



RPG LIFE SCIENCES LIMITED

39th Annual Report 2006-07

BOARD OF DIRECTORS

Mr. H. V. Goenka Chairman
 Mr. R. A. Shah Alternate to Mr. Dilip Sen
 Mr. C. L. Jain
 Mr. Ajit Gulabchand
 Mr. Niraj Bajaj
 Dr. Lalit S. Kanodia
 Mr. Mahesh S. Gupta
 Mr. Manoj K. Maheshwari
 Mr. P. K. Mohapatra
 Mr. Dilip Sen
 Mr. Arvind Vasudeva Managing Director

AUDIT COMMITTEE

Mr. C. L. Jain
 Mr. Niraj Bajaj
 Mr. Mahesh S. Gupta
 Mr. P. K. Mohapatra

COMPANY SECRETARY

Mr. M. C. Mehta

REGISTERED OFFICE

CEA Mahal,
 463 Dr. Annie Besant Road,
 Worli Mumbai - 400 030.
 E-mail: info@rpglifesciences.com
 Web : www.rpglifesciences.com

AUDITORS

Love & Lewes

MANAGEMENT TEAM

Mr. Arvind Vasudeva
 Managing Director
 Mr. M. H. Narasimhan
 Chief Executive - Global Formulations
 Mr. R. R. Dalvi
 Vice President & Chief Technology Officer
 Mr. G. Srinivas
 Vice President & Head of Business-
 Global Generics, API & Biotech
 Mr. Ashoke Roy
 General Manager - Finance

Mr. Sridhar Bharadwaj
 Head - Human Resources

Mr. M. V. Lotlikar
 General Manager - QA & Regulatory Affairs

SOLICITORS

Crawford Bayley & Co.

BANKERS

Union Bank of India
 State Bank of India
 Canara Bank
 Corporation Bank

REGISTRARS

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (West),
 Mumbai - 400 078.

CONTENTS

| | Page No. |
|--|----------|
| • Notice | 3 |
| • Directors' Report | 7 |
| • Management Discussion & Analysis Report... | 14 |
| • Corporate Governance Report | 17 |
| • Auditors' Report | 25 |
| • Balance Sheet | 32 |
| • Profit & Loss Account | 33 |
| • Schedules | 34 |
| • Cash Flow Statement | 55 |
| • Consolidated Financial Statements | 57 |
| • Financial Highlights for Ten Years | 80 |

RPG LIFE SCIENCES LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE THIRTY NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RPG LIFE SCIENCES LIMITED WILL BE HELD ON TUESDAY, OCTOBER 23, 2007 AT M. C. GHIA HALL, BHOGILAL HARGOVINDAS BUILDING, 18/20, KAIKHUSHRU DUBASH MARG (BEHIND PRINCE OF WALES MUSEUM), MUMBAI 400 001 AT 2.45 P.M. OR SOON AFTER CONCLUSION OF THE COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS OF THE COMPANY, WHICHEVER IS LATER, TO TRANSACT THE FOLLOWING BUSINESS.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at March 31, 2007, the profit and loss account for the year ended on that date together with the reports of the board of directors and the auditors thereon.
2. To declare a dividend for the year ended on March 31, 2007.
3. To appoint a director in place of Mr. Manoj Maheshwari, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. C.L. Jain, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Niraj Bajaj, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint auditors and to fix their remuneration, and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s Lovelock & Lewes, Chartered Accountants, be and are hereby re-appointed as auditors of the company, to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the company on such remuneration as shall be fixed by the board of directors."

SPECIAL BUSINESS

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Arvind Vasudeva who was appointed as additional director by the board of directors of the company and who holds office upto the date of this annual general meeting, and in respect of whom the company has received a notice in writing, under section 257 of the Companies Act, 1956, from a member of the company, proposing candidature of Mr. Arvind Vasudeva to the office of director of the company, and who has consented, if appointed, to act as director of the company, be and is hereby appointed as a director of the company liable to retire by rotation subject to the provision of the articles of association of the company."

8. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to provisions of section 21 and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Registrar of Companies, the consent of the members of the company be and is hereby accorded for change of name of the company from "RPG Life Sciences Limited" to "Brabourne Enterprises Limited" or such other name as may be approved by the Registrar of Companies.

