

The home of original research molecules





To improve the lives of millions with an array of original research drugs is our conviction at Aventis Pharma. We are providing quality healthcare solutions to millions across the country and the world, changing disease management paradigm services to healthcare professionals and ensuring introduction of newer drugs to improve the growing needs of the Indian population.

Our product portfolio stretches across different therapeutic areas and contains many leading brands that include Clexane[®], Cardace[®], Amaryl[®], Daonil[®], Lantus[®],

Taxotere[®], Allegra[™], Rabipur[®], Soframycin[®], Arava[®] and Actonel[®].

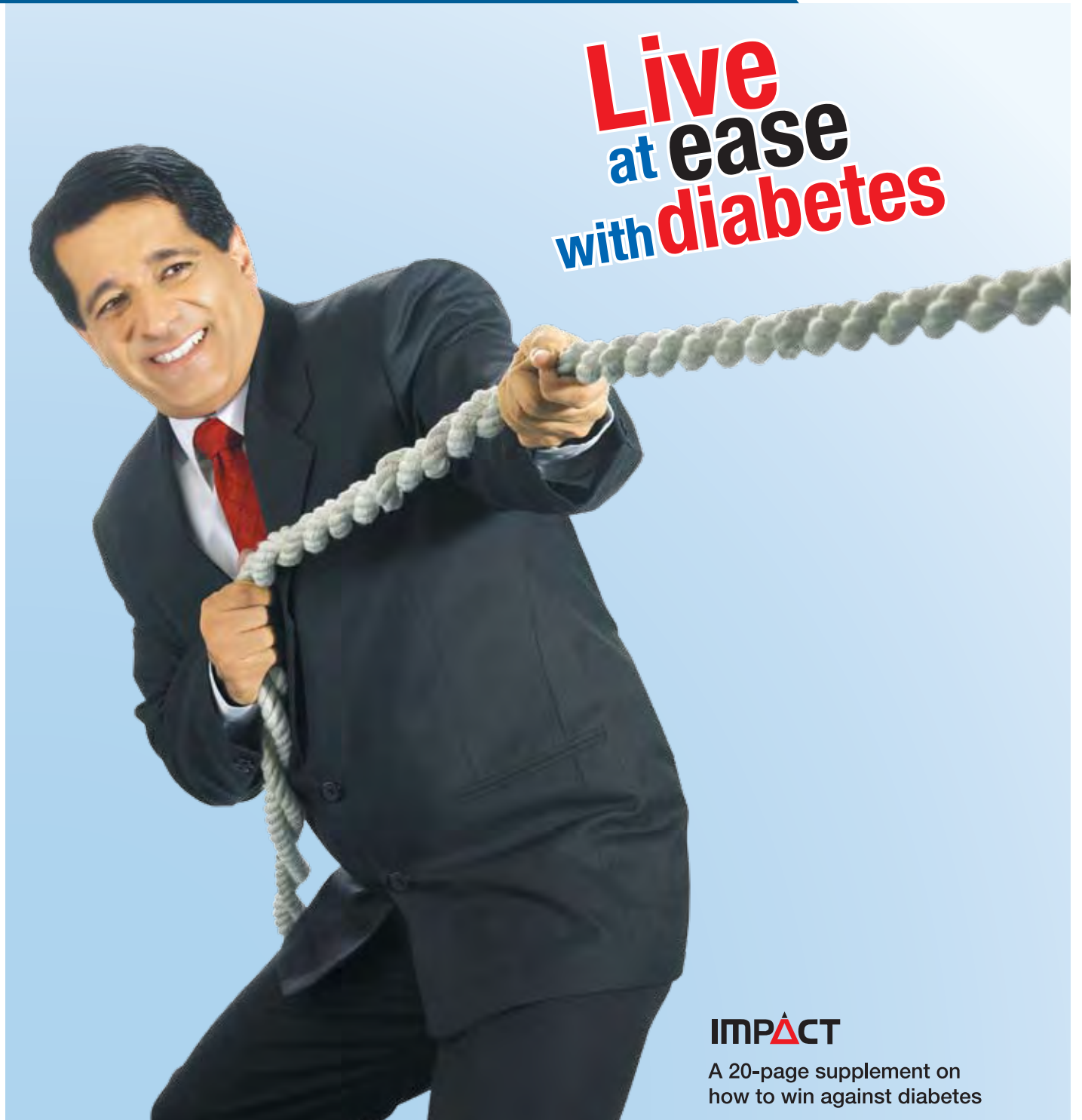
As a responsible global healthcare Company, we deliver high quality research molecules to meet the challenges posed by diseases.

The results of these drugs are visible not only in the pages of this Annual Report but also in the smiles on the faces of people who rely on our medicines.

52nd Annual Report 2007
Aventis Pharma Limited

DIABETES

Live
at ease
with **diabetes**



IMPACT

A 20-page supplement on
how to win against diabetes

Diabetes is one of the most important therapeutic areas of your Company.

With more than 40 million diabetics in India, the vision of the Cardio-Metabolism Business unit of your Company is to make it the most admired partner of the medical profession and make a difference in the lives of diabetics in India with a motivated field force working tirelessly towards fulfilling this vision.

In keeping with the changing Diabetes management paradigm, your Company offers doctors the best possible therapeutic options and had launched Metformin – an extended release preparation branded **Cetapin® XR** and line extensions of key products in the form of **Amaryl® M**



A doctor speaking at the ADA Conference

and **Daonil® M**. These products have established themselves within a few months of launch. To make products affordable to patients across the socio-economic classes, your Company has launched **Lantus®** cartridges.

Your Company's diabetes business grew significantly in 2007 and the key brands **Lantus®** and **Amaryl®** have shown growth higher than the market growth.

Besides launching products with the latest technology, your Company has extensively worked towards sharing information with doctors on how best to manage diabetic patients based on the recently published guidelines of the American Diabetes Association (ADA) and the European Association for Study in Diabetes. In addition, your Company also sponsors plenary sessions across the country, where the latest trends in diabetes management are discussed.

At the International Conference of The American Diabetes Association held in July 2007, with which your Company

was associated, eminent international speakers shared information about management of Type 2 diabetes and appropriate therapies for lowering blood glucose levels in Type 2 diabetics, the majority of whom are in India.

Your Company believes that helping the clinician towards managing his diabetic patients is the best way forward. The Patient Relationship Management team helps doctors manage patients who are initiated and managed on insulin therapy. The sales teams along with doctors conduct patient camps that help clinicians to guide their patients towards achieving better therapeutic outcomes.

To increase awareness among the public about its involvement and leadership in this therapy area, an interesting programme was initiated on Radio Mirchi where important key opinion leaders imparted information about diabetes, its control and care.

In November 2007, your Company sponsored The India Today - supplement on diabetes, in which key opinion leaders in the diabetes field addressed topics ranging from diabetes prevention and management to the need to eliminate the negativity associated with insulinisation.

Another supplement on Diabetes was sponsored by your Company in The Week Xtra, where interesting topics were covered ranging from myths on diabetes to the do's & don'ts, living with diabetes, preventing complications of diabetes, etc. Key opinion leaders in the diabetes field discussed the importance of keeping blood sugar under control, the need for insulin therapy and diet and exercise regimen to prevent or postpone the onset of diabetes.



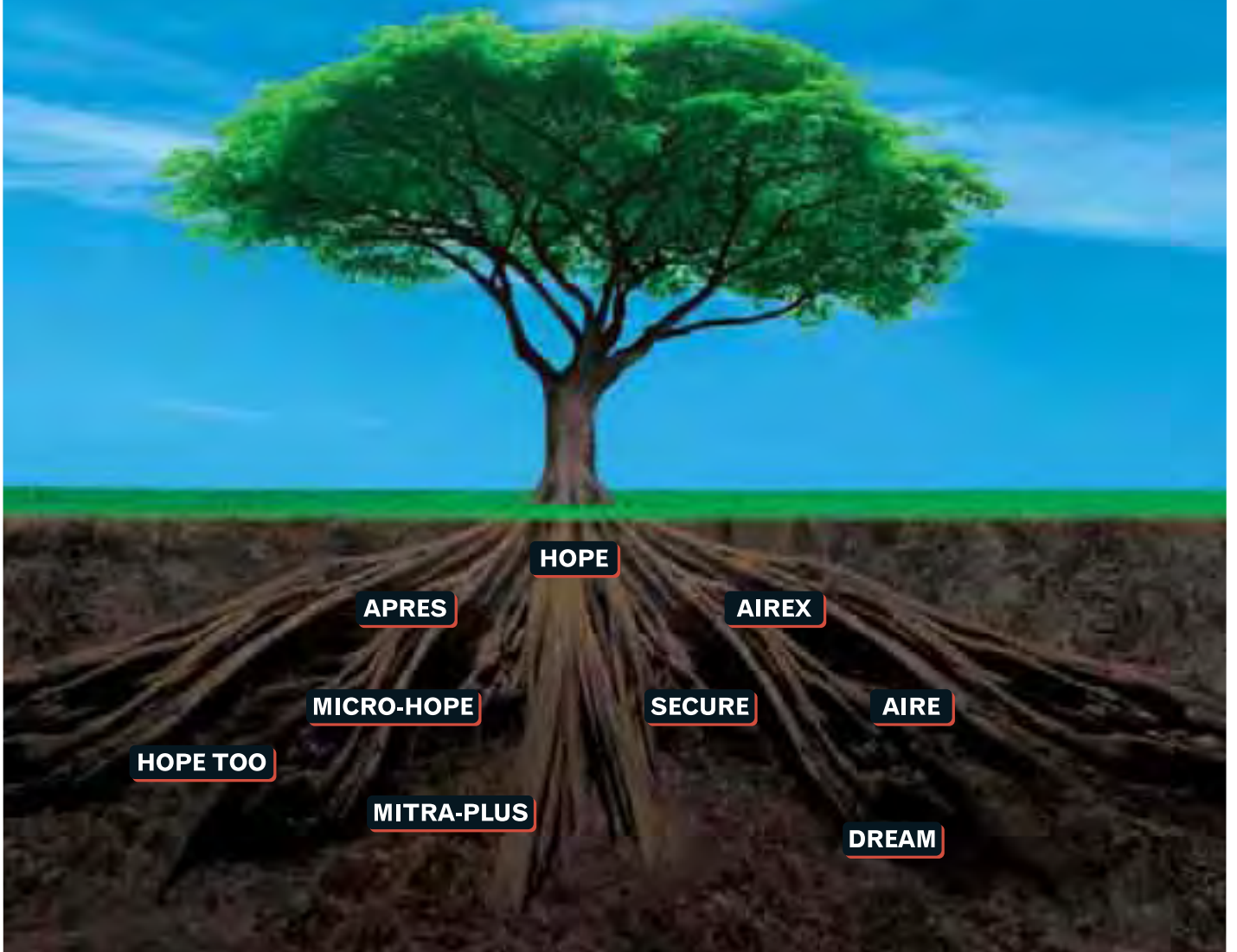
A patient undergoing a counselling session

Add
Cardace[®]
ramipril



for life

Life is Precious



HOPE

APRES

AIREX

MICRO-HOPE

SECURE

AIRE

HOPE TOO

MITRA-PLUS

DREAM



Patients being screened

Your Company's brand, **Cardace**[®] continues to be No. 1 in the highly competitive Renin Angiotensin System segment of the Indian cardiovascular market. In a situation where the physician's preference is shifting from Angiotensin Converting Enzyme Inhibitors (ACEI) to newer classes of drugs like an Angiotensin Receptor Blockers (ARB), **Cardace**[®] has not only improved its market share but has also reported good growth in the ACEI segment.

The strength of **Cardace**[®] as a comprehensive cardio-protective drug becomes evident from the fact that **Cardace**[®] is the No.1 prescribed ACEI amongst cardiologists, diabetologists and even consulting physicians.

With 32 million ischemic heart disease patients, 35 million diabetic patients and approximately 160 million hypertensive patients, India is the diabetes and cardiovascular disease capital of the world.

Here, **Cardace**[®] with its deep-rooted strength in saving lives, as evident from studies such as the HOPE-Study, MICRO-HOPE Sub-Study, HOPE TOO Study has proved its cardio-protective role in terms of reducing cardiovascular events and mortality.

The initiatives by your Company such as a speaker program on World Heart Day, Detection camps, Cardio-Diabeto workshops, Free 'Risk Assessment' check-ups and disease registries helped to sensitise physicians on the importance of providing comprehensive cardio-protection to patients at risk.

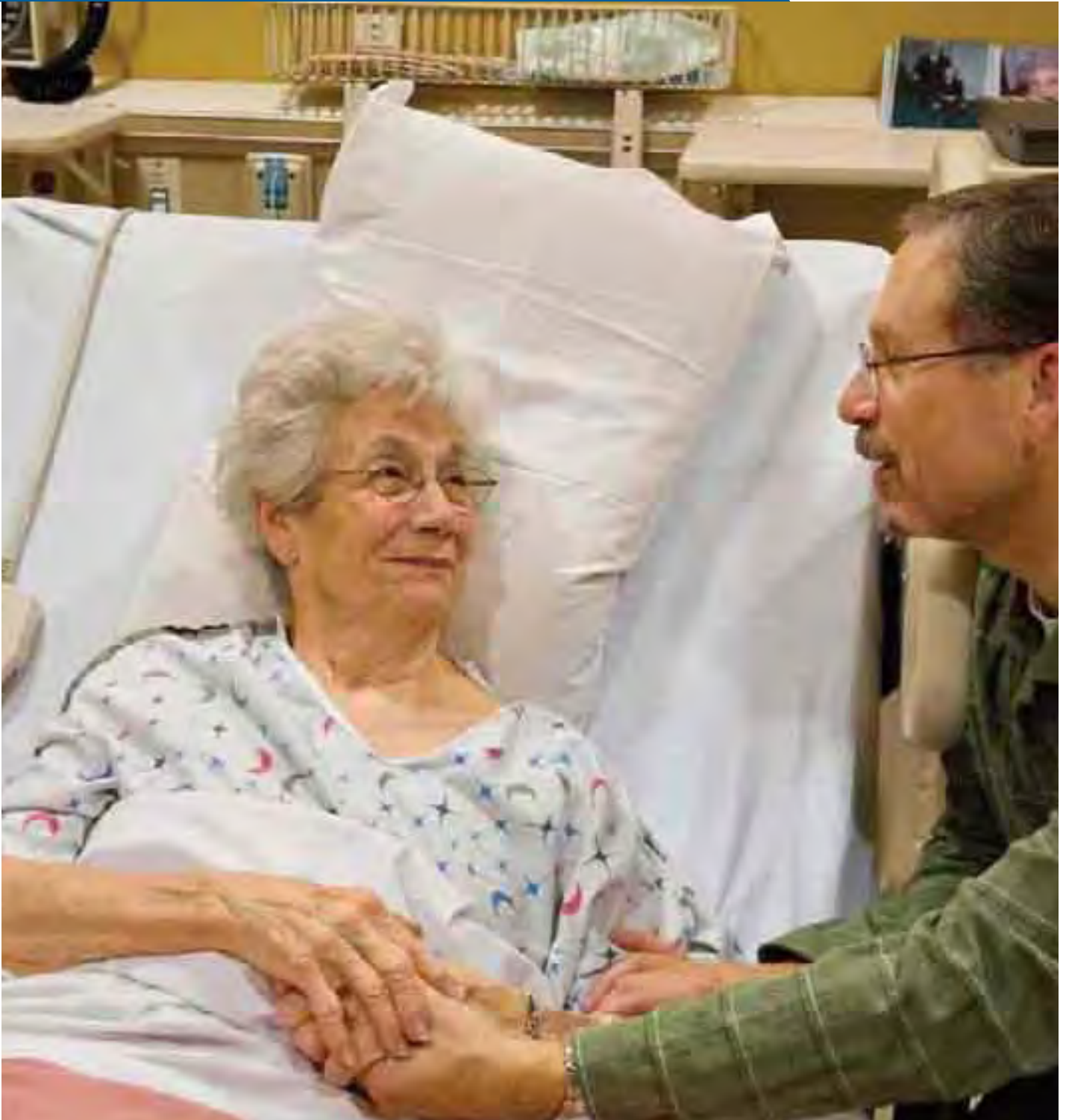
Overall, **Cardace**[®] has been able to compete and maintain its leadership position. The proven cardio-protective role of **Cardace**[®] is the key differentiating factor that would drive the future growth of the brand.



A hypertension detection camp in process



The classic LMWH that saves more lives.





Educational symposium on Saving More Lives in Myocardial Infarction

Clexane® has established itself as an important brand in the medical fraternity of cardiologists and physicians as they find **Clexane**® useful in the post-operative prophylaxis of Venous Thrombosis Disease (prevention of blood clot formation in the veins) and in the prophylaxis of Venous Thrombosis Disease in bedridden patients due to acute illness.

The focus on **Clexane**® is of vital importance not only because of the increase in lifestyle diseases but also because **Clexane**® is one of the largest sales contributors to your Company.

2007 marked a recovery for **Clexane**® as is evident in the quarterly sales progression from Q2, 2007 onwards. Despite the many generics launched in the market, **Clexane**® ranks No.1 in the injectable anticoagulant market, with a market share of 25%.

