

## Report on Corporate Governance

### 1. Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance originates from its belief that attainment of the highest levels of transparency, disclosure, financial controls, accountability and equity are the pillars of any good system of corporate governance. Panacea Biotec is committed to continuously evolving and adopting corporate governance's best practices in all facets of its operations and in all interactions with its stakeholders including shareholders, employees, consumers, lenders and the community at large.

At Panacea Biotec, good Corporate Governance process includes independence, integrity, commitment to values, ethical business conduct and a high degree of transparency directing the intellectual capabilities and moral authority of its independent Board that go a long way in preserving stakeholders trust while maximizing long-term corporate values.

### 2. Board of Directors

#### Composition & size of the Board

Panacea Biotec's Board consists of an optimal combination of Executive Directors and Independent Non-executive Directors which represents a mix of professionalism, thorough 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.

At present, the Board comprise of 5 (Five) Executive Directors and 6 (Six) Non-Executive Directors. All the Executive Directors are promoter-directors (1 Executive Chairman, 1 Managing Director, 2 Joint Managing Directors and 1 Whole-time Director). The non-executive Directors bring external and wider perspective in the Board's deliberations and decisions. The size and composition of the Board exceeds the requirements of the Clause 49 of the Listing Agreement (Corporate Governance Guidelines) with the Stock Exchanges.

#### Board Functioning & Procedure

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

Panacea Biotec'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 and additional meetings are held as and when required. Dates for the Board Meetings are decided well in advance and communicated to the Directors. The Chairman 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 2008-09, 5 (Five) Board Meetings were held on 30th April, 2008, 26th June, 2008, 28th July, 2008, 31st October, 2008 (which was originally called on 17th October, 2008 but was adjourned due to lack of quorum) and 29th January 2009.

#### Attendance of Directors at the Board Meetings & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2009

Sl. 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 <sup>§</sup> & Committee Memberships/ Chairmanships*		
						Other Directorships	Committee Memberships	Committee Chairmanships
1.	Mr. Soshil Kumar Jain	Promoter – WTD Chairman	5	5	No	1	-	-
2.	Mr. Ravinder Jain	Promoter – MD	5	4	No	3	1	Nil
3.	Dr. Rajesh Jain	Promoter – JMD	5	3	No	-	-	-
4.	Mr. Sandeep Jain	Promoter – JMD	5	4	Yes	1	-	-
5.	Mr. Sumit Jain	Promoter – WTD	5	3	No	1	-	-
6.	Mr. Sunil Kapoor	Non-Executive – ID	5	5	Yes	6	-	-
7.	Mr. R.L. Narasimhan	- do -	5	4	Yes	1	-	-
8.	Mr. N.N. Khamitkar	- do -	5	5	Yes	1	-	-
9.	Mr. Gurmeet Singh	- do -	5	0	Yes	-	-	-
10.	Mr. K.M. Lal	- do -	5	4	No	7	5	Nil
11.	Dr. A.N. Saksena	- do -	5	5	Yes	-	-	-

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

§ 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.

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, are furnished below:

a)	Mr. R.L. Narasimhan	
	Age	: 68 Years
	Qualification	: Post Graduate degree in Science from Madras University
	Professional Expertise	: He retired as the Deputy Director General, Central Statistical Organization, to the Government's Ministry of Statistics & Programme Implementation in New Delhi and has held various senior and middle level positions in various Government ministries. Prior to his positions with the Government, Mr. R.L. Narasimhan has also worked with Hoechst Pharmaceuticals Ltd., Chennai, a multinational pharmaceutical company. His expertise lies in the field of budgeting, data management, programme evaluation & research and marketing.
	Directorships	: He is a director of Best On Health Ltd.
	Shareholding in the Company	: Nil
b)	Mr. N.N. Khamitkar	
	Age	: 68 Years
	Qualification	: B.E. – Electrical and 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 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 & procurement.
	Directorships	: He is a director of Best On Health Limited.
	Shareholding in the Company	: Nil
c)	Mr. Sunil Kapoor	
	Age	: 52 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., Stross Crystals Ltd., Residency Resorts Pvt. Ltd., Indo-dan Lamp Shade Ltd., GPL Exports Ltd, Hitkari Industries Ltd., Best On Health Ltd., Residency Hospitality Services (P) Ltd., Reis Magos Fort Restors (Pvt.) Ltd. and Raihl Estate (Pvt.) Ltd.
	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:

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the Board.
5. 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.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.

