo to keep our identity in consonance with the outlook and ambitions of the organization in this new dynamic global economy. Maintaining the momentum of evolution and translating the new constructs for on-ground execution, this year, a host of paradigms were redefined at Alembic. These included concepts like market segmentation, marketing, positioning and manufacturing. The driving philosophy was to synergize new learnings and investments with inherent strengths to capture emerging segments and propel growth.

Board of Directors

Mr. Chirayu R. Amin
Chairman & Managing Director

Mrs. Malika C. Amin
Whole-time Director

Mr. Rajkumar Baheti
Director, President- Fin. & CS

Mr. Ranjitbhai R. Patel

Dr. Babubhai R. Patel

Mr. Pranav N. Parikh

Mr. K. G. Ramanathan

Mr. Ramanlal M. Kapadia

Statutory Auditors

K. S. Aiyar & Co.
Chartered Accountants
Laxmi Estate No. F - 07/08
Shakti Mills Lane
Off Dr. E. Moses Road
Mahalaxmi, Mumbai - 400 011

Bankers

ABN-AMRO Bank N.V.
Bank of Baroda
ICICI Bank Limited
IDBI Bank Limited
State Bank of India
UTI Bank Limited

Registered Office

Alembic Road, Vadodara - 390 003

Manufacturing Facilities

Alembic Road, Vadodara - 390 003
Panelav, Tal. Halol,
Dist. Panchmahal - 389 350. Gujarat
Plot No. 21, 22, EPIP - Phase I
Jharmajri, Baddi, Tehsil - Nalagarh
Dist. Solan, Himachal Pradesh

Registrar & Transfer Agents

M/s. Intime Spectrum Registry Ltd.
1st Floor, 308, Jaldhara Complex,
Opp. Manisha Society,
Off Old Padra Road, Vasna Road,
Vadodara - 390015
Tel.: (0265) 2250241, 3249857
Fax: (0265) 2250246
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Safe Harbour Statement

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.



“ This year at Alembic we strategically restructured our product portfolios, operational procedures, organizational processes, and market orientation to harness these abundant opportunities. ”

Dear Shareholder,

Paradigms are fast changing in the pharmaceutical and healthcare industry.

The introduction of product patents in January 2005 has ushered in a new paradigm for new products in the domestic market.

Key patents on many blockbuster drugs expire in the next few years and India's strength in high quality generics is ideally poised to be leveraged.

The world is graying and the population of the elderly rising, giving birth to new market spaces.

International drug makers are actively pursuing outsourcing of their R&D and clinical trial activities to India.

With a strong economy, stable currency and affluent consumers, domestic pharmaceutical markets are in a robust growth phase.

Cost containment due to increasing healthcare costs, as well as insurance and reimbursement are issues that are being scrutinized.

This year at Alembic we strategically restructured our product portfolios, operational procedures, organizational processes, and market orientation to harness these abundant opportunities.

We merged our API Division and Generic Alliances in May 2005 and now offer services across the entire pharma value chain.

Specia, our specialty division was reorganized to focus on Geriatric Healthcare. This makes Alembic the first pharma major in the country to have a whole division dedicated to this emerging field of healthcare.

Our consumer healthcare division adopted the FMCG approach of operation. Our brand Zero and its line extension 'Zero Cook 'n' Bake', which was launched this year received very good visibility and trial.

CHAIRMAN'S MESSAGE



Our Formulations Marketing division relocated to Mumbai to attract the best talent for speedier access to the world.

Due to a global meltdown in the prices we exited from the Penicillin business and are repurposing the fermentation facility for backward integration of macrolides.

In the previous year, we operationalized our new manufacturing facility at Baddi and this year we are already reaping the benefits of lower manufacturing costs.



By all measures, this was a year of significant progress for Alembic. The numbers too, tell a similar story. Profits grew by 50% to Rs. 78.52 crores in 2005-06 from Rs. 52.04 crores in 2004-05 and revenues too increased by 16% to Rs. 666 crores in 2005-06 from Rs. 572 crores in 2004-05.

The future is exciting and while we have a lot of work ahead, we are highly motivated and look forward to addressing the challenges and opportunities that lie ahead. I am very pleased to report that we continue to execute on the critical value drivers for our business and we look forward to delivering continued success in 2006-07.



On behalf of the Alembic Board of Directors, Management Team and Employees, I wish to thank our Stockholders, Corporate partners and Friends for their continued support.



Yours sincerely,

Chirayu R. Amin

Vadodara, 26th April, 2006

FORMULATIONS
REVIEW

Redefining markets

From OTC to FMCG and disease segmentation to patient-centric segmentation, from acute disease management to high-growth lifestyle products, Alembic embraced a host of new initiatives.

Infusing new initiatives



Formulations, which form the top-tier of the pharma value chain, have been the largest contributor to your Company's revenues.

Formulations as a business, has two distinct revenue streams - Domestic and International. 25% growth in the Domestic Formulations business and an 8% growth in the International Formulations business, saw the contribution of the Formulation business to the Company's revenue rise to 75% from 72% in the previous year.

Domestic Formulations

Domestic formulations continued to achieve strong results and contributed 68.54% to Alembic's revenue.

Growth drivers in this segment included successful introduction of new products, Rural and Metro Market Developments, new initiatives of Geriatrics Healthcare Management and new paradigms in the OTC business.

New Products

2005-06 **29**
 2004-05 **23**
 2003-04 **14**

In addition to the 23 new products/line extensions launched last year, Alembic launched 29 new products/line extensions during the course of this year. The total tally of new products/line extensions launched in the last 3 years stand at 66.

GI

Actigut, Nita O, Normitone, Geridys

ANTI-INFECTIVES

Alpenam, Megaclav Inj., Cepime-O, Xceft, Gerimac, Geripod, Roxid Syp., Roxid M Kid Tabs, Roxid 75 DT

PAIN MANAGEMENT

Geriflam, D Kool

COUGH AND COLD

Naresol, Laveta Syp., Laveta A, Laveta D, Rupameg, Megaspray, Geriresp, Wikoryl AF

CARDIOVASCULARS

Gericard

ANTI-DIABETIC

Geriglim

NUTRITIONALS

Elata, Mivets G, Isovon Plus

UROLOGICALS

Geriflo

Young Products post Robust Growth

The 23 products which were introduced last year contributed to 4.5% of the total sales in their year of introduction against the industry average of 2% and sounded a strong indicator that they would be high revenue generators.

This year Rekoool grew by 134%, enhanced its market share to 10.33% and became the No. 1 Rabeprazole brand in the country. Altamet posted a growth of 70% and captured 25.71% market share. Cepime rose two ranks to become the No. 2 brand in Oth. Cephalo injectibles. Cepime-O, a new line extension introduced this year, chalked up revenues of Rs. 133.37 lacs in its first year itself.

Rekoool grows by

134%

Altamet grows by

70%

A host of other young brands too demonstrated significant growth.

BRAND	GROWTH%
IGNIS 20	1690
MEGA CLAV	1189
ALA PLUS	518
FORTAFAN	505
GATRICH 5 TABS	413
IGNIS	194
NITACURE	125
NEOZEET	58
N-MET SUSP.	32
ETRIK	28

S P E C I A

Redefining specialty

Traditionally, divisions are formed across specializations which focus on doctors. This year Alembic's Specia focused on the patient and underwent a restructuring to move away from the 'me-too' segmentation of cardiology and neurology, to emerge out as a division dedicated towards total healthcare management of the geriatric population.

The division provides therapeutic solutions to age-related and age-dependent problems. Its product portfolio includes management of Hypertension, Lipid abnormalities, Diabetes, Digestive problems, Urological and Respiratory infections. A field force of over 140 medical representatives supervised by 36 first line and second line managers, service over 20,000 doctors.

The division also undertakes a host of on-ground activities like organizing geriatric camps and publishing a periodic geriatrics newsletter.



Geriatrics - A primer

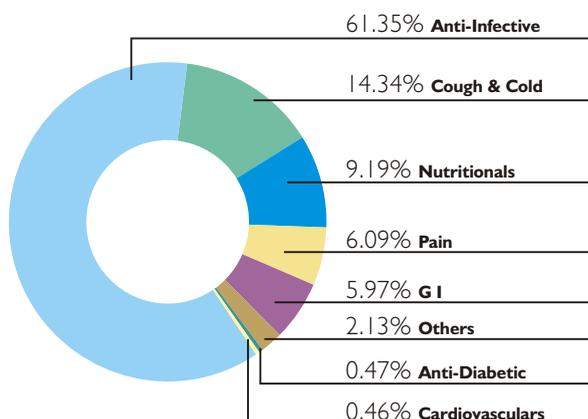
Since the beginning of this century, the world has observed a near doubling of the life expectancy of an individual. An unavoidable consequence of this advancement has been the growth of the elderly population, and the urgent need for specialized care for these people. Today, the elderly constitute over 12% of the population in India. Geriatrics involves treating acute illnesses, as well as managing the rehabilitative and long-term care of the aged.

Geriatrics differs from general medicine not in quality, but in the probability structures of diagnosis, presentation of illness and the need for an explicit determination to intervene. Older people need more investigations for comparable levels of diagnostic accuracy. The cryptic presentation of illness makes even severe infections such as endocarditis, peritonitis and tuberculosis difficult to diagnose in the elderly.

Brand Stable

The ubiquity of technology, skilled workforces, raw materials and capital means that sooner or later the competitive 'playing field' will be well and truly level. In such circumstances, the ability to build brands becomes pivotal for sustained growth.

Alembic has an excellent track record of building strong brands which dominate the category and build large sustainable revenue streams. Alembic brands that feature amongst the top 300 brands include Althrocin, Wikoryl, Azithral and Roxid.



Brands	Rank in respective therapeutic category
Althrocin	1
Roxid	1
Azithral	1
Wikoryl	3
Zeet	11
Rekool	2
Sharkoferrol	1
Nimesgesic	3
Protinules	7
Cepime	3

Therapeutic Areas	Key Products
Cough & Cold	Glycodin, Zeet, Wikoryl, Ephedrex, Brozeet
Anti-Infective	Althrocin, Roxid, Azithral, Sparta, Bacimox, Norbid, Ciprowin, Clarithro, Megaclav, Aldinir, Altamet
Pain Management	Nimesgesic, Magadol, Vacox, Etrik
Nutraceuticals	Sharkoferrol, Protinules, Ferisis, Folinal, Calcy, Ala, Hermin, Isovon, Diax
Gastrointestinal	Rekool, Hydral, Nitacure, Ignis
Cardiovascular	Tetan, Lipireg, Proace, Amtor, Ezorva
Anti-Diabetic	Natelide, Forminal, Pioride, Glimser, GLZ
Gynaecological	Dubatran, Yutopar
Critical Care	Cepime, Pactum, Alzolid
Anti-Histamines	Lormeg, Laveta

Diverse Product Portfolio

Our diversified portfolio of conventional acute disease management drugs, high growth lifestyle prescription & OTC products, plus low cost generics, creates a multitude of opportunities and helps mitigate the challenges posed by environmental and market dynamics in our pursuit of growth.



CONSUMER CARE

Redefining marketing

The FMCG Approach



After the successful launch of 'Zero'-the country's first zero calorie sugar substitute, the Consumer Care Division adopted the FMCG format of operation. The company has now expanded its retail presence of the product, by making it available in open format stores and A-class grocery shops, apart from chemists. Modern format retail stores provide the freedom to consumers to pick up the products which will become the key strategic driver for OTC business in future.

This approach saw approximately 120 FMCG stockists being integrated into the organization's distribution channel and they co-exist with the pharmaceutical distribution channel. Brand visibility has increased significantly and the FMCG channel contributed 15% of sales of Zero tablets and 60% of the "Zero Cook 'n' Bake" sales.

Zero Cook 'n' Bake

Though "Replacement of sugar in desserts" is a larger opportunity in India as we are a "Sweet-tooth nation", there wasn't any prior attempt to develop this market in India. Launched in November 2005, 'Zero Cook 'n' Bake' addresses this gap. It can be cooked and baked like sugar and can replace sugar measure to measure in any recipe. This characteristic of the product endows with the potential to be the future of this category. Launched as a line extension of the mother brand, it has helped the brand occupy a space as a leader in the mind of the consumer.



International Formulations

The NSA and Tenders business degrew, while the branded formulations posted a healthy growth of 20%. Overall, International Formulations grew by a modest 8.3% and contributed 6.8% to Alembic's revenue.

KEY MARKETS

Russia	Tanzania
Nigeria	Vietnam
Ukraine	Myanmar
Kenya	European Traders



Our Formulations facility at Baddi received approvals from drug regulatory authorities of Ukraine, Uganda and Tanzania.

Key Products

BRANDED	NSA
Glycodin	Fortified Procaine Penicillin 4 mega
Nimesesic	Benzathine Penicillin 2.4 mega
Azithral	Benzyl Penicillin 5 mega
Roxid	Benzathine 1.2 mega
Althrocin S	Ceftriaxone Inj. 1 gm
Aldinir	Benzyl Penicillin 1 mega

Alembic is undertaking a host of initiatives to grow this segment of its business. Plans are afoot to introduce region specific products, plus actively examine market potential of existing products and thereby enhance the number of products on offer for the international formulations business.

The Company will also invest resources to gain OTC status for Glycodin, reinforce its presence in Africa and adopt an aggressive pricing policy for NSA (Injectibles).

Focused Divisions

<p>Alembic Mainline Pharma division with mature strong brands, it services General Practitioners, Physicians, ENT Surgeons, Pediatricians and Orthopaedics</p>
<p>Megacare This division has greater focus towards Gynaecologists, besides Physicians, ENTs, Pediatricians and GPs</p>
<p>Specia Total healthcare management of the Geriatric population</p>
<p>Consumer Care The FMCG division with strong OTC brands</p>
<p>Veterinary The Animal healthcare division catering to Veterinary Doctors</p>

Out of Alembic's 7 divisions, 4 of them have witnessed a core structural change within the last two years. Alembic and Megacare were restructured as per the customer matrix with a view to expose targeted doctors to more number of brands; the Consumer Care division adopted the FMCG format of operations, while Specia moved away from Cardiology and Neurology to focus on Geriatrics. All the four divisions are already logging in a significant growth.

The Road Ahead

The new IPR environment in the country will reduce the scope of introducing new molecules and Alembic will shift focus to:

- Introducing NDDS for existing molecules
- Rational combinations of existing products
- In-licensing of products
- Launching non-IPR products such as nutraceuticals
- Co-marketing opportunities

ANIMAL HEALTH

Redefining targets

Year 2005-06 was one of the best years of Alembic's Veterinary Division in terms of business. Annual profitability target was achieved in 9 months. This was a manifestation of the constant emphasis on core brands and their good performance as a result thereof. Core brand achievement was 105.21% and registered a handsome growth of 39.45%.

New products like Xceft (Ceftiofur) & Poron (Flumethrin) were well-accepted in market. Although a premium priced product – Xceft grew by 137.33% due to effective and aggressive marketing effort, which efficiently communicated the price benefit equation.

