

BOARD OF DIRECTORS

VENKATR. KALAVAKOLANU	<i>Chairman & Managing Director</i>
Dr. M.C. SRINIVASAN	<i>Director</i>
K.N. GUHA	<i>Director</i>
RUDOLF H. TANNER	<i>Director</i>

AUDITORS

A.G.V. REDDY & Co.
15-570-33, 1st Floor
Pallavi Towers
Subhash Road, Opp. Canara Bank
Anantapur – 515 001.
Andhra Pradesh.

BANKERS

United Bank of India
Bank Street
Koti
Hyderabad.

REGD. OFFICE

24, Kolhar
I.D.A.
Bidar – 585 401
Karnataka.

CORPORATE OFFICE

10-3-2/15, Sripuri Colony
East Marredpally
Secunderabad – 500 026.
Andhra Pradesh.

WORKS

24, Kolhar
I.D.A., Bidar – 585 401
Karnataka.

Survey No. 111
Cheriyal Village
Sangareddy Mandal
Medak District
Andhra Pradesh.

Twenty First Annual Report 2005-2006

Chairman's Speech

Dear Members,

I am glad to have this opportunity to share with you the progress made by your company in the past financial year. I would also communicate to you the future prospects of the company.

State of Affairs

Despite the breakdown of the WTO talks, I am of the firm opinion that globalization is the order of the day. Hence, we at Jupiter Biosciences have been preparing for the era of globalization for the past few years, and have strived to be globally competitive. As I have mentioned in the past, we have been an R&D focused company to ensure long term viability. The fact that India is now a part of the Global Patent regime, further strengthens our business model.

During the past financial year, your company continued its R&D initiatives and there significant achievements in this context. In the area of Organic Chemistry, your company attained excellence in the domain of process level Hydrogenation. In the Peptide arena, a lot of progress was made in the area related to Peptide raw materials. There were achievements related to Unnatural Amino Acids and the transfer of know how from ICGB was complete. In Chiral Chemistry, the R&D team made progress in enzymes related to complex intermediation.

Rudolf Tanner, who was a part of the management at Bachem, a global leader in peptides, joined the Jupiter family last year. He is member of the Board of Directors and guides the R&D and manufacturing strategies of your company. During the year, the manufacturing facilities of Jupiter were tuned up and are now GMP compliant.

Business Outlook

The achievements of the R&D group provide a key competitive advantage for your company. It has a great product pipeline and is very competitive in terms of quality and price. Both its core areas, Organic Chemicals and Peptides will continue to perform well going forward.

The Way Forward

Your company has invested a lot of time and resources in R&D and consequently your company has a great product pipeline. It is now investing in business development in a big way in Europe, Japan and USA to monetize the advantage it has. I am sure you will be sharing the rewards for supporting us as shareholders. Like it is said, "Good things come to those who wait!"

Warm regards

Venkat R. Kalavakolanu
Chairman & Managing Director

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED MARCH 31, 2006

To
Jupiter Bioscience Limited
24, Kolhar IDA, Bidar
Karnataka – 585 401.

I have examined the registers, records, books and papers of JUPITER BIOSCIENCE LIMITED (the Company) as required to be maintained under the Companies Act, 1956 (the Act), the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company (requirements) for the year ended 31st March, 2006. Based on my examination as well as information and explanation furnished by the Company to me and the records made available to me, I report that :

1. The Company is a Listed Public Company and has complied with all the requirements of the Listing Agreement and Company has paid the Listing Fees.
2. All the registers and other records required under the Act and the Rules made there under have been maintained in accordance with the requirements.
3. All the requisite forms, returns and documents required under the Act and the Rules made there under have been filed with the Registrar and other Authorities as per Statutory requirements.
4. All the requirements relating to the meetings of Board of Directors, Shareholders, Creditors and others (wherever applicable) as well as relating to the Minutes of the proceedings thereat have been complied with.
5. All the appointments of Directors and other Officers of the Company have been made in accordance with the requirements.
6. Due disclosures under the Act have been made by the Company and its Directors.
7. Certificates of the shares have been issued and delivered and transfers and transmissions thereof have been registered as per requirements.
8. Statutory requirements in connection with NSDL and CDSL has been complied with.
9. Requirements relating to declaration and payment of dividend have been complied with.
10. Particulars of creation, modification and satisfaction of charges conferring security on the Company's property or undertaking have been filed with the Registrar of Companies as per requirements.
11. Loans and Investments have been made by the Company in accordance with requirements.
12. All necessary approvals of Directors, Shareholders, Central Government and other Authorities (wherever applicable) as per requirements have been obtained.

Hyderabad
August 29, 2006

Savita Jyoti
Company Secretary in Wholetime Practice
FCS No. 3738
3-4-10/1, Barkatpura
Hyderabad - 500 027.

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NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at 24, Kolhar, I.D.A., Bidar – 585 401, Karnataka, on Friday, 29th September, 2006 at 10:30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and Profit and Loss Account for the year ended as on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend for the year.
3. To appoint a Director in place of Mr. K.N. Guha who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. M.C. Srinivasan who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.
"RESOLVED THAT the retiring Auditors, M/s. A.G.V. Reddy and Co., who being eligible, for re-appointment be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be mutually agreed between Board of Directors of the Company and the Auditors, in addition to reimbursement of all out-of-pocket expenses in connection with the Audit of the Company."

By Order of the Board
for **JUPITER BIOSCIENCE LIMITED**

Venkat R. Kalavakolanu
Chairman & Managing Director

Place: Bidar

Date : August 29, 2006

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Proxy form in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members of the Company will remain closed from 26th September, 2006 to 29th September, 2006 (Both days inclusive).
4. The Dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or before 29th October, 2006.
5. All communication relating to shares are to be addressed to the Company's Share Transfer Agents:
XL Softech Systems Limited
3, Sagar Society
Road No, 2, Banjara Hills
Hyderabad – 500 034.
6. Members holding shares in electronic form are advised that the address / bank details as furnished to the Company by the respective Depositories, namely, NSDL and CDSL, will be printed on the dividend warrants.

**ADDITIONAL INFORMATION ON DIRECTORS ELIGIBLE FOR
APPOINTMENT/RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

BRIEF RESUME OF Mr. K.N. GUHA

Name : K.N. Guha
Age : 59 Years
Date of Birth : 24.03.1947
Educational
Qualifications: B.Sc., LL.B., C.A.I.I.B.

Professional Training

1. Corporate Finance (Debt and Equity Markets)
2. Business and Management Advisory
3. Project Finance
4. IPO Advisory
5. Visiting Faculty to Bank Training Centres.

None of the Directors is interested in his reappointment.

BRIEF RESUME OF DR. M.C. SRINIVASAN

Name : Mandayam Chakravarthi
Srinivasan
Age : 71 Years
Date of Birth : 17.08.1935
Educational
Qualifications: M.A. (Botany),
Madras University, 1955
Ph.D. (Mycology & Plant
Pathology)
University of Pune, 1959

Research and Professional Experience

Over 50 years research experience in the study of Micro Organisms and their application for the discovery of novel metabolites and Industrial Enzymes.

Associated with the Biochemical Sciences Division for the National Chemical Laboratory, Pune for over 37 Years (since October, 1957) and retired in August, 1995 as Head, Microbial Technology and Biochemical Sciences Division.

As a CSIR Emeritus Scientist, worked in the National Chemical Laboratory from September, 1995 to August, 2000.

Specialisation in Mycology, Microbial Technology and Industrial Enzyme Technology and made significant contributions in the area of Microbial Biodiversity exploration and identification of novel Microbial strains for production of Industrial Enzymes with unusual properties.

Published/Patented studies on Microbial amylase, Fungal alkaline, Protease, Cellulase and Cellulase – Free xylanases from Alkalophilic bacteria, actinomycetes and fungi.

Author of over 60 publications in National and International Journals and also several process patents in Industrial Enzyme Technology (Indian and U.S.Patents)

Awards, Honours and Membership of Academies

J.V.Bhat – Eureka Forbes Award for excellence in Microbiology (1990)

Elected to the prestigious Fellowship of the Indian National Science Academy (INSA), New Delhi (FNA) in 1995.

Nominated member of the World Federation of Culture Collections as a specialist member of the Endangered Culture Collections committee / participated by invitation and delivered lectures at International Conferences at Prague and USA.

Member of the Editorial Board of the World Journal of Microbiology and Biotechnology, U.K.

Member of the Advisory Committees of the Department of Science and Technology, Department of Biotechnology, Government of India as an expert member for project evaluation and recommendation for support.

None of the Directors is interested in his reappointment.

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DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting herewith the 21st ANNUAL REPORT together with the Audited Statement of Accounts of the Company for the year ended 31st March 2006.

FINANCIAL HIGHLIGHTS

The Financial Results for the year ended 31st March, 2006 are as under:

(Rupees in Lakhs)

	Year ended 31.03.2006	Year ended 31.03.2005
Sales	7992.85	7082.81
Other Income	25.21	26.34
Operating Profit (Before Interest and Depreciation)	3528.06	3070.51
Interest	415.83	313.70
Depreciation	919.87	756.28
Profit before Taxation	2192.36	2000.53
Provision for Taxation (Including earlier years)	529.32	527.65
Provision for Fringe Benefit Tax	4.47	0.00
Provision for Deferred Tax	(55.22)	57.15
Profit after Taxation	1713.78	1415.72
Appropriations:		
General Reserve	750.00	600.00
Dividend	221.55	199.40
Dividend Tax	31.07	27.97
Surplus Carried to Balance Sheet	6151.50	5440.34

During the year under review your Company recorded a good growth in terms of sales and profitability. Your Directors are pleased to inform you that the company has registered significant and sustainable growth due to continual Process

Development and commercialization of the new products in Peptide Precursors, Drug Intermediates and Speciality Chemicals. The Sales has risen by over 12.85% and the Net Profit has gone up by 21.05% as compared to the previous year.

The overall Financial Performance during the year 2005-06 was quite satisfactory. The company has achieved the significant growth on account Company's dedicated effort in reducing the cost of Production in a sustained manner and the company has made significant efforts in improving the maintenance of the equipment to achieve higher efficiencies in process control.

With regards to the Income Tax dues, your company has already made substantial payments and balance is being cleared.

DIVIDEND

Your Directors have recommended dividend for the 7th year successfully after achieving a good growth in profit during the year.

Dividend of Rs.2.50 per Equity Share (25%) on 88,62,000 Equity Shares of Rs.10/- each for the financial year 2005 - 2006. The dividend payout will aggregate to Rs.221.55 Lakhs and the dividend, if approved at the forthcoming Annual General Meeting, will be paid to all eligible equity share holders.

FUTURE OUTLOOK AND NEW PRODUCTS

There has been a paradigm shift in the way research is conducted in the life sciences industry. The introduction of genomics and proteomics has entirely changed the scenario of the drug discovery process. Most of these new processes concentrate on the protein chains or the natural peptides which are a part of the living human system. Peptides are now being looked at as a potential area around which biotechnological and pharmaceutical research will be centred. According to the E&Y report on Pharmaceuticals

at least 20 peptide drugs are expected to hit the market by the year 2005.

Renewed interest in peptides among drug producers has been driven by the availability of novel delivery systems for peptide drugs and the requirement for kilogram scale amounts of synthetic peptides, either as pharmaceuticals themselves or as ingredients for drugs. New technologies like Mimotopes, Phage therapy and high throughput screening technologies are driving interest in the segment.

The number of peptide drugs in advanced clinical trials has increased quite substantially. The clinical application of these new drugs is diverse, ranging from analgesics to anticancer drugs. A number of promising peptide drug candidates are in the pipeline for diabetes management, treatment of auto-immune disorders imaging and cancer therapies. More and more biotech companies are abandoning the goal of evolving into vertically integrated drug firms and instead, turning to outsourcing of bio-therapeutic products.

The Opportunity for the Jupiter Group

As an integrated manufacturer of peptides, Your Company is in a unique position of being able to capitalize on the potential demand for peptide raw materials as well as finished products. Your company, having established itself in the global market as a credible supplier of peptide raw materials seeks leverage its industry expertise to access developed markets with **End-To-End Peptide Solutions**. It is with this purpose that the company is looking at expanding its products and services as well as its marketing capabilities.

The core strength of your Company in the attainment of the Global Positioning are the following:

- A very strong Research & Development base.
- Positive Cash Flow.
- Growing pre-eminence in the market.

- **Unique Business Model** of “End – to – End” solutions in the Peptide Value chain, from basic Protected Amino Acids all the way to Bulk Drugs and Finished Peptide Formulations.
- In the above model, products at every level in the value chain are independently marketable, providing fantastic flexibility to the Group’s market thrust.
- **First and only pharma Group in India** to be involved in a wide range of products related to peptide chemistry.
- Caters to a broad vista of markets in peptides, ranging from Formulation Pharma processing companies, catalogue companies and Bulk Drug Trading companies.
- A strong focus on quality product delivery.
- Minimal lead time for putting in place expansion plans, both on a vertical scale as well as on a lateral scale.

Acquisitions

During the Financial year 2006-07, your Company has acquired a manufacturing facility from M/s Aurobindo Pharma Limited, located at Gadda Potharam Village, Jinnaram Mandal, Medak Dist., Andhra Pradesh to expand companies production and chemistry capabilities by introducing the new products developed in house and also manufacture the existing products.

Focus on Technology

Advanced Organic Chemistry

Processes Company plans to build-up expertise on:

Product focus

Advanced organic Intermediates & API’s

- Cyclization
- Hydrogenation
- Schiffs Base reaction

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- N-Carboxy Anhydrides
- High Pressure reaction

Peptide Chemistry

Product focus

Peptide Raw materials

Peptides

- Curtious
- Friedel crafts reaction
- Esterfication
- Active esters
- Mixed anhydrides
- Chloro carbonation

Peptide Isolation by

- Solution Phase Peptide Synthesis
- Solid Phase Peptide Synthesis

Chiral Chemistry

Product focus

- Chiral Amino Alcohols
- Chiral Intermediates
- Biocatalysis
- Chiral amides
- Halogenations

Biotechnology

- Native fermentation based on micro organism
- Recombinant DNA fermentation

Product focus

Enzymes

Proteins

Commercial Peptides

PARTICIPATION IN TRADE SHOWS

Your company has participated in the following trade shows and exhibited the Companies products.

BIO FINE	Messe, Berlin, Germany April 13-14, 2005
CPhI Japan	Big Sight, Tokyo, Japan April 20-22, 2005
BIO 2005	Philadelphia, USA June 19-22, 2005
19 th APS 2005	San Diego, USA June 18-23, 2005
Japanese Peptide Symposium	Osaka, Japan October 27-29, 2005
CPhI Worldwide	Madrid, Spain November 1 - 3, 2005
BIO ASIA	Hitech City, Hyderabad. February 9-12, 2006
Informex	Orlando, Florida February 14 - 17, 2006
Chemspec India	Bombay Exhibition Centre, NSE Goregeon (E), Mumbai, India April 5-6, 2006
CPhI Japan	Big Sight, Tokyo, Japan April 24-26, 2006

The objective of participating in Trade Shows is:

- To target commercial segment and the Research segment in the Peptide Pharmaceutical market.
- To improve communication channel with the customers and prospective customers.
- To understand the competition and the trends in the finished product sales.
- To assess the technology trends in the Pharmaceutical market.
- To increase the knowledge in the Regulatory Affairs of different countries.
- To sustain the Market Development

STATEMENT PURSUANT TO LISTING AGREEMENT.

The Equity Shares of the Company are listed with the Mumbai Stock Exchange. Your Company has paid the respective Annual Listing Fees up-to - date.

SAFETY AND ENVIRONMENT PROTECTION

Your Company has been following strict environmental protection standards and ensured that employees' health and safety measures are maintained and monitored throughout the plant.

ISO CERTIFICATION

Your Company has obtained a ISO 9001 – 2000 Certification for its manufacturing facility located at Cheriya Village, Sangareddy Mandal, Medak District, Andhra Pradesh is being successfully maintained by the company.

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

The Company's operations do not involve a high-energy consumption. But the Company is taking all the necessary steps for the optimum utilization of energy. The necessary particulars to be furnished under 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are furnished in the annexure to this Report.

The particulars to be furnished with regard to Technology Absorption and Research and Development are given in the annexure - 1 to this Report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company has earned Foreign Exchange of Rs.114.41 Lakhs on account of direct exports during the year. The Company has expended Rs.252.77 Lakhs in Foreign Exchange on account of Travel and imports of raw materials. The Management has made an extensive survey of foreign markets for the Company's products and several orders are in pipeline and there will be

substantial earnings in Foreign Exchange in the Current Year.

DIRECTORS

Mr. K. N. Guha retires by rotation in this Annual General Meeting and is eligible for re-appointment. Your Directors recommend his re-appointment.

Dr. M. C. Srinivasan retires by rotation in this Annual General Meeting and is eligible for re-appointment. Your Directors recommend his re-appointment.

Dr. Arvind M. Lali resigned effective from Dt.01.01.2006. The Board accepted the resignation and recorded its appreciation of services rendered by Dr. Arvind M. Lali during his tenure.

AUDITORS

M/s. A.G.V. Reddy & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and is eligible for re-appointment. They have furnished a certificate pursuant to Sec 224(1) of the Companies Act, 1956 regarding their eligibility for re-appointment and your Directors recommended his re-appointment.

SHARE WARRANTS

Issue of Warrants to Promoters: As per the Special Resolutions passed in the Extra Ordinary General Meeting held on 30.09.2005, the Promoters of the Company are allotted 27,50,000 share warrants on 13.10.2005. The Promoters of the Company brought an amount of Rs.414.10 Lakhs as 10% deposit against share warrants of Nos. 27,50,000 at a price of Rs.146/- per share warrant.

SUBSIDIARIES

100% Subsidiary of your Company, Sven Genetech Limited located at Cherlapally has made considerable progress since its inception.

