

BDH
Industries Ltd.

Sixteenth Annual Report 2005-2006

Care

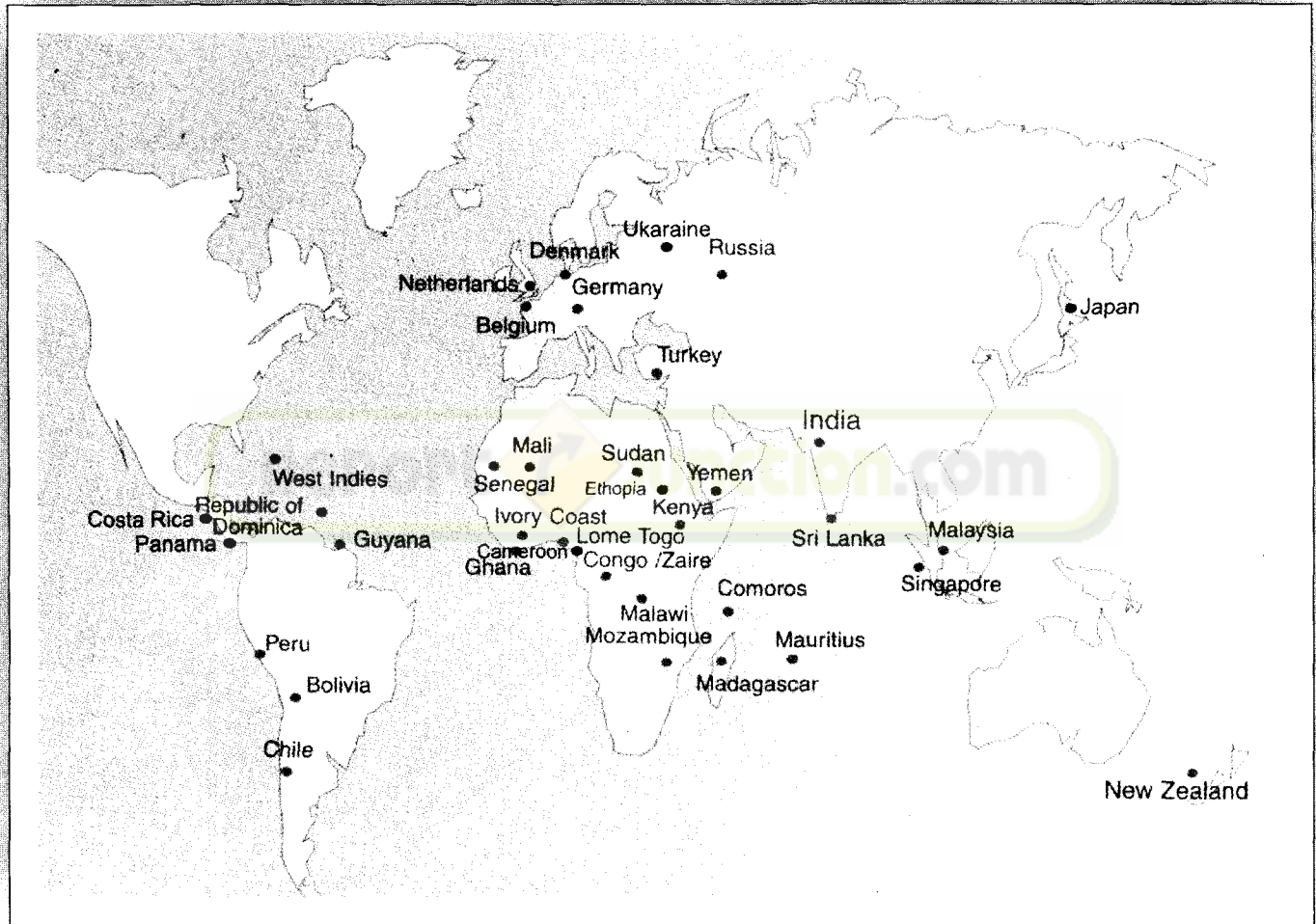
Quality

Reputation



Pharmaceutical Company engaged in Health Care World wide

• BDH : Global Presence





BDH INDUSTRIES LIMITED

BOARD OF DIRECTORS	:	Mrs. Jayashree Nair	<i>Chairperson & Managing Director</i>
		Mr. S. C. Kachhara	<i>Director</i>
		Mrs. Karthika Nair	<i>Director</i>
		Mr. A. V. Menon	<i>Director</i>
		Dr. Dinesh Variar	<i>Director</i>
		Mr. Bhagirath Singh Sihag	<i>Director (From 29.12.2005)</i>
		Dr. G. G. Nair	<i>Director (Upto 26.10.2005)</i>

