

Report on Corporate Governance

1. Philosophy on Corporate Governance

Good Corporate Governance procedures in operation naturally imply commitment to values, ethical business conduct, objectivity, self-regulation and accountability. We, at Panacea Biotech, are dedicated to upholding the highest standards of corporate governance, compliance and administration as we continue holding our faith in the robust foundation. Our success is closely interwoven in the pillars of integrity, stability and our commitment to our value systems. The Company believes in responsible decision making and enjoys the continued trust and support of all the stakeholders.

Panacea Biotech is and continues to strive and adopt to the best practices involving independence, disclosure, uncompromising application of internal control procedures and complete corporate transparency to serve the interest of all the stakeholders including but not limited to shareholders, employees, consumers, lenders and the community at large.

2. Board of Directors

Composition & Size of the Board

Panacea Biotech's Board of Directors consists of an optimal combination of Executive Directors and Independent Non-Executive Directors, representing a judicious mix of professionalism, knowledge and experience.

The Directors bring in expertise in the fields of human resource development, strategy, management, finance and economics, among others. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

Currently, the Board comprises 5 (Five) Executive Directors (1 Executive Chairman, 1 Managing Director, 2 Joint Managing Directors and 1 Whole-time Director) and 5 (Five) Non-Executive Directors. All the Non-Executive Directors are Independent Directors. The Non-Executive Directors bring external and wider perspective in the Board's deliberations and decisions. The size and composition of the Board is in conformance with the requirements of Clause 49 of the Listing Agreement (Corporate Governance Guidelines) with the Stock Exchanges.

Board functioning & procedure

Panacea Biotech's Board is committed to ensuring good governance through a style of functioning that is self-governing. The members of the Board enjoy complete liberty to express their opinion and decisions are taken on the basis of consensus arrived at after detailed discussions. They are also free to bring up any matter for discussion at the Board Meetings.

Panacea Biotech's Board meets at least once in every quarter to discuss and review the quarterly results and other items of agenda, including the information required to be placed before the Board, as required under Annexure 1A of Clause 49 of Listing Agreement. The Board also meets and conduct additional meetings as and when required and thought fit. The dates for the Board Meetings are decided well in advance and communicated to the Directors. The Chairman/Joint Managing Director of the Board and the Company Secretary discuss the items to be included in the agenda and the agenda is sent in advance to the Directors along with the draft of relevant documents and explanatory notes.

During the financial year 2011-12, four (4) Board Meetings were held on 13th May, 2011, 27th July, 2011, 21st October, 2011 and 10th February, 2012.

Attendance of Directors at the Board Meeting & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2012:

| S. No. | Name of Director | Category of Directorship | No. of Board Meetings held | No. of Board Meetings attended | Attendance at last AGM | No. of other Directorships ⁵ and Committee memberships/chairmanships* | | |
|--------|-----------------------|--------------------------|----------------------------|--------------------------------|------------------------|--|----------------------|------------------------|
| | | | | | | Other Directorship | Committee Membership | Committee Chairmanship |
| 1. | Mr. Soshil Kumar Jain | Promoter - WTD Chairman | 4 | 4 | No | 1 | - | - |
| 2. | Mr. Ravinder Jain | Promoter - MD | 4 | 4 | No | 2 | 2 | - |
| 3. | Dr. Rajesh Jain | Promoter - JMD | 4 | 3 | No | - | - | - |
| 4. | Mr. Sandeep Jain | Promoter - JMD | 4 | 3 | No | 1 | - | - |
| 5. | Mr. Sumit Jain | Promoter Group - WTD | 4 | - | No | 1 | - | - |
| 6. | Mr. Sunil Kapoor | Non-Executive - ID | 4 | 4 | No | 6 | 2 | - |
| 7. | Mr. R.L. Narasimhan | -do- | 4 | 4 | Yes | 1 | 1 | 1 |
| 8. | Mr. N.N. Khamitkar | -do- | 4 | 4 | Yes | 1 | 1 | - |
| 9. | Mr. K.M. Lal | -do- | 4 | 4 | No | 7 | 4 | - |
| 10. | Dr. A.N. Saxena | -do- | 4 | 4 | Yes | - | 1 | 1 |

Note: WTD = Whole-time Director, MD = Managing Director, JMD = Joint Managing Director, ID = Independent Director;

⁵ Excludes directorships in private limited companies, foreign companies, membership of managing committees of various chambers/bodies/Section 25 companies.

*Membership in Audit and Shareholders' Grievance Committees.

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None of the Directors on the Board is a member in more than ten committees and/or acts as Chairman of more than five committees across all the companies in which he is a Director.

Brief information on Directors proposed for re-appointment

The brief resume, experience and other details pertaining to the Directors seeking appointment / re-appointment in the ensuing Annual General Meeting, to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, is furnished below.