9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement 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.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
13. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. 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.

#### **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](http://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 is 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 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;
- 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 internal auditors and fixation of their remuneration.

#### **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:

- i) Management discussion and analysis of financial condition and results of operations;
- ii) Statement of significant transactions, submitted by the Management;
- iii) Management letters/letters of internal control weakness issued by statutory auditors;
- iv) Internal Audit Reports relating to internal control weakness;
- v) The appointment, removal and terms of remuneration of the Internal Auditors;
- vi) Related party transactions.

#### **Meetings of Audit Committee and attendance of members during the year**

During the year, 5 (five) Audit Committee meetings were held on 29th April, 2008, 25th June, 2008, 28th July, 2008, 16th October, 2008 and 28th January, 2009.

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

Sl. 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	5	5
2.	Mr. N. N. Khamitkar	Member	Independent Director	5	5
3.	Mr. Sunil Kapoor	Member	Independent Director	5	5

The Statutory Auditors, Internal Auditors, Cost Auditors, Chief Financial Officer, DGM (Accounts & Finance), AGM (Finance), AGM Audit & Compliances are the permanent invitees of the meetings of Audit Committee. Apart from them, Joint Managing Director(s), Director (Operations and Projects), Associate Director, General Manager (HR), V.P. (HR), V.P. Audit & Compliance (HR) etc. 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 27.09.2008.

#### **Subsidiary Companies**

During the year, the Company's wholly owned subsidiary, Best On Health Limited acquired the status of 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 and its subsidiaries in the immediately preceding accounting year i.e. financial year 2007-08. The Company's independent Directors, Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor are directors on the Board of Directors of Best on Health Limited w.e.f. 1st January 2008.

The Audit Committee of the Company reviewed the financial statements, in particular, the investments made by all unlisted subsidiary companies except the financial statements of two of its subsidiaries namely Kelisia Investment Holdings AG & Panacea Biotec (International) SA as the first financial year of these companies will end on 31st March 2010.

The Board 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.

##### **Composition**

Remuneration Committee comprises of 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.

No meeting of the Remuneration Committee was held during the year.

##### **Remuneration Policy**

The Directors' Remuneration Policy of your 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**

In view of the loss incurred by the Company for the financial year ended 31st March 2009, the Company has applied to the Central Government for protection of the remuneration paid for the financial year 2008-09 to Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director, Dr. Rajesh Jain, Joint Managing Director and Mr. Sandeep Jain, Joint Managing Director and the approval is awaited. The details of the remuneration of Executive Directors for the year ended 31st March, 2009 are as under:

i) **Executive Directors** (Managing/Joint Managing/Whole-time Directors)

					(Rs. in Lac)
S. No.	Name	Salary	Allowances	Perquisites	Total
1.	Mr. Soshil Kumar Jain	144.00	6.46	1.09	151.55
2.	Mr. Ravinder Jain	144.00	6.46	42.76	193.22
3.	Dr. Rajesh Jain	120.00	5.38	1.10	126.48
4.	Mr. Sandeep Jain	120.00	5.38	1.10	126.48
5.	Mr. Sumit Jain	27.00	1.21	4.75	32.96

**Notes:**

- 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, 2006. The tenure of office of Mr. Sumit Jain, Director (Operations and Projects) is for 5 years w.e.f. 22nd July, 2005.
- 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.
- The Company does not have any Stock Option Scheme.
- All elements of remuneration of the Managing/Joint Managing/ Whole-time Directors, i.e., Salary, Perquisites and other benefits, etc. are given in Schedule XX C annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
- Provision for Gratuity and Leave Encashment amounting to Rs.60.08 Lac and Rs.32.64 Lac respectively, made during the year, has not been included above.

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 (other than Mr. Gurmeet Singh) 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. As approved by the Board in their Meeting held on 31st October 2008, the sitting fees payable to the Independent Directors of the Company for attending meetings of the Board and Audit Committee was increased to Rs.10,000 per meeting from Rs.5,000 payable earlier for meetings held on or after 1st November 2008. Such increase is within the statutory limits prescribed under rule 10-B of the Companies (Central Govt.'s) General Rules & Forms, 1956.

