

### **Shareholders' Information**

The Company has on 5<sup>th</sup> January, 2007 completed dispatch of Postal Ballot Notice alongwith Postal Ballot Form and self addressed postage pre-paid reply envelope, in relation to Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 seeking members' consent to create mortgage/charge on the Company's assets for an amount not exceeding Rs. 800 Crore and two Special Resolutions under Section 31 of the Companies Act, 1956, seeking members' consent for substitution of Article 2 and 143 of the Articles of Association, in the manner as set out therein

The postal ballot form duly completed and signed by the members should reach the Scrutinizer not later than the close of working hours on Friday, the 9<sup>th</sup> February, 2007. All postal ballot forms received after the said date will be strictly treated as if reply from such Members has not been received.

A Member who did not get the Postal Ballot Form may request for a duplicate postal ballot form, if so required.

A person who has become a Member after 30<sup>th</sup> December, 2006 (cut-off date for ascertaining the members entitled to notice) but before 5<sup>th</sup> January, 2007 (the date of dispatch) may obtain the Postal Ballot Form from the company and vote on the Resolution by Postal Ballot. The voting rights of Members shall be reckoned as on 5<sup>th</sup> January, 2007.

A postal ballot notice is placed below for your information only.

**Panacea Biotec Ltd.**  
**Regd. Office : Ambala-Chandigarh Highway, Lalru – 140501, Punjab.**

**POSTAL BALLOT NOTICE**  
(Pursuant to Section 192A of the Companies Act, 1956)

19<sup>th</sup> October 2006

Dear Member(s)

Notice is hereby given pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 that the following resolutions for:

- i) Mortgage and/or charge on its movable and/or immovable properties or the whole or substantially the whole of an undertaking or undertakings of the Company, and
- ii) Alteration in the Articles of Association of the Company

are proposed to be passed by the shareholders of the Company by way of a Postal Ballot.

Your consent for the said proposals as contained in the said resolutions is sought to be obtained by means of Postal Ballot instead of transacting such business in general meeting of the Company.

Accordingly, we are appending the Postal Ballot Form and the draft Resolutions along with the Explanatory Statement pertaining the said Resolutions explaining in detail the material facts, for your consideration.

You are requested to carefully read the instructions printed in the Postal Ballot Form, fill up the Form, give your assent or dissent on the resolution(s) at the end of the Form and sign the same and return the form duly completed in the attached self-addressed, postage prepaid envelope so as to reach the scrutinizer before the close of working hours, **on or before, Friday 9<sup>th</sup> February, 2007** at the Company's Corporate Office at B-1 Extn./G-3, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044.

The Company has appointed Mr. Umesh Singhal of M/s. U.S. & Associates, Company Secretaries, as Scrutinizer to scrutinize the Postal Ballots in a fair and transparent manner. The Scrutinizer will submit his report to the Chairman and the result of postal ballot will be announced by the Chairman on Friday, the 16<sup>th</sup> February 2007 at 2:30 p.m at the Regd. Office of the Company at Ambala-Chandigarh Highway, Lalru- 140 501, Punjab. The results of the Postal Ballot will also be displayed at the said office and posted on the Company's website besides communicating to the Stock Exchanges where the Company's shares are listed.

Members may please note that a resolution will be deemed to have been passed as special resolution if the votes cast in favour are at least three times than the votes cast against and in case of ordinary resolution the votes cast in favour should be more than the votes cast against and would be deemed to have been passed at the Annual General Meeting referred to above.

Regd. Office:

Ambala-Chandigarh Highway,  
Lalru- 140 501, Punjab.  
Date : 19<sup>th</sup> October, 2006

By order of the Board  
For **Panacea Biotec Ltd.**

**Soshil Kumar Jain**  
Chairman

Enclosures:

1. Resolutions alongwith Explanatory Statement.
2. Postal Ballot Form & self-addressed postage prepaid envelope.

### DRAFT RESOLUTIONS

1. To consider and, if thought fit, to pass the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (hereinafter called “the Board” and which term shall be deemed to include any Committee, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons), to mortgage and/or charge any of its movable and/or immovable properties wherever situated, both present and future, or the whole, or substantially the whole, of the undertaking or undertakings of the Company on such terms and in such manner as the Board may think fit, together with power to take over the management of the business or concern of the Company in certain event(s), for securing any loan obtained/to be obtained from, or Securities issued/ to be issued to, Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether shareholder of the Company or not (hereinafter collectively referred to as “lenders”), for an amount not exceeding Rs. 800 Crore (Rupees Eight Hundred Crore), together with interests, compound/ additional interest, commitment charges, costs, expenses and all other monies payable by the Company to the concerned lenders.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and to sign all such documents as may be necessary, expedient and incidental thereto to give effect to this resolution.

RESOLVED FURTHER THAT the Managing/Joint Managing/Whole-time Directors and Secretary of the Company be and are hereby severally authorised to file necessary forms with the Registrar of Companies and do all such acts, deeds and things and to sign all such documents as may be necessary to give effect to the above.”

