



MATRIX LABORATORIES LIMITED

Registered Office: 1-1-151/1, IV Floor, Sairam Towers, Alexander Road, Secunderabad - 500 003. India. Ph:+91-40-27700363

NOTICE

NOTICE is hereby given that the Twenty-First Annual General Meeting of the Members of Matrix Laboratories Limited will be held on Monday, the 25th day of September, 2006 at 10.00 a.m. at Hotel Kakatiya Sheraton & Towers, Hydermahal, Begumpet, Hyderabad-500016, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit & Loss account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. N. Prasad, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Fred. E. Cohen, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Michael Wooldridge, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Puneet Bhatia, who retires by rotation and, being eligible, offers himself for re-appointment.
7. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

8. Appointment of Dr. Sharad Mansukani as a Director
To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Dr. Sharad Mansukani, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
9. Appointment of Dr. Christina Lim Tong as a Director
To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Dr. Christina Lim Tong be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. Employee Stock Option Scheme 2006 (ESOP 2006)

To consider and if thought fit, to pass with or without modification/s, the following resolution as a Special Resolution: -

"RESOLVED that pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the ESOP Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Directors of the Company, whether whole time or otherwise, options exercisable into equity shares being not more than 2,000,000 equity shares of Rs.2/- each of the Company under a Scheme titled "Employee Stock Option Plan 2006" (hereinafter referred to as the "ESOP 2006"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Compensation Committee in accordance with the provisions of the law and guidelines issued by the relevant Authority, each option granted being exercisable for one Equity share of the Company."

"RESOLVED FURTHER that the Compensation Committee be and is hereby authorised to issue and allot Equity shares upon exercise of such options from time to time in accordance with the ESOP 2006 and such Equity shares shall rank pari-passu in all respects with the then existing Equity Shares of the Company."

"RESOLVED FURTHER that in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be

allotted and the price of acquisition of the shares by the aforesaid allottees under the ESOP 2006 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 2/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

"RESOLVED FURTHER that the Compensation Committee be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said ESOP 2006 as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and any other Regulations in force for the time being."

By order of the Board

Place : Secunderabad
Date : 27th July, 2006

N. Anjaneyulu
Company Secretary

NOTES:

1. A member eligible to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member. Proxies in order to be effective must be received not less than 48 hours before the meeting at the Share Transfer Agent's Office.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Members / Proxies should bring duly filled in Attendance Slips sent herewith for attending the meeting.
4. The Company has already notified closure of Register of Members and Share Transfer Books from Wednesday, the 20th of September, 2006 to Monday, the 25th day of September, 2006 (both days inclusive) for payment of the proposed Dividend on Equity shares. In respect of shares held in Electronic form, the Dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
5. A brief profile of each of the Directors proposed to be appointed / reappointed is mentioned elsewhere in the "Report on Corporate Governance"
6. Pursuant to Section 205C of the Companies Act, 1956 the unclaimed dividend of the financial year ended 31st March, 1997, has been transferred to the Investor Education and Protection Fund (IEPF). It is hereby notified to the members that once the Dividend amount is transferred to the fund no claim can be made thereafter. Members who

have not yet encashed their dividend warrant(s) are requested to make their claims to the Company, without any delay.

7. Payment of Dividend through ECS:

The Company offers the facility of electronic credit of Dividend directly to the respective bank accounts of shareholders, through Electronic Clearing Services (ECS). This facility is currently available at the locations specified in the Mandate form separately enclosed in this Annual Report.

- i) Members holding shares in physical form are advised to submit the Bank mandate particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 20th September, 2006 to the Company's Registrar and Transfer Agent at Venture Capital and Corporate Investments Limited, 6-2-913/914, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad - 500 004.
- ii) Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.

8. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agent, Venture Capital and Corporate Investments Limited.

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

Item Nos: 8 & 9

Dr. Sharad Mansukani and Dr. Christina Lim Tong were appointed as Additional Directors of the Company at the Board meetings held on 30th January, 2006 and 10th June, 2006, respectively. They hold office up to the ensuing Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956 the Company has received notices in writing from the members along with a requisite deposit of Rs.500/- each proposing the candidature(s) of Dr. Sharad Mansukani and Dr. Christina Lim Tong for their respective appointments as Director(s) liable to retire by rotation.

In terms of Clause 49 of the Listing Agreement on Corporate Governance, Dr Sharad Mansukani and Dr. Christina Lim Tong qualify as Independent Directors.

Approval of the shareholders is required by way of Ordinary resolution in the Annual General Meeting for their appointment as Director(s).

The Board recommends passing of the proposed resolution(s).

None of the Directors of the Company except Dr. Sharad Mansukani and

Dr. Christina Lim Tong are interested in their respective Resolution(s).

Item No: 10

Human Resource is the key resource for the continuing growth and development of the Company. To motivate the employees and enable them to participate in the long-term growth and financial success of the organisation, with a common objective of maximizing the shareholder value, the Company introduced an Employee Stock Option Plan (ESOP). The ESOP would not only enable the Company to attract and motivate employees by rewarding performance as also to retain best talents but also enable the employees to develop a sense of ownership with the organisation.

