

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is to attain highest level of transparency, accountability and integrity. This objective extends not merely to meet with statutory requirements but also to go beyond them by putting into place procedures and systems which are in accordance with best practices for governance. Corporate Governance at Sharon means being responsive to aspirations of all the stakeholders, customers, suppliers, lenders, employees, the shareholders and the expectations of the society. The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on its trusteeship role to align and direct the actions of the organization to achieve its avowed objectives of transparency, accountability and integrity. Given below is report on Corporate Governance at Sharon.

BOARD OF DIRECTORS

The Board of Directors of the Company is comprised of

Independent Non executive directors	5
Non Executive Directors (Promoter Group)	1
Executive Director (Promoter group)	2
Total Directors	8

The size and composition of the Board of Directors confirms the requirements in the Stock Exchanges Listing Agreement. During the year Board has met 10 times on 29 July 2005, 25 October 2005, 29 November 2005, 17 January 2006, 25 January 2006, 16 March 2006, 29 March 2006, 14 April 2006, 28 April 2006, 9 June 2006.

Composition of the board and attendance record for 10 meetings held during the year.

Name of the Director	Category of Directorship attended	No.of Board meetings	Attendance of last AGM	No. of other directorship	Membership/ Chairmanship in other committee
Miss. Savita Gowda	Managing Director	10	Yes	1	No
Mr. Lalit Misra	Whole time Director	10	Yes	1	1
Mr. Mohan P. Kala	Non Executive	10	Yes	1	1
Dr. V.N. Badoni	Non Executive Independent	7	No	Nil	No
Mr. T. Raghunandan (up to 29.03.2006)	Non Executive Independent	6	No	1	No
Mr. Anand Paul Eddy	Non Executive Independent	4	Yes	Nil	2
Mr. Sohel I. Sheikh	Non Executive Independent	4	Yes	Nil	2
Mr. Vijay Kirpalani (w.e.f. 17.01.2006)	Non Executive Independent	6	No	1	No
Dr. Nivvedita Patil Kartik (w.e.f. 09.06.2006)	Non Executive Independent	1	No	Nil	No

Mr. Anand Paul Eddy and Mr. Sohel Sheikh retire by rotation and eligible for reappointment offers themselves for reappointment. During the year Mr. Vijay Kirpalani and Dr. Nivvedita Patil Kartik were appointed the directors of the Company. They hold office upto the date of the ensuing Annual General Meeting. The Company has received notice from some members proposing their names as the directors of the company. The resolution for their appointment is therefore placed before the members for approval. This profile/resume of the Director seeking appointment/re-appointment is furnished in notice conveying 17th Annual General Meeting.

Audit Committee :**Terms of reference:**

The Audit Committee is to oversee the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of their fees, to review and discuss with the Auditors about internal control systems, the scope of Audit including the observations of the Auditors, adequacy of the internal audit system, major accounting policies, practices and entries, compliances with accounting standards and Listing Agreement entered into with the Stock Exchanges and other legal requirements concerning financial statements and related party transactions, if any, to review the Company's Financial and Risk Management Policies and discuss with the Internal Auditors any significant findings for follow-up thereon, to review the Quarterly, Half yearly and Annual Financial Statements before they are submitted to the Board of Directors.



Sharon

The Committee also meets the operating management personnel and reviews the operations, new initiatives and performance of the business units. Minutes of the Audit Committee Meetings are circulated to the Members of the Board, discussed and taken note of.

Composition:

In terms of Section 292A of the Companies Act, 1956, the Company has set up an Audit Committee The Audit Committee consists of following directors;

Sr. No.	Dates on which Audit Committee meeting were held	Attendance records of the members		
		Mr. Anand Paul Eddy	Mr. Mohan P. Kala	Mr. Sohel Sheikh
1.	28.07.2005	Attended	Attended	Attended
2.	24.10.2005	Attended	Attended	Attended
3.	24.01.2006	Attended	Attended	Attended
4.	13.04.2006	Attended	Attended	Attended

REMUNERATION COMMITTEE :

The remuneration of the Managing Director and Whole Time Directors is approved by the Board of Directors and the Shareholders. Hence no separate Remuneration Committee has been constituted. The Managing Director and Whole Time Directors are paid by way of salary, perquisites based on his/her contract. Pursuant to the authority granted by the Shareholders, the annual increment for the Managing Director and Whole Time Directors is approved by the Board annually.