2. To consider and, if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by way of deleting the existing Article 2 and replacing the same by the following Article:

Articles shall overrule Table A	“2	Save as otherwise provided herein, the regulations contained in Table A in the schedule to the Act, as amended, shall apply to the company except to the extent that they are excluded by or inconsistent with these Articles.”
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RESOLVED FURTHER THAT the Managing/Joint Managing/Whole-time Directors and Secretary of the Company be and are hereby severally authorised to file necessary forms with the Registrar of Companies and do all such acts, deeds and things and to sign all such documents as may be necessary to give effect to the above.”

3. To consider and, if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by way of deleting the existing Article 143 and replacing the same by the following Article:

How profits shall be divisible	“143	Subject to the rights of the members entitled to shares (if any) with preferential rights attached thereto, the profits of the company which it shall from time to time, be determined to dividend in respect of any year or other period shall be applied in the payment of a dividend on the Equity Shares of the Company but so that partly paid-up shares shall only entitle the holder with respect thereof to such proportion of the distribution a fully paid-up share as the amount paid thereon bears to the nominal amount of such shares. The newly issued shares, subject to being fully paid-up, shall rank for dividend pari-passu with the then existing shares, but if any share is issued on terms providing that it shall rank for dividends as from a particular date, such share shall rank for dividend accordingly. Where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest rank for dividends or confer a right to participate in profits.”
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RESOLVED FURTHER THAT the Managing/Joint Managing/Whole-time Directors and Secretary of the Company be and are hereby severally authorised to file necessary forms with the Registrar of Companies and do all such acts, deeds and things and to sign all such documents as may be necessary to give effect to the above.”

#### **Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.**

##### **Item No. 1.**

As the members are aware, your Company is exploring various opportunities for the all round growth of the Company through expansion, diversification and backward integration by taking up various Projects in the Company as well as in the Joint Venture Companies in India and/or abroad. With a view to meet the capital expenditure and other funds requirements for the above purposes, the Company would be required to borrow funds from time to time by way of loans and/or issue of Bonds, Debentures or other securities. The members have in their Extra Ordinary General Meeting held on 19<sup>th</sup> October, 2005, authorized the Board of Directors to borrow funds from time to time upon an amount not exceeding Rs.800 Crore.

The said borrowings/ issue of securities may be required to be secured by way of mortgage/ charge over all or any part of the movable and/or immovable properties of the Company and as per the provisions of Section 293(1)(a) of the Companies Act, 1956, the mortgage or charge on all or any part of the movable and/or immovable properties of the Company, may be deemed as the disposal of the whole, or substantially the whole, of the undertaking of the Company and hence requires approval from the shareholders of the Company.

The shareholders of the Company have vide resolution passed by postal ballot on 28<sup>th</sup> December, 2002, authorised the Board to create mortgage/charge on the Company's assets for an amount not exceeding Rs.300 Crore (Rupees Three Hundred Crore) in respect thereof and the said limit has/is likely to be exhausted in near future. The approval of shareholders is being sought for enhancing the above said limit upto Rs.800 Crore (Rupees Eight Hundred Crore).

As per the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001, the above said approval is to be obtained by way of sending postal ballots to the Shareholders. Accordingly, this resolution is being proposed to seek your consent under Section 293(1)(a) read with Section 192A of the Companies Act, 1956, by way of Postal Ballot as per the requirements of the Companies Act, 1956.

Your Directors recommend the resolution as set out above for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

A copy of each of the above referred resolutions passed by the Shareholders in their Extra Ordinary General Meeting held on 19<sup>th</sup> October, 2005 and by postal ballot on 28<sup>th</sup> December, 2002 is open for inspection by the Members on any working day during 11.00 A.M. to 1.00 P.M. upto the date of declaration of result at the registered office of the Company as well as at its Corporate Office at B-1 Extn./ G-3, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044.

**Item No. 2 & 3.**

There has been some typographical error in the existing Article 2 of the Articles of Association of the Company regarding the non applicability of table A of Schedule 1 to the Companies Act, 1956, which is required to be changed suitably, with the approval from the shareholders of the Company by way of passing Special Resolution.

Further, the existing Article 143 of the Articles of Association of the Company, inter-alia, provide that all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion of the period in respect of which the dividend is paid. However, as per the guidelines issued by Securities Exchange Board of India (SEBI Guidelines), the Equity shares issued/to be issued by the Company shall rank pari-passu with existing shares of the Company in all respect including dividend and accordingly, the said Article 143 of the Articles of Association of the Company is required to be modified in order to comply with the requirements of SEBI Guidelines.

Accordingly, in terms of Section 192A of the Companies Act, 1956, approval of the members is being sought through postal ballot by passing the Special Resolution for substitution of Article 2 and 143 of the Articles of Association in the manner, as set out in the Notice.

Your Directors recommend the resolutions as set out at item no. 2 & 3 above for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

A copy of the Memorandum & Articles of Association of the Company is open for inspection by the Members on any working day during 11.00 A.M. to 1.00 P.M. upto the date of declaration of result at the registered office of the Company as well as at its Corporate Office at B-1 Extn./ G-3, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044.

Regd. Office:

Ambala-Chandigarh Highway,  
Lalru- 140 501, Punjab.  
Date : 19<sup>th</sup> October, 2006

By order of the Board  
For **Panacea Biotec Ltd.**

**Soshil Kumar Jain**  
Chairman