The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2009 are as under:

					(Rs. in Lac)
Sl. No.	Name	Allowances	Sitting Fees	Total	
1	Mr. R.L. Narasimhan	1.86	0.60	2.46	
2.	Mr. N.N. Khamitkar	1.86	0.65	2.51	
3.	Mr. Sunil Kapoor	1.86	0.60	2.46	
4.	Mr. Gurmeet Singh	-	0.50	0.50	
5.	Mr. K.M. Lal	1.86	0.20	2.06	
6.	Dr. A.N. Saxena	1.86	0.90	2.76	

None of the non-executive Directors hold 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 overseeing investor services. The Board of Directors of the company has, with a view to expedite the process of share transfers, delegated the power of share transfer to the Company Secretary who attends to share transfer formalities on weekly basis.

**Terms of reference**

The terms of reference of Share Transfer cum Investors' Grievance Committee include transfer or transmission of shares, dematerialisation of shares, issue of duplicate share certificates, review or redressal of investors' grievances and other areas of investor service.

**Composition**

The Share Transfer-cum-Investors' Grievance Committee comprises of three Directors viz. Dr. A.N. Saxena, Mr. Ravinder Jain and Mr. Gurmeet Singh. Dr A.N. Saxena, an independent non-executive Director acts as Chairman of the Committee.

The 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:

Sl. No.	Name of the Member	Designation	Category of Directorship	No. of Meetings held	No. of Meetings attended
1.	Dr. A. N. Saxena	Chairman	Independent Director	12	12
2.	Mr. Ravinder Jain	Member	Promoter Director	12	9
3.	Mr. Gurmeet Singh	Member	Independent Director	12	10

Details of investors' complaints received during the year 2008-09:

Sl. No.	Nature of Complaints	Received	Resolved	Pending
1.	Non-receipt of Dividend Warrants in respect of Shares	2	2	0
2.	Non-receipt of share certificate(s) lodged for transfer/sub-division/duplicate etc.	4	4	0
3.	Total	6	6	0

The Company put utmost priority to the satisfaction of its shareholders which is evident from the fact that only very 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, 2009.

#### 6. CEO/CFO Certification

The Managing Director and DGM (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 affair 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 Resolutions passed
2007-08	27.09.08	11:00 AM	Regd. Office at Ambala-Chandigarh Highway, Lalru 140501, Punjab.	No Special Resolution was passed.
2006-07	29.09.07	10:30 AM	- do -	<ul style="list-style-type: none"> <li>Approval for promotion of Mr. Shagun Jain, as Deputy General Manager Systems and increase in remuneration w.e.f. 1st April 2007 under section 314 of the Companies Act, 1956("Act").</li> <li>Approval for promotion of Mrs. Radhika Jain as Sr. Manager w.e.f. 1st April 2007 under section 314 of the Act.</li> <li>Approval for increase in remuneration to Ms. Shilpy Jain, as Manager- Food &amp; Beverages, under section 314 of the Act.</li> </ul>
2005-06	30.09.06	12.00 Noon	- do -	<ul style="list-style-type: none"> <li>Approval for payment of remuneration to Dr. Aditya Narain Saksena, non-executive independent Director.</li> <li>Approval for payment of monthly remuneration to Non-Executive Directors.</li> <li>Re-appointment of Mr. Soshil Kumar Jain as Whole-Time Director designated as Chairman.</li> <li>Appointment of Mr. Ashwani Jain as Associated Director (Corporate Affairs) w.e.f. 1st October, 2006.</li> <li>Appointment of Mr. Shagun Jain as Manager Systems w.e.f. 1st October, 2006.</li> <li>Approval for appointment of Ms. Radhika Jain as Scientific Officer w.e.f. 2nd June, 2006.</li> <li>Approval for appointment of Ms. Shilpy Jain as Manager Food &amp; Beverages w.e.f. 1st August, 2006.</li> </ul>

#### Postal Ballot

During the year, the Company had conducted voting through two Postal Ballots on 14th July 2008 & 27th September 2008 respectively. The Company complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto. Mr. Umesh Singhal of M/s U.S. & Associates, Company Secretaries acted as scrutinizer for first Postal Ballot whose results were announced on 14th July 2008 and voting pattern of the same was as under:

S. No.	Item	Votes cast	
		For	Against
1	Special Resolution under Section 17 of the Companies Act, 1956 seeking members consent for alteration in the object clause by way of inserting new sub-clauses 39, 40 and 41 after the existing sub-clause 38 of Clause III-C (Other Objects);	34,607,503	1,783
2	Special Resolution under Section 149(2A) seeking members' consent for commencement of business as specified in the said sub-clauses 39, 40 and 41 of Clause III-C (Other Objects).	34,595,863	1,783

Mr. U.K. Singhal of M/s Singhal Law Associates, Advocates acted as scrutinizer for second postal ballot and the results of the same were announced on 27th September, 2008 and voting pattern for the resolutions was as under:

S. No.	Item	Votes cast	
		For	Against
1	Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956 for increase in borrowing powers of Board upto Rs.1500 Crore;	34,247,228	1,720
2	Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 authorizing the Board of Directors to mortgage and/or charge/hypothecate any of its movable and/or immovable properties or the whole or substantially the whole of an undertaking or undertakings of the Company.	34,240,774	3,720

Thus, all the resolutions were passed with overwhelming majority.