Your Company has promoted Jupiter Bioscience Inc., in the United States of America to enhance its presence in the Peptides and Peptide based drugs business in the global market and to set up manufacturing facilities for Peptide based Bulk Actives.

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The results of the Subsidiary Companies are attached to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Your Directors are pleased to inform you that the relations with employees including workmen at all levels continue to be warm and cordial. The Directors place on record their appreciation of the devoted services rendered by the employees.

PERSONNEL

The Board of Directors would like to place on record its deep appreciation for rendering impeccable services to every constituent of the Company by the employees at all levels. Industrial Relations continued to be cordial throughout the year at all locations.

Particulars of employees required to be furnished u/s 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 are given in the annexure attached and forms part of the report.

DEPOSITS

The Deposits with the company are exempt under the provisions of the Section 58A of the Company's Act, 1956 having been raised as per the stipulations of the Financial Institutions. The Company has not raised any deposits during the year.

CORPORATE GOVERNANCE - Clause 49 of the Listing Agreement.

Your Company has complied with all the recommendations of the Corporate governance code as provided in Clause 49 of the Listing Agreement. The compliance report as recommended, is provided elsewhere in this Annual Report along with a Certificate of Compliance from the Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

In accordance with Section 217 (2AA) of the Companies Act, 1956 the Directors of the Company hereby state that:

- That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'Going Concern' basis.

ACKNOWLEDGEMENTS

Your Company wishes to place on record the strong support and interest from all the Shareholders. Your Company wishes to place on record the appreciation of continued co-operation, support and patronage received from the Financial Institutions, Bankers, Suppliers, and Customers. Your Directors also wish to place on record their appreciation of the service rendered by all employees of the Company.

By Order of the Board
for **JUPITER BIOSCIENCE LIMITED**

Venkat R. Kalavakolanu
Chairman & Managing Director

Place: Bidar
Date : August 29, 2006

ANNEXURE TO DIRECTORS' REPORT

**ANNEXURE-I
FORM – A: CONSERVATION OF ENERGY
(Form for disclosure of Particulars with respect to Conservation of Energy)**

	2005-2006	2004-2005
1. Power & Fuel Consumption		
a. Electricity:		
Purchased Units	3,04,872	79,189
Total Amount (Rs. in lakhs)	11.89	2.93
Rate per Unit (Rs.)	3.90	3.70
b. Own generation through Diesel Generator		
Units	5,68,680	7,50,083
Total Amount (Rs. in lakhs)	34.12	45.38
Cost per Unit (Rs.)	6.00	6.05
c. Coal:		
Quantity in Tonnes	1,963	1,648
Total Cost (Rs. in lakhs)	30.38	25.78
d. Furnace Oil	—	—
e. Others	—	—
2. Consumption per unit of Production		
Electricity (Rs.)	29.17	35.18
Furnace Oil (Rs.)	—	—
Coal (Rs.)	19.62	18.77

**FORM – B : RESEARCH AND DEVELOPMENT
(New product development and process development)**

- 1. Specified areas in which R & D is carried out by the company.**
 New Product development and Process development are focus mainly on
 - a. Peptide Reagents and Coupling Agents – The Company has developed newer coupling agents and peptide reagents which are gaining wider application focus directly in Peptide Synthesis of products which are essentially vaccines, Peptide Antibiotics, Drugs.
 - b. Protected Amino Acids based on **Natural Amino Acids and Unnatural Amino Acids.**
- 2. Benefits Derived as a Result of the above R & D.**
 Many of the products in Peptide Reagents and Protected Amino Acids, Drug Intermediates, Speciality Chemicals and fine Chemicals have already been commercialized successfully.
 - a. Strong position in Science / Knowledge based businesses
 - b. Competitiveness in cost and quality of products
 - c. Generation of Intellectual Property.
- 3. Future Plan Of Action.**
 - a. R&D on Peptide based drugs in the therapeutic areas of AIDS-HIV, Oncology, Cardiovascular, Immunology, Neurology
 - b. Continued focus on unnatural amino acids

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4. Expenditure On R & D, Technology Absorption, Adaptation And Innovation.

- a. Efforts in brief, made towards technology absorption, adaptation and innovation. Technology involved in indigenous and no imported technology is involved.

Technologies developed for manufacturing the products have been commercialized very quickly through in-house efforts related to design of plants, scale of processes on pilot scale and supporting production team in optimizing / establishing the processes in the plant.

- b. benefits derived as a Result of the above efforts

A large number of new products have been introduced by the company, with quality and at a cost which make it very competitive in the market place.

Research and Development Expenditure incurred during the year for Product and Process Development is Rs.697.86 Lakhs.

FORM – C: FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year 01.04.2005 to 31.03.2006 Rs. in Lakhs	Previous Year 01.04.2004 to 31.03.2005 Rs. in Lakhs
Foreign Exchange Earnings	114.41	45.83
Foreign Exchange Outgo	242.36	119.89
Net Foreign Exchange Earnings	(127.95)	(74.06)

FORM - D : ANNEXURE TO DIRECTORS' REPORT Information pursuant to Section 217 (2A) of the Companies Act, 1956

Name	Age (Yrs)	Quali- fication	Desig- nation	Date of Commencement of employment	Experi- -ence (yrs.)	Gross Remuneration Rs.in Lacs	Last Employ- -ment
Sri Venkat R. Kalavakolanu	43	B.Sc., MBA	Chairman and Managing Director	10.03.1992	19	36.00	Natco Pharmaceuticals, Hyderabad

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENT

According to IMS Health (NYSE:RX), the world pharma sales grew by 7 percent to touch 602 billion dollars in the last calendar year and in the Ten major markets which accounted for 81 percent of the world market, the audited growth in sales stood at 5.7 percent as against 7.2 percent in the previous year.

North America continues to be largest pharmaceutical market followed by Europe and Japan. Asia Pacific and African regions baring Japan also recorded a higher growth of 11 percent during the year ended on December, 2005 with gross sales of 46.4 billion dollars.

The IMS Figures for 2005 indicate a definite shift in pharmaceutical market in the years to come. China, India and Brazil, the three fastest growing economies are going to play a decisive role in the pharmaceutical scene in the years to come. A notable trend in the World Pharma market place is the growing role of generics as increasing number of patients bear their own healthcare costs and the governments are getting sympathetic to their cause. This has to inevitably bring a steady phase of price control pressures on several medications in the years to come in all the markets.

The pharmaceutical industry in India is estimated at US \$5.22 billion, growing at a rate of 8.6% annually. Globally, the Indian pharmaceutical industry ranks 4th in terms of volume and 13th in terms of value of the total global sales.

The Indian Pharmaceutical Industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously.

The pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. The Indian companies produces the complete range of pharmaceutical formulations i.e. medicines ready for consumption by patients and about 350 bulk drugs, i.e. chemicals having therapeutic value and used for production of pharmaceutical formulations. Indian companies need to attain the right product-mix for sustained future growth. Core competencies will play an important role in determining the future of many Indian pharmaceutical companies in the post product-patent regime after 2005. Indian companies, in an effort to consolidate their position, will have to increasingly look at merger and acquisition options of either companies or products. This would help them to offset loss of new product options, improve their R&D efforts and improve distribution to penetrate markets.

The Pharmaceutical Industry, with its rich scientific talents and research capabilities, supported by Intellectual Property Protection regime is well set to take on the international market. The Indian pharmaceutical industry is revitalizing the national economy and scaling new heights in the world markets. The Indian bulk drug industry in particular has provided a major thrust in making the pharmaceutical sector more visible as a quality driven global player.

MNC presence in the pharmaceutical industry is expected to go up after implementation of WTO guidelines and the new Patent Act, which recognizes product patent as against the existing process patent in the country. However, domestic companies would continue to dominate the bulk drug segment since India has become a preferred sourcing destination for most multi national pharmaceutical giants. They increasingly source their requirement of dosage forms, bulk drugs and intermediates as these products are available relatively less expensively from India.

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2. BUSINESS STRATEGY

Your Company is well poised to face the challenges of new age pharma industry with its modern technology and skilled human resources, it has clear vision to become a leading manufacturer of bulk drugs and high value Active Pharmaceutical Ingredients.

The objective of the Jupiter Group is to establish a **Global Peptide Solutions Group** having a broad canvas of Peptide Chemistry products including - Bulk Actives Formulations, Peptide Reagents, Coupling Additives, Protecting Agents and supplier of key ingredients used in peptide based pharmaceuticals. **The manufacturing processes for peptides would also encompass three routes - (a) Solution Phase synthesis, (b) Solid Phase synthesis and (c) re-combinant technology.**

Your company is already in the process of building itself to be a reputed supplier source of peptide-based products to global pharmaceutical companies, biotechnology firms and research organizations. By investing in R&D activity on peptide chemistry, your company is thus preparing for major changes expected to occur in the pharmaceutical sector in the near future.

Your company thus seeks to achieve global positioning in Peptides by accomplishing a unique business model, that would offer an **“End-to-End “** integration of manufacturing capabilities in the value chain from Basic component molecules to Finished Dosage forms. This kind of integration in the peptide value chain **would be the first of its kind in the world.** The Group wishes to move up the value chain into manufacturing generic peptide Active Pharmaceutical Ingredients (APIs) and finished formulations, which it would supply to generic drug marketers as well as original patent holders, for the highly regulated markets. With this objective Jupiter Bioscience inc., seeks to expand its presence in the US, which is the key target market for its products and is in the process of acquiring a company, which will engage in final stage API production as well as finished formulations.

3. RESEARCH AND DEVELOPMENT

Your company's key differentiator is its robust R&D capabilities, with accent on both product and process development and herein lies its competitive edge. The Company continued to invest aggressively in its R&D programs and the core R&D strengths of the company are in Advanced Organic Chemistry, Peptide Chemistry.

Your Company has ongoing Technology alliances with M.I.T. Boston and University of Toronto and Research projects with UDCT, Mumbai and Bangalore University.

On the product development front, the company continues to focus on developing newer Peptide Reagents, Coupling Reagents and Protected Amino Acids. It also continues to innovate in the arena of speciality pharmaceutical intermediates.

Your Company's focus has always been on Multi-process capabilities, in relation to the application areas of Pharmaceutical intermediates and API's.

Your Company has been strongly advocating the relationship with academic institutions continually to encourage scientific talent and expertise, in turn augmenting our technology group.

Your Company is happy to inform you that on the occasion of 20th Anniversary Celebrations, honoured two reputed Scientists Padma Sri Prof. Goverdhan Mehta and Prof. Tangirala Rama Sarma.

Padma Sri Dr. Goverdhan Mehta A.

Padma Sri Goverdhan Mehta, CSIR Bhatnagar Fellow and Honorary Professor, Indian Institute of Science born on June 26, 1943, at Jodhpur, India.

Education : M.Sc. Univ. of Rajasthan
Ph. D. University of Pune
D.Sc. (h.c.), Post Doctoral
Research, Michigan State
University & The Ohio
State University.

Research : Chemical Sciences -
Contributions Organic Chemistry

Contributed extensively to many areas of Organic Chemistry like Synthesis of diverse natural products and novel non natural objects, design of new biologically active molecular entities, understanding of stereogenesis through addition to trigonal carbon centres, assembly of new molecular arrays for molecular recognition and development of new reagents and strategies for synthesis.

Professional : Member and Scientific
Service Advisory Committee to the
Cabinet (SACC),
Government of India.

Prof. Tangirala Ramasarma

Academic : B.Sc. (Chemistry) Andhra
Qualifications University

D. I. I. Sc. (Chemical
Engineering), IISc
Ph. D. (Biochemistry),
University of Bombay

Post Doctoral : National Research
Work Council, Saskatoon,
Canada
Institute of Enzyme
Research, University of
Wisconsin, Madison,
U. S. A.

Research Experience : Basics on Biogenetics,
Lipid Quinones, Trans Membrane Domains.
Adaptation of Cellular Thermogenic
Reactions. Natural Occurance and
Distribution of coenzyme Q and Metabolism
of coenzyme Q. Currently distinguished
Chair at Centre for DNA Finger Printing and
Diagnostics, Hyderabad.

4. OPPORTUNITIES AND THREATS

As an integrated manufacturer of peptides, your company Group is in a unique position of being able to capitalize on the potential demand for peptide Raw Materials as well as finished products. Your company, having established itself in the global market as a credible supplier of peptide Raw Materials seeks leverage its industry expertise to access developed markets with **End-To-End** Peptide Solutions. It is with this purpose that the

company is looking at expanding its products and services as well as its marketing capabilities.

Your Company's phase-wise plan to strengthen and sustain the Research & Development effort year after year is reflected in the introduction of new products regularly. Your Company is very strong not only in Research & Development but also in Process Development, which is today, a current global trend for every corporate and Research entity in Pharmaceutical and Biotech field. Your company created a unique position in the international market in terms of technology strength and competitiveness.

Your companies efforts in the above direction has also resulted in preparing for the future when the opportunities will be very wide open only for the technology back companies after the year 2005 and the patents of the most of the drugs would have expired and many new drugs which are presently in the pipeline would be commercialized in the coming 4 - 5 years.

Your Company has developed expertise in Peptide Precursors in Diagnostics, Vaccines and Peptide Antibiotics. Your Company is technologically capable to be able to introduce products based on Peptide Chemistry to meet the above demands in the product applications. Your Company's focus is also extensively targeted to cater to the Research of new molecules based on Peptides. The end users in this segment are Universities, Medical Schools, Research Institutions, Drug Discovery Companies, R & D Centres of Multi National Companies.

The Customers in these segments, over a period of time, would transition themselves into commercial users, as and when they are ready to commercially launch the new products. Your Company has drawn plans for expansion to achieve the desired growth of business and improve profitability for the present as well as future years.

Threats

Your company is facing competition from Europe and USA as on date. There is a

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likelihood of competition from Eastern European Countries in future.

Your company has plans to extend its technology further in the areas of Chiral Chemistry, Organic Chemistry and Biotechnology to face the competition. Future product segments include Biocatalysis, Biomolecules, unnatural amino acids and Teprenone.

5. PRODUCT-WISE OR CATEGORY-WISE PERFORMANCE

Sales	Rs. in lakhs
Peptides (Peptide Reagents & Amino Acids)	4126.00
Drug Intermediates	1924.38
Fine Chemicals	1942.47
Total	7992.85

6. RISKS AND CONCERNS

The Government's Exim Policy and Export Procedures and weak infrastructure for Exports are the major concerns.

The introduction of Peptide formulations by the global pharmaceutical companies could be delayed due to regulatory framework in Europe, USA and Japan.

The introduction of new molecule based on Peptide drugs due to delay in clinical trials.

7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has adequate internal control procedures commensurate with its size and nature of the business. These business control procedures ensure efficient use and protection of the resources and compliance with the policies, procedures and statutes. The internal control systems provide for well-documented policies, guidelines, authorisations and approval procedures. Your company has leading professional firms on its internal Audit Panel, who carried objective of such audits is to test the adequacy and effectiveness of all internal controls laid down by the management and to suggest improvements. The top management every month and the Audit Committee of the Board periodically review the internal Auditors findings and recommendations.

HUMAN RESOURCES

Your Company celebrated 20th Anniversary with 350 Jupiter family members, along with their spouses and children on 30th April, 2006. Employees had competition in sports and winners were rewarded on the day of the celebration. Employees with long service of 10 years and above have been rewarded, with cash prizes and Certificate of Appreciation.

Finally, the gathering was entertained and everyone joined for fellowship. This gave us opportunity of oneness in and profile of big growing organisation.

Human Resource Department has contributed significantly to the performance of the Company.

Human Resource Department is being run by professionally qualified team in co-ordination with the top management. HRD center had conducted training programs during the year 2005-06 on various topics related to Technological Development, Quality System Management, Behavioural change modules, Individual and Operational Safety, Personality Development, Computerization of systems etc. Apart from these internal training programs, employees are also sent for training / seminars participation at prominent training institutes on regular basis for upgrading their knowledge and skill level.

Training is designed for the development of personal skills necessary for the performance of the present job and to prepare them for future growth. Individual development is given top priority to groom high caliber manpower.

The HR Department has come out with adequate and innovative internal training processes, which facilitating in knowledge transfer, job rotation, and job enrichment among employees. This shall help in maintaining the employee morale and confidence and help the Company to build its ' Human Capital'.

Employee relations continued to be quite satisfactory.

REPORT ON CORPORATE GOVERNANCE

1. Company’s philosophy on code of Governance:

“Your” Company philosophy of Corporate Governance envisages attainment of the highest level of transparency, accountability and equity in all its dealings with Shareholders, Employees, Government and Lenders and your Company believes that good Corporate Governance contemplates that corporate actions, balance the interests of all stakeholders and satisfy the tests of transparency, independence, accountability, responsibility, fairness and social responsibility.

2. Board of Directors

Composition of Board

Jupiter Board consists of three Non-Executive Directors, all of whom are also independent Directors viz., Mr. K.N.Guha, Mr. Rudolf H. Tanner Dr. M. C. Srinivasan and Mr. Venkat R. Kalavakolanu, Chairman & Managing Director of the Company.

During the financial year 2005 – 2006, TEN Board Meetings were held on the following dates :

April 30,2005 - June 03,2005 - July 29 ,2005 - August 29,2005 - September 09,2005 - October 24,2005 - January 10,2006 - January 31,2006 - February 8, 2006 – March 28,2006.

The attendance at Board Meetings held during Financial Year 2005 – 2006 and at the last AGM and number of other directorships and committee memberships / Chairmanships of Directors is given below :

3. Audit Committee

Composition, name of members and Chairperson

Audit Committee of your Company consists of two Non-Executive Independent Directors namely Mr. K.N.Guha, Dr. M. C. Srinivasan, and Venkat R. Kalavakolanu Chairman & Managing Director of the Company. Mr. K. N. Guha is the Chairman of the Audit Committee Meetings.

