Annual Report 2006-07

Torrent Pharmaceuticals Limited

CONTENTS

You can call it the Great Indian Growth Trip.
A journey that we started 3 decades back.
Over the last few years, we worked hard towards strengthening our roots.
Reason why we invested heavily in all the aspects of our business, be it
manufacturing, research, marketing or even global operations.
With the foundation and the fundamentals firmly in place,
the only way to grow was up.
And that's exactly what we did.
Grow Up!
Today, every facet of our business, every aspect of our philosophy
is attuned towards creating value for our shareholders.
Your trust, your belief has only strengthened our resolve
to do better each year, every year. In the new financial year,
we promise to add pace to our stride, passion to our souls and
proactivity to our attitude to do what we do best…
Grow and grow in the direction that matters most - Up.

CORPORATE INFORMATION

DIRECTORS

Sudhir Mehta
Chairman

Markand Bhatt

S. H. Bhojani

Dr. Prasanna Chandra

Kiran Karnik

Sanjay Lalbhai

Prof. S. Ramnarayan

Mihir Thakore

Dr. C. Dutt
Director (Research & Development)

Samir Mehta
Managing Director

AUDIT COMMITTEE

Dr. Prasanna Chandra
hairman

H. Bhojani

iran Karnik

lihir Thakore

amir Mehta

SECURITIES TRANSFER & INVESTORS' GRIEVANCE COMMITTEE

Sudhir Mehta
Chairman

Markand Bhatt

Samir Mehta

GM (LEGAL) & COMPANY SECRETARY

Mahesh Agrawal

AUDITORS

C.C. Chokshi & Co.
Chartered Accountants

REGISTERED OFFICE

Torrent House,
Off Ashram Road,
Ahmedabad 380 009
Telephone: 079-26585090
Fax: 079-26582100

MANUFACTURING FACILITIES

1) Village Indrad,
Taluka Kadi,
Dist. Mehsana (Gujarat)

2) Village Bhud,
Baddi, Teh. Nalagarh,
Dist. Solan (Himachal Pradesh)

R & D FACILITY

Village Bhat,
Dist. Gandhinagar (Gujarat)

WEBSITE

www.torrentpharma.com

REGISTRARS & TRANSFER AGENTS

MCS Limited,
101, Subh Shatdal Complex,
Opp. Bata Show Room,
Ashram Road,
Ahmedabad 380 009
Telephone: 079-26582878
Fax: 079-26581296

INVESTOR SERVICES E-MAIL ID

investorservices@torrentpharma.com

DIRECTORS' REPORT

To
The Shareholders

The Directors have the pleasure of presenting the Thirty Fourth Annual Report of your Company for the Financial Year 2006-07.

FINANCIAL RESULTS, DIVIDEND AND ACCOUNTS

The summary of standalone operating results for the year and appropriation of divisible profits is given below:

The Management Discussion and Analysis, giving a detailed analysis of the operating performance for the year, has been included in the Annual Report.

Interim dividend of Rs. 25.38 crores (Rs. 3 per share which is 60% of face value of each share) was distributed during the year. No further equity dividend distribution for the year 2006-07 is recommended. This represents an increase of Rs. 0.50 in dividend per share & 10 % in the dividend rate. This distribution (including tax thereon) is approximately 26% of profit after tax for the year (previous year 37%).

Such dividends are tax free in the hands of the shareholders.

Rs. in crore

	2006-07	**2005-06**
Sales & Operating Income	882.90	691.97
Operating Profits (PBDIT)	167.49	120.10
Less Depreciation	30.24	23.66
Less Net Interest Expense	13.15	5.46
Profit Before Tax & Exceptional Items	124.10	90.98
Less Exceptional Items	-	8.06
Less Net Income Tax Expense	11.14	17.09
Net Profit for the Period	112.96	65.83
Balance brought forward from Last Year	48.39	38.67
Distributable Profits	161.35	104.51
Appropriated as under :		
Transfer to General Reserve	70.39	32.00
Proposed Equity Dividend	-	21.15
Interim Dividend	25.38	-
Tax on Distributed Profits	3.56	2.97
Balance Carried Forward	62.02	48.39

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements for the year 2006-07, the Board of Directors state that:

i the applicable accounting standards have been followed in preparation of the financial statements and there are no material departures from the said standards;

ii reasonable and prudent accounting policies have been used in preparation of the financial statements and that they have been consistently applied, except for the changes in accounting policies mentioned in note no. 5 of schedule 22 "Notes forming part of the accounts" annexed to the financial statements for the year and that reasonable and prudent judgments and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 31-Mar-07 and of the profit for the year ended 31-Mar-07;

iii proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv the financial statements have been prepared on a going concern basis.

CAPITAL AND BORROWINGS

During the year, there was no change in the equity share capital of the company.

The capital expenditure programme of Company mainly comprising of formulation manufacturing facilities, environment management project and expansion of research & development and other maintenance capital expenditure were funded mainly from the term loans and internal accruals.

The Company had cash and bank balances aggregating Rs. 10.25 crores as on 31-Mar-07, representing operating cash requirements. The Company has sufficient financial flexibility, in terms of available committed facilities from banks / financial institution to finance the future growth plans and capitalize on emerging opportunities.

The Net worth stands at Rs. 464.38 crores as at 31-Mar-07 resulting in increase of Rs. 81.86 crores on account of retained earnings. The total outstanding long term loans from banks / financial institution as on 31-Mar-07 is Rs. 245.90 crores (previous year Rs. 244.08 crores).

DOMESTIC BRANDED FORMULATIONS

The year 2006-07 marked the second consecutive year with the domestic pharmaceutical market growing at a double digit rate at 14.3% compared with previous year growth of 15.4%.

Torrent Pharma Corporate Office, Ahmedabad

Manufacturing facility, Baddi, Himachal Pradesh

Turnover

The net turnover for the year was Rs. 544 crores, registering a growth of 39% over the previous year. This growth rate was largely due to buoyant performance of the Diabetology, Neuro - Psychiatry and Pain management portfolios, impact of field force expansion done in previous years, improved doctor coverage and new introductions made during the year. Twenty Seven brands of the Company enjoyed leadership positions in the respective molecule segments and top 10 brands contributed to 44% of the total domestic formulation sales as against 47% during previous year.

New Products

New products have been a consistent growth driver of the market. The year witnessed introduction of a slew of new molecules and new combinations of existing products. The Company continued its prominent position in various segments by introducing new molecules and also line extensions of existing brands. During the year, 49 (as compared to 43 in the previous year) new products were launched in the market. Your Company continues to build market shares in new products launched in the previous years. The Company will continue its focus on strengthening existing therapies through new product introductions as also expand into new therapies.

INTERNATIONAL OPERATIONS

International generic opportunity is the future growth engine. The opportunity in this market segment is expanding due to many blockbuster drugs going out of patent protection over next few years. An added factor is the mounting health care costs in developed markets, which is paving way for a more favourable regulatory regime for generics in such countries. Generics now get faster approvals and are actively encouraged by the governments. Semi regulated markets also offer an attractive opportunity, with higher margins. The size of the semi-regulated markets across Latin America, Asia, Eastern Europe and Africa are expected to expand at attractive rates as economic growth drives a boom in health care spend. Most of these markets are branded generics markets, thus, resulting in better margins. Over the last few years, the Company has, therefore, developed a strategy and built infrastructure and capabilities focused on tapping these lucrative opportunities. The manufacturing facilities are upgraded to meet stringent quality assurance standards of the highly regulated developed countries; at the same time maintaining the competitive cost advantage. Torrent Research Center (TRC), the research & development facility, is upgraded to develop international generic versions of selected molecules in the required time frame and prepare the necessary regulatory dossiers for obtaining timely marketing approval in regulated markets. Going forward these processes will be further strengthened to sustain the growth.

Within the above-mentioned overall strategy, the current international operations are focused on five thrust areas: Brazil & Latin America, Russia & CIS countries, Europe, North America and Rest of the World comprising of less regulated countries of Africa and Asia. Brazil is emerging to be a significant market for the Company, with sales reaching Rs. 166.80 crores in 2006-07 growing by 44%. Russia & CIS market is also becoming a significant market for future growth with sales reaching Rs. 57.35 crores in 2006-07 growing by 52%. With Europe pipeline, ready to deliver new products on a steady basis and the acquired Heumann Pharma business, the regulated Europe market will provide momentum to the international business. Your Company has invested considerable resources in product development for the highly regulated US market. As at March 07, the product portfolio comprises of 3 approved ANDAs, 6 ANDAs under approval and 14 ANDAs under development. During the year, the Company received the USFDA approval for its API and formulations manufacturing facilities located at Chatral. These will start a potentially important revenue stream in the coming years.

The acquired business of Heumann Pharma GmbH & Co Generica KG (Heumann), the wholly owned subsidiary operating in Germany posted revenues of Rs. 271.82 crores (euro 46.6 million) incurring a net loss of Rs. 20.34 crores (euro 3.9 million). The German market has faced severe price erosions partly off set by curbs on sales promotion spends during the course of the year. This is expected to continue in the coming year which will be partly cushioned by reducing manufacturing costs by shifting product manufacturing to India, thus pushing back the turnaround of the business by a year.

MANUFACTURING

The manufacturing facilities at Chatral received approval from the US Food and Drug Administration for the API (active pharmaceutical ingredient) and oral solid dosage formulations facilities. With this, the plant has geared itself for manufacturing generics for the US market. Another significant activity being carried out at Chatral is the site transfer of products of Heumann, Germany, from high cost European manufacturing

Site for new sterile manufacturing facility at Indrad, Gujarat

Active Pharmaceutical Ingredient (API) manufacturing facility at Indrad, Gujarat

locations to India. This will help reduce manufacturing cost and improve margins in German operations.

Since commencement of commercial production in November 2005 the new manufacturing unit at Baddi has taken up production of most of products for domestic market. Baddi plant has obtained WHO-GMP certification, accreditation from prestigious 'National Accreditation Board for Testing & Calibration Laboratories' (NABL) for its Quality Control Laboratory and ISO 14001 and OHSAS 18001 certification during the last year.

In order to support the robust growth in the domestic and similar markets, your Company has under taken capacity expansion by almost 30% in tablet formulations at the Baddi plant by setting up a new manufacturing unit. Work on the expansion is expected to be completed during the next financial year. Further the company has initiated process of setting up of a new Greenfield manufacturing site in the state of Sikkim to support the growth in domestic market. With the announcement of North East Industrial and Investment Promotion Policy, 2007 for the North Eastern states (including the state of Sikkim), significant benefits in the form of excise and income tax exemption for 10 year period will be available from the new unit. Company has initiated process for setting up new vial-filled formulation manufacturing facility with a capacity of 260 lacs vials per annum in place of existing capacity of 140 lacs vials per annum.

RESEARCH AND DEVELOPMENT

Your Company has been adopting and updating new and latest technologies for research processes. This has enabled the Company to create a discovery pipeline based on multiple biological targets and also work on collaborative research projects with multinational pharmaceutical companies. Currently, the Company is working on 6 in-house NCE projects –within the areas of Diabetes and its related complications, obesity and cardiovascular disorders. The Company has cumulatively filed 231 patents for NCEs from these and earlier projects in all major markets. The patent offices of USA, Japan, Europe, Czech Republic, Australia, Canada, South Africa, Mexico, China, Hong Kong, Russia and India have granted/ accepted 129 patents so far. The Company intends to pursue suitable partnership opportunities with international drug companies at an appropriate stage to share the risks and resources required to take New Chemical Entities to the commercial stage.

In continuum to the last years reported development about AGE program, it has been advanced to clinical trial phase I. Company believes that its AGE Program has attractive development potential in CHF and certain long-term complications arising out of AGE formation, accordingly the clinical developments have been initiated.

The R&D function was strengthened with added laboratory space and equipments, which will propel its drug discovery as well product development programs with newly added capacity as well as upgraded capabilities. The fully functional, state-of-the-art facility has at par technological advancements to match the best industry standards. During the year, new product development activities for international generic markets and also for India market continued at much accelerated pace.

During the year, the total revenue expenditure, including depreciation, on R&D was 9.18% (previous year 9.14%) of sales and operating income.

SUBSIDIARIES

Brief review of the important subsidiaries is given below.

ZAO Torrent Pharma (ZAO TP), Russia

ZAO Torrent Pharma, the wholly owned subsidiary of the Company in Russia, is essentially an importing and distributing company, sourcing its entire requirement from the Company. For the year 2006-07, ZAO TP achieved revenue of RRU 258.5 million (Rs. 43.95 crores), an increase of 54% from RRU 182.64 million (Rs. 28.49 crores) for the previous year. Net loss after tax for the year was at RRU 40.58 million (Rs. 7.00 crores) as against a net loss after tax of RRU 5.83 million (Rs. 1.06 crores) for the previous year. Though the subsidiary has lost money during the year, the consolidated Russia & CIS business operations turned positive during the year. At consolidated level, for the year 2006-07, the Russia & CIS operations of the Company registered revenue of Rs. 58.91 crores (previous year Rs. 39.80 crores).

Torrent Pharma GmbH (TPG), Germany

During the year, TPG earned revenues of euro 2.46 million (Rs. 14.38 crores) as compared to euro 1.01 million (Rs. 5.45 crores) for the previous year. Net profit for the year was at euro 0.12 million (Rs. 1.11 crores) as against a net loss of euro 0.77 million (Rs. 3.70 crores) for the previous year. At a consolidated level, for the year 2006-07, the European operations (other than Heumann) earned revenue of Rs. 54.12 crores as against revenue in the previous year of Rs. 55.78 crores.

Heumann Pharma GmbH, Germany

Heumann Pharma GmbH & Co Generica KG (Heumann), Germany

Heumann posted revenues of 46.56 million euro (Rs. 271.81 crores) for the financial year 2006-07 as compared with 33.42 million euro (Rs. 178.96 crores) for the previous period of 9 months. Net loss for the year was at euro 3.86 million (Rs. 20.34 crores) as against a net loss of euro 0.7 million (Rs. 3.69 crores) for the previous period. The increase in losses is attributable to regulatory changes in the market resulting in price decline. Shifting of manufacturing to its low cost manufacturing facilities in India is under way and benefits are expected in the coming years. At a consolidated level for the year 2006-07, Heumann earned revenue of Rs. 277.55 crores as against Rs. 179.02 crores in the previous period.

Torrent Do Brasil Ltda. (TDBL), Brazil

During the year, TDBL achieved revenues of 79.51 million Reais (Rs. 166.89 crores), as compared to 60.16 million Reais (Rs. 116.12 crores) in the previous year, registering a growth of 44%. The growth has been driven by volumes achieved through increased doctor coverage, effective product promotion and focus on prescription generation. TDBL's market share of prescriptions grew by about 15% to 0.81%. In the relevant Therapeutic Areas (TAs), the market share grew faster, by about 20%. TDBL earned a net profit after tax of 3.43 million Reais (Rs. 8.55 crores), as compared to a net profit after tax of 1.54 million Reais (Rs. 5.23 crores) in the previous year. At a consolidated level, the Brazilian operations earned revenue of Rs. 167.64 crores compared with Rs. 117.72 crores in the previous year.

Laboratorios Torrent SA de CV (Torrent Mexico), Mexico

The Company incorporated a subsidiary in Mexico, named Laboratorios Torrent SA de CV, as a first step for entry into the lucrative Mexican market. This is the Company's second subsidiary in the fast growing Latin American market. The Mexican market which is the second biggest market in Latin America after Brazil, is attractive in terms of prices. As on 31-Mar-07, the Company has infused USD 0.45 million (Rs. 2.07 crores) as capital and carried out market development activity.

Fluid Bed Processor, manufacturing facility, Baddi

Torrent Pharma Inc. (TPI), USA

TPI was incorporated in FY 2003-04 as a wholly owned subsidiary in the US, with the objective of business development in the large, growing North American generic market. As on 31-Mar-07, the Company has invested USD 100,000 as capital in the subsidiary. Considerable resources have been invested in developing the product pipeline, upgrading the manufacturing facility and setting up a marketing organisation.

Consolidated Numbers

The consolidated sales of the Company and its subsidiaries was Rs. 1263.33 crores for 2006-07 (previous year Rs. 936.74 crores). The share of sales outside India has gone up to 47% for the year which was 45% in the previous year. The consolidated net profit was Rs. 93.51crores (previous year Rs. 50.86 crores). The consolidated profit was less than the stand-alone profit of the Company mainly due to unrealised profits in inventories supplied to subsidiaries and losses in Heumann.

INSURANCE

The Company's plant, property, equipments and stocks are adequately insured against major risks. After taking into account all the relevant factors, including the risk benefit trade-off, the Company has consciously decided not to take insurance cover for loss of profit under the Consequential Loss (Fire) Policy. The Company also has appropriate liability insurance covers particularly for product liability and clinical trials.

DIRECTORS

Sudhir Mehta, Executive Chairman of the Company has relinquished his executive position with effect from 01-Oct-06 and continues as a non-executive Chairman of the Company. Sudhir Mehta, S.H. Bhojani & Dr. Prasanna Chandra are liable to retire by rotation at the ensuing Annual General Meeting and being eligible have been proposed for re-appointment. The details of their re-appointment together with nature of their expertise in specific functional areas and names of the companies in which they hold office of a Director and/or the Chairman/Membership of committees of the Board, are provided in the notice of the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

As required by clause 49 of the listing agreement, a separate report on corporate governance forms part of the Annual Report. A report from the statutory auditors of the Company regarding compliance of conditions of corporate governance is part of this report as Annex 3.

AUDITORS

The Auditors, C. C. Chokshi & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment as Auditors. The Audit Committee in their meeting held

Section of the 62-bed hospital at the new Bio-Equivalence (BE) Centre at R&D facility, Bhat

New laboratories at R&D facility, Bhat

on 23-May-07 has recommended the re-appointment of C. C. Chokshi & Co.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

A statement containing the necessary information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to this report as Annex 1.

PARTICULARS OF EMPLOYEES

The information required under section 217(2A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975, forms part of this report as Annex 2. However, as permitted by section 219(1)(b)(iv) of the Companies Act, 1956, this Annual Report is being sent to all shareholders excluding the said Annex. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary, whose contact appears elsewhere in the Annual Report.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors appreciate the trust reposed by the medical fraternity and patients in the Company and look forward to their continued patronage. The Directors are also grateful and pleased to place on record their appreciation for the excellent support, guidance and cooperation extended by the Government of India, Government of Gujarat, Gujarat Electricity Board, Financial Institutions and Banks. The Board also expresses its appreciation of the understanding and support extended by the shareholders and employees of the Company.

For and on behalf of the Board

Ahmedabad,
23rd May, 2007

Sudhir Mehta
Chairman

ANNEX 1 TO DIRECTORS' REPORT

Particulars Required Under The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken during the year

1. Two Centrifugal chillers installed in place of Vapour Absorption machines which will result in annual saving of Rs. 46 Lacs.
2. Continuous monitoring and controlling of HVAC operations increasing the set point of Rh from 55% to 60%, optimizing the chilled water temperature resulted in saving of Rs. 45 Lacs during the year.
3. Heat Recovery wheels are installed in various Air Handling systems and overall saving achieved during the year is around Rs. 8.0 Lacs
4. Flash steam recovery system was installed resulting in reuse of flash steam, saving Rs. 10 Lac/year.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy

1. Four Heat Recovery wheels are planned to install with an investment of Rs. 40 Lacs.
2. Designing and providing the Bypass ducting of all the Dehumidifiers at nominal cost so that these can be stopped whenever Low Rh is not required in production area resulting into substantial saving of energy.
3. Energy savers in Lighting systems are proposed to install with an investment of Rs. 12 Lacs.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The above measures have helped the Company in effective and economic consumption of electricity, fuel and reduced the energy expenses. The specific benefits have been mentioned in the respective heads under clauses (a) and (b) above.

(d) Particulars with respect to the conservation of energy are given below.

I. Power and Fuel Consumption*.

1	**Electricity**		**2006-2007**	2005-2006
	a	Purchased Units (KWH in lacs)	**193.28**	137.67
		Total Amount (Rs. in lacs)	**943.92**	681.67
		Average Rate (Rs.)	**4.88**	4.95
	b	Own generation through DG sets (KWH in lac units)	**29.15**	24.67
		Units Generated per liter of diesel	**3.64**	3.58
		Cost of Fuel per Unit	**8.39**	8.52
2	**Fuel Consumption**			
	a	LDO Oil (in lac liters)	**Nil**	Nil
		Total Amount (Rs. in lacs)	**Nil**	Nil
		Average Rate (Rs. / liter)	**Nil**	Nil
	b	Furnace Oil (in lac liters)	**30.08**	29.86
		Total Amount (Rs. in lacs)	**600.66**	474.49
		Average Rate (Rs. / liter)	**19.97**	15.89

* For plants at Indrad, Gujarat and Baddi, H P (Commercial production at the Baddi plant started on 9-Nov-05)

II. Consumption per unit of production:

The Company manufactures several drug formulations in different pack sizes and bulk drugs. It is, therefore, impractical to apportion the consumption and cost of utilities to each formulation and bulk drug.

B. TECHNOLOGY ABSORPTION

Particulars with respect to technology absorption are given below:

Research and Development (R & D)

1. Specific areas in which R&D is carried out by the Company

The Company's R&D Centre is engaged in the discovery of New Chemical Entities (NCEs) for Vascular Complications and Metabolic Disorders. It is also developing new processes and suitable formulations for known Active Pharmaceutical Ingredients (APIs). Besides, it is also developing value-added and differentiated formulations on NDDS platforms.