#### **Procedure for voting by Postal Ballot:**

The Postal Ballot Forms and the draft Resolution(s) along with the Explanatory Statement pertaining the said Resolution(s) explaining in detail the material facts and the self-addressed, postage prepaid envelope, are sent to all the members, under Certificate of Posting.

The members are required to carefully read the instructions printed in the Postal Ballot Form, give their assent or dissent on the resolution(s) at the end of the Form and sign the same as per the specimen signatures available with the Company or Depository Participant, as the case may be, 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 of the last date fixed for the purpose. Postal Ballot Forms received after this date are strictly treated as if the form has not received from the member.

The scrutinizer appointed for the purpose scrutinizes the postal ballots received and submit his report to the Company.

Voting rights are reckoned on the basis of number of shares and paid-up value of shares registered in the name of the shareholders as on the date of dispatch of the postal ballot notice. A resolution is 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 resolution is deemed to have been passed, if votes cast in favour are more than the votes cast against.

#### **8. 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.9 of Schedule XXC 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 Schedule XXB annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
- c) Risk Management - The Company has a procedure to inform the Board about the risk assessment and minimization procedures. The Board of Directors periodically reviews the risk management framework of the Company.
- d) Compliances by the Company - During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital markets.
- e) 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 give 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 web-site www.panaceabiotec.com. The results are not separately circulated to the shareholders.
  - iv) Training of Board Members - No specific training programme 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 the 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.

#### 9. 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 Shares of the Company.

#### 10. Means of communication

1. The Quarterly and Half-Yearly results are published in one or more of the prominent daily newspapers, viz. Business Line and Business Standard, All editions, Hindustan Times, New Delhi, Chandigarh, Lucknow, Kolkata, Patna, Ranchi and Bhopal; DNA Money, Mumbai; Financial Express, Delhi, Mumbai and in Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated.
2. The Company also intimate 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.
3. The Annual Results (Annual Report containing Balance Sheet etc.) are posted to every shareholder of the Company.
4. The Company's web-site, viz. [www.panaceabiotec.com](http://www.panaceabiotec.com), is regularly updated with the financial results, annual report and other important events.
5. Pursuant to clause 51 of the listing agreement, financial information like annual and quarterly financial statements, segment-wise results, shareholding pattern(s) and annual report(s) are made available on the SEBI's web-site [www.sebidifar.nic.in](http://www.sebidifar.nic.in).
6. Management's Discussion and Analysis Report has been included in the Annual Report being sent to the shareholders of the Company.

#### 11. General Shareholder Information

##### i) Date of AGM

The Annual General Meeting is proposed to be held on Friday, the 25th day of September, 2009, at 11:00 A.M. at the registered office of the Company at Ambala-Chandigarh Highway, Lalru - 140 501, Punjab.

Posting of Annual Report                      On or before 1st September, 2009  
 Last date of receipt of Proxy Form        23rd September, 2009 before 11.00 A.M.

##### ii) Financial Calendar 2009-10 (tentative)

S. No.	Tentative Schedule	Tentative Date
1.	Financial reporting for the quarter ended 30th June, 2009	30th July, 2009 (Actual)
2.	Financial reporting for the half year ending 30th September, 2009	End of October, 2009
3.	Financial reporting for the quarter ending 31st December, 2009	End of January, 2010
4.	Financial reporting for the quarter ending 31st March, 2009	End of April, 2010*
5.	Annual General Meeting for the year ending 31st March, 2010	End of September, 2010

\*As provided in clause 41 of Listing Agreement, Board may also consider publishing Audited Results for the year 2009-10 in lieu of Unaudited Results for fourth quarter, by 30th June, 2010 (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 Wednesday, 23rd September, 2009 to Friday, 25th September, 2009 (both days inclusive).