Terms of reference

1. To oversee the Company’s financial reporting process and disclosure of its financial information.
2. To recommend the appointment, re-appointment and removal of Statutory Auditors and fixation of the audit fee.
3. To recommend appointment, re-appointment, removal, and fixation of remuneration of internal auditors.
4. To review and discuss with the Auditors about internal control systems, the scope of audit including observations of the Auditors,

Name of Director	Attendance particulars		No. of other Directorships held as on date	Committee Membership as on date (Including Jupiter)	
	Board Meetings	Last AGM		Member	Chairman
Venkat R. Kalavakolanu	10	Yes	2	3	1
K.N. Guha	10	Yes	2	3	2
Dr. M.C. Srinivasan	10	Yes	1	3	—
Rudolf H. Tanner	2	—	—	—	—

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adequacy of the internal Audit function, major accounting policies, practices and entries, compliance with accounting standards and compliance with the stock exchange and legal requirements concerning financial statements and related party transactions, if any.

5. To review the Company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon.
6. To review the financial statements before submission to the Board of Directors.
7. To ensure that adequate mechanism for prevention & detection of frauds is in place.
8. Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

Meetings and attendance during the year

The Committee met FIVE times during the year on April 30, 2005 - July 29, 2005 - August 29, 2005 - October 24, 2005 - January 31, 2006.

Name of the Member	No. of Meetings Held	No. of Meetings Attended
Mr. K.N. Guha	5	5
Dr. M.C. Srinivasan	5	5
Mr. Venkat R. Kalavakolanu	5	5

4. Remuneration Committee

The purpose of the Remuneration committee of the Company shall be to discharge the Board's responsibilities relating to remuneration of the Company's Executive Directors. The committee has overall responsibility for approving and evaluating and recommending plans, policies and programs relating to remuneration of Executive Directors of the Company.

The Committee consists of Independent Directors and has met at once during the year on 24th October, 2005 and the attendance of each member of the Committee is given below:

Name	Designation	Committee Meeting Attended
Mr. K.N. Guha	Chairman	1
Dr. M.C. Srinivasan	Member	1
Mr. Venkat R. Kalavakolanu	Member	1

Details of remuneration to Directors

Executive Directors:

Name	Designation	Remuneration paid / to be paid for the financial year 2005-2006 (Rs. in Lakhs)
Mr. Venkat R. Kalavakolanu	Chairman & Managing Director	36.00

Non-Executive Directors :

The Company does not pay any remuneration to Non-Executive Directors except sitting fees for attending the meeting of the Board / Committee and reimbursement of traveling and out of pocket expenses for attending such meetings. A sitting fees of Rs.2,500/- (Rupees Two thousand five hundred only) is paid for attending each Board / Committee Meeting.

5. Share Transfer and Shareholder / Investor Grievance Redressal Committee

1. Composition, name of members and Chairperson

The Committee comprises of Sri Venkat R. Kalavakolanu, Chairman & Managing Director, Dr. M.C.Srinivasan, Non - Executive Independent Director, and Mr. K.N.Guha, Non-Executive Independent Director.

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The Committee met on 30.04.2005, 29.07.2005, 24.10.2005 and 31.01.2006. The Company received 191 queries from the investors during the year 2005 – 06, and all of them were replied / resolved to the satisfaction of the investors. There were no pending valid requisitions for transfers of shares as on 31st March, 2006. Mr. Venkat R. Kalavakolanu is the Chairman of the Committee.

Name and designation of the Compliance Officer

Mr. P. Veerabhadra Rao, Vice President – Finance.

Investor Complaints received and resolved during the Year.

Nature of Complaint	2005-2006	
	Received	Cleared
a. Relating to Transfer, Transmission, Transposition, Dividend, Change of Address & General	180	180
b. Others (Request for Annual Reports)	11	11

2. Annual General Meetings

The last three Annual General meetings were held as under :

Year	Date	Location	Time
2004-2005	30.09.05	At the Regd. Office of the Company	10.30 a.m.
2003-2004	27.09.04	At the Regd. Office of the Company	10.30 a.m.
2002-2003	30.09.03	At the Regd. Office of the Company	10.30 a.m.

3. Extra Ordinary General Meeting:

Date	Location	Time
30.09.05	At the Regd. Office of the Company	10.30 a.m.

No resolution was put through postal ballot in any of the General Meetings so far held by the Company.

None of the resolutions placed for shareholders' approval at this meeting require postal ballot either under section 192A of the Companies Act, 1956 or under clause 49 of the Listing Agreement.

4. Disclosures

- There are no materially significant related party transaction i.e. transaction of the company of material nature with its promoters, directors or the management etc., that may have potential conflict with the interests of the company at large.
- The company had complied with the requirement of the Stock Exchange, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No pecuniary structures have been imposed on the company by any of the above mentioned authorities.
- The company has already put in place a system for employees to report to the management about concerns relating to unethical behaviour, any fraud or violation of companies Code of Conduct and access has been provided upto the higher level of supervision including the Audit Committee
- The company has complied with all the mandatory requirements and has also disclosed any information relating to non mandatory requirements.

5. Means of Communication

The Quarterly results are usually published in the Indian Express / Economic Times, Nav Bharat Times, Maharashtra Times, Economic Times, Mumbai (in English) and Kannada Prabha / Uttara Karnataka (in Regional Language) dailies.

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SHAREHOLDERS' INFORMATION

Annual General Meeting

Date and Time : September 29, 2006
at 10.30 a.m.

Venue : At the Registered Office of
the Company.
24, Kolhar, I.D.A, Bidar,
Karnataka – 585401.

Financial Calendar (2006-2007) : The following is the tentative
financial calendar of the
Company which is subject
to change :

1st Quarter Results:

4th Week of July, 2006.

2nd Quarter Results:

4th Week of October, 2006.

3rd Quarter Results:

4th Week of January, 2007.

4th Quarter Results:

4th Week of April, 2007.

AGM for the year 2006-2007:

September 2007.

Date of Book Closure : 26.09.2006 to 29.09.2006
(both days inclusive)

Dividend Payment Date : On or before the 29th day of
October, 2006.

Listing on Stock Exchanges : Bombay Stock Exchange Ltd.

The Listing Fee for the year
2006-2007 has been paid to
the above Stock Exchange

Stock Code : BSE Code: 524826

Demat ISIN Number in NSDL & CDSL for equity shares : INE918B01013

Stock Market Data

Monthly closing share price of high and low quotations, traded in Bombay Stock Exchange Ltd., for the year 2005-2006.

Month	High Rs.	Low Rs.	Close Rs.	Volume
April – 2005	133.25	106.50	108.20	1600972
May – 2005	138.00	106.05	126.15	3130753
June – 2005	143.70	120.00	120.40	3161150
July – 2005	148.95	118.25	129.95	3850278
Aug – 2005	179.90	127.05	170.90	8005603
Sept – 2005	195.90	136.25	148.90	9164767
Oct – 2005	165.90	124.05	129.90	2799586
Nov – 2005	147.80	128.50	138.25	1837974
Dec – 2005	150.00	134.15	147.45	3475211
Jan – 2006	164.90	137.05	137.85	3563166
Feb – 2006	152.50	131.10	132.50	1760316
Mar – 2006	136.00	117.20	123.60	2038883

Distribution of Shareholding as on March 31, 2006

Category From - To	No. of Share- holders	% of Hol- ders	No. of Shares	% of Shares
1 - 500	15,561	87.23	22,47,364	25.36
501 - 1000	1,233	6.91	9,76,274	11.02
1001 - 2000	536	3.00	7,99,304	9.02
2001 - 3000	165	0.92	3,95,194	4.46
3001 - 4000	85	0.48	2,63,556	2.97
4001 - 5000	82	0.46	3,65,873	4.13
5001 - 10000	96	0.54	6,94,951	7.84
10001 and above	81	0.45	31,19,484	35.20
	17,839	100.00	88,62,000	100.00

Jupiter Bioscience Limited

Particulars of Dividend paid by the company and transfer of un claimed dividend to the Investor Education Fund.

Sl. No.	Year	Name of the Bank	% of Dividend	Amount Rs. in Lakhs	Mode of Payment	Due Date for Transfer
1.	1999-2000	HDFC Bank	10.00	88.62	Demand Draft	-
2.	2000-2001	Allahabad Bank	15.00	132.93	Demand Draft	-
3.	2001-2002	UTI Bank	16.50	146.22	Dividend Warrants	24.10.2009
4.	2002-2003	Global Trust Bank	18.00	159.52	Demand Draft	-
5.	2003-2004	Oriental Bank of Commerce	20.00	177.24	Dividend Warrants	25.10.2011
6.	2004-2005	Centurion Bank	22.50	199.39	Dividend Warrants	26.10.2012

Registrar & Share Transfer Agents:

XL Softech Systems Limited

3, Sagar Society
Road No. 2, Banjara Hills
Hyderabad – 500 034.

Share Transfer System

Share transfers would be registered and returned within a period of four weeks from the date of receipt, if the documents are clear in all respects.

The Share Transfer committee which meets weekly aims at ensuring registration and return of transferred shares promptly on receipt of completed documents.

Depository System / Demat of Shares

The equity shares of the Company are being traded in electronic form from 25.09.2000 as per SEBI circular. This facilitates faster and efficient Transfer System and also reduce investors risks of bad delivery / loss in transit of documents besides having the advantage of exemption from Stamp Duty. The total Subscribed and fully paid – up Equity Shares of the Company is 88,62,000 Shares of which over 94.32% of the shares are in Electronic Mode and the rest of the shares are in Physical form.

As per the directions of Securities and Exchange Board of India, trading in the company shares shall compulsorily be in dematerialized form by all classes of Investors and facilities for

dematerialisation are fully operational. The Company shares are regularly traded on BSE.

There are no outstanding GDRs / ADRs / Warrants or any Convertible instruments.

Works : 24, Kolhar, I.D.A, Bidar,
Karnataka – 585401.

Sy. No. 111,
Cheriyal Village,
Sangareddy Mandal,
Medak District.

Address for Correspondence : **XL Softech Systems Limited**
3, Sagar Society
Road No. 2, Banjara Hills
Hyderabad – 500 034.

(or)

The Compliance Officer
Jupiter Bioscience Limited
10-3-2/15, Sripuri Colony
East Marredpally
Secunderabad – 500 026. AP
Tel : 040-27730980

Your Company has a website by name
www.jupiterbioscience.com

Venkat R. Kalavakolanu
Chairman & Managing Director

Place: Bidar
Date : August 29, 2006

CERTIFICATE ON CORPORATE GOVERNANCE

CERTIFICATE

To
The Members of
JUPITER BIOSCIENCE LIMITED

I have examined the compliance of conditions of Corporate Governance by Jupiter Bioscience Limited, for the year ended on 31st March, 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

I state that in respect of investor grievances received during the year ended 31st March, 2006, no investor grievances are pending against the company for a period exceeding one month as per records maintained by the company which are presented to the shareholders / Investor Grievance Committee.

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

For **A.G.V. Reddy & Co.**,
Chartered Accountants
A.G.Venugopal Reddy
Proprietor
Membership No. 022554

Place : Bidar (Camp)
Date : August 29, 2006

AUDITORS' REPORT

To
The Members of
Jupiter Bioscience Limited

1. I have audited the attached Balance Sheet of Jupiter Bioscience Limited, Bidar, Karnataka State as at **31st March, 2006** and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the companies (Auditor's Report) Order, (Amendment) 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to above, I report that:
 - i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - ii. In my opinion, the Company has kept proper books of account as required by law so far as appears from my examination of those books.
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv. In my opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, I report that none of the directors are disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at **31st March, 2006**; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c. In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

for **A.G.V. Reddy & Co.**,
Chartered Accountants

A.G. Venugopal Reddy
Proprietor
Mem. No. 022554
D.No.15-570-33, 1st Floor
Pallavi Towers,
Subhash Road,
Opp. Canara Bank
Anantapur - 515 001.
Andhra Pradesh.

Place : Bidar (Camp)
Date : August 29, 2006

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ANNEXURE TO THE AUDITORS' REPORT

Statement on the Companies (Auditor's Report) Order 2004.

Re : JUPITER BIOSCIENCE LIMITED.

Referred to in Paragraph 3 of our report of even date:

1. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of its Fixed Assets.
- b. According to the information and explanations given to us the Fixed Assets have been physically verified by the management during the year. In my opinion, the frequency of such physical verification is reasonable having regard to the size of the company and the nature of its Assets. No Material discrepancies were noticed on such verification as compared to the available records.
- c. During the year the company has not disposed off a substantial part of its Fixed Assets, reporting on the going concern status in this regard does not arise.
2. In respect of Inventories :
 - a. As explained to me, the inventories have been physically verified by the management at reasonable intervals during the year.
 - b. In my opinion and according to the information and explanations given to me, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of Company and the nature of the business.
 - c. The company has maintained proper records of inventory. As explained to me, there were no material discrepancies noticed on physical verification.
3. I am informed that the company has not taken / granted any loans, secured or unsecured, from / to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 Sub Clauses (b) (c) and (d) of clause (iii) of this order are not applicable, as the company has not granted or taken any loans from such parties.
4. In my opinion, and according to the information and explanation 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. In my opinion and according to the information and explanations given to me, there is no continuing failure to correct major weaknesses in internal control.
5. To the best of my knowledge and belief and as explained to me the Company has not entered into any transactions required to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
6. In my opinion , and according to the information and explanations given to me, the Company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public.
7. In my opinion, the Company has an internal Audit system commensurate with the size of the Company and nature of its business.
8. I have been informed by the management that no Cost records have been prescribed by the Central Government under Clause (d) of sub Section (1) of section 209 of the Companies Act, 1956 in respect of products manufactured by the company.
9. a. According to the records of the company, the company is generally regular in depositing undisputed statutory dues

Jupiter Bioscience Limited

- including Provident Fund, Investor education and protection fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess, FBT and any other Statutory dues applicable to it with the appropriate authorities. There are arrears of Income tax of Rs.385.86 Lakhs as at 31.03.2006 which are Outstanding for a period of more than six months from the date they become payable. Income Tax Assessments are completed upto the Assessment Year 2003-04.
- b. According to the information and explanations given to me, there are no dues of sales Tax, Customs Duty, Wealth Tax, Excise Duty, Service tax, Cess which have not been deposited on account of any dispute.
10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on my audit procedures and on the information and explanations given by the management, I am of the opinion that the Company has not defaulted in payment of dues to financial institutions and banks. The Company does not have any borrowings by way of debentures.
12. According to the information and explanations given to me the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditors Report) Order 2003 is not applicable to the company.
14. The Company is not dealing or trading in Shares, Securities ,Debentures and other Investments . Accordingly, the Provisions of Clause 4 (xiv) of the companies (Auditor's Report) order 2003 are not applicable to the company.
15. According to the information and explanations given to me, the company has not given any guarantee for loans taken by others from bank or financial institutions except for its subsidiary company, Sven Genetech Limited, Secunderabad.
16. To the best of my knowledge and belief and according to the information and explanations given to me, term loan availed by the Company during the year was prima facie applied for the purpose for which it was obtained.
17. According to the information and explanations given to me, on an overall examination of the balance sheet of the company, I am of the opinion that there are no funds raised on short term basis, have prima facie, been used during the year for long term investment.
18. According to the information and explanations given to me no preferential allotment of shares has been made by the company to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any secured debentures.
20. The company has not raised any money through a public issue during the year.
21. According to the information and explanations given to me, no fraud on or by the company has been noticed or reported during the year.

for A.G.V. Reddy & Co.,
Chartered Accountants
A.G. Venugopal Reddy
Proprietor
Membership No. 022554

Place : Bidar (Camp)
Date : August 29, 2006

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BALANCE SHEET AS AT MARCH 31, 2006

Particulars	Schedule	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SOURCES OF FUNDS			
A. Shareholders' Funds			
Share Capital	1	88,620,000	88,620,000
Deposit against Share Warrants		41,409,800	0
Reserves & Surplus	2	1,045,635,792	899,519,595
B. Loan Funds			
Secured Loans	3	678,399,201	523,784,851
Unsecured Loans	4	219,296,395	90,661,705
Deferred Tax Liability		11,281,452	16,803,178
Total		<u>2,084,642,641</u>	<u>1,619,389,329</u>
APPLICATION OF FUNDS			
A a. Fixed Assets:			
Gross Block	5	1,019,489,835	884,397,305
Less: Deprecation Block		343,458,317	251,471,538
Net Block of Fixed Assets		676,031,518	632,925,767
b. Capital Work-in-Progress		259,379,042	143,895,561
B. Investments	6	547,734,290	324,575,562
C. Current Assets, Loans & Advances			
a. Inventories	7	224,887,654	205,825,974
b. Sundry Debtors	8	170,558,228	125,396,319
c. Cash and Bank Balance	9	11,143,712	7,991,987
d. Loans and Advances	10	45,475,847	16,705,119
Gross Current Assets		452,065,441	355,919,398
Less: Current Liabilities & Provisions	11	144,521,171	91,356,664
Net Currents Assets		307,544,271	264,562,734
D. Miscellaneous Expenditure (to the extent not written off)	12	293,953,520	253,429,705
Total		<u>2,084,642,641</u>	<u>1,619,389,329</u>
Notes on Accounts	20		

Schedules '1' to '12' and '20' annexed form integral part of Balance Sheet

As per my report of even date attached

For **A.G.V. Reddy & Co.**
Chartered Accountants

A.G. Venugopal Reddy
Proprietor
Membership No. 022554
Place : Bidar (Camp)
Date : August 29, 2006

For and on behalf of the Board
Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

