

# BDH

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## Industries Ltd.

quality and reputation...

built on care...

Seven decades of tradition...

## Pharmaceutical Company engaged in Health Care World wide

## • BDH : Global Presence





## BDH INDUSTRIES LIMITED

<b>BOARD OF DIRECTORS</b>	:	<b>Mrs Jayashree Nair</b>	<i>Chairperson &amp; Managing Director</i>
		<b>Mr. S. C. Kachhara</b>	<i>Executive Director</i>
		<b>Mrs. Karthika Nair</b>	<i>Non Executive Director</i>
		<b>Mr. A. V. Menon</b>	<i>Non Executive &amp; Independent Director</i>
		<b>Mr. Dinesh Variar</b>	<i>Non Executive &amp; Independent Director</i>
		<b>Mr. Bhagirath Singh Sihag</b>	<i>Non Executive &amp; Independent Director</i>

**COMPLIANCE OFFICER** : **Mr. Ashish Darak**

**AUDITOR** : **M/s L. K. Dangi & Co.**  
*Chartered Accountants*  
Mumbai.

**BANKER** : **Central Bank of India**

**REGISTERED OFFICE** : Nair Baug, Akurli Road,  
Kandivli (East),  
Mumbai – 400 101.

**REGISTRARS & TRANSFER AGENT** : **TSR DARASHAW LIMITED**  
6-10, Haji Moosa, Patrawala Industrial Estate,  
20, Dr. E. Mose Road, Mahalaxmi,  
Mumbai - 400011.

**SEVENTEENTH ANNUAL GENERAL MEETING** at Club Aquaria Enterprises,  
Devidas Road, Behind St. Lawrence School, LIC Colony, Borivali (W), Mumbai – 400  
103 on Thursday, 27th September, 2007 at 3.00 p.m.

## 17th Annual Report 2006-2007

## NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of BDH INDUSTRIES LIMITED will be held on Thursday, 27th September, 2007 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, 2007 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. Bhagirath Singh Sihag, 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 Statutory Auditor of the company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration as may be fixed by the Board of Directors.

FOR AND ON BEHALF OF THE BOARD

**Jayashree Nair**  
Chairperson & Managing Director

Place : Mumbai.

Date : 31st July 2007.

**Registered Office :**

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

**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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a proxy in order to be effective should be duly completed, stamped and signed and 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 Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 20th September, 2007 to Thursday, 27th September, 2007 (both days inclusive).
4. Shareholders are requested to intimate the Company the change, if any, in their Registered Address.
5. Members are requested to bring their copy of the Annual Report and duly signed Attendance Sheet along with them at the Annual General Meeting.
6. Corporate members intending to send their Authorised Representative are requested to send a duly certified copy of the Board resolution authorizing their representative to attend and vote at the Annual General Meeting.
7. Members are requested to trade in the Equity Shares in the Dematerialized form only.

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

Dr. Dinesh Variar was appointed as a 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. He is an Independent Director of the company.

Mr. Bhagirath Singh Sihag has 26 years of experience in the areas of Finance & Taxation. His qualifications include B.com & F.C.A. He was appointed as a 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. He is an Independent Director of the company.





## DIRECTORS' REPORT

To,  
THE MEMBERS,  
**BDH INDUSTRIES LIMITED.**

Your Directors have pleasure in presenting Seventeenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2007.

### FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars	2006-2007	2005-2006
Turnover (Gross) & Other Income	2136.58	2588.98
Profit before Interest and Depreciation	238.06	250.21
Less : Interest	113.45	98.77
Depreciation	60.88	50.80
Profit before tax	63.73	100.64
Less : Provision for Taxation	17.27	33.87
Provision for Fringe Benefit Tax	0.20	0.82
Net Profit After Tax	46.26	65.95
Add : Surplus Brought Forward from the previous year	536.67	472.05
Less : Deferred Taxation	(1.08)	1.33
Less : Provision for Taxation in respect of earlier years	-	-
Amount available for appropriation carried forward to Balance Sheet	584.01	536.67

### REVIEW OF OPERATIONS:

The turnover achieved by the company during the year under review was Rs. 2136.58 Lakhs as compared to Rs. 2588.98 Lakhs in the previous year. Sales of the company in the year 2006-07 were declined in comparison with the Sales of preceding Year.