Observing the constant threat of restriction on Diclofenac due to extinction of some of the vulture species, we introduced Ketop (Ketoprofen Inj.).

Good marketing strategies, outperforming the market and strict adherence to systems has significantly enhanced the brand equity of Alembic's Veterinary division in the market place.

Xceft
grew by
137.33%

CORE BRANDS

Xceft Inj.	Zeet Inj.
Moxel Inj.	Ascal - FS
Enrox Inj.	Sharkoferrol Vet
Cotrimol Bolus	Bivinal Forte Inj.
Metrofural Bolus	Rumen-FS Bolus
Minthal Bolus	Althrocin
Poron	Docmycin 50g
Mectin Inj.	Alvizyme Plus
Vetcort Inj.	Altimate - ZM Plus
Diclovet	



API & GENERICS
REVIEW

Redefining value

In May 2005, the generic alliances and API division were merged to form an independent SBU, which would be a single-stop-shop to harness outsourcing opportunities from international clients across the entire pharma value chain.

Tuning into the global pulse



As global prices continued to remain unprofitably low, Alembic decided to exit the Penicillin business. In spite of this decision, we stemmed the degrowth of revenues and steadied them at Rs. 148 crores in 2005-06, just 0.7% lower than the revenues in 2004-05, which were Rs. 149 crores.

The fermentation facility at our Vadodara plant will now be used for backward integration of macrolides, where too, the starting product is a fermented product.

Single Stop Outsourcing Shop

India's equity as a preferred outsourcing hub is on the rise amongst international drug manufacturers and Alembic is uniquely poised to service their needs across the entire pharma value chain. We have strategically built-up the requisite hardware, software and humanware to offer international drug majors the opportunity to leverage India's strengths in process chemistry, product development and low-cost manufacturing, all from a single source.

Alembic's self-owned Gas Turbine and investment in Wind Power lends it a competitive edge.

Offering services across the entire pharma value chain



Research Support at every step by BioArc

R&D for API

R&D for Formulations

Pilot Plant

Bioequivalence Center

API

Baroda Facility

Fermentation capability

Panelav Facility

- Approved by USFDA, EDQM, TGA (Australia)
- Synthetic Chemistry

Formulation

Panelav Facility

- Approved by MHRA (UK), MCC (South Africa), TPD (Canada)
- Ability to produce even 'high value, low volume product'

Contract Manufacturing cum Supply Agreement

Markets

Our key focus is on the regulated markets of US, Canada and Europe. The new bioequivalence centre is already receiving a host of proposals for long pilot and pivotal bio-studies, especially after we accomplished missions in Canada. A few clients in the US have envisaged interest in doing ANDAs with us and will be conducting pivotal bio-studies in the coming year. Also on the anvil are tie-ups with firms in the US for value-added dosage forms and contract manufacturing, utilizing in-house as well as outsourced APIs.

Principal API Products

- Erythromycin
- Thiocyanate
- Erythromycin Estolate

Macrolides

- Erythromycin Thiocyanate
- Telithromycin
- Roxithromycin
- Azithromycin
- Clarithromycin
- Azithromycin Monohydrate

Others

- Leflunomide
- Fenofibrate
- Modafinil
- Venlafaxine
- Pramipaxole
- Ropinirole
- Lamotrigine
- Cephime
- Cefuroxime Axetil
- Ceftamate Pivoxyl
- Lovastatin

More Ahead

We aim to increase our market footprint to include other regulated markets like BRIC, Australia and South Africa. We are also actively exploring manufacturing of new products in the nutraceutical segment.

With India becoming a preferred outsourcing hub for the pharma majors, we plan to expand our formulation capacity to multiples of our existing capacity.

For the new look API division, the action has just begun.

Redefining quest

At Alembic, micro defines the macro. The path breaking success of “Zero” has sparked filing of new patents by us internationally. Whereas strong fundamentals in generics and a broadening contract research base are creating new avenues for the future.

Multiple service offerings

Intellectual Property	Generic Research
Bioequivalence	Contract Research
Pharmabiology	

Alembic's Research wing is spanning new frontiers. Generic research is expanding its global reach. Patents are being aggressively filed and safeguarded. The Company launched, for the first time in the country, a zero calorie Sucralose-based cooking powder under the brand name "Zero Cook 'n' Bake". On the heels of the successful commercialization of Sucralose, many process patents have been filed for the same.

BioArc, our 1,20,000 sq.ft state-of-the-art research centre is the nucleus of our research endeavours. Its well-planned spacious laboratories, technologically advanced analytical infrastructure and workspaces are home to our generics and contract research activities, clinical research and biological studies, as well as our patenting initiatives.

The company cumulatively invested over Rs. 30.12 crores in this facility, boosting the revenue expenditure on R&D in 2005-2006 to Rs. 19.89 crores as against Rs. 16.76 crores in the previous year.

Intellectual Property

Obtaining adequate protection for the intellectual property associated with R&D activities continues to be a key business imperative. We apply for intellectual property protection in potentially high-value advance markets for all inventions and innovations created through our investments in R&D.

This year Alembic has accelerated its patent filing process. During the year, the Company has filed 45 patent applications, taking the total tally of patents filled across the globe to 89.

The shield of intellectual property rights also extends to all new technologies developed by the Generic research wing for potentially significant molecules such as Clarithromycin, Venlafaxine, Modafinil etc.

PATENT APPLICATIONS FILED BY ALEMBIC LTD.

Key Countries	No. of applications filed
India	64
USA	06
Rest of the world	19
Total	89



Generic Research

The primary focus of our Generic research wing has been the development of processes for high-value Active Pharmaceutical Ingredients (APIs) and specialization in the development, production and marketing of generic APIs.

Emphasis is also on developing novel, patentable, safe and environment friendly processes and technologies for the production of high quality APIs.

Non-infringing processes have been developed for several generic APIs, as a result of which 8 US DMFs have been filed to facilitate entry in to the regulated market:

Leflunomide	Venlafaxine hydrochloride
Fenofibrate	Azithromycin monohydrate
Modafinil	Cilostazol
Lamotrigine	Clarithromycin

This year, 9 new formulations were developed for International regulated markets and 29 formulations for domestic markets. The increase in the number of DMFs will ultimately hold us in good stead for filing ANDAs.

We believe that Alembic has a strong product pipeline in the generic pharmaceutical sector and our goal is to expand this pipeline through persistent internal development and by expanding external collaborations.

Bioequivalence

The state-of-the-art 12,500 sq.ft Bioequivalence Centre, is the clinical research wing of the BioArc Centre and has received approvals from DCGL.

Till date, the Centre has conducted several pilot as well as pivotal studies for various regulatory submissions to MCC South Africa and TPD Canada & EU. The Centre

is planning to take up studies for USFDA and is expected to get two International regulatory approvals in the current financial year.

Contract Research

BioArc ably supports the API and generic alliance division to service demand across the entire pharma value chain. It offers services like route identification and selection, custom synthesis & compound supply of NCEs, process innovation, development and optimization, impurities isolation and synthesis in chemistry and biology. It also offers pre-clinical studies for experimental models, determines desirable ADME properties, screens for efficacy (Invitro/Invivo), gives early safety/toxicity profile and provides in-vivo services.

BioArc has also expanded its contract research services in the areas of chemistry and biology to pharmaceutical and biopharmaceutical companies worldwide, whereby we have established a broad client-base in the US, Europe and South East Asian Markets. Pre-clinical studies for experimental models have been strengthened and are being offered to companies across Europe and USA.

To boost research activities, investment is being made in a pilot plant attached with BioArc. BioArc also scaled-up the manufacturing of intermediates and new drugs from gram to kilogram, which have been supplied to various drug discovering companies.

Pharmabiology

As a CRO, BioArc provides pre-clinical research services consisting of in-vitro and in-vivo biological studies and support through early steps of the drug development process. It undertakes studies for international customers on efficacy, toxicity, metabolism and pharmacokinetics, which accelerate the candidate selection and development of the molecule.



Directors' Report

To the Members,

Your Directors have pleasure in presenting their Ninety-ninth Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2006.

1. Financial Results

Rupees in lacs

For the year ended 31st March	2006	2005
Profit for the year before Interest, Depreciation, Non-recurring expenses and Tax	12,091.92	9,005.44
Deducting therefrom:		
Interest (Net)	866.59	882.21
Depreciation	2,875.69	2,556.95
Non-recurring expenses	-	566.64
Provision for deferred tax	(89.59)	(579.00)
Provision for current taxes	875.00	397.00
Excess provision of Income Tax no longer required	(287.94)	(22.16)
	7,852.17	5,203.80
Adding thereto:		
Balance brought forward from last year	2,461.53	706.30
The amount available is	10,313.70	5,910.10
Appropriating therefrom:		
Provision for Dividend - Equity Shares	1,384.55	830.70
Provision for Corporate Dividend tax	194.18	117.87
General Reserve	5,000.00	2,500.00
Balance carried forward to next year's accounts	3,734.97	2,461.53
	10,313.70	5,910.10

2. Dividend

Your Directors recommend Dividend on Equity Shares at Rs. 5.00 per share (i.e. 50 per cent) for the year ended on 31st March, 2006 as against Rs. 3.00 per share (i.e. 30 per cent) for the year ended on 31st March, 2005.

3. Management's Discussion and Analysis

The Report on Management's Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges is enclosed as Annexure - A to this report. Certain statements in this section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

4. Operations

The Company's Gross Sales including export incentives were Rs. 666 crores for the year ended 31st March, 2006 as compared to Rs. 572 crores for the previous year, which shows a growth of 16%.

The Profit before Interest, Depreciation, Non-recurring expenses and Taxes was Rs. 120.92 crores for the year under review as compared to Rs. 90.05 crores for the previous year. This growth in Profit is due to better product mix in formulations, cost reduction and improvement in operational efficiency.

During the year, the interest and financing cost has been Rs. 8.67 crores as compared to Rs. 8.82 crores in the previous year, due to better financial management.

(i) Domestic Formulation Sales

Sale of Domestic formulations for the year ended 31st March, 2006 is Rs. 456.42 crores as compared to Rs. 364.27 crores for the previous year ended on 31st March, 2005.

The domestic formulations posted a growth of 25% compared to the previous year, owing to an improved performance of existing brands and introduction of new brands. This growth also takes into account the fact that sales in the last quarter of previous financial year were severely affected by VAT.

(ii) Export Formulation Sales

The sales of formulations export was Rs. 45.35 crores for the year ended 31st March, 2006 as compared to Rs. 41.86 crores in the previous year ended 31st March, 2005, showing a growth of 8% over the previous year.

(iii) Domestic API Sales

The domestic sale of API was Rs. 70.26 crores for the year ended on 31st March, 2006 as compared to Rs. 81.54 crores for the previous year. This degrowth registered in the API sales was due to discontinuation of penicillin products.

(iv) Export API Sales

The export sale of API was Rs. 77.34 crores for the year ended on 31st March, 2006 as compared to Rs. 67.37 crores for the previous year, registering a growth of 15% over the previous year.

5. Listing of shares

Equity shares of the Company continue to be listed on the Mumbai Stock Exchange (BSE) and National Stock Exchange of India Limited (NSE).

6. Fixed Deposits

The fixed deposits, including those of the shareholders as on 31st March, 2006 amounted to Rs. 7.43 crores. Unclaimed deposits of Rs. 35.19 lacs from 307 depositors have been transferred to current liabilities, out of this, deposits of Rs. 3.58 lacs have since been repaid or renewed at the option of 27 depositors. No instructions have been received so far for the balance of Rs. 31.61 lacs from 280 depositors and if not claimed in future, it shall be deposited in the 'Investors Education & Protection Fund' in due course, as per the provisions of the Companies Act, 1956.

Directors' Report

7. **Directors**

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. R. M. Kapadia and Dr. B. R. Patel, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment.

The brief resumes of Mr. R. M. Kapadia and Dr. B. R. Patel are given in the Corporate Governance Report.

8. **ONGC Gas Matter**

The detailed note in this respect has been provided in para 4 K of Schedule T regarding Notes forming part of Accounts.

9. **Energy, Technology and Foreign Exchange**

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure - B to this report.

10. **Particulars of Employees**

The information required under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this report as Annexure C. However, as permitted by section 219(1)(b)(iv) of the Companies Act, 1956, this Annual Report is being sent to all shareholders excluding this Annexure. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary.

11. **Corporate Governance**

Your Company strives to incorporate standards for good Corporate Governance. It has complied with all the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company's shares are listed.

A separate report on Corporate Governance is produced as a part of the Annual Report, along with the Auditor's Certificate on compliance.

As required vide clause 49 of the listing agreement on Corporate Governance, the board has laid down a code of conduct for all members and senior management team of the Company. The said code of conduct has been posted on the website of the Company, www.alembic-india.com. All Board members and senior management personnel have affirmed the requirements of the said code of conduct.

12. **Audit Committee**

The Audit Committee consists of Mr R. R. Patel, Dr. B. R. Patel and Mr. P.N. Parikh. The Committee reviewed the Internal Control System, Scope of Internal Audit and compliance of various regulations. The Committee reviewed at length the Annual Financial Statements and approved the same before they were placed before the Board of Directors.

Directors' Report

13. Auditors

M/s. K.S. Aiyar & Co., the Company's Auditors, will retire at the conclusion of the ensuing Annual General meeting and are eligible for re-appointment as Auditors. Members are requested to re-appoint them and fix their remuneration.

The Company has appointed M/s. Sharp & Tannan, Chartered Accountants, as its Internal Auditors to carry out Internal Audit of various operational areas of the Company.

14. Cost Auditors

The Central Government has directed that an audit of Cost Accounts, maintained by the Company relating to Bulk Drugs and Formulations for the year ended on 31st March, 2006 be conducted by an Auditor with qualifications prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly, the Board had appointed Shri H. R. Kapadia as Cost Auditor for the year ended on 31st March, 2006.

15. Human Resource Management

Human capital has always been the most important and valuable asset of your Company. During the period under review the Company has enhanced its performance management process that motivates people to take ownership of their own performance, while encouraging innovation and meritocracy. Your Company has created people practices, which enables it to attract and retain potential talents. Employee relations in your Company continue to be cordial and harmonious.

16. Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the annual accounts for the accounting year ended on 31st March, 2006 the applicable accounting standards have been followed, except the 'AS-10', relating to accounting of fixed assets in respect of certain plant & machinery, which were revalued as at 1st April, 1997. Proper explanation relating to material departures, if any, has been furnished.
- ii) That accounting policies as listed in 'Schedule T' to the financial statements have been selected and consistently applied. Reasonable and prudent judgments and estimates have been made, so as to give a true and fair view of the state of affairs of the Company, as on 31st March, 2006 along with profit of the Company, for the accounting year ended on that date.
- iii) That proper and sufficient care, for maintenance of adequate accounting records has been taken in accordance with the provision of the Act, so as to safeguard assets of the Company to prevent and detect fraud and other irregularities.
- iv) That the annual accounts have been prepared on a 'going concern' basis.