RESOLVED FURTHER THAT the name "RPG Life Sciences Limited", wherever it appears in the memorandum and articles of association of the company, be substituted by the name "Brabourne Enterprises Limited" or such other name as may be approved by the Registrar of Companies, upon the said change in the name of the company becoming effective.

RESOLVED FURTHER THAT the aforesaid change in the name of the company be made effective only on or after the Scheme of Arrangement under sections 391 to 394 read with sections 100 to 103 of the Companies Act, 1956 between the company, RPG Pharmaceuticals Limited, Instant Holdings Limited and Instant Trading and Investment Company Limited and their respective shareholders becomes effective."

9. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:



RPG LIFE SCIENCES LIMITED

"RESOLVED THAT pursuant to the provisions of section 78, 100 to 103 and other applicable provisions, if any, of the Companies Act, 1956, and Article 60 of the Articles of Association of the company and subject to sanction of the Scheme of Arrangement between the company, RPG Pharmaceuticals Limited, Instant Holdings Limited and Instant Trading and Investment Company Limited and their respective shareholders ("the said Scheme") under sections 391 to 394 read with sections 100 to 103 of the Companies Act, 1956, by the High Court of Judicature at Bombay, and the said Scheme becoming effective, and subject further to such other approval, consent and permission that may be required, the consent of the members of the company be and is hereby accorded for adjustment of debit balance in Profit and Loss Account that may arise consequent to carrying out of the transactions envisaged under the said Scheme or otherwise on implementation of the provisions of the said Scheme, against the amount lying in share premium account of the company at the time of such adjustment, provided, however, that the amount that may be so adjusted against the amount of the share premium account shall not exceed Rs. 23 crores.

RESOLVED FURTHER THAT the board of directors of the company be and is hereby authorised to do such acts, matters and things (including an authority to delegate this power to the officers of the company) as may be necessary or expedient to implement this resolution."

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 AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The explanatory statement setting out material facts concerning the special business mentioned under item no.7 to 9 of the notice as required under section 173(2) of the Companies Act, 1956, is annexed hereto.
3. The register of members and share transfer books of the company will remain closed from Monday,

October 15, 2007 to Tuesday, October 23, 2007 (both days inclusive).

4. A brief profile of the directors seeking re-appointment is given hereunder.

Mr. Manoj Maheshwari

Mr. Manoj Maheshwari, 49, is a second generation entrepreneur with interests in information technology, marketing and chemical industries. He is a graduate from the Mumbai University with a major in chemistry and has done his post-graduation in Industrial Management. Mr. Maheshwari's work experience encompasses the project management, production, marketing, financial and general management areas of medium sized companies. Mr. Maheshwari is a director of the company since July 2004.

Mr. Maheshwari is also a director of Hind Syntex Ltd., MIRC Electronics Ltd., Hamilton & Co. Ltd., DGP Hinoday Industries Ltd., Ador Weldings Ltd., Madan Investments Pvt. Ltd., Maheshwari Investors Pvt. Ltd., in addition to several private limited companies. Mr. Maheshwari is a member of, audit committee of MIRC Electronics Ltd., Hamilton & Co. Ltd. and Ador Weldings Ltd., shareholders/investors grievance committee of Hind Syntex Ltd. and remuneration committee of MIRC Electronics Ltd. and Ador Weldings Ltd.

Mr. Maheshwari does not hold any share in the company.

Mr. C.L. Jain

Mr. Jain, 73, has obtained post graduation in commerce and is also a member of Institute of Chartered Secretaries & Administrators, London, Chartered Institute of Management Accountants, London, Institute of Management, London, Institute of Chartered Accountants of India and Institute of Company Secretaries of India. Mr. Jain has very rich and vast experience in the field of finance and accounts, acquired over 38 years of working experience with various organisations including ICI, Hindustan Lever Ltd., Hoechst India Ltd. and later as president of Ceat Asset Management Ltd. He was a visiting faculty member of the Bajaj Institute of Management and other institutes for two decades. He was also chairman of Banking and Finance Committee of the Bombay Chamber of

RPG LIFE SCIENCES LIMITED

Commerce and Industry for a period of 4 years. Mr. Jain is a director of the company since October 1993.

