

GUJARAT THEMIS BIOSYN LIMITED



25th
Annual Report
2005 - 2006

GUJARAT THEMIS BIOSYN LIMITED

BOARD OF DIRECTORS

MR. D. RAJAGOPALAN
MR. ANANT THAKORE
DR. DINESH PATEL
MR. PANKAJ R. PATEL
MR. SURENDRA SOMANI
MR. N.I GANDHI
MR. VIJAY AGARWAL
MR. HINESH DOSHI
MR. S.C KIM
MR. J.K CHA
MR. C.B PARK
MR. J.H CHOI
MR. RAJNEESH ANAND

CHAIRMAN (Nominee of GIIC)

MANAGING DIRECTOR

AUDITORS

MESSRS. KHANDELWAL JAIN & CO.,
CHARTERED ACCOUNTANTS, MUMBAI

COST AUDITORS

MESSRS. B.J.D. NANABHOY & CO.,
COST ACCOUNTANTS, MUMBAI

BANKERS

UNION BANK OF INDIA

REGISTERED OFFICE AND WORKS

69/C, GIDC INDUSTRIAL ESTATE
VAPI – 396 195, DIST. VALSAD
GUJARAT, INDIA

CORPORATE OFFICE

3RD FLOOR, ARVIND CHAMBERS
SAI SERVICE COMPOUND
WESTERN EXPRESS HIGHWAY
ANDHERI (EAST)
MUMBAI 400 069

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 25th Annual General Meeting of Gujarat Themis Biosyn Limited will be held on Monday the 25th September, 2006, at 11 a.m., at 69/C, GIDC Industrial Estate, Vapi-396 195, Dist. Valsad, Gujarat, to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date together with reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Dinesh Patel, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. C. B. Park, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Surendra Somani, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution**

"RESOLVED THAT Mr. Vijay Agarwal, who has been appointed as an Additional Director with effect from 31st March, 2006 by the Board of Directors of the Company and pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of Annual General Meeting of the Company and being eligible offers himself for re-appointment.

The Company has received notices in writing under section 257 of the Companies Act, 1956, from members proposing his candidature for the office of Director.

FURTHER RESOLVED THAT Mr. Vijay Agarwal be and is hereby appointed as the Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mr. Hinesh Doshi, who has been appointed as an Additional Director with effect from 14th June, 2006 by the Board of Directors of the Company and pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of Annual General Meeting of the Company and being eligible offers himself for re-appointment.

The Company has received notices in writing under section 257 of the Companies Act, 1956, from members proposing his candidature for the office of Director.

FURTHER RESOLVED THAT Mr. Hinesh Doshi, be and is hereby appointed as the Director of the Company liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution**

"RESOLVED THAT Mr. S. C. Kim, who has been appointed as an Additional Director with effect from 14th June, 2006 by the Board of Directors of the Company and pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of Annual General Meeting of the Company and being eligible offers himself for re-appointment.

The Company has received notices in writing under section 257 of the Companies Act, 1956, from members proposing his candidature for the office of Director.

FURTHER RESOLVED THAT Mr. S. C. Kim, be and is hereby appointed as the Director of the Company liable to retire by rotation."

Registered Office

69/C, GIDC Industrial Estate,
Vapi- 396 195
Dist. Valsad,
Gujarat.

By order of the Board

RAJNEESH ANAND
Managing Director

Mumbai, 30th June, 2006

GUJARAT THEMIS BIOSYN LIMITED

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ONLY ON POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. AN INSTRUMENT APPOINTING A PROXY OR ANY OTHER DOCUMENT NECESSARY TO SHOW THE VALIDITY OR OTHERWISE RELATING TO THE APPOINTMENT OF A PROXY IN ORDER THAT THE APPOINTMENT MAY BE EFFECTIVE AT THE MEETING MUST BE FILED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE MEETING.
Members / Proxies should bring the enclosed attendance slip duly filled in, for attending the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 20th September, 2006 to 25th September, 2006 (both days inclusive).
3. Members are requested to bring their copies of the Annual Report to the meeting since it will not be possible for the Company to distribute additional copies of the Annual Report at the Annual General Meeting.
4. Members are requested to –
 - a) intimate to the Company's Registrar and share transfer agent, changes, if any, in their respective address along with Pin Code Number at an early date;
 - b) quote folio number in all their correspondence;
 - c) consolidate holdings into one folio in case of multiplicity of folios with names in identical order;
 - d) intimate their queries / requirements for clarifications on the annual report so as to reach the company on or before 20th September, 2006 which will enable the company to furnish the replies at the Annual General Meeting.
5. Details of Directors seeking appointment/re-appointment in the 25th Annual General Meeting, in pursuance of clause 49 of the Listing Agreements.