The reduction in turnover was mainly due to renovation and upgradation of existing unit hindering production and dispatches.

During the year under review, Operating Profit of the company i.e. Profit before Interest and Depreciation are increased from 9.66 % to 11.14 % of Turnover of the company whereas due to increase in the rate of Interest and Depreciation, Net Profit earned by the company is reduced to Rs. 46.26 Lakhs as against 65.95 Lakhs in Previous year.

After adding the surplus brought forward from previous year of Rs.536.67 lakhs, Rs. 584.01 lakhs is carried to the Balance Sheet as surplus in Profit & Loss A/c.

### DIVIDEND:

The company is in the process of upgrading its Manufacturing Facilities, Technologies and equipments to keep pace with changing business environment and to comply with the Statutory Provision. As a result, resource

requirement of the company has increased considerably. In view of the requirement of resources, the profit earned is required to be retained, therefore, your Directors do not recommend any Dividend for the year ended 31st March, 2007.

### SHARE LISTING:

The Company's shares continue to be listed at Mumbai Stock Exchange. The Listing fee for the year 2007-2008, 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 the requirements of countries and its 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 the lowest prices in the world at the same time high standard is maintained. Being in pharma sector, inspite of limitations the future growth in business is expected in Domestic as well as Export markets.

### FIXED DEPOSIT:

The Company has not invited / accepted any deposits from the Public within the meaning of Section 58A 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/Executives/Employees are drawing remuneration / salaries in excess of Rs. 24,00,000/- p.a. or Rs. 2,00,000/- per month if employed for the part of the year and thus no separate disclosure is required to be made under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

*17th Annual Report 2006-2007***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 are 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. S. C. Kachhara, Director (Commercial) has been designated as Executive Director of the company w.e.f. 30th October, 2006 by Resolution passed by the Board of directors in their duly constituted Board Meeting held on that date.

Dr. Dinesh Variar and Mr. Bhagirath Singh Sihag, Directors of the company, retire by rotation at the forthcoming Annual General Meeting, being eligible and offer themselves for re-appointment. Accordingly, the Board recommends their re-appointment.

Brief resume of the Directors being appointed / reappointed is provided in the notice convening the Annual General Meeting of the company as required by Clause 49 of the Listing Agreement.

**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 judgments 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 31st March 2007 and of the profit of the Company for the year ended 31st March 2007.
- 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, existing Statutory Auditors of the Company retire at the ensuing Annual General Meeting. They have expressed / notified their inability to continue to act as Statutory Auditor due to other engagements.

M/s L. J. Kothari & Co. submitted the eligibility certificate as per the provision of section 224 (1B) of the Companies Act, 1956 to the effect that appointment if made in the next Annual General Meeting, will be within the prescribed limits.

Members are requested to appoint them as Auditor of the company.

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

Place : Mumbai.  
Date : 31st July 2007.

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

**ANNEXURE 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	2006-2007	2005-2006
1. Electricity		
a. Purchased		
Units (in kwh)	759894	729304
Total Amount (in Rs.)	4261640	4715670
Average Rate/Unit (Rs.)	5.61	6.46
b. Own Generation		
Through Diesel Generators	—	—
Through Steam Turbine/Generators	—	—
2. Coal (specify quality and where used )	—	—
3. Furnace Oil	—	—
4. Others		
a. L.D. Oil		
Quantity (Litres)	54800	32000
Total Cost (Rs.)	1684418	907400
Average Rate/Unit (Rs.per litre)	30.74	28.35

**B. CONSUMPTION PER K.G. 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 Dermatology and rheumatoid arthritis formulations.
- 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. Creams and Lotions have been developed in Dermatology segment.
- Future Plan of Action :  
Work on upgrading the plant will continue as an ongoing program. Injectable range of products continue to be of future interest.