Clexane® also ranks No. 2 among all brands as per ORG-IMS statistics - Hospital Sales Audit.

Clexane® has managed to achieve this performance due to a cohesive 3-pronged strategic approach:

- Key Account Management
- Improving sales force efficiency - specialised training for sales force and integration in sales promotion model
 - Creation of a task force to maximise growth opportunity in VTE (Venous Thrombo Embolism). Customised training workshops were conducted for this task force.
 - Dedicated Hospital team focusing on maximising growth opportunities in cardiology. The team was given customised training aimed at identifying treatment challenges for the physician.
- Building brand differentiation in communication

Your Company has distinguished itself through several value added initiatives for doctors and hospitals, one of which is DVT (Deep Vein Thrombosis) Free Zones - an initiative aimed at spreading awareness on DVT prevention as a safety practice in patients at risk in hospitals.





Field force employee (left) partnering with a chemist to create awareness

With almost 150 crores of tablets sold annually, your Company's brand, **Combiflam**[®] represents an industry benchmark in terms of one of the best patient penetrations in our country. In fact, **Combiflam**[®] has delivered consistent double digit growth in the last three years. Though being under price control, brand's performance was driven mainly by increase in the number of users.

Efforts made by your Company through effective coverage of doctors across the country, resulted in rapid prescription generation. The trade coverage increased significantly to key counters across the country facilitating servicing of demand generated. This initiative coupled with van tours allowed deep penetration into the interiors of India.

Your Company has conducted several Regular Retailer Salesmen Meets (RSMs), aimed at educating the retailer salesman in serving the customer requirements and understanding the advantages of dispensing quality medication and dangers associated with substitutions.

Little wonder that **Combiflam**[®] stands as the 3rd largest prescribed brand in the pharmaceutical market and the 13th largest brand as per ORG – IMS surveys.

With regular promotional inputs by your Company, **Combiflam**[®] is well positioned to continue the growth trend.

INDUSTRIAL AFFAIRS



Site at Ankleshwar, Gujarat

The aim of Industrial Affairs is to develop and manufacture high quality products under safe conditions at competitive costs.

Industrial Affairs in India has two state-of-the-art manufacturing units.

Ankleshwar, Gujarat – Chemistry and Pharmaceuticals

Verna, Goa – Pharmaceuticals

Ankleshwar:

Located 350 kms north of Mumbai in the state of Gujarat, Ankleshwar is one of the largest industrial centres in India with a strong focus on Chemicals and Pharmaceuticals.

The Ankleshwar site came into existence in 1984 starting with an agrochemical plant. Two Chemistry plants were then added, one in 1987 and the other in 1995. The Pharmaceutical plant was started in 1989.

Chemistry: This site produces Active Pharmaceutical Ingredients and Intermediates for the sanofi-aventis Group, supplying to Europe and countries like Indonesia, Egypt and Bangladesh. The site, a strong performer in terms of cost and quality, has two multipurpose chemical plants, one of them approved by the US Food and Drug Administration (FDA). Preparations are in progress to get the European FDA approval.

Pharmaceuticals: The Pharmaceutical plant has continuously undergone upgradation. Today, this plant is the biggest one in terms of volume in the sanofi-aventis Intercontinental region at the lowest cost of conversion.

This plant manufactures Tablets (both coated and uncoated) catering to domestic as well as East European markets (Russia, Ukraine, CIS).

The site, currently approved by the World Health Organisation (WHO), is gearing up to get the Medicines and Healthcare products Regulatory Agency (MHRA)-UK approval. The Ankleshwar site is also accredited with ISO-14001:2004 for Environment Management Systems.

Goa:

Pharmaceuticals: Located at Verna, 6 km from the Goa Airport, it is an eco-friendly greenfield site. Started in 1998, the site has approval from the WHO, DFA (Germany), Therapeutic Goods Administration (TGA)-Australia, MHRA-UK, Pharmaceutical Inspection Convention (PIC)-Germany and the Medicines Control Commission (MCC)-South Africa.

The site is also accredited with ISO-14001:2004 for Environment Management Systems. The Goa site received the sanofi-aventis Global Quality Awards twice, in 2003 and again in 2004.

The site currently manufactures tablets for domestic use and the sanofi-aventis Group.

‘Our people are our strength’. Employees at both the sites are highly-skilled, capable, committed and passionate professionals as your Company recognises the importance of learning and the need to continuously appreciate and motivate each individual to embrace ownership and responsibility through empowerment and skill enhancement. Several Employee Development, Talent Management and Leadership Promotion Programmes are in place.



Site at Verna, Goa



Your Company, believes in saving lives; and now with the increasing threat from diseases and natural calamities due to environmental degradation, there is an urgent need to SAVE the environment.

As a small step towards contributing to the environment, your Company initiated SAVE (sanofi-aventis Values Environment) – a project related to protecting and enhancing the environment, which was launched in Mumbai in August 2007.

As the first initiative under this project, a potted plant with the SAVE logo was presented to doctors, who are one of our key stakeholders. This gesture was greatly appreciated by them.

We look forward to working on more projects and initiatives to protect the environment in the coming years, contributing to SAVE the environment and restoring health – Because health matters.



A doctor being presented a SAVE potted plant

CONTENTS

Information	17
Message from the Managing Director	19
Financial Summary / Charts	21
Directors' Report	23
Management Discussion & Analysis	27
Report on Corporate Governance	31
Sanofi-aventis Group Companies	39
Auditors' Report	41
Financial Statements	45

INFORMATION

Board of Directors

(as on March 1, 2008)

Dr. Vijay Mallya
Chairman

Dr. Shailesh Ayyangar
Managing Director

Mr. O. Charmeil

Mr. J. M. Gandhi

Mr. J. M. Georges

Mr. C. Germain

Mr. S. R. Gupte

Mr. Eric Le Bris

Mr. A. K. R. Nedungadi

Mr. J. L. Grunwald
(Alternate to Mr. O. Charmeil)

Mr. M. G. Rao
(Alternate to Mr. J. M. Georges)

Mr. S. C. Ghoge
(Alternate to Mr. Eric Le Bris)

Company Secretary

Mr. K. Subramani

Registered Office

Aventis House
54/A, Sir Mathuradas VasANJI Road,
Andheri (East), Mumbai 400093

Factories

3501-15, 6310, B-14, GIDC Estate,
Ankleshwar 393002

GIDC, Plot No. L-121
Phase III, Verna Industrial Estate,
Verna, Goa 403722

Registrars & Transfer Agents

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai 400078

Auditors

M/s. S. R. Batliboi & Co.

Solicitors

M/s. Crawford Bayley & Co.

Bankers

Citibank N. A.

Deutsche Bank

Hongkong & Shanghai Banking Corpn. Ltd.

State Bank of India

HDFC Bank Limited

52nd ANNUAL GENERAL MEETING

DATE

Thursday, April 24, 2008

TIME

11.00 A.M.

VENUE

Y. B. Chavan Centre - Auditorium, Gen. J. Bhosale Marg, Nariman Point, Mumbai 400021

MESSAGE FROM **THE MANAGING DIRECTOR**



Dear Shareholders,

I have pleasure in presenting to you the 52nd Annual Report of your Company.

During the year 2007, despite an adverse business environment, we continued to perform strongly and have recorded impressive growth in some of our major brands. Our efforts and commitment in the area of diabetes have resulted in introduction of new products and services. We have extensively partnered with healthcare providers to disseminate scientific knowledge to a large section of doctors to help them diagnose and treat diabetes as per the latest international guidelines. These efforts are clearly positioning your Company as a leading partner in diabetes management.

We have, during the year, continued to walk on the path of our core values – Solidarity, Performance, Audacity, Respect, Courage and Creativity. Even though our performance was significantly affected due to lower revenues generated in our export business as well as due to short supply of Rabipur® and Soframycin®, we have managed to turn out impressive performance in most of our major brands to set us apart as leaders in the respective therapeutic categories. We have also initiated exports to newer markets like UK. Our commitment to socially relevant causes has been further consolidated with some new initiatives in 2007.

Your Company is highly respected by doctors, governmental agencies, para-medical staff, patient groups, members of supply-chain as well as other healthcare providers because of its commitment to ethical medico-marketing practices as well as value added services provided by our sales and marketing teams. Our manufacturing sites at Ankleshwar and Goa have been receiving approvals from regulatory agencies in many markets including US, UK, France and Germany which is a proof of our total commitment to quality.

India's impressive economic performance and its sustenance in future will largely depend upon a workforce which is healthy and productive. Your Company is committed to play its responsible role in contributing towards the healthcare needs of our nation. With our excellent product range, a strong R&D pipeline, our commitment to excellence in value added services and above all our highly skilled team of professionals, your Company is ideally poised to continue its impressive performance in the years to come.

Finally, allow me to take this opportunity to thank all of you for your continued support and also to all the employees of your Company for their dedicated and sincere efforts in 2007.

Shailesh Ayyangar
Managing Director

FINANCIAL SUMMARY

Financial Summary

(FOR LAST 10 YEARS)

(Rs. in Million)

SALES, PROFITS & DIVIDENDS	2007	2006	2005	2004	2003	2002	2001 ^{&&}	2000	99-00	98-99
							(9months)			
Sales (Gross)	9317	9367	8581	7904	7061	6666	5923	4155	5352	5288
Profit before depreciation interest & tax (PBDIT)	2415	2677	2536	2431	1627	1081	1125	486	686	542
Profit before interest & tax (PBIT)	2230	2499	2364	2263	1453	911	954	381	546	423
Profit before tax (PBT)	2228	2497	2364	2262	1451	907	939	353	454	279
Profit after tax (PAT)	1444	1693	1451	1485	986	611	666	239	275	204
Dividend (Amount)	368	737	369	369	369	368	138	92	104	104
Rate%	160%	320% [§]	160%	160%	160%	160%*	60%	40%	45%	45%

SHARE CAPITAL & CAPITAL EMPLOYED	2007	2006	2005	2004	2003	2002	2001	2000	99-00	98-99
							(9 months)			
Share capital	230	230	230	230	230	230	230	230	230	230
Shareholders' funds#	7069	6082	5238	4218	3213	2692	2464	1972	1906	1776
Capital employed#	7069	6082	5238	4218	3365	3072	2803	2563	2716	2892
Represented by:										
Fixed assets (net) & investments#	1503	1509	1472	1597	1701	1677	1791	1953	1957	2021
Net current & other assets	5566	4573	3766	2621	1816	1395	1012	610	759	871

RETURN	2007	2006	2005	2004	2003	2002	2001	2000	99-00	98-99
							(9months)			
On sales (PBT)%	23.9%	26.7%	27.5%	28.6%	20.5%	13.6%	15.9%	8.5%	8.5%	5.3%
On capital employed (PBIT)%	31.5%	41.1%	45.1%	53.7%	43.2%	29.7%	34.0%	14.9% [★]	20.1%	14.6%
On shareholders' funds (PAT)%	20.4%	27.8%	27.7%	35.2%	30.7%	22.7%	27.0%	12.1% [★]	14.4%	11.5%
Per share (PAT) Rs.	62.71	73.51	63.00	64.48	42.80	26.53	28.92	10.39 [★]	11.92	8.87
Personnel cost	1037	785	735	632	549	521	603	511	586	517
No. of employees	2065	1811	1465	1250	1284	1242	1262	1327	1400	1491

Includes revaluation of fixed assets since 1986

&& After consolidation of accounts due to merger of Rhone-Poulhec Rorer (India) Private Limited

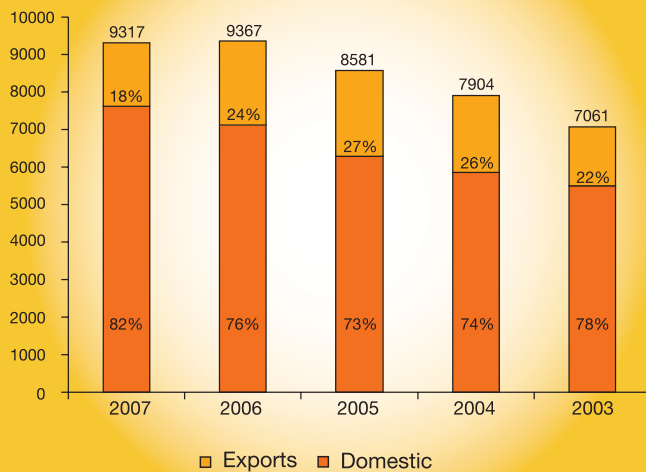
§ Includes Special One -Time Golden Jubilee dividend of 160%

* Includes Special dividend of 80%

★ Not annualised

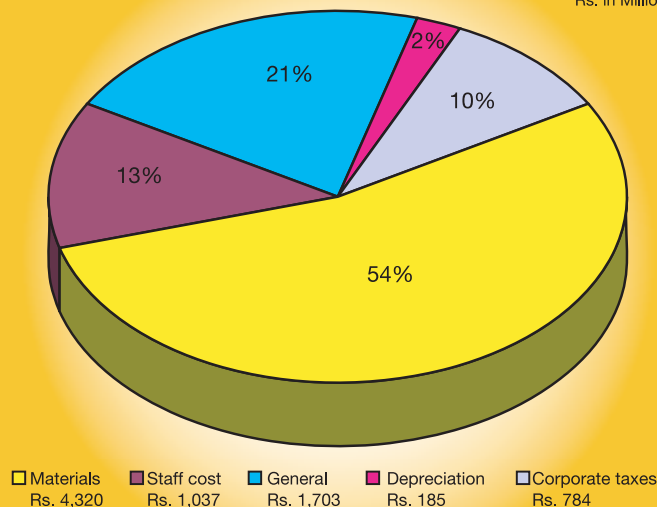
SALES

Rs. in Million



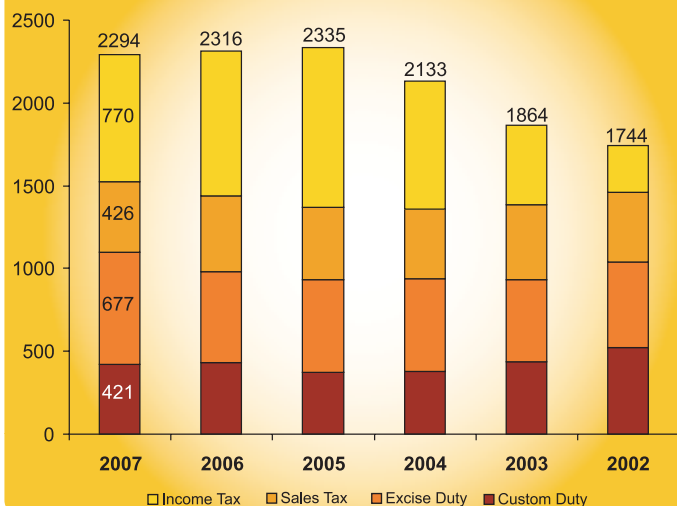
DISTRIBUTION OF REVENUE FOR 2007

Rs. in Million



CONTRIBUTION TO THE NATIONAL EXCHEQUER

Rs. in Million



In 2007 our contribution was Rs. 2,294 Million equivalent to 26% of total Sales

Report of the Directors to the Members of the Company

Your Directors have pleasure in presenting the Audited Accounts of your Company for the Fifty-second financial year ended 31st December 2007.

FINANCIAL RESULTS

	Rs. Million	Rs. Million
The working of your Company for the financial year under review after making provision for depreciation of Rs. 184.5 million resulted in a profit of		2,228.4
Less :		
Provision for Taxation		
- Current year	725.8	
- Deferred	14.3	
- Fringe Benefit Tax	44.0	
Profit after Taxation		1,444.3
Add: Balance brought forward		4,177.7
Available for appropriation		5,622.0

Which your Directors have appropriated as follows:

To Interim Dividend (paid in August 2007)	80.6	
To provision for Final Dividend	287.9	
To Tax on Interim and proposed Final Dividend	62.6	
To General Reserve	150.0	581.1
Balance carried to Balance Sheet		5,040.9

DIVIDEND

An Interim Dividend of 35% on the Equity Shares of the Company was declared by the Board of Directors and paid in August 2007.

Your Directors recommend payment of a Final Dividend of 125 % on the Equity Shares of the Company to:

- i) those Members whose names appear on the Register of Members of the Company on 24th April 2008; and
- ii) those whose names appear as beneficial owners as at the close of business on 4th April 2008, as per details to be furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report is appended.

DIRECTORATE

In accordance with the Articles of Association of the Company, Mr. S. R. Gupte retires by rotation and is due for election.

Mr. J. M. Georges who had been appointed a Director of the Company with effect from 1st November 2006 in the casual vacancy caused by the resignation of Mr. A. Peychaud holds office upto the date of the Annual General Meeting. He is eligible for election.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexe to this Report.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexe to the Directors' Report.

Your Directors place on record their appreciation of the valuable contribution made by the employees of your Company.