ASST. COMPANY SECRETARY : **Ms. Meetal S. Sampat**

AUDITORS : **L.K. Dangi & Co.**
Chartered Accountants
Mumbai

BANKERS : **Central Bank of India**

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

REGISTRARS & TRANSFER AGENT : **TSR DARASHAW LIMITED**
(Formerly Known as Tata Share Registry Limited)
Army & Navy Building
148, Mahatma Gandhi Road, Fort,
Mumbai - 400 001

SIXTEENTH ANNUAL GENERAL MEETING at Club Aquaria Enterprises, Devidas Road, Behind St. Lawrence School, LIC Colony, Borivali (W), Mumbai - 400 103. on Thursday, the 28th September, 2006 at 3.00 p.m.

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of **BDH INDUSTRIES LIMITED** will be held on Thursday, the 28th September, 2006 at Club Aquaria Enterprises, Devidas Road, Behind St. Lawrence School, LIC Colony, Borivali (W), Mumbai - 400 103 at 3.00 p.m., 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 and Loss Account for the year ended on that date together with the reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. A. V. Menon, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. Dinesh Variar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be fixed by the Board of Directors.

SPECIAL BUSINESS :

5. To consider, and, if thought fit, pass with or without modification(s), the following Resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. Bhagirath Singh Sihag, who was appointed as Additional Director by the Board of Directors of the Company under Article 145 of the Articles of Association of the Company, and who by virtue of Section 260 of the Companies Act, 1956 holds office upto date of this Annual General Meeting and is eligible for appointment and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

BY ORDER OF THE BOARD

JAYASHREE NAIR

Chairperson & Managing Director

Mumbai, 29th July, 2006

Registered Office :

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

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The instrument appointing a proxy in order to be effective must be received at the Registered Office of the Company not less than Forty-Eight hours before the time for holding the meeting.

3. The explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 22nd September, 2006 to Thursday, the 28th September, 2006 (both days inclusive).
5. Shareholders are requested to intimate the Company the change, if any, in their Registered Address.
6. Members are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO. 5:

Mr. Bhagirath Singh Sihag was appointed as the Additional Director of the Company by the Board of Directors at their meeting held on 29th December, 2005. Pursuant to Section 260 of the Companies Act, 1956, he holds the office of Director upto the date of Annual General Meeting. The Company has received a notice in writing from a Member alongwith a deposit of the requisite amount proposing his candidature for the office of the Director of the Company under the provisions of section 257 of the Companies Act, 1956.

Mr. Bhagirath Singh Sihag is interested in the said resolution to the extent of his appointment as a Director. No other Director is in anyway concerned or interested in the proposed resolution.

Your Directors recommend the resolution for your approval.

BY ORDER OF THE BOARD

JAYASHREE NAIR

Chairperson & Managing Director

Mumbai, 29th July, 2006

Registered Office :

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

Particulars of Directors seeking Appointment / Reappointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement.

Mr. A.V. Menon was appointed as Director of the Company w.e.f. 24th January, 2005. His qualifications include B. A. (Hons.), M. A. and LL.B. He is an Advocate of the High Court. He is also a Director in M/s. Dorf Ketel Chemicals India (P) Ltd.

Dr. Dinesh Variar was appointed as Director of the Company w.e.f. 24th January, 2005. His qualifications include M.B.B.S. (Bom.). He is not a Director in any other Company.

Mr. Bhagirath Singh Sihag has 25 years experience in the areas of Finance & Taxation. His qualifications include B.com & F.C.A. He was appointed as an Additional Director of the Company w.e.f. 29th December, 2005. He is also a Director in Remi Securities Ltd., Remi Cool Fans Ltd., and Shrinkala Securities Ltd.



DIRECTORS' REPORT

To,
THE MEMBERS,
BDH INDUSTRIES LIMITED,

Your Directors have pleasure in presenting Sixteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	2005-2006	2004-2005
Turnover (Gross) & Other Income	2588.98	2545.14
Profit before Interest and Depreciation	250.21	276.45
Less : Interest	98.77	123.60
Depreciation	50.80	53.77
Profit before tax	100.64	99.08
Less : Provision for Taxation	33.87	7.58
Provision for Fringe Benefit Tax	0.82	—
Net Profit After Tax	65.95	91.50
Add : Surplus Brought Forward from the previous year	472.05	385.13
Less : Deferred Taxation	1.33	4.58
Less : Provision for Taxation in respect of earlier years	—	—
Amount available for appropriation carried forward to Balance Sheet	536.67	472.05

REVIEW OF OPERATIONS:

The turnover achieved by the Company during the year under review was Rs.2588.98 lakhs as compared to Rs.2545.14 lakhs in the previous year. Sales of the company in the year 2005-06, registered a marginal growth in comparison with the sales of preceding year.

