

**21st
ANNUAL REPORT
2005 - 2006**

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Prudential Pharmaceuticals Limited

**Prudential Pharmaceuticals Limited**

BOARD OF DIRECTORS

Shri Vinod Baid	–	<i>Chairman</i>
Shri U.C. Bhandari	–	<i>Director</i>
Shri Y. Ravinder Reddy	–	<i>Director</i>
Shri Kishore Jhunjhunwala	–	<i>Director</i>

REGISTERED OFFICE & WORKS

Sy. No. 133, Bollaram, Jinnaram Mandal
Medak District – 502 325.
Andhra Pradesh

CORPORATE OFFICE

‘Akash Ganga’, 4th Floor
Plot # 144, Srinagar Colony
Hyderabad – 500 073.

BANKERS

State Bank of Hyderabad
Overseas Branch, Somajiguda
Hyderabad – 500 082.

AUDITORS

M/s. Lakshminiwas & Jain
Chartered Accountants
5-4-726, Nampally Station Road
Hyderabad – 500 001.

REGISTRAR & SHARE TRANSFER AGENTS

AMI Computers (I) Limited
60 A & 60 B, Chowringhee Road
Kolkata - 700 020.



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NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Company will be held on Friday the 29th September 2006 at 10.00 A.M. at the Registered Office of the Company at Survey No.133, Bollaram, Jinnaram Mandal, Medak District – 502 325 (A.P.) 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 & Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri Y. Ravinder Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
 “RESOLVED THAT M/s. Lakshminiwas & Jain, Chartered Accountants, Hyderabad be and are hereby appointed, Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company.”

for and on behalf of the Board

Place: Hyderabad
Date : 30th June, 2006

Vinod Baid
Chairman

NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself. A Proxy need not be a member of the Company. Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members of the Company will remain closed from 25th September, 2006 to 29th September, 2006 (both days inclusive).
3. Members are requested to quote their Registered folio numbers in all their Correspondence with the Company and notify change in their registered address, if any.
4. Members/proxies should bring the Attendance slips duly signed to the meeting and hand it over at the entrance. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting. Xerox copy of attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to bring their copy of the Annual Report to the Meeting as copies will not be distributed at the Meeting hall due to prohibitive cost of printing.



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Annexure to the Notice

Notes on Directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Profile of Directors being Appointed/Re-appointed:

Item No. 2

S.No.	Particulars	Y. Ravinder Reddy
1.	Age	39 years
2.	Date of Appointment	22 nd March, 2003
3.	Qualification	B.A.
4.	Experience	He has vast experience in executing Civil works i.e. Roads, Building Bridges, Canals in Government Sector and Private Sectors. Cultivating Agriculture and Poultry business.
5.	Other Directorships	Prudential Sugar Corporation Ltd.
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	A. Audit Committee Prudential Sugar Corporation Ltd. B. Share Transfer Committee/ Investors' Grievances' Committee Prudential Sugar Corporation Ltd.



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DIRECTORS' REPORT

Your Directors are pleased to present the Twentyfirst Annual Report and the Audited Accounts for the year ended 31.03.2006.

1. Financial Results (Rs. in Lakhs)

	Year ended 31.03.2006	Year ended 31.03.2005
Profit before Finance charges and Depreciation	109.99	148.97
Finance Charges	17.09	20.64
Depreciation	87.19	90.69
Prior Period Adjustment	(1.85)	0.00
Provision for Tax:		
- Current	0.00	3.00
- Deferred	19.08	(7.93)
- Fringe Benefit Tax	0.95	0.00
Profit after Tax	(16.17)	42.57
Surplus Brought forward	284.31	241.74
Surplus carried forward	264.32	284.31

2. **Performance & Prospects:** During the year under review the Company successfully implemented GMP (Good Manufacturing Practices) Standards prescribed by Drug Control Administration, during which the plant was halted nearly three months which affected the performance of the Company. However the Company could achieve Profit before tax of Rs. 5.71 Lakhs (Net Loss Rs. 16.71 Lakhs) as against Rs. 37.64 Lakhs (Net Profit Rs. 42.57 Lakhs) during the previous year 2004-05.

3. **Dividend:** During the financial year 2005-06 your Board of Directors could not recommend any dividend due to absence of distributable profits.

4. **Directors:** Shri Y. Ravinder Reddy retires by rotation and being eligible, offers himself for re-appointment.