Jupiter Bioscience Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Particulars	Schedule	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
INCOME			
Sales	13	799,285,088	708,280,704
Other Income	14	2,551,017	2,634,281
Total		<u>801,836,105</u>	<u>710,914,985</u>
EXPENDITURE			
Consumption of Raw Material	15	426,169,108	447,594,773
Payments & Benefits to Employees	16	18,036,165	14,841,511
Financial Expenses	17	41,583,803	31,369,564
Other Expenses	18	58,955,385	50,627,099
Depreciation		91,986,779	75,628,109
Miscellaneous Expenses written off (Preliminary & Deferred revenue expenses)		29,262,238	19,215,163
		<u>665,993,478</u>	<u>639,276,219</u>
Increase in Stocks	19	13,607,715	27,943,316
Less: Research and Development Expenses		<u>69,786,053</u>	<u>100,470,753</u>
		<u>582,599,710</u>	<u>510,862,150</u>
Profit for the year Before Taxation		<u>219,236,395</u>	<u>200,052,835</u>
Less: Provision for Taxation for the year		52,932,353	30,875,024
Provision for Taxation -Earlier year		0	21,890,474
Provision for Deferred Tax for the year		(5,521,726)	5,715,317
Provision for Fringe Benefit Tax		447,331	0
Profit After Tax		<u>171,378,437</u>	<u>141,572,020</u>
Surplus brought forward		544,033,670	485,197,665
Amount available for appropriation		<u>715,412,107</u>	<u>626,769,685</u>
APPROPRIATIONS			
Transferred to General Reserve		75,000,000	60,000,000
Proposed Dividend		22,155,000	19,939,500
Dividend Tax		3,107,240	2,796,515
Surplus Carried to Balance Sheet		<u>615,149,867</u>	<u>544,033,670</u>
Total		<u>715,412,107</u>	<u>626,769,685</u>
Notes on Accounts	20		

Schedules '13' to '20' annexed form integral part of Profit & Loss Account

As per my report of even date attached

For **A.G.V. Reddy & Co.**
Chartered Accountants

A.G. Venugopal Reddy
Proprietor

Membership No. 022554

Place : Bidar (Camp)

Date : August 29, 2006

For and on behalf of the Board

Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

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SCHEDULES TO BALANCE SHEET

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised Share Capital (12,000,000 Equity Shares of Rs.10/- each)	120,000,000	120,000,000
Issued, Subscribed and Paid-up Capital (8,862,000 Equity Shares of Rs.10/- each fully paid-up in cash)	88,620,000	88,620,000
Total	88,620,000	88,620,000
SCHEDULE 2: RESERVES & SURPLUS		
General Reserve		
Balance brought forward	159,805,346	99,805,346
Transferred from Profit & Loss Account	75,000,000	60,000,000
	234,805,346	159,805,346
Central Subsidy	419,000	419,000
Investment Allowance Reserve	261,579	261,579
Share Premium	195,000,000	195,000,000
Surplus	615,149,867	544,033,670
Total	1,045,635,792	899,519,595
SCHEDULE 3: SECURED LOANS		
Term Loans		
United Bank of India	448,148,201	523,533,851
Industrial Development Bank of India	230,000,000	0
Development Loan from KIADB	251,000	251,000
Total	678,399,201	523,784,851
SCHEDULE 4: UNSECURED LOANS		
ICICI	14,280,604	12,641,934
KSIIDC	24,317,153	27,677,454
HSBC	100,000,000	0
Canara Bank	30,337,604	0
United Western Bank	50,361,034	0
Development Credit Bank Ltd.	0	50,342,317
Total	219,296,395	90,661,705

SCHEDULE 5: FIXED ASSETS - DEPRECIATION

(Amount in Rupees)

Description of item	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Op. Balance as at 31.03.2005 Rs.	Additions to Assets Rs.	Total as at 31.03.2006 Rs.	Up to 31.03.2005 Rs.	For the Year Rs.	Total Up to 31.03.2006 Rs.	As on 31.03.2006 Rs.	As on 31.03.2005 Rs.
Land	258,958	0	258,958	0	0	0	258,958	258,958
Buildings	39,298,520	6,492,630	45,791,150	4,905,446	1,312,806	6,218,252	39,572,898	34,393,074
Plant & Machinery	747,630,379	109,485,123	857,115,502	226,717,927	80,552,279	307,270,206	549,845,296	520,912,452
Furniture & Fixtures	2,329,653	44,582	2,374,235	80,151	149,750	950,901	1,423,334	1,528,502
Lab Equipment	48,752,851	7,946,422	56,699,273	9,639,482	5,403,129	15,042,611	41,656,662	39,113,369
Electrical Installation	39,075,714	10,508,489	49,584,203	6,461,859	3,826,454	10,288,313	39,295,890	32,613,855
Vehicles	2,135,328	0	2,135,328	388,138	131,515	519,653	1,625,675	1,747,190
Office Equipment	2,182,237	461,384	2,643,621	810,752	258,877	1,069,629	1,573,992	1,371,485
Computers	2,733,665	153,900	2,887,565	1,746,784	351,969	2,098,753	788,812	986,881
TOTAL	884,397,305	135,092,530	1,019,489,835	251,471,538	91,986,779	343,458,317	676,031,518	632,925,767

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	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 6: INVESTMENTS		
Un-Quoted: (Non-trade, Long term, at cost)		
Investment in Subsidiary Company		
Sven Genetech Ltd.	516,517,473	296,336,285
Jupiter Bioscience Inc.	21,216,817	8,239,277
Quoted: (Long term at cost)	10,000,000	20,000,000
(SBI Mutual Fund Units)		
Total	<u>547,734,290</u>	<u>324,575,562</u>
SCHEDULE 7: INVENTORIES		
Raw Materials	72,243,218	67,184,353
Consumables	816,500	748,400
Packing Materials	949,200	848,300
Coal & Fuels	1,168,700	942,600
Finished Goods	77,857,390	67,984,595
Semi Finished goods	71,852,646	68,117,726
	<u>224,887,654</u>	<u>205,825,974</u>
SCHEDULE 8: SUNDRY DEBTORS		
(Unsecured and considered good)		
Outstanding for Less than Six Months	165,232,345	124,503,321
Outstanding for More than Six Months	5,325,883	892,998
Total	<u>170,558,228</u>	<u>125,396,319</u>
SCHEDULE 9: CASH AND BANK BALANCES		
Cash on hand	228,510	128,852
Balances with Scheduled Banks in Current Accounts	10,513,212	7,328,372
Fixed Deposit with Scheduled Bank (Including accrued interest)	401,990	534,763
Total	<u>11,143,712</u>	<u>7,991,987</u>

Jupiter Bioscience Limited

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 10: LOANS & ADVANCES (Unsecured and Considered good)		
a. Deposits with Statutory Authorities:	1,640,450	40,450
b. Advances Recoverable in Cash or Kind or for Value to be received:		
Advances to Raw Material Suppliers	37,199,230	9,699,230
Other Advances	5,410,987	4,738,349
Other Deposits	1,225,180	2,227,090
Total	<u>45,475,847</u>	<u>16,705,119</u>
 SCHEDULE 11: CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities:		
Sundry Creditors	5,132,542	3,546,511
Other Creditors and Expenses	22,161,396	21,863,929
B. Provisions:		
Provision for Dividend	22,155,000	19,939,500
Provision for Income Tax	91,517,662	43,210,209
Provision for Dividend Tax	3,107,240	2,796,515
Provision for Fringe Benefit Tax	447,331	0
Total	<u>144,521,171</u>	<u>91,356,664</u>
 SCHEDULE 12: MISCELLANEOUS EXPENDITURE (To the extent not written off)		
Research and Development Expenses	293,953,520	253,429,705
Total	<u>293,953,520</u>	<u>253,429,705</u>

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SCHEDULES TO PROFIT & LOSS ACCOUNT

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
SCHEDULE 13: SALES (GROSS)		
Peptide Reagents and Protected Amino Acids	412,599,592	342,677,674
Drug Intermediates	192,438,239	184,551,149
Speciality and Fine Chemicals	194,247,257	181,051,881
Total	<u>799,285,088</u>	<u>708,280,704</u>
SCHEDULE 14: OTHER INCOME		
Revenue from Custom Manufacturing	963,631	1,517,095
Dividend	693,481	896,691
Interest	19,523	43,716
Miscellaneous Income	874,381	176,780
Total	<u>2,551,017</u>	<u>2,634,281</u>
SCHEDULE 15: CONSUMPTION OF RAW MATERIAL		
Opening Stock	67,184,353	60,878,844
Add: Purchases during the year	<u>431,227,973</u>	<u>453,900,282</u>
	498,412,326	514,779,126
Less: Closing stock of Raw Material	<u>72,243,218</u>	<u>67,184,353</u>
RAW MATERIALS CONSUMED	<u>426,169,108</u>	<u>447,594,773</u>
SCHEDULE 16: PAYMENTS & BENEFITS TO EMPLOYEES		
Salaries, Wages, Bonus	15,574,639	12,584,237
Contribution to Provident Fund	1,961,526	1,607,274
Gratuity	500,000	650,000
	<u>18,036,165</u>	<u>14,841,511</u>
SCHEDULE 17: INTEREST		
Interest on Term Loans	23,989,940	23,150,802
Interest on Un-Secured Loans	17,593,863	8,218,762
Total	<u>41,583,803</u>	<u>31,369,564</u>

Jupiter Bioscience Limited

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
SCHEDULE 18: MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
Stores & Consumables	8,290,449	7,928,229
Packing Material	4,736,524	6,340,656
Coal, Power & Fuel	7,412,520	7,409,480
Carriage Inwards	1,624,217	1,487,860
Repairs & Maintenance - Machinery	2,287,316	1,980,517
Effluent Treatment Charges	851,880	624,654
Insurance	1,718,047	1,664,301
Rent	327,964	507,155
Rates & Taxes	2,105,469	201,174
Travelling & Conveyance	4,895,215	5,348,008
Communication Expenses	2,751,391	3,021,350
Printing & Stationery	1,987,948	1,392,769
Business Development Expenses	6,828,701	3,191,427
Clearing & Forwarding Charges	1,912,939	1,162,989
Professional Charges	2,097,544	1,157,923
Directors' Remuneration	3,600,000	3,880,000
Electricity Charges	471,258	312,241
General Expenses	5,056,005	3,016,367
Total	<u>58,955,385</u>	<u>50,627,099</u>
SCHEDULE 19: INCREASE IN STOCKS		
Closing Stocks:		
Semi-finished Goods	71,852,646	68,117,726
Finished Goods	77,857,390	67,984,595
Total A	<u>149,710,036</u>	<u>136,102,321</u>
Opening Stocks:		
Finished Goods	67,984,595	52,255,475
Semi-finished Goods	68,117,726	55,903,530
Total B	<u>136,102,321</u>	<u>108,159,005</u>
Increase in Stocks (A-B)	<u>13,607,715</u>	<u>27,943,316</u>

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SCHEDULE 20: NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006

I. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of financial statements :

The financial statements have been prepared under historical cost convention and in conformity with the generally accepted accounting principles, applicable provisions of the Companies Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India.

b. Income and Expenditure :

All items of income and expenditure shown in the statement having material bearing on the accounts are accounted on accrual basis.

c. Fixed Assets :

Fixed Assets are stated at their original cost of acquisition, including taxes, freight and their incidental expenses incurred in connection with the erection / commission / construction of the said assets, less accumulated depreciation.

d. Depreciation :

Depreciation is computed on Straight Line method basis in accordance with the provision of Schedule XIV of the Companies Act, 1956.

e. Capital Work-in-Progress :

Includes advances given for capital goods and materials at site.

f. Investments :

Investments are stated at cost of acquisition and the same are considered as long term investments.

g. Sales :

Sales as reported are exclusive of Excise Duty, Sales Tax, Insurance and transport charges.

h. Inventories :

Raw materials, stores & spares, consumables and work-in-process are valued at cost. Finished goods are valued at cost or net realizable value whichever is lower.

i. Miscellaneous expenses amounting to Rs.2939.54 Lakhs relating to Research and Development and is considered as deferred revenue expenditure and Written off over a period of 10 years, out of which, 10% is written off during the year 2005-2006. During the year the Company has incurred an amount of Rs.697.86 Lakhs towards product and process development and which would be written of over a period of 10 years from the financial year 2006-2007.

j. Foreign Exchange Transactions:

The transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transaction. Any exchange gains or losses arising out of subsequent fluctuations are accounted for in the Profit and Loss account. Receivables and liabilities outstanding in foreign currencies are translated at the exchange rates prevailing as at close of the year.

k. Provision for tax has been computed on the basis of Profits in accordance with the I.T. Act, 1961 and is adjusted against Income Tax paid.

l. Deferred Income Tax:

The Company has accounted for Deferred Tax in accordance with the Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for at the current rates of tax to the extent the timing differences are expected to in case of deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realized.

The deferred Tax liability for the current year amounting to Rs.-55.22 Lakhs is shown in the Profit and Loss account under provision for Deferred Tax. As at the year end, deferred Tax liability aggregates to Rs. 112.81 Lakhs.

m. Employee Benefits:

Provident Fund :The company makes contribution to Provident Fund administered by the Central Government under the Provident fund Act, 1952.

n. Gratuity :

The Company has created a Trust and has taken a Group Gratuity Life Assurance Policy with Birla Sunlife Insurance Company Limited for future payments of Gratuity to employees. The premium paid thereon on actuarial valuation is charged to the Profit and Loss account.

- o.** Contingent Liabilities are generally not provided for in the accounts and are shown separately if any in the notes on accounts.

II. NOTES TO THE ACCOUNTS

Notes to the accounts forming part of Balance Sheet as on **31st March 2006** and Profit & Loss account for the year ended on that date.

1. Secured Loans

Term Loan:

Term Loan availed from United Bank of India, Hyderabad is fully secured by the first charge on Fixed and Current assets of the Company and also guaranteed by the Chairman and Managing Director of the Company.

Working Capital Loan :

Working Capital Loan availed from Industrial Development Bank of India, Hyderabad is fully secured by First Charge on Current Assets, Second Charge on Fixed Assets of the Company and also guaranteed by the Chairman and Managing Director of the Company.

2. Particulars of Managerial Remuneration paid/payable to Chairman and Managing Director:

	Current year	Previous year
	Rs.	Rs.
Chairman & Managing Director	36.00	36.00
Other Directors	0.00	2.40
Other Allowances	0.60	0.60
Directors' Sitting Fees	0.55	0.40

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3. Sales Tax paid of Rs.16,00,000/- shown under Loans and Advances (Schedule 10) in Balance Sheet is pertaining to earlier years and the same is paid under protest. The Company has filed the appeal against the Sales Tax liability.
4. Debtors, Creditors, loans, advances and deposits are subject to confirmation and reconciliation.
5. Borrowing Cost : (AS 16) The amount of borrowing cost capitalized during the year is Rs.205.10 Lakhs and the borrowing cost charged to revenue expenses is Rs.415.84 Lakhs.
6. Segment Reporting (AS 17)

Primary Segment

- a. The Company is primarily engaged in the business of manufacturing of Drug intermediates, Specialty and Fine Chemicals. Since inherently these activities are integrated and governed by the same set of risks and returns and operating in the same economic environment, these have been grouped as a single segment in the financial statements. The said treatment is in accordance with the Accounting Standard (AS) – 17 on “ Segment Reporting “.

Secondary Segment

- a. Geographical Segment has been identified as Secondary Segment based on Segment revenue.

Domestic Sales and Third Party Rupee Exports

Rupee Sales	:	Rs. 7837.82
Export Sales		
Austria	:	Rs. 0.74
Belgium	:	Rs. 1.35
Germany	:	Rs. 71.49
Italy	:	Rs. 0.42
Japan	:	Rs. 0.09
Jordan	:	Rs. 2.65
Pakistan	:	Rs. 73.59
Switzerland	:	Rs. 1.09
The Netherlands	:	Rs. 0.15
U.K.	:	Rs. 2.66
U.S.A.	:	Rs. 0.79
Total Sales	:	<u>Rs. 7992.85</u>

- b. All the fixed assets are located in India and are as detailed in Schedule 5.

Jupiter Bioscience Limited

7. a. Related party Disclosures	:	(AS 18)
Name of the related Company	:	Sven Genetech Limited
Description of the relationship	:	Sven Genetech Limited is a 100% subsidiary company of JUPITER BIOSCIENCE LIMITED. The directors of Jupiter Bioscience Limited are the Directors of SVEN GENETECH LIMITED and no managerial remuneration is paid to the directors of the Company.
Any other elements of the related party transactions	:	There are no inter company business transactions with SVEN GENETECH LTD.
The amounts or appropriate Proportions of outstanding items pertaining to related parties at the Balance Sheet date.	:	The Company is the holding company of SVEN GENETECH LTD., and invested an amount of Rs.5165.17 Lakhs in the form of Share Capital/Share Applications money.
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties.	:	NIL
b. Related party Disclosures	:	(AS 18)
Name of the related Company	:	Jupiter Bioscience Inc.
Description of the relationship	:	Jupiter Bioscience Inc. is a 100% subsidiary company of JUPITER BIOSCIENCE LIMITED. The directors of Jupiter Bioscience Limited are the Directors of Jupiter Bioscience Inc. and no managerial remuneration is paid to the director's of the Company.
Any other elements of the related party transactions	:	There are no inter company business transactions with Jupiter Bioscience Inc.
The amounts or appropriate Proportions of outstanding items pertaining to related parties at the Balance Sheet date	:	The Company is the holding company of Jupiter Bioscience Inc. and invested an amount of Rs. 212.17 Lakhs in the form of Share Capital /Share Applications money.
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties.	:	NIL.
8. Leases (AS-19)	:	During the year the Company has not taken or given any asset on lease.
9. Earning Per Share (AS-20)	:	
a. Net Profit after Tax	:	Rs. 1,713.87 Lakhs
b. Equity Shares of Rs.10/- Each	:	88,62,000 Shares
c. Earnings Per Share (a/b) in Rupees	:	19.34

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10. Consequent to the issuance of Accounting Standard – 22 Accounting for Taxes on Income by the ICAI which is mandatory in nature, the Company has for the first time recognized Deferred Taxes which result from the timing difference between the Book Profits and Tax profits consequently, as required by the Standard the Company has recognized the deferred tax balance that would have accumulated prior to adopting the standard, if the standard had been in effect from the beginning.