The Members may recall that at the 19th Annual General Meeting held on 16th December, 2004, grant of 5,000,000 stock options exercisable into 5,000,000 equity shares of Rs. 2/- each to the employees and directors of the company, in one or more tranches under the "Employee Stock Option Scheme -2004" was approved.

As at 31st May, 2006, 4,754,000 stock options were granted to the employees and directors of the Company out of the aforesaid 5,000,000 stock options. Considering the increase in the operations of the Company resulting in additional recruitment of resources, it is proposed that a new Employee Stock Option Scheme 2006 be set up with 2,000,000 stock options, so that the new employees including eligible existing employees of the Company are also granted stock options.

The Compensation Committee will administer the ESOP 2006 and formulate the detailed terms and conditions.

The Compensation Committee will, specify, inter alia, the following:

- Quantum of options to be granted to an employee.
- Conditions under which options vested in employees may lapse.
- Time period within which an employee may exercise vested options in the event of termination or resignation.
- Rights of an employee to exercise all vested options at one time or at various points of time within the exercise period.
- Procedure for making a fair and reasonable adjustment to the number of options and to the exercise period, in case of rights issues, bonus issues, other corporate actions, or otherwise.
- Lock in period for the shares issued pursuant to exercise of options.
- Any other related or incidental matter.

The salient features of the ESOP 2006 are presented below.

1. Total number of options to be granted:

Options exercisable into not more than 2,000,000 Equity shares of Rs. 2/- each of the Company will be available for being granted to eligible employees and directors of the Company.

2. Identification of classes of employees entitled to participate in the ESOP:

All permanent employees and directors of the Company (excluding promoters) as may be decided by the Compensation Committee, from time to time, would be entitled to options under the ESOP 2006.

However, the employees would be granted Stock Options based on performance and such other criteria as the Compensation Committee may, in its absolute discretion decide.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

3. Requirements of vesting and period of vesting:

The Options granted shall vest so long as the employee continues to be in the employment of the Company. Vesting of the options shall take place over a maximum period of 4 years with a minimum vesting period of 1 year from the date of grant.

The Compensation Committee may, in its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted under ESOP 2006 would vest (subject to the minimum and maximum vesting period as specified above).

4. Exercise Price:

Options would be granted at a discount of 20% on the average weekly high and low of the closing price of the equity shares, quoted on the National Stock Exchange of India Limited (NSE), during the six months prior to the date of granting of options.

5. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the ESOP Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as seniority of employee, length of service, performance record, merit of the employee, future potential contribution by the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

The Compensation Committee would also determine the weight / relative importance to be attached to each criteria for determining the eligibility of the employees.

7. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to employees under the Scheme shall be determined by the Compensation Committee from time to time.

8. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed by concerned Authorities.

9. Method of option valuation:

To calculate the stock-based compensation, the Company shall use the Intrinsic Value method for valuation of the options granted. The difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

As the ESOP 2006 provides for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per clause 6 of the SEBI Guidelines.

None of the Directors of the Company, are in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the scheme.

By order of the Board

Place : Secunderabad
Date : 27th July, 2006

N. Anjaneyulu
Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Name of the Director	Mr. N. Prasad	Dr. Fred E. Cohen	Dr. Michael Wooldridge	Mr. Puneet Bhatia	Dr. Sharad Mansukani	Dr. Christina Lim Tong
Age	43 years	48 years	48 years	38 years	36 years	59 years
Qualifications	M.Sc, M.B.A.	M.D., D.Phil, F.A.C.P.	MBA, MBBS	B.Com, MBA	MD, CPE, CMCE	B. Pharmacy, Ph.D
Date of Appointment on the Board	6th April, 2000	11th April, 2004	26th October, 2004	11th April, 2004	28th December, 2005	10th June, 2006
Expertise	Vast experience in Pharmaceutical industry	Rich experience in global pharmaceutical industry	Rich experience in the healthcare sector	Rich experience in strategic private equity investments	Rich experience in the healthcare sector	Vast experience in various areas viz., Venture Funds, Bioscience Portfolios, Telecommunications and Information Technology.
Directorships held in other companies	G2 Corporate Services Limited Matrix Lifesciences AG Docpharma NV Cem Pharma Life Sciences Limited Explora Laboratories SA Indu Projects Limited Shriram Life Insurance Company Limited Asian Institute of Gastroenterology Private Limited G2 Trade Centre Private Limited Concord Biotech Limited	Five Prime Therapeutics Genomic Health Kemia Inc. Expressin Diagnostics Cardia DX Inc Texas Pacific Group Ventures	Resonance Health Dia Btech AOS Cogstate Neurosciences Australia Aust. Custodian Prop. Holding	Newbridge Advisors Pvt Ltd	Nations Health lasis Helathcare Aerie Pharmaceuticals Sanovia Corporation	Singvax Pte Limited, Singapore