Name of Director	Dr. Dinesh Patel	Mr. S.C. Kim	Mr. C. B. Park	Mr. Surendra Somani	Mr. Vijay Agarwal	Mr. Hinesh Doshi
Date of Birth	02-11-1948	15-09-1960	22-06-1954	21-10-1954	29-06-1957	16-05-1967
Date of appointment	25-05-1992	14-06-2006	10-06-2003	21-10-1991	w.e.f. 31.03.2006 appointed as an Additional Director.	w.e.f. 14.06.2006 appointed as an Additional Director.
Expertise in specific functional areas	Industrialist with expertise in Pharmaceuticals and Fermentation Technology and business Management.	- Sales - Planning & Co-ordination.	- Product development. - Overseas Business.	An Industrialist with more than 25 years of experience in Pharmaceutical Industry.	Finance and Legal	Finance and Legal
Qualifications	M.Sc. PHD. C. Chem., FRSC (Lon).	Bachelor's degree in business administration. Master's degree in business administration.	Bachelor's Degree in Pharmacy. Master's degree in Pharmacy. Doctor's degree in Pharmacy.	B. Com.	M.Com., F.C.A.	B.Com., G.C.D, F.C.A.
List of companies (excluding foreign and private Ltd. Companies in which outside Directorships held as on 31 st March, 2006	Themis Medicare Ltd., Pharmaceutical Business Group (I) Limited	NONE	NONE	- Claridge Moulded Fibre Ltd. - Excel Glasses Ltd. - The Hyderabad Construction Co. Ltd. - Kampala Pharmaceuticals Industries Ltd. - Oriental Containers Ltd. - Parijat Shipping & Finale Ltd. - Pharmaceutical Business Group (I) Ltd. - S. V. Trading & Agencies Ltd. - United Shippers Ltd. - Kopran Ltd.	- Themis Medicare Ltd. - Nucsoft Ltd. - Gufic Bioscience Ltd. - Dagger Forst Tools Ltd. - Compauge Infocom Ltd - Down Town Trading & Investments Ltd. - Devaki Hospital Ltd.	NONE
Chairman/ Member of the Committees of the Board of the companies on which he is a director as on 31 st March, 2006.	Audit Committee: Themis Medicare Ltd. Remuneration Committee Gujarat Themis Biosyn Ltd.	NONE	NONE	Audit Committee: Gujarat Themis Biosyn Ltd. United Shippers Ltd.. Remuneration Committee Gujarat Themis Biosyn Ltd. Share Transfer and Grievance Committee United Shippers Ltd. Kopran Ltd. Gujarat Themis Biosyn Ltd.	Audit Committee: Gujarat Themis Biosyn Ltd. (From 14-6-2006). Themis Medicare Ltd. Gufic Bioscience Ltd. Dagger Forst Tools Ltd. Compauge Infocom Ltd Devaki Hospital Ltd. Remuneration Committee Gujarat Themis Biosyn Ltd. (From 14-6-2006). Share Transfer and Grievance Committee Gujarat Themis Biosyn Ltd. (From 14-6-2006). Dagger Forst Tools Ltd.	Audit Committee: Gujarat Themis Biosyn Ltd. (From 14-6-2006). Remuneration Committee Gujarat Themis Biosyn Ltd. (From 14-6-2006). Share Transfer and Grievance Committee Gujarat Themis Biosyn Ltd. (From 14-6-2006).

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956**ITEM NO. 6**

Mr. Vijay Agarwal, was appointed as an Additional Director of the Company with effect from 31st March, 2006 by the Board of Directors. Pursuant to provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of forthcoming Annual General Meeting of the Company. Mr. Vijay Agarwal is a Practising Chartered Accountant and has experience for more than 22 years.

Mr. Vijay Agarwal is eligible for appointment and the Company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of Director. The Company has received letter from him regarding that he is not disqualified Under Section 274(1)(g) of the Companies Act, 1956. The Board of Directors recommends appointment of Mr. Vijay Agarwal as Director of the Company.

None of the directors are concerned or interested in the said resolution.

ITEM NO. 7

Mr. Hinesh Doshi was appointed as an Additional Director of the Company with effect from 14th June, 2006 by the Board of Directors. Pursuant to provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of forthcoming Annual General Meeting of the Company. Mr. Hinesh Doshi is a Practising Chartered Accountant and has experience for more than 15 years.