CASH FLOW AND CONSOLIDATED FINANCIAL STATEMENTS

As required by Clause 32 of the Listing Agreement, a Cash Flow Statement is appended. As the Company does not have any subsidiaries, it is not required to publish Consolidated Financial Statements.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended along with a Certificate of Compliance from the Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, your Directors certify as follows:

1. The annexed accounts for the financial year ended 31st December 2007 have been prepared on a going concern basis.
2. In preparation of the said Accounts all the applicable accounting standards have been duly followed and complied with and which fact has been confirmed by the Auditors of the Company in their Report on these Accounts.
3. Your Directors have selected such accounting policies and applied them consistently along with proper explanation relating to departures, if any and made judgements 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 ended 31st December 2007 and of the profit of the Company for that year.
4. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

AUDITORS

M/s. S. R. Batliboi & Co., your Company's Auditors, are eligible for re-appointment and it is necessary to fix their remuneration.

By Authority of the Board

DR. VIJAY MALLYA
CHAIRMAN

Mumbai, 21st February 2008

Annexe to the Report of the Directors

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Report of the Directors.

A. CONSERVATION OF ENERGY

Energy Conservation measures undertaken in 2007:

- a) Installation of Powerless exhaust fans in utilities
- b) Technical area conventional chokes replaced with Electronic chokes
- c) Use of local vacuum pump in laboratories in place of centralised water ring vacuum pump
- d) Replacement of 10 HP water pump by 5 HP water pump
- e) Operation of small water pump during night operations
- f) Waste heat recovery drier for Air compressor
- g) Replacement of conventional lighting lamps with energy saving lamps of lower wattages in several areas of factory
- h) Installation of variable frequency drive in 120hp cooling water circulation pump to save electrical power
- i) Optimisation of combustion air in 6T boiler by utilising hot exhaust from screw compressor
- j) Installation of variable frequency drive in 30hp drinking water supply pump

Energy Conservation measures proposed to be undertaken in 2008:

- a) Improvement in Power Factor
- b) Use of power efficient screw compressor for generating compressed air, 550C.M/hr
- c) Ceramic glass coating in casing of cooling water circulation pump to reduce power consumption
- d) Condensate recovery of steam consumed in vapor absorption machines for using as boiler feed water

REQUISITE DATA IN RESPECT OF ENERGY CONSUMPTION ARE GIVEN BELOW:

		YEAR ENDED	YEAR ENDED	REASONS FOR VARIATION
		31.12.2007	31.12.2006	
POWER & FUEL CONSUMPTION				
1.	ELECTRICITY			
(a)	Purchased			
	Units	Million KWH	15.392	13.635
	Total Amount	Million Rs.	91.404	76.721
	Rate/Unit	Rs.	5.938	5.627
				Increase in tariff
(b)	Own Generation			
(i)	Through Diesel Generator			
	Units	Million KWH	0.273	0.261
	Units per litre of			
	Diesel Oil	KWH	3.049	3.412
	Cost/Unit	Rs.	11.229	10.344
				Increase in rates of High Speed Diesel
(ii)	Through Steam Turbine / Generator	NIL	NIL	
2.	COAL	NIL	NIL	
3.	FURNACE OIL / LSHS			
	Quantity	K.Lit	175	115
	Total amount	Million Rs.	3.603	2.285
	Average rate per K.Ltr	Rs.	20,566	19,874
				Increase in rates
4.	NATURAL GAS			
	Quantity	M3	3,674,814	3,566,270
	Total Amount	Million Rs.	40.589	33.637
	Average Rate	Rs.	11.045	9.432
				Increase in rates

CONSUMPTION PER UNIT OF PRODUCTION

Product	Unit of Production	Standards (If any)	YEAR ENDED 31.12.2007	YEAR ENDED 31.12.2006	REASONS FOR VARIATION
1. ELECTRICITY					
-KWH					
Bulk Drugs	Tonnes	NONE	6,367	9,276	Consumption depends on product mix
Bulk Drugs	K.Lits	NONE	-	-	
Formulations	Million	NONE	9,267	9,254	
2. FURNACE OIL / LSHS (K.LIT)					
Bulk Drugs	Tonnes	NONE	-	-	Consumption depends on product mix
Bulk Drugs	K. Lits	NONE	-	-	
Formulations	Million Units	NONE	1.028	0.948	
3. NATURAL GAS (IN THOUSAND M3)					
Bulk Drugs	Tonnes	NONE	0.204	0.193	Consumption depends on product mix
Bulk Drugs	K. Lits	NONE	-	-	
Formulations	Million Units	NONE	0.054	-	

B. TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT (R&D)

Specific areas in which R&D carried out

No basic research is carried out by the Company.

The Company, however, carried out process development and clinical trials for existing and future products.

Expenditure on R&D

- | | |
|---|------------------|
| a) Capital | - |
| b) Revenue | Rs. 45.3 Million |
| c) Total | Rs. 45.3 Million |
| d) Total R&D Expenditure as a percentage of total turnover: | 0.52 % |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, towards technology absorption, adaptation and innovation:

The Company interacted with its collaborators who continued to give the latest technology.

2. Benefits derived as a result of the above:

It has helped the Company to retain its market share.

3. Imported Technology:

Technology imported, year of import and whether technology has been fully absorbed

Based on prescriptions received from the collaborators, a number of products were taken up for manufacture and are in regular production.

The technology for such products has been fully absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|----------------------------------|---------------------|
| a) Total Foreign Exchange used | Rs. 2,628.1 Million |
| b) Total Foreign Exchange earned | Rs. 1,845.6 Million |

MANAGEMENT DISCUSSION AND ANALYSIS

PHARMACEUTICAL MARKET

Total pharmaceutical market (retail and hospital) in India during the year ended 31st December 2007 was estimated at Rs. 335 billion. The retail market grew by 13.4% over the previous year.

Key drivers have been new introductions (8%) and volumes (4.3%). Prices contributed only 1.1% to the growth.

Your Company has a market share of 2.1% in the pharma market (retail and hospital). In the retail market your Company has a market share of 1.95%. In the hospital market your Company has a market share of 3.9%.

Six brands of your Company, Combiflam®, Cardace®, Rabipur®, Amaryl®, Avil® and Allegra™ feature in the top 100 brands of the retail market.

SALES & PROFITABILITY

During the year ended 31st December 2007, your Company had net sales (excluding Excise Duty) of Rs. 8735 million as against Rs. 8840 million during the previous year. This represents a decline of 1.18%.

Profit before Tax decreased by 10.77% to Rs. 2228 million as against Rs. 2497 million in 2006.

The decline in both sales and profit was primarily due to the sharp decline of 24.5% in exports.

DOMESTIC SALES REVIEW

Your Company's products and services continued to be greatly appreciated by doctors and patients. In a highly competitive market, domestic sales were Rs. 7031 million in 2007 as against Rs. 6582 million, a growth of 6.82%.

The growth would have been much higher but for the short supplies of the anti rabies vaccine RABIPUR® (the largest selling product of your Company) which is purchased by your Company from the joint venture Company, Chiron Behring Vaccines Private Limited. Sales of SOFRAMYCIN® were also impacted as the raw material which is imported for its manufacture was not available for the last five months of the year.

Core strategic brands grew by 20%. Among the core brands, Allegra™, Amaryl®, Actonel®, Cardace® and Lantus® are retail dominant brands with 95% contribution from retail sales. In the key therapeutic segments that your Company participates in, these brands have grown faster than their respective markets.

36% of your Company's portfolio comes under the purview of the current Drug Price Control Order (DPCO).

MAJOR BRAND PERFORMANCE REVIEW

Cardace® continues to be the number one cardiovascular brand in the Indian pharmaceutical market.

During the year under review your Company launched Cardace® H 10 mg as a comprehensive cardiovascular treatment option in hypertension at – risk patients.

Lantus®, the world's first once daily insulin glargine, had an impressive 64% growth. It is now the fifth largest human insulin in India and has a market share of 6.1% in its category. It is also the fifth most prescribed insulin by diabetologists.

In a continuous effort to improve the Quality of Life (QOL) of diabetics, a world class Autopen 24 in a starter pack with three cartridges was launched.

Amaryl® grew by 23.9% in 2007. It is the leading oral anti diabetic with a 4.4% market share in the oral anti diabetic (OAD) market. It continues to be one of the top ten prescribed brands in the OAD market.

In May 2007 your Company launched a line extension - Amaryl®M.

Clexane® had a growth of 4.9%. Growth was impacted as it operates in a highly competitive market with a number of generic brands, seven of which were launched in the last one year.

It ranks No. 1 in the injectable anti-coagulant market with a market share of 29.5%.

Allegra™ group had another successful year with a growth of 35.9% following up on the strong performance in 2006 when it had a growth of 30%.

Allegra™ group growth has been over twice the market growth.

Allegra™ is the No. 1 brand in the anti histamine oral solids market. In 2007 it entered the list of top 100 brands in the Indian pharmaceutical industry.

Allegra™ Suspension which was launched in 2006 is currently at the No. 1 position in the anti histamine oral liquid market.

Targocid® recorded a lower than expected growth of 5.6%. Sales were impacted in major institutions on account of its price.

It has a market share of 52% in its market - both retail and hospital sales.

Actonel® had a growth of 31%. It has a market share of 9.5% in the total osteoporosis market.

Arava® had a growth of 52.6%. It has a market share of 8.2% in the Rheumatoid Arthritis market.

Steps taken by your Company's field force helped to acquire and retain patients for both Actonel® and Arava®.

Combiflam® range had a growth of 12.6%.

Avil® had a growth of 13%.

Both Combiflam® and Avil® maintained volume leadership and patient penetration in their respective categories.

The Base Business division was able to effectively extend doctor coverage to over 40,000 General Practitioners (GPs) across the country through a rural field force driving prescription generation efforts on mature products. The channel sales force team helped to service demand by reaching across to over 45,000 retail counters in the country. These efforts have helped the division to achieve consistent growth in the last few years.

The Oncology Business Unit had a growth of 3%. Sales of one of the brands, Granocyte® were impacted due to price reductions by generic manufacturers.

EXPORT SALES

Export Sales during the year were Rs. 1704 million, a decline of 24.5% over 2006.

The sharp decline in exports was due to reduced purchases by customers in your Company's traditional export markets and adverse exchange rates.

Exports to Russia of key products such as Festal®, Baralgin® and Trental® declined as they were removed from the Federal Reimbursement list. Exports of other products grew but not sufficiently to compensate the decline in the key products.

Exports to Sri Lanka grew by 8% due to a large order received for Clexane®.

Exports of Paracetamol tablets to the U.K. commenced in March 2007 and are growing steadily.

Sourcing of products from your Company to sanofi-aventis group companies declined by 28% due to reduced purchases of Ramipril Precursor (II/3) and Glibenclamide bulk tablets.

72,000 kg of Lasamide was exported. Exports of Pheniramine Maleate commenced to Egypt.

A temperature controlled export warehouse facility was commissioned in Taloja near Mumbai to facilitate consolidation and stuffing of containers under excise supervision.

Accounts receivable and inventory were under control.

MANUFACTURING OPERATIONS

During the year, two line extensions were launched :

- a) Amaryl® M 1mg and 2mg
- b) Cardace®H 10mg

Exports of Paracetamol tablets to U.K. commenced from Goa in March 2007.

The Goa plant received approval from TGA (Australia).

Registration approval has also been received from MHRA, U.K. for export of Cocodamol tablets from Goa.

A new granulation train dedicated for production of Combiflam® tablets was installed in Ankleshwar. This product which was being manufactured partly in a toll manufacturing site is now planned to be manufactured entirely in Ankleshwar.

Highest ever production of tablets (3378 million tablets) in a year and of Active Pharmaceutical Ingredients (API) (174 tonnes) was achieved in Ankleshwar in 2007.

The API warehouse at Ankleshwar was expanded to cater to increased volumes.

The Ankleshwar site which was awarded Environment Management System (EMS) ISO 14001 was again re-accredited during 2007. This is valid till November 2010.

Continuous efforts were made on Health, Safety and Environmental protection. The Ankleshwar site received a 'Climate Change Award' from the sanofi-aventis group.

There were no reportable accidents and incidents of potential hazards during the year.

Your Company continued to extend support and voluntary services to society for health related matters and to surrounding industries in cases of emergencies.

MEDICAL AND REGULATORY AFFAIRS

Five advisory Board Meetings were conducted with the help of relevant experts to discuss strategies and issues in the management of diseases like hypertension, diabetes and Oncology (in small cell lung carcinoma).

About 90 medical mini symposia were also conducted in different regions in India to discuss therapeutic issues surrounding disease management in areas of hypertension, prevention of further fractures, treatment of rheumatoid arthritis and epilepsy management.

Approval was received for launch of Cardace® H 10 mg, a line extension of your Company's flagship brand Cardace® and the new Solostar injectable pen for Lantus®. Three new indications were also registered with the Ministry of Health.

Permission was obtained for some clinical study applications. These studies would be important data contributors to further strengthen your Company's brands.

CLINICAL RESEARCH

Your Company conducted a very large observational study with about 10,000 patients evaluating effect of change of insulin therapy in type 2 diabetes patients whose blood sugar was not under control with existing insulin therapy. This study involved about 800 doctors.

A study was conducted for Targocid® with about 60 doctors in which 600 patients participated. The objective of the study was to see effectiveness and tolerability of Targocid® in 'real world' hospital settings.

A very large observational study was implemented with about 200 doctors to observe management of active myocardial infarction and usage of anti thrombotics.

Another observational study with Cardace® was implemented in which management of Indian patients who are at high risk of cardiovascular events in real life outpatient settings is being evaluated. This study with 150 doctors and 2000 patients will provide valuable information regarding treatment gaps in high risk cardiovascular patients.

PERSONNEL

Your Company had 2065 employees as on 31st December 2007.

Industrial relations continued to be cordial.

Settlement has been signed with the Union representing the workmen in the Ankleshwar factory. The settlement is valid from 1st July 2005 to 31st December 2008.

The Settlements with the Unions representing employees in the field and the workmen in your Company's factory in Goa expired on 31st March 2007 and 30th September 2007, respectively. Fresh Charters of Demands have been received from these Unions. Negotiations are in progress.

During the year under review, your Company, like other pharma companies, faced attrition issues as many employees in the field resigned including some who were recruited in the last two-three years. Your Company is looking at measures which would help to retain employees.

INTERNAL AUDIT AND CONTROL

Your Company's internal control systems are adequate and commensurate with the size of operations. These controls ensure that transactions are authorised, recorded and reported in time. They also ensure that assets are safeguarded and protected against loss or unauthorised disposal.

The Internal Audit Department carried out audits in different areas of the Company's operations. Post audit reviews were carried out to ensure that audit recommendations were implemented. The Audit Committee of the Board of Directors reviewed the audit programme and findings of the Internal Audit Department.

JOINT VENTURE WITH NOVARTIS VACCINES & DIAGNOSTICS INC. (formerly called Chiron Corporation)

Your Company had entered into a Joint Venture (JV) Agreement with Chiron Corporation [now called Novartis Vaccines and Diagnostics Inc. (NVD)] in 1997 to form a Company to manufacture the anti rabies vaccine Rabipur®.

In terms of the said JV Agreement, the JV Company, Chiron Behring Vaccines Private Limited (CBVPL), granted your Company the exclusive right to distribute Rabipur® in India and Nepal under a Marketing and Distribution Agreement (Distribution Agreement) for an initial period of ten years upto 30th April 2008.

CBVPL gave a Notice of Non-Renewal of the Distribution Agreement. Your Company contended that the said Notice was void, illegal and of no effect. As CBVPL refused to withdraw the said Notice, your Company had to file a suit in the Bombay High Court against CBVPL, NVD and other Novartis affiliates challenging the validity of the said Notice.

NVD and CBVPL filed Arbitration Petitions in the Bombay High Court for referring the matter to arbitration under the Rules of Conciliation and Arbitration of the International Chamber of Commerce. The High Court rejected the Petitions. NVD and CBVPL have filed Special Leave Petitions

in the Supreme Court challenging the decision of the Bombay High Court, which Petitions are yet to be admitted by the Supreme Court. In the meantime, CBVPL has given an undertaking before the Bombay High Court that it will not appoint another distributor for Rabipur® for the period after 1st May 2008, till further orders of the Court in the Company's suit pending before it.

PRICING ISSUES

In the Union Budget announced in February 2007, Basic Customs duties were reduced to 7.5% for APIs and 10% for finished formulations. The appreciation of the Rupee vis a vis the Dollar also had a favourable impact on import costs.

However, these factors also impacted selling prices of your Company's products. Suo moto reductions were ordered by the National Pharmaceutical Pricing Authority (NPPA) impacting your Company to the extent of Rs.50 million.

A change in policy of price fixation by NPPA resulted in substantial reduction in the price of Novalgine® formulations in the beginning of 2007. A review application was submitted and the NPPA reinstated the price before the end of the year. The net unfavourable impact of changes in prices of controlled formulations was Rs. 4 million in 2007.

NPPA had fixed an internal ceiling norm of 20% during a 12 month period for monitoring prices of de-controlled formulations. This was brought down to 10% from April 2007. Price increases of certain formulations of your Company were within the prescribed ceiling.

