

20TH ANNUAL REPORT 2003-2004



BOARD OF DIRECTORS

Mr. Jayesh P. Choksi	-	Chairman & Managing Director
Mr. Khantilal N. Sanghavi	-	Director
Dr. Sharat S. Gandhi	-	Director
Mr. Ashok M. Tarale	-	Director
Mr. Vijay Agarwal	-	Director
Mr. Pranav J. Choksi	-	Director

COMPANY SECRETARY

Mr. H. P. Kanaani

AUDITOR

S.H.R. & Co.

Chartered Accountant

BANKERS

Dena Bank

The Saraswat Co - op. Bank Ltd.

Bank Of Baroda

LEGAL ADVISOR

B. Amin & Co.

(Solicitors & Advocates)

REGISTERED OFFICE & SHARES DEPARTMENT

Gufic House ,
Subhash Road – A,
Vile Parle (E),
Mumbai – 400 057.

20th Annual General Meeting

DAY & DATE

Tuesday, 28th September, 2004

TIME

10.30 AM.

VENUE

Hotel Parle International,
B. N. Agarwal Market,
Next to Dinanath Mangeshkar Hall,
Vile Parle (E), Mumbai - 400 057.

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OUTLOOK

Outlook of the pharmaceutical industry as whole and also of the company seems to be encouraging. To focus on consolidating the business through implementation of various growth strategies which consist of revamping and relaunching of some of the existing products. Launch new products in the therapeutic segments, concentrate on generic segment.

The company should concentrate on segment like Herbal formulations, Personal hygiene product, bio science, seed etc. which do not have impact of GATT.

Company is concentrating on investment in asset creation, building IPR assets, new drug and delivery systems for the future. Company is focusing on R and D activities for its bio sciences activities and also its pharmaceutical products. With the rising income levels and privatization of insurance industry continues to do well in the coming year. Company expects to introduce new herbal products in various therapeutic areas.

RISK AND CONCERN

Introduction of the product patent regime from year 2005 will be a key development for the country and represents biggest threat to Indian Pharmaceutical industry. Indian Companies will face intense competition due to recognition of product patent instead of process patent. As regards the impending introduction of product patents, it is fervently hoped that the Government will provide for compulsory licensing to protect Indian consumers, while finalising the patent amendment bill. Many players in the market are now recognising the opportunities and threats this will present which mark the early beginnings of collaboration or mergers and acquisition. There is a great risk in concentrating the resources on a specific segment. The risk should be spread over a large portfolio of businesses. Original research is expensive, time consuming and faces low profitability of commercial viability due to uncertainty with regard to commercialisation of the product.

INTERNAL CONTROL SYSTEM

Your Company has adequate system of internal control. The internal Audit Department regularly conducts a review of the financial and operating controls to ensure that all assets of the Company are protected and all transactions are recorded in conformity with generally accepted accounting principle.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

Employees are vital to your Company. Your Company has created a favorable work environment that encourages innovation and meritocracy. Your Company has also put in place a scalable recruitment and human resource, management process, which enables it to attract and retain high caliber employees. At your Company, the key focus has been to change the mindset from 'human resource utilization' to 'nurturing and leveraging talent'. Your Company believes in investing in people competencies for the business requirements of tomorrow.



Directors' Report

To,

The Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report, together with the Balance Sheet and Profit and Loss Account of the Company for the period ended 31st March, 2004.

FINANCIAL RESULTS AND OPERATIONS:

	Rs. In '000 For the year 31 st March, 2004	Rs. In '000 For the year 31 st March, 2003
Net Sales	468,291	407,056
Profit before interest, depreciation and tax	62,041	61,064
Interest	25,889	25,120
Depreciation	9,992	4,470
Profit before Tax	26,160	31,474
Provision for tax	1,650	4,500
Provision for Deferred Taxation	6,955	2,184
Profit After Tax	17,555	24,790
Surplus brought forward	35,654	23,555
Tax – Earlier Year	1,205	43
Deferred Tax – Earlier Year	(1,183)	0
Balance available for appreciation	53,231	48,302
Appropriations:		
Dividend	8,508	8,508
Tax on dividend	1,111	1,090
Transfer to General Reserve	1,600	3,050
Surplus carried forward	42,012	35,654

FINANCIAL PERFORMANCE:

During the year sales accounted for Rs. 468292 thousand for the current year as against Rs.407056 thousand for the previous year, an increase of 15.05%. During the year company started the new activities in the Field of Generic & Seeds.