The Deferred Tax Liability for the Current Year amounting to Rs.-55.22 Lakhs is shown in Profit and Loss Account under Provision for Deferred Tax.

The break up of deferred tax liability is as under:	As at	As at
	31.03.2006	31.03.2005
Difference between Book and Tax Depreciation	Rs.335.16	Rs.459.23 Lakhs
Deferred Tax Liability thereon	Rs.112.81	Rs. 168.03 Lakhs

11. The investment in Sven Genetech Limited and Jupiter Bioscience Inc. represents Share Capital/ Share Application Money Deposit.

12. Remuneration to Auditors :

Audit Fees	:	Rs. 30,000
Certification Fees	:	Rs. 10,000
Out of Pocket Expenses	:	<u>Rs. 10,000</u>
		<u>Rs. 50,000</u>

13. The Company has no information as to whether any of its suppliers constitute small scale/ ancillary undertaking and therefore, the amounts due to such suppliers have not been identified.

14. The figures are adjusted to the nearest rupee.

15. Previous year's figures are regrouped / rearranged wherever necessary to make them comparable with the current year.

16. Accounting Standards prescribed by the Institute of Chartered accountants of India have been followed wherever applicable.

17. Details of Licensed Capacity, Installed Capacity and Actual Production:

i. Licensed Capacity : The activities of the Company are not covered under the present industrial licensing regulations and accordingly the Company is not required to get any industrial license.

ii. Installed Capacity and Actual Production :

(Qty. in Tonnes)

	As on 31.03.2006		As on 31.03.2005	
	Installed Capacity	Actual Production	Installed Capacity	Actual Production
Peptide Reagents & Protected Amino Acids	156	68.456	156	60.169
Drug Intermediates	96	40.399	96	37.468
Speciality & Fine Chemicals	120	44.583	120	39.685

Jupiter Bioscience Limited

	Qty. in tonnes	2005-2006 Amount Rs. In lakhs	Qty. in tonnes	2004-2005 Amount Rs. In lakhs
Sales:				
Peptide Reagents & Protected Amino Acids	66.381	4126.00	58.464	3426.78
Drug Intermediates	39.914	1924.38	36.402	1845.51
Speciality & Fine Chemicals	43.983	1942.47	39.145	1810.52
	<u>150.278</u>	<u>7992.85</u>	<u>134.011</u>	<u>7,082.81</u>
Raw Materials Consumed :				
Total Indigenous Raw Material	3482.687	3910.10	3069.494	3863.35
Major Raw Material Consumed				
1,3 Cyclo Hexanedione	26.378	226.06	30.672	262.86
Succinic Anhydride	34.496	77.96	74.594	168.58
D.C.H.A.NHSU – Salt	13.590	236.87	10.03	184.83
Potassium Iodide	58.150	363.44	60.076	375.47
Resorcinol	53.753	289.26	50.035	276.69
Stores & Spares (Consumables)		82.90		79.28
Packing Material		47.37		63.41
Coal		74.13		74.09
Earning in Foreign Exchange		114.41		45.83
Expenditure in Foreign Exchange		252.77		119.89

Signatures to Schedules “1” to “20”
As per my report of even date attached

For **A.G.V. Reddy & Co.**
Chartered Accountants
A.G. Venugopal Reddy
Proprietor
Membership No. 022554

For and on behalf of the Board
Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

Place : Bidar (Camp)
Date : August 29, 2006

Twenty First Annual Report 2005-2006

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	2005-2006 Rs.	2004-2005 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	219,236,395	200,052,835
Adjustments for:		
Depreciation	91,986,779	75,628,109
Interest	41,583,803	31,369,564
Misc. Income including Profit on Sale of Investments	(874,381)	(176,780)
Dividend Received	(693,481)	(896,691)
Interest Received	(19,523)	(43,716)
Misc. Expenditure Written Off	29,262,238	19,215,163
Operating Profit Before Working Capital changes	380,481,829	325,148,485
Adjustments for		
Trade and Other Receivables	(73,932,637)	(36,149,629)
Inventories	(19,061,680)	(34,292,325)
Trade Payables	47,642,781	17,250,691
Total Adjustments	(45,351,536)	(53,191,263)
Cash generated from Operations	335,130,293	271,957,222
Less: Tax Paid/Payable	52,932,353	52,765,498
Net Cash generated from Operations (A)	282,197,941	219,191,724
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	135,092,530	174,964,543
Investments	223,158,728	45,774,580
Capital Work In Progress	115,483,481	6,092,231
Misc. Income including Profit on Sale of Investments	(874,381)	(176,780)
Dividend Received	(693,481)	(896,691)
Interest Received	(19,523)	(43,716)
Miscellaneous Expenditure	69,786,053	100,470,753
Net Cash used in Investing Activities (B)	541,933,406	326,184,921

Jupiter Bioscience Limited

	2005-2006 Rs.	2004-2005 Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	0	0
Share Warrant Deposit	41,409,800	0
Share Premium	0	0
Share Application Money	0	0
Long Term Loans	154,614,350	122,016,966
Unsecured Loans	128,634,690	(3,426,469)
Interest Paid	(41,583,803)	(31,369,564)
Dividend Paid/Payable	(22,155,000)	(19,939,500)
Dividend Tax Payable	(3,107,240)	(2,796,515)
Deferred Tax	5,521,726	(5,715,317)
Fringe Benefit Tax	(447,331)	0
Net Cash used in Financing Activities (C)	<u>262,887,192</u>	<u>58,769,601</u>
D. Net Increase/Decrease in Cash and Cash Equivalents	3,151,726	(48,223,596)
E. Cash and Cash Equivalents as on April 01, 2005	7,991,986	56,215,582
F. Cash and Cash Equivalents as on March 31, 2006	11,143,712	7,991,986

As per my report of even date attached

For and on behalf of the Board

For **A.G.V. Reddy & Co.**
Chartered Accountants
A.G. Venugopal Reddy
Proprietor
Membership No. 022554

Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

Place : Bidar (Camp)
Date : August 29, 2006

Twenty First Annual Report 2005-2006

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

1. Registration Details

Registration Number : 6726 of 1985
State Code : 08
Balance Sheet Date : 31.03.2006

2. **Capital Raised during the year** : Public Issue-Call Money Rights Issue
(Amount Rs. in Thousands) : NIL NIL
Bonus Issue Private Placement
NIL NIL

3. Position of mobilisation and deployment of funds

(Amount Rs. in Thousands)

Total Liabilities : 2,084,643 Total Assets : 2,084,643

Sources of Funds

Paid up Capital : 88,620 Reserves & Surplus : 1,045,636
Deposit against Share : 41,410 Secured Loans : 678,399
Warrants
Unsecured Loans : 219,296 Deferred Tax : 11,281

Application of Funds

Net Fixed Assets : 676,032 Capital Work in Progress : 259,379
Net Current Assets : 307,544 Misc. Expenditure : 293,954
Investments : 547,734 Accumulated Losses : NIL

4. Performance of the Company (Amount Rs. in Thousands)

Turnover : 801,836 Total Expenditure : 582,600
Profit before tax : 219,236 Profit after Tax : 171,378
Earnings per Share in Rs.: 19.34 Dividend Rate % : 25.00%

5. Generic Names of three Products of the Company :

Item Code (ITC Code)	Product Description
290721.77	4-Chloro Resorcinol
292249.09	ECCP Alanine
291823.09	Dibenzyl Glycyl Salicylamide
291249.04	3 4 5 Trimethoxy Benzaldehyde

For and on behalf of the Board

Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

**CONSOLIDATED FINANCIAL STATEMENTS
OF
JUPITER BIOSCIENCE LIMITED**

Consolidated Balance Sheet 2005-2006

Auditors' Report on the Consolidated Financial Statements

The Board of Directors
Jupiter Bioscience Limited
Bidar.

I have examined the attached Consolidated Balance Sheet of Jupiter Bioscience Limited and its subsidiaries as at March 31, 2006 and the Consolidated Profit and Loss Account as well as the Cash Flow Statement for the year ended on that date.

These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with generally accepted auditing standards in India. These Standards require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

I did not audit the financial statements of Sven Genetech Limited and Jupiter Bioscience Inc, subsidiaries, whose financial statements reflect total assets of Rs. 81,90,47,762 as at March 31, 2006 and total revenues of Rs. 11,53,52,395 for the periods then ended. Financial statements of Sven Genetech Limited has been audited by other auditors and the financial statements of Jupiter Bioscience Inc., and whose reports have been furnished to me, and my opinion, insofar as it relates to the amounts included in respect of the

subsidiaries, is based solely on the reports of the other auditors.

I report that the consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Jupiter Bioscience Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to me and on the consideration of the separate audit reports on individual audit financial statements of Jupiter Bioscience Limited and its aforesaid subsidiaries, I am of the opinion that :

- a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Jupiter Bioscience Limited and its aforesaid subsidiaries as at March 31, 2006; and
- b. the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Jupiter Bioscience Limited and its aforesaid subsidiaries for the period then ended.
- c. The Consolidated Cash Flow statement shows a true and fair view of the Consolidated Cash flows for the period ended on March 31, 2006.

For **A.G.V. Reddy & Co.**,
Chartered Accountants

A.G.Venugopal Reddy
Proprietor
Membership No. 022554

Place : Bidar (Camp)
Date : August 29, 2006

Jupiter Bioscience Limited

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

Particulars	Schedule	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SOURCES OF FUNDS			
A. Shareholders' Funds			
Share Capital	1	88,620,000	88,620,000
Deposit against Share Warrants		41,409,800	0
Reserves & Surplus	2	1,073,828,526	915,253,472
B. Loan Funds			
Secured Loans	3	867,622,620	738,108,346
Unsecured Loans	4	276,478,458	99,190,181
Deferred Tax Liability		11,281,452	16,803,178
Total		<u>2,359,240,857</u>	<u>1,857,975,177</u>
APPLICATION OF FUNDS			
A a. Fixed Assets:			
Gross Block	5	1,377,004,113	1,195,735,301
Less: Deprecation Block		421,366,064	301,582,627
Net Block of Fixed Assets		955,638,049	894,152,674
b. Capital Work-in-Progress		416,290,122	175,757,212
B. Investments			
	6	10,000,000	20,000,000
C. Current Assets and Loans & Advances			
a. Inventories	7	250,431,920	229,178,751
b. Sundry Debtors	8	203,560,713	131,150,857
c. Cash and Bank Balance	9	14,173,138	9,708,361
d. Loans and Advances	10	55,729,875	19,352,205
e. Gross Current Assets		<u>523,895,646</u>	<u>389,390,174</u>
Less: Current Liabilities & Provisions	11	163,738,318	110,598,312
Net Current Assets		<u>360,157,329</u>	<u>278,791,862</u>
D. a. Miscellaneous Expenditure			
(to the extent not written off)	12	617,155,357	489,273,429
Total		<u>2,359,240,857</u>	<u>1,857,975,177</u>
Notes on Accounts	20		

Schedules '1' to '12' and '20' annexed form integral part of Balance Sheet

As per my report of even date attached

For **A.G.V. Reddy & Co.**

Chartered Accountants

A.G. Venugopal Reddy

Proprietor

Membership No. 022554

For and on behalf of the Board

Venkat R. Kalavakolanu

Chairman & Managing Director

K.N. Guha

Director

Place : Bidar (Camp)

Date : August 29, 2006

Consolidated Balance Sheet 2005-2006

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006			
Particulars	Schedule	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
INCOME			
Sales	13	914,605,304	803,133,821
Other Income	14	2,583,196	2,654,723
Total		<u>917,188,500</u>	<u>805,788,544</u>
EXPENDITURE			
Consumption of Raw Material	15	496,864,929	530,448,893
Payments & Benefits to Employees	16	38,110,440	30,900,243
Financial Expenses	17	73,083,849	57,203,430
Other Expenses	18	84,014,875	73,951,262
Depreciation		119,820,703	98,049,461
Miscellaneous Expenses written off (Preliminary & Deferred revenue expenses)		29,262,238	19,218,503
		<u>841,157,034</u>	<u>809,771,792</u>
Increase in Stocks	19	15,114,638	33,035,102
Less: Research and Development Expenses		142,383,827	179,222,928
Total Expenditure		<u>683,658,569</u>	<u>597,513,762</u>
PROFIT FOR THE YEAR BEFORE TAXATION		233,529,931	208,274,782
Less: Provision for Taxation for the Year		54,260,353	31,518,024
Provision for Taxation - Earlier Years		80,967	21,888,563
Provision for Deferred Tax for the year		(5,521,726)	5,715,317
Provision for Fringe Benefit Tax		890,985	0
Profit After Tax		183,819,352	149,152,878
Surplus brought forward		559,785,489	493,350,684
Amount available for appropriation		<u>743,604,841</u>	<u>642,503,562</u>
APPROPRIATIONS			
Transferred to General Reserve		75,000,000	60,000,000
Proposed Dividend		22,155,000	19,939,500
Dividend Tax		3,107,240	2,796,515
Surplus Carried to Balance Sheet		643,342,601	559,767,547
Total		<u>743,604,841</u>	<u>642,503,562</u>
Notes on Accounts	20		

Schedules '13' to '20' annexed form integral part of Profit & Loss Account

As per my report of even date attached

For and on behalf of the Board

For **A.G.V. Reddy & Co.**

Venkat R. Kalavakolanu

Chartered Accountants

Chairman & Managing Director

A.G. Venugopal Reddy

Proprietor

K.N. Guha

Membership No. 022554

Director

Place : Bidar (Camp)

Date : August 29, 2006

Jupiter Bioscience Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised:		
1,20,00,000 Equity Shares of Rs.10/- each	120,000,000	120,000,000
Issued, Subscribed and Paid-up:		
88,62,000 Equity Shares of Rs.10/- each fully paid-up in cash	88,620,000	88,620,000
Total	88,620,000	88,620,000
SCHEDULE 2: RESERVES & SURPLUS		
General Reserve		
Balance brought forward	159,805,346	99,805,346
Transferred from Profit & Loss Account	75,000,000	60,000,000
	234,805,346	159,805,346
Central Subsidy	419,000	419,000
Investment Allowance Reserve	261,579	261,579
Share Premium	195,000,000	195,000,000
Surplus	643,342,601	559,767,547
Total	1,073,828,526	915,253,472
SCHEDULE 3: SECURED LOANS		
Term Loans		
United Bank of India	448,148,201	523,533,851
Industrial Development Bank of India	230,000,000	0
Development Loan from KIADB	251,000	251,000
Syndicate Bank	167,943,293	176,380,822
Development Credit Bank	21,280,126	37,942,673
Total	867,622,620	738,108,346
SCHEDULE 4: UNSECURED LOANS		
ICICI	14,280,604	12,641,934
KSIIDC	24,317,153	27,677,454
HSBC	100,000,000	0
Canara Bank	30,337,604	0
United Western Bank	50,360,034	0
Development Credit Bank Ltd.	0	50,342,317
Jammu & Kashmir Bank Ltd.	49,523,145	0
Security Deposits	1,850,000	1,800,000
Other Unsecured Loans	5,808,918	0
Total	276,478,458	92,461,705

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 5: FIXED ASSETS - DEPRECIATION

Description of item	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Op. Balance as at 31.03.2005 Rs.	Additions to Assets Rs.	Total as at 31.03.2006 Rs.	Up to 31.03.2005 Rs.	For the Year Rs.	Total Up to 31.03.2006 Rs.	As on 31.03.2006 Rs.	As on 31.03.2005 Rs.
Land	3,082,579	6,040,591	9,123,170	0	0	0	9,123,170	3,082,579
Buildings	61,890,357	10,041,754	71,932,111	7,066,206	2,059,166	9,125,372	62,806,739	54,824,151
Plant & Machinery	1,030,565,926	145,759,408	1,176,325,334	274,071,998	107,379,836	381,451,834	794,873,500	756,493,928
Furniture & Fixtures	3,442,062	334,037	3,776,099	947,345	225,630	1,172,975	2,603,124	2,494,717
Lab Equipment	48,752,851	7,946,422	56,699,273	9,639,482	5,403,129	15,042,611	41,656,662	39,113,369
Elec. Installation	39,075,714	10,508,489	49,584,203	6,461,859	3,826,454	10,288,313	39,295,890	32,613,855
Vehicles	2,135,328	0	2,135,328	388,138	131,515	519,653	1,615,675	1,806,537
Office Equipment	3,215,781	559,774	3,775,555	1,001,106	355,505	1,356,611	2,418,944	2,214,675
Computers	3,478,090	174,950	3,653,040	1,969,228	439,468	2,408,696	1,244,344	1,508,862
TOTAL	1,195,638,688	181,365,425	1,377,004,113	301,545,361	119,820,703	421,366,064	955,638,049	894,152,674
Prev. Year's Total	912,527,808	283,207,493	1,195,735,301	203,533,166	98,049,461	301,582,627	894,152,674	708,994,642

Jupiter Bioscience Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 6: INVESTMENTS		
Quoted: (Long term at cost) (SBI Mutual Fund Units)	10,000,000	20,000,000
Total	10,000,000	20,000,000

SCHEDULE 7: INVENTORIES

Raw Materials	79,147,321	73,424,550
Consumables	1,329,340	1,240,580
Packing Materials	949,200	848,300
Coal & Fuels	1,168,700	942,600
Finished Goods	87,236,690	76,917,195
Semi Finished goods	80,600,669	75,805,526
Total	250,431,920	229,178,751

SCHEDULE 8: SUNDRY DEBTORS

(Unsecured and considered good)

Outstanding for Less than Six Months	198,234,830	130,257,859
Outstanding for More than Six Months	5,325,883	892,998
Total	203,560,713	131,150,857

SCHEDULE 9: CASH AND BANK BALANCES

Cash on hand	393,634	218,965
Balances with Scheduled Banks in Current Accounts	12,319,794	7,896,913
Fixed Deposit with Scheduled Banks (Including accrued interest)	1,459,710	1,592,483
Total	14,173,138	9,708,361