##### iv) No Dividend

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, 2002 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.

During the year, the Company had transferred Rs.143,640 lying unclaimed in Unpaid Dividend Account in respect of Dividend for the Year 2000-2001 to the said Fund on 18th October, 2008.

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 unpaid Dividend	Due date for transfer to IEP Fund
2001-02	24.08.2002	21.09.2009	20.10.2009
2002-03	20.09.2003	18.10.2010	16.11.2010
2003-04	18.09.2004	16.10.2011	14.11.2011
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

Shareholders who have not yet encashed their dividend warrant(s) for the above said financial year(s) may send their request for revalidation of Dividend Warrant(s) or issue of duplicate Dividend Warrant(s), as the case may be, to the Company's Corporate Office immediately. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts, which were unclaimed or unpaid for a period of 7 years from the dates on which they first became due for payment and no payment shall be made in respect of any such claims.

**vi) Listing on Stock Exchange**

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

- 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 Foreign Currency Convertible Bonds (FCCBs) of the Company are listed on Singapore Exchange Ltd. (SGX), 2 Shenton Way, #19-00 SGX Centre 1, Singapore 068804, under the BONDS Sector.

The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

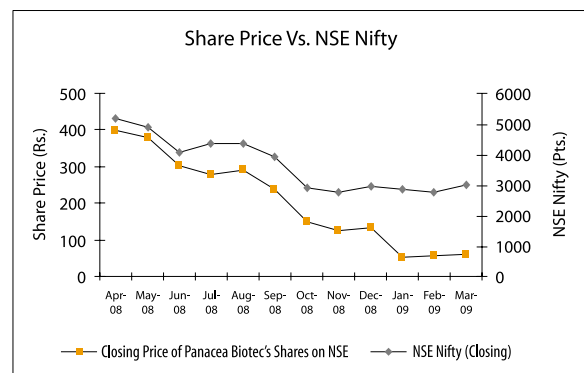
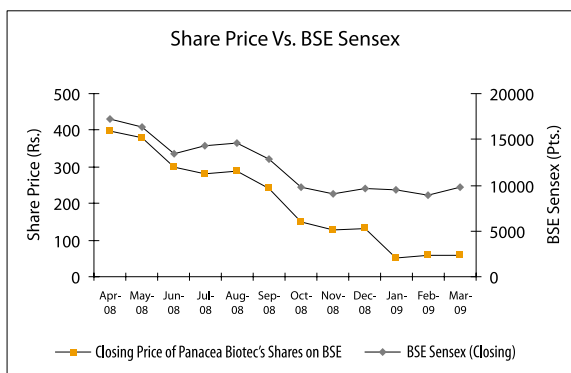
**vii) Stock Code of Equity Shares / FCCBs**

Trade symbol at National Stock Exchange is PANACEABIO.

Stock Code at Bombay Stock Exchange is 531349.

ISIN No. for Dematerialisation : INE922B01023.

Stock Code of FCCBs : XS0243888830



**viii) Market Price data:**

The High and Low prices of the shares of the Company at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE) for the year ended 31st March, 2009 are as under:

Month	Share Prices (Rs.) at BSE		Share Prices (Rs.) at NSE	
	High	Low	High	Low
April, 2008	405.00	340.05	400.00	330.05
May, 2008	413.00	345.00	412.00	368.00
June, 2008	392.00	292.00	395.60	295.00
July, 2008	363.40	273.05	363.60	270.25
August, 2008	340.00	247.50	365.00	269.00
September, 2008	308.50	214.50	310.00	216.10
October, 2008	249.00	144.00	248.50	141.00
November, 2008	197.00	123.20	198.00	123.45
December, 2008	151.00	126.00	147.00	124.20
January, 2009	138.95	51.95	139.50	51.70
February, 2009	77.20	51.00	78.40	50.00
March, 2009	62.10	52.00	62.30	51.10

**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 dematerialised 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 either obtained from the Company's RTA or downloaded from the Company's website [www.panaceabiotec.com](http://www.panaceabiotec.com) under the section 'Investor Zone') to the Company's RTA. Those holding shares in dematerialised 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 holders' 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 dematerialisation 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/ consolidation/ exchange formalities.

The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/DoP/Cir-05/2009 dated 20th May, 2009 directed that for securities market transactions and off-market/private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ RTA for registration of such transfer of shares.