On behalf of the Board of Directors,

Chirayu R. Amin

Chairman & Managing Director

Vadodara, 26th April, 2006

Annexure - A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Indian Pharmaceutical Industry today is at the frontline of India's science based industries with wide ranging capabilities in the complex field of drug manufacture. The industry is estimated to be worth \$ 4.5 billion growing at about 8 to 9 per cent annually. In terms of value of products, India is ranked 13th globally, whereas in terms of volume, it ranks 4th in the world.

The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. The leading 250 pharmaceutical companies control 70% of market with the market leader holding nearly 7% of the market share.

● **STRENGTHS**

- Low cost: Indian manufacturers are one of the lowest cost producers of drugs in the world.
- Strong technical skills: Indians possess excellent chemistry and process re-engineering skills.
- Large untapped market: India with a population of over a billion, is a largely untapped market. The penetration of modern medicine is less than 30% in India.
- Huge market for lifestyle drugs: Changing lifestyles in urban and rural centers.
- Legal & Financial framework: Solid legal framework and strong financial markets.

● **WEAKNESS**

- Poor R&D expenditure: Compared to global pharmaceutical industry, Indian R&D expenditure is still minuscule, which could have a negative effect in the long run.
- Price regulation: The Indian pharma companies are marred by the price regulation.
- Low entry barriers: Due to very low barriers to entry, Indian pharma industry is highly fragmented.

● **OPPORTUNITIES**

- Off-patent drugs: Large number of drugs are going off-patent in Europe and the US between 2005 to 2009, which offers a big opportunity for the Indian Companies to capture this market.
- Expansion: Opening up of health insurance sector and expected growth in per-capita income are key growth drivers from a long-term perspective.
- Outsourcing: Being the lowest cost producer combined with FDA approved plants, Indian companies can become a global outsourcing hub for pharmaceutical products.

● **THREATS**

- Transition from process patent to product patent: This is the major threat to the Indian pharma industry.
- Other low cost countries: Threats from other low cost countries like China and Israel exist.
- Increase in crude oil prices: This would affect bulk drug units due to increase in prices of solvents and energy cost.

Annexure - A

● **CRITICAL BUSINESS FACTORS**

Given the multitude of companies in the Indian market, a whole range of factors come into play in determining relative competitive position. Four of these stand out: research expertise, re-engineered manufacturing process, optimized product mix and dynamic marketing & distribution setup.

● **OUTLOOK**

The Company is well positioned in the emerging business scenario with a clear objective to enhance domestic market share and select international markets by way of spending more on R&D and achieving higher levels of productivity and efficiency in all areas of operations.

● **FINANCE**

The Company has registered a total income of Rs. 651.47 crores for the year under review as compared to Rs. 531.81 crores for the previous year ended on 31st March, 2005. The Profit, before providing for Interest, Depreciation, Non-recurring expenses and Taxes, was Rs. 120.92 crores for the year under review, as compared to Rs. 90.05 crores for the previous year. The Company has made a profit after tax of Rs. 78.52 crores for the year under review, as compared to Rs. 52.04 crores for the previous year.

● **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company maintains a system of well-established policies and procedures for internal control of operations and activities. The internal audit function is being further strengthened in consultation with statutory auditors for monitoring statutory and operational issues. The Company has appointed M/s. Sharp & Tannan, Chartered Accountants, as Internal Auditors.

The prime objective of such an audit is to test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements. Any significant issues are brought to the attention of the audit committee, which reviews it periodically and suggestions and recommendations made by it are carried out.

Moreover, the Company has obtained ISO 9001 and ISO 14001 certification and adheres to the 'Standard Operating Practices' in its manufacturing and operating activities.

● **INFORMATION TECHNOLOGY**

New initiatives in the area of Information Security Management System are being implemented at our BioArc facility, which adheres to BS7799 standards. The Marketing office at our new location in Mumbai is equipped with all IT facilities - SAP, Intranet, Internet, etc. to enhance employee communication and productivity.

● **HUMAN RESOURCE INTERVENTION IN 2005-06**

In keeping with its performance driven culture and to reinforce the “people-oriented culture” that Alembic has built over the years, your organization has taken up several key initiatives this year.

As a part of our knowledge management program, an “IPR Knowledge Enhancement” initiative was launched to focus on enhancing IPR competency across the organization. Our research centre, BioArc, has been approved as an institution to guide postgraduate students to pursue Ph.D. program at M.S. University, Vadodara.

Annexure - A

Your organization has continued to attract the best talent in strategically critical areas of competence. The concept of Cross Functional Teams has been reinforced and institutionalised. Need based changes in the organisational processes were effected to facilitate speedy exertion of business processes.

● **HEALTH, SAFETY, SECURITY AND ENVIRONMENT**

Health, Safety, Security and Environment is at the core of our business and all employees are accountable for it. Alembic conducts operations through a sound health, safety, security and environment system, which reflects the best industry practice. As a part of annual plan, Alembic carried out following activities:

- a. Basic safety training was imparted to all factory employees including temporary workers. Safety and technical competency development programmes were carried out to improve competency of Alembic employees and employees of contractors for critical jobs.
- b. Senior management team members along with executives and managers demonstrated leadership commitment through workplace inspections, which were carried out at all levels.
- c. Reduced waste generation and improved waste management by collecting and disposing of all waste in an environment friendly manner.
- d. Developed green cover by tree plantation across premises and factory.
- e. Reduced levels of sound pollution by providing acoustic enclosures on certain set of machinery and DG / compressor sets.

Annexure - B

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

● **A) CONSERVATION OF ENERGY**

The Company is committed to preservation of environment and conservation of natural resources. During the financial year 2005-06, following measures were taken:

a) Energy Conservation Measures during the year under review:

- 1) Provided low air pressure header for 40 KL fermentor for lower specific consumption of air.
- 2) Increased the efficiency of chilled water M/C by diverting low chilled water temperature stream to all compressors and feed the VAMS with higher chilled water temperature, resulting in lower specific consumption and auxiliary power.
- 3) Installed low head pump in Effluent Treatment Plant (ETP) equalization tank to feed bio-tower.
- 4) Installation of high-pressure compressor for Nanofiltration by reducing line pressure and subsequently specific consumption.
- 5) The captive co-generation power plant consists of 3 x 4.2 MW Gas Turbine Generator and associated Heat Recovery Steam Generation (HRSG) unit has been operated optimally.
- 6) 5 MW Wind Farm was run throughout the year with expected level of efficiency.

b) Additional investment proposals for reduction of consumption and cost of energy:

- 1) Inlet air cooling of Gas Turbine.
- 2) Improving the mixing in fermentor by better technology, thereby reducing specific power consumption.

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

- 1) Lower cost of power because of lower usage and subsequently lower purchase of high cost GEB power.
- 2) Improved yield of Gas Turbine.

d) Total Energy consumption and energy consumption per unit of production:

Form A enclosed.

● **B) TECHNOLOGY ABSORPTION**

Efforts made in technology absorption:

Form B enclosed.

● **C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. The Export sales were Rs. 119.25 crore (FOB) during the year under review. The Company has undertaken aggressive marketing strategies to increase share of export business.
2. Total Foreign exchange used and earned :

Please refer para 15 (E), (F) and (G) of Schedule T "NOTES FORMING PART OF ACCOUNTS".

Form A

Form for disclosure of particulars with respect to conservation of energy.

A) POWER AND FUEL CONSUMPTION

For the year ended 31st March	2006	2005
I. Electricity:		
(a) Purchased Units (KwH)	1,49,12,286	68,55,914
Total Amount Rs.	8,54,51,527	4,94,25,470
Rate (Rs./Unit)	5.73	7.21
(b) Own Generation:		
i) Through diesel generator:		
Units (KwH)	13,18,226	7,48,038
Units per litre of diesel oil	3.13	3.20
Cost (Rs./Unit)	9.24	8.20
ii) Through Gas/Steam Turbine/Generator:		
Units (KwH)	6,09,46,364	6,14,94,928
Units per LTR/M ³ /M.T./LTR of Fuel		
Oil/Gas/Steam/HSD	2.838	2.760
Fuel Cost (Rs./Unit)	1.66	1.555
2. Furnace Oil Qty. (K. Ltrs.)	1,673	1,722
Total Amount Rs.	2,63,14,187	2,13,36,672
Average Rate (Rs./KL)	15,732	12,392
3. Other / Internal Generation:		
(a) Natural Gas:		
Qty. (Cubic Meter)	1,45,90,011	1,57,55,053
Amount (Rs.)	7,83,52,389	7,79,03,191
Rate/Unit (Rs./M ³)	5.37	4.95
(b) Steam (Purchase):		
Qty. (M.T.)	35,533	25,811
Amount (Rs.)	2,99,26,366	2,52,32,834
Rate/Unit (Rs./M.T.)	842.21	977.60
4. Wind Farm Generation:		
Units (KwH)	96,38,318	1,05,53,841

B) CONSUMPTION PER UNIT OF PRODUCTION

In view of the number of products, with different sizes, shapes and other parameters, being manufactured by the Company, it is not feasible to give information on consumption of fuel per unit of production.

Form B

Form for disclosure of particulars with respect to technology absorption, etc.

● **A) RESEARCH AND DEVELOPMENT (R&D)**

1) R&D's areas of focus

- a) Process improvements & Contract Research
- b) Formulation Development
- c) Collaboration with National Institutes and Universities
- d) Pharmabiology Services
- e) Microbial Research

2) BENEFITS DERIVED AS A RESULT OF R&D

- a) Non-infringing processes have been developed for 11 generic APIs and DMFs have been filed to facilitate entry into the regulatory market. Several new products are under development and scale-up.
- b) Till date 88 patents for Active Pharmaceutical Ingredients (APIs) and Intermediates have been filed.
- c) Expansion of contract research business in prospective sectors of Chemistry and Pharmabiology. Company has received number of research contracts from a few reputed US and European Companies.
- d) Offered our services successfully to different clients with their developmental and pilot studies as a part of their ANDA programme. F&D support was also provided for their formulation development.
- e) Technology of new products has been developed at lab scale and also on the synthetic front, scale-up and commercial production of Sucralose and Ropinirole have been completed during the year.

3) FUTURE PLAN OF ACTION

- a) Plan to file more DMFs in regulated market.
- b) R&D will continue to develop non-infringing processes and new formulations of existing and new drugs, which will help in filing of Abbreviated New Drug Applications (ANDA) in the regulated market.
- c) Contract research with Multinational Companies (MNCs) will continue.
- d) To speed up the collaborative discovery program and identify scientific talent, R&D will continue to collaborate with National Institutes and Universities. The Company is also planning to start in-house Ph.D programmes.
- e) Pharmabiology section is preparing itself to obtain Good Laboratory Practices (GLP) Certificate and upgradation of key infrastructure is in process.

4) EXPENDITURE ON R&D

Rupees in lacs

1	Capital	678
2	Recurring	1,989
3	Total	2,667
4	Total R&D expenditure as a percentage of total turnover	4.01

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1) Efforts made towards technology absorption, adaptation and innovation

The basic fermentation technology and technology for organic synthesis, which are developed in our R&D laboratories are scaled-up in our pilot plant and then implemented at the production scale.

2) Benefits derived

Introduction of better yielding strains and cheaper raw material with lower utility cost has helped us remain in the price competitive market for our existing products.

3) Information regarding technology imported during last five years

Nil.

Report on Corporate Governance

1 Company's Philosophy

The Company has always been committed to the principles of good corporate governance.

The Board of Directors at Alembic believes and fully supports the principles of Corporate Governance. The Company has well-defined mission and a set of values that drive the business principles.

Alembic, while striving to achieve financial targets, seeks to follow the business principles and ethics in all its dealings and believes in customer orientation, teamwork, commitment, growth and trust as its corporate values. The Board of Directors strive to represent the shareholders' interest to ensure optimal returns. At the same time, it is also responsible to all the other stakeholders including customers, employees, suppliers and to the communities where it operates.

Alembic aims to deliver customer satisfaction by developing and maintaining mutually beneficial and long-lasting relationship with customers, offering value in terms of price, safety and quality and responding to customers' needs through continuous innovation.

Alembic endeavours to fully empower the management team to take the Company forward within the framework of effective accountability, which in turn enables the conversion of opportunities into achievements for the betterment of the Company and its stakeholders. Board has also institutionalized best management practices to bring about an atmosphere of accountability. Systems are put into place to ensure effective strategic planning, optimum risk management, financial plans and budgets, integrity of internal controls and reporting, communication policy with emphasis on transparency and full disclosure on the various facts of the Company's operations, its functioning and its financial and total compliance with all statutory / regulatory requirements not only in the letter of the law, but also in its spirit.

2 Board of Directors

- Composition of the Board:**

It is well-recognised that there should be optimum combination of executive and Non-Executive Directors. The Company's Board meets this requirement as it consists of 5 Non-Executive Directors (63% of the Board strength), and 4 independent directors (50% of Board strength).

- Number of Board Meetings held and the dates of the Board Meetings:**

5 Board Meetings were held during the period from 1st April, 2005 to 31st March, 2006. The dates on which the said meetings were held are as follows:

29th April, 2005 04th July, 2005 20th July, 2005 26th October, 2005 20th January, 2006

- Attendance of each Director at the Board Meetings and the last AGM**

Name of Director	Category	No. of other Directorships held (excluding Directorships in foreign & private companies)	No. of Board committees of which member / chairman	No. of Board Meetings attended	Attendance at the last AGM
Mr. C. R. Amin Chairman & MD	WTD	5	2 (as chairman)	5	Yes
Mrs. M. C. Amin	WTD	2	2 (as member)	5	Yes
Mr. R. K. Baheti Director, President - Finance & Company Secretary	WTD	3	Nil	5	Yes
Mr. R. R. Patel	N.E.D (I)	3	4 (3 as chairman & 1 as member)	5	Yes
Dr. B. R. Patel	N.E.D (I)	Nil	2 (as member)	4	Yes
Mr. R. M. Kapadia	N.E.D	4	3 (2 as chairman & 1 as member)	5	Yes
Mr. P. N. Parikh	N.E.D (I)	2	-	2	No
Mr. K. G. Ramanathan	N.E.D (I)	1	-	3	No
MD Managing Director	N.E.D Non-Executive Director				
WTD Whole-time Director	N.E.D (I) Non-Executive & Independent Director				

Report on Corporate Governance

As required by the Companies Act, 1956 and clause 49 of the listing agreement with stock exchanges, none of the directors hold directorship in more than 15 public companies, membership of board committees (Audit & Investor Grievance Committees) in excess of 10 and chairmanship of board committee in excess of 5.

3 Audit Committee

- **Composition & Terms of Reference**

The Audit Committee comprised of Directors viz. Mr. R. R. Patel, Dr. B. R. Patel and Mr. P. N. Parikh. Mr. R. R. Patel is the Chairman of the Audit Committee. All Directors in the Audit Committee are Non-Executive & Independent Directors. The terms of reference of the committee are wide enough to cover the matters specified for Audit Committee under the Listing Agreements. The Statutory Auditors, Internal Auditors, President - Finance and General Manager (Accounts) of the Company are invited to attend the meetings of Audit Committee. The Joint Company Secretary acts as Secretary of the Committee.

