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Jenburkt Pharmaceuticals Limited

Annual Report 2004-2005

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"Hello World"

Over the years we have seen how the Indian pharmaceutical industry has grown, from being just a small part in the global scenario to becoming a big player in the international market. Among the Indian pharmaceutical companies, Jenburkt has played a vital role by introducing certain products for the first time in India like Powergesic, Cartisafe, Nervijen etc.

After getting a strong foothold in the Indian market, the company aggressively plans to go international. Jenburkt, with its ability to identify the right market with the right products, takes a confident step in the global pharmaceutical market. Besides this, the company is banking on its quality products, which are at par with international standards. Analysis of the pharmaceutical industry suggests that though the growth trends differs from country to country, the global pharmaceutical market has been on a continuous upward slope.

These vast opportunities combined with Jenburkt's strengths in pharmaceuticals gives it an edge to enter this competitive export market. Its commitment to quality, its research driven innovations, and technologically advanced manufacturing facilities ensures Jenburkt's successful entry into a market that is extremely quality conscious.

It doesn't matter of what size the company is, what matters is how big the ambition is. And Jenburkt's ambition, or rather mission, is to make a benchmark in the export market by exploring its potential and optimal utilization of its resources.

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Board Of Directors

Harshad N. Bhuta	Chairman
Hemendra N. Bhuta	Managing Director
Uttam N. Bhuta	Joint Managing Director
Bharat V. Bhate	Director
Rameshchandra J. Vora	Director

Company Secretary

Ashish R. Shah

Auditors

D.L.Arora & Co.
Chartered Accountants,
Mumbai

Bankers

Bank of Baroda
State Bank of Saurashtra

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Registered Office

Nirmala Apartments,
93, Jayprakash Road,
Andheri (W), Mumbai - 400 058
Tel. No. : 5694 3121 (8 Lines)
Fax No. : 5694 3127
E-Mail : Info@jenburkt.com
Web Site : www.jenburkt.com

Plant

11-12, GIDC Phase - I,
Bhavnagar Road,
Sihor,
Gujarat - 364 240

Index

Notice	2
Directors' Report	4
Management Discussion & Analysis Report	8
Corporate Governance Report	9
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules	21

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NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the members of Jenburkt Pharmaceuticals Limited will be held on Wednesday, the 17th August, 2005 at 4.30 p.m. at Juhu Jagruti Auditorium, A.J.College of Commerce & Economics, Opp. Shri Bhaidas Maganlal Hall, Swami Bhaktivedanta Marg, JVPD Scheme, Vile Parle(W), Mumbai - 400056 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2005 and Balance Sheet as on that date together with the Directors' and Auditors' Report thereon.

2. To declare dividend.

3. To appoint a Director in place of Shri Harshad N. Bhuta, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint a Director in place of Shri Hemendra N. Bhuta, who retires by rotation and being eligible, offers himself for reappointment.

5. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act, 1956 and all other enabling provisions, if any, in addition to all borrowing made by the Directors for and on behalf of the Company, as authorised by a resolution passed at the Twelfth Annual General Meeting of the Company held on 22nd September, 1997, namely borrowing upto Rs.5 Crores. (Rupees Five Crores), the consent of the members be and is hereby accorded to the Board of Directors of the Company to borrow such sum or sums of money in any manner from time to time, as may be required for the purpose of business of the Company with or without security and upon such terms and conditions as they may think fit, notwithstanding that money to be borrowed together with money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed a sum of Rs.10 Crores (Rupees Ten Crores) only."

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

   "RESOLVED THAT pursuant to Clause 49 of the listing agreement with the Stock Exchange as amended, consent of the company be and is hereby accorded for the payment of sitting fees to the non-executive directors of the company up to Rs. 10,000/- (Rupees Ten Thousand only) for attending each of the Board Meeting and the Meeting of the Committees thereof or such other amount as may be approved by the Board of Directors subject to ceiling prescribed under the provisions of Companies Act, 1956, or rules framed thereunder, as amended from time to time"

By Order of the Board of Directors
For Jenburkt Pharmaceuticals Ltd.