DRUG POLICY

The draft National Pharmaceutical Policy is being considered by a Group of Ministers (GOM) which was constituted in January 2007 under the Chairmanship of Mr. Sharad Pawar, Minister of Agriculture & Consumer Affairs. The GOM has met representatives of industry associations. However, it has not yet come out with its recommendations.

It has been reported that all the 354 essential drugs may be brought under price control as against the present list of 74 price controlled ingredients. If this were to happen, it would expand price controls to nearly half the market by direct and indirect control.

CORPORATE SOCIAL RESPONSIBILITY

Your Company continued to be active in supporting community causes.

Donations were made to SOS CHILDREN'S VILLAGES (a project established by SOS-India, to help orphaned children, providing for their education and other basic needs) and CHILDLINE: a 24-hour helpline service (an NGO working towards rescue and rehabilitation of children in distress). The Institute for Psychological Health was provided assistance to buy computers.

Your Company also initiated an environment project called SAVE – Sanofi-aventis Values Environment. As a first activity, some doctors were presented potted indoor plants.

PROSPECTS FOR 2008

The prospects for 2008 are expected to be reasonable, barring the risks of an unfavourable Drug Price Control Order.

Export turnover is expected to be higher than that achieved in 2007.

Your Company plans to launch line extensions of some products during 2008.

Export of Cocodamol tablets to U.K. from the Goa plant is likely to commence in Q1 2008.

Export of Codydramol tablets is likely to commence from the Goa plant in Q3 2008.

Export of Mersyndol range of tablets to Australia from the Goa plant is likely to commence in Q3 2008.

The Ankleshwar API plant will commence manufacture of Pentoxifylline which was hitherto imported and is the raw material for manufacture of your Company's product Trental®. It will also be exported to Hungary.

There is likely to be further upgradation of capacities in Ankleshwar for manufacture of Combiflam® to meet the growing demand.

The Ankleshwar pharma plant will undergo upgradation for obtaining approval of the MHRA (U.K.) for exports.

CAUTIONARY NOTE

Certain statements in the above Report may be forward looking and are stated as required by legislations in force. The actual results may be affected by many factors that may be different from what the Directors/Management envisage in terms of future performance and outlook.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below :

A. MANDATORY REQUIREMENTS

1. Company's philosophy on Code of Governance

The Company believes in and practises good corporate governance. The Company's philosophy is aimed at assisting the top management of the Company in the efficient conduct of the business and in meeting its obligations to all its stakeholders.

2. Board of Directors

(As on 21st February 2008)

The Board of Directors comprises of a Non-Executive Chairman, a Managing Director, a Wholetime Director and six other Non-Executive Directors.

Two employees of the Company are Alternates for Directors based abroad and are, therefore, deemed to be Executive Directors.

During the year ended 31st December 2007, 5 Board Meetings were held on 16th March 2007, 26th March 2007, 16th April 2007, 17th July 2007 and 30th October 2007.

Attendance of each Director at the Board Meetings in 2007 and the last Annual General Meeting and the number of Companies and Committees where he is Director/Member (as on 21st February 2008):

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 15th June 2007	No. of other Companies in which Director (including Private Limited Companies)	No. of Committees (other than Aventis Pharma Limited) in which Member
Dr. Vijay Mallya	Non Executive Chairman	4	Yes	19 (In India) 31 (Outside India)	NIL***
Dr. Shailesh Ayyangar	Managing Director	5	Yes	2 (In India) 1 (Outside India)	Nil
Mr. J. M. Gandhi	Independent NED	4	Yes	4 (In India)	1***
Mr. C. Germain	ED	4	Yes	2 (In India) 1 (Outside India)	Nil
Mr. O. Charmeil	NED**	-	-	1 (In India) 8 (Outside India)	1
Mr. S. R. Gupte	Independent NED	5	Yes	10 (In India)	6***
Mr. A.K.R. Nedungadi	Independent NED	5	Yes	10 (In India) 7 (Outside India)	2***
Mr. J. M. Georges	NED**	-	-	Nil	Nil
Mr. Eric Le Bris*	NED**	-	-	1 (In India) 20**** (Outside India)	1
Mr. M. G. Rao*	ED (Alternate to Mr. J. M. Georges)	3	Yes	Nil	Nil
Mr. S.C.Ghoge*	ED (Alternate to Mr. Eric Le Bris)	3	Yes	Nil	Nil
Mr. J. L. Grunwald*	NED** (Alternate to Mr. O. Charmeil)	-	-	16**** (Outside India)	Nil

ED - Executive Director
NED - Non Executive Director

*For part of the year

**Employees of sanofi-aventis Group Companies

- (a) Mr. Eric Le Bris was appointed a Director with effect from 16th March 2007.
(b) Mr. S.C.Ghoge was appointed Alternate to Mr. Eric Le Bris with effect from 16th April 2007.

***Dr. Mallya, Mr. Gupte, Mr. Gandhi and Mr. Nedungadi are also Members of some Committees in other Companies which are not specified in Clause 49 of the Listing Agreement or are to be excluded (such as Remuneration Committee, Share Transfer Committee, Committees of Private Limited Companies, etc.).

****Mr. Eric Le Bris also holds positions such as Auditor, Liquidator and Supervisor in five other Companies outside India and Mr. Grunwald is Liquidator of one Company outside India.

Mr. Gupte is Chairman of two Committees of other Companies. Mr. Nedungadi is Chairman of a Committee of another Company. Mr. J. M. Gandhi is the Chairman of the Audit Committee of two private limited companies.

3. Audit Committee

Terms of Reference and Composition, Names of Members and Chairman

The Audit Committee comprises of Mr. S. R. Gupte, Chairman, Mr. A.K.R. Nedungadi and Dr. S. Ayyangar.

Mr. Gupte and Mr. Nedungadi are Independent Directors.

The terms of reference of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement.

6 Meetings were held during the year ended 31st December 2007. Mr. Gupte and Mr. Nedungadi attended all the Meetings and Dr. Ayyangar attended five of the six Meetings.

4. Remuneration Committee

The Company has not formed a Remuneration Committee.

Remuneration of Directors

The details of remuneration paid to the Directors during the financial year January – December 2007 are given below :

a) Executive Directors

Names of Directors	Salary and Allowances Rs.	Perquisites Rs.	Retirement Benefits Rs.
Dr. S. Ayyangar	5,026,800	3,961,375	-
Mr. C. Germain	2,780,007	5,665,671	-
Mr. M. G. Rao*	4,688,982	778,530	546,183
Mr. S. C. Ghoge*	3,389,114	243,526	336,246
Dr. S. Bhattacharya*	406,022	374,429	68,755

*For part of the year

NOTES

1. The agreements with each of the Executive Directors is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving not less than three months' notice in writing to the other party.
2. No severance pay is payable on termination of contract.
3. Presently, the Company does not have a scheme for grant of stock options either to the Executive Directors or employees. However, Executive Directors and some Senior Executives of the Company are granted stock options of the ultimate holding Company, sanofi-aventis.
4. The Executive Directors are entitled to Performance Linked Incentives with target payouts fixed and payout ranges of 0% to 120% of the target amounts to be paid at the end of the financial year as may be determined by the Board of Directors and are based on certain pre-agreed performance parameters.

Non-Executive Directors

Non-Executive Directors are paid only sitting fees for attending Board and Committee Meetings.

Names of Directors	Sitting Fees paid Rs.
Dr. Vijay Mallya*	80,000
Mr. S. R. Gupte	240,000
Mr. A. K. R. Nedungadi	240,000
Mr. J. M. Gandhi	100,000

*Dr. Vijay Mallya holds 80 Shares of the Company (jointly with Mrs. Ritu Mallya). The other Non-Executive Directors do not hold any Shares.

5. Investors'/Shareholders' Grievance Committee

The Members of the Committee are Mr. S. R. Gupte, Chairman, Mr. A.K.R. Nedungadi and Mr. J. M. Gandhi.

One Meeting of the Committee was held during the year ended 31st December 2007 which was attended by all three Members of the Committee.

Mr. K. Subramani, Company Secretary is the Compliance Officer of the Company.

The Company's Registrars, Intime Spectrum Registry Limited had received 692 letters/ requests during the year, dealing with various subjects such as revalidation/non-receipt of dividend warrants, change of address, registration of nominations, non-receipt of Share Certificates, etc. All these matters were resolved to the satisfaction of the Shareholders/Investors.

The Company had no transfers pending at the close of the financial year.

The power to approve transfers upto 1000 Shares purchased by one individual has been delegated to the Company Secretary.

6. General Body Meetings

The last three Annual General Meetings were held as under :

Financial Year	Date	Time	Location
January – December 2004	22.6.2005	3.00 p.m.	Y.B. Chavan Centre – Auditorium, Mumbai
January – December 2005	12.6.2006	3.00 p.m.	Y.B. Chavan Centre – Auditorium, Mumbai
January – December 2006	15.6.2007	3.30 p.m.	Y.B. Chavan Centre – Auditorium, Mumbai

All the resolutions set out in the respective Notices were passed by the Shareholders.

No special resolutions were required to be put through postal ballot last year.

At this meeting, there are no Special Resolutions for which Clause 49 of the Listing Agreement or Section 192A of the Companies Act has recommended/mandated postal ballot.

7. Disclosures

a) There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Statements of transactions with related parties have been placed periodically before the Audit Committee. Transactions with related parties have also been disclosed in Note no.8 of the Notes to the Accounts.

b) There were no instances of non-compliance nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority during the last three years on any matter related to the capital markets.

c) The Company has also complied with and adopted the mandatory requirements of the amended Clause 49 of the Listing Agreement.

d) In line with the requirements of the amended Clause 49 of the Listing Agreement, the Audit Committee and the Board of Directors reviewed the Management's perception of the risks facing the Company and measures taken to minimise the same.

e) As required by Clause 49(V) of the Listing Agreement, the Managing Director and the Chief Financial Officer have submitted a Certificate to the Board of Directors in the prescribed format for the financial year ended 31st December 2007. The Certificate has been reviewed by the Audit Committee and taken on record by the Board of Directors.

8. Means of Communication

Half yearly report sent to each household of shareholders :

No, as the Results of the Company are published in the Newspapers and Press Releases are also issued.

Quarterly Results:

No, as the Results of the Company are published in the Newspapers and Press Releases are also issued.

Any Website where displayed :

www.AventisPharmaIndia.com

Whether it also displays official News releases and the presentations made to institutional Investors or to the analysts :

Yes

Newspapers in which Results are normally published in:

- i) Business Standard
- ii) Sakal

Whether Management Discussion and Analysis is a part of the Annual Report :

Yes

9. General Shareholder Information

AGM Date, Time and Venue: Thursday, 24th April 2008 at 11.00 a.m. at Y.B. Chavan Centre – Auditorium, Gen. J. Bhosale Marg, Nariman Point, Mumbai 400 021

Financial Calendar – 2008 /2009

Financial Year	- January to December
First Quarter Results	- 4th week of April 2008
Half Yearly Results	- 3rd/ 4th week of July 2008
Third Quarter Results	- 3rd/ 4th week of October 2008
Audited Results for the year ending 31st December 2008	- February/March 2009

Dates of Book Closure :

5th April 2008 to 24th April 2008 (both days inclusive)

Dividend payment date:

On or after 25th April 2008, if declared at Annual General Meeting on 24th April 2008

Listing on Stock Exchanges :

The Company's Shares are listed on the Stock Exchanges mentioned below and the Company has paid the Listing Fees to them for 2007-2008 and is in the process of paying the fees for 2008-2009:

The Bombay Stock Exchange Limited

The National Stock Exchange of India

Stock Code – Physical :

500674 on the Bombay Stock Exchange Limited

Demat ISIN Number for NSDL & CDSL :

INE 058A01010

Market Price Data :

High/Low during year/month in the last financial year

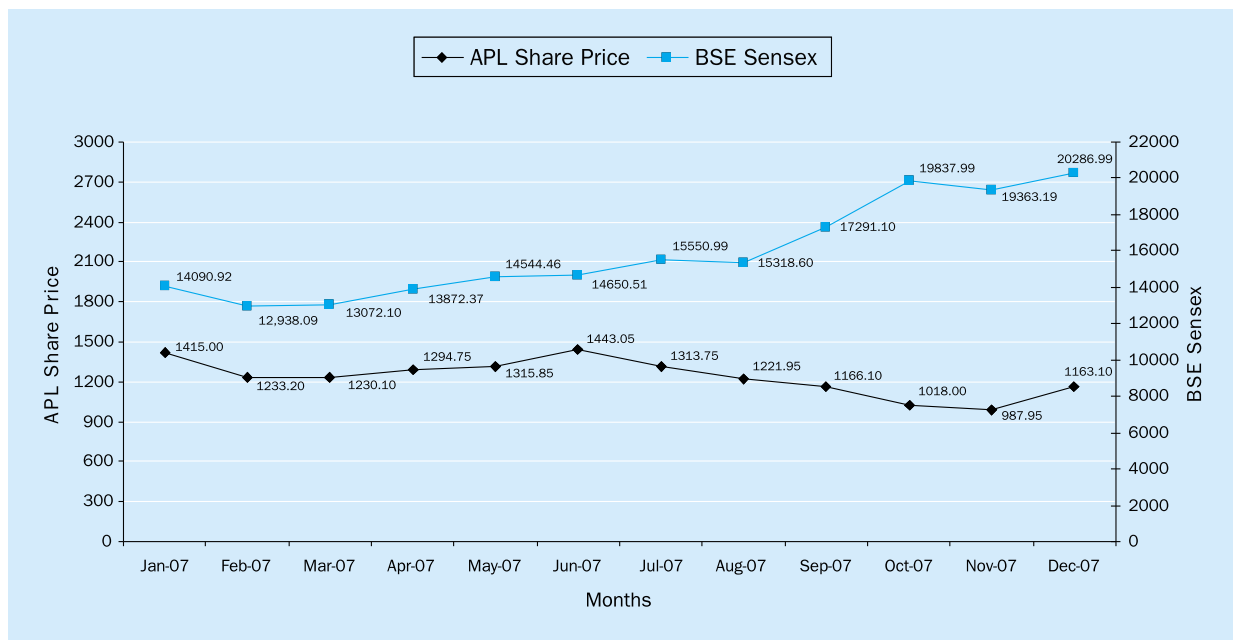
Share Price on the Bombay Stock Exchange Limited (Face Value Rs. 10)

Months	High Rs.	Low Rs.	Close Rs.
January 2007	1,500.00	1,370.00	1,415.00
February 2007	1,430.00	1,222.20	1,233.20
March 2007	1,285.05	1,160.00	1,230.10
April 2007	1,315.15	1,170.00	1,294.75
May 2007	1,333.00	1,234.00	1,315.85
June 2007	1,465.35	1,270.00	1,443.05
July 2007	1,494.80	1,300.00	1,313.75
August 2007	1,340.00	1,155.55	1,221.95
September 2007	1,250.00	1,152.00	1,166.10
October 2007	1,213.00	1,005.00	1,018.00
November 2007	1,100.00	960.00	987.95
December 2007	1,188.00	976.25	1,163.10

Stock Performance in comparison to broad based indices such as BSE Sensex

January – December 2007 (In percentage %)

Aventis Pharma Limited	(-) 15.41%
BSE Sensex	(+) 46.71%
BSE 200	(+) 60.49%
BSE 100	(+) 59.35%



Registrars & Transfer Agents :

Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup West, Mumbai 400 078

Person to contact :

Mr. P. H. A. Krishnan

Telephone No. : (022) 25963838

Fax No. : (022) 25946969

Share Transfer System :

The power of approving transfers upto 1000 Shares purchased by any individual has been delegated to the Company Secretary. Transfers are approved every week.

Distribution of Shareholding as on 31.12.2007 :

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 to 100	17296	90.55	952470	4.14
101 to 200	914	4.79	159379	0.69
201 to 300	280	1.47	76161	0.33
301 to 400	149	0.78	55833	0.24
401 to 500	125	0.65	60236	0.26
501 to 1000	154	0.81	119773	0.52
1001 to 2000	68	0.36	98541	0.43
2001 to 3000	16	0.08	40076	0.17
3001 to 4000	12	0.06	42578	0.18
4001 to 5000	8	0.04	36585	0.16
5001 to 10000	16	0.08	112146	0.49
10001 and above	63	0.33	21276844	92.39
TOTAL	19101	100	23030622	100

Shareholding Pattern as on 31.12.2007

	Percentage %
Foreign Promoters	50.12
Indian Promoters	10.28
Mutual Funds	15.07
Foreign Institutional Investors	7.69
Banks	0.01
Insurance Companies	5.71
Other Bodies Corporate	2.67
Individuals holding upto Rs.1 lakh in nominal capital	6.52
Individuals holding more than Rs.1 lakh in nominal capital	1.93
Total	100

Dematerialisation of Shares and liquidity:

As on 31.12.2007, 97.70% of the paid-up Share Capital had been dematerialised.