2. Benefits derived as a result of the above R & D

- As at March 07, 6 ANDA and 5 DMF filed in US. Many new formulations launched in the domestic as well as international markets.
- Four processes for APIs were developed and transferred to plant during the year.
- 53 Patents filed for different types of dosage forms. Formulations based on Torrent's NDDS technology platform were also launched in the domestic market.
- For drug discovery projects, 231 applications for patents on NCEs have been filed upto 31-Mar-07 in India and abroad. Total 129 patents have been granted so far.
- For developmental projects, 137 applications for patents for innovative processes of APIs & formulations were filed in major parts of world, upto 31-Mar-07. Total 19 patents have been granted so far.

3. Future plan of action

- Drug discovery projects are of long duration and would be continued in focused therapeutic areas. Designing, synthesizing & screening of NCEs using newer Organic Synthetic Technologies & Screening Technologies for lead identification and lead optimization are continuing. Building capabilities and infrastructure for Preclinical development and clinical trials required for NCE's is being pursued aggressively.
- Efforts would continue for development of new, value added and differentiated formulations and new innovative processes for APIs. The main focus would be developing DMFs for API, generic formulations and novel dosage forms for regulated markets, US and Europe. Efforts would also continue to explore novel technologies for formulation development.

4. Expenditure on R & D

		2006-07 (Rs. in crores)
a.	Capital expenses	38.18
b.	Revenue expenses	73.96
	Total (a+b)	112.14
c.	Total R&D expenditure as a percentage of turnover	12.95

Technology absorption, adaptation and innovation

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

   The developed technologies and the processes were used to manufacture APIs and formulations for commercial purpose for domestic as well as international markets.

2. **Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.**

   New products broadened the product basket of the Company and further strengthened the Company's image as research-based organization.

3. **Information in case of imported technology (imported during the last five years reckoned from the beginning of the financial year)**

Technology Imported	Year of Import	Whether fully absorbed
Real Time PCR Technology to determine minute changes in the expression of targeted genes in cells or tissues in the drug discovery area. Telemetry technology for measurement of cardiovascular parameters in the conscious and active animals over a long period, without giving any stress to the animals in the drug discovery area relating to hypertension.	2002-03	Yes
Silicon Graphic Workstation Octane[2] for Rational Drug Design, Parallel Organic Synthesizer and Microwave Synthesize for Synthesizing NCEs & Robotic Liquid Handling System for increasing the Screening Throughput of Discovery Programs.	2003-04	Yes
Biotransformation & Metabolism Database for Metabolite studies, ACD-PK & LogD software for Pharmacokinetic data management were imported. The ADME capabilities have been increased. Multiplexing apparatus with Mass Spectrometer for enhanced throughput was procured. In addition, with a low-density gene expression array technology, it is possible to determine changes in the expression of up to 384 genes from a single sample.	2005-06	Yes
Advanced modeling tools such as TOPKAT which could predict toxicity of drug molecules solely from the knowledge of chemical structure, & HypoRefine software module for designing better quality of pharmacophore models. The Pharmacology unit has been equipped with Millar Pressure-Volume Systems (MPVS), which facilitates complete homodynamic assessment of small animals.	2006-07	Yes

C FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company used foreign exchange amounting to Rs. 95.30 crores and earned foreign exchange amounting to Rs. 173.67 crores during the year 2006-07 as compared to last year's Rs. 68.63 crores and Rs. 138.25 crores respectively.

Auditors' Certificate on Corporate Governance

To the Members of
Torrent Pharmaceuticals Limited

We have examined the compliance of conditions of corporate governance by **Torrent Pharmaceuticals Limited** for the year ended on 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of the corporate governance as stipulated in the said Clause. It is neither an audit nor an expression of an 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, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **C.C. Chokshi & Co.**
Chartered Accountants

Gaurav J.Shah
Partner
Membership No.35701

Ahmedabad
23rd May, 2007

REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) ushered in a formal code of corporate governance (the Code) through clause 49 in the listing agreement executed by the Company with stock exchanges. Clause 49 lays down several corporate governance practices which listed companies are required to adopt. The Code has been periodically upgraded to ensure the adoption of best corporate governance practices by the corporates. While most of the practices laid down in clause 49 require mandatory compliance, others are recommendatory in nature. This report sets out the compliance status of the Company with the requirements of corporate governance, as set out in clause 49, for the financial year 2006-07.

Company's Philosophy on Corporate Governance

The Company believes that the Code prescribes only a minimum framework for governance of a business in corporate framework. The Company's philosophy is to develop this desired minimum framework and institutionalise the spirit it entails. This will lay the foundation for further development of superior governance practices, which are vital for growing a successful business. The Company recognises that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance.

1. BOARD OF DIRECTORS

The Board comprises of 10 directors of which 8 are non-executive directors (80% of the Board strength) and 6 are independent directors (60% of the Board strength). The composition of the Board complies with the requirements of the Code.

The Board of Directors of the Company met five times during the year on 23-May-06, 21-Jul-06, 28-Oct-06, 24-Jan-07 and 17-Mar-07.

Composition of Board and other related matters:

Name of the Director	Category	No. of other Directorships Held(1)	No.of other Board Committees of which Member / Chairman(1)	Board meetings attended	Attendance at the last AGM
Sudhir Mehta, Chairman*	NED	3	1 (as Member)	5	Yes
Markand Bhatt	NED	1	1 (as Member)	5	Yes
S. H. Bhojani	NED (I)	2	1 (as Member)	5	Yes
Dr. Prasanna Chandra	NED (I)	Nil	Nil	5	Yes
Kiran Karnik	NED (I)	Nil	Nil	2	Yes
Sanjay Lalbhai	NED (I)	7	1 (as Member)	1	No
Prof. S. Ramnarayan	NED (I)	1	Nil	4	Yes
Mihir Thakore	NED (I)	Nil	Nil	4	Yes
Dr. C. Dutt, Director (Research & Development)	WTD	Nil	Nil	4	Yes
Samir Mehta, Managing Director	WTD	1	2 (as Member)	5	Yes

* relinquished executive position and become Non Executive Chairman wef 01-Oct-06

Notes:

1. This number excludes the directorships / committee memberships held in private companies, companies registered under section 25 of the Companies Act, 1956 and that of the Company. Also it includes the chairmanship/membership only in the Audit Committee and Shareholders' Grievance Committee.
2. NED – Non-executive Director
3. NED (I) – Non-executive & Independent Director
4. WTD – Whole Time Director

Dr. Prasanna Chandra, S. H. Bhojani & Sudhir U. Mehta are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for reappointment. Relevant details pertaining to them are provided in the Notice of the Annual General Meeting.

2. AUDIT COMMITTEE

During the year under review, four meetings of the Committee were held on 23-May-06, 21-Jul-06, 28-Oct-06 & 24-Jan-07.

The Composition of the Committee as on 31-Mar-07 as well as the particulars of attendance at the Committee during the year are given in the table below:

Name	Category of Directorship	Qualification / Competence	No. of meetings attended
Dr. Prasanna Chandra, Chairman	Independent non-executive	MBA, Ph.D. in Finance	4
S. H. Bhojani	— do —	B.Sc., LL.M.	4
Kiran Karnik	— do —	B.Sc. (Hons.), PGDBM-IIM-A	2
Mihir Thakore	— do —	B.Com., LL.B., Senior Advocate	4
Samir Mehta	Managing Director	B.Com., M.B.A.	4

The composition of the Committee complied with the requirements of clause 49 of listing agreement and section 292A of the Companies Act, 1956.

The Company Secretary acts as the Secretary to the Audit Committee. In addition to the above, the Committee meetings were also attended by the General Manager (Accounts), Vice President (Finance), Statutory Auditors and Internal Auditors. Cost Auditor and other executives of the Company also attended the meeting as and when required.

The broad terms of reference of the Committee are to review and recommend the financial statements and to review the adequacy of internal control systems and internal audit function. The detailed terms of reference of the Committee as approved by the Board are given below:

i Reviewing internal controls and internal audit function and their adequacy with the management / internal auditors

ii Reviewing with the management, performance of statutory and internal auditors

iii Oversight of the financial reporting process / disclosures and review of interim & annual financial statements before Board approval

iv Appointment/ reappointment/ replacement/ removal of statutory auditors & fixation of their audit fees & fees for other services v Periodic discussions with the statutory auditors of the Company (whether before, during or after the audit) on internal control systems, nature & scope of audit, audit observations and areas of concern, if any

vi Investigate any matter referred to it by the Board or within its terms of reference

vii Review the outcome of internal investigations of material fraud, irregularity & failure of internal control system

viii To look into substantial defaults, if any, in payments to depositors, debenture-holders, creditors & shareholders

ix Discussion with the internal auditors any significant findings and follow up there on

x Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

A Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956

B Changes, if any, in accounting policies and practices and reasons for the same

C Major accounting entries involving estimates based on the exercise of judgment by management

D Significant adjustments made in the financial statements arising out of audit findings

E Compliance with listing and other legal requirements relating to financial statements

F Disclosure of any related party transactions

G Qualifications in audit report, if any

xi To review the following information:

A Management Discussion and Analysis of financial conditions and results of operations;

B Statement of significant related party transactions (as defined by the audit committee), submitted by management;

C Management letters / letters of internal control weaknesses issued by the statutory auditors;

D Internal audit reports relating to internal control weaknesses; and

E The appointment, removal and terms of remuneration of the chief internal auditor.

In addition to the above, the Committee shall have such functions / role / powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable law.

3. SHAREHOLDERS COMMITTEE

The Securities Transfer & Investors' Grievance Committee, as a sub-committee of the Board, *inter alia*, reviews shareholder / investor grievances. The Committee met 8 times during the year. The constitution and functioning of the Committee is given in the table below:

Name of Director	Category	No. of meetings attended
Sudhir Mehta, Chairman*	Non-Executive Director	5
Markand Bhatt**	Non-Executive Director	8
Samir Mehta	Managing Director	7
Dr.C.Dutt***	Executive Director	3

* Appointed in the Committee as Chairman wef 28-Oct-06

** Resigned as Chairman of the Committee wef 28-Oct-06 and continued as member

*** Ceased to be a member of the committee wef 28-Oct-06

Mahesh Agrawal, General Manager (Legal) & Company Secretary, provided secretarial support to the Committee and was also the designated Compliance Officer for such matters.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchanges & hence the handling of physical transfer of shares is minimal. The table below sets out details of pending transfers of equity shares as at 31-Mar-07:

Duration	Transfers pending	Nature / Reason
0 – 15 days	Nil	—
16 – 30 days	Nil	—
> 30 days	12 cases (5600 equity shares)	Legal cases

During the year the Company received 38 complaints from the shareholders and the same were attended within a reasonable period of time. No compliant was pending as on 31-Mar-07.

4. MANAGERIAL REMUNERATION

Remuneration Committee

This is a non-mandatory requirement of clause 49 of the listing agreement. The Board has not formed a remuneration committee and all decisions on appointment and remuneration of directors are taken by the Board of Directors and approved by the shareholders in general meeting.

Chairman / Managing Director / Whole Time Director

The remuneration of Managing Director was fixed by the Board and approved by the shareholders at the Annual General Meeting held on 21-Jul-06. Appointment and remuneration of the Executive Chairman and Whole Time Director (Research & Development) was approved by the Board at its meeting held on 23-Jan-03 and by the Shareholders at the Annual General Meeting held on 31-Jul-03. During the year, Executive Chairman relinquished his executive position and became Non-executive Chairman wef 01-Oct-06 and consequently will not draw any remuneration from the Company.

Independent Non Executive Directors (INEDs)

1. INEDs are compensated for their services to the Company by way of commission. Shareholders have approved a ceiling of 0.50% of net profits as the ceiling of aggregate of such commission.
2. Within the ceiling Chairman of the Board has power to decide the commission amount for each of the INED. The commission was determined on basis of duration of appointment during the year and participation at Board and Committee meetings.
3. In case of inadequacy of profits, commission upto Rs. 3 lacs shall be payable as minimum remuneration to each INED who is also member of any committee of the directors and upto Rs. 2 lacs to each INED who is not a member of any such committee of the directors.
4. The commission for any financial year shall become due on approval by the Board of financial statements for that year.

Details of remuneration of Directors for the year 2006-07 are as under:

(Rs. in lacs)

Names of Directors[$]	Sitting Fees	Salary & Perquisites[#]	Commission	Total
Sudhir Mehta, Chairman[@]	Nil	85.82	50.00[##]	135.82
Markand Bhatt	Nil	Nil	Nil	Nil
S. H. Bhojani	Nil	Nil	3.70	3.70
Dr. Prasanna Chandra	Nil	Nil	3.70	3.70
Kiran Karnik	Nil	Nil	1.60	1.60
Sanjay Lalbhai	Nil	Nil	0.50	0.50
Prof. S. Ramnarayan	Nil	Nil	2.00	2.00
Mihir Thakore	Nil	Nil	3.20	3.20
Dr. C. Dutt, Director (Research & Development)[^]	Nil	112.46	Nil	112.46
Samir Mehta, Managing Director[@@]	Nil	112.74	100.00[###]	212.74
Total	**Nil**	**311.02**	**164.70**	**475.72**

Notes:

$ The terms of appointment of all whole time directors are governed by the resolutions of the shareholders and applicable rules of the Company. None of the directors are entitled to a severance fees.

Includes salary, house rent allowance, contribution to provident / gratuity / superannuation funds & approved perquisites. Directors have not been granted any stock options during the year.

@ relinquished executive position and became Non Executive Chairman wef 01-Oct-06.

Commission as approved by the Board subject to a maximum of 3% of eligible net profits amounting to Rs. 192.18 lacs prorata considering relinquishment of executive position wef 01-Oct-06.

Commission as approved by the Board subject to a maximum of 3% of eligible net profits amounting to Rs. 384.36 lacs.

^ Appointed for a period of 5 years wef 01-Jul-03.

@@ Re-Appointed for a period of 5 years wef 01-Apr-06.

Shareholding of Non-executive Directors

Markand Bhatt, Non-executive Director holds 400 equity shares of the Company. Sudhir Mehta, Non-executive Director holds 55,20,876 shares of the Company. None of the other Non-executive Directors hold any shares / convertible instruments of the Company.

5. GENERAL BODY MEETINGS

Details of the Annual General Meetings (AGM) and Extra Ordinary General Meetings (EGM) during last three years are as under:

AGM / EGM	Date	Time	Venue	No. of special resolutions passed
31st AGM	17-Aug-04	10.00 AM	Sheth M. G. Memorial Town Hall, Ellisbridge, Ahmedabad – 380 006	1
32nd AGM	26-Jul-05	10.00 AM	— do —	2
EGM	25-Jan-06	9.30 AM	— do —	1
33rd AGM	21-Jul-06	9.30 AM	H.T.Parekh Convention Center, Ahmedabad Management Association, Vastrapur, Ahmedabad – 380 015	1

All the special resolutions indicated above were passed by show of hands. The Company has not passed any shareholder resolution through postal ballot during the year under reference. During the current year no resolution is proposed to be passed through postal ballot.

6. DISCLOSURES

a. Legal Compliances

The Company follows a formal management policy and system of legal compliance & reporting to facilitate periodical review by the Board of compliance status of laws applicable to the Company and steps taken to rectify non-compliances, if any.

There were no instances of material non-compliance and no strictures or penalties were imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

b. Code of Business Conduct

The Code of Business Conduct adopted by the Company has been posted on the web site of the Company. The members of the Board and senior management of the Company have submitted their affirmation on compliance with the Code of Business Conduct for the effective period. The declaration by the Managing Director to that effect forms part of this report as Annex 1.

c. **Related Party Transactions**

Transactions with related parties are disclosed in detail in Schedule 22 (21)annexed to the financial statements for the year. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the Company at large.

d. **Mandatory & Non-Mandatory Clauses**

The Company has complied with all mandatory requirements laid down by the Clause 49. The non mandatory requirements complied with have been disclosed at the relevant places.

7. COMMUNICATION TO SHAREHOLDERS

During the year, audited quarterly, half-yearly and annual financial results on the standalone basis and un-audited quarterly & half-yearly and audited annual financial results on the consolidated basis of the Company were submitted to the stock exchanges soon after the Board meeting approval and were also published in at least two leading newspapers - The Business Standard (English) & Jaihind (Gujarati). These were also promptly put on the Company's website www.torrentpharma.com. All official news release of relevance to the investors are also made available on the website for a reasonable period of time.

8. GENERAL SHAREHOLDER INFORMATION

a 34th Annual General Meeting

Date & Time	Tuesday, 31-Jul-07 at 9.30AM
Venue	H. T. Parekh Convention Center, Torrent AMA Center, 1st Floor, Ahmedabad Management Association, Vastrapur, Ahmedabad – 380 015

b Tentative Financial Calendar for the year 2007-08

Financial year	1-April to 31-March
First Quarter results	Fourth week of July 2007
Half Yearly results	Fourth week of October 2007
Third Quarter results	Fourth week of January 2008
Results for year-end	Third week of May 2008

c Interim Financial Statements

The Company published standalone audited interim financial results and un-audited consolidated interim financial results on a quarterly basis during the year.

d Date of Book Closure

19th June, 2007 to 21st June, 2007 (both days inclusive).

e Dividend payment date

At the Board Meeting held on 17-Mar-07, the Board declared interim dividend @ of Rs. 3.00 per share and the same was distributed to the eligible shareholders on the record date 26-Mar-07. The said interim dividend was declared as the final dividend for the year under review.

f Listing on Stock Exchanges and Security Codes

Name of Stock Exchange	Security Code
Bombay Stock Exchange Ltd., Mumbai (BSE)	500420
The National Stock Exchange of India Ltd., Mumbai (NSE)	TORNTPHARM

The Company has paid the annual listing fees for the year 2007-08 to both of the above stock exchanges.

g Market Price Data

The closing market price of equity share on 30-Mar-07 (last trading day of the year) was Rs. 197.20 on BSE & Rs. 195.80 on NSE.

The monthly movement of equity share prices during the year at BSE & NSE are summarized as herein below:

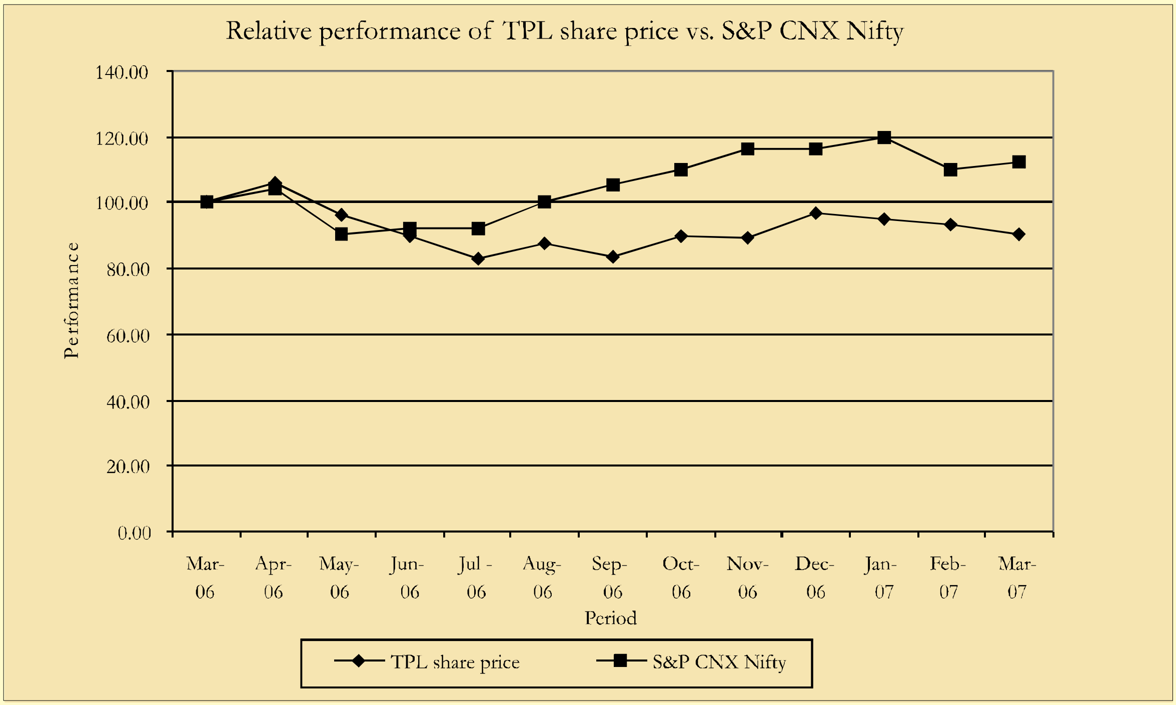
Monthly Share Price movement during 2006-07 at BSE & NSE

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
Apr – 06	244.50	210.00	796662	255.00	200.10	1059908
May – 06	336.80	199.55	908995	298.00	200.05	1095302
Jun – 06	217.00	160.10	541847	220.00	165.00	797035
Jul – 06	205.90	158.00	388140	205.00	156.20	223802
Aug – 06	209.00	171.30	387749	205.00	170.00	513092
Sep – 06	207.80	176.10	327625	207.90	176.90	576144
Oct – 06	204.50	180.00	297170	209.00	179.15	517298
Nov – 06	212.00	179.25	628326	211.50	161.00	796543
Dec – 06	227.00	185.00	1040156	224.90	185.00	1224876
Jan – 07	222.90	203.00	412791	222.85	203.50	331444
Feb – 07	249.70	185.00	535401	249.40	195.00	417269
Mar – 07	213.95	182.00	237019	220.00	183.05	627859
Total			**6501881**			**8180572**
% of volume traded to outstanding shares			**7. 68%**			**9. 67%**

The performance of the equity share price of the Company vis-à-vis the S&P CNX Nifty at NSE is as under:

Month	TPL Share Price at NSE**	S&P CNX Nifty **	Relative Index for comparison purpose	
			TPL share price index	S&P CNX Nifty
Mar - 06	217.15	3402.55	100.00	100.00
Apr - 06	230.35	3557.60	106.08	104.56
May - 06	208.55	3071.05	96.04	90.26
Jun - 06	195.70	3128.20	90.12	91.94
Jul - 06	179.70	3143.20	82.75	92.38
Aug - 06	190.05	3413.90	87.52	100.33
Sep - 06	180.85	3588.40	83.28	105.46
Oct - 06	195.55	3744.10	90.05	110.04
Nov - 06	194.15	3954.50	89.41	116.22
Dec - 06	210.65	3966.40	97.01	116.57
Jan - 07	206.85	4082.70	95.26	119.99
Feb - 07	202.65	3745.30	93.32	110.07
Mar - 07	195.80	3821.55	90.17	112.31

** closing data on the last day of the month



h Distribution of Shareholding as at 31-Mar-07

By size of shareholding:

From – To	Mode of holding	Shares held		No. of Shareholders	
		Number	% Total	Number	% Total
1-1000	Electronic	11,50,638	1.36	15,477	64.40
	Physical	65,715	0.08	1,014	4.22
1001-5000	Electronic	23,12,007	2.73	5,108	21.25
	Physical	7,64,380	0.90	1,779	7.40
5001-10000	Electronic	5,23,532	0.62	342	1.42
	Physical	37,000	0.04	26	0.11
10001-50000	Electronic	8,50,104	1.00	207	0.86
	Physical	22,400	0.03	6	0.02
50001-100000	Electronic	2,71,724	0.32	19	0.08
	Physical	—	—	—	—
Above 100000	Electronic	7,86,13,860	92.91	56	0.23
	Physical	—	—	—	—
Total		**8,46,11,360**	**100.00**	**24,034**	**100.00**

By category of shareholders:

Category	No. of Shares		Total Shares	% of holding
	Electronic	Physical		
Promoters' group	6,26,91,528	—	6,26,91,528	74.09
Mutual Funds and UTI	47,27,506	1,600	47,29,106	5.59
Banks, FIs & Insurance Companies	11,57,636	1,200	11,58,836	1.37
Foreign Institutional Investors / NRIs/ OCBs	96,06,537	0	96,06,537	11.35
Other Bodies Corporate	8,17,469	9,760	8,27,229	0.98
Indian Public	47,21,189	8,76,935	55,98,124	6.62
Total	**8,37,21,865**	**8,89,495**	**8,46,11,360**	**100.00**

i Dematerialisation of securities

The Equity shares of the Company are traded compulsorily in the dematerialized segment of all the stock exchanges and are under rolling settlement. Approximately 98.95% of the shares have been dematerialised. The demat security (ISIN) code for the equity share is INE685A01028

j Share transfer system

To expedite the transfer of shares held in physical mode the powers to authorise transfers have been delegated to specified officials of the Company. The transfers which are complete in all respects are taken up for approval generally every ten days and the transferred securities dispatched to the transferor within 21 days. The details of transfers / transmission approved by the delegates are noted by the Securities Transfer & Investors' Grievance Committee meeting at its next meeting.