**iv) Expenditure on R & D :**

	2006-2007	2005-2006
a. Capital	NIL	NIL
b. Recurring	7.90	8.51
<b>TOTAL</b>	<b>7.90</b>	<b>8.51</b>
Total R & D Expenditure as a percentage of total revenue.	0.37%	0.33%

**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**

Particulars	2006-2007	2005-2006
1. Foreign Exchange Earned	883.57	963.22
2. C.I.F Value of Imports	905.12	1050.47
3. Foreign Travel	1.08	12.03
4. Commission on Exports	52.45	46.25
5. Tender Fees, etc.	—	—

FOR AND ON BEHALF OF THE BOARD

**Jayashree Nair**  
Chairperson & Managing Director

Place : Mumbai.  
Date : 31st July 2007.

**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 in updating facilities with changing high standards.

The Indian pharmaceutical industry is having on the one hand opportunities in the developed markets, while on the other, the domestic market is becoming increasingly competitive. The recent regulatory changes have lead the Indian Pharmaceutical industry towards exploring newer avenues of drug discovery & development, thus requiring higher capital investment in the pharmaceutical industry in coming time.

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 requires low cost manufacturing discipline. This being key strength in this industry. India has become a desired destination for outsourcing. Due to its strong research capabilities and low level of labour & other costs incurred in manufacturing as compared to International companies gives more opportunities. 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.

Our company has multi product manufacturing capabilities with an established market presence for Seven 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 to several countries including Sri Lanka, Singapore, Kenya, Germany, Chile, Caribbean Countries, Sudan etc. During the financial year 2006-07, Sales of the company decline due to renovation and modernization of existing unit, equipments, machineries etc. as compared to that of the previous year.

In the financial year 2006-07, the company achieved Domestic Sales of Rs.1162.21 Lakhs, as compared to Rs. 1604.86 Lakhs in the financial year 2005-06. The Export Sales of the company in the financial year 2006-07 reduced to Rs.972.81 Lakhs, as compared to Export Sales of Rs. 982.63 Lakhs in the financial year 2005-06. Operating Profit of the company i.e. Profit before Interest and Depreciation are increased from 9.66 % to 11.14 % of Turnover of the company. However due to increase in the rate of Interest and Depreciation, Net Profit after tax earned by the company is reduced to Rs. 46.26 Lakhs as against 65.95 Lakhs in Previous year.

**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, as per requirement. The company has good labour relations and peaceful long association.

## 17th Annual Report 2006-2007

**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 shareholders 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 to facilitate effective management and control of business.

**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.

In view of contribution in business development of the company, Designation of Mr. Suresh Chandra Kachhara was changed from Director Commercial to Executive Director of the company w.e.f. 30th October 2006.

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	Executive 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 2006-07, Five Board Meetings were held on 25th April 2006, 29th July 2006, 28th September 2006, 30th October 2006 and 29th January 2007.

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 of Listing Agreement. Also, at such meetings the Managing Director confirms to the Board of all Statutory Compliances.

The Asst. Company Secretary / Company Secretary, in consultation with the Chairperson, drafts the agenda of the meeting. Agenda papers backed by relevant details and comprehensive background information are circulated to all the Directors, well in advance of the date of the Board Meeting to enable the board of Directors to take appropriate decisions. The Managing Director, at the Board Meeting keeps the board apprised of the overall performance of the company.

Sr. No.	Name of Directors	Attendance at		No. of Directorships	No. of memberships
		Board Meetings	Last AGM	of other Companies(*)	of Board Sub- Committees
1.	Mrs. Jayashree Nair	5	Yes	—	1
2.	Mr. S. C. Kachhara	5	Yes	—	1
3.	Mrs. Karthika Nair	5	Yes	—	1 #
4.	Mr. A.V. Menon	5	Yes	—	1 #
5.	Dr. Dinesh Variar	4	Yes	—	1
6.	Mr. Bhagirath Singh Sihag	5	Yes	3	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**

- 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 for the year ended 31st March, 2007 are given below :

Name	Position	Salary Rs.	Commission Rs.	Contribution to PF & other Funds (Rs.)	Perquisites Rs.
Mrs. Jayashree Nair	Chairperson & Managing Director	9,60,000	87,000	1,15,200	1,44,000
Mr. S. C. Kachhara	Executive Director	9,60,000	—	1,15,200	1,44,000