Details of Remuneration paid to Executive Directors of the Company are as follows:

(Rs. in Lacs)

Particulars	Mrs. Savita Gowda-Managing Director	Mr. Lalit Misra- Whole Time Director
Salary	3.00	3.00
Perquisite in Cash or Kind	0.75	0.75
Total	3.75	3.75

SHAREHOLDERS GRIEVANCE COMMITTEE:

The Board has constituted the shareholders/investors grievance committee consisting Mr. Sohel I. Sheikh, non-executive director who was appointed as the chairman of the committee, along with Mr. Anand Paul Eddy and Mr. Lalit Misra. The committee meets at frequent intervals to consider, interalia, share transfer/ transmission, shareholders complaints etc. The total number of complaints & request received during the year was 124. The number of complaints not solved to the satisfaction of shareholder Nil. The number of pending share transfers Nil.

COMPLIANCE OFFICER:

Mr. Ram Gaud, Company Secretary

GENERAL BODY MEETINGS:

The last three Annual General Meetings of the Company were held as under:

Year	Location	Date	Time
2002-2003	W-34 & W-34/1, M.I.D.C Taloja, Raigad, Maharashtra-410208.	30.12.2003	10.00 a.m.
2003-2004	W-34 & W-34/1, M.I.D.C Taloja, Raigad, Maharashtra-410208.	30.12.2004	10.00 a.m.
2004-2005	W-34 & W-34/1, M.I.D.C Taloja, Raigad, Maharashtra-410208.	28.12.2005	10.00 a.m.

In the last three years, the Company has passed Special Resolution in the Annual General meeting held on 28.12.2005. The details for the same are as follows.

- Delisting of Equity shares from Hyderabad Stock Exchange
- Remuneration to be payable to relatives of Directors under section 314

- Approval of Donation to funds or welfare of employee under section 293 (1) (e)
- Approvals for giving loans, guarantees to other Bodies Corporates under section 372

Further during the year the company has also passed special resolution through Postal Ballot on 18/05/2006 which falls under the companies (passing of resolution by Postal Ballot) rules 2001. Mr. Prasen Naithani, a practicing Company Secretary who has been appointed as a Scrutinizer & Ms. Savita Gowda, Managing Director were responsible for conducting the same. The following Special resolution was passed through Postal Ballot.

- Raising of Finance for expansion plan of the Company through ADRs/GDRs/FCCBs or Equity shares
- Increase in Authorized capital of the Company
- Addition in Object clause of the Company
- Amendment in Articles of Association to meet Listing requirement Norms.

The Procedure involved in Postal Ballot was as follows.

After receiving the approval of the Board of Directors, Notice of the Postal ballot, text of the Resolution and Explanatory Statement, relevant documents, Postal Ballot Form and self addressed postage pre-paid envelopes are sent to the shareholders to enable them to consider and vote for or against the proposal within a period of 30 days from the date of dispatch. The calendar of events containing the activity chart is filed with the registrar of Companies within 7 days of the passing of the Resolution by the Board of Directors. After the last date of receipt of ballots, the Scrutinizer, after due verification, submits the results to chairman. Thereafter, the chairman declares the result of the Postal ballot. The same is published in the Newspaper, Websites, Notice Board.

Further, no resolution is proposed to be conducted through postal ballot at the ensuing Annual General meeting

Other Disclosures:

The Company has complied with the requirements of Stock Exchanges or SEBI or any Statutory Authority related to Capital Markets during the last three years.

There were no materially significant related party transactions with its Promoters, Directors, the management or relatives that have a potential conflict with the interest of the Company at large.

There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise.

The Managing Director have certified to the Board, Compliance in respect of all matters specified in sub clause V of the clause 49 of the listing Agreement regarding CEO/CFO certification.