The Operating Profit before interest and depreciation during the year under review increased to Rs.250.21 lakhs as compared to Rs.276.45 lakhs during the previous year.

Due to increase in tax liability, the Profit after tax for the year was Rs.65.95 lakhs as against Rs.91.50 lakhs, during the previous year.

After adding the surplus brought forward from previous year of Rs.472.05 lakhs, Rs.536.67 lakhs is carried to the Balance Sheet as surplus in Profit & Loss A/c.

DIVIDEND:

The company has initiated the process of upgrading its

manufacturing facilities. As a result, the investment requirement of the company has increased considerably. In view of the requirement of resources for the said purpose, the profit earned is required to be retained, therefore, your Directors do not recommend any Dividend for the year ended 31st March, 2006.

SHARE LISTING:

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.

FUTURE PROSPECTS:

The company is in the process of upgradation of its manufacturing facilities. Upgrading and maintaining manufacturing facility meeting the required standards of the customers, as well as requirements of countries and it's regulatory authorities will enable the Company to penetrate existing overseas markets by increasing registration and also entry into business with additional countries.

The medicines are marketed at lowest prices in the world at the same time high standard is maintained. Being in Pharma Sector inspite of limitations, future growth in business is expected in Domestic as well as Export Markets.

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 UPGRADATION:

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

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under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, thus no separate disclosure is required.

RESEARCH AND DEVELOPMENT :

R&D infrastructure and qualified and experienced manpower are two key ingredients for pharmaceutical research. 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 :

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

Dr. Dinesh Variar, Director, retires by rotation at the forthcoming Annual General Meeting being eligible, offers himself for re-appointment. Accordingly, the Board recommends his re-appointment.

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.

Dr. G. G. Nair ceased to be a Director and Non Executive Chairman of the company due to resignation with effect from 26th October, 2005. The Board placed on record its appreciation of the contribution made by him during his tenure as a Director of the company.

Mr. Bhagirath Singh Sihag was appointed as Additional Director on the Board of the company with effect from 29th December, 2005. In view of his experience and knowledge it is in the interest of the company to appoint Mr. Bhagirath Singh Sihag 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, 2006 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**JAYASHREE NAIR***Chairperson & Managing Director*

Mumbai, 29th July, 2006

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



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	2005-2006	2004-2005
1. Electricity		
a. Purchased		
Units (in kwh)	729304	844680
Total Amount (in Rs.)	4715670	4968640
Average Rate/Unit (Rs.)	6.46	5.88
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)	32000	39840
Total Cost (Rs.)	907400	974373
Average Rate/Unit (Rs.per litre)	28.35	24.45

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

- 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.
- 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 :

	2005-2006	2004-2005
(Rs.in lakhs)		
a. Recurring	8.51	3.94
TOTAL	8.51	3.94
Total R & D Expenditure as a percentage of total revenue.	0.33%	0.15%

2. Technology Absorption, Adaptation and Innovation :

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2005-2006	2004-2005
(Rs.in lakhs)		
i. Foreign Exchange Earned	963.22	1696.86
ii. C.I.F Value of Imports	1050.47	721.31
iii. Foreign Travel	12.03	21.13
iv. Commission on Exports	46.25	69.42
v. Tender Fees, etc.	—	0.59

FOR AND ON BEHALF OF THE BOARD

JAYASHREE NAIR

Chairperson & Managing Director

Mumbai, 29th July, 2006

Registered Office :

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

Management Discussion and Analysis Report

Industry Structure & Developments

The pharmaceutical industry is characterised by regulatory controls that include controls on products, manufacturing facilities and price, besides high amounts of continued investments.

The Indian pharmaceutical industry is at the crossroads: on the one hand, opportunities are emerging in the developed markets, while on the other, the domestic market is becoming increasingly challenging following the introduction of the product patent regime. The recent regulatory changes have lead the Indian Pharmaceutical industry towards exploring newer avenues of drug discovery & development, thus promising higher capital investment in the pharmaceutical industry in the near future.

The increased focus on reducing healthcare costs in developed markets, has also generated sales opportunities for Indian drug manufacturers with approved facilities and sound knowledge of patent and regulatory issues.