Mr. Jain is also a director of Shasun Chemicals and Drugs Ltd., United Breweries Ltd., Shaw Wallace & Co. Ltd., Shaw Wallace Breweries Ltd., Millennium Beer Industries Ltd., Shasun Pharma Solutions Ltd., UK, National Organic Chemical Industries Ltd., Brescon Corporate Advisors Ltd., Asit C Mehta Investments Intermediates Ltd., Instant Trading and Investment Company Ltd. and Practical Financial Services Pvt. Ltd. Mr. Jain is the chairman of audit committee of Shasun Chemicals and Drugs Ltd. and Shaw Wallace & Co. Ltd. and a member of audit committee of United Breweries Ltd., Millennium Beer Industries Ltd., Brescon Corporate Advisors Ltd. and National Organic Chemical Industries Ltd. He is also a member of shareholders'/investors' grievance committee of United Breweries Ltd.

Mr. Jain does not hold any share in the company.

Mr. Niraj Bajaj

Mr. Niraj Bajaj, 52, is a commerce graduate and holds master's degree in Business Administration from Harvard Business School, USA. He is the managing director of Mukand Ltd. and has over 23 years of extensive industrial experience. He is presently the president of Indian Merchants' Chamber and also a member of the managing committee of ASSOCHAM and has served various business/industry associations in different capacities. He was chairman of Alloy Steel Producers' Association of India, President of Indian Stainless Steel Development Association and chairman of the India-Russian Federation-Joint Business Council. He was a recipient of Arjuna Award, India's highest sports honour and Shiv Chhatrapati Award, Maharashtra's highest Sports honour. He has been on the board of directors of the company since October 1998.

Mr. Bajaj presently holds directorship in several public limited companies viz. Mukand Ltd., Bajaj Auto Ltd., Bajaj Allianz General Insurance Co. Ltd., Bajaj Hindusthan Ltd., Catalyst Finance Ltd., Fusion Investment and Financial Services Ltd., Hind Rectifiers Ltd., Hospet Steels Ltd., Jeewan Ltd., Kalyani Mukand Ltd., Mukand Engineers Ltd., Mukand Global Finance Ltd., Mukand Vijaynagar Steel Ltd. and Primus Investment and Finance Ltd. He is also a member of

shareholders'/investors' grievances committee of Mukand Engineers Ltd.

Mr. Bajaj does not hold any share in the company.

5. A brief profile of Mr. Arvind Vasudeva, whose candidature as a director of the company is placed before the members, is as under.

Mr. Arvind Vasudeva, 46, is a pharmacy post graduate and has done his post graduate diploma in management. Mr. Vasudeva has over 23 years rich experience in pharmaceutical industry, in the areas of sales, marketing, planning and general management. Mr. Vasudeva's last assignment was as President - Japan & Rest of the World Operations at Wockhardt Ltd., and has also worked in leadership position in Dr. Reddy's Laboratories Ltd. and Astra-IDL Ltd. earlier in his career. Mr. Vasudeva has been conferred "Udyog Ratna Award" based on nomination made by Institute of Economic Studies.

Mr. Vasudeva does not hold directorship in other companies. He holds 4799 equity shares in the company.

6. Members holding shares in physical form are requested to notify the change, if any, in their address and bank mandate details to the Registrar and Share Transfer Agent, M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078. The members holding shares in the dematerialised form are requested to ensure that the bank account linked to their depository participant account is operative.

By Order of the Board of Directors

M.C.Mehta
Company Secretary
& Controller – Legal

Registered office:
463, Dr. Annie Besant Road,
CEAT Mahal, Worli,
Mumbai- 400 030

Place: Mumbai
Date: September 17, 2007



RPG LIFE SCIENCES LIMITED

ANNEXURE TO NOTICE

Explanatory statement as required under section 173(2) of the Companies Act, 1956.

Item No.7:

Mr. Arvind Vasudeva was appointed as additional director by the board of directors on August 25, 2006. Pursuant to section 260 of the Companies Act, 1956, Mr. Vasudeva holds office up to the date of the ensuing annual general meeting. Mr. Vasudeva has also been appointed by the board as managing director of the company. A brief profile of Mr. Vasudeva has been provided under note 5 above.

A notice under section 257 of the Companies Act, 1956 has been received from a member of the company proposing candidature of Mr. Arvind Vasudeva to the office of director of the company.

