Biocon

SCALING NEW HEIGHTS
IN FRONTIER SCIENCE

Annual Report 2007

E G F R

EGFR may appear to be randomly chosen letters of the alphabet. But for those suffering from head & neck cancers, they can be life-threatening. Epidermal Growth Factor Receptor (EGFR) is a protein that plays a pivotal role in malignant cell formation. Over-production of EGFR leads to the uncontrolled and abnormal proliferation of cancer cells… the cause of much suffering and untimely death.

It is a startling fact, for every three head & neck cancer patients in the world, one is Indian.

BIOMAb EGFR™

ACHIEVING NEW MILESTONES
IN AFFORDABLE MEDICINE

Novel Biotherapeutics, led by Monoclonal Antibodies, are dramatically altering the course of molecular diagnostics and disease therapy. These targeted medicines have the potential to treat debilitating illnesses and create new standards in patient care.

In September 2006, Biocon launched BIOMAb-EGFR™, a therapeutic Monoclonal Antibody-based drug for treating solid tumors of epithelial origin such as head & neck cancers.

BIOMAb-EGFR™ is engineered to specifically target and block the EGFR responsible for the proliferation of cancer cells. This revolutionary drug is the first of its kind to be manufactured in India. Moreover, it is the first competitively-priced, anti-EGFR humanised Monoclonal Antibody for cancer to be made available commercially, anywhere in the world.


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BIOMAb EGFR™

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India accounts for 1/6th of the world's population. Yet shockingly, only 1/6th of India's one billion people have access to affordable healthcare. The rest are neglected much like the diseases that afflict them. Medical help is inaccessible and simply beyond their means. The forbidding costs and inadequate reach of therapy is not just an India issue but one that plagues healthcare systems, globally.

Then, there is the other side. Never before has there been such promise for new drugs to fight many of the world's most critical diseases. Targeted medicines have given global healthcare providers new optimism and patients new hope for better therapy. Yet, the irony remains that breakthrough medicines hardly reach those who need them, either because they are inaccessible or unaffordable.

At Biocon, we believe innovation without access and affordability is like therapy without patients. We are a discovery-led biopharmaceutical company that develops, markets and distributes novel yet affordable Biotherapeutics. By leveraging India's value advantage of unmatched scientific talent and cost-competitive manufacturing, we deliver scale, speed and quality. Indeed, Biocon is among the few innovator companies in the world capable of balancing the high cost of R&D with market affordability.

Today, we are well-positioned to meet the demands of new markets and accelerate the progress of our pipeline because of our incremental investments along the gene-to-patient continuum. Our strong matrix of discovery capabilities, cost-effective drug development platforms and significant manufacturing capacity enable us to scale new heights in frontier science and achieve new milestones in affordable medicine.

"At Biocon, we believe innovation without access and affordability is like therapy without patients."

Anuradha Rajput, General Manager - Central Lab

2007
HIGHLIGHTS

Total Income increased by 25% to Rs. 9,895 million

Income from Research Services increased by 35% to Rs. 1,357 million from Rs. 1,006 million

CHAIRMAN'S OUTLOOK

Operating Margins were sustained at a healthy 29% at Rs. 2,873 million

R&D Revenue Expenditure increased 93% to Rs. 379 million from Rs. 196 million

Dividend recommended at 60% (Rs. 3.0 per share)

"Biocon has technologically and commercially moved up the biopharmaceutical value chain. We have dramatically scaled our operations and achieved significant milestones along the path to affordable new medicine."

At a time when global healthcare spending has escalated enormously, the responsibility rests with biopharmaceutical companies to focus on developing and deploying targeted and differentiated medical solutions, which in many cases, can reduce overall healthcare costs. I believe, we have the scientific talent pool, technological platforms and manufacturing capabilities to take on this challenge.

Biocon is a research-driven healthcare company committed to developing affordable therapeutics for the world's most debilitating diseases, including diabetes and cancer. We have demonstrated early success in this mission by commercialising INSUGEN®, a Recombinant Human Insulin in 2004 and more recently, in 2006, a proprietary cancer targeting Monoclonal Antibody, BIOMAb EGFR™. These programs have technologically and commercially moved us up the value chain and given us the confidence to expand our research and marketing efforts to build strong and sustainable shareholder value for the long-term.

A LEARNING ORGANISATION

The underlying ethos of Biocon is knowledge-building and the application of learning to create technology platforms that deliver business success. Over the years, we have systematically leveraged our expertise from Enzymes to Small Molecules to Recombinant Proteins to Antibodies. Strategically advancing from Generics to Proprietary Molecules through partnerships and alliances, today we have a rich pipeline of biosimilar and discovery-led biologics programs in diabetes, oncology and inflammatory diseases. On the marketing front, we have rapidly moved up the value chain from suppliers of pharmaceutical bulk actives to developing our own branded formulations. We now add further value by taking our brands to international markets through joint ventures and agency arrangements.

ADVANCING GLOBAL HEALTH

Diabetes

Biocon's interest in developing Recombinant Human Insulin, a life-saving drug for people with diabetes, stems from the realisation that this disease poses a serious, global health problem that is forecast to reach pandemic proportions. India is considered the world's diabetic capital accounting for 40 of the 140 million diabetics in the world.

Biocon has played a key role in leveraging the Indian cost base to deliver an affordable Insulin to India and world markets. Today, we enjoy a growing share of the Insulin market in India and overseas. Moving forward, we have partnered with global pharmaceutical major, Bayer Healthcare to register and market our Insulin in China and have entered into collaboration with a US-based pharmaceutical company to access the US market. We are also preparing to register our Insulin for the pan-European market through select partners. Riding on the success of our Insulin program, Biocon has embarked on ambitious and exciting research to develop the next generation product: IN-105, an Oral Insulin. IN-105 not only delivers Insulin in tablet form, it also provides improved therapeutic benefit in diabetes management. The product has established proof of concept through Phase I human clinical trials and promises to be a significant value differentiator in Biocon's quest for global leadership in the Insulin segment.

Cancer

Cancer is another disease challenge that is proving to be a huge burden for national healthcare budgets. Monoclonal Antibodies are powerful ammunition in man's war against cancer. They hold the promise of adding years to survival timelines. However, the cost of delivering such ammunition to patients is simply unaffordable. So much so, that many national health insurance programs are refusing to provide reimbursement.

Biocon is committed to developing affordable Biotherapeutics for patients across the globe. The launch of our first Antibody BIOMAb EGFR™ in India has catapulted Biocon to innovator status and advanced the company to the next level in the value chain. Since its launch in September 2006, BIOMAb EGFR™ has attained leadership in its segment in the Indian market.

VALUE-ADDED MARKETING

In 2004, Biocon created its first direct marketing division to market a basket of cardio-diabetic drugs anchored by our Recombinant Human Insulin, INSUGEN®. During fiscal year 2006-07, two new divisions were added: Oncotherapeutics to market BIOMAb EGFR™ and other cancer drugs and Nephrology, to market a range of renal therapy products that include Erythropoietin and Immunosuppressants. These divisions are enabling Biocon to ascend the value chain, from being a provider of unbranded generic APIs to a differentiated marketer of high-quality, branded products.

SCALING UP TO VALUE-ADD

Biocon's IPO was utilised to fund the company's need to attain global scale in its operations at a greenfield site, Biocon Park. Representing India's largest investment in biotechnology, the $160 million Biocon Park is the first SEZ in the country's biotechnology sector. Spread over 90 acres, this integrated biopharmaceutical hub incorporates state-of-the-art research laboratories, US FDA-qualified, fermentation-based manufacturing plants and India's first Antibody manufacturing facility. We are committed to global excellence in research and manufacturing. All our facilities are designed to meet the highest international regulatory and quality standards.

CREATING DIFFERENTIATED VALUE IN RESEARCH SERVICES

Syngene

Since its inception in 1994, Syngene has maintained its pioneering and leadership position in providing research services to an impressive clientele of pharmaceutical and biotechnology companies across the world. Syngene's business model has been driven by FTE and project-based contracts. In February 2007, Syngene announced an enhanced partnership with its valued customer of over nine years, Bristol-Myers Squibb (BMS). Under this new arrangement, Syngene will build a dedicated, customised facility to accommodate over 400 scientists for the exclusive use of BMS. This alliance heralds a new phase in Syngene's evolution as a valuable partner to the global pharmaceutical industry. Syngene's advancing capabilities in high-end discovery has earned the company a distinctive reputation in the research services segment.

Clinigene

India is fast emerging a preferred destination for clinical trials and Clinigene is well-positioned to build a strong and differentiated business in this segment. The past year has seen significant investment in scaling up Clinigene's operations through a new facility that will enable the company to expand its range of services to include laboratory, clinical trials and data management. Today, Clinigene has developed experience and expertise in conducting Phase I-IV clinical trials for novel/ generic drug molecules and participating in global clinical trials for pharmaceutical majors.

"Biocon Park symbolises the confluence of science, technology and innovation - where research is continuously translated into commercial technologies for novel therapeutics."

LEVERAGING VALUE THROUGH PARTNERING

Biocon has actively entered into a number of strategic partnerships to co-develop novel drugs and enter new markets. Our partnered programs with Bentley, CIMAB, Innate and Vaccinex continue to make good progress. We expect them to realise licensing and marketing opportunities in the not too distant future. Additionally, in December 2006, we announced a JV with Abu Dhabi-based Neopharma to address opportunities in the lucrative GCC markets. All our partnerships enable us to rapidly climb the value chain and build increasing advantage for Brand Biocon.

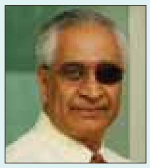
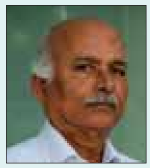
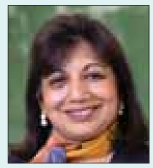
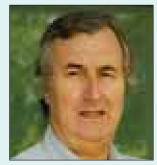
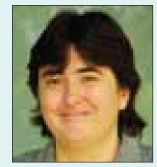
CONCLUSION

We participate in an industry that is experiencing unprecedented challenges: from the demand for broader access and affordability to pressures on pharmaceutical pricing (as a part of overall healthcare cost management) and aggressive affronts to patent estates. Although these factors strain our collective capacity to sustain innovation, Biocon remains committed to making medicinal breakthrough affordable and available to more people. Our strategy of leveraging India's cost base and scientific talent pool to develop economical drugs for global markets has begun to demonstrate success. Today, we scale new heights in frontier science and achieve new milestones in affordable medicine.

I thank our shareholders and business partners for the trust they have placed in us. We believe your faith is well-founded and that, together, we can impact global healthcare and make a difference to patients across the world.

Thank you,
With Best Wishes,

Kiran Mazumdar-Shaw
June 2007

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Prof. Charles L. Cooney • Professor, Chemical & Biochemical Engineering, MIT, USA • Director, Genzyme Inc. and Bio-Processors Inc. • Recipient of prestigious awards, including Gold Medal of the Institute of Biotechnology Studies and Distinguished Service Award from the American Chemical Society

Dr. Bala S. Manian • Chairman and Founder, Reametrix Inc. • Co-founder, Quantum Dot Corporation and Surromed Corporation, USA • Expert in the design of electro-optical systems • Authored several peer-reviewed scientific publications and holder of many patents • Recognised through numerous awards for contributions as educator, inventor and entrepreneur, including Technical Academy Award in Digital Cinematography by Academy of Motion Pictures, Arts and Sciences

Mr. Suresh Talwar • Partner, Talwar Thakore & Associates • Director, Cadbury India Ltd., Birla Sun Life Insurance Co. Ltd., L&T Ltd. • Area of professional specialisation includes corporate law and related fields • Legal counsel to numerous Indian companies, multinational corporations and Indian/foreign banks

Ms. Kiran Mazumdar-Shaw • Chairman & Managing Director, Biocon • First generation entrepreneur with more than 29 years experience in biotechnology and industrial enzymes • Master Brewer, Ballarat University, Australia • Awarded the Padmabhushan, one of India's highest civilian awards for her pioneering efforts in Biotechnology, 2005

Mr. John Shaw • Vice Chaiman, Biocon • Served in senior corporate positions at various locations around the world • Chairman, Madura Coats Ltd. between 1991-1998

Prof. Ravi Mazumdar • University Research Chair Professor, Department of Electrical and Computer Engineering, University of Waterloo, Canada • Fellow of the Institute of Electrical and Electronics Engineers (IEEE) and Fellow of the Royal Statistical Society

Prof. Catherine Rosenberg • Alternate Director, Biocon • University Research Chair Professor and Chairman, Department of Electrical and Computer Engineering, University of Waterloo, Canada

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Dr. Anthony Allison • Distinguished Scientist, Surromed Corporation • Former Vice President, Research, Syntex Corporation • Inventor of Mycophenolate Mofetil

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NEW **MILESTONES**

BRANDED**PRODUCTS**

Targeted medicines are new therapeutics with clear advantages over existing treatments – their proven efficacy is expanding market sizes and improving the risk-benefit ratio facing pharmaceutical developers. Biocon is focused on the development and commercialisation of these new products and formulations. We are rapidly building our portfolio in the therapeutic areas of oncology, nephrology, diabetes and autoimmune diseases. Our cancer drug, BIOMAb EGFR™ and a comprehensive range of branded renal products are the newest additions to our existing Biotherapeutics portfolio of cardiovascular and diabetic medicines. In the pipeline are several promising candidates including Biocon's Oral Insulin product IN -105, a next generation alternative to Injectable Insulin therapy.

“Targeted medicines have clear advantages over existing therapies. Their proven efficacy has given medical practitioners improved treatment options and patients, a better quality of life.”

Subir Kumar Basak, General Manager - Oncotherapeutics

The present global market size for Monoclonal Antibodies, estimated at $15 billion, is expected to double by 2010

ONCOLOGY

Biotherapeutics is revolutionising cancer treatment around the world and giving patients hope for new standards of care. At the recently held annual meeting of the American Society of Clinical Oncology (ASCO) in New Orleans, cancer biotherapies took centrestage. Key presentations focused on the survival benefits of approved and experimental targeted cancer medicines, with special emphasis on EGFR inhibitor Monoclonal Antibodies and Anti-Angiogenesis drugs. The scientific community was unanimous, that improved molecular diagnostics and successful combinations using new generation Monoclonal Antibodies will dramatically improve the management and treatment of cancer in the years to come.

Biocon’s BIOMAb EGFR™ is a novel humanised Monoclonal Antibody for the treatment of solid tumors of epithelial origin, such as head & neck cancers. Effectively used in conjunction with conventional treatments such as radiation therapy or chemotherapy, it has shown consistent response in clinical trials for head & neck cancers initiated both in India and overseas.

The launch of BIOMAb EGFR™ spearheads Biocon’s foray into proprietary, targeted Biotherapeutics. With it, we join the exclusive league of Monoclonal Antibody developers worldwide. BIOMAb EGFR™ has received widespread market acceptance not only because of its proven efficacy, but also because of its competitive pricing. By making BIOMAb-EGFR™ an affordable drug, Biocon has achieved an important new milestone for cancer treatment, giving patients a better quality of life.

NEPHROLOGY

Kidney disease is the silent epidemic of the 21st century. Every year, millions of people around the world are diagnosed with End Stage Renal Disease (ESRD), necessitating critical kidney replacement. Immunosuppressants are anti-rejection drugs that play a crucial role in suppressing or lowering the immune system's ability to attack and reject the transplanted organ.

Biocon is the largest manufacturer of Immunosuppressants in India and a leading supplier of Mycophenolate Mofetil (MMF), Tacrolimus and Sirolimus APIs to over 70 countries, worldwide. Candidates in the pipeline include Everolimus and Pimecrolimus. Our Erythropoietin (EPO) is rapidly progressing along the gene-to-patient continuum, currently having completed clinical evaluation to demonstrate a good safety and efficacy profile.

Biocon's decade-long global presence in the Immuno-suppressants API market, proprietary process technologies that ensure higher purity and dedicated cGMP facilities have enabled our entry into the branded formulations market for nephrology. Our new Nephrology Division offers the most scientifically configured and comprehensive range of renal therapy. This balanced portfolio of brands will rapidly establish us as leading players in the Indian nephrology market.

Biocon's branded Immunosuppressants include:

- **RENODAPT (Mycophenolate Mofetil)**
- **TACROGRAF (Tacrolimus)**
- **CYCLOPHIL ME (Cyclosporine Micro Emulsion USP)**
- **RAPACAN (Sirolimus)**
- **ERYPRO (rHuEPO)**

With over 10,00,000 patients in India suffering from ESRD, the market for Immunosuppressants is rapidly expanding and the demand for kidney dialysis is growing at 25% annually

DIVERSIFIED MARKETS

Access to medicine is most often determined by three key factors, geography, technology and cost. At Biocon, we leverage the India value advantage in discovery, development and manufacturing to create drugs that are best-in-class yet affordable. To take our medicines to global markets, we have identified complementary regional partners who will join us in our mission to deliver affordable innovation.

> **"Patients everywhere in the world have a right to the highest standards of care, no matter what their financial circumstance."** **M. B. Chinappa,** Vice President - Finance

REACHING THE GULF NATIONS

Biocon and Abu Dhabi's leading pharmaceutical company, Neopharma signed an MOU to establish NeoBiocon, a joint venture company in Dubai's Biotechnology and Research Park - Dubiotech. The JV will leverage the product pipeline and manufacturing capabilities of Biocon and the sales and marketing leadership of Neopharma. NeoBiocon will introduce into GCC (Gulf Cooperation Council) nations a range of specialty pharmaceutical products developed by Biocon.

Biotherapeutics for cardiovascular, diabetes and oncology segments represent the fastest growing class of drugs in the $5 billion GCC pharmaceutical market. Biocon's novel products in these key disease areas will add considerable value to Neopharma's existing therapeutic portfolio, and strengthen the regions healthcare system with vital new medicines to combat life-threatening disease.

FIGHTING CANCER IN PAKISTAN

There are over 25,000 new cases of head & neck cancer reported in Pakistan every year. The country's market for oncology medicine is valued at approximately $70 million and Monoclonal Antibodies represent the fastest growing category of therapeutics with a CAGR of 30%.

Encouraged by the successful launch of Biocon's anti-cancer drug BIOMAb-EGFR™ in India, we entered the Pakistan market through an exclusive licensing agreement with Ferozsons Laboratories Limited, Pakistan's foremost oncology company. We believe Ferozsons' commitment to this disease segment and its market leadership, will enable us to offer our targeted cancer therapy, at a treatment cost that is affordable to a wider cross-section of patients in Pakistan.

TAKING INSUGEN® TO CHINA

The incidence of diabetes is rapidly increasing in China, especially in urban areas. Currently, 40 million Chinese are diabetic, with a staggering 3000 new cases being diagnosed each day.

Biocon entered into a licensing agreement with multinational healthcare corporation Bayer HealthCare (BHC) to grant exclusive marketing and trademark rights of its Recombinant Human Insulin, INSUGEN® for the Chinese market. This deal is the first of its kind in the Chinese prescription pharmaceutical industry. We believe Bayer HealthCare is strongly positioned to achieve significant market share for INSUGEN® in China, signaling Biocon's emphatic foray into international branded formulations. INSUGEN® will undergo local Chinese registration trials and is expected to be ready for launch within the next few years. This collaboration will create a platform for complete diabetes management and pave the way for Biocon-Bayer HealthCare's future entry into other Asia-Pacific markets.

ADVANCED R&D

Biocon focuses on an innovation-led, de-risked R&D strategy. To support the timelines required for drug discovery and mitigate the high risk & escalating costs of innovation, we maintain a diverse portfolio of products that leverage our well-developed expertise in enzyme manufacturing, pharmaceuticals and biosimilars. Our robust pharmaceutical programs are yielding new generic molecules; our strong biosimilars portfolio continues to deliver affordable treatment options; and our rich discovery pipeline has several highly promising candidates that are successfully moving through clinical trials.

> "We believe we have the hard-to-find skillsets, eminent academia network, world-class facilities and the unique India cost advantage to deliver affordable new medicine." **Aindrilla Dasgupta,** Senior Scientific Manager - R&D

PHARMACEUTICALS

Small molecule pharmaceuticals play an important role in Biocon's R&D programs. We are leveraging our expertise in fermentation and chemical synthesis to improve manufacturing productivity for existing products and introduce new generics into our pipeline. Under development are several generics for the anti-infective, oncology and immunosuppressive domains. Additionally, we are looking to advance our expertise in API manufacture to develop value-added capabilities in dosage formulation.

BIOSIMILAR PROGRAMS

Numerous innovative Biotherapeutics have started to go off patent and are facing the introduction of a wave of similar biological medicinal products, known as biosimilars. In the face of escalating healthcare costs, biosimilars represent a tremendous opportunity to provide cost-effective drugs. However, the molecular complexity of biotechnology-derived products requires a high level of quality control over manufacturing of the active substance and the finished product, as well as clinical safety and efficacy data for registration and evaluation.

Biocon has in progress, several biosimilar programs that are of strategic importance not only to our future but also that of affordable medicine. Our R&D is in a unique position to capitalise on the biosimilar opportunity due to the investments we have made in developing a high level of expertise in characterisation and process validation. We are confident that we have in place the technical skills and regulatory knowledge to overcome the challenge of getting biosimilars such as Insulin approved for key markets of the US and EU.

DISCOVERY MOLECULES

Our most significant R&D thrust during the year 2006-2007 has been to develop discovery molecules. Our focus on novel biologics, primarily Monoclonal Antibodies (MAbs) have resulted in a robust and rapidly advancing pipeline. Biocon's most exciting programs include the development of Oral Insulin (IN -105) in the treatment of diabetes mellitus and a new MAb (T1h) targeted against CD6 in the treatment of rheumatoid arthritis. Other programs that are expected to enter preclinical development later this year are BVX-10 (a novel human anti - TNF/), BVX-20 (a novel human anti-CD20) and oral BNP – (BN-054).

IN -105 (Oral Insulin)

Subcutaneous Insulin is very effective in the treatment of diabetes but its prescription is generally delayed due to inconvenience of needle usage and potential hypoglycemia (caused by excess insulinisation). In contrast, Oral Insulin (ie. Insulin in tablet form) is simple and painless to administer. Additionally, it is delivered through the portal vein, mimicking the natural physiology of the body. If successful in the clinic, Oral Insulin could become a very important therapy for intervention in earlier stages of diabetes.

Biocon is developing IN -105, a conjugated Insulin molecule that is orally delivered and targeted towards the treatment of diabetes. During the last year, we have made significant progress along its development lifecycle. Biocon's R&D group has successfully developed a tablet for oral delivery of IN -105, its formulation carefully selected to give consistent absorption and glucodynamic (glucose-lowering) effect. In the clinic, this molecule has completed Phase I trials and is expected to enter Phase II in India later this year. The encouraging results of the Phase Ia and Ib studies represent a vital hurdle crossed in the

development of IN -105 as a product. IN -105 will enter Phase I trials in Europe towards the end of next year.

Anti-CD6 (T1h)

Rheumatoid Arthritis (RA) is a chronic, inflammatory, systemic disease in which the immune system attacks the joints and causes its destruction. RA also impacts multiple systems in the body, including the heart, skin, blood vessels and lungs. The introduction of biologics that target the signaling molecules and different cell types in the immune system has significantly advanced the treatment of RA. While joint damage is hard to reverse, the inflammatory conditions that are present during RA have been greatly reduced, causing an improvement in patient quality of life.

T1h is a novel humanised Monoclonal Antibody that blocks the activity of CD6, a specific antigen found on the surface of an important cell type in the immune system, T cells. T1h suppresses T cell proliferation *in vitro* and is expected to modify the course of arthritic disease in the clinic by modulating T cell behaviour.

Biocon's T1h has completed a Phase I study in patients with RA. The product was found to be safe and well tolerated. A Phase II dose-range finding study, designed to evaluate the safety and efficacy of T1h in patients with severe RA, is expected to start in 2007.

BVX -10

Another promising target for therapeutic intervention in RA is the Tumour Necrosis Factor Alpha TNFα, a cytokine that has multiple biologic actions, including mediation of inflammatory responses and modulation of the immune system. There is evidence that TNFα plays a central role in autoimmune and inflammatory diseases, contributing to the progression of both inflammation and joint destruction.

Biocon's BVX -10 is a novel human Monoclonal Antibody directed against TNFα. It was developed in collaboration with our partner Vaccinex, a biotechnology company in Rochester NY, using their unique and proprietary ActivMab platform technology. Phase I trials are expected to start in Q1 2009.

BIOCON'S DISCOVERY PIPELINE

Novel Generic

Drug	Preclinical	Phase I	Phase II	Phase III	Registration	Market
IN -105	2006	2007	DIABETES			
Oral BNP	CARDIOVASCULAR					
BVX -10	INFLAMMATION					
BVX -20	ONCOLOGY					
T1h	2006	2007	ONCOLOGY INFLAMMATION			
BIOMAb EGFR™			2006		2007	ONCOLOGY
GCSF				2006	2007	ONCOLOGY
Streptokinase				2006	2007	CARDIOVASCULAR
Reteplase	CARDIOVASCULAR					
Insulin Glargine	DIABETES					
hGH	ENDOCRINOLOGY					

BVX-20

Non-Hodgkin's Lymphoma (NHL) is the most common cancer of the lymphoid organs. Its incidence in western countries varies from 6 to 16/100,000 and in the EU specifically, an approximate 50,000 new cases are diagnosed each year.

Biocon's BVX-20 is a novel human Monoclonal Antibody that binds to CD20, a protein located on both normal and malignant B-cells. After binding, BVX-20 kills B-cells by recruiting the body's own immune system. BVX-20 is intended for use in the treatment of patients with relapsed or chemotherapy resistant follicular B-cell NHL and CD20 positive diffuse large B-cell NHL in combination with chemotherapy.

This Monoclonal Antibody was also developed in collaboration with Vaccinex using their ActivMab technology. Phase I trials in India are expected to start in Q3 2008.

BN-054 (Oral BNP)

High blood pressure is one of the major risk factors for development of cardiovascular diseases like stroke, heart attack, heart and kidney failure. Recent studies have established that Small Molecular Weight Peptides called Natriuretic Peptides cause increased sodium excretion, vasodilation and inhibition of rennin-aldosterone actions in the body, thus potentially reducing blood pressure while also being cardioprotective. One such peptide, B-type Natriuretic Peptide (BNP) has been approved by US FDA for congestive heart failure.

BN-054 (Oral BNP) is a B-type Natriuretic Peptide conjugated using a patented technology and process. This molecule is likely to be tested clinically in essential Hypertension, Congestive Heart Failure (CHF), Congestive Obstructive Pulmonary Disease (COPD) and Chronic Kidney Disease (CKD). BN-054 is in early stage preclinical studies. Product development is ongoing at Biocon and initial toxicology/pharmacology is expected to start in 2008.

ENZYMES SOLUTIONS

Biofuels

Biocon is India's leading enzymes producer catering to a cross-section of industry, from food and beverage to industrial applications including paper, textile, alcohol and sugarcane. Today, we leverage our leadership in customised enzyme solutions to contribute to the biofuels revolution, specifically, the exciting field of bioethanol production.

We are among the few companies in the world with expertise in developing innovative enzyme blends for bioethanol processing from a range of feedstock available in India and around the world. Our commercialised Alczyme series for application on cereals, including wheat, cassava, cane sugar juice and molasses has been well-established in Indian markets due to its efficacy in substantially increasing bioethanol yield. Research on more performance-based, process-oriented enzymes for use on a wider range of cellulosic biomass has been progressing rapidly. Our experience in enzyme manufacture and core expertise in fermentation, ideally positions us to develop novel enzymes that could, in time, make biofuels a truly viable and sustainable energy alternative.

ADVANTAGES OF BIOETHANOL:

- It is biodegradable
- Unlike fossil fuels, it comes from a renewable resource, i.e. crops
- It is a non-toxic, carbon neutral
- The use of bioethanol-petrol blends will extend the life of the world's diminishing oil supplies and ensure greater fuel security, avoiding heavy reliance on oil producing nations
- It has significantly fewer noxious emissions than petroleum-based fuels, when burned
- It is easily integrated into the existing road transport fuel system. In quantities up to 5%, bioethanol can be blended with conventional fuel without the need of engine modifications
- It is produced using familiar methods, such as fermentation
- A product of plant matter, it supports local agriculture and rural economies

Shubha M. R., Senior Scientist - Molecular Biology

EXPANDED INFRASTRUCTURE

Leveraging the India advantage, Biocon continues to incrementally invest in manufacturing and research infrastructure to meet the escalating global demand for generics and biopharmaceutical products. Our strength has been the rapid conceptualisation, execution and commissioning of custom research laboratories and diverse/flexible large-scale manufacturing facilities in support of our own programs and those of our international partnerships.

> **“Our ability to rapidly conceptualise, execute and commission new infrastructure projects enables us to provide clients fast, flexible and reliable research & manufacturing solutions.”**
>
> **Sandeep Rao,** General Manager - Business Development

In 2006, we established the $160 million Special Economic Zone (SEZ), Biocon Park – India’s largest integrated biotech hub spread over a 90 acre property. Capitalising on market opportunity and anticipating future demand, we have built additional capacity by commissioning the multi-product microbial fermentation & synthetic conversion facilities at Biocon Park. More importantly, these facilities were inspected and qualified by US FDA, thereby endorsing our compliance to stringent international quality norms. We are also realising significant operational efficiencies at Biocon Park by implementing improved equipment designs, automation and better integration of manufacturing facilities with support infrastructure. These critical measures are enabling us to maintain our leadership position in the highly competitive generic biopharmaceutical space.

Other investments in the last year were in line with our transition from a manufacturer of bulk APIs to a company launching its own branded formulations, both injectable and oral. Our new aseptic formulation & fill-finish facility is operational and caters to our requirements for liquid/ lyophilised vials and cartridges. The pre-filled syringe line is expected to be installed later this year. Biocon’s highly successful branded products, INSUGEN® and BIOMAb EGFR™, are manufactured at this facility.

Looking ahead, we are evaluating setting up a new facility for the manufacture of Recombinant Human Insulin and Monoclonal Antibodies to support our discovery programs. For this purpose, we are in the process of identifying alternate locations which will provide operational and economic advantages in a de-risked manner.

Biocon’s continuous investment in infrastructure and technology is aligned with its R&D focus to develop and commercialise novel therapeutic products, including Monoclonal Antibodies and Oral Insulin. This will strengthen our capabilities in Injectable Insulin and other biosimilar proteins - but more significantly, it will play a key role in forging important partnerships in the area of drug research and marketing. Our successful collaborations with Bristol-Myers Squibb, Bayer Healthcare China, Vaccinex and CIMAB are testimony to Biocon’s far-sighted investment strategy, world-class facilities and cost-competitive capabilities across the challenging drug development value chain.

PARTNERED**SERVICES**

High levels of innovation and increased productivity are imperatives of the global healthcare industry. To meet this twin demand, Syngene, our custom research organisation and Clinigene, our clinical research company work in partnership with complementary biotechnology and pharmaceutical companies. We believe these partnerships will positively impact all phases of our discovery portfolio. We are also confident that our well-structured alliances will mitigate the risk of discovery and encourage a stimulating environment of continuous knowledge creation.

> **"Our advanced custom and clinical research facilities, mark a significant step forward in our evolution as a valuable partner to the global pharmaceutical industry."** **Rakesh Bamzai,** President - Marketing

SYNGENE

Syngene is a leading, innovation-driven, research services company that conducts high value R&D in early stage drug discovery and development for a diverse global clientele. Demand for advanced research services in molecular biology and synthetic shemistry has dramatically increased. Looking ahead, we foresee tremendous opportunities to leverage our scientific expertise and the India value differential to provide our partnerships advanced and cost-effective research services.

PARTNERSHIPS

Integrated Drug Discovery: Syngene and Bristol-Myers Squibb

Significantly increasing the scope of our nine-year long discovery partnership with Bristol-Myers Squibb (BMS), we will build a dedicated research facility at Biocon Park to enhance BMS's integrated capabilities in India, in the areas of medicinal chemistry, molecular biology, drug metabolism and pharmaceutical development. This 150,000 sq ft research centre will support 400 scientists and staff. It is expected to be operational by Q2 2008-09. Syngene will leverage the India cost base and access to top scientific talent to accelerate BMS's new candidate discovery by a projected 30% over a period of five years. This landmark agreement marks a new and exciting phase for Syngene as it moves up the value chain in providing advanced capabilities and integrated services in drug discovery research.

Development of Type III Virulence Blockers: Syngene and Innate Pharmaceuticals

Syngene and Innate Pharmaceuticals AB, Sweden entered into a co-operation agreement to jointly develop, manufacture and market virulence blockers to counteract bacterial diarrhoeal disease.

Diarrhoeal illnesses are one of the biggest contributors to the global disease burden. There is an urgent medical need for drugs to treat over one billion affected people worldwide, every year. In India alone, an estimated 400,000 deaths occur annually due to diarrhoeal disease.

Virulence blockers disarm certain gram-negative bacteria, rendering them incapable of causing disease, without affecting the body's normal bacterial flora – thus reducing the risk that the bacteria will develop resistance to the drug. With virulence blockers yet to reach the market, the outcome of this milestone partnership will be among the first results to demonstrate the efficacy of these new drugs in preventing or curing human infectious disease.

As part of this co-operation, clinical studies of therapeutic effect will be conducted over the next three years and a candidate drug will be developed to the stage of a limited Phase II study in patients with diarrhoeal disease.

Once therapeutic effect is demonstrated, Syngene intends to carry out further clinical studies enabling the virulence blocker to be registered as a drug for the treatment of bacterial diarrhoeal disease. Under the terms of agreement, Innate Pharmaceuticals will have marketing rights in Europe and Syngene will maintain its rights to other world markets. Each company will receive royalties on the sales conducted by the other.

INFRASTRUCTURE

New Research Laboratory

As part of our ongoing expansion strategy, an additional research laboratory is being constructed to augment the services we offer in drug discovery and biologics. The new laboratory will house a Biological Pilot Plant providing mammalian and microbial fermentation services. This facility will manufacture cGMP products for toxicological and clinical studies and is expected to be operational by FY 2008-09. The completion of Syngene's new research laboratory will mark its transformation into a large-scale, full-service provider of integrated research services.

Overall Size	**170,000 sq ft over four floors**
Per Floor Capacity	**120 chemical hoods available in modules of 30**
Facilities with each Module	**Cold & dry storage areas, wet chemical storage, analytical lab, instrumentation lab**
People Capacity	**360 scientists**

Vivarium

Syngene is in the process of designing a fully-equipped, Vivarium to introduce animal biology and toxicology. This unit will be internationally-benchmarked, maintaining the highest ethical standards and practices.

Kilo Lab Facility

A key component of Syngene's growth strategy is to provide services for the manufacture of new drug candidates on a pilot scale. The Kilo Lab Facility will have capacity to manufacture up to 50 kilos of novel intermediates and compounds, enabling Syngene to provide clients cGMP materials for various stages of clinical trials. In the near future, Syngene will also have a cGMP Analytical Facility to provide method development and validation services. With these labs in place, Syngene will have the capabilities to give full support to clients creating cGMP documentation and preparation of DMF. The cGMP Pilot Plant will be built to meet all regulatory norms prevailing in India, US and Europe. It is expected to be operational in Q1 2008-09.

Prasad B. S. V., General Manager - Production

CLINIGENE

In the rapidly growing clinical research services industry, Clinigene is emerging a front runner. Our considerable disease-focused patient registries and clinical databases in key therapeutic areas of diabetes, lipidemia, oncology, neurology and cardiovascular diseases enable us to conduct faster study start-ups and more efficient data collection. CAP accredited, Clinigene's laboratory continues to be the partner of choice for leading multinational pharmaceutical and biotechnology companies undertaking challenging clinical investigations.

PARTNERSHIPS

Co-licensing for the development of Nasal Insulin: Biocon and Bentley

Alongside Biocon's own program in Oral Insulin, we have entered into a co-licensing agreement with Bentley Pharmaceuticals Inc. USA to develop and distribute Nasulin, Bentley's Intranasal Insulin, in India and other select markets. We believe, our multiple approaches will enable us to straddle the entire domain of Non-Injectable Insulin delivery. As one of the largest producers of Insulin in Asia, this partnership is of great strategic importance to us.

Nasulin's pharmacokinetic clinical studies in India were successfully completed at Clinigene. Bentley has now received approval from the Drug Controller General of India to proceed with a Phase II clinical evaluation in Type 2 diabetic patients. The Phase II study has been initiated in March 2007 and is expected to be completed before the end of the year. As per the licensing agreement, Biocon will provide the bulk Insulin required for the formulation of the Intranasal Insulin.

The successful completion of Phase I studies and expansion to Phase II marks an incremental milestone in the clinical development of Nasulin at Clinigene. The encouraging progression of data accumulated further validates Bentley's intranasal delivery technology platform and its potential to deliver other therapeutic peptides in similar formulations to Insulin.

Clinical Trials for the development of Oral Insulin: Biocon-Clinigene

Oral delivery of Insulin could facilitate and potentially improve the treatment of diabetes but it is associated with a number of challenges including bioavailability and reproducibility. To overcome these challenges, several analogues are being developed. IN -105, Oral Insulin closely mimics the first-phase Insulin release and thus is expected to prevent the characteristic glucose excursion seen in Type 2 diabetic patients after meals.

Oral Insulin developed by Biocon is undergoing clinical trials at Clinigene. It has been tested extensively in animals and has shown promising results. Mid of 2006, the first in-man studies were undertaken at Clinigene's Human Pharmacology Unit. The first and second Phase I trials to study the pharmacokinetics and pharmacodynamics of IN -105 confirmed that the treatments were well-tolerated. The third Phase I trial has been initiated in early 2007. It will be conducted at three clinical sites under strict supervision of leading diabetologists. Parallel to the ongoing investigations, Clinigene has initiated the process of filing IND (Investigational New Drug) for IN -105.

INFRASTRUCTURE

Semicon Park

Clinigene is expanding its clinical research capabilities to the 65,000 sq ft Semicon Park, a world-class facility that will house all Clinigene's services under one roof. Clinical research work at Semicon Park will primarily focus on diabetes, oncology, cardiovascular system diseases and vaccines for various multinational pharmaceutical and biotechnology companies. Esoterix, the Belgium-based clinical trials laboratory of LabCorp, USA, has chosen Clinigene as an affiliate Central Laboratory in India for any global clinical trials undertaken by it. All clinical investigation and studies for Esoterix and Biocon (MAbs, Nasulin, IN -105 etc) will be carried out by Clinigene at Semicon Park.

