

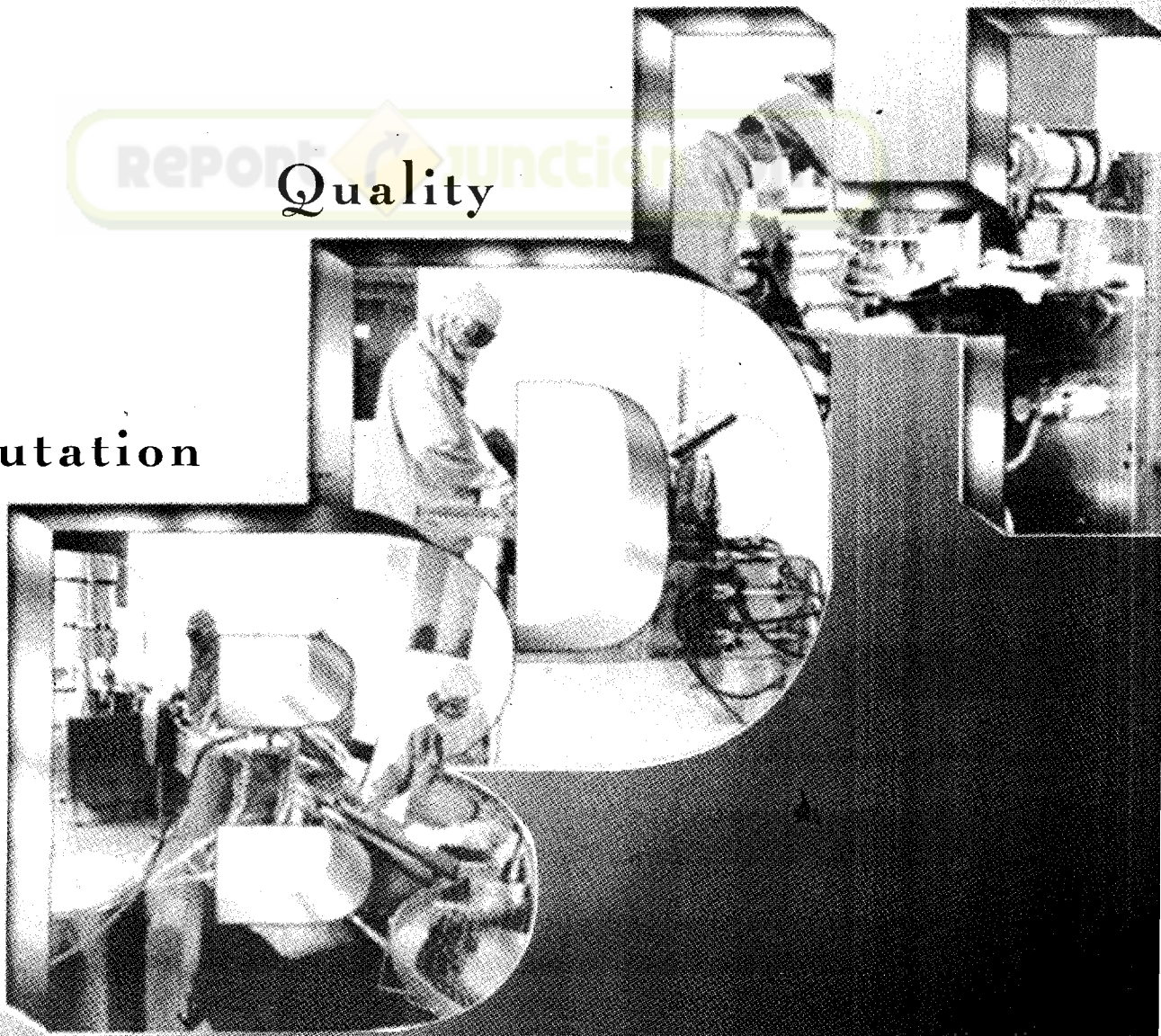
BDH
Industries Ltd.

Fifteenth Annual Report 2004-2005

Care

Report  Junction
Quality

Reputation



• BDH : Global Presence



BDH INDUSTRIES LTD.