Mr. R. R. Patel, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on 31st August, 2005.

- **Meetings and the attendance during the year:**

There were 4 meetings of the Audit Committee during the year held on 04th July, 2005, 20th July, 2005, 26th October, 2005 and 20th January, 2006. The attendance of each Member of the Committee is given below:

Name of Director	Category of Director	No. of meetings attended
Mr. R. R. Patel	Non-Executive & Independent	4
Dr. B. R. Patel	Non-Executive & Independent	4
Mr. P. N. Parikh	Non-Executive & Independent	2

4 Remuneration Committee

Rupees in lacs

The Company has not formed a Remuneration Committee of Directors, as it is a non-mandatory requirement. The remuneration of Managing Director, Whole-time Director, Director & President - Finance and Company Secretary are fixed by the Board of Directors within the overall limit fixed under the Companies Act, 1956 and approved by the shareholders at their meetings.

- **Details of Remuneration paid to Directors**

- Executive Directors**

All elements of remuneration package i.e. salary, benefits, bonuses, pension etc. paid to Executive Directors are as under:

Name of Director	Salary & Perquisites	Commission	Total
Mr. Chirayu Amin (Managing Director)	37.41	364.85	402.26
Mrs. Malika Amin (Whole-time Director)	27.91	213.45	241.36
Mr. R. K. Baheti (Director, President - Finance & Company Secretary)	58.26	--	58.26
Total	123.58	578.30	701.88

Report on Corporate Governance

Notes:

- a. The agreement with the Executive Directors is for a period of 5 years.
 - Mr. C. R. Amin, Managing Director - renewed w.e.f. 01.05.2003
 - Mrs. M. C. Amin, Whole-time Director - renewed w.e.f. 02.07.2003
 - Mr. R. K. Baheti, Director, President - Finance & Company Secretary - w.e.f. 25.01.2003
- b. There is no separate provision for payment of severance fees.
- c. The Company does not have any Stock Options Scheme.

b. Non-Executive Directors

Non-Executive Directors are paid the sitting fees for attending Board / Committee Meetings @ Rs. 5,000/- per meeting.

Name of Directors	Sitting fees for Board Meetings (Rs.)	Sitting fees for Committee Meetings (Rs.)	Total Fees paid (Rs.)
Dr. B. R. Patel	20,000	70,000	90,000
Mr. R. R. Patel	25,000	80,000	1,05,000
Mr. R. M. Kapadia*	25,000	60,000	85,000
Mr. P. N. Parikh	10,000	10,000	20,000
Mr. K. G. Ramanathan	15,000	--	15,000

* Mr. R. M. Kapadia was paid consultancy fees of Rs. 8.33 lacs during the year 2005-06 pursuant to the resolution passed at the Annual General Meeting of the Company held on 19th August, 2004.

5 Shareholders / Investors Committee

Shareholders / Investors Committee comprises of 3 Directors viz. Mr. R. R. Patel, Dr. B. R. Patel and Mr. R. M. Kapadia, which looks into Shareholder and Investor related matters. Mr. R. R. Patel, who is Non-Executive and Independent Director, is Chairman of the Shareholders / Investors Committee.

• Meetings and the attendance during the year:

There were twelve meetings of the Shareholders / Investors Committee during the year. The attendance of each Member of the Committee is given below:

Name of Director	Category of Director	No. of meetings attended
Mr. R. R. Patel	Non-Executive & Independent	12
Dr. B. R. Patel	Non-Executive & Independent	10
Mr. R. M. Kapadia	Non-Executive	12

Mr. R. K. Baheti, Director, President - Finance and Company Secretary, is the Compliance Officer of the Company. The meeting of Shareholders / Investors Committee is held every month, in which transfers, transmission, issuance of certificates, etc. are approved. Mr. Parthiv Parikh, Joint Company Secretary of the Company is also authorized by the Board to approve transfers at the interval of fifteen days time.

The Company has been receiving various correspondences from shareholders and the required information / documents are furnished at the earliest possible to the satisfaction of shareholders. During the year, the Company has received 136 complaints from shareholders. At the end of the year, the Company has 1 transfer pending for 30 shares received on 31.03.2006.

Report on Corporate Governance

6 General Body Meetings

Details of the location of the last three AGMs and the Extraordinary General Meetings held during the year are given below:

Year	Location	Date	Time	No. of Special Resolutions passed
2002-03	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.	25th September, 2003	4.00 p.m.	3
2003-04	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.	19th August, 2004	3.00 p.m.	2
2004-05	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.	31st August, 2005	3.30 p.m.	5

Details of the Extraordinary General Meetings of Members held for obtaining approval for Issue of Right, Bonus & Preferential shares.

Year	Location	Date	Time	No. of Special Resolutions passed
2003	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.	10th October, 2003	3.30 p.m.	1
2004	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.	12th March, 2004	11.30 a.m.	1
2004	"Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.	26th November, 2004	3.00 p.m.	1

6A. Notes on Directors seeking appointment / re-appointment as required under Clause 49 IV(G) of the Listing Agreement entered into with Stock Exchanges.

Mr. R. M. Kapadia and Dr. B. R. Patel - Directors of the Company will retire by rotation at the ensuing Annual General Meeting and eligible for re-appointment.

Mr. R. M. Kapadia has worked with the Company for about 45 years. He is M.Com., LL.B., DTP, FICWA, FCS, AIMA.DM. He was Sr. Vice President (Management Services) & Company Secretary of the Company till 05th April, 2004. Thereafter, he has been providing services as a Management Consultant of the Company. He is a Director of the Company since April 1997. His presence on the Board of Directors of the Company has helped in taking various decisions, particularly in the areas of MIS, Corporate Management, Secretarial, Supply Chain Management, Inventory Management etc. He is holding Directorships in Ujjwal Ltd., Paraan Ltd., Paushak Ltd., Whitefield Agrotech Pvt. Ltd. and Baroda Industrial Development Corporation. His presence on the Board has helped the Company immensely. He is Member of the Shareholders / Investors Committees of the Company. He is also Chairman of the Audit Committee and Shareholders / Investors Committee of M/s. Paushak Ltd.

Dr. B. R. Patel is an eminent Physician & Cardiologist with over 45 years of experience. His qualifications are M.B., MRCP Edin (Cardiology). He has been a Director of the Company for the past 31 years and his presence on the Board has helped immensely because of his vast and varied experience in the field of medicine. He is a Member of the Audit Committee and Shareholders / Investors Committee of the Company. He is not holding Directorships in any other company.

Report on Corporate Governance

7 Disclosure

There were no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The Register of Contracts for the transactions in which Directors are interested is placed before the Board regularly for its approval.

8 Compliance

The Company has complied with all the mandatory requirements of the Listing Agreements with Stock Exchanges, as well as regulations and guidelines of SEBI. Further, there is no penalty / stricture by any statutory authority during the year.

9 Means of Communication

- | | |
|--|---|
| • Quarterly/Half yearly Results | : The results are published in newspapers having wide coverage and also put on the company website. |
| • Which Newspapers normally published in | : The Economic Times (English), Business Standard (English) Loksatta (Gujarati) |
| • Any web-site where displayed | : www.alembic-india.com |
| • Whether Shareholder information forms the part of the Annual Report. | : Yes |

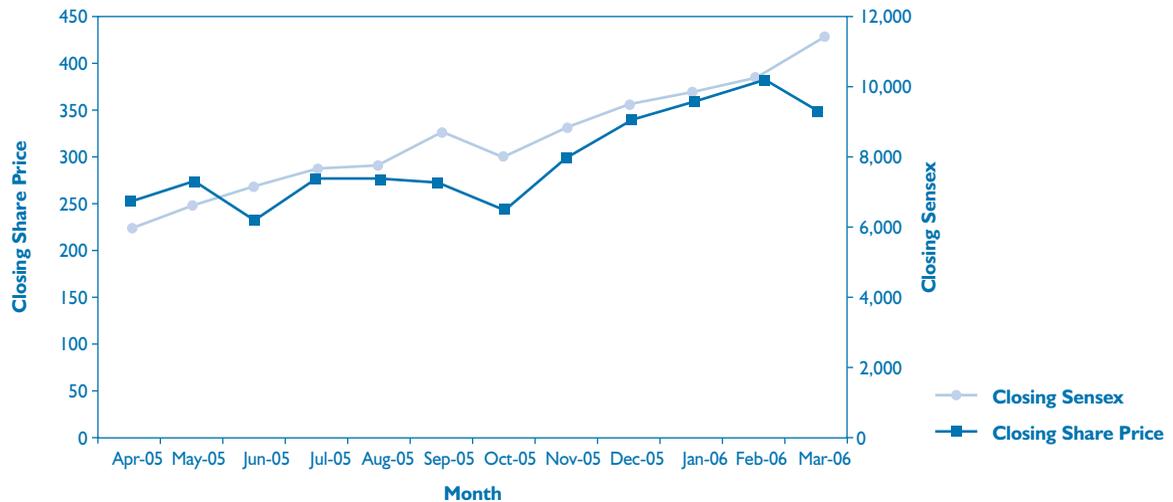
Report on Corporate Governance

10 Shareholders' Information

1	Annual General Meeting: Date and Time Venue	August 30, 2006 at 3.30 P.M. "Sanskruti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Ltd., Alembic Colony, Vadodara - 390 003.			
2.	Financial Calendar Quarter ending June 30, 2006 Quarter ending Sept. 30, 2006 Quarter ending Dec. 31, 2006 Quarter ending March 31, 2007 Annual General Meeting for the year ended 31.03.2007	Adoption of Results for the quarter: July, 2006 October, 2006 January, 2007 April - May, 2007 August - September, 2007			
3	Date of Book Closure	18th August, 2006 to 30th August 2006 (Both days inclusive)			
4	Dividend Payment Date	4th September, 2006 onward			
5	Registered Office	Alembic Road, Vadodara - 390 003. Phone: (91-265) 2307294 / 2307853 Fax: (91-265) 2285892 / 2282506 E-mail: alembic@alembic.co.in • Web: www.alembic-india.com			
6	Listing Details	The Stock Exchange, Mumbai (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. (Security Code: 506235) National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051. (Security Code: AlembicLtd)			
7	Stock Price Data	(In Rupees)			
		Mumbai Stock Exchange		National Stock Exchange	
	Month	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
	Apr., 2005	291.00	251.25	309.00	252.15
	May, 2005	313.25	235.65	313.90	236.00
	June, 2005	291.00	232.00	292.40	232.50
	July, 2005	294.40	238.10	292.00	236.50
	Aug., 2005	299.00	262.20	330.00	264.35
	Sep., 2005	288.00	254.05	288.00	250.00
	Oct., 2005	292.00	239.00	292.00	239.10
	Nov., 2005	314.80	242.00	313.30	243.05
	Dec., 2005	355.10	295.00	354.90	293.40
	Jan., 2006	427.95	331.00	384.00	331.00
	Feb., 2006	399.80	345.00	399.90	348.60
	Mar., 2006	392.00	327.50	392.00	343.00
* As on 31st March, 2006, the closing price of the shares of the Company on BSE & NSE were Rs. 350.40 and Rs. 353.30 respectively.					

Report on Corporate Governance

Share performance of the Company in comparison to BSE Sensex



8 Registrar and Share transfer Agents

M/s. Intime Spectrum Registry Limited, 1st Floor, 308, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasna Road, Vadodara - 390015. Tel.: (0265) 2250241, 3249857. Fax: (0265) 2250246. Email: vadodara@intimespectrum.com.

9 Share Transfer System

Share transfers are registered and returned generally within a period of 15 days from the date of receipt, if documents are in order in all respects. The Shareholders / Investors Committee meets every month and transfers are also approved by Company Secretary generally at the interval of 15 days.

The total number of shares transferred in the physical form during the year were 8,32,398 (Previous year 84,529).

Distribution of Shareholding

The Distribution of Shareholdings as on 31st March, 2006 is given as under:

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of total shares
Up to 500	31,264	94.90	24,55,936	8.87
501 - 1,000	935	2.84	6,66,233	2.41
1,001 - 2,000	413	1.25	5,85,879	2.12
2,001 - 3,000	114	0.35	2,84,685	1.03
3,001 - 4,000	52	0.16	1,80,123	0.65
4,001 - 5,000	30	0.09	1,36,226	0.49
5,001 - 10,000	43	0.13	3,25,071	1.17
10,001 & above	92	0.28	2,30,56,828	83.27
Total	32,943	100.00	2,76,90,981	100.00

Report on Corporate Governance

Shareholding pattern as on 31st March, 2006

Sr. No.	Category	No. of shares held	% of voting strength
1	Promoters & Associates	1,69,57,349	61.24
2	Mutual Funds & UTI	16,46,498	5.95
3	Banks, Financial Institutions & Insurance Companies	3,53,366	1.28
4	Foreign Institutional Investors	22,06,170	7.97
5	Private Corporate Bodies	2,88,726	1.04
6	Indian Public	51,18,050	18.48
7	NRIs / OCBs	11,19,522	4.04
8	Any others	1,300	0.00
	Total:	2,76,90,981	100.00

10	Dematerialization of Shares and Liquidity	At the end of the year 2,55,43,153 shares (92.24%) are held in dematerialized form by the shareholders. Trading in Company's shares for all investors is permitted only in dematerialized form from 28.08.2000 as per notification issued by the SEBI. (ISIN CODE : INE426A01019)
11	Outstanding GDR / Warrants	Not applicable
12	Plant Locations	<ol style="list-style-type: none"> Alembic Road, Vadodara - 390 003. Panelav, Tal. Halol, Dist. Panchmahals - 389 350, Gujarat. Plot No. 21, 22, EPIP - Phase I, Jharmajri, Baddi, Tehsil - Nalagarh, Dist. Solan, Himachal Pradesh.
13	Investor Correspondence	<ol style="list-style-type: none"> Alembic Limited, Alembic Road, Vadodara - 390 003. M/s. Intime Spectrum Registry Limited, 1st Floor, 308, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasna Road, Vadodara - 390 015. Tel.: (0265) 2250241, 3249857. Fax: (0265) 2250246. Email: vadodara@intimespectrum.com

Report on Corporate Governance

Auditors' Certificate on Corporate Governance

We have examined the compliance of conditions of Corporate Governance by Alembic Limited, for the year ended on 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied in with the conditions of Corporate Governance as stipulated in above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

Mumbai: 26th April, 2006.