Means of Communication:

The company has published quarterly results in,

1. Free Press Journal (English)
2. Navshakti (Marathi)
3. The Economic Times (English)
4. Navbharat Times (Hindi)

The results were also displayed on the Company's website: www.sharonbio.com

The Management discussion and analysis forms part of Annual Report.

Code of Conduct:

The Company's code of Conduct, as adopted by the Board of Directors, is applicable to all the Directors, Senior Management and Employees of the Company.

The Chairman confirms and affirms compliance with the Company's code of Conduct for the Accounting Year Ended June 30,2006.

The Code is Derived from three essential and basic principles, which form the ingredient of a growing company viz. Good Corporate Governance, Good Corporate Citizenship and Good Ethics.

SEBI prevention of Insider Trading

With SEBI imposing the responsibility of "Prohibition of Insider Trading" on the Organization, the Board has designed a Code of Conduct strictly in accordance with the Model Code of Conduct prescribed by SEBI. The Code, besides other relevant matters, prohibits as insider from dealing in the shares of the company, while in possession of the unpublished price sensitive information in relation to the Company.



Sharon

Further, the Trading windows for dealing in shares of the company is periodically closed for the Directors and Employees of the company as per the Insider Trading code in force in the company.

General Shareholders Information:

Annual General Meeting

Date : 16.10.2006.
Time : 9.30 A. M.
Venue : W-34,W/34-1 MIDC, Taloja,Raigad,
Maharashtra-410208.

FINANCIAL CALENDER

Accounting year	July 1,2005 to June 30,2006
1st Quarter Results (July -September, 2005)	By Last Week of October 2005
2nd Quarter Results (October -December, 2005)	By Last Week of January 2006
3rd Quarter Results (January -March, 2006)	By Last Week of April 2006
4th Quarter Results (April -June, 2006)	By Last Week of July 2006
OR	
Audited results for the Year Ended June 30,2006	By September 30,2006
Annual General Meeting for the Accounting year 2005-2006	By October/November 2006
Book Closure	10th October 2006 to 16th October 2006 (Both days inclusive)
Dividend payment Date	On or after 18th October 2006

LISTING ON STOCK EXCHANGES :

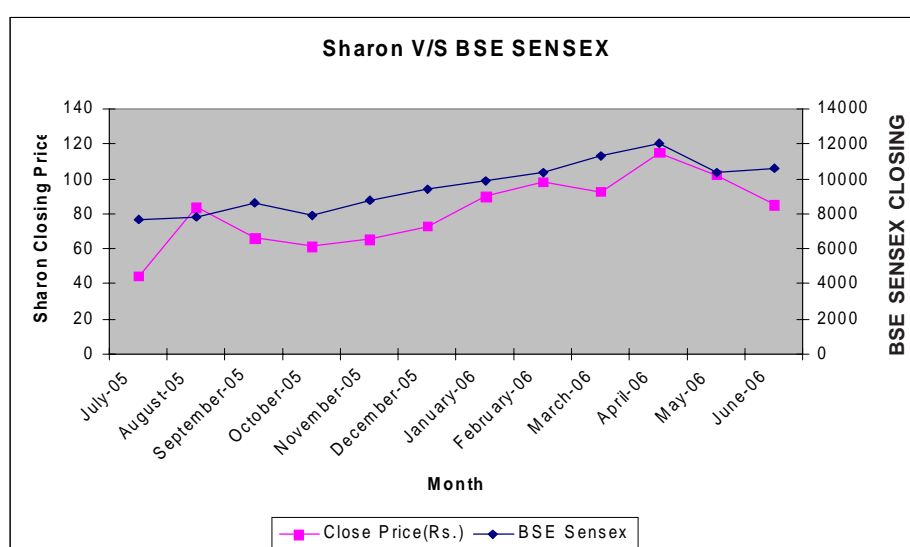
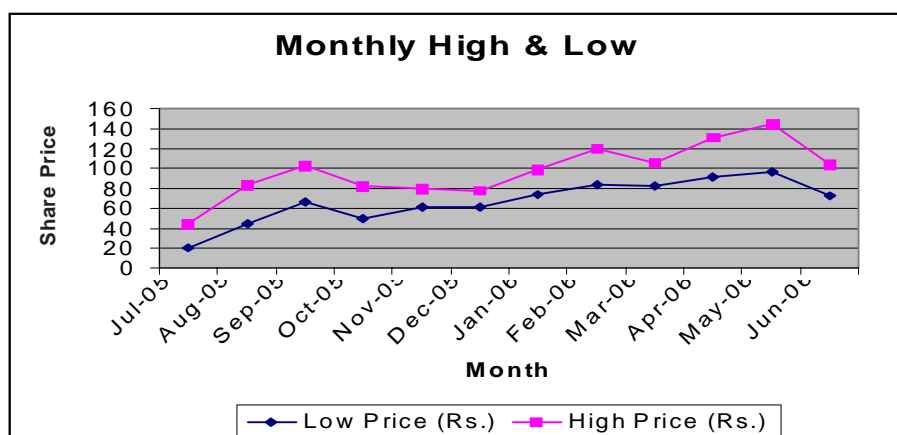
- 1) The Pune Stock Exchange Ltd.
Code No.: SHAPH160274
- 2) The Hyderabad Stock Exchange Ltd.
Code No. : SOH
- 3) The Bombay Stock Exchange Ltd.
Code No. : 590034(INDO-Next category)