DIRECTORS' REPORT

To,
THE MEMBERS,
BDH INDUSTRIES LIMITED,

Your Directors have pleasure in presenting **Fifteenth Annual Report** together with the Audited Statement of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	2004-2005	2003-2004
Turnover (Gross) & Other Income	2545.14	1518.29
Profit before Interest and Depreciation	276.45	218.00
Less : Interest	123.60	161.07
Depreciation	53.77	53.20
Profit before tax	99.08	3.73
Less : Provision for Taxation	7.58	0.50
Net Profit After Tax	91.50	3.23
Add : Surplus Brought Forward from the previous year	385.13	390.42
Less : Deferred Taxation	4.58	8.52
Less : Provision for Taxation in respect of earlier years	-	-
Amount available for appropriation carried forward to Balance Sheet	472.05	385.13

REVIEW OF OPERATIONS :

The sales of the company in the year 2004-05, registered a growth of 67% in comparison with the sales of preceding year. Turnover achieved by the Company during the year under review increased to **Rs.2545.14 lakhs** as compared to Rs.1518.29 lakhs in the previous year.

The Operating Profit before interest and depreciation during the year under review increased to **Rs.276.45 lakhs** as compared to Rs.218.00 lakhs during the previous year.

The Profit after tax for the year improved to **Rs.91.50 lakhs** as against Rs.3.23 lakhs, during the previous year.

Better utilization of available resources with improved efficiency have contributed to this performance.

After adding the surplus brought forward from previous year of Rs.385.13 lakhs, **Rs.472.05 lakhs** is carried to the Balance Sheet as surplus in Profit & Loss A/c.

DIVIDEND :

In view of the requirement of resources for the purpose of upgrading and balancing the manufacturing facilities, the profit earned is required to be retained, therefore, your Directors do not recommend any Dividend for the year ended 31st March, 2005.

SHARE CAPITAL :

The Company's shares continue to be listed at Mumbai Stock Exchange. The Listing fees for the year 2005-2006, has been paid by the Company.

DELISTING:

The applications for voluntary delisting, made by the Company during the year 2004-2005, to Stock Exchanges at Ahmedabad and Madras, have been approved and the equity shares of the company have been voluntarily delisted from the aforesaid stock exchanges with effect from 31.03.05.

The Equity shares of the Company continue to be listed at The Stock Exchange, Mumbai.

FUTURE PROSPECTS :

The company expects to continue its growth momentum. Efforts are on for further improving the manufacturing facilities through upgradation and modernisation of the existing facilities, enabling the company to keep pace with the changing business environment and meet future challenges.

FIXED DEPOSIT :

The Company has not invited any deposits from the Public within the meaning of Section 58-A of the Companies Act, 1956 during the year under review.

CONSERVATION OF ENERGY AND TECHNOLOGY UPGADATION:

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/outgo is appended hereto as Annexure I, of this Report.

INSURANCE :

The properties and assets of your Company are adequately insured.

INDUSTRIAL RELATION :

The company continued to have cordial and harmonious relations with its employees.

PERSONNEL :

None of the Directors/Employees are drawing remuneration/ salaries in excess of the amounts specified under section 217

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(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, thus no separate disclosure is required.

RESEARCH AND DEVELOPMENT :

Research and Development is basic requirement of Pharma business and is a key thrust area for us. Research and Development activities backed by constant market surveys is envisaged as an area where your Company needs additional resources including human and financial strengthening.

We also strengthen our need for Research and Development by taking co-operation from various research institutes.

BOARD OF DIRECTORS :

Dr. V. A. Padval ceased to be a Director of the company due to demise on 31st March, 2005. The Board placed on record its appreciation of the contribution made by him during his tenure as a Director of the company.

Mr. Jayakumar R. Nair resigned as a Director of the company with effect from 15th April, 2005 and ceased to be Director from that date.

Mr. S. C. Kachhara, Director, retires by rotation at the forthcoming Annual General Meeting being eligible, offers himself for re-appointment. Accordingly, the Board recommends his re-appointment.