ASHISH R. SHAH
Company Secretary

Mumbai, 17th June, 2005.

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NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An Explanatory Statement pursuant to the section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
3. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting. Proxies, in order to be effective, must be received at the Registered Office of the Company, duly completed, not less than 48 hours before the scheduled time of the meeting.
4. Members / Proxies are requested to bring their copy of Annual Report to the Meeting.
5. All documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 10.00 a.m. to 12.00 noon on any working day, except Saturdays, till Annual General Meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 12th August 2005 to Tuesday, 16th August 2005 (both days inclusive).
7. Pursuant to Section 205A(5) of the Companies Act, 1956, as amended, any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund of the Central Government and the shareholders shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.
8. Profile of Directors being appointed / re-appointed.
   A. Shri Harshad N. Bhuta
   B. Shri Hemendra N. Bhuta
   Kindly refer to the Corporate Governance Report, attached to the Directors' Report.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

As required under section 173(2) of the Companies Act, 1956.

Item No. 6 :

At the twelth Annual General Meeting of the Company held on 22nd September, 1997, the Members of the Company have authorised the board of directors vide their consent under section 293(1)(d) of the Companies Act, 1956 to borrow money up to a limit of Rs.5 Crores. (Rupees Five Crore only), excluding the temporary loan obtained from the Company's bankers in the ordinary course of business. Taking into account the further requirements of additional finance to meet future needs, a fresh resolution is proposed providing that the directors may, for and on behalf of the Company, borrow further amount, in aggregate up to Rs.10 Crores (Rupees Ten Crores only). Hence, the total borrowing limit be raised from Rs.5 Crores to Rs.10 Crores.

The Board accordingly recommends the resolution in item No.6 of the notice for approval of the Members of the Company.
None of the Directors is interested or concerned in this resolution.

Item No. 7 :

Securities and Exchange Board of India (SEBI) has vide its circulars No.CFD/DIL/CG/ 1/2004/12/10 dated 29th October, 2004 and No.CFD/DIL/CG/1/2005/29/03 dated 29th March, 2005 instructed all the Stock Exchanges to amend Clause 49 of the listing agreement and that the revised clause 49 is to be implemented by all the listed companies by 31st December, 2005.

One of the stipulation of the revised clause 49 is that all the fees / compensation of the non-executive directors shall be fixed by Board of Directors and shall require previous approval of the Members in General Meeting. The company has proposed the payment up to Rs. 10,000/- as sitting fees to each of the non-executive directors for attending each of the Board Meeting and Meeting of Committees viz. Audit Committee and Remuneration Committee. The company may increase the amount of sitting fees, in future, in accordance with the provision of Companies Act, 1956, as amended or as per any rules framed there under. In addition, the company is paying commission not exceeding, in aggregate, 1% of the net profit of the company, according to section 309 of the Companies Act, 1956, to the non-executive director, Shri Harshad N. Bhuta, in terms of approval granted by the Members of the company, with regard to payment of commission to him at the 17th Annual General Meeting of the company held on 26th July 2002.

According to the revised clause 49, Members approval is sought for payment of Sitting Fees to all the non-executive directors, who are not in employment of the company.

Except Shri Harshad N. Bhuta, Shri Bharat V. Bhate and Shri Rameshchandra J. Vora, who are non-executive directors, none other directors is deemed to be interested or concerned in this resolution.

By Order of the Board of Directors
For Jenburkt Pharmaceuticals Ltd.

ASHISH R. SHAH
Company Secretary

Mumbai, 17th June, 2005.

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Directors' Report

Your Directors have pleasure in presenting the Twentieth Annual Report together with the Audited Accounts therein for the year ended 31st March, 2005.