Directors liable to retire by rotation seeking re-appointment and/or whose re-appointment as Managing/ Joint Managing/ Whole-time Directors is placed for approval:

a) Mr. Soshil Kumar Jain

Age : 79 Years

Qualification : Qualified Pharmacist

Professional Expertise : He has more than 56 years' experience in the pharmaceutical industry. He is the founder promoter/director of the company and has been the Chairman of the Company since October, 1984. He started his career in the Indian pharmaceutical industry by joining his family business in the form of a chemist shop set up by his father. Prior to promoting the company, he was associated with Radicura & Co., a partnership firm (formerly owned by the promoters of Panacea Biotec Ltd. and subsequently taken over by Radicura & Co. Ltd.).

Directorships : He is a director of PanEra Biotec Pvt. Ltd., Neophar Alipro Ltd., Adveta Power Pvt. Ltd. (formerly known as Advaita Power Ventures Pvt. Ltd.) and White Pigeon Estate Pvt. Ltd.

Committee Membership/ Chairmanship : He is a member of Executive Committee of Panacea Biotec Ltd.

Shareholding in the Company : He holds 5,000,000 Equity Shares of Re.1 each, comprising 8.16% shareholding of the Company.

b) Mr. Sunil Kapoor

Age : 55 Years

Qualification : Commerce Graduate from Shri Ram College of Commerce, University of Delhi and holds a LL.B. Degree from Law Faculty, University of Delhi.

Professional Expertise : He practices as an advocate and is a member of the Delhi High Court Bar Association and Bar Association Income Tax, New Delhi.

Directorships : He is a director of Golden Peacock Overseas Ltd., Residency Resorts Pvt. Ltd., Indo-Dan Lampshades Pvt. Ltd., GPL Exports Ltd., Bikman

Constructions Pvt. Ltd., Best on Health Ltd., Residency Hospitality Services Pvt. Ltd., Hitkari Potteries Ltd. and Hitkari China Ltd.

Committee Membership/ Chairmanship : He is a member of Audit Committee, Remuneration Committee, Share Transfer-Cum-Investors' Grievances Committee of the Company.

Shareholding in the Company : Nil

c) Mr. N. N. Khamitkar

Age : 71 Years

Qualification : B.E. – Electrical & Mechanical (Pune University), MBA (University of District of Columbia, Washington DC, USA) and Post Graduate Diploma in Public Administration, Indian Institute of Public Administration.

Professional Expertise : He is a retired Govt. Official belonging to Indian Engineering Service and retired as Dy. Director General, Ministry of Home Affairs, Govt. of India, New Delhi. He has also held various senior and middle level positions in various Govt. Ministries and Offices before his retirement. His expertise lies in the field of administration, planning and procurement.

Directorships : He is a director of Best on Health Ltd. and Blue Surmount Education.

Committee Membership/ Chairmanship : He is a member of Audit Committee and Remuneration Committee of the Company.

Shareholding in the Company : Nil

Information supplied to the Board

In addition to the regular business items, the Company provides the following information to the Board and Board Committees as and when required. Such information is submitted either as part of the agenda papers in advance of the meetings or by way of presentations and discussions material during the meetings:

- Annual operating plans and budgets and any updates
- Capital budgets and any updates
- Quarterly results for the company and its operating divisions or business segments
- Minutes of meetings of audit committee and other committees of the Board
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary

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- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature including any judgment or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant regulatory matters concerning Indian or Foreign Regulatory Authorities.
- Contracts/Arrangements in which directors are deemed to be interested.
- Significant labour problems and their proposed solutions and any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non - payment of dividend, delay in share transfer etc., if any.

Post Meeting Follow-Up Mechanism

In adherence to good corporate governance, the important and significant decisions taken at the Board/Committee levels are promptly communicated to the concerned departments. Moreover, the action taken in respect of such decisions is also reported in the form of status report and is placed at the next meeting of the Board/Committee.

Statutory Compliance of Laws

The Board periodically reviews the compliance report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non-compliances, if any.

Code of Conduct

The Board has laid down a code of conduct for all Board Members and senior management of the Company. The said Code has been communicated to the Directors and Senior Management Personnel and is also posted on the web-site of the Company viz. www.panaceabiotec.com.

Declaration from the Managing Director confirming that the Company has received affirmations from the Board Members and the Senior Management Personnel regarding compliance of Code of Conduct during the year under review, is attached as Annexure-I.

3. Audit Committee

Composition & Terms of Reference

The Audit Committee of the Company has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The Audit Committee of the Company comprises of three non-executive directors, all of them being independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee. All the members are financially literate and one member is having requisite accounting and financial management expertise.

