

22nd ANNUAL REPORT 2006 - 2007



PRUDENTIAL PHARMACEUTICALS LIMITED



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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 Jhunjunwala	–	<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

CIL Securities Ltd
214, Raghava Ratna Towers
Chirag Ali Lane
Hyderabad – 500 001.



Prudential Pharmaceuticals Limited

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Company will be held on Friday, the 28th September, 2007 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, 2007 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri Kishore Jhunjunwala, 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, 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."

SPECIAL BUSINESS:

4. To consider, and, if thought fit, to pass, the following resolution, with or without modification(s) as a Special Resolution:

To increase the Authorised Share Capital of the Company from Rs.12,00,00,000 to Rs.16,00,00,000.

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the members of the Company, the Authorized Share Capital of the Company be increased from Rs.12,00,00,000 (Rupees Twelve Crores only) divided into 1,20,00,000 (One Crore Twenty Lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each to

Rs.16,00,00,000 (Rupees Sixteen Crores only) divided into 1,60,00,000 (One Crore Sixty Lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each by further creation of 40,00,000 (Forty Lacs only) Equity shares of Rs.10/- (Rupees ten only) each."

"FURTHER RESOLVED THAT the Clause V(i) of the Memorandum of Association of the Company be altered as follows:

"The Authorized Share Capital of the Company is Rs.16,00,00,000/- (Rupees Sixteen Crore only) divided into 1,60,00,000 (One Crore Sixty Lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each.

"FURTHER RESOLVED THAT the Article 3 of the Articles of Association of the Company be altered as follows:

"The Authorized Share Capital of the Company is Rs.16,00,00,000/- (Rupees Sixteen Crore only) divided into 1,60,00,000 (One Crore Sixty Lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each with power to increase or reduce the Capital of the Company and divide the shares in the Capital for the time being into several classes and attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions in such manner as may be determined and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company.

None of the Directors of the Company is concerned or interested in the above resolution.

5. To consider, and, if thought fit, to pass, the following resolution, with or without modification(s), as a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (Act), (including any statutory modifications or re-enactment thereof for the time being in force) and in accordance with the Articles of Association of the Company, the Listing



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Agreement entered into between the Company and the The Hyderabad Stock Exchange Limited, Bombay Stock Exchange Limited, The Calcutta Stock Exchange Association Limited and the Ahmedabad Stock Exchange Limited, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the "SEBI Guidelines"), and subject to all other applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions, as may be necessary, of appropriate authorities, institutions or bodies, subject to lock-in for such period as may be required under the SEBI Guidelines and subject to such conditions as the authorities may impose at the time of granting their approvals/consents/permissions/sanctions and which may be agreed to by the Board of Directors of the Company (the 'Board', which expression shall include any Committee(s) thereof constituted by the Board) if it thinks fit, in the interest of the Company, consent of the Company be and is hereby accorded to the Board to offer, issue and allot:

1. 25,00,000 Equity Shares of Rs.10/- (Rupees Ten) each at a premium of Rs.19/- (Rupees Nineteen) each per share; AND
2. 25,00,000 Warrants to be converted to Equity Shares of Rs.10/- (Rupees Ten) each within 18 months from the date of issue each at a price of Rs.29/- (Rupees Twenty Nine) each including a Premium of Rs.19/- (Rupees Nineteen) each per equity share on preferential basis to the following persons:

Name	No. of Equity Shares	No. of Equity Warrants
1. Silver Golden Property Develop Fin Investment Ltd	15,00,000	25,00,000
2. Carwin Mercantiles (P) Ltd	10,00,000	
Total	25,00,000	25,00,000

I. Issue Price:

- a. For Issue of Equity Shares:

Issue price Rs.29/- (Rupees Twenty Nine) (including a share premium of Rs. 19/- (Rupees Nineteen) per Share.

- b. For Issue of Equity Warrants:

Issue price of one Equity Warrant of Face value of Rs. 10/- (Rupees Ten) at premium of Rs. 19/- aggregating Rs. 29/- (Rupees Twenty Nine) per Warrant fixed in accordance with the provisions Chapter XIII of the Securities Exchange Board of India (Disclosure and Investor Protection Guidelines), 2000 ("DIP Guidelines").

II. Terms of Payment:

- a. For Equity Shares:

An amount of Rs. 29/- (Rupees Twenty Nine) being the 100% of issue price shall be payable on application.

- b. For Equity Warrants:

An amount of Rs. 2.90/- (Rupees Two and Ninety Paise) for Equity Share being the 10% of issue price shall be payable on application

III. Other Terms of Issue:

- a. Terms of Conversion of Warrants into Equity Shares:

The holder of one Equity Warrant shall be entitled for one Equity Share of Rs. 10/- (Rupees Ten) each in the Capital of the Company as fully Paid-Up which shall be allotted in such time, not exceeding 18 months from the date of issue as may be determined by the Board.

