



ADVIK LABORATORIES LIMITED
TWELFTH
ANNUAL REPORT
2005 - 2006

(Health is our prime objective)

Board of Directors	Mr. Ashwani Talwar	-Chairman
	Mr. V.K.Jain	-Managing Director
	Mr. Sanjay Jain	-Director
	Mr. A.P.Jain	-Director
	Mr.F.M.Banthiya	-Director
	Mrs. Radhika Vohra	-Director
Company Secretary	Mr. Ajay Singh	
Auditors	Vijay K. Bansal & Co. Chartered Accountants	
Bankers	HDFC Bank Punjab National Bank Indian Overseas Bank	
Corporate Office	106, 107 & 203, Allied House, 1, L.S.C Complex Opp. Pushpa Bhawan, Madangir New Delhi-110 062(INDIA) Tel No.: 91-11-41649171/73/74 FAX : 91-11-41649171/41649174 E-Mail: mail@advikindia.com Website: www.advikindia.com	
Registered Office & Works	138, Roz-Ka-Meo, Industrial Area, Sohna, Distt. -Gurgaon (Haryana) INDIA Tel. No.: 0124-2362471	
Share Transfer Agent	Beetal Financial & Computer Services (P) Ltd. Beetal House, 3 rd Floor, 99, Madangir Behind Local Shopping Centre, Near Dada Harsukhdas Mandir New Delhi-110 062. Tel: 91-11-29961281/82 Fax: 91-11-29961284 E-mail: beetal@rediffmail.com	

Annual Report 2005-2006

**NOTICE**

Notice is hereby given that the Twelfth Annual General Meeting of the Members of **ADVIL LABORATORIES LIMITED** will be held on Saturday, 30th September 2006 at 11 A.M at its Registered Office at 138, Roz- Ka - Meo, Industrial Area Sohna, Distt. Gurgaon -122 103 (Haryana) INDIA to transact the following business (es):

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2006, the Profit & Loss account for the period ended on the date, Reports of Auditors and the Board of Directors thereon.
2. To appoint a Director in place of Shri A.P.Jain, who retires by rotation and being eligible, offers himself for reappointment.
3. To consider and thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to the provisions of section 224(1) and other applicable provisions, if any, of the Companies Act, 1956, M/s Vijay K Bansal & Co., Chartered Accountants, be and is hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors and/or any committee thereof.”

SPECIAL BUSINESS

4. To appoint Mr. Ashwani Talwar as Director u/s 257 of the Companies Act, 1956

“RESOLVED THAT Mr. Ashwani Talwar is and be hereby appointed as Director of the Company, a Director liable to retire by rotation, u/s 257 of the Companies Act, 1956.

By order of the Board
For ADVIL LABORATORIES LTD.

Place: Sohna, Gurgaon
Date: 02.09.2006

Sd/-
Ajay Singh
Company Secretary

NOTES:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form should be lodged with the Company at its Registered Office at least 48 hours before the time of the meeting.
3. All documents referred to in the notice are open for inspection at the Registered Office of the Company between 11.00 a. m to 1.00 p.m. on any 10 (Ten) Working days prior to the date of the meeting and also at the meeting.
4. The Register of Members of the Company and Share Transfer Books shall remain closed from 27th September to 29th September, 2006 (both days inclusive)

5. The members are requested to: -
- i) Notify change in their address, if any.
 - ii) Send their queries, if any, at least 7 days in advance of the meeting so that the information can be made available at the meeting.
 - iii) Members/proxies should bring the attendance slip duly filled in for attending the meeting.
 - iv) Bring their copy of Annual Report while coming to attend the meeting.
6. Members holding shares in the same names under different folios are requested to apply for consolidation of such folios and send relevant share certificates.
7. Since the Shares of the Company are under Compulsory Demat form and hence those members are requested whose shares are under physical form to demat their shares.
8. An explanatory statement u/s 173(2) of the Companies Act, 1956 is annexed herewith as Annexure-I.

ANNEXURE-I**EXPLANATORY STATEMENT U/S 173(2)****ITEM NO. 4:-**

A member of the company has proposed the candidature of Mr. Ashwani Talwar for the office of the director of the Company u/s 257 of the Companies Act, 1956.