FINANCIAL PERFORMANCE :

Particulars	Rs. (Lacs) Year ended 31-3-2005	Rs. (Lacs) Year ended 31-3-2004
Sales & Other income	2662.57	2616.05
Profit before depreciation, interest and tax	223.35	196.59
Less : Interest	67.38	65.25
Depreciation	41.38	35.78
Profit before tax	114.59	95.56
Less : Provision for taxation	37.00	30.00
Provision for Deferred Tax	3.21	2.25
Net Profit after tax	74.38	63.31
Add : Excess provision of earlier years now written back	-	2.32
Less : Provision for Income Tax of previous year written off	0.08	-
Add : Balance b/f from previous year	129.87	100.95
Profit available for appropriation	204.17	166.58
Appropriations :		
Dividend	46.49	32.55
Dividend Tax	6.52	4.17
Balance c/f to Balance Sheet	151.16	129.86
Total	204.17	166.58

DIVIDEND :

Your Directors recommend a Dividend of 10% or Re.1/- per equity share of Rs.10/- each, subject to approval of shareholders in the ensuing Annual General Meeting. The Dividend for previous financial year 2003-2004 was 7%. Rs.53.01 lacs will be absorbed out of profits, towards payment of dividend and tax thereon.

FINANCIAL PERFORMANCE :

The sales and other income of the company during the year under review stood at Rs. 2662 lacs. The profit after tax stood at Rs. 74.38 lacs compared to previous year's profit of Rs. 63.31 lacs, a jump of 17.48%. The performance in sales is affected mainly due to the adverse effect of introduction of VAT, because of which, the overall growth in the industry has remained lackluster.

The Numox range of products are still under DPCO. Besides, Glucotrol and Glucotrol MF are also have fallen under the purview of DPCO, which has affected the growth in sales and profit of the company.

Despite these adversity your company could achieve a reasonable growth in the net profit, even after providing for installation of new machineries at Plant, from internal accruals.

PLANT :

The Sihor Plant has been upgraded continuously by installing new machines to attain high level of efficiency in the production. The Water System complies with international regulatory requirements. The Plant is being continuously audited by Authorities of Government of various countries for registration of products for exports. The WHO-GMP Certification will be renewed for the year.

NEW PRODUCTS INTRODUCED :

1. Nervijen Injection
2. Cartisafe Forte MSM Tablets for Export
3. Zix, Zix-P, Zix-S, Zix- SR Tablets

HUMAN RESOURCES:

At Jenburkt, we are guided by the philosophy of adding value by continuous investment in people. We believe that the manpower in our organization is our lifeline and it is their initiative and energy that makes Jenburkt a place of challenge and opportunities. Quality is the vital element of our strategic thrust. The introduction of standardized procedures in the areas of staffing, induction, technical training etc. are examples of this.

As part of continuous learning programme the company has imparted training to its marketing / sales force and employees including new recruits in the areas of brand building and to sustain competitors challenge. Staff members were deputed to various seminars / workshop conducted by International bodies for their knowledge up-gradation. This is besides the routine but rigorous training sessions throughout the year at different locations.

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DIRECTORS :

Shri Harshad N. Bhuta and Shri Hemendra N. Bhuta, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS :

M/s D. L. Arora & Co. Chartered Accountants, Mumbai, Auditors of the Company will retire at the ensuing Annual General Meeting and have offered themselves for re-appointment. The Auditors have, furnished certificate under Section 224(1B) of the Companies Act, 1956 of their eligibility for re-appointment.

DELISTING OF SHARES:

The delisting procedure at Madhya Pradesh Stock Exchange and Saurashtra Kutch Stock Exchange have been complied with. Their certificate of delisting is awaited.

CORPORATE GOVERNANCE :

A brief report on corporate governance and the relative Auditors Certificate thereto is attached to this report. A Report on Management discussion and Analysis is also attached to this report.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

As required under section 217(1)(e) of the Companies Act 1956 and by the Companies (Disclosure of particulars in the Report of Board of Directors) Rule, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure - I forming part of this report.

PARTICULARS OF THE EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended 31st March, 2005:-

- Name: Ashish U. Bhuta
- Designation/Nature of Duties: Vice President-Operations
- Age : 32 years
- Qualification : Master in Financial Management from Mumbai University and PGD in Patent Law & Practice from IIPS
- Date of Commencement of job: 01/06/1994
- Remuneration: Rs. 7.32 lacs
- Shareholding in the company: 3.83%.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the Section 217 (2AA) of the Companies Act, 1956, your directors state that:

a) in the preparation of annual accounts, the applicable accounting standards had been followed and no material departures have been made from the same.
b) they have selected such accounting policies and applied them consistently and 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 at the end of the financial year under review, and of the profit of the company for that period.
c) 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.
d) they have prepared the Annual Accounts on a going concern basis.