- b. Lock-in Period:

The Equity Share Warrants being issued pursuant to this resolution shall be subject to Lock-in as per the SEBI (DIP) Guidelines 2000.

- c. Rights of Warrant Holders:

The Warrants Holders shall also be entitled to any further bonus/rights



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issue of Equity Shares Other Securities convertible in to the Equity Shares by the Company in the same proportion and manner as any other Shareholder of the Company for the time being.

d. **Forfeiture of amount paid:**

In case the Warrant Holders do not exercise the option before the time fixed by the Board subject to SEBI (DIP) guidelines and not exceeding 18 months from the date of issue of warrants, the amount paid on application shall liable to be forfeited.

e. **The Equity Warrants and Equity Shares** arising out of conversion of Warrants should be governed by the guidelines issued by the SEBI or any other authority as the case may be in this regard.

“RESOLVED FURTHER THAT:

- a. The relevant date for the purpose of pricing of the Securities, in accordance with the SEBI Guidelines is 29.08.2007, being the 30th day prior to the date of this meeting (i.e., the date on which the meeting of the general body of shareholders is being held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue of Securities on preferential basis.)
- b. The Board be and is hereby authorized to offer, issue and allot any and all of the Securities as above, at such time as it may deem fit subject to the SEBI Guidelines.
- c. The Board be and is hereby authorized to decide and approve other terms and conditions of the issue of the Securities as above, and also shall be entitled to vary, modify or alter any of the terms and conditions, including the size of the issue, as it may deem expedient.

d. The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any director or directors or to any committee(s) of directors or any other officer or officers of the Company or to any other person or persons as it may deem fit for the purpose of giving effect to the aforesaid resolution.

e. The Securities, if any, to be issued and allotted in pursuance of this resolution, shall rank *pari passu* with the then existing Securities of the Company in all respects.”

“RESOLVED FURTHER THAT for giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any questions, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Securities and the utilisation of the proceeds of the issue of the Securities for the Company's expansion plans, acquisitions, capital expenditure and/or other corporate initiatives, to meet issue expenses, etc., to prescribe the form of application, enter into any agreements or other instruments, and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as it may deem fit.”

For and on behalf of the Board

Vinod Baid
Chairman

Place: Hyderabad

Date : 4th September, 2007

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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, 2007 to 28th September, 2007 (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.

For and on behalf of the Board

Place: Hyderabad
Date: 4th September, 2007

Vinod Baid
Chairman



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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 4

The Company proposed to issue 25,00,000 Equity Warrants to be converted to Equity Shares and 25,00,000 Equity Shares on preferential basis as per Item No. 5 of this Notice. As the proposed issue is beyond the Authorised Capital of the Company, it is proposed to increase the Authorised Capital of the Company from present Rs. 12,00,00,000 to Rs. 16,00,00,000.

Your Directors therefore recommend passing of the Special Resolution as set out at Item No. 4 of the Notice.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

Item No. 5

Company in order to fund its Long Term Working Capital and Cost of future acquisitions, proposed to issue Equity Shares and Warrants to be converted to Equity Shares to the following investors on a preferential basis:

Sl. No.	Name of the Investors	Number of Equity Shares	Number of Equity Warrants
1	Silver Golden Property Develop Fin Investment Ltd. F-16, Arihant, 3rd Floor, Mulji Nagar Borivali, MUMBAI – 400 092. PAN: AAKCS4945B	15,00,000	25,00,000
2	Carwin Mercantiles (P) Ltd 107 C, Todi Chambers, 2, Lal Bazar Street, KOLKATA – 700 001. PAN: AABCC2703L	10,00,000	—
	Total	25,00,000	25,00,000

Disclosures which are required to be given in terms of Clause 13.1A of Chapter XIII of the SEBI Guidelines on Preferential Issues:

1. The object of the issue on preferential basis:

The objects of the issue are to augment funds for Company's Long Term Working Capital and to finance the Acquisition of Units. The issue expenses would be met out of the proceeds of this issue.

2. Intention of the Promoters/Directors/Key Management persons to subscribe in the issue:

The Existing Promoters/Directors/their relatives and associates are not subscribing in this issue of equity shares on a preferential basis.



