



Mangalam Drugs & Organics Limited

Report  junction.com

**32nd Annual Report
2004-2005**

FINANCIAL HIGHLIGHTS

(Figure in Lacs)

PARTICULARS	31-Mar-98	31-Mar-99	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05
Sales & Other Sales Income	5080.64	6159.49	6353.35	6431.40	6853.45	7736.90	8075.33	9046.35
Profit before Interest & Depreciation	513.70	502.20	472.62	408.66	495.25	507.77	541.56	598.00
Interest	295.65	278.97	236.59	157.23	224.43	224.45	192.42	161.82
Depreciation	69.05	72.61	80.38	85.83	90.25	92.92	93.79	122.94
Profit Before Tax	149.00	150.62	155.65	165.60	180.57	190.40	255.35	313.24
Profit After Tax	132.00	131.28	136.43	147.46	133.57	134.88	210.13	274.80
Dividend (%)	10	15	10	10	5	2.5	1	2
Payout	11.13	16.70	11.13	11.13	5.57	5.57	6.68	26.36
Equity Capital	111.30	111.30	111.30	111.30	111.30	222.60	667.80	667.80
Preference Share Capital	100.00	-	-	-	-	-	-	-
Reserves & Surplus	789.57	898.25	1023.55	1159.87	1287.88	1308.69	1066.95	1315.39
Net Worth	1000.87	1009.55	1134.85	1271.17	1399.18	1531.30	1734.75	1983.19
Borrowings:								
Long Term Loans	389.13	736.82	592.97	419.69	741.52	669.53	635.23	873.99
Short Term - Bank	1136.93	1009.83	955.17	1239.12	908.56	1426.09	1318.52	1424.06
Short Term - Others	543.88	532.91	495.78	672.59	309.14	365.34	564.49	720.61
Total Borrowings	2069.94	2279.56	2043.92	2331.40	1959.22	2460.96	2518.24	3018.66
Gross Block	1538.80	1684.05	1785.57	1906.89	1963.85	2070.08	2533.21	3373.03
Less : Depreciation	297.45	361.76	439.03	522.57	610.75	697.78	780.70	903.63
Net Block (Fixed Assets)	1241.35	1322.29	1346.54	1384.32	1353.10	1372.30	1752.51	2469.40
Investments	17.89	17.90	17.93	19.01	19.27	29.76	18.92	18.95
Current Assets, Loans & Advances	2569.12	2849.79	2793.38	3191.98	2467.52	3182.61	3017.53	3300.42
Less : Current Liabilities	757.55	900.87	979.08	992.74	481.49	592.42	535.98	804.93
Net Working Capital	1811.57	1948.92	1814.30	2199.24	1986.03	2590.19	2481.55	2495.49
Book Value (Rs) per share	80.94	90.71	101.96	114.21	125.71	68.79	25.98	29.70
Earnings (Rs) per share	11.86	11.80	12.26	13.25	12.25	6.06	3.15	4.11
Nominal value per share	10	10	10	10	10	10	10	10
Bonus Shares (Ratio)	-	-	-	-	-	1:1	2:1	-



BOARD OF DIRECTORS

GOVARDHAN M. DHOOT (*Chairman*)

ASHOK R. BOOB (*Wholetime Director*)

SUBHASH C. KHATTAR

RAJENDRAPRASAD MIMANI

COMPANY SECRETARY

MS. GAURI BALANKHE

REGISTERED OFFICE

292, PRINCESS STREET
2ND FLOOR
MUMBAI 400 002

WORKS

VAPI - UNIT 1

PLOT NO. 187, GIDC
VAPI, DIST. BULSAR
GUJARAT.

VAPI - UNIT 2

PLOT NO. 1203, GIDC
VAPI, DIST. BULSAR
GUJARAT.

SANGAMNER - UNIT 3

SANGAMNER AUDYOGIK
VASAHAT LIMITED
SANGAMNER
DIST. AHMEDNAGAR, MAHARASHTRA.

AUDITORS

M/S MILWANI ASSOCIATES
CHARTERED ACCOUNTANTS
BAGARIA HOUSE, 1ST FLOOR
KOLBHAT LANE
MUMBAI-400 002.

BANKERS

THE UNITED WESTERN BANK LTD.
STATE BANK OF INDIA
THE SARASWAT CO-OP BANK LTD.