Mr. Hinesh Doshi is eligible for appointment and the Company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of Director. The Company has received letter from him regarding that he is not disqualified Under Section 274(1)(g) of the Companies Act, 1956. The Board of Directors recommends appointment of Mr. Hinesh Doshi as Director of the Company.

None of the directors are concerned or interested in the said resolution.

ITEM NO. 8

Mr. S. C. Kim was appointed as an Additional Director of the Company in place of Mr. C.S. Park with effect from 14th June, 2006 by the Board of Directors. Pursuant to provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of forthcoming Annual General Meeting of the Company.

Mr. S. C. Kim is eligible for appointment and the Company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of Director. The Company has received letter from him regarding that he is not disqualified Under Section 274(1)(g) of the Companies Act, 1956. The Board of Directors recommends appointment of Mr. S. C. Kim as Director of the Company.

None of the directors are concerned or interested in the said resolution.

By order of the Board

Registered Office

69/C, GIDC Industrial Estate,
Vapi- 396 195
Dist. Valsad,
Gujarat.

Mumbai, 30th June, 2006

RAJNEESH ANAND
Managing Director

GUJARAT THEMIS BIOSYN LIMITED**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting herewith the 25th Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2006.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year ended 31.03.2006	Year ended 31.03.2005
Total Income	2150.05	2497.93
Operating Profit / (Loss)	0.09	261.58
Interest and Finance charge	81.51	165.45
Profit / (Loss) before depreciation, prior period adjustments & tax	(81.42)	96.13
Profit / (Loss) before tax	(268.19)	(92.89)
Provision for tax - Current	1.71	-
- Deferred	-	-
Income tax for earlier year	-	7.06
Profit/(Loss) after tax	(269.90)	(99.95)
Surplus/(Deficit) brought forward	(343.06)	(243.11)
Surplus / (Deficit) carried forward to Balance Sheet	(612.96)	(343.06)

OPERATIONS

Your Company's operations during the year under review, have been generally smooth. The Company's sales for the year amounted to Rs.2119.43 lakhs as compared to Rs. 2457.04 lakhs during the previous year. The operating profit for the year is Rs. 0.09 lakhs as compared to Rs. 261.58 lakhs profit for the previous year. The net loss recorded by the Company for the year is Rs. 269.90 lakhs as compared to Rs. 99.95 lakhs in the previous year. The sales volume was not optimum for the size of the company to meet all the overheads; this has resulted in the losses.

MANAGEMENT DISCUSSIONS AND ANALYSIS**1. Industry Structure & Developments**

India has been making rapid strides in the field of Bulk Drugs and majority of these drugs required in India are manufactured in India. India, also happens to be a major exporter of bulk drugs all over the globe, particularly to Europe and US markets.

Your Company is in the business of manufacturing of bulk drug called "Rifampicin" produced by fermentation process. Indian fermentation industry is also quite sizeable. However it is small when compared to the drug industries manufacturing drugs by synthetic route.

2. Opportunity and Threats

Although there is no tariff protection or imports restriction after globalization and also due to opening of economy, Indian Pharmaceutical Industry has grown remarkably. You may be aware that exports have also increased significantly. Indian Pharmaceutical Industry envisages a tremendous opportunity in general and for our company, in particular, where emphasis is laid to eradicate Tuberculosis and HIV related diseases. The global concern for containment and eradication of these diseases is so high that large amounts of funds are allocated including huge contributions from world renowned philanthropic organizations.

However, we may face a threat from China for our product but looking at the global demand, we expect that both India and China have growth potential.

3. Outlook

Though there is Chinese competition with the product price at lower rate, some large customers in India and abroad recognize our material quality.

Your company is also making significant progress in developing new products through fermentation and if it is established the company shall have a wide product range in the future.

4. Segment-wise or Product-wise Performance

Your Company is producing active pharmaceutical ingredients like Rifampicin and Lovastatin, which belong to the same segment of industry.

5. Risks and concerns

With the Chinese product available now at a comparable price the company's position shall be stable. The company has also initiated necessary steps for reducing the cost of production and the results are encouraging. With the advent of new products the performance should be brighter.

6. Internal Control Systems and their adequacy

The company has adequate internal control procedures commensurate with its size and nature of business. The internal control procedures and systems ensure efficient use and protection of resources and compliance with the policies, procedures and statutes.

7. Material Developments in Human Resources and Industrial Relations

Fermentation industry is a high technology industry. Continuous efforts are being made in training the employees through in-house training programs to suit the Company's requirements. Industrial Relations have been generally cordial and healthy.

