

**19th
ANNUAL REPORT
2005-2006**



BACIL PHARMA LIMITED

401, Rajshila, 597 J.S.S. Marg, Near Princess Street,
Girgaon, Mumbai – 400 002

BACIL PHARMA LIMITED

Board of Directors

Dr. L. L. Hingorani – Director

Shirish Shetye – Director (Independent – Non-Executive)

Dr. Nitin Kochar – Director (Independent – Non-Executive)

Prakash Shah – Director

Auditors

M/s. Lukad & Jain

Mumbai

Registered Office

401, Rajshila, 597, J.S.S. Marg,

Near Princess Street,

Girgaon, Mumbai-400002.

Factory Site

D-11/1/2, MIDC,

Lote Parshuram Industrial Area,

Taluka Khed, Dist. Ratnagiri 415 722

Bankers

Union bank of India

Mumbai Samachar Marg, Mumbai – 400 023

Registrar & Share Transfer Agents

BIGSHARE SERVICES PVT. LTD.

E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka,
Andheri (East), Mumbai 400 072.

Phone: 28470652, 28470653, 28473747, 28473474,

Fax: 28475207

BACIL PHARMA LIMITED

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of BACIL PHARMA LIMITED will be held at 10.00 A.M. on Saturday, 30th September 2006 at 10, Vashani Chambers, 47, Vithaldas Thackersey Marg, New Marine Lines, Mumbai -400 020 to transact the following Businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2006 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. L. L. Hingorani, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT M/s. A. W. Ketkar & Co., Chartered Accountant, be and are hereby appointed as the Auditors of the Company in place of the retiring auditors, M/s. Lukad & Jain, Chartered Accountants to hold office until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration."

SPECIAL BUSINESS

5. To consider, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications(s) or re-enactment thereof), the consent of the Company be and is hereby accorded to the re-appointment of Mr. Manmohan Ghildyal who satisfies all the conditions as set out under Part I of Schedule XIII to the Companies Act, 1956, as "Manager" of the Company for a period of 3 years w.e.f. 10th June 2006.

RESOLVED FURTHER THAT Mr. Manmohan Ghildyal be and is hereby re-appointed on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Mr. Manmohan Ghildyal, a draft whereof is placed before the meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or agreement, from time to time without requiring further approval of the members, but so as to be in conformity with Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), or any amendments and/ or modification(s) that may hereafter be made thereto by the Central Government in that behalf from time to time or any amendments there to as may be agreed to between the Board and Mr. Manmohan Ghildyal.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to amend the aforesaid agreement between the Company and Mr. Manmohan Ghildyal to give effect to such modification, relaxation or variation without any further reference to the Company in general meeting.

RESOLVED FURTHER THAT Mr. Prakash Shah, and Mr. Shrish Shetye, Directors of the Company, be and are hereby severally authorised to do all such acts and things and deal with all such matters and take all such steps and finalise, approve, modify and sign the aforesaid agreement and all such papers/ forms/ documents as may be necessary for giving effect to the above resolution and that the Common Seal of the Company, if necessary, be affixed thereto in accordance with the provisions of the Articles of Association of the Company."

Mumbai : By Order of the Board of Directors
June 30, 2006
REGISTERED OFFICE
401, Rajshila, 597, J.S.S. Marg,
Near Princess Street, Girgaon,
Mumbai 400 002. PRAKASH SHAH
Director

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER. Proxies must be received at the registered office of the Company not less than forty-eight hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 25th September 2006 to Saturday, 30th September 2006 (both days inclusive).
3. Members are requested to expeditiously intimate any change in their address registered with the Company.
4. Members are requested to bring their copies of the Annual Report at the time of Annual General Meeting.
5. Members are requested, in case of non-payment, to pay the allotment money due on the shares held by them alongwith interest @ 15% p.a. payable w.e.f. 16.7.1994, failing which the concerned equity shares would be liable to be forfeited.

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

Item No. 4

M/s. Lukad & Jain, Chartered Accountants, Auditors of the Company retires on conclusion of the ensuing Annual General Meeting. However M/s. Lukad & Jain, Chartered Accountants have expressed their inability, due to preoccupation, to continue as an auditor of the Company.

The Company has received notice from a member indicating his intention to propose M/s. A. W. Ketkar & Co., Chartered Accountants as Auditors of the Company. M/s. A. W. Ketkar & Co., Chartered Accountants have confirmed their availability, if appointed. Members are requested to appoint the auditors.