Mrs. Karthika Nair, Director, retires by rotation at the forthcoming Annual General Meeting being eligible, offers herself for re-appointment. Accordingly, the Board recommends her re-appointment.

Mr. A. V. Menon was appointed as Additional Director on the Board of the company with effect from 24th January, 2005. In view of his experience and knowledge it is in the interest of the company to appoint Mr. A. V. Menon as Director. Accordingly the Board recommends his appointment.

Dr. Dinesh Variar was appointed as Additional Director on the Board of the company with effect from 24th January, 2005. In view of his experience and knowledge it is in the interest of the company to appoint Dr. Dinesh Variar as Director. Accordingly the Board recommends his appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT :

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- ii. such accounting policies have been selected and consistently applied and judgement and estimates have been made that are reasonable and prudent so as to give

a true and fair view of the state of affairs of the Company as at March 31, 2005 and of the profit of the Company for the said period.

- iii. to the best of their knowledge and information, proper and sufficient care has been taken for 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.
- iv. the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

As required under Clause 49 of the Listing Agreement with the Stock Exchange, a report on Corporate Governance alongwith the Auditors' Certificate regarding the compliance of the mandatory requirements, is separately given in the Annual Report.

AUDITORS AND AUDITORS' REPORT :

M/s. L. K. Dangi & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate of eligibility of appointment under section 224 (1B) of the Companies Act, 1956 has been submitted by them. Accordingly, your Directors recommend re-appointment of Auditors.

The Notes on Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

APPRECIATION :

Your Directors acknowledge with gratitude the co-operation and assistance given by, Central Bank of India, Food & Drugs Control Administration, Director General of Foreign Trade and other Government authorities during the year under review.

Your Directors also wish to place on record their sincere appreciation for the devoted services rendered by the employees and above all acknowledge with gratitude the continued co-operation of the shareholders.

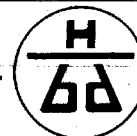
FOR AND ON BEHALF OF THE BOARD**DR. G.G. NAIR
CHAIRMAN**

Mumbai, July 28th, 2005

Registered Office :

Nair Baug, Akurli Road,
Kandivli (East),
Mumbai - 400 101

BDH INDUSTRIES LTD.



ANNEXURE I TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 :

I. CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION :

Particulars	2004-2005	2003-2004
1. Electricity		
a. Purchased		
Units (in kwh)	844680	763216
Total Amount (in Rs.)	4968640	4205799
Average Rate/Unit (Rs.)	5.88	5.51
b. Own Generation		
i. Through Diesel Generators	—	—
ii. Through Steam Turbine/Generators	—	—
2. Coal (specify quality and where used)	—	—
3. Furnace Oil	—	—
4. Others:		
L.D. Oil		
Quantity (Litres)	39840	25600
Total Cost (Rs.)	974373	604814
Average Rate/Unit (Rs.per litre)	24.45	23.62

B. CONSUMPTION PER KG OF PRODUCTION

Since the company is manufacturing several varieties of formulations in different batches and pack size it is not practical to apportion the electricity consumption and cost thereof to each unit of Production.

II. TECHNOLOGY ABSORPTION

1. Research & Development
 - i) Specific areas in which R & D carried out by the Company : Development of Products and Processes in the areas of Injectables, Formulations and rheumatoid arthritis.
 - ii) Benefits derived as a result of the above R & D : Introduction of rheumatoid arthritis formulations in tablets and injectables doses. Meeting the higher Standards, and better quality products.

- iii) Future Plan of Action : Work on upgrading the plant/remodeling will continue as an ongoing program. Injectable range of products continue to be of future interest.
- iv) Expenditure on R & D :

	2004-2005	2003-2004
(Rs.in lakhs)		
a. Recurring	3.94	4.80
TOTAL	3.94	4.80
Total R & D Expenditure as a percentage of total revenue.	0.15%	0.32%