Outstanding GDRs / ADRs / warrants or any Convertible instruments, Conversion date and likely impact on equity :

Not Issued

Plant locations :

Ankleshwar (Gujarat) and Verna (Goa)

Address for correspondence:

Shareholder correspondence should be addressed to the Company's Registrars, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup West, Mumbai 400 078

Investors may also write to or contact the Company Secretary, Mr. K. Subramani at the Registered Office for any assistance that they may need. Telephone No. (022) 28278530/ 28242260 Fax No. (022) 28360862

E.Mail – K.Subramani@sanofi-aventis.com ; igrca.pl@sanofi-aventis.com

Shareholders holding Shares in dematerialised form should address all their correspondence (including change of address, nominations, ECS mandates, bank details to be incorporated on dividend warrants, powers of attorney, etc.) to their Depository Participant.

(B) Non-Mandatory Requirements

a) Chairman of the Board :

Whether Chairman of the Board is entitled to maintain a Chairman's Office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties:

Yes

b) Remuneration Committee :

The Company has not set up a Remuneration Committee.

c) Shareholder Rights:

Half yearly declaration of financial performance including summary of the significant events in last six months to be sent to each household of Shareholders:

The Company's half yearly Results are published in English and Marathi newspapers having wide circulation and are also displayed on the Company's website.

Press Releases are also issued which are carried by other newspapers. Hence, same are not sent to the Shareholders.

Second half yearly Results are not taken on record by the Board as audited Results are approved by the Board. The audited Results for the financial year are communicated to the Shareholders through the Annual Report.

d) Audit Qualifications:

The Auditors have issued an unqualified opinion for the year ended 31st December 2007.

e) Training of Board Members:

All the Directors have expertise in their areas of specialisation.

f) Mechanism for evaluating Non- Executive Directors :

The Board of Directors may consider adopting this requirement in future.

g) Whistle Blower Policy:

The Board of Directors may consider adopting this requirement in future.

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

In accordance with Clause 49 of the Listing Agreements with the Stock Exchanges, the Board Members and Senior Management personnel of the Company have confirmed compliance with the Code of Business Conduct and Ethics for the financial year ended 31st December 2007.

For AVENTIS PHARMA LIMITED

DR. SHAILESH AYYANGAR
MANAGING DIRECTOR

Mumbai, 21st February 2008

AUDITORS' CERTIFICATE

To

The Members of Aventis Pharma Limited

We have examined the compliance of conditions of Corporate Governance by Aventis Pharma Limited for the year ended on December 31, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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.

For S. R. Batliboi & Co.,

Chartered Accountants

per Hemal Shah

Partner

Membership No.:42650

Mumbai: 21st February 2008

Sanofi-aventis Group Companies

Aventis Pharma Limited is a part of the worldwide sanofi-aventis Group. The names of the sanofi-aventis Group companies are given below:

Europe

Germany

Sanofi-Aventis Deutschland GmbH

Hoechst GmbH

Winthrop Arzneimittel GmbH

Sanofi-Synthelabo GmbH

Sanofi-Synthelabo Holding GmbH

Austria

Sanofi-Aventis GmbH

Belgium

Sanofi-aventis Belgium SANV

Denmark

Sanofi-Aventis Denmark A/S

Spain

Sanofi-Aventis SA

Finland

Sanofi-Aventis OY

France

Sanofi-Aventis Europe S.A.S.

Sanofi-Aventis Participations S.A.S.

Sanofi-Aventis Amerique due Nord S.N.C.

Sanofi Pasteur Holding S.A.

Aventis Pharma S.A.

Sanofi Pasteur S.A.

Aventis Agriculture S.A.

Francopia S.A.R.L.

Winthrop Medicaments S.A.

Sanofi Chimie S.A.

Sanofi Participations S.A.S.

Sanofi-Aventis S.A.

Sanofi-Aventis France S.A.

Sanofi-Aventis Groupe S.A.

Sanofi-Aventis Recherche & Developpement S.A.

Sanofi Winthrop Industrie S.A.

Greece

Sanofi-Aventis A.E.B.E.

Hungary

Chinonin Pharmaceutical and Chemical Works Co. Ltd.

Sanofi-Aventis Private Co. Ltd.

Ireland

Cahir Insurance Ltd.

Carraig Insurance Ltd.

Sanofi-Synthelabo Ireland Ltd.

Italy

Sanofi-Aventis Spa

Norway

Sanofi-aventis Norge AS

Netherlands

Sanofi-Aventis Netherlands BV

Poland

Sanofi-Aventis Sp Zoo

Portugal

Winthrop Farmaceutica Portugal Lda

Sanofi-Aventis Produtos Farmaceuticos SA

Czech Republic

Sanofi-Aventis sro

United Kingdom

Sanofi-aventis Holdings UK Ltd.

Sanofi-Synthelabo Ltd.

Sanofi-Synthelabo UK Ltd.

Winthrop Pharmaceuticals UK Ltd.

Fisons Limited

May and Baker Limited

Russia

ZAO Aventis Pharma

Sweden

Sanofi-Aventis AB

Switzerland

Sanofi SA-AG

Sanofi-Aventis (Suisse) SA

Sanofi-Synthelabo CIS & Eastern Countries SA

Turkey

Sanofi-Aventis Ilaclari Ltd. Sirketi

Winthrop Ilac AS

Sanofi-Synthelabo Ilac AS

United States of America

Sanofi-Aventis US Inc.

Sanofi-Synthelabo Inc.

Sanofi-Aventis US LLC

Aventis Pharmaceuticals Inc.

Carderm Capital L.P.

Carderm Investments Inc.

Aventisub Inc.
Aventis Holdings Inc.
Aventisub II, Inc.
Starlink Logistics Inc. (SLLLI)
Armour Pharmaceutical Company
Sanofi Pasteur Inc.
Merieux America Holdings, Inc.
Aventis Pharmaceuticals Puerto Rico Inc.
Aventis Inc.
VaxServe Inc.
Sanofi-Aventis Puerto Rico Inc.
[South Africa](#)
Sanofi-Aventis South Africa (Proprietary) Limited
Winthrop Pharmaceuticals (Proprietary) Limited
[Algeria](#)
Sanofi-Aventis Algerie
Winthrop Pharma Sidal SPA
[Argentina](#)
Sanofi-aventis Argentina S.A.
[Australia](#)
Sanofi-aventis australia pty. limited
[Brazil](#)
sanofi-aventis Farmaceutica Ltd.
[Canada](#)
Sanofi Pasteur Limited
Sanofi-Aventis Canada Inc.
[Chile](#)
Sanofi-aventis de Chile S.A.
[China](#)
Sanofi-aventis Pharma Beijing Co., Ltd.
Hangzhou sanofi-aventis Minsheng
Pharmaceuticals Co. Ltd.
Shenzhen Sanofi Pasteur Biological Products Co. Ltd.
[Colombia](#)
Winthrop Pharmaceuticals de Colombia S.A.
Sanofi-aventis de Colombia S.A.
[Korea](#)
Sanofi-aventis Korea Co. Ltd.
[Egypt](#)
Sanofi-aventis Egypt SAE
[Ecuador](#)
Sanofi-aventis del Ecuador S.A.
[Hong Kong](#)
Sanofi-aventis Hong Kong Limited
[India](#)
Sanofi-Synthelabo (India) Limited

Aventis Pharma Limited
[Sri Lanka](#)
Aventis Pharma Limited
[Indonesia](#)
PT Sanofi-aventis Indonesia
PT Aventis Pharma (Indonesia)
[Japan](#)
Sanofi-Aventis KK
Sanofi-Aventis Meiji Pharma. Co. Ltd.
Winthrop Pharmaceutical Japan Co. Ltd.
Sanofi-Aventis Yamanouchi Pharma KK
[Malaysia](#)
Winthrop Pharmaceuticals (Malaysia) SDN. BHD.
Sanofi-aventis (Malaysia) SDN.BHD.
[Morocco](#)
Maphar
Sanofi-Aventis Maroc
[Mexico](#)
Sanofi-aventis de Mexico SA de CV
Sanofi-aventis Winthrop S.A. de C.V.
Winthrop Pharmaceuticals de Mexico SA de CV
[Panama](#)
Sanofi-aventis de Panama S.A.
[Peru](#)
Sanofi-aventis del Peru S.A.
[Philippines](#)
Sanofi-aventis Philippines Inc.
[Dom. Rep.](#)
Sanofi-aventis Republica Dominicana S.A.
[Singapore](#)
Aventis Pharma Manufacturing Pte. Ltd.
Sanofi-aventis Singapore Pte. Ltd.
[Taiwan](#)
Sanofi-aventis Taiwan Co. Ltd.
[Thailand](#)
Sanofi-Synthelabo (Thailand) Ltd.
Sanofi-aventis Thailand Ltd.
[Tunisia](#)
Sanofi Aventis Pharma Tunisie
Winthrop Pharma Tunisie
[Venezuela](#)
Sanofi-aventis de Venezuela S.A.
[Vietnam](#)
Sanofi-Synthelabo Vietnam Pharmaceutical
Shareholding Company
Sanofi-aventis Vietnam Company Limited

Auditors' Report

To The Members of Aventis Pharma Limited

1. We have audited the attached Balance Sheet of Aventis Pharma Limited as at December 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 December 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 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 December 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 & Co.,

Chartered Accountants

per Hemal Shah

Partner

Membership No.:42650

Mumbai: 21st February 2008

Annexure referred to in paragraph [3] of our report of even date

Re: Aventis Pharma Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification 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.
 - (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has granted loan to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved and the year-end balance of loan granted was Rs. 325 million. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company. In respect of the above loan the repayment of the principal amounts are not due at the year end and payment of interest have been regular.
 - (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (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) (a) 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 Act that need to be entered into the register maintained under section 301 have been so entered.
 - (b) 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 of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were 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) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, service tax, wealth-tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.
 - (b) According to the information and explanations given to us, no undisputed amounts payable 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 undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, and excise duty on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount* (Rs) '000s	Period to which the amount relates	Forum where dispute is pending
Income Tax Act ,1961	Income Tax due to disallowances and abatement of relief /rebate	1,457	Assessment Year 2003-04	Income Tax Appellate Tribunal
	Income Tax due to disallowances and abatement of relief/ rebate	33,479	Assessment Year 2004-05	Commissioner of Income Tax (Appeals)
	Penalty under section 271 (1) (c) of the Income Tax Act, 1961	59,375	Assessment Year 1986-87 and 2002-03	Commissioner of Income Tax (Appeals)
The Central Excise Act, 1944	Wrongful Availment of Modvat	18,900	1994-1995	Customs Excise and Service tax Appellate tribunal. Customs Excise and Service tax Appellate tribunal. Commissioner of Appeals, Surat. Commissioner of Appeals, Surat.
	Duty on Samples	529	1994 to 1999	
	Disallowance of Modvat	1,720	1993	
	Disallowance of Modvat	361	1993	
Medicinal & Toilet Preparations (Levy of Excise Duty) Act, 1955	Dispute Whether Central or State Excise duty	23,156	1990 to 1997	Central Board of Excise and Customs.
	Dispute Whether Central or State Excise duty	13,207	1996 to 1999	Commissioner of State Excise Maharashtra.
Karnataka Sales tax Act of 1957	Order passed under section 12A and 25	845	1999-2000	Karnataka Appellant tribunal.

* Net of amount paid under protest or otherwise.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The company does not have any borrowings from financial institutions or by way of debentures.
- (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) In our opinion, 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) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (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 not given any guarantee for loans taken by others from bank or financial institutions.
- (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 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 a 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 & Co,

Chartered Accountants

per Hemal Shah

Partner

Membership No. 42650

Mumbai, 21st February 2008

Balance Sheet

as at December 31, 2007

	Schedule	31.12.2007 Rupees '000	31.12.2006 Rupees '000
Sources of funds			
Shareholders' funds :			
Capital	1	230,306	230,306
Reserves and surplus	2	6,838,225	5,851,754
TOTAL		7,068,531	6,082,060
Application of funds			
Fixed assets			
Gross block	3	3,043,031	2,841,122
Less: depreciation		1,686,364	1,516,872
Net block		1,356,667	1,324,250
		-	-
Capital work-in-progress and advances on capital account		93,198	131,951
		1,449,865	1,456,201
Investments	4	53,088	53,088
Deferred tax assets (net)	5	126,166	131,089
Current assets, loans and advances			
Inventories	6	1,807,985	1,588,029
Sundry debtors	7	575,052	684,867
Cash and bank balances	8	3,906,161	3,861,173
Other current assets	9	77,918	139,199
Loans and advances	10	1,159,332	668,551
		7,526,448	6,941,819
Less: Current liabilities and provisions			
Current liabilities	11	1,133,506	1,104,200
Provisions	12	953,530	1,395,937
		2,087,036	2,500,137
Net current assets		5,439,412	4,441,682
TOTAL		7,068,531	6,082,060
Notes to Accounts	17		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date
For **S.R.BATLIBOI & Co.**
Chartered Accountants
per **HEMAL SHAH**
Partner
Membership No. 42650
Mumbai : February 21, 2008

Dr. Vijay Mallya
Dr. Shailesh Ayyangar
J. M. Gandhi
C. Germain
S. R. Gupte
A. K. R. Nedungadi
M. G. Rao
S. C. Ghoge
K. Subramani
Mumbai : February 21, 2008

Chairman
Managing Director
Director
Director
Director
Director
Director
Director
Company Secretary

Profit and Loss Account

for the year ended December 31, 2007

	Schedule	31.12.2007 Rupees '000	31.12.2006 Rupees '000
Income:			
Sales (Gross)		9,316,980	9,366,614
Less : Excise duty		581,577	527,270
Sales (net)		8,735,403	8,839,344
Other Income	13	739,468	471,395
		9,474,871	9,310,739
Expenditure:			
Materials	14	4,225,203	4,286,253
Personnel expenses	15	1,037,205	785,128
Operating and other expenses	16	1,797,589	1,562,021
Depreciation / Amortisation (Gross)		192,898	186,824
Less: Transferred from Revaluation Reserve		8,359	8,359
Depreciation / Amortisation (Net)		184,539	178,465
Interest - others		1,924	1,818
		7,246,460	6,813,685
Profit before taxation		2,228,411	2,497,054
Taxation :			
- Current (refer note 3 of Sch 17)		725,800	837,800
- Deferred		14,343	(73,873)
- Fringe benefit tax		44,022	40,200
Profit after taxation		1,444,246	1,692,927
Balance brought forward		4,177,741	3,495,159
Profit available for appropriation		5,621,987	5,188,086
Appropriation :			
Interim dividend		80,611	736,983
Proposed final dividend		287,883	-
Tax on interim / proposed final dividend		62,626	103,362
Transfer to general reserve		150,000	170,000
Surplus carried to balance sheet		5,040,867	4,177,741
		5,621,987	5,188,086
Notes to Accounts			
	17		
Earnings per share-basic and diluted (Rs) (refer note 9 of Sch 17)		62.71	73.51
Number of equity shares (in thousands)		23,031	23,031

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date
For **S.R.BATLIBOI & Co.**
Chartered Accountants
per **HEMAL SHAH**
Partner
Membership No. 42650
Mumbai : February 21, 2008

Dr. Vijay Mallya	Chairman
Dr. Shailesh Ayyangar	Managing Director
J. M. Gandhi	Director
C. Germain	Director
S. R. Gupte	Director
A. K. R. Nedungadi	Director
M. G. Rao	Director
S. C. Ghoge	Director
K. Subramani	Company Secretary

Mumbai : February 21, 2008

Cash flow statement

for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before exceptional items and tax	2,228,411	2,497,054
Adjustment for :		
Depreciation	184,539	178,465
Unrealised net exchange (gain)/loss on Debtors/Creditors	(3,690)	7,216
(Gain) / Loss on sale of fixed assets	(8,553)	6,969
Interest expense	1,924	1,818
Rental income	(62,552)	(48,127)
Interest income	(287,689)	(252,615)
Unrealised net exchange (gain)/loss on foreign currency bank balances	20,979	15,597
Provision for doubtful debts and advances (written off/write-back)	1,759	5,934
Dividends	(24,695)	(24,553)
Operating profit before working capital changes	2,050,433	2,387,758
Adjustment for :		
Trade and other receivables	199,698	(205,768)
Inventories	(219,956)	(224,660)
Current Liabilities and Provisions	(25,821)	364,252
Cash generated from operations	2,004,354	2,321,582
Less : Taxes paid	973,850	996,533
Net inflow /(outflow) from operating activities (A)	1,030,504	1,325,049
CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale of fixed assets	13,147	1,353
Rental received	66,736	53,201
Dividend received	24,695	24,553
Interest received	241,704	233,625
Inter corporate deposit given	-	(50,000)
Receipt of Inter corporate deposit given	50,000	-
Loan given	(325,000)	-
Purchase of assets	(191,154)	(232,917)
Net cash inflow/(outflow) from investing activities (B)	(119,872)	29,815
CASH FLOW FROM FINANCING ACTIVITIES		
Interim and final dividend paid (including tax thereon)	(842,741)	(420,174)
Interest paid	(1,924)	(1,818)
Net cash inflow/(outflow) from financial activities (C)	(844,665)	(421,992)
Net increase in cash & cash equivalents (A+B+C)	65,967	932,872
Increase/(decrease) in cash & cash equivalents on account of exchange fluctuation	(20,979)	(15,597)
Opening Balance of Cash and Cash Equivalents	3,861,173	2,943,898
Closing Balance of Cash and Cash Equivalents	3,906,161	3,861,173

31.12.2007	31.12.2006
Rupees '000	Rupees '000

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and Bank Balances

Cash on hand	253	211
With scheduled banks in		
Current accounts	214,580	160,555
Term deposits	3,684,740	3,695,000
Unpaid dividend accounts	6,588	5,407
	3,906,161	3,861,173

Notes:

- 1) Comparative figures have been regrouped wherever necessary.
- 2) The cash flow statement has been prepared under the indirect method as set out in the Accounting standard -3 on cash flow statements issued by the Institute of Chartered Accountants of India.