None of the Directors is interested in the above resolution.

Item No. 5

Mr. Manmohan Ghildayal was holding the office of Manager for a period up to 9th June, 2006.

Mr. Manmohan Ghildayal is a Science Graduate and accorded approval by F.D.A. in Fine Chemicals Bulk Drugs, aged 52 years, is eligible for re-appointment as a Manager of the Company subject to the approval of the shareholders in the forthcoming General Meeting. He has a total experience of 29 years.

The draft agreement to be entered into by the Company with Mr. Manmohan Ghildayal, in respect of his appointment, inter alia, contains the following terms and conditions:

Mr. Manmohan Ghildayal shall be entitled to remuneration of Rs. 10,000/- per month (all inclusive) with effect from 10th June, 2006.

The terms and conditions of appointment may be altered and varied from time to time by the Board of Directors of the Company as it may, in its discretion, deem fit so as to be in conformity with Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), or any amendments made thereto.

The Agreement may be terminated by either party (Company or the Manager) by giving the other three months prior notice of termination in writing.

The draft Agreement to be entered into between the Company and Mr. Manmohan Ghildayal, is available for inspection by the Members of the Company at the Registered Office of the Company on any working day excluding Saturdays and holidays, one day before the date of the ensuing Annual General Meeting between 11.00 a.m. and 12.30 p.m.

The remuneration payable to Mr. Manmohan Ghildayal has been approved by the Remuneration Committee.

None of the Directors is, in any way, concerned or interested in the resolution. The Board recommends passing of the resolution.

BACIL PHARMA LIMITED

To
The Members,
BACIL PHARMA LIMITED.

DIRECTORS' REPORT

The Directors have pleasure in submitting the Annual Report alongwith the audited statement of accounts for the year ended March 31, 2006.

PROJECT IMPLEMENTATION

The Company has carried out trial run of part of machineries so installed and the delay in starting the Production is due to delay in financial arrangement and receipt of calls in arrears. As reported earlier, after receipt of pollution control consent, the Company has decided initially to undertake conversion/job work from other manufacturers of Pharmaceutical/ Herbal Products and the same is expected to start before 31st August, 2006 and thereafter to start manufacturing on own account subject to arrangement and availability of required finance.

In spite of all efforts, the management could not make suitable arrangements of funds so as to start the plant and to have reasonable financial liquidity. The management is hopeful of some suitable arrangement so that commercial production can be started. In the meanwhile the management intends to start some trading activities so as to generate some cash profit and to bear the day-to-day administrative and maintenance expenses.

Please note that the plant was installed during the year 1997-98 and since then it was lying idle for reasons already explained. There is all possibility to wear and tear of factory building, Plant & machineries, accessories and support services like Boilers, Pipe Lines, Chilling Plant and etc. In case, the same situation continuous, there are all possibilities of heavy erosion in the value of the Plant & Machineries due to change in technologies, new & efficient of cost saving and fuel saving alternate machines, the management will have no alternative but to sale off or write off major equipments resulting in to huge erosion of cost of Plant & Machineries and to look for alternate source of funding and business plans.

Since there was no commercial operation during the year ended 31st March, 2006 and corresponding previous year, no Profit and Loss Account is prepared.

ALLOTMENT MONEY DUE/ FORFEITURE OF SHARES

Members are requested, in case of non-payment, to pay the allotment money due on the shares held by them alongwith interest @ 15% p.a. payable w.e.f. 16.7.1994, failing which the concerned equity shares would be liable to be forfeited.

As explained time and again that one of the reason for delay in implementation of the project was non-receipt of balance allotment money. In spite of repeated reminders in Annual Reports and even in quarterly results the shareholders are not complying or have failed to pay the allotment money due from them. The management is constrained to take the decision to forfeit the shares, which are partly paid up and where the shareholders have still not paid allotment money. We once again request the shareholders to pay the allotment money due with interest so as to make the project successful and make operational.

CORPORATE GOVERNANCE

Your Company has ever been an ardent practitioner of the core values of corporate governance. A separate report on Corporate Governance is attached herewith.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 1) In the preparation of the annual accounts, the applicable accounting standards had been followed;

- 2) Appropriate accounting policies as mentioned in Schedule No. 9 have been selected and applied consistently and have 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 as at 31st March, 2006;
- 3) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a going concern basis.