EXPORTS

The company has recorded increase in the exports during the year under review. The Company's export during the year were Rs. 152.92 lakhs as compared to Rs. 48.67 lakhs during the previous year (values are excluding export benefits). The Company will further continue to explore export possibilities in the current year.

Your Company is taking aggressive measures on the front of cost reduction through energy conservation and technology improvement to become cost effective at the international level.

DIRECTORS

Mr. Surendra Somani, Mr. C. B. Park & Dr. Dinesh Patel retire at the forthcoming 25th Annual General Meeting and being eligible offer themselves for reappointment.

The Board of Directors on 31st March, 2006 had appointed Mr. Vijay Agarwal, and Dr. P. M. Naik as Additional Directors of the Company with effect from 31st March, 2006. Pursuant to provisions of Section 260 of the Companies Act, 1956 ("the Act") they hold the office up to the date of forthcoming Annual General Meeting of the Company. Due to his pre-occupation Dr. P. M. Naik, has resigned as the Director of the Company w.e.f 14th June, 2006.

Mr. Vijay Agarwal is eligible for reappointment and the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director. The Company has received letter from him regarding that he is not disqualified Under Section 274(1)(g) of the Companies Act, 1956. The Board of Directors recommends appointment of Mr. Vijay Agarwal as Director of the Company.

Mr. Vijay Agarwal will be considered as an Independent director and had been nominated on the Audit and Remuneration committee.

Yuhan Corporation had changed their nomination on the Board of the Company. Mr C. S. Park has been replaced by Mr. S. C. Kim w.e.f. 14th June, 2006 as an additional Director. Pursuant to the provisions of the Companies Act, 1956, he hold office upto the ensuing Annual General Meeting. Mr. S. C. Kim being eligible for reappointment and the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director. The Company has received letter from him regarding that he is not disqualified Under Section 274(1)(g) of the Companies Act, 1956. The Board of Directors recommends appointment of Mr. S. C. Kim as Director of the Company.

The company has appointed Mr. Hinesh Doshi as an additional director w.e.f. 14th June, 2006, who will be considered as an Independent Director and will be nominated as member of the Audit and Remuneration committee. Pursuant to provisions of Section 260 of the Companies Act, 1956 ("the Act") he holds the office up to the date of forthcoming Annual General Meeting of the Company. Mr. Hinesh Doshi is eligible for reappointment and the Company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of Director. The Company has received letter from him regarding that he is not disqualified Under Section 274 (1) (g) of the Companies Act, 1956. The Board of Directors recommends appointment of Mr. Hinesh Doshi as Director of the Company.

GUJARAT THEMIS BIOSYN LIMITED

INDUSTRIAL RELATIONS

Relations between the Management and the workers generally remained cordial and peaceful.

AUDITORS

Messrs Khandelwal Jain & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and offer themselves for reappointment. As regards remarks in the Auditor's Report, the Notes, wherever referred to, are self-explanatory. The Auditors have furnished to the Company the requisite Certificate under Section 224 (1B) of the Companies Act, 1956.

COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors appointed by the Company continues to conduct cost audit relating to Company's bulk drug division.

PARTICULARS OF EMPLOYEES

No Employees of the Company are drawing salary in excess of the limits specified under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

Information on conservation of energy and technology absorption etc. as required to be disclosed in terms of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988, are given in Annexure "A" to the Directors' Report.

CORPORATE GOVERNANCE

Report of Directors on compliance of conditions Corporate Governance as specified in Clause 49 of the Listing Agreement together with certificate issued by the Practicing Company Secretary thereon attached to this Report.

DIRECTORS RESPONSIBILITY

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 along with proper explanation relating to material departures.
- ii) The Directors have selected such 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 the financial year and of the profit or loss of the Company for that period.
- iii) The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provision of this act for safeguarding the assets and for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT

Your Directors have pleasure to place on record their sincere appreciation for the continued co-operation support extended to the Company by Financial Institutions, Union Bank of India, all the Employees, Yuhan Corporation, the State Government of Gujarat, Dept. of Chemical & Petrochemical and various other Government authorities.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30th June, 2006

RAJNEESH ANAND
Managing Director

SURENDRA SOMANI
Director

ANANT THAKORE
Director

'ANNEXURE A' TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

CONSERVATION OF ENERGY**(a) Energy conservation measures taken: -**

During the year under review, all possible efforts were made to ensure optimum conservation of electricity and fuel at the plant.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: -

The company has introduced improved operational methods, improved maintenance systems and rationalisation to bring about a saving in power consumption.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent Impact on the cost of production of goods: -

The adoption of energy conservation measures stated above is expected to help in saving to the Company on fuel and energy cost.