Mr. Ashwani Talwar completed his B.Tech from IIT, Delhi in 1969. Afterwards he worked with various IT Companies including IBM World Corporation, Hindustan Computers Ltd. (HCL) till 2003. Since 2003 he has been in consultancy business. He has expertise in formulating Corporate Strategies.

None other than Mr. Ashwani Talwar is interested in this resolution..

The Board of Directors recommends the resolution for the approval of shareholders.

By Order of the Board of Directors
FOR ADVIL LABORATORIES LIMITED

Place: Sohna, Gurgaon
Date: 2nd September, 2006

Sd/-
Ajay Singh
Company Secretary

DIRECTORS REPORT

To

The Members of Advik Laboratories Limited,

Your Directors have great pleasure in presenting the 12th Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March 2006, and Auditors report thereon.

1. FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2005-06	2004-05
Sales		
- Local	317.09	632.02
Other Income	8.82	12.84
Gross profit/(Loss) before interest & dep	(39.73)	37.30
Interest	2.33	-
Depreciation	37.53	34.84
Net profit/(loss) for the year	(79.59)	2.46

2. BUSINESS PERFORMANCE

During this financial year under review the company dealt in both line of products generic as well as ethical products. The Company bagged Govt. supply contracts from Govt. of Andhra Pradesh and Kerala Govt. for supply of Paracetamol. The Company executed both the contracts on time. It hopes further to have more contracts from more state Govts. within India for supply of generic products, in times to come. Your company also made its best efforts to establish a market for its various ethical line of products namely MAJISPA, ROBIAL, CHEWFE-C, STIBOMIN, WIBATOL, WIBATOL-O, TWOSUM, ARFAGEL. However despite its best efforts the sales and profitability of the company both came heavily down due to stiff competition in market and high level of Cost of goods sold

During this year also the company heavily relied on domestic sales as there was no exports order. In times to come the company will strive its best to increase both the sales and profitability in both the line of products ethical and generic. The Company will also make its best efforts to solicit the export business.

3. FUTURE OUTLOOK

Once again by putting concentration on both the ethical and generic line the, your company hopes to build up a substantial amount of market shares in days to come. Your company is also eyeing on African and Latin American Countries for exporting its products subject to orders from these countries, where the cost of production is very high, and they heavily rely on importing medicines from countries like India.

The MHRA certification could not be obtained this year also due to lack of Funds. The MHRA certification is compulsory for exporting medicines to most of the countries in Europe, Africa, Asia and Latin America. The Company will concentrate equally on obtaining MHRA certification by arranging funds along with the concentration on domestic market.

Annual Report 2005-2006



4. **FIXED DEPOSIT**

The company has not accepted any fixed Deposits within the meaning of Section 58 A of the Companies Act, 1956 and the rules made there under.

5. **DIRECTORS**

Mr. A.P.Jain is the Director liable to retire by rotation and being eligible offers himself for reappointment.

Mr. A.P.Jain is aged around 70 years and is a Post graduate in Physics. He has retired as D.G.M of Oil and Natural Gas Corporation Ltd. (ONGC). He is having a rich experience of more than 30 years in Corporate Matters viz. Corporate Strategy formulation, financial matters and labor related issues. Mr. A.P.Jain is on Board of the Company since March 2003 and he is a Non Executive Independent Director. He is the member of the Audit Committee & Share transfer & shareholder grievance committee of your company as well as Chairman of the Remuneration Committee. He is a director liable to retire by rotation. Being eligible he offers himself for re-appointment in terms of section 256 of the Companies Act 1956. Keeping in mind the rich experience and qualification of Mr. A.P.Jain, your Board of Directors recommends him for re-appointment.

None other than Mr. A.P.Jain is interested in this resolution.