The management is responsible for the Company's internal controls and the financial reporting process, while the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits. The Board of Directors has entrusted the Audit Committee to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The terms of reference and scope of the activities of the Audit Committee are as set out in Clause 49 of the Listing Agreements with the Stock Exchanges, as well as in Section 292A of the Companies Act, 1956, including the following:

- to supervise the financial reporting process;
- to review compliance with internal control systems;
- to review the findings of the Internal Auditor relating to various functions of the Company;
- to hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;

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- to review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- to make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory & Internal Audit Reports;
- recommending the appointment of statutory auditors and branch auditors and fixation of their remuneration;
- discuss with management the Company's major policies with respect to risk assessment and risk management;
- to review the independence of the auditors; and
- recommend the appointment of Cost Auditors.

Review of information by Audit Committee

Apart from other matters, as per Clause 49 of the Listing Agreement the Audit Committee reviewed, to the extent applicable, the following information:

- management discussion and analysis of financial condition and results of operations;
- statement of significant transactions, submitted by the Management;
- management letters/letters of internal control weakness issued by statutory auditors;
- Internal Audit Reports relating to internal control weakness;
- the appointment, removal and terms of remuneration of the Internal Auditors; and
- related party transactions.

Meetings of Audit Committee and attendance of members during the year

During the year, 4 (four) Audit Committee meetings were held on 12th May, 2011, 26th July, 2011, 20th October, 2011 and 9th February, 2012.

The attendance of members of the Audit Committee at these meetings was as follows:

| S. No. | Name of the Member | Designation | Category of Directorship | No. of Meetings held | No. of Meetings attended |
|--------|----------------------|-------------|--------------------------|----------------------|--------------------------|
| 1. | Mr. R. L. Narasimhan | Chairman | Independent Director | 4 | 4 |
| 2. | Mr. N. N. Khamitkar | Member | Independent Director | 4 | 4 |
| 3. | Mr. Sunil Kapoor | Member | Independent Director | 4 | 4 |

The Statutory Auditors, Internal Auditors, Associate Director Finance, Chief Financial Officer, DGM Accounts & Finance, DGM Accounts & Taxation and AGM Audit & Compliance and Co-ordinator of Audit Committee are the permanent invitees to the meetings of Audit Committee. Apart from them, Joint Managing Director, Senior Manager Costing and Cost Auditors attended one or more of the Audit Committee Meetings.

The Company Secretary is acting as the Secretary to the Audit Committee.

The Chairman of the Audit Committee, Mr. R.L. Narasimhan, was present at the Annual General Meeting of the Company held on 24.09.2011.

Subsidiary Companies

Best on Health Ltd. is a material non-listed Indian subsidiary of the Company as its net worth (i.e. paid-up capital and free reserves) exceeded 20% of the consolidated net worth of the Company. The Company's independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and

Mr. Sunil Kapoor are directors on the Board of Directors of Best on Health Ltd.

The Audit Committee of the Company reviewed the financial statements, in particular the investments made by all unlisted subsidiary companies.

The Board's minutes of unlisted subsidiary companies are placed at the Board Meeting of the Company and the significant transactions or arrangements entered into by the unlisted subsidiary companies are periodically informed to the Board.

4. Remuneration Committee

Brief description of terms of reference

The Company has constituted a Remuneration Committee. The terms of reference of the Committee include:

- to decide elements of remuneration package of all the directors;
- to decide the service contracts, notice period and severance fees of executive directors.

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Composition

Remuneration Committee comprises three non-executive Independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee. The Company Secretary is acting as the Secretary to the Remuneration Committee.

Meetings of Remuneration Committee and attendance of members during the year

During the year, 1 (one) Remuneration Committee meeting was held on 10th February, 2012. The attendance of members of the Remuneration Committee at such meetings is as follows:

The attendance of members of the Remuneration Committee at such meetings was as follows:

| S. No. | Name of the Member | Designation | Category of Directorship | No. of Meetings held | No. of Meetings attended |
|--------|----------------------|-------------|--------------------------|----------------------|--------------------------|
| 1. | Mr. R. L. Narasimhan | Chairman | Independent Director | 1 | 1 |
| 2. | Mr. Sunil Kapoor | Member | Independent Director | 1 | 1 |
| 3. | Mr. N. N. Khamitkar | Member | Independent Director | 1 | 1 |

Remuneration Policy

The Directors' Remuneration Policy of the Company is in conformity with the provisions under the Companies Act, 1956. Subject to the approval of the Company's shareholders in general meeting and such other approvals as may be necessary, the Managing/Joint Managing Directors and the Whole-time Directors are paid remuneration as per the terms of remuneration decided by the Board/ Remuneration Committee and approved by the Shareholders. The remuneration payable to the executive Directors is decided from time to time, keeping in view the

overall performance of the Company, the performance of the concerned Director and the industry trends.