Your directors believe that continued association of Mr. Arvind Vasudeva would be of immense benefit to the company and accordingly recommend the resolution mentioned at item no. 7 of the notice for your approval.

None of the directors, except Mr. Arvind Vasudeva, is in any way concerned or interested in the resolution.

Item No. 8:

Under the Scheme of Arrangement under sections 391 to 394 read with sections 100 to 103 of the Companies Act, 1956 between the company, RPG Pharmaceuticals Limited, Instant Holdings Limited and Instant Trading and Investment Company Limited and their respective shareholders as approved by the board of directors of the company on June 12, 2007 ("the said Scheme"), it is, *inter alia*, proposed to change the name of the company from "RPG Life Sciences Limited" to "Brabourne Enterprises Limited" or such other name as may be approved by the Registrar of Companies. The said Scheme is being placed before the members of the company for their approval at the meeting convened on October 23, 2007 pursuant to order passed by the Bombay High Court on September 14, 2007.

The said Scheme envisages sale of the pharmaceuticals business of the company to RPG Pharmaceuticals Limited. Consequent to sale of the pharmaceuticals business as referred above, the name "RPG Life Sciences Limited" is to be made available for adoption by RPG Pharmaceuticals Limited, as per the provisions of the said Scheme. Therefore, it is imperative to change the name of the company.

Your directors recommend the resolution for approval.

None of the directors of the company is, in any way, concerned or interested in this resolution.

Item No.9:

The board of directors of the company has, subject to sanction by the High Court of Judicature at Bombay, at its meeting held on June 12, 2007, approved a Scheme of Arrangement under sections 391 to 394 read with sections 100 to 103 of the Companies Act, 1956 between the company, RPG Pharmaceuticals Limited, Instant Holdings Limited and Instant Trading and Investment Company Limited and their respective shareholders ("the said Scheme"). The said Scheme contemplates utilisation of share premium amount for adjustment of debit balance in profit and loss account resulting consequent to implementation of the said Scheme. The amount of such debit balance is presently not ascertainable. Section 78 read with section 100 of the Companies Act, 1956 provides for approval of the shareholders for such use of the share premium amount.

The copy of the said Scheme is being despatched to the members along with notice of the meeting of the members convened pursuant to order passed by the High Court of Judicature at Bombay on September 14, 2007. The explanatory statement annexed to the said notice also sets out broad features of the said Scheme for understanding of the members.

Your directors recommend the resolution for approval.

None of the directors of the company is, in any way, concerned or interested in this resolution.

By Order of the Board of Directors

M.C.Mehta
Company Secretary
& Controller – Legal

Registered office:
463, Dr. Annie Besant Road,
CEAT Mahal, Worli,
Mumbai- 400 030

Place: Mumbai
Date: September 17, 2007



RPG LIFE SCIENCES LIMITED

DIRECTORS' REPORT

Your directors are pleased to present the thirty-ninth annual report and audited statement of accounts of the company for the year ended March 31, 2007.

1. FINANCIAL RESULTS

The following is the summary of financial performance of the company during the year under review.

| | (Rs. in crores) | |
|--|-----------------|--------------|
| | 2006-07 | 2005-06 |
| Total Income | 124.00 | 148.31 |
| Profit before depreciation, interest and tax | 26.02 | 42.80 |
| Less: Interest | 11.34 | 14.86 |
| Less: Depreciation | 4.76 | 5.58 |
| Profit for the year before tax | 9.92 | 22.36 |
| Provision for tax | 1.68 | 2.67 |
| Profit for the year after tax | 8.24 | 19.69 |
| Balance brought forward from previous year | 9.23 | (4.40) |
| Transfer from Debenture Redemption Reserve | 1.50 | — |
| | <u>18.97</u> | <u>15.29</u> |
| Appropriations: | | |
| Proposed dividend | 2.16 | 3.59 |
| Tax on proposed Dividend | 0.37 | 0.50 |
| Transfer to General Reserve | 0.41 | 1.97 |
| Balance carried forward to balance sheet | 16.03 | 9.23 |
| | <u>18.97</u> | <u>15.29</u> |

2. DIVIDEND

Your directors recommend a dividend of Rs. 1.50 per share (Rs. 2.50 per share in the previous year) per equity share of face value of Rs. 10.