2. Technology Absorption, Adaptation and Innovation :

1. Efforts in brief made towards Technology Absorption, Adaptation and Innovations : Updated manufacturing process and Quality assessment techniques are being used.
2. Benefits derived as a result of the above efforts : Improvement in Product Profile, quality and cost effective modifications.
3. Technology imported during the last 5 years: No technology has been imported.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2004-2005	2003-2004
(Rs.in lakhs)		
i. Foreign Exchange Earned	1696.86	965.66
ii. C.I.F Value of Imports	721.31	223.29
iii. Foreign Travel	21.13	10.12
iv. Commission on Exports	69.42	17.05
v. Tender Fees, etc.	0.59	0.20

FOR AND ON BEHALF OF THE BOARD
DR. G.G. NAIR
CHAIRMAN

Mumbai, July 28th, 2005

Registered Office :

Nair Baug, Akurli Road,
Kandivli (East), Mumbai - 400 101

Management Discussion and Analysis Report

Industry Structure & Developments

The new product patent regime in India brings opportunities as well as challenges to the Pharmaceutical Industry. In these circumstances, it is essential that the pharmaceutical companies give greater importance to drug discovery & development and cost reduction, in addition to research & development.

The rapid changing scenario is encouraging strategic shifts across the global pharmaceutical industry value chain. As a result, growth opportunities lie ahead for developing nations with well-known pharmaceutical capabilities. In this situation, India has better advantage of growing due to strong manufacturing base, cost competitiveness, high quality research capabilities and innovative scientific manpower.

Outlook on Opportunities

To adapt to the new patent regime, the pharmaceutical industry is exploring different areas. Contract research and manufacturing is one of the important areas where Indian Pharmaceutical Companies can leverage their strength.

Our company has an established market presence for more than six decades and a reasonable number of the company's products are registered in Overseas Countries, enabling the company to export the same to a wider geographical market. We have a strong manufacturing base that can produce a range of products. The company also has a high credibility with the export markets. The global focus on health care will also increase the sales opportunity of the company and new segments of the pharmaceutical markets can be developed such as oncology products, which are high value and selectively pursued.

Outlook on Risks, Concerns & Threats

The Indian Pharmaceutical companies will be required to invest more in cost effective technology and research & development. The major concerns of the pharmaceutical companies in India are increase in investment requirement for implementation of regulatory changes in quality as per Schedule M guidelines, changes in duties/taxes such as excise duty, VAT and Patents regime.

Various aspects such as pricing policies, changes in regulatory norms, market conditions and state of economy, influence the performance and results of the company.

Performance Review

The company exports a wide range of formulations and bulk drugs to several countries including Sri Lanka, Kenya, Germany, Mauritius, Chile, Sudan etc. During the financial year 2004-05, the Domestic Sales of the company increased by 65% and the Export Sales increased by 69% as compared to the previous year. As a result, there has been a considerable increase in the Profit after Tax in the year 2004-05 as compared to the previous year.

In the financial year 2004-05, the company achieved Domestic Sales of Rs.739.75 lacs, as compared to the Rs.448.47 lacs in the financial year 2003-04. The Export Sales of achieved by the company in the financial year 2004-05 increased to Rs.1803.45 lacs, as compared to Export Sales of Rs.1068.29 lacs in the financial year 2003-04. The Profit after Tax in the financial year 2004-05 improved to Rs.91.50 lacs, as compared to Rs.3.23 lacs in the financial year 2003-04.

The company was able to improve profits during the year due to better utilisation of capacity, reduction in interest and various cost control and cost reduction measures undertaken along with better working capital and finance management.

Internal Control Systems & Adequacy

The company is in the process of updating set internal control procedures commensurate with its size and nature of business. The internal control systems provide for policies, guidelines, authorisations and approval procedures and ensure optimum use and protection of resources and compliance with the policies and procedures. The company endeavors to update these as an ongoing practice.

Human Resources

The company recruits, develops and employs suitably qualified, capable and experienced persons, need based. The company has good labour relations and peaceful long association.

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CORPORATE GOVERNANCE REPORT

Your Company has complied, in all material respects, with the features of Corporate Governance Code as per Clause 49 of the Listing agreement with the Stock Exchanges.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

CORPORATE PHILOSOPHY

Good Corporate Governance leads to long term shareholder value and enhances interest of other stockholders. Fairness, transparency, accountability and responsibility are the essential elements of Corporate Governance to which your Company continues to remain committed.