5. **Directors' Responsibility:** Pursuant to Section 217(2AA) of the Companies Act, 2000 the Directors confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- Appropriate accounting policies have been

selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the loss of the company for the said period;

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. The Annual Accounts have been prepared on a going concern basis.

6. **Auditors:** M/s. Lakshminiwas & Jain, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

7. **Personnel:** Employee relations at all levels were cordial during the year. Your Directors place on record their appreciation of the dedicated work put-in by the employees.

During the year under review there are no employees in the Company whose particulars are required to be given pursuant to Section 217(2A) of the Companies Act, 1956.

8. **Acknowledgement:** The Board of Directors are very thankful to the State Bank of Hyderabad and other Government Agencies for their continued help, guidance and assistance in the functioning of the Company.

9. Your Directors express their gratitude to the shareholders for the confidence reposed in the Company.

10. Information on Energy Conservation and Technology Absorption required to be disclosed 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, forming part of the Directors' Report for the year ended 31st March 2006, is enclosed as Annexure to this Report.

for and on behalf of the Board

Place: Hyderabad
Date: 30th June, 2006

Vinod Baid
Chairman



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ANNEXURE TO THE DIRECTORS' REPORT

Information 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

Conservation of Energy:

Assessment of individual equipment/utilities energy requirement (Electricity/Steam) has been done and standard benchmarks have been established. Awareness among the staff and plant workers has been created to have a constant monitor on usage of energy and to optimize throughout and to avoid wastage and unproductive usage of energy.

Pollution Control:

The Company is a member of the Common Effluent Plant of M/s. Patancheru Envirotech Limited and M/s. Progressive Effluent Treatment Limited, Bollaram. As per the orders of Supreme Court, implementation of the pre-treatment of effluent as per the directions of Central Pollution Control Board is already under strict implementation.

FORM 'A'

Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)

	2005-2006	2004-2005
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased Units (KWH in Lacs)	3.53	6.18
Total amount (Rs. In Lacs)	15.78	27.76
Rate/Unit (Rs./KWH)	4.47	4.49
b. Owned Generation		
Through Diesel Generator Unit (KWH in Lacs)	0.83	0.93
Total Amount (Rs. In Lacs)	11.10	4.32
Units per liter of Diesel Oil	5.62	5.78
Cost/Unit (Rs./KWH)	13.37	4.65
2. COAL		
Quality 'C' Grade in Steam Boiler		
Quantity (Tonnes)	170	455
Total Cost (Rs. In Lacs)	5.18	10.63
Average rate/T (Rs.)	3047	2336
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Electricity & Diesel (KWH)	2.41	3.85
Coal (M.T.)	0.94	2.47

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FORM 'B'

RESEARCH & DEVELOPMENT:

1. Specific areas in which R & D Carried out by the Company	NIL	NIL
2. Benefits derived as a result of the above	NIL	NIL
3. Future Plan of Action	NIL	NIL
4. Expenditure on R & D	NIL	NIL

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Effort, in brief, made towards Technology absorption, adaptation and innovation	N.A.	N.A.
2. Benefits derived as a result of the above efforts	N.A.	N.A.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished	N.A.	N.A.

C. FOREIGN EXCHANGE EARNINGS
& OUTGO :

1. Earnings in Foreign Currency on F.O.B. basis – Export of Goods	1,88,06,458
2. Value of imports on C.I.F. basis – Raw materials	2,88,38,159
3. Expenditure in Foreign Currency	—



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CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company supports the broad principles of Corporate Governance. Your company has been practicing the principles of good corporate Governance over the years. Given below is a report on Corporate Governance:

1. Company's Philosophy on code of Governance

The Company's Philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. All employees are guided by a code of conduct, which sets forth Company's policies on important issues, including our relationship with our customers, shareholders and Government. The Company makes disclosures of its operations and performance to the public through Annual Report and quarterly financial results. The company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of Listing Agreement. This is the corporate governance report of the company.

2. Composition of Board

The Board of Directors has a mix of Executive and Non-Executive Directors. The Board comprises of four Directors – the Chairman and three Non-Executive Directors. All three Non-Executive Directors are independent Directors. Accordingly, the composition of the Board is in conformity with the Listing Agreement.