3. OPERATIONS

During the year under review, the company registered total revenue of Rs. 124.00 crores and profit after tax of Rs. 8.24 crores signifying a drop of 16 % in turnover from the previous year. The largest drop in sales came in the global generic business where the company had performed exceedingly well in the previous year. The company was not able to grow the volumes as most buyers lowered their trade volumes during the year. On

the other hand, regulatory price drops in certain high margin formulations products also led to a significant fall in sales revenues of domestic business.

Global Generics Business:

Performance

As stated above, the global generics business had a setback in volumes during the year under review. While business partners had bought high launch quantities in the previous year, their purchases during the year fell quite significantly. The company has already initiated several steps to grow the business and to minimise revenue volatility. A comprehensive exercise of enlarging existing customer base and products portfolio has been undertaken and has met with good initial success in development of new alliances in Europe. The sales of synthetic bulk drugs, however, grew by 14% over the previous year driven by the good performance of Quinifamide, Pantoprazole, Ticlopidine and Diphenoxylate HCL, to name a few.

Outlook

The company is setting up a new bulk drugs facility conforming to US FDA standards, at its existing facility at Navi Mumbai. This initiative will open up the highly profitable US and European market for the company's synthetic bulk drugs. During the current year, the company plans to commercialize several new synthetic bulk drugs across anti-diabetic, anti-hypertensive, anti-psychotic, diuretic and cholesterol reducing segment, which is expected to revitalise this business. The customer building process for US initiatives is also being vigorously pursued and the company is close to finalising a major contract for supply in US and Canada. The sale of synthetic APIs in local and international market is receiving renewed focus. During the year, the company added two new products viz. Aripiprazole and Quetiapine, which have significant potential in international market, and plans to add 9 new APIs during the current year.

Formulations Business:

Performance

The sales of formulations in the domestic market witnessed a decline compared to the previous year. This was further compounded by the regulatory price drop during the later half of the previous year whereby prices of key products like Naprosyn, Aldactone and Glytop were reduced. This led to a revenue drop while affecting the margins of the business as well. However, the heartening feature has been that the products under



RPG LIFE SCIENCES LIMITED

active promotion showed a healthy growth during the year. While efforts were made to keep operating costs under check, the large fall in revenues led to lower overall margins. During the year, the company introduced several new products like Daslin-NF, Rinostat-XL, Rabee-D and Napexar to name a few. During the year, the company was successful in obtaining 22 products registrations in Asian and African countries, and about 30 products registrations are planned during the current year.

Outlook

During the current year, the company will intensify its focus on key segments like pain management, gastrointestinal, anti-hypertensive, anti-psychotic and immuno-suppressants. The company also plans to introduce line extensions of certain key brands like Serenace, Naprosyn and Aldactone to capitalise on the increasing demand for these products. The other areas that are expected to boost performance of this business are generics and export of formulations. During the year, the company launched a new generics division called Healthcare with a renewed strategy that is expected to offer improved margins through direct sales. The exports of formulations have been steadily growing. Focus will be on South East Asian and African markets as potential areas for further growth and has set up dedicated teams and also undertaken promotion of leading brands in the said markets.

Biotech Business:

Performance

Though sales were in line with the previous year, the biotech business did show improvements on many counts. Through sustained research and development, there have been vast improvements in purity and yield enhancement of the anti-cancer range of products thereby making them more profitable and acceptable in the market place. Capacity constraints were removed in certain sections. Consequent to closure of operations at the leased facility in Pune, the company successfully brought to an end the entire lease arrangement in respect of the said facility. The company continues to be the sole manufacturer in the country for Epirubicin and Doxorubicin.

Outlook

The company plans to add sizeable capacity to its facility at Ankleshwar for this business as well as add more products in its niche anti-cancer and immuno-suppressants segment to tap increasing demand. The

company has also firmed up plans to upgrade its existing facility to US FDA standards to harness potential that these products offer in regulated markets.