Ground Floor	**Human Pharmacology Unit (HPU) for BA/BE Studies** **15,000 sq ft 57 beds**
First Floor	**Central Clinical Laboratory** **7,500 sq ft** **Bioanalytical Research Laboratory** **7,500 sq ft**
Second Floor	**Clinical Operations and Development** **7,500 sq ft** **Business Development, Regulatory & Data Management, Administrative Block** **7,500 sq ft**
Third Floor	**Vacant for future expansion**
Fourth Floor	**Cafeteria**

Abhijit Zutshi, Senior Manager - Marketing (North America)

QUALITY & REGULATORY

A milestone achievement for Quality & Regulatory was the US FDA and EU inspection and approval of our facilities, Biocon Campus and Biocon Park. These approvals will enable us to sell products manufactured by both sites in the EU and US markets. More significantly, they reaffirm Biocon's complete commitment to global quality and regulatory compliance.

> "Our quality & regulatory personnel possess the required qualifications and experience, proven through numerous successful regulatory submissions, to meet stringent international compliances." **Siddhiq Ali,** Junior Executive - Production

DMFs submitted to EU Countries

An important achievement for Biocon was filing DMFs for our products in various EU countries to support Marketing Authorisation through Decentralised Procedure (DCP). Prior to this, we were filing DMFs through Mutual Recognition Procedure (MRP) and National Procedures. Approximately, 100 DMFs were filed for our various products during 2006-07.

- The Regulatory Authority of Egypt (Ministry of Health and Population) inspected and accepted our Insulin and Insulin formulations facilities.
- The Mexican Health Authorities inspected and accepted both Biocon Campus and Biocon Park in 2006 for all products.
- The Cuban National Regulatory Authority (CECEMED) inspected and accepted the facilities at Biocon Campus and Biocon Biopharmaceuticals Pvt. Ltd. (BBPL) in 2007.
- European Directorate for Quality of Medicines (EDQM) has granted Certificate of Suitability (COS) for products manufactured at Biocon Campus and Biocon Park.

BIOMAb EGFR™ approved by Drug Controller General of India (DCGI)

A major accomplishment for Biocon was receiving the first time approval from DCGI to manufacture and market BIOMAb EGFR™ in India for the treatment of head & neck cancers. Our manufacturing facility at BBPL and various clinical trials for Biocon's Recombinant and Monoclonal Antibody products have also been qualified by DCGI.

Multiple Audits

For the period April 2006-March 2007, Biocon has undergone approximately 50 successful compliance audits by various national and international customers and regulatory authorities. Additionally, our quality and regulatory experts supported marketing of various new formulations during the year. They also developed specifications, methods and supported R&D for new products. Their ability to address technical queries and rapidly respond to regulatory requirements of each customer has resulted in considerably faster approvals.

CORPORATESOCIALRESPONSIBILITY

AROGYA RAKSHA YOJANA HEALTH MICRO-INSURANCE SCHEME

Improving access to medical care in rural areas of Karnataka is an ongoing corporate-social priority with Biocon. We continue to support projects like Arogya Raksha Yojana because we believe it is our collective responsibility to ensure people, especially in the remote sectors of India, can avail of basic medical assistance and treatment. We have also learnt that advocating prevention through health education programs with basic information on first-aid, hygiene, infections, nutrition and family health, is very effective in rural areas where medical help is inaccessible and/or unaffordable.

The Arogya Raksha Yojana Health Micro-Insurance Scheme (in collaboration with Narayana Hrudayalaya Hospital and ICICI Lombard General Insurance Company) is in its third year of operation. Currently, 70,000 people from districts around Karnataka are enrolled as members. In the coming year, the scheme will be extended to cover less privileged communities in Bangalore City. It will also be launched in Kolkata.

> **"Biocon focuses on disease prevention, improved healthcare facilities and child education. We believe this three-pronged strategy will improve the quality of life of rural communities in and around Karnataka."**
> **Rani Desai,** Head - Biocon Foundation

AROGYA RAKSHA CLINICS

Biocon Foundation has instituted five Arogya Raksha Clinics to support the health insurance program. Each clinic has:

- A full-time doctor
- A BioCare pharmacy stocking highly subsidised generic drugs
- A Laboratory offering basic lab tests, at discounted rates
- A Mobile Medical Service to enable the clinic doctor and staff to travel to remote villages and provide consultation there

The Chikkballapur clinic has a telemedicine centre and an online ECG facility that enables patients to avail of subsidised, specialty consultation with doctors from Narayana Hrudayalaya Hospital. A new clinic will soon be opened in Bangalore City.

In the past two years, more than 400 people have undergone surgeries of which 38 patients have had major heart surgeries. Our clinics and network hospitals have, so far, treated close to 40,000 patients for minor ailments.

HEALTH CAMPS

General and specialised health camps have been organised in remote areas where good medical facilities are not available. Through these camps we have provided cardiac, neurological, ophthalmic, orthopedic, gynecological and general health check-ups. On an average, 300 people attend each camp. We hold up to three camps every month.

PREVENTIVE HEALTH EDUCATION

The most effective health interventions are measures to prevent the spread of communicable diseases and to improve overall health and immunity. Therefore, an important feature of community-based services is delivering health and sanitation education, with special emphasis on pediatric and gynecological illnesses, nutrition and HIV/AIDS. For this program, we recruit and train members from local communities, who then conduct workshops with self-help groups in villages and slums in Anekal and Bangalore City, soon to be extended to Bagalkot and Chikkballapur.

OTHER INITIATIVES IN HEALTH

- We have part-funded a Mobile Diabetic Foot Clinic run by the Jain Institute of Vascular Sciences, Bangalore
- We will partner Karuna Trust to run two Primary Health Centers in Arunachal Pradesh
- We are establishing a cancer hospital and research facility in collaboration with Dr. Devi Shetty of Narayana Hrudayalaya Hospital

PROGRAMS IN EDUCATION

Chinnara Ganita (Math for Children)

In collaboration with Pratima Rao (a leading educationist) and Macmillan India Ltd., we aim to inculcate a love for math and foster self reliance in learning. In Year 1 of the program's inception, 11,000 children in Classes 1 & 2, from government primary schools were given a Math Self Help Book. This book was well-received by children and teachers. In the coming academic year, it will be extended to Classes 3 & 4, thus covering almost 15,000 children. We hope to translate the book into Tamil to help children studying in Tamil-medium schools in Bangalore City.

Infrastructure Support in Anekal

The foundation is engaged in designing and building a teachers' training centre and a resource facility for students in Anekal.

In addition, we intend to upgrade and/or build infrastructure for government schools in the same area. In Year 1, the foundation will work on 25 schools. We hope to cover all the government run schools in Anekal Taluka in the next few years.

GLOSSARY

CARDIO - DIABETES

STATIX

Active Ingredient: Atorvastatin-10/20 mg

Indication: Controls cholesterol levels

TELMISAT

Active Ingredient: Telmisartan 40/80 mg

Indication: Offers 24 hrs blood pressure control

STATIX EZ

Active Ingredient: Atorvastatin 10 mg + Ezetimibe 10 mg

Indication: Controls extremely high levels of cholesterol

TELMISAT H

Active Ingredient: Telmisartan 40 mg + Hydrochlorothiazide 12.5 mg

Indication: Provides 24 hrs blood pressure control, if Telmisat alone is not adequate

STATIX F

Active Ingredient: Atorvastatin 10 mg + Fenofibrate 200 mg

Indication: Corrects cholesterol levels in diabetics

ZARGO

Active Ingredient: Losartan 25/50 mg

Indication: Reduces blood pressure

ZARGO-H

Active Ingredient: Losartan 50 mg + Hydrochlorothiazide 12.5 mg

Indication: Controls blood pressure, preferred in diabetic and kidney complications

ZIGPRIL

Active Ingredient: Ramipril 2.5/5 mg

Indication: Reduces blood pressure in diabetic hypertensives

BLISTO

Active Ingredient: Glimepiride 1/2 mg

Indication: Increases Insulin secretion by stimulating pancreas in diabetes

BLISTO 1MF/2MF

Active Ingredient: Glimepiride 1/2mg + Metformin1000 mg SR

Indication: A two-drug combination that helps control blood glucose when a single medication is not sufficient

METADOZE-IPR

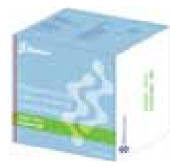
Active Ingredient: Metformin 850 mg SR

Indication: Improves action of Insulin in diabetes

PIODART

Active Ingredient: Pioglitazone-15/30 mg

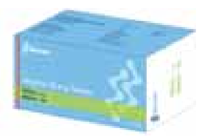
Indication: Helps Insulin work better in diabetes



PIODART MF

Active Ingredient: Pioglitazone - 15 mg + Metformin ER 500 mg

Indication: Delays glucose absorption. Controls post meal surge in blood glucose levels



MIGLIT

Active Ingredient: Miglitol 25/50 mg

Indication: Delays glucose absorption. Controls post meal surge in blood glucose levels

CLASPRIN

Active Ingredient: Aspirin 150 mg + Clopidogrel 75 mg

Indication: Prevents blood from forming a clot and blocking the blood vessel

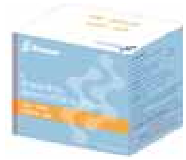
GMAB PLUS

Active Ingredient: GLA 100 mg + Methylcobalamin 1500 mcg + ALA 100 mg + Benfothiamine 100 mg + Ele. Zinc 15 mg

Indication: Multivitamin, multimineral and antioxidant

CARDIO - DIABETES

GABIL
Active Ingredient: Gabapentin 300 mg + Methylcobalamin 500 mcg
Indication: Used in diabetic neuropathy for pain relief



ZUKER MF
Active Ingredient: Gliclazide-80 mg + Metformin 500 mg SR
Indication: Comprehensively control hyperglycemia in diabetes

TRIGPM 1/2
Active Ingredient: Glimepiride 1/2 mg + Pioglitazone 15 mg + Metformin 500 mg
Indication: A triple drug combination in diabetes

OLISAT
Active Ingredient: Orlistat 120/60 mg
Indication: Weight reducer

INSUGEN R® - REGULAR
INSUGEN N® - NPH
INSUGEN® 30/70 & 50/50 - PREMIXED INSULIN
Active Ingredient: Each ml contains Human Insulin (rDNA origin), Ph Eur 40 IU
Indication: useful when oral agents fail to control blood glucose levels or when therapy with Insulin is absolutely essential

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ONCOLOGY

BIOMAb EGFR™
Active Ingredient: Nimotuzumab 200 mg
Indication: Humanised monoclonal antibody targeting epidermal growth factor receptor indicated for its use in head and neck cancer

NEPHROLOGY

ERYPRO

Active Ingredient: Recomibinant Human Erythropoietin

Indication: Treats anaemia associated with: chronic renal failure, dialysis, including end stage renal failure and cancer patients

CYCLOPHIL ME

Active Ingredient: Cyclosporine USP 25 mg/50 mg/100 mg capsules

Indication: Prophylaxis of allograft rejection in kidney transplantation and as a rescue therapy in patients with rejection episodes

TACROGRAF

Active Ingredient: Tacrolimus 0.5/1 mg capsule

Indication: Prophylaxis of transplant rejection in organ transplantation and as a rescue therapy in patients with rejection episodes

RENODAPT

Active Ingredient: Mycophenolate Mofetil 250 mg capsules and 500 mg tablets

Indication: Prevention of rejection and rescue therapy for rejection in renal transplantation

RAPACAN

Active Ingredient: Sirolimus 1 mg tablets

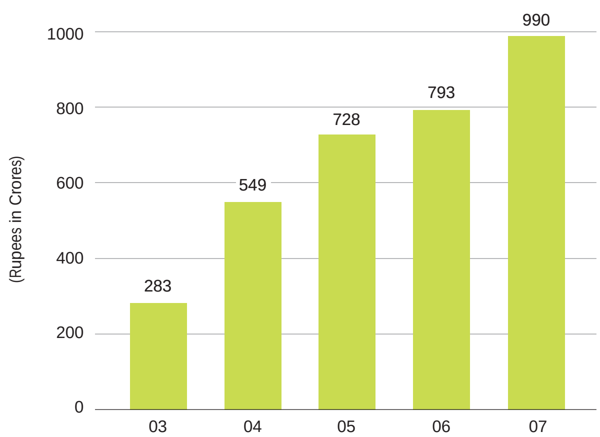
Indication: Prevention of rejection and rescue therapy for rejection in renal transplantation

FINANCIAL**REPORT**

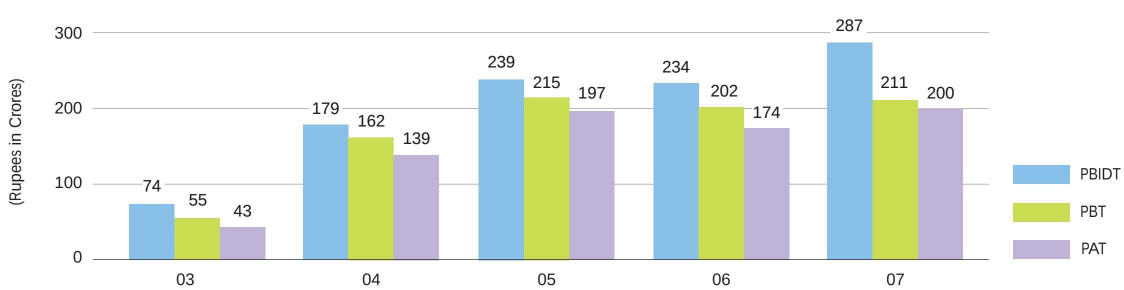
FINANCIALHIGHLIGHTS2007*

*Based on GAAP consolidated Financial Statements

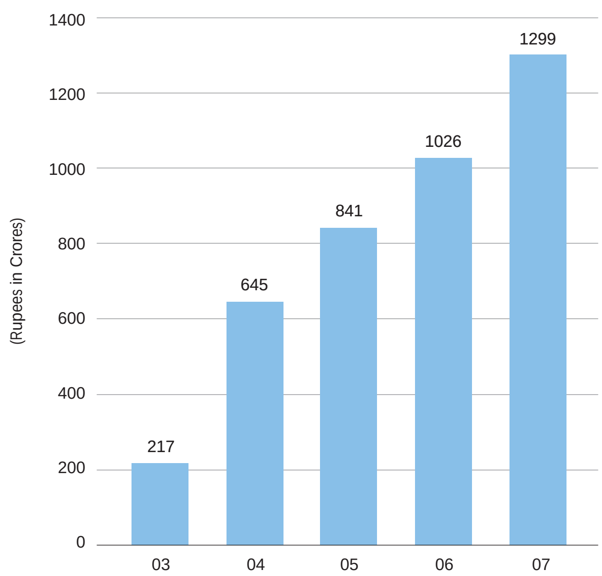
REVENUES



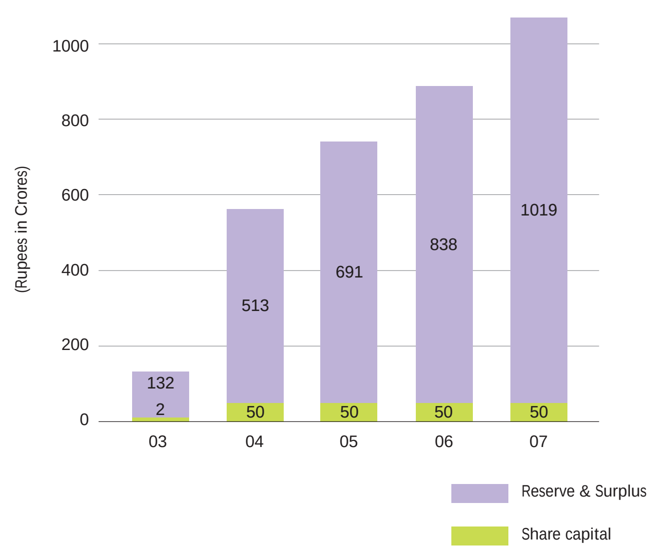
PROFITS



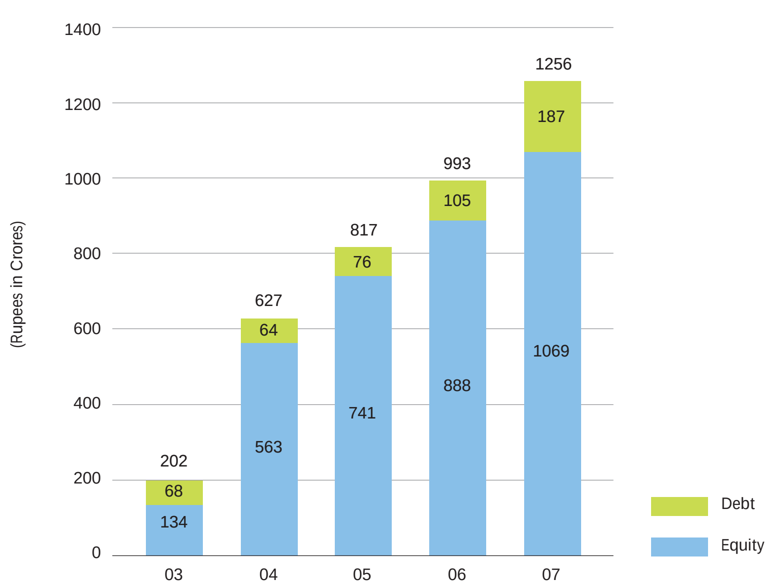
TOTAL ASSETS



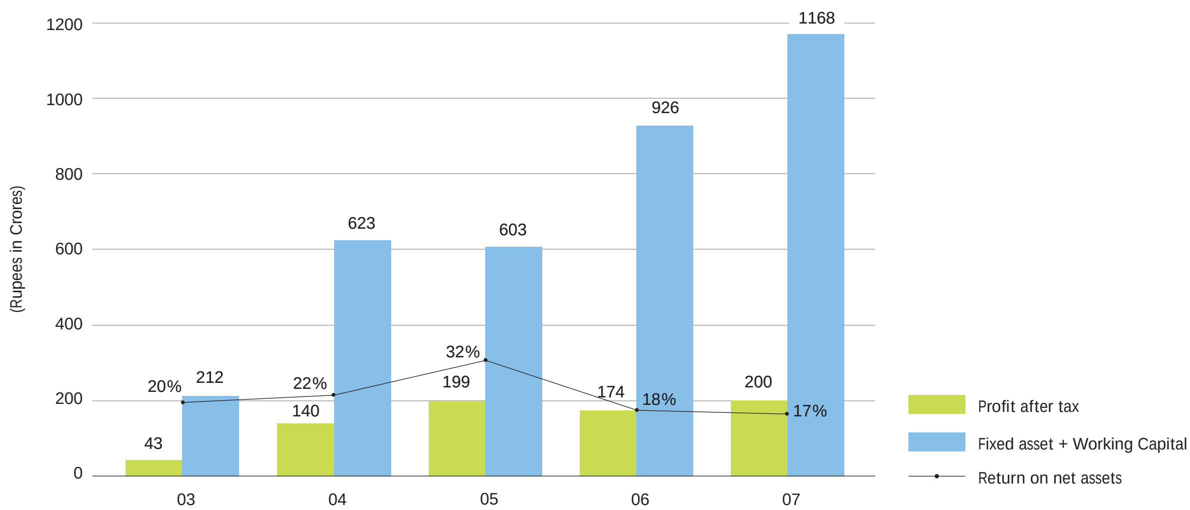
SHAREHOLDER'S FUNDS



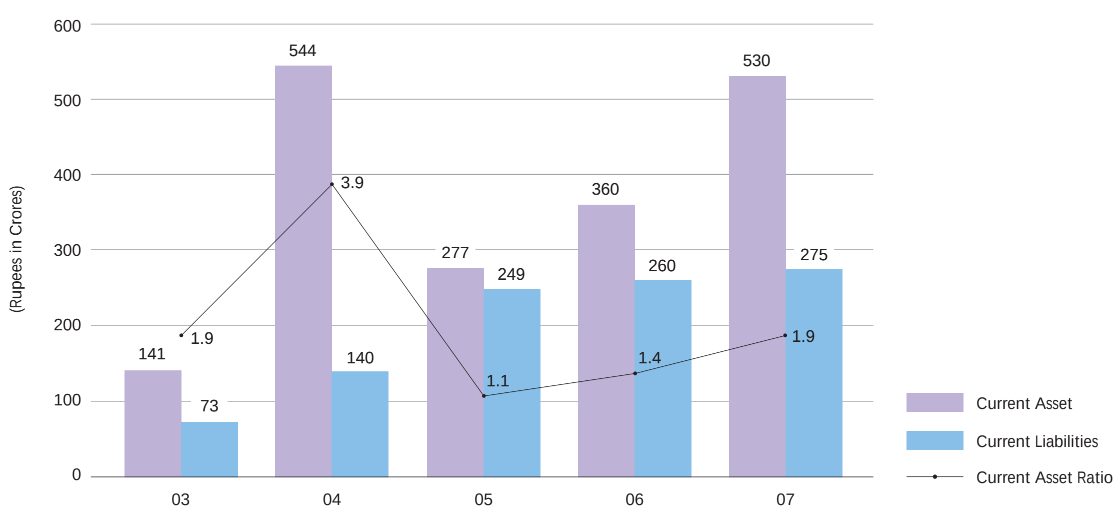
DEBT : EQUITY



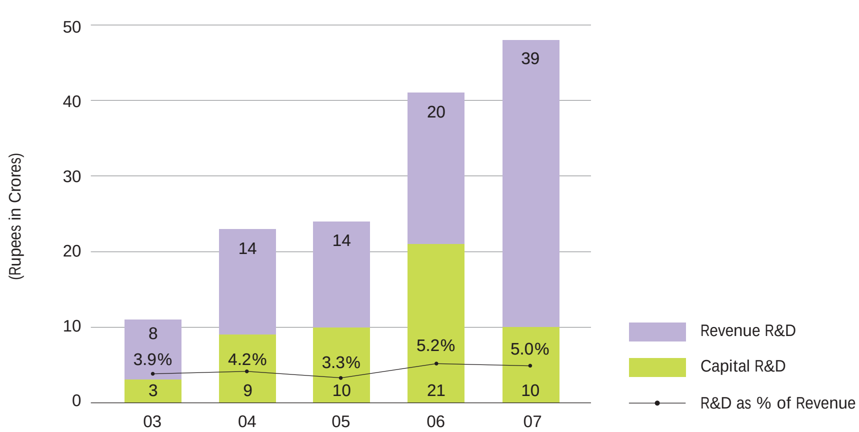
RETURN ON NET ASSETS



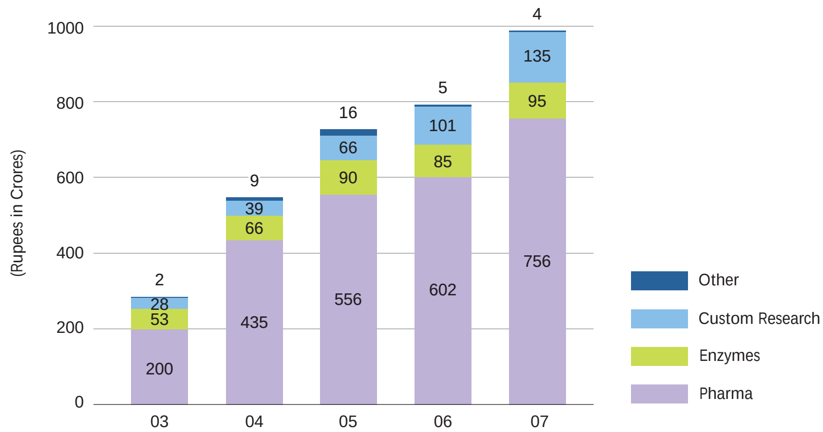
CURRENT RATIO



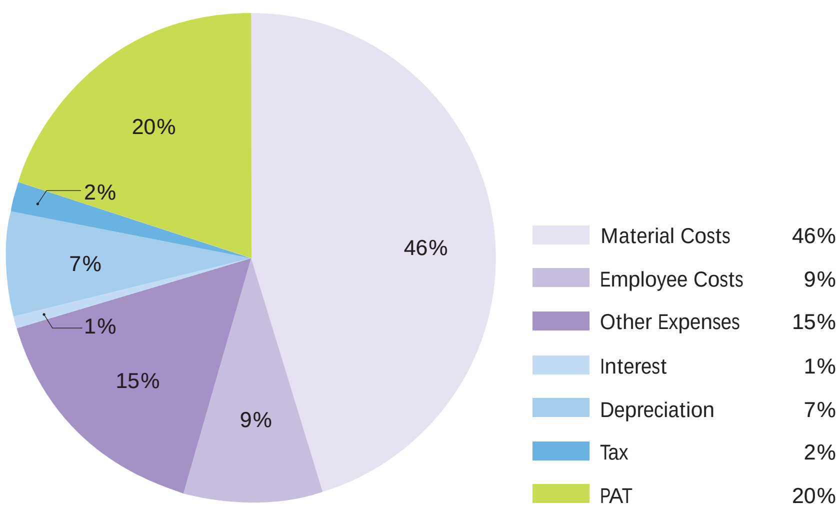
R&D SPEND



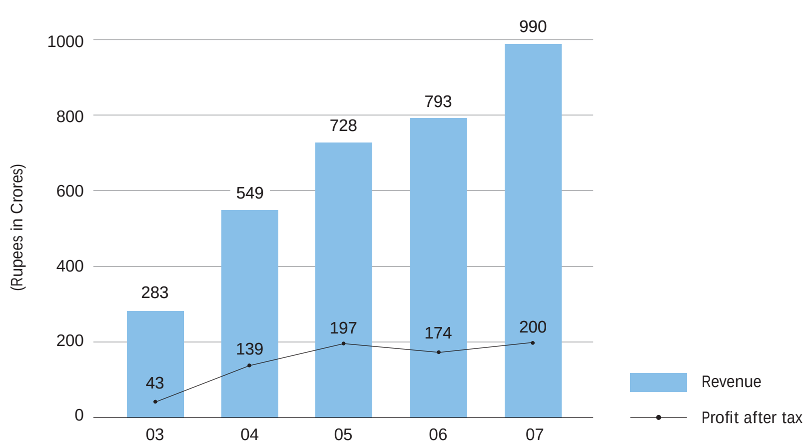
REVENUES BY SEGMENT



DISTRIBUTION OF REVENUE FOR 2006-07



PROFIT AFTER TAX



BIOCON**LIMITED**

DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present the Twenty Ninth Annual Report on business and operations of Biocon Limited ('Biocon') together with the audited financial statements and the auditor's report of your company for the financial year ended March 31, 2007.

The financial highlights for the year under review are given below:

Corporate Results Rs in Millions

Particulars for the year ended March 31,	2007	2006
Total Revenues	8,631	6,932
Total Expenditure	6,267	5,078
Profit before Interest, Depreciation and Tax	2,364	1,854
Interest	77	17
Depreciation	576	228
Profit before tax	1,711	1,609
Income tax	127	274
Profit after tax	1,584	1,335
Surplus b/f from previous year	3,301	2,385
Profit available for appropriation	4,885	3,720
Issue of bonus shares	-	-
Proposed dividend on equity shares	300	250
Tax on proposed dividend	51	35
Transfer to General Reserve	158	133
Balance in Profit and Loss account	4,376	3,301

Consolidated results (Under Indian GAAP) Rs in Millions

Particulars for the year ended March 31,	2007	2006
Total Revenues	9,895	7,932
Total Expenditure	7,022	5,592
Profit before Interest, Depreciation and Tax	2,873	2,340
Interest	98	18
Depreciation	665	297
Profit before tax	2,110	2,025
Income tax	169	305
Profit after tax	1,941	1,720
Minority Interest	62	20
Profit after tax and Minority Interest	2,003	1,740

Results of Operations:

During the year under review, consolidated revenues grew 25 percent while Operating Profits (EBITDA) and Profit after Tax grew by 23 percent and 15 percent respectively. The improved performance was a result of a strong focus on operational efficiencies and aggressively defending our market position in the face of strong competition in the generic API space and monetizing some of our research programmes by way of licensing and partnering.

A detailed performance analysis is given in the Management Discussion and Analysis.

Appropriations

Dividend

The Board of Directors recommend a dividend of 60 %, which is Rs 3.00 per equity share of the face value of Rs 5 each on the current share capital base, for the financial year 2006-07.

Transfer to Reserves

We propose to transfer Rs 158 millions to the General Reserves. An amount of Rs 4,376 Million is proposed to be retained in the profit and loss account.

Consolidated financial statements

As stipulated in the listing agreement with the stock exchanges, the consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards issued by the Institute of Chartered Accountants of India. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual report. The consolidated net profits of the Group for the year ended 31st March 2007 amounted to Rs 2,003 Million as compared to Rs 1,740 Millions in the previous financial year. representing a basic earning per share of Rs 20 of the post issue paid up capital. [Basic earnings per share of Rs 20.03 of the post issue paid up capital].

Business Operations overview and Outlook

The volume growth and increased market share in the European Markets for Statins were negated by pricing pressures in the key Statin products. Further supply of Statins to the US markets were also affected due to delayed launch of Pravastatin and Simvastatin consequent to grant of 6 months exclusivity to generic players who were the first to file ANDAs. However, the opening up of these markets together with the commissioning of the new facilities at Biocon Park in the later half of the year helped drive the overall sales growth of 25%.

The Company continued to make significant progress in Insulin with increased sales in both the domestic and export markets. During the year the Company entered into licensing agreements covering United States of America and certain markets in Asia. The Company has also progressed its application for registration in the European Union and several countries across Asia, Latin America and Africa. During the year, Biocon's licensing partner received approval to proceed with a Phase II clinical evaluation of its intranasal insulin product. To meet the overall increased projections for Insulin, the Company has commenced an expansion of its capacities and the new facility is expected to be commissioned in 2008 fiscal / calendar.

Immunosuppresants are also expected to offer significant growth opportunities consequent to product patent expiry in key markets of Mycophenolate Mofetil and Tacrolimus in the period 2008-2012

Biocon's foray into direct marketing of formulations continued to make impressive strides with the launch of the Oncology and ephrology Divisions. During the year the Oncology Division launched BIOMAb-EGFR™, a therapeutic monoclonal antibody-based drug for treating solid tumors such as head and neck cancers, representing Biocon's first novel antibody to be developed and launched in India. The Company has also signed an MOU to establish a Joint Venture to manufacture and market a range of Bio-pharmaceuticals for the GCC region (Gulf Cooperation Council). This JV is a key milestone for Biocon's marketing foray in the Gulf. Similarly during the year the company entered into a marketing arrangement with Feroz sons for marketing BIOMAb-EGFR™ in Pakistan.

Biocon continues to invest incrementally to progress it's innovation pipeline. While during the year Biocon monetized some of it's research programs by way of licensing and partnering , it's rich product pipeline including IN-105, BVX 10, BVX 20 and anti-CD6 are expected to contribute significantly to Biocon's growth in the future years. During the year the Company has completed Phase I studies of IN-105.

Subsidiaries and Joint Ventures:

Syngene International Limited:

For the Financial year 2006-07, Syngene registered strong growth of 34% in revenue, with grew from Rs 982 million to Rs 1,316 million. Profit after tax increased by 10% from Rs.452 million to Rs 497 million in the current fiscal.

Syngene continues to be one of Asia's leading custom research service provider with a broad set of services enabling it to participate in the drug development process from discovery to supply of development compounds. As a testimony of Syngene's capabilities, Bristol-Myers Squibb has entered into a long term contract with Syngene to set up a new research facility to house more than 400 scientists. This will scale-up Syngene's operations and further develop Syngene's integrated capabilities in medicinal chemistry, biology, drug metabolism and pharmaceutical development.

Syngene has a strong knowledge base with over 700 scientists. A new research facility is expected to be completed in 2007-08 and additional investments are planned to support future growth and establish Syngene among the leading custom research organisations in the world.

Clinigene International Limited:

Clinigene International Limited is a wholly owned subsidiary of your Company focussed on Clinical Development.

For the current financial year, Clinigene earned a net profit of Rs.8 million as against a loss of Rs.11 million in the previous year. The Company registered a revenue of Rs.115 million as against Rs.57 million in the previous year.

With demand for outsourced research expected to grow exponentially, Clinigene has expanded its operations into a new 60,000 sq ft facility. This facility will house a new unit for conduct of BE/BA and Phase I studies and coordinate Phase II to Phase IV Clinical Trials for a large number of global Pharma and Biotech companies.

Biocon Biopharmaceuticals Private Limited:

This is Biocon's 51:49 JV with CIMAB SA, to manufacture monoclonal antibodies and other Recombinant Therapeutics. During the year the Company completed the first indigenously developed monoclonal antibody, BIOMAb EGFR for the treatment of head and neck cancer, representing a significant initiative in the Company's foray into original molecules. The Company has set up one of Asia's largest Monoclonal Antibody facility at Biocon Park and this facility is expected to commence commercial operation in the first quarter of fiscal 2008.

Accounts of subsidiary companies:

The Company has obtained exemption from the Government of India, Ministry of Company affairs from attaching the financial accounts of the subsidiary companies to this Report pursuant to Section 212 of the Companies Act, 1956. However, a statement showing the relevant details of the Subsidiaries is enclosed and a part of the Annual Report. The members of Biocon Limited and the subsidiary companies can write to the Company for obtaining the annual accounts of the subsidiary companies and the copies of annual accounts of all subsidiary companies will be kept for inspection at the registered office of the Company.

Capital Structure

During the financial year under review, the share capital of your company remained unaltered.

Employees Stock Option Plan (ESOP):

During the year, Company granted employee stock options for 3,478,200 shares in Biocon Limited at a discount of 20% on the prevailing market price, the details of the which are reported separately in the report.

Corporate Governance:

We strive to attain high standards of corporate governance while interacting with all our stakeholders. The Company has complied with the corporate governance code as stipulated under the listing agreement with the stock exchanges. A separate section on Corporate Governance along with a certificate from the auditors confirming the level of compliance is annexed and forms a part of the Directors' report.

Directors:

Dr. Kiran Mazumdar Shaw and Prof. Charles L Cooney retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Auditors:

The Statutory Auditors M/s. S. R. Batliboi & Associates, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting, and have confirmed their eligibility and willingness to accept office, if re-appointed.

In the report by the Auditors under Companies (Auditors' Report) Order, 2003 (as Amended), the Auditors have reported that company has maintained proper records showing full particulars, including details and situation, of fixed assets. The Company, however, in the process of updating the quantitative records for certain fixed assets. The company is, as stated by the Auditors, updating the quantitative details of fixed assets in the Register.

The Auditors have also reported that the company has regularly deposited tax with the appropriate authorities except for entry tax payable under Karnataka Entry of Goods Act, 1979. As the Company has been sanctioned concession under Millennium Biotech Policy from payment of entry tax for a period of five years, the company has not deposited entry tax amount with the Department and therefore the company believes there has been no default in complying with statutory obligations.

Management Discussion and Analysis Report

The report as required under the Listing agreements with the Stock Exchanges is annexed and forms part of the Directors' Report.

Cumulative disclosure under the stock option scheme as on March 31, 2007:

Disclosure of the particulars of stock options schemes as on the above date, as per SEBI guidelines:

Particulars	First Grant@	Second Grant@	Third Grant@	Fourth Grant@
a. Options Granted (Net of Options cancelled)	3,337,580	132,055	387,250	3,478,200
b. Exercise price	Rs 0.2	Rs 5 each	Rs 315 each	3,017,360 at Rs 275/- and 460,840 at Rs 300/- (20% discount to prevailing market Price)
c. Options vested	3,337,580	104,615	311,250	Nil
d. Options exercised	3,337,580	94,815	235,625	Nil
e. Total number of Equity Shares transferred from the ESOP Trust as a result of exercise of options	3,337,580	94,815	235,625	Nil
f. Options lapsed	Nil	9,800	75,625	226,560
g. Variation in the terms of options	None	None	None	None
h. Money realized by exercise of options	Rs 678,016	Rs 474,075	Rs 74,221,875	Nil
i. Option pending exercise	Nil	Nil	Nil	Nil
j. Total number of options in force	Nil	27,440	76,000	3,251,640
k. Person-wise details of options granted to:				
i. Directors and key managerial employees	Please see Table below	None	None	Please see Table below
ii. any other employee who received a grant in any one year amounting to 5% or more of the options granted during that year	None	None	None	None
iii. Identified employees who have been granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time ofgrant	Nil	Nil	Nil	Nil
l. Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options	Not applicable#	Not applicable#	Not applicable#	Not applicable#
m. Vesting schedule	25% each in April of 2003, 2004, 2005 and 2006.	25% each in January of 2005, 2006, 2007 and 2008.	25% each in April of 2005, 2006, 2007 and 2008.	Year 1 - 25%* Year 2 - 35% Year 3 - 40%
n. Lock-in	No lock-in, subject to a minimum vesting period of 1 year.	No lock-in, subject to a minimum vesting period of 1 year.	No lock-in, subject to a minimum vesting period of 1 year.	No lock-in, subject to a minimum vesting period of 1 year.

@ No. of Shares referred to are post equity split and bonus.

Since shares will be transferred by the ESOP Trust upon exercise of options, the Company will not be required to issure any new shares.

* Year 1, being 2 years from date of joining or 1 year from July 19, 2006 whichever is later.

Details regarding options granted to Directors and key managerial employees :

Sl. No.	Name of Director or key managerial personnel	First Grant@ (No. of Options Granted)	Fourth Grant@ (No. of Options Granted)
Directors			
1	Dr. Neville Bain	195,902	Nil
2	Prof. Charles L Cooney	195,902	Nil
Key managerial employees			
3	Dr. Arun Chandavarkar	195,902	Nil
4	Mr. Shrikumar Suryanarayanan	195,902	Nil
5	Mr. Murali Krishnan K N	195,902	Nil
6	Dr. Goutam Das	195,902	Nil
7	Mr. Rakesh Bamzai	122,430	Nil
8	Mr. Chinappa M B	122,439	37,500

Scientific Advisory Board:
The Scientific Advisory Board under the chairmanship of Prof. Charles L Cooney met twice during the year under review. The Board has played an important role in evaluating and steering the Company's R&D programs in a pragmatic manner.

Fixed Deposits:
The Company has not accepted any fixed deposits during the financial year under review.

Directors' responsibility statement:
Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm as under:

i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
iv) We have prepared the annual accounts on a going concern basis.

Particulars of Research and Development, Conservation of energy, technology absorption etc:
Particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure to the Report.

Particulars of employees
The information required to be furnished under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is annexed and is a part of this report.

Acknowledgements
Your Directors greatly appreciate the commitment and dedication of all the employees at all levels that has contributed to the growth and success of the Company. We would also thank all our clients, vendors, investors, bankers and other business associates for their continued support and encouragement during the year.

Your Directors thank the Government of India, Government of Karnataka, Ministry of Commerce and Industry, Ministry of Finance, Ministry of Information technology and Biotechnology and Customs and Excise Department, Income Tax Department, CSEZ and all other Government agencies for their support during the year and look forward to their continued support in the future.