CONTENTS

BOARD OF DIRECTORS	01
NOTICE	02
DIRECTOR'S REPORT	07
REPORT ON CORPORATE GOVERNANCE ..	12
MANAGEMENT DISCUSSION & ANALYSIS	17
AUDITOR'S REPORT	19
BALANCE SHEET	22
PROFIT & LOSS ACCOUNT	23
SCHEDULE 1 TO 20	24
BALANCE SHEET ABSTRACT	35
CASH FLOW STATEMENT	36



MANGALAM DRUGS AND ORGANICS LIMITED

Regd. Off.: 292, Princess Street, 2nd Floor, Near Flyover, Marine Line, Mumbai – 400 002

NOTICE

NOTICE is hereby given that the Thirty-second Annual General Meeting of the members of the Company will be held at Hindi Vidya Bhavan, Marine Lines (W), Mumbai – 400 002 on Saturday, 10th September, 2005 at 3.00 p.m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2005 and Profit and Loss Account for the year ended as on that date and the reports of Auditors' and Director's thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri. Ashok R. Boob, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Shri. Rajendraprasad K. Mimani who was appointed as Additional Director by the Board of Directors and who holds office upto the date of Annual General Meeting and in respect of whom a notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 and further subject to all such sanctions as may be necessary, the Company hereby approves the reappointment of Shri. Govardhan M. Dhoot as the Wholetime Director of the Company for a period of five years with effect from 1st November, 2004 on the terms and conditions including remuneration as set out in the draft Agreement to be entered into by the Company with him and submitted to this meeting duly initialled by the Chairman for the purpose of the identification which agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 as may be agreed between the Board of Directors and Shri. Govardhan M. Dhoot."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT APROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business above is annexed hereto.
3. All documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays, Sundays and Public Holidays upto the date of Annual General Meeting.
4. Members are requested to intimate to the Company, queires, if any, on the accounts atleast 10 days before the date of the meeting to enable the management to keep the required information available at the meeting.
5. As a measure of economy, copies of the Annual Report shall not be distributed at the meeting and therefore the Members are requested to bring their copy of Annual Report to the Meeting.
6. The Company has appointed M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078, as Share Transfer Agents and the members are requested to send/ address all their shares related matters/ correspondence directly to them.



7. The Register of Members and Share Transfer Books of the Company will remain closed from 1st September, 2005 to 10th September, 2005 (both days inclusive) for payment of dividend on equity shares.
8. The dividend as recommended by the Board of Directors, if sanctioned at the Annual General Meeting will be paid to those members whose name appears on the Company's Register of Members on 1st September, 2005 and will be paid on the basis of ownership as per details furnished by the Depositories for the purpose.
9. Dividend when declared will be paid on or after 15th September, 2005
10. Electronic Clearing Service (ECS) Facility: We are pleased to offer the facility of electronic credit of dividend directly to your bank account through ECS. This facility is currently made available at Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna and Trivandrum.
11. Change of Address /Bank details : Members are requested to inform the Company or M/s. Intime Spectrum Registry Limited, immediately of any change in their address / Bank details. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the members..
12. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remains unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

So far no dividend is lying unpaid in the Company.

Members are requested to note that no claims shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

13. Appointment / Reappointment of the Directors:

Item No.3

At the ensuing Annual General Meeting Shri. Ashok R. Boob retire by rotation and being eligible offer himself for reappointment. The information/ details to be provided for the aforesaid Director under Corporate Governance Code is as under.

Name:	: Mr. Ashok Boob
Age	: 52 years
Date of Appointment	: 16-04-1996
Qualification	: B. Chem Engineer from UDCT. Mumbai.
Experience	: He has over three decades of experience in chemical industry. He is in charge of total production / R&D of chemical units. He also heads the new product development in the Company. He was one of the prime movers for starting the UDCTAA – Chapter in 1994 and was its Hon. Secy. till 1998. He is associated with the Vapi Industries Association and was Director on the Board of Vapi Waste & Effluent Management Co. Ltd. from the year 2001-2003.
Other Directorships	: Mangalam Organics Pvt. Ltd.
Chairman/Member of the committees of the Board of other Companies on which he is a Director	: NIL

Item No.5

Name:	: Mr. Rajendraprasad K. Mimani
Age	: 53 years
Date of Appointment	: 01-11-2004
Qualification	: Commerce Background


Mangalam Drugs & Organics Limited

Experience : Experience in marketing of various types of products. He has an experience of over 30 years.

Other Directorships : 1. KDM Impex Private Limited
2. KDM Investments Private Limited
3. CE Chemicals Private Limited
4. Universal Transformer Private Limited
5. Boesky Securities Private Limited

Chairman/Member of the committees of the Board of other Companies on which he is a Director : NIL

Item No.6

Name : Mr. Govardhan M. Dhoot

Age : 51 years

Date of Appointment : 16-04-1996

Qualification : Commerce Background

Experience : He has a Commerce background with over three decades of experience in the chemical industry handling the marketing in both domestic and export market. He has been an instrumental in increasing the exports of the Company. He has traveled to many countries and visited important Industrial and Commercial Capitals all over the world.