Attendance of each Director at Board Meetings and Last Annual General Meeting:

The Board met Six times during the financial year 2005-2006 on 29.04.2005, 12.05.2005, 27.06.2005, 29.07.2005, 28.10.2005 & 31.01.2006. The last Annual General Meeting of the Company was held on September 30, 2005.

Name of Director	No. of Meetings held	No. of Meetings attended	Attendance at last AGM
Sri Vinod Baid	6	6	Y
Sri. Kishore Jhunhunwala	6	3	N
Sri. U.C.Bhandari	6	6	Y
Sri. Y.Ravinder Reddy	6	6	Y

3. Audit Committee

An Audit Committee was constituted in April, 2002 which consists of three independent Non-Executive Directors. The Members of the Committee are well versed in finance matters, accounts, company law and general business practices.

The Company has complied with the requirements of Clause 49 II A as regards the composition of the Audit Committee.

The composition of the Audit Committee is as under:

- | | | |
|----------------------------|---|----------|
| 1. Sri.U.C.Bhandari | - | Chairman |
| 2. Sri Kishore Jhunhunwala | - | Member |
| 3. Sri.Y.Ravinder Reddy | - | Member |

During the Financial Year 2005-2006, five Audit Committee Meetings were held on 29.04.2005, 27.06.2005, 29.07.2005, 28.10.2005 and 31.01.2006.



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Attendance at Audit Committee Meetings

Name of the Director	No. of Meetings attended
Sri U.C.Bhandari	5
Sri Kishore Jhunhunwala	2
Sri Y Ravinder Reddy	5

The necessary quorum was present at the meetings.

4. Remuneration Committee

The Remuneration Committee is responsible for devising policy for compensation and benefits for Directors and frame policies and systems for Stock Option Plans.

The Composition of the Committee is:

- | | | |
|----------------------------|---|----------|
| 1. Sri Vinod Baid | - | Chairman |
| 2. Sri Kishore Jhunhunwala | - | Member |
| 3. Sri.U.C.Bhandari | - | Member |
| 4. Sri.Y.Ravinder Reddy | - | Member |

5. Investors' Grievance Committee

The Board constituted an Investors' Grievance Committee in April, 2002. The Composition of the Committee is:

- | | | |
|-----------------------------|---|----------|
| 1. Sri Vinod Baid | - | Chairman |
| 2. Sri. Kishore Jhunhunwala | - | Member |
| 3. Sri.U.C.Bhandari | - | Member |
| 4. Sri.Y.Ravinder Reddy | - | Member |

The committee meets at frequent intervals to consider, inter alia, share transfers, shareholders complaints etc.,

6. Compliance Officer

Sri L. P. Baid, Asst. Vice President (Accounts & Administration) has been designated as Compliance Officer. During the year 2005-2006 ten complaints were received from Investors. All complaints have been resolved to the satisfaction of the complainants.

All valid share transfers received during the year 2005-2006 have been acted upon by the company and there were no pending share transfers as on March 31, 2006.



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7. General Body Meetings

Location and time where last three Annual General Meetings were held are given below:

Financial Year	Date/ Time	Location of the Meeting
2002-2003	30.09.2003 10.00 a.m.	Registered Office
2003-2004	30.09.2004 10.00 a.m.	Registered Office
2004-2005	30.09.2005 10.00 a.m.	Registered Office

No special resolution was put through postal ballot at the last Annual General Meeting and nor any proposed for this year.

8. Disclosures

- a. Disclosures on materially significant related party transactions i.e, transactions of the company of Material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the company at large.

The company had related party transactions, which did not have any potential conflict with the interest of the company at large.

- b. Details on non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years

The company has complied with all requirements of regulatory authorities on capital market and no penalty/ strictures imposed on the company during the last three years.

9. Means of Communication

The quarterly, half-yearly and full year results are published in newspapers.

10. General shareholder information

A. Annual General Meeting

Date and Time	:	29 th September, 2006 at 10.00 A.M.
Venue	:	Registered Office of the Company at Survey No.133, Bollaram Jinnaram Mandal Medak District- 502 325 (A.P)
Demat ISIN No. for NSDL and CDSL for Equity Shares	:	INE509C01018

- B. Date of Book Closure : 25th September 2006 to 29th September 2006
(both days inclusive)

C. Registrar & Share transfer Agent

AMI Computers(I) Ltd, 60A & 60B, Chowringhee Road, Kolkata – 700 020.