6. **AUDIT COMMITTEE**

The company has an audit committee which comprises three non executive independent directors. Mr. F.M.Banthiya is the Chairman of the Audit Committee whereas Mr. A.P.Jain and Mr. Sanjay Jain are the members of the audit committee. The Committee works as per the requirement of Section 292 A of the Companies Act, 1956 and the revised Clause-49 of the Listing Agreement on Corporate Governance. The Audit committee meets at periodic intervals to transact the business as per the terms of reference made to it in the light of requirements of Section 292 A of the Companies Act, 1956 and the revised clause-49 of the Listing Agreement on Corporate Governance.

7. **AUDITORS**

M/s Vijay K Bansal & Co. Chartered Accountants, New Delhi are the Auditors of the Company and they retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The company has received a certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limit as specified in Section 224 (1B) of the Companies Act, 1956.

8. **AUDITORS REPORT**

The notes of the accounts referred to in the Auditor Report are self-explanatory and therefore no comments are called for on the observation made in that behalf in the Auditors Report.

9. **DELISTING OF SECURITIES**

During the year the company got its equity shares delisted from Madras Stock Exchange Ltd. The reason was the negligent trading at the said exchange and burden of payment of listing fees and the compliances. The nationwide availability of trading terminal of BSE also lead us to get the shares delisted. The equity shares of the company will remain listed at Bombay Stock Exchange Ltd.

10. DIRECTORS RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

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

1. That in preparation of the accounts for the financial year ended 31st March 2006 the applicable accounting Standards have been followed along with proper explanation relating to material departures.
2. That the Directors have selected and applied such accounting Policy consistently and made judgments and estimates that were reasonable and prudent manner so as to give true and fair view of the state of affairs of the Company as at the end of financial year and of the profit or loss for that period.
3. 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.
4. That the Directors have prepared the accounts for the financial year ended 31st March 2006 on a '*going concern basis*'.

11. SAFETY & ENVIORNMENT

The company continued to maintain a good safety record. The plants of the company are environment friendly and maintain all safety measures.

12. PARTICULARS OF EMPLOYEES

In terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, there is no employee in the Company whose particulars are required to be given.

13. REPORT ON CORPORATE GOVERNANCE

Your company conforms to the norms of corporate governance as envisaged in the Companies Act, 1956 and the Listing Agreement .Pursuant to revised Clause-49 of the Listing Agreement, a report on Corporate Governance is given in Annexure – B and forms part of the report.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The Company lays focus on conservation of energy with studies, discussions and analysis, which are undertaken regularly for further improvements.

In terms of requirement of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 the required information relating to, conservation of energy, technology absorptions and foreign exchange earnings and outgo are Annexed hereto as Annexure-A.

15. ACKNOWLEDGEMENTS

The Board of Directors expresses its deep appreciation to all section of its employees in the company for their outstanding contribution to the growth of business during the year. The Board of Directors thanks officials of Central & State Government Authorities, Financial Institutions specially Haryana Financial Corporation, Bankers, Suppliers & Customers for their continued support.

On behalf of the board
For ADVIK LABORATORIES LTD.

Sd/-

VK Jain

(Managing Director)

Place: Sohna, Gurgaon
Date: 2nd September 2006

AUDITOR'S CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the members of Advik Laboratories Ltd.

We have examined the compliance of the conditions of Corporate Governance by Advik Labs. Ltd. For the year ended 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.

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

In our opinion and to the best of our information and 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 in respect of investor grievances received during the year ended March 31, 2006 no investor grievances are pending against the company as per the records maintained by the Registrar & Share Transfer Agent and the company and presented to the shareholders Grievances Committee.

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

For Vijay K. Bansal & Company
Chartered Accountants

Sd/-

Vijay Bansal

Partner

Membership No.: 88744

Place: Sohna, Gurgaon
Date : 2nd September 2006

Annual Report 2005-2006

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure & Developments**

The pharmaceutical industry has become quite competitive, after the launch of the product patent in the wake of WTO regime. The market share of the small and medium enterprises in pharmaceuticals is significantly low as compared to big pharmaceuticals companies. The brand building in ethical line of business involves more and more monetary outlay which is difficult to bear for the smaller and medium size companies. Whereas the profitability in generic line of business is low but its very much important for survival of the business. Further the increased cost of raw materials and cost of manpower also minimizes the profitability. The creation of excise free zones in the state of himachal Pradesh, Uttaranchal and Jharkhand has also provided an edge to companies operating from those zones in terms of cheaper medicines.

