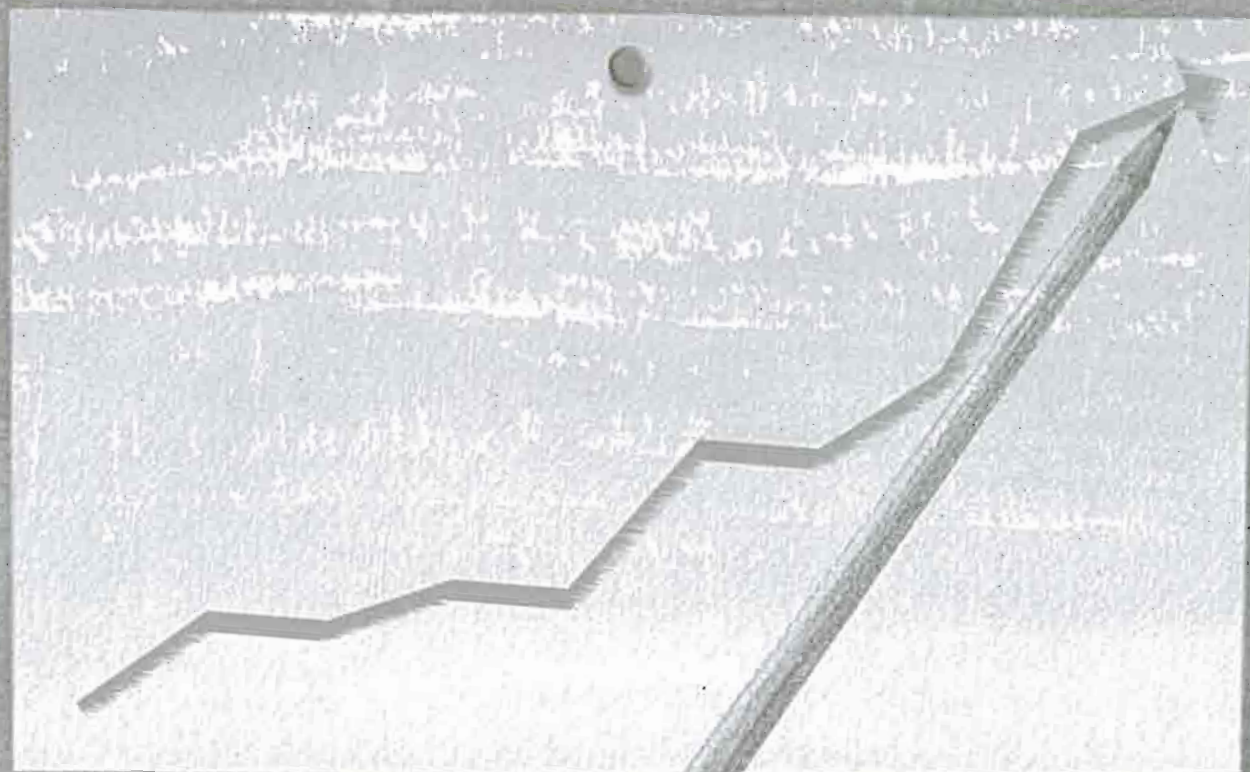


drawing the line. differently

Sterling Biotech Limited | Annual Report 2007



FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

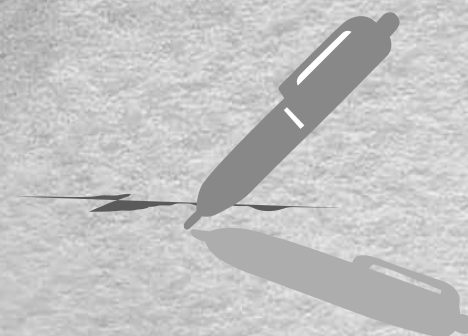
We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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directors' report



To

The Members Sterling Biotech Limited,

We have great pleasure in presenting the 22nd annual report of the Company together with the audited statements of accounts for the year ended 31st December, 2007.

FINANCIAL HIGHLIGHTS

(Rs. In Million)

Particulars	Year Ended 31st December 2007	Year Ended 31st December 2006
Sales	9,108.48	6,058.54
Total Income	9,782.69	6,235.87
EBIDTA	4,186.11	2,922.47
Interest	413.52	411.67
Depreciation	862.60	620.25
PBT	2,909.99	1,890.55
Extraordinary item	101.08	64.51
Provision for Current Tax	315.00	190.00
Provision for Deferred Tax	635.00	285.00
Provision for FBT	4.00	3.08
PAT	1,854.91	1,347.96
Proposed Dividend	114.74	111.17
Dividend Tax	19.50	15.59
Balance carried to Balance Sheet	1,702.82	1,208.29
EPS (Rs.)	8.08	6.06

DIVIDEND

The Board of Directors proposes a dividend of 50 percent, i.e. Rs. 0.50 per equity share of face value Re. 1/- each, for the year ended 31st December, 2007. The dividend increased from Rs. 111.17 million last year to Rs. 114.74 million this year.

OPERATIONS

During the year under review, sales increased to Rs. 9,108.48 million, a 50.34 percent growth, while total income grew 56.88 percent to Rs. 9,782.69 million from the previous

year. Gross profit increased 43.24 percent to Rs. 4,186.11 million over the year. Profit before tax increased to Rs. 2,909.99 million and net profit to Rs. 1,854.91 million signifying 53.92 percent and 37.61 percent growths compared to the previous year, respectively. Earnings per share reached Rs. 8.08 for the current year, a growth of 33.33 percent.

Our focus during the year was on consolidating our position as one of the leading gelatin producers in the world. We expanded our product portfolio to include Coenzyme Q10

and by commissioning production facility. The capacity will be augmented steadily over next few years in tune with the market.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB) ISSUE

During the year, we successfully completed Zero coupon Foreign Currency Convertible Bonds 2012 (FCCBs) aggregating to USD 250 million, listed on the Singapore Stock Exchange. These bonds are redeemable in 2012. The bonds are convertible into equity shares of the Company at any time after June 25, 2007 at a conversion price of Rs. 204.576 per share, which represented 25 percent premium to the then average price.

ACCOLADES

We are a One Star Export House, and our facilities in Vadodara and Ooty produce gelatin on par with that produced in the USA, Europe and Japan.

QUALITY

Meeting the stringent quality standards required by our international clientele, our facilities have earned certifications including:

- Hazardous Analysis and Critical Control Point Certification (HACCP)
- ISO 9001
- ISO 14001
- European Directorate For Quality of Medicine Certification (EDQM).

DELISTING

In accordance with the approval granted by the shareholders, the Company's delisting application to The Calcutta Stock Exchange at Kolkata is pending.

MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Management Discussion and Analysis pursuant to Clause 49 of the Listing Agreement entered with stock exchanges is enclosed as a part of this Directors' Report.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered with stock exchanges, a separate section on Corporate Governance is attached to the Annual Report.

DIRECTORS

Shri C. J. Sandesara and Shri N. B. Patel, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) That in the preparation of the Annual Accounts for the year ended 31st December, 2007 the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) 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, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the Annual Accounts for the year ended 31st December, 2007 on a going concern basis.

FIXED DEPOSITS

The Company did not accept any deposits from the Public during the year under review.

AUDITORS

M/s. H. S. Hathi & Co., Chartered Accountants, Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224(1B) of the Companies Act, 1956, are eligible for re-appointment. The Board recommends their re-appointment.