Auditors' Report

To the members of Alembic Limited

We have audited the attached Balance Sheet of Alembic Limited as at 31st March, 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report)(Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of written representations received from the Directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi.
 - a. *Shortfall in interest provision, if any, pending final determination of the interest payable on delayed payment of gas price in respect of gas supplied by ONGC during the period 01.01.1982 to 29.01.1987(Pre-87) not determinable.*
 - b. *No provision has been made by the Company in respect of difference, if any, in the price of gas supplied by ONGC during the period 30.01.1987 to 31.05.1991 (Post-87) and interest for delayed payment thereon, the matter being sub judice as detailed in note no.4 to the accounts.*
- vii. *The Company has revalued some items of plant & machinery on a selective basis rather than for a class of assets as at 1st April, 1997 as detailed in note no.5 to the accounts. Such selective application of revaluation is not in conformity with the Accounting Standard 10 on "Accounting for Fixed Assets" prescribed by the Institute of Chartered Accountants of India even though the accounting per se of such revaluation is as per accepted accounting practice.*

We further report that the effect of our observations at (vi) and (vii) above is not quantified/quantifiable.

Subject to para (vi) and (vii) above, in our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- a. In the case of the Balance Sheet of the state of the affairs of the Company as at 31st March, 2006.
- b. In case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- c. In the case of Cash flow statement of the cash flows for the year ended on that date.

For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

Mumbai: 26th April, 2006.

Annexure to the Auditors' Report

Re: Alembic Limited

Referred to in paragraph 3 of our report of even date,

- i.
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets. However, item wise value in respect of assets other than land, buildings and vehicles acquired prior to 1968 are not available.
 - b. Fixed assets have been physically verified by the management during the year as per the phased programme of physical verification of fixed assets. As informed to us the programme is such that all the fixed assets will get physically verified in three years time. In our opinion the same is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
 - c. During the year, the Company has not disposed off substantial part of its fixed assets.
- ii.
 - a. The inventory has been physically verified during the year by the management at reasonable intervals.
 - b. The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to size of the Company and nature of its business.
 - c. The Company is maintaining proper records of inventory. No material discrepancies have been noticed on physical verification of stocks.
- iii.
 - a. The Company has granted unsecured loans to three companies covered in the register maintained under 301 of the Companies Act, 1956, wherein the balance recoverable as at the year end is Rs. 9,10,00,000/- (Maximum balance during the year Rs. 15,52,00,000/-).
 - b. In our opinion, the rate of interest and other terms and conditions of loans given by the Company, secured or unsecured, to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
 - c. In respect of the above loans granted, payment/renewal of the principal amount and interest were regular, as stipulated.
 - d. The Company has taken reasonable steps for recovery/renewal of the above-unsecured loan given and interest thereon.
 - e. The Company has not taken any loans, secured or unsecured, from any party covered in the register maintained under 301 of the Companies Act, 1956. Therefore requirements of clause (iii)(f) and (iii)(g) are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls.
- v.
 - a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provision of the Companies Act, 1956. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- ix.
 - a. The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it and there are no arrears outstanding as at the year end for a period of more than six months from the date they became payable.
 - b. According to the records of the Company, the following dues of Sales tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess have not been deposited on account of some dispute or are partially deposited under protest.

Annexure to the Auditors' Report

Statute & Nature of dues	Amount not deposited Rs.	Forum where dispute is pending	Period
Sales Tax Act Sales Tax, interest and penalty	1,92,243	Assistant Commissioner (Appeals)	2000 - 2001
	1,32,78,472	Additional Commissioner	2000 - 2001
	27,30,079	Tribunal	1993 - 1994
	13,12,295	High Court	1999 - 2000
	45,253	Deputy Commissioner	2001 - 2002
	1,44,166	Deputy Commissioner	2002 - 2003
	85,722	Joint Commissioner (Appeals)	2003 - 2004
The Central Excise & Customs Act	2,49,394	Commissioner (Appeals)	2005 - 2006
	80,88,641	Supreme Court	1988 to 1998
Excise Duty, Interest & Penalty	8,20,10,906	Customs, Excise and Service Tax Appellate Tribunal	1988 - 1989 1995 - 1996 1996 - 1997 1997 - 1998 1998 - 1999 1999 - 2000 2001 - 2002 2002 - 2003 2003 - 2004

- x. The Company does not have any accumulated losses as per the Balance Sheet as at the end of the financial year. The Company has not incurred the cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a Chit fund or a Nidhi/Mutual Benefit fund/Society. Therefore, the provisions of Clauses 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xv. In our opinion, the terms and condition on which the Company has given guarantee for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- xvi. The Company has not obtained any term loan during the year.
- xvii. According to the information and explanations given to us, and on an overall examination of Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. There are no debentures issued by the Company during the year and therefore the requirement of creation of security or charge is not applicable.
- xx. The Company has not raised any money during the year by public issue.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

Financial Section

Balance Sheet

Rupees in lacs

As at 31st March	Schedules	2006		2005	
I. SOURCES OF FUNDS:					
I. Shareholders' Funds:					
a. Capital	A	2,769.19		2,769.19	
b. Reserves and Surplus	B	30,854.00	33,623.19	24,597.11	27,366.30
2. Deferred Tax Liability			3,978.87		4,068.46
3. Loan Funds:					
a. Secured Loans	C	14,243.13		16,304.50	
b. Unsecured Loans	D	3,730.77	17,973.90	4,024.31	20,328.81
			55,575.96		51,763.57
II. APPLICATION OF FUNDS:					
I. Fixed Assets:					
a. Gross Block	E	52,714.55		50,162.93	
b. Less: Depreciation		21,138.69		18,630.72	
c. Net Block			31,575.86		31,532.21
2. Investments:	F		2,418.72		2,867.56
3. Current Assets, Loans and Advances:					
a. Inventories	G	14,032.84		11,772.99	
b. Sundry Debtors	H	15,174.82		10,863.48	
c. Cash and Bank Balances	I	87.58		138.48	
d. Loans and Advances	J	4,921.37	34,216.61	5,077.76	27,852.71
Less: Current Liabilities and Provisions:	K				
a. Liabilities		11,056.50		9,541.67	
b. Provisions		1,578.73	12,635.23	947.24	10,488.91
Net Current Assets			21,581.38		17,363.80
			55,575.96		51,763.57
Notes Forming Part of Accounts	T				
The schedules referred to above form an integral part of Balance Sheet					

As per our report of even date
For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

CHIRAYU R. AMIN
Chairman & Managing Director

MALIKA C. AMIN
Whole-time Director

B. R. PATEL
Director

For and on behalf of the Board of Directors

R. R. PATEL
Director

R. M. KAPADIA
Director

K. G. RAMANATHAN
Director

R. K. BAHETI
Director, President - Finance
& Company Secretary

Mumbai: 26th April, 2006

Vadodara: 26th April, 2006.

Profit and Loss Account

Rupees in lacs

For the Year ended on 31st March	Schedules	2006		2005	
INCOME:					
Sales and Export Incentives	L	66,591.62		57,241.81	
Less: Excise Duty		2,706.80	63,884.82	4,796.00	52,445.81
Other Income	M		1,262.19		734.79
			65,147.01		53,180.60
EXPENDITURE:					
Material Consumption	N		22,413.44		19,251.28
Purchase of Finished Goods			7,619.58		4,855.33
Excise Duty			796.68		438.76
Manufacturing Expenses	O		5,319.16		4,331.81
Employees' Expenses	P		6,554.91		5,742.96
Research & Development Expenses	Q		1,988.89		1,675.50
Marketing & Distribution Expenses	R		5,586.10		5,257.77
Interest (Net)			866.59		882.21
Depreciation (See Note No. 5)		2,892.24		2,573.50	
Less: Transferred from Revaluation Reserve		16.55	2,875.69	16.55	2,556.95
Others	S		4,870.31		4,021.19
			58,891.35		49,013.76
ADD/(LESS): Decrease/(Increase) in stock of Finished Goods and Work in Process	N		(2,093.98)		(1,399.44)
			56,797.37		47,614.32
PROFIT BEFORE NON-RECURRING ITEMS			8,349.64		5,566.28
Expenses under Voluntary Retirement Scheme			--		273.17
Interest to O.N.G.C. (See Note No. 4)			--		293.47
PROFIT BEFORE TAXES			8,349.64		4,999.64
Provision for Deferred Tax			(89.59)		(579.00)
Provision for Current Tax, Wealth Tax & Fringe Benefit Tax			875.00		397.00
Excess provision of Income Tax no longer required			(287.94)		(22.16)
NET PROFIT AFTER TAX			7,852.17		5,203.80
ADD/LESS:					
Balance brought forward from last year			2,461.53		706.30
BALANCE AVAILABLE FOR APPROPRIATION			10,313.70		5,910.10
APPROPRIATIONS:					
Dividend - Equity Shares			1,384.55		830.70
Corporate Dividend Tax - Equity Shares			194.18		117.87
General Reserve			5,000.00		2,500.00
SURPLUS CARRIED TO BALANCE SHEET			3,734.97		2,461.53
			10,313.70		5,910.10
Earning per Share (Basic & Diluted) (In Rs.)			28.36		19.35
Notes Forming Part of Accounts	T				
The schedules referred to above form an integral part of Profit and Loss Account					

As per our report of even date
For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

CHIRAYU R. AMIN
Chairman & Managing Director

MALIKA C. AMIN
Whole-time Director

B. R. PATEL
Director

For and on behalf of the Board of Directors

R. R. PATEL
Director

R. M. KAPADIA
Director

K. G. RAMANATHAN
Director

R. K. BAHETI
Director, President - Finance
& Company Secretary

Mumbai: 26th April, 2006

Vadodara: 26th April, 2006.

Schedules

FORMING PART OF THE BALANCE SHEET

A Share Capital

Rupees in lacs

As at 31st March	2006	2005
AUTHORIZED		
4,50,00,000 Equity Shares of Rs. 10/- each (Previous Year 3,00,00,000 Equity Shares of Rs. 10 each)	4,500.00	3,000.00
5,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each (Previous Year 20,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each)	500.00	2,000.00
	5,000.00	5,000.00
ISSUED, SUBSCRIBED:		
2,76,92,854 Equity Shares of Rs. 10/- each (Previous Year 2,76,92,854 Equity Shares of Rs. 10/- each)	2,769.29	2,769.29
	2,769.29	2,769.29
PAID UP:		
2,76,90,981 Fully paid up Equity Shares of Rs. 10/- (Previous Year 2,76,90,981 Equity Shares of Rs. 10/- each)	2,769.10	2,769.10
Add: 1,873 Forfeited Equity Shares (Amount originally paid up)	0.09	0.09
	2,769.19	2,769.19
Of the above:		
1. 1,27,860	Equity Shares have been allotted as fully paid up pursuant to contract without payment being received in cash.	
2. 1,84,07,324	Equity Shares have been allotted as fully paid up Bonus Shares by Capitalisation of Rs. 7,00,000/- from Share Premium Account, Rs. 16,83,50,000/- from Capital Redemption Reserve and Rs. 1,50,23,240/- from General Reserve.	
3. 6,69,090 & 1,44,848	Equity Shares of Rs. 10/- each fully paid, were allotted to the Shareholders of erstwhile Neomer Ltd., & Darshak Ltd., respectively, pursuant to the Scheme of amalgamation / merger without payment being received in cash.	

B Reserves and Surplus

As at 31st March	2006		2005	
REVALUATION RESERVE:				
As per last Balance Sheet	683.93		824.71	
Less: Transferred to General Reserve	87.70		124.23	
Less: Transferred to Profit and Loss Account	16.55	579.68	16.55	683.93
CAPITAL RESERVE:				
As per last Balance Sheet		35.00		35.00
SHARE PREMIUM ACCOUNT:				
As per last Balance Sheet	6,974.23		5,146.97	
Add: Received during the year	--	6,974.23	1,827.26	6,974.23

Schedules

FORMING PART OF THE BALANCE SHEET

B Reserves and Surplus - Contd.

Rupees in lacs

As at 31st March	2006		2005	
GENERAL RESERVE:				
As per last Balance Sheet	14,442.42		11,921.10	
Add: Transferred from Revaluation Reserve	87.70		124.23	
Add: Transferred from Profit and Loss Account	5,000.00		2,500.00	
	19,530.12		14,545.33	
Less: Capitalized on or for Issue of Bonus Shares	--		4.09	
Less: Utilized towards Provision for Impairment of Asset	--		98.82	
	--	19,530.12	102.91	14,442.42
SURPLUS AS PER PROFIT AND LOSS ACCOUNT		3,734.97		2,461.53
		30,854.00		24,597.11

C Secured Loans

As at 31st March	2006		2005	
A. From Financial Institutions, Banks and NBFC:				
1. Foreign Currency Loans:				
a. External Commercial Borrowing against first hypothecation charge on all movable Plant & machinery ranking pari passu with other lenders	4,303.45		5,278.66	
b. Foreign Currency loans against first hypothecation charge on all movable plant and machinery ranking pari passu with other lenders	--		1,942.96	
		4,303.45		7,221.62
2. Rupee Loans:				
Against first hypothecation charge on all movable plant and machinery ranking pari passu with other lenders		3,000.00		3,020.00
		7,303.45		10,241.62
B. From Banks for Working Capital:				
Against hypothecation charge on stocks and book-debts		6,939.68		6,062.88
		14,243.13		16,304.50

Note:

In the case of Secured Loans, where movable plant and machinery are given as security, the movable plant and machinery of APIP division of the Company are not included.

Schedules

FORMING PART OF THE BALANCE SHEET

D Unsecured Loans

Rupees in lacs

As at 31st March	2006		2005	
Fixed Deposits From:				
Public	620.54		863.88	
Shareholders	87.43	707.97	134.78	998.66
Short Term Loans From:				
Banks & Institution	1,000.00		2,000.00	
Others	22.80	1,022.80	25.65	2,025.65
Commercial Paper (Maximum outstanding during the year Rs. 40 crores. Previous year Rs. 35 crores)		2,000.00		1,000.00
		3,730.77		4,024.31

E Fixed Assets

Assets	Gross Block				Depreciation Block					Net Block	
	As on 01/04/2005	Additions	Deductions/ Adjustments	As on 31/03/2006	As on 01/04/2005	Deductions/ Adjustments	Total Depreciation for the year ended 31/03/2006	Impairment	As on 31/03/2006	As on 31/03/2006	As on 31/03/2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	352.42	4.69	8.35	348.76	--	--	--	--	--	348.76	352.42
Leasehold Land	105.82	--	--	105.82	1.96	--	1.14	--	3.10	102.72	103.86
Buildings	6,012.22	1,244.61	105.73	7,151.10	1,277.25	15.24	194.38	--	1,456.39	5,694.71	4,734.97
Employees Quarters	89.38	--	--	89.38	59.98	--	0.71	--	60.69	28.69	29.40
Plant and Machinery	38,337.05	1,053.31	416.27	38,974.09	14,908.22	354.81	2,342.48	--	16,895.89	22,078.20	23,428.83
R&D Equipment	3,761.86	677.73	0.00	4,439.59	1,941.95	--	233.33	--	2,175.28	2,264.31	1,819.91
Furniture & Fixtures	457.43	87.29	3.27	541.45	192.28	1.78	43.10	--	233.60	307.85	265.15
Office Machinery	313.08	32.54	0.93	344.69	70.26	0.29	15.89	--	85.86	258.83	242.82
Vehicles	394.98	38.23	22.68	410.53	144.23	12.15	35.46	--	167.54	242.99	250.75
Intangible Assets (Trade Mark)	128.74	0.00	--	128.74	34.59	--	25.75	--	60.34	68.40	94.15
Total	49,952.98	3,138.40	557.23	52,534.15	18,630.72	384.27	2,892.24	--	21,138.69	31,395.46	31,322.26
	(42,752.26)	(7,427.50)	(226.78)	(49,952.98)	(16,094.66)	(136.26)	(2,573.50)	(98.82)	(18,630.72)	(31,322.26)	
Capital work in progress				180.40						180.40	
				(209.95)						(209.95)	
				52,714.55						31,575.86	
				(50,162.93)						(31,532.21)	

Notes:

- Sales proceeds are deducted from gross cost where cost is unascertainable.
- Buildings: Include Rs. 2,500/- (Rs. 2,500/-) being cost of bonds of Morning Star Co-op. Housing Society Ltd.
- Plant and Machinery includes Machineries of gross value Rs. 80.25 lacs (Rs. 80.25 lacs) given on lease.
- No Depreciation has been claimed on assets to the extent of Modvat / Cenvat claimed
- See Note No. 5 in Schedule T.
- Borrowing cost of Rs. Nil (Rs. 28.81 lac) and Exchange Loss of Rs. Nil (Exchange Gain Rs. 17.35 lac) has been capitalized.