The Company has signed necessary agreements with two depositories currently functional in India viz. National Securities Depository Ltd. & Central Depository Services (India) Ltd. The transfer of shares in depository mode need not be approved by the Company.

k Outstanding GDRs / ADRs / Warrants / any other convertible instruments

The Company does not have any outstanding instruments of the captioned type.

l Registered Office

Torrent House, Off Ashram Road, Ahmedabad – 380 009
Telephone # 91-79-2658 5090
Fax # 91-79-2658 2100

m Plant Locations

1. Village Indrad, Taluka Kadi, Dist. Mehsana, Gujarat.
2. Village Bhud, Baddi, Teh. Nalagarh, Dist. Solan (H. P.)

n Research & Development Facility

Near Kanoria Hospital, Village Bhat, Dist. Gandhinagar, Pin 382 428, Gujarat.

o Compliance Officer

Mahesh Agrawal,
GM (Legal) & Company Secretary,
Torrent Pharmaceuticals Limited,
Torrent House, Off Ashram Road, Ahmedabad – 380 009
Telephone # 91-79-2658 5090; Fax # 91-79-2658 2100
E-mail: maheshagrawal@torrentpharma.com

p Investor services

E-mail: investorservices@torrentpharma.com

q Registrars & Transfer Agents

MCS Limited,
Unit: Torrent Pharmaceuticals Ltd.,
101, Subh Shatdal Complex, Opp. Bata Show Room, Ashram Road,
Ahmedabad – 380 009.
Telephone # 91-79-26582878; Fax # 91-79-26581296
E-mail: mcsamd@reliancemail.net

For & on behalf of the Board

Ahmedabad **Sudhir Mehta**
23rd May, 2007 **Chairman**

ANNEX 1 TO CORPORATE GOVERNANCE REPORT

To

The Shareholders,

Affirmation of Compliance with Code of Business Conduct

I, Samir Mehta, Managing Director, declare that the Board of Directors of the Company has received affirmation on compliance with the Code of Business Conduct for the period from 1st April, 2006 or the date of their joining the Company, whichever is later to 31st March 2007 from all members of the Board and employees under Senior Management Cadre comprising CEO / Executive Directors (not a member of the Board), Vice Presidents and General Managers.

Ahmedabad
23rd May, 2007

Samir Mehta
Managing Director

AUDITOR'S REPORT

To the Shareholders of
Torrent Pharmaceuticals Limited

1. We have audited the attached Balance Sheet of **Torrent Pharmaceuticals Limited** as at 31^{st} March, 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 by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'Order') issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

4. Further to our comments in the annexure referred to in Paragraph 3 above, we report that:

   a. 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;

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

   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. 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;

   e. On the basis of written representation received from the directors as on 31^{st} March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31^{st} March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, 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:

      (i) in the case of the Balance Sheet of the state of the affairs of the Company as at 31^{st} March, 2007;
      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For C. C. Chokshi & Co.
Chartered Accountants

Ahmedabad
23^{rd} May, 2007

Gaurav J. Shah
Partner
Membership No. 35701

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business / activities during the year is such that the requirements of clause (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company.

2. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The Company has a programme of physical verification of its fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and according to the information and explanations given to us, no material discrepancies have been noticed on such verification.

   (c) The Company has not disposed off a substantial part of fixed assets during the year.

3. (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.

   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on such physical verification.

4. The Company has neither granted nor taken any loans secured / unsecured to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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 and we have not observed any continuing failure to correct major weaknesses in such internal controls.

6. In respect of transactions that need to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956:

   (a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been so entered;

   (b) The transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

7. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, where applicable. The Company has not accepted public deposits as defined under section 58A of the Companies Act, 1956 during the year under review.

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

9. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the Company's products to which the said rules are made applicable and are of the opinion that *prima facie* the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the said records.

10. (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise-duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31st March 2007 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, details of disputed amounts in respect of the income tax, excise duty, service tax and employees' state insurance which have not been deposited as on 31st March, 2007 on account of any dispute are given below:

Name of the Statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act,1961	Demand of Income Tax	1239.86	A.Y. 2004-05	CIT (A)
Central Excise Act, 1944	Excise Duty and Service Tax	26.33	2001-02, 2005-06 and 2006-07	Deputy Commissioner of Central Excise
E.S.I. Act, 1948	E.S.I. Contribution	186.72	F.Y. 1993-2007	Gujarat High Court

11. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the financial year under report and the immediately preceding financial year.

12. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.

13. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

14. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

15. In our opinion, the term loans have been applied for the purpose for which they were raised except to the extent the funds deployed temporarily elsewhere pending application.

16. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.

17. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

18. The Company has not issued any debentures during the year.

19. The Company has not raised money by public issue during the year.

20. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For C.C. Chokshi & Co.
Chartered Accountants

Gaurav J. Shah
Partner
Membership No. 35701

Ahmedabad
23rd May, 2007

BALANCE SHEET

	SCHEDULE	As at 31-Mar-2007	(Rs. in lacs) As at 31-Mar-2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**4,230.92**	4,230.92
Reserves and Surplus	2	**42,207.24**	34,021.48
		46,438.16	38,252.40
LOAN FUNDS			
Secured Loans	3	**26,397.51**	24,408.50
Unsecured Loans	4	**1,500.00**	–
		27,897.51	24,408.50
Net Deferred Tax Liability (see note 10)		**6,330.59**	5,548.76
		80,666.26	68,209.66
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block		**54,331.48**	46,474.09
Less : Depreciation & Amortisation		**14,019.57**	11,317.08
Net Block	5	**40,311.91**	35,157.01
Capital Work in Progress		**2,877.22**	2,676.90
Advances for Capital Expenditure		**1,101.22**	716.07
		44,290.35	38,549.98
INVESTMENTS	6	**9,496.86**	7,377.49
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	**18,588.55**	16,336.45
Sundry Debtors	8	**16,561.18**	11,110.15
Cash and Bank Balances	9	**1,024.63**	6,096.13
Other Current Assets	10	**1,462.85**	1,219.91
Loans and Advances	11	**4,927.24**	3,609.74
		42,564.45	38,372.38
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	12	**14,143.05**	12,899.79
Provisions	13	**1,542.35**	3,190.40
		15,685.40	16,090.19
Net Current Assets		**26,879.05**	22,282.19
		80,666.26	68,209.66
Significant Accounting Policies	21		
Notes forming part of the Accounts	22		

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Gaurav J. Shah
Partner

Ahmedabad
23rd May, 2007

Mahesh Agrawal
GM (Legal) &
Company Secretary

Signatures to the Balance Sheet

Sudhir Mehta
Chairman

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	SCHEDULE	**Year ended 31-Mar-2007**	Year ended 31-Mar-2006
INCOME			
Sales & Operating Income	14	**88,290.07**	69,196.98
Other Income	15	**237.14**	130.30
		88,527.21	69,327.28
EXPENDITURE			
Materials Consumed	16	**26,801.61**	23,655.92
Purchase of Traded Goods		**7,620.12**	3,210.72
(Increase)/Decrease in Stock	17	**(3,078.15)**	(430.05)
Personnel Costs	18	**11,066.67**	7,726.26
Manufacturing and Other Expenses	19	**21,971.73**	17,512.50
Research & Development Expenses (see note 6)		**7,395.76**	5,642.44
Depreciation & Amortisation		**3,024.25**	2,365.85
		74,801.99	59,683.64
PROFIT BEFORE INTEREST, TAX AND EXCEPTIONAL ITEMS		**13,725.22**	9,643.64
Net Interest Expense	20	**1,314.86**	545.83
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		**12,410.36**	9,097.81
PROVISION FOR TAXATION			
Current Tax		**1,375.89**	683.98
MAT Credit Entitlement		**(1,366.27)**	(300.16)
Deferred Tax Charge		**871.51**	1,066.59
Fringe Benefit Tax		**233.29**	258.37
		1,114.42	1,708.78
PROFIT AFTER TAX AND BEFORE EXCEPTIONAL ITEMS		**11,295.94**	7,389.03
Exceptional Items		–	(805.86)
NET PROFIT FOR THE PERIOD		**11,295.94**	6,583.17
Balance Brought forward from Previous Year		**4,838.61**	3,867.39
PROFIT AVAILABLE FOR APPROPRIATION		**16,134.55**	10,450.56
APPROPRIATIONS			
General Reserve		**7,038.64**	3,200.00
Interim Dividend		**2,538.34**	–
Proposed Dividend		–	2,115.28
Tax on distributed profits		**356.00**	296.67
		9,932.98	5,611.95
Balance Carried to Balance Sheet		**6,201.57**	4,838.61
Basic and Diluted EPS for the year (see note 11)		**13.35**	7.78
Significant Accounting Policies	21		
Notes forming part of the Accounts	22		

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Signatures to the Profit and Loss Account

Sudhir Mehta
Chairman

Gaurav J. Shah
Partner

Ahmedabad
23rd May, 2007

Mahesh Agrawal
GM (Legal) &
Company Secretary

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

CASH FLOW STATEMENT

	Year ended 31-Mar-2007	Year ended 31-Mar-2006
		(Rs. in lacs)
A CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX & EXCEPTIONAL ITEMS	**12,410.36**	9,097.81
Adjustments for :		
Depreciation & Amortisation	**3,024.25**	2,365.85
Loss on sale of assets	**202.02**	32.38
Profit on sale of Long Term investments	**(0.15)**	–
Dividend received	**–**	(3.69)
Net interest expense	**1,314.86**	545.83
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**16,951.34**	12,038.18
Adjustments for :		
Debtors, Loans & Advances and Other Current Assets	**(5,610.42)**	(6,111.77)
Inventories	**(2,252.10)**	(1,825.60)
Current Liabilities and Provisions	**1,890.44**	2,214.38
CASH GENERATED FROM OPERATIONS	**10,979.26**	6,315.19
Direct Taxes Paid	**(1,704.07)**	(1,087.24)
NET CASH FROM OPERATING ACTIVITIES	**9,275.19**	5,227.95
B CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	**(9,162.72)**	(11,440.64)
Sale Proceeds from Fixed Assets sold	**194.24**	127.59
Long Term Investments in subsidiaries	**(2,081.47)**	(3,555.13)
Sale Proceeds of Long Term Investments sold	**2.51**	0.42
Dividend Received	**–**	33.81
Interest Received	**684.51**	450.73
NET CASH USED IN INVESTING ACTIVITIES	**(10,362.93)**	(14,383.22)
C CASH FLOW FROM FINANCING ACTIVITIES :		
Net Long Term debt taken / (repaid)	**181.31**	6,283.50
Net Short Term debt taken / (repaid)	**3,307.70**	(2,966.81)
Dividend Paid	**(5,316.86)**	(1,931.54)
Interest Paid	**(2,155.91)**	(1,659.27)
NET CASH USED IN FINANCING ACTIVITIES	**(3,983.76)**	(274.12)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**(5,071.50)**	(9,429.39)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,096.13**	15,525.52
CASH & CASH EQUIVALENTS AT END OF YEAR	**1,024.63**	6,096.13
Note: Cash & Cash Equivalents as at end of the year :		
Cash & Bank balances	**1,024.63**	6,096.13
	1,024.63	6,096.13

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Gaurav J. Shah
Partner

Ahmedabad
23rd May, 2007

Mahesh Agrawal
GM (Legal) &
Company Secretary

Signatures to the Cash Flow Statement

Sudhir Mehta
Chairman

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

annexed to and forming part of the financial statements

(Rs. in lacs)

	As at 31-Mar-2007	As at 31-Mar-2006
SCHEDULE - 1 : SHARE CAPITAL		
Authorised		
1500,00,000 Equity Shares of Rs.5 each	**7,500.00**	7,500.00
25,00,000 Preference Shares of Rs.100 each	**2,500.00**	2,500.00
	10,000.00	10,000.00
Issued and Subscribed		
846,25,360 Equity Shares of Rs.5 each	**4,231.27**	4,231.27
Paid-up		
846,11,360 Equity Shares of Rs.5 each	**4,230.57**	4,230.57
Amount originally paid up on 14,000 Equity Shares forfeited	**0.35**	0.35
	4,230.92	4,230.92

Notes :

(1) 709,80,592 Equity Shares of Rs. 5 each were allotted as fully paid up bonus shares; out of which 423,05,680 shares were allotted by way of capitalisation from Capital Redemption Reserve and 286,74,912 Equity Shares were allotted by way of capitalisation from General Reserve.

(2) 12,44,768 Equity Shares of Rs.5 each were allotted without payment being received in cash pursuant to the schemes of amalgamation.

	As at 31-Mar-2007	As at 31-Mar-2006
SCHEDULE - 2 : RESERVES AND SURPLUS		
Capital Reserve		
Balance as per last Balance Sheet	**41.08**	41.08
Capital Redemption Reserve		
Balance as per last Balance Sheet	**384.71**	2,500.00
Less: Utilised for Issue of Bonus Shares	**–**	2,115.29
	384.71	384.71
Share Premium Account		
Balance as per last Balance Sheet	**4,279.88**	4,279.88
General Reserve		
Balance as per last Balance Sheet	**24,477.20**	21,277.20
Less : Earlier Years' liability for employee benefits (see note 5)	**215.84**	–
Add : Transfers from - Profit and Loss Account	**7,038.64**	3,200.00
	31,300.00	24,477.20
Balance in Profit & Loss Account	**6,201.57**	4,838.61
	42,207.24	34,021.48
SCHEDULE - 3 : SECURED LOANS		
Long Term Loans		
from Banks (Note : 1(a))	**15,614.81**	18,408.50
from a Financial Institution (Note : 1(b))	**8,975.00**	6,000.00
Short term Loans from Banks (Note : 1(c))	**1,807.70**	–
	26,397.51	24,408.50

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)

Notes :

(1) The Loans are secured by :

(a) a pari passu basis, by first equitable mortgage of immovable fixed assets & hypothecation of moveable fixed assets, present and future, located at formulation manufacturing facilities, Village Indrad; research facilities, Village Bhat; and corporate office, Ahmedabad, all in Gujarat.

(b) first equitable mortgage of immovable fixed assets & hypothecation of moveable fixed assets, present and future, located at formulation manufacturing facilities in Baddi, Himachal Pradesh.

(c) hypothecation of inventories & book debts.

(2) The future annual repayment obligations on principal amount, for the above long term loans are as under :

2007-08	Rs. 3,457 lacs
2008-09	Rs. 6,966 lacs
2009-10	Rs. 6,185 lacs
2010-11	Rs. 2,611 lacs
2011-12	Rs. 5,371 lacs
Total :	**Rs.24,590 lacs**

SCHEDULE - 4 : UNSECURED LOANS

Short Term Loan from a Financial Institution	1,500.00	–
	1,500.00	–

SCHEDULE - 5 : FIXED ASSETS

(Rs. in lacs)

Particulars	Gross Block (At Cost)				Depreciation & Amortisation				Net Block	
	As at 1-Apr-06	Additions during the year	Deductions during the year	As at 31-Mar-07	As at 1-Apr-06	For the year 2006-07	On deduction during the year	As at 31-Mar-07	As at 31-Mar-07	As at 31-Mar-06
Free Hold Land	1,516.88	245.01	-	1,761.89	-	-	-	-	1,761.89	1,516.88
Lease Hold Land	-	17.56	-	17.56	-	0.10	-	0.10	17.46	-
Buildings	12,224.16	3,294.51	75.95	15,442.72	1,982.34	412.05	11.59	2,382.80	13,059.92	10,241.82
Plant and Machineries	21,274.78	3,271.79	462.05	24,084.52	5,113.79	1,543.36	240.60	6,416.55	17,667.97	16,160.99
Electric Installation and Air conditioned Plant	5,025.88	754.81	0.22	5,780.47	1,415.81	325.45	0.14	1,741.12	4,039.35	3,610.07
Furniture and Fixtures	1,922.60	298.03	30.62	2,190.01	675.40	117.41	25.57	767.24	1,422.77	1,247.20
Office and Factory Appliances	2,648.68	316.80	21.65	2,943.83	1,626.26	351.22	8.24	1,969.24	974.59	1,022.42
Vehicles	1,154.43	344.81	127.52	1,371.72	290.23	117.11	35.62	371.72	1,000.00	864.20
Intangibles being computer softwares	706.68	32.08	-	738.76	213.25	157.55	-	370.80	367.96	493.43
TOTAL	**46,474.09**	**8,575.40**	**718.01**	**54,331.48**	**11,317.08**	**3,024.25**	**321.76**	**14,019.57**	**40,311.91**	**35,157.01**
Previous Year	32,050.97	16,094.13	1,671.01	46,474.09	10,190.25	2,365.85	1,239.02	11,317.08	35,157.01	

Notes :

(a) Addition during the year includes Foreign Exchange loss of Rs. 63.69 lacs (Previous year Rs. 172.50 lacs), on account of restatement of the foreign currency loan balances and financial instruments thereon, at prevailing exchange rates.

b) Additions during the year include Research and Development assets as under :

Particulars	2006-07	2005-06
Free hold Land	107.22	-
Buildings	2,357.26	85.71
Plant and Machineries	1,401.22	1,157.69
Electric Installation and Air conditioned Plant	291.26	53.78
Furniture and Fixtures	105.92	101.48
Office and Factory Appliances	125.05	147.85
Vehicles	16.40	44.13
Intangibles being computer software	-	140.85
Total	**4,404.33**	**1,731.49**

c) Capital work in progress and advances for capital expenditure on Research and Development assets are as under :

Particulars	As at 31-Mar-07	As at 31-Mar-06
Capital work in progress	725.51	1,519.61
Advances for Capital expenditure	460.66	252.24
Total	**1,186.17**	**1,771.85**

(Rs. in lacs)

	No. of Units	As at 31-Mar-2007	As at 31-Mar-2006
SCHEDULE - 6 : INVESTMENTS (Unquoted)			
LONG TERM INVESTMENTS			
Investment in subsidiaries			
ZAO Torrent Pharma Fully paid up Equity Shares of Russian Roubles 100 each (previous year - no. of units : 4000)	5400	**2,308.49**	461.57
Torrent Do Brasil Ltda. Fully paid up Equity Shares (Quotas) of Brazilian Real (R$) 1 each	19144418	**3,111.04**	3,111.04
Torrent Pharma GmbH Equity Capital	–	**3,645.29**	3,645.29
Torrent Pharma Inc. Fully paid up Common Stock of USD 100 each	1000	**45.24**	45.24
Torrent Pharma Philippines Inc. Fully paid up Equity Shares of Philippines Pesos 200 each	55852	**91.64**	91.64
Laboratorios Torrent , S.A. De C.V. Fully paid up Equity Shares of Mexican pesos (M$) 1000 each	5005	**206.57**	–
Torrent Pharma Japan Co. Ltd Fully paid up Equity Shares of Japanese Yen (¥) 50000 each	200	**38.30**	–
Torrent Australasia Pty Limited Partly paid up Common Stock of Australian Dollar (A$) 1 each, A$ 0.1282 paid each	675000	**29.94**	–
		9,476.51	7,354.78
Trade			
Charterhouse Therapeutics Ltd.- Fully paid up Equity Shares of GBP 0.01 each	445000	**155.60**	155.60
Less : Provision for diminution in value		**155.60**	155.60
		–	–

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)
Non - Trade		
National Savings Certificates	**1.10**	1.11
(Lodged with Excise and Sales Tax Authorities)		
Contribution to Gujarat Venture Capital Fund, 1990 & 1995.	**19.25**	21.60
	20.35	22.71
Aggregate Long Term Investments	**9,496.86**	7,377.49
CURRENT INVESTMENTS	–	–
Aggregate Investments	**9,496.86**	7,377.49

There are no current investments at the end of the year. The gross movement in current investments during the year (being purchase and sale of units of liquid schemes of various mutual funds) is given below.