For and on behalf of the Board

Kiran Mazumdar-Shaw
Chairman and Managing Director
April 19, 2007

ANNEXURE TO THE DIRECTORS REPORT

Particulars under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2007

Conservation of Energy

During the year, there as been a significant increase in energy consumption on account commissioning of new facilities at Biocon Park.

FORM A

	For the year ended 31st March, 2007	For the year ended 31st March,2006
A. Power and Fuel Consumption		
1. Electricity		
a. Electricity Purchase Unit ('000)	48,728	14,442
Total Amount (Rs in Lakhs)	2,222	683
Rate per Unit	4.56	4.73
b. Own Generation from		
Diesel Generator Unit ('000)	26,239	27,065
Total Amount (Rs in Lakhs)	2,363	1,935
Rate per Unit	9.00	7.15
2. Furnace Oil		
Unit (K.Ltrs)	8,002	2,564
Total Cost (Rs in Lakhs)	1,622	460
Average/K.Ltrs	20,275	17,951

B. Consumption per unit of Production

The disclosure of consumption figures per unit of production is not meaningful as the operations of the Company is not power intensive and involves multiple products.

FORM B

A. Specific areas in which R&D work has been carried out by the company

- Process and Clinical Development of Novel Biotherapeutics in Oncology, Diabetes, Rheumatology and Cardiovascular segments.
- Process and Clinical Development of Biosimilars in Metabolic disorders, Diabetes, Rheumatology and Cardiovascular segments.
- Development of Synthetic and Fermentation based Generic Small Molecules for Cardio-vascular, Nephrology and Transplantation segments.
- Generation of Intellectual Property Development – Process Patents for manufacture of key Generic Small Molecules and Biotherapeutics
- Development of globally competitive manufacturing processes
- Clinical Development of new drug combinations
- Novel Enzyme Formulations for Food and Industrial Applications

B. Benefits derived as a result of R&D activities.

- Scale-up of key Biosimilars with improved productivity and process efficiencies
- Strategic collaborations for development of new Biotherapeutics
- Global presence in supply of fermentation based Small Molecules to the Generic Industry in regulated markets
- Rich Pipeline of Generic Small Molecules catering to varied therapeutic areas
- Internationally competitive prices and product quality
- Generation of high quality data compliant with International Regulatory requirements
- Established intellectual property with 905 Patents/ PCT applications filed in Indian and International markets
- Safe and environment friendly processes
- Novel Enzyme Formulations marketed in the domestic and international markets

C. Future Plan of Action.

- Greater importance in the research areas for New Drug Discovery
- Clinical Development of existing pipeline of Biotherapeutics for Regulated markets
- Strategic Collaborations for increased speed and cost competitiveness in Drug Discovery
- Continued emphasis on Monoclonal Antibodies and Biotherapeutics leveraging on Biocon's in-house fermentation skills
- Continue to strengthen R&D capabilities in the area of New Biotherapeutics
- Progress our R&D programs in respect of Monoclonal antibodies against CD6, EGFR, CD20 & TNF- and Oral insulin

4. Expenditure on scientific Research & Development: (Rs in Million)

	Year ended March	
	2007	**2006**
(a) Capital	98	216
(b) Recurring	381	185
Total (a) + (b)	479	401
R& D expenditure as percentage of sales	5.5%	5.8%

3. Technology Absorption, Adoption and Innovation:

The Company has not imported any technology during the year.

4. Foreign Exchange Earnings and Outgo :

Foreign exchange earned and used for the year ended 31st March, 2007*, (Rs in Million)

	Year ended March	
	2007	**2006**
Gross Earnings	4,800	3,589
Outflow	2,829	2,948
Net Foreign Exchange Earnings	**1,971**	**641**

*For details please refer to information given in the notes to accounts to the annual accounts of the company in Schedule 24 Notes to Accounts item no. iv, v vi and vii.

SECTION 212

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Holding Company's interest in the Subsidiary Companies

	Syngene International Limited	Clinigene International Limited	Biocon Biopharmaceuticals Private Limited
Financial year of the subsidiary ended on	31st March 2007	31st March 2007	31st March 2007
2. (a) Number of shares held by Biocon Limited at the end of the above date	28,74,830 equity shares of Rs 10/- each	50,000 equity shares of Rs 10/- each	6,732,000 equity shares of Rs 10/- each
(b) Extent of interest on above date	99.99%	100%	51%
3. Net aggregate amount of the Subsidiary Company's Profit / (Loss) so far it concerns members of the Holding Company and			
(a) is not dealt in the Company's account			
(i) for the financial year ended March 31, 2007	496,651	7,812	(64,320)
(ii) for the previous financial years, since it became a subsidiary	888,017	(58,893)	(33,019)
(b) is dealt in the Company's account			
(i) for the financial year ended March 31, 2007	Nil	Nil	Nil
(ii) for the previous financial years, since it became a subsidiary	Nil	Nil	Nil

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts in Indian Rupees thousands, except share data including share price)

1. Industry Structure and Development

The global pharmaceutical sales continued to grow at 7 percent at constant exchange rates in 2006, to reach a record USD 643 billion. North America, Europe and Japan continued to account for more than 80 percent of the total global pharmaceutical market, with US experiencing rebound growth of 8 percent. However, emerging markets in Asia and Latin America outpaced global performance with double-digit growth. In terms of regional performance, North America, which accounts for 48 percent of global pharmaceutical sales, grew 8 percent, to USD 290 billion, while Europe experienced lower growth of 5 percent, to USD 182 billion. Sales in Latin America grew 13 percent to USD 28 billion, while Asia Pacific (outside of Japan) and Africa grew 10 percent to USD 52 billion. Sales in Japan however declined 1% to USD 57 billion. The Indian market grew by 18 percent to USD 6 billion in 2006 led by increased number of product launches and improved penetration in rural and semi-urban markets. The world-wide pharmaceutical market is expected to grow by 6-9 percent through 2010.

Lipid Regulators remained the top selling therapy class in 2006, with sales of USD 35 billion, while Oncologics grew 20% to a shade below USD 35 billion to represent the second highest selling class of products. Respiratory Agents with sales of USD 25 billion grew 10% to the move into the third position. Antidiabetics at the 5th position also experienced double digit growth with sales of USD 21 billion.

Pharmaceutical growth continued to be driven by increased longevity of populations, strong economies and innovative new products. 31 new products were launched in key markets in 2006. Overall the contribution of new products launched between 2001 and 2005 reached USD 14 billion in 2006.

The biopharmaceutical market has undergone rapid expansion since its emergence thirty years ago. The 2006 bio-pharma market for the top 20 biologics is estimated at USD 63.83 billion, having grown 27.78 percent from 2005's revenues of USD 49.95 billion and the double-digit growth of the market is expected to continue to the end of the decade.

Generic Pharmaceutical Industry

The generic drugs market refers to regulated markets for drugs whose patents have expired or been invalidated. The expiration or invalidation of product patents typically leads to the entry of generic, or non-branded, formulations in the regulated markets, resulting in increased competition and leading to a decline in price and margin of drugs.

Generics will assume a more central role as patients bear a greater percentage of their healthcare costs and payers seek to restrict the growth of healthcare expenditures. In 2006 sales of generics in seven key markets (U.S., Canada, France, Germany, Italy, Spain and U.K.) accounted for over half of the volume of pharmaceutical products sold. This trend reflects a changing balance between new and old products and a growing 'genericization' of many primary care categories. Low cost producers such as India and China are expected to play a key role in the development of the generics industry.

2. Outlook

The global pharmaceutical industry is forecasted to grow at 6-9% compounded annual growth rate through 2010. Growth will be mainly driven by the emergence of new markets including Asia, Easter Europe and Latin America, as well as ageing populations, innovative medicines and rising demand for higher quality of life. The generic industry is expected to grow significantly over the next few years with US generic market expected to deliver a CAGR in excess of 14%. The full impact of USD 14 billion worth of branded products that were genericized in 2006 and an additional 12 billion worth of products to be genericized in 2007 will augur well for the generic industry. Medicare reform and prescription drug benefit is also continue to have a favorable impact on the generic drug industry. In addition the EU has recently finalised its policy and legal framework for so-called bio-similars, opening the EU market for generic versions of biotechnology-derived drugs and the US has also introduced legislations in this regard.

3. Opportunities

The surge in generics together with the recent patent expiry of Simvastatin, and Pravastatin in US provides Biocon with attractive opportunities in the near to medium term. Supply of Insulin to Innovator companies, Patent expiry of key immunosuppressant drugs and the opening up of bio-similars is also seen as large opportunities. Success in Biocon's Research and Development initiatives into new drug discovery could also yield significant benefits.

4. Risks & Concern

The Generic Industry is subject to patent litigation and regulatory issues. Patent challenges or delay in receipt of regulatory approvals could delay our product launch in key markets. In addition significant additional competition in key products could erode our market shares and result in reduced prices and profitability. The consolidation of the generic industry could result in larger generic players acquiring manufacturing capabilities thereby reducing the market for third party manufacturers. The failure to obtain regulatory approval for new drugs under development could affect long term business opportunities. Other key risks related to our business include loss of key personnel, increase in input costs and strengthening of the Indian Rupee against the US Dollar.

The Company carries out a detailed Risk Management exercise for purposes of identification of risks and putting in place processes and controls to mitigate these risks. The audit committee reviews the Company's risk management framework and approves risk management action plans.

5. Internal Controls

Biocon has well established internal control systems for operations of the company and its subsidiaries. The Finance Department is well staffed with experienced and qualified personnel who play an important role in implementing and monitoring the internal control environment and compliance with statutory requirements.

The Internal Audit is conducted by an independent firm of Chartered Accountants.

The Audit committee addresses significant issues raised by the Internal & Statutory Auditors.

6. Human Resources:

Biocon recognizes that nurturing and recruiting the best talent is vital to the long term success of the enterprise. Employees are provided with continuous opportunities for active learning and development which are viewed as key drivers of their personal growth and the success of Biocon. The remuneration structure links rewards directly with performance. This performance management system reinforces our work ethics. Employees also participate in the Employee Stock Option Plan and about 10% of the Company is owned by Employees and a Trust formed for the benefit of Employees.

The total employee strength of the Company and its subsidiaries at end of the financial year 2006-07 was 2,543 as against 1,839 at the end of the previous financial year.

7. Cautionary Statement:

The statements made in this report and those appearing elsewhere, may be "forward looking statements" that set forth anticipated results based on management plans and assumptions. These statements are likely to address the Company's growth strategy, financial results, product development, product approvals, product potential and development programs. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Among the factors that could cause actual results to differ materially are:

a. success of our research and development initiatives ;
b. the impact of existing and future regulatory provisions on product exclusivity ;
c. competitive developments affecting our product portfolio ;
d. interest rate and foreign currency exchange rate fluctuations ;
e. statutory legislations and regulations affecting domestic and foreign operations, including tax obligations ; and other allied factors.

8. Discussion on financial performance with respect of operational performance

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

(All amounts in Indian Rupees thousands)

BALANCE SHEET - MARCH 31, 2007	2007	2006	Change %
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	500,000	500,000	-
Reserves and Surplus	8,916,405	7,530,435	18.4%
	9,416,405	8,030,435	17.3%
Loan Funds			
Secured loans	587,331	677,549	(13.3%)
Unsecured loans	480,402	372,927	28.8%
	1,067,733	1,050,476	1.6%
Deferred Tax Liability	397,569	279,738	42.1%
	10,881,707	**9,360,649**	**16.2%**
APPLICATION OF FUNDS			
Fixed Assets			
Cost	8,099,852	3,161,061	156.2%
Less: Accumulated depreciation	1,449,958	882,938	64.2%
Net book value	6,649,894	2,278,123	191.9%
Capital work-in-progress	299,048	4,564,301	(93.4%)
	6,948,942	6,842,424	1.6%
Intangible Assets	512,000	-	-
Investments	786,000	1,390,554	(43.5%)
Current Assets, Loans and Advances			
Inventories	1,506,589	1,053,083	43.1%
Sundry debtors	2,748,526	2,060,369	33.4%
Cash and bank balances	76,313	20,035	280.9%
Loans and advances	467,779	212,135	120.5%
	4,799,207	3,345,622	43.4%
Less : Current Liabilities and Provisions	2,164,442	2,217,951	(2.4%)
Net Current Assets	2,634,765	1,127,671	133.6%
	10,881,707	**9,360,649**	**16.2%**

Share Capital (Issued, Subscribed & Paid up)	2007		2006	
	Nos.	Amount	Nos.	Amount
Balance at the beginning of the year	100,000,000	500,000	100,000,000	500,000
Share issued during the year	-	-	-	-
Balance at the end of the year	100,000,000	500,000	100,000,000	500,000

The company has only one class of shares viz. equity shares of par value of Rs 5 each. The authorized share capital of the company was raised from Rs 20,000 in 2002-03 to Rs 600,000 in 2003-04 represented by 120,000,000 equity shares of Rs 5 each.

The Company carried out a sub-division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each. Consequently, the issued, subscribed and paid -up capital of Rs 18,377 has been divided into 3,675,300 shares of Rs 5 each.

The Company in 2003-04 issued 86,324,700 equity shares of Rs 5 each as bonus shares in the ratio of 23.4877958 shares for every one share held by the shareholders existing as on November 11, 2003, which was the approved record date for this purpose, by capitalisation of the balance in the profit and loss account of Rs 431,624.

In March 2004, the Company made an IPO of 10,000,000 fresh equity shares of Rs 5 each at a price of Rs 315 per share.

Reserves and surplus

The total reserves and surplus has increased from Rs 7,530,435 in March 31, 2006 to Rs 8,916,405 in March 31, 2007. The increase has been on account of profits made during the year Rs 1,583,502 and adjusted for dividend payout of Rs 350,985 inclusive of Dividend Distribution Tax.

Loan funds

There has been an increase in the loans outstanding from Rs 1,050,476 in March 2006 to Rs 1,067,733 in March 2007. The unsecured loans increased by Rs 107,475 on account of accumulation of interest free deferred sales tax liability in respect of sales made during the year. The deferred sales tax liability outstanding to the extent of Rs 1,050 is repayable in four years of eight equal half yearly installments commencing from August 2007. The sales tax liability (including turnover tax) outstanding to the extent of Rs 476,532, is repayable in ten equal half yearly installments commencing from August 2012.

The secured loan has decreased from Rs 677,549 in the fiscal 2006 to Rs 587,331 in the fiscal 2007 due to decrease in borrowings.

Fixed Assets	2007	2006	%
Cost	8,099,852	3,161,061	156.2%
Less : Accumulated depreciation	1,449,958	882,938	64.2%
Net Block	**6,649,894**	**2,278,123**	**191.9%**
Net Asset turnover ratio	1.24	3.02	
Add : Capital Work in Progress	299,048	4,564,301	(93.4%)
Net Fixed Assets	6,948,942	6,842,424	1.6%

During the year, the Company has capitalized its Biocon Park facility to the extent of Rs 4,557,000. The company has started depreciating these assets over their estimated useful lives during the year thereby resulting in an increase in accumulated depreciation.

The capital work in progress as at March 31, 2007 represents advances paid towards acquisition of fixed assets and the cost of assets not put to use. It includes the cost of Formulation development facility and Downstream facilities phase II at Biocon Park.
The company has a capital commitment of Rs 400,600 as at March 31, 2007 as compared to Rs 336,041 as of March 31, 2006. Capital commitment as at March 31, 2007 mainly pertains to Nitrogen plants, expansion of existing facility and ongoing R & D projects.

Investments

The Company as at March 31, 2007 held investments of Rs 786,000 as compared to Rs 1,390,554 as of March 31, 2006. The decrease of 43.5% in investments amounting to Rs 604,554 mainly represents the capitalization of amounts invested in Nobex Corporation, USA as Intangible Assets (refer 'Intangible Assets').

Additional investments during the year include acquisition of 2,244,000 shares by the Company in Biocon Biopharmaceuticals Private Limited (BBPL), a joint venture company with CIMAB SA. Investments also comprise Intercorporate deposits of Rs 164,380 (Fiscal 2006- Rs 261,625) with subsidiary company Clinigene, and Rs 152,067 (2006 - Rs 461,197) with BBPL to fund their operations and advance towards equity in BBPL of Rs 22,440 (2006 - Rs 22,440).

The company continues to hold investments in 2 wholly owned subsidiaries viz., Syngene and Clinigene of Rs 84,328 and Rs 500 respectively.

Intangible Assets

The Company as at March 31, 2006 had invested Rs 338,541 in Nobex and on March 20, 2006, emerged as the successful bidder for the assets of Nobex,which primarily included, without limitation, patents relating to certain technologies for Oral Insulin, Oral BNP, Basal Insulin, Apaza and others (collectively hereinafter referred to as 'IPs'), for an additional consideration of US$ 5 million. The closing for the sale process has been completed in April 2006, and these IPs including legal costs directly related to the acquisition of the IPs of Rs 28,451 were capitalized as intangible assets at a total value of Rs 521,138.

In October 2006, The Company has classified the IPs into IPs which can be licensed and other IPs which is to be retained / maintained for its evaluation in future. Accordingly, it has decided to license the IP-Apaza and started amortizing from October 2006 over the estimated useful life of five years. In the current fiscal, an amount of Rs 9,138 has been amortised. The rest of the IPs have been carried at cost.

Current Assets, Loans and Advances

The current assets, loans and advances have grown from Rs 3,345,622 to Rs 4,799,207 representing an increase of 43.4% over the previous year. This was mainly due to

- Increase in inventories from Rs 1,053,083 to Rs 1,506,589 largely on account of increase in purchase of raw materials and semifinished goods which rose by Rs 220,047 and Rs 194,974 respectively as compared to the previous year.

- Sundry debtors stood at 2,748,526 (net of provision for doubtful debts of Rs 29,555) as at March 31, 2007 as compared to Rs 2,060,369 (net of provision for doubtful debts of Rs 19,785) as at March 31, 2006. These debtors are considered good and realisable. Provision for doubtful receivables as on March 31, 2007 has been made for debtors overdue for more than 360 days subject to review of collectibility of specific dues. Debtors represent an outstanding of 100 days and 85 days of revenue as at March 31, 2007 and March 31, 2006 respectively on a moving average of 3.5 month's sales in the domestic market and 2.5 month's sales in the export markets.

Provision for doubtful debts represents 0.12% and 0.04% of gross sales for the year ended March 31, 2007 and March 31, 2006 respectively.

Loans and advances has increased from Rs 212,135 to Rs 467,779 as on March 31, 2007. This increase of 120.5% is mainly on account of increase in balances with customs, excise and sales tax authorities, which has increased from Rs 110,085 to Rs.173,149 compared to the previous year and increase in recoverable advances amounting to Rs 114,896 as against the previous year.

Current liabilities and provisions

Current liabilities and provisions have reduced by 2.4 % from Rs 2,217, 951 as at March 31, 2006 to Rs 2,164,442 as at March 31, 2007. The decrease in vendor balances for capital expenditure from Rs 676,527 to Rs 370,630 as on March 31, 2007 has been offset partially by increase in other creditors from Rs 984,477 to Rs 1,105,800 as at March 31, 2007. The average credit terms for supply of raw materials increased from 89 days as at March 31, 2006 to 114 days as at March 31, 2007 based on a moving average of 4 month's purchases. Other liabilities including provision for expenses, increased from Rs 134,434 to Rs 228,771 as at March 31, 2007.

The Company has also proposed a dividend of Rs 300,000 (60%) for the year ended March 31, 2007 as against Rs 250,000 (50%) in the previous year.

Revenues

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006	%
INCOME			
Gross sales	8,599,119	7,246,713	18.7%
Less : Excise duty	361,717	371,789	(2.7%)
Net sales	8,237,402	6,874,924	19.8%
Technical Licensing fees	272,352	10,781	2426%
Other income	121,105	46,130	591.4%
	8,630,859	**6,931,835**	**24.5%**
EXPENDITURE			
Material costs	4,158,125	3,790,109	9.7%
Employee costs	603,735	420,600	43.5%
Operating and other expenses	1,504,830	867,009	73.6%
Interest and finance charges	77,618	16,887	359.6%
	6,344,308	**5,094,605**	**24.5%**
PROFIT BEFORE DEPRECIATION AND TAXES	2,286,551	1,837,230	24.5%
Depreciation and Amortization (Net of transfers)	576,060	228,496	152.1%
PROFIT BEFORE TAXES	1,710,491	1,608,734	6.3%
Provision for Income Tax			
Current tax	-	208,633	
Deferred taxes	117,831	60,141	95.9%
Fringe benefit tax	9,158	5,130	78.5%
NET PROFIT FOR THE YEAR	**1,583,502**	**1,334,830**	**18.6%**
Balance brought forward from the previous year	3,301,451	2,385,167	38.4%
PROFIT AVAILABLE FOR APPROPRIATION	4,884,953	3,719,997	31.3%
Proposed dividend on equity shares	300,000	250,000	20.0%
Tax on proposed dividend	50,985	35,063	45.4%
Transfer to General Reserve	158,351	133,483	18.6%
BALANCE, END OF THE YEAR	**4,375,617**	**3,301,451**	**32.5%**

Biocon's total income has four components:
- Sales of Biopharmaceutical products;
- Sales of Enzyme products;
- Technical Licensing fees ; and
- Other income.

The following table sets out the contribution of each of these components expressed as a percentage of Biocon's total income for the years ended March 31, 2007 and March 31, 2006:

Sales	2007	2006
Sale of Products		
Biopharmaceuticals	84.4%	86.9%
Enzymes	11.0%	12.2%
Technical Licensing Fees	3.2%	0.2%
Other Income	1.4%	0.7%
Total Income	**100.0%**	**100.0%**

Share of revenues from net sales between domestic and export markets are as follows:

Share of revenues	2007	%	2006	%
Domestic	3,748,241	45.5%	3,297,693	48.0%
Exports	4,489,161	54.5%	3,577,231	52.0%
Total	**8,237,402**	**100.0%**	**6,874,924**	**100.0%**

Biocon's net sales grew by 19.8% to Rs 8,237,402 in 2006-07 while the total income grew by 24.5% to Rs 8,630,859.
The Company's export revenues from product sales have increased by 25%, and domestic sales have increased by 14% mainly driven by revenues from sale of bio-pharmaceutical products.

Revenues from sale of biopharmaceuticals registered a growth of 20.9% in March 31, 2007 over March 31, 2006, and the enzymes segment registered a increase of 11.8 % over the same period.

Segment and product-wise performance

The segmentation of Biocon's sales is as follows:

	2007	%	2006	%
Biopharmaceuticals	7,287,258	88.5%	6,025,361	87.6%
Enzymes	950,144	11.5%	849,563	12.4%
Total	**8,237,402**	**100.0%**	**6,874,924**	**100.0%**

Bio-pharmaceuticals

In pharma, we focus on the manufacture and marketing of APIs that require fermentation and synthetic chemistry skills. Our biopharmaceuticals business contributed 88.5% & 86.7% of our sales in 2006-07 and 2005-06 respectively.

Statins:

Statins are cholesterol-lowering agents used to treat and prevent coronary diseases and are amongst the largest selling drugs worldwide. The Company's statins portfolio presently comprises lovastatin, simvastatin, pravastatin and atorvastatin besides other statins under development. Biocon is currently exporting simvastatin to the US, Europe, Japan and Canada, lovastatin to the U.S. and pravastatin to the US and European markets. The Company has over the years been facing severe pricing pressure in this segment due to increased competition and changing industry price dynamics.

The US patent for Simvastatin and Pravastatin expired during fiscal 2007 and the company has commenced exports to USA in the second half of fiscal 2007. The company has also during the year received US FDA certification for its new facilities at Biocon Park thereby substantially increasing the production capacity to address the growing demand for statins globally.

Immunosuppressants:

Immunosuppressants prevent organ and tissue rejection in transplants and require high technology based manufacturing capabilities. Currently Biocon produces mycophenolate mofetil (MMF), sirolimus and tacrolimus. MMF and tacrolimus are sold largely in the domestic market and certain export markets. Biocon will actively promote it's product in the US, Japanese and European markets. Biocon has filed a DMF for MMF and tacrolimus and is in the process of filing a DMF for sirolimus to address the US markets following patent expiry.

Other Biopharmaceutical products:

Biocon also supplies a range of other Biopharmaceutical products. Biocon markets recombinant human insulin in India under its own brand name INSUGEN and has also registered the Insulin in several export markets. In addition Biocon has supply arrangements with Pharma majors and device companies to supply recombinant human insulin for use in their novel insulin formulations. Some of these delivery systems are undergoing clinical trials.

Sale of Formulations:

Biocon has a dedicated marketing team for finished formulations. This segment, though in the nascent stage, has been growing rapidly. With a focus on the anti-diabetic and cardio-vascular market, Biocon's own insulin brand 'Insugen' is also marketed by the formulation team. During 2007, the Company launched its new Nephrology Division and a comprehensive portfolio of renal therapy products. Biocon's Nephrology division is committed to finding solutions to kidney disorders using the highest standards of biotherapeutics and will simultaneously strive towards reducing the risks of the disease in the future, through progressive research and innovative therapies. Biocon also launched BIOMAb-EGFR™, a therapeutic monoclonal antibody-based drug for treating solid tumors of epithelial origin, such as head and neck cancers. BIOMAb-EGFR™ is produced at BBPL's state-of-the-art manufacturing facility at Biocon Park.

Enzymes

Biocon develops and markets a mix of specialty and industrial enzymes for a broad range of industries including food, beverages, brewing and distilling, textiles and paper. The enzymes business delivered a increase of 11.5 % from Rs 849,563 to Rs 950,144 as compared to the low sales in 2005-06. The higher enzyme sales during fiscal 2007 was driven by higher sales to beverage and brewing and industrial enzymes.

Technical Licensing Fees

These fees represent income received towards transfer of proprietary technology in respect of certain bio-generics under long term contracts. They also include fees received towards out-licensing of proprietary products. There has been an increase of Rs 261,571 in respect of such fees from Rs 10,781 in fiscal 2006 to Rs 272,352 in fiscal 2007. Biocon is committed towards tapping more revenues from this source by scaling up a large number of bio-generics including Insulin, GCSF, Erythropoetin, Streptokinase, Retiplase, etc. and advancing our discovery programs including Monoclonal Antibodies for CD6, EGFR, CD 20 & CD 10 and Oral Insulin.

Other Income

Other income has registered an increase of 162.5% compared to the previous year Other income consists primarily of interest income from investment amounting to Rs 47,116 as compared to Rs 15,786 in the fiscal 2006. It also includes charges billed to group companies for services rendered in the area of utilities which has increased from Rs 6,087 in fiscal 2006 to Rs 70,792 in fiscal 2007.

Material costs

Material costs include consumption of raw materials and traded goods and increases or decreases in semi-finished / finished goods. Due to 19.8 % growth in sales , materials costs has increased by 9.7% from Rs 3,790,109 to Rs 4,158,063 over the previous year. But as a percentage of sales, material costs have decreased by 4.6% mainly on account of increased manufacturing activity and reduction in sourcing of advanced intermediates.

Employee costs

Staff cost comprises:

- Salaries, wages, allowances and bonuses;
- Contributions to provident fund;
- Contributions to gratuity and provisions for leave encashment;
- Amortisation of Employees stock compensation expenses, and
- Welfare expenses (including employee insurance schemes, school tuition program and other miscellaneous employee benefits)

Staff costs has increased from Rs 420,600 in fiscal 2006 to Rs 603,735 in fiscal 2007. The increase in employee costs is mainly due to increase in number of employees from 1,225 to 1,643 and increments during the year

Operating and other expenses

Operating and other expenses comprise of
power and fuel;
repairs and maintenance;
consumables;
professional charges;
traveling and conveyance;
communication;
rent;
freight outwards;
sales promotion;
commissions;
general expenses;
provisions for bad and doubtful debts;
printing and stationary;
insurance; and
rates, taxes and fees.

Operating and other expenses have increased by 73.7% from Rs 867,009 for the year 2006 to Rs 1,504,830 for the year 2007 mainly on account of the following:

- 202% increase in power and fuel costs from Rs 307,847 in fiscal 2006 to Rs 620,715 in fiscal 2007, due to commissioning of new plant at Biocon Park.
- 81% increase in maintenance costs from Rs 57,172 in the previous year to Rs 103,535 in fiscal 2007 on account of increase in production activity at Biocon Park .
- 180% increase in other research and development expenses (excluding salaries) from Rs 104,032 to 289,128 on account of increase in our ongoing research initiatives including the oral insulin project
- 38.4% increase in Selling expenses from Rs 163,639 in FY 2006 to Rs 226,415 in FY 2007 related to increased sales and launch of oncology and nephrology products.

Interest and Finance Charges

Interest and finance charges have increased from Rs 16,887 in fiscal 2006 to Rs 77,618 in fiscal 2006 due to increase in average borrowings to finance working capital requirements.

Depreciation
During the year depreciation has increased by Rs 347,564 amounting to an increase of 152% over fiscal 2006 on account of capitalization of Biocon Park. This cost as a percentage of sales has also increased from 3.3 % in fiscal 2006 to 7.0% in fiscal 2007.

Provision for Taxes
Provision for current, fringe benefits and deferred taxes in the year ended March 31, 2007 was Rs 126,989 as against Rs 273,904 in fiscal 2006. The reduction in taxes is mainly due to higher depreciation associated with Biocon Park and higher sales from 100% EOUs, units of the Company.

Net Profit
Net profit, for fiscal year 2007 has increased by 18.6% amounting to Rs 1,583,502 resulting in an EPS of Rs 16.38. Higher sales growth has helped negate the impact of pricing pressure and increased fixed costs.

Liquidity
Our primary liquidity needs have been to finance our working capital requirements and on going capital expenditure initiatives. These costs have been funded principally by cash flows from operations and short term borrowings.

	2007	2006
Net cash generated from operating activities	1,139,375	403,884
Net cash used for investing activities	(867,749)	(483,034)
Net cash generated from / (used) in financing activities	(244,427)	47,410
Net increase / (decrease) in cash and cash equivalents	27,199	(32,465)

As at March 31, 2007, cash and cash equivalents amounted to Rs 75,279. The principal source of cash and cash equivalents in fiscal 2007 was from cash flows from operations amounting to Rs 1,139,375 which was partly invested in fixed assets to the extent of Rs 981,603 and intangible assets amounting to Rs 182,597.

Operating activities
Net Cash flows from operating activities for fiscal 2007 increased by 182.1% over fiscal 2006 due to higher operating income and decrease in working capital.

Investing activities
The Company's cash flows from investing activities were used primarily to fund purchase of fixed assets for its new facility at Biocon Park and intangible assets.

Financing activities
The net cash flows from financing activities decreased due to higher dividend and interest payment.

PERFORMANCE OF SUBSIDIARIES

Syngene International Limited
Syngene is a 99.99% owned subsidiary of Biocon Limited. Syngene was incorporated on November 18, 1993 with an authorised share capital of Rs 5,000. Syngene works in two main research areas: Synthetic Chemistry and Molecular Biology. Syngene is also involved in custom chemical synthesis.

Syngene's total income primarily consists of net sales from contract research services and sales of compounds. Substantially all of Syngene's contracts are based on time and material management. Revenue from these contracts are recognised as and when services are rendered, in accordance with the terms of the contract. Syngene's total revenue has increased from Rs 981,730 to Rs 1,315,968 representing a growth of 34%. This growth in revenue is on account of increase services rendered to existing clients and addition of new clients. Further, Syngene's income from investment of its surplus funds in mutual fund units has increased from Rs 14,003 in the fiscal 2006 to Rs 34,150 in the fiscal 2007.

Syngene's expenses mainly comprises of raw-material costs and staff costs. Raw material cost consists of lab consumables used for providing research services. The increase in revenue was mainly offset by increase in material cost by 71 % from Rs 204,215 in fiscal 2006 to Rs 349,060 in fiscal 2007 and staff cost by 52 % from Rs 172,298 to Rs 261,855 as compared to the previous year Increase in material cost and staff cost are primarily due to increased business and head count. Other costs increased by 95% from Rs 61,763 to Rs 120,427 in fiscal 2007.

Net profit for fiscal 2007 has increased to Rs 496,651 from Rs 452,107 for the fiscal 2006.

Abbreviated profit and loss statement - Syngene

	2007	2006
Total Income	1,315,968	981,730
Profit before tax (PBT)	512,182	483,618
PBT Margin	38.9%	49.3%
Profit after tax (PAT)	496,651	452,107
PAT Margin	37.7%	46.1%

Syngene contributes 13.3% to the consolidated income and 24.8% to the consolidated profits of the group. In the previous year, Syngene contributed 12.4% and 26.0% to the consolidated income and profits of the group respectively.

Clinigene International Limited

Clinigene is a 100% owned subsidiary of Biocon Limited. Clinigene was incorporated on August 4, 2000 with an authorised share capital of Rs 5,000. Clinigene was established to undertake clinical and other trials' validations for drugs and pharmaceuticals and to conduct research in the area of medical sciences for development of new and improve upon existing medical diagnostic, surgical and therapeutic techniques.

Clinigene's total income principally consists of income from clinical research fees and also Bio-Analytical and Bio-Equivalence studies. Clinigene enters either into time and material contracts and/or fixed price arrangements. Revenue from time and material contracts are recognised on a periodic basis as services are rendered in accordance with the terms of the applicable contracts. Revenue from fixed price contracts is recognised based on the percentage completion method. Total revenue of Clinigene increased from Rs 56,580 in fiscal 2006 to Rs 115,502 in the fiscal 2007, primarily on account of increase in clinical research fees.

Clinigene's expenses comprise of research material costs, consultancy fees, staff cost, other operating expense, interest cost, depreciation and provisions for fringe benefit tax. Consultancy fees has increased by 40 % from Rs 9,230 to Rs 6,605 as compared to 2006, Clinigene's staff cost has increased by 47.9% from Rs 32,252 to Rs 21,804 as compared to previous year. This is because Clinigene is in the process of developing its clinical research capabilities and is hiring employees. As Clinigene requires additional funds to develop its capabilities and become profitable, Biocon Limited is supporting it in its funding. Interest expenses has increased from Rs 20 to Rs 9010 on account of borrowings for purchase of a new clinical research facility. This facility in expected to commence operations in the first quarter of fiscal 2008. As at March 31, 2007, it had accumulated losses of Rs 54,946.

Profit for the year ended March 31, 2007 of Rs 7,812 as against a loss of Rs 11,109 in the previous year ,has been consolidated with the profits of the group in the consolidated financial statements.

Biocon Biopharamaceuticals Limited ('BBPL')

BBPL is a joint venture company and currently 51% of its shares are held by Biocon and the balance 49% by CIMAB. BBPL was incorporated on June 17, 2002 to produce and sell certain biologicals. BBPL is yet to commence commercial operations and is undertaking trial runs at its new facility. Biocon currently holds 6,732,000 equity shares and CIMAB holds 6,468,000 equity shares of Rs.10 each respectively representing 51% and 49% in the paid up capital of the company. In addition, Biocon has also made an advance towards issue of 2,244,000 shares.

As at March 31, 2007, BBPL has accumulated losses of Rs 192,490. Biocon's share in the accumulated losses of BBPL aggregates Rs 98,170

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 & Companies (Particulars of Employees) Rules 1975

Details of Remuneration paid during the year ended March 31, 2007

Sl.No.	Name, Designation & Nature of Duties	Age	Remuneration Rs	Qualification & Experience	Date of Commencement of employment	Last employment
1*	Mr. Ajay Bhardwaj President - Group Marketing	47	9,480,788	M.S (Chemical Engineering) 23 Years	1-Jan-86	Project Engineer Max India Ltd-New Delhi
2	Dr. Anindya Sircar General Manager - I.P.R	38	3,352,880	B.Sc., M.Sc., Ph.D 10 Years	3-Mar-97	-
3	Dr. Arun Chandavarkar Chief Operating Officer	46	11,427,773	Ph.D (Chemical Engineering) 16 Years	8-Nov-90	--
4	Mr. Chinappa M B Vice President - Finance	39	5,842,629	B.Com., ACA 14 Years	12-Jul-99	Manager - Finance ITC Limited, Calcutta
5	Dr. Harish V.Iyer General Manager - Research & Development	38	2,555,900	B.Tech., Ph.D 12 Years	18-Dec-01	-
6	Mr. J M M Shaw Vice Chairman	58	7,743,600	M.A (Hons) 36 Years	1-Apr-99	President-Berghaus International Fashion Group, Holland
7	Dr. Kedarnath N Sastry Chief Sci.Manager - Research & Development	52	2,508,887	M.Sc., Ph.D 26 Years	1-Feb-01	R&D - Director Bangalore Genei Pvt.Ltd
8	Dr. Kiran Mazumdar Shaw Chairman & Managing Director	54	10,971,600	B.Sc (Hons) PGD in Malting & Brewing 32 Years	1-Dec-78	Consultant Jupiter Breweries Ltd
9	Mr. Prasad B.S.V General Manager - Production	40	2,369,095	M.Sc., M.Tech 15 Years	15-Sep-99	Dy. Manager - Projects Gujarat Themis Biosyn Ltd
10*	Mr. Malay Jiban Barua Senior Manager - Marketing	39	2,862,722	M.Tech(Chemical technology) 12 Years	1-Jun-95	-
11	Mr. Murali Krishnan K N President - Group Finance	51	11,010,160	B.Com., (C.A) 25 Years	9-Nov-81	-
12	Mr.Radhakrishnan G Senior Manager - Systems	45	2,443,900	B.Sc 21 Years	1-Jan-96	-
13	Mr. Rakesh Bamzai President - Marketing	46	11,360,522	B.Sc (Food & Fermentation Tech) 18 Years	19-Apr-95	Asst. G.M. - Marketing Advanced Biochemicals Ltd
14	Mr. Ramalingeshwara Rao. K General Manager - Marketing	56	2,418,020	B. Sc. (Life Science) 28 Years	5-Mar-03	Director Business Development Novo Nordisk India Pvt Ltd
15*	Mr.Ravi.C.Dasgupta Group Head - HR	43	433,818	B.Sc., PGD(PM&IR).,LLB 19 Years	23-Feb-07	Director - HR Allergan (I) Pvt.Ltd.
16	Mr. Sandeep Rao General Manager - Marketing	33	3,277,310	M.Sc, PGDM 8 Years	15-Jun-99	-
17	Mr. Shrikumar Suryanarayanan President - Research & Development	47	11,125,947	M.Tech(Chemical Engineering) 23 Years	2-May-84	-
18	Dr. Subir Kumar Basak General Manager - Business Development	37	3,387,200	M.S., Ph.D., MBA 11Years	1-Dec-05	Global Operation Leader Amgen
19	Mr. Sundaresh S.R. General Manager - Purchase	49	2,671,401	B.Sc 22 Years	2-Feb-04	Director - Commercial Maini Material Movement Pvt.Ltd
20	Dr.Tara Jayaram General Manager - Quality Assurance	58	2,592,660	B.Sc., M.Sc., Ph.D 32 Years	17-Sep-87	-

*Employed for part of the year with an average salary above Rs 2 Lakhs per month

Note:

1. Remuneration shown above are Salary, Allowances, Bonus (based on receipt) , Company's contribution to P.F, Superannuation and other perquisites valued as per Income Tax Rules, 1962.