As per our report of even date
For **S.R.BATLIBOI & Co.**
Chartered Accountants
per **HEMAL SHAH**
Partner
Membership No. 42650
Mumbai : February 21, 2008

Dr. Vijay Mallya	Chairman
Dr. Shailesh Ayyangar	Managing Director
J. M. Gandhi	Director
C. Germain	Director
S. R. Gupte	Director
A. K. R. Nedungadi	Director
M. G. Rao	Director
S. C. Ghoge	Director
K. Subramani	Company Secretary

Mumbai : February 21, 2008

Schedules annexed and forming part of accounts

for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
1: CAPITAL		
Authorised:		
23,500,000 (2006:23,500,000) Equity Shares of Rs.10/- each	235,000	235,000
Issued, subscribed and paid-up:		
23,030,622 (2006 :23,030,622) Equity Shares of Rs.10/- each fully paid up.	230,306	230,306
	230,306	230,306
Of the above :		
a) 18,376,831 (2006: 18,376,831) Equity shares were issued as fully paid bonus shares by capitalisation of reserves and security premium		
b) 11,538,342 (2006 : 11,538,342) equity shares are held by Hoechst GmbH, Germany, holding company and 4,865 (2006 : 4,865) Equity shares are held by Sanofi-Aventis SA, France, Ultimate Holding Company		
2: RESERVES AND SURPLUS		
Capital reserve		
Balance as per last balance sheet	36,156	36,156
Less: Transfer to General Reserve on disposal of Land	1,251	-
	34,905	36,156
Security premium account		
Balance as per last balance sheet	20,440	20,440
	20,440	20,440
Revaluation reserve		
Balance as per last balance sheet	161,358	169,717
Less: Adjustment for depreciation	8,359	8,359
	152,999	161,358
General reserve		
Balance as per last balance sheet	1,456,059	1,286,059
Add: Transfer from capital reserve	1,251	-
Add: Transfer from profit and loss account	150,000	170,000
Less : Transitional Liability for employee benefits (net of deferred tax) (refer note 25 of sch 17)	18,296	-
	1,589,014	1,456,059
Profit and loss account	5,040,867	4,177,741
	6,838,225	5,851,754

Schedules annexed and forming part of accounts

for the year ended December 31, 2007

3: FIXED ASSETS

Rupees '000

	COST OR VALUATION			DEPRECIATION/ AMORTISATION			NET BLOCK AS AT		
	As per last Balance Sheet	Additions	Disposals & Adjustments	As at 31.12.2007	As per last Balance Sheet	For the Year	Disposals & Adjustments	As at 31.12.2007	31.12.2006
<u>Intangible Assets</u>									
Software	71,208	3,082	-	74,290	67,452	4,501	-	71,953	2,337
Marketing and technical rights for formulations #	200,386	-	-	200,386	173,717	20,000	-	193,717	6,669
Technical know-how**	11,440	520	-	11,960	191	2,401	-	2,592	9,368
<u>Tangible Assets</u>									
Freehold Land	36,509	-	1,754	34,755	-	-	-	-	34,755
Leasehold Land	52,773	-	-	52,773	5,419	534	-	5,953	46,820
Buildings & Waterworks	903,376	25,465	1,245	927,596	274,045	30,756	768	304,033	629,331
Plant & Machinery	1,244,664	169,167	11,726	1,402,105	780,807	100,354	9,927	871,234	530,871
Furniture & Fixtures	64,579	10,100	679	74,000	33,058	5,790	331	38,517	35,483
Office Equipment	50,003	2,644	61	52,586	27,885	4,563	42	32,406	20,180
Computers	204,291	18,779	11,557	211,513	153,142	23,812	11,554	165,400	46,113
Motor Vehicles	1,893	150	976	1,067	1,156	187	784	559	508
Total	2,841,122	229,907	27,998	3,043,031	1,516,872	192,898	23,406	1,686,364	1,356,667
Previous Year	2,794,448	114,399	67,725	2,841,122	1,389,451	186,824	59,403	1,516,872	1,324,250

Notes :

- 1) # Remaining amortisation period 4 months.
- 2) ** Remaining amortisation period 47 months.
- 3) Buildings include investments representing ownership of Office premises and Residential flats in co-operative societies.
- 4) Buildings include buildings given on operating lease (refer note 1.1 of Sch 17).

Schedules annexed and forming part of accounts for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
4: INVESTMENTS (AT COST) - LONG TERM		
UNQUOTED		
(A) Trade Investments		
(i) Joint Venture -Chiron Behring Vaccines Private Limited 4,900,000 (2006: 4,900,000) Equity shares of Rs.10/- each fully paid up.	49,000	49,000
(ii) Bharuch Enviro Infrastructure Limited 2188 (2006: 2188) Equity shares of Rs 10 /- each fully paid up.	22	22
(iii) Bharuch Eco-Acqua Infrastructure Limited 159,500 (2006: 159,500) Equity shares of Rs.10/- each fully paid up.	1,595	1,595
(B) Others		
6.75% Tax Free US 64 Bonds 12,224 (2006: 12,224) Bonds of Rs 100/- each fully paid up.	1,222	1,222
	51,839	51,839
QUOTED		
Others		
(i) United Breweries (Holdings) Limited 99,636 (2006:99,636) Equity shares of Rs 10/- each fully paid up.	750	750
(ii) United Breweries Limited 332,120 (2006: 332,120) Equity shares of Rs 1/- each fully paid up	499	499
	1,249	1,249
	53,088	53,088
[(Aggregate market value of quoted investments Rs. 233,691 thsd; 2006: Rs. 93,713 thsd)]		
5: DEFERRED TAX ASSETS (net)		
Provision for doubtful debts and advances	4,418	3,783
Employee retirement and other long term benefits	76,305	65,172
Other timing differences	185,383	202,513
Deferred tax asset (A)	266,106	271,468
Depreciation	139,940	140,379
Deferred tax liability (B)	139,940	140,379
(A-B)	126,166	131,089
6: INVENTORIES		
Raw Materials [including in-transit Rs. 65,402 thsd; (2006: Rs.9,405 thsd)]	507,465	470,080
Work-in-process	195,815	181,595
Finished goods [including in-transit Rs. NIL; (2006: Rs.642 thsd)]	1,104,705	936,354
	1,807,985	1,588,029

Schedules annexed and forming part of accounts

for the year ended December 31, 2007

	31.12.2007	31.12.2006
	Rupees '000	Rupees '000
7: SUNDRY DEBTORS (Unsecured)		
Outstanding over six months		
Considered - good	65,683	29,471
- doubtful	11,144	11,239
	<u>76,827</u>	<u>40,710</u>
Others - considered good	509,369	655,396
	<u>586,196</u>	<u>696,106</u>
Less : Provision for doubtful debts	11,144	11,239
	<u>575,052</u>	<u>684,867</u>
Includes dues from Companies under the same management:		
Sanofi-Aventis Australia Pty Ltd., Australia	-	189
P T Aventis Pharma Indonesia	1,715	628
Sanofi-Aventis Deutschland GmbH, Germany	78,120	97,975
Aventis Intercontinental, France	158,438	295,430
Aventis Pharma Limited, Sri Lanka	19,028	19,670
Winthrop Pharmaceuticals UK Ltd	13,366	-
8: CASH AND BANK BALANCES		
Cash on hand	253	211
<u>With scheduled banks in</u>		
Current accounts	214,580	160,555
Term deposits	3,684,740	3,695,000
Unpaid dividend accounts	6,588	5,407
	<u>3,906,161</u>	<u>3,861,173</u>
9: OTHER CURRENT ASSETS		
(Unsecured - considered good)		
Rental deposits	56,272	118,693
Other advances and deposits	21,646	20,506
	<u>77,918</u>	<u>139,199</u>

Schedules annexed and forming part of accounts

for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
10: LOANS AND ADVANCES		
(Unsecured - considered good)		
Advances recoverable in cash or in kind or for value to be received [including Rs Nil (2006 : Rs 355 thsd) due from a Director given to him before he became a Director, maximum balance due during the year Rs 376 thsd; (2006 :Rs. 383 thsd)]	349,115	303,501
Less: Provision for doubtful advances	1,854	-
	347,261	303,501
Loan to others	325,000	-
Due from Sanofi-Synthelabo (India) Limited, a company under the same management. [Maximum balance due during the year Rs. 325,000 thsd (2006: Rs. Nil)]		
Inter corporate Deposit	-	50,000
Due from Sanofi-Synthelabo (India) Limited, a company under the same management. [Maximum balance due during the year Rs. 50,000 thsd (2006: Rs. 50,000)]		
Advance Tax (net of provision)	481,678	285,210
Balances with customs and excise (refer note : 4 of Sch 17)	5,393	29,840
	1,159,332	668,551
Advances recoverable in cash or in kind or for value to be received includes dues from Companies under the same management -		
Aventis Intercontinental, France	512	807
{maximum amount outstanding during the year Rs. 807 thsd (2006: Rs. 963 thsd)}		
Sanofi-Aventis Deutschland GmbH, Germany	29,900	63,107
{maximum amount outstanding during the year Rs. 49,438 thsd (2006: Rs. 63,107 thsd)}		
Sanofi Winthrop Industrie S A	986	-
{maximum amount outstanding during the year Rs. 4,029 thsd (2006: Rs.Nil)}		
Sanofi Aventis Recherche et Développement, France	1,540	1,342
{maximum amount outstanding during the year Rs. 1,540 thsd (2006: Rs.2,486 thsd)}		
Sanofi-Aventis Singapore Pte Ltd, Singapore	3,194	343
{maximum amount outstanding during the year Rs. 3,754 thsd (2006: Rs. 347 thsd)}		
Sanofi-Aventis Groupe, France	-	81
{maximum amount outstanding during the year Rs. 137thsd (2006: Rs. 123 thsd)}		
Sanofi-Synthelabo (India) Ltd.	29,972	16,655
{maximum amount outstanding during the year Rs. 93,478 (2006: Rs. 35,208 thsd)}		
Sanofi Aventis, France	55	-
{maximum amount outstanding during the year Rs. 55 thsd (2006: Rs. NIL thsd)}		
Sanofi Chimie, France	211	-
{maximum amount outstanding during the year Rs. 211 thsd (2006: Rs. NIL thsd)}		
Chiron Behring Vaccines Pvt. Ltd., India	4,355	262
{maximum amount outstanding during the year Rs. 13,857 thsd (2006: Rs. 9,929 thsd)}		

Schedules annexed and forming part of accounts

for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
11: CURRENT LIABILITIES		
Sundry creditors :		
- Micro, Medium and Small Enterprises (refer note 13 of sch 17)	-	-
- Others	973,444	981,160
Security deposits	17,685	20,355
Advances from customers and others	24,940	17,953
Investor Education and Protection Fund shall be credited by following amounts (as and when due)		
Unclaimed dividend	6,588	5,407
Other liabilities	110,849	79,325
	1,133,506	1,104,200

12: PROVISIONS

Fringe benefit tax (net of advance tax payments)	4,410	11,970
Proposed final dividend	287,883	-
Tax on proposed dividend	48,926	-
Interim Dividend	-	656,374
Tax on interim dividend	-	92,056
Employees' retirement and other long term benefits (refer note 25 of sch 17)	208,753	174,690
Other provisions (refer note 12 of sch 17)	403,558	460,847
	953,530	1,395,937

Schedules annexed and forming part of accounts

for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
13: OTHER INCOME		
Commission	3,930	13,641
Rent	62,552	48,127
Interest Gross (tax deducted at source Rs. 62,166 thsd; 2006: Rs. 41,351 thsd.)		
Bank deposits	272,405	209,461
Others	15,201	43,071
Export Incentives	33,082	35,677
Indirect taxes set off / refunds	14,714	12,104
Insurance claims	9,539	26,323
Exchange difference (net)	1,661	-
Income from services rendered	222,953	47,059
Gain on disposal of fixed assets (net)	8,553	-
Provision for Indirect tax written back	49,935	-
Miscellaneous	20,165	11,296
Income from investments:		
i) Trade - dividends	24,512	24,503
ii) Other - dividends	183	50
iii) Other - interest on bonds	83	83
	739,468	471,395
14: MATERIALS		
Raw material consumed		
Opening stock	470,080	469,081
Add: Purchases	2,809,839	2,632,839
Less: Closing stock	507,465	470,080
	2,772,454	2,631,840
Purchase of Finished goods	1,635,320	1,878,074
(Increase)/Decrease in stock		
Opening Stock		
Work-in-process	181,595	152,651
Finished goods	936,354	741,637
	1,117,949	894,288
Closing Stock		
Work-in-process	195,815	181,595
Finished goods	1,104,705	936,354
	1,300,520	1,117,949
	(182,571)	(223,661)
	4,225,203	4,286,253

Schedules annexed and forming part of accounts for the year ended December 31, 2007

	31.12.2007 Rupees '000	31.12.2006 Rupees '000
15: PERSONNEL EXPENSES		
Salaries, wages and bonus	880,574	670,944
Contribution to provident fund / other funds (refer note 2 and 25 of Sch 17)	88,206	64,198
Staff welfare	68,425	49,986
	1,037,205	785,128
16: OPERATING AND OTHER EXPENSES		
Rent	46,763	31,267
Rates and taxes	23,781	24,263
Power and fuel	155,871	133,860
Stores and spares	17,015	17,249
Auxiliary and other materials	36,083	36,795
Repairs - building	12,646	13,185
- plant and machinery	17,079	16,669
- others	51,561	45,228
Insurance	46,515	33,115
Traveling and conveyance	366,415	264,044
Advertisement and sales promotion	305,891	317,796
Freight and warehousing	142,368	145,853
Sub-contracting charges	193,166	208,695
Training & Meetings	76,667	81,483
Service Charges	170,094	141,355
Provision for doubtful debts and advances	1,759	5,934
Legal and professional fees	77,579	44,603
Auditors remuneration (refer note 19 of sch 17)	4,418	4,180
Donations	1,557	2,631
Loss on disposal of fixed assets (net)	-	6,969
Exchange difference (net)	-	21,147
Excise duty on Stocks, Samples etc	95,019	18,304
Others	212,257	188,055
	2,054,504	1,802,680
Less: Reimbursement of expenses (refer note 23 on sch 17)	256,915	240,659
	1,797,589	1,562,021

17: Notes to accounts

A. Significant accounting policies:

Basis of accounting

Financial statements are prepared under the historical cost convention in accordance with applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Change in accounting Policy

The company has adopted Accounting Standard 15 (Revised 2005) on "Employee Benefits" issued by The Institute of Chartered Accountants of India with effect from January 1, 2007. This has resulted in Provident Fund Scheme managed through Provident Fund trustees for its employees (except staff and workmen at Ankleshwar unit) to be treated as Defined Benefit Plan since it has guaranteed interest benefit. This Provident Fund scheme was earlier treated as Defined Contribution plan. The change in treatment of Provident Fund Scheme from Defined Contribution plan to Defined Benefit plan has resulted in a transitional liability as disclosed in note 25. Further the impact of this change on the profit for the year is not material.

Use of estimates

The presentation of financial statement requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

Fixed assets

Fixed assets are stated at cost (including expenses upto commissioning / putting the asset into use) less accumulated depreciation/amortisation and impairment losses, if any. Freehold land and buildings are recorded at revalued amounts and the incremental values are shown as capital reserve and revaluation reserve respectively. Capital and revaluation reserves are adjusted to the extent of revalued assets disposed.

Depreciation/amortisation

Depreciation is provided on all fixed assets, considering the useful life estimated by the management at rates not lower than those prescribed in Schedule XIV of the Companies Act 1956, on straight line method at the following rates per annum on the cost / enhanced cost.

Description of assets	Rate (SLM)
<u>Intangible Assets</u>	Amortised over:
-Software	- 3 years
-Marketing and technical rights for formulations	- 10 years
-Technical know-how	- 5 years
<u>Tangibles</u>	
Leasehold land	Amortised over lease period
Buildings	3.34 %
Factory plant and machinery	10.34 %
Furniture and fixtures	10.34 %
Office / other equipments	9.50 %
Computer and other EDP equipments	25.00 %
Motor vehicles	16.21 %

The incremental depreciation on revalued amount is adjusted against revaluation reserve.

Leases

Company is the Lessee:

In respect of operating lease, rentals and all other expenses are treated as revenue expenditure.

Company is the Lessor:

Assets subject to operating leases are included in fixed assets. Lease income is treated as revenue and the same is credited to the Profit and Loss Account. Costs including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage etc are recognised immediately in the Profit and Loss Account.