The key components of the Company's Remuneration Policy are:

- Compensation will be a major driver of performance
- Compensation will be competitive and benchmarked with a select group of companies from the pharmaceutical sector
- Compensation will be fully transparent and tax compliant

Directors' remuneration

The details of remuneration paid to Directors during the financial year ended 2011-12 are as under:

i) Executive Directors (Managing/Joint Managing/Whole-time Directors) (Rs. in Lac)

| S. No. | Name | Salary | Commission | Perquisites | Total |
|--------|-----------------------|--------|------------|-------------|--------|
| 1. | Mr. Soshil Kumar Jain | 144.00 | 0.00 | 7.07 | 151.07 |
| 2. | Mr. Ravinder Jain | 144.00 | 0.00 | 56.62 | 200.62 |
| 3. | Dr. Rajesh Jain | 120.00 | 0.00 | 10.31 | 130.31 |
| 4. | Mr. Sandeep Jain | 120.00 | 0.00 | 7.15 | 127.15 |
| 5. | Mr. Sumit Jain | 36.00 | 0.00 | 14.41 | 50.41 |

Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director, Dr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company is for 5 years w.e.f. 1st April, 2011. The tenure of office of Mr. Sumit Jain, Director (Operations and Projects) is for 5 years w.e.f. 20th July, 2010.
2. Notice period for termination of appointment of Managing/Joint Managing/ Whole time Directors is three months by either party or a shorter period decided mutually. No severance fee is payable on termination of contract.
3. The Company does not have any Stock Option Scheme.
4. All elements of remuneration of the Managing / Joint Managing / Whole-time Directors, i.e., Salary, Perquisites and other benefits, etc. are given in Note 31 annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
5. Provision for Gratuity and Leave Encashment amounting to Rs.43.86 Lac and Rs.22.87 Lac respectively, made during the year, has not been included above.

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ii) Non-Executive Directors

Payment Criteria:

The Board of Directors determines the remuneration of the non-executive Directors within the limits approved by the shareholders. Apart from the sitting fees for attending meetings of the Board or Committee

thereof, the remuneration is paid to the non-executive Directors by way of monthly allowances for telephone, mobile, conveyance expenses, etc. @ Rs.15,500 p.m. (with the confirmation obtained from Central Government) to enable them to meet their expenses for attending to their responsibilities as non-executive director.

The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2012 are as under:

(Rs. in Lac)

| S. No. | Name | Allowances | Sitting Fees | Total |
|--------|---------------------|------------|--------------|-------|
| 1 | Mr. R.L. Narasimhan | 1.86 | 0.85 | 2.71 |
| 2 | Mr. N.N. Khamitkar | 1.86 | 0.85 | 2.71 |
| 3 | Mr. Sunil Kapoor | 1.86 | 1.0 | 2.86 |
| 4 | Mr. K.M. Lal | 1.86 | 0.40 | 2.26 |
| 5 | Dr. A.N. Saksena | 1.86 | 0.55 | 2.41 |

None of the non-executive Directors holds any shares/ convertible securities of the Company.

5. Share Transfer cum Investors' Grievance Committee

The Investors Grievance Committee aims at redressal of shareholder complaints and oversees investor services.

The Board of Directors of the Company has, with a view to expediting the process of share transfers, delegated the power of share transfer to the Company Secretary, who attends to share transfer formalities on a weekly basis.

Terms of reference

The terms of reference of Share Transfer cum Investors' Grievance Committee include transfer or transmission of shares, issue of duplicate share certificates, review or

redressal of investors' grievances and other areas of investor service.

Composition

The Committee comprise of the following Directors as the members of the Committee:

- i. Dr. Aditya Narain Saksena, Chairman
- ii. Mr. Ravinder Jain, Member
- iii. Mr. Sunil Kapoor, Member

Mr. Vinod Goel, Company Secretary, is acting as the Secretary to the Committee as well as the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

Details of meetings of Share Transfer-cum-Investors' Grievance Committee and attendance of members during the year

During the financial year 2011-12, 3 (three) meetings of Share Transfer-cum-Investors' Grievance Committee were held on 30th June, 2011, 6th September, 2011 and 9th February, 2012. The attendance of members at such meetings was as follows:

| S. No. | Name of the Member | Designation | Category of Directorship | No. of Meetings held | No. of Meetings attended |
|--------|--------------------|-------------|--------------------------|----------------------|--------------------------|
| 1. | Dr. A.N. Saksena | Chairman | Independent Director | 3 | 3 |
| 2. | Mr. Ravinder Jain | Member | Promoter Director | 3 | 3 |
| 3. | Mr. Sunil Kapoor | Member | Independent Director | 3 | 3 |

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Details of Investors' complaints received during the year 2011-12:

| S. No. | Nature of Complaints | Received | Resolved | Pending |
|--------|---|----------|----------|---------|
| 1. | Non-receipt of Dividend | 9 | 9 | 0 |
| 2. | Non-receipt of Annual Report for the year 2011-12 | 1 | 1 | 0 |
| | Total | 10 | 10 | 0 |

The Company put utmost priority to the satisfaction of its shareholders, which is evident from the fact that only a few complaints were received by the Company. The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/issues have been resolved expeditiously, except in case of dispute over facts or other legal constraints.