In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

INDUSTRIAL RELATIONS

The industrial relations of the Company continued to remain cordial. The Directors wish to place on record their sincere appreciation of the co-operation extended and the valuable contribution made by the employees at all levels.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended is not given as there was no employee drawing remuneration prescribed under the said section.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure to this Report in the prescribed format under these rules.

ACKNOWLEDGEMENTS

We appreciate the valuable co-operation extended by the Central and State Government Authorities and are extremely grateful to Financial Institutions and our bankers for their continued assistance and guidance. We are also grateful to our employees, shareholders, customers for their co-operation and look forward to their support in the future.

For and on behalf of the Board of Directors

NITIN J. SANDESARA
Chairman and Managing Director

Place: Mumbai
Date: 31st March, 2008

annexure to the directors report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31st December, 2007

A. CONSERVATION OF ENERGY

Energy Conservation Measures taken:

The Company has undertaken various measures for conservation and saving of energy in critical areas including

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combustion efficiency of boilers
4. Reuse of Steam condensate as boiler feed water
5. Optimum use of utility depending upon process requirement.

As in earlier years, your Company continued to envisage and implement energy conservation measures in various manufacturing operations leading to saving of quantitative consumption

of power, fuel and oil etc. The Company is also carrying on continuous education and awareness program for its employees for energy conservation and optimum use.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company
 - Improvement of product quality
 - Process improvements
 - Cost effectiveness
 - Elimination of waste in the systems
2. Benefits derived as a result of the above R & D

Improvement in yield and product quality, cost effectiveness and reduction in consumption of raw material and utilities.

3. Future plan of action

The Company's effort will continue in the areas of product quality, process improvement technology with the aim of offering better products to meet consumer needs.

4. Expenditure on R & D.

- a) Capital : Nil
 b) Recurring : Rs. 98.6 million
 c) Total : Rs. 98.6 million
 d) Total R & D Expenditure as a percentage of total turnover: 1.08

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

After full absorption of technology imparted by foreign collaborations, innovations in process control, cost reduction and quality improvements are being made on a continuous basis.

Started commercial production of CoQ10 in March 2007 and innovating this technology in-house.

2. Benefits derived as a result of the above efforts :

Improvements in productivity, cost of manufacturing, quality, waste elimination and flexibility in manufacturing.

3. Information regarding technology imported during last 5 years :

Nil

C. FOREIGN EXCHANGE EARNED AND USED

- a) Earned : Rs. 2,928.18 million
 b) Used : Rs. 630.49 million

management's discussion and analysis

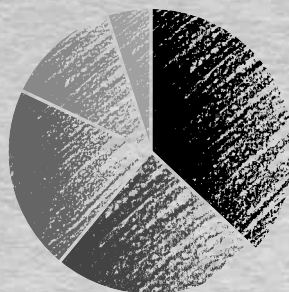
INDUSTRY OVERVIEW

GELATIN

The global gelatin market in 2007 was around 326,000 tonnes (source: GME), while there are about 25 global manufacturers. The major users of gelatin are the pharmaceutical, nutraceutical and food industries. These four industries collectively consume over 95 percent of gelatin globally. The balance 5 percent industrial gelatin finds applications in the manufacture of abrasive paper, textiles, matches and printer rollers and many more industries.



GELATIN USER INDUSTRIES



- Nutraceutical - 37%
- Food - 24%
- Pharmaceutical - 21%
- Photography - 13%
- Industry - 5%

Source: Company

The global market size for gelatin is pegged at USD 1.3 billion and is growing at 2-3 percent per annum. This growth is primarily driven by the 7 percent growth in the global pharmaceutical industry.

Around 75 percent of the global market for gelatin is in the US, Europe and Japan. The major global producers of gelatin are DGF Stoess, Sobel, PB Gelatin, Sterling Biotech and Weishardt, which together account for around 62 percent of global gelatin production.

The domestic gelatin market comprises players with smaller capacities. Similar to global growth, demand for gelatin in the domestic market is driven by the pharmaceutical sector is growing around 15 percent per annum.

COENZYME Q10

Coenzyme Q10 (CoQ10) is among the fastest growing health supplements globally. A powerful antioxidant, CoQ10 plays a vital role in conversion of food into energy. Therefore, CoQ10 is required by human body continuously irrespective of state of health i.e both healthy as well as during recovery for conversion of food into energy. It finds application in the treatment of all heart-related ailments, thyroid, Alzheimer's disease, Parkinson's disease, AIDS, cancer, dental and skin diseases and many more under research.

The CoQ10 market has been dominated by four Japanese players with the capacity to supply multi-ton quantities of the ingredient. The global CoQ10 market is pegged at USD 2 billion, mainly in the US, Europe and Japan. CoQ10 produced through fermentation process being from natural source has acceptance in all the 3 major markets of USA, Europe and Japan.

COMPANY OVERVIEW

Sterling Biotech Limited (Sterling) is the largest producer of pharmaceutical and nutraceutical gelatin in India and Asia as well. It has a 9.3 percent global market share in pharmaceutical gelatin and is among the top five gelatin producers globally with 5.2 percent global market share. Sterling is a public-listed company with listings on the Bombay and National Stock Exchanges.

Additionally, Sterling sells Dicalcium Phosphate (DCP), a by-product of the gelatin manufacturing process, to poultry-feed and fertilizer industry in India, which is required as feed and medicines to protect poultry against diseases such as rickets. DCP finds further applications in products such as talcum powder, fertilizers and toothpaste.

The primary raw materials required for the manufacture of gelatin are buffalo bones, lime and HCL. These raw materials are available in abundance since India is one of the world's largest producers of buffalo meat. Competitive material costs enable Sterling to be lowest cost producer of gelatin, globally.

Capacity utilisation of over 100 percent allows Sterling a distinct cost advantage over its competitors. Similarly, in CoQ10, Sterling harnesses low production costs compared to all other producers.

FACILITIES

In a highly capital-intensive industry, Sterling has developed world-class technology for gelatin by establishing state-of-the-art facilities.

A R&D laboratory at Sterling's plant employs state-of-the-art facilities. It carries out R&D work on fermentation products, API and intermediates. Sterling's Masar plant manufactures CoQ10 (since March 2007) through microbiological fermentation.

Sterling has a captive Heavy fuel oil (HFO) based power plant based to minimise its power cost and become self sufficient in its power requirements. Effluent treatment facilities at its plants and the development of a green belt, of over 40,000 square metres, serves to protect the environment.

OPERATIONS

During the year, Sterling ramped up production of pharmaceutical and nutraceutical gelatin. Over 2007, gelatin production grew 17 percent from 2006 while DCP production simultaneously increased 27 percent.

QUALITY CERTIFICATIONS

In accordance with Sterling's policy to achieve and maintain the highest standards of quality the Company has the following quality certifications.

- **Kosher Certifications** – this certifies that the Jewish population can consume Sterling's gelatin and that the inputs used for gelatin production are in accordance with the religious standards of the Jewish community.
- **Ifanka Certification** – this is required for Halal certification, which certifies that the gelatin is manufactured using Halal-defined processes and can be used by the Muslim population.
- **HACCP (Hazardous Analysis and Critical**

Control Point) Certification – certifies the manufacturing process with the highest and most consistent quality and safety of product. Also ensures the availability of fallback measures in case of unfortunate events.

- **ISO 9001** – denotes that the production process is in accordance with standards laid down by the International Standards Organizations.
- **ISO 14001** – signifies that the environment management system is in compliance with the Environmental Management System Standard.
- **EDQM (European Directorate for Quality of Medicare)** – this certification denotes that the product is in compliance with the European Union pharmacopeia.