Total Expenditure was Rs.435635 thousand as against Rs.395422 for the previous year. For the current year Personnel cost stood at Rs.33415 thousand (7.24% of total income), Manufacturing, Selling & other cost Rs.99577 thousand (21.56% of total income), Financial Cost of Rs. 25889 thousand (5.61% of total Income).

Depreciation for the year Rs.9992 thousand as against Rs.4470 thousand, Increase in Depreciation was primarily due to investment in Plant & Machinery and Technical know-how.

Profit before tax for the year was Rs.26160 thousand as against Rs.31474 thousand. The decrease in Profit before tax is mainly due to the increase in Depreciation for the year.

DIVIDEND:

Your Directors are pleased to recommend at the Annual general Meeting a final dividend @ 11% p.a. on the face value of each equity shares.

**LISTING:**

Your Company is listed with the Mumbai Stock Exchange at P.J. Towers, Dalal Street, Mumbai – 400 001, bearing script code No. 509079. The listing fees for the year 2003 – 2004 has already been paid by the Company.

INFORMATION TECHNOLOGY:

Your Company continues to make required investments in the Information Technology area to cope up with the growing information needs necessary to manage operations efficiently.

FIXED DEPOSITS:

During the year under review, Company had not accepted any deposits

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217(2AA) of the Companies Act, your Directors' confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 the financial year ended 31st March, 2004 and the profit and loss account for the period ended 31st March, 2004;
- 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;
- the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

A Report on Corporate Governance alongwith a Certificate from the Auditors of the Company regarding compliances with the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed hereto.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

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 is annexed hereto and forms part of this Report.

EMPLOYEES:

There are no employees drawing remuneration above the limits specified under Section 217 (2A) of the Companies Act, 1956.

DIRECTORS:



Mr. K. N. Sanghavi, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Mrs. Vipula J Choksi resigned as Director of the Company at the Board meeting of the Company held on 25th June 2004 and at the same meeting Mr. Pranav J Choksi was appointed as Additional Director of the Company. Company has received notice from a member of the Company, pursuant to provision of Section 257 of the Companies Act, 1956 along with necessary deposit, signifying their intention to propose the appointment of Mr. Pranav J Choksi, as Director of the Company.

AUDITORS:

Members are requested to appoint Auditors for the ensuing year. R.V.Shah Chartered Accountant, retires at this Annual General Meeting. The Company was informed that R. V. Shah Chartered Accountant, of proprietary concern has constituted a partnership firm "M/S. S.H.R. & Co." and hence it is proposed to appoint the said partnership firm as the Statutory Auditor of the company for the financial year 2004-2005.

As required as per proviso to Section 224(1) of the Companies Act, 1956, a written certificate has been obtained by the Company from the Auditors, M/S. S.H.R. & Co., certifying that, if they are appointed Auditors of your Company, such appointment would be within the limits specified in Section 224(1)(B) of the Companies Act, 1956.

APPRECIATION:

Your Directors thank all the employees of the Company, the Bankers, the Distributors, Business associates and Shareholders for their support during the year and look forward to their continued support in the future.

By Order of the Board of Directors,

sd/-

Jayesh P. Choksi
Managing Director

Mumbai, 30th August 2004

Registered office:

Gufic House,
Subhash Road- A,
Vile Parle (E),
Mumbai 400 057.



CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Governance:

The Company is committed to good corporate governance. The Company respects the rights of its Shareholders to information on the performance of the Company and it is the endeavor to maximize the long-term value to the Shareholders of the Company. The compliance report is prepared and given below in conformity with the mandatory requirements of the Listing Agreement with the Stock Exchange.

2. Board of Directors:

The Board of Directors consists of 6 Directors, comprising of 1 Managing Director and remaining 5 directors are of Non – Executive category. The Chairman is an Executive Director and number of Independent Directors is more than One half of the total number of Directors. The size and compositions of the Board conforms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchange.