DIRECTORS

Dr. L. L. Hingorani, Director retire by rotation and being eligible offer himself for reappointment.

Mr. Ramkishore Darak, Director, has resigned during the year. The Board places on record its appreciation of the services rendered and guidance given by him during his tenure as Director on the Board.

LISTING AGREEMENT

The Shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE), Ahmedabad Stock Exchange Ltd. (ASE) and The Delhi Stock Exchange Association Ltd. (DSE) and have been duly paid Annual Listing Fees for the year 2006-2007. All efforts are made to complete the formalities for dematerialisation of securities of the Company.

PERSONNEL

No employee is receiving remuneration beyond the limit prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended up to date.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Since the Company has not commenced any manufacturing activity, information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 is not applicable.

The Company has no foreign exchange earning and outgo during the year under review.

AUDITORS

M/s. Lukad & Jain, Chartered Accountants, Auditors of the Company retires on conclusion of the ensuing Annual General Meeting. However M/s. Lukad & Jain, Chartered Accountants have expressed their inability to continue as an auditor of the Company.

The Company has received notice from a member indicating his intention to propose M/s. A. W. Ketkar & Co., Chartered Accountants as Auditors of the Company. M/s. A. W. Ketkar & Co., Chartered Accountants have confirmed their availability, if appointed. Members are requested to appoint the auditors.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the valuable Co-operation and support extended by Employees, Registrars and other agencies. We are also grateful to all the Shareholders for reposing their confidence in the Company.

By Order of the Board of Directors

Place : Mumbai
Dated : June 30, 2006

PRAKASH SHAH
Director

SHIRISH SHETYE
Director

Annexure to Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

The Company has setup manufacturing facilities at its factory premises at MIDC, Lote (Maharashtra). The report contains certain forward-looking statements, which are based on certain assumptions and expectations of future events.

Opportunities and threats

There is growing demand for bulk drugs & intermediates in India and abroad specifically due to opening of the Indian Economy to world competition. Herbal & Ayurvedic products and formulations are on demand both in the local and export market. The Company has plans to tie up with various prospective buyers (for test marketing) of indigenous as well as foreign market.

As far as threats are concerned no significant threats except the general market conditions are perceived in the near future.

Outlook

The outlook for herbal products and formulations in general is good for the years to come. The Company is taking necessary measures to arrange the required finance for the project implementation and working capital requirements.

Internal control systems

The company has a proper and adequate system to ensure that all assets are safeguarded and protected against any possible loss from unauthorised use or disposition. The internal systems and other records are reliable, for preparing financial statements and other information, and for maintaining accountability of assets. Proper security arrangements are being made for safety of all assets. As there is no commercial production carried out, insurance cover for plant and machinery is not obtained.

Financial and operational performance

During the year under review, the Company has carried out successful trial run of machineries so installed and the necessary permission under pollution control regulations is still awaited.

Cautionary Statement

The delay in project implementation has caused increase in project preoperative expenses. Statements in this Management Discussion and Analysis Report are based upon the data available with the company at this point of time and on certain assumptions having regard to the economic conditions, government policies, political developments within and outside the country. The management is not in a position to guarantee the accuracy of the assumptions and the projected performance of the company in future. It is, therefore, cautioned that the actual results may differ from those expressed or implied herein. Delay in project implementation and commercial production has already caused depletion of the existing plant & machinery, due to plant being in chemical zone and the same will have a bearing in the near future for extensive repairs & maintenance.

Annexure to Directors' Report

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on code of corporate governance

Bacil Pharma Limited's philosophy on corporate governance envisages the attainment of transparency, accountability and equity, in all facets of its operations and all its transactions with its stakeholders, including shareholders, employees and government.

Bacil Pharma Limited is committed to achieve the goal of enhancing shareholders satisfaction over a period of time.

2. Board of Directors

i) Composition and Category of directors:

The Board of Directors comprises of Four Directors, all are being Non-Executive Directors. Out of four Directors, two directors are promoters and remaining two directors are independent. All Directors are liable to retire by rotation.

ii) Attendance of each director at Board Meetings and the last Annual General Meeting (AGM):

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at Last AGM
Mr. Shirish Shetye	Independent	5	Yes
Dr. Nitin Kochar	Independent	5	Yes
Mr. Prakash Shah	Promoter	4	Yes
Dr. L. L. Hingorani	Promoter	4	Yes
Mr. Ramkishore Darak	Promoter (Resigned on 31/10/2005)	2	Yes