2. Nature of employment in all cases is contractual. The other terms and conditions are as per Company's Rules.

3. Dr. Kiran Mazumdar Shaw & Mr. J M M Shaw are the Directors of the company and are related to each other. No other employee mentioned above is related to any Director of the Company.

4. Dr. Kiran Mazumdar Shaw holds 39.64% of the shares in the Company and Mr. J M M Shaw holds 20.47% of the shares in the Company. None of the above employees hold more than 2% of the shares in the Company.

For and on behalf of the Board

Dr. Kiran Mazumdar Shaw
Chairman & Managing Director

Place: Bangalore
April 19, 2007

ANNEXURE TO DIRECTOR'S REPORT

Corporate Governance Report

A detailed report on Corporate Governance for the financial year from April 1, 2006 to March 31, 2007, as per the format prescribed by Securities and Exchange Board of India and incorporated in the revised Clause 49 of the Listing Agreement is set out below:

1. Company's philosophy on Corporate Governance:

Biocon is committed to doing business in an efficient, responsible, honest and ethical manner. Good Corporate Governance goes beyond compliance and involves a company wide commitment. This commitment starts with the Board of Directors, which executes its corporate governance responsibilities by focusing on the Company's strategic and operational excellence and in the best interests of all our stakeholders, in particular shareholders, employees and our customers in a balanced fashion with long term benefits to all.

The core values of the Company's governance process include independence, integrity, accountability, transparency, responsibility and fairness. The business policies are based on ethical conduct, health, safety and a commitment to building long term sustainable relationships.

Biocon is committed to continually evolving and adopting appropriate corporate governance best practices.

2. Board of Directors:

Composition:

The Board of directors comprise 7 members including two executive directors, five non- executive directors, of which four are independent directors. Dr. Kiran Mazumdar Shaw is the Chairman and Managing Director of the Company and Mr. John Shaw is the Vice-Chairman. Dr. Kiran Mazumdar Shaw and Mr. John Shaw conduct the day to day management of the Company, subject to the supervision and control of the Board of Directors. The independent directors on the Board are scientists, professionals and technocrats who are senior, competent and highly respected persons from their respective fields. A brief profile of the Company's Board of directors is as under:

Dr. Kiran Mazumdar Shaw, 54 years, Chairman and Managing Director, is a first generation entrepreneur with more than 29 years' experience in the field of biotechnology. After graduating in B.Sc. (Zoology Hons.) from Bangalore University in 1973, she completed her post-graduate degree in malting and brewing from Ballarat College, Melbourne University in 1975. She was awarded an Honorary Doctorate from the Manipal Academy of Higher Education (MAHE), in recognition of outstanding achievements in biotechnology and industrial enzymes in 2005. She is a founder promoter and has led the Company since its inception in 1978. She is currently the Director of Syngene International Ltd, Clinigene International Ltd, Biocon Biopharmaceutical Private Ltd. and Narayana Institute for Advance Research Private Ltd. She is the Non Official director in EXIM Bank and a director of Bio-Ventures for Global Health (BVGH). She was previously a consultant with Jupiter Breweries Limited. She is the recipient of several awards, the most noteworthy being the 'Padmabhushan' Award (one of the highest civilian awards in India) in 2005 conferred by the President of India, the Ernst & Young Entrepreneur of the Year Award in 2002 for the Healthcare & Life Sciences category and the BioSpectrum Person of the Year Award in 2003. She heads several biotechnology task forces including the Karnataka Vision Group on Biotechnology, an initiative by the Government of Karnataka and the National Taskforce on Biotechnology for the Confederation of Indian Industry (CII).

Mr. John Shaw, 58 years, Vice Chairman, is a promoter and a whole-time director of the company. He is also a controlling shareholder and director of Glentec International. He completed his M.A. (Economic Hons.) in History and Political Economy from Glasgow University, U.K. in 1970. He has 27 years experience with Coats Viyella plc. in various capacities including finance and general administration. He has served as Finance Director and Managing Director of Coats Viyella group companies in various locations around the world, before he came on the Board of Biocon Limited in 1999.

Dr. Neville Bain, 67 years, has vast experience in the field of finance, strategy and general management. He graduated from Otago University, New Zealand, with a Master of Commerce (Hons) degree and double Bachelor degrees in Accounting and Economics. He has also been awarded the degree of Doctor of Law, is a Fellow Chartered Accountant, a Fellow Cost and Management Accountant, a Fellow Chartered Secretary and a Fellow of the Institute of Directors. He spent 27 years with the Cadbury Schweppes group, having responsibility for the world-wide confectionery business and then as Deputy Chief Executive and Finance Director. This was followed by a six-year term as Chief Executive Officer of Coats Viyella plc, and then as Chairman and Director of various organisations. He was Chairman of the Institute of Directors, Director of Hogg Robinson plc, and also a board member of Scottish Newcastle plc. He has published books on Corporate Governance, Strategy, and the effective utilisation of people in organisations.

Prof. Charles L. Cooney, 62 years, is the Professor of Chemical & Biochemical Engineering, Faculty Director of the Deshpande Center for Technological Innovation and Co-Director of the Program on the Pharmaceutical Industry at the Massachusetts Institute of Technology (MIT), Cambridge, U.S.A. He obtained his Bachelor's degree in Chemical Engineering from the University of Pennsylvania in 1966, his Master's degree and his Ph.D in Biochemical Engineering from MIT in 1967 and 1970 respectively. His research interests span topics in biochemical engineering and pharmaceutical manufacturing. He is a recipient of several prestigious awards, including Gold Medal of the Institute of Biotechnology Studies (London), the Food, Pharmaceutical and Bioengineering Award from the American Institute of Chemical Engineers and the James Van Lanen Distinguished Service Award from the American Chemical Society. He serves as a consultant to and/or director of a number of biotech and pharmaceutical companies globally and is on the editorial boards of several professional journals.

Mr. Suresh N. Talwar, 68 years, is a partner in Talwar Thakore & Associates a law firm of repute. He completed his B.Com from the University of Bombay in 1959, his L.L.B. from the Government Law College, Mumbai in 1961 and a solicitor of the Incorporated Law Society, Mumbai in 1966. His area of professional specialisation is in corporate law and other related matters. He has been the legal counsel to numerous Indian companies, multinational corporations as well as Indian and foreign banks. He was a partner of Crawford Bayley & Co., a reputed Indian law firm. He is also a director of several leading companies in India.

Prof. Ravi Mazumdar, 52 years, completed his Ph.D from the University of California, Los Angeles, USA in 1983. Prior to this, he obtained his B.Tech from the Indian Institute of Technology, Mumbai in 1977 and his Masters in Science from the Imperial College of Science, London in 1978. He is a professor in University of Waterloo, Canada and has been professor in several prestigious universities including Purdue University, U.S.A, Columbia University, U.S.A., University of Essex, U.K., Mc Gill University, Canada and the Indian Institute of Science, Bangalore. He has over 100 publications in international journals in the area of applied probability and stochastic processes, non-linear dynamical systems, statistical signal processing, queuing theory and in the control and design of high-speed networks. He has been a member of several advisory committees and working groups, including the US Congress Sub-Committee on Science and Technology. He is a Fellow of the Royal Statistical Society and Fellow of the Institute of Electrical and Electronics Engineers, Inc. He is the younger brother of Dr. Kiran Mazumdar Shaw.

Dr. Bala S Manian, 62 years, has been a part of the Silicon Valley entrepreneurial community over the last three decades and is responsible for successfully starting several life science companies. Dr. Manian is a co-founder and director of Quantum Dot Corporation, and a co-founder of SurroMed Corporation. He was also chairman of Entigen Corporation, a Bioinformatics company. He was the founder and Chairman of Biometric Imaging, Inc. Prior to founding Biometric Imaging, Inc., Dr. Manian founded Digital Optics Corporation, an optical instrumentation and systems development Company in 1980 and two other Companies, Lumisys and Molecular Dynamics in June 1987. Dr Manian is presently the CEO of ReaMetrix Inc. An expert in the design of electro-optical systems, Dr. Manian holds more than 35 patents, many of which have resulted in successful commercial products. Additionally, Dr. Manian has authored more than 30 peer reviewed scientific publications. He has been recognized through several awards for his contributions as an educator, inventor and an entrepreneur. In February 1999 the Academy of Motion Picture Arts and Sciences awarded a Technical Academy Award to Dr. Manian for advances in digital cinematography. He has a B.S. in Physics from the University of Madras, a M.S. in Applied Optics from the University of Rochester, and a Ph.D. in mechanical engineering from Purdue University. He was a faculty member of the University of Rochester's Institute of Optics for four years, teaching courses in optical fabrication and testing, optical instrumentation and holography. At present he serves as a member of the Board of Trustees of University of Rochester.

In accordance with our Articles of Association, the Board can appoint an alternate Director pursuant to the provisions of the Companies Act. Prof. Catherine Rosenberg is presently the alternate Director to Prof. Ravi Mazumdar.

Status of Directors:

Statement showing the status of Directors as executive/non-executive and independent/ non-independent during the year is set out below:

Name of the Director	Office / Designation	Executive / Non executive	Independent/ Non independent
Dr. Kiran Mazumdar Shaw	Chairman & M D	Executive	Non independent
Mr. JMM Shaw	Vice Chairman	Executive	Non independent
Prof. Ravi Mazumdar	Director	Non Executive	Non independent
Dr. Neville Bain	Director	Non Executive	Independent
Prof. Charles L Cooney	Director	Non Executive	Independent
Mr. Suresh N Talwar	Director	Non Executive	Independent
Dr. Bala S Manian	Director	Non Executive	Independent

More than 50% of the Board comprises of non-executive Directors and more than half of the Board comprises of Independent Directors. The Company has obtained the necessary information from all the directors of the Company and performed the necessary steps to arrive at this conclusion.

Meetings and attendance record of directors and other directorships:

During the financial year ended March 31, 2007, the Board met 4 times on 20th April, 2006, 19th July 2006, 18th October 2006 and 18th January 2007. The composition of the Board of Directors and their attendance at the Board meeting during the year and at the last Annual General Meeting together with the number of other directorships are given below:

Name of the Director	No of Board meetings attended	Attendance at the last AGM	No of other Directorships (*)
Dr. Kiran Mazumdar-Shaw	4	Yes	4
Mr. John Shaw	4	Yes	4
Prof. Ravi Mazumdar	3	Yes	2
Dr. Neville Bain	4	Yes	5
Prof. Charles L Cooney	4	Yes	5
Mr. Suresh N Talwar*	4	Yes	52
Dr. Bala S Manian	4	Yes	4
Prof. Catherine Rosenberg (Alternate Director to Prof. Ravi Mazumdar)	1	Yes	1

* Includes private limited companies and foreign body corporate and alternate directorships.

Availability of information to the Members of the Board

- 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, remuneration committee, investors grievance committee and share transfer committee.
- The information on recruitment and remuneration of senior officers just below the board level, including the Company Secretary .
- General notice of interest.
- Dividend data.
- 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.
- Details of any joint venture , acquisition, technology or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or Intellectual property.
- Significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in the 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 nature or listing requirements and shareholders service such as non- payment of dividend, delay in share transfer etc.

Details of Directorships in other Companies.

The details of directorships of the Company's Directors in other companies as on March 31, 2007 are given below:

Name of Company/ Firm	Nature of Interest
Dr. Kiran Mazumdar Shaw	
Syngene International Ltd	Director
Clinigene International Ltd	Director
Biocon Biopharmaceuticals Private Limited	Managing Director
Narayana Institute for Advance Research Private Ltd.	Director
EXIM Bank	Non-Official Director
Bio-Ventures for Global Health	Director
Mr. J M M Shaw	
Syngene International Ltd	Director
Clinigene International Ltd	Director
Biocon Biopharmaceuticals Private Limited	Director
Glentec international	Director
Prof. Ravi Mazumdar	
Glentec International	Director
Clinigene International Ltd	Director
Syngene International Ltd	Alternate Director
Dr. Neville C Bain	
Farnborough Holdings Plc	Director
Scottish & Newcastle Plc	Director
Syngene International Ltd	Director
Neville Bain Developments Ltd	Director
Provexis Ltd	Director
Prof. Catherine Rosenberg	
Syngene International Ltd.	Director

Prof. Charles L Cooney	
Syngene International Ltd	Director
Genzyme Corporation	Director
Bio Processors Inc	Director
Intelligen Inc	Director
Bioscale Inc	Director

Mr. Suresh N Talwar	
PZ Cussons India Pvt Ltd	Chairman & Alterante Director
FCI OEN Connectors Ltd	Chairman & Alterante Director
Trans Warranty Finance Limited	Chairman & Alterante Director
Armstrong World Industries (India) Ltd	Chairman
Moly Colloids Pvt Ltd	Chairman
Merck Ltd	Chairman
Romil Finance & Investments Pvt Ltd	Chairman
Sidham Finance and Investments Pvt Ltd	Chairman
20th Century Fox Corpn (I) Pvt Ltd	Chairman
Aon Global Insurance Services Pvt Ltd	Director
Birla Sun Life Insurance Co Ltd	Director
Birla Sun Life Trustee Co Ltd	Director
Blue Star Ltd	Director
Blue Star Infotech Ltd	Director
Cadbury India Limited	Director
Carborundum Universal Ltd	Director
Cholamandalam MS General Insurance Co. Ltd	Director
Chowgule and Company Ltd	Director
Collins Stewart Inga Pvt. Ltd	Director
Decagon Investments Pvt Ltd	Director
Emerson Process Management (India) Pvt Ltd	Director
Epitome Global Services	Director
Greaves Cotton Ltd	Director
India Value Fund Trustee Co Pvt Ltd	Director
IVF (Mauritius) PCC	Director
IVF(Mauritius) Ltd	Director
JM Morgan Stanley Securities Pvt Ltd	Director
John Fowler (India) Pvt Ltd	Director
Larsen & Tourbo Ltd	Director
Man Financial (India) Pvt. Ltd.	Director
Renfro India Pvt Ltd	Director
Rediffusion – Dentsu, Young & Rubicam Pvt Ltd	Director
Rakeen Development PJSc	Director
Reva Electric Car Co. Pvt. Ltd	Director
Sandvik Asia Ltd	Director
Shrenuj & Co Ltd	Director
Solvay Pharma India Ltd	Director
Snowcem Paints Pvt. Ltd	Director
Swiss Re Shared Services (India) Pvt Ltd	Director
Showdiff Worldwide Pvt Ltd	Director
Sonata Software Limited	Director
Warner Bros Pictures (India) Pvt Ltd	Director
Albright & Wilson Chemicals India Ltd	Alternate Director
Beck India Ltd	Alternate Director
Esab India Limited	Alternate Director
Garware-Wall Ropes Ltd	Alternate Director
Johnson & Johnson Ltd	Alternate Director
Schenectady (India) Holdings Pvt Ltd	Additional Director
SI Group- India Ltd (formerly Schenectady Herdillia Ltd)	Additional Director
Uhde India Ltd	Additional Director
Wyeth Limited	Additional Director

Dr. Bala S Manian	
ReaMetrix Inc., USA	Director
ReaMetrix India Pvt. Ltd.	Director
ICICI Knowledge Park	Director
Vaccinex Inc	Director

Details of membership / Chairmanship of Directors in Board Committees

Following is the list of memberships/ Chairmanships of Directors in the committees* of the Indian public limited companies in which they are holding directorships:-

Name of the Director	Name of the Indian Public Limited Company	Nature of the Committee	Member/ Chairman
Dr. Kiran Mazumdar- Shaw	Biocon Limited	Investor Grievance Committee	Member
Mr. JMM Shaw	Biocon Limited	Investor Grievance Committee	Member
Prof. Ravi Mazumdar	Biocon Limited	None	None
Dr. Neville Bain	Biocon Limited	Audit Committee	Chairman
		Investor Grievance Committee	Chairman
Prof. Charles L Cooney	Biocon Limited	Audit Committee	
Mr. Suresh N. Talwar	Biocon Limited	Audit Committee	Member
	Blue Star Ltd.	Audit Committee	Chairman
	Blue Star Infotech Ltd	Audit Committee	Member
	Beck India Ltd.	Audit Committee	Member
	Cadbury India Ltd.	Audit Committee	Member
	FCI OEN Connectors Ltd	Audit Committee	Chairman
	Merck Ltd.	Audit Committee	Chairman
	Sandvik Asia Ltd	Audit Committee	Chairman
	Solvay Pharma India Ltd	Audit Committee	Member
Dr. Bala S Manian	Biocon Limited	None	None

None of the Directors of the Company hold memberships of more than ten Committees nor is any Director, the Chairman of more than five Committees of the Board of all companies where he holds Directorships.

*For this purpose Membership / Chairmanship in Audit Committee and Investors Grievance Committee are reported and other committee Membership / Chairmanship has not been included in the report.

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company and it is posted on the Website. The certificate from Chairman and Managing Director with regard to compliance of code of conduct by Board members and senior management is enclosed and forms part of this report.

Certificate of Code of Conduct:

Biocon Group is committed to conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all directors, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2006-07.

For Biocon Limited
(Sd/-)
Dr. Kiran Mazumdar Shaw
Chairman and Managing Director

Bangalore
March 31,2007

Shareholding of Directors

Name of the Director	Nature of Directorship	No of shares held as on 31.3.07
Dr Kiran Mazumdar-Shaw	Executive	39,643,782
Mr JMM Shaw	Executive	703,779
Prof. Ravi Mazumdar	Non-Executive	649,357
Dr. Neville C Bain	Non-Executive	750,000
Prof. Charles L Cooney	Non-Executive	359,761
Mr. Suresh N Talwar	Non-Executive	15,000
Dr. Bala S Manian	Non-Executive	1,250
Prof. Catherine Rosenberg (Alternate Director)	Non-Executive	Nil

Re-appointment of Directors:

The Directors, Dr. Kiran Mazumdar Shaw and Prof. Charles L Cooney shall retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment. Their brief resumes and details of their other directorships and committee memberships, including their shareholding have already been provided in the Notice as well as in this report.

Notice of interest by Senior Management personnel

The Board has noted the notice by senior management disclosing all material financial and commercial transactions where they have personal interest.

3. Audit Committee:

Terms of Reference

The terms of reference of Audit Committee are as per the revised guidelines set out in the listing agreement with Stock exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time. The Audit committee has been entrusted with all required authority and powers to play an effective role as envisaged under revised clause 49 of the Listing Agreement.

Composition

The Board constituted the Audit Committee on 16th April 2001. The following directors are the current members of the Committee:

a) Dr. Neville Bain
b) Prof. Charles L Cooney
c) Mr. Suresh N. Talwar (w.e.f. July 2003)

The members of the committee are non-executive and independent directors and possess sound knowledge of accounts, finance, audit and legal matters. Dr. Neville Bain is the Chairman of the Committee.

Meeting and attendance during the year:

Name	No. of meetings held	No. of meetings attended
Dr. Neville Bain	4	4
Prof. Charles L Cooney	4	4
Mr. Suresh N. Talwar	4	4

During the year 2006-07, the Committee met 4 times on 19th April, 06, 18th July, 06, 17th October, 06 and 17th Jan, 07. The Senior Management and Auditors were invited to attend the meeting of the audit committee and attended all meetings. The Company Secretary also acts as the Secretary to the Audit Committee.

The Committee reviewed the financial results of the Company prepared in accordance with Indian GAAP (including consolidated results) and recommended the same to the Board of Directors for their adoption. The Committee also reviewed the consolidated financial results of the Company prepared in accordance with US GAAP as at and for the year ended March 31, 2007 and recommended the same to the Board of Directors for their adoption.

The Committee also recommended to the Board of Directors, the re-appointment of M/s S.R.Batliboi & Associates, Chartered Accountants, as Statutory Auditors of the Company from conclusion of 2007 Annual General Meeting to the forthcoming Annual General Meeting.

The Committee also reviewed Internal Audit reports, Internal Control Systems, utilization of IPO proceeds, risk management policies, related party transaction, etc from time to time.

Audit committee members are advised of the work of independent internal auditors. M/s. Grant Thornton were appointed to review the control processes in-place and report quarterly to the audit committee.

Subsidiary Companies:

The Company has two subsidiary companies, Syngene International Ltd, Clinigene International Ltd and a joint venture, Biocon Biopharmaceuticals Pvt. Ltd, as explained in the Directors Report. None of the subsidiary companies represent more than 20% of turnover or net worth of the Company. However, the two independent Directors of the Company are on the Board of Syngene International Ltd.

The Audit committee of the Company also reviews the financial statements of all the subsidiary companies. The minutes of the Board Meetings of subsidiary companies are placed at the Board Meetings of the Company and reviewed in detail.

CEO/CFO Certification:

The Board has recognized the Chairman and Managing Director of the Company as the CEO and President – Group Finance as the CFO for the limited purpose of compliance under the Listing Agreement. The CEO and CFO 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.

4. Remuneration Committee:

Terms of Reference:

The terms of reference of the Remuneration Committee, inter alia, includes determination of compensation package of executive directors and senior management of the Company, determination and supervision of the bonus scheme of the company and to investigate any activities within the terms of reference, etc. The committee also oversees the employee stock option scheme and recommends the same for the approval of the Board/shareholders. The Committee is empowered to decide the eligibility of the category of employees and the terms and conditions of grants to be extended under the ESOP schemes of the Company.

Constitution:

The Board constituted the Remuneration Committee on 16th April 2001. The following directors are the current members of the Committee:

a) Prof. Charles L Cooney

b) Dr. Neville Bain

The members of the committee are non-executive and independent directors. Prof. Charles L Cooney is the Chairman of the Committee.

Meeting and Attendance during the year:

During the year 2006-07, the Committee met 4 times on 19th April, 06, 18th July, 06, 17th October, 06 and 17th January 07 and all the members attended all the meetings.

Remuneration Policy

The remuneration policy of the Company is broadly based on the following criteria:

a) Job responsibilities

b) Key performance areas of the employees/directors

c) Industry trend

Details of Remuneration:

The details of remuneration and sitting fees paid or provided to each of the Directors during the year ended 31st March 2007 are given below:

Name of the Director	Salary and perquisites Rs				Sitting Fees Rs	Stock Options Nos.
	Fixed pay	Perquisites	Variable pay (performance Bonus)	Retiral benefits		
Dr. Kiran Mazumdar Shaw	9,222,000	26,400	652,800	417,600	-	-
Mr. JMM Shaw	6,438,000	-	652,800	-	-	-
Prof. Ravi Mazumdar	-	-	-	-	60,000	-
Dr. Neville Bain	-	-	-	-	180,000	48,974
Prof. Charles L Cooney	-	-	-	-	180,000	48,974
Mr. Suresh N. Talwar	-	-	-	-	160,000	-
Dr. Bala S. Manian	-	-	-	-	80,000	-
Prof. Catherine Rosenberg (Alternate Director)	-	-	-	-	20,000	-

Of the Board Members, only Dr. Kiran Mazumdar-Shaw and Mr. JMM Shaw are Executive Directors and others are Non- Executive Directors.

The Chairman & Managing Director and the Vice-Chairman were paid remuneration, including performance bonuses, as approved by the shareholders in the last Annual General Meeting.

Pecuniary relations or transactions of the Non-executive directors:

There were no pecuniary relationship or transactions of non-executive directors vis- a-vis the Company which has potential conflict with the interests of the company at large. The Company has sought legal opinion from M/s Crawford Bayley & Co., on a need basis.

Mr. Suresh N. Talwar, Director of the Company was a partner in M/s Crawford Bayley & Co during the period when the Company sought legal opinions from M/s Crawford Bayley & Co. Prof. Charles L Cooney and Dr. Bala S Manian are Chairman and member of the Scientific Advisory Board respectively. None of these transactions has any potential conflict of interests with the Company at large.

The transactions of Non- executive Directors were disclosed to the Board and Board noted that all pecuniary relationship and transactions are non-material and do not affect the independence of the Directors.

The financial transactions with the Non-Executive Directors during year were:

Name of the person	Designation	Nature of transaction	Amount (Rs)
Mr. Suresh N. Talwar	Director	Services availed from Crawford Bailey and Co. in which Mr. Suresh N. Talwar was a partner.	25,000
Prof. Charles L Cooney	Director	Sitting fees as Chairman of Scientific Advisory Board	4,19,500
Dr. Bala S Manian	Director	Sitting fees as Member of the Scientific Advisory Board	4,19,500

Compensation / Fees paid to Non Executive Directors:

The Non-executive directors were paid sitting fees for attending the Board and Committee Meetings.

Dr. Neville Bain and Prof. Charles L Cooney, who are non executive independent directors were granted stock options for 195,902 shares each (adjusted for bonus issues and stock splits) in Biocon Limited, in the year 2002. Options for purchase of 48,976 shares had vested in 2003 and options for purchase of 97,952 , shares vested in 2005 for each of them. The same had been exercised and transferred. The balance of 48,974 shares each was vested, exercised and transferred in the year 2006-2007.

Besides, Prof. Charles L Cooney and Dr. Bala S. Manian were paid sitting fees for attending the meetings of the Scientific Advisory Board of the Company.

Criteria for making payment to Non- Executive Directors:

The role of non executive / independent Directors of the Company is not just restricted to corporate governance or outlook of the Company but also to involve and contribute to the evolution of the Company. The non- executive and independent directors of the company are eminent scientists, researchers, technocrats and professionals and some of the directors are members of Scientific Advisory Board of Company. The Company seeks their expert advice on various matters in science, technology, legal or IP. Hence the compensation to the non executive directors towards the professional services to the Company is recommended. Shareholders have given their approval for the same at their annual general meeting held on 19th July, 2006.

5. Shareholders:

Investor Grievances Committee:

Prior to the Initial Public offering of the Company, i.e. on 17th January 2004, the Board constituted this committee with the following members:

a) Dr. Neville Bain, Chairman
b) Dr. Kiran Mazumdar -Shaw
c) Mr. JMM Shaw

The Committee was formed to specifically redress shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc. Dr. Neville Bain, Chairman of the Committee is a non-executive and independent Director.

During the year 2006-07, the Committee met 4 times on 19th April, 2006, 19th July, 2006, 18th October, 2006 and 17th January 2007 and all the members attended these meetings.

The Board had also constituted a Share transfer Committee consisting of Dr. Kiran Mazumdar-Shaw, Chairman & Managing Director, Mr. J M M Shaw, Vice Chairman and Mr. K N Murali Krishnan, President Group - Finance of the Company to attend to the share transfer formalities, as and when required.

Compliance officer:

Ms. Usha T N, Company Secretary was designated as the compliance officer under SEBI (Disclosure and Investor Protection) Guidelines, 2000 for overseeing/ addressing the investor complaints.

Details of Shareholders Complaints

Details of the shareholders complaints received and redressed during the year:

Complaints Received	Complaints solved	Pending
120	120	None

There have been no material grievances raised and all items referred have been dealt with.

6. General Body Meetings:

Location and Date of the General Body Meetings:

Generally, the Annual General Meetings of the Company are convened within four months of the close of the financial year. The details of the previous three Annual General Meetings are as below:

Year	Date	Venue	Special resolutions passed
2003-04	15th July 2004	Sathya Sai Samskruta Sadanam, (No. 20, Hosur Road, Bangalore - 560 029)	None
2004-05	20th July 2005	Sathya Sai Samskruta Sadanam, (No. 20, Hosur Road, Bangalore - 560 029)	None
2005-06	19th July, 2006	Sathya Sai Samskruta Sadanam, (No. 20, Hosur Road, Bangalore - 560 029)	None

There were no matters required to be dealt/ passed by the Company by special resolution or through postal ballot, as required under the provisions of Section 192A of the Companies Act, 1956.

7. Disclosures

Related party transactions:

Audit Committee reviews periodically the significant related party transactions i.e. transactions of the Company, which are of material nature, with it's subsidiaries, directors, or relatives or the management that may have potential conflict with the interests of the company at large. Details are provided in Note 22 of the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18, issued by the Institute of Chartered Accountants of India.

Details of non compliance:

There were no penalties or strictures imposed on the company by Stock Exchanges, SEBI or any statutory authority in any matter related to capital markets during the last 3 years.

Whistle Blower policy

Company has laid down a Whistle Blower Policy and the same has been posted on the Intranet of the Company. The mail id of the Chairman of the Audit Committee has been given in the policy for the employees to post the data. No employee is denied to meet the Audit Committee members of the Company.

Compliance with non-mandatory requirements of clause 49 of the listing agreement:

The Company has complied with the non –mandatory requirements relating to remuneration committee and Whistle Blower policy to the extent detailed above and has not complied with other non-mandatory requirements.

Accounting Treatment:

The company's financial statements are prepared in accordance with Generally Accepted Accounting Principles and Comply with the Accounting Standards issued by the Institute of Chartered Accountants of India.

Risk Management:

The Audit Committee regularly reviews the risk assessment and control process in the company and is satisfied that the process is appropriate to the company needs. The Board also periodically reviews the Risk assessment procedure and risk mitigation procedures laid down by the company.

Utilization of Public Issue proceeds:

The Company had raised Rs 315 Crores through Public issue for setting up new facilities to augment submerged fermentation and chemical synthesis operation, to support the growth objectives of the company and consolidate the position in the market for these products. The Company has spent the entire amount of money raised through the public issue for the purpose it has been raised.

8. Means of communication:

The quarterly, half-yearly and yearly financial results are sent to the Stock Exchanges immediately after the Board approves the same. These results are also published in English newspaper, usually in Business Standard and Kannada newspaper, Kannada Prabha.

The results along with presentations made by the Company to Analysts are also posted on the website of the company viz. www.biocon.com and on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre (NIC). The Company's website also displays all official news releases.

The Company organizes investor conference calls to discuss its financial results every quarter where investor queries are answered by the Executive Management of the Company. The transcripts of the conference calls are posted on our website.

Management Discussion and Analysis has been done by the Directors and forms part of Directors' Report.

9. General Shareholder Information:

i) Annual General Meeting:		
Date and Time	:	18th July 2007 at 3.30 PM
Venue	:	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029
ii) Financial Calendar for 2007-08	:	The following are tentative dates:
First Quarterly results	:	18th July 2007
Half-yearly Results	:	18th October 2007
Third Quarterly Results	:	18th January 2008
Annual results 2007-08	:	19th April 2008
AGM for the year 2007-08	:	18th July, 2008
iii) Dates of Book Closure	:	Monday, 2nd July 2007 to Thursday, 19th July 2007 - (Both days inclusive)
iv) Dividend payment date	:	On or after 19th July, 2007
v) Listing on Stock Exchanges	:	The National Stock Exchange of India Ltd Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai - 400 051 and The Stock Exchange, Mumbai P J Towers, Dalal Street, Mumbai - 400 001 Listing is effective from 7th April 04

vi) Stock Code/Symbol : NSE - BIOCON
BSE – 532523

vii) International Securities Identification Number : INE 376G01013

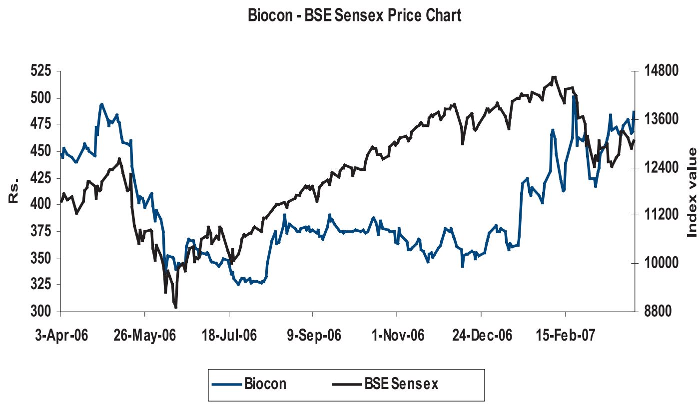
viii) Market Price data during 2006-07 :

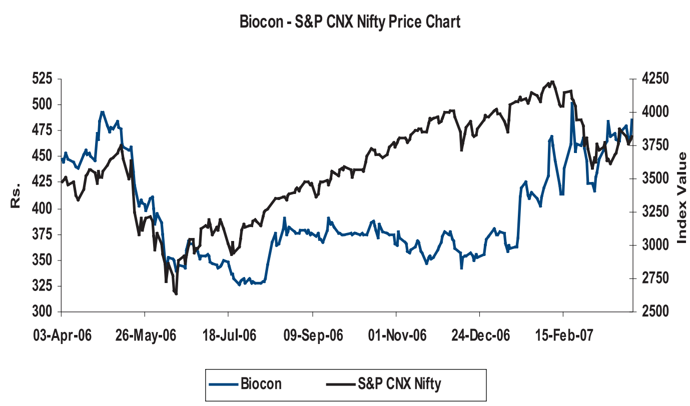
The monthly high/low prices of shares of the Company from April 1, 2006 to March 31, 2007 are given below:

Sl No	Month	BSE High (Rs)	BSE Low (Rs)	BSE Volume of Shares	NSE High (Rs)	NSE Low (Rs)	NSE Volume of Shares
1	April-06	502.60	427.00	1,069,864	499.90	365.00	2,026,810
2	May-06	510.00	392.55	897,594	510.00	396.00	1,906,545
3	June-06	400.00	306.00	420,093	403.25	328.25	977,393
4	July-06	368.00	324.00	213,832	360.00	321.00	434,867
5	August-06	403.40	326.00	1,935,239	402.50	326.00	3,391,571
6	September-06	428.00	365.10	1,699,691	427.90	356.25	3,114,724
7	October-06	397.80	364.00	826,311	397.00	364.10	1,251,036
8	November-06	390.45	345.10	1,126,010	391.00	345.00	2,138,117
9	December-06	385.75	342.00	611,751	379.90	340.05	1,111,857
10	January-07	445.65	357.05	4,434,733	426.90	341.10	7,573,957
11	February-07	512.90	400.05	8,491,833	512.00	401.10	14,157,881
12	March-07	497.00	408.00	3,129,238	489.05	402.00	5,306,205

ix) Relative movement chart

The chart below gives the relative movement of the closing price of the Company's share and the BSE Sensex / NSE Nifty relative to the closing price. The period covered is April 01, 2006 to March 31, 2007. The Biocon Management cautions that the stock price movement shown in the graph below should not be considered indicative of potential future stock price performance.





x) Registrar and Transfer Agents: Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034

xi) Share Transfer System :

The shares of the Company are traded in the Compulsory DEMAT mode for all investors. The Share Transfer Committee approves the transfer of shares in the physical form as per the time limits specified in the Listing Agreement.

xii) Distribution of Shareholding:

The distribution of shareholding as on 31st March 2007, pursuant to clause 35 of the listing agreement is as under:

A. Shareholders- by Category:

	Category of Shareholder	No. of shareholders	Total number of shares	% of Capital
(A)	**Shareholding of Promoter and Promoter Group**			
(I)	Indian			
(a)	Individuals / Hindu Undivided Family	4	40,430,197	40
	Sub-Total (A)(I)	**4**	**40,430,197**	**40**
(II)	Foreign			
(a)	Individuals (Non-Resident individuals / Foreign Individuals)	1	703,779	1
(b)	Bodies Corporate	1	19,767,597	20
(c)	Institutions	-	-	-
(d)	Any Other (specify)	-	-	-
	Sub-Total (A)(II)	**2**	**20,471,376**	**21**
	Total Shareholding of Promoter and Promoter Group (A) = (A)(I) + (A)(II)	**6**	**60,901,573**	**61**
(B)	**Public shareholding**			
(I)	**Institutional**			
(a)	Mutual Funds / UTI	19	5,792,224	6
(b)	Financial Institutions / Banks	18	361,463	-
(e)	Insurance Companies	3	747,037	1
(f)	Foreign Institutional Investors	51	7,218,169	7
(g)	Foreign Venture Capital Investors	-	-	-
(h)	Any Other	-	-	-
	Sub-Total (B)(I)	**91**	**1,4118,893**	**14**
(II)	**Non-institutional**			
(a)	Bodies Corporate	1,394	1,953,987	2
(b)	Individuals			
	I. Individual shareholders holding nominal share capital up to Rs 1 lakh.	81,049	8,259,587	8
	II. Individual shareholders holding nominal share capital in excess of Rs 1 lakh.	94	7,285,591	7
(c)	Any Other-			
	(i) Non resident Indians	1,109	677,435	1
	(ii) Trusts	17	5,239,220	5
	(iii) Foreign Nationals	10	1,482,036	1
	(iv) Clearing Members	199	81,678	-
	Sub-Total (B)(II)	**83,872**	**24,979,534**	**25**
	Total Public Shareholding (B) = (B)(I) + (B)(II)	83,963	39,098,427	39
	TOTAL (A)+(B)	**83,969**	**100,000,000**	**100**
(C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-	-
	GRAND TOTAL (A+B+C)	**83,969**	**100,000,000**	**100**

B. Distribution of shareholding by no. of shares :
Distribution Schedule as on March 31, 2007

Category (Amount)	No. of Shareholders	%	Total Shares	Par value (Rs)	% of Amount
1 - 5000	81,873	98.35%	6,465,681	32,328,405	6.47%
5001 - 10000	576	0.69%	867,430	4,337,150	0.87%
10001 - 20000	329	0.40%	938,732	4,693,660	0.94%
20001 - 30000	145	0.17%	719,890	3,599,450	0.72%
30001 - 40000	48	0.06%	328,839	1,644,195	0.33%
40001 - 50000	40	0.05%	369,294	1,846,470	0.37%
50001 - 100000	85	0.10%	1,197,780	5,988,900	1.20%
100001 & Above	150	0.18%	89,112,354	445,561,770	89.11%
Total	83,246	100.00%	100,000,000	500,000,000	100.00%

xiii) Dematerialization of shares and liquidity:

Procedure for dematerialization/ rematerialization of scrips

Shareholders are required to submit demat / remat request to Depository Participants (DP) with whom they maintain a demat account. DP sends the request for demat of shares along with the physical share certificate to Registrar and Transfer Agents of the company. The Registrar liaison with Depository Participants (DP) and National Securities Depository Ltd (NSDL) or Central Depository Services (India) Ltd (CDSL) within 10 days from the date of log in of the request in the system and acknowledge the receipt of physical shares for Demat and verify the genuiness of the edit list. After verification of edit list and effecting the corrections, if any, the Registrar updates the final Demat Register.

The Registrar forwards the confirmation report to CDSL / NSDL or rejection report as the case may be. The Registrar does the reconciliation and confirmation of capital. The Registrar also corresponds with the DP and shareholders in case of rejection.