Other Directorships : 1. Mangalam Organics Pvt. Ltd.
2. Mangalam Laboratories Pvt. Ltd.

Chairman/Member of the committees of the Board of other Companies on which he is a Director : NIL

14. Members/Proxies should bring the admission slip duly filled in for attending the meeting.

BY ORDER OF THE BOARD

(GOVARDHAN M. DHOOT)
CHAIRMAN

Registered Office :

292, Princess Street,
Near Flyover, Marine Lines,
Mumbai - 400 002

Place: Mumbai

Date: 10th June, 2005



ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item Nos. 5

Shri. Rajendraprasad K. Mimani was appointed as Additional Directors by the Board of Directors on 1st November, 2004 pursuant to Section 260 of the Companies Act, 1956. He holds office as such upto the date of ensuing Annual General Meeting. The Company has received notice in writing from a member proposing his candidature for the office of Director of the Company under section 257 of the Companies Act, 1956. his appointment would be of immense benefit to the Company.

Your Directors recommend the resolution at Item No. 5 for your approval.

Except Shri. Rajendraprasad K. Mimani, none of the other Directors is, in any way, concerned or interested in the said resolution.

Item Nos. 6

At the meeting of the Board of Directors (Board) of the Company held on 1st November, 2004 and 3rd December, 2004, the Board has duly approved by a resolution passed at its meeting, re-appointment of Shri. Govardhan M. Dhoot as Wholetime Director of the Company for a period of five years upon the terms and conditions contained in the draft Agreement to be entered into by the Company with them subject to the approval of the Company in General Meeting. The said Agreements, inter alia, contain the following material terms and conditions:

1. Period of Agreement(s): From 01/11/2004 to 01/11/2009
2. Remuneration:
 - (a) SALARY: Rs.60,000/- per month
 - (b) PERQUISITIES/ALLOWANCES:

Housing

The Company shall pay the maintenance expenditure of the residence of the Wholetime Director.

Medical Expenses

Expenses incurred for the Wholetime Director and his family subject to a ceiling of Rs.10,000/- p.a. or actual whichever is higher.

Leave travel Concession

Company shall provide to and fro airfare to the Wholetime Director and his family for 3,000 KM in India.

Annual Privilege Leave

On full salary for a period of thirty days and shall be entitled to accumulate such leave. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Car

A chauffeur driven car for use of Company's business and telephone at residence.

Sitting Fees

He shall be paid sitting fees for attending the Meetings of the Board of Directors and/or Committee thereof.

Personal Accident Insurance

Premium not to exceed Rs.8,000/- p.a. payable by the Company on behalf of the Wholetime Director.

The Wholetime Director shall also be entitled to following perquisites, which shall not be included in the computation of the ceiling on remuneration specified herein:

- (i) Contribution to provident fund, super annuation fund or annuity fund as per the rules of the Company to the extent there either singly or put together are not taxable under the Income Tax Act, 1961.
 - (ii) Gratuity payable at rate not exceeding half a month's salary for each completed year of service.
 - (iii) Encashment of leave at the end of the tenure.
3. The other terms and conditions of the agreement are such as are customarily contained in agreements of similar nature.


Mangalam Drugs & Organics Limited

4. They shall while they continue in office, be subject to retirement by rotation under Articles of Association of the Company. Further the Wholetime Director who, is re-appointed as a Director immediately on retirement by rotation, shall continue to hold his office of Wholetime Director and such re-appointment as such Director shall not be deemed to constitute a break in his appointment as Wholetime Director.
5. Notwithstanding anything contained hereinabove where in any financial year, during the currency of tenure of the Wholetime Director, the Company has no profits or its profits are inadequate, the Company shall pay the Wholetime Directors minimum remuneration by way of salary, perquisite, dearness allowance and any other allowance subject to the ceiling laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956
6. The aforesaid agreement to be entered into by the Company with the Wholetime Director can be terminated either by the Company or by him, by giving to the other three months notice in writing.

The said agreements including the remuneration payable to Wholetime Director of the Company shall be subject to the approval of the Company and all such sanctions as may be necessary and shall be given effect to as per the modifications, if any, made/approved as aforesaid.

The said agreement is available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. on all days excluding Saturdays, Sundays and Public Holidays upto the date of Annual General Meeting.

The above may also be treated as an abstract of the said agreement pursuant to Section 302 of the Companies Act, 1956.

Your Directors recommend the said resolutions at item Nos. 6 for your approval.

None of the other Directors is, in any way, concerned or interested in the said resolutions.