* Figures in brackets are in respect of the previous year

Schedules

FORMING PART OF THE BALANCE SHEET

F Investments (at cost)

Rupees in lacs

As at 31st March	Nos.	Face Value Rs.	2006		2005	
LONG TERM INVESTMENT						
I. In Government - Trust Securities:						
6th Year's National Saving Certificate			--		0.01	
8th Year's National Saving Certificate			--		0.50	
(The above Government Securities were encashed during the year)				--		0.51
II. In Shares, Debentures and Bonds:						
I. Quoted:						
a. Bonds						
12% Industrial Finance Corporation of India (Maturity date 13.01.2012) (Face Value Rs. 12,77,500/-)	19		13.03		13.03	
6.75% Tax-free US-64 Bonds	1,35,900	100	135.90		135.90	
				148.93		148.93
b. Equity Shares (Fully paid up):						
Alembic Glass Industries Ltd. (94,257 shares sold during the year)	38,171	100	55.66		193.09	
Housing Development Finance Corporation Ltd. (37,175 shares sold during the year and 23,722 shares acquired during the year)	21,787	10	186.21		115.96	
Jyoti Ltd.	84,900	10	1.43		1.43	
Panasonic Battery India Ltd. (Formally known as Matsushita Lakhanpal Battery India Ltd.)	1,01,856	10	16.54		16.54	
Paraan Ltd.	2,350	100	2.35		2.35	
Less: Provision for diminution in value of Investment			(2.35)		(2.35)	
Paushak Ltd. (Formally known as Darshak Ltd., on merger of Paushak Ltd.)	5,75,086	10	266.26		169.08	
Paushak Ltd. (Merged with Darshak Ltd.)	--	10	--		97.19	
Purak Vinimay Ltd.	1,09,000	10	10.90		10.90	
Less: Provision for diminution in value of Investment			(10.90)		(10.90)	
Ujjwal Ltd. (1,600 shares sold during the year)	--	100	--		1.60	
Krebs Biochemicals Ltd.	100	10	0.15		0.15	
Torrent Gujarat Biotech Ltd. (100 shares sold during the year)	--	10	--		0.02	
Bank of Baroda (28,823 shares acquired during the year)	28,823	10	66.29		--	
Union Bank of India (4,591 shares acquired during the year and 4,591 shares sold during the year)	--	10	--		--	

Schedules

FORMING PART OF THE BALANCE SHEET

F Investments (at cost) - Contd.

Rupees in lacs

As at 31st March	Nos.	Face Value Rs.	2006		2005	
Xechem International Inc., USA (Common stock of par value of \$0.00001 per share)	91,42,857		289.73		289.73	
(Aggregate Market Value of Quoted Investments 1,512.10 lacs, Previous Year Rs. 1,306.23 lacs)				882.27		884.79
2. Unquoted:						
a. Equity Shares (Fully paid up):						
Aavaran Ltd.	11,400	100	9.50		9.50	
Dharak Ltd. (Merged with Nirayu Pvt. Ltd.)	4,000	100	--		4.00	
Nirayu Pvt. Ltd. (On merger of Dharak Ltd.)	1,538	10	4.00		--	
Light Publication Ltd.	1,120	100	0.80		0.80	
Shreno Ltd. (Formally known as Shreno Investment & Finance Ltd.)	12,96,000	100	144.60		144.60	
Alembic Export Ltd.	22,500	10	2.25		2.25	
Sierra Invesments Ltd.	10,00,000	10	100.00		100.00	
				261.15		261.15
b. Preference shares (Fully paid up):						
12% Cumulative Preference shares of Paushak Ltd.	2,00,000	100	200.00		200.00	
5% Non-Cumulative Redeemable Preference Share of Pran Agro Services Pvt. Ltd.	500	100	0.50		0.50	
				200.50		200.50
c. Others:						
Equity Shares (Fully paid up):						
Alembic Employees Co-op. Supply Society Ltd.	100	10	0.01		0.01	
Algen Ltd.	--	10	0.40		0.40	
Less: Provision for diminution in value of Investment			(0.40)		(0.40)	
Co-Operative Bank of Baroda Ltd.	100	25	0.03		0.03	
Gujarat Export Corporation Ltd.	37	100	0.03		0.03	
Pran Agro Services Pvt. Ltd. (Rs. 170/-, Previous Year Rs. 170/-)	17	10	--		--	
Pragati Sahakari Bank Ltd.	500	10	0.05		0.05	
Swaminarayan Co-op. Bank Ltd.	2,505	25	0.63		0.63	
Saraswat Co-op. Bank Ltd.	1,000	10	0.10		0.10	
				0.85		0.85
III. In Properties:						
Equity Shares (Fully paid up):						
Baroda Industrial Development Corporation Ltd.	6	1,000	0.06		0.06	
Ganesh Co-op. Housing Society Ltd. (Rs. 100/-, Previous Year Rs. 100/-)	2	50	--		--	

Schedules

FORMING PART OF THE BALANCE SHEET

F Investments (at cost) - Contd.

Rupees in lacs

As at 31st March	Nos.	Face Value Rs.	2006		2005	
Gujarat Urban Housing Company	10	100	0.01		0.01	
Jamasji Co-op. Housing Society Ltd. (Surrender during the year)	10	50	--		0.01	
Morning Star Co-op. Housing Society Ltd.	1	50	--		--	
(Rs. 50/- Previous Year. Rs. 50/-)				0.07		0.08
IV. Others:						
8% Optionally Convertible Note of XE Chem				924.95		1,370.75
International Inc. U.S.A. (The outstanding principal and interest shall be paid as follows: One million USD received on January 24th, 2006 and the balance will be received on or before December 31st, 2006.)						
				2,418.72		2,867.56
Details of Purchase and Sales of Units During the Year :						
Particulars	No. of Units					
Reliance Mutual Fund	26,19,370					

G Inventories (Refer to Note No. I (e) pertaining to Accounting Policy) (As certified & valued by Management)

As at 31st March	2006		2005	
Stores & Spares	287.68		286.50	
Packing Material	849.83		707.73	
Raw Materials	3,097.30	4,234.81	3,074.71	4,068.94
Stock in Trade:				
Finished goods (At lower of cost or market value)	9,372.36		7,117.79	
Material in process (At cost)	425.67	9,798.03	586.26	7,704.05
		14,032.84		11,772.99

H Sundry Debtors (Considered good unless otherwise specified)

As at 31st March	2006		2005	
Over Six Months (Net of Provision for doubtful debts Rs. 1,248.47 lacs Previous year Rs. 870.26 lacs)		1,942.26		1,293.35
Others		13,232.56		9,570.13
		15,174.82		10,863.48

Schedules

FORMING PART OF THE BALANCE SHEET

I Cash and Bank Balances

Rupees in lacs

As at 31st March		2006		2005
Cash on hand		21.10		7.80
Bank Balances:				
With Scheduled Banks				
In Current Accounts	13.52		71.18	
In Dividend Warrants Accounts	47.85		37.05	
In Fixed Deposit Accounts	1.86	63.23	1.77	110.00
With Other Banks				
Pragati Sahakari Bank Ltd.				
In Current Accounts (Maximum balance during the year Rs. 10.28 lacs P. Y. Rs. 13.56 lacs)	3.25		0.68	
In Fixed Deposit Accounts (Wherein our Directors Shri R. M. Kapadia and Shri R. R. Patel are Directors)	--	3.25	20.00	20.68
		87.58		138.48

J Loans and Advances (Unsecured, considered good unless otherwise specified)

As at 31st March		2006		2005
Advances recoverable in cash or in kind or for value to be received		2,803.57		2,530.43
To Staff Members and Corporates		1,564.59		1,880.39
Tender and Other Deposits		308.39		299.98
Income Tax / Wealth Tax Paid	1,859.82		1,477.94	
Less: Provision of Income Tax / Wealth Tax	1,615.00	244.82	1,110.98	366.96
		4,921.37		5,077.76

Schedules

FORMING PART OF THE BALANCE SHEET

K Current Liabilities and Provisions

Rupees in lacs

As at 31st March	2006		2005	
A. CURRENT LIABILITIES				
Creditors: Small Scale Industries		58.05		109.88
Others		9,783.88		8,213.32
Trade Deposits & Advances		1,027.80		1,011.21
Unclaimed Dividend		47.85		37.05
Unclaimed Matured Deposits (Will be paid to the Investor Education & Protection Fund as and when due.)		35.19		51.28
Interest accrued but not due		103.73		118.93
		11,056.50		9,541.67
B. PROVISIONS				
Provision for Dividend		1,384.55		830.73
Provision for Corporate Dividend Tax		194.18		116.51
		1,578.73		947.24

Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

L Sales and Export Incentives

For the Year ended on 31st March	2006		2005	
Sales: Domestic	52,667.48		44,580.80	
Export	13,385.73	66,053.21	12,164.75	56,745.55
Export Incentives		538.41		496.26
		66,591.62		57,241.81

Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

M Other Income

Rupees in lacs

For the Year ended on 31st March	2006		2005	
a. Dividend: Dividend from Trade Investments	0.56		2.48	
Other Dividends	7.71	8.27	10.04	12.52
b. Other Income:				
Rent	53.85		46.02	
Insurance Claims	38.60		170.16	
Computer Charges	9.67		9.69	
Profit on sale of Fixed Assets (Net)	160.86		15.14	
Profit on sale of Investment (Net)	848.48		226.87	
Foreign Exchange Difference (Net)	--		89.12	
Bad Debts Written off now realised	2.25		48.02	
Miscellaneous Income	140.21	1,253.92	117.25	722.27
		1,262.19		734.79

N Raw Material & Packing Material Consumption

For the Year ended on 31st March	2006		2005	
Opening Stock		3,782.44		1,942.29
Add: Purchases		22,767.21		21,091.43
		26,549.65		23,033.72
Less: Closing Stock		3,947.13		3,782.44
		22,602.52		19,251.28
Less: Insurance claim received		189.08		--
		22,413.44		19,251.28
(Increase)/Decrease in Stock of Finished Goods and Material in Process:				
Opening Stock:				
Material in Process	586.26		763.66	
Finished Goods	7,117.79	7,704.05	5,540.95	6,304.61
Less: Closing Stock:				
Material in Process	425.67		586.26	
Finished Goods	9,372.36	9,798.03	7,117.79	7,704.05
		(2,093.98)		(1,399.44)

Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Manufacturing Expenses

Rupees in lacs

For the Year ended on 31st March	2006		2005	
Power and Fuel		2,258.46		1,801.04
Repairs and Maintenance of Machinery		647.59		502.21
Manufacturing and Labour Charges		1,256.56		1,028.73
Stores & Spares Consumption		852.92		723.81
Laboratory and Analytical Expenses		303.63		276.02
		5,319.16		4,331.81

Employees' Cost

For the Year ended on 31st March	2006		2005	
Salaries, Wages, Bonus & Gratuity		5,810.49		4,827.20
Contribution to Provident, Gratuity, E.S.I. and other Funds		547.04		728.21
Welfare Expenses		197.38		187.55
		6,554.91		5,742.96

Research & Development Expenses

For the Year ended on 31st March	2006		2005	
Material Consumption		624.16		505.57
Others		458.60		395.12
Employees' Cost				
Salaries, Wages, Bonus & Gratuity	727.25		616.39	
Contribution to Provident, Gratuity, E.S.I. and other Funds	59.36	786.61	44.05	660.44
Utilities - Power		50.32		35.37
Utilities - Others		69.20		79.00
		1,988.89		1,675.50

Schedules

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

R Marketing & Selling Expenses

Rupees in lacs

For the Year ended on 31st March		2006		2005
Marketing Expenses & Selling Commission		1,348.89		1,612.65
Publicity and Medical Literature		3,227.91		2,521.53
Freight and Forwarding Charges		1,009.30		1,123.59
		5,586.10		5,257.77

S Other Expenses

For the Year ended on 31st March		2006		2005
Rent		97.45		83.86
Bank Charges and Brokerage		134.47		134.14
Rates and Taxes		221.15		233.41
Insurance		225.62		267.08
Communication Expenses		427.52		375.75
Professional Fees		460.74		336.83
Donations		4.96		11.63
Traveling		1,490.53		1,184.09
Repairs and Maintenance:				
Building and Roads	95.66		66.33	
Others	210.46	306.12	143.07	209.40
Foreign Exchange Difference (Net)		16.20		--
Auditors' Fees and Expenses		18.28		13.94
Managerial Remuneration		701.88		485.86
Director Sitting Fees		3.15		3.85
Miscellaneous Expenses		369.20		293.10
Bad Debts written off		14.83		--
Provision for Doubtful Debts		378.21		375.00
Provision for Diminution in Investment		--		13.25
		4,870.31		4,021.19

T Notes forming part of accounts**I. SIGNIFICANT ACCOUNTING POLICIES:****A. Basis of Accounting**

The accounts are prepared as per Historical Cost Convention and on accrual basis unless otherwise specified.

B. Fixed Assets

Fixed Assets are recorded at cost of acquisition or construction. These costs exclude Modvat / Cenvat / Service Tax credit availed, but include the borrowing cost up to the date of commercial production and net cost of trial run production. Certain Lands, Buildings and Plant & Machinery, which were revalued are recorded at revalued amounts.

C. Depreciation

I. Depreciation on Building and Plant & Machineries of Pharma Division Vadodara, and all assets of Panelav units and all assets acquired on or after 01.04.91 have been provided on straight line method and all other assets on written down value method.