(Rs. in lacs)

Name of Mutual Fund Scheme	Purchase		Sale	
	Nos.	**Amount**	**Nos.**	**Amount**
Birla Cash Plus - IPP-Growth	178,586,219	20,460.00	178,586,219	20,547.08
Prudential ICICI Liquid Plan-IPP-Growth	73,645,741	7,840.00	73,645,741	7,874.48
Principal Floating Rate Fund-SMP Inst.-Growth	44,182,144	5,080.00	44,182,144	5,100.96
HSBC Cash Fund IPP-Growth	17,616,058	1,980.00	17,616,058	1,990.18
DSP ML Liquidity Fund - IP-Growth	905,825	9,455.00	905,825	9,502.15
DSP ML Liquidity Plus Fund-IP-Growth	72,319	740.00	72,319	749.69
Total		**45,555.00**		**45,764.54**

(Rs. in lacs)

	As at 31-Mar-2007	As at 31-Mar-2006
SCHEDULE - 7 : INVENTORIES		
Raw Materials	**5,217.48**	5,983.16
Packing Materials	**1,440.84**	1,501.21
Goods in Process	**3,135.94**	3,266.03
Finished Goods	**5,728.84**	4,401.08
Traded Goods	**3,065.45**	1,184.97
	18,588.55	16,336.45
SCHEDULE - 8 : SUNDRY DEBTORS		
(Unsecured)		
Debts over six months		
Considered Good	**4,028.68**	2,533.99
Considered Doubtful	**379.92**	19.67
Less :- Provision	**379.92**	19.67
	4,028.68	2,533.99
Other Debts - Considered Good	12,532.50	8,576.16
	16,561.18	11,110.15

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)
SCHEDULE - 9 : CASH AND BANK BALANCES		
Cash on hand	**10.24**	14.23
With Scheduled Banks in:		
Current Accounts	**892.35**	970.30
Term Deposit Accounts : [Rs. 4 lacs lodged with Banks as securities for LC and other facilities (Previous Year Rs. 3 lacs)]	**5.00**	5,004.12
	897.35	**5,974.42**
With Non - Scheduled Banks in current accounts		
- Vneshtorg Bank - Moscow (USD) (Maximum amount outstanding during the year Rs. 227.76 lacs, previous year Rs. 289.64 lacs)	**65.69**	58.23
- Vneshtorg Bank - Moscow (Rouble) (Maximum amount outstanding during the year Rs. 62.32 lacs, previous year Rs. 126.98 lacs)	**29.22**	20.93
- Bank for Foreign of Vietnam - Vietnam (USD) (Maximum amount outstanding during the year Rs. 119.29 lacs, previous year Rs. 89.64 lacs)	**15.47**	21.95
- OTP Bank - Ukraine (USD) (Maximum amount outstanding during the year Rs. 18.29 lacs, previous year Rs. 15.51 lacs)	–	–
- OTP Bank - Ukraine (UAH) (Maximum amount outstanding during the year Rs. 4.30 lacs, previous year Rs. 4.42 lacs)	**0.46**	0.35
- HSBC - Singapore (USD) (Maximum amount outstanding during the year Rs. 6.02 lacs, previous year Rs. 2175.50 lacs)	**1.34**	6.02
- Taib Kazakh Bank - Kazakisthan (KZT) (Maximum amount outstanding during the year Rs. 4.86 lacs, previous year Rs. NIL)	**4.86**	–
- Taib Kazakh Bank - Kazakisthan (USD) (Maximum amount outstanding during the year Rs. 10.19 lacs, previous year Rs. NIL)	**–**	–
	117.04	107.48
	1,024.63	6,096.13

SCHEDULE - 10 : OTHER CURRENT ASSETS		
(Unsecured and considered good, unless otherwise stated)		
Export benefits receivable	**793.46**	1,157.07
Customs, Excise & Insurance Claims receivable		
Considered Good	**655.75**	29.97
Considered Doubtful	**1.42**	1.42
Less :- Provision	**1.42**	1.42
	655.75	29.97
Interest accrued on loans and deposits	**12.46**	32.31
Others	**1.18**	0.56
	1,462.85	1,219.91

	As at 31-Mar-2007	(Rs. in lacs) As at 31-Mar-2006
SCHEDULE - 11 : LOANS AND ADVANCES		
(Unsecured and considered good)		
Loans & Advances to a Subsidiary Company (see note 7)	**229.66**	120.34
Advances recoverable in cash or in kind or for value to be received	**2,084.90**	2,288.53
Share Application Money Pending Allotment -Subsidiary Company (see note 8)	**0.28**	40.54
Balance with the Excise Department	**0.44**	9.53
Advance Tax Paid net of Provisions	**945.53**	850.64
MAT Credit Entitlement	**1,666.43**	300.16
	4,927.24	3,609.74
SCHEDULE - 12 : CURRENT LIABILITIES		
Sundry Creditors		
Small scale industrial undertakings (see note 12)	**59.65**	20.00
Others	**13,335.75**	12,241.92
Due to Subsidiary Companies	**122.50**	90.33
Investor Education and Protection Fund :		
Unclaimed Dividend	**53.04**	63.61
Unclaimed Share Application Money	**0.45**	0.45
Unclaimed Matured Fixed Deposits	**2.08**	3.17
Unclaimed Matured Debentures	**24.05**	24.20
Unclaimed Debenture Interest	**5.78**	10.72
	85.40	102.15
Other Liabilities	**470.65**	242.88
Advances from Customers	**42.84**	87.77
Interest accrued but not due	**26.26**	114.74
	14,143.05	12,899.79

Note : The Investor Education and Protection Fund is credited by the amounts unclaimed and outstanding on the relevant due date.

SCHEDULE - 13 : PROVISIONS		
Proposed Dividend	**–**	2,115.28
Add :Tax on Distributed Profits	**–**	296.67
	–	2,411.95
Accrued Employee Benefits (Gratuity, Long term compensation, leave benefits) (see note 5)	**1,542.35**	778.45
	1,542.35	3,190.40

	Year ended 31-Mar-2007	(Rs. in lacs) Year ended 31-Mar-2006
SCHEDULE - 14 : SALES & OPERATING INCOME		
Sales		
Domestic (net of Sales Tax / VAT)	**67,683.57**	57,015.08
Less : Excise Duty collected (see note 3)	**1,226.15**	5,236.28
Net Domestic Sales	**66,457.42**	51,778.80
Exports	**20,167.48**	16,023.00
	86,624.90	67,801.80
Operating Income		
Export Benefits	**474.22**	812.18
Income from Contract Research	**498.56**	152.25
Income from Product Registration Dossiers	**391.84**	230.08
Other Operating Income	**300.55**	200.67
	1,665.17	1,395.18
	88,290.07	69,196.98
SCHEDULE - 15 : OTHER INCOME		
Dividend	**–**	**3.69**
Lease Rent	**–**	0.05
Profit on Sale of Investments	**222.65**	103.83
Miscellaneous Income	**14.49**	22.73
	237.14	130.30
SCHEDULE - 16 : MATERIALS CONSUMED		
Raw Materials	**23,313.07**	20,722.21
Packing Materials	**3,488.54**	2,933.71
	26,801.61	23,655.92
SCHEDULE - 17 : (INCREASE)/DECREASE IN STOCK		
Opening Stocks		
Finished Goods	**4,401.08**	4,558.63
Traded Goods	**1,184.97**	640.35
Work in Process	**3,266.03**	3,223.05
	8,852.08	8,422.03
Less : Closing Stocks		
Finished Goods	**5,728.84**	4,401.08
Traded Goods	**3,065.45**	1,184.97
Work in Process	**3,135.94**	3,266.03
	11,930.23	8,852.08
	(3,078.15)	(430.05)
SCHEDULE - 18 : PERSONNEL COSTS		
(Other than those included in Research & Development Expenses)		
Salaries, Wages and Bonus	**9,801.69**	6,962.86
Contribution to Provident, Gratuity and other Funds (see note 5)	**1,039.09**	620.24
Welfare Expenses	**225.89**	143.16
	11,066.67	7,726.26

	Year ended 31-Mar-2007	(Rs. in lacs) Year ended 31-Mar-2006
SCHEDULE - 19 : MANUFACTURING & OTHER EXPENSES		
Power & Fuel	**1,875.87**	1,523.44
Stores & Spares Consumed	**1,111.81**	708.79
Laboratory Goods & Testing Expenses	**217.20**	190.96
Labour and Job Work Charges	**1,378.09**	1,397.06
Excise Duty (see note 3)	**(344.28)**	(343.70)
Repairs & Maintenance :		
Machinery	**181.98**	116.95
Buildings	**143.73**	144.71
Others	**92.89**	66.93
	418.60	328.59
Selling, Publicity & Medical Literature Expenses	**7,344.67**	5,984.49
Commission on sales	**1,028.90**	989.57
Sales and Turnover Taxes	**83.33**	172.69
Provision for Doubtful Debts	**377.02**	–
Bad Debts written off	**1.43**	13.38
Travelling, Conveyance & Vehicle Expenses	**3,753.47**	2,693.70
Printing & Stationery Expenses	**217.65**	192.44
Communication Expenses	**666.00**	606.38
Insurance	**279.47**	199.84
Rent	**432.05**	269.77
Rates & Taxes	**19.80**	22.17
Lease Rent	**11.19**	11.63
Auditors Remuneration & Expenses		
Audit Fees	**5.05**	5.05
Other Services	**4.88**	6.36
Out of Pocket Expenses	**0.37**	0.07
	10.30	11.48
Cost Audit Fees	**2.73**	2.00
Commission to Non Executive Directors	**14.70**	17.60
Net Foreign Exchange Loss	**265.56**	132.16
General Charges	**2,524.15**	2,255.43
Loss on sale / discard / write-off of fixed assets	**202.02**	32.38
Donation	**80.00**	100.25
	21,971.73	17,512.50
SCHEDULE - 20 : NET INTEREST EXPENSE / (INCOME)		
Expenses		
Fixed Period Loans	**1,989.53**	842.77
Others	**44.37**	37.21
	2,033.90	879.98
Income (Tax deducted at source Rs. 91.86 lacs, (previous year Rs. 80.82 lacs))	**719.04**	334.15
	1,314.86	545.83

SCHEDULE 21

Significant Accounting Policies

1 Basis for Preparation of Financial Statements

The financial statements are prepared and presented under the historical cost convention on accrual basis of accounting, in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. Except where otherwise stated, the accounting principles are consistently applied.

2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions and estimates, which it believes are reasonable under the circumstances that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3 Fixed Assets

a) Tangible fixed assets are stated at cost of acquisition or construction less accumulated depreciation. The cost of fixed asset includes non-refundable taxes & levies, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing cost attributable to acquisition or construction of qualifying fixed assets are capitalised to respective assets.

b) Pre-operative expenditure comprising of revenue expenses incurred in connection with project implementation during the period up to commencement of commercial production are treated as part of project costs and are capitalised. Such expenses are capitalised only if the project to which they relate involve substantial expansion of capacity or upgradation.

c) Certain computer software costs are capitalised and recognised as intangible assets in terms of Accounting Standard 26 on Intangible Assets based on materiality, accounting prudence and significant economic benefits expected to flow there from for a period longer than 1 year. Capitalised costs include direct costs of implementation and expenses directly attributable to the development of software where it is developed in-house.

d) Fixed Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

4 Depreciation and Amortisation

a) Depreciation on fixed assets (except leasehold land and information technology assets) is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

b) Cost of leasehold land is amortised over the period of the lease.

c) Information technology assets other than computer software are depreciated on straight line method over estimated useful life of 3 years.

d) Computer software costs capitalised is amortised using the straight-line method over estimated useful life of 3 to 5 years, as estimated at the time of capitalisation.

5 Investments

a) Long Term Investments are stated at cost. Provision is made to recognise any diminution in value, other than that of a temporary nature.

b) Current investments are carried at lower of cost and market value. Diminution in value is charged to the profit and loss account.

6 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories is determined on the following basis:

a) Cost of raw material and packing material is determined on moving average basis.
b) Work in process is determined on weighted average basis.
c) Cost of finished goods produced is determined on weighted average basis.
d) Cost of finished goods (traded) is determined on moving average basis.

7 Revenue Recognition

a) Sales are net of discounts, sales tax and returns; excise duty collected on sales is shown by way of deduction from sales.

b) Dividend income is recognised when the right to receive dividend is established.

c) Revenue in respect of other income is recognised when a reasonable certainty as to its realisation exists.

8 Employees Retirement and Other Benefits

a) The accruing liability on account of gratuity (retirement benefit in the nature of defined benefits plan) is actuarially valued every year at or around 28-February. The current service cost, interest cost, expected return on plan assets and the actuarial gain/loss are expensed to the profit and loss account of the year as Personnel Costs.

b) Long term compensation plan to employees (being deferred compensation paid 12 months or more after the end of the period in which it is earned) are expensed out in the year to which the costs relate at present value of the nominal benefits under the plan.

c) Annual contribution for superannuation benefit (retirement benefit in the nature of defined contribution plan) to employees, based on their annual basic salary, is paid to Life Insurance Corporation of India to maintain a fund for payment of superannuation benefits to employees on their retirement or separation. Such contribution is expensed to the profit and loss account for the year as Personnel Costs.

d) Cost of earned leave of the employees is estimated at the end of every year and expensed to the profit and loss account of the year in which such leave were earned as Personnel Costs.

9 Cenvat Credit

Cenvat (Central value added tax) credit in respect of Excise, Custom and Service tax is accounted on accrual basis on purchase of eligible inputs, capital goods and services. The balance of cenvat credit is reviewed at the end of each year and amount estimated to be un-utilisable is charged to the profit and loss account for the year.

10 Stores and Spares

Stores and Spares (other than spares acquired with fixed assets) are charged to the profit and loss account as and when purchased.

11 Computer Software Costs

Expenditure incurred for procuring, developing, improving and maintaining computer software programs are charged to the profit and loss account as and when incurred, except when capitalised in accordance with note 3 (c) above.

12 Research and Development

Research and Development expenses are charged to revenue. Capital expenditure on research and development is reported as fixed assets under the relevant head. Depreciation on research and development fixed assets is included under depreciation expense.

13 Leases

Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account on accrual and on straight line basis over the lease term.

14 Accounting for Tax

a) Current Tax and Fringe Benefit Tax are accounted on the basis of estimated taxable income for the current accounting period and in accordance with the provisions of Income Tax Act, 1961.

b) Deferred Tax resulting from "timing differences" between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or subsequently enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. Net deferred tax liability is arrived at after setting off deferred tax assets.

c) In terms of the Guidance Note on Accounting for credit available in respect of Minimum Alternative Tax under the Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India, the excess of Minimum Alternate Tax (MAT) over normal current tax payable has been accounted as an asset by credit to the profit & loss account as MAT Credit Entitlement.

15 Foreign Currency Transactions

a) Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction.

b) The net gain or loss on account of exchange differences arising on settlement of foreign currency transactions are recognised as income or expense of the period in which they arise except that exchange differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets. In case of forward contracts, the difference between the forward rate and the exchange rate on the date of the contract is recognised as income or expense over the life of the contract. Exchange differences on such a contract are recognised in the profit and loss account in the period in which the exchange rates change.

c) Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the rate prevailing as on that date. The resultant exchange differences are recognised in the profit and loss account.

d) Investments in shares of foreign subsidiaries and other companies are expressed in reporting currency at the rates of exchange prevailing at the time when the original investments were made.

16 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Liabilities which are of contingent nature are not provided but are disclosed at their estimated amount in the notes forming part of the accounts. Contingent assets are neither recognised nor disclosed in the financial statements.

SCHEDULE - 22

NOTES FORMING PART OF ACCOUNTS

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)
1. Estimated amount of unexecuted capital contracts [net of advances] not provided for :	**1035.47**	2175.16
2. **Contingent Liabilities not provided for in respect of :**		
(a) Claims against the Company not acknowledged as debts :		
Disputed demand of income tax for which an appeal has been preferred	**1239.86**	817.17
Disputed ESI Liability	**186.72**	161.44
Disputed legal cases for supply of goods and services	**1.78**	–
Disputed Demand of Excise & Service tax	**26.33**	–
	1454.69	**978.61**
(b) The Company has issued guarantees aggregating USD 9 million (previous year USD 3.4 million) and EURO 5 million (previous year Nil) to secure lines of credit to its wholly owned subsidiaries. The outstanding amount of borrowing by the subsidiaries as on balance sheet date, converted at closing exchange rate, is	**696.31**	**928.32**
(c) Uncalled liability on partly paid shares of Torrent Australasia Pty Limited, a wholly owned subsidiary.	**206.90**	–

3. Excise Duty shown as deduction from Domestic Sales represents the amount of excise duty collected on sales. Excise duty expenses under Schedule - 19, "Manufacturing & Other Expenses", represents the difference between excise duty element in amounts of closing stocks and opening stocks, excise duty paid on samples and on inventory write-off, which is not recoverable from sales.

4. (a) The Profit & Loss Account includes remuneration paid to managerial personnel :

	2006-07	2005-06
		(Rs. in lacs)
Salary and allowances	**268.18**	327.67
Contribution to Provident & Other funds	**30.58**	63.10
Perquisites	**12.26**	15.52
Commission to Managerial Personnel	**164.70**	217.60
	475.72	**623.89**

(b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956 and commission payable :

Net profit for the Year	**11,295.94**
Add: Provision for taxation as per the profit and loss account	**1,114.42**
Depreciation as per financial statements	**3,024.25**
Directors' remuneration (including commission)	**475.72**
	15,910.33
Less: Profit on sale of Investment (Net)	**222.65**
Capital Gain on sale of Asset	**8.66**
Depreciation under Section 350 of the Companies Act, 1956	**2,867.01**
Net Profit	**12,812.01**
Commission entitlement of managerial personnel	**576.54**
Commission paid to managerial personnel	**150.00**
Commission entitlement of Non-Executive Directors	**64.06**
Commission Paid to Non-Executive Directors	**14.70**

5. Effective financial year 2006-07, the Company implemented Accounting Standard (AS) 15 (Revised 2005) dealing with Employee Benefits, issued by the Institute of Chartered Accountants of India. AS 15 (Revised 2005) deals with recognition, measurement and disclosure of short term, post-employment, termination and other long term employee benefits provided by the Company. Adoption of AS 15 (Revised 2005) has resulted in certain changes in accounting policies followed by the Company in respect of post-employment and other long term employee benefits. However the changes are not expected to have a material effect on the financial statements of the current year.

As permitted by the transitional provisions in AS 15 (Revised 2005), Rs. 216 lacs (net of deferred tax asset of Rs. 90 lacs) being difference between present value of defined benefit obligations on account of gratuity and long term compensation plans and fair value of plan assets, if any, as on 31-Mar-2006 has been charged off to the General Reserve Account.

General Description of the Plan :

The Company operates a defined benefit plan (the Gratuity Plan) covering eligible employees, which provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees salary and the tenure of employment.

Status of gratuity plan as required under AS 15 [Revised] :

	Particulars	(Rs. in lacs) **FY 2006-07**
a.	**Reconciliation of opening and closing balances of the present value of the defined benefit obligation:**	
	Obligations at the beginning of the year	875.19
	Current service cost	199.00
	Interest cost	66.00
	Actuarial (gain) / loss	140.56
	Benefits paid	(61.75)
	Obligations at the end of the year	**1,219.00**
b.	**Reconciliation of opening and closing balances of the fair value of plan assets :**	
	Plan assets at the beginning of the year, at fair value	608.76
	Expected return on plan assets	46.00
	Actuarial gain / (loss)	(1.09)
	Contributions	187.56
	Benefits paid	(61.75)
	Plan assets at the end of the year, at fair value	**779.48**
c.	**Reconciliation of the present value of the defined benefit obligation & fair value of plan assets :**	
	Obligations at the end of the year	1,219.00
	Plan assets at the end of the year, at fair value	779.48
	Liability recognised in Balance sheet as on 31-Mar-07	**439.52**
d.	**Gratuity cost for the year :**	
	Current service cost	199.00
	Interest cost	66.00
	Expected return on plan assets	(46.00)
	Net Actuarial (gain)/Loss.	141.65
	Net gratuity cost	**360.65**

e. Investment details of plan assets :

To fund the obligations under the gratuity plan, Contributions are made to Life Insurance Corporation of India, who has invested the funds substantially in the government securities.

f. Assumptions

Interest rate	**8.00%**
Expected rate of return on plan assets	
(Yield on long term bonds of Central Government prevailing on 31-Mar-07)	**8.00%**

Future Salary increases are based on long term average salary rise expected taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employee market. Future Separation & mortality rates are obtained from relevant data of Life Insurance Corporation of India.

g. Past four years data for defined benefit obligation and fair value of plan assets are as under :

(Rs. in lacs)

	2002-03	**2003-04**	**2004-05**	**2005-06**
Present value of defined benefit obligations at the end of the year [independent actuary]	243.80	288.69	385.02	875.19
Fair value of plan assets at the end of the year	229.83	365.13	447.49	608.76
Net assets / (liability) at the end of year	**(13.97)**	**76.44**	**62.47**	**(266.43)**

6 (a) Research and Development expenses comprise :

(Rs. in lacs)

	2006-07	2005-06
Personnel costs :		
Salaries, wages and bonus	**2,312.71**	1,926.71
Contribution to Provident, Gratuity and other funds	**249.50**	201.06
Welfare expenses	**61.62**	48.50
	2,623.83	2,176.27
Power and Fuel	**361.95**	330.06
Stores and Spares Consumed	**593.86**	477.96
Laboratory Goods and Testing Expenses	**1,681.24**	821.77
Clinical Research Expenses	**961.75**	526.34
Labour and Job Work Charges	**97.39**	49.75
Repairs and Maintenance	**105.72**	85.71
Travelling, Conveyance and Vehicle Expenses	**182.67**	144.99
Printing and Stationery Expenses	**52.75**	51.18
Communication Expenses	**42.23**	33.09
Insurance	**23.26**	19.52
Rent	**1.89**	6.91
Rates and Taxes	**4.59**	5.84
General Charges	**662.63**	913.05
	7,395.76	5,642.44

(b) Depreciation includes Rs. 711.68 lacs (previous year Rs. 683.95 lacs) pertaining to Research & Development assets.

