

KAPPAC PHARMA LIMITED



25th ANNUAL REPORT
2005-2006



BOARD OF DIRECTORS

| | |
|-------------------------|-------------------|
| SHRI R.S. SODHANI | Managing Director |
| SHRI GOPALDAS K. MANTRI | Director |
| SHRI VIJAY LAKHOTIA | Director |
| SHRI OMPRAKASH LAHOTI | Director |

BANKERS

CENTRAL BANK OF INDIA - WORLI, MUMBAI.
BANK OF MAHARASHTRA - WORLI, MUMBAI.

AUDITORS

S. G. KABRA & CO.
Chartered Accountants

REGISTERED OFFICE

8A, MOHATTA BHAVAN, 1ST FLOOR,
DR. E. MOSES ROAD,
WORLI,
MUMBAI - 400 018.

FACTORY

PLOT NO. 24,
DEWAN & SONS UDYOG NAGAR, PHASE I,
VILLAGE ALIYALI,
PALGHAR,
DIST. THANE - 401 404.



NOTICE

NOTICE is hereby given that the 25th Annual General Meeting of the Members of KAPPAC PHARMA LIMITED will be held on Thursday 15th June, 2006 at 11.30 a.m. at 8A, Mohatta Bhawan, 1st Floor, Dr. E. Moses Road, Worli, Mumbai-400 018 to transact the following business :-

ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as at 31st March, 2006, the Profit & Loss Account for the year ended on that date of the Company and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Omprakash Lahoti who retires by rotation and being eligible offer himself for re-appointment.
3. To appoint M/s. S.G. Kabra & Co., Chartered Accountants, the retiring Auditors of the Company, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"Resolved that in accordance with the provision of section 293 (1) (A) and all other applicable provision of the companies Act 1956 the consent of the company be & is hereby accorded to the Board of Directors of the company to sell all the fixed assets i.e. Land, Building, Machinery at Factory. Aliyalli Village, Taluka Palghar on fair price.

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. The instrument appointing Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The register of Members and the Share transfer book of the Company will remain closed from Friday 9th June, 2006 to Thursday 15th June, 2006 (both days inclusive)

4. Members are requested to :

- (1) Quote Folio Number in all correspondence with the Company.
- (2) Notify immediately any change in address with Pin Code Number to the Company or Share Transfer Registrar as address given below :

ADROIT CORPORATE SERVICES PVT. LTD.,
19, JAFERBHOY INDUSTRIAL ESTATE,
1ST FLOOR, MAKWANA ROAD,
MAROL NAKA, ANDHERI (E),
MUMBAI - 400 059.

- (3) Write to the Company at least 15 days in advance if they desire further information or accounts at the meeting, so as to enable the Company to keep the information ready.
- (4) Bring this copy of the Annual Report and the Attendance slip with them to the Annual General Meeting.
- (5) Demat ISIN number in CDSL is INE601D01011.

For & on behalf of Board of Directors

Place : Mumbai,
Date : 6th May, 2006

R.S. Sodhani
Managing Director

EXPLANATORY STATEMENT

(Pursuant to section 173 (2) of the companies Act 1956)

Item No. 4

The company has no more production activities as its plant is not approved as per new norms of FDA as GMP & WHO and company has no funds to built its plant as per FDA norms. We have manufactured the products of Kopran Ltd. as third party & job charges basis since last 12 years now the Kopran Ltd. has discontinued their business and no assurance to receive manufacturing work from other pharmaceutical Industries in future. Therefore Board of Directors decided to close Factory Plant since 10th November 2005 to stop further liability & Losses Hence the Land Building & Machinery are not useful to company and Board of Directors decided to sell it.

The ordinary resolution is accordingly recommended to approval of the members.

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



DIRECTOR'S REPORT

To
The Members,

Your Directors are pleased to present the 25th Annual Report of the Company together with Audited Balance Sheet, Profit & Loss Account for the year ended 31st March, 2006.

FINANCIAL RESULTS : (Rupees in Lacs)

| | Current Year | Previous Year |
|---|-----------------|------------------|
| Sales & Other Income | 60.15 | 320.81 |
| Processing Charges for Job Work | 6.72 | 27.50 |
| Profit / (Loss) before depreciation | (50.69) | (7.42) |
| Less : Depreciation | 10.09 | 11.22 |
| Profit / (Loss) after depreciation | (60.78) | (18.64) |
| Add : Extra Ordinary item | 1.44 | 0.92 |
| (Increase in value of investment) | | |
| Profit / (Loss) after Extra ordinary items | (59.34) | (17.72) |
| Less : Provision for Tax | | |
| Deferred Tax Credit | — | 2.68 |
| Profit / (Loss) after tax | (59.34) | (15.04) |
| Add : Balance brought forward from the last year | 16.93 | 31.97 |
| Balance carried forward to Balance Sheet | (42.41) | 16.93 |

WORKING :

The turnover & other income of the company has gone down because of no production & the plant has been closed since 10th November 2005. Reason for closer of plant is that the company has received a show cause notice from FDA department either to built the plant as per new norms of FDA as GMP & WHO standard or close the plant. Kopran Ltd. has discontinued their business & no assurance to receive manufacturing work on job changes basis from other Pharmaceutical Industries because of now Excise duty has been calculated on MRP instead of previously calculated on cost price.