Annual Listing Fees for the year 2006-2007 has been paid to the Stock Exchanges.

Stock Price Data

The High and Low Prices of the Companies Shares at the Bombay Stock Exchanges and Performance in relation thereof:

Month	Low Price (Rs.)	High Price (Rs.)	Close Price(Rs.)	BSE Sensex
July, 2005	19.80	44.10	44.10	7635.42
August, 2005	45.00	83.50	83.50	7805.43
September, 2005	66.60	102.40	66.60	8634.48
October, 2005	50.00	82.40	62.05	7892.32
November, 2005	61.35	79.95	65.95	8788.81
December, 2005	61.25	77.75	73.10	9397.93
January, 2006	74.00	99.00	90.20	9919.89
February, 2006	84.15	118.95	98.45	10370.42
March, 2006	82.25	106.00	92.45	11279.96
April, 2006	91.20	130.90	114.95	12042.56
May, 2006	95.90	145.10	101.85	10398.61
June, 2006	73.00	104.45	85.60	10609.25



Registrar and Share Transfer Agent Intime Spectrum Registry (P) Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078.

Share Transfer System

1. The Registrar & Share Transfer Agent, after processing valid Share Transfer Forms, forwards the Transfer Register for approval of the Share Transfer Committee;
2. The said committee meets fortnightly and approves the Share Transfers;
3. The Share Transfer Register duly signed by Committee Members is forwarded to the Registrar;
4. The Registrar immediately thereafter dispatches the Share Certificates duly endorsed to the Transferee.
5. The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities conducts as required under clause 47(c) of the Listing Agreement with Stock Exchange and files a copy of the certificate with the Stock Exchange



Sharon

Distribution of shareholding as on 30th June 2006:

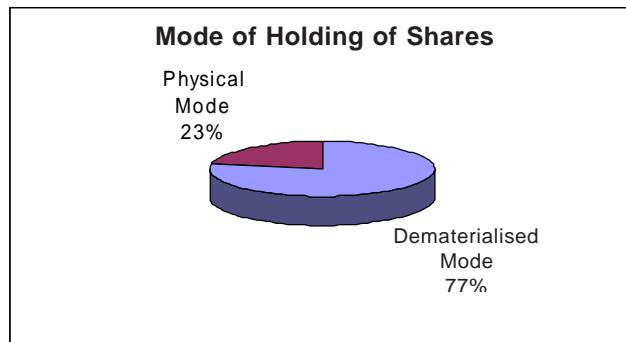
Equity Share Holding of F.V. of Rs. 10/-	No of Shareholders	Nos. of Shares Held	Shareholding(%)
1 - 5000	3140	572570	5.7070
5001 - 10000	237	192753	1.9210
10001- 20000	105	164995	1.6450
20001- 30000	46	117351	1.1700
30001 - 40000	28	100965	1.0060
40001 - 50000	31	148107	1.4760
50001- 100000	40	316099	3.1510
100001 And Above	39	8419060	83.9230
Total	3666	10031900	100.0000

Dematerialization of Shares and Liquidity

Trading in equity shares of the Company is permitted only in dematerialized form with effect from 29th January, 2001 as per notification issued by Security Exchange Board of India (SEBI). As on 30th June 2006 out of total Equity Capital 7768467 Shares are held in dematerialized form with NSDL and CDSL.