Consolidated Balance Sheet 2005-2006

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 10: LOANS AND ADVANCES (Unsecured and Considered good)		
a. Deposits with Statutory Authorities:	1,908,923	195,191
b. Advances Recoverable in Cash or Kind or for Value to be received:		
Advances to Raw Material Suppliers	43,957,130	10,328,198
Other Advances	8,593,680	6,470,520
Other Deposits	1,270,142	2,358,296
Total	<u>55,729,875</u>	<u>19,352,205</u>
 SCHEDULE 11: CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities:		
Sundry Creditors	13,317,145	17,102,988
Other Creditors	31,422,286	25,800,387
B. Provisions:		
Provision for Dividend	22,155,000	19,939,500
Provision for Income Tax	92,845,662	43,853,209
Provision for Dividend Tax	3,107,240	2,796,515
Provision for Fringe Benefit Tax	890,985	0
Total	<u>163,738,318</u>	<u>109,492,599</u>
 SCHEDULE 12: MISCELLANEOUS EXPENDITURE (To the extent not written off)		
Research and Development Expenses (Including Preliminary and Preoperative expenses)	617,155,357	489,273,429
Total	<u>617,155,357</u>	<u>489,273,429</u>

Jupiter Bioscience Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Year Ended 31.03.2006 Rs.	Year Ended 31.03.2005 Rs.
SCHEDULE 13: SALES (GROSS)		
Peptide Reagents and Protected Amino Acids	511,929,096	423,926,225
Drug Intermediates	192,438,239	184,551,149
Speciality and Fine Chemicals	194,247,257	181,051,881
Others	15,990,712	13,604,566
Total	<u>914,605,304</u>	<u>803,133,821</u>
SCHEDULE 14: OTHER INCOME		
Revenue from Custom Manufacturing	963,631	1,517,095
Dividend & Interest	736,114	958,895
Miscellaneous Income	883,450	178,733
Total	<u>2,583,196</u>	<u>2,654,723</u>
SCHEDULE 15: CONSUMPTION OF RAW MATERIAL		
Opening Stock	73,424,550	64,753,070
Add: Purchases during the year	502,587,700	539,120,373
	<u>576,012,250</u>	<u>603,873,443</u>
Less: Closing stock of Raw Material	79,147,321	73,424,550
Raw Material Consumed	<u>496,864,929</u>	<u>530,448,893</u>
SCHEDULE 16: PAYMENTS & BENEFITS TO EMPLOYEES		
Salaries, Wages, Bonus	34,113,968	27,323,685
Contribution to Provident Fund	3,496,472	2,926,558
Gratuity	500,000	650,000
Total	<u>38,110,440</u>	<u>30,900,243</u>
SCHEDULE 17: INTEREST		
Interest on Term Loans	42,929,225	42,803,777
Interest on Unsecured Loans	29,407,124	14,124,153
Loan processing charges	747,500	275,500
Total	<u>73,083,849</u>	<u>57,203,430</u>

Consolidated Balance Sheet 2005-2006

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
SCHEDULE 18: MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
Stores & Consumables	12,900,853	14,831,300
Packing Material	4,736,524	6,340,656
Coal, Power & Fuel	9,551,197	8,694,340
Carriage Inwards	2,302,489	1,487,860
Repairs & Maintenance - Machinery	3,089,306	2,269,591
Effluent Treatment Charges	851,880	624,654
Insurance	2,845,665	2,329,247
Rent	441,964	621,155
Rates & Taxes	4,378,056	2,358,946
Travelling & Conveyance	7,615,661	7,365,436
Communication Expenses	3,272,598	3,584,349
Printing & Stationery	3,018,515	2,757,782
Business Development Expenses	12,217,607	8,730,757
Clearing & Forwarding Charges	1,912,939	1,511,179
Professional Charges	3,108,859	1,686,417
Directors' Remuneration	3,600,000	3,880,000
Electricity Charges	471,258	312,241
General Expenses	7,699,506	4,834,082
Total	<u>84,014,875</u>	<u>74,219,992</u>
SCHEDULE 19: INCREASE IN STOCKS		
Closing Stocks :		
Semi-finished Goods	80,600,669	77,050,326
Finished Goods	87,236,690	75,672,395
Total A	<u>167,837,359</u>	<u>152,722,721</u>
Opening Stocks :		
Semi-finished Goods	75,805,526	57,217,259
Finished Goods	76,917,195	62,470,360
Total B	<u>152,722,721</u>	<u>119,687,619</u>
Increase in Stocks (A—B)	15,114,638	33,035,102

SCHEDULE: 20 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Jupiter Bioscience Limited and its consolidated subsidiaries are engaged in the business of manufacture of Peptide Group products, Drug intermediates, Speciality and Fine Chemicals.

a. Method of preparation of Accounts.

The Consolidated Financial statements of Jupiter Bioscience Limited and its subsidiaries have been prepared under the historic cost convention, in accordance with the generally accepted accounting principles, the provisions of the Companies Act 1956, and the Accounting Standard 21 on consolidation of financial statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company, Jupiter Bioscience Limited for its separate financial statements.

Revenue Recognition

The Company follows accrual system of accounting and recognizes income or expenditure on accrual basis except those with significant uncertainties.

b. Fixed Assets

Fixed Assets are stated at their original cost of acquisition, including taxes, freight and their incidental expenses incurred in connection with the erection/ commission/ construction of the said assets, less accumulated depreciation.

c. Depreciation

Depreciation is computed on Straight Line method basis in accordance with the provision of Schedule XIV of the Companies Act, 1956.

d. Capital Work-in-Progress

Includes advances given for capital goods and materials at site.

e. Investments

Investments are stated at cost of acquisition and the same are considered as long term investments.

f. Sales

Sales as reported are exclusive of Excise Duty, Sales Tax, Insurance and transport charges.

g. Inventories

Raw materials, stores & spares, consumables and work-in-process are valued at cost. Finished goods are valued at cost or net realizable value whichever is lower.

Pre-operative expenses amounting to Rs. 2939.54 Lakhs relating to product and Process Development and is considered as deferred revenue expenditure and written off over a period of 10 years, out of which, 10% is written off during the year 2005-2006. During the year the Company has incurred an amount of Rs.697.86 Lakhs which would be written off over a period of 10 years from the financial year 2006-2007.

Sven Genetech Limited

a. Revenue Recognition :

Revenue is recognized where the goods are physically dispatched to the customers / agents, supported by a proof of dispatch and certainty of realization.

b. Research & Development Expenditure

1. Expenditure on development of new products / processes is carried forward
 - i. To be amortised over a period of five years from the date of commercial exploitation, or
 - ii. To be written off in the year of sale / transfer, in the event of the transfer of rights over such products / processes, or
 - iii. To be written off in the year in which such products / processes are determined as not commercially viable.
2. Preliminary Expenditure is to be written off over a period of five years.
3. Other Accounting policies will be formulated as and when the company commences operations.

h. Foreign Exchange Transactions

Transactions in foreign currencies are translated at the exchange rates prevailing

Consolidated Balance Sheet 2005-2006

on the dates of transactions and in case of purchase of materials and sale of goods, the exchange gains and losses on Foreign Exchange Transactions are recognized in the Profit and Loss Account.

- i. a. Provision for tax has been computed on the basis of Profits in accordance with the Income Tax Act, 1961 and is adjusted against Income Tax paid.
- b. Provision for tax has been computed on the basis of Book Profits in accordance with Section 115 JB of the I.T. Act, 1961 for Sven Genetech Limited.

Deferred Tax : Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for at the current rates of tax to the extent the timing difference are expected to in case of deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realized.

- c. Employee Benefits

The company makes contribution to Provident Fund and ESI administered by the Central Government and State Government.

Gratuity: The Company has created a Trust and has taken a Group Gratuity Life Assurance Policy with Birla Sunlife Insurance Company Limited for future payments of Gratuity to employees. The premium paid thereon on actuarial valuation is charged to the Profit and Loss Account.

- d. Secured Loans

Term Loan :

The Term Loan availed from The United Bank of India, Hyderabad is fully secured by the first charge on the fixed assets and current assets of the Company and also guaranteed by the Chairman & Managing Director of the Company.

Working Capital Loan:

Working Capital Loan availed from Industrial Development Bank of India, Hyderabad is fully secured by First Charge on Current Assets, Second Charge on Fixed Assets of the Company and also guaranteed by the Chairman and Managing Director of the Company.

The Term Loans availed by Sven Genetech Limited from Syndicate Bank and Development Credit Bank Limited are secured by equitable mortgage of land and buildings and on hypothecation of plant and machinery and other fixed and current assets of the company and on the personal guarantee of the Director of the Company.

II. NOTES TO THE ACCOUNTS

Notes to the accounts forming part of Balance Sheet as on 31st March, 2006 and Profit & Loss account for the year ended on that date.

1. Sales Tax paid of Rs.16,00,000/- shown under Loans and Advances in the Balance Sheet is pertaining to earlier years and the same is paid under protest. The Company has filed the appeal against the Sales Tax liability.
2. Debtors, Creditors, loans, advances and deposits are subject to confirmation and reconciliation.
3. Segment Reporting (AS 17)

Primary Segment

- a. The Company is primarily engaged in the business of manufacturing of Drug intermediates, Speciality and Fine Chemicals. Since inherently these activities are integrated and governed by the same set of risks and returns and operating in the same economic environment, these have been grouped as a single segment in the financial statements. The said treatment is in accordance with the Accounting Standard (AS) - 17 on "Segment Reporting".

Secondary Segment

- a. Geographical Segment has been identified as Secondary Segment based on Segment revenue.

Domestic Sales and Third Party Rupee Exports (Rs. in Lakhs):

Rupee Sales : Rs. 8,986.32

Export Sales

Austria : Rs. 0.74

Belgium : Rs. 1.35

Germany : Rs. 71.73

Italy : Rs. 0.42

Japan : Rs. 0.09

Jordan : Rs. 2.65

Pakistan : Rs. 73.59

Switzerland : Rs. 1.09

The Netherlands : Rs. 0.15

U.K. : Rs. 2.66

U.S.A. : Rs. 4.23

Sri Lanka : Rs. 1.02

Total Sales : Rs. 9,146.04

- b. All the fixed assets are located in India and are as detailed in Schedule 5.

4. a. Related party Disclosures : (AS 18)

Name of the related Company : Sven Genetech Limited

Description of the relationship between the parties : Sven Genetech Limited is a 100% subsidiary company of JUPITER BIOSCIENCE LIMITED. The directors of Jupiter Bioscience Limited are the Directors of SVEN GENETECH LIMITED and no managerial remuneration is paid to the directors of the Company.

Any other elements of the related party transactions : There are no inter company business transactions with SVEN GENETECH LTD.

The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date : The Company is the holding company of Sven Genetech Limited, and invested an amount of Rs.5165.17 Lakhs in the form of Share Capital and Share Application Money.

Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties : NIL.

b. Related party Disclosures : (AS 18)

Name of the related Company : Jupiter Bioscience Inc.

Description of the relationship between the parties : Jupiter Bioscience Inc. is a 100% subsidiary company of JUPITER BIOSCIENCE LIMITED. The directors of Jupiter Bioscience Limited are the Directors of JUPITER BIOSCIENCE INC. and no managerial remuneration is paid to the directors of the Company.

Consolidated Balance Sheet 2005-2006

-
- Any other elements of the related party : There are no inter company business transactions with Jupiter Bioscience Inc.
- The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date : The Company is the holding company of Jupiter Bioscience Inc. and invested an amount of Rs.212.17 Lakhs in the form of Share Capital and Share Application Money.
- Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties. : NIL
5. Earning Per Share (AS-20):
- a. Net Profit after Tax : Rs. 1838.19 Lakhs
 - b. Equity Shares of Rs.10/- Each : 88,62,000 Shares
 - c. Earnings Per Share (a / b) in Rupees : 20.74
6. Consequent to the issuance of Accounting Standard – 22 Accounting for Taxes on Income by the ICAI which is mandatory in nature, the Company has recognized Deferred Taxes which result from the timing difference between the Book Profits and Tax profits. Consequently, as required by the Standard the Company has recognized the deferred tax balance that would have accumulated prior to adopting the standard, if the standard had been in effect from the beginning.
- Deferred Tax Liability for the year ended 31st March, 2006 is amounting to Rs. 112.81 Lakhs has been adjusted in the Profit and Loss Account for the year ended 31st March, 2006 in accordance with the Accounting Standard 22.
7. Preparation of Consolidated financial statements
- Sven Genetech Limited and Jupiter Bioscience Inc., are the subsidiary Companies and considered for consolidation. The extent of share holding as on 31.03.2006 is 100%.
8. All the figures are adjusted to the nearest rupee.
9. Previous year's figures are regrouped / rearranged wherever necessary to make them comparable with the current year.
10. Consolidated Financial Statements are prepared in accordance with the guidelines given in Accounting Standard 21 issued by the Institute of Chartered Accountants of India only with respect to current period financial statements.

As per my report of even date

For **A.G.V. Reddy & Co.**
Chartered Accountants
A.G. Venugopal Reddy
Proprietor
Membership No. 022554

On behalf of the Board
Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

Place : Bidar (Camp)
Date : August 29, 2006

Jupiter Bioscience Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	2005-2006 Rs.	2004-2005 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	233,529,931	208,274,782
Adjustments for :		
Depreciation	119,820,703	98,049,461
Interest	73,083,849	57,203,430
Misc. Income including Profit on Sale of Investments	(883,450)	(178,733)
Dividend and Interest Received	(736,114)	(958,895)
Misc. Expenditure Written Off	29,262,238	19,218,503
Operating Profit Before Working Capital changes	<u>454,077,156</u>	<u>381,608,548</u>
Adjustments for :		
Trade and Other Receivables	(108,787,526)	64,295,530
Inventories	(21,253,169)	(41,832,252)
Trade Payables	47,618,280	33,090,273
Total Adjustments	<u>(82,422,415)</u>	<u>55,553,551</u>
Cash generated from Operations	371,654,741	437,162,099
Less: Tax Paid/Payable	54,341,320	53,406,587
Net Cash Generated from Operations (A)	<u>317,313,422</u>	<u>383,755,512</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	181,288,136	283,207,493
Investments	(10,000,000)	0
Capital Work In Progress	240,532,910	2,755,868
Misc. Income including Profit on Sale of Investments	(883,450)	(178,733)
Dividend and Interest Received	(736,114)	(958,895)
Miscellaneous Expenditure	157,144,166	187,487,961
Net Cash used in Investing Activities (B)	<u>567,345,647</u>	<u>472,313,694</u>

Consolidated Balance Sheet 2005-2006

	2005-2006	2004-2005
	Rs.	Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Warrant Deposit	41,409,800	0
Long Term Loans	129,514,274	112,063,927
Unsecured Loans	177,288,277	4,202,007
Interest Paid	(73,083,849)	(57,203,430)
Dividend Paid/Payable	(22,155,000)	(19,939,500)
Dividend Tax Payable	(3,107,240)	(2,796,515)
Deferred Tax	5,521,726	(5,715,317)
Fringe Benefit Tax	(890,985)	0
Net Cash used in Financing Activities (C)	<u>254,497,003</u>	<u>30,611,172</u>
D. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	4,464,777	(57,947,010)
E. CASH AND CASH EQUIVALENTS AS ON APRIL 01, 2005	9,708,361	67,655,371
F. CASH AND CASH EQUIVALENTS AS ON MARCH 31, 2006	14,173,138	9,708,361

As per my report of even date attached

For and on behalf of the Board

For **A.G.V. Reddy & Co.**
Chartered Accountants
A.G. Venugopal Reddy
Proprietor
Membership No. 022554

Venkat R. Kalavakolanu
Chairman & Managing Director

K.N. Guha
Director

Place : Bidar (Camp)
Date : August 29, 2006

Sven Genetech Limited

BOARD OF DIRECTORS

VENKATR. KALAVAKOLANU	<i>Chairman & Director</i>
K.N. GUHA	<i>Director</i>
Dr. M.C. SRINIVASAN	<i>Director</i>

AUDITORS

A. Vijay Kumar & Co.,
Chartered Accountants
Flat No. 206, Siri Towers
Beside Mythri Hospital
Ameerpet
Hyderabad - 500 038.

BANKERS

Syndicate Bank
Corporate Finance Branch
Somajiguda
Hyderabad - 500 082.

REGD. OFFICE

10-3-2/17, Sripuri Colony
East Marredpally
Secunderabad - 500 026.
Andhra Pradesh.

WORKS

Plot No.107
I.D.A., Phase II
Cherlapally
R.R.District
Hyderabad - 500 051.

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NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at 10-3-2/17, Sripuri Colony, East Marredpally, Secunderabad – 500 026, on Friday, 29th September, 2006 at 5:00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and Profit and Loss Account for the year ended as on that date and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. K.N.Guha who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.
"RESOLVED THAT the retiring Auditors, M/s. A. Vijay Kumar & Co., Chartered Accountants who being eligible, for re-appointment be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be mutually agreed between Board of Directors of the Company and the Auditors, in addition to reimbursement of all out-of-pocket expenses

in connection with the Audit of the Company."

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT under Section 257 of the Companies Act, 1956, Dr. M.C. Srinivasan be and is hereby appointed as an Independent Director of the Company liable to retire by rotation."

By Order of the Board
For **Sven Genetech Limited**
Venkat R. Kalavakolanu
Chairman

Place : Secunderabad
Date : August 29, 2006

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective, must be received by the Company, not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business mentioned under 4 is annexed hereto.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

BRIEF RESUME OF DR. M.C. SRINIVASAN

Name : Mandayam Chakravarthi Srinivasan
Age : 71 Years
Date of Birth : 17.08.1935
Educational : M.A. (Botany),
Qualifications: Madras University, 1955
Ph.D. (Mycology & Plant Pathology)
University of Pune, 1959

Research and Professional Experience

Over 50 years research experience in the study of Micro Organisms and their application for the discovery of novel metabolites and Industrial Enzymes.