As on 31st March, 2007, 305,231 shares (0.03%) of the Company were in physical form.

Consequent to the IPO of 10% of the Company's paid-up capital, in March 2004, 20,000,000 shares held by the Promoters of Biocon, representing 20% of the total paid-up share capital, was locked in for 3 years from the date of allotment under the IPO, i.e. till 31st March 2007, as per the SEBI (DIP) Guidelines, 2000.

Outstanding GDRs/ ADRs/Warrants and convertible instruments, conversion date and likely impact on equity : Not applicable.

xiv) Plant locations:

i) 20th KM, Hosur Road,
Electronic City
Bangalore - 560 100

ii) Plot No 113/C2,
Bommasandra Industrial Area,
Bommasandra, Bangalore - 560 099

iii) Biocon Park
Plot No 2, 3, 4 and 5
Bommasandra – Jigani Link Road
Bangalore – 560 099

xv) Address for correspondence: Investor correspondence may be addressed to:

a) Company Secretary
Biocon Limited
20th KM, Hosur Road,
Electronic City,
Bangalore - 560 100
Mail id: co.secretary@ biocon.com ; Ph : 080 - 2808 2030

b) Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034
Mail id : Mahender@karvy.com or Jayaramanvk@karvy.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Biocon Limited

We have examined the compliance of conditions of corporate governance by Biocon Limited ('Company'), for the year ended on March 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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 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.

S.R. BATLIBOI & Associates
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2007

AUDITORS' REPORT

To
The Members of Biocon Limited

1. We have audited the attached Balance Sheet of BIOCON LIMITED as at March 31, 2007 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

iii. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Shzzection 274 of the Companies Act, 1956

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007.
(b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
(c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & Associates
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2007

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re: **BIOCON LIMITED**

(i) The Company has maintained proper records showing full particulars, including details and situation, of fixed assets. *The Company however, is in the process of updating the quantitative records for certain fixed assets as of March31, 2007.* Fixed assets, to the extent the quantitative details are available, have been physically verified by the management during the year in accordance with a regular programme of verification, intended to cover all the fixed assets of the Company over a period of two years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification. There was no substantial disposal of fixed assets during the year.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year. The procedures of physical verification of inventory (except for goods in bond and in transit) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and is in the process of strengthening the inventory recording system for one of its unit. There were no material discrepancies noticed on physical verification.

(iii) As informed, the Company has granted unsecured loans to two companies listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 1,031 million and the balance outstanding at March 31, 2007 was Rs 315 million. In our opinion and according to the information and explanation given to us, the loan given to one of its subsidiary is interest free, the rate of interest for the other loan and other terms and conditions of the loans given by the Company during the year, are not prima facie prejudicial to the interest of the Company. Based on our audit procedures and the information and explanation made available to us, there is no overdue amount of the loan granted by the Company to the companies listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has not taken / granted any other loans from / to companies, firms or other parties listed in the register maintained under Section 301 of the companies Act.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the companies Act, that need to be entered into the register maintained under Section 301 have been so entered. *In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature involved and absence of any comparable prices, we are unable to comment whether the transactions are made at prevailing market prices at the relevant time.*

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) Undisputed statutory dues including provident fund, investor education and protection fund or employees' state insurance, Income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it have generally been regularly deposited with the appropriate authorities.

According to the information and explanations given to us, there were no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable *except for entry tax payable under Karnataka Tax on Entry of Goods Act, 1979 as follows:*

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Due Date	Date of Payment
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on causing entry of notified goods in Karnataka	734,828	2004-2005	Due on 20th of following month	–
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on causing entry of notified goods in Karnataka	1,506,749	2005-2006	Due on 20th of the following month	–

According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Dispute in classification of certain products	633,417*	1994-1995	Assistant Collector of Central Excise.
The Central Excise Act, 1944	Dispute regarding reversal of Cenvat Credit on furnace oil	859,291	2005-2006	Commissioner of Central Excise.
The Customs Act, 1962	Dispute regarding eligibility for notification benefit	1,491,438	2004-2005	Customs, Excise and Service Tax Appellate Tribunal Chennai
The Customs Act, 1962	Dispute regarding eligibility for notification benefit	1,513,846*	2004-2005	Customs, Excise and Service Tax Appellate Tribunal Chennai
Income-tax Act, 1961	Assessment year 1994-1995	2,076,607*	1993-1994	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1995-1996	2,874,354*	1994-1995	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1996-1997	2,951,633*	1995-1996	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1997-1998	3,878,830*	1996-1997	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1998-1999	4,040,002*	1997-1998	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 2004-2005	14,968,463#	2003-2004	Commissioner of Income Tax (Appeal)
Income-tax Act, 1961	Assessment year 2005-2006	30,551,254	2004-2005	Commissioner of Income Tax (Appeal)

* These amounts were paid under protest.

The amount has been provided in the books of accounts.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As informed to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) As informed to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion, are not prima-facie prejudicial to the interest of the Company.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & Associates
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2007

BIOCON LIMITED

BALANCE SHEET - MARCH 31, 2007

(All amounts in Indian Rupees thousands)

	Notes	2007	2006 (Note 31)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	3	500,000	500,000
Reserves and surplus	2(a), 2(m) & 4	8,916,405	7,530,435
		9,416,405	**8,030,435**
Loan Funds			
Secured loans	5	587,331	677,549
Unsecured loans	6	480,402	372,927
		1,067,733	**1,050,476**
Deferred Tax Liability (Net)	2(k) & 7	397,569	279,738
		10,881,707	**9,360,649**
APPLICATION OF FUNDS			
Fixed Assets	2(b), 2(c), 2(d), 2(j) 2(l), 8(i) & 17		
Cost		8,099,852	3,161,061
Less: Accumulated depreciation		1,449,958	882,938
Net book value		**6,649,894**	**2,278,123**
Capital work-in-progress [including capital advances of Rs 19,796 (March 31, 2006 - Rs 63,314)]		299,048	4,564,301
		6,948,942	**6,842,424**
Intangible Assets	1(c), 2(d) & 8 (ii)	**512,000**	**-**
Investments	2(g) & 9	**786,000**	**1,390,554**
Current Assets, Loans And Advances			
Inventories	2(e) & 10	1,506,589	1,053,083
Sundry debtors	2(j) & 11	2,748,526	2,060,369
Cash and bank balances	12	76,313	20,035
Loans and advances	13	467,779	212,135
		4,799,207	**3,345,622**
Less: Current Liabilities And Provisions			
Current Liabilities	2(h), 2(i),	1,759,431	1,818,890
Provisions	2(k), 2(j), 2(q), 14 & 23	405,011	399,061
		2,164,442	**2,217,951**
Net Current Assets		2,634,765	1,127,671
		10,881,707	**9,360,649**

The accompanying notes 1 to 31 form an integral part of this balance sheet

As per our report of even date
S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

BIOCON LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees thousands, except share data including share price)

	Notes	2007	2006 (Note 31)
INCOME			
Gross sales		8,599,119	7,246,713
Less: Excise duty		361,717	371,789
Net sales	2(f) & 2(j)	**8,237,402**	**6,874,924**
Technical licensing fees	2(f) & 2(j)	272,352	10,781
Other income	15	121,105	46,130
		8,630,859	**6,931,835**
EXPENDITURE			
Manufacturing, contract research and other expenses	2(d), 2(h), 2(i), 2(j) 2(m), 2(o) & 16	6,266,690	5,077,718
Interest and finance charges	2(l) & 18	77,618	16,887
		6,344,308	**5,094,605**
PROFIT BEFORE DEPRECIATION AND TAXES		**2,286,551**	**1,837,230**
Depreciation / Amortisation	2(b) & 8 (i), 8 (ii)	577,666	230,102
Less: Amount transferred from revaluation reserve	2(b) & 4	1,606	1,606
		576,060	**228,496**
PROFIT BEFORE TAXES		**1,710,491**	**1,608,734**
Provision for income-tax			
Current tax	2(k) & 21	-	208,633
Current tax - MAT Payable	2(k) & 21	52,481	-
Less - MAT Credit Entitlement		(52,481)	-
Deferred taxes	2(k) & 7	117,831	60,141
Fringe Benefits	21	9,158	5,130
NET PROFIT FOR THE YEAR		**1,583,502**	**1,334,830**
Balance brought forward from previous year		3,301,451	2,385,167
PROFIT AVAILABLE FOR APPROPRIATION		**4,884,953**	**3,719,997**
Proposed dividend on equity shares		300,000	250,000
Tax on proposed dividend		50,985	35,063
Transfer to General Reserve		158,351	133,483
BALANCE, END OF THE YEAR		**4,375,617**	**3,301,451**
Earnings per share (equity shares, par value of Rs 5 each)			
Basic (in Rs)	2(n)	16.38	13.97
Diluted (in Rs)		16.30	13.79
Weighted average number of shares used in computing earnings per share			
Basic	20	96,644,920	95,567,448
Diluted	20	97,140,135	96,791,285

The accompanying notes 1 to 31 form an integral part of the profit and loss account

As per our report of even date
S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

BIOCON LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees thousands)

		2007	2006
			(Note 31)
I. CASH FLOWS FROM OPERATING ACTIVITIES :			
Net profit before tax		**1,710,491**	**1,608,733**
Adjustments for			
Add: Non cash item/items required to be disclosed separately:			
Depreciation and Amortisation	576,060		228,496
Unrealised exchange (gain)/loss	11,000		(9,198)
Amortisation of employee compensation cost	50,317		9,467
Provision for bad and doubtful debts	9,770		2,578
Interest expense	81,624		24,814
Interest income (gross)	(51,122)		(23,713)
Dividend earned (gross)	(2,922)		(22,076)
Gain on sale of investment in mutual funds	-		(1,835)
Gain on assets sold	(275)		(346)
		674,452	208,187
Changes in working capital and other provisions			
Inventories	(453,505)		(340,162)
Sundry debtors	(719,927)		(329,854)
Loans and advances	(185,175)		(60,292)
Current liabilities and provisions (incl book overdraft)	223,758		(501,039)
		(1,134,849)	(1,231,347)
		(460,397)	(1,023,160)
Cash generated from operations		1,250,094	585,573
Tax paid (net of refunds)		(110,719)	(182,414)
Net cash provided by operating activities		1,139,375	403,159
II. CASH FLOWS FROM INVESTING ACTIVITIES :			
Fixed assets			
Purchase	(981,603)		(1,570,824)
Sale	935		500
Purchase of Intangible assets	(182,597)		-
Interest received	26,582		23,884
Dividend received	2,922		22,076
Loan to Subsidiary / Joint Venture Companies	406,375		(530,119)
Sale of investment	1,710,107		3,463,234
Purchase of investment			
Long term	(22,440)		(381,010)
Current	(1,828,030)		(1,510,775)
Net cash used for investing activities		(867,749)	(483,034)
III. CASH FLOWS FROM FINANCING ACTIVITIES :			
Short term borrowings from banks, net	(90,218)		183,500
Deferred sales tax credit	107,475		102,791
Dividend paid	(250,000)		(199,275)
Dividend tax paid	(35,063)		(28,050)
Interest paid	(81,364)		(24,979)
Recovery of ESOP Compensation Expense from subsidiaries	24,926		-
Movement in reserves of ESOP trust	79,817		13,423
Net cash used for financing activities		(244,427)	47,410
IV. NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)		27,199	(32,465)
V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		19,310	34,201
VI. CASH AND CASH EQUIVALENTS OF THE ESOP TRUST ACQUIRED DURING THE YEAR		28,770	17,574
VII. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V + VI)		**75,279**	**19,310**
COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR			
Cash on Hand		4,262	1,218
Balances with Banks - in current accounts (excluding Unclaimed Dividend)		41,024	1,816
Balances with Banks - in deposit accounts		29,993	16,276
		75,279	**19,310**

As per our report of even date

S.R. BATLIBOI & Associates
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283
Bangalore
April 19, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

BIOCON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees and US Dollars in thousands, except share data including share price)

1. Background

a. Incorporation and history

Biocon Limited ('Biocon' or 'the Company'), promoted by Ms Kiran Mazumdar Shaw ('KMZ'), was incorporated at Bangalore in 1978 for manufacture of biotechnology products. On November 17, 2003, the name of the Company was changed from Biocon India Limited to Biocon Limited. The Company has its facilities at Hebbagodi and Bommasandra, Bangalore district, Karnataka and is engaged in manufacturing biotechnological products in the pharmaceutical and enzyme sectors through fermentation based technology and the Company has also made an entry into the formulations business.

In March 2002, the Company acquired 99.99 per cent of the share capital of Syngene International Limited ('Syngene') (*formerly Syngene International Private Limited*) a contract research company. Syngene was also promoted and controlled by KMZ and the consideration for such acquisition was the issue of 202,780 equity shares of Biocon of Rs 10 each, determined on the basis of fair values as approved by the statutory authorities.

Also, the Company, on March 31, 2001, acquired 100 per cent equity of Clinigene International Limited ('Clinigene') (*formerly Clinigene International Private Limited*), a company that undertakes clinical research activities.

Biocon entered into an Agreement on February 22, 2002 to set up a Joint Venture Company, with CIMAB SA ('CIMAB'), a company organised and existing under the laws of Cuba and engaged in research, development, manufacturing and marketing of Biopharmaceuticals, to manufacture and market products using technology and to carry out research activities. Accordingly, Biocon Biopharmaceuticals Private Limited ('BBPL') was incorporated on June 17, 2002 and on April 18, 2003, Biocon acquired a 51 per cent shareholding in BBPL.

In March 2004, the Company completed an Initial Public Offering ('IPO') and made a fresh issue of 10,000,000 equity shares of Rs 5 each at a price of Rs 315 per share. Consequently, on April 7, 2004, the equity shares of the Company were listed on the National Stock Exchange of India and The Stock Exchange, Mumbai. The proceeds of the issue had been used for setting up the new facilities at Biocon Park to augment the existing capacities for the submerged fermentation and chemical synthesis operations (collectively referred to as 'the Project').

b. Biocon Park Facility

The Company's Biocon Park facility, with total investments of Rs 4,557 million commenced operations during the year. Though reasonable time had elapsed since the commencement of trial runs, the Company believed that it needed to undertake 'extended trial runs' for the plant and machinery to be operated at its full capacity. Accordingly, even though the Biocon Park Facility was not put to commercial use by the Company, it had capitalised its Biocon Park Facility and started depreciating these assets effective June 7, 2006 over their estimated economic useful lives. The commercial operation at the facility started on September 28, 2006

All direct costs related to trial runs till June 6, 2006 were capitalized with the Biocon Park assets and proceeds, if any, from the sale of the trial production; and/or profits, if any, from the transfer of the trial production to the existing Biocon facility have been reduced from Biocon Park assets.

The direct costs incurred at the Biocon Park Facility during the extended trial run period including depreciation charge have been expensed in the Statement of Profit and Loss. The processed quantity of the 'extended trial run production' has been transferred to other operating facility of the Company for further processing.

c. Purchase of Intellectual Properties of Nobex Inc., USA

The Company had entered into Research and Development Agreements and Investment Agreements with Nobex Inc., USA ('Nobex') to carry out research and development for Oral Insulin Product and BNP products on October 20, 2004 and April 25, 2005, respectively; and invested Rs 272 million in the common stock and promissory notes from October 2004 through December 31, 2005. It has further paid Rs 13 million towards license fees for Oral Insulin and Rs 54 million towards loan and security arrangement entered on December 1, 2005 to facilitate the orderly sale of asset. The investments of Rs 339 million upto March 31, 2006 was reflected as investments at March 31, 2006

As on December 1, 2005, Nobex had filed for bankruptcy under Chapter 11 of US Bankruptcy laws. Consequently, the audit report for the three month period and nine-month period ended December 31, 2005 was modified as there was uncertainty with respect to the Company's ability to recover its investments in Nobex from the monetization of intellectual properties.

Subsequently on March 20, 2006, the Company emerged as the winning bidder for the assets primarily including, without limitation, patents relating to certain technologies for Oral Insulin, Oral BNP, Basil Insulin and Apaza (collectively hereinafter referred to as 'IPs'), for a total consideration of US$ 5 million. The closing for the sale process has been completed in April 2006. Accordingly, the total commitment made by Biocon, including investments already made, aggregates to US$ 12 million (Rs 496 million).

As at September 30, 2006, as the Company was yet to determine its firm plan to monetise the IPs either in the existing form or through further development and commercialisation, the underlying intangible assets of Rs 524,209 relating to the IPs, including legal costs directly related to the acquisition of the IPs of Rs 28,451 capitalised as a part of these intangible assets, were not ready for its intended use and hence were carried at cost.

In the board meeting of October 18, 2006, the Company has decided to license out certain of its IP (Apaza) and to retain the rest of the IPs for its further developments and commercialisation. The Company has estimated the value of IPs for Apaza based on the valuation report obtained during Q1, to be US$ 2 million. The balance of the IPs is valued at US$ 10 million, equally spilt between Oral Insulin and BNP.

As the Apaza is ready for its intended use, the amortization is considered effective October 2006. Accordingly, the financial statements include a charge of Rs 9 million as amortization of intangible asset disclosed under schedule 8 (ii).

2. Statement of significant accounting policies

a. Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. In accordance with the revised Employee Stock Option Scheme and Stock Purchase Guidelines 1999 ('SEBI guidelines') issued by SEBI, the Company has consolidated the Biocon India Limited Employee Welfare Trust ('ESOP Trust').

b. Fixed assets and depreciation

Fixed assets are stated at cost, except for revalued freehold land and buildings, which are shown at estimated replacement cost as determined by valuers less impairment loss, if any, and accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

Fixed assets, other than freehold land, but including revalued buildings, are depreciated pro rata to the period of use on the straight line method at the annual rates based on the estimated useful lives, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher, as follows:

Nature of Asset	Per cent
Buildings	4.00
Plant and machinery	9.09 - 33.33
Research and development equipment	11.11
Furniture and fixtures	16.67
Vehicles	16.67

Leasehold land on a lease-cum-sale basis are capitalised at the allotment rates charged by the Municipal Authorities. Leasehold improvements are being depreciated over the lease term or useful time, whichever is lower.

The depreciation charge over and above the depreciation calculation on the original cost of the revalued assets is transferred from the revaluation reserve to the profit and loss account.

Assets individually costing less than Rs 5 are fully depreciated in the year of purchase.

c. Impairment of long-lived assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit. Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

d. Intangibles

Goodwill:

Goodwill is amortised over a period of 5 years and assessed for impairment at each balance sheet date.

Intellectual Property rights:

Costs relating to intellectual property rights which are acquired are capitalized and amortized on a straight-line basis over their estimated useful lives or ten years, whichever is lower.

Research and Development Costs:

Research and development costs, including technical know-how fees, incurred for development of products are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an intangible asset to the extent that it is expected that such assets will generate future economic benefits. Research and development expenditure of a capital nature is added to fixed assets. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

e. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all applicable overheads in bringing the inventories to their present location and condition. Excise duty arising on finished goods and customs duty on imported raw materials in stock (excluding stocks in the bonded warehouse) are treated as part of the cost of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

f. Revenue recognition

(i) Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purposes of disclosure in these financial statements, sales are reflected gross and net of excise duty in the profit and loss account.

(ii) Contract research fees are recognized as services are rendered, in accordance with the terms of the contracts, in case of services performed on "time and material basis". Revenues relating to fixed price contracts are recognised based on the percentage of completion method.

(iii) The Company enters into certain dossier sales, licensing and supply agreements and revenue from such agreements are recognised in the year in which the Company completes all its performance obligations.

g. Investments

Investments that are readily realisable and intended to be held for not more than 12 months are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value and determined on an individual investment basis.

h. Retirement benefits

Effective April 1, 2006, the Company has adopted the revised accounting standard on employee benefits. The Company has schemes of retirement benefits for provident fund and gratuity. Provident fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the government funds are due.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of superannuation, the Company has accrued the liability, based on the schemes of the Company. The Company has discontinued the superannuation scheme with effect from April 1, 2005.

Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

i. Leave encashment

Effective April 1, 2006, the Company has adopted the revised accounting standard on employee benefits. Liability for leave encashment is in accordance with the rules of the Company. Pursuant to the adoption, short term compensated absences are provided based on estimates. Long term compensated absences are provided based on the actuarial valuation.

j. Foreign currency transactions

Initial Recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences:

Exchange differences arising on the settlement of monetary items or on the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

Exchange differences relating to the acquisition of fixed assets are adjusted to the costs of the fixed assets.

Forward Exchange Contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

Foreign Currency Option Contracts not intended for trading or speculation purposes:

The Company enters into foreign currency option contracts to hedge its risks with respect to realisation of future receivables. The costs of these contracts, if any, are expensed over the period of the contract. The Company recognizes the loss/gain on the Expiry or Cancellation, whichever is earlier, of the Option Contracts.

k. Income tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

l. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

m. Deferred employee stock compensation costs

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

n. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax for the year. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year and are adjusted for bonus shares and sub-division of shares for all years presented in these financial statements. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares.

The shares issued to the ESOP Trust have been considered as outstanding for basic earnings per share purposes, to the extent these shares have been allocated to the employees pursuant to the ESOP scheme and are eligible for exercise. For dilutive EPS purpose, the shares, which are not yet eligible for exercise, have been considered as dilutive potential equity shares.

o. Operating lease

Where the Company is a Lessee:

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Where the Company is a Lessor:

Assets subject to operating leases are included in fixed assets. Lease incomes are recognised on a straight line basis over the lease term. Costs, including depreciation are recognised as an expense. Initial direct costs such as legal costs, brokerage costs, etc are recognised immediately.

p. Segment reporting

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products manufactured/traded, with each segment representing a strategic business unit that offers different products to different markets. The analysis of geographical segments is based on the areas in which the Company's products are sold.

Inter-segment Transfers:

The Company generally accounts for inter-segment sales and transfers at an agreed marked-up price.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

q. Provisions

A provision is recognised when an enterprise has a present obligation as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

r. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, only that portion is capitalized which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalized only if they increase the value of the asset beyond its original standard of performance.

3. Share capital	2007	2006
Authorised:		
120,000,000 (March 31, 2006 - 120,000,000) equity shares of Rs 5 each (March 31, 2006 - Rs 5 each)	600,000	600,000
Issued, subscribed and paid-up:		
100,000,000 (March 31, 2006 - 100,000,000) equity shares of Rs 5 each (March 31, 2006 - Rs 5 each), fully paid	**500,000**	**500,000**

(a) Of the above equity shares:
(i) 30,800 equity shares of Rs 100 each were allotted as fully paid bonus shares by capitalisation of general reserve in the year ended March 31, 1997.
(ii) 23,471 equity shares of Rs 100 each were allotted as fully paid-up shares in the year ended March 31, 2000 pursuant to a contract for consideration other than cash.
(iii) On October 8, 2001, the Company issued 12,153 equity shares of Rs 100 each to the ESOP Trust under an Employee Stock Option Plan ('ESOP Plan') and the ESOP Trust acquired 350 equity shares of Rs 100 each from certain individuals.
(iv) On March 30, 2002, the Company acquired 99.9 per cent equity in Syngene through the issue of 202,780 equity shares of Rs 10 each. The consideration was determined on the basis of a fair valuation, as approved by the statutory authorities in India. The related securities premium at Rs 403.8 per equity share has been credited to securities premium account.
(v) On May 9, 2002, the Company has further issued 15,870 equity shares of Rs 10 each to the Trust under the ESOP Plan. The Trust on October 20, 2003 acquired 2,500 equity shares of Rs 10 each from certain individuals. The total shares issued to the Trust were 7,023,100 equity shares of Rs 5 each, of which grants have been made for 3,814,385 equity shares as at March 31, 2006 and 7,023,100 equity shares as at March 31, 2007 [Refer Note 19].
(vi) In March 2004, the Company made an IPO of 10,000,000 fresh equity shares of Rs 5 each at a price of Rs 315 per share.

(b) The shareholders at the Extraordinary General Meeting ('EGM') of the Company held on February 25, 2002, approved the sub-division of equity shares of face value of Rs 100 each into ten equity shares of face value of Rs 10 each. The Board of Directors in their meeting held on March 30, 2002 passed a resolution for effecting the sub-division. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 2,000,000 equity shares of Rs 10 each and the then issued, subscribed and paid-up capital of Rs 18,218 as at March 31, 2002 was divided into 1,821,780 equity shares of Rs 10 each.

(c) The shareholders at the EGM of the Company held on November 11, 2003, approved the sub-division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each and increase in authorised capital from Rs 20,000 to Rs 600,000. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 4,000,000 equity shares of Rs 5 each and the issued, subscribed and paid -up capital of Rs 18,377, has been divided into 3,675,300 shares of Rs 5 each.

(d) Further, the shareholders at the EGM of the Company held on November 11, 2003 approved the allotment of 86,324,700 equity shares of Rs 5 each as bonus shares in the ratio of 1 : 23.4877958 to the shareholders existing as on November 11, 2003, which was the approved record date for this purpose, by capitalisation of the balance in the profit and loss account of Rs 431,624.

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4. Reserves and surplus	2007	2006
Revaluation Reserve		
Balance, beginning of the year	12,696	14,302
Less: Transfer to profit and loss account	1,606	1,606
	11,090	**12,696**
Securities Premium		
Balance, beginning / end of the year	3,288,478	3,288,478
	3,288,478	**3,288,478**
ESOP trust		
Dividend and interest income, net	**98,690**	**18,874**
General Reserve		
Balance, beginning of the year	822,276	688,793
Add: Transfer from Profit and Loss Account	158,351	133,483
	980,627	**822,276**
Stock compensation adjustment [See note 2(m) & 19]		
Stock options outstanding	91,790	94,129
Additions during the year	242,699	-
Deletions during the year	10,171	2,339
	324,318	91,790
Less: Deferred employee stock compensation expense	162,415	5,130
	161,903	**86,660**
Balance in profit and loss account	**4,375,617**	**3,301,451**
	8,916,405	**7,530,435**

(i) Securities premium includes an amount of Rs 81,881 received on the allotment of 202,780 equity shares of Rs 10 each on March 30, 2002 at a premium of Rs 403.8 per equity share [See note 3(a) (iv)] and Rs 3,100,000 received on the allotment of 10,000,000 equity shares pursuant to the Company's IPO in March 2004 [See Note 3 (a) (vi)].

(ii) Deferred employee stock compensation expense (See Note 19):

	2007	2006
Stock compensation expense outstanding at the beginning of the year	5,130	16,935
Stock options granted during the year	242,699	-
Stock options cancelled/forfeited during the year	(10,171)	(2,339)
Stock compensation expense amortised during the year	(50,317)	(9,467)
Stock compensation expense charged to Subsidiaries	(24,926)	-
Closing balance of deferred employee stock compensation expense	**162,415**	**5,130**

As more fully discussed in Note 19, the Company has granted stock options to the employees of the Company and its subsidiaries under the ESOP Plan 2000. The total compensation cost of Rs 232,528 will be recognised over the vesting period according to the graded vesting schedule. In accordance with the Guidance Note on accounting for 'Employee share based payments' issued by the Institute of Chartered Accountants of India, the compensation cost related to the options issued to employees of the subsidiaries is cross charged to the subsidiary companies and is accounted for in the books of the respective subsidiaries (See Note 22).

(iii) The Company on November 11, 2003, issued 86,324,700 bonus shares of Rs 5 each through capitalisation of the balance in the profit and loss account to the extent of Rs 431,624.[See note 3(d)]

5. Secured loans	2007	2006
From banks		
Cash credit, packing credit, etc.	587,331	677,549
	587,331	**677,549**

Cash credit, packing credit, etc

(i) On January 8, 2007, the Company renewed its total rupee and foreign currency denominated fund based working capital facilities with State Bank of India (SBI) of Rs 200,000,which has been subsequently enhanced to Rs 700,000 These facilities are repayable on demand, secured by a pari-passu first charge on current assets and carry an interest rate of 2 to 7 per cent per annum for foreign currency denominated loans and 7 to 13 per cent per annum for rupee loans. The Company has utilised Rs 490,895 (March 31, 2006 - Rs 130,007) inclusive of foreign currency loans of Rs 36,764 (US$ 802 & Euro 31) [(March 31, 2006 - Rs 128,856) (US$ 2,897)] as of March 31, 2007.

(ii) On August 23, 2004, the Company renewed its fund and non fund based working capital facilities with Hongkong and Shanghai Banking Corporation (HSBC) for Rs 545,000, which has been subsequently enhanced to Rs 845,000. These facilities are repayable on demand, secured by pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 7 percent per annum for foreign currency denominated loans and 5 to 15 per cent per annum for rupee loans. The Company has utilised fund based limits of Rs 4,249 (March 31,2006 - Rs 239,405), inclusive of foreign currency denominated loans of Rs Nil [March 31, 2006 - Rs 218,419 (US$4,910)] as of March 31, 2007.

(iii) On August 26, 2004, the Company renewed its working capital facilities with Canara Bank ('CB') for Rs 200,000. These facilities are repayable on demand, secured by a pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 7 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs 32,026 (March 31, 2006 - Rs 114,586) inclusive of foreign currency denominated loans of Rs 31,981 (US$ 734) [March 31, 2006 - Rs 112,116 (US$ 2,521)] as of March 31, 2007.

(iv) On November 5, 2004, the Company renewed its fund and non fund based working capital facility with ABN Amro Bank for Rs 230,000. These facilities are repayable on demand, secured by a pari passu second charge on the fixed assets of the Company and carry an interest rate of 2 to 7 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs 60,161 (March 31, 2006 - Rs 193,551) inclusive of foreign currency denominated loans of Rs 60,161 (US$ 1,380) [March 31, 2006-- Rs 192,262 (US$ 4,322)] as of March 31, 2007.

(v) On August 10, 2005 all the above banks have entered into an inter-se agreement for operational convenience for the above working capital limits effecting the modification of the above charge and creation of a pari passu charge on the current assets of the Company in favour of all the above banks.

6. Unsecured loans	2007	2006
Deferred payment liability	477,582	371,517
NMITLI - CSIR Loan	2,820	1,410
	480,402	372,927

(i) Under the Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from the Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 8 years with respect to sales from its Bommasandra manufacturing facility for an amount not exceeding Rs 24,375. As at March 31, 2007 the Company has utilised Rs 1,050 (March 31, 2006 - Rs 1,050).

(ii) Under the Agro Food Processing Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from the Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 12 years with respect to sales from its Hebbagodi manufacturing facility for an amount not exceeding Rs 648,938. As at March 31, 2007, the Company has utilised Rs 476,532 (March 31, 2006 - Rs 370,467).

(iii) On March 31, 2005, the Company entered into an agreement with the Council of Sceintific and Industrial Research ('CSIR'), for an unsecured loan of Rs 4,030 for carrying out part of the research and development project under the New Millenium Indian Technology Leadership Initiative ('NMITLI') Scheme. The first instalment of Rs 1,410 was released on signing the agreement. The Company has received the second instalment of Rs 1,410 and is scheduled to receive the final instalment of Rs 1,210 in July 2007. The loans are repayable over 10 annual equal installments starting from October 1, 2008 and carry an interest rate of 3 percent per annum.

7. Deferred tax liability (net)	Deferred tax (asset) / liability as at April 1, 2006	Current year charge / (credit)	Defferred tax (asset) / liability as at March 31, 2007
Depreciation / Amortisation	303,398	121,460	424,858
Employee retirement benefits	(17,042)	(92)	(17,134)
Provisions for doubtful debts	(6,510)	(3,536)	(10,046)
Others	(108)	(1)	(109)
	279,738	**117,831**	**397,569**
Year ended March 31, 2006	219,597	60,141	279,738

(i) The Company effective August 26, 2003 received approval from the Cochin Special Economic Zone for the setting up of a 100 percent Export Oriented Unit ('EOU') for the manufacture and export of all types of statins on which, the Company claims exemption under Section 10B of the Income-tax Act, 1961 ('IT Act').

(ii) In accordance with the provisions of Section 10B of the IT Act, effective August 26, 2003, the Company can avail of a tax deduction in respect of 100 per cent of all export income derived from the export sales arising out of its EOUs. Accordingly, the Company, has not recognised any additional deferred tax liabilty for this EOU as it expects the timing differences originating in this period to reverse out during the tax holiday period.

(iii) As more fully discussed in note 1(b) of the financial statements, the Company has received approval from The Cochin Special Economic Zone for Biocon Park SEZ as a developer on August 1, 2006 and to set up SEZ unit by August 30, 2006 under the provisions of Section 80 IB and Section 10 AA of the IT Act, respectively. Accordingly, the Company can claim deduction in respect of 100 percent of income of Biocon Park SEZ as developer and 100 percent of all export income derived from the export sales arising out of Biocon Park SEZ unit during the tax holiday period. During the year, the SEZ unit has incurred costs in excess of the revenues generated and has set-it off with other taxable income of Biocon. Accordingly, Biocon would not be liable to pay any taxes in the current year and has provided for 'Minimum Alternative Tax' in accordance with section 115JB of the IT Act. Deferred tax charge of Rs 108,578, represents timing differences for depreciation which would reverse to the extent of 50 percent after the tax holiday period . Deferred tax asset of Rs 52,481 has been recognised in respect of MAT credit entitlement and has been disclosed in the Profit and Loss account in accordance with Guidance Note issued by the Institute of Chartered Accountants of India.

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8. (i) Fixed assets

	Balance at the beginning of the Year	Additions during the year	Deletions during the year	Balance at the end of the year
Cost/Valuation				
Land				
Freehold (revalued)	8,967	-	-	8,967
Freehold (others)	52,088	-	-	52,088
Leasehold	169,950	56,470	-	226,420
Buildings (revalued)	16,561	-	-	16,561
Buildings (others)	424,167	1,185,699	-	1,609,866
Leasehold improvements	3,191	-	-	3,191
Plant and machinery	1,925,538	3,579,753	6,552	5,498,739
Research and development equipment	508,469	97,668	-	606,137
Furniture and fixtures	40,966	26,351	-	67,317
Vehicles	11,164	1,570	2,168	10,566
	3,161,061	**4,947,511**	**8,720**	**8,099,852**
Year ended March 31, 2006	2,702,017	460,082	1,038	3,161,061
Accumulated depreciation				
Buildings (revalued)	13,635	1,606	-	15,241
Buildings (others)	77,017	55,510	-	132,527
Leasehold improvements	159	-	-	159
Plant and machinery	654,029	442,339	860	1,095,508
Research and development equipment	113,430	58,730	-	172,160
Furniture and fixtures	19,950	9,550	-	29,500
Vehicles	4,718	1,653	1,508	4,863
	882,938	**569,388**	**2,368**	**1,449,958**
Year ended March 31, 2006	653,721	230,101	884	882,938
Net book value				
Land				
Freehold (revalued)	8,967			8,967
Freehold (others)	52,088			52,088
Leasehold	169,950			226,420
Buildings (revalued)	2,926			1,320
Buildings (others)	347,150			1,477,339
Leasehold improvements	3,032			3,032
Plant and machinery	1,271,509			4,403,231
Research and development equipment	395,039			433,977
Furniture and fixtures	21,016			37,817
Vehicles	6,446			5,703
	2,278,123			**6,649,894**
Year ended March 31, 2006	2,048,296			2,278,123

Notes:

(a) Certain freehold land and buildings were revalued on November 1, 1994, based on the estimated replacement cost after considering depreciation upto that date, as per valuers reports and the resultant surplus of Rs 34,529 was credited to revaluation reserve. Of this reserve, Rs 23,439 (March 31, 2006 - Rs 21,833) has been transferred to the profit and loss account for depreciation on these assets or adjusted on the sale of these assets.

(b) The Company has adjusted net foreign exchange loss of Rs 1,017 (March 31, 2006 - Rs 867) in capital work in progress / fixed assets capitalised during the year

(c) On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating 26.75 acres to the Company for Rs 64,200 on a lease-cum sale basis for a period of 6 years. In addition, during the year ended March 31, 2005, the Company acquired an additional 41.25 acres of land for Rs 99,417 from KIADB. One of the key conditions include commencement of commercial operations by the Company within 24 months of taking possession, which the Company believes has been complied with by the commencement of operations by Syngene on this land on October 21, 2004. During the quarter ended June 30, 2005, the Company paid an advance of Rs 56,320 towards allotment of additional 19.68 acres of land, offered to the Company by KIADB on December 20, 2003. The Company has received the possession certificate from KIADB in January 2006 and entered into an agreement with KIADB to acquire this plot of land on lease-cum sale basis for a period of 6 years during the year ended March 31, 2007.

(d) The Company has taken a house property on lease for a term of 10 years at a monthly rental of Rs 15 from P K Associates effective from October 2005. The rent is subject to annual increment of 10%. The Company has incurred an amount of Rs Nil (March 31, 2006 Rs 3,191) on the leasehold improvements on this house property (Refer Note 22)

(e) As more fully discussed in note 1(b), the Company has capitalised its Biocon Park facility on June 7, 2006 with a total investment of Rs 4,557 million comprising of leasehold land Rs 56 million, buildings Rs 1,212 million, plant and machinery Rs 3,264 million and furniture & fixtures Rs 25 million. The Company has started depreciating these assets over their estimated useful lives with effect from that date.

(f) The depreciation charge for the current year is net of reversal of accumulated depreciation of Rs 860 under plant & machinery on account of reversal of entry tax capitalised in the earlier years.

8 (ii) Intangible Assets	Opening Balance as at April 1, 2006	Additions during the year	Amortisation during the year	Closing Balance as at March 31, 2007
Intellectual Properties from Nobex				
- For further development and commercialisation	-	440,000	-	440,000
- To be commercialised	-	81,138	9,138	72,000
	-	**521,138**	**9,138**	**512,000**

As more fully discussed in note 1(c) to the financial statements, the Company as at March 31, 2006 had invested Rs 339 million in Nobex and on March 20, 2006, emerged as the successful bidder for the assets of Nobex,which primarily included, without limitation, patents relating to certain technologies for Oral Insulin, Oral BNP, Basal Insulin and Apaza (collectively hereinafter referred to as 'IPs'), for an additional consideration of US$ 5 million. The closing for the sale process has been completed in April 2006. Accordingly, the total commitment made by Biocon, incuding investments already made, aggregates to US$ 11.3 million (Rs 496 million). These IPs, including legal costs directly related to the acquisition of the IPs of Rs 28,451, were capitalised as intangible assets at a total value of Rs 521,138. As the Company had not decided its firm plan of either developing the IPs further and commercializing it or monetization in its existing form, the intangibles were carried at cost and not amortised till the period ending September 30, 2006 based on the independent expert valuation / other bids received by official liquidators of Nobex.

In October 2006, the Company has classified the IPs into the IPs which can be leased and other IPs which is to be retained / maintained for its evaluation in future. Accordingly it has decided to lease the IP - Apaza and started the amortisation from October 2006 over estimated useful life of five years. The rest of the IPs have been carried at cost.