DIVIDEND :

The Directors regret their inability to recommend any Dividend in view of loss for the year.

DIRECTORS :

Shri Omprakash Lahoti retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Audit Committee :

Pursuant to Section 292A of the Companies Act, 1956 and Clause 49 of listing agreement your Company has constituted an Audit Committee of the Board comprising of Mr. Gopaldas K. Mantri and Mr. Vijay Lakhota all being independent Directors

with independent judgement in the deliberation and decisions of the Board as well as the Audit Committee. The terms of reference to this Committee covers all the matters specified under Section 292A of the Companies Act, 1956 and also all the matters listed under the listing agreement with stock exchange.

Directors' Responsibility Statement :

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that :

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation related to material departures;
2. Appropriate Accounting policies have been selected and applied consistently, and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the Loss of the Company for the year ended 31st March, 2006;
3. Proper and sufficient care has been taken, to the best of their knowledge and ability, 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;
4. The annual accounts have been prepared on a going concern basis.

AUDITORS :

M/s. S. G. KABRA & COMPANY, Chartered Accountants, the Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received requisite letter under Section 224 (1B) of the Companies Act, 1956 from the Auditors regarding their eligibility for re-appointment as the Auditors of the Company.

ACKNOWLEDGEMENT :

Your Directors acknowledge with gratitude the support and assistance extended by its Banks. The Directors also wish to acknowledge the sincere work or services rendered by the Managing Director, Senior Executives, Staff and Workers in all respects.

For & on behalf of Board of Directors

Place : Mumbai,
Date : 6th May, 2006

R.S. Sodhani
Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

Information as per section 217 (1) (E) of the Companies Act, 1956 read with Companies (Disclosure of particulars) in the meeting of Board of Directors Rules 1988.

1) Energy Conservation Measures Taken —

The Company's Technical Department continuously monitors energy consumption in the plant and takes the corrective measures for conserving energy.

Disclosure of particulars with respect to conservation of energy.

i) Power & Fuel Consumption :

| Electricity : | <u>2005-2006</u> | <u>2004-2005</u> |
|-------------------------------|------------------|------------------|
| A. Purchased Units | 93340 | 197738 |
| B. Total Amount (Rs. in Lacs) | 5.60 | 9.51 |
| C. Others | Nil | Nil |

2) Technology absorption —

1. Specific Areas in which QC & Assurance carried by the Company
- QC & Assurance were carried out analysis & testing from Raw materials to Finished product Quality improvement.

3) Foreign Exchange used & earned —

| | <u>2005-2006</u> | <u>2004-2005</u> |
|---------------------------------------|------------------|------------------|
| Used for revenue import (Rs. in Lacs) | Nil | Nil |
| Earned (Rs. in Lacs) | Nil | Nil |

- 4) Particulars of employees as required under Sub-Section (2A) of Section 217 of Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

— Nil —

For & on behalf of Board of Directors

Place : Mumbai,
Date : 6th May, 2006

R.S. Sodhani
Managing Director



AUDITORS' REPORT

TO THE MEMBERS OF
KAPPAC PHARMA LIMITED.

We have audited annexed Balance Sheet of KAPPAC PHARMA LIMITED as at 31st March 2006 and the Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto statement on the matters specified in paragraphs 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper Books of Account as required by law have been kept by the company, so far as appears from our examination of those Books.
 - c) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account.

- d) In our opinion the Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting Standards referred in sub-section (3C) of section 211 of The Companies Act, 1956.
- e) On the basis of written representations received from the directors of the Company, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of Companies Act, 1956.
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - ii) In so far as it relates to the Profit and Loss Account, of the LOSS of the Company for the year ended on that date; and
 - ii) In so far as it relates to the Cash Flow Statement, of the Company for the year ended on that date.

**FOR S. G. KABRA & CO.,
CHARTERED ACCOUNTANTS**

PLACE : MUMBAI

(Alok Maheshwari)

DATED : 6th May, 2006

Partner

Membership No. 113322

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 2 of our report of even date

1. In respect of its fixed assets :
 - a) The Company has maintained proper records showing full particulars including