Indian pharmaceutical companies are tapping into the large opportunities that exist in the global pharmaceutical market by revamping its strategies to suit the new regime.

Outlook on Opportunities

The highly competitive nature of the domestic pharmaceutical market imposes strong low cost manufacturing discipline, which is a key strength in this industry. India could be a desired destination for outsourcing, taking into consideration its strong research capabilities and low level of labour & other costs incurred in manufacturing as compared to International companies. Indian pharma companies with quality manufacturing facilities can also cash in on potential opportunities in the field of contract manufacturing. Besides, the impending expiry of significant drug patents in the near term also offers prospects for low cost Indian drug manufacturers in terms of greater market access.

Our company has multi product manufacturing capabilities with 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.

Outlook on Risks, Concerns & Threats

The Indian pharmaceutical industry operates in a dynamic environment, with significant events such as product development, patent expiry and regulatory changes often impacting competitors.

Having come to terms in respect of the new regulatory systems, the challenges ahead for the Indian pharmaceutical industry lie in not only increasing the sales in existing areas, but the development of new products.

Even though low cost manufacturing capability is a strength for Indian pharmaceutical companies, it is also vital for those targeting exports to regulated markets to maintain systems and processes that ensure product quality, thus increasing the investment requirement of the company.

Maintaining a profitable product pipeline, keeping in view the manufacturing complexities and competitive pressures, remains a challenge.

Performance Review

The company exports a wide range of formulations and bulk drugs to several countries including Sri Lanka, Singapore, Kenya, Germany, Chile, Mauritius, Caribbean Countries, Sudan etc. During the financial year 2005-06, the Domestic Sales of the company increased by more than two times as compared to that of the previous year.

In the financial year 2005-06, the company achieved Domestic Sales of Rs. 1604.86 lacs, as compared to Rs. 739.75 lacs in the financial year 2004-05. The Export Sales of the company in the financial year 2005-06 reduced to Rs. 982.63 lacs, as compared to Export Sales of Rs. 1803.45 lacs in the financial year 2004-05. The Profit before Tax for the year 2005-06 increased marginally to Rs. 100.64 lacs in comparison to the Profit before Tax of Rs. 99.08 lacs for the year 2004-05. However, due to increase in tax liability, the Profit after Tax in the financial year 2005-06 reduced to Rs. 65.95 lacs, as compared to Rs. 91.50 lacs in the financial year 2004-05.

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 stakeholders. 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 Chairperson & Managing Director, one Whole Time Director, one Non-Executive Director and three Independent Directors.

During the year, 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 and Dr. G. G. Nair ceased to be the Chairman and a Director of the Company due to resignation with effect from 26th October, 2005. Thereafter the Board of Directors in their meeting held on 29th December, 2005 designated Mrs. Jayashree Nair, Managing Director as the Chairperson & Managing Director of the company with effect from that date.

In order to broad base the Board, the Board of Directors appointed Mr. Bhagirath Singh Sihag as Additional Director with effect from 29th December, 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.	Mrs. Jayashree Nair	Chairperson & Managing Director	Whole-time
2.	Mr. S. C. Kachhara	Director	Whole-time
3.	Mrs. Karthika Nair	Director	Non Executive
4.	Mr. A.V.Menon	Director	Non-Executive & Independent
5.	Dr. Dinesh Variar	Director	Non-Executive & Independent
6.	Mr. Bhagirath Singh Sihag	Director	Non-Executive & Independent

b) Board Meetings

During the Financial year 2005-06, six meetings of the Board of Directors were held on the following dates:

21st April 2005, 28th July 2005, 29th September 2005, 26th October 2005, 29th December 2005 and 30th January 2006.

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 Chairperson, 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. No.	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 (upto 26.10.2005)**	4**	Yes	1	2 #
2.	Mrs. Jayashree Nair	5	Yes	-	2 #
3.	Mr. S. C. Kachhara	6	Yes	-	2
4.	Mrs. Karthika Nair	6	Yes	-	2 #
5.	Mr. A.V. Menon	6	Yes	-	1 #
6.	Dr. Dinesh Variar	5	Yes	-	1
7.	Mr. Bhagirath Singh Sihag (appointed w.e.f. 29.12.2005)	2	-	3	1

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

** Ceased to be Director and Non Executive Chairman w.e.f. 26.10.2005

including Chairmanship of one Committee.

c) Remuneration of Directors

- i) The remuneration paid to the Chairperson & Managing Director and Whole time Director is within the ceiling as per the resolution approved by the shareholders. Details of remuneration paid to the Chairperson & Managing Director and Whole time Director during the year ended 31st March, 2006 are as stated below :