Associated with the Biochemical Sciences Division for the National Chemical Laboratory, Pune for over 37 Years (since October, 1957) and retired in August, 1995 as Head, Microbial Technology and Biochemical Sciences Division. As a CSIR Emeritus Scientist, worked in the National Chemical Laboratory from September, 1995 to August, 2000.

Specialisation in Mycology, Microbial Technology and Industrial Enzyme Technology and made significant contributions in the area of Microbial Biodiversity exploration and identification of novel Microbial strains for production of Industrial Enzymes with unusual properties.

Published/Patented studies on Microbial amylase, Fungal alkaline, Protease, Cellulase and Cellulase – Free xylanases from Alkalophilic bacteria, actinomycetes and fungi.

Author of over 60 publications in National and International Journals and also several process patents in Industrial Enzyme Technology (Indian and U.S.Patents)

Awards, Honours and Membership of Academies

J.V.Bhat – Eureka Forbes Award for excellence in Microbiology (1990)

Elected to the prestigious Fellowship of the Indian National Science Academy (INSA), New Delhi (FNA) in 1995.

Nominated member of the World Federation of Culture Collections as a specialist member of the Endangered Culture Collections committee / participated by invitation and delivered lectures at International Conferences at Prague and USA. Member of the Editorial Board of the World Journal of Microbiology and Biotechnology, U.K. Member of the Advisory Committees of the Department of Science and Technology, Department of Biotechnology, Government of India as an expert member for project evaluation and recommendation for support.

None of the Directors is interested in his reappointment.

By Order of the Board
For **Sven Genetech Limited**
Venkat R. Kalavakolanu
Chairman

Place : Secunderabad
Date : August 29, 2006

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting herewith the SIXTH ANNUAL REPORT together with the Audited Statement of Accounts of the Company for the period ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

The Financial Results for the year ended March 31, 2006 are as under :

	<i>(Rupees in Lakhs)</i>	
	Year Ended 31.03.2006	Year Ended 31.03.2005
Sales	1153.20	948.53
Other Income	0.32	0.20
Manufacturing, Administrative & Selling Expenses	1010.59	866.34
Profit before Taxation	142.94	82.40
Provision for Taxation	18.53	6.43
Surplus carried to Balance Sheet	281.93	157.52

During the year under review your company recorded a growth in terms of Profitability. Sales generated by the Company during the year is from Research & Development activity of the Company and also from the Formulations. The main products are Peptide Precursors and Peptides.

FUTURE OUTLOOK AND NEW PRODUCTS

Future Outlook

There has been a paradigm shift in the way research is conducted in the life sciences industry. The introduction of genomics and proteomics has entirely changed the scenario of the drug discovery process. Most of these new processes concentrate on the protein chains or the natural peptides which are a part of the living human system. Peptides are now being looked at as a potential area around which biotechnological and pharmaceutical research will be centred.

According to the E&Y report on Pharmaceuticals at least 20 peptide drugs are expected to hit the market by the year 2005.

Renewed interest in peptides among drug producers has been driven by the availability of novel delivery systems for peptide drugs and the requirement for kilogram scale amounts of synthetic peptides, either as pharmaceuticals themselves or as ingredients for drugs. New technologies like Mimotopes, Phage therapy and high throughput screening technologies are driving interest in the segment.

The number of peptide drugs in advanced clinical trials has increased quite substantially. The clinical application of these new drugs is diverse, ranging from analgesics to anticancer drugs. A number of promising peptide drug candidates are in the pipeline for diabetes management, treatment of auto-immune disorders imaging and cancer therapies. More and more biotech companies are abandoning the goal of evolving into vertically integrated drug firms and instead, turning to outsourcing of bio-therapeutic products.

As an integrated manufacturer of peptides, Your Company is in a unique position of being able to capitalize on the potential demand for peptide Raw Materials as well as finished products. Your Company having established itself in the global market as a credible supplier of peptide Raw Materials seeks leverage its industry expertise to access developed markets with End-To-End Peptide Solutions. It is with this purpose that the company is looking at expanding its products and services as well as its marketing capabilities.

PROPOSED BUSINESS PLAN

In order to position itself as the dominant Asian player in the peptide pharmaceutical segment, Your Company has drawn up a massive growth plan to launch several products addressing the market requirements in Asia (including India),

Far East, Asia Pacific, Latin America and CIS countries. These are primarily pharmaceutical markets that do not have stringent entry norms for foreign manufacturers (termed as unregulated markets) unlike the regulated markets in USA, Canada, Europe and Japan.

Your company's research focus would be to look at new product segments for commercialization in the following areas -

1. New Diagnostics based on Peptides
2. New Drugs based on Peptides
3. New Vaccines based on Peptides
4. Drug Delivery systems based on Peptides
5. Nutraceuticals based on Peptides

ACQUISITIONS

During the Financial Year 2005-06, your Company has acquired a sick unit from the Official Liquidator, Hon'ble High Court of Andhra Pradesh, Hyderabad, for setting up of a Formulations Unit, which is under progress.

SAFETY AND ENVIRONMENT PROTECTION

Your Company has been following strict environmental protection standards and ensured that employees' health and safety measures are maintained and monitored throughout the plant.

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

The Company's operations do not involve a high-energy consumption. But the Company is taking all the necessary steps for the optimum utilisation of energy.

The Company has earned Foreign Exchange of Rs.4.70 Lakhs on account of direct exports during the year. The Company has expended Rs.37.45 Lakhs in foreign exchange on account of import of Lab chemicals and Equipment.

DIRECTORS

Mr. K.N. Guha, Director of the company retires by rotation in this Annual General Meeting and is eligible for reappointment. Your Directors recommend his reappointment.

Dr. M.C. Srinivasan appointed as Additional Director of the Company during the financial year 2005-06, liable to retire by rotation and his appointment is proposed for approval of Shareholders.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217 (2AA) of the Companies Act, 1956 the Directors of the Company hereby state that :

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

Your Company has complied with all the recommendations of the Corporate Governance as applicable to the Company.

EMPLOYEES

The Company do not have any employees coming under the provision of Section 217(2)(A) of the Companies Act, 1956.

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PERSONNEL

Relationship between the management and employees was cordial during the year under review.

Several training programmes designed for the development of personal skills necessary for the performance of the present job and to prepare them for future growth. Individual development is given top priority to groom high caliber manpower.

The Directors place on record their sincere appreciation of the contribution made by the employees at all levels.

AUDITORS

M/s. A.Vijay Kumar & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

CORPORATE GOVERNANCE

The Company has incorporated Audit Committee for the efficient compliance of the Corporate Governance. The Audit Committee met every half year and also for the consideration of the Annual Accounts and thus met three times during the year.

ACKNOWLEDGEMENTS

Your Directors thank all the employees for their sincere efforts, active involvement and devoted services rendered and place on record their gratitude to the Companies Bankers for their support during the period under review.

By Order of the Board
For **Sven Genetech Limited**

Venkat R. Kalavakolanu
Chairman

Place : Secunderabad
Date : August 29, 2006

ANNEXURE TO DIRECTOR'S REPORT

ANNEXURE - I

FORM A : CONSERVATION OF ENERGY

(Form for disclosure of particulars with respect to Conservation of Energy)

	2005 - 2006	2004 - 2005
1. Power & Fuel Consumption		
a. Electricity :		
Purchased Units	2,76,298	1,61,078
Total Amount (Rs. In Lakhs)	17.41	10.47
Rate per Unit (Rs.)	6.30	6.50
b. Own generation through Diesel Generator		
Litres of Diesel Oil	13,280	8,820
Total Amount inclusive of other expenses (Rs. In Lakhs)	3.98	2.38
Cost per Unit (Rs.)	2.30	6.00

FORM B: RESEARCH & DEVELOPMENT

(New Product Development and Process Development)

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

- Peptide Chemistry
- Chiral Chemistry
- Biotechnology

Product focus is

- Side Chain Protected Amino Acids
- Unusual Amino Acids
- Unnatural Amino Acids
- Custom Peptides
- Generic Peptide Bulk Actives
- Resins

The Company is extensively conducting Research on newer methodologies to incorporate in the product group of Custom Peptides and Generic Peptide Bulk Actives in the following areas:

- a. Solution Phase Peptide Synthesis
- b. Solid Phase Peptide Synthesis

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

The Company will derive the benefits in the ensuing years of operations.

3. Future Plan of action :

The Company focus is on ...

New Diagnostics based on Peptides

New Drugs based on Peptides

New Vaccines based on Peptides

Drug Delivery system based on Peptides

Nutraceutical based on Peptides

4. Expenditure on R & D, technology absorption, adaptation and innovation:

Efforts in brief, made towards technology absorption, adaptation and innovation. Technology involved in indigenous and no imported technology is involved. During the year the Company has incurred an amount of Rs.725.98 Lakhs on account of Research & Development

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AUDITORS' REPORT

To

The Members of

SVEN GENETECH LIMITED

1. We have audited the attached Balance Sheet of **SVEN GENETECH LIMITED** as at March 31, 2006 and the Profit and Loss account of the Company 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 have 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- a. in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2006, and
- b. in the case of the Profit and Loss

account, of the Profit of the company for the year ended on that date.

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

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

3.4 The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account.

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

3.6 On the basis of written representations received from the directors as on March 31, 2006, and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

4. As required by the Companies (Auditors' Report) Order 2003, issued by the Central Government of India in terms of Section 227 (4 - A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :

1.1 The Company has maintained proper records showing full particulars, including the quantitative details and situation of fixed assets.

1.2 All the assets have been physically verified by the management at intervals, which, in opinion are reasonable having regard to the

-
- size of the company and nature of its assets. No material discrepancies were noticed on such verification.
- 1.3 No substantial part of fixed assets have been disposed off during the year, which has a bearing on the assumption of "Going Concern".
- 2.1 According to the information and explanations given to us, inventories have been physically verified by the management at reasonable intervals during the year.
- 2.2 In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 The company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- 3.1 The company has not either granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, the matters to be reported on whether the rate of interest and other terms and conditions of such loans prejudicial to the interest of the company (paragraph 4 (iii) (b)), whether the payment principal and interest are regular (paragraph 4 (iii) (c)), reasonable steps taken by the company for recover / payment of overdues (paragraph 4 (iii) (d)) are not applicable to the company.
- 4.1 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, fixed assets and sale of goods. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5.1 To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956. Hence whether such transactions have been made at prices at, which are reasonable having regard to the prevailing market prices at the relevant time (paragraph 4 (v)(b)).
- 6.1 In our opinion and according to the information and explanations given to us, the deposits accepted by the company are exempt from the provisions of Section 58 A and 58 AA of the Companies Act, 1956 and the rules framed there under.
- 7.1 In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
- 8.1 We have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- 9.1 According to the information and explanations given to us, the company is generally regular, with slide delays in few cases, in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Wealth Tax, Excise Duty with the appropriate authorities. There are no arrears of Statutory dues as on March 31, 2006
-

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- outstanding for a period of more than six months from the date they became payable.
- 9.2 According to the information and explanations given to us, there are no dues of Sales Tax / Income Tax / Wealth Tax / Excise Duty / Cess which have not been deposited on account of any dispute.
- 10.1 The Company does not have any accumulated losses and has not incurred any cash loss either during the year or in the immediate preceding previous year.
- 11.1 According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and Banks.
- 12.1 The Company has not granted any loans and advances to the basis of security by way of pledging of shares, debentures and other securities.
- 13.1 As the Company is not a Chit Fund or Nidhi Company the matters to be reported under paragraph 4 (xiii) are not applicable to the company.
- 14.1 According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments and hence, maintenance of proper records thereof and timely entries therein does not arise.
- 15.1 In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions except for its parent company Jupiter Bioscience Limited.
- 16.1 In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- 17.1 According to the information and explanations given to us and on an overall examination of balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment or vice-versa, except to the extent of permanent working capital.
- 18.1 According to the information and explanations given to us and in our opinion, the Preferential Allotment of shares to companies covered in the register maintained section 301 of the Companies Act 1956, is not prejudicial to the interest of the company.
- 19.1 As the company has not issued any debentures during the year, the creation of security thereof does not arise.
- 20.1 The company has not raised any money by way of Public Issue during the year under review.
- 21.1 To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed under the course of our audit.

For A. Vijay Kumar & Co.,
Chartered Accountants

CA Vijay Kumar A.
Partner
Membership No. 200770

Place: Hyderabad
Date : August 29, 2006

Sven Genetech Limited

BALANCE SHEET AS AT MARCH 31, 2006

Particulars	Schedule	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
I. SOURCES OF FUNDS			
1. Shareholders' Funds:			
a. Share Capital	1	200,000,000	200,000,000
b. Reserves & Surplus	2	<u>28,192,734</u>	<u>15,751,819</u>
		<u>228,192,734</u>	<u>215,751,819</u>
2. Share Application Money Deposit Pending Allotment		316,524,473	96,343,285
3. Loan Funds			
a. Secured Loans	3	189,223,419	214,323,495
b. Unsecured Loans	4	<u>51,373,145</u>	<u>1,800,000</u>
		<u>240,596,564</u>	<u>216,123,495</u>
TOTAL		<u>785,313,771</u>	<u>528,218,599</u>
II. APPLICATION OF FUNDS			
1. Fixed Capital Expenditure	5		
a. Gross Block		357,514,278	311,241,383
b. Less: Depreciation		<u>77,907,747</u>	<u>50,073,823</u>
c. Net Block		279,606,531	261,167,560
d. Capital Works-in-Progress		<u>156,911,080</u>	<u>31,861,651</u>
		<u>436,517,611</u>	<u>293,029,211</u>
2. Current Assets, Loans & Advances:			
a. Inventories	6	25,544,266	23,352,777
b. Sundry Debtors	7	33,002,485	5,754,538
c. Cash and Bank Balances	8	1,490,950	1,451,514
d. Other Current Assets	9	49,017	49,017
e. Loans and Advances	10	<u>7,029,318</u>	<u>1,126,235</u>
		67,116,035	31,734,081
Less: Current Liabilities and Provisions			
a. Current Liabilities	11	10,737,237	17,492,935
b. Provisions	12	<u>1,771,654</u>	<u>643,000</u>
		<u>12,508,891</u>	<u>18,135,935</u>
Net Current Assets		54,607,144	13,598,146
3. Miscellaneous Expenditure	13	<u>294,189,016</u>	<u>221,591,242</u>
TOTAL		<u>785,313,771</u>	<u>528,218,599</u>
4. Notes forming part of the Accounts	20		

Per our report of even date

For **A. Vijay Kumar & Co.,**

Chartered Accountants

CA Vijay Kumar A.

Partner

Membership No. 200770

Place: Hyderabad

Date : August 29, 2006

For and on behalf of the Board of Directors

Venkat R. Kalavakolanu

Chairman

K.N. Guha

Director

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Particulars	Schedule	Year Ended 31.03.2006 Rs.	Year Ended 31.03.2005 Rs.
INCOME			
Sales		115,320,216	94,853,117
Other Income	14	32,179	20,441
TOTAL		115,352,395	94,873,558
EXPENDITURE			
Materials Consumed		70,695,821	82,854,120
Payment & Benefits to Employees	15	20,518,991	16,058,732
Manufacturing, Selling and Administrative Expenses	16	24,614,774	23,324,163
Financial Expenses	17	31,500,046	25,833,866
Depreciation		27,833,924	22,403,409
Miscellaneous Expenditure Written off		0	3,340
		175,163,556	170,477,630
Less: Adjustment for Stocks	18	1,506,923	5,091,786
Research & Development Expenditure Capitalised	19	72,597,774	78,752,175
		74,104,697	83,843,961
		101,058,859	86,633,669
Profit for the year before Taxation		14,293,536	8,239,889
Provision for Taxation		1,328,000	643,000
Provision for Taxation - Earlier Years		80,967	0
Provision for Taxation - Fringe Benefit Tax		443,654	0
Net Profit after Taxes		12,440,915	7,596,889
Excess Provision for Income Tax written back		0	1,911
Profit / (Loss) Carried forward from previous year		15,751,819	8,153,019
Profit / (Loss) Carried to the Balance Sheet		28,192,734	15,751,819

Per our report of even date

For **A. Vijay Kumar & Co.,**
Chartered Accountants

CA Vijay Kumar A.