Twelve Board Meetings were held in the year 2003 – 2004 on :

- | | | |
|----------------------------------|-----------------------------------|-----------------------------------|
| 1. 30 th April 2003 | 2. 6 th June 2003 | 3. 1 st July 2003 |
| 4. 31 st July 2003 | 5. 14 th August 2003 | 6. 18 th August 2003 |
| 7. 6 th October 2003 | 8. 31 st October 2003 | 9. 21 st November 2003 |
| 10. 5 th January 2004 | 11. 31 st January 2004 | 12. 5 th March 2004. |

The details as to Composition, Status, Attendance at the Board Meetings, and the last Annual General Meeting, outside Directorship and other Committees membership are as follows:.

Name of the Director	Status i.e Executive, Non – Executive and independent Director	No. of Board Meetings attended out of 12 held	No. of membership in other Boards or Committees as a member or Chairman		Whether attended the last AGM
			Board	Committee	
Mr. Jayesh P. Choksi (Chairman & Managing Director)	Executive and Non – Independent	12	6	NIL	YES
Mrs. Vipula Choksi*	Non– Executive and Non – Independent	12	5	NIL	YES
Mr. K. N. Sanghavi	Executive and Non-Independent	12	NIL	NIL	YES
Dr. Sharat S. Gandhi	Non– Executive and Independent	12	NIL	NIL	YES
Mr. Ashok M. Tarale	Non– Executive and Independent	9	NIL	NIL	NO
Mr. Vijay Agarwal	Non– Executive and Independent	12	6- Member	1- Chairman & 2- Member	YES

* Mrs. Vipula J Choksi resigned from directorship w.e.f. 25th June 2004.



3. Audit Committee:

The Audit Committee for the financial year 2003-2004 consists of three Directors, namely Mr. Vijay Agarwal (Chairman), Dr. S. S. Gandhi and Mrs. Vipula J. Choksi, majority of them are independent Director. The Committee was reconstituted on 25th June 2004, by appointing Mr. K.N. Sanghavi in place of Mrs. Vipula J. Choksi, due to her resignation as director of the Company at the Board meeting held on 25th June 2004. The Managing Director, head of Finance along with auditors were invited to the audit committee meetings. Company Secretary acts as a Secretary to the Committee. The constitution, functions and the terms of the reference of the Audit Committee are those prescribed under clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956. During the year meetings were held on 30th July 2003, 31st October 2003 and 31st January 2004. The information on the meetings and attendance at the Audit Committee meetings during the year ended 31st March 2004 is as under:

Name of the Director \ member	No. of meeting attended out of 3 meetings held
Mrs. Vipula Choksi	3
Dr. S. S. Gandhi	3
Mr. Vijay Agarwal (Chairman)	3
Mr. K.N. Sanghavi	-

4. Remuneration Committee and Remuneration of the Directors :

The Remuneration Committee of the Company consists of Dr. S. S. Gandhi (Chairman), Mr. Vijay Agarwal and Mrs. Vipula J. Choksi. The Committee was reconstituted on 25th June 2004, by appointing Mr. K.N. Sanghavi in place of Mrs. Vipula J Choksi, due to her resignation as director of the Company at the Board meeting held on 25th June 2004. All the members of the committee are Non—Executive Director. The Committee has power to determine the remuneration of the executive directors of the Company as per the provision of Clause 49 of the Listing Agreement and applicable provisions of the Companies Act, 1956. The details of the remuneration paid to the directors during the year ended 31st March 2004, are given below.

(Amount in Rs.)

Directors	Salary	Perquisites \ allowances	Commission	Total
Mr. Jayesh P. Choksi- Managing Director	9,60,000/-	Nil	2,79,775/-	12,39,775/-
Mr. K. N. Sanghavi (Whole Time Director - Works and Production)	481,500/-	24,075/-	Nil	5,05,575/-

5. Shareholders Grievances Committee :

The Company has constituted Shareholders Grievances Committee consisting of Dr. S. S. Gandhi (Chairman) and Mr. Vijay Agarwal as member of the Committee and Mr. H.P. Kanani, as Compliance Officer. During the year ended 31st March 2004, Company has not received any complaints from the shareholders. There are no pending request for transfer, dematerialization or rematerialisation.