STRENGTHS AND STRATEGIES

Sterling differentiates from its industry peers through key strengths by:

- Developing indigenous technology for complex products.
- Consolidating its position in the global gelatin market through constant capacity enhancements.
- Expanding its product basket by introducing CoQ10, thereby strengthening its product basket.
- Generating high cash inflows due to a high EBITDA margin, currently at about 46 percent.

These strengths drive Sterling's future strategies which include:

- Constantly expanding manufacturing capacities for gelatin. These expansion

initiatives will allow Sterling to augment its market share.

- Increasing CoQ10 production and capacity to encash on growing markets in the nutraceutical industry.

HUMAN RESOURCES

Sterling recognises its employees as its most valuable assets. As such, they are encouraged to enhance their aptitude through on the job training programmes to further their prospects within the company.

Sterling continues to induct competent professionals for its present and future needs.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO/CFD certification provided in the report discusses the adequacy of our internal control systems and procedures.

FINANCIAL ANALYSIS

The highlights of Sterling Biotech's financial performance over 2007 were:

- A 50.34 percent increase in sales from Rs. 6,058.54 million in 2006 to Rs. 9,108.48 million in 2007.
- A 37.61 percent increase in net profit to reach Rs. 1,854.91 million in 2007 from Rs. 1,347.96 million in 2006.
- A 33.33 percent increase in earnings per share to reach Rs. 8.08 in 2007 from Rs. 6.06 in 2006.

Sterling also issued Zero Coupon Convertible Bonds 2012, aggregating to USD 250 million. Part of the proceeds was utilized for the prepayment of USD 100 million External Commercial Borrowings.

BALANCE SHEET OVERVIEW

SOURCES OF FUNDS

Share Capital

The Company's share capital increased from Rs. 222.35 million in 2006 to Rs. 229.48 million in 2007, a 3.21 percent growth, on account of the issue of equity shares against FCCB conversions.

Reserves and Surplus

Reserves and surplus for Sterling grew 28.11

percent to Rs. 12,689.56 million in 2007 from Rs. 9,904.88 million in 2006, due to enhanced retained earnings and an increase in the share premium account due to conversion of FCCBs.

Loan Funds

Sterling's loan funds increased 23.2 percent from Rs. 16,302.36 million in 2006 to Rs. 20,085.08 million in 2007. Secured loans formed 21.48 percent of total loan funds. Term loans decreased 34.62 percent while working capital limits increased 32.3 percent. Unsecured loans formed 78.52 percent of total loan funds and increased by 103.74 percent to Rs. 15,769.91 million in 2007 due to the issuance of Zero Coupon Convertible Bonds 2012 (FCCBs) aggregating to Rs. 9,852.5 million. Further, the cost of debt decreased by 40 basis points from 2.5 percent in 2006 to 2.1 percent in 2007. Excluding FCCB's the company has reduced its borrowing through prepayment of External Commercial borrowings of Rs. 4,526.1 million (USD 100 million) in lump sum, a rare example of FX loan prepayment in less than 2 years as against the original term of 5 years.

APPLICATION OF FUNDS

Gross Block

Gross block of the company increased 27.41 percent from Rs. 15,299.72 million in 2006 to Rs. 19,493.10 million in 2007, on account of ongoing capacity expansion. Depreciation increased 30.07 percent from Rs. 620.25 million in 2006 to Rs. 862.60 million in 2007.

Investments

Sterling's investments increased from Rs. 50.94 million in 2006 to Rs. 444.15 million in 2007, primarily due to short term deployment into mutual fund units.

Working Capital

Sterling's working capital increased by 20.96 percent from Rs. 12,027.67 million in 2006 to Rs. 14,548.74 million in 2007. The company also has a very comfortable cash and cash equivalent position of Rs. 8053.69 million (more than USD 200 million).

PROFIT AND LOSS ACCOUNT ANALYSIS

Sales

Sales for the year ended December 31, 2007 was at Rs. 9,108.48 million, a 50.34 percent increase from Rs. 6,058.54 million, last year.

Expenditure

Total expenditure increased from Rs. 4,345.32 million in 2006 to Rs. 6,872.7 million in 2007, a growth of 58.16 percent, primarily due to a 77.89 percent increase in raw material cost and a 53.37 percent increase in manufacturing expenses.



Components of Total Expenditure

- Raw materials - 54.3%
- Manufacturing - 27.1%
- Interest & finance charges - 6%
- Depreciation - 12.6%

Profits

Sterling's profits before tax grew 53.82 percent from Rs. 1,826.03 million in 2006 to

Rs. 2,808.91 million in 2007, while its net profit for the year was at Rs. 1,854.91 million, a growth of 37.61 percent, from last year's Rs. 1,347.96 million.

Margins

Sterling's EBITDA margins decreased from 48.23 percent in 2006 to 45.96 percent in 2007. Similarly, profit margins decreased from 22.25 percent in 2006 to 20.36 percent as a result of increased raw materials and manufacturing expenses due to the commission of CoQ10 facilities and capacity stabilization thereof.

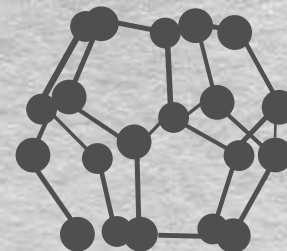
Earnings per Share

Sterling's earnings per share increased on an expanded equity base by 33.33 percent from Rs. 6.06 in 2006 to Rs. 8.08 in 2007.

report on corporate governance

I) CORPORATE GOVERNANCE PHILOSOPHY

At Sterling Biotech Limited, we view sound corporate governance as an integral part of our efforts to enhance shareholders value. We endeavor to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of society in general. We adopt a philosophy of professionalism, transparency and accountability in all areas.



II) BOARD OF DIRECTORS (BOARD) :

Presently, the Board comprises of 6 Directors of whom 5 are Non-executive Directors and a majority of them being independent. All Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board

A. COMPOSITION OF THE BOARD

Name	Designation	No. of other Directorships and Committee/ Memberships / Chairmanships			Meetings Attended	Attended last AGM on 12-05-07
		Other Directorships	Committee Memberships	Committee Chairmanships		
Nitin J. Sandesara	Chairman & Managing Director/ Executive	29	-	-	6	YES
Chetan J. Sandesara	Non-executive	26	-	-	7	YES
Vilas D. Joshi	Independent / Non-executive	1	-	-	4	NO
P. B. Mehta	Independent / Non-executive	1	-	-	4	NO
N. B. Patel	Independent / Non-executive	-	-	-	4	NO
R. B. Dixit	Independent / Non-executive	7	2	2	7	YES

B. NUMBER OF BOARD MEETINGS :

During the year under report the Board of Directors met 7 times on the following dates:

07-02-2007, 15-03-2007, 29-03-2007, 19-04-2007, 12-05-2007, 31-07-2007 and 31-10-2007.

III) CODE OF CONDUCT

The Board lays down code of conduct for Board members and senior management of the Company, and is posted on the website of the Company. The Board members and senior management personnel affirm compliance to the code of conduct provided.

IV) COMMITTEE OF DIRECTORS

The involvement of Non-executive Directors in providing guidance on policy matters to the operating management is formalized through constitution of committees of the Board. The Committees provide periodical and regular exchange of information and ideas between the Directors and the Operating Management. As mentioned in the last Report, the Board constituted following committees.

AUDIT COMMITTEE

The Committee reviews the Company's

financial reporting process, disclosure norms, internal control systems, accounting policies and practices, reports of the Company's Internal Auditors, quarterly/half yearly financial statements as well as its financial risk policies. It also recommends appointment of statutory auditors, fixes audit fees and reviews internal control systems, scope for observations of the auditors and adequacy of the internal audit function.