There were no share transfers lying pending as on 31st March, 2012.

6. CEO/CFO Certification

The Managing Director, Chief Financial Officer & Head Information Technology & BPR and D.G.M. (Accounts & Finance) have certified, in terms of revised clause 49 of the Listing Agreement, to the Board that the financial statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards.

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed as Annexure – II to this report.

7. General Body Meetings

The last three Annual General Meetings were held as under:

| Financial Year | Date | Time | Venue | Special Resolution passed |
|----------------|----------|----------|---|---|
| 2010-11 | 24.09.11 | 11:00 AM | Regd. Office at Ambala Chandigarh Highway, Lalru – 140501, Punjab | Approval for re-appointment of Mr. Soshil Kumar Jain as Whole – Time Director designated as Chairman of the Company for a period of 5 years w.e.f. 1st April, 2011. |
| | | | | Appointment of Mr. Shagun Jain to the Office or Place of Profit as approved by shareholders and the Central Government from time to time. |
| | | | | Appointment of Mrs. Radhika Jain to the Office or Place of Profit as approved by the Shareholders and the Central Government from time to time. |
| | | | | Appointment of Mrs. Shilpy Jain to the Office or Place of Profit as approved by the Shareholders from time to time. |
| | | | | Appointment of Mr. Ankesh Jain to the Office or Place of Profit as approved by the Shareholders from time to time. |
| 2009-10 | 25.09.10 | 11:00 AM | -do- | Approval for payment of remuneration to Mr. K.M. Lal for a period of five years w.e.f. 1st May, 2010. |
| | | | | Approval for payment of remuneration to Mr. R.L. Narasimhan, Mr. Sunil Kapoor, Mr. N.N. Khamitkar and Dr. A.N. Saxena for a period of five years w.e.f. 1st August, 2011 in case of Mr. R.L. Narasimhan, Mr. Sunil Kapoor, Mr. N.N. Khamitkar and w.e.f. 1st January, 2011 in respect of Dr. A.N. Saxena. |
| | | | | Approval for appointment of Mr. Ankesh Jain as Executive – Business Development w.e.f. 1st July, 2010. |
| 2008-09 | 25.09.09 | 11:00 AM | -do- | Approval for protection of Remuneration paid to Mr. Soshil Kumar Jain, Chairman, for the financial year 2008-09. |
| | | | | Approval for protection of Remuneration paid to Mr. Ravinder Jain, Managing Director, for the financial year 2008-09. |
| | | | | Approval for protection of Remuneration paid to Dr. Rajesh Jain, Joint Managing Director, for the financial year 2008-09. |
| | | | | Approval for protection of Remuneration paid to Mr. Sandeep Jain, Joint Managing Director, for the financial year 2008-09. |

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8. Postal Ballot

No Postal Ballot resolution was passed during the year 2011-12.

9. Disclosure

a) Related Party Transactions

During the year, there were no materially significant related party transactions with the promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large. The other related party transactions are given in Note No. 31 of the Notes to Financial Statements for the year ended March 31, 2012 annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

b) Disclosure of Accounting Treatment

There has not been any change in accounting policies of the Company during the year except as stated in Note No. 2 of the Notes to Financial Statements for the year ended March, 2012 annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

c) Risk Management

The Company has a dedicated department for Risk mitigation and has a procedure to inform the Board about the risk assessment and minimization procedures. The Board of Directors periodically review the risk management framework of the Company and comes out with strategic risk mitigation measures.

d) Compliances by the Company

During the last three years, there were no strictures or penalties imposed by either SEBI or Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital markets.

e) Non-Mandatory Requirements under Clause 49 of the Listing Agreement

The Company has complied with all the mandatory requirements of clause 49 of the listing Agreement. As regards the adoption of non-mandatory requirements as contained in Annexure I-D to clause 49 of the listing agreement, the company has implemented the requirements as per details given below:

i) Chairman of the Board

The Chairman of Panacea Biotec is an Executive Director and he maintains the Chairman's Office at the Company's expenses.

ii) Remuneration Committee

The Board of Directors has constituted a Remuneration Committee, which is composed of Independent Directors. The details of the Remuneration Committee and its powers have already been discussed in this Report.

iii) Shareholders' rights

The quarterly/ half-yearly results, after they are approved by the Board of Directors, are sent forthwith to the Stock Exchanges where the Company's shares are listed, published in the newspapers as mentioned under the heading "Means of Communication" at Sl. No. 10 hereinbelow, and also displayed on the Company's website www.panaceabiotec.com. The results are not separately circulated to the shareholders.

iv) Training of Board Members

No specific training program was arranged for Board members. However, at the Board/Committee meetings, detailed presentations are made by Professionals, Consultants, as well as Senior Executives of the Company on business related matters, risk assessment, strategy, effect of the regulatory changes, etc.

v) Mechanism for evaluating non-executive Board members

The Company has not adopted any mechanism for evaluating individual performance of Non- Executive Directors.

vi) Whistle Blower Policy

The Company has implemented a Whistle Blower Policy in the Company and no personnel is denied access to the Audit Committee of the Company.

f) Corporate Governance Voluntary Guidelines 2009-The Company's policies and practices embrace most of the elements of Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs. The Company will be reviewing its Corporate Governance parameters in the context of other recommendations under said Guidelines for appropriate adoption in due course of time.