#### xiv) Secretarial Audit

A Practising Company Secretary carries out secretarial audit in each of the 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 dematerialised shares held with NSDL and CDSL. The Secretarial Audit Reports for each quarter of the Financial Year ended March 31, 2009 has been filed with Stock Exchanges within one month of 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 dematerialised. As on 31st March, 2009, 99.05% of the Company's total Equity Share Capital representing 66,204,985 Equity Shares were held in dematerialised form and only 637,761 Equity Shares were in paper/physical form.

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

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

#### xvi) Share Dematerialisation System

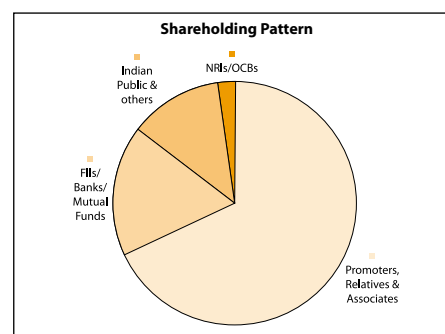
The requests for dematerialisation of shares are processed by RTA expeditiously and the confirmation in respect of dematerialisation of shares is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialisation of shares generally on weekly basis. 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.

#### xvii) Distribution of Shareholding as on 31st March, 2009

No. of Shares	No. of Shareholders	No. of Shares
0-2500	8,190	2,021,221
2501-5000	111	407,293
5001-10000	29	215,713
10001-100000	42	1,323,499
100001 and above	39	62,875,020
Total	8,411	66,842,746

#### xviii) Pattern of Shareholding as on 31st March, 2009

S. No.	Category	No. of Shares	%
1.	Promoters, Relatives & Associates	45,451,699	68.00
2.	Institutional Investors (FIs, Banks & Mutual Funds)	11,554,491	17.29
3.	Domestic Companies	5,403,079	8.08
4.	Indian Public	2,876,080	4.30
5.	NRIs / OCBs / Foreign Corporate Bodies	1,527,450	2.29
6.	Others	29,947	0.04
	Total	66,842,746	100.00



**xix) GDRs / ADRs / Warrants or other convertible instruments**

No GDRs/ADRs/Warrants were outstanding as on 31st March, 2009. However, Foreign Currency Convertible Bonds (FCCBs) (US\$ 50,000,000 Zero coupon Convertible Bonds due 2011) aggregating US\$ 36.8 million (Rs.1,866,496,000) were outstanding as on 31st March, 2009.

**xx) Plant Locations**

- Bulk Vaccine facilities at Village Samalheri, Ambala-Chandigarh Highway, Lalru-140 501, Punjab.
- Pharmaceutical Formulations facility at Malpur, Baddi, Dist. Solan, Himachal Pradesh-173 205.
- Vaccines Formulations facility at Malpur, Baddi, Dist. Solan, Himachal Pradesh-173 205.
- Vaccines Formulations facility at A-241/242, Okhla Indl. Area, Phase I, New Delhi - 110 020.
- Pharmaceutical Formulations facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044.

**xxi) Address for correspondence**

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

Skyline Financial Services Pvt. Ltd.  
246, Sant Nagar, 1st Floor, ISKCON Temple Road,  
East of Kailash, New Delhi – 110 065, India.  
Phone : +91-11-26292681-84  
Tele-fax : +91-11- 26292681  
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. 2081 (D) 41578024  
Fax : +91-11-41679075, 41679070  
E-mail : companysec@panaceabiotec.com  
investorgrievances@panaceabiotec.com  
Contact Person : Mr. Vinod Goel, G.M. Legal & Company Secretary/  
Ms. Sangeeta Nagpal, Deputy Manager-Secretarial.

For query relating to  
financial matters

: Mr. Chandresh Ohri  
Manager - Banking & Treasury  
Phone : +91-11-41679000  
Fax : +91-11-41679066, 41679070  
E-mail : chandreshohri@panaceabiotec.com

For and on behalf of the Board

Place : New Delhi  
Date : 30th July, 2009

Soshil Kumar Jain  
Chairman

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**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, 2009.

For Panacea Biotec Ltd.

Date : 27th May, 2009  
Place : New Delhi

Ravinder Jain  
Managing Director

## 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 : 27th May, 2009  
Place : New Delhi

Ravinder Jain  
Managing Director

I.K. Sharma  
DGM (Accounts & Finance)

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### 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 2009, 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 : 30th July, 2009

Dass Gupta & Associates  
Chartered Accountants  
Per  
Raaja Jindal  
Partner  
Membership No. 504111