BOARD OF DIRECTORS

a) Composition

The composition of the Board of Directors of the company is in conformity with the Clause 49 of the Listing Agreement. The present Board of Directors of your Company comprises of a Non-Executive Chairman, Managing Director, one Whole Time Director one Non-Executive Director and two Independent Directors.

During the year, Dr. V. A. Padval ceased to be a Director of the Company due to demise on 31st March, 2005. Mr. J. R. Nair, Director of the company resigned as a Director and Whole time Director of the company with effect from 15th April, 2005.

In order to broad base the Board, the Board of Directors appointed Mr. A.V. Menon and Dr. Dinesh Variar as Additional Directors with effect from 24th January, 2005 at their meeting held on that date.

The Present Composition of the Board is as follows :

Sr. No.	Name of Directors	Designation	Category
1.	Dr. G. G. Nair	Chairman	Non-Executive
2.	Mrs. J. G. Nair	Managing Director	Whole-time
3.	Mr. S. C. Kachhara	Director	Whole-time
4.	Mrs. Karthika Nair*	Director	Non-Executive*
5.	Mr. A.V.Menon (from 24.01.2005)	Director	Non-Executive & Independent
6.	Dr. Dinesh (from 24.01.2005)	Director	Non-Executive & Independent
7.	Dr. V.A.Padval (upto 31.03.2005)**	Director	Non-Executive & Independent
8.	Mr. J.R.Nair(upto 15.04.2005)***	Director	Whole-time

*Note: Mrs. Karthika Nair, Director was appointed as a Whole-time Director of the company with effect from 27th October, 1999 for a period of 5 years. The term for her appointment as a Whole time Director completed in October 2004. Thereafter, Mrs.Karthika Nair is a Non-Executive Director of the company since 27th October, 2004.

** Dr. V. A. Padval ceased to be a Director of the company due to demise on 31st March, 2005.

*** Mr. J. R. Nair ceased to be a Director and wholetime Director of the Company with effect from 15th April, 2005, due to resignation.

b) Board Meetings

During the Financial year 2004-05, six meetings of the Board of Directors were held on the following dates:

23rd April 2004, 30th July 2004, 29th September 2004, 30th October 2004, 24th January 2005 and 7th February, 2005.

All operational and statutorily required information was placed before the Board. All significant events were also reported to the Board. At the Board Meeting following the Audit Committee meeting, the Asst. Company Secretary makes a report confirming statutory compliances for the said quarter. Also, at such meetings the Managing Director confirms to the Board of all Statutory Compliances.

The Asst. Company Secretary, in consultation with the Chairman, drafts the agenda of the meeting. Agenda papers alongwith relevant details are circulated to all Directors, well in advance of the date of the Board Meeting.

Sr.	Name of Directors	Attendance at		No. of Directorships of other Companies(*)	No. of memberships of Board Sub-Committees
		Board Meetings	Last AGM		
1.	Dr. G. G. Nair	6	Yes	1	2 #
2.	Mrs. J. G. Nair	6	Yes	-	2 #
3.	Mr. S. C. Kachhara	6	Yes	-	2
4.	Mrs. Karthika Nair	6	Yes	-	2 #
5.	Mr. A.V. Menon (from 24.01.05)	2	-	-	1 #
6.	Dr. Dinesh Variar (from 24.01.05)	2	-	-	1
7.	Dr. V. A. Padval (upto 31.03.05)	2	No	2	1 #
8.	Mr. J. R. Nair (upto 15.04.05)	5	Yes	-	1

(*) Excluding Private Limited Companies, Foreign Companies and Companies constituted under section 25 of the Companies Act, 1956.

(#) including Chairmanship of one Committee.

c) Remuneration of Directors

The remuneration paid to the Managing Director and Whole time Directors are within the ceiling as per the resolution approved by the shareholders. Details of remuneration paid to the Managing Director and Whole time Directors during the year ended 31st March, 2005 are as stated below :