Research & Development

The in-house R&D division continues to play a pivotal role in the company's pursuit of growth. The company's R&D is well equipped and has robust processes for developing and transferring cost effective, innovative and eco-friendly technologies for all kinds of active pharmaceutical ingredients. The oncology section is a core strength area for the company. In order to further enlarge the existing products range in this segment, R&D division is engaged in development of eight new anti-cancer bulk drugs that are likely to be commercialised over the next two years. On the formulations front, R&D has developed a novel drug delivery system for Anti-psychotic formulation and work for such delivery development is under way for anti-arthritis and immuno-suppressant formulation. The company has constituted a dedicated group to focus on development of novel drug delivery systems.

4. RESPONSIBILITY STATEMENT

The directors confirm:

- (i) That in the preparation of the annual accounts for the year under review, the applicable accounting standards have been followed and that no material departures have been made from the same. In respect of the liability of Rs. 3 crores payable only at the end of October 2008, the company has made provision of Rs 1.90 crores as at the year end. The balance amount is being provided @ Rs. 7 lacs per month, which is considered adequate in the circumstances of the case;
- (ii) That they have selected appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of March 31, 2007 and of the profit for the year ended on that date;
- (iii) That they 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; and
- (iv) That they have prepared the annual accounts on a going concern basis.

RPG LIFE SCIENCES LIMITED



5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required under 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 are given in annexure A to this report.

6. PARTICULARS OF EMPLOYEES

The particulars of employees of the company, in terms of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in annexure B to this report.

7. SUBSIDIARY

The accounts as of March 31, 2007 and the report of the directors and auditors of Instant Trading and Investment Company Limited, a subsidiary of the company, are not attached pursuant to exemption granted by the Central Government. The members are informed that annual accounts of the said subsidiary and the related detailed information will be made available on request. The accounts of the said subsidiary for the year ended on March 31, 2007 are also open for inspection to the members at the registered office of the company.

8. CORPORATE GOVERNANCE

A certificate from practising company secretary on compliance of conditions of corporate governance is annexed to this report. The management discussion and analysis report and compliance report on corporate governance as required by clause 49 of the listing agreement form part of this annual report.

9. PUBLIC DEPOSITS

The company has stopped accepting deposits from public. During the year under review, the company repaid deposits of Rs. 58.22 lacs. As on the year end, total unmatured deposit stood at Rs. 63.66 lacs, while deposits amounting to Rs. 11.94 lacs remained unclaimed.

10. EMPLOYEE STOCK OPTION PLAN

The disclosures in respect of the company's Employee Stock Option Plan, as required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in annexure C to this report.

11. DIRECTORS

Mr. Manoj Maheshwari, Mr. C.L. Jain and Mr. Niraj Bajaj retire by rotation at the ensuing annual general meeting, and being eligible, offer themselves for re-appointment.

The board of directors at its meeting held on August 25, 2006 appointed Mr. Arvind Vasudeva as additional director and also appointed him as managing director of the company. Your directors have to inform you that the members have approved the appointment of and payment of remuneration to Mr. Arvind Vasudeva as managing director by special resolution that was voted through postal ballot. Pursuant to provisions of the Companies Act, 1956, Mr. Arvind Vasudeva holds office of director upto the date of the ensuing annual general meeting. A notice has been received under section 257 of the Companies Act, 1956 from a member of the company along with requisite deposit for appointment of Mr. Vasudeva to the office of director of the company. The resolution for his appointment as director of the company is being placed before the members at the ensuing annual general meeting.

12. SAFETY

The safety inspection and audits were periodically carried out during the year across all factories. The safety audit for Navi Mumbai plant was also carried out by external agency and its recommendations have been implemented. The safety awareness programmes were organised and concerned employees were also imparted safety training. The annual comprehensive health check-up of employees was also carried out.

13. AUDITORS

M/s Lovelock & Lewes, Auditors of the company, hold office until the conclusion of the ensuing annual general meeting. M/s Lovelock & Lewes has expressed their willingness and confirmed their eligibility for re-appointment as auditors of the company.

14. AUDITORS' REPORT

As regards auditors comments vide paragraph 4(a), 4(b) and 4(d) of their report, your directors request you to refer to note 3, 9(b) and 15 respectively to the accounts, which are self explanatory.

15. APPRECIATION

Your directors record their appreciation of the valuable services rendered by all employees of the company, their gratitude to the banks for their assistance and to the company's shareholders, customers and suppliers for their continued support.

For and on behalf of the Board of Directors

Place : Mumbai
Date : June 12, 2007

H.V. Goenka
Chairman