During the year under review, the committee met four times on 29-03-2007 (adoption of annual accounts), 19-04-2007, 31-07-2007 and 31-10-2007 and the meeting was attended by all the Directors of the Audit Committee namely Shri R. B. Dixit, Shri V. D. Joshi and Shri P. B. Mehta.

INVESTORS/SHAREHOLDERS

GRIEVANCE COMMITTEE

The Committee comprises of Shri R. B. Dixit,

Shri P. B. Mehta and Shri N. B. Patel. The Committee redresses shareholder and investors complaints like a delay in transfer of shares, non-receipt of dividend, non-receipt of balance sheet etc. During the year the committee met two times.

REMUNERATION COMMITTEE OF THE BOARD

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel to recommend and review the remuneration package of Directors based on performance, industry practice and defined criteria. During the year, the Committee met once.

DETAILS OF REMUNERATION TO DIRECTORS FOR THE YEAR

The aggregate value of salary and perquisites payable for the year ended 31st December, 2007 to Nitin Sandesara, Chairman and Managing Director is Rs. 5.85 lacs.

V) GENERAL BODY MEETINGS

Year	Venue	Date	Time	Any Special Resolution	Type of Meeting
2007	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai - 400 056.	12th May, 2007	10.30 a.m.	Yes	Annual General Meeting
2006	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai - 400 056.	26th June, 2006	10.00 a.m.	No	Annual General Meeting
2005	Juhu Jagruti Hall, Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai - 400 056.	11th October, 2005	10.00 a.m.	Yes	Extra-Ordinary General Meeting
2005	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai - 400 056.	27th June, 2005	10.00 a.m.	Yes	Annual General Meeting
2005	Juhu Jagruti Hall, Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai - 400 056.	5th March, 2005	10.00 a.m.	No	Extra-Ordinary General Meeting

Special Resolution, if any, passed by postal ballot.

NIL

VI) DISCLOSURES

1. As required under the Companies Act, the Directors disclose the name of the Companies/ Parties in which they are interested. During the year under review, there was no transaction with related party, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. which may have potential conflict with the interests of Company at large.

2. There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI, on any matters relating to the capital market, over the last three years.

VII) MEANS OF COMMUNICATIONS

a. Quarterly financial results are forwarded to the Stock Exchanges where the shares of

the Company are listed and published in the Free Press Journal in English and the Nav Shakti paper in Marathi.

b. The Company has not made any presentations to any Institutional Investors / Analysts during the year.

c. A Management's Discussion & Analysis Report is annexed to the Directors' Report to the Shareholders.

VIII) GENERAL SHAREHOLDER INFORMATION

A. ANNUAL GENERAL MEETING

Date : Monday, the 2nd day of June, 2008

Time: 10.30 A.M.

Venue: Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai – 400 056.

B. DATE OF BOOK CLOSURE:

Monday, the 26th day of May, 2008 to Monday, the 2nd day of June, 2008 (both days inclusive)

C. FINANCIAL CALENDAR 2008 : ANNUAL GENERAL MEETING MAY / JUNE 2009 (NEXT YEAR)

		Board Meeting
Unaudited Results – Qtrly.	March 2008	April 2008
Unaudited Results – Qtrly.	June 2008	July 2008
Unaudited Results – Qtrly.	September 2008	October 2008
Unaudited Results – Qtrly.	December 2008	January 2009
Audited Accounts	December 2008	February/March 2009

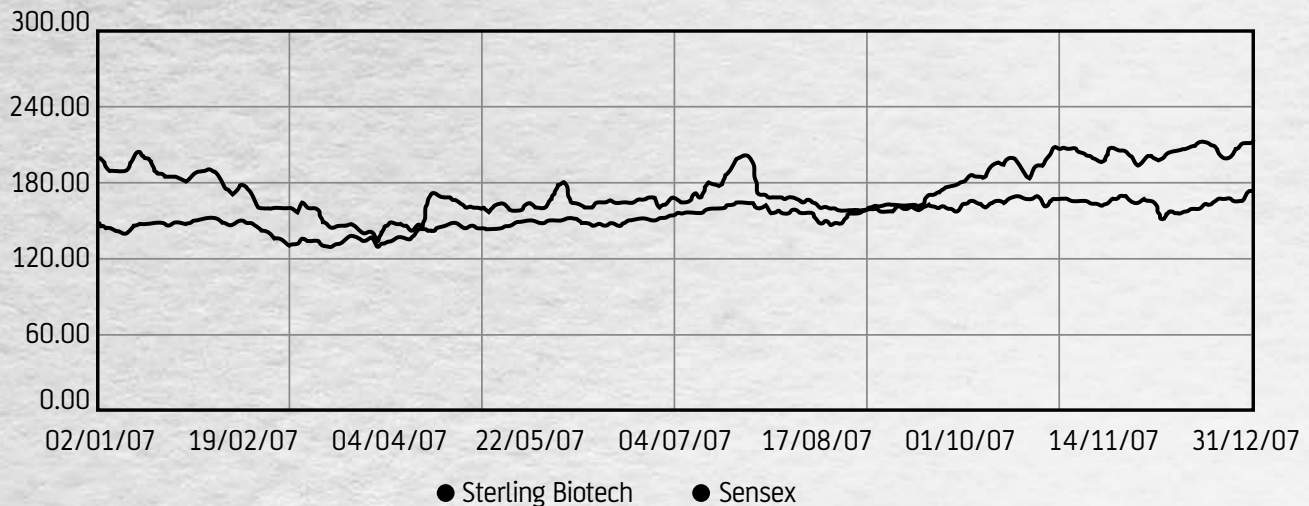
D. STOCK EXCHANGES WHERE SECURITIES ARE LISTED

The Company's equity shares are listed on the BSE and NSE, and the application for delisting of shares made with the Calcutta Stock Exchange is pending. Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. Foreign Currency Convertible Bonds 2010 & 2012 are listed on the Singapore Stock Exchange.

Name of Stock Exchange	Code/Symbol
The Stock Exchange, Mumbai	512299
National Stock Exchange of India Limited.	STERLINBIO
Luxembourg Stock Exchange (GDRs)	CUSIP No. : 85916G108 Common Code : 017757709 ISIN : US85916G1085
Singapore Stock Exchange FCCB due 2010	Common Code : 022966120 ISIN : XS0229661201
Singapore Stock Exchange FCCB due 2012	Common Code : 029812535 ISIN : XS0298125351

E. STOCK PRICE DATA (FACE VALUE: RE. 1 EACH)

Month	High (NSE) Rs.	Low (NSE) Rs.	High (BSE) Rs.	Low (BSE) Rs.
January 2007	207.80	181.55	207.90	181.05
February 2007	195.00	147.00	194.40	147.10
March 2007	173.50	135.65	172.50	138.10
April 2007	175.70	129.10	176.00	129.00
May 2007	198.80	155.10	198.70	154.50
June 2007	174.00	157.60	174.80	157.50
July 2007	206.90	162.10	206.90	161.00
August 2007	173.80	154.00	173.00	154.05
September 2007	164.35	155.50	168.90	156.25
October 2007	200.00	150.00	175.00	150.00
November 2007	183.70	150.40	174.00	150.25
December 2007	182.00	154.50	181.00	154.10



F. SHARE TRANSFER SYSTEM

Share sent for physical transfers are registered and returned within a stipulated time frame, if the documents filed are clear in all respects. Officers/ Directors of the Company have been authorized to approve transfers.

Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 26-02-2001. All requests for dematerialisation of shares are processed and the confirmation is given to the respective depositories, i.e.

National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within a stipulated time frame. Upto 31-12-2007, 95.94% equity shares of the company have been dematerialized.

G. SHAREHOLDING PATTERN – AS ON 31ST DECEMBER 2007

Sl. No	Category	No. of Shareholder	% age	No. of Equity Shares	% age
1.	Indian Promoters	27	0.16	77972694	33.98
2.	FIs/MFs/Banks	14	0.08	1384972	0.61
3.	Indian Companies	664	3.90	76434798	33.31
4.	Resident Individuals	15855	93.17	35989714	15.68
5.	Clearing Members	199	1.17	275391	0.12
6.	NRIs/OCBs/FIs/FCs	257	1.51	9922640	4.32
7.	Underlying Shares out of GDR	1	0.01	27495339	11.98
	TOTAL	17017	100.00	229475548	100.00

Distribution of Shareholding – as on 31st December 2007

Sl. No	No. of shares Held	No. of Shareholders	% of Holders	Holding	% of Holding
1.	1 – 500	10677	62.74	1777379	0.77
2.	501 – 1000	2687	15.79	2540570	1.11
3.	1001 – 2000	1590	9.34	2816453	1.23
4.	2001 – 3000	696	4.09	1960513	0.85
5.	3001 – 4000	318	1.87	1220636	0.53
6.	4001 – 5000	541	3.18	2672672	1.16
7.	5001 – 10000	264	1.55	2064085	0.90
8.	10001 & Above	244	1.43	214423240	93.44
	TOTAL	17017	100.00	229475548	100.00

H. DEMATERIALISATION OF SHARES

ISIN Number for Equity Shares of the Company in NSDL & CDSL: INE324C01038

Total No. of Shares dematerialized upto 31-12-2007: 22,01,55,275

With NSDL 166374221

With CDSL 53781054

I. OUTSTANDING GDRS, FCCBS OR OTHER CONVERTIBLE INSTRUMENTS

As of date, the Company has the following outstanding instruments:

- GDRs: 45,82,557 GDRs representing in aggregate 27,495,339 equity shares of Re. 1/- each.
- FCCBs:
 - 0.50% FCCB due 2010

aggregating to USD 150.15 million. FCCBs are convertible into equity shares at the option of the bond holders at a price of Rs. 152.7846 and the fixed rate of exchange is Rs. 43.8225.

(b) Zero Coupon FCCB due 2012 aggregating to USD 250 million. FCCBs are convertible into equity shares at the option of the bond holders at a price of Rs. 204.576 and fixed rate of exchange is Rs. 42.00.

The outstanding FCCBs if converted into equity shares will increase the equity capital by approx 94,392,499 equity shares and post conversion capital of the Company would reach approx 323,868,047 equity shares of Re. 1 each.

J. PLANT LOCATION

- ECP Road, Village Karakhadi – 391 450, Tal. Padra, Dist. Baroda, Gujarat.
- Village Masar, Jambusar Road, Tal. Padra, Dist. Vadodara, Gujarat
- Sandyanalla, Sholur Gram Panchayat, Ottacamund, Dist. The Nilgries, Tamilnadu

K. ADDRESS FOR CORRESPONDENCE

Shareholders can correspond at the Registered Office of the Company at Mumbai.

Investor complaints may be addressed to: investorscomplain@stergel.com

L. COMPLAINTS BY SHAREHOLDERS & THEIR REDRESSAL DURING 1-1-2007 TO 31-12-2007

Nature of Complaints	Received	Solved
Non-receipt of Annual Report	11	11
Delay in Transfer of Shares	23	21
Non-receipt of Dividend Warrants	29	29
Change of Address	25	24
Pending Demat cases (Since Processed)	0	0
Other: Remat of Share (Since Processed)	0	0

CERTIFICATE

**To the Members of
Sterling Biotech Limited
Mumbai**

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31st December, 2007, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

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

In our opinion, and to the best of our information, and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For H.S. HATHI & CO.
Chartered Accountants

HEMANT S. HATHI
Partner

Place : Mumbai
Date : 31st March 2008

Certification by Chief Executive Officer (CEO) and Chief Financial Officer (CFO) pursuant to Clause 49 of the Listing Agreement

We, Shri Nitin Sandesara and Shri Alpesh Patel in our capacities as Chief Executive Officer (CEO) and Chief Financial Officer (CFO), respectively, of the Company hereby certify that –

- a. We have reviewed the financial statements and the cash flow statement for the year ended December 31, 2007 and that to the best of our knowledge and belief :
 - i) these statements do not contain any material untrue statement or omit any material fact or contain statement that might be misleading.
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violated the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit committees:

-
- i) Significant changes in internal control over financial reporting during the year;
 - ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Sterling Biotech Limited
Nitin Sandesara
Managing Director

Alpesh Patel
Chief Financial Officer

Place: Mumbai
Date: 31st March 2008

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding Compliance with Code of Conduct

In Accordance with Clause 49 ID of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them, for the Financial year ended on 31st December, 2007.

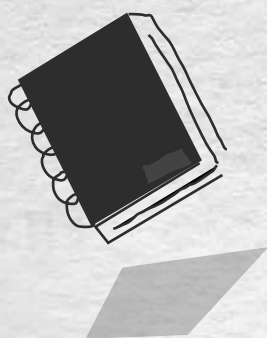
Place: Mumbai
Date: 31st March 2008

For Sterling Biotech Limited,
Nitin Sandesara
Managing Director

auditors' report

To the Members of **STERLING BIOTECH LIMITED**

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2007, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.



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

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

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

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

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

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

d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.

e) On the basis of the written representations received from the Directors as on 31st December, 2007, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2007 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of Section 274 of the Companies Act, 1956.

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

i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2007;

ii) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and

iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H. S. HATHI & CO.
Chartered Accountants

Mumbai
31st March, 2008

HEMANT S. HATHI
(Partner)

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH LIMITED
ON THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2007**

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

(b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.

(c) As per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets that would affect the going concern.

(ii) (a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.

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

(c) On the basis of our examinations of records of inventories, we are of the opinion that the Company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.

(iii) The Company has not granted any unsecured loan to a company covered in the

register maintained under Section 301 of the companies Act, 1956. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and sales of goods and service. We have not observed any continuing failure to correct major weakness in internal controls.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sales of goods, material and services made in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5,00,000 or more in respect of each party.

(vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under are not

applicable for the year under audit.

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

(viii) We have broadly reviewed the books of 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained .

(ix) (a) According to the records of the Company, the Company has been regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax / VAT, Wealth Tax, Service Tax, Custom Duty, Cess and other Statutory dues.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2007 for a period of more than six months from the date they became payable .

(c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.

(x) The Company neither has accumulated losses nor it has incurred any cash losses during the year and in the immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the

management, we are of the opinion that the Company has not defaulted in the repayment of the dues to financial institutions or banks.

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

(xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the Company are held in its own name.

(xv) According to the information and explanations given to us by the management, the Company has not given any guarantee for loan taken by other from banks or financial institutions.

(xvi) According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.

(xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies

covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company has not issued any debentures and hence Clause 4(XIX) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

(xx) During the period covered by our report the Company has not raised any money by way of public issue.

(xxi) According to the information and explanations given to us no frauds on or by the Company has been noticed or reported during the year.