7. The Company has given loans of Rs. 1386.72 lacs (previous Year Rs. 89.22 lacs) to wholly owned subsidiaries during the financial year. The details of the same are as under :

(Rs. in lacs)

Name of subsidiary	Amount of Loan Granted	Max. amount outstanding during the year	Balance as on 31-Mar-07	Balance as on 31-Mar-06
Torrent Pharma Philippines Inc.	138.59	229.33	217.95	89.22
Torrent Pharma GmbH	1,181.00	1,186.20	–	–
ZAO Torrent Pharma	67.13	67.13	–	–
Total	**1,386.72**	**1,482.66**	**217.95**	**89.22**

Other than above, the Company has not given any loans or advances in the nature of loan to any of its subsidiaries and associates or firms/companies, in which Directors are interested.

There are no loans or advances in the nature of loan where :

(i) Either repayment schedule is not prescribed or repayment is scheduled beyond seven years; or

(ii) Either no interest is charged or interest is below the rate specified in Section 372A of the Companies Act, 1956.

8. Share Application Money Pending Allotment - Subsidiary Company, represents investment made in Laboratorios Torrent, S.A. de C.V., wholly owned subsidiary, incorporated in Mexico on 20-Mar-06, where share allotment is expected after the Balance Sheet date.

9. Net foreign currency positions outstanding as at 31-Mar-07 under derivatives contracts for hedging are summarised below :

(Amount in lacs)

Hedged Item / Nature of Derivatives Contracts	Net Position under Derivatives Contracts – Long Position		Net Position under Derivatives Contracts – Short Position		Unhedged foreign currency exposures	
	Currency	Amount	Currency	Amount	Currency	Amount
Foreign Currency Loans - Payable					USD	2.50
Forward Exchange Contracts	JPY	21,506.25	USD	16.25		
			INR	7,408.06		
Currency Swap	USD	43.75	INR	1,950.81		
Trade Payables	—	—	—	—	USD	3.99
					EUR	0.95
					GBP	0.09
					JPY	24.68
					CHF	0.38
Trade Receivables					USD	129.48
Forward Exchange Contracts	INR	8,100.93	USD	139.23	EUR	2.92
			EUR	33.00		
Foreign Currency Loan-Receivable	—	—	—	—	USD	5.22

Notes :

I Derivative contracts have been evaluated at the spot rates involved in the respective contracts.

II INR = Indian Rupees, reporting currency
USD = United States Dollars
EUR = Euro
GBP = British Pound
JPY = Japanese Yen
CHF = Swiss Franc

III Foreign currency loan - payable, outstanding on 31-Mar-07, JPY 21,506 lacs bears a floating rate of interest linked to JPY Libor. The floating rate basis is unhedged.

10. The components of the deferred tax adjustments balance are set out below:

(Rs. in lacs)

	As at 31-Mar-2007	As at 31-Mar-2006
Deferred Tax Liabilities		
Excess of depreciation claimed under the income tax law over that debited to profit and loss account in the earlier years	**6,948.16**	5,757.18
Deferred Tax Assets		
Provision for Leave Salary	**(284.51)**	(201.80)
Provision for Gratuity	**(149.39)**	–
Provision for Doubtful Debts	**(129.29)**	(6.62)
Bonus Payable	**(54.38)**	–
	6,330.59	5,548.76

11. The basic & diluted earnings per share are :

			2006-07	2005-06
Net profit for the period	(a)	[Rs. in lacs]	**11,295.94**	6,583.17
Weighted average number of equity shares	(b)	[Nos. in lacs]	**846.11**	846.11
EPS (basic & diluted)	(a)/(b)	Rs.	**13.35**	7.78
Nominal value of shares 846.11 lac shares of Rs. 5 each		[Rs. in lacs]	**4,230.57**	4,230.57

12. Names of the small scale industrial undertaking whose dues are outstanding for more than 30 days are : (a) Compack Enterprises India (P) Ltd., (b) Nonstop Print-N-Packs, (c) Maximaa Systems Ltd, (d) ECO Engineers, (e) Airmaster Equipments India (P) Ltd, (f) Thermitech Controls, (g) Fristam Pumps (I) Pvt. Ltd.

13 **Quantitative Information**

	2006-07	2005-06
A Licensed Capacity	Not Applicable	Not Applicable
B Installed Capacity		
I : Formulation		
1. Tablets	9,400 Million	9,400 Million
2. Capsules	480 Million	480 Million
3. Injection / Vials	26 Million	26 Million
4. Suspension / Liquid [Ltr.]	1 Million	1 Million
II : Bulk Drugs	18,000 Kg.	18,000 Kg.

Notes :

1. Installed capacity largely depends on the product mix, hence, the installed capacity mentioned here is based on the prevailing product mix.

2. The company has commissioned a new formulation manufacturing facility at Baddi, Himachal Pradesh on 09-Nov-05.

C Production and Stocks

Item	Unit	Production*	Opening Stock		Closing Stock	
			Quantity	Rs. in lacs	Quantity	Rs. in lacs
1. Formulation						
Tablets	'000 Nos.	**2,928,507** (2,704,104)	**585,899** (528,411)	**3,207.15** (3,278.11)	**639,843** (585,899)	**4070.13** (3,207.15)
Capsules	'000 Nos.	**245,464** (277,166)	**51,614** (51,171)	**504.24** (540.84)	**39,029** (51,614)	**566.19** (504.24)
Suspension / Liquid	Ltr.	**560,104** (496,823)	**126,268** (111,364)	**238.45** (254.96)	**125,545** (126,268)	**314.39** (238.45)
Injections	Ltr.	**71,943** (58,696)	**20,994** (32,270)	**231.33** (163.52)	**13,007** (20,994)	**211.67** (231.33)
Vials / Cartridges	Nos.	**16,462,776** (15,743,958)	**371,875** (404,623)	**96.20** (194.45)	**946,516** (371,875)	**383.73** (96.20)
Ointment	Kg.	**4,921** (16,345)	**4,878** (1,238)	**23.79** (16.69)	**1,852** (4,878)	**15.05** (23.79)
Others						**15.55** (–)
2. Bulk Drugs	Kg.	**7,262** (8,828)	**393** (438)	**99.92** (110.06)	**557** (393)	**152.13** (99.92)
Total				**4,401.08** (4,558.63)		**5,728.84** (4,401.08)

*** Notes:**

I Includes production in factories of third parties on loan license.

II Bulk Drug includes production for captive consumption.

D Purchase and Stocks of Traded Goods

Item	Unit	Purchase*	Opening Stock		Closing Stock	
			Quantity	Rs. in lacs	Quantity	Rs. in lacs
1. **Formulation**						
Tablets	'000 Nos.	167,739	30,560	746.79	65,095	1,565.84
Capsules	'000 Nos.	70,066	6,873	163.21	25,474	1,055.76
Suspension / Liquid	Ltr.	28,402	–	–	16,028	96.70
Injections	Ltr.	606	–	–	577	123.92
Vials / Cartridges	Nos.	156,725	124,062	144.00	67,771	113.26
Ointment	Kg.	16,885	–	–	11,534	70.29
Others				91.45		35.77
2. **Bulk Drugs**	Kg.	31,125	5,077	39.52	75	3.91

E Sales by class of goods

	Unit	Quantity	Rs. in lacs
1. Formulation			
Tablets	'000 Nos.	**3,007,767** (2,726,696)	**57,674.29** (44,433.68)
Capsules	'000 Nos.	**309,514** (315,529)	**9449.51** (6,299.01)
Suspension / Liquid	Ltr.	**573,201** (481,919)	**2118.54** (1,858.40)
Injections	Ltr.	**79,959** (69,972)	**1,035.78** (647.29)
Vials / Cartridges	Nos.	**16,101,151** (15,893,127)	**14,666.68** (13,246.81)
Ointment	Kg.	**13,298** (12,705)	**328.55** (490.08)
Others	Kg.		**402.71** (120.70)
2. Bulk Drugs	Kg.	**43,224** (17,975)	**948.84** (705.83)
Total			**86,624.90** (67,801.80)

14 Consumption of Raw Materials

	2006-07		2005-06	
	Quantity	**Rs. in lacs**	Quantity	Rs. in lacs
Dry Insulin MU	**5360**	**8,941.25**	6200	10,314.55
Others		**14,371.82**		10,407.66
		23,313.07		20,722.21

15 Break-up of Imported & Indigenous Materials Consumed

	2006-07		2005-06	
	Rs. in lacs	**% to Total Consumption**	Rs. in lacs	% to Total Consumption
(a) Raw Materials				
Imported	**9616.94**	**41.25**	10869.75	52.45
Indigenous	**13696.13**	**58.75**	9852.46	47.55
	23313.07	**100.00**	20722.21	100.00
(b) Stores & Spares				
Imported	**47.55**	**4.28**	45.91	6.48
Indigenous	**1064.26**	**95.72**	662.88	93.52
	1,111.81	**100.00**	708.79	100.00

		2006-07 (Rs in lacs)	2005-06 (Rs in lacs)
16	**Value of Imports on CIF basis in respect of**		
	(a) Raw Materials and Packing Material	**10,436.84**	11092.36
	(b) Consumable Stores	**506.90**	385.11
	(c) Capital Goods	**1,009.23**	1144.09
17	**Expenditure in Foreign Currency**		
	(a) Books and Periodicals	**93.76**	26.83
	(b) Travelling	**279.80**	274.90
	(c) Professional Fees	**333.59**	463.13
	(d) Others	**5,810.91**	3790.66
18	**Earnings in Foreign Exchange**		
	F.O.B. value of exports	**16,455.53**	13,442.49
	Other income (from Contract Research, Product registration dossiers & Interest)	**911.48**	382.33

19 Accounting Standard 17 requires segment information to be presented on the basis of consolidated financial statements. Accordingly segment information is not provided here, but included in consolidated financial statements.

20 Previous year figures have been regrouped wherever necessary so as to make them comparable with those of the current year.

21 The disclosures pertaining to related parties and transactions therewith are set out in the table below :

(Rs. in lacs)

Particulars	**Subsidiaries**		**Controlling Company / Enterprises Controlled by the Controlling Company**		**Enterprises Controlled by Key Management Personnel / Relatives of Key Management Personnel**		**Enterprises Controlled by the Company**		**Key Management Personnel**		**Total**	
(A) Nature of Transactions	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**
Sale of Finished Goods	8539.85	5640.93	31.56	24.40							8571.41	5665.33
Sale of Dossiers	338.99	156.85									338.99	156.85
Purchase of Material, Consumables etc	83.20	75.66	39.18	42.36							122.38	118.02
Remuneration to Key Management Personnel									461.02	606.27	461.02	606.27
Contribution to Gratuity / Superannuation Funds							441.24	354.87			441.24	354.87
Lease Rent Paid			9.49	11.49							9.49	11.49
Services received	417.40	413.96	421.81	391.67	643.67	457.68					1482.88	1263.31
Commission & Interest paid to carrying & forwarding agents					156.08	124.64					156.08	124.64
Donation					30.00	100.00					30.00	100.00
Interest on loan	21.08	0.70									21.08	0.70
Expenses Reimbursement	20.85	34.37		0.07	25.03	17.92					45.88	52.36
Purchase of Fixed Assets			165.68	3.82							165.68	3.82
Sale of Fixed Assets			40.13			3.15					40.13	3.15
Equity Contribution	2121.74	3514.59									2121.74	3514.59
Loans given	1386.72	89.22									1386.72	89.22
Repayment of Loan	1248.13										1248.13	
Advances Recoverable in Cash or Kind written off				805.86								805.86
Deposits given			6.56	0.23							6.56	0.23
Share Application Money-pending allotment	0.28	40.54									0.28	40.54
(B) Balances at the end of the year	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**
Sundry Debtors	7880.13	4254.61	1.93	1.53							7882.07	4256.14
Loan to Subsidiary	217.95										217.95	
Advances Recoverable in Cash or Kind	12.05	31.12				4.26	19.71	19.71			31.76	55.09
Investments in Equities	9476.51	7354.78									9476.51	7354.78
Sundry Creditors	121.76	90.33	5.75	118.57	262.95	256.06					390.46	464.96
Guarantees given	6830.10	1516.74									6830.10	1516.74
Zao Torrent Pharma (3 Million USD)	1307.70										1307.70	
Torrent Pharma GmbH (5 Million Euro)	2907.00										2907.00	
Torrent Do Brasil Ltda (6 Million USD)	2615.40	1516.74									2615.40	1516.74

Names of related parties and description of relationship :

1	Subsidiaries and Step Down Subsidiaries	Heumann Pharma Gmbh & Co. Generica KG, Torrent Do Brasil Ltda, Zao Torrent Pharma, Torrent Pharma GmbH., Torrent Pharma Inc., Torrent Pharma Philippines Inc., Torrent Australasia Pty Ltd, Laborotrios Torrent S.A. de C.V. Torrent Pharma Japan Co. Ltd.		
2	Enterprises controlled by the Company	TPL Employee Group Gratuity Trust, TPL Employee Superannuation Trust		
3	Controlling Company / Enterprises Controlled by the Controlling Company	Torrent Private Ltd., Torrent Cables Ltd., Gujarat Lease & Finance Ltd., Torrent Gujarat Biotech Ltd., Torrent Power Ltd		
4	Key Management Personnel	Sudhir Mehta Chairman	Samir Mehta Managing Director	Dr. C. Dutt Whole Time Director
5	Relatives of Key Management Personnel	Anita Mehta, wife Shardaben Mehta, mother Varun Mehta, son Jinal Mehta, son Meena Modi, sister Nayna Shah, sister	Sapna Mehta, wife Shardaben Mehta, mother Aman Mehta, son Shaan Mehta, son Meena Modi, sister Nayna Shah, sister	Shobha Dutt, wife Umang Dutt, son Uttang Dutt, son
6	Enterprises Controlled by Key Management Personnel / Relatives of Key Management Personnel	Torrent Scitech India Pvt. Ltd., U. N. Mehta Charitable Trust, D. N. Modi Charitable Trust, Shardaben Mehta Charitable Trust, Tsunami Tours & Travels Pvt. Ltd., Tsunami Pharmaceuticals Pvt. Ltd., Torrel Cosmetics Pvt. Ltd., Zeal Drugs & Chemicals, Zeal Pharmachem India Pvt. Ltd., Shruti Plastic Industries Pvt. Ltd.		

Note:

1) Torrent Pharma Japan Co. Ltd., a wholly owned subsidiary, was incorporated in Japan, on 03-Apr-06

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Signatures to Schedule 1 to 22

Sudhir Mehta
Chairman

Gaurav J. Shah
Partner

Mahesh Agrawal
GM (Legal) &
Company Secretary

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

Ahmedabad
23rd May, 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

I Registration No. : 2126 State Code : 04

Balance Sheet Date : **31032007**

II Capital raised during the year (Rs. in Lacs)

Public Issue : NIL Right Issue : NIL

Bonus Issue : NIL Private Placement : NIL

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

Total Liabilities : 96351.66 Total Assets : 96351.66

Sources of Funds

Paid-up Capital : 4230.92 Reserves & Surplus : 42207.24

Secured Loans : 26397.51 Unsecured Loans : 1500.00

Net Deferred Tax Liability : 6330.59

Application of Funds

Net Fixed Assets : 44290.35 Investments : 9496.86

Net Current Assets : 26879.05 Misc. Expenditure : NIL

Accumulated Losses : NIL

IV Performance of Company (Rs. in Lacs)

Turnover : 86624.90 Total Expenditure : 76116.85

Profit Before Tax & Exception Items : 12410.36 Profit After Tax & Exception Items : 11295.94

Earning per Share (in Rs.) : 13.35 Dividend rate % : 60.00%

[Interim dividen paid]

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

Item Code No. (ITC Code) : 300431.01

Product Description : Insulin

Item Code No. (ITC Code) : 300490.81

Product Description : Lamotrigine

Item Code No. (ITC Code) : 300490.89

Product Description : Alprazolam

Sudhir Mehta
Chairman

Samir Mehta
Managing Director

Mahesh Agrawal
GM (Legal) &
Company Secretary

Ahmedabad
23rd May, 2007

TO THE SHAREHOLDERS

CAVEAT

This section of the Annual Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward-looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

NOTE

Except stated otherwise, all figures, percentages and analysis are on consolidated numbers of Torrent Pharmaceuticals Ltd. and its wholly owned subsidiaries.

OVERVIEW

Torrent Pharmaceuticals Ltd. is one of the leading companies in the Indian Pharmaceutical market. The Company's revenues are mainly from manufacture and sale of branded as well as unbranded generic pharmaceutical products. A further break down of pharmaceutical sales can be done as Domestic formulations (comprising branded pharmaceutical formulations sold in the domestic market), Contract manufacturing (mainly comprising of sourcing, manufacturing and supplying insulin formulations nder the third-party brand name) and International operations (comprising sales outside India of branded and unbranded-generic pharmaceutical formulations).

The operating costs primarily comprise raw and packing materials, purchase of finished goods, staff cost (not including R&D staff), selling and marketing expenses, manufacturing overheads, research & development expenses (including cost of R&D staff) and general overheads.

RESULTS OF OPERATIONS OF FY 2006-07 COMPARED WITH FY 2005-06

Net Sales and other operating income

Consolidated net sales for the year was Rs. 1263.33 crores compared with previous year's net sales of Rs. 936.74 crores showing a growth of 35%. The break down of sales is given below

Rs. in crore; (1 crore = 10 million)

Segment	FY 2006-07		FY 2005-06		Growth
	Amount	Share	Amount	Share	%
Domestic formulations (net of excise duty)	544.39	43%	392.10	42%	39%
Sales outside India	598.76	47%	418.95	45%	43%
Contract manufacturing	118.50	10%	124.35	13%	-5%
Others	1.68	0%	1.34	0%	25%
Consolidated net sales	**1,263.33**	**100%**	**936.74**	**100%**	**35%**

The Company's domestic formulation sales (sales in India) showed a growth of 39% during the year (previous year 35%) compared with the domestic pharmaceutical market growth rate of approximately 14.3% (previous year 15.4%). The growth in domestic formulations sales based on age of the portfolio is given below:

	Growth	
Portfolio	**FY 2006-07**	**FY 2005-06**
Existing Products (other than those mentioned below)	24%	21%
New Products introduced in the previous year	8%	6 %
New Products introduced in the current year	7%	8 %
Total	39%	35%

The growth rates of respective portfolios are also given as under:

	Growth	
Portfolio	**FY 2006-07**	**FY 2005-06**
Existing Products (other than those mentioned below)	26%	22%
New Products introduced in the previous year	123%	93%
New Products introduced in the current year	-	-

The therapeutic area weightage in the domestic formulations sales is set out in the following table:

Therapeutic Area wise Sales	**FY 2006-07**	**FY 2005-06**
Cardio Vascular	33%	33%
CNS	22%	19%
Gastro Intestinal	19%	21%
Anti Infectives	13%	16%
Pain Management	5%	4%
Oral Anti Diabetics	4%	4%
Others	5%	3%
Total	**100%**	**100%**

Approximately 10% (previous year 15%) of the domestic formulations sales of the Company were subject to price control under the Drug Price Control Order, 1995. The Company introduced 49 new products (including line extensions) during FY 2006-07 as compared to 43 in FY 2005-06.

International sales (sales outside India) comprised branded-generic and unbranded-generic formulations. For the year international sales constituted 47% (previous year 45%) of consolidated sales and grew by 43% (previous year 222%). The growth was driven by Brazil, Europe and Russia. Region-wise international sales are given below:

(Rs. in crore)

Regions	**FY 2006-07**		**FY 2005-06**		**Growth**
	Sales	**%**	**Sales**	**%**	**%**
Brazil	166.80	28%	115.68	28%	44%
Russia / CIS	57.35	10%	37.66	9%	52%
Europe / CEE	38.86	6%	47.58	11%	-18%
Heumann (Germany) #	268.07	45%	168.84	40%	59%
Rest of World	67.68	11%	49.19	12%	38%
Total	**598.76**	**100%**	**418.95**	**100%**	**43%**

Heumann Pharma GmbH & Co Generica KG (Heumann) a wholly owned subsidiary operating in Germany was acquired in July 2005. The sales for 2005-06 are for the post-acquisition period.

Other operating income in FY 2006-07 was Rs. 35.45 crores compared with Rs. 30.42 crores in FY 2005-06 indicating 17% increase. Product licensing income was Rs. 14.88 crores compared with Rs. 6.13 crores in the previous year.