9. Investments	2007	2006
Long term investments (At cost)		
A) Non trade:		
Unquoted		
National Savings Certificates	13	13
	13	**13**
B) Trade investment:		
In subsidiary companies:		
Unquoted and fully paid up		
50,000 (March 31, 2006 - 50,000) equity shares of Rs 10 each of Clinigene	500	500
2,874,830 (March 31, 2006 - 2,874,830) equity shares of Rs 10 each of Syngene	84,328	84,328
In Joint Venture Company:		
Unquoted and fully paid up		
6,732,000 (March 31, 2006 - 4,488,000) equity shares of Rs 10 each of BBPL	67,320	44,880
Advance towards share capital	22,440	22,440
Inter corporate deposits to Subsidiary / Joint Venture Companies	316,447	722,822
In Other Companies:		
Unquoted and fully paid up		
3% Convertible Promissory Note of US$ Nil (March 31, 2006 - US$ 5,150,000) in Nobex Corporation, USA [Refer Note 1(c)]	-	226,274
3% Series B Convertible Promissory Note of US$ 3,000,000 (March 31, 2006 - US$ 3,000,000) in Vaccinex Inc., USA	131,930	131,930
Nil (March 31, 2006 - 2,000,000) Common Stock at US$ 0.50 each, fully paid, par value US$ 0.001 each of Nobex Corporation, USA [Refer Note 1(c)]	-	45,640
645,161 (March 31, 2006 - 645,161) Series B1 Preferred Stock at US$ 1.55 each, fully paid, par value US $0.01 each of Vaccinex Inc., USA	45,100	45,100
Advance to Nobex Corporation, USA [Refer Note 1(c)]	-	66,627
	668,065	**1,390,541**
	668,078	**1,390,554**

(i) The Company has entered into a 'Securities Purchase Agreement' with Vaccinex Inc., USA ('Vaccinex') on November 3, 2004 to invest an amount of US$ 4 million (US$ 1 million in Series B1 Convertible Preferred Stock and US$ 3 million in Series B Convertible Promissory Notes). Further, the Company has entered into a 'Research and Collaboration Agreement' to discover, develop, and commercialize human therapeutic monoclonal antibodies. As on March 31, 2007 the Company has an investment of Rs 45,100
(US$ 1 million) in the convertible preferred stock and an amount of Rs 131,930 (US$ 3 million) in convertible promissory notes.

Vaccinex has incurred a loss of US$ 5.5 million for the year ended December 31, 2005. In addition, the networth of Vaccinex is fully eroded at the balance sheet date. Further, Vaccinex has budgeted its funding requirements over a period of next three years to commence its development plan and has a committed funding of US$ 8.9 million as at year end. As Vaccinex is a development stage enterprise and of strategic importance to the Company, it believes that there is no permanent dimunition in the value of this investment. In accordance with Accounting Standard - 9, considering the above, the Company has not recognised interest income accrued on the promissory notes.

(ii) Clinigene, incorporated on August 4, 2000, is engaged in undertaking clinical research activities and has entered into contracts with domestic and international companies to undertake research activities with respect to chronic diseases and a 100 per cent subsidiary of the Company. As at March 31, 2007, Clinigene has a negative net worth of Rs 53,443 (March 31, 2006 - Rs 61,255). In addition, the Company has granted a long term unsecured interest free loan of Rs 164,380 (March 31, 2006 - Rs 261,625) repayable over a maximum period of 5 years ending by March 31, 2011 to Clinigene to fund its operations [(See Note 9 (iv) (a)]. The management of Clinigene is making aggressive marketing efforts to expand its clinical research activities. The Company believes that this dimunition in the value of its investment is only temporary and efforts for certain financial restructuring is in progress. Accordingly, no provision is made in these financial statements.

(iii) BBPL is a 51% joint venture between the Company and CIMAB SA, engaged in research, development, manufacturing and marketing of Biopharmaceuticals. At March 31, 2007, the aggregate amount of Biocon's interest in the assets and liabilities of BBPL is Rs 452,341 (March 31, 2006 - Rs 354,881) and Rs 383,197 (March 31,2006 - Rs 86,201) respectively. Further, the Company has granted a long term loan of Rs 152,067 (March 31, 2006 - Rs 461,197) to fund the operations of BBPL and charged interest on all such funding. [See Note 22 and 9(iv) (b)]. As on March 31, 2007, the Company had also made an advance of Rs 22,440 (March 31, 2006 - Rs 22,440) towards share application money. As BBPL has set up its facility and successfully completed two trial run batches during the year and is in the process of starting commercial production, the management believes that there is no permanent dimunition in the value of its investments.

Other Investments	2007	2006
C) Current and unquoted (at lower of cost and fair market value)		
3,838,292 units (March 31, 2006-- Nil) of Rs 10 each in HDFC Cash Fund	40,020	-
[Market Value Rs 40,020 (March 31, 2006 - Rs Nil)]		
7,512,740 units (March 31, 2006-- Nil) of Rs 10 each in HSBC Cash Fund	75,169	-
[Market Value Rs 75,169 (March 31, 2006 - Rs Nil)]		
272,878 units (March 31, 2006 - Nil) of Rs 10 each in HSBC Liquid Fund	2,733	-
[Market Value Rs 2,942 (March 31, 2006 - Rs Nil)]		
	117,922	**-**
	786,000	**1,390,554**
The following investments were purchased and sold during the year - other than IPO funds		
Purchase and Sale of Nil units (March 31, 2006--7,691) of Rs 10 each in Canara Bank Mutual Fund	-	77
Purchase and Sale of Nil units (March 31, 2006--2,501,525) of Rs 10 each in ABN Amro Mutual Fund	-	25,015
Purchase and Sale of 104,368,496 units (March 31,2006--Nil) of Rs 10 each in HSBC Inst. Liquid Fund	1,045,000	-
Purchase and Sale of 66,473,550 units (March 31, 2006 - 53,517,483) units of Rs 10 each in HSBC Cash Fund	665,108	535,475
The following investments were purchased and sold during the year - from the IPO funds		
Purchase and Sale of Nil units (March 31, 2006 - 5,449,794) of Rs 10 each in Birla Cash Manager	-	54,516
Purchase and Sale of Nil units (March 31, 2006 - 18,584) of Rs 10 each in Can Liquid Fund	-	187
Purchase and Sale of Nil units (March 31, 2006 - 5,454,256) of Rs 10 each in Deutsche Insta Cash Plus Fund	-	56,184
Purchase and Sale of Nil units (March 31, 2006 - 24,690) of Rs 10 each in Grindlays Cash Fund	-	246
Purchase and Sale of Nil units (March 31, 2006 - 14,660,189) of Rs 10 each in HSBC Cash Fund	-	146,808
Purchase and Sale of Nil units (March 31, 2006 - 4,088,839) of Rs 10 each in ING Vysya Liquid Fund	-	40,961
Purchase and Sale of Nil units (March 31, 2006 - 5,594,845) of Rs 10 each in JM High Liquidity Fund	-	56,041
Purchase and Sale of Nil units (March 31, 2006 - 465,086)of Rs 10 each in Kotak Mutual Fund	-	4,828
Purchase and Sale of Nil units (March 31, 2006 - 39,884) of Rs 10 each in LIC Mutual Fund	-	434
Purchase and Sale of Nil units (March 31, 2006 - 189,082) of Rs 10 each in ICICI Prudential Fund	-	2,226
Purchase and Sale of Nil units (March 31, 2006 - 5,570,786) of Rs 10 each in Principal Cash Management Fund	-	55,783
Purchase and Sale of Nil units (March 31, 2006 - 719) of Rs 1,000 each in TATA Liquid Fund	-	1,565
Purchase and Sale of Nil units (March 31, 2006 - 16,193,474) of Rs 10 each in Reliance Liquid Fund	-	215,554
Purchase and Sale of Nil units (March 31, 2006 - 7,223) of Rs 10 each in ABN AMRO Liquid Fund	-	72
Purchase and Sale of Nil units (March 31, 2006 - 31,421,615) of Rs 10 each in Reliance Fixed Maturity Plan	-	314,220

(iv) Included under inter corporate deposits are amounts due from:		
(a) Subsidiary		
Clinigene	164,380	261,625
Maximum amount outstanding at any time during the year	266,803	261,625

The Company has entered into an agreement with Clinigene, for an interest-free loan not exceeding Rs 300 million, to support its operational costs and capital expenditure and repayable over a maximum period of 5 years ending by March 31, 2011.

(b) Joint Venture Company		
Biocon Biopharmaceuticals Private Limited	152,067	461,197
Maximum amount outstanding at any time during the year	761,283	472,221

The Company has entered into an agreement with BBPL, for an unsecured loan not exceeding Rs 1,000 million and carrying an interest at the prevailing bank rate of 8.35 per cent per annum, to support its operational costs and capital expenditure and repayable over a period of 5 years from the date of commercialisation of its project.

10. Inventories	2007	2006
Raw materials	506,373	431,014
Goods-in-bond / goods-in-transit (Raw materials)	164,787	23,050
Packing materials	25,367	7,896
Work-in-progress	717,276	522,302
Finished goods	92,786	68,821
	1,506,589	**1,053,083**

The inventories of Raw materials and Work-in-progress includes trial run inventory of Rs Nil as at March 31, 2007 (March 31, 2006 - Rs 138,134) at Biocon Park which has been capitalised on June 7, 2006 [See note 1(a)].

11. Sundry debtors (unsecured)	2007	2006
Debts outstanding for a period exceeding six-months		
Considered good	237,949	50,292
Considered doubtful	29,555	19,785
Other debts		
Considered good	2,510,577	2,010,077
	2,778,081	2,080,154
Less: Provision for doubtful debts	29,555	19,785
	2,748,526	**2,060,369**

12. Cash and bank balances	2007	2006
Cash on hand	4,262	1,218
Balances with scheduled banks:		
In current accounts	42,058	2,541
In deposit accounts	29,993	16,276
	76,313	**20,035**

(a) Balances with scheduled banks in current accounts include balance in unclaimed dividend account of Rs 1,034 (March 31, 2006 - Rs 725).

(b) Balances with scheduled banks in current accounts and deposit account include the balances of the ESOP Trust of Rs 39,927 (March 31, 2006 - Rs 1,298) and Rs 29,993 (March 31, 2006 - Rs 16,276), respectively.

13. Loans and advances (Unsecured and considered good)	2007	2006
Advances recoverable in cash or in kind or for value to be received	155,118	40,222
Duty drawback receivable, net of provision of Rs 1,646 (March 31, 2006 - Rs 534)	14,269	23,101
Deposits	49,550	37,822
Balances with Customs, Excise and Sales Tax Authorities	173,149	110,085
Advance income-tax, net of provision	22,527	-
MAT Credit entitlement	52,481	-
Shares held by ESOP trust	685	905
	467,779	**212,135**

(a) Advances recoverable in cash or in kind or for value to be received include amounts due from employees to the ESOP Trust of Rs 19,530 (March 31, 2006 Rs Nil)

(b) Included under advance tax is Rs 8,998 (March 31, 2006 - Rs 394) and provision for taxation of Rs 436 (March 31, 2006 - Rs 440) of the ESOP trust.

14. Current liabilities and provisions	2007	2006
Current liabilities		
Sundry Creditors		
Capital	370,630	676,527
Others	1,105,800	984,477
Advances from customers	52,900	22,691
Interest accrued but not due	296	36
Investor Education and Protection Fund shall be credited by		
- Unclaimed dividend	1,034	725
Other liabilities	228,771	134,434
	1,759,431	**1,818,890**
Provisions for		
Proposed dividend	300,000	250,000
Tax on proposed dividend	50,985	35,063
Gratuity	(1,539)	11,681
Superannuation	2,536	2,536
Bonus	-	20,000
Leave encashment	52,365	52,564
Income tax, net of advance tax	-	26,767
Fringe benefit tax, net of advance tax	664	450
	405,011	**399,061**
	2,164,442	**2,217,951**

(a) Other liabilities include Rs 599 (March 31, 2006 - Rs 1,073) due to Ms Kiran Mazumdar Shaw, Managing Director and the maximum amount outstanding at any time during the year was Rs 4,519 (March 31, 2006 - Rs 5,530).

(b) Dues to small scale industrial undertaking included in Sundry creditors:	620	16,784

The names of small-scale industrial undertakings to whom amounts are outstanding for more than 30 days :
Mass Dyechem, P D Fine Chem, Porlu Packers, Spansules Pharmatech Pvt Ltd.

15. Other income	2007	2006
Interest income from investments [gross of tax deducted at source - Rs 10,601 (March 31, 2006 - Rs 3,692)]	47,116	15,786
Dividend earned		
On investment of IPO funds	-	21,508
Others	2,922	568
Gain on investments sold, net	-	1,835
Gain on fixed assets sold, net	275	346
Miscellaneous income	70,792	6,087
	121,105	**46,130**

16. Manufacturing, contract research and other expenses	2007	2006
Raw materials consumed, net of duty drawback of Rs 16,198 (March 31, 2006 - Rs 41,356)	4,211,116	3,911,555
Purchase of goods for resale	165,824	86,545
Employee costs		
Salaries, wages, bonus, etc	474,656	337,250
Group's contribution to provident and other fund	24,312	17,379
Gratuity, superannuation, leave encashment	1,150	23,016
Employee stock compensation expense [See Note 4 & 19]	50,317	9,467
Directors sitting fees	680	730
Welfare expenses	52,620	33,488
Operation and other expenses:		
Royalty and technical fees	7,995	4,768
Rent	3,618	2,321
Communication expenses	26,649	23,293
Travelling and conveyance	100,988	65,071
Professional charges [See Note 1(b)]	93,067	39,939
Power and fuel, net of recoveries of Rs 17,675 (March 31, 2006 - Rs 28,727)	620,715	307,847
Insurance	24,783	13,144
Rates, taxes and fees	6,625	3,095
Lab consumables	43,347	33,373
Repairs and maintenance		
Plant and machinery	103,535	57,172
Buildings	16,188	7,502
Others	46,777	24,483
Selling expenses		
Freight outwards and clearing charges	79,075	47,607
Sales promotion expenses	73,184	56,380
Commission and brokerage (other than sole selling agents)	74,156	59,652
Excise duty on closing stock	62	4,789
Bad debts written off	-	1,490
Provision for bad and doubtful debts	9,770	2,578
Exchange fluctuation (net)	(26,394)	(21,802)
Loss/(gain) on forward / option contracts, net	(68,588)	25,059
Printing and stationery	7,005	6,372
Research & Development Expenses	159,738	45,538
Miscellaneous expenses	102,597	61,397
	6,485,567	**5,290,498**
(Increase) / decrease in inventories of finished goods and work-in-progress:		
Opening inventories:		
Finished goods, net of excise duty	75,112	24,231
Work-in-progress	522,302	360,403
	597,414	384,634
Closing inventories:		
Finished goods, net of excise duty	(99,015)	(75,112)
Work-in-progress	(717,276)	(522,302)
	(816,291)	(597,414)
	(218,877)	(212,780)
	6,266,690	**5,077,718**

Note :

Power and fuel cost of Rs 59,198 (March 31, 2006 - Rs 185,606) and employee costs of Rs 11,268 (March 31, 2006 - Rs 35,513) for the period upto June 7,2006 have been transferred to assets capitalised during the year, as it relates to construction and installation of the new facility at Biocon Park [see note 1 (b)].

17. Research and development expenses

Research and development expenses aggregate to Rs 478,729 (March 31, 2006 - Rs 400,746) and include Rs 97,668 (March 31, 2006 - Rs 197,241) on research and development equipment and Rs 616 (March 31, 2006 - Rs 18,327) on buildings and the remaining expenses incurred by the Company have been disclosed under the appropriate account heads.

18. Interest and finance charges	2007	2006
Interest paid on :		
Others	72,367	16,628
	72,367	16,628
Less : Interest received from suppliers [gross of tax deduction at source Rs Nil (March 31, 2006 - Rs 54)]	(4,006)	(7,927)
	68,361	**8,701**
Bank charges	9,257	8,186
	77,618	**16,887**

19. Employee stock compensation

On September 27, 2001, Biocon's Board of Directors approved the Biocon Employee Stock Option Plan ('ESOP Plan 2000') for the grant of stock options to the employees of the Group. A compensation committee has been constituted to administer the plan through the ESOP Trust.

Grant I, II and III

The Trust purchases equity shares of Biocon using the proceeds from the loan obtained from Biocon and will subscribe to such number of shares as is necessary for transferring to the employees. The total number of equity shares transferred to the Trust shall not exceed 250,000 equity shares (pre-bonus and pre-split) of Rs 10 each and shares transferred to each employee will not exceed 10,000 equity shares (pre-bonus and pre-split) of Rs 10 each. The Compensation Committee shall determine the exercise price which will not be less than the face value of the shares. The Compensation Committee had granted 71,510 options under the ESOP Plan 2000 to be exercised at a grant price of Rs 10 (pre-bonus and pre-split). The options will vest with the employees equally over a four year period from the grant date. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favour of the ESOP Trust.

Further, during the year ended March 31, 2005 the Compensation Committee has granted 142,100 options under the ESOP Plan 2000 effective January 1, 2004 to be exercised at a grant price of Rs 5. The options vest with the employees equally over a four year period from January 1, 2005.

On January 18, 2004, the Board of Directors announced the Biocon Employees Stock Option Plan (ESOP Plan 2004) for the grant of stock options to the employes of the Company, pursuant to which, the Compensation Committee on March 19, 2004 granted 422,000 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 315 being the issue price determined for the IPO through the book building process. The options will vest with the employees equally over a four year period from April 1, 2005.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines') which are applicable to stock option schemes for employees, of all listed companies. Biocon, though not listed on the date of the grants has followed these guidelines for accounting of ESOP costs [Refer Note 2(m)]. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of the grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. For basic EPS purposes, the shares outstanding including the options exercised by the employees have been considered [Refer Note 2(n)]. For diluted EPS purpose, the shares, which are not yet eligible for exercise, have also been considered as outstanding to the extent these shares are diluted.

The estimated fair values of the equity shares have been determined by management on the dates of the grants for ESOP 2000 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the price determined for the IPO through the book building process for the options granted on March 19, 2004. Accordingly no compensation cost has been recorded, as the exercise price equals the fair value of the shares on the date of the IPO.

Grant IV

The Company has approved grant of stock options to its employees by way of Grant IV under the eisting ESOP Plan 2000. The options under this grant would vest to the employees as 25%, 35% and 40% of the total grant at the end of the first, second and third year from July 18, 2006. The Information on the grant has been summarised below:

Description of the Grant

Particulars	
Date of Grant	19.07.2006
Date of Board approval	19.07.2006
Date of Shareholders' approval	NA
Number of options granted	3,478,200
Method of settlement (Cash / Equity)	Equity
Vesting Period	3 years
Exercise Period	2 years
Vesting conditions	Completion of 2 yrs service, Performance & Grade

Details of Grant

Particulars	
Outstanding at the beginning of the perod	Nil
Granted during the period	3,478,200
Forfeited during the period	226,560
Exercised during the period	Nil
Expired during the period	Nil
Outstanding at the end of the period	3,251,640
Exercisable at the end of the period	Nil
Weighted average remaining contractual life (in years)	3.69
Weighted average fair value of options granted	156.83

The details of the exercise price for stock options outstanding at March 31, 2007 are :

Range of exercise prices		Weighted average remaining contractual life otions (in yrs)	Weighted average exercise price
Exercise price	275/- to 300/-	3.69	278.17
Expected volatility	34.29%		
Historical volatility	34.29%		
Life of the options granted (vesting and exercise period) in years	5.12		
Expected dividends	2.59		
Average risk-free interest rate	7.85%		
Expected dividend rate	0.66%		

The expected volatility was determined based on historical volatility data ; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

Since the enterprise used the intrinsic value method, the impact on the reported net profit and earnings per share by applying the fair value based method. In March 2005, the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance requires that the Proforma accounting in the financial statements.

Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows :

Particulars	April 1, 2006 to March 31, 2007
Profit as reported	1,583,502
Add: Employee stock compensation under intrinsic value	50,317
Less : Employee stock compensation under fair value	103,835
Proforma profit	1,529,984
Earnings per Shares - Basic	
- As reported	16.38
- Proforma	15.83
Earnings per Shares - Diluted	
- As reported	16.30
- Proforma	15.75

The Trust had 3,355,080 (March 31, 2006 - 4,432,567) equity shares of Rs 5 each as at March 31, 2007 and a summary of the activity of the Trust is as follows :

Particulars	2007	2006
Opening balance of equity shares not granted to employees and available with the Trust	3,208,715	3,138,332
Add: Acquired by the Trust	-	-
Less: Options granted during the year	(3,478,200)	-
Add: Options cancelled and lapsed during the year	269,485	70,383
Closing balance of shares not granted to employees and available with the Trust	**-**	**3,208,715**
Options granted and exercised at end of year	3,683,799	2,590,533
Options granted and eligible for exercise at end of year	-	235,200
Options granted but not eligible for exercise at end of year	3,355,080	988,652
Total employee stock compensation cost as at end of year	**324,318**	**91,790**
Vesting period of options		
- Primarily progressively over four years. In respect of grants made in July 2006, the shares vest progressively over a three year term. For those employees, who completed 2 years of service at the date of grant and in case of employees, who has not completed 2 years of service over the period 3 years after complition of 2 years		
Employee stock compensation expense		
- Amortised during the year	50,317	9,467
- Recovered from Subsidiaries	24,926	-

20. Reconciliation of basic and diluted shares used in computing earning per share	2007	2006
Basic weighted average shares outstanding	96,644,920	95,567,448
Add: Effect of dilutive shares granted but not exercised / not eligible for exercise	495,215	1,231,506
Weighted average shares outstanding and potential shares outstanding	**97,140,135**	**96,798,954**

21. Current taxes

The current tax charge for the year ended March 31, 2007 comprises of provision of Rs 52,482 under Minimum Alternative Tax ('MAT'). In addition, the Company has, during the year, provided Rs 9,158 (March 31, 2006 - Rs 5,130) towards fringe benefit tax as introduced by the Government under the Finance Act, 2005

22. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2006 to March 31, 2007	Balance as at March 31, 2007 (Payable)/receivable	April 1, 2005 to March 31, 2006	Balance as at March 31, 2006 (Payable)/receivable
1	Kiran Mazumdar Shaw	Managing Director	Salary and perquisites	10,319	(599)	10,339	(1,073)
2	JMM Shaw	Director	Salary and perquisites	7,091	-	9,384	-
3	Syngene	Subsidiary	Rent income	1,553	-	1,494	-
			Rent deposit received	-	(1,050)	-	(1,050)
			Power and facility charges	45,315	-	28,247	-
			Insurance Charges	-	-	2,599	-
			Sale of goods	9,870	1,134	-	-
			ESOP Compensation recovery	20,958	-	-	-
			Management charges	2,400	-	2,400	-
4	Clinigene	Subsidiary	Power charges	480	-	480	-
			Rent income	240	240	240	-
			Management charges	600	600	600	-
			Fees for research services	34,565	23,397	-	-
			ESOP Compensation recovery	3,069	-	-	-
			Insurance Charges	-	-	157	-
			Unsecured Loan	(97,965)	164,380	169,560	261,625
5	BBPL	Joint Venture	Interest income on unsecured loan	47,116	-	15,406	-
			Rent income	857	-	779	-
			Rent deposit received	-	(590)	-	(590)
			Management charges	600	-	600	-
			Insurance Charges	256	-	35	-
			Personnel Deputation Charges	3,758	-	2,664	-
			Unsecured Loan	(401,833)	152,067	338,548	461,197
			Vialling Charges	937	-	-	-
			Purchase of Materials	43,629	-	-	-
			ESOP Compensation recovery	898	898	-	-
			Power and Facility charges	40,077	-	-	-
6	P K Associates	Relative of Director	Lease Rentals	189	-	90	-

(a) The accumulated compensation cost upto the year ended March 31, 2007 include Rs 22,208 (March 31, 2006 - Rs 22,208) incurred towards employee compensation cost for options granted to employees of Syngene and Clinigene. The corresponding compensation cost amortised during the year is Rs 1,064 (March 31, 2006 - Rs 9,466). The Company has not charged this amortisation to Syngene and Clinigene. Beginning July 18, 2006, The Company has further granted stock options to the employees of Syngene and Clinigene and the corresponding compensation cost has been charged to the subsidiaries.

(b) The Company has given corporate guarantees of Rs 217,500 (March 31, 2006 - Rs 217,500) to the Customs and Excise department ('CED') on behalf of Syngene and Syngene has furnished a corporate guarantee of Rs 465,000 (March 31, 2006 - Rs 465,000) on behalf of the Company to the CED.

(c) Effective January 1, 2004, the Company has entered into an agreement with Syngene, Clinigene and BBPL to provide general management support, for which an agreed upon management charge has been levied.

(d) The Company has given corporate guarantee of Rs 131,352 (March 31, 2006 - Rs 131,352) to the Customs and Excise Department ('CED') & a corporate guarantee of Rs 650,000 to State Bank of India (SBI) Overseas branch towards term loan granted, on behalf of BBPL.

(e) The Company has given corporate guarantee of Rs 27,205 (March 31, 2006 - Rs 4,976) to the Customs and Excise Department ('CED') on behalf of Clinigene.

(f) The Company has entered into an agreement with Clinigene to provide professional services in the nature of clinical trials for its projects. The current year billing for those services amounts to Rs 34,565 (March 31, 2006 - Rs Nil).

(g) During the year, effective October 1, 2006, the Company's SEZ Developer (Refer Note 1(a)) has entered into service contracts with SEZ Unit of BBPL and SEZ Unit of Syngene for provision of certain facilities and services. The power and facility charges of Rs 40,077 and Rs 45,315 has been recovered from BBPL and Syngene respectively

23. Provisions

	Balance as at beginning of the year	Additions / Reversals during the year	Amount paid during the year	Balance as at end of the year
Bonus	20,000	-	20,000	-
	20,000	**-**	**20,000**	**-**

24. Supplementary profit and loss data

	2007	2006
(i) Payments to auditors (included in professional and consultancy charges)		
a) Statutory audit	2,000	1,400
b) Tax audit	125	100
c) Other matters (certification and other services)	400	-
d) Reimbursement of out-of-pocket expenses	132	99
	2,657	**1,599**
(ii) Managerial remuneration		
a) Remuneration to Managing Director		
Salary	6,264	6,365
Perquisites	1,244	1,216
Contribution to provident fund	418	392
Statutory bonus	696	653
Performance bonus	1,697	1,713
	10,319	**10,339**
b) Remuneration to whole-time Director		
Salary	4,872	6,365
Perquisites	870	653
Statutory bonus	696	653
Performance bonus	653	1,713
	7,091	**9,384**
c) Computation of net profits in accordance with Section 349 of the companies Act		
Net profit for the year before tax	1,710,491	1,608,734
Add:		
Depreciation provided in the accounts	576,060	228,496
Managerial remuneration	17,410	19,723
Directors sitting fees	680	730
Provision for bad and doubtful debts	9,770	2,578
	2,314,411	**1,860,261**
Less:		
Depreciation under Section 350 of the Act	576,060	228,496
Profit on sale of assets	275	346
Profit on sale of investment	-	1,835
	576,335	**230,677**
Net Profit for Section 198 of the Act	1,737,380	1,629,584
Maximum remuneration payable to directors	173,738	162,958
Remuneration paid to Managing Director	10,319	10,339
Remuneration paid to whole time Director	7,091	9,384

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

(iii). Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 ('the Act'):

a) Licensed capacity, installed capacity and actual production :

Class of goods	Licensed Capacity Kg.	Installed Capacity Kg.	Actual Production March 31, 2007 Kg.	Actual Production March 31, 2006 Kg.
Biochemicals:				
Enzymes	*	**	4,576,302	4,021,221
Pharmaceutical	*	**	9,689,578	6,496,656

* Exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951 in terms of notification No.S.O.477(E) dated July 25, 1991.
** Installed capacity has not been disclosed as these are variable and subject to changes in product mix, and utilisation of manufacturing facilities, given the nature of operations.

b) Inventories and sales

Description	Opening Stock Quantity Kg.	Opening Stock Value Rs	Sales Quantity Kg.	Sales Value Rs	Closing Stock Quantity Kg.	Closing Stock Value Rs
March 31, 2007						
Biochemicals						
Manufacturing:						
Enzymes	14,885	1,519	4,562,205	1,022,207	28,982	3,055
Pharmaceutical	15,414	31,116	9,580,289	7,350,221	124,521	57,375
Trading:						
Enzymes	3,763	595	44,545	12,697	11,906	2,950
Bio Pharmaceuticals	20,644,770 (Nos)	35,591	39,805,628 (Nos)	213,994	11,807,323 (Nos)	29,406
		68,821		**8,599,119**		**92,786**
March 31, 2006						
Biochemicals						
Manufacturing:						
Enzymes	14,496	1,750	4,020,832	921,109	14,885	1,519
Pharmaceutical	5,129	6,082	6,486,553	6,215,991	15,414	31,116
Trading:						
Enzymes	2,993	366	26,980	7,698	3,763	595
Bio Pharmaceuticals	17,729,818 (Nos)	14,531	3,436,480 (Nos)	101,915	20,644,770 (Nos)	35,591
		22,729		**7,246,713**		**68,821**

c) Purchase of traded goods :

		March 31, 2007 Quantity	March 31, 2007 Value	March 31, 2006 Quantity	March 31, 2006 Value
Biochemicals & Enzymes	Kgs	52,688	165,824	27,750	86,545
	Nos.	30,968,181		6,351,432	

d) Details of consumption of raw materials, packing materials and stores:

	March 31, 2007 Quantity (Kgs)	March 31, 2007 Amount	March 31, 2006 Quantity (Kgs)	March 31, 2006 Amount
Enzymes & Chemicals	27,838,197	4,160,235	26,419,330	3,875,709
Packing materials	-	50,881	-	35,846
	27,838,197	4,211,116	26,419,330	3,911,555

Consumption quantities and values have been derived on the basis of opening stock plus purchases less closing stock and therefore include adjustments ascertained during physical count, write off of obsolete items etc.

	March 31, 2007		March 31, 2006	
	Value	%	Value	%
Imported	2,392,856	57	2,709,030	69
Indigenous	1,818,260	43	1,202,525	31
	4,211,116	100	3,911,555	100

	2007	2006
(iv) Value of imports calculated on C.I.F. basis :		
Raw materials	2,375,579	2,481,980
Packing materials	15,051	2,164
Capital goods	188,097	349,095
	2,578,727	**2,833,239**
v) Earnings in foreign currency :		
Export of goods on FOB basis	4,489,161	3,577,231
Recovery of freight, insurance etc on exports	38,757	1,504
Technical Licensing fees	272,352	10,781
	4,800,270	**3,589,516**
(vi) Dividend to non-resident shareholders :		
(remitted in foreign currency)		
Final Dividend		
Number of shareholders	18	19
Number of shares held	21,438,448	26,048,619
Dividend remitted (Rs in thousands)	**53,596**	**52,097**
Year to which it relates	2006	2005
(vii) Expenditure in foreign currency :		
(on accrual basis)		
Sales commission	50,263	34,967
Interest on Foreign Currency Non-Resident loans	36,097	9,282
Travel and Conveyance	10,485	12,757
Patent fees	44,754	8,357
Legal and Corporate advisory services	14,458	12,609
Others	94,735	37,128
	250,792	**115,100**
(viii) Research & Development Expenses (other than on equipments and buildings) [Refer Note 17]		
Salaries, wages, bonus, etc	78,954	79,601
Employee stock compensation expense	12,363	1,545
Lab consumables	43,347	33,373
Travel and Conveyance	15,834	9,460
Patent and Informatic search fees	7,778	16,784
Amortisation of IP Assets	9,138	-
Others	213,031	44,415
	380,445	**185,178**

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25. Commitments	2007	2006
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	400,600	336,041

(b) Operating lease commitments

Where the Company is a lessee:

(i) Rent

The Company had entered into various agreements for lease of building / office space which expires over a period upto September 2016. Gross rental expenses for the year aggregates to Rs 2,218 (March 31, 2006 - Rs 90). The committed lease rentals in future are as follows :

	2007	2006
Not later than one year	4,946	189
Later than one year and not later than five years	11,420	965
Later than five years	1,320	1,625

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expires in February 2011. Gross rental expenses for the year aggregate to Rs 4,744 (March 31, 2006 - Rs 4,356). The committed lease rental in the future are:

	2007	2006
Not later than one year	6,238	4,843
Later than one year and not later than five years	8,978	6,519

Where the Company is a Lessor:

(i) Rent

The Company has leased out certain parts of its building and land on an operating lease, which expires over a period upto 2011. Gross rental income for the year aggregate to Rs 2,650 (March 31, 2006 - Rs 1,885). There are no uncollectible minimum lease payments at the balance sheet date. Further, minimum lease receipts under operating lease are as follows:

	2007	2006
Not later than one year	2,977	2,650
Later than one year and not later than five years	12,111	12,028
Later than five years	6,281	8,578

26. Contingent liabilities	2007	2006
(a) Taxation matters under appeal	20,960	12,900
(b) Corporate guarantees		
(i) Corporate guarantee given in favour of the CED in respect of certain performance obligations of Syngene. The Company has informed that necessary terms and conditions have been complied with and no liabilities have arisen	217,500	217,500
(ii) Corporate guarantee given by Syngene in favour of the CED in respect of certain performance obligations of Biocon.	465,000	465,000
(c) Corporate guarantees given in favour of the CED in respect of certain performance obligations of BBPL. The Company has informed that the necessary terms and conditions have been complied with and no liabilities have arisen	131,352	131,352
(d) Corporate guarantees given in favour of the CED in respect of certain performance obligations of Clinigene. The Company has informed that the necessary terms and conditions have been complied with and no liabilities have arisen	27,205	4,976
(e) Corporate guarantees given in favour of State Bank of India (SBI), towards Term loan granted to BBPL. The Company has informed that the necessary terms and conditions have been complied with and no liabilities have arisen	650,000	-
(f) Claims against the Company not acknowledged as debts	2,170	2,170
(g) The Company has provided a letter of committment to fund the operations of its wholly owned subsidiary, Clinigene. (See Note 9(ii))		

27. Details of utilisation of proceeds raised through public issue during the year	2007	2006
Capital work-in-progress [Note 1(a)]	-	3,150,000

28. Foreign exchange option contracts

The Company has entered into option contracts to hedge highly probable forcasted forex transactions. As at March 31, 2007, the Company has currency option contracts to sell US$ 13.5 Million over the period beginning April 2007 to September 2007 in respect of the forcasted transactions. The impact of marked to market of these option contracts is Rs 23,835 gain as at March 31, 2007 which has not been recognised in the profit and loss account in accordance with the Companys' accounting policy. There are no foreign currency exposures as on March 31, 2007 which have not been hedged by derivative instruments.

29. Employee Benefit Plans

The Company has defined contributory plans for retirement benefits of employees. A summary of the gratuity plan is as follows :

	2007	2006
Fund balance		
Defined benefit obligation	58,412	63,058
Less: Fair value of plan assets	59,951	51,377
Net Plan (asset) / liability	**(1,539)**	**11,681**
The change in benefit obligation and funded status of the gratuity plan is as follows:		
Change in benefit obligation		
Benefit obligation at the beginning of the year	63,058	53,552
Current Service Cost	11,123	6,675
Past Service cost	717	1,178
Interest cost	2,865	4,016
Benefits paid	(6,784)	(2,210)
Actuarial (gain) / loss	(12,568)	(154)
Benefit obligation at the end of the year	**58,412**	**63,058**
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	51,377	36,009
Return on plan assets	3,853	2,701
Actuarial gain / (loss)	(177)	(2,666)
Actual contribution	11,681	17,543
Benefits paid	(6,784)	(2,210)
Fair value of plan assets at end of the year	**59,951**	**51,377**
Net gratuity cost is as follows:		
Components of net benefit cost		
Current Service cost	11,123	6,675
Past Service cost	717	1,178
Interest cost	2,865	4,016
Expected return on plan assets	(3,853)	(2,701)
Net actuarial (gain) / loss recognised during the year	(12,391)	2,512
Net gratuity cost	**(1,539)**	**11,681**
Actual return on plan assets	**3,676**	**35**
The assumptions used in accounting for the gratuity plan are as below:		
Interest rate	7.50%	5.00%
Discount rate	7.50%	5.00%
Salary Increase	8.00%	8.00%
Attrition rate upto age 44	2.00%	2.00%
Attrition rate above age 44	1.00%	1.00%
Retirement age	58	58

The Group evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2008, is approximately Rs 13,000.

30. Segmental Information

Business Segments

The primary reporting of the Company has been performed on the basis of business segment. The Company is organised into two business segments, enzymes and active pharmaceutical ingredients ('Pharma'). Segments have been identified and reported based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems.

April 1, 2006 to March 31, 2007

Particulars	Enzyme	Pharma	Unallocated	Eliminations	Total
Revenues					
External sales, net	950,144	7,559,610	58,864	-	8,568,618
Inter-segment transfers	64,878	-	291,365	(356,243)	-
Total revenues	1,015,022	7,559,610	350,229	(356,243)	8,568,618
Costs					
Segment costs	(642,592)	(4,803,243)	(237,573)	-	(5,683,408)
Inter-segment transfers	-	(356,243)	-	356,243	-
Result					
Segment result	372,430	2,400,124	112,656	-	2,885,210
Corporate expenses	-	-	(583,282)	-	(583,282)
Other income	-	-	15,126	-	15,126
Interest income	-	-	47,116	-	47,116
Operating profit					2,364,170
Depreciation	(31,822)	(417,947)	(126,291)	-	(576,060)
Interest expense	-	-	(77,618)	-	(77,618)
Income taxes - Current and deferred	-	-	(126,990)	-	(126,990)
Net profit					1,583,502
Other information					
Segment assets	230,102	5,057,539	-	-	5,287,641
Unallocated corporate assets	-	-	7,758,508	-	7,758,508
Total assets					13,046,149
Segment liabilities	74,053	1,424,068	-	-	1,498,121
Unallocated corporate liabilities	-	-	2,131,623	-	2,131,623
Total liabilities					3,629,744
Capital expenditure	13,841	50,548	4,874,402	-	4,938,791

April 1, 2005 to March 31, 2006

Particulars	Enzyme	Pharma	Unallocated	Eliminations	Total
Revenues					
External sales	849,563	6,025,361		-	6,874,924
Inter-segment transfers	72,294	-	-	(72,294)	-
Total revenues	921,857	6,025,361	-	(72,294)	6,874,924
Costs					
Segment costs	(523,481)	(3,660,753)	-	-	(4,184,234)
Inter-segment transfers	-	(72,294)	-	72,294	-
Result					
Segment result	398,376	2,292,314	-	-	2,690,690
Corporate expenses	-	-	(893,484)	-	(893,484)
Other income	-	-	41,125	-	41,125
Interest income	-	-	15,786	-	15,786
Operating profit					1,854,117
Depreciation	(26,911)	(142,463)	(59,122)	-	(228,496)
Interest expense	-	-	(16,887)	-	(16,887)
Income taxes - Current and deferred	-	-	(273,904)	-	(273,904)
Net profit					1,334,830
Other information					
Segment assets	626,616	8,864,941	-	-	9,491,557
Unallocated corporate assets	-	-	2,087,043	-	2,087,043
Total assets					11,578,600
Segment liabilities	138,006	1,751,748	-	-	1,889,754
Unallocated corporate liabilities	-	-	1,658,412	-	1,658,412
Total liabilities					3,548,166
Capital expenditure	10,073	114,648	335,361	-	460,082

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The operations of the Company comprise export sales and contract reaserch fees contributing to approximately 58 percent (March 31, 2006 - 53 percent). The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Company's sale by geographical markets

Revenues, net	2007	2006
India	3,748,241	3,297,693
Exports on FOB basis	4,489,161	3,577,231
Total	**8,237,402**	**6,874,924**

The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

Carrying amount of segment assets	2007	2006
India	10,935,734	10,166,188
Outside India	2,110,415	1,412,412
Total	**13,046,149**	**11,578,600**

Segment revenue and result

The expenses that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocated corporate expenses.