FIXED DEPOSIT:

The Company has not accepted any deposits from the public within the meaning of section 58-A of the Companies Act, 1956.

APPRECIATION:

Your Directors extend their gratitude and appreciation to all people connected with the Company and in particular the Employees, Bankers, Shareholders, Stockists and various government bodies for their cooperation during the year.

By Order of the Board of Directors
For Jenburkt Pharmaceuticals Ltd.

HEMENDRA N. BHUTA
Managing Director

Mumbai, 17th June, 2005.

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ANNEXURE - I TO THE DIRECTORS' REPORT

PARTICULARS PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

I. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken:

Energy conservation continues to receive top priority in the Company. Energy audits are carried out, consumption monitored, maintenance systems improved and distribution losses are reduced to remain more competitive.

Specific energy conservation measures are:

1. Monitoring of boiler fuel gases, analysis and daily cleaning of burner block and improved quality of boiler feed water has helped in reducing the fuel consumption.
2. Use of Fuel additives for improvement in combustion efficiency of boiler.
3. Cooling water treatment.
4. Rationalisation of transformer capacity.
5. Minimised pressure fluctuations in air lines.
6. Power capacitors used in the main sub-station and power factor improved to reduce the wastage of power.
7. Periodic checking and monitoring of electrical loading of all motors and repair of the defective ones.
8. Use of soft starts for large size motors to improve energy efficiency.

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

1. Energy conservation measures as stated above have resulted in bringing down the cost of production.
2. Significant savings in energy consumption due to the above stated measures, has created awareness in the employees and workers of the company.

(c) Total energy consumption and energy consumption per unit of production:

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FORM - A

Form for disclosure of particulars with respect to Conservation of Energy

A.	POWER AND FUEL CONSUMPTION	Year ended 31st March, 2005	Year ended 31st March, 2004
1	**Electricity**		
	(A) Purchased Units	**3,85,631**	3,71,766
	Total Amount Rs.	**19,70,267**	18,85,009
	Rate / Unit Rs.	**5.11**	5.07
	(B) Own Generation		
	(1)Through diesel generator	**26,958**	19,737
	Units per litre of diesel oil	**3.29**	3.29
	Cost / Unit Rs.	**8.52**	7.29
	(2)Through steam turbine / generator	**Nil**	Nil
2	**Coal**	**Nil**	Nil
3	**Furnace Oil**	**Nil**	Nil
4	**Others / internal generation**	**Nil**	Nil

B.	CONSUMPTION PER UNIT OF PRODUCTION
Electricity (Units) Coal Others	There is no specific standard followed by the company for the current year as well as for previous year, as per the records and books of the company maintained in accordance with Companies Act, 1956.

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II. TECHNOLOGY ABSORPTION :

FORM - B

Form for disclosure of particulars with respect to absorption:

(a) EFFORTS MADE IN TECHNOLOGY ABSORPTION :

1. Specific areas in which R & D carried out by the Company :
   - Modification of formulation of Glucotrol tablets for better quality.
   - Improvement of granulation, enteric coating process for Rabera tablets.
2. Development of new formulations - Cartisafe Forte MSM tablets for Exports, Nervijen Injection, Paracetamol effervescent tablets for Export, Zix tablets, Zix P tablets, Zix S tablets & Zix SR tablets.
3. Newer Analytical Method Development for our existing / new formulations to have reproducibility and ruggedness.
4. Validation Protocols / Methods are under constant development.
5. Packing Methods simplified for the packing of our products.

Benefits derived from R & D

- New Products launched.
- Cost reduction of formulation.
- Cost reduction in Packaging operations.

Future Plans

- New products developments as per the requirements of importing countries.