Operation costs (excluding depreciation and interest) and operating profit (PBDIT)

The total operating costs, excluding depreciation and interest, was Rs. 1143.05 crores for FY 2006-07 compared with Rs. 859.10 crores for FY 2005-06. The ratio of operation costs to total sales and operating income was 88% for FY 2006-07 compared with 88.8% for FY 2005-06.

The PBDIT, excluding other income was Rs. 155.73 crores for FY 2006-07 compared with Rs. 108.06 crores for FY 2005-06, an increase of 44%. The ratio of PBDIT to sales and operating income was 12% for FY 2006-07 compared with 11.2% for FY 2005-06, indicating a margin gain of 0.8%.

The raw material and packing material cost (including purchase of traded goods) was Rs. 489.39 crores for FY 2006-07 compared with Rs. 405.24 crores for FY 2005-06, reflecting an increase of 21%. The raw material and packing material cost to total sales and operating income ratio was 37.7 % for FY 2006-07 compared with 41.9% for FY 2005-06, indicating a margin gain of 4.2%.

The manufacturing cost was Rs. 48.08 crores for FY 2006-07 compared with Rs. 39.42 crores for FY 2005-06 reflecting an increase of 22%. The manufacturing cost to total sales and operating income ratio was 3.7% for FY 2006-07 compared with 4.1% for FY 2005-06, indicating a margin gain of 0.4%.

The staff cost (does not include R&D staff) was Rs. 248.84 crores for FY 2006-07 compared with Rs. 179.77 crores for FY 2005-06, an increase of 38%. The increase reflects primarily the full year impact of commissioning of new formulation manufacturing facility at Baddi, Himachal Pradesh and a general increase in salary level. The staff cost to total sales and operating income ratio was 19.2% for FY 2006-07 compared with 18.6% for FY 2005-06, indicating a margin loss of 0.6%.

The increase in stock-in-trade (comprising finished goods, work-in-progress and traded goods) was Rs. 40.89 crores for FY 2006-07 against an increase of Rs. 63.05 crores for FY 2005-06. The increase in stock-in-trade to total sales and operating income ratio was (3.1%) for FY 2006-07 compared with (6.5%) for FY 2005-06, indicating a margin loss of 3.4%. However, since the stock-in-trade comprises of elements of raw and packing materials, manufacturing costs and excise duty, this margin loss is off-setting the margin gain indicated for those heads.

The selling cost was Rs. 161.78 crores for FY 2006-07 compared with Rs. 127.48 crores for FY 2005-06, an increase of 27%. The increase in selling cost is mainly attributable to full year expenses of Heumann, Germany and higher sales promotion expenses. The selling cost to total sales and operating income ratio was 12.5 % for FY 2006-07 compared with 13.2 % for FY 2005-06, indicating a margin gain of 0.7 %.

The R&D cost was Rs. 77.01 crores for FY 2006-07 compared with Rs. 56.42 crores for FY 2005-06, an increase of 37%. Product development costs accounted for 67.5% (previous year 73.9%) and discovery research costs accounted for 32.5% (previous year 26.1%) of the total R&D cost. The increase in R&D cost is mainly attributable to continuing build up of product pipeline for regulated markets of US & EU. The R&D cost to total sales and operating income ratio was 5.9% for FY 2006-07 compared with 5.8% for FY 2005-06, indicating a margin loss of 0.1%.

The general and administration cost was Rs. 158.83 crores for FY 2006-07 compared with Rs. 113.82 crores for FY 2005-06, an increase of 40%. The general and administration cost to total sales and operating income ratio was 12.2% for FY 2006-07 compared with 11.8% for FY 2005-06, indicating margin loss of 0.4 %.

The summary of reported operating profit margin movement for the year is as under.

Operating profit margin for FY 2005-06	11.2%
(Loss) / Gain in margin on account of:	
Raw & packing material consumed	4.2%
Manufacturing cost	0.4%
Staff cost	(0.6%)
Increase in stock-in-trade	(3.4%)
Selling cost	0.7%
R&D cost	(0.1%)
General and administration cost	(0.4%)
Operating profit margin for FY 2006-07	**12.0%**

Other Income

Other income for FY 2006-07 was Rs. 2.37 crores compared with Rs. 1.30 crores for FY 2005-06, increase of 82 %. The other income to total sales and operating income ratio was 0.2% for FY 2006-07 compared with 0.1% for FY 2005-06, indicating a PAT margin gain of 0.1 %.

Depreciation and amortisation

Depreciation was Rs. 32.87 crores for FY 2006-07 compared with Rs. 25.52 crores for FY 2005-06, an increase of 28.8 %, mainly due to full year impact of depreciation/amortisation of new formulation manufacturing facility at Baddi, Himachal Pradesh, capitalised last year. The depreciation to total sales and operating income ratio was 2.5 % for FY 2006-07 compared with 2.6 % for FY 2005-06, causing a PAT margin gain of 0.1 %.

Net interest expense

Net interest expense was Rs. 16.20 crores for FY 2006-07 compared with net interest expense of Rs. 6.14 crores for FY 2005-06. The ratio of net interest expense to total sales and operating income was 1.2 % for FY 2006-07 compared with 0.6 % for FY 2005-06, causing a PAT margin loss of 0.6 %.

Provision for Taxation

The current tax charge (including MAT credit entitlement & Fringe benefit Tax) for FY 2006-07 was Rs. 5.92 crores (0.5 % of sales and operating income), compared with Rs. 7.60 crores (0.8 % of sales and operating income) for FY 2005-06. Average current tax rate as a percentage of profit before tax & exceptional items was 5.4% for FY 2006-07 compared with 9.8% for FY 2005-06.

The total tax expense (adjusted for deferred tax and tax of earlier years) to total sales and operating income ratio for FY 2006-07 was 1.2% compared with 1.9% for FY 2005-06, indicating a PAT margin gain of 0.7%. Savings in tax expense is reflective of income tax benefit available on manufacturing operations at Baddi, Himachal Pradesh.

Prior period adjustment and exceptional item

There was no prior period adjustment and exceptional item for FY 2006-07. The prior period adjustment and exceptional item to total sales and operating income ratio is nil for FY 2006-07, compared with 0.8% for FY 2005-06 indicating a PAT margin gain of 0.8%.

Net profit after taxes

The net profit after taxes & exceptional items (PAT) for the FY 2006-07 was Rs. 93.5 crores compared with Rs. 50.9 crores for FY 2005-06, an increase of 84%. The summary of movement in PAT margin for the year is as under:

PAT margin for FY 2005-06	**5.3%**
(Loss) / Gain in PAT margin on account of:	
Operating profit	0.8%
Other income	0.1%
Depreciation	0.1%
Net interest expense	(0.6%)
Provision for taxation	0.7%
Exceptional item	0.8%
PAT margin for FY 2006-07	**7.2%**

CAPITAL & DEBT

There was no change in the equity share capital during the year.

Out of the divisible profits of Rs. 101.57 crores (previous year Rs. 64.17crores), a sum of Rs. 70.39 crores (previous year Rs. 32 crores) was transferred to General Reserve Account. Interim dividend of Rs. 25.38 crores (Rs. 3 per share which is 60% of face value of each share) was distributed during the year. No further equity dividend distribution for the year 2006-07, is recommended. This represents an increase of Rs. 0.50 in dividend per share & 10% in the dividend rate. This distribution (including tax thereon) is approximately 31% of profit after tax for the year (previous year 47%).

The Company borrowed Rs. 36.00 crores by way of long-term loans during the year (previous year Rs. 66.01 crores) to finance its capital expenditure projects under implementation. Outstanding working capital loans as on 31-Mar-07 is Rs. 53.03 crores (previous year Rs. 21.34 crores). The total debt to net worth (including deferred tax liability) ratio as at the end of FY 2006-07 was 0.64 (previous year 0.67).

FIXED ASSETS

The net investment in fixed assets during the year was Rs. 62.06 crores, comprising addition of new assets Rs. 99.11 crores, depreciation Rs. 32.87 crores and net assets disposal Rs. 4.18 crores. Addition to fixed assets mainly include capital expenditure incurred for new manufacturing facility in Baddi, Himachal Pradesh, expansion of Research & Development facility at Bhat and normal capital expenditure. This capital expenditure was funded by surplus cash balance, long term loans drawn during the year and internal accruals. As at 31-Mar-07, the Company had contractual commitments for capital expenditure of Rs. 10.36 crores, which are expected to be primarily met out of liquidity available as at the end of FY 2006-07.

WORKING CAPITAL AND LIQUIDITY

The working capital investment (net current assets including current investments) increased by Rs. 42.24 crores from Rs. 255.02 crores at the end of FY 2005-06 to Rs. 297.26 crores at the end of FY 2006-07, increase of 16.6%. As a percent of sales and operating income, the working capital investment was 22.9% at the end of FY 2006-07 and 26.4% at the end of FY 2005-06. The increase in working capital was a result of gross current assets (including loans, advances and current investments) increasing by Rs. 41.04 crores, from Rs. 535.83 crores at the end of FY 2005-06 to Rs. 576.87 crores at the end of FY 2006-07, and decrease in gross current liabilities (including provisions) by Rs. 1.20 crores, from Rs. 280.81 crores at the end of FY 2005-06 to Rs. 279.61 crores at the end of FY 2006-07.

The liquidity of the Company as reflected by cash and bank balances and current investments decreased by Rs. 64.47 crores, from Rs. 85.24 crores at the end of FY 2005-06 to Rs. 20.77 crores at the end of FY 2006-07. This is mainly due to utilization of internal accruals for various projects under execution.

The Company generated net cash of Rs. 73.60 crores from operations (after working capital changes) during FY 2006-07 while it spent a net amount of Rs. 97.90 crores on new fixed assets, received interest and dividend of Rs. 7.19 crores, paid interest of Rs. 24.86 crores and distributed Rs. 53.17 crores as dividends (including dividend for FY 2005-06 & FY 2006-07). The Company drew long term loans of Rs. 36 crores and short term loans of Rs. 31.69 crores & repaid long term and short term loans of Rs. 34.19 crores.

HUMAN RESOURCES

The total employee strength of the Company at the end of FY 2006-07 was 5,498 against 5,092 as at the end of FY 2005-06, an increase of 406. The field force increased by 38 from 2,786 at the end of FY 2005-06 to 2,824 at the end of FY 2006-07. The R&D centre had 733 employees (of which 635 were scientists) at the end of FY 2006-07 compared with 649 (of which 538 were scientists) as at the end of FY 2005-06, an increase of 84 mainly reflecting expansion of product development facility for regulated markets. The worker strength at plant was 480 at the end of FY 2006-07 compared with 344 at the end of FY 2005-06, an increase in headcount by 136 of which 133 represent new recruits for Baddi plant . The remaining employee strength comprising mainly of head office staff, non-worker staff at Chatral and Baddi Plant, branch & overseas offices staff increased to 1,461 at the end of FY 2006-07 from 1,313 at the end of FY 2005-06, in line with growth requirements of the Company.

INTERNAL CONTROL SYSTEM

The Company has a reasonable system of internal control comprising authority levels and powers, supervision, checks and balances, policies, procedures and internal audit. The system is reviewed and updated on an on-going basis. The Company is continuously upgrading its internal control systems by measures such as strengthening of Information Technology infrastructure and use of external management assurance services.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian Pharmaceutical Market

Overview

When India complied with the World Trade Organisation's (WTO) requirements by implementing the product patent regime (from January 1, 2005), there were lot of apprehensions pertaining to its probable negative implications for the domestic formulation players. It was feared that in this regime, the Indian players would not be able to hold ground in the domestic market due to increased new product launches by MNCs along with the restrictions on re-engineering on-patent products during 1995-2005.

However, the scenario after 2 years into the product patent regime is no where close to what was envisaged. The domestic players continue to dominate the Indian Pharmaceutical market while the products launched by MNCs have been fairly minimal.

Competition within the domestic players is expected to rise due to increasing aggressiveness of mid-sized players. Many of these players, in their efforts to increase market share are taking a beating on margins by incurring higher selling costs. In such a scenario, players focusing on product differentiation through increased combination launches, new drug delivery system (NDDS), improved product mix (by increasing presence in life style and chronic disease categories such as central nervous system (CNS), anti diabetes etc.) and expansion of sales and marketing network will be able to overcome competitive pressures in the domestic market in the medium term. As the pressure on mid-sized and smaller players is expected to intensify in the long run, the industry is likely to see increased alliances (contract manufacturing) and acquisitions (by large domestic players and MNCs).

Regulatory Scenario

DPCO: Currently, the prices of 74 drugs are controlled as per the mandate issued by the Drug Price Control Order, 1995. The draft of the National Pharmaceutical Policy is under discussion between the Industry and the government.

Patent Law: As stated earlier, India recognised product patents from 1st January 2005. The new patent law does not permit introduction of new molecules patented after 1st January 1995 by adopting a re-engineered process. The law has provided for a reasonable transition to generic companies in respect of products already in the domestic market before 1st January 2005. Generic companies may continue manufacture and marketing of such products by paying reasonable royalty to the patent-holder after patent is granted. In the longer term, generic companies will not be able to introduce new molecules before expiry of the patent. This is expected to prolong the life of existing brands and slow down the pace of new drugs introductions.

Market Performance and Company Growth

During the financial year, the domestic pharmaceutical market experienced a growth rate of 14.30 % (previous year 15.40 %), largely driven by volume and new product introductions. As per ORG-IMS data base, the estimated size of the domestic market for FY 2006-07 was Rs. 27,902 crores. The Company's growth for the same period, as per the same data base, was 13.20% (previous year 22.50 %). The table below sets forth the growth rates in therapeutic segments in which the Company has presence:

Therapeutic Segment	Company's Growth	Segment Growth
Cardiovascular	10.3%	11.2%
Gastrointestinal	5.3%	13.1%
CNS	25.0%	12.8%
Anti-infective	6.3%	15.1%
Pain management	25.3%	22.2%
Anti-diabetics	48.1%	17.6%

Source: ORG-IMS March 2007 MAT

The Company is ranked 15th by turnover in the domestic market, has 6 brands in top 300 brands and has 27 brands in leadership positions in their respective molecule segments.

Global Generics Industry

The global generics industry is currently passing through an interesting phase. On the one hand, companies operating in the two largest markets viz. US and Europe are facing intense competition leading to significant reduction in profitability. Moreover, wholesalers and distributors have also become more demanding. This has resulted in a big consolidation wave, with generics companies racing ahead to gain scale through the inorganic route despite demanding valuations.

On the other hand, there are markets, which still offer high profitability, which have not been fully exploited. Also, there exist niche opportunities, which could offer higher volumes with stable margins. Addressing these markets and opportunities along with stringent cost control should help the generics companies to tide over the current phase of these structural changes.

The key positives for the generics industry arising out of these structural changes can be detailed as under:

- Pressure on global healthcare budgets and ageing population to ensure buoyant demand for generics. Globally, governments are under constant pressure to lower healthcare costs and to increase access to medicines. This is likely to result in more favorable legislation for generics globally, although it could also result in lower generics prices in some markets.
- Patent expiries on block buster drugs would drive generics growth in regulated markets.
- Low penetration should drive double-digit growth in many European markets. The generics penetration in many European markets is low. Other than Germany and the UK, generics penetration in most of the regulated markets in Europe (France, Spain, Italy, Belgium) is in single digits. Japan, the second largest pharmaceutical market, also has a generics penetration of merely 5%, implying that as more drugs go off-patent in these markets and as respective governments enact favorable legislations, the generics penetration in these markets would improve significantly.
- Semi Regulated markets offer an attractive opportunity, with higher margins. The size of the semi-regulated markets across Latin America, Asia, Eastern Europe and Africa are expected to expand at attractive rates as economic growth drives a boom in health care spend. Most of these markets are branded generics markets, thus, resulting in better margins compared with the US generics market.

OPPORTUNITIES AND OUTLOOK

The Indian pharmaceutical industry is going through major structural changes as seen above. The key factors influencing the industry are: boost in healthcare spend due to rising incomes, growth in patient population, intense price rivalry amongst industry players, entry of private insurers, changes in patent laws, changes in price control regime, enhanced drug regulatory standards, patent expiry of blockbuster molecules in key overseas markets, increased R&D investments and consolidation within the industry. These changes pose many challenges and opportunities to companies operating in this environment. In this context, the Company has identified the following growth initiatives:

Domestic

- Accelerate growth through increasing doctor coverage, product exposure to new medical specialties, increased product focus, territorial expansion, new therapeutic areas and building strong sales operations systems.
- Growth from emerging market segments like organized buyer groups, pharmacy chains and corporate hospitals.
- Leverage on the strong franchise, specialised sales force and distribution built in the domestic market by in-licensing of molecules.
- Product and assets acquisition opportunities.
- Use of information technology for efficient customer servicing and improved sales productivity.

International Operations

- Expiry of patents on a large number of products in developed countries coupled with government support for generics opens up a large market opportunity suitable to Company's current competency. The Company continues to make significant investments in developed markets to tap the huge business potential in these markets.
- Aggressive expansion in doctor and territorial coverage coupled with new products launch in Brazil and Russia / CIS to build on the current base. Higher healthcare funding promised by the Governments to increase the current per-capita spends on healthcare is expected to drive the growth in these markets.
- Aggressively tap unexploited opportunities in the rest of the world markets by extending the domestic market product portfolio in semi regulated markets and by extending the EU and US market product portfolio in regulated markets of Asia & Africa.
- Select new markets, new therapeutic areas and acquisitions for future growth.

Research & Development

- Collaborative research.
- Development of New Drug Delivery Systems (NDDS) to create differentiated products and market exclusivity in commodity generics market.
- Selective New Chemical Entity (NCE) research, primarily with respect to metabolic complications.

THREATS, RISKS AND CONCERNS

Discovery research

The key risks are high rate of failure and long duration of a discovery project coupled with significant upfront costs to be incurred before results are known. The Company today may not have resources to carry through a discovery project to final commercial stage. These risks are sought to be mitigated by seeking suitable alliances with partners at appropriate stage to share the risks and rewards of the project.

The expanded bio-equivalence facility will be used for safety & efficacy studies for the generic products meant for the regulated markets & the facility has to undergo the regulatory approvals. There may be a risk associated with studies conducted if the regulatory approvals are delayed.

Torrent's premier discovery molecule AGE Breaker has shown positive pre-clinical results and attractive commercial potential. This has led the molecule to clinical testing for safety & efficacy in human subjects. The positive results in pre-clinical studies have built confidence to take the risk associated with the clinical trials.

Product liability risks

These risks are sought to be managed by appropriate laboratory and clinical studies for each new product, compliance with Good Manufacturing Practices and independent quality assurance system. The Company also has an insurance cover for product liability.

Attrition rate

The Company faces high attrition levels, particularly in sales force, R&D technical staff and production technical staff. This disrupts the smooth working of the Company, *inter-alia*, leading to disruption and delays in projects, loss of customers and sales, and increase in the cost of recruitment and training. The Company pro-actively manages this phenomenon through various measures including aggressive and timely recruitments, industry compatible remuneration / incentive system and strengthening of the human resources function.

New product risk

New product development and launch involves substantial expenditure, which may not be recovered due to several factors including development uncertainties, increased competition, delay in market launch and marketing failure. The Company manages the risk through careful market research for selection of new products, detailed project planning and monitoring.

Price control

The domestic market is subject to price control under DPCO, 1995. In the event Government reduces the prices of Company's products under DPCO or introduces price control on products currently not subject to such control, the profit margins could be significantly affected. The Company manages its product portfolio so as to move away, reduce and minimize the product weightage of drugs under price control.

Intellectual Property Rights (IPR) regime

Patent laws in respect of pharmaceutical products have been changed wef 1^{st} January 2005. This would mean that pharmaceutical products patented after 1^{st} January 1995 can no longer be copied through process re-engineering. This will narrow the choice of new products which the Company can introduce in the market. The Company believes that while the change in product patent regime would be a watershed in the history of domestic pharmaceutical industry, the impact will be gradual over next few years and could be substantial only after 2010. The change will also offer certain new opportunities viz. outsourcing opportunities in manufacturing and R&D value chain and product licensing arrangements with patent-holders. Indian market being price sensitive is unlikely to see significant penetration of patented molecules. Generic versions of out-of-patent products will experience an extended life cycle.

Litigation risks

The Company faces the risk of high costs of litigation with the patent-holder, in its business of international generic products. This risk is sought to be managed by a careful patent analysis prior to launch of the generic product.

New capital investments

The Company plans to build a new manufacturing facility for contract manufacture of vial-filled formulations. The Company faces risks arising out of delay in implementation, cost overrun, inappropriate implementation and exposure to single customer which may significantly affect the future profitability and financial position. The risks are sought to be mitigated by forming appropriate project management team, corporate management oversight and suitable protection clauses in contractual arrangement with the customer.

Overseas markets

The Company has expanded operations into select overseas markets of Latin America, Russia & CIS, European Union and North America. Such expansion involves substantial business set up expenses, product pipeline development expenses and a gestation time before revenues begin to accrue. The Company faces the risk arising out of a failed or delayed market entry which may significantly affect the future profitability and financial position. Further, the German generic market witnessed two price cuts (in quick succession) in 2006 leading to shrinking of operating margins. The risks are sought to be mitigated through careful market analyses, improved management bandwidth, marketing alliances and corporate management oversight.