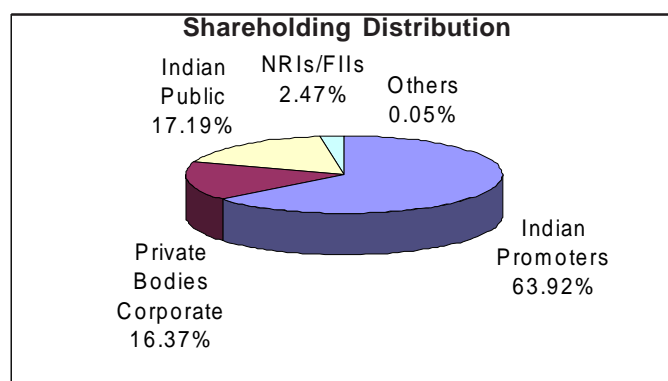
Transfer cum Demat facility is available to all shareholders of the Company who request for such facility.

Over 77.48 % of shares have been dematerialized upto 30th June 2006.



Liquidity

The shares of your company are actively traded at the Stock Exchange, Mumbai and thus considered as Liquid Securities.

Shareholding Pattern as on 30.06.2006**Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and Likely impact on Equity**

Not Applicable

The company has adopted the following non-mandatory requirement on corporate Governance recommended under clause 49 of the Listing Agreement :

- i) A Director's office with requisite facilities is being maintained by the Company for use by the Company.
- ii) As the financial performance of the Company is well published, individual communication of half yearly results is not sent to the Shareholders.
- iii) The company has not established the Whistle Blower Policy

Registered office & Plant Location

- W-34, W-34/ 1, MIDC, Taloja, Raigad, Maharashtra 410 208.
- Khasara No. 1027, 1028, 1030 & 1037, Central Hope Town, Sillaqui, Dist. Dehradun, Uttaranchal 24 81 97

Address for correspondence

Shareholder correspondence should be addressed to the company's Registrar and Share Transfer Agent:

Intime Spectrum Registry (P) Ltd.

C-13, Pannalal Silk Mills Compound,

L.B.S Marg, Bhandup (W), Mumbai-400 078.

Tel: 91 22 25963838, Fax No. 91 22 25946969.

Investor may also write to the company directly

DECLARATION

All the Directors and Senior Management personnel have affirmed compliance with the code of conduct as approved and adopted by board of directors

By order of the Board of Directors
For Sharon Bio-Medicine Limited

Savita Gowda
Managing Director

Place : Mumbai

Date : 07.09.2006



Sharon

**CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE
OF CONDITIONS OF CORPORATE GOVERNANCE**

To,

The Members of Sharon Bio-Medicine Ltd

We have reviewed the records concerning the company's compliance of condition of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the company, with the Stock Exchanges of India, for the year ended 30th June, 2006.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an Audit nor an Expression of opinion on the financial statement of the Company.

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that based on the records maintained by the Company and confirmation received from its Registrar & Share Transfer Agents, no Investor Grievances are pending for a period exceeding one month against the Company as at 30th June, 2006.

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

For K.K.GANGWAL & ASSOCIATES
Chartered Accountants

Place: Mumbai
Date : 07.09.2006

Kamal Gangwal
(Proprietor)

MANAGEMENT DISCUSSION AND ANALYSIS:

A report under management discussion and analysis for the financial year under review is annexed and form part of the report.