Inter-segment transfers

Segment revenue, segment costs and results include transfers between business segments. Such transfers have been made at cost. The inter-segment transfers have been eliminated on consolidation of the segments.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, investments and current assets Segment liabilities comprise of loan funds which can be identified directly against the respective segments and includes segment current liabilities and provisions. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

31. Prior years' comparatives

The previous years' figures have been re-grouped, where necessary to conform to current years' classification.

S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

Balance sheet abstract and Company's general business profile

(All amounts in Indian Rupees thousands, except share data)

(a)	**REGISTRATION DETAILS**	
	Registration No.	3417
	State Code	08
	Balance Sheet Date	March 31, 2007
(b)	**CAPITAL RAISED DURING THE YEAR**	
	Public Issue	-
	Right Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
(c)	**POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**	
	Total Liabilities and shareholders funds	13,046,149
	Total Assets	13,046,149
	Sources of Funds	
	Paid up Capital	500,000
	Reserves	8,916,405
	Secured Loans	587,331
	Unsecured Loans	480,402
	Deferred tax liability	397,569
	Application of Funds	
	Net Fixed Assets	7,161,894
	Capital work in progress	299,048
	Long term Investments	786,000
	Net Current Assets	2,634,765
(d)	**PERFORMANCE OF THE COMPANY**	
	Turnover	8,630,859
	Total expenditure	6,920,368
	Profit before tax	1,710,491
	Profit after tax	1,583,502
	Earnings per share in Rupees	16.38
	Dividend rate %	60
(e)	**GENERIC NAME OF PRINCIPAL PRODUCTS OF THE COMPANY**	
	Item Code No (ITC Code)	350790
	Product Description	Enzymes for Pharmaceutical use
	Item Code No.(ITC Code)	280000 & 290000
	Product Description	Organic & Inorganic Chemicals

BIOCONLIMITED&SUBSIDIARIES INDIAN GAAP

Auditors' Report

To the Board of Directors of Biocon Limited

1. We have audited the attached Consolidated Balance Sheet of Biocon Limited, its subsidiaries, Syngene International Limited and Clinigene International Limited and its joint venture, Biocon Biopharmaceuticals Private Limited [together referred to as 'the Group' as described in Note 2 (a)] as at March 31, 2007, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, prepared in accordance with accounting principles generally accepted in India.

2. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material mis-statements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Biocon Limited and its aforesaid subsidiaries and joint venture company, we are of the opinion that these financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

a. in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2007;
b. in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
c. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & Associates
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2007

BIOCON LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

(All amounts in Indian Rupees thousands)

	Notes	2007	2006 (Note 31)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	3	500,000	500,000
Reserves and surplus	2(a), 2(m) & 4	10,186,069	8,380,985
		10,686,069	8,880,985
Minority Interest	5	(7,989)	32,218
Loan Funds			
Secured loans	6	737,331	677,549
Unsecured loans	7	1,130,392	372,927
		1,867,723	1,050,476
Deferred Tax Liability	2(k) & 8	448,310	297,324
		12,994,113	**10,261,003**
APPLICATION OF FUNDS			
Fixed Assets	2(b), 2(c), 2(j) & 2(i)		
Cost	9(i) & 18	10,150,201	4,070,462
Less: Accumulated depreciation		1,713,244	1,060,598
Net book value		8,436,957	3,009,864
Capital work-in-progress [including capital advances of Rs 33,003 (March 31, 2006 -- Rs 66,778)]		708,282	5,260,221
		9,145,240	8,270,085
Intangible Assets	2(d) & 9(ii)	512,000	-
Investments	2(g) & 10	790,184	1,002,321
Current Assets, Loans And Advances			
Inventories	2(e) & 11	1,613,206	1,104,856
Sundry debtors	2(j) & 12	3,065,219	2,236,644
Cash and bank balances	13	87,324	20,236
Loans and advances	14	530,340	239,450
		5,296,089	3,601,186
Less: Current Liabilities And Provisions			
Current Liabilities	2(j) & 15	2,324,277	2,183,773
Provisions	2(h), 2(i), 2(k), 2(q) & 15	425,122	428,816
		2,749,399	2,612,589
Net Current Assets		2,546,690	988,597
		12,994,113	**10,261,003**

The accompanying notes 1 to 31 form an integral part of this balance sheet

As per our report of even date
S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

BIOCON LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees thousands, except share data including share price)

	Notes	2007	2006 (Note 31)
INCOME			
Gross sales		8,589,248	7,246,713
Less Excise Duty		361,717	371,789
Net sales	2(f) & 2(j)	8,227,531	6,874,924
Contract research and technology licensing fees	2(f) & 2(j)	1,629,780	1,016,537
Other income	16	38,183	40,665
		9,895,494	7,932,126
EXPENDITURE			
Manufacturing, contract research and other expenses	2(d), 2(e), 2(h), 2(i), 2(j), 2(m), 2(o) & 17	7,022,480	5,592,557
Interest and finance charges	2(i) & 19	97,563	17,548
		7,120,043	5,610,105
PROFIT BEFORE DEPRECIATION AND TAXES		2,775,451	2,322,021
Depreciation and Amortisation	2(b) & 9 (i)	667,089	298,138
Less: Amount transferred from revaluation reserve	2(b) & 4	1,606	1,606
		665,483	296,532
PROFIT BEFORE TAXES		2,109,968	2,025,489
Provision for income-tax			
Current taxes	2(k) & 22	7,442	236,883
MAT Payable		52,481	-
Less : MAT Credit Entitlement		(52,481)	-
Deferred taxes	2(k) & 8	150,986	62,918
Fringe Benefits	22	10,691	5,853
PROFIT FOR THE YEAR		1,940,849	1,719,835
Minority interest	5	61,767	19,688
NET PROFIT FOR THE YEAR		**2,002,616**	**1,739,523**
Balance brought forward from previous year		4,133,905	2,812,928
PROFIT AVAILABLE FOR APPROPRIATION		6,136,521	4,552,451
Proposed dividend on equity shares		300,000	250,000
Tax on proposed dividend		50,985	35,063
Transfer to general reserve		158,351	133,483
BALANCE, END OF THE YEAR		**5,627,185**	**4,133,905**
Earnings per share (equity shares, par value of Rs 5 each)	2(n) & 21		
Basic (in Rs)		20.72	18.20
Diluted (in Rs)		20.62	17.97
Weighted average number of shares used in computing earnings per share			
Basic	20	96,644,920	95,567,448
Diluted	20	97,140,135	96,791,285

The accompanying notes 1 to 31 form an integral part of this profit and loss account.

As per our report of even date
S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

BIOCON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees Thousands)

			2007	2006 (Note 31)
I	CASH FLOWS FROM OPERATING ACTIVITIES :			
	Net profit before tax		**2,109,968**	**2,025,489**
	Adjustments for			
	Add: Non cash item/items required to be disclosed separately:			
	Depreciation / Amortisation	665,482		296,532
	Unrealised exchange (gain)/loss	11,514		(9,198)
	Amortisation of employee compensation cost	75,242		9,467
	Provision for bad and doubtful debts	9,770		2,578
	Interest expense	101,559		25,475
	Interest income (gross)	(4,608)		(9,868)
	Dividend earned (gross)	(37,072)		(36,079)
	Gain on sale of investment in mutual funds	(740)		(2,753)
	Gain / (loss) on assets sold	685		(346)
			821,832	275,808
	Changes in working capital and other provisions			
	Inventories	(508,350)		(366,892)
	Sundry debtors	(841,039)		(405,502)
	Loans and advances	(207,770)		(79,026)
	Current liabilities and provisions (including book overdraft)	276,536		(413,528)
			(1,280,623)	(1,264,948)
			(458,791)	(989,140)
	Cash generated from operations		1,651,177	1,036,349
	Tax paid (net of refunds)		(132,373)	(226,934)
	Net cash provided by operating activities		1,518,804	809,415
II	CASH FLOWS FROM INVESTING ACTIVITIES :			
	Fixed assets			
	Purchase	(1,723,421)		(2,284,916)
	Sale	1,485		500
	Intangible assets	(182,597)		-
	Change in minority Interest	21,560		-
	Interest received	(19,932)		10,039
	Dividend received	37,072		36,079
	Sale of investment	3,019,449		4,585,954
	Purchase of investment			
	Long term	-		(336,130)
	Current	(3,145,113)		(2,899,739)
	Net cash used for investing activities		(1,991,497)	(888,213)
III	CASH FLOWS FROM FINANCING ACTIVITIES :			
	Short term borrowings from banks, net	(90,218)		183,500
	Repayment of secured loans	799,990		-
	Deferred sales tax credit	107,475		102,791
	Interest paid	(101,299)		(25,640)
	Dividend paid	(250,000)		(199,275)
	Dividend tax paid	(35,063)		(28,050)
	Movement in reserves of ESOP trust	79,817		13,423
	Net cash used for financing activities		510,702	46,749
IV	NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)		38,009	(32,049)
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		19,511	33,986
VI	CASH AND CASH EQUIVALENTS OF THE ESOP TRUST ACQUIRED DURING THE YEAR		28,770	17,574
VII	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V + VI)		**86,290**	**19,511**
	COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR			
	Cash on Hand		4,339	**1,239**
	Balances with Banks - in current accounts (excluding Unclaimed Dividend)		51,958	**1,996**
	Balances with Banks - in deposit accounts		29,993	**16,276**
			86,290	**19,511**

As per our report of even date
S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

BIOCON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees and US Dollars in thousands, except share data including share price)

1. Background

a. Incorporation and history

Biocon Limited ('Biocon' or 'the Company'), promoted by Ms Kiran Mazumdar Shaw ('KMZ'), was incorporated at Bangalore in 1978 for manufacture of biotechnology products. Syngene International Limited ('Syngene') (*formerly Syngene International Private Limited*) promoted by KMZ, was incorporated at Bangalore in 1993. At March 30, 2002, Biocon acquired 99.99 per cent of the equity shares of Syngene and, resultantly, the company became the subsidiary of Biocon. Clinigene International Limited ('Clinigene') (*formerly Clinigene International Private Limited*) was incorporated on August 4, 2000 at Bangalore and became a wholly owned subsidiary of Biocon on March 31, 2001.

Biocon entered into an Agreement on February 22, 2002 to set up a Joint Venture Company, with CIMAB SA ('CIMAB'), a company organised and existing under the laws of Cuba and engaged in research, development, manufacturing and marketing of Biopharmaceuticals, to manufacture and market products using technology and to carry out research activities. Accordingly, Biocon Biopharmaceuticals Private Limited ('BBPL') was incorporated on June 17, 2002 and on April 18, 2003, Biocon acquired 51 per cent shareholding in BBPL.

In March 2004, the Company completed an Initial Public Offering ('IPO') and made a fresh issue of 10,000,000 equity shares of Rs 5 each at a price of Rs 315 per share. Consequently, on April 7, 2004, the equity shares of the Company were listed on the National Stock Exchange of India and The Stock Exchange, Mumbai. The proceeds of the issue are being used, to the extent required, for setting up the new facilities to augment the existing capacities for the submerged fermentation and chemical synthesis operations (collectively referred to as 'the Project').

Biocon, together with its subsidiaries, Syngene and Clinigene and the joint venture company, BBPL hereinafter is collectively referred to as 'the Group'.

b. Operations

Biocon is engaged in the manufacture of biotechnology products in the pharmaceutical and enzyme sectors through fermentation based technology and had also made an entry in the formulation business during the year ended March 31, 2005. Syngene is primarily engaged in providing contract research services to overseas customers in the field of synthetic chemistry and molecular biology, it also sells products arising from research activities carried out on behalf of its customers; and Clinigene undertakes clinical research activities on discovering new biomarkers and is extending its activity to discovering new diseases subsets and novel data based on pharmacogenomics. The Group has its facilities located at Hebbagodi and Bommasandra, Bangalore district, Karnataka. During the year ended March 31, 2007, the Company has launched BIOMAb EGFR (monoclonal antibody for head and neck cancer), which is supplied by BBPL for its marketing by Biocon and started trading of the product in India.

c. Biocon Park Facility

The Company's Biocon Park facility, with total investments of Rs 4,557 million commenced operations during the year. Though reasonable time had elapsed since the commencement of trial runs, the Company believed that it needed to undertake 'extended trial runs' for the plant and machinery to be operated at its full capacity. Accordingly, even though the Biocon Park Facility was not put to commercial use by the Company, it had capitalised its Biocon Park Facility and started depreciating these assets effective June 7, 2006 over their estimated economic useful lives. The commercial operation at the facility started on September 28, 2006.

All direct costs related to trial runs till June 6, 2006 were capitalized with the Biocon Park assets and proceeds, if any, from the sale of the trial production; and/or profits, if any, from the transfer of the trial production to the existing Biocon facility have been reduced from Biocon Park assets.

The direct costs incurred at the Biocon Park Facility during the extended trial run period including depreciation charge have been expensed in the Statement of Profit and Loss. The processed quantity of the 'extended trial run production' has been transferred to other operating facility of the Company for further processing.

d. Purchase of Intellectual Properties of Nobex Inc., USA

The Company had entered into Research and Development Agreements and Investment Agreements with Nobex Inc., USA ('Nobex') to carry out research and development for Oral Insulin Product and BNP products on October 20, 2004 and April 25, 2005, respectively; and invested Rs 272 million in the common stock and promissory notes from October 2004 through December 31, 2005. It has further paid Rs 13 million towards licence fees for Oral Insulin and Rs 54 million towards loan and security arrangement entered on December 1, 2005 to facilitate the orderly sale of asset. The investments of Rs 339 million upto March 31, 2006 was reflected as investments at March 31, 2006.

As on December 1, 2005, Nobex had filed for bankruptcy under Chapter 11 of US Bankruptcy laws. Consequently, the audit report for the three month period and nine-month period ended December 31, 2005 was modified as there was uncertainty with respect to the Company's ability to recover its investments in Nobex from the monetization of intellectual properties.

Subsequently on March 20, 2006, the Company emerged as the winning bidder for the assets of Nobex; which primarily included, without limitation, patents relating to certain technologies for Oral Insulin, Oral BNP, Basil Insulin and Apaza (collectively hereinafter referred to as 'IPs'), for a total consideration of US$ 5 million. The closing for the sale process has been completed in April 2006. Accordingly, the total commitment made by Biocon, including investments already made, aggregates to US$ 12 million (Rs 496 million).

As at September 30, 2006, as the Company was yet to determine its firm plan to monetise the IPs either in the existing form or through further development and commercialisation, the underlying intangible assets of Rs 524,209 relating to the IPs, including legal costs directly related to the acquisition of the IPs of Rs 28,451 capitalised as a part of these intangible assets, were not ready for its intended use and hence were carried at cost.

In the board meeting of October 18, 2006, the Company has decided to license out certain of its IP, (Apaza) and to retain the rest of the IPs for its further developments and commercialisation. The Company has estimated the value of IPs for Apaza based on the valuation report obtained during Q1, to be US$ 2 million. The balance of the IPs is valued at US$ 10 million equally spilt between Oral Insulin and BNP.

As the Apaza is ready for its intended use, the amortization is considered effective October 2006. Accordingly, the financial statements include a charge of Rs 9 million as amortization of intangible asset disclosed under schedule 9 (ii).

2. Statement of significant accounting policies

a. Basis of presentation and consolidation

The financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared to comply in all material respects with the notified Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956 to reflect the financial position and the results of operations of Biocon together with its subsidiary companies, Syngene and Clinigene and joint venture company, BBPL.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flows of Biocon, Syngene, Clinigene and BBPL as at March 31, 2007.

In accordance with the revised Accounting Standard 27, 'Financial Reporting of Interests in Joint Ventures', ('AS 27'), BBPL, a joint venture company has been accounted as a subsidiary effective April 1, 2004, and computed minority interest. Upto the year ended March 31, 2004, BBPL was accounted as per the proportionate consolidation method as per the prevailing AS 27, at that time.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

In accordance with the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines') issued by Securities and Exchange Board of India ('SEBI'), the Company has also consolidated the ESOP Trust [See Note 20].

The significant accounting policies adopted by the Group in respect of the consolidated financial statements are detailed as follows:

b. Fixed assets and depreciation

Fixed assets are stated at cost, except for revalued freehold land and buildings, which are shown at, estimated replacement cost as determined by valuers less impairment loss, if any, and accumulated depreciation. The Group capitalises all costs relating to the acquisition and installation of fixed assets.

Fixed assets, other than freehold land, but including revalued buildings, are depreciated pro rata to the period of use, on the straight line method at the annual rates based on the estimated useful lives, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher, as follows:

Nature of Asset	Per cent
Buildings	4.00
Plant and machinery	9.09 - 33.33
Research and development equipment	11.11
Furniture and fixtures	16.67
Vehicles	16.67

Leasehold land on a lease-cum-sale basis are capitalised at the allotment rates currently charged by the Municipal Authorities. Leasehold improvements are being depreciated over the lease term or useful life whichever is lower.

The depreciation charge over-and-above the depreciation calculation on the original cost of the revalued assets is transferred from the revaluation reserve to the consolidated profit and loss account.

Assets individually costing less than Rs 5 are fully depreciated in the year of purchase.

c. Impairment of long-lived assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit. Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

d. Intangibles

Goodwill:

Goodwill is amortised over a period of 5 years and assessed for impairment at each balance sheet date.

Intellectual Property rights:

Costs relating to intellectual property rights which are acquired are capitalized and amortized on a straight-line basis over their estimated useful lives or ten years whichever is lower.

Research and Development Costs:

Research and development costs, including technical know-how fees, incurred for development of products are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an intangible asset to the extent that it is expected that such assets will generate future economic benefits. Research and development expenditure of a capital nature is added to fixed assets. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

e. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all applicable overheads in bringing the inventories to their present location and condition. Excise duty arising on finished goods and customs duty on imported raw materials in stock (excluding stocks in the bonded warehouse) are treated as part of the cost of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

f. Revenue recognition

Sale of pharmaceuticals, enzymes and compounds:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of disclosure in these consolidated financial statements, sales are reflected gross and net of excise duty in the consolidated profit and loss account.

Contract research agreements

The Group enters into two basic types of contract research agreements and the revenues therefrom are recognised on the following basis:

i. Time and material management:

Revenues are recognised as services are rendered, in accordance with contractual agreements.

ii. Fixed price arrangements:

Revenues relating to fixed price contracts are recognised based on the percentage of completion method.

g. Investments

Investments that are readily realisable and intended to be held for not more than 12 months are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value and determined on an individual investment basis.

h. Retirement benefits

Effective April 1, 2006, the Company has adopted the revised accounting standard on employee benefits. The Company has schemes of retirement benefits for provident fund and gratuity. Provident fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the government funds are due.

Gratuity liability is defined benefit obligation and is provided for on the basis of proportion of an actuarial valuation made at the end of each financial year. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of superannuation, the Company has accrued the liability, based on the schemes of the Company. The Company has discontinued the superannuation scheme with effect from April 1, 2005.

Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

i. Leave encashment

Effective April 1, 2006, the Company has adopted the revised accounting standard on employee benefits. Liability for leave encashment is in accordance with the rules of the Company. Pursuant to the adoption, short term compensated absences are provided based on estimates. Long term compensated absences are provided based on the actuarial valuation.

j. Foreign currency transactions

Initial Recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences:

Exchange differences arising on the settlement of monetary items or on the Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences arising on a monetary item that, in substance, form part of the Group's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

Exchange differences relating to the acquisition of fixed assets are adjusted to the cost of fixed assets.

Forward Exchange Contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

Foreign Currency Option Contracts not intended for trading or speculation purposes:
The Company enters into foreign currency option contracts to hedge its risks with respect to realisation of future receivables. The cost of these contracts, if any, is expensed over the period of the contract. The Company recognises the loss/gain on the Expiry or Cancellation, whichever is earlier, of the Option Contracts.

k. Income tax

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

l. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

m. Deferred employee stock compensation costs

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

n. Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise of the net profit after tax for the year. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year and are adjusted for bonus shares and sub-division of shares for all periods presented in these consolidated financial statements. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares.

The shares issued to the ESOP Trust have been considered as outstanding for basic earnings per share purposes, to the extent these shares have been allocated to the employees' pursuant to the ESOP scheme and are eligible for exercise. For dilutive EPS purpose, the shares, which are not yet eligible for exercise, have been considered as dilutive potential equity shares.

o. Operating lease

Where the Company is a Lessee:
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Where the Company is a Lessor:
Assets subject to operating leases are included in fixed assets. Lease incomes are recognised on a straight line basis over the lease term. Costs, including depreciation are recognised as an expense. Initial direct costs such as legal costs, brokerage costs, etc are recognised immediately.

p. Segment reporting

Identification of segments:
The Group's operating businesses are organized and managed separately according to the nature of products manufactured/traded, with each segment representing a strategic business unit that offers different products to different markets. The analysis of geographical segments is based on the areas in which the Group's products are sold.

Intersegment Transfers:

The Group generally accounts for intersegment sales and transfers at an agreed marked-up price.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

q. Provisions

A provision is recognised for a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

r. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, only that portion is capitalized which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalized only if they increase the value of the asset beyond its original standard of performance.

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3. Share capital	2007	2006
Authorised:		
120,000,000 (March 31, 2006 - 120,000,000) equity shares of Rs 5 each		
(March 31, 2006 - Rs 5 each)	600,000	600,000
Issued, subscribed and paid-up:		
100,000,000 (March 31, 2006 - 100,000,000) equity shares of Rs 5 each		
(March 31, 2006 - Rs 5 each), fully paid	500,000	500,000

(a) Of the above equity shares:
(i) 30,800 equity shares of Rs 100 each were allotted as fully paid bonus shares by capitalisation of general reserve in the year ended March 31, 1997.
(ii) 23,471 equity shares of Rs 100 each were allotted as fully paid-up shares in the year ended March 31, 2000 pursuant to a contract for consideration other than cash.
(iii) On October 8, 2001, the Company issued 12,153 equity shares of Rs 100 each to the ESOP Trust under an Employee Stock Option Plan ('ESOP Plan') and the ESOP Trust acquired 350 equity shares of Rs 100 each from certain individuals.
(iv) On March 30, 2002, the Company acquired 99.9 per cent equity in Syngene through the issue of 202,780 equity shares of Rs 10 each. The consideration was determined on the basis of a fair valuation, as approved by the statutory authorities in India. The related securities premium at Rs 403.8 per equity share has been credited to securities premium account.
(v) On May 9, 2002, the Company has further issued 15,870 equity shares of Rs 10 each to the Trust under the ESOP Plan. The Trust on October 20, 2003 acquired 2,500 equity shares of Rs 10 each from certain individuals. The total shares issued to the Trust were 7,023,100 equity shares of Rs 5 each, of which grants have been made for 3,814,385 equity shares as at March 31, 2006 and 7,023,100 equity shares as at March 31, 2007 [Refer Note 20].
(vi) In March 2004, the Company made an IPO of 10,000,000 fresh equity shares of Rs 5 each at a price of Rs 315 per share.

(b) The shareholders at the Extraordinary General Meeting ('EGM') of the Company held on February 25, 2002, approved the sub-division of equity shares of face value of Rs 100 each into ten equity shares of face value of Rs 10 each. The Board of Directors in their meeting held on March 30, 2002 passed a resolution for effecting the sub-division. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 2,000,000 equity shares of Rs 10 each and the then issued, subscribed and paid-up capital of Rs 18,218 as at March 31, 2002 was divided into 1,821,780 equity shares of Rs 10 each.

(c) The shareholders at the EGM of the Company held on November 11, 2003, approved the sub-division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each and increase in authorised capital from Rs 20,000 to Rs 600,000. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 4,000,000 equity shares of Rs 5 each and the issued, subscribed and paid -up capital of Rs 18,377, has been divided into 3,675,300 shares of Rs 5 each.

(d) Further, the shareholders at the EGM of the Company held on November 11, 2003 approved the allotment of 86,324,700 equity shares of Rs 5 each as bonus shares in the ratio of 1 : 23.4877958 to the shareholders existing as on November 11, 2003, which was the approved record date for this purpose, by capitalisation of the balance in the profit and loss account of Rs 431,624.

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4. Reserves and surplus	2007	2006
Capital Reserve	**17,094**	**17,094**
Revaluation Reserve		
Balance, beginning of the year	12,695	14,302
Less: Transfer to profit and loss account	1,606	1,606
	11,089	**12,695**
Securities Premium		
Balance, beginning / end of the year	3,288,478	3,288,478
	3,288,478	**3,288,478**
General Reserve		
Balance as per last account	823,279	689,796
Add: Transfer from Profit and Loss Account	158,351	133,483
	981,630	**823,279**
ESOP trust		
Dividend and interest income, net	**98,690**	**18,873**
Stock compensation adjustment (Refer note 2 (m) & 20)		
Stock options outstanding	91,790	94,129
Additions during the year	242,699	-
Deletions during the year	(10,171)	(2,339)
	324,318	**91,790**
Less: Deferred employee stock compensation expense	(162,415)	(5,130)
	161,903	**86,660**
Balance in profit and loss account	**5,627,185**	**4,133,905**
	10,186,069	**8,380,985**

(i) Biocon acquired 99.99 per cent in Syngene on March 30, 2002, through the issue of 202,780 equity shares of Rs 10 each. Biocon's shares were fair valued at Rs 907 at the transaction date. Further, as of March 30, 2002 the net assets of Syngene were Rs 101,422 resulting in capital reserve of Rs 17,094.

(ii) Securities premium includes an amount of Rs 81,881 received on the allotment of 202,780 equity shares of Rs 10 each on March 30, 2002 at a premium of Rs 403.8 per equity share [(See Note 3(a)(i)] and Rs 3,100,000 received on the allotment of 10,000,000 equity shares pursuant to the Company's IPO in March 2004 [See Note 3(a) (vi)].

(iii) Deferred employee stock compensation expense (See Note 20):

	2007	2006
Stock compensation expense outstanding	5,130	16,935
Stock options granted during the year	242,699	-
Stock options cancelled/ forfeited during the year	(10,172)	(2,339)
Stock compensation expense amortised during the year	(75,242)	(9,467)
Closing balance of deferred employee stock compensation expense	**162,415**	**5,130**

As more fully discussed in Note 20, the Company has granted stock options to the employees of the Company and its subsidiaries under the ESOP Plan 2000. The total compensation cost of Rs.232,528 will be recognised over the vesting period according to the graded vesting schedule. In accordance with the Guidance Note on accounting for 'Employee share based payments' issued by the Institute of Chartered Accountants of India, the compensation cost related to the options issued to employees of the subsidiaries is cross charged to the subsidiary companies and is accounted for in the books of the respective subsidiaries.

(iv) Biocon on November 11, 2003 issued 86,324,700 bonus shares of Rs 5 each through capitalisation of the balance in the profit and loss account to the extent of Rs 431,624. [See note 3(d)]

5. Minority interest

Minority interest represents that part of the net results of operations and of the net assets of Syngene to the extent of 170 shares (0.01 per cent) and BBPL to the extent of 6,468,000 shares (49 per cent) of the share capital, which are attributable to interests which are not owned, directly or indirectly by Biocon.

The share of net results of operations attributabe to minority shareholders is as follows:

	2007	2006
As per last balance sheet	32,218	8,786
Additional capital issued during the year	21,560	43,120
Profit/(loss) for the year	(61,767)	(19,688)
	(7,989)	**32,218**

6. Secured loans	**2007**	**2006**
From banks		
Cash credit, packing credit, etc.	587,331	677,549
Term loans	150,000	-
	737,331	**677,549**

(a) Cash credit, packing credit, etc

(i) On January 8, 2007, the Company renewed its total rupee and foreign currency denominated fund based working capital facilities with State Bank of India (SBI) of Rs 200,000,which has been subsequently enhanced to Rs 700,000 These facilities are repayable on demand, secured by a pari-passu first charge on current assets and carry an interest rate of 2 to 7 per cent per annum for foreign currency denominated loans and 7 to 13 per cent per annum for rupee loans. The Company has utilised Rs 490,895 (March 31, 2006 -- Rs 130,007) inclusive of foreign currency loans of Rs 36,764 (US$ 802 & Euro 31) [(March 31, 2006 - Rs 128,856) (US$ 2,897)] as of March 31, 2007.

(ii) On August 23, 2004, the Company renewed its fund and non fund based working capital facilities with Hongkong and Shanghai Banking Corporation (HSBC) for Rs 545,000, which has been subsequently enhanced to Rs 845,000. These facilities are repayable on demand, secured by pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 7 percent per annum for foreign currency denominated loans and 5 to 15 per cent per annum for rupee loans. The Company has utilised fund based limits of Rs 4,249 (March 31,2006 -- Rs 239,405), inclusive of foreign currency denominated loans of Rs Nil [March 31, 2006 -- Rs 218,419 (US$4,910)] as of March 31, 2007.

(iii) On August 26, 2004, the Company renewed its working capital facilities with Canara Bank ('CB') for Rs 200,000. These facilities are repayable on demand, secured by a pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 7 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs 32,026 (March 31, 2006 -- Rs 114,586) inclusive of foreign currency denominated loans of Rs 31,981 (US$ 734) [March 31, 2006 -- Rs 112,116 (US$ 2,521)] as of March 31, 2007.

(iv) On November 5, 2004, the Company renewed its fund and non fund based working capital facility with ABN Amro Bank for Rs 230,000. These facilities are repayable on demand, secured by a pari passu second charge on the fixed assets of the Company and carry an interest rate of 2 to 7 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs 60,161 (March 31, 2006 - Rs 193,551) inclusive of foreign currency denominated loans of Rs 60,161 (US$ 1,380) [March 31, 2006 -- Rs 192,262 (US$ 4,322)] as of March 31, 2007.

(v) On August 10, 2005 all the above banks have entered into an inter-se agreement for operational convenience for the above working capital limits effecting the modification of the above charge and creation of a pari passu charge on the current assets of the company in favour of all the above banks.

(b) Term Loan : On June 22, 2006, Clinigene entered into an agreement with Citibank N.A. for a long term rupee loan facility of Rs 150,000. The loan is repayable in eight quarterly installments commencing June 30, 2007 and is secured by an equitable mortgage on the immovable property i.e., building at Semicon Park. The loan carries an interest rate of 8.08% per annum payable at monthly rests.

7. Unsecured loans	**2007**	**2006**
Deferred payment liability	477,582	371,517
State Bank of India	649,990	-
NMITLI - CSIR Loan	2,820	1,410
	1,130,392	**372,927**

(i) Under the Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from the Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 8 years with respect to sales from its Bommasandra manufacturing facility for an amount not exceeding Rs 24,375. As at March 31, 2007 the Company has utilised Rs 1,050 (March 31, 2006 - Rs 929).

(ii) Under the Agro Food Processing Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from the Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 12 years with respect to sales from its Hebbagodi manufacturing facility for an amount not exceeding Rs 648,938. As at March 31, 2007, the Company has utilised Rs 476,532 (March 31, 2006 - Rs 370,588).

(iii) On March 31, 2005, the Company entered into an agreement with the Council of Scientific and Industrial Research ('CSIR'), for an unsecured loan of Rs 4,030 for carrying out part of the research and development project under the New Millennium Indian Technology Leadership Initiative ('NMITLI') Scheme. The first instalment of Rs. 1,410 was released on signing the agreement. The Company has received the second instalment of Rs 1,410 and is scheduled to receive the final instalment of Rs 1,210 during July 2007. The loans are repayable over 10 annual equal installments starting from October 1, 2008 and carry an interest rate of 3 percent per annum.

(iv) On February 17, 2007, BBPL entered into an agreement with State Bank of India, for a rupee term loan facility of Rs 650,000. The loan is repayable at the end of 3 years from the agreement date. The loan carries an interest rate of 9.00% per annum payable at monthly rests.

8. Deferred tax liability

	Deferred tax (asset) / liability as at April 1, 2006	Current year charge / (credit)	Deferred tax (asset) / liability as at March 31, 2007
Depreciation	325,438	155,318	480,756
Employee retirement benefits	(21,497)	(796)	(22,293)
Disallowance under section 43B	1	-	1
Provision for doubtful debts	(6,510)	(3,536)	(10,046)
Others	(108)	-	(108)
	297,324	**150,986**	**448,310**
Year ended March 31, 2006	234,406	62,918	297,324

(i) The Company, effective August 26, 2003 received approval from the Cochin Special Economic Zone for the setting up of a 100 per cent Export Oriented Unit ('EOU') for the manufacture and export of all types of statins on which the Company claims deduction under section 10B of the Income-tax Act, 1961 ('IT Act').

In accordance with the provisions of section 10B of the IT Act, effective August 26, 2003 the Company can avail of a tax deduction in respect of 100 per cent of all export income derived from the export sales arising out of its EOUs. Accordingly, the Company has not recognised any additional deferred tax liabilty for the EOUs as it expects the timing differences originating in this period to reverse out during the tax holiday period.

As more fully discussed in note 1(b) of the financial statements, the Company has received approval from The Cochin Special Economic Zone for Biocon Park SEZ as a developer on August 1, 2006 and to set up SEZ unit by August 30, 2006 under the provisions of Section 80IAB and Section 10 AA of the IT Act, respectively. Accordingly, the Company can claim deduction in respect of 100 percent of income of Biocon Park SEZ as developer and 100 percent of all export income derived from the export sales arising out of Biocon Park SEZ unit during the tax holiday period. As the facility is in its start-up phase, the Company has estimated that it would incur costs in excess of the revenues generated with respect to the activities as a Developer and the SEZ Unit and set-it off with other taxable income of Biocon. Hence, the current tax charge is after considering reversals for the nine-month period ended December 31, 2006, as Biocon would not be liable to pay any taxes in the current year. Deferred tax charge of Rs 155,325 represents timing differences for depreciation which would reverse to the extent of 50 percent after the tax holiday period and MAT credit.

During the year, the 'SEZ' facility has become operational and the Company has computed its net effective tax rate for the year ended March 31, 2007. Conseqently the current and deferred tax charge for the current year is after considering the income tax.

(ii) Syngene, constituting two 100 per cent Export Oriented Units (approved by the Cochin Export Processing Zone on December 14, 1998 and the Cochin Special Economic Zone on August 24, 2001), claims exemption under section 10B of the IT Act. Syngene has recognised the deferred tax liability/(asset) arising on account of timing differences for one unit which no longer claims exemption under section 10B of the IT Act, and with respect to Unit II, for those timing differences which do not reverse during the tax holiday.

(iii) As at March 31, 2007, Clinigene had accumulated book losses of Rs 53,446 (March 31, 2006 Rs 62,758) and has reported net earnings of Rs 9,312 (book loss for March 31, 2006 - Rs 10,937). Clinigene has not recognised deferred tax assets on tax loss carryforwards since there is not yet a reasonable certainty that it would reverse the tax loss carryforwards.

(iv) As BBPL is in the start up stage and has not yet commenced operations, it is not eligible to carryforward any tax losses under the Income Tax Act, 1961.

9. (i) Fixed assets

	Balance at the beginning of the year	Additions during the year	Deletions during the year	Balance at the end of the year
Cost/Valuation				
Goodwill	1,143	-	-	1,143
Land				
Freehold (revalued)	8,967	-	-	8,967
Freehold (others)	94,331	-	-	94,331
Leasehold	169,950	56,470	-	226,420
Buildings (revalued)	16,561	-	-	16,561
Buildings (others)	629,975	1,641,884	1,200	2,270,659
Leasehold improvements	5,153	-	-	5,153
Plant and machinery	2,558,351	4,253,243	15,397	6,796,197
Research and development equipment	508,470	97,668	-	606,138
Furniture and fixtures	64,644	45,910	-	110,554
Vehicles	12,917	5,082	3,921	14,078
	4,070,462	**6,100,257**	**20,518**	**10,150,201**
Year ended March 31, 2006	3,300,033	771,467	1,038	4,070,462
Accumulated depreciation				
Goodwill	1,143	-	-	1,143
Buildings (revalued)	13,635	1,606	-	15,241
Buildings (others)	87,900	64,697	69	152,528
Leasehold improvements	1,020	392	-	1,412
Plant and machinery	806,537	519,236	3,841	1,321,932
Research and development equipment	113,429	58,720	-	172,149
Furniture and fixtures	30,610	12,942	-	43,552
Vehicles	6,324	2,283	3,320	5,287
	1,060,598	**659,876**	**7,230**	**1,713,244**
Year ended March 31, 2006	763,344	298,138	884	1,060,598
Net book value				
Goodwill	-			-
Land				
Freehold (revalued)	8,967			8,967
Freehold (others)	94,331			94,331
Leasehold	169,950			226,420
Buildings (revalued)	2,926			1,320
Buildings (others)	542,075			2,118,131
Leasehold improvements	4,133			3,741
Plant and machinery	1,751,814			5,474,265
Research and development equipment	395,041			433,989
Furniture and fixtures	34,034			67,002
Vehicles	6,593			8,791
	3,009,864			**8,436,957**
Year ended March 31, 2006	2,536,689			3,009,864

(a) Biocon acquired 100 per cent shareholding in Clinigene on March 31, 2001, at a consideration of Rs 500. As of March 31, 2001, the net assets of Clinigene were Rs 188 resulting in a goodwill of Rs 312. The goodwill was fully amortised during the year ended March 31, 2001.

(b) Biocon acquired 51 per cent shareholding in BBPL on April 18, 2003, at a consideration of Rs 102. As of April 18, 2003, Biocon's share of the negative networth of BBPL was Rs 729 resulting in a goodwill of Rs 831. The goodwill was fully amortised during the year ended March 31, 2004.