10. Prohibition of Insider Trading

In compliance with the SEBI Regulations on Prevention of Insider Trading, the Company has instituted a comprehensive Code of Conduct for its management, staff and relevant business associates. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made while dealing with the Shares of the Company.

11. Means of communication

i) The Quarterly and Half-Yearly results are published in one or more of the prominent daily newspapers, viz. Business Standard, all editions (New Delhi, Chandigarh, Lucknow, Kolkata, Pune, Kochi, Mumbai, Ahmedabad, Bengaluru, Bhubaneswar, Hyderabad and Chennai) and Financial Times, New Delhi and Economics Times, New

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Delhi & Mumbai and in Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated.

- ii) Periodic teleconferences were held with the Financial Institutions, Foreign Institutional Investors and Analysts. They are also provided with a copy of the quarterly results after the same have been sent to the Stock Exchanges.
- iii) The Company also intimates the Stock Exchanges all price sensitive matters or such matters which, in its opinion, are material and of relevance to the shareholders and subsequently issues a Press Release on the matter, wherever necessary.
- iv) The Annual Results (Annual Report containing Balance Sheet etc.) are posted to every shareholder of the Company.
- v) The Company's web-site, viz. www.panaceabiotec.

- ii) Financial Calendar 2012-13 (tentative):

| S. No. | Tentative Schedule | Tentative Date |
|--------|---|--------------------------|
| 1 | Financial reporting for the quarter ended 30th June, 2012 | 7th August, 2012(Actual) |
| 2 | Financial reporting for the half year ending 30th September, 2012 | Mid of November, 2012 |
| 3 | Financial reporting for the quarter ending 31st December, 2012 | Mid of February, 2013 |
| 4 | Financial reporting for the quarter ending 31st March, 2013 | Mid of May, 2013* |
| 5 | Annual General Meeting for the year ending 31st March, 2013 | End of September, 2013 |

*As provided in clause 41 of Listing Agreement, the Board may also consider publishing Audited Results for the year 2012-13 in lieu of Unaudited Results for fourth quarter, by 30th May, 2013 (or such other period as may be stipulated from time to time).

- iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from 24th September 2012 to 29th September, 2012 (both days inclusive).

- iv) Dividend Payment Date

In view of non-availability of profits during the current financial year, the Board of Directors has not recommended any dividend on the Equity Shares of the Company.

- v) Unclaimed Dividends

As provided in Section 205A and 205C of the

Companies Act, 1956, dividend for the financial year ended 31st March, 2005 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund (IEP Fund) established by the Central Government, and no payments shall be made in respect of any such claims by the IEP Fund.

- vi) Management's Discussion and Analysis Report has been included in the Annual Report being sent to the shareholders of the Company.

12. General Shareholder Information

- i) Date of AGM

The Annual General Meeting is proposed to be held on Saturday, the 29th day of September 2012, at 11:00 A.M. at the registered office of the Company at Ambala-Chandigarh Highway, Lalru - 140501, Punjab.

Posting of Annual Report On or before
30th August, 2012

Last date of receipt of Proxy Form 27th September, 2012
before 11:00 A.M.

Report on Corporate Governance

Information in respect of other unclaimed dividend when due for transfer to the said Fund is given below:

| Financial Year | Date of declaration of Dividend | Last date for claiming unclaimed Dividend | Due date for transfer of dividend |
|----------------|---------------------------------|---|-----------------------------------|
| 2004-05 | 20.08.2005 | 17.09.2012 | 16.10.2012 |
| 2005-06 | 30.09.2006 | 29.10.2013 | 28.11.2013 |
| 2006-07 | 29.09.2007 | 28.10.2014 | 27.11.2014 |
| 2007-08 | 27.09.2008 | 26.10.2015 | 25.11.2015 |
| 2009-10 | 25.09.2010 | 24.10.2017 | 23.11.2017 |
| 2010-11 | 24.09.2011 | 23.10.2018 | 22.11.2018 |

vi) Listing on Stock Exchange

The Company's Equity Shares are listed on the following Stock Exchanges:

- The National Stock Exchange of India Ltd. (NSE), Bandra Kurla Complex, Bandra (E), Mumbai.
- Bombay Stock Exchange Ltd. (BSE), P J Tower, Dalal Street, Fort, Mumbai.