II. The straight line method depreciation is provided as under:

Assets acquired

Upto 31.05.86	Till 30.06.93, Depreciation has been provided as per rates applicable under income tax rules , in force at the time of acquisition / installation as per circular no. 1/86 CLB/No/14 (5) 84 CL VI dated 21.05.86, issued by the Department of Company affairs, Government of India. With effect from 01.07.93, depreciation on these assets has been provided as per revised schedule XIV rates based on circular 14/93 dated 20.12.93 issued by the Department of Company affairs, Government of India.
After 31.05.86	Depreciation has been provided as per the rates prescribed in Schedule XIV of Companies (Amendment) Act, 1988 and as revised based on circular 14/93 dated 20.12.1993 issued by the Department of the Company affairs, Government of India.

III. Depreciation as per written down value method has been provided as per the rates prescribed in schedule XIV of the Companies (Amendment) Act, 1988 and as revised based on circular 14/93 dated 20.12.1993 issued by the Department of Company affairs, Government of India.

IV. Depreciation on revalued assets is provided as under:

- a. Depreciation on value written up on revaluation of Building has been provided on straight line method on the basis of estimated life determined by the valuer and equivalent amount of depreciation has been transferred from Revaluation Reserve to Profit and Loss Account.
- b. Depreciation on value written up on revaluation of some items of plant and machinery has been provided on straight line method on the basis of remaining estimated life determined by the valuer and the same is charged to Profit and Loss Account and an equivalent amount is transferred from Revaluation Reserve to General Reserve.

V. Depreciation on Assets given on Lease:

Depreciation has been provided @ 6.33%, based on the technical life of Assets.

VI. Leasehold Land is amortized over the period of Lease.

VII. Depreciation on Research and Development Equipments.

Acquired upto 31.03.2003 @ 100% Depreciation

Acquired from 01.04.2003 As per SLM at the rate prescribed in schedule XIV of the Companies Act.

VIII. Intangible Assets represented by Trademark are amortized over five years.

D. Investments

I. Long term investments are stated at cost except where there is a diminution in value other than temporary, in which case a provision is made to the carrying value to recognize the decline.

T Notes to Accounts - Contd.

Rupees in lacs

II. Investment in foreign company are stated at cost by converting at exchange rate prevailing at the time of acquisition.

E. Inventories are valued as follows:

Raw Materials, Stores and Spares & Packing Materials	at weighted average cost
Material in Process	at cost
Finished Goods	at lower of cost or market value
Slow moving - Raw Materials, Stores & Spares	at estimated realizable value

F. Sales

- Sales are inclusive of excise duty, but net of sales tax.
- Export sales are recognized on the date of bill of lading.

G. Excise duty

Excise duty is accounted for on completion / clearance of goods manufactured.

H. Research and Development

Revenue expenditure	Charged to Profit and Loss Account.
Capital Expenditure on Plant & Machinery and Lab Equipment	Acquired upto 31.03.2003 - Charged Depreciation @ 100%
	Acquired after 01.04.2003 - Charged Depreciation as per SLM at the rates prescribed in schedule XIV of the Companies Act.

I. Foreign Exchange Transactions

- Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end exchange rates.
- The difference in translation of monetary assets & liabilities and realized gains & losses on foreign exchange transaction other than those relating to fixed assets are recognized in the Profit and Loss Account.
Exchange difference in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying amount of fixed assets.
- In respect of transactions covered by forward contracts, the difference between the contract rate and the rate on the date of the transactions is charged to Profit and Loss Account over the contract period.

J. Retirement benefits

- The liability for gratuity is funded through the scheme administered by the Life Insurance Corporation of India, and the amounts paid under the scheme are charged to Profit and Loss Account.
- Superannuation payable as per superannuation scheme is provided by payment to superannuation trust fund.
- Accumulated leave liability as at the year end is provided as per actuarial valuation.

K. Deferred Tax

Deferred Tax Assets and Liabilities are recognized as per Accounting Standard AS-22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

As at 31st March	2006	2005
2. Estimated amount of contracts remaining to be executed on capital accounts	252.25	40.57
3. Contingent liabilities not provided for		
i. Bill discounted	--	495.25

T Notes to Accounts - Contd.

Rupees in lacs

As at 31st March	2006	2005			
ii. Wage revision and reinstatement of employees and other demands	Unascertained	Unascertained			
iii. Letter of Credit, Guarantees and counter guarantees	467.28	98.50			
iv. Liabilities Disputed in appeals					
Excise Duty	903.49	1,038.52			
Sales Tax	342.67	365.65			
<p>v. Disputed liability in respect of Ministry of Industry, Department of Chemicals and Petrochemicals in respect of price of Rifampicin allowed in the formulations and the landed cost of import amounting Rs. 34.93 lacs (Rs. 34.93 lacs).</p> <p>4. The Hon'ble Supreme Court has passed judgement on 12.04.04, in respect of Company's dispute regarding interest payable to ONGC and Company's claims regarding excess principal amount charged for gas supplied during the period between 01.01.1982 and 29.01.1987, (Pre-1987).</p> <p>It was held by the Hon'ble Supreme Court that interest is payable by the Company on simple interest basis. The Hon'ble Supreme Court has also directed ONGC to examine other points of disputes raised by the Company and thereafter re-determine the arrears payable along with interest.</p> <p>The Company, on its own, calculated the net amount payable after adjusting counter claims and offered to pay ONGC Rs. 293.47 lacs. (ONGC had earlier, prior to this judgement of the Supreme Court, claimed interest of Rs. 1370 lacs on simple interest basis, without considering counter claims of the Company). The Company has provided this amount of Rs. 293.47 lacs in its books during the previous year ending 31st March, 2005. The discussions with ONGC are on to settle pre-1987 liability. However, the Company has not yet received any final communication from ONGC in this regard.</p> <p>For the period from 30.01.1987 to 31.05.1991 (post-1987), ONGC has raised demand for arrears on account of price difference, transportation cost, and interest on delayed payment thereon and has filed a suit for recovery in the Civil Court at Vadodara. ONGC's demand on account of the principal amount is Rs. 287 lacs for this period and of which the Company has paid Rs. 222 lacs till May, 2000 which has been written off in the books. The interest demand as compiled by ONGC up to 26.07.2001 is Rs. 321 lacs on simple basis and Rs. 1087 lacs on compound basis. The matter is still sub judice and pending before Court and based on counter claim of the Company, final liability on account of balance principal and interest could not be determined. Therefore, the Company has not provided for any such liability.</p> <p>5. As per the revaluation report dated 18.05.1998, of R. D. Engineer and Associates - Registered valuers - appointed for the purpose of revaluing some of the plant and machinery at Vadodara, and the same have been revalued as at 01.04.97, at Net Market Value / Net Replacement Cost as detailed below:</p>					
Assets	Original Cost	Market value / Replacement Cost	Gross Amount written up	Accumulated Depreciation on written up value	Net amount credited to revaluation reserve
	As on 01.04.97			up to 01.04.97	
Certain Plant and Machinery	417.77	2,604.59	2,186.82	548.66	1,638.16
Depreciation amounting to Rs. 87.70 lacs (Rs. 124.23 lacs) due to revaluation has been charged to Profit and Loss Account.					
				2005-06	2004-05
6. INTEREST					
Interest paid				1,350.64	1,216.00
Less: Interest received T.D.S. Rs. 22.99 lacs (Rs. 30.37 lacs)				484.05	333.79
(Net)				866.59	882.21

T Notes to Accounts - Contd.

Rupees in lacs

7. Staff loans and advances include loan to officer of the Company Rs. 10.00 lacs. (Rs. 10.04 lacs) Maximum amount due at any time during the year Rs. 10.04 lacs (Rs. 16.14 lacs).
8. As required by the notification no. GSR 376(E) dated 22.05.2002, issued by the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, Small Scale Industrial undertakings to whom the Company owes a sums, which are outstanding for more than 30 days are:

Kevin Process Technologies Pvt. Ltd .	Medicare Equipment Co.	Pushparaj Plastic & Packaging
Patwa & Sons	Abma Machines	Klassic Gold
Yogi Packaging Industries	Prama Instrument Pvt. Ltd.	Sharda Packaging
Pooja Packaging Ind.	Verma Gases Packaging Industries	Akshay Inorganics
Pramukh Packaging Ind.	Everbright Corporation	Wab Engineers
Flow Chem Ind.		

9. Break up of deferred tax assets / liabilities are as under:

As at 31st March	2006	2005
Deferred Tax Assets		
Provision for Diminution in value of Investment	4.59	4.46
Provision for Doubtful debts	420.24	216.33
Deferred Revenue Exp.	135.49	189.24
Others	127.72	102.75
	688.04	512.78
Deferred Tax Liabilities		
Depreciation	4,666.91	4,581.24
	4,666.91	4,581.24
Total	3,978.87	4,068.46

10. Segment Reporting

Primary Segment:

The Company has identified "Pharmaceuticals" as the only primary reportable segment.

In view of the inter-woven/inter-mixed nature of business and manufacturing facility, other secondary segmental information is not ascertainable.

11. Disclosure in respect of Related Parties pursuant to Accounting standard - AS 18 - issued by the Institute of Chartered Accountants of India are as follows:

List of Related Parties with whom the Company has entered into transactions during the year.

- Controlling Companies: There is no controlling Company.
- Subsidiary and Fellow Subsidiary: There is no Subsidiary and fellow Subsidiary Company.
- Associate Companies:
 - Alembic Glass Industries Ltd.
 - Purak Vinimay Ltd.
 - Sierra Investment Ltd.
 - Paushak Ltd.
 - Aavaran Ltd.
 - Light Publications Ltd.
 - Alembic Exports Ltd.
 - Nirayu Pvt. Ltd.
 - Viramya Packlight Ltd.
 - Shreno Ltd.

Schedules

FORMING PART OF THE ACCOUNTS

T Notes to Accounts - Contd.

Rupees in lacs

d. Key Management personnel:

1. Shri C. R. Amin
2. Smt. M. C. Amin
3. Shri R. K. Baheti

Chairman and Managing Director
Whole-time Director
Director, President - Finance and Company Secretary

e. Relatives of Key Management Personnel:

1. Shri P. C. Amin
2. Shri S. C. Amin
3. Shri U. C. Amin
4. Ms. Jyoti Patel

5. Ms. Ninochaka Kothari
6. Ms. Shreya Mukherjee
7. Ms. Yera Amin

During the year, the following transactions were carried out with related parties in the ordinary course of the business

For the year ended on 31st March	Associates		Key Management Personnel	
	2006	2005	2006	2005
i. Purchase of Goods	564.29	694.27	--	--
ii. Purchase of Fixed Assets	50.54	71.04	--	--
iii. Rendering of Services	373.14	475.87	--	--
iv. Receiving of Services	643.76	597.70	--	--
v. Commission Paid	0.00	89.67	--	--
vi. Rent Paid	39.24	25.10	--	--
vii. Rent Received	17.87	16.68	--	--
viii. Interest Received	57.59	97.21	1.04	1.10
ix. Dividend Received	0.56	2.16	--	--
x. Dividend Paid	309.40	188.12	48.61	29.22
xi. Loans Given	1,082.00	1,120.00	10.00	10.00
xii. Purchase of Investments	--	33.60	--	--
xiii. Managerial Remuneration:				
Salary	--	--	102.15	92.87
Perquisite	--	--	21.43	15.46
Commission	--	--	578.30	377.53
xiv. Directors' Sitting Fees	--	--	--	1.20
xv. Guarantees Given	467.28	98.50	--	--
Outstanding balance as at 31st March,				
Advance	473.57	82.35	--	--
Creditors	133.59	138.13	--	--
Loans	910.00	700.00	10.00	10.04
Investment	583.07	758.33	--	--

T Notes to Accounts - Contd.

Rupees in lacs

For the year ended on 31st March	Relatives of Key Managerial Personnel	
	2006	2005
i. Dividend Paid	36.50	24.00
ii. Salary Paid	28.70	0.00
12. Earning Per Share (EPS)		
For the year ended on 31st March	2006	2005
a. Net Profit available for equity shareholders (Rs. in lacs) (Numerator used for calculation)	7,852.17	5,203.80
b. Weighted Average number of equity shares used as denominator for calculating EPS	2,76,90,981.00	2,68,90,981.00
c. Earnings per share (Basic and diluted) Face value per share Rs. 10 each	28.36	19.35
13. Auditors' Fees and Expenses include remuneration to:		
For the year ended on 31st March	2006	2005
a. Statutory Auditors:		
As Auditors	8.05	7.80
In Other Capacity:		
i. Other Services	7.51	3.20
ii. Reimbursement of expenses	0.42	0.78
b. Cost Auditors:		
i. As Cost Auditors	0.75	0.75
ii. Other Services	0.30	0.16
c. Tax Auditor:		
Tax Audit Fee	1.25	1.25
	18.28	13.94
14. Computation of net profit under section 349 read with section 198 of the Companies Act, 1956.		
	Amount Rs.	Amount Rs.
Net Profit for the year as per Profit and Loss Account		7,852.17
Add:		
Provision for Income Tax	875.00	
Provision for Deferred Tax	(89.59)	
Depreciation	2,875.70	
Managerial Remuneration	701.88	
Directors' Sitting Fees	3.15	4,366.14
		12,218.31

T Notes to Accounts - Contd.

Rupees in lacs

	Amount Rs.	Amount Rs.
Less:		
Excess Provision of Income tax no longer required	287.94	
Depreciation as per Section 350 of the Companies Act, 1956	2,875.70	
Profit on sale of investments	848.48	
Profit on sale of assets	160.86	4,172.98
Net Profit		8,045.33
10% of the Net Profit i.e. maximum remuneration payable to managerial personnel		804.53

15. Additional information required under Schedule VI to the Companies Act, 1956 (as certified by Director).**A. Material Consumption:**

Name of Materials	Unit	For the year ended on 31st March			
		2006		2005	
		Quantity	Amount Rs.	Quantity	Amount Rs.
a. Basic					
Antibiotics	B.U.	21,563		2,600	
	Kg.	5,04,075	7,404.50	3,49,555	6,736.23
Chemical and Other Drugs	Kg.	1,71,44,927	9,448.26	1,90,05,941	8,019.33
	Ltrs.	31,65,125	4,368.71	23,07,953	3,191.80
b. Packing Material			1,191.97		1,303.92
c. Others					
(Which in value individually account for less than 10% of the total value of Raw Materials Consumed)					
Total			22,413.44		19,251.28

Schedules

FORMING PART OF THE ACCOUNTS

T Notes to Accounts - Contd.