I MISSION AND BUSINESS STRATEGY:**OUR VISION**

- We aim at earning the reputation of being a reliable manufacturer and a force to reckon with in the area of production of Chemical Intermediates, Bulk Actives and Pharmaceutical Formulations.
- We aim at being considered a benchmark when it comes to production efficiency & excellence across the globe.
- We see ourselves in the future as contributing to the success of our customers

OUR MISSION

While aligning all short and long-term strategies with our 'Vision' we shall,

- Put our best foot forward in our R & D efforts to develop important generic alternatives for new drugs.
- Create an operations environment that balances key objectives, quality and costs with a resultant outcome that gives us the competitive advantage.
- Delivering superior customer service and shareholder value.
- "Dedicate ourselves to the pursuit of providing a respectful and rewarding work environment for our employees

Building an integrated company

In the domestic pharmaceutical environment where numerous Indian manufacturers and multinationals vie to capture market share, where product and quality differentiation is negligible, where overcapacity and industry fragmentation translates into declining realisations, where changing GMP and pharmacopoeia requirements increase production costs, where superior alternatives limit opportunities for synthetic drugs and intermediates, where delay in FDA approvals slows the introduction of drugs to high-margin markets and where curtailing costs aggressively is imperative to maintain profitability, survival, sustainability and success of a pharmaceutical company depends to a large extent on its ability to expedite pace of product innovation, streamline processes, inculcate a culture of operational excellence and straddle the entire value chain to meet diverse customer needs on one hand and enhance profitability on another.

Responding to this industry scenario, Sharon Bio-Medicine, a manufacturer of API's and key intermediates, has since inception differentiated itself by offering a distinct value proposition to customers such as:

- It has prudently extended its presence across the entire product value chain: manufacturing APIs right after producing the basic raw materials, through the intermediates stage upto the API stage, enabling it to meet the varied needs of its customers and at the same time improve its profitability.
- Streamlines the customers' supply chain by backward integrating its production line for key basic intermediates, enabling it to evolve a one-time transaction into long-term relationships, and moving forward offer a larger product and service basket to them, a climb up the value chain.
- Offers customers a non-compete, trusting platform, imbining high levels of confidence for exclusive product manufacturing, product secrecy and also exclusive marketing rights.
- Enhances customer's profitability by deriving a low cost model through the attainment of cost efficiencies driven by continuous review of its own manufacturing assets, to make sure that they are being used most efficiently while preserving the flexibility to respond to fluctuations in demand.
- Ensures customers continuity of supply, consistency of quality, competitiveness in price and curtailment in response time for customers.

And lastly, continuously expands its product pipeline across diverse fast growing therapeutic segments to meet the growing needs of its customers.



Sharon

Having achieved this and moving forward, Sharon is committed to leverage the lucrative opportunities coming up by forward integrating into contract formulation research and manufacturing, entering high-margin, highly-sensitive oncology therapeutic segment, investing in new state-of-the-art API facilities targeting the regulated markets, expanding product pipelines by addressing the growing anti-depressant and anti-retroviral therapeutic segments, filing DMFs for its key products, strengthening R&D capabilities, vigorously improving productivity in pursuit of operational excellence in all its activities and rank amongst the most efficient and effective companies in this sector, all of which will help Sharon Bio-Medicine build a fully integrated company, emerge as a suitable partner for long-term relationships and cumulatively strengthen its potential to deliver substantial upside for all its stakeholders.

II MATERIAL DEVELOPMENTS IN HUMAN RESOURCES.

Human Resources :

The company continues to lay great emphasis on human resources development to make its employees attain high standards in efficiency and productivity. A number of focused initiatives have been undertaken by the company constantly upgrading employees knowledge and skills to ensure significant performance and reward them suitably. Every Executive Officer of the Company shall be a profit center is being enforced and implemented.

III INDUSTRY OUTLOOK:

PHARMACEUTICAL INDUSTRY

Global Scenario

Global pharmaceutical sales grew 7% at a constant US dollar in 2004, to reach a record \$550 billion. This compared to 9% growth in 2003, when the world-wide drug market reached \$491.8 billion. Sales in 2004 also passed the \$500 billion threshold, to reach \$518 billion, up from \$466.3 billion in 2003.