6. General Body Meetings:

The last three Annual general Meetings of the Company were held as under:

Year	Location	Date	Time Passed	No. of Special Resolution
2000 – 2001	Hotel Parle International, Vile Parle (E)	29.09.01	10.00 a.m.	4
2001 – 2002	Hotel Parle International, Vile Parle (E)	27.09.02	10.00 a.m.	1
2002 – 2003	Hotel Atithi, 77 A & B, Orchid, Vile Parle (E)	29.09.03	10.30 a.m.	3

7. Disclosures:

- During the year under review besides the transactions reported in Notes to Accounts (Refer note No. 23) there were no other related transactions with the promoters, directors, management and subsidiaries that had potential conflict with the interest of the Company at large.
- During the last three years, there were no strictures or penalties imposed by SEBI or the Stock Exchange or any statutory authority for non compliance of any matter related to capital markets.

8. Means of Communication:

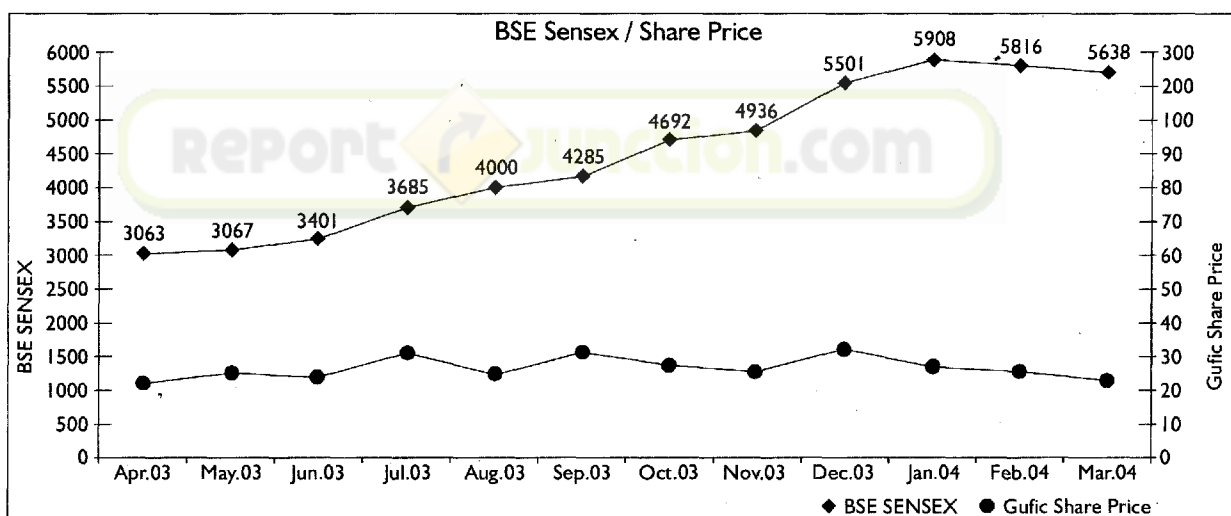
• Half yearly results sent to each household of the shareholders	No
• Quarterly results	The results of the company are published in news papers
• News papers Quarterly results are published in	Free Press Journal and Nav Shakti
• Any web site on which quarterly results of the Company are displayed	None
• Presentation made to the institutional investors or the analysts	None
• Whether Management Discussion and Analysis Report is a part of the Annual Report	Yes



9. General Shareholders Information:

AGM : Date , Time and Venue	28 th September, 2004 at 10.30 a.m. at Hotel Parle International, Vile Parle (E), Mumbai 400 057
Financial calendar	First Quarter Results - Last week of July Second Quarter Results - Last week of October Third Quarter Results - Last week of January Last Quarter Results – Last week of April
Date of Book Closure	23 rd September 2004 to 29 th September 2004 (Both days inclusive)
Dividend payment date	The dividend recommended , if declared at the forthcoming Annual General Meeting scheduled to be held on 28 th September, 2004, will be dispatched on or before 28 th October, 2004
Listing on Stock Exchanges	The Stock Exchange, Mumbai
Stock Code	BSE – 509079

Monthly Highs and Lows for the period April 2003 to March 2004 (In Rupees)



Month	High	Low
April 2003	27.70	21.10
May 2003	29.00	23.00
June 2003	28.90	22.50
July 2003	38.95	26.00
August 2003	29.35	21.10
September 2003	35.40	27.00
October 2003	32.40	25.00
November 2003	29.05	24.60
December 2003	39.00	27.00
January 2004	32.65	25.00
February 2004	29.10	24.00
March 2004	27.95	20.00