Opportunities & Threats (SWOT Analysis)

With the growth of the economy at rapid rate with stability, the pharmaceutical sector is bound to grow. With the projected GD growth of about 8% in current fiscal year the pharma sector will grow in tremendous way along with other sectors, as it is presumed. It is hoped that at every level the pharma companies will reap the benefit of this bright days in economy provided they equip them with necessary infrastructure.

The plant of your company located at 138, Roz-ka-meo, Industrial Area, Sohna, Distt. Gurgaon (Haryana) is one of the most sophisticated plants for the production of Tablets, Capsule & Dry Syrups, which has been set up in consultation with PFC Pharma Focus, Switzerland in line with Ranbaxy, Cadila, and Torrent etc. Apart from the above the location is most suited for expansion and diversification drives. Capacity in terms of production is quite sound at your plant. The human resource available is our backbone, as company believes in recruiting the best brains in each and every domain. Our own R & D Centre, is another strength in our's fold. But certainly, the continuous trend of rising prices of Raw material, cost of Labour and increasing prices of Diesel are the real threat in producing cheaper drugs coupled with lack of infrastructure to be provided on the part of Govt.

The real threat to the pharma sector is the souring prices of raw materials and increase cost of human resources. For the companies who cannot shift their production facilities into tax free zones due to paucity of funds, the slightly higher cost of their medicines due to tax incidence is another threat for their growth.

Segment wise or product wise performance

Segment reporting is not applicable to the company in terms of requirements of AS-17, as there are no other segments in the company..

Outlook

As earlier communicated to you in last annual report the your company is trying its level best to build up a substantial share in domestic as well as in overseas market in ethical as well as generic products. The company is trying to establish its ethical products in market, in which profitability is high. At the same time also pushing ahead its generic products.

Risks & Concerns

The creation of more and more tax free zones in various states has increased our risk as due to approximately nil tax incidences in tax free zones, the cost of the medicines are low. Though it is good for common man but a matter of concern to units like us in Haryana. As we end up paying taxes on our medicines produced on MRP basis. The poor infrastructure of the industrial area at our manufacturing site is another matter of concern.

Internal Control System & Adequacy

The company has a proper and adequate internal control system to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorised, recorded and reported correctly. Management continuously reviews the internal control system and procedures to ensure orderly and efficient conduct of business. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

Human Resources and Industrial relation

The company feels that human resources is its back bone to make the company ahead in business hence it tries to recruit and retain the best brains at all levels. The industrial relation has been cordial throughout the year.

Annual Report 2005-2006



ANNEXURE "A" TO THE DIRECTOR'S REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the company (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors 's report for the year ended 31st March 2006.

A) CONSERVATION OF ENERGY

		Year Ended 31.03.2006	Year Ended 31.03.2005
I)	Power and Fuel Consumption		
1.)	Electricity		
a)	Purchased Uni (kwh)	110691	48011
	Total amount	482979	319664
	Rate / Unit (Rs/Kwh)	4.36	6.67
b)	Own generation		
i)	Through Diesel Generator		
	Unit (Kwh)	57687	2902
	Unit per litre of Diesel oil (Kwh)	4.02	5.20
	Cost/Unit (Rs/ Kwh)	7.59	4.72
ii)	Through steam turbine	---	---
	Generator Unit (Lakh kwh)	---	---
	Unit per tonne of fuel (kwh)	---	---
	Cost / unit (Rs/kwh)	---	---
2.)	Coal	---	---
3.)	Furnace Oil	---	---
4.)	Others / internal generation	---	---

II) Consumption per unit of production :

Product	Formulation	
Electricity (kWh)	.001	.02
Furnace oil (ltr)	nil	nil
Fuel (t)	---	---

B) TECHNOLOGY ABSORPTION

I)	Research & Development (R & D)	nil
II)	Technology absorption, adoption & Innovation	nil

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

		Current Year 2005-06	Previous Year 2004-05
Foreign Exchange Earned	(Rs)'	nil	nil
Foreign Exchange used	(Rs)	46000	263043