It has been noticed that when North America is showing a growth of 7.8%, European Unions is showing a growth of 5%, whereas Rest of Europe shows 12.4%. The best part is that Asia is showing a staggering increase of 13% growth which is remarkable and which is second to only Latin America showing 13.4%

The global market is showing a growth of 9%. Though North America accounts for almost 48% of the total global sales, a good 2 digit growth is shown by Asia, Africa and Australia along with Latin America. The world-wide pharmaceutical market is expected to grow by 6-9% between 2005 and 2009

Treatments for hypercholesterolaemia remained the top selling therapy class in 2004, with sales of \$30 billion, followed by anti-ulcerants. Overall, cardiovascular and central nervous system treatments continued to dominate, with antidepressants maintaining a high ranking in the face of lower growth (owing to generic competition). Antipsychotics and anti-epileptics both registered healthy increases in sales over the year. Thanks to their expansion into the treatment of heart failure and the continuing release of promising clinical trial data, the newest class of antihypertensives, the angiotensin II antagonists (for example Diovan, Atacand), saw their sales increase 22% in 2004.

It is very evident that cancer drugs will challenge these long-standing leaders. The antineoplastics and cytostatic hormone antagonists groups approximately registered 17% growth in 2004. An increasing number of newer, targeted cancer therapies are seeing impressive sales, such as Eloxatin, Glivec, Rituxan, and now Avastin - approved for colorectal cancer but also reporting a survival benefit in non-small cell lung cancer in March 2005.

The INDIAN CONTEXT

The Indian Pharmaceutical Industry is one of the largest among Developing Countries. It contributes 8% in volume terms but only 1% in value terms to global pharmaceuticals sales. Thus the Indian Pharmaceutical Industry ranks 4th in terms of volume but 13th in terms of value. India's small share in value terms is attributable to the relatively lower prices of drugs in the country. The volume of the domestic market for formulations was estimated at Rs. 195 billion in the year 2003.

The overall production by the domestic pharmaceutical industry in FY 2004 was at Rs. 357.5 billions of which Formulations accounted for 78% and Bulk drugs for 22%.

The share of the Indian companies has increased from 20% in 1970 to over 70% now.

Export Potential

Pharmaceutical products rank amongst India's top export items. The country's exports of pharmaceutical products increased at a CAGR of 22.9% during the period FY1994-2003. Various factors that facilitated exports from India include cost competitiveness, established quality, and certification of manufacturing facilities by the United States-Food and Drug Administration (USFDA) and United Kingdom Medicines and Healthcare products Regulatory Agency (UKMHRA).

Contract Manufacturing

The global pharmaceutical contract manufacturing market is expected to grow from \$13361.4 million in 2005 to \$25709.0 million in 2011 at a CAGR of 11.0 percent over the period 2004 to 2011. The year-on-year (YoY) growth in revenues is forecast to be marginally higher for each of the years from 2005 to 2011. Fig 2-3 and Chart 2.1 show the revenue forecasts for the world pharmaceutical contract manufacturing market from 2001 to 2011.

Total Pharmaceutical Contract Manufacturing Market: Revenue Forecasts (World), 2001-2011

Year	Revenues (\$ Million)	Revenue Growth Rate (%)
2001	9,392.8	--
2002	10,276.0	9.4
2003	11,271.6	9.7
2004	12,384.1	9.9
2005	13,661.4	10.3
2006	15,091.0	10.5
2007	16,723.2	10.8
2008	18,561.2	11.0
2009	20,657.3	11.3
2010	23,026.7	11.5
2011	25,709.0	11.6

Compound Annual Growth Rate (2004-2011): 11.0%

Note: All figures are rounded; the base year is 2004. Source: Frost & Sullivan

Total Pharmaceutical Contract Manufacturing Market: Revenue Forecasts by Product Type (World), 2001-2011

Year	Revenue Growth		Revenue Growth		Revenue Growth	
	Injectables (\$ Million)	Rate (%)	Solid Dosage Forms (\$ Million)	Rate (%)	Liquid Dosage Forms (\$ Million)	Rate (%)
2001	1248.6	--	4240.8	--	3903.5	--
2002	1430.4	14.6	4693.7	10.7	4151.9	6.4
2003	1639.5	14.6	5214.9	11.1	4417.2	6.4
2004	1880.3	14.7	5803.2	11.3	4700.6	6.4
2005	2177.8	15.8	6480.6	11.7	5002.9	6.4
2006	2524.2	15.9	7240.5	11.7	5326.2	6.5
2007	2941.9	16.5	8116.8	12.1	5664.5	6.4
2008	3431.6	16.6	9103.3	12.2	6026.2	6.4
2009	4009.5	16.8	10247.7	12.6	6400.0	6.2
2010	4687.4	16.9	11540.2	12.6	6799.1	6.2
2011	5483.1	17.0	13000.4	12.7	7225.6	6.3
CAGR		16.5%		12.2%		6.3%