For and on behalf of the Board

Ahmedabad
23rd May, 2007

Samir Mehta
Managing Director

Consolidated
Financial Statements
2006-07

Auditors' Report
To the shareholders of
Torrent Pharmaceuticals Limited

We have audited the attached Consolidated Balance Sheet of Torrent Pharmaceuticals Limited Group as at 31st March 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Torrent Pharmaceuticals Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiary companies Zao Torrent Pharma, Torrent Pharma Gmbh, Heumann Pharma Gmbh & Co. Generica KG, Torrent Do Brasil Ltda, Torrent Pharma Philippines Inc., Torrent Pharma Inc., Torrent Pharma Japan Co. Ltd., Laboratorios Torrent S.A. de C.V. and Torrent Australasia Pty Ltd. whose financial statements reflect total assets of Rs. 29970.43 lacs as at 31st March 2007 and total revenues of Rs. 50629.32 lacs and net cash out flows amounting to Rs. 1091.48 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Torrent Pharmaceuticals Limited's management in accordance with the requirements of the Accounting Standard (AS) 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the components, and to the best of the information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Torrent Pharmaceuticals Limited Group as at 31st March, 2007;

(b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For C. C. CHOKSHI & CO.
Chartered Accountants

Ahmedabad
23rd May, 2007

Gaurav J. Shah
Partner
Membership No.35701

CONSOLIDATED BALANCE SHEET

Torrent Pharmaceuticals Limited and its Subsidiary Companies

(Rs. in lacs)

	SCHEDULE	**As at 31-Mar-2007**	As at 31-Mar-2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**4,230.92**	4,230.92
Reserves and Surplus	2	**36,794.25**	30,553.11
		41,025.17	34,784.03
LOAN FUNDS			
Secured Loans	3	**27,696.12**	25,611.01
Unsecured Loans	4	**2,196.31**	932.05
		29,892.43	26,543.06
Net Deferred Tax Liability (see note 7)		**5,619.89**	4,782.86
		76,537.49	66,109.95
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block		**56,949.72**	48,363.48
Less : Depreciation and Amortisation		**14,463.90**	11,645.27
Net Block	5	**42,485.82**	36,718.21
Capital Work in Progress		**2,890.95**	2,691.48
Advances for Capital Expenditure		**1,414.72**	1,175.49
		46,791.49	40,585.18
INVESTMENTS	6	**20.35**	22.71
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	**25,812.15**	22,533.26
Sundry Debtors	8	**22,803.64**	17,251.89
Cash and Bank Balances	9	**2,076.91**	8,501.07
Other Current Assets	10	**1,658.33**	1,425.91
Loans and Advances	11	**5,335.47**	3,870.97
		57,686.50	53,583.10
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	12	**26,134.09**	24,589.94
Provisions	13	**1,826.76**	3,491.10
		27,960.85	28,081.04
Net Current Assets		**29,725.65**	25,502.06
		76,537.49	66,109.95
Significant Accounting Policies	21		
Notes forming part of the Consolidated Financial Statements	22		

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Signatures to the Consolidated Balance Sheet

Sudhir Mehta
Chairman

Gaurav J. Shah
Partner

Mahesh Agrawal
GM (Legal) &
Company Secretary

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

Ahmedabad
23rd May, 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT

Torrent Pharmaceuticals Limited and its Subsidiary Companies

	SCHEDULE	Year ended 31-Mar-2007	Year ended 31-Mar-2006
		(Rs. in lacs)	
INCOME			
Sales and Operating Income	14	**129,878.54**	96,716.24
Other Income	15	**237.17**	130.30
		130,115.71	96,846.54
EXPENDITURE			
Materials Consumed	16	**27,406.91**	23,655.92
Purchase of Traded Goods		**21,532.08**	16,867.98
(Increase)/Decrease in Stock	17	**(4,089.10)**	(6,304.60)
Personnel Costs	18	**24,884.45**	17,977.46
Manufacturing and Other Expenses	19	**36,868.83**	28,071.21
Research and Development Expenses (see note 6)		**7,701.48**	5,642.44
Depreciation and Amortisation		**3,287.13**	2,551.80
		117,591.78	88,462.21
PROFIT BEFORE INTEREST, TAX AND EXCEPTIONAL ITEMS		**12,523.93**	8,384.33
Net Interest Expense	20	**1,620.24**	613.93
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		**10,903.69**	7,770.40
PROVISION FOR TAXATION			
Current Tax		**1,725.13**	801.90
MAT Credit Entitlement		**(1,366.27)**	(300.16)
Deferred Tax Charge		**960.22**	1,167.49
Fringe Benefit Tax		**233.29**	258.37
		1,552.37	1,927.60
Short/(Excess) Provision for Tax of earlier years		**–**	(49.33)
		1,552.37	1,878.27
PROFIT AFTER TAX AND BEFORE EXCEPTIONAL ITEMS		**9,351.32**	5,892.13
Exceptional Items		**–**	(805.86)
NET PROFIT FOR THE YEAR		**9,351.32**	5,086.27
Balance Brought forward from Previous Year		**805.79**	1,331.47
PROFIT AVAILABLE FOR APPROPRIATION		**10,157.11**	6,417.74
APPROPRIATIONS			
General Reserve		**7,038.64**	3,200.00
Interim Dividend		**2,538.34**	–
Proposed Dividend		**–**	2,115.28
Tax on distributed profits		**356.00**	296.67
		9,932.98	5,611.95
Balance Carried to Balance Sheet		**224.13**	805.79
Basic and Diluted EPS for the year (see note 8)		**11.05**	6.01
Significant Accounting Policies	21		
Notes forming part of the Consolidated Financial Statements	22		

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Gaurav J. Shah
Partner

Ahmedabad
23rd May, 2007

Signatures to the Consolidated Profit & Loss Account

Sudhir Mehta
Chairman

Mahesh Agrawal
GM (Legal) &
Company Secretary

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

CONSOLIDATED CASH FLOW STATEMENT

Torrent Pharmaceuticals Limited and its Subsidiary Companies

		Year ended 31-Mar-2007	Year ended 31-Mar-2006
			(Rs. in lacs)
A	**CASH FLOW FROM OPERATING ACTIVITIES :**		
	NET PROFIT BEFORE TAX & EXCEPTIONAL ITEMS	**10,903.69**	7,770.40
	Adjustments for :		
	Depreciation and Amortisation	**3,287.13**	2,551.80
	Loss on sale of assets	**219.10**	32.38
	Profit on sale of Long Term Investments	**(0.15)**	–
	Loss/(Gain) on Foreign Currency Translation	**263.91**	(94.76)
	Dividend received	**–**	(3.69)
	Net interest expense	**1,620.24**	613.93
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**16,293.92**	10,870.06
	Adjustments for :		
	Debtors, Loans and Advances and Other Current Assets	**(5,866.25)**	(12,262.91)
	Inventories	**(3,278.89)**	(7,700.15)
	Current Liabilities and Provisions	**2,250.59**	13,672.92
	CASH GENERATED FROM OPERATIONS	**9,399.37**	4,579.92
	Direct Taxes Paid	**(2,039.68)**	(1,143.60)
NET CASH FROM OPERATING ACTIVITIES		**7,359.69**	3,436.33
B	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Purchase of Fixed Assets	**(9,988.52)**	(13,397.91)
	Sale Proceeds from Fixed Assets sold	**198.67**	124.69
	Share Application Money Pending Allotment - Subsidiary Companies	**–**	(40.54)
	Sale Proceeds of Long Term Investments sold	**2.51**	0.42
	Dividend Received	**–**	33.81
	Interest Received	**718.56**	498.04
NET CASH USED IN INVESTING ACTIVITIES		**(9,068.78)**	(12,781.49)
C	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Net Long Term debt taken / (repaid)	180.80	6,138.77
	Net Short Term debt taken / (repaid)	3,168.57	(832.76)
	Capital Reserve realised on acquisition	–	555.46
	Dividend Paid	(5,316.86)	(1,931.54)
	Interest Paid	(2,486.40)	(1,774.68)
NET CASH USED IN FINANCING ACTIVITIES		**(4,453.89)**	**2,155.25**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,162.97)**	**(7,189.92)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**8,584.58**	**15,774.50**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,421.61**	**8,584.58**
Note:	**Cash and Cash Equivalents as at end of the year**		
	Cash and Bank balances	**2,076.91**	8,501.07
	Add: Unrealised gain / (loss) on Foreign Currency Cash and Cash Equivalents	**344.70**	83.51
		2,421.61	8,584.58

As per our attached report of even date
For C.C. CHOKSHI & CO.
Chartered Accountants

Signatures to the Consolidated Cash Flow Statement

Sudhir Mehta
Chairman

Gaurav J. Shah
Partner

Mahesh Agrawal
GM (Legal) &
Company Secretary

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

Ahmedabad
23rd May, 2007

annexed to and forming part of the financial statements

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)
SCHEDULE - 1 : SHARE CAPITAL		
Authorised		
1500,00,000 Equity Shares of Rs. 5 each	**7,500.00**	7,500.00
25,00,000 Preference Shares of Rs. 100 each	**2,500.00**	2,500.00
	10,000.00	10,000.00
Issued and Subscribed		
846,25,360 Equity Shares of Rs. 5 each	**4,231.27**	4,231.27
Paid-up		
846,11,360 Equity Shares of Rs. 5 each	**4,230.57**	4,230.57
Amount originally paid up on 14,000 Equity Shares forfeited	**0.35**	0.35
	4,230.92	4,230.92

Notes

(1) 709,80,592 Equity Shares of Rs. 5 each were allotted as fully paid up bonus shares; out of which 423,05,680 shares were allotted by way of capitalisation from Capital Redemption Reserve and 286,74,912 Equity shares were allotted by way of capitalisation from General Reserve.

(2) 12,44,768 Equity Shares of Rs. 5 each were allotted without payment being received in cash pursuant to the schemes of amalgamation.

	As at 31-Mar-2007	As at 31-Mar-2006
SCHEDULE - 2 : RESERVES AND SURPLUS		
Capital Reserve		
Balance as per last Balance Sheet	**596.54**	41.08
Add : Generated on acquisition of Heumann Pharma GmbH & Co. Generica KG during the previous year	**–**	555.46
	596.54	596.54
Capital Redemption Reserve		
Balance as per last Balance Sheet	**384.71**	2,500.00
Less: Utilised for Issue of Bonus Shares	**–**	2,115.29
	384.71	384.71
Share Premium Account		
Balance as per last Balance Sheet	**4,279.88**	4,279.88
General Reserve		
Balance as per last Balance Sheet	**24,486.19**	21,286.19
Less : Earlier years' liability for employee benefits (see note 5)	**215.84**	–
Add : Transfer from Profit and Loss Account	**7,038.64**	3,200.00
	31,308.99	24,486.19
Balance in Profit and Loss Account	**224.13**	805.79
	36,794.25	30,553.11

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)
SCHEDULE - 3 : SECURED LOANS		
Long Term Loans		
from Banks (Note : 1(a))	**15,614.81**	18,409.01
from a Financial Institution (Note : 1(b))	**8,975.00**	6,000.00
Short Term Loan from Banks (Note 1(c))	**3,106.31**	1,202.00
	27,696.12	25,611.01

Notes:

(1) The Loans are secured by :

(a) a pari passu basis, by first equitable mortgage of immovable fixed assets and hypothecation of moveable fixed assets, present and future, located at formulation manufacturing facilities, Village Indrad; research facilities, Village Bhat; and corporate office, Ahmedabad, all in Gujarat.

(b) first equitable mortgage of immovable fixed assets and hypothecation of moveable fixed assets, present and future, located at formulation manufacturing facilities in Baddi, Himachal Pradesh.

(c) hypothecation of inventories and book debts.

(2) The future annual repayment obligations on principal amount, for the above long term loans are as under:

2007-08	Rs. 3,457 lacs
2008-09	Rs. 6,966 lacs
2009-10	Rs. 6,185 lacs
2010-11	Rs. 2,611 lacs
2011-12	Rs. 5,371 lacs
Total :	Rs.24,590 lacs

SCHEDULE - 4 : UNSECURED LOANS		
Short Term Loans		
from Banks	**–**	13.21
from Others	**2,196.31**	918.84
	2,196.31	932.05

SCHEDULE - 5 : FIXED ASSETS (Rs. in lacs)

Particulars	Gross Block (At Cost)				Depreciation & Amortisation				Net Block	
	As at 1-Apr-2006	Additions during the year	Deductions during the year	As at 31-Mar-2007	As at 1-Apr-2006	For the year 2006-2007	On deduction during the year	As at 31-Mar-2007	As at 31-Mar-2007	As at 31-Mar-2006
I. TANGIBLES :										
Free Hold Land	1,516.88	245.01	–	1,761.89	–	–	–	–	1,761.89	1,516.88
Lease Hold Land	–	17.56	–	17.56	–	0.10	–	0.10	17.46	–
Buildings	12,259.98	3,296.92	75.95	15,480.95	2,007.13	423.76	11.59	2,419.30	13,061.65	10,252.85
Plant and Machineries	21,407.28	3,277.08	462.05	24,222.31	5,131.56	1,558.88	240.60	6,449.84	17,772.47	16,275.72
Electric Installation and Air conditioned Plant	5,025.88	754.81	0.22	5,780.47	1,415.81	325.45	0.14	1,741.12	4,039.35	3,610.07
Furniture and Fixtures, Office and Factory Appliances	4,892.99	759.39	70.96	5,581.42	2,391.30	536.43	38.84	2,888.89	2,692.53	2,501.69
Vehicles	1,198.81	344.81	127.52	1,416.10	308.13	127.14	35.62	399.65	1,016.45	890.68
II. INTANGIBLES :										
Computer Software	816.15	58.22	–	874.37	219.77	189.48	–	409.25	465.12	596.38
Product Licences	1,117.67	718.70	21.72	1,814.65	43.73	125.89	13.87	155.75	1,658.90	1,073.94
TOTAL	**48,235.64**	**9,472.50**	**758.42**	**56,949.72**	**11,517.43**	**3,287.13**	**340.66**	**14,463.90**	**42,485.82**	**36,718.21**
Previous Year	32,457.09	17,577.40	1,671.01	48,363.48	10,335.42	2,551.79	1,241.94	11,645.27	36,718.21	

Note :

Addition during the year includes Foreign Exchange loss of Rs. 63.69 lacs (Previous year Rs. 172.50 lacs), on account of restatement of the foreign currency loan balances and financial instruments thereon, at prevailing exchange rates; has been added to the cost of fixed assets acquired from the said loans.

	As at 31-Mar-2007	As at 31-Mar-2006
		(Rs. in lacs)

SCHEDULE - 6 : INVESTMENTS

(Unquoted)

LONG TERM INVESTMENTS

	As at 31-Mar-2007	As at 31-Mar-2006
Trade		
Charterhouse Therapeutics Ltd.- Fully paid up Equity Shares of GBP 0.01 each (No. of Units 445000)	**155.60**	155.60
Less: Provision for diminution in value	**155.60**	155.60
	–	–
Non - Trade		
National Savings Certificates	**1.11**	1.11
(Lodged with Excise and Sales Tax Authorities)		
Contribution to Gujarat Venture Capital Fund, 1990 and 1995.	**19.24**	21.60
	20.35	22.71
Aggregate Long Term Investments	**20.35**	22.71
CURRENT INVESTMENTS	**–**	–
Aggregate Investments	**20.35**	22.71

There are no current investments at the end of the year. The gross movement in current investments during the year (being purchase and sale of units of liquid schemes of various mutual funds) is given below :

(Rs. in lacs)

Name of Mutual Fund Scheme	Purchase		Sale	
	Nos.	Amount	Nos.	Amount
Birla Cash Plus - IPP-Growth	178,586,219	20,460.00	178,586,219	20,547.08
Prudential ICICI Liquid Plan-IPP-Growth	73,645,741	7,840.00	73,645,741	7,874.48
Principal Floating Rate Fund-SMP Inst.-Growth	44,182,144	5,080.00	44,182,144	5,100.96
HSBC Cash Fund IPP-Growth	17,616,058	1,980.00	17,616,058	1,990.18
DSP ML Liquidity Fund - IP-Growth	905,825	9,455.00	905,825	9,502.15
DSP ML Liquidity Plus Fund-IP-Growth	72,319	740.00	72,319	749.69
Total		**45,555.00**		**45,764.54**

(Rs. in lacs)

SCHEDULE - 7 : INVENTORIES

	As at 31-Mar-2007	As at 31-Mar-2006
Raw Materials	**5,233.32**	5,983.16
Packing Materials	**1,440.84**	1,501.21
Goods in Process	**3,135.94**	3,266.03
Finished Goods	**7,489.51**	5,229.62
Traded Goods	**8,512.54**	6,553.24
	25,812.15	22,533.26

	As at 31-Mar-2007	(Rs. in lacs) As at 31-Mar-2006
SCHEDULE - 8 : SUNDRY DEBTORS		
(Unsecured)		
Debts over six months		
Considered Good	**3,221.79**	2,054.25
Considered Doubtful	**491.86**	19.67
Less :- Provision	**491.86**	19.67
	3,221.79	2,054.25
Other Debts - Considered Good	**19,581.85**	15,197.64
	22,803.64	17,251.89
SCHEDULE - 9 : CASH AND BANK BALANCES		
Cash on hand	**14.77**	17.23
With Scheduled Banks in:		
a) Current Accounts	**1,013.75**	970.29
b) Term Deposit Accounts [Rs. 4 lacs lodged with Banks as securities for LC and other facilities (Previous Year Rs. 3 lacs)]	**5.00**	5,004.12
	1,018.75	5,974.41
With Non-Scheduled Banks in:		
a) Current Accounts	**851.53**	1,012.56
b) Fixed Deposit Accounts	**191.86**	1,496.87
	1,043.39	2,509.43
	2,076.91	8,501.07
SCHEDULE - 10 : OTHER CURRENT ASSETS		
(Unsecured and considered good, unless otherwise stated)		
Export benefits receivable	**793.46**	1,157.07
Customs, Excise and Insurance Claims receivable		
Considered Good	**655.75**	29.97
Considered Doubtful	**1.42**	1.42
Less :- Provision	**1.42**	1.42
	655.75	29.97
Interest accrued on loans and deposits	**2.86**	31.65
Others	**206.26**	207.22
	1,658.33	1,425.91

	As at 31-Mar-2007	(Rs. in lacs) As at 31-Mar-2006
SCHEDULE - 11 : LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	**2,669.92**	2,719.62
Considered Doubtful	**6.12**	6.12
Less :- Provision for Doubtful Advances	**6.12**	6.12
	2,669.92	2,719.62
Share Application Money Pending Allotment - Subsidiary Company	**–**	40.54
Balance with the Excise and Customs Department / VAT	**112.50**	9.53
Advance Tax Paid net of Provisions	**886.62**	801.12
MAT Credit Entitlement	**1,666.43**	300.16
	5,335.47	3,870.97

SCHEDULE - 12 : CURRENT LIABILITIES

Sundry Creditors	**24,935.46**	23,297.65
Investor Education and Protection Fund :		
Unclaimed Dividend	**53.04**	63.61
Unclaimed Share Application Money	**0.45**	0.45
Unclaimed Matured Fixed Deposits	**2.08**	3.17
Unclaimed Matured Debentures	**24.05**	24.20
Unclaimed Debenture Interest	**5.78**	10.72
	85.40	102.15
Other Liabilities	**1,042.94**	919.88
Advances from Customers	**44.03**	155.52
Interest accrued but not due	**26.26**	114.74
	26,134.09	24,589.94

Note : The Investor Education and Protection Fund is credited by the amounts unclaimed and outstanding on the relevant due date.

SCHEDULE - 13 : PROVISIONS

Proposed Dividend	**–**	2,115.28
Add :Tax on Distributed Profits	**–**	296.67
	–	2,411.95
Accrued Employee Benefits (Gratuity, Long term compensation, leave benefits) (see note 5)	**1,826.76**	1,079.15
	1,826.76	3,491.10

	Year ended 31-Mar-2007	(Rs. in lacs) Year ended 31-Mar-2006
SCHEDULE - 14 : SALES AND OPERATING INCOME		
Sales		
Domestic (net of Sales Tax / VAT)	**67,683.57**	57,015.08
Exports	**61,474.18**	43,086.10
	129,157.75	100,101.18
Less : Excise Duty / ICMS collected (see note 4)	**2,824.62**	6,426.83
	126,333.13	93,674.35
Operating Income		
Export Benefits	**474.22**	812.19
Income from Contract Research	**498.56**	152.25
Income from Product Registration Dossiers	**1,487.91**	613.47
Net Foreign Exchange Gain on Translation	**–**	94.76
Net Foreign Exchange Gain	**–**	94.93
Other Operating Income	**1,084.72**	1,274.29
	3,545.41	3,041.89
	129,878.54	96,716.24
SCHEDULE - 15 : OTHER INCOME		
Dividend	**–**	3.69
Lease Rent	**–**	0.05
Profit on Sale of Investments	**222.65**	103.83
Miscellaneous Income	**14.52**	22.73
	237.17	130.30
SCHEDULE - 16 : MATERIALS CONSUMED		
Raw Materials	**23,918.37**	20,722.21
Packing Materials	**3,488.54**	2,933.71
	27,406.91	23,655.92
SCHEDULE - 17 : (INCREASE)/DECREASE IN STOCK		
Opening Stocks		
Finished Goods	**5,229.62**	4,880.89
Traded Goods	**6,553.24**	640.35
Work in Process	**3,266.03**	3,223.05
	15,048.89	8,744.29
Less : Closing Stocks		
Finished Goods	**7,489.51**	5,229.62
Traded Goods	**8,512.54**	6,553.24
Work in Process	**3,135.94**	3,266.03
	19,137.99	15,048.89
	(4,089.10)	(6,304.60)
SCHEDULE - 18 : PERSONNEL COSTS		
(Other than those included in Research and Development Expenses)		
Salaries, Wages and Bonus	**20,447.64**	15,131.19
Contribution to Provident, Gratuity and other Funds	**3,677.68**	2,694.84
Welfare Expenses	**759.13**	151.43
	24,884.45	17,977.46

	Year ended 31-Mar-2007	(Rs. in lacs) Year ended 31-Mar-2006

SCHEDULE - 19 : MANUFACTURING AND OTHER EXPENSES

Power and Fuel	**2,048.24**	1,542.81
Stores and Spares Consumed	**1,111.81**	711.26
Laboratory Goods and Testing Expenses	**218.68**	382.14
Labour and Job Work Charges	**1,591.85**	1,532.12
Excise Duty (see note 4)	**(344.28)**	(343.70)
Repairs and Maintenance :		
Machinery	**181.98**	116.95
Buildings	**143.73**	144.70
Others	**173.73**	93.52
	499.44	355.17
Selling, Publicity and Medical Literature Expenses	**15,139.72**	11,756.30
Commission on sales	**1,037.98**	991.55
Sales and Turnover Taxes	**83.33**	284.70
Provision for Doubtful Debts	**498.34**	(2.46)
Bad Debts written off	**34.02**	35.80
Travelling, Conveyance and Vehicle Expenses	**5,757.82**	4,223.88
Printing and Stationery Expenses	**250.52**	431.48
Communication Expenses	**1,017.38**	630.77
Insurance	**502.11**	319.43
Rent	**1,595.96**	1,251.80
Rates and Taxes	**22.91**	47.05
Lease Rent	**11.19**	11.63
Auditors Remuneration and Expenses	**42.70**	47.24
Cost Audit Fees	**2.73**	2.00
Commission to Non Executive Directors	**14.70**	17.60
General Charges	**4,966.21**	3,742.39
Net Foreign Exchange Loss on Translation	**263.91**	–
Net Foreign Exchange Loss	**200.54**	–
Loss on sale / discard / write-off of fixed assets	**219.10**	–
Donation	**81.92**	100.25
	36,868.83	28,071.21

SCHEDULE - 20 : NET INTEREST EXPENSE/(INCOME)

Expense :		
Fixed Period Loans	**1,989.53**	958.17
Others	**374.86**	37.22
	2,364.39	995.39
Income	**744.15**	381.46
	1,620.24	613.93

Schedule 21

Significant Accounting Policies of the group

1. Basis of preparation

The consolidated financial statements are prepared by consolidating the accounts of Torrent Pharmaceuticals Limited with those of its subsidiaries in accordance with generally accepted accounting principles and in consonance with Accounting Standard 21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The financial statements have been prepared under the historical cost convention on accrual basis. These statements are prepared to meet the requirement of Clause 32 of the listing agreement with the stock exchange.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions and estimates, which it believes are reasonable under the circumstances that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of Torrent Pharmaceuticals Ltd. and its wholly owned subsidiaries.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits/losses in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the consolidated entities.