Rupees in lacs

B. Installed capacities, Actual production, Opening Stock and Closing Stock of Finished Products produced and purchased.							
Class of Goods	Unit	Annual installed capacity	*Actual production during the Year	Opening Stock Qty.	Opening Stock Value	Closing Stock Qty.	Closing Stock Value
Bulk Drugs, Chemicals and Intermediates	MMU /	#	1,106.434	126.853	2,738.58	79.909	2,367.15
	M.T.	(#)	(1,757.20)	(131.89)	(2,610.77)	(126.85)	(2,738.58)
Protinules	M.T.	--	172.525	16.338	45.16	34.319	68.47
		(500.00)	(147.44)	(12.08)	(30.52)	(16.34)	(45.16)
Formulations							
a. Tablets and capsules	Million	4,653.00	2,103.484	182.903	1,801.93	430.431	2,801.95
	Nos.	(4,058.00)	(1,552.51)	(98.53)	(1,051.94)	(182.90)	(1,801.93)
b. Injectables	Million	224.543	91.814	11.381	686.22	8.472	761.80
	Nos.	(224.54)	(95.61)	(6.03)	(422.75)	(11.38)	(686.22)
c. Oral Preparation and Ointments	M.T.	10,182.616	5,973.822	711.919	785.80	959.266	991.38
		(9,462.62)	(4,893.28)	(489.21)	(470.78)	(711.92)	(785.80)
d. Others		--	--	--	1,646.36		2,807.28
		--	--	--	(954.19)		(1,646.36)
Others							
Electric Power Generation							
Windmill		5.00					
@ Co-Generation		12.60					
Plant							
	M.W	17.60	**	--	--	--	--
		(17.60)	(**)	--	--	--	--
Total				1,049.394	7,704.05	2,057.06	9,798.03
				(737.75)	(5,540.95)	(1,049.394)	(7,704.05)
<p>* Including production on loan licence basis, captive consumption, samples and purchases of products.</p> <p>** Entire generation of electricity is for captive consumption only</p> <p># Installed Capacity: The Installed capacity is flexible as the plant is versatile, enabling the Company to produce in different capacity and therefore, it varies depending upon the product programme.</p> <p>@ The Company has filed necessary memorandum with Secretariat of Industrial Approval for generating electricity.</p>							

T Notes to Accounts - Contd.

Rupees in lacs

C. Purchase of Finished Goods:					
For the year ended on 31st March		2006		2005	
Class of Goods	Unit	Quantity	Amount Rs.	Quantity	Amount Rs.
Pharmaceutical Preparations	Million Nos. / M.T.	2,039.855	7,619.58	2,063.902	4,855.33
D. Turnover:					
Bulk Drugs, Chemicals and Intermediates	MMU / M.T.	150.602	15,156.68	797.806	15,691.57
Protinules	M.T.	142.738	657.82	138.552	563.60
Formulations:					
Tablets and Capsules	Million Nos.	1,720.319	28,669.33	1,360.543	22,205.00
Injectables	Million Nos.	85.702	8,425.89	82.872	8,414.28
Oral Preparation and Ointments	M.T.	5,329.426	13,143.49	4,396.744	9,871.10
Total (Gross Rs.)			66,053.21		56,745.55
E. Value of Imports calculated on CIF basis by the Company during the year in respect of:					
For the year ended on 31st March			2006	2005	
i. Raw Materials			6,482.09	7,080.83	
ii. Components and Spare parts			275.11	234.32	
iii. Capital Goods			485.45	743.28	
F. Expenditure in foreign currency during the year on account of:					
For the year ended on 31st March			2006	2005	
i. Professional and Consultancy Fees			83.49	79.17	
ii. Interest			299.74	269.60	
iii. Others					
a. Foreign traveling			108.79	77.60	
b. Commission on Export			294.45	297.30	
c. Subscription, Publicity and other matters			603.03	494.14	
d. Salary			199.24	187.83	
e. Rent			17.35	14.21	

T Notes to Accounts - Contd.

Rupees in lacs

G. Earning in foreign currency on account of:		
For the year ended on 31st March	2006	2005
i. Export of goods calculated on FOB basis equivalent to	11,924.75	10,591.30
ii. Interest received	99.75	74.90
H.		
For the year ended on 31st March	2006	2005
a. Value of imported raw materials, spare parts and components consumed	6,989.20	6,238.64
b. Value of indigenous raw materials, spare parts and components consumed	16,277.16	13,736.45
c. Percentage of above to total consumption:		
i. Imported raw materials, spare parts and components consumed	30%	31%
ii. Indigenous raw materials, spare parts and components consumed	70%	69%
16. Figure shown in brackets are corresponding figures of previous year.		
17. Previous year's figures have been regrouped/rearranged wherever necessary.		

As per our report of even date
For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

CHIRAYU R. AMIN
Chairman & Managing Director

MALIKA C. AMIN
Whole-time Director

B. R. PATEL
Director

For and on behalf of the Board of Directors

R. R. PATEL
Director

R. M. KAPADIA
Director

K. G. RAMANATHAN
Director

R. K. BAHETI
Director, President - Finance
& Company Secretary

Mumbai: 26th April, 2006

Vadodara: 26th April, 2006.

Cash Flow

Statement of Cash Flow Prepared Pursuant to the Listing Agreement with Stock Exchanges

Rupees in lacs

For the Year ended on 31st March	2006		2005	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax and after extraordinary items:		8,349.64		4,999.64
Add:				
1. Depreciation	2,875.69		2,556.95	
2. Interest Paid	1,350.64		1,216.00	
3. Year End Foreign Exchange Conversion (Net)	16.20		0.00	
4. Provision for Diminution in value of Investments	--		13.25	
5. Provision for Doubtful Debtors	378.21	4,620.74	375.00	4,161.20
Less:				
1. Interest Received	484.05		333.79	
2. Dividend Received	8.27		12.52	
3. Profit on sale of Fixed Assets (Net)	160.86		15.14	
4. Lease Rent Received	19.83		10.92	
5. Year End Foreign Exchange Conversion (Net)	--		89.12	
6. Profit on sale of Investments (Net)	848.48	1,521.49	226.87	688.36
Operating profit before change in working capital		11,448.89		8,472.48
Add:				
1. Trade payable	1,503.27		435.03	
2. Trade receivables	--	1,503.27	334.08	769.11
Less:				
1. Inventories	2,259.85		3,280.41	
2. Trade receivables	4,689.57		0.00	
3. Loans and Advances	32.04	6,981.46	158.00	3,438.41
Cash generated from operation		5,970.70		5,803.18
Add:				
1. Income Tax (Net)	--	0.00	1,139.32	1,139.32
Less:				
1. Interest paid	1,349.90		1,372.92	
2. Income Tax (Net)	485.29	1,835.19	0.00	1,372.92
NET CASH INFLOW FROM OPERATING ACTIVITIES (A)		4,135.51		5,569.58
B. CASH FLOW FROM INVESTING ACTIVITIES:				
1. Sale of Fixed Assets	333.82		105.66	
2. Sale of Investments (Net)	1,297.32		0.00	
3. Interest Received	570.71		273.04	
4. Dividend Received	8.27	2,210.12	12.52	391.22

Cash Flow

Statement of Cash Flow Prepared Pursuant to the Listing Agreement with Stock Exchanges

Contd.

Rupees in lacs

For the Year ended on 31st March	2006		2005	
Less:				
1. Purchase of Fixed Assets	3,108.85		6,473.15	
2. Purchase of Investments (Net)	--	3,108.85	1,285.91	7,759.06
NET CASH UTILISED IN INVESTING ACTIVITIES (B)		(898.73)		(7,367.84)
C. CASH FLOW FROM FINANCIAL ACTIVITIES:				
Inflow:				
1. Proceeds from issue of share capital and share premium	--		1,948.37	
2. Proceeds from long term borrowings (Net)	--		388.91	
3. Proceeds from Lease Finance	19.83	19.83	10.92	2,348.20
Outflow:				
Less:				
1. Repayment of borrowings (Net)	2,371.07		0.00	
2. Dividend Paid	819.93		523.50	
3. Corporate Dividend Tax Paid	116.51	3,307.51	69.24	592.74
NET CASH GENERATED IN FINANCIAL ACTIVITIES (C)		(3,287.68)		1,755.46
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(50.90)		(42.80)
Cash and Cash Equivalents as at 31/3/2005		138.48		181.28
Cash and Cash Equivalents as at 31/3/2006		87.58		138.48

As per our report of even date
For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

CHIRAYU R. AMIN
Chairman & Managing Director

MALIKA C. AMIN
Whole-time Director

B. R. PATEL
Director

For and on behalf of the Board of Directors

R. R. PATEL
Director

R. M. KAPADIA
Director

K. G. RAMANATHAN
Director

R. K. BAHETI
Director, President - Finance
& Company Secretary

Mumbai: 26th April, 2006

Vadodara: 26th April, 2006.

Balance Sheet Abstract

Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956

Balance Sheet Abstract and Company's Business Profile

Rupees in lacs

For the Year ended on 31st March	2006	2005
1. Registration Details:		
Registration No. 04-0033		
State code No. 4		
Balance sheet date 31.03.2006		
2. Capital raised during the period:		
Public Issue	Nil	Nil
Right Issue	Nil	1.10
Bonus Issue	Nil	4.09
Private Placement		
a. Equity Shares	Nil	120.00
b. Preference Shares	Nil	Nil
Preference Shares Application Money	Nil	Nil
Equity Shares issued without payment being received in cash	Nil	Nil
3. Position of mobilization and deployment of funds:		
Total liability	68,211.19	62,252.48
Total Assets	68,211.19	62,252.48
Paid up capital	2,769.19	2,769.19
Reserve & Surplus	30,854.00	24,597.11
Deferred Tax Liability	3,978.87	4,068.46
Secured Loans	14,243.13	16,304.50
Unsecured Loans	3,730.77	4,024.31
Net Fixed Assets	31,575.86	31,532.21
Investments	2,418.72	2,867.56
Net Current Assets	21,581.38	17,363.80
Accumulated Losses	Nil	Nil
4. Performance of Company:		
Turnover and Export incentives	63,884.82	52,445.81
Total Expenditure	56,797.37	47,614.32
Profit Before Tax	8,349.64	4,999.64
Profit After Tax	7,852.17	5,203.80
Earnings Per Share	28.36	19.35
Dividend rate %	50%	30%

Balance Sheet Abstract

Additional Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956

Balance Sheet Abstract - Contd.

Rupees in lacs

For the Year ended on 31st March			2006	2005
5. Generic names of three principal products of Company:				
Item Code No.	(ITC Code)	Product Description		
300420	03	Erythromycin Formulations		
300410	00	Penicillin & Combination Formulations		
300420	03	Roxithromycin Formulations		

As per our report of even date
For **K.S. AIYAR & CO.**
Chartered Accountants

RAGHUVIR M. AIYAR
Partner
Membership No.38128

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Director

R. K. BAHETI
Director, President - Finance
& Company Secretary

Vadodara: 26th April, 2006.

Mumbai: 26th April, 2006

Notice

ALEMBIC LIMITED, Alembic Road, Vadodara - 390 003.



Notice is hereby given that the Ninety-ninth Annual General Meeting of the Members of Alembic Limited will be held at "Sanskriti", Alembic Corporate Conference Center, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara - 390 003, on Wednesday, the 30th day of August, 2006 at 3.30 pm to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet and Profit & Loss Account of the Company for the year ended on 31st March, 2006 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. R. M. Kapadia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. B. R. Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To transact the following business as special business

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

Article 136 of the Articles of Association of the Company be and is hereby substituted by following Article:

"The Directors shall provide a common seal for the purpose of the Company and shall have the power from time to time to destroy the same and substitute a new seal in lieu thereof and shall provide for the safe custody of the seal for the time being and the seal shall never be used except by the authority of Directors or committee of Directors previously given. Every deed or other instrument to which the seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted attorney of the Company, be signed by any one of the official authorized by the Board for the purpose, provided nevertheless that the certificates of shares or debentures may be sealed and signed in the manner as provided in Article 16."

NOTES

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
3. The Register of Members of the Company will remain closed from Friday the 18th August, 2006 to Wednesday, the 30th August, 2006 (both days inclusive), for the purpose of payment of dividend.
4. The dividend when sanctioned will be made payable on or after 4th September, 2006, to those members whose names stand on the Register of Members of the Company on 18th August, 2006. Members are requested to notify promptly any change in their registered addresses.
5. Explanatory Statement setting out all material facts concerning item nos. 6 as required under Section 173 of the Companies Act, 1956 is annexed hereto.
6. All documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day.
7. Shareholders who have not encashed the dividend warrants after the financial year ended on 31st December, 1998 are requested to immediately approach the Company. According to Section 205A of the Companies Act, 1956, all the unclaimed dividends, if any, are required to be transferred to the 'Investor Education and Protection Fund'.
8. All the work related to share registry in terms of both - physical and electronic are being conducted by Company's R & T Agents M/s. Intime Spectrum Registry Limited, 1st Floor, 308, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasna Road, Vadodara - 390 015. Tel.: (0265) 2250241, 3249857. Fax: (0265) 2250246. Email: vadodara@intimespectrum.com. The Shareholders are requested to send their communication to the aforesaid address in future.

Registered Office:
Alembic Road, Vadodara - 390 003.

Dated: 26th April, 2006

By Order of the Board,

R. K. BAHETI
Director, President - Finance & Company Secretary

Notice

Explanatory Statement as required under Section 173 of the Companies Act, 1956

Item No. 6:

Presently all the documents where the common seal of the Company is required to be affixed, are being executed by two signatories viz., any one of the Directors of the Company and countersigned by any one of the authorized official of the Company duly authorized by the Board of Directors for the purpose. The execution of documents gets delayed sometimes, when the concerned director/official is not available. This affects the business decisions of the Company.

In order to do the speedy execution of documents as also to do the business transactions smoothly, it has been proposed to authorize any one official of the Company, duly authorized by the Board of Directors, to execute such documents on behalf of the Company and such official may or may not be a Director of the Company.

Your Directors recommend the special resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

Registered Office:
Alembic Road, Vadodara - 390 003.

Dated: 26th April, 2006

By Order of the Board,

R. K. BAHETI
Director, President - Finance & Company Secretary

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

For Physical Holding	For Electronic Form (Demat) NSDL / CDSL		No. of Shares Held
LF No.	DP ID	CLIENT ID	

I hereby record my presence at the ANNUAL GENERAL MEETING of the Company at "Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara - 390 003 on Wednesday, the 30th August, 2006 at 3.30 p.m.

NAME OF THE MEMBER/JOINT MEMBER(S) (IN BLOCK CAPITALS):

--

- Notes: 1. Shareholder / Proxy-holder must bring the Attendance slip to the meeting and hand it over duly signed at the entrance of the meeting hall.
2. Joint Shareholders may obtain additional Attendance Slip/s by prior intimation to Office.
3. Please strike off whichever is not applicable.

SIGNATURE OF THE MEMBER/
JOINT MEMBER(S)/PROXY



PROXY FORM

For Physical Holding	For Electronic Form (Demat) NSDL / CDSL		No. of Shares Held
LF No.	DP ID	CLIENT ID	

I/We _____
of _____
being Member(s) of ALEMBIC LIMITED hereby appoint _____ of _____
or failing him _____ of _____ as my / our proxy
to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 30th August, 2006
and at any adjournment thereof.

Signed this _____ Day of _____ 2006.

- Notes : 1. Proxy form must reach the Company's Registered office not less than 48 hours before the Meeting.
2. The form should be signed across the stamp as per specimen signature registered with the Company.
3. A Proxy need not be a member.

I Rupee
Revenue
Stamp