The Company has paid listing fees to all the above

stock exchanges and there is no outstanding payment as on date.

vii) Stock Code of Equity Shares

Trade symbol at National Stock Exchange is PANACEABIO.

Stock Code at Bombay Stock Exchange is 531349.

ISIN No. for Dematerialization : INE922B01023.

viii) Market Price data:

The High and Low prices of the shares of the Company at Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Ltd. (NSE) for the year ended 31st March, 2012 are as under:

| Month | Share Prices (Rs.) at BSE | | Share Prices (Rs.) at NSE | |
|-----------------|---------------------------|--------|---------------------------|--------|
| | High | Low | High | Low |
| April, 2011 | 195.00 | 180.00 | 199.45 | 178.50 |
| May, 2011 | 193.50 | 170.70 | 205.00 | 172.40 |
| June, 2011 | 183.95 | 153.50 | 181.50 | 154.15 |
| July, 2011 | 174.50 | 156.00 | 173.90 | 157.00 |
| August, 2011 | 183.85 | 128.90 | 183.40 | 127.15 |
| September, 2011 | 155.70 | 125.05 | 147.50 | 124.60 |
| October, 2011 | 125.45 | 88.05 | 124.50 | 88.10 |
| November, 2011 | 112.00 | 83.05 | 111.90 | 83.10 |
| December, 2011 | 96.00 | 70.00 | 92.70 | 74.00 |
| January, 2012 | 91.00 | 72.20 | 90.90 | 65.25 |
| February, 2012 | 89.70 | 75.55 | 99.00 | 76.00 |
| March, 2012 | 85.45 | 67.50 | 85.55 | 67.20 |

Report on Corporate Governance

ix) Registrar and Transfer Agents

Skyline Financial Services Pvt. Ltd. are acting as Registrar & Transfer Agents (RTA) for handling the Shares-related matters, both in physical as well as dematerialized mode. All works relating to Equity Shares are being done by them. The Shareholders are, therefore, advised to send all their correspondence to the RTA.

However, for the convenience of shareholders, documents relating to Shares received by the Company are forwarded to the RTA for necessary action thereon.

x) Nomination Facility

The shareholders holding shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's website www.panaceabiotec.com under the section 'Investor Zone' to the Company's RTA. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility.

xi) Share Certificates in respect of sub-divided Shares

After the sub-division of the Company's Equity Shares of Rs.10 each into shares of Re.1 each, in the year 2003, the Company had sent letters to all shareholders holding shares of the face value of Rs.10 in physical form, requesting them to exchange their share certificates into new share certificate(s) in respect of shares of face value of Re.1 each.

All the shareholders who have not yet sent their request for exchange of share certificates are requested to forward their old share certificates in respect of shares of face value of Rs.10 each (which are no longer tradable) to the Company, along with a request letter duly signed by all the joint holders.

xii) Elimination of Duplicate Mailing

The shareholders who are holding Shares in more than one folio in identical name, or in joint holder's name in similar order, may send the Share certificate(s), along with request for consolidation of holding in one folio, to avoid mailing of multiple Annual Reports.

xiii) Share Transfer System

The Company's Shares transfer authority has been delegated to the Company Secretary. The delegated authority generally attends the Share transfer formalities on weekly basis and as and when required to expedite all matters relating to transfer, transmission, transposition and dematerialization

of shares and redressal of Investors' grievance, etc., if any. The Shares received by the Company/ RTA for registration of transfers are processed by RTA (generally within a week of receipt) and transferred expeditiously and the Share Certificate(s) are returned to the shareholder(s) by registered post.

As per the requirement of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities.

xiv) Secretarial Audit

A Practicing Company Secretary carries out secretarial audit in each quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/paid up capital is in agreement with the total number of Shares in physical form and the total number of dematerialized Shares held with NSDL and CDSL. The Secretarial Audit Reports for each quarter of the Financial Year ended March 31, 2012 have been filed with Stock Exchanges within one month of the end of each quarter.

xv) Dematerialisation of Shares and its liquidity

The Company has been among the few top-most companies in India in which maximum number of shares have been dematerialized. As on 31st March, 2011, 99.13% of the Company's total Equity Share Capital representing 60716175 Equity Shares was held in dematerialized form and only 534,571 Equity Shares were in paper/physical form.

The shareholders holding shares in physical form are requested to get their shares dematerialized at the earliest, as the Company's shares are required to be compulsorily traded at Stock Exchanges in dematerialized form only.

The Shares of the Company are regularly traded at the National Stock Exchange and the Bombay Stock Exchange.

xvi) Share Dematerialisation System

The requests for dematerialization of shares are processed by RTA expeditiously and the confirmation in respect of dematerialization of shares is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialization of Shares generally on a weekly basis. In case of rejections, the documents are returned under objection to the Depository Participant with a copy to the shareholder, and electronic entry for rejection is made by RTA in the Depository System.