These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

4. Fixed Assets

a) Tangible fixed assets are stated at cost of acquisition or construction less accumulated depreciation. The cost of fixed asset includes non-refundable taxes & levies, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing cost attributable to acquisition or construction of qualifying fixed assets are capitalised to respective assets.

b) Pre-operative expenditure comprising of revenue expenses incurred in connection with project implementation during the period upto commencement of commercial production are treated as part of project costs and are capitalised. Such expenses are capitalised only if the project to which they relate, involve substantial expansion of capacity or upgradation.

c) Acquired Product Licenses costs are capitalised. Cost includes direct costs of purchase and expenses directly attributable to the purchase of Product Licenses.

d) Certain Computer software costs are capitalised and recognised as intangible assets based on materiality, accounting prudence and significant economic benefits expected to flow there from for a period longer than 1 year. Capitalised costs include direct costs of purchase/implementation and expenses directly attributable to the development of software where it is developed in-house.

e) Fixed Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is then recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

5. **Depreciation and Amortisation**

a) Depreciation on fixed assets is provided on straight line method on the basis of the depreciation rates prescribed under the respective domestic laws or on the basis of useful life estimated by the management.

b) Cost of leasehold land is amortised over the period of the lease.

c) The Capitalised Computer software costs are amortised using the straight-line method over estimated useful life of 3 to 5 years, as estimated at the time of capitalisation.

d) Product Licenses costs are amortised using the straight-line method over estimated useful life of 10 years, as estimated at the time of capitalisation.

6. **Investments**

a) Long Term Investments are stated at cost. Provision is made to recognise any diminution in value, other than that of a temporary nature.

b) Current investments are carried at lower of cost and market value. Diminution in value is charged to the profit and loss account.

7. **Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost of inventories are determined on the following basis:

a) Cost of raw material and packing material is determined on moving average basis.

b) Work in process is determined on weighted average basis.

c) Cost of finished goods produced is determined on weighted average basis.

d) Cost of finished goods (traded) is determined on moving average basis.

8. **Revenue Recognition**

a) Sales are net of discounts, sales tax, Value Added Tax and returns; excise duty and ICMS collected on sales is shown by way of deduction from sales. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer.

b) Dividend income is recognised when the right to receive dividend is established.

c) Revenue in respect of other income is recognised when a reasonable certainty as to its realisation exists.

9. **Research and Development**

Research and Development expenses are charged to revenue. Capital expenditure on research and development is reported as fixed assets under the relevant head. Depreciation on research and development fixed assets are not classified as research and development expenses and instead included under depreciation expenses.

10. **Leases**

Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account on accrual and on straight line basis over the lease term.

11. **Foreign Currency Transactions**

Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction.

Exchange gain / losses on settlement of monetary items denominated in foreign currency are dealt with in the profit and loss account, except for loans denominated in foreign currencies utilised for acquisition of fixed assets where exchange gain / losses are adjusted to the cost of such assets.

Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date. Non monetary items denominated in foreign currency are reported using the rate at the date of transaction.

Translation of financial statements of foreign subsidiaries is effected according to Accounting Standard 11 (Revised 2003).

Considering the information related to the indicators relevant for classification of an overseas operation, operations of all foreign subsidiaries are treated as integral to that of the parent and accordingly translation is effected as follows:

i) Revenues, expenses and inventories of subsidiaries are translated at the average exchange rates based on the monthly closing rates for the year.

ii) Monetary assets and liabilities are translated at exchange rates prevalent at the date of the balance sheet. The resulting differences are recognized as exchange gain / loss in the profit and loss account.

iii) Non-monetary assets and liabilities are translated at the actual exchange rate and/or a rate that approximates the actual exchange rate at the date of the transaction.

12. Employees Retirement and Other Benefits

a) The accruing liability on account of gratuity (retirement benefit in the nature of defined benefits plan) is actuarially valued every year at or around 28-February. The current service cost, interest cost, expected return on plan assets and the actuarial gain / loss are expensed to the profit and loss account of the year as Personnel Costs.

b) Long term compensation plan to employees (being deferred compensation paid 12 months or more after the end of the period in which it is earned) are expensed out in the year to which the costs relate at present value of the nominal benefits under the plan.

c) Annual contribution for superannuation benefit (retirement benefit in the nature of defined contribution plan) to employees, based on their annual basic salary, is paid to Life Insurance Corporation of India to maintain a fund for payment of superannuation benefits to employees on their retirement or separation. Such contribution is expensed to the profit and loss account for the year as Personnel Costs.

d) Cost of earned leave of the employees is estimated at the end of every year and expensed to the profit and loss account of the year in which such leave were earned as Personnel Costs.

e) Contributions payable to provident funds, superannuation schemes, employee pension and social security schemes in certain overseas subsidiaries are charged to the profit and loss account.

13. Accounting for Taxes on Income

a) Current tax and Fringe Benefit tax charge are the simple aggregation of the tax charge appearing in the group companies.

b) Deferred Tax resulting from “timing differences” between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or subsequently enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. Net deferred tax liability is arrived at after setting off deferred tax assets.

c) In terms of the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India, the excess of Minimum Alternate Tax (MAT) over normal current tax payable has been accounted as an asset by credit to the profit & loss account as MAT Credit Entitlement.

14. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Liabilities which are of contingent nature are not provided but are disclosed at their estimated amount in the notes forming part of the accounts. Contingent assets are neither recognised nor disclosed in the financial statements.

15. Acquisition and Goodwill

The excess / shortfall of cost to the parent company of its investment over its portion of equity in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill /capital reserve.

SCHEDULE - 22

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1 a) **Details of Subsidiaries:**

The consolidated financial statements (CFS) comprise the financial statements of the parent company, Torrent Pharmaceuticals Ltd. (TPL) and the following wholly owned subsidiaries / step-down subsidiaries (together referred to as Group) :

Name of Subsidiary	Country of Incorporation
Zao Torrent Pharma	Russia
Torrent Do Brasil Ltda (TDBL)	Brazil
Torrent Pharma GmbH (TPG)	Germany
Torrent Pharma Inc. (TPI)	USA
Torrent Pharma Philippines Inc. (TPPI)	Philippines
Heumann Pharma GmbH & Co. Generica KG (Wholly owned subsidiary of TPG)	Germany
Laboratorios Torrent, S.A. de C.V.	Mexico
Torrent Pharma Japan Co. Ltd.	Japan
Torrent Australasia Pty Ltd.	Australia

b) The previous year figures in the consolidated financial statements :

(i) did not include financial results of the following subsidiaries as there were no transactions during the previous year:

Torrent Australasia Pty Ltd., Torrent Pharma Japan Co. Ltd., Laboratorios Torrent, S.A. de C.V.

(ii) included financial results of Heumann Pharma GmbH & Co. Generica KG for the period from 3-Jul-2005 effective from which date the subsidiary was aquired.

(Rs. in lacs)

		As at 31-Mar-2007	As at 31-Mar-2006
2	Estimated amount of unexecuted capital contracts (net of advances) not provided for	**1035.47**	2175.16
3	**Contingent Liabilities not provided for in respect of :**		
	Claims against the Company not acknowledged as debts :		
	Disputed demand of income tax for which an appeal has been preferred	**1239.86**	817.17
	Disputed ESI Liability	**186.72**	161.44
	Disputed legal cases for supply of goods and services	**1.78**	–
	Disputed demand of Excise & Service tax	**26.33**	–
		1454.69	978.61

4 Excise Duty / ICMS shown as deduction from Sales represents the amount of excise duty collected on sales. Excise duty expensed under Schedule-19, “Manufacturing and Other Expenses”, represents the difference between excise duty element in the amounts of closing stocks & opening stocks, excise duty paid on samples and on inventory write-off which is not recoverable from sales.

5 Effective financial year 2006-07, the Company implemented Accounting Standard AS 15 (Revised 2005) dealing with Employee Benefits, issued by the Institute of Chartered Accountants of India. AS 15 (Revised 2005) deals with recognition, measurement and disclosure of short term, post-employment, termination and other long term employee benefits provided by the Company. Adoption of AS 15 (Revised 2005) has resulted in certain changes in accounting policies followed by the Company in respect of post-employment and other long term employee benefits. However the changes are not expected to have a material effect on the financial statements of the current year.

As permitted by the transitional provisions in AS 15 (Revised 2005), Rs. 216 lacs (net of deferred tax asset of Rs. 90 lacs) being difference between present value of defined benefit obligations on account of gratuity and long term compensation plans and fair value of plan assets, if any, as on 31-Mar-2006 has been charged off to the General Reserve Account. For further details refer Note 5 of financial statements of Torrent Pharmaceuticals Ltd.

6 (a) Research and Development expenses comprise :

		(Rs. in lacs)
	2006-07	2005-06
Personnel costs :		
Salaries, wages and bonus	**2,312.71**	1926.71
Contribution to Provident, Gratuity and other funds	**249.50**	201.06
Welfare expenses	**61.62**	48.50
	2,623.83	2176.27
Power and fuel	**361.95**	330.06
Stores and spares consumed	**628.61**	477.96
Laboratory goods and testing expenses	**1,757.90**	821.77
Clinical research expenses	**1,045.87**	526.34
Labour and Job Work Charges	**97.39**	49.75
Repairs and Maintenance	**117.99**	85.71
Travelling, conveyance and vehicle expenses	**182.67**	144.99
Printing and Stationery Expenses	**52.75**	51.18
Communication Expenses	**42.23**	33.09
Insurance	**23.26**	19.52
Rent	**1.89**	6.91
Rates and Taxes	**4.59**	5.84
General charges	**760.55**	913.05
	7701.48	5642.44

(b) Depreciation includes Rs. 711.68 lacs (previous year Rs. 683.95 lacs) pertaining to Research & Development assets.

7 The components of the deferred tax balance are set out below :

		(Rs.in lacs)
	As at 31-Mar-2007	As at 31-Mar-2006
Deferred Tax Liabilities		
Excess of depreciation claimed under the income tax law over that debited to profit and loss account in the earlier years	**6,948.16**	5,757.18
Deferred Tax Assets		
Provision for Leave Salary	**(284.51)**	(201.80)
Provision for Gratuity	**(149.39)**	–
Provision for Doubtful Debts	**(129.29)**	(6.62)
Bonus Payable	**(54.38)**	
Accumulated losses of Subsidiaries	**(710.70)**	(765.90)
	5,619.89	4,782.86

8 **The basic & diluted earnings per share are :**

			2006-07	2005-06
Net profit for the period	(a)	(Rs. in lacs)	**9351.32**	5086.27
Weighted average number of equity shares	(b)	(Nos. in lacs)	**846.11**	846.11
EPS (basic & diluted)	(a) / (b)	Rs.	**11.05**	6.01
Nominal value of shares 846.11 lac shares of Rs. 5 each		(Rs. in lacs)	**4,230.57**	4230.57

9 **Segment Reporting :**

The primary and secondary reportable segments considered are Business Segments and Geographical Segments respectively. The group operates in a solitary business segment i.e. pharmaceuticals, comprising mainly manufacture of branded formulations. Accordingly, no further financial information for Business Segments is given.
Reportable Geographical Segments have been identified based on location of customers. Sales are made in various geographical areas with production based in India. The reportable Geographical Segments are :

a) India
b) Brazil
c) Europe
d) Rest of the world

Segment revenue (external net sales) for the year is as under :

(Rs. in lacs)

		2006-07	2005-06
a)	India	**66,457.42**	51,777.84
b)	Brazil	**16,679.77**	11,568.47
c)	Europe	**30,689.44**	21,641.93
d)	Rest of the world	**12,506.50**	8,686.11
	Total	**126,333.13**	93,674.35

Segment assets are not directly identifiable / properly allocable against each of the above reportable segments. Fixed assets, forming a substantial portion of the total assets of the Company, are interchangeably used between all the segments and cannot be identified against a specific segment. Significant portion of current assets are interchangeable used between all the segments and not identifiable against any individual segment. Hence no meaningful disclosure of segment assets and results is possible.

10 Previous year figures have been regrouped wherever necessary so as to make them comparable with those of the current year.

11) The disclosures pertaining to related parties and transactions therewith are set out in the table below :

(Rs. in lacs)

Particulars	Controlling Company / Enterprises Controlled by the Controlling Company		Enterprises Controlled by Key Management Personnel / Relatives of Key Management Personnel		Enterprises controlled by the Company		Key Management Personnel		Total	
(A) Nature of Transactions	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**	**2006-07**	**2005-06**
Sale of Finished Goods	31.56	24.40							31.56	24.40
Purchase of Material,Consumables etc.	39.18	42.36							39.18	42.36
Remuneration to Key Management Personnel							461.02	606.27	461.02	606.27
Contribution to Gratuity / Superannuation Funds					441.24	354.87			441.24	354.87
Lease Rent Paid	9.49	11.49							9.49	11.49
Services received	421.81	391.67	643.67	457.68					1065.48	849.35
Commission & Interest paid to carrying & forwarding agents			156.08	124.64					156.08	124.64
Donation			30.00	100.00					30.00	100.00
Expenses Reimbursement		0.07	25.03	17.92					25.03	17.99
Purchase of Fixed Assets	165.68	3.82							165.68	3.82
Sale of Fixed Assets	40.13			3.15					40.13	3.15
Advances Recoverable in Cash or Kind written off		805.86								805.86
Deposits given	6.56	0.23							6.56	0.23
(B) Balances at the end of the year	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**
Sundry Debtors	1.93	1.53							1.93	1.53
Advances Recoverable in Cash or Kind				4.26	19.71	19.71			19.71	23.97
Sundry Creditors	5.75	118.57	262.95	256.06					268.70	374.63

Names of related parties and description of relationship :

1	Enterprises controlled by the Company	TPL Employee Group Gratuity Trust, TPL Employee Superannuation Trust		
2	Controlling Company / Enterprises Controlled by the Controlling Company	Torrent Private Ltd., Torrent Cables Ltd., Gujarat Lease & Finance Ltd., Torrent Gujarat Biotech Ltd., Torrent Power Ltd.		
3	Key Management Personnel	Sudhir Mehta Non- Executive Chairman	Samir Mehta Managing Director	Dr. C. Dutt Whole Time Director
4	Relatives of Key Management Personnel	Anita Mehta, wife Shardaben Mehta, mother Varun Mehta, son Jinal Mehta, son Meena Modi, sister Nayna Shah, sister	Sapna Mehta, wife Shardaben Mehta, mother Aman Mehta, son Shaan Mehta, son Meena Modi, sister Nayna Shah, sister	Shobha Dutt, wife Umang Dutt, son Uttang Dutt, son
5	Enterprises Controlled by Key Management Personnel/ Relatives of Key Management Personnel	Torrent Scitech India Pvt. Ltd., U. N. Mehta Charitable Trust, D. N. Modi Charitable Trust, Shardaben Mehta Charitable Trust, Tsunami Tours & Travels Pvt. Ltd., Tsunami Pharmaceuticals Pvt. Ltd., Torrel Cosmetics Pvt. Ltd., Zeal Drugs & Chemicals, Zeal Pharmachem India Pvt. Ltd., Shruti Plastic Industries Pvt. Ltd.		

As per our attached report of even date

Signatures to Schedule 1 to 22

For C.C. CHOKSHI & CO.
Chartered Accountants

Sudhir Mehta
Chairman

Gaurav J. Shah
Partner

Mahesh Agrawal
GM (Legal) &
Company Secretary

Samir Mehta
Managing Director

Ahmedabad
23rd May, 2007

Ahmedabad
23rd May, 2007

Note : The Department of Company Affairs has, for the financial year 2006-07, exempted the Company from the applicability of the provisions contained in sub-section (1) of Section 212 of the Companies Act, 1956, relating to the statements to be attached in respect of the subsidiary companies, with the financial statements of the Company. The Department of Company Affairs has informed whilst granting exemption to provide the summarised financial details of each subsidiary. The details required are provided herewith.

Shareholders interested in obtaining the statement of Company's interest in the subsidiaries or stand-alone financial statements of the subsidiaries may obtain it by writing to the Company Secretary.

The annual accounts of subsidiary companies are available for inspection by any investor at the registered office of the Company.

Statement Pursuant to requirement of Department of Company Affairs for granting approval under Section 212(8) of the Companies Act, 1956 Related to Subsidiary Companies

1	Name of the Subsidiary Company	ZAO Torrent Pharma		Torrent Pharma Gmbh		Torrent Do Brasil Ltda		Torrent Pharma Inc.		Torrent Pharma Philippines Inc.		Heumann Pharma Gmbh & Co. Generica KG		Torrent Australasia Pty. Ltd.		Laboratorios Torrent S.A. de C.V.		Torrent Pharma Japan Co. Ltd.	
2	Financial Year Ended on	31st March 2007		31st March 2007		31st March 2007		31st March 2007		31st March 2007		31st March 2007		31st March 2007		31st March 2007		31st March 2007	
		Rouble Million	Rupees Lac	Euro Million	Rupees Lac	Reais Million	Rupees Lac	USD Million	Rupees Lac	Peso Million	Rupees Lac	Euro Million	Rupees Lac	AUD Million	Rupees Lac	Mex. Peso. Million	Rupees Lac	Yen Million	Rupees Lac
3	Capital	0.54	9.07	6.97	4052.36	19.14	4062.45	0.10	43.59	11.17	100.53	2.51	1360.96	0.09	30.43	5.01	197.46	10.00	37.00
4	Reserves	134.69	2262.80	(0.68)	(397.92)	(6.56)	(1391.92)	0.08	36.01	5.21	46.90	(0.19)	(102.13)	(0.08)	(29.62)	(3.30)	(129.85)	0.74	2.75
5	Total assets	361.94	6080.58	6.97	4051.33	33.02	7007.40	0.32	138.45	47.76	429.83	21.63	11723.12	0.01	3.38	1.73	68.35	11.56	42.78
6	Total liabilities	289.06	4856.16	0.68	397.62	20.44	4336.94	0.14	58.85	41.80	376.20	19.31	10464.29	0.01	2.57	0.02	0.74	0.82	3.03
7	Details of investment (except in case of investment in subsidiaries)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Turnover	258.51	4342.97	0.00	0.00	79.47	16862.55	0.00	0.00	40.69	366.24	45.92	24887.97	0.00	0.00	0.00	0.00	0.00	0.00
9	Profit before taxation	(40.52)	(680.76)	0.08	48.71	5.55	1177.52	0.03	15.09	(6.79)	(61.07)	(3.86)	(2090.69)	(0.08)	(29.62)	(3.30)	(129.85)	1.14	4.23
10	Provision for taxation / Deferred Tax	0.06	1.02	(0.04)	(21.91)	2.12	448.83	0.01	3.05	(2.16)	(19.48)	0.00	0.00	0.00	0.00	0.00	0.00	0.40	1.48
11	Profit after taxation	(40.58)	(681.78)	0.12	70.62	3.43	728.69	0.03	12.04	(4.62)	(41.58)	(3.86)	(2090.69)	(0.08)	(29.62)	(3.30)	(129.85)	0.74	2.75
12	Proposed dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
13	Exchange Rate as on 31.3.2007	1 Rouble = 1.68 INR		1 Euro = 58.14 INR		1 Reais = 21.22 INR		1 USD = 43.59 INR		1 Peso = 0.90 INR		1 Euro = 58.14 INR		1 AUD. = 35.16 INR		1 Mex. Peso.= 3.94 INR		1 Yen = 0.37 INR	

Sudhir Mehta
Chairman

Samir Mehta
Managing Director

Mahesh Agrawal
GM (Legal) &
Company Secretary

Ahmedabad
23rd May, 2007

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