Partner

Membership No. 200770

Place: Hyderabad

Date : August 29, 2006

For and on behalf of the Board of Directors

Venkat R. Kalavakolanu
Chairman

K.N. Guha
Director

Sven Genetech Limited**SCHEDULES**

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised Capital		
2,00,00,000 Equity Shares of Rs.10/- each	<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid-up Capital		
2,00,00,000 Equity Shares of Rs.10/- each	<u>200,000,000</u>	<u>200,000,000</u>
	<u>200,000,000</u>	<u>200,000,000</u>
SCHEDULE 2: RESERVES & SURPLUS		
Surplus	<u>28,192,734</u>	<u>15,751,819</u>
	<u>28,192,734</u>	<u>15,751,819</u>
SCHEDULE 3: SECURED LOANS		
Term Loans		
Syndicate Bank	167,943,293	176,380,822
Development Credit Bank Limited	21,280,126	37,942,673
	<u>189,223,419</u>	<u>214,323,495</u>
SCHEDULE 4: UNSECURED LOANS		
Jammu & Kashmir Bank Ltd.	49,523,145	0
Security Deposits from Distributors	1,850,000	1,800,000
	<u>51,373,145</u>	<u>1,800,000</u>
SCHEDULE 6: INVENTORIES		
As per inventories taken and certified by the Management		
Raw Material	6,904,103	6,240,197
Consumables	512,840	492,180
Semi Finished Goods	8,748,023	7,687,800
Finished Goods	9,379,300	8,932,600
	<u>25,544,266</u>	<u>23,352,777</u>
SCHEDULE 7: SUNDRY DEBTORS		
Unsecured, Considered good, for which the company holds no security other than the debtor's personal security		
Outstanding for less than six months	<u>33,002,485</u>	<u>5,754,538</u>
	<u>33,002,485</u>	<u>5,754,538</u>
SCHEDULE 8: CASH & BANK BALANCES		
Cash on Hand	165,124	90,114
Balance with Scheduled Banks - Current Accounts	268,105	303,680
Margin Money for Bank Guarantees	1,057,720	1,057,720
	<u>1,490,950</u>	<u>1,451,514</u>

SCHEDULE 5: FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Op. Balance as on 31.03.2005 Rs.	Additions during the year Rs.	Total as on 31.03.2006 Rs.	Upto 31.03.2005 Rs.	For the year Rs.	Total upto 31.03.2006 Rs.	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
Land	2,823,621	6,040,591	8,864,212	0	0	0	8,864,212	2,823,621
Buildings	22,591,837	3,549,124	26,140,961	2,160,760	746,360	2,907,120	23,233,841	20,431,077
Plant, Machinery and R & D Equipment	282,935,547	36,274,285	319,209,832	47,354,071	26,827,557	74,181,628	245,028,204	235,581,476
Office Equipment	1,033,544	98,390	1,131,934	190,354	96,628	286,982	844,952	843,190
Furniture & Fixtures	1,112,409	289,455	1,401,864	146,194	75,880	222,074	1,179,790	966,215
Computers	744,425	21,050	765,475	222,444	87,499	309,943	455,532	521,981
TOTAL	311,241,383	46,272,895	357,514,278	50,073,823	27,833,924	77,907,747	279,606,531	261,167,560
Previous Year's Total	202,998,433	108,242,950	311,241,383	27,670,414	22,403,409	50,073,823	261,167,560	175,328,019

Sven Genetech Limited

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
SCHEDULE 9: OTHER CURRENT ASSETS		
Interest Receivable	49,017	49,017
	<u>49,017</u>	<u>49,017</u>
SCHEDULE 10: LOANS AND ADVANCES		
Unsecured, considered good, advances recoverable in cash or kind or for value to be received		
Advances against Material	6,757,900	628,968
Deposits	268,473	207,294
Pre-paid expenses	0	287,028
Tax deducted at source	2,945	2,945
	<u>7,029,318</u>	<u>1,126,235</u>
SCHEDULE 11: CURRENT LIABILITIES		
Sundry Creditors	8,184,603	13,556,477
Advance against Sales	0	222,307
Other Liabilities	2,552,634	3,714,151
	<u>10,737,237</u>	<u>17,492,935</u>
SCHEDULE 12: PROVISIONS		
Provision for Income Tax	1,328,000	643,000
Provision for Fringe Benefit Tax	443,654	0
	<u>1,771,654</u>	<u>643,000</u>
SCHEDULE 13: MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Research & Development Expenditure - Opening Balance	221,591,242	142,839,067
Add: Transfer from Profit and Loss Account	72,597,774	78,752,175
	<u>294,189,016</u>	<u>221,591,242</u>
SCHEDULE 14: OTHER INCOME		
Interest	23,110	18,488
Miscellaneous Income	9,069	1,953
	<u>32,179</u>	<u>20,441</u>
SCHEDULE 15: PAYMENTS & BENEFITS TO EMPLOYEES		
Salaries & Wages	18,539,329	14,470,718
Provident Fund and ESI	1,534,946	1,319,284
Staff Welfare	444,716	268,730
	<u>20,518,991</u>	<u>16,058,732</u>

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	Year Ended 31.03.2006 Rs.	Year Ended 31.03.2005 Rs.
SCHEDULE 16: MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENDITURE		
Consumables	4,610,404	6,903,071
Power & Fuel	2,138,677	1,284,860
Repairs & Maintenance-Plant	801,990	289,074
Insurance	1,127,618	664,946
Rent	114,000	114,000
Rates, Taxes & Filing Fees	2,272,587	2,157,772
Travelling & Conveyance	2,720,446	2,017,428
Communication Expenses	521,207	562,999
Printing & Stationery	1,030,567	1,365,013
Freight & Transportation	678,272	348,190
Sales Commission	616,897	423,809
Business Development expenses	4,772,009	5,115,521
Legal & Professional Charges	1,011,315	528,494
General Expenses	2,198,785	1,548,986
	<u>24,614,774</u>	<u>23,324,163</u>
SCHEDULE 17: FINANCIAL EXPENSES		
Interest on Term Loans	18,939,285	19,652,975
Interest on other Loans and Deposits	11,813,261	5,905,391
Loan Processing Charges	747,500	275,500
	<u>31,500,046</u>	<u>25,833,866</u>
SCHEDULE 18: ADJUSTMENT FOR STOCKS		
Opening Balance:		
Finished Goods	8,932,600	4,961,784
Semi Finished Goods	7,687,800	6,566,830
	<u>16,620,400</u>	<u>11,528,614</u>
Closing Balance:		
Finished Goods	9,379,300	8,932,600
Semi Finished Goods	8,748,023	7,687,800
	<u>18,127,323</u>	<u>16,620,400</u>
Increase in Stocks	1,506,923	5,091,786
SCHEDULE 19: RESEARCH AND DEVELOPMENT EXPENDITURE		
Chemicals Consumed	31,997,447	46,535,678
Salaries and Wages	10,259,495	6,423,493
Power & Fuel	1,069,339	642,430
Repairs and Maintenance - Plant	400,995	144,537
Legal & Professional charges	480,658	211,398
Other Overheads	5,247,114	4,553,215
Interest	9,225,764	10,159,890
Depreciation	13,916,962	10,081,534
	<u>72,597,774</u>	<u>78,752,175</u>

SCHEDULE 20

NOTES FORMING A PART OF THE ACCOUNTS AS AT MARCH 31, 2006

1. Significant Accounting Policies:

- a. Accounting Convention and Basis :

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and are based on the accrual concept of accounting.
 - b. Fixed Assets :

Fixed Assets are stated at original cost of acquisition including taxes, duties, freight, foreign exchange gains / losses and other incidental expenses related to acquisition and installation of the concerned assets.
 - c. Depreciation :

Depreciation is provided on straight line basis at rates provided in Schedule XIV to the Companies Act, 1956.
 - d. Capital Work in Progress:

Includes Advances given for capital goods and materials at site.
 - e. Research & Development Expenditure:

Expenditure on development of new products / processes is carried forward.

 - i. To be amortised over a period of five years from the date of commercial exploitation or
 - ii. To be written off in the year of sale / transfer, in the event of the transfer of rights over such products / processes, or
 - iii. To be written off in the year in which such products / processes are determined as not commercially viable.
 - f. Inventories:

Inventories are valued at cost or net realizable value, whichever is lower.
 - g. Revenue Recognition:

Revenue is recognized where the goods are physically dispatched to the customers/agents, supported by a proof of dispatch and certainty of realisation.
 - h. Borrowing Costs:

Borrowing Costs are recognized as an expense and are charged off in the year of occurrence.
 - i. Taxation:

Income Tax expenses comprises current tax.
 - j. Preliminary Expenses :

Preliminary Expenditure is to be written off over a period of five years.
2. The sales during the year reflect sale of products from Research & Development activity and Formulations of the Company.
 3. The Term Loans from Syndicate Bank and Development Credit Bank Limited are secured by equitable mortgage of Land and Buildings and on Hypothecation of Plant & Machinery and

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other Fixed and Current assets of the Company and on the personal guarantee of the Chairman of the Company.

4. In accordance with Accounting Standard on "Accounting for Taxes on Income (AS-22)" issued by the Institute of Chartered Accountants of India, no provision is required to be made for Deferred Tax as the Companies deferred tax liabilities are fully met by the losses and allowances under the provisions of Income Tax Act, 1961 and Deferred Tax asset is not recognized in the books of account, being more prudent.
5. The Company has no information as to whether any of its suppliers constitute small scale/ ancillary undertaking and therefore, the amounts due to such suppliers have not been identified.
6. Additional information pursuant to the provisions of paragraphs 3 & 4 and of schedules VI to the Companies Act, 1956 :

a. Installed Capacities	:	Peptide Group 750 kgs/annum (as Certified by the management)	
b. Production	:	Qty in Kgs.	Value (Rs.in lakhs)
Peptide Precursors & Others	:	172.255 (264.300)	—
c. Turnover	:		
Peptide precursors & Others	:	168.750 (223.045)	1153.20 (948.53)
d. Opening stock	:		
Peptide Precursors & Others	:	64.340 (23.085)	89.33 (49.62)
e. Closing stock	:		
Peptide Precursors & Others	:	26.320 (64.340)	93.79 (89.33)
f. Raw Material Consumption	:		
Benzyl Acrylic Acid	:	142 (140)	4.54 (4.48)
Para Iodo Anisole	:	106 (463)	1.70 (7.41)
Raney Nickel	:	167 (99)	28.39 (16.83)
Penta Fluorophenol	:	142 (38)	39.76 (10.64)
Palladium Catalyst	:	79 (25)	45.73 (5.65)
Others	:		289.92 (244.72)

Note : Details of Material consumed in respect of Research & Development activity are not given.

Sven Genetech Limited

g. Break up of Raw Material Consumption	:	%	Amount (Rs.in Lakhs)
Indigenous	:	100	410.04
		(100)	(289.73)
Imported	:	-	-
		-	-
h. Earnings in Foreign Exchange	:		4.70
- FOB value of exports of Finished goods			(5.36)
i. Expenditure in Foreign Exchange			
Laboratory Chemicals, Equipment and others	:		37.45
			(14.25)
j. Payments to Auditors			(Amount in Rs.)
1. As Auditors	:		50,000
			(33,060)

7. Previous years figures have been regrouped and rearranged wherever necessary.

Signatures on Schedules 1 to 20

Per our Report of even date
For **A. Vijay Kumar & Co.,**
Chartered Accountants

CA Vijay Kumar A.
Partner
Membership No. 200770

Place: Hyderabad
Date : August 29, 2006

For and on behalf of the Board of Directors
Venkat R. Kalavakolanu
Chairman

K.N.Guha
Director

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BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

1. Registration Details

Registration Number : 01-33456
State Code : 01
Balance Sheet Date : 31.03.2006

2. **Capital Raised during the year** : Public Issue Rights Issue
(Amount Rs. in Thousands) : NIL NIL
Bonus Issue Private Placement
NIL incl. Share Appl.
Money Deposit
3165.24*

3. Position of mobilisation and deployment of funds

(Amount Rs. in Thousands)

Sources of Funds

Total Liabilities	: 786,899	Total Assets	: 786,899
Paid up Capital	: 200,000	Reserves & Surplus	: 29,778
Share Application Money	: 316,524	Secured Loans	: 189,224
Unsecured Loans	: 51,373		

Application of Funds

Net Fixed Assets	: 437,265	Investments	: 0
Net Current Assets	: 54,738	Misc. Expenditure	: 294,896
Accumulated Losses	: 0		

4. Performance of the Company

(Amount Rs. in Thousands)

Turnover	: 115,352	Total Expenditure	: 99,554
Profit/Loss before tax	: 15,798	Profit/Loss after Tax	: 14,026
Earnings per Share in Rs.	: 0.70	Dividend Rate %	: 0

5. Generic Names of three Principal Products/Services of the Company :

Item Code (ITC CODE)	: Product Description
2922.4	Amino Acids

Per our Report of Even Date

For and on behalf of the Board of Directors

For A. Vijay Kumar & Co.,
Chartered Accountants

Venkat R. Kalavakolanu
Chairman

CA Vijay Kumar A.
Partner
Membership No. 200770

K.N. Guha
Director

Place: Hyderabad

Date : August 29, 2006

DIRECTORS' REPORT

You are aware that Jupiter Bioscience inc., was incorporated as a wholly owned subsidiary of your company in the State of Virginia in USA.

Jupiter Bioscience inc., is in the process of implementing the setting up of a cGMP manufacturing facility in Maryland for the manufacture of Custom Peptides, Clinical Peptides and Peptide based generic active pharmaceutical ingredients (APIs).

The objective of promoting the subsidiary was to primarily cater to the end user market in peptides and peptide Raw Materials in US, Europe, Canada and Japan. About 85% of the World Pharmaceutical Market, comprises of US, Europe, Japan & Canada which is stringently regulated. The market for Peptides is also concentrated in the above regions. It would be easier and faster to obtain Regulatory Approvals for manufacturing facilities in US for catering to these regions if such facility is located in USA.

Proximity to the manufacturing base to the end user market would help in better product acceptance and development of the market for the company's products. It would also help in customers' visits to the facility for inspection. Since the products would be manufactured within the US under US FDA approval, it would enable higher acceptance levels from formulation manufacturers and the retail customers.

Presence in the end user market would enable better understanding of the changing trends in the pharmaceutical industry in general and peptides in particular. The proximity to the customer will enable the company to formulate the appropriate product and R&D strategy. Supply contract opportunities are possible for Patented and Generic products if the FDA approved facility is situated in US.

The promotion of Jupiter Bioscience Inc. is a logical step in the direction of consolidating your company's presence in such markets. Jupiter Bioscience Inc. will bring benefit to your company and provide able support in market promotion, customer interaction and support and market research.

Your Directors are presenting herewith the Balance Sheet of Jupiter Bioscience Inc as on 31.03.2006 and no Profit and Loss Account was prepared for the period as there was no operations. All the expenses incurred were of the nature of Preliminary and Pre-operative expenses.

For and on behalf of the Board
Venkat R. Kalavakolanu
Director

Place : Secunderabad
Date : August 29, 2006

Jupiter Bioscience Inc.

BALANCE SHEET AS AT MARCH 31, 2006

Particulars	Schedule	As at 31.03.2006 Amount in Rs.	As at 31.03.2005 Amount in Rs.
SOURCES OF FUNDS			
Common Stock	A	4,831	4,831
Advance towards Share Capital from Jupiter Bioscience Ltd., India		21,211,986	8,234,446
Unsecured Loans		5,808,918	6,728,476
Accounts Payable	B	6,708,256	1,105,713
		33,733,991	16,073,466
APPLICATION OF FUNDS			
Vehicles		0	96,613
Less: Accumulated Depreciation		0	37,266
		0	59,347
Deposit-Office Rent		0	29,636
Checking Account - Sun Trust Bank		1,538,477	264,861
Advances for Consulting / Services		3,182,693	1,449,198
Preliminary & Preoperative Expenses	C	29,012,821	14,270,424
		33,733,991	16,073,466

For and on behalf of the Board

Venkat R. Kalavakolanu
Director

Place : Secunderabad
Date : August 29, 2006

Jupiter Bioscience Inc.

SCHEDULES TO BALANCE SHEET

Particulars	As at 31.03.2006 Amount in Rs.	As at 31.03.2005 Amount in Rs.
SCHEDULE - A		
COMMON STOCK		
Authorised Share Capital 5,000 Common Shares of \$ 1 per share	<u>241,533</u>	241,533
Issued, Subscribed and Paid up Capital 100 Common Shares of \$ 1 per share	<u>4,831</u>	4,831
	4,831	4,831
SCHEDULE - B		
ACCOUNTS PAYABLE		
Professional Fees Payable	1,106,250	1,105,713
Salaries and Contributions Payable	4,812,896	0
Rentals Payable	789,110	0
Total	<u>6,708,256</u>	<u>1,105,713</u>
SCHEDULE - C		
PRELIMINARY & PREOPERATIVE EXPENSES		
Administrative and General Expenses	14,604,722	4,619,655
Depreciation	33,568	37,266
Legal & Professional fees & Expenses	9,144,720	6,856,203
Rentals & Maintenance - Office	4,468,824	1,069,612
Research & Development Expenses	724,523	1,662,945
Statutory Fees & Expenses	36,463	24,743
	<u>29,012,821</u>	<u>14,270,424</u>

Notes on Accounts:

1. No Profit & Loss Account was prepared for the accounting period since there was no operation and therefore no corresponding income from operation. All the expenses incurred were of the nature of Preliminary and Pre Operative Expenses to be capitalised when project commences operation
2. Previous year's Figures are regrouped / rearranged wherever necessary to make them comparable with the current year
3. Balance Sheet as at March 31, 2006 has been prepared for the purpose of disclosure and consolidation with the Accounts of Jupiter Bioscience Limited, though this does not represent the year ending of the Company.

For and on behalf of the Board
Venkat R. Kalavakolanu
Director

Place : Secunderabad
Date : August 29, 2006



JUPITER BIOSCIENCE LIMITED

Regd. Office: 24, Kolhar, I.D.A., Bidar - 585 401, Karnataka

ATTENDANCE SLIP

21st Annual General Meeting, Friday, the 29th September, 2006 at 10.30 a.m. at the Registered Office of the Company at 24, Kolhar, I.D.A., Bidar - 585 401, Karnataka

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

NAME OF THE MEMBER	FOLIO NO./CLIENT ID	NO. OF SHARES HELD

I hereby record my presence at the 21st ANNUAL GENERAL MEETING of the Company.

SIGNATURE OF THE MEMBER OF THE PROXY ATTENDING THE MEETING

If Member, please sign here	If Proxy, please sign here



JUPITER BIOSCIENCE LIMITED

Regd. Office: 24, Kolhar, I.D.A., Bidar - 585 401, Karnataka

PROXY FORM

Regd. Folio No.

Client. I.D. No.....

I/We

of in the District of

being a member(s) of the above named company, hereby appoint

of in the District of

as my/our Proxy to vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held on Friday, the 29th September, 2006 at 10.30 a.m. at the Registered Office of the Company at 24, Kolhar, I.D.A., Bidar - 585 401, Karnataka and at any adjournment thereof.

Signed this day of 2006

Signature

Affix Re.1/-
Revenue
Stamp

- Note:
1. Proxy need not be a member
 2. The Proxy Form duly signed across Re.1/- Revenue Stamp should reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting.