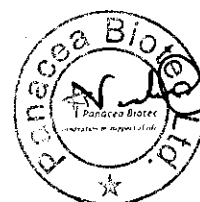
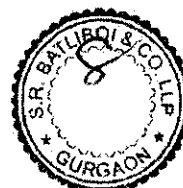


Limited Review Report**Review Report to
The Board of Directors
Panacea Biotec Limited**

1. We have reviewed the accompanying statement of unaudited financial results of Panacea Biotec Limited ('the Company') for the quarter ended December 31, 2013 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. Without qualifying our conclusion, we draw attention to:
 - a) (i) Note 6 of accompanying unaudited financial results regarding the managerial remuneration of Rs.372 lacs for the financial year ending March 31, 2013, which is in excess of the limits specified by the relevant provisions of the Companies Act, 1956, by Rs.132 lacs. The Company has filed an application to obtain approval from Central Government in respect to excess remuneration paid. Pending outcome of the application filed with respect to the balance excess remuneration, no adjustments have been made to the accompanying statement of unaudited financial results.

(ii) Note 7(i) of accompanying unaudited financial results regarding the managerial remuneration of Rs. 92.4 lacs for the quarter ended December 31, 2013, which is likely to exceed the limits specified by the relevant provisions of the Companies Act, 1956, on account of losses incurred during the current period. As represented to us by the management, the Company has filed an application to obtain approval from Central Government in respect to excess remuneration paid, if the remuneration amount will exceed the limits specified by the relevant provisions of the Companies Act, 1956 based on the actual losses/profits for the year ending March 31, 2014. Pending outcome of the same, no adjustments have been made to the accompanying statement of unaudited financial results.
 - c) Note 7(ii) of accompanying unaudited financial results. The Company has been continuously incurring losses over the past few years which were mainly due to the delisting of Company's DTP based combination Vaccine by WHO from its list of pre-qualified vaccines. Though these products have now been relisted, however the continuous losses have resulted in erosion of more than fifty percent of its peak net worth calculated as per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). As a result, the Company falls under the category of 'Potentially Sick Industrial Company' in



S.R. BATLIBOI & Co. LLP

Chartered Accountants

terms of Section 23 of the SICA. Further, these losses have adversely affected the cash flows of the Company and the Company has submitted a proposal for the corporate debt restructuring to its lender banks which is currently under consideration. These matters indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to generate sustainable cash flow through profitable operations, discharge its short-term and long term liabilities and continue as a going concern. The mitigating factors have been more fully discussed in the note 7(ii) to the accompanying unaudited financial results such as prequalification by WHO of company's pentavalent vaccine (Easy five TT), certain foreign collaborations for supply of vaccines and pharma products, proposal to lenders for corporate debt restructuring etc., in view of which the accompanying unaudited financial results have been prepared under the going concern assumption, and consequently, no adjustments have been made to the carrying values or classification of balance sheet accounts.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

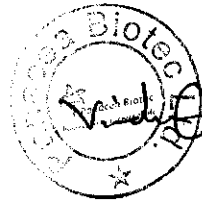
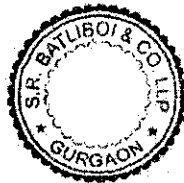
For S. R. Batliboi & Co. LLP

ICAI Firm registration number: 301003E

Chartered Accountants


per Rajiv Goyal
Partner

Membership No.: 94549



Place: Delhi

Date: February 13, 2014

Panacea Biotec

Innovation in support of life

Statement of unaudited financial results for the Quarter and Nine months ended as on December 31st, 2013

(Rs. In Lacs)

Particulars	For quarter ended			Nine month period Ended		For year ended
	31.12.2013	30.09.2013	31.12.2012	31.12.2013	31.12.2012	31.3.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
PART - I						
1. Income from operations						
a. Net sales / income from operations (net of excise duty)	10,580	10,073	16,628	31,099	34,605	53,042
b. Other operating income	582	936	1,782	2,835	5,951	6,550
Total income from operations (net)	11,162	11,009	18,410	33,934	40,556	59,592
2. Expenditure						
a. Cost of materials consumed	4,270	7,212	8,767	17,872	19,002	23,637
b. Purchase of stock in trade	514	594	357	1,797	1,772	2,326
c. (Increase)/Decrease in inventories	1,931	(8,328)	(623)	(7,536)	(5,062)	29
d. Employees benefits expense	3,744	3,593	3,418	11,009	10,252	13,723
e. Depreciation and amortisation expense	1,591	1,850	2,158	5,337	6,252	8,354
g. Other expenses	4,626	6,053	8,120	15,839	20,033	27,138
Total expenses	16,676	12,974	22,197	44,318	52,249	75,207
3. (Loss)/Profit from operations before other income, finance cost & exceptional items (1-2)	(5,514)	(1,965)	(3,787)	(10,384)	(11,693)	(15,615)
4. Other income- Refer note 4	17,772	20	257	17,817	271	543
5. (Loss)/Profit from ordinary activities before finance cost & exceptional items (3+4)	12,258	(1,945)	(3,530)	7,433	(11,424)	(15,072)
6. Finance cost	3,979	3,682	2,698	10,873	7,004	10,574
7. (Loss)/Profit from ordinary activities after finance cost before exceptional items (5-6)	8,279	(5,627)	(6,228)	(3,440)	(18,428)	(25,646)
8. Exceptional income/(exp) - Refer note 8(i) & 8(ii)	-	-	-	-	1,640	583
9. Profit / (loss) from ordinary activities before tax (7+8)	8,279	(5,627)	(6,228)	(3,440)	(16,788)	(25,063)
10. Tax expenses	-	-	-	-	(2,050)	(2,050)
11. Net profit / (loss) from ordinary activities after tax (9-10)	8,279	(5,627)	(6,228)	(3,440)	(14,738)	(23,013)
12. Extraordinary items (net of tax expenses)	-	-	-	-	-	-
13. Net profit / (loss) for the period (11-12)	8,279	(5,627)	(6,228)	(3,440)	(14,738)	(23,013)
14. Paid up equity share capital (face value of Rs. 1 per share)	613	613	613	613	613	613
15. Reserves excluding revaluation reserves	-	-	-	-	-	18,282
16. Earning per share (EPS) - Basic (in Rs.)	13.51	(9.18)	(10.17)	(5.62)	(24.06)	(37.57)
16. Earning per share (EPS) - Diluted (in Rs.)	13.51	(9.18)	(10.17)	(5.62)	(24.06)	(37.57)
PART - II						
A. Particulars of shareholding						
Public shareholding						
- No. of shares	15,427,192	15,427,192	15,427,192	15,427,192	15,427,192	15,427,192
- Percentage of shareholding	25.19	25.19	25.19	25.19	25.19	25.19
Promoters and promoter group Shareholding						
a) Pledge / encumbered	-	-	-	-	-	-
- No. of shares	-	-	-	-	-	-
- % of Shares (as a % of the total shareholding of promoter & promoter group)	-	-	-	-	-	-
- % of Shares (as a % of the total share capital of the Company)	-	-	-	-	-	-
b) Non-encumbered	-	-	-	-	-	-
- Number of shares	45,823,554	45,823,554	45,823,754	45,823,554	45,823,754	45,823,554
- % of Shares (as a % of the total shareholding of promoter & promoter group)	100	100	100	100	100	100
- % of Shares (as a % of the total share capital of the Company)	74.81	74.81	74.81	74.81	74.81	74.81

Investor complaints		
Pending at the beginning of the quarter	-	-
Received during the quarter	3	-
Disposed of during the quarter	3	-
Remaining unresolved at the end of the quarter	-	-

Unaudited Segment-wise Revenue, Results, and Capital Employed for the quarter and nine months ended on 31.12.2013

Particulars	For quarter ended			Nine month period Ended		For year ended
	31.12.2013	30.09.2013	31.12.2012	31.12.2013	31.12.2012	31.3.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Segment revenue						
(a) Vaccines	2,921	573	7,069	6,298	8,726	17,682
(b) Formulations	8,070	9,874	9,718	26,092	28,731	38,546
(c) Research & development	171	575	1,466	1,544	2,717	2,717
(d) Unallocated	-	(3)	137	-	382	647
Gross sales/Income from operation	11,162	11,009	18,410	33,934	40,556	59,592
Less: Inter segment revenue	-	-	-	-	-	-
Net sales/Income from operations	11,162	11,009	18,410	33,934	40,556	59,592
2. Segment results						
Profit (+) / loss (-) before tax and interest from each segment						
(a) Vaccines	5,733	(502)	(2,662)	3,820	(7,852)	(9,456)
(b) Formulations	5,995	2,253	3,379	9,667	8,156	8,375
(c) Research & development	1,466	(2,038)	(2,151)	(2,002)	(5,044)	(7,712)
Total	13,224	(287)	(1,434)	11,485	(4,740)	(8,793)
Less: i) Finance cost	3,979	3,682	2,698	10,873	7,004	10,574
ii) Other un-allocated expenditure net off un-allocated income	966	1,658	2,076	4,052	5,044	5,696
Total profit before tax	8,279	(5,627)	(6,228)	(3,440)	(16,788)	(25,063)
3. Capital Employed						
(Segment assets - segment liabilities)						
(a) Vaccines	58,171	59,196	63,832	58,171	63,832	55,595
(b) Formulations	24,023	25,096	30,576	24,023	30,576	26,251
(c) Research & development	17,199	17,845	19,863	17,199	19,863	19,548
(d) Unallocated	(46,981)	(60,011)	(48,616)	(46,981)	(48,616)	(45,268)
Total capital employed	52,412	42,126	65,655	52,412	65,655	56,126



Notes:

- 1 The above financial results were reviewed by the Audit Committee of the Board and approved by the Board of Directors at their meetings held on February 12, 2014 and February 13, 2014, respectively.
 - 2 Tax expense includes income tax and deferred tax.
 - 3 During the quarter, the Company has given Rs. 466 lacs as advance share application money to its Indian subsidiary, namely NewRise Healthcare Pvt. Ltd.
 - 4 Upto the period ended September 30, 2013, the Company had been accounting for depreciation on fixed assets based on written down value method. During the quarter, the Company has revised its accounting policy of providing for depreciation from written down value method to the straight-line method as the management believes that the straight line method of depreciation accounting would result in more appropriate presentation of financial information. The Company has also carried out a technical evaluation to assess the revised useful life of fixed assets. The change in the above accounting policy has resulted in a surplus of Rs.19,483 lacs relating to the depreciation already charged upto the period ended September 30, 2013. Out of the total surplus of Rs.19,483 lacs, surplus of Rs.17,709 lacs has been credited to the statement of profit and loss and of Rs.1,774 lacs which are related to the revalued amount of fixed assets has been credited to the revaluation reserve. Consequently, the net profit for the current quarter and nine months period is higher by Rs.17,709 lacs. Based on the straight line method of depreciation accounting, the depreciation and amortisation expense of Rs.1,591 lacs has been charged to the statement of profit and loss and Rs.91 lacs has been recouped from the revaluation reserve during the quarter. Had the Company followed the written down value basis of depreciation accounting, the depreciation and amortisation expense for the current quarter would have been higher by Rs.156 lacs and recoupment to revaluation reserve would have been higher by Rs.152 lacs. Also, the previous quarters and year to date figures of the 'Depreciation and amortisation expense' are not comparable with the current quarter figure on account of change in method of depreciation accounting.
 - 5 As regards Auditors' observations in their report on the audited accounts for the Financial Year 2012-13:
During the quarter ended September 30, 2011, World Health Organization (WHO) had delisted Company's DTP-based combination vaccines from its list of pre-qualified vaccines. The company made substantive efforts since September 2011 and has revamped the whole Quality Management System at its Lalru and Baddi sites enabling it to get pre-qualified by WHO once again. During the month of February/March, 2013, Auditors from WHO and UNICEF visited the Company's vaccine facilities at Lalru (Punjab) and Baddi (H.P.) with the objective of re-evaluation of the acceptability in principle of Pentavalent Vaccine (DTP-Hep B-Hib) produced by Panacea Biotech for purchase by United Nations Agencies. World Health Organization (WHO) has completed the evaluation process of pre-qualification (PQ) of Pentavalent Vaccine (Easyfive-TT) and has pre-qualified company's vaccine product in the current quarter. The company has also received a UNICEF Award for supply of DTP-HepB-Hib (Pentavalent) Vaccine (Easyfive-TT) to UNICEF during the period 2014-2016.
 - 6 As regards Auditors' observations in their report on the audited accounts for the Financial Year 2012-13 and in their limited review report on the above results:
Due to the absence of profits during the financial year 2012-13, the total remuneration of the Managing/Joint Managing and Whole Time Director had exceeded the ceiling prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956. Accordingly, applications for protection/approval of the Central Government in respect of excess remuneration for financial years 2012-13 have been filed and requisite approvals are awaited.
 - 7 As regards Auditors' observations in their report on the audited accounts for the Financial Year 2012-13 and in their limited review report on the above results:
Due to the absence of profits for the current financial year, the managerial remuneration of Rs 92.4 lacs paid during the period, may exceed the limits specified under relevant provisions of the Companies Act, 1956. The Company has already filed the requisite applications for obtaining approval from Central Government for payment of remuneration. Approvals from Central Government are awaited.
 - 8 The Company's accumulated losses have resulted in erosion of more than fifty percent of its peak net worth calculated as per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The fact of such erosion and measures initiated to improve financial condition has been reported to the Board for Industrial and Financial Restructuring ("BIFR") on 22nd November, 2013. Further, the measures already taken by the company which mitigate risk of going concern include the following:
 - 1) Supply to UNICEF/other customers of pentavalent vaccine (as explained in note no. 5 above),
 - 2) Certain strategic alliances with foreign collaborators for supply of vaccines and pharma products, etc,
 - 3) Corporate Debt Restructuring (CDR) proposal which has already been admitted by CDR cell for further processing
 - 4) Launching its first product Tacrolimus in USA in Dec 2012 and filing of four more ANDAs in USFDA.Management is confident that with the above measures and continuous efforts to improve the business, it would be able to generate sustainable cash flow and recover & recoup the erosion in its net worth through profitable operations, discharge its short-term and long term liabilities and continue as a going concern.
 - 9 i) In terms of the Accounting Standard - 16 "Borrowing Costs", the foreign exchange differences arising from foreign currency borrowings to the extent regarded as an adjustment to interest cost were treated as borrowing cost. In pursuance of the clarification issued by Ministry of Corporate Affairs vide its circular no. 25/2012 dated August 9, 2012, the Company accounted for the aforesaid foreign exchange differences arising from foreign currency borrowings as per AS-11 - "The Effects of Changes in Foreign Exchange Rates" in the current year. Consequent to the above, exchange differences of Rs. 1,731 lacs which was earlier recognized as borrowing cost pertaining to the financial year 2011-12 were reversed and shown as an exceptional income in the financial year 2012-13. Out of the aforesaid amount of exchange differences of Rs.1,731 lacs, Rs.1,352 lacs were capitalized to the cost of fixed assets and Rs.379 lacs were accumulated in the "foreign currency monetary item translation difference account".
ii) As at March 31, 2013, an amount of Rs.6,947 lacs (previous year Rs.6,543 lacs) including interest of Nil (previous year Rs.362 Lac) is receivable from Reos Investments Ltd. Pursuant to the diminution in the value of investment and losses in its subsidiaries, an amount of Rs.1,148 Lac (Previous year Rs.4,214 lacs) has been provided for as 'Provision for bad and doubtful advances' which has been shown as an exceptional expense.
- 9 CARE has revised the credit rating pertaining to Long term bank facilities from 'CARE B' (Single B) to 'CARE D' (Single D) (default or expected to be in default) and from 'CARE A4' (A four) to 'CARE D' (Single D) (default or expected to be in default) in regard to Short term bank facilities.
 - 10 The necessary certificate in respect of above results in terms of requirement of clause 41 of the listing agreement, has been placed before the Board of Directors.
 - 11 Previous period / year figures have been regrouped/ reclassified to make them comparable with those of current quarter.
 - 12 The above results are also available on the Company's website viz. <http://www.panaceabiotech.com>.

For and on behalf of the Board

New Delhi
February 13, 2014

Dr. Rajesh Jain
Joint Managing Director

Panacea Biotech Limited
Regd. Office : Ambala-Chandigarh Highway, Lalru- 140501, Punjab
<http://www.panaceabiotech.com>