Note: All figures are rounded; the base year is 2004. Source: Frost & Sullivan

Total Pharmaceutical Contract Manufacturing Market: Percent of Revenues by Region (World), 2001-2011

Year	North America	Europe	Asia
	(%)	(%)	(%)
2001	50.8	40.6	8.6
2002	50.7	40.1	9.1
2003	50.6	39.8	9.6
2004	50.5	39.4	10.1
2005	50.3	39.0	10.8
2006	50.0	38.6	11.4
2007	49.8	38.1	12.1
2008	49.5	37.7	12.8
2009	49.3	37.2	13.5
2010	49.1	36.7	14.2
2011	48.9	36.2	14.9

Note: All figures are rounded; the base year is 2004. Source: Frost & Sullivan



Higher Scope of Contract Manufacturing in Asia

Pharmaceutical Contract Manufacturing Market: Market Drivers Ranked in Order of Impact (Asia), 2005-2011

Rank	Driver	1-2 Years	3-4 Years	5-7 Years
1	Lower costs in Asian countries compared to western counterparts encourages outsourcing	High	High	Medium
2	Proven success in IT and manufacturing boosts image of Asian countries	High	High	Medium
3	Publicity surrounding Asian countries drives companies to outsource	High	Medium	Medium
4	Huge talent pool combined with continuous updating of technology propels outsourcing	High	Medium	Medium
5	Stricter IPRs enforcement ensures protection of products and technology	Low	Medium	High

Source: Frost & Sullivan

The outsourcing of finished dosage forms in Asia is primarily driven by generic drugs and the following reasons.

- Low cost of manufacturing
- Availability of a large qualified talent pool
- Huge excess capacity with local pharmaceutical companies
- IPRs enforcement
- Proven expertise in manufacturing of APIs and intermediates
- Globalization of world economics

The Asian pharmaceutical contract manufacturing market has witnessed tremendous growth over the period from 2000 to 2004. However, this growth was accompanied by increasing cost pressures and downside of the world economics. With the world economy back on the upturn, Asian countries, especially India and China continue to take away a significant share of outsourced work from developed nations. With growing resilience in these countries due to success of IT, manufacturing and automotive sectors are being replicated in the Asian pharmaceutical contract manufacturing market, and this market is likely to witness strong and sustained growth.

Conclusion

- The Asian pharmaceutical contract manufacturing markets are forecast to grow the fastest
- Manufacturers are increasingly moving toward providing end-to-end services for companies by acquisitions and mergers
- Cost and regulatory pressures are likely to force pharmaceutical companies to increasingly outsource manufacturing
- Niche technologies and products such as lyophilization and cytotoxics are likely to generate demand
- Biopharmaceuticals manufacturing is likely to be the next boom in outsourcing.

With India emerging as a potential base for contract manufacturing, Sharon is keen to capitalize on its expertise as a dependable pharmaceutical production source in the domestic as well as international market.

The future of contract manufacturing in India is quite bright in view of the liberalization and globalization of pharma business. The companies have realized the importance to concentrate on their core competencies and outsource services which do not fall in their focused area. This has resulted in outsourcing in a big way which is likely to boost the prospects of contract manufacturing even further. Contract manufacturing is the trend in business operations. Even global giants are shying away from in-house manufacture and prefer to outsource activities. Today's business game plan is to focus on core competencies because it is cost-effective and viable to enhance one's reliability in a competitive environment.

The prospects of contract manufacturing sector and the future seems to be bright particularly in the post-patent era. With the right mix of domestic and export contract manufacturing activities, there is absolutely no doubt for exciting and fruitful future ahead.