(c) Certain freehold land and buildings were revalued on November 1, 1994, based on the estimated replacement cost after considering depreciation upto that date, as per valuers reports and the resultant surplus of Rs 34,529 was credited to revaluation reserve. Of this reserve, Rs 23,439 (March 31, 2006 - Rs 21,833) has been transferred to the profit and loss account for depreciation on these assets or adjusted on the sale of these assets.

(d) The Company has capitalised adjusted net foreign exchange gains of Rs 2,327 (March 31, 2006 - Rs 797) during the year as capital work in progress / fixed assets.

(e) On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating 26.75 acres to the Company for Rs 64,200 on a lease-cum sale basis for a period of 6 years. In addition, during the year ended March 31, 2005, the Company acquired an additional 41.25 acres of land for Rs. 99,417 from KIADB. One of the key conditions include commencement of commercial operations by the Company within 24 months of taking possession, which the Company believes has been complied with by the commencement of operations by Syngene on this land on October 21, 2004. During the quarter ended June 30, 2005, the Company paid an advance of Rs 56,320 towards allotment of additional 19.68 acres of land, offered to the Company by KIADB on December 20, 2003. The Company has received the possession certificate from KIADB in January 2006 and entered into an agreement with KIADB to acquire this plot of land on lease cum sale basis for a period of 6 years during the half-year ended September 30, 2006.

(f) The Company has taken a house property on lease for a term of 10 years at a monthly rental of Rs 17 from P K Associates. The Company has incurred an amount of Rs 3,191 on the lease improvements on this house property (Refer Note 23)

(g) As more fully discussed in note 1(b), the Company has capitalised its Biocon Park facility on June 7, 2006 with a total investment of Rs 4,557 million comprising of leasehold land Rs 56 million, buildings Rs 1,212 million, plant and machinery Rs 3,264 million and furniture & fixtures Rs 25 million. The Company has started depreciating these assets over their estimated useful lives with effect from that date.

(h) During the year ended March 31, 2007, the Company has reversed entry tax of Rs 13,056 capitalised in earlier years, as the same is not payable. Accordingly, Rs 13,056 and Rs 1,873 has been adjusted from gross block and accumulated depreciation respectively.

9 (ii) Intangible Assets

	Opening Balance as at April 1, 2006	Additions during the year	Amortisation during the year	Closing Balance as at March 31, 2007
Intellectual Properties from Nobex				
- For further development and commercialisation	-	440,000	-	440,000
- To be commercialised	-	81,138	9,138	72,000
	-	**521,138**	**9,138**	**512,000**

As more fully discussed in note 1(d) to the financial statements, the Company as at March 31, 2006 had invested Rs 339 million in Nobex and on March 20, 2006, emerged as the successful bidder for the assets of Nobex,which primarily included, without limitation, patents relating to certain technologies for Oral Insulin, Oral BNP, Basal Insulin and Apaza (collectively hereinafter referred to as 'IPs'), for an additional consideration of US$ 5 million. The closing for the sale process has been completed in April 2006. Accordingly, the total commitment made by Biocon, incuding investments already made, aggregates to US$ 11.3 million (Rs 496 million). These IPs including legal costs directly related to the acquisition of the IPs of Rs 28,451 were capitalised as intangible assets at a total value of Rs 521,138. As the Company had not decided its firm plan of either developing the IPs further and commercialising it or monetisation in its existing form the intangible assets were carried at cost and not amortised till the period ending September 30, 2006 based on the independent expert valuation / other bids received by official liquidators of Nobex.

In October 2006, the Company has classified the IPs into the IPs which can be leased and other IPs which is to be retained / maintanied for its evaluation in future. Accordingly it has decided to lease the IP - Apaza and started the amortisation from October 2006 over estimated useful life of five years. The rest of the IPs have been carried at cost.

10. Investments (At cost)	2007	2006
Long term investments		
A) Non trade:		
National Savings Certificates	13	13
B) Trade investment:		
Unquoted and fully paid up		
3% Convertible Promissory Note of US$ Nil (March 31, 2006 - US$ 5,150,000) in Nobex, [refer note 9 (ii) and 1 (d)]	-	226,274
3% Series B Convertible Promissory Note of US$ 3,000,000 (March 31, 2006 - US$ 3,000,000) in Vaccinex Inc, USA	131,930	131,930
Nil (March 31, 2006 - 2,000,000) Common Stock at US$ 0.50 each, fully paid, par value US$ 0.001 each of Nobex Corporation, USA [Refer Note 1(d)]	-	45,640
645,161 (March 31, 2006 - 645,161) Series B1 Preferred Stock at US$ 1.55 each, fully paid, par value US $0.01 each of Vaccinex Inc., USA	45,100	45,100
Advance to Nobex [Refer Note 1(d)]	-	66,627
	177,030	515,571

The Company has entered into a ‘Securities Purchase Agreement’ with Vaccinex Inc., USA (‘Vaccinex’) on November 3, 2004 to invest an amount of US$ 4 million (US$ 1 million in Series B1 Convertible Preferred Stock and US$ 3 million in Series B Convertible Promissory Notes). Further, the Company has entered into a ‘Research and Collaboration Agreement’ to discover, develop, and commercialize human therapeutic monoclonal antibodies. As on March 31, 2007 the Company has invested Rs 45,100 (US$ 1 million) in the convertible preferred stock and an amount of Rs 131,930 (US$ 3 million) in the convertible promissory note.

Vaccinex has incurred a loss of US$ 7.8 million for the year ended December 31, 2006. In addition, the networth of Vaccinex is fully eroded at the balance sheet date. Further, Vaccinex has budgeted its funding requirements over a period of next three years to commence its development plan and has a committed funding of US$ 8.9 million as at year end. As Vaccinex is a development stage enterprise and of strategic importance to the Company, it believes that there is no permanent dimunition in the value of this investment. In accordance with Accounting Standard - 9, considering the above, the Company has not recognised interest income accrued on the promissory notes.

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Other Investments	**2007**	**2006**
Current and unquoted (at lower of cost and fair market value)		
3,000,000 units (March 31, 2006 - 1,788,569) of Rs 10 each in Reliance Mutual Fund	30,000	27,313
[Market Value Rs 30,000 (March 31, 2006 - Rs 27,359)]		
2,665,165 units (March 31, 2006 - Nil) of Rs 10 each in ABN AMRO Liquid Fund	26,652	-
[Market Value Rs 26,652 (March 31, 2006 - Rs Nil)]		
7,393,385 units (March 31, 2006 - 7,968,048) of Rs 10 each in Deutsche Mutual Fund	73,934	80,000
[Market Value Rs 73,934 (March 31, 2006 - Rs 80,000)]		
Nil units (March 31, 2006 - 10,000,000) of Rs 10 each in LIC Mutual Fund - FMP	-	100,000
[Market Value Rs Nil (March 31, 2006 - Rs 100,046)]		
7,009,374 units (March 31, 2006 - Nil) of Rs 10 each in Lotus India Mutual Fund	70,094	-
[Market Value Rs 70,094 (March 31, 2006 - Rs Nil)]		
Nil units (March 31, 2006 - 10,000,000) of Rs 10 each in ING Vysya Mutual Fund - FMP	-	100,000
[Market Value Rs Nil (March 31, 2006 - Rs 100,000)]		
5,238,573 units (March 31, 2006 - 500,000) of Rs 10 each in Kotak Mutual Fund - FMP	52,386	50,000
[Market Value Rs 52,386 (March 31, 2006 - Rs 50,000)]		
3,527,527 units (March 31, 2006 - 2,739,621) of Rs 10 each in HSBC Mutual Fund - Cash Fund	35,298	27,412
[Market Value Rs 35,507 (March 31, 2006 - Rs 27,412)]		
9,396,929 units (March 31, 2006 - Nil) of Rs 10 each in HSBC Mutual Fund - Liquid Fund	93,998	-
[Market Value Rs 93,998 (March 31, 2006 - Nil)]		
42,906 units (March 31, 2006 - 40,510) of Rs 10 each in ING Vysya Liquid Fund	430	406
[Market Value Rs 430 (March 31, 2006 - Rs 406)]		
Nil units (March 31, 2006 - 2,137,074) of Rs 10 each in Deutsche Insta Cash Plus Fund	-	22,014
[Market Value Rs Nil (March 31, 2006 - Rs 22,014)]		
Nil units (March 31, 2006 - 599,869) of Rs 10 each in Grindlays Liquid Plan	-	6,178
[Market Value Rs Nil (March 31, 2006 - Rs 6,178)]		
Nil units (March 31, 2006 - 2,337,273) of Rs 10 each in JM Mutual Fund - Liquid Plan	-	23,414
[Market Value Rs Nil (March 31, 2006 - Rs 23,414)]		
3,838,292 units (March 31, 2006-- Nil) of Rs 10 each in HDFC Cash Fund	40,020	-
[Market Value Rs 40,020 (March 31, 2006 -- Rs Nil)]		
2,000,460 units (March 31, 2006 - 500,000) of Rs 10 each in HDFC Mutual Fund - FMP	20,005	50,000
[Market Value Rs 20,005 (March 31, 2006 - Rs 50,000)]		
3,025,410 units (March 31, 2006 - Nil) of Rs 10 each in Standard Chartered Mutual Fund - FMP	30,254	-
[Market Value Rs 30,254 (March 31, 2006 - Rs Nil)]		
14,007,203 units (March 31, 2006 - Nil) of Rs 10 each in ABN AMRO Mutual Fund - FMP	140,070	-
[Market Value Rs 140,070 (March 31, 2006 - Rs Nil)]		
Aggregate amount of unquoted investments	613,141	486,737
	790,184	**1,002,321**
The following investments were purchased and sold during the year		
11,010,808 units (March 31, 2006 - 120,557) of Rs 10 each in LIC Mutual Fund	110,108	1,925
44,784,189 units (March 31, 2006 - 63,938,615) units of Rs 10 each in HSBC Mutual Fund	447,943	648,614
Nil units (March 31, 2006 - 26,676) of Rs 1,000 each in TATA Mutual Fund	-	30,447
Nil units (March 31, 2006 - 7,117,532) of Rs 10 each in Reliance Fixed Term Scheme	-	71,175
61,747 units(March 31 2006 - 6,900,075) of Rs 10 each in Reliance Mutual Fund	617	71,361
Nil units(March 31, 2006 - 84,400) of Rs 10 each in JM Mutual Fund - Liquid Plan	-	941
Nil units (March 31, 2006 - 66,340) of Rs 10 each in Birla Sunlife Mutual Fund	-	681
Nil units (March 31, 2006 - 2,987,215) of Rs 10 each in ING Vysya Mutual Fund	-	30,000
7,393,385 units (March 31, 2006 - 8,000,000) of Rs 10 each in Deutsche Mutual Fund	73,934	80,000
Nil units (March 31, 2006 - 7,691) of Rs 10 each in Canara Liquid Fund	-	77
Nil units (March 31, 2006 - 1,691,643) of Rs 10 each in Prudential ICICI Liquid Fund	-	20,037
Nil units (March 31, 2006 - 2,501,525) of Rs 10 each of ABN AMRO Mutual Fund	-	25,015
112,385,263 units (March 31, 2006 - Nil) of Rs 10 each in HSBC - Inst. Liquid Fund	1,125,169	-
66,473,550 units (March 31, 2006 - 53,517,483) of Rs 10 each in HSBC - Cash Plus	665,108	-
57,192 units (March 31, 2006 - Nil) of Rs 10 each in Deutsche Insta Cash Fund	572	-
7,099,085 units (March 31, 2006 - Nil) of Rs 10 each in DSP Meryll Lynch Mutual Fund	70,991	-
16,702,756 units(March 31 2006 - Nil) of Rs 10 each in ABN Amro Mutual Fund	167,027	-
19,576 units (March 31, 2006 - Nil) of Rs 10 each in Reliance Liquid Plan	300	-
10,201,147 units (March 31, 2006 - Nil) of Rs 10 each in Reliance Mutual Fund - FMP	102,404	-
13,253 units (March 31, 2006 - Nil) of Rs 10 each in Grindlays Liquid Plan	133	-
5,248,908 units (March 31, 2006 - Nil) of Rs 10 each in Deutsche Liquid Plan	52,633	-
8,604,163 units (March 31, 2006 - Nil) of Rs 10 each in HDFC FMP	87,526	-
8,204,785 units (March 31, 2006 - Nil) of Rs 10 each in DWS Liquid Plan	82,048	-
3,097,594 units (March 31, 2006 - Nil) of Rs 10 each in DWS Mutual Fund	30,976	-
52,385,731 units (March 31, 2006 - Nil)of Rs 10 each in Kotak Mutual Fund - FMP	52,386	-
4,188,049 units (March 31, 2006 - Nil)of Rs 10 each in Kotak Mutual Fund - Inst premium	51,212	-

11. Inventories	2007	2006
Raw materials	612,990	482,787
Goods-in-bond / goods-in-transit (Raw materials)	164,787	23,050
Packing materials	25,367	7,896
Work-in-progress	717,276	522,302
Finished goods	92,786	68,821
	1,613,206	**1,104,856**

The inventories of Raw materials and Work-in-progress includes trial run inventory of Rs Nil as at March 31, 2007 (March 31, 2006 - Rs 138,134) at Biocon Park which has been capitalised on June 7, 2006 [refer note 1(c)]

12. Sundry debtors (Unsecured)	2007	2006
Debts outstanding for a period exceeding six-months		
Considered good	241,301	50,429
Considered doubtful	29,555	19,785
Other debts		
Considered good	2,823,918	2,186,215
	3,094,774	2,256,429
Less: Provision for doubtful debts	29,555	19,785
	3,065,219	**2,236,644**

Other debts include unbilled revenues of Rs 10,963 (March 31, 2006 - Rs 15,089) with respect to services rendered to customers.

13. Cash and bank balances	2007	2006
Cash on hand	4,339	1,239
Balances with scheduled banks:		
In current accounts	52,992	2,721
In deposit accounts	29,993	16,276
	87,324	**20,236**

(a) Balances with scheduled banks in current accounts include balance in unclaimed dividend account of Rs 1,034 (March 31, 2006 - Rs 725).

(b) Balances with scheduled banks in current accounts and deposit account include the balances of the ESOP Trust of Rs 39,927 (March 31, 2006 - Rs 1,298) and Rs 29,993 (March 31, 2006 - Rs 16,276), respectively.

14. Loans and advances (Unsecured and considered good)	2007	2006
Advances recoverable in cash or in kind or for value to be received	174,600	44,878
Duty drawback receivable, net of provision of Rs 1,646 (March 31, 2006 - Rs. 534)	14,269	23,101
Deposits	52,887	40,643
Balances with Customs, Excise and Sales tax Authorities	200,551	129,923
MAT Credit entitlement	52,481	-
Advance income-tax, net of provision	34,867	-
Shares held by ESOP trust	685	905
	530,340	**239,450**

(a) Advances recoverable in cash or in kind or for value to be received include amounts due from employees to the ESOP Trust of Rs 19,530 (March 31, 2006 - Rs Nil)

(b) Included under advance tax is Rs 8,998 (March 31, 2006 - Rs 394) and provision for taxation of Rs 436 (March 31, 2006 - Rs 440) of the ESOP trust.

15. Current liabilities and provisions	2007	2006
Current liabilities		
Sundry creditors		
Capital	678,379	872,573
Others	1,258,638	1,057,091
Advances from customers	73,441	57,537
Balance in current account with bank represents book overdraft	60,348	19,586
Interest accrued but not due	296	36
Investor Education and Protection Fund to be credited by :		
- Unclaimed dividend	1,034	725
Other liabilities	252,141	176,225
	2,324,277	2,183,773
Provisions for		
Proposed dividend	300,000	250,000
Tax on proposed dividend	50,985	35,063
Gratuity	1,692	15,820
Superannuation	2,645	2,645
Bonus	-	30,700
Leave encashment	69,042	66,938
Provision for income tax, net of advance tax	-	27,133
Provision for fringe benefit tax, net of advance tax	758	517
	425,122	428,816
	2,749,399	**2,612,589**

(a) Other liabilities include Rs 599 (March 31, 2006 - Rs 1,073) due to Ms Kiran Mazumdar Shaw, Managing Director and the maximum amount outstanding at any time during the year was Rs 4,519 (March 31, 2006 - Rs 5,530)

(b) Dues to small scale industrial undertaking included in Sundry creditors:	620	16,784

The names of small-scale industrial undertakings to whom amounts are outstanding for more than 30 days :
Mass Dyechem, P D Fine Chem, Porlu Packers, Spansules Pharmatech Pvt Ltd.

16. Other income	2007	2006
Interest income from investments [(gross of tax deducted at source - Rs Nil (March 31, 2006 - Rs 233)]	-	1,514
Dividend income		
On investment of IPO funds	-	21,535
Others	37,072	14,544
Profit on sale of investments	740	2,726
Gain on fixed assets sold, net	(685)	346
Miscellaneous income	1,056	-
	38,183	**40,665**

17. Manufacturing, contract research and other expenses	2007	2006
Raw materials consumed, net of duty drawback of Rs 16,198 (March 31, 2006 - Rs. 41,356)	4,560,751	4,122,984
Purchase of goods for resale	165,824	86,546
Employee costs		
Salaries, wages, bonus, etc	729,500	513,726
Group's contribution to provident and other fund	36,762	25,612
Gratuity, superannuation, leave encashment	6,959	31,993
Employee stock compensation expense (See Note 2(m), 4 & 20)	75,242	9,467
Directors sitting fees	820	900
Welfare expenses	60,636	37,116
Operation and other expenses:		
Royalty and technical fees	7,995	4,768
Rent	4,160	2,849
Communication expenses	31,640	26,285
Travelling and conveyance	121,039	78,224
Professional charges	107,564	51,984
Power and fuel	619,567	336,866
Insurance	27,662	14,589
Rates, taxes and fees	10,630	4,026
Lab consumables	43,347	33,373
Repairs and maintenance		
Plant and machinery	118,332	65,672
Buildings	18,110	8,217
Others	56,713	29,333
Selling expenses		
Freight outwards and clearing charges	82,311	50,542
Sales promotion expenses	76,906	58,170
Commission and brokerage	74,202	60,060
Excise duty on closing stock, net	62	4,789
Bad debts written off	-	1,501
Provision for bad and doubtful debts	9,770	2,578
Exchange fluctuation (net)	(28,361)	(27,248)
Loss/(gain) on forward cover contracts, net	(68,588)	25,059
Printing and stationery	10,846	8,913
Research and Development Expenses	168,743	56,097
Miscellaneous expenses	112,213	80,346
	7,241,357	**5,805,337**
(Increase)/decrease in inventories of finished goods and Work-in-progress:		
Opening inventories - Finished goods	75,112	24,231
Work-in-progress	522,302	360,403
	597,414	384,634
Closing inventories - Finished goods	(99,015)	(75,112)
Work-in-progress	(717,276)	(522,302)
	(816,291)	(597,414)
	(218,877)	(212,780)
	7,022,480	**5,592,557**

Note :

Power and fuel cost of Rs 59,198 (March 31, 2006 - Rs 185,606) and employee costs of Rs 11,268 (March 31, 2006 - Rs 35,513) for the period upto June 7, 2006 have been transferred to assets capitalised, as it relates to construction and installation of the new facility at Biocon Park [See note 1 (c)]

18. Research and development expenses

Research and development expenses aggregate to Rs 487,734 (March 31, 2006 - Rs 411,305) and include Rs 97,668 (March 31, 2006 - Rs 197,241) on research and development equipment and Rs 616 (March 31, 2006 - Rs. 18,327) on buildings and the remaining expenses incurred by the Company have been disclosed under the appropriate account heads.

19. Interest and finance charges	2007	2006
Interest paid on :		
Loans from banks	88,180	17,590
	88,180	17,590
Less : Interest received from suppliers [gross of tax deduction at source Rs Nil (March 31, 2006 - Rs 54)]	(1,190)	(8,850)
	86,990	8,740
Bank charges	10,573	8,808
	97,563	**17,548**

20. Employee stock compensation

On September 27, 2001, Biocon's Board of Directors approved the Biocon Employee Stock Option Plan ('ESOP Plan 2000') for the grant of stock options to the employees of the Group. A compensation committee has been constituted to administer the plan through the ESOP Trust.

Grant I, II and III

The Trust purchases equity shares of Biocon using the proceeds from the loan obtained from Biocon and will subscribe to such number of shares as is necessary for transferring to the employees. The total number of equity shares transferred to the Trust shall not exceed 250,000 equity shares (pre-bonus and pre-split) of Rs 10 each and shares transferred to each employee will not exceed 10,000 equity shares (pre-bonus and pre-split) of Rs 10 each. The Compensation Committee shall determine the exercise price which will not be less than the face value of the shares. The Compensation Committee had granted 71,510 options under the ESOP Plan 2000 to be exercised at a grant price of Rs 10 (pre-bonus and pre-split). The options will vest with the employees equally over a four year period from the grant date. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favour of the ESOP Trust.

Further, during the year ended March 31, 2005 the Compensation Committee has granted 142,100 options under the ESOP Plan 2000 effective January 1, 2004 to be exercised at a grant price of Rs 5. The options vest with the employees equally over a four year period from January 1, 2005.

On January 18, 2004, the Board of Directors announced the Biocon Employees Stock Option Plan (ESOP Plan 2004) for the grant of stock options to the employes of the Company, pursuant to which, the Compensation Committee on March 19, 2004 granted 422,000 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 315 being the issue price determined for the IPO through the book building process. The options will vest with the employees equally over a four year period from April 1, 2005.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines') which are applicable to stock option schemes for employees, of all listed companies. Biocon, though not listed on the date of the grants has followed these guidelines for accounting of ESOP costs [Refer Note 2(m)]. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of the grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. For basic EPS purposes, the shares outstanding including the options exercised by the employees have been considered [Refer Note 2(n)]. For diluted EPS purpose, the shares, which are not yet eligible for exercise, have also been considered as outstanding to the extent these shares are diluted.

The estimated fair values of the equity shares have been determined by management on the dates of the grants for ESOP 2000 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the price determined for the IPO through the book building process for the options granted on March 19, 2004. Accordingly no compensation cost has been recorded, as the exercise price equals the fair value of the shares on the date of the IPO.

Grant IV

The Company has approved grant of stock options to its employees by way of Grant IV under the existing ESOP Plan 2000. The options under this grant would vest to the employees as 25%, 35% and 40% of the total grant at the end of the first, second and third year from July 18, 2006. The information on the grant has been summarised below.

Description of the Grant

Particulars	
Date of Grant	19.07.2006
Date of Board approval	19.07.2006
Date of Shareholders' approval	NA
Number of options granted	3,478,200
Method of settlement (Cash / Equity)	Equity
Vesting Period	3 years
Exercise Period	2 years
Vesting conditions	Completion of 2 years of service ; Performance & Grade

Details of Grant

Particulars	
Outstanding at the beginning of the perod	Nil
Granted during the year	3,478,200
Forfeited during the year	226,560
Exercised during the year	Nil
Expired during the year	Nil
Outstanding at the end of the year	3,251,640
Exercisable at the end of the year	Nil
Weighted average remaining contractual life (in years)	3.81
Weighted average fair value of options granted	160.38

The details of exercise price of the stock options outstanding as at March 31, 2007 are :

		Weighted Avg remaining life of options	Weighted Average Exercise Price
Exercise price (Rs)	275/- to 300/-	3.81 years	279.05
Expected volatility	34.29%		
Historical volatility	34.29%		
Life of the options granted (vesting and exercise period) in years	5.12		
Expected dividends	2.59		
Average risk-free interest rate	7.85%		
Expected dividend rate	0.66%		

The expected volatility was determined based on historical volatility data ; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures

Since the enterprise has used the intrinsic value method, there is an impact on the reported net profit and earnings per share by applying the fair value based method. In March 2005, the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance requires Proforma accounting in the financial statements. Applying the fair value based method defined in the said Guidance Note, the impact on the reported net profit and earnings per share would be as follows :

Particulars	April 1, 2006 to March 31, 2007
Profit as reported	2,002,616
Add: Employee stock compensation under intrinsic value	75,242
Less : Employee stock compensation under fair value	156,540
Proforma profit	1,921,318
Earnings per Shares - Basic	
- As reported	20.72
- Proforma	19.88
Earnings per Shares - Diluted	
- As reported	20.62
- Proforma	19.78

The Trust had 3,355,080 (March 31, 2006 - 4,432,567) equity shares of Rs 5 each as at March 31, 2007 and a summary of the activity of the Trust is as follows :

Particulars	2007	2006
Opening balance of equity shares not granted to employees and available with the Trust	3,208,715	3,138,332
Less: Options granted during the year	(3,478,200)	-
Add: Options cancelled and lapsed	269,485	70,383
Closing balance of shares not granted to employees and available with the Trust	-	3,208,715
Options granted and exercised at end of the year	3,683,799	2,590,533
Options granted and eligible for exercise at end of the year	-	235,200
Options granted but not eligible for exercise at end of the year	3,355,080	996,306
Total employee stock compensation cost as at end of the year	**324,318**	**91,790**
Vesting period of options		
-- Primarily progressively over four years. In respect of grants made in July 2006, the shares vest progressively over a three year term.		
Employee stock compensation expense		
-- Amortised during the year	**75,242**	**9,467**

21. Reconciliation of basic and diluted shares used in computing EPS

	2007	2006
Basic weighted average shares outstanding	96,644,920	95,567,448
Add: Effect of dilutive shares granted but not exercised / not eligible for exercise	495,215	1,231,506
Weighted average shares outstanding and potential shares outstanding	**97,140,135**	**96,798,954**

22. Current taxes

The current tax charge for the year ended March 31, 2007 comprises of provision of Rs 52,841 under Minimum Alternative Tax (‘MAT’). In addition, the Company has, during the year, provided Rs 10,691 (March 31, 2006 - Rs 5,853) towards fringe benefit tax as introduced by the Government under the Finance Act, 2005.

23. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2006 to March 31, 2007	Balance as at March 31, 2007 (Payable)/receivable	April 1, 2005 to March 31, 2006	Balance as at March 31, 2006 (Payable)/receivable
1	Kiran Mazumdar Shaw	Managing Director	Salary and perquisites	10,319	(599)	10,339	(1,073)
2	JMM Shaw	Director	Salary and perquisites	7,091	-	9,384	-
3	CIMAB	Joint Venture Partner	Purchase of vials	9,387	-	1,189	-
			R & D fees	9,005	(233)	8,865	-
4	P K Associates	Relative of Director	Lease Rentals	189	-	90	-

The Company has taken a house property on lease for a term of 10 years at a monthly rental of Rs 17 from P K Associates effective from October 2005. The rent is subject to annual increment of 10%. The Company has incurred an amount of Rs Nil (March 31, 2006 - Rs 3,191) on the leasehold improvements on this house property

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24. Provisions	Balance at the beginning of the year	Additions during the year	Amount paid during the year	Balance at the end of the year
Bonus	30,700	809	31,509	-
	30,700	**809**	**31,509**	**-**

25. Commitments	**2007**	**2006**
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	655,499	479,428
(b) Operating lease commitments		
(i) Rent :		
The Group has entered into lease agreements for lease of premises which expires between 2008 to 2015. Gross rental expenses for the year aggregate to Rs 2,698 (March 31, 2006 - Rs 570) The committed lease rental in the future are:		
Not later than one year	5,276	669
Later than one year and not later than five years	11,690	2,195
Later than five years	1,320	1,625
(ii) Vehicles :		
The Group has taken vehicles for certain employees under operating leases, which expire from December 2008 to August 2010. Gross rental expenses for the year aggregate to Rs 6,485 (March 31, 2006 - Rs 5,794). The committed lease rental in the future are:		
Not later than one year	8,672	6,334
Later than one year and not later than five years	12,303	8,430
26. Contingent liabilities		
(a) Taxation matters under appeal	20,960	12,900
(b) Corporate guarantees		
(i) Corporate guarantee given in favour of CED in respect of certain performance obligations of Syngene.	217,500	217,500
(ii) Corporate guarantee given in favour of CED in respect of certain performance obligations of Biocon.	465,000	465,000
(iii) Corporate guarantee given in favour of CED in respect of certain performance obligations of BBPL	131,352	131,352
(iv) Corporate guarantee given in favour of CED in respect of certain performance obligations of Clinigene	27,205	4,976
(v) Corporate guarantee given in favour of State Bank of India, in respect of term loan granted to BBPL	650,000	-
The necessary terms and conditions have been complied with and no liability has arisen.		
(c) Claims against the Group not acknowledged as debts	2,170	2,170
(d) The Company has provided a letter of committment to fund the operations of its wholly owned subsidiary Clinigene.		
27. Details of utilisation of proceeds raised through public issue		
Capital work-in-progress [Note 1(a)]	-	3,150,000
	-	**3,150,000**

28. Foreign exchange option contracts

The Company has entered into option contracts to hedge highly probable forcasted forex transactions. As at March 31, 2007, the Company has currency option contracts to sell US$ 13.5 Million over the period beginning April 2007 to September 2007 in respect of the forcasted transactions. The impact of marked to market of these option contracts is Rs 23,835 gain as at March 31, 2007 which has not been recognised in the profit and loss account in accordance with the Companys' accounting policy. There are no foreign currency exposures as on March 31, 2007 which have not been hedged by derivative instruments.

29. Employee Benefit Plans

The group has defined contributory plans for retirement benefits of employees. A summary of the gratuity plan is as follows

	2007	2006
Fund balance		
Defined benefit obligation	75,106	77,496
Less: Fair value of plan assets	73,414	61,677
Net Plan (asset) / liability	**1,692**	**15,820**
The change in benefit obligation and funded status of the gratuity plan for the year ended March 31, 2007 is as follows:		
Change in benefit obligation		
Benefit obligation at the beginning of the year	77,496	64,273
Current Service Cost	13,648	9,504
Past Service cost	1,009	1,570
Interest cost	3,793	3,190
Benefits paid	(7,981)	(2,445)
Actuarial (gain) / loss	(12,859)	1,404
Benefit obligation at the end of the year	**75,106**	**77,496**
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	61,676	41,981
Return on plan assets	4,626	3,145
Actuarial gain / (loss)	(727)	(3,279)
Actual contribution	15,820	22,275
Benefits paid	(7,981)	(2,445)
Fair value of plan assets at end of the year	**73,414**	**61,677**
Net gratuity cost for the year ended March 31, 2007 and year ended March 31, 2006 are as follows:		
Components of net benefit cost		
Current Service cost	13,648	9,504
Past Service cost	1,009	1,570
Interest cost	3,793	3,190
Expected return on plan assets	(4,626)	(3,145)
Net actuarial (gain) / loss recognised during the year	(12,132)	4,701
Net gratuity cost	**1,692**	**15,820**
Actual return on plan assets	**3,899**	**(134)**
The assumptions used in accounting for the gratuity plan for the current year and the previous year are as below:		
Interest rate	7.50%	5.00%
Discount rate	7.50%	5.00%
Salary Increase	8.00%	8.00%
Attrition rate upto age 44	2.00%	2.00%
Attrition rate above age 44	1.00%	1.00%
Retirement age (in years)	58	58

The Group evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2008 is approximately Rs 15,000.

30. Segmental Information

Business segments

The primary reporting of the Group has been performed on the basis of business segment. The Group is organised into three business segments, enzymes, active pharmaceutical ingredients ('Pharma') and contract research services. Segments have been identified and reported based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems.

April 1, 2006 to March 31, 2007

Particulars	Enzyme	Pharma	Contract Research	Joint Venture	Unallocated	Eliminations	Total
Revenues							
External sales	950,144	7,549,740	1,357,428	-	-	-	9,857,312
Inter-segment transfers	64,878			-	350,229	(415,107)	-
Total revenues	1,015,022	7,549,740	1,357,428	-	350,229	(415,107)	9,857,312
Costs							
Segment costs	(642,592)	(4,803,243)	(816,802)	(63,786)	(36,811)	-	(6,363,234)
Inter-segment transfers	-	(356,243)	(29,164)	(29,700)	-	415,107	-
Result							
Segment result	372,430	2,390,254	511,462	(93,486)	313,418	-	3,494,078
Corporate expenses	-	-	-	-	(659,246)	-	(659,246)
Other income	-	-	33,930	-	4,253	-	38,183
Interest income	-	-	-	-	-	-	-
Operating profit							2,873,015
Depreciation	(31,822)	(417,947)	(84,379)	(5,043)	(126,292)	-	(665,483)
Interest expense	-	-	(9,876)	(4,563)	(83,124)	-	(97,563)
Income taxes - Current and deferred	-	-	-	-	(169,120)	-	(169,120)
Minority Interest	-	-	-	-	61,767	-	61,767
Net profit							**2,002,616**
Other information							
Segment assets	230,102	5,056,405	1,759,793	886,943		-	7,933,243
Unallocated corporate assets	-	-	-		7,810,276	-	7,810,276
Total assets							15,743,519
Segment liabilities	74,053	1,400,671	706,221	751,366		-	2,932,311
Unallocated corporate liabilities	-	-	-		2,133,127	-	2,133,127
Total liabilities							5,065,438
Capital expenditure	13,841	50,548	269,001	871,596	4,874,402	-	6,079,388

April 1, 2005 to March 31, 2006

Particulars	Enzyme	Pharma	Contract Research	Joint Venture	Unallocated	Eliminations	Total
Revenues							
External sales	849,563	6,025,361	1,005,756	-	-	-	7,880,680
Inter-segment transfers	72,294	-	-	-	-	(72,294)	-
Total revenues	921,857	6,025,361	1,005,756	-	-	(72,294)	7,880,680
Costs							
Segment costs	(523,481)	(3,660,753)	(497,049)	-	-	-	(4,681,283)
Inter-segment transfers	-	(72,294)	-	-	-	72,294	-
Result							
Segment result	398,376	2,292,314	508,707	-	-	-	3,199,397
Corporate expenses	-	-	-	(19,859)	(891,415)	-	(911,274)
Other income	-	-	14,921	-	35,011	-	49,932
Interest income	-	-	1,134	-	380	-	1,514
Operating profit							2,339,569
Depreciation	(26,911)	(142,463)	(68,003)	(31)	(59,124)	-	(296,532)
Interest expense	-	-	(577)	(85)	(16,886)	-	(17,548)
Income taxes - Current and deferred	-	-	-	-	(305,654)	-	(305,654)
Minority Interest	-	-	-	-	19,688	-	19,688
Net profit							**1,739,523**
Other information							
Segment assets	626,616	8,864,941	1,515,470	654,492	-	-	11,661,519
Unallocated corporate assets	-	-	-	-	1,212,073	-	1,212,073
Total assets							12,873,592
Segment liabilities	138,006	1,751,748	265,688	146,536	-	-	2,301,978
Unallocated corporate liabilities	-	-	-	-	1,658,411	-	1,658,411
Total liabilities							3,960,389
Capital expenditure	10,073	114,648	311,385	-	335,361	-	771,467

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The operations of the Group comprise export sales and contract research fees contributing to approximately 59 per cent (2006 -- 59 per cent). The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Group's sale by geographical markets

Revenues, net	2007	2006
India	4,031,271	3,290,600
Exports on FOB basis	5,826,041	4,590,080
Total	**9,857,312**	**7,880,680**

Assets and additions to fixed assets by geographical area. The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

Carrying amount of segment assets	2007	2006
India	13,389,611	11,308,630
Outside India	1,841,908	1,564,962
Total	**15,231,519**	**12,873,592**

Carrying amount of segment assets outside India represents receivables from export sales.

Segment revenue and result

The expenses that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocated corporate expenses.

Inter-segment transfers

Segment revenue, segment costs and results include transfers between business segments. Such transfers have been made at cost. The inter-segment transfers have been eliminated on consolidation of the segments.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, investments and current assets. Segment liabilities comprise of loan funds which can be identified directly against the respective segments and includes segment current liabilities and provisions. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

31. Prior period comparatives

The previous years' figures have been re-grouped/ reclassified, where necessary to conform to current years' classification.

S.R. BATLIBOI & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

Suresh N Talwar
Director

Bangalore
April 19, 2007

Murali Krishnan K N
President - Group Finance

Usha T N
Company Secretary

Summarised statement of financials of Subsidiary Companies

(all amounts in Indian Rupees thousands)

	Syngene International Limited	Clinigene International Limited	Biocon Biopharmaceuticals Private Limited
Capital	28,750	500	176,000 *
Reserves	1,517,823	(53,943)	(192,490)
Total Assets	2,013,559	351,306	886,943
Total Liabilities	466,986	404,749	903,433
Investments (except in subsidiaries)	495,218	Nil	Nil
Revenues	1,315,968	115,502	11,450
Profit before tax	512,182	8,231	(99,932)
Profit after tax	496,651	7,812	(126,117)
Dividend	Nil	Nil	Nil

* - including share application money

The Company has obtained exemption from the Ministry of Company affairs, Government of India, from attaching the financial accounts of the subsidiary companies to this Report. The members can, however, obtain the copy of the detailed annual accounts of the subsidiary companies and related information by making a request to that effect. A copy of the same shall also be available for inspection at the registered office of the Company.

Glossary

ANDA	Abbreviated New Drug Application
Mab	Monoclonal Antibodies
API	Active Pharmaceutical Ingredient
BSE	The Stock Exchange, Mumbai
CAP	College of American Pathologists
cGMP	Current Good Manufacturing Practices
COS	Certificate of Suitability
CRC	Custom Research Company
CRO	Contract Research Organisation
DMF	Drug Master File
DPCO	Drug Price Control Order
EDQM	European Directorate for Quality of Medicines
EGFR	Epidermal Growth Factor Receptor
EPS	Earnings Per Share
ESOP	Employees Stock Options Plan
ETP	Effluent Treatment Plant
FTE	Full Time Equivalent
GCP	Good Clinical Practice
ICAI	Institute of Chartered Accountants of India
ICH	International Conference on Harmonisation
IGAAP	Indian Generally Accepted Accounting principles
IPO	Intial Public Offering
IPR	Intellectual Property Rights
MMF	Mycophenolate Mofetil
MRP	Mutual Recognition Procedure
NCEs	New Chemical Entities
NSE	National Stock Exchange
OHSAS	Occupational Health Safety Assesment Series
OTC	Over the Counter
PCT	Patent Co-operation Treaty
PK / PD	Pharmaco Kinetic / Pharmaco Dynamic
R&D	Research and Development
ROW	Rest of the world
SEBI	Securities and Exchange Board of India
TGA	Therapeutics Good Adminstration
TRIPS	Trade Related Aspects of Intellectual Property Rights
US GAAP	United States Generally Accepted Accounting Principles
USFDA	United States Food and Drug Aminstration
WTO	World Trade Organisation

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This Annual Report may contain "forward-looking" information, including statements concerning the company's outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. The forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements. Biocon assumes no obligation to publicly update or revise these forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize.

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