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3. Equity Shareholding pattern before and after the issue based on beneficiary position dated 29.08.2007

Sl. No.	Category	Before the Issue		After the Issue of 25,00,000 Equity Shares and without Warrants		After the Issue of 25,00,000 Equity Shares and 25,00,000 Warrants	
		No. of Shares	% age	No. of Shares	% age	No. of Shares	% age
A	Promoters' holding						
1	Promoters						
a.	Individual and Hindu Undivided Family	10,818	0.11	10,818	0.08	10,818	0.07
b.	Bodies Corporate Existing:						
	Proposed Allottees:	25,03,982	24.67	25,03,982	19.79	25,03,982	16.53
	1. Silver Golden Property Develop Fin Investment Ltd.	—	—	15,00,000	11.86	40,00,000	26.40
	2. Carwin Mercantiles (P) Ltd	—	—	10,00,000	7.91	10,00,000	6.60
	Total Promoter Shareholding	25,14,800	24.78	50,14,800	39.64	75,14,800	49.60
B	Public Shareholding						
1	Institutional Investors	Nil		Nil		Nil	
2	Non-Institutions						
a.	Bodies Corporate	31,87,640	31.40	31,87,640	25.20	31,87,640	21.04
b.	Individuals	44,47,860	43.82	44,47,860	35.16	44,47,860	29.36
	Total Public Shareholding	76,35,500	75.22	76,35,500	60.36	76,35,500	50.40
	Total	1,01,50,300	100.00	1,26,50,300	100.00	1,51,50,300	100.00

4. Proposed time within which the allotment shall be completed:

The allotment is proposed to be completed within 15 days from the date of passing the resolution at this meeting or from the date of approvals, if any, required from any regulatory authority(ies) or the Central Government, as the case may be, whichever is later.

5. Pricing of the Issue:

The pricing has been computed in compliance with the provisions laid down in Chapter XIII of the Securities Exchange Board of India (Disclosure and Investor Protection Guidelines), 2000 ("DIP Guidelines").



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6. The identity of the proposed allottees and the percentages of the pre and post preferential issue capital that may be held by them:

The proposed allottees and their percentage holdings, pre and post preferential issue Capital are as given under the following table based on beneficiary position dated 29.08.2007

Sl. No.	Name of the Investor	Before the Issue		After the Issue of 25,00,000 Equity Shares and without Warrants		After the Issue of 25,00,000 Equity Shares and 25,00,000 Warrants	
		No. of Shares	% age	No. of Shares	% age	No. of Shares	% age
1	Silver Golden Property Develop Fin Investment Ltd. F-16, Arihant, 3rd Floor, Mulji Nagar, Borivali, MUMBAI – 400 092. PAN: AAKCS4945B	Nil	Nil	15,00,000	11.86	40,00,000	26.40
2	Carwin Mercantiles (P) Ltd., 107 C, Todi Chambers, 2, Lal Bazar Street, KOLKATA – 700 001. PAN: AABCC2703L	Nil	Nil	10,00,000	7.91	10,00,000	6.60
	Total			25,00,000	19.77	50,00,000	33.00

7. Persons Acting in Concert (PAC): As per the declarations given by the proposed allottees there are no persons acting in concert for acquiring shares in this preferential allotment.

Your Directors recommend the passing of the resolution under Section 81(1A) of the Companies Act, 1956, as specified at Item No. 4 of the Notice for issuing and allotting the Securities.

8. Change in the control or composition of the Board:

The prospective allottees are included into the promoters group along with the existing promoters, hence there is a consolidation of control without change in the management. However there will be a change in the composition of the Board of Directors and accordingly there will be corresponding change in the shareholding pattern as well as voting rights consequent to preferential allotment.

9. Conversion price of the warrants:

The Company decided to keep price for the conversion of Warrants being issued at Rs. 29/- (Rupees Twenty Nine) (including Rs. 19/- (Rupees Nineteen) per Share as premium) which has been computed in compliance with the provisions laid down in Chapter XIII of the Securities Exchange Board of India (Disclosure and Investor Protection Guidelines), 2000 ("DIP Guidelines").

None of the Directors of the Company is in any way concerned or interested in the said resolution.

For and on behalf of the Board

Place: Hyderabad

Date: 4th September, 2007

Vinod Baid
Chairman



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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	Kishore Jhunjunwala
1.	Age	53 Years
2.	Date of Appointment	28.05.1999
3.	Qualification	Chartered Accountant, Bachelor of Law
4.	Experience	Worked in a Multinational Commodity Company as a Finance controller in London in 1981. Vastly Experienced in Banking, Derivatives trade, Shipping Business, Hotel Industry, Commodity Exports. Presently providing Consultancy Services in Finance, Legal, International Trade to the clients in India and outside India.
5.	Other Directorships	Prudential Sugar Corporation Ltd. Mercury Fund Management Co. Ltd. Deccan Remedies Ltd. Discovery e-com Ltd. Discovery Infoways Ltd. Discovery Institute of Information and Technology Ltd. Sindia Steels Ltd. Priyatama Exports (P) 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.