Research and development

Research and development costs are charged to Profit and Loss Account when incurred.

Investments

Long-term investments (including investment in jointly controlled entity) are carried at cost. However, provision is made for any diminution in value, other than temporary.

Inventories

Inventories of raw material, packing material, work in process and finished goods are valued at lower of cost and net realisable value. Cost of work in process and finished goods includes materials, labour, manufacturing overheads and other cost incurred in bringing the inventory to its present location. Cost is determined using standard cost method adjusted for variances, which approximates actual. The Company accrues for excise duty liability in respect of inventories of finished goods.

Foreign currency transactions

- i) Foreign currency transactions during the year are recorded at rates of exchange prevailing on the date of transactions. Foreign currency monetary items are translated into rupees at the rate of exchange prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items are recognised as income or as expenses in the year in which they arise.
- ii) Forward exchange contracts not intended for trading or speculation purposes:
The premium or discounts arising at the inception of forward exchange contract 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 the year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or expense for the year.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales (product and material) are stated net of sales tax and returns.

Service Income:

Income from service rendered is recognized based on the terms of the agreements and is net of service tax.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Royalties

Revenue is recognised on an accrual basis in accordance with the terms of the relevant agreement.

Employee retirement benefits

- (i) Long-term Employee Benefits

- (a) **Defined Contribution Plans**

The company has defined contribution plans for post employment benefits in the form of Superannuation Fund which is recognised by the Income-tax authorities and administered through trustees and/or Life Insurance Corporation of India (LIC). Further the company also has a defined contribution plan in the form of a provident fund scheme for its staff and workmen at the Ankleshwar unit and pension scheme under the Employee's Pension Scheme 1995 for its all employees, which are administered by the Provident Fund Commissioner.

All the above mentioned schemes are classified as defined contribution plans as the company has no further obligation beyond making the contributions. The company's contributions to Defined Contribution Plans are charged to the profit and loss Account as incurred.

- (b) **Defined Benefit Plans**

The company has for all employees other than Ankleshwar Staff & Workmen defined benefit plans for post employment benefits in the form of Provident Fund (treated as a defined benefit plan on account of guaranteed interest benefit). Further company has defined

benefit plan for post retirement benefit in the form of Gratuity for all its employees and pension for certain employees. Scheme of Provident Fund and Gratuity are recognised by the Income-tax authorities and administered through trustees and/or LIC. Liability for Defined Benefit Plans is provided on the basis of valuations, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method.

(c) **Other Long-term Employee Benefit**

Certain employees of the company are entitled to other long-term benefit in the form of Long Service Awards as per the policy of the company. Further company has other long term benefit in the form of Leave Encashment for all its employees. Liabilities for such benefits are provided on the basis of valuation, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by an independent actuary for measuring the liability is the Projected Unit Credit method.

(ii) Termination benefits are recognised as an expense as and when incurred.

(iii) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the profit and loss account as income or expense.

Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Provision for Income tax and fringe benefit tax is made on the basis of the estimated taxable income/fringe benefits as per the provisions of Income Tax Act, 1961 and the relevant Finance Act, after taking into consideration judicial pronouncements and opinions of the Company's tax advisors. Tax payments are set off against provisions.

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.

Earnings per Share

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprises of cash at bank and in hand and short term investments with an original maturity of three months or less.

Derivative Instruments

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Note in respect of accounting for forward exchange contracts is given in foreign currency transactions note.

Provisions and contingent liabilities

Provisions are recognised when the company has a present obligation as a result of past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their 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 management estimates.

Contingent liabilities are disclosed when the company has a possible obligation and it is probable that a cash outflow will not be required to settle the obligation.

B. NOTES

1. Consequent upon the decision of the Supreme Court in the matter of prices of certain bulk drugs fixed by the Government of India under the Drug (Prices Control) Order, 1979, the Company paid an amount of Rs.31,200 thsd in 1988 being the liability determined by the Special Team appointed by the Government. However, during 1990, fresh demands aggregating to Rs.781,000 thsd alleged to be payable into the Drug Prices Equalisation Account (DPEA) were made by the Government on account of alleged unintended benefit enjoyed by the Company. The Government has also made certain claims for applicable interest. On a Writ Petition filed by the Company in 1991, the Bombay High Court passed an order whereby the demands were to be treated as show cause notices. The High Court directed the Company and the Government to furnish relevant data to each other based on which the Government was to rework the figures. The Government did not furnish the requisite data to the Company. In 1995, a further demand of Rs.79,500 thsd was made by the Government.

In the meantime, a Committee was constituted by the Government to determine the liabilities of the Drug Companies. The Company filed written submissions with the Committee and contended during the personal hearing that in the absence of the Government furnishing the requisite data as directed by the Bombay High Court, the Company was not in a position to make an effectual presentation before the Committee.

In January 1999, the Company filed an Application before the Bombay High Court seeking directions to the Government to furnish the requisite data. The Application is pending. In the meantime, the Committee has deferred further hearing of the Company's case, until the Application is heard and decided by the Bombay High Court. In any event, the Company is contesting the above demand.

2. Contribution to provident fund/other funds for the previous year ended December 31, 2006 is net of Rs 7,186 thsd representing the write back of excess provision made towards provident fund interest shortfall.
3. a) The tax year for the company being the year ending March 31, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2007 and the provision based on the profit for the remaining nine months up to December 31, 2007, the ultimate liability of which will be determined on the basis of the profit for the tax year April 1, 2007 to March 31, 2008.
- b) Current tax for the year ended December 31, 2007 includes the short provision for earlier years amounting to Rs. 10,500 thsd (2006: Rs. Nil) . Further current tax includes provision for wealth tax Rs. 1,500 thsd (2006:1,500 thsd).
4. Balance with customs and excise authorities includes excise and cenvat deposit Rs. 9,625 thsd (2006: Rs. 13,813 thsd) with toll manufacturers and DEPB claims receivable Rs 17,480 thsd (2006: Rs. 12,846 thsd).
5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 92,967 thsd (2006: Rs. 105,726 thsd).
6. Contingent Liabilities and commitments:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
a) Export commitments to be fulfilled under EPCG and Advance license scheme	131,300	202,062
b) Tax demands in respect of which*: ➤ Tax authorities have appealed against Income tax orders which were ruled in favour of the Company	604,645	604,645
➤ Company's appeals are pending before appropriate authorities	627,787	618,469

* Contingent liabilities in respect of pending tax assessments in relation to similar matters are not determinable and hence not disclosed.

7. The operations of the Company represent a single primary business segment relating to pharmaceuticals. Secondary segment reporting is performed on the basis of location of the customers. All the business assets of the Company are situated in India except assets which are directly identifiable:

Particulars	Dec 2007 Rupees '000		Dec 2006 Rupees '000	
	India	Outside India	India	Outside India
Sales (Net)	7,030,116	1,705,287	6,581,428	2,257,916
Carrying amount of debtors	338,713	236,339	269,352	415,515
Carrying amount of segment assets	8,509,789	70,726	7,831,650	65,680
Capital expenditure for the year	191,154	-	232,917	-

8. Related party disclosures:

i. Parties where control exists:

- a) Hoechst GmbH, Germany, holding company (holds 50.1% of the equity share capital as at December 31, 2007)
- b) Sanofi-aventis SA, France, ultimate holding company

ii. Other related parties with whom transactions have taken place during the year: -

a) Fellow subsidiaries (where transactions exist)

Aventis Intercontinental (France)	Sanofi-Aventis Australia Pty Limited.
Aventis Pharma S A, France	Sanofi-Aventis Deutschland GmbH, Germany
Aventis Pharma Limited, Sri Lanka	Sanofi-Aventis Groupe, France
Fisons Limited, UK	Sanofi-Aventis SAE (Egypt)
Gruppo Lepetit (Italy)	Sanofi-Aventis, France
Hoechst Marion Roussel Ltd., Bangladesh	Sanofi-Aventis Spa, Italy
Aventis Pharma Limited (UK)	Sanofi-Aventis US Inc
PT Aventis Pharma, Indonesia	Sanofi-Aventis US LLC
Sanofi Aventis Recherche et Développement, France (formerly known as Sanofi-Synthelabo Recherche et Développement, France)	Sanofi-Aventis Singapore Pte Ltd. (formerly known as Sanofi-Synthelabo Singapore Pte Ltd.)
Sanofi Pasteur India Private Ltd.	Sanofi-Synthelabo Australia Pty Ltd.
Sanofi Winthrop Industries, France	Sanofi-Synthelabo Hongkong Ltd.
Winthrop Pharmaceuticals UK Ltd.	Sanofi-Synthelabo (India) Ltd.
Sanofi Chimie, France	Chinoin, Hungary
Sanofi-Aventis (Malaysia) Sdn Bhd, Malaysia	

b) Joint venture:

Chiron Behring Vaccines Private Limited, India

c) Key management personnel of the company:

Name

Category of Directorship

Dr. Shailesh Ayyangar

Managing Director

Mr. M G Rao

Executive Director (from January 1, 2007 to November 29, 2007 & from December 06, 2007)

Dr. S Bhattacharya

Executive Director (from January 1, 2007 to February 22, 2007)

Mr. C.Germain

Executive Director

Mr. S C Ghoge

Executive Director (from April 16, 2007 to June 10, 2007 & from June 15, 2007 to August 27, 2007 & from August 30, 2007)

iii. Transactions during the year:

(Amount Rs.'000)

	Dec-2007	Dec-2006
Holding Company:		
Dividend remitted -		
Sanofi-aventis SA, France	156	-
Hoechst GmbH, Germany	369,227	184,61
Fellow subsidiaries and joint venture:		
Sale of Raw Material and Finished Goods:		
Aventis Intercontinental	1,228,275	1,743,636
Sanofi-Aventis Deutschland GmbH	285,473	413,744
Aventis Pharma Limited, Sri Lanka	90,141	82,596
Others	100,556	16,265
Total	1,704,445	2,256,241
Sale of fixed assets:		
Sanofi-Synthelabo (India) Ltd.	-	311
Recovery of expenses:		
Sanofi-Aventis Deutschland GmbH	157,206	103,496
Chiron Behring Vaccines Private Ltd.	40,362	38,420
Aventis Inc. USA	-	33,955
Sanofi Aventis Recherche et Développement, France	-	5,904
Others	20,507	3,666
Total	218,075	185,441
Commission income:		
Sanofi-Synthelabo (India) Ltd.	3,930	13,641
Service charges recovered:		
Sanofi-Synthelabo (India) Ltd.	209,798	40,947
Dividend income:		
Chiron Behring Vaccines Private Ltd.	24,500	24,500
Intercompany deposits provided		
Sanofi-Synthelabo (India) Ltd.	-	50,000
Intercompany deposits received back		
Sanofi-Synthelabo (India) Ltd.	50,000	-
Loan provided		
Sanofi-Synthelabo (India) Ltd.	325,000	-
Interest on Intercompany deposits/loan received		
Sanofi-Synthelabo (India) Ltd.	14,464	-
Purchase of Goods:		
Sanofi-Aventis Deutschland GmbH	1,106,651	883,431
Chiron Behring Vaccines Private Ltd.	744,897	862,606
Sanofi Winthrop Industries S.A.	250,756	183,316
Aventis Pharma SA	246,940	226,865
Gruppo Lepetit (Italy)	118,232	185,906
Aventis Intercontinental	-	157,352
Sanofi-Aventis US LLC	-	102,356
Others	157,345	61,945
Total	2,624,821	2,663,777
Payment of common shared expenses:		
Sanofi aventis Groupe	11,461	10,112
Sanofi-Aventis Singapore Pte Ltd.	6,254	-
Aventis Pharma Pty Ltd., Australia	1,862	1,866
Sanofi-Synthelabo (India) Ltd.	1,230	4,920
Others	578	1,954
Total	21,385	18,852
Commission Expense:		
Aventis Pharma Ltd. Sri Lanka	247	326
Remuneration (refer note 15)*		
Dr S. Ayyangar	8,988	8,173
Mr. C. Germain	8,446	7,538
Mr. M. G. Rao	6,014	4,983
Mr. S. C. Ghoge	3,969	-
Dr S. Bhattacharya	849	4,835
Total	28,266	25,529

iv) Outstanding as at December 31, 2007

(Amount Rs.'000)

	Dec 2007	Dec-2006
Fellow Subsidiaries and joint venture		
Receivables:		
Sanofi –Aventis Deutschland GmbH	108,020	161,082
Aventis Intercontinental, France	158,950	296,237
Sanofi-Synthelabo (India) Ltd.	29,972	16,655
Aventis Pharma Limited, Sri Lanka	19,028	19,670
Chiron Behring Vaccines Private Ltd.	4,355	262
Others	21,067	2,583
Total	341,392	496,489
Payables:		
Sanofi –Aventis Deutschland GmbH	153,569	81,609
Sanofi Winthrop Industries S.A.	46,137	75,916
Aventis Pharma SA, France	12,579	21,038
Gruppo Lepetit (Italy)	10,314	43,756
Sanofi- Synthelabo Groupe	6,110	-
Aventis Intercontinental, France	147	-
Chiron Behring Vaccines Private Ltd.	-	62,059
Others	17,095	38,140
Total	245,951	322,518
Key management Personnel		
Loan Receivable - Dr. S. Bhattacharya	-	355
Inter Corporate Deposit Receivable	-	50,000
Sanofi-Synthelabo (India) Ltd.		
Loan Receivable		
Sanofi-Synthelabo (India) Ltd.	325,000	-

Note: No amounts pertaining to related party have been provided for as doubtful debts. Also, no amounts have been written off or written back during the year.

9. Earnings per share:

Particulars	Dec 2007	Dec 2006
Numerator used for calculating basic and diluted earnings per share – profit after taxation (Rs.'000)	1,444,246	1,692,927
Weighted average number of shares used as denominator for calculating basic and diluted earnings per share.	23,030,622	23,030,622
Nominal value per share (Rs)	10	10
Basic and diluted earnings per share (Rs) (Profit after tax divided by weighted average number of shares)	62.71	73.51

10. Joint venture – Jointly controlled entity:

a) Disclosure

Name of the entity	Description of the Interest	Proportion of Ownership Interest	Country Of Incorporation
Chiron Behring Vaccines Private Limited	Purchase of manufactured vaccines	49 %	India

b) Financial interest in Chiron Behring Vaccines Private Limited (Jointly controlled entity)

As at December 31, 2007 (Rs in 000's)		For the year (Rs in 000's)		
Assets	Liabilities	Income	Expenses	Tax
684,973	59,151	436,559	300,711	46,277
(615,315)	(50,546)	(515,266)	(268,578)	(106,008)

Note: Figures in brackets relate to previous year

c) Company's share in contingent liabilities and commitments of Chiron Behring Vaccines Private Limited (Joint Venture Entity)

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Bond given to Customs Authorities for clearance of plant and machinery	18,680	18,680
Bond given to Excise Authorities	10,992	8,030
Counter guarantee given by the Company to Bank of America	1,987	1,987
Guarantee given by the Company to GIDC	349	349

d) The estimated amount of unexecuted capital contract not provided by Chiron Behring Vaccines Private Limited (Joint Venture Entity) amounted to Rs. 11,442 thsd (2006: Rs. 4,836 thsd)

e) Export commitments to be fulfilled as required in EPCG licences scheme amounted to Rs. 59,882 thsd (2006: 59,882 thsd)

f) The information given in preceding sub-paragraphs are based on unaudited Financial Statement of Chiron Behring Vaccines Private Limited (joint venture entity) as at December 31, 2007.

11. Operating leases-

Future lease commitments in respect of non-cancellable operating leases:

Where company is the lessee:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Charged to Profit and Loss Account *	20,045	8,398
Not later than one year	24,060	7,782
Later than one year but not later than five years	43,638	19,826

*Premises and Cars are obtained on operating lease. The lease is for a period ranging from 1 to 5 years and there is no provision for renewal. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

Where company is the lessor:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Credited to Profit and Loss Account #	42,960	5,074
Not later than one year	60,864	2,800
Later than one year but not later than five years	144,397	Nil

There is no uncollectible minimum lease payments receivable at the balance sheet date. (Previous year: Rs. Nil)

#The Company has leased out building on operating lease. The lease term is for a period ranging from 33-60 months and thereafter not renewable. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

Details in respect of assets given on operating lease:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Gross carrying amount of buildings after revaluation	196,297	196,625
Accumulated depreciation on cost and re-valued amount	74,911	68,533
Depreciation recognised in profit and loss account	230	241
Depreciation adjusted against revaluation reserve	6,326	6,326

12. Other provisions:

Movements in provisions:

Rupees '000

	CLASS OF PROVISIONS			Total
	Indirect tax	Provision for Sales Returns	Others	
Balance as at January 31 2007	140,015 (140,015)	110,462 (Nil)	210,370 (212,080)	460,847 (352,095)
Amount provided during the year	(Nil) (Nil)	25,421 (110,462)	1710 (Nil)	27,131 (110,462)
Amount written back/adjusted during the year	49,935 (Nil)	34,485 (Nil)	(Nil) (1,710)	84,420 (1,710)
Balance as at Dec 31 2007	90,080 (140,015)	101,398 (110,462)	212,080 (210,370)	403,558 (460,847)

Figures in brackets are for the previous year.