Report on Corporate Governance

xvii) Distribution of Shareholding as on 31st March, 2012:

| No. of Shares | No. of Shareholders | No. of Shares |
|------------------|---------------------|-------------------|
| 0-2500 | 10,584 | 2,433,922 |
| 2501-5000 | 129 | 472,600 |
| 5001-10000 | 38 | 283,942 |
| 10001-100000 | 33 | 922,876 |
| 100001 and above | 30 | 57,137,406 |
| Total | 10,814 | 61,250,746 |

xviii) Pattern of Shareholding as on 31st March, 2012:

| S. No. | Category | No. of Shares | Percentage |
|--------|---|-------------------|---------------|
| 1. | Promoters and Promoter Group | 45,823,554 | 74.81 |
| 2. | Institutional Investors (FIs, Banks & Mutual Funds) | 1,930,293 | 3.15 |
| 3. | NRIs / OCBs / Foreign Corporate Bodies | 1,111,757 | 1.82 |
| 4. | Domestic Companies | 9,046,975 | 14.77 |
| 5. | Indian Public/ Others | 3,338,167 | 5.45 |
| | Total | 61,250,746 | 100.00 |

xix) Plant Locations

- Bulk Vaccines facilities at Samalheri, Ambala-Chandigarh Highway, Lalru - 140 501, Dist. Mohali, Punjab, India
- Vaccines Formulations facility at Village Malpur, Baddi, Dist. Solan, H.P. - 173 205, India
- Vaccine Formulations facility at A-239-242, Okhla Indl. Area, Phase I, New Delhi - 110 020, India
- Pharmaceuticals Formulations facility at Malpur, Baddi, Dist. Solan, H.P. - 173 205, India
- Pharmaceuticals Formulations facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044, India
- Pharmaceutical Formulations facility at Plot No. 72/3, Gen Block, T.T.C. Indl. Area, Mahape, Navi Mumbai - 400 710, India.

xx) Address for correspondence

For transfer/
dematerialisation of shares,
payment of dividend and any
other query relating to shares

Skyline Financial Services Pvt. Ltd.
D-153 A, 1st Floor, Okhla Indl. Area, Phase-I, New Delhi - 110 020, India.
Phone : +91-11-26812682-83, 30857575 (10 lines)
Fax : +91-11- 30857562
E-mail : admin@skylinerta.com, viren@skylinerta.com

For investors assistance

The Company Secretary,
Panacea Biotec Limited
B-1 Extn./G-3, Mohan Co-operative Indl. Estate,
Mathura Road, New Delhi - 110 044, India.
Phone : +91-11-41679000 Extn. 2073 (D) 41578024
Fax : +91-11-41679075, 41679070
E-mail : companysec@panaceabiotec.com
investorgrievances@panaceabiotec.com
Contact Person : Mr. Sanjay Kumar Babu, Manager Secretarial

Report on Corporate Governance

For query relating to financial matters

Phone
Fax
E-mail

: Mr. Chandresh Ohri, Sr. Manager - Banking & Treasury
: +91-11-41679000 Extn. 2242
: +91-11-41679066, 41679070
: chandreshohri@panaceabiotec.com

For and on behalf of the Board

Place: New Delhi
Date : 7th August, 2012

Soshil Kumar Jain
Chairman

Annexure - I

Declaration under Clause 49-I (D) of the Listing Agreement

To

The Members of Panacea Biotec Ltd.

I hereby declare that all the Board Members and the Senior Management Personnel of the Company have affirmed the compliance with the provisions of the Code of Conduct for the period ended 31st March, 2012.

Date : 7th August , 2012
Place : New Delhi

For Panacea Biotec Ltd.

Ravinder Jain
Managing Director

Annexure to the Report on Corporate Governance

Annexure - II

Certificate from Managing Director & Chief Financial Officer

To
The Board of Directors
Panacea Biotec Limited

We do hereby confirm and certify that:

- a) We have reviewed financial statements and the cash flow statement for the year and that, to the best of our knowledge and belief:
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls, and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee:
 - i) significant changes in internal control during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For Panacea Biotec Ltd.

Date : 7th August, 2012
Place : New Delhi

Ravinder Jain
Managing Director

Partha Sarathi De
Chief Financial Officer & Head -
Information Technology & BPR

I.K. Sharma
DGM (Accounts & Finance)

AUDITORS' CERTIFICATE

To
The Members of Panacea Biotec Limited

We have examined the compliance of conditions of Corporate Governance by Panacea Biotec Limited, for the year ended on 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor's grievance is pending for a period exceeding one month against the Company, as per the records maintained by the Shareholders/ Investors' Grievance Committee.

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.

Place : New Delhi
Date : 7th August, 2012

For R & D Company Secretaries
Debabrata Deb Nath
Partner
Membership No. ACS: 23935
C.O.P. No. - 8612