BY ORDER OF THE BOARD

(GOVARDHAN M. DHOT)
CHAIRMAN

Registered Office :

292, Princess Street,
Near Flyover, Marine Lines,
Mumbai – 400 002

Place: Mumbai

Date: 10th June, 2005



DIRECTORS REPORT

To,
The Members of
Mangalam Drugs & Organics Limited

Your Directors have pleasure in presenting the Thirty-second Annual Report and Audited Accounts for the accounting year ended 31st March, 2005

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	2004-2005	2003-2004
Sales	9001.64	8036.30
Other Income	44.71	39.03
Profit before Depreciation & Interest	598.00	541.56
Less: Depreciation	122.94	93.79
Interest	161.82	192.42
Profit before tax	313.24	255.35
Prior year adjustments made	-	4.63
Provision for taxation	35.00	49.00
Tax on Dividend	3.44	0.86
Profit after tax	274.80	210.12
Provision for Deferred Taxation for Current Year	74.68	19.92
Profit after Deferred tax	200.12	190.20
Balance b/f from previous year	21.35	37.82
Surplus available for Appropriation	221.47	228.02
Appropriations:		
Transfer to General Reserve	185.00	200.00
Proposed Dividend (2%)	26.36	6.68
Balance carried to Balance Sheet	10.11	21.35

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.0.20 ps per share (Previous Year: Re.0.10/-) for the year ended 31st March, 2005. The proposed dividend, if approved at the Annual General Meeting, will result in pay out of Rs. 26.36 Lacs.

3. DOMESTIC

The total income has grown from Rs.8075.33 to Rs 9046.35. The Company has achieved the set targets.

4. EXPORTS

The Company has achieved the targeted exports of Rs. 1197.50 Lacs (Previous year Rs.1003.14 lacs). Constant efforts are being made to boost exports.

5. FUTURE OUTLOOK

Our bulk drug production capacity has been further enhanced from 600 MT per annum to 960 MT per annum. There is an extremely good market for anti-malarial drugs and Aluminium Chloride (Anhydrous) being produced by the Company. It intends to take advantage of the estimated demand supply gap in the market and capitalize on its present strength in



Mangalam Drugs & Organics Limited

quality, experience and reputation. The company has stable and well established customer-base and flexible distribution network for its products.

The opportunity therefore exists for positioning the Industry to cater to the demand of growing domestic markets by modernizing the plants to cater to environmental regulations and setting-up of development facilities to offer research oriented performing products. Deregulations and economic reforms should provide better opportunities for Industries towards developing India as technology leader providing cost effective products and repositioning itself to provide solution, develop global scale of operations and compete with other suppliers from China, Taiwan etc.

Recently, the Government of India has imposed an anti-dumping duty on imports of Chloroquine Phosphate vide their Notification No.14/3/2003 DGHD dated 15.07.04 which is likely to result in a major surge in demand for the product in local market. Besides the present products, which are in production, a number of new products are under active development, to name a few products, which are as under:

- 1) ARTESUNATE
- 2) ARTEMETHER
- 3) ARTIETHER
- 4) MEFLOQUIN
- 5) 4-HYDROXY PHENYL ETHYL ALCOHOL
- 6) AVOBENZONE
- 7) TRICHLORO CARBANILIDE

The Company has appointed multinational consulting company of repute to analyse and suggest new active pharma ingredients having demand, growth and which can add to the bottom-line of the company, which can be produced in its existing facilities

6. SHARE CAPITAL

During the year the Company has increased the authorized share capital of the company to Rs.1400 Lacs.

7. INITIAL PUBLIC OFFERING (IPO)

The Company made its maiden Public Issue recently. The Company had offered 65,00,000 equity shares at a premium of Rs.22/- per share for cash aggregating to Rs.1430 Lacs. The Issue was open from 19th April, 2005 to 26th April, 2005. The issue received an overwhelming response and was subscribed by about 4.88 times.

The allotment of the said shares was made on 16th May, 2005 as per the Basis of Allotment approved by The Stock Exchange, Mumbai (BSE) being the Designated Stock Exchange.

The trading of shares on both the stock exchanges started on 23rd May, 2005.

8. DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in Annexure 'I' forming part of this report.

9. PARTICULARS OF EMPLOYEES

Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is not applicable to the Company as there are no employees drawing remuneration exceeding the prescribed limits.

10. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. Ashok R. Boob retires by rotation and being eligible, offer himself for re-appointment.

Mr. Rajendraprasad K. Mimani has been appointed as the Additional Director of the Company on 1st November, 2004. He holds office as such up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing his candidature for appointment as Director under Section 257 of the said Act together with required cash deposit thereof.