(b) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

1. Efforts in brief, made towards technology absorption, adaptation, and innovation.

a) Continuous adaptation research and development of products and processes with the objective of import substitution and cost containment in an inflationary environment is carried out.

b) Extensive work was carried out, for the adaptation of process relating to formulation to suit local conditions.

c) Development of ancillary technology, for packaging materials and machinery is undertaken.

2. Benefits derived as the result of the above efforts:

a) Product improvement, cost reduction, import substitution, standardised analytical methods which are reflected in the productivity of resources and better quality and stability of products.

b) Development of new products/packaging materials/line extensions.

c) Quality improvement.

3. Imported technology:

The Company has not imported any technology on payment of consideration in the last five years.

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports, initiatives taken to increase exports; development of new export markets for products:
The Company is continuously exploring different markets, for its products. The GMP Certification as per WHO, has provided major boost in the area of export.
The foreign exchange earnings by the Company: Rs.72.52 lacs.
The foreign exchange expenditure : Dividend paid Rs. 0.07 lacs.

By Order of the Board of Directors
For Jenburkt Pharmaceuticals Ltd.

HEMENDRA N. BHUTA
Managing Director

Mumbai, 17th June, 2005.

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MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry Structure & Development

The Indian pharmaceutical industry is considered to be one of the flagship sectors of the Indian economy as Indian pharmaceutical companies continue to move to the center stage of the global generic market. There is a global structural trend evolving in pharmaceuticals and Indian companies play a key role in this framework. This is driven by high quality manufacturing facilities and significant cost advantages which the Indian companies offer. Indian companies have proven their expertise in the global markets of US, Europe as well as African Market wherein they have achieved significant market share and even at home they rule the roast compared to their multinational counterparts.

Opportunity and threats

India is poised to tap the global generic opportunities. While US and Europe remain key focus areas, India is not ignoring rich segments in the African and Asian market, the sheer heterogeneity of which, offers excellent opportunities for Indian companies to start small and evolve big, this is in direct contrast to the US market, which demands significant investments. Jenburkt has correctly identified opportunities in these important markets and set up the necessary infrastructure framework. At the same time, the Indian Pharma industry faces a steep challenge in shaking up regulatory systems at home, in order to ensure that international standards of quality and IP protection are met as we step into the new IPR regime.

Risks and concerns

The industry as a whole is under pressure to diversify in various dosage forms, market segments and exploit export markets, in order to support profitability amid raised International competition and more stringent patent rules. Also, with decrease in new launches in the domestic market it will be difficult to sustain high growth rates. The MRP based excise duty is also likely to affect majority of the pharmaceutical companies who outsource majority of their products especially high margin products.

Segment wise or Product wise performance

Innovative entrepreneurship is all around us. Innovative marketing strategies have really helped the company to sustain the competition against the existing products as well as new product launches.

It revolutionises the business the way we do business. History is replete with examples of how a small idea manages to transform the fortunes of many small companies.

The company's business strategy, formulation after thorough study and analysis of market position, competitive strength etc. has resulted in the growth of business of key brands like Powergesic group (analgesic), Nervijen (nerve rejuvenator), Triben group (anti fungal), Numox (anti biotic), Piritexyl (anti cough preparation) and Ecoprot Plus (Protein Supplement).

Internal Control System

The company has set up internal control procedures commensurate with its size and nature of the business. These business control procedures ensure optimum use and protection of the resources and compliance with the policies, procedures and statures. The internal control systems provide for well-defined policies, guidelines, authorizations and approval procedures. The prime objective of such audits is to test the adequacy and effectiveness of all internal controls lay down by management and to suggest improvements.

Future Outlook

The Indian Pharmaceutical Industry has become a force to reckon with in the competitive and challenging global market, with the steady export growth over the years. Your company is following a two prong strategy of consolidating its position in the domestic market with successful product launches like Nervijen and at the same time getting into the export market with select products. This has helped your company open up new avenues to boost sales and profit.

By Order of the Board of Directors
For Jenburkt Pharmaceuticals Ltd

HEMENDRA N. BHUTA
Managing Director

Mumbai, 17th June, 2005.

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