(d) Your company has towards the end of year embarked on captive power generation. Your company is also exploring possibility installing a co-generation captive power station, which will further reduce the energy cost of our product. The co-generation system is likely to be installed by the beginning of second quarter of next year subject to feasibility and availability of funds.**(e) The total energy consumption per unit of production as per Form A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto: -**

The Company has invested substantial amount in the Plant and equipment to reduce energy Consumption and the Company will continue in its efforts to improve methods of energy conservation and utilisation.

FORM - A**Form for disclosure of Particulars with respect to Conservation of Energy****A POWER AND FUEL CONSUMPTION**

	<u>2005-2006</u>	<u>2004-2005</u>
1. Electricity :		
a) Purchase :		
Units	10,593,450	9,759,120
Total Amount	54,028,445	52,771,338
Rate/Unit (Rs.)	5.10	5.41
b) Own Generation :		
i) Through diesel / LDO Generators (Kwh)	161,120	75,912
Diesel / LDO Consumed (Liters)	87,050	64,648
Units / Litre of Diesel /LDO (Kwh)	1.85	1.17
Total Amount (Rs.)	2,863,371	1,544,720
Cost / Unit (Rs. / Kwh)	17.77	20.35
ii) Through Steam:		
Turbine / Generator Units	NIL	NIL
Unit / Litres of Fuel / Oil / Gas	NIL	NIL
2. Furnace Oil :		
Quantity (Litres)	308,407	258,844
Total Amount (Rs.)	4,422,352	2,915,022
Average Rate (Rs./Litre)	14.34	11.26
3. Coal / Lignite :		
Quantity (Kgs)	5,756,413	5,729,370
Total Amount (Rs.)	17,259,395	15,703,647
Rate / Kgs (Rs.)	3.00	2.74
4. Bagasse :		
Quantity (Kgs)	-	1,552,130
Total Amount (Rs.)	-	833,277
Rate / Kgs (Rs.)	-	0.54

GUJARAT THEMIS BIOSYN LIMITED**II. CONSUMPTION PER MT OF FINISHED GOODS PRODUCED***

	2005-2006	2004-2005
Electricity per MT (Rs.)	968,872	1,025,244
Furnace Oil Per MT (Rs.)	79,304	56,633
Diesel /LDO Per MT (Rs.)	51,348	30,011
Coal / Lignite Per MT (Rs.)	309,506	305,091
Bagasse Per MT (Rs.)	-	16,189

*Figures are not comparable as mix of two products were produced and use of substitute.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form-B of the Annexure to the Rules:

FORM B**Form for disclosure of Particulars with respect to absorption****1. Research & Development (R & D)**

(a) Specific areas in which R & D carried out by the Company:

The Company conducts regular R & D activities in the in-house R&D Centre for improvement in the quality of the existing products and upgradation of process. The activities of the R & D lab are also directed towards development of new products, identified by the Company.

(b) Benefits derived as a result of the above R & D:

The R & D activities of the Company have resulted in improved quality of the product and in production process with better yield, better recoveries leading to cost containment.

(c) Future Plan of action:

The Research activity will continue to concentrate on new product development, process improvement and development and import substitution. The Company is working aggressively to scale up new product.

(d) Expenditure on R & D:

	2005-2006	2004-2005
i) Capital	NIL	NIL
ii) Recurring	8.31	8.00
iii) Total	-	8.00
iv) Total R & D expenditure as a percentage of total turnover	0.39%	0.33%

2 Technology Absorption, Adaptation and Innovation:

(a) Efforts in brief, made towards technology absorption, adaptation and innovation:

The Company has taken steps to increase the yields and productivity to bring down the cost of production.

(b) Benefits derived as a result of the above efforts:

- Saving in Foreign Exchange through import substitution.
- Reduction of production cost.
- Improvement in product quality.

3. Activities related to exports, initiatives taken to increase exports, development of new export markets for products and services and export plan:

The Company is manufacturing 100% import substitute products and the production during the year has saved substantial foreign exchange to the country.

	(Rs. In lakhs)
(C) Total foreign exchange used and earned	
- Total foreign exchange earned	152.92
- Total foreign exchange spent	0.26

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30th June, 2006

RAJNEESH ANAND
Managing Director

SURENDRA SOMANI
Director

ANANT THAKORE
Director