Notes:

- Provision for indirect taxes represents differential excise duty, sales tax, custom duty and service tax in respect of which the claims are pending before various authorities for a considerable period of time and based on management's estimate of claims provision is made on prudent basis that possible outflow of resources may arise in future.
- Other provisions on prudent basis are towards possible outflow of resources in respect of legal cases pending against the Company or in respect of contractual obligations of the Company.
- Provision for sales returns are on account of expected date expiry and breakages returns based on historical trends
- The management intends to continue legal actions against all the claims and defend its position.

13. Micro, Small and Medium Enterprises Development Act, 2006:

The Company has initiated the process of identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006, by obtaining confirmation from all the suppliers. Based on current information/confirmations available with the company, there are no dues payable to suppliers who are registered under the relevant Act as at December 31, 2007.

14. Managerial remuneration:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Remuneration		
Salaries	16,291	14,747
Perquisites	11,975	10,782
	28,266	25,529
Directors' fees	660	720
	28,926	26,249

The above excludes provision for leave encashment, gratuity which are determined on the basis of actuarial valuation done on an overall basis for the company. Further it also excludes Fringe Benefit Tax on shares subscribed by the Managing Director and Wholtime Directors under the Employees' Stock Purchase Plan 2007 of the ultimate holding company, Sanofi-aventis S.A.

15. Particulars relating to installed capacity, production, stocks and sales.

A) Installed capacity (as certified by management and relied upon by auditors) and actual production:

	Units	Installed capacities		Production	
		Dec 2007	Dec 2006	Dec 2007	Dec 2006
I. Basic drugs:					
Pharmaceuticals	Tonnes	253.00	186.20	117.39	112.11
II. Formulations:					
Liquid injectibles	KL	-	-	288.38	284.73
Tablets / Dragees	Mio Nos	7,600.00*	6,900.00*	5,736.12	5,536.01
Capsules	Mio Nos	-	-	159.29	166.20
Ointments	Tonnes	-	-	393.37	570.53
Granules *	Tonnes	-	-	0.87	2.31
Drops, syrup and other liquids	KL	-	-	414.75	604.04

Production figures include goods manufactured at third party facilities

* Includes installed capacity of granules.

B) Opening and closing stock and sales in respect of each class of finished goods purchased/ produced:-

	UNIT	Opening Stock		Closing Stock		Sales		Purchases	
		Quantity	Value Rs. '000	Quantity	Value Rs. '000	Quantity	Value Rs. '000	Quantity	Value Rs. '000
I. Basic Drugs									
Pharmaceuticals	Tons	9.54 (17.40)	27,589 (35,090)	9.94 (9.54)	28,915 (27,589)	46.05 (70.15) 70.94 (49.82)	228,340 (366,406) * *	- -	- -
		**	27,589 (35,090)	**	28,915 (27,589)		228,340 (366,406)		- -
II Formulations									
Liquid Injectibles	Kl	104.89 (75.70)	257,081 (152,350)	69.60 (104.89)	230,901 (257,081)	488.23 (437.05)	2,675,355 (2,703,075)	166.92 (185.68)	1,188,384 (1,383,321)
Tablets / Dragees	Mio. Nos.	853.10 (872.48)	471,519 (442,230)	1277.38 (853.10)	757,822 (471,519)	5,430.56 (5,644.12)	4,981,853 (4,867,992)	148.64 (123.00)	138,795 (121,535)
Capsules	Mio. Nos.	36.72 (30.17)	21,366 (17,530)	16.17 (36.72)	1,377 (21,366)	178.68 (158.66)	143,318 (132,263)	- -	- -
Ointments	Tons	74.83 (60.17)	41,761 (34,040)	6.48 (74.83)	6,792 (41,761)	491.79 (584.48)	430,799 (502,044)	36.39 (37.22)	50,487 (49,320)
Sterile Powders	Mio. Nos.	0.14 (0.07)	107,478 (60,400)	0.12 (0.14)	93,881 (107,478)	0.45 (0.47)	490,733 (471,814)	0.44 (0.55)	257,654 (323,898)
Drops, Syrups & Other Liquids	Kl	172.69 (137.76)	37,149 (35,087)	83.82 (172.69)	13,932 (37,149)	484.55 (554.77)	297,530 (280,833)	- -	- -
Granules	Tons	- -	- -	- -	- -	0.87 (2.31)	690 (2,334)	- -	- -
			936,354 (741,637)		1,104,705 (936,354)		9,020,278 (8,960,355)		1,635,320 (1,878,074)
III Others									
			963,943 (776,727)		1,133,620 (963,943)		9,316,980 (9,366,614)		1,635,320 (1,878,074)

* Represents used for captive consumption

** Included as part of raw materials

Note:

- 1) Figures in brackets relate to previous year.
- 2) Closing stocks are after adjustments for in-transit breakages or damages, date expired products and free issues.
- 3) Others represents sale of intermediates and raw materials

16. Value of imports on CIF basis:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Raw and packing materials	1,598,516	1,472,855
Components, spares and auxiliary.	1,333	1,723
Capital goods	14,869	12,578
Finished goods	590,979	707,331

17. Expenditure in foreign currency (on accrual basis)

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Commission	272	326
Traveling	29,737	18,207
Telecommunication Charges	15,037	10,088
Consultancy Charges	2,938	2,307
Others	5,005	3,578

18. Consumption of raw materials, spare parts and components

	Dec 2007 Rupees '000	%	Dec 2006 Rupees '000	%
Raw Materials*:				
Indigenous	1,071,802	39	1,070,009	41
Imported*	1,700,652	61	1,561,831	59
	2,772,454	100	2,631,840	100

* Ramipril Substance (Imported) accounts for 11 % of total consumption Rs 307,013 thsd [2006 : Rs 244,018 thsd (10% of total consumption)]

Spare parts and components:

Indigenous	17,015	100	16,915	98
Imported	-	-	334	2
	17,015	100	17,249	100

19. Auditor's remuneration include:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Statutory auditors:		
-Statutory audit	1,540	1,430
-Tax audit and tax accounts	930	854
-Other Services	1,165	1,042
-Out of Pocket expenses	64	60
Cost auditors:		
-Cost Audit	233	220
-Special Certificates	-	97
Service tax:	486	477
	4,418	4,180

20. Research and development expenditure included in:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Salary, wages and bonus	8,678	7,353
Contribution to provident fund / other funds	549	526
Staff welfare expenses	55	26
Traveling and conveyance	3,323	2,239
Power and fuel	101	50
Repairs -plant and machinery	109	228
Repairs others	87	158
Auxiliary and other materials	18,017	16,680
Rent	258	121
Others	8,317	4,375
Insurance	395	147
Depreciation	491	498
Rates and taxes	27	3
Legal and professional fees	4,495	-
Advertisement and sales promotion	315	200
Freight & Warehousing	72	-
Total	45,289	32,604

21. Dividend remittance:

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
Dividend remitted in foreign currency		
Interim for the year 2006	328,981	-
Interim for the year 2007	40,401	-
Final for the year 2005	-	144,230
Interim for the year 2006	-	40,384
Number of non-resident shareholders	2	1
Number of shares held	11,543,207	11,538,342

All remittance is made in EURO.

22. Earnings in foreign exchange (on accrual basis)

	Dec 2007 Rupees '000	Dec 2006 Rupees '000
FOB value of exports	1,667,610	2,208,205
Reimbursement of expenses & Market Support	177,960	151,244

23. Reimbursement of expenses includes expenses recovered for common shared utilities and services from Bayer Cropscience Limited and Chiron Behring Vaccines Private Limited. Further it also includes market support and clinical trials reimbursement from fellow subsidiaries.

24. Derivative Instruments and Un-hedged Foreign Currency Exposure:**Particulars of Derivatives****Purpose**

Forward contract outstanding as at Balance Sheet date

Sale of US \$ 500,000

Hedge of expected future receivable

Particulars of un-hedged Foreign Currency exposure as at Balance sheet date

Particulars	Foreign currency	Foreign currency Value	Dec-2007 Rupees '000
Creditors for goods	EUR	376,247	21,706
	JPY	1,080,000	378
	USD	6,024,359	236,095
	CHF	(6,035)	(210)
Creditors for expenses	SGD	35,261	961
	EUR	102,242	5,898
	USD	(6,014)	(236)
	NPR	9,089	6
Export Debtors	EUR	30,350	1,751
	USD	7,290,623	285,720
Bank Balances	USD	290,159	11,371

25. Disclosure pursuant to Accounting Standard - 15 (Revised) 'Employee Benefits' :

- a) Effective January 1 2007, the Company adopted accounting standard 15 (revised 2005) on "Employee Benefits" issued by ICAI. Pursuant to the adoption, the transitional liability as required by the Standard, the Company has recorded the difference between the transitional liability and the liability that would have been recognised at the same date as per the pre-revised AS 15 in respect of Provident Fund, amounting to Rs. 18,296 thsd (net of deferred tax credit of Rs. 9,420 thsd.), as a deduction from General Reserve as at January 1, 2007.
- b) The Company has classified various employee benefits as under:

A) Defined Contribution Plans

The company has recognised the following amounts in the Profit and Loss Account for the year:

	Dec-2007 Rupees '000
i) Contribution to Employees' Provident Fund (Ankleshwar Unit)	1,086
ii) Contribution to Employees' Superannuation Fund	8,674
iii) Contribution to Employee's Pension Scheme 1995	12,574

B) Defined Benefit Plans & Other Long-term Employee Benefit

Valuations in respect of Gratuity, Pension Plan, Leave Encashment, Long Service Award and Provident Fund have been carried out by an independent actuary, as at the Balance Sheet date, based on the following assumptions:

Actuarial Assumptions : For the Year	Gratuity	Pension Plan	Leave Wages	Long Service Award	Provident Fund
(a) Discount Rate (per annum)	8.0%	8.0%	8.0%	8.0%	8.0%
(b) Rate of Return on Plan Assets	8.0%	NA	NA	NA	8.5%
(c) Salary Escalation rate	6.0%	NA	6.0%	6.0%	6.0%
(d) Mortality	LIC-Ultimate 94-96	LIC-Ultimate 94-96	LIC-Ultimate 94-96	LIC-Ultimate 94-96	NA*
(e) Employees' turnover	Age related	Age related	Age related	Age related	Age related

*NA - Not Applicable

i) Change in Benefit Obligation					Rupees '000
	Gratuity	Pension Plan	Leave Wages	Long Service Award	Provident Fund
Liability at the beginning of the period	166,930	26,095	68,324	13,526	668,794
Interest Cost	12,670	1,988	5,240	1,077	55,015
Interest Guaranteed	-	-	-	-	4,207
Current Service Cost	11,176	734	4,847	1,373	29,502
Employees Contribution	-	-	-	-	49,930
Benefits Paid	(20,210)	(2,424)	(8,347)	(113)	(91,194)
Transfer from previous employer's Provision for diminution in fair value of plan assets	5,355	-	4,553	-	2,269
Actuarial (gain)/loss on Obligations	17,813	(51)	4,239	(2,548)	(2,970)
Liability at the end of the year	193,734	26,342	78,856	13,315	714,653
ii) Fair value of plan Assets					Rupees '000
	Gratuity	Pension Plan	Leave Wages	Long Service Award	Provident Fund
Fair Value of Plan Assets at the beginning of the year	100,185	-	-	-	637,492
Expected Return on Plan Assets	8,065	-	-	-	52,511
Employer's Contributions	32,350	-	-	-	29,502
Employees Contribution	-	-	-	-	49,930
Benefits Paid	(12,474)	-	-	-	(87,917)
Transfer from Other Approved Funds	4,325	-	-	-	2,269
Provision for diminution in fair value of plan assets	-	-	-	-	(900)
Actuarial gain/(loss) on Plan Assets	2,809	-	-	-	-
Fair Value of Plan Assets at the end of the year	135,260	-	-	-	682,887
Contributions expected to be paid to the plan in 2008	35,600	-	-	-	32,500
iii) Actual Return on Plan Assets					Rupees '000
	Gratuity	Pension Plan	Leave Wages	Long Service Award	Provident Fund
Expected Return on Plan Assets	8,065	-	-	-	52,511
Actuarial gain/(loss) on Plan Assets	2,809	-	-	-	-
Actual Return on Plan Assets	10,874	-	-	-	52,511
iv) Amount Recognised in the Balance Sheet					Rupees '000
	Gratuity	Pension Plan	Leave Wages	Long Service Award	Provident Fund
Liability at the end of the year	193,734	26,342	78,856	13,315	714,653
Fair Value of Plan Assets at the end of the year	135,260	-	-	-	682,887
Difference	58,474	26,342	78,856	13,315	31,766
Unrecognized past Service Cost	-	-	-	-	-
Amount recognised in the Balance Sheet	58,474	26,342	78,856	13,315	31,766

v) **Expenses recognised in the Income Statement**

Rupees '000

	Gratuity	Pension Plan	Leave Wages	Long Service Award	Provident Fund
Current Service Cost	11,176	734	4,847	1,373	29,502
Interest Cost	12,670	1,988	5,240	1,077	55,015
Actual Return on Plan Assets	(10,874)	-	-	-	(52,511)
Interest Guaranteed	-	-	-	-	4,207
Net Actuarial (Gain)/Loss to be recognised	17,813	(51)	4,239	(2,548)	(2,970)
Expense recognised in Profit and Loss Account	30,785	2,671	14,326	(98)	33,24

vi) **Basis used to determine expected rate of return on assets**

Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio since these are generally held to maturity, along with the estimated incremental investments to be made during the year.

vii) **General descriptions of significant defined plans**

Gratuity Plan

Gratuity is payable to all eligible employees of the Company on superannuation, death, permanent disablement and resignation in terms of provisions of the Payment of Gratuity Act or as per the Company's Scheme whichever is more beneficial. Benefit would be paid at the time of separation based on the last drawn base salary

Pension Plan

Under the Company's Pension scheme, certain executives are eligible for fixed pension for five years, depending on their level at the time of retirement on superannuation, death or early retirement with the consent of the Company.

Leave Plan

Eligible employees can carry forward and encash leave on superannuation, death, permanent disablement and resignation subject to maximum accumulation of 180 days. Benefit would be paid at the time of separation based on the last drawn base salary.

Long Service Awards

Long Service award is payable to eligible employees on completion of 25 years of service. The benefit is payable at the rate of 1 month base salary per year on completion of 25 years of service till the age of retirement, death, permanent disablement or resignation.

Provident Fund

The Company manages the provident fund through a Provident Fund Trust for its employees (except Staff and Workmen at Ankleshwar unit) which are permitted under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee, together with interest, are payable at the time of separation from service or retirement.

vii) **Broad category of plan assets relating to Gratuity and Provident Fund as a percentage of total plan assets**

Particulars	Gratuity Percentage	Provident Fund Percentage
Government of India securities	-	12%
Bonds	-	28%
Special Deposit Scheme, 1975	-	53%
Other assets	-	7%
Administered by Life Insurance Corporation of India	100%	-
Total	100%	100%

26. Previous year's figures have been regrouped wherever necessary to confirm to this year's classification.

As per our report of even date
For **S.R.BATLIBOI & Co.**
Chartered Accountants

per **HEMAL SHAH**
Partner

Membership No. 42650
Mumbai : February 21, 2008

Signatures to Schedules 1 to 17

Dr. Vijay Mallya	Chairman
Dr. Shailesh Ayyangar	Managing Director
J. M. Gandhi	Director
C. Germain	Director
S. R. Gupte	Director
A. K. R. Nedungadi	Director
M. G. Rao	Director
S. C. Ghoge	Director
K. Subramani	Company Secretary

Mumbai : February 21, 2008

**ANNEXURE - I TO SCHEDULE 17 - NOTES FORMING PART OF ACCOUNTS
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details

Registration No.09794

State Code 11

Balance Sheet Date 31.12.2007

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue

Nil

Rights Issue

Nil

Bonus Issue

Nil

Private Placement

Nil

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs.Thousands)

Total Liabilities

7,068,531

Total Assets

7,068,531

Sources of Funds

Paid-up Capital

230,306

Reserves & Surplus

6,838,225

Secured Loans

Nil

Unsecured Loans

Nil

Application of Funds

Net Fixed Assets

1,449,865

Investments

53,088

Net Current Assets

5,565,578

Misc.Expenditure

Nil

Accumulated Losses

Nil

IV. Performance of company (Amount in Rs.Thousands)

Turnover*

9,474,871

Total Expenditure

7,246,460

* Includes Other Income

Profit/Loss before Tax

+2,228,411

Profit/Loss After Tax

+ 1,444,246

Earnings per Share in Rs.

62.71

Dividend Rate %

160

V. Generic Names of Three Principal Products / Services of company (as per monetary terms)

Item Code No. (ITC Code)

: 3002 10 13

Product Description:

: ANTI RABIES VACCINE

Item Code No. (ITC Code)

: 3004 90 71

Product Description

: RAMIPRIL TABLETS

Item Code No. (ITC Code)

: 3004 90 63

Product Description

: IBUPROFEN AND PARACETAMOL TABLETS