For H. S. HATHI & CO.
Chartered Accountants

Mumbai
31st March, 2008

HEMANT S. HATHI
(Partner)

balance sheet as on 31st december 2007

Particulars (In Rs.)	Schedules		As at 31st Dec. 2007	As at 31st Dec. 2006
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
1. Shareholders' Funds :				
Share Capital	1	229,475,548		222,347,949
Reserves & Surplus	2	12,689,557,278		9,904,880,076
			12,919,032,826	10,127,228,025
2. Loan Funds				
Secured Loans	3		4,315,165,147	8,562,114,176
Unsecured Loans	4		15,769,911,500	7,740,250,000
			20,085,076,647	16,302,364,176
3. Deferred Tax Liability			1,718,200,000	1,083,200,000
TOTAL FUNDS EMPLOYED			34,722,309,473	27,512,792,201
APPLICATIONS OF FUNDS				
1. Fixed Assets	5			
Gross Block		19,493,099,853		15,299,719,532
Less : Depreciation		2,999,278,782		2,136,681,807
Net Block		16,493,821,071		13,163,037,725
Capital Work in Progress		2,882,306,469		2,060,520,863
			19,376,127,540	15,223,558,588
2. Investments	6		444,148,464	50,942,300
3. Current Assets, Loans and Advances				
Current Assets	7			
Inventories		3,411,070,622		2,613,788,486
Sundry Debtors		1,953,685,774		1,419,068,224
Cash and Bank Balances		8,053,693,122		8,167,241,759
		13,418,449,518		12,200,098,469
Loans & Advances	8	1,914,114,572		495,052,219
		15,332,564,090		12,695,150,688
Less :				
Current Liabilities & Provisions				
Current Liabilities	9	330,587,815		347,643,914
Provisions	10	453,237,459		319,841,125
		783,825,274		667,485,039
Net Current Assets			14,548,738,816	12,027,665,649
4. Miscellaneous Expenditure	11		353,294,653	210,625,664
TOTAL ASSETS			34,722,309,473	27,512,792,201
Notes on Accounts	15			

As per our report of even date,

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner

Place : Mumbai
Date : 31st March, 2008

For and on behalf of the Board

NITIN J. SANDESARA Chairman & Managing Director

C. J. SANDESARA Director

R. B. DIXIT Director

KIRTIDEV J. KHATRI Company Secretary

profit and loss accounts for the year ended 31st december 2007

Particulars (In Rs.)	Schedules	For the Year Ended 31st December, 2007	For the Year Ended 31st December, 2006
INCOME			
Sales		9,108,476,222	6,058,535,706
Other Income		99,583,951	50,452,381
Increase/(Decrease) in Stocks	12	574,629,393	126,881,425
Total		9,782,689,566	6,235,869,512
EXPENDITURE			
Raw material consumed	13	3,735,260,703	2,099,760,241
Manufacturing & Other Expenses	14	1,861,323,220	1,213,635,732
Interest and Finance Charges		413,520,359	411,669,789
Depreciation		862,596,975	620,254,512
Total		6,872,701,257	4,345,320,274
PROFIT BEFORE EXTRAORDINARY ITEM & TAXATION		2,909,988,309	1,890,549,238
Extraordinary Item		101,076,383	64,514,576
PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION		2,808,911,926	1,826,034,662
Provision for current tax		315,000,000	190,000,000
Provision for deferred tax		635,000,000	285,000,000
Provision for Fringe Benefit Tax		4,000,000	3,075,000
PROFIT FOR THE YEAR		1,854,911,926	1,347,959,662
Prior Year Adjustment		(17,858,791)	(12,898,972)
PROFIT AVAILABLE FOR APPROPRIATION		1,837,053,135	1,335,060,690
PROPOSED DIVIDEND		114,737,774	111,173,975
DIVIDEND TAX		19,499,685	15,592,150
TRANSFER TO GENERAL RESERVE		1,702,815,676	1,208,294,565
EARNINGS PER SHARE [EPS]		8.08	6.06
Notes on Accounts	15		

As per our report of even date,
For H. S. Hathi & Co.
Chartered Accountants
Hemant S. Hathi
Partner
Place : Mumbai
Date : 31st March, 2008

For and on behalf of the Board

NITIN J. SANDESARA Chairman & Managing Director
C. J. SANDESARA Director
R. B. DIXIT Director
KIRTIDEV J. KHATRI Company Secretary

schedules forming part of the balance sheet as at 31st december 2007

Particulars (In Rs.)	As at 31st Dec. 2007	As at 31st Dec. 2006
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
500,000,000 Equity Shares of Rs. 1/- each	500,000,000	500,000,000
(Previous year 500,000,000 Equity Shares of Rs. 1/- each)		
ISSUED		
233,199,548 Equity Shares of Rs. 1/- each	233,199,548	228,077,009
(Previous year 228,077,009 Equity Shares of Rs. 1/- each)		
SUBSCRIBED		
233,199,548 Equity Shares of Rs. 1/- each	233,199,548	226,071,949
(Previous year 226,071,949 Equity Shares of Rs. 1/- each)		
PAID UP		
Fully Paid-Up 229,475,548 Equity Shares of Rs. 1/- each	229,475,548	222,347,949
(Previous year 222,347,949 Equity Shares of Rs. 1/- each)		
	229,475,548	222,347,949
SCHEDULE 2 - RESERVE & SURPLUS		
General Reserve		
As per Last Balance Sheet	4,697,379,202	3,489,084,637
Add: Transferred from Profit & Loss Account	1,702,815,676	1,208,294,565
	6,400,194,878	4,697,379,202
Share Premium Account	6,289,362,400	5,207,500,874
	12,689,557,278	9,904,880,076
SCHEDULE 3 - SECURED LOANS		
Term Loans from Banks/FI'S Secured by way of charge created on the fixed assets of the company, on Pari Passu basis	1,000,819,358	1,530,744,746
External Commercial Borrowings of US\$ 100 Million Secured by way of charge created on the fixed assets of the company, on Pari Passu basis	-	4,526,135,272
From Banks		
Working Capital Limits	3,314,345,789	2,505,234,158
	4,315,165,147	8,562,114,176
SCHEDULE 4 - UNSECURED LOANS		
Foreign Currency Convertible Bonds	5,917,411,500	7,740,250,000
- 0.50 % Convertible Bonds due 2010 aggregating to US\$ 150.15 Million (P.Y.: US\$ 175 Million) (Convertible into Ordinary shares or Global Depository Receipts representing Ordinary Shares)		
Foreign Currency Convertible Bonds	9,852,500,000	-
- Zero Coupon Convertible Bonds due 2012 aggregating to US\$ 250 Million (P.Y.: US\$ NIL) (Convertible into Ordinary shares or Global Depository Receipts representing Ordinary Shares)		
	15,769,911,500	7,740,250,000

schedules forming part of the balance sheet as at 31st december 2007

SCHEDULE - 5

Fixed Assets

Description	Gross Block				Depreciation			Net Block	
	As on 01.01.07	Additions	Adjustments	As on 31.12.2007	As on 01.01.07	For the Year	As on 31.12.2007	As on 31.12.2006	
Land & Development	325,311,127	-	-	325,311,127	-	-	325,311,127	325,311,127	
Building	1,681,668,142	117,265,832	-	1,798,933,974	168,454,249	58,206,535	1,572,273,190	1,513,213,893	
Plant & Machinery	13,045,920,649	4,036,971,893	-	17,082,892,542	1,934,449,233	786,196,731	14,362,246,578	11,111,471,416	
Office Equipments & Furniture	217,815,593	22,228,338	-	240,043,931	22,211,225	14,971,679	202,861,027	195,604,368	
Vehicles	29,004,021	16,914,258	-	45,918,279	11,567,100	3,222,030	31,129,149	17,436,921	
Grand-Total	15,299,719,532	4,193,380,321	-	19,493,099,853	2,136,681,807	862,596,975	16,493,821,071	13,163,037,725	
Previous year	8,975,441,078	6,324,278,454	-	15,299,719,532	1,516,427,295	620,254,512	13,163,037,725	7,459,013,783	
Capital Work-in-Progress (including Capital Advances)							2,882,306,469	2,060,520,863	

schedules forming part of the balance sheet as at 31st december 2007

Particulars (In Rs.)	As at 31st December, 2007	As at 31st December, 2006
SCHEDULE 6 - INVESTMENTS		
In Units of Mutual Funds	443,230,584	50,500,000
(Market Value Rs. 4636 Lacs, Previous year Rs. 603 Lacs)		
In Shares (Quoted)	867,400	-
(Market Value Rs. 12.72 Lacs, Previous year Rs. NIL)		
In Shares (Un-quoted AT COST)	50,480	442,300
	444,148,464	50,942,300
SCHEDULE 7 - CURRENT ASSETS		
a) Inventories		
Raw Materials	799,553,338	597,740,475
Stock-in-process	1,638,307,396	1,225,954,513
Stores & Spare Parts	91,567,249	70,727,369
Finished Stocks.	881,642,639	719,366,129
	3,411,070,622	2,613,788,486
b) Sundry Debtors (Unsecured & considered good)		
Debts outstanding for a		
period exceeding 6 months	19,123,561	16,159,128
Other Debts	1,934,562,213	1,402,909,096
	1,953,685,774	1,419,068,224
c) Cash & Bank Balances		
Cash On Hand	1,586,755	1,239,109
Bank Balance with Scheduled Banks		
In Current Account	136,152,045	1,880,400,985
In Fixed Deposits	7,915,954,322	6,285,601,665
	8,053,693,122	8,167,241,759
TOTAL	13,418,449,518	12,200,098,469
SCHEDULE 8 - LOANS & ADVANCES & OTHERS		
(Unsecured considered good)		
Advances recoverable in cash or in kind		
or for value to be received	1,914,114,572	495,052,219
TOTAL (7+8)	15,332,564,090	12,695,150,688

schedules forming part of the balance sheet as at 31st december 2007

Particulars (In Rs.)		As at 31st December, 2007	As at 31st December, 2006
SCHEDULE 9 - CURRENT LIABILITIES			
Sundry creditors	241,245,659		296,482,488
Other liabilities	89,342,156		51,161,426
TOTAL		330,587,815	347,643,914
SCHEDULE 10 - PROVISIONS			
Proposed Dividend		114,737,774	111,173,975
Dividend Tax		19,499,685	15,592,150
Provision for Taxation		319,000,000	193,075,000
		453,237,459	319,841,125
SCHEDULE 11 - MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses	-		3,120,542
Add: Addition during the year	-		-
	-		3,120,542
Less: Written off during the year			3,120,542
	-		-
FCCB Issue Expenses	210,625,664		275,140,240
Add: Addition during the year	243,745,372		
	454,371,036		275,140,240
Less: Written off during the year	101,076,383		64,514,576
	353,294,653		210,625,664
TOTAL		353,294,653	210,625,664

schedules forming part of profit and loss accounts for the year ended 31st december 2007

Particulars (In Rs.)	For the Year Ended 31st December, 2007	For the Year Ended 31st December, 2006
SCHEDULE 12 - INCREASE/(DECREASE) IN STOCKS		
Stock in trade (At Close)		
Finished Goods	881,642,639	719,366,129
Stock in Process	1,638,307,396	1,225,954,513
	2,519,950,035	1,945,320,642
Stock in trade (At Commencement)		
Finished Goods	719,366,129	685,146,647
Stock in Process	1,225,954,513	1,133,292,570
	1,945,320,642	1,818,439,217
Increase/(Decrease) in Stocks	574,629,393	126,881,425
SCHEDULE 13 - RAW MATERIAL CONSUMED		
Opening Stock	668,467,844	639,790,682
Add: Purchases	3,957,913,446	2,128,437,403
	4,626,381,290	2,768,228,085
Less: Closing Stock	891,120,587	668,467,844
	3,735,260,703	2,099,760,241
SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES		
Manufacturing expenses	1,139,876,847	727,113,078
Repairs and maintenance to Buildings	14,216,461	25,488,085
Repairs and maintenance to Plant & Machinery	42,651,465	30,343,211
Salaries, Wages & Other Employee Benefits	243,742,275	162,688,068
Travelling & Conveyance	41,078,346	26,946,369
Telephone & Telex	20,558,654	14,856,934
Printing & Stationery	9,142,848	6,172,268
Postage, Telegram & Courier	9,167,143	7,084,130
Office Expenses	31,622,547	19,822,823
Miscellaneous Expenses	29,751,465	19,633,115
Selling Expenses	279,515,169	170,367,109
Miscellaneous Expenses written off	-	3,120,542
TOTAL	1,861,323,220	1,213,635,732

SCHEDULE 15 – NOTES FORMING PART OF THE ACCOUNTS

A. Significant accounting policies

- 1. Basis of preparation of Financial Accounts** – The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and the requirements of the Companies Act, 1956, under the historical cost convention and on accrual basis.
- 2. Use of Estimates** – The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.
- 3. Fixed Assets** – Fixed assets are stated at cost less accumulated depreciation. Fixed assets include all related expenses incurred up to the date of acquisition and installation. Pre-operative expenses incurred up to the date of commencement of production of the project is allocated to Building and Plant & Machinery.
- 4. Depreciation** – Depreciation on fixed assets is calculated on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions to/deletions from the fixed assets during the year is provided on pro-rata basis.
- 5. Inventories** – Inventories are valued as follows –
 - A) Finished Goods at cost or net realizable value whichever is less.
 - B) Work-in-process at cost or net realizable value whichever is less.
 - C) Raw material, packing material, stores and spares, tools and consumables are valued at cost or net realizable value whichever is less.
- 6. Foreign Currency Transactions** – Foreign currency transactions during the year are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing at the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except for those relating to the acquisition of fixed assets, which are adjusted in the cost of the fixed assets.
- 7. Investments** – Long term investments are stated at cost. Current investments are stated at cost or fair market value, whichever is less.
- 8. Revenue Recognition** – Sales are recognized at the time of dispatch of the goods.
- 9. Research and Development expenditure** – Revenue expenditure on Research and Development is charged to revenue in the respective head of expenditure account.
- 10. Retirement Benefits** – Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for on accrual basis.
- 11. Borrowing Cost** – Borrowing cost attributable to the acquisition of fixed assets is included in the cost of asset. The balance borrowing cost is charged to revenue.
- 12. Income Tax** – Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise and deferred tax asset or liability is recorded for the timing differences. The deferred tax asset or liability is recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.
- 13. Export Benefits** – The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.
- 14. Impairment Loss** – As per Accounting Standard AS 28 'Impairment of Assets' effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.
- 15. Provisions, Contingent Liabilities and Contingent Assets** – A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

B. Notes to Accounts

1. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2007 is Rs. 876.31 million [Previous year Rs. 1914.97 million].
2. Contingent liabilities not provided for on account of letters of credit as on 31st December, 2007 are of Rs. 159.81 million [Previous year Rs. 108.72 million].
3. Current Income Tax is provided for the year as per provisions of the Minimum Alternate Tax under the Income Tax Act, 1961.
4. The Company has provided for a deferred tax liability of Rs. 635 million for the year ended December 31, 2007 on additional depreciation on fixed assets under Income Tax Act [Previous year Rs. 285 million].
5. Calculation of Earnings per share [EPS]

Particulars (In Rs.)	2007	2006
1. Net Profit after Tax	1,854,911,926	1,347,959,662
2. Face value of each equity share	1.00	1.00
3. No. of Equity Shares Basic (Nos.)	229,475,548	222,347,949
4. Earning Per Share [EPS] Basic	8.08	6.06

6. There are no related party transactions during the year ended 31st December, 2007.
7. The Company's operations fall under single segment. Hence Segmental Reporting as defined under AS 17 is not applicable.
8. Foreign Currency Earnings and Expenditure

Particulars (Rs. in million)	2007	2006
1. FOB Value of Exports	2928.18	1932.93
2. CIF Value of Imports (Capital Goods)	76.30	54.47
3. Other Expenditure	554.19	436.01

9. The Company is not in a position to identify the dues to small scale industrial undertakings as on the balance sheet date in absence of the status of the creditors available with the Company.
10. Additional information pursuant to the provisions of Paragraph (3) & (4) of Part IV of Schedule VI to the Companies Act, 1956, together with other notes.

The Ministry of Company Affairs, New Delhi have granted exemption to the Company from disclosure of quantitative details in compliance of Para 3(i)(a) and 3(ii)(a) of Part II, Schedule VI to the Companies Act, 1956 In respect of the Financial Year ended 31st December, 2007 by their order no. 46/172/2007-CL-III dated 19-11-2007 under Section 211(4) of the Companies Act, 1956.

11. Payment to Auditors

Particulars (Rs.)	2007	2006
Audit Fees	400,000	300,000
Tax Audit Fees	150,000	120,000
Taxation and other matters	200,000	200,000
Out of Pocket expenses	-	37,000
Service Tax	93,000	43,000
	843,000	700,000

12. Remuneration to Managing Director

Particulars (Rs.)	2007	2006
Salary	540,000	420,000
- Contribution to Provident Fund	-	-
- Superannuation Fund	-	-
- Perquisites (Bonus)	45,000	35,000
	585,000	455,000

13. Figures of the previous year have been regrouped, reclassified whenever necessary to make them comparable with the current year's figures.

As per our report of even date,
For H. S. Hathi & Co.
Chartered Accountants
Hemant S. Hathi
Partner
Place : Mumbai
Date : 31st March, 2008

For and on behalf of the Board

NITIN J. SANDESARA Chairman & Managing Director
C. J. SANDESARA Director
R. B. DIXIT Director
KIRTIDEV J. KHATRI Company Secretary

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2007

(Rs. in Lakhs)

Particulars	For the Year Ended 31st December, 2007	For the Year Ended 31st December, 2006
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and Extraordinary items	29,099.88	18,905.49
Adjustment for :		
Depreciation and Amortisation	8,625.97	6,233.75
Financial Charges	4,135.20	4,116.70
Profit on Sale of Fixed Assets	-	-
Prior Year Adjustments	(178.58)	(128.99)
Operating Profit before working adjustments for	41,682.47	29,126.95
Trade Receivables	(5,346.18)	(1,227.38)
Other Receivables	(14,190.62)	(1,920.31)
Inventories	(7,972.83)	(1,555.58)
Trade Payable	(170.56)	190.16
Interest	(4,135.20)	(4,116.70)
Direct Tax	(1,930.75)	(1,177.03)
Net Cash Flow from operating Activites	7,936.33	19,320.11
(B) CASH FLOW FROM INVESTING ACTIVITES		
Purchase of Fixed Assets	(50,151.66)	(30,886.17)
Sale of Fixed Assets	-	-
Dividend Received	-	-
Purchase of Investments	(3,932.06)	-
Sale of Investments	-	730.58
Net Cash used in Investing Activities	(54,083.72)	(30,155.59)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital on Conversion of FCCB	71.28	10.99
Proceeds from Share Premium on Conversion of FCCB	10,818.61	843.35
Proceeds from long term borrowings	37,827.13	-
Repayments of Share Application Money	-	(4,500.00)
Repayments of Long term Borrowings	-	(9,110.21)
Dividend & Dividend tax	(1,267.66)	(1,250.82)
FCCB Issue Expenditure	(2,437.45)	-
Net Cash used in financing Activities	45,011.91	(14,006.69)
Net Increase/(Decrease) in Cash & Equivalents(A+B+C)	(1,135.48)	(24,842.17)
Cash & Cash Equivalents as at January (Opening)	81,672.41	106,514.58
Cash & Cash Equivalents as at 31st December (Closing)	80,536.93	81,672.41

We have examined the attached Cash Flow Statement of Sterling Biotech Limited for the year ended 31st December, 2007 and previous year ended 31st December 2006. The Statement has been prepared by the Company in accordance with the listing agreements of the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report dated 31st March, 2008 to the members of the Company.

As per our report of even date,

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner

Place : Mumbai
Date : 31st March, 2008

For and on behalf of the Board

NITIN J. SANDESARA Chairman & Managing Director

C. J. SANDESARA Director

R. B. DIXIT Director

KIRTIDEV J. KHATRI Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

REGISTRATION DETAILS

Registration No. : 35738
Cin No. : L51900MH1985PLC035738
State Code : 11
Balance sheet Date : 31st Dec.2007

CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue : NIL Right Issue : NIL
Bonus Issue : NIL Private Placement : NIL

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities : 34722309 Total Assets : 34722309

Sources of Funds

Paid up Capital : 229475 Reserves & surplus : 12689557
Secured Loans : 4315165 Unsecured Loans : 15769912
Deferred tax Liability : 1718200

Application of Funds

Net fixed Assets : 19376127 Investments : 444148
Net Current Assets : 14548739 Misc. Expenses : 353295

Performance of company (Amount in Rs. Thousands)

Total Turnover : 9108476 Total Expenditure : 6299564
Profit Before Tax : 2808912 Profit After Tax : 1854912
Earning Per Share : Rs. 8.08 Face Value of Share : Rs. 1.00
Dividend Rate % : 50

Generic names of principal products

ITC CODE	PRODUCT DESCRIPTION
350300.02	Gelatin
283525.00	DCP
29146990	Coenzyme Q10

As per our report of even date,
For H. S. Hathi & Co.
Chartered Accountants
Hemant S. Hathi
Partner
Place : Mumbai
Date : 31st March, 2008

For and on behalf of the Board

NITIN J. SANDESARA Chairman & Managing Director
C. J. SANDESARA Director
R. B. DIXIT Director
KIRTIDEV J. KHATRI Company Secretary

corporate information

BOARD OF DIRECTORS

Nitin J. Sandesara

Chairman and Managing Director

C. J. Sandesara

Director

Vilas D. Joshi

Director

P. B. Mehta

Director

N. B. Patel

Director

R. B. Dixit

Director

BANKERS

Andhra Bank

UCO Bank

Allahabad Bank

Syndicate Bank

Catholic Syrian Bank

Punjab National Bank

Oriental Bank of Commerce

Bank of Maharashtra

Vijaya Bank

Federal Bank Ltd.

AUDITORS

H. S. Hathi & Co.

Chartered Accountants

COMPANY SECRETARY

Kirtidev J. Khatri

REGISTERED OFFICE

43, Atlanta, Nariman Point, Mumbai 400 021

Members are requested to bring a copy of the annual report with them to the Annual General Meeting.



Sterling Biotech Limited
Registered Office:
43, Atlanta, Nariman Point, Mumbai 400021.