



Mangalam Drugs & Organics Limited

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FINANCIAL HIGHLIGHTS

(Figure in Lacs)

	31-Mar-99	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	31-Mar-06
Sales & Other								
Sales Income	6159.49	6353.35	6431.40	6853.45	7736.90	8075.33	9046.35	10432.37
Profit before Interest &								
Depreciation	502.20	472.62	408.66	495.25	507.77	541.56	598.00	707.68
Interest	278.97	236.59	157.23	224.43	224.45	192.42	161.82	234.22
Depreciation	72.61	80.38	85.83	90.25	92.92	93.79	122.94	158.23
Profit Before Tax	150.62	155.65	165.60	180.57	190.40	255.35	313.24	315.23
Profit After Tax	131.28	136.43	147.46	136.34	134.88	190.20	274.80	269.08
Dividend (%)	15	10	10	5	2.5	1	2	2
Payout	16.70	11.13	11.13	5.57	5.57	6.68	26.36	26.36
Equity Capital	111.30	111.30	111.30	111.30	222.60	667.80	667.80	1317.82
Preference Share Capital	-	-	-	-	-	-	-	-
Reserves & Surplus	898.25	1023.55	1159.87	1287.88	1308.69	1066.95	1315.39	2338.15
Net Worth	1009.55	1134.85	1271.17	1399.18	1531.30	1734.75	1983.19	3655.97
Borrowings:								
Long Term Loans	736.82	592.97	419.69	741.52	669.53	635.23	873.99	575.62
Short Term - Bank	1009.83	955.17	1239.12	908.56	1426.09	1318.52	1424.06	1470.29
Short Term - Others	532.91	495.78	672.59	309.14	365.34	564.49	720.61	475.84
Total Borrowings	2279.56	2043.92	2331.40	1959.22	2460.96	2518.24	3018.66	2521.75
Gross Block	1684.05	1785.57	1906.89	1963.85	2070.08	2533.21	3373.03	4243.33
Less : Depreciation	361.76	439.03	522.57	610.75	697.78	780.70	903.63	1060.72
Net Block (Fixed Assets)	1322.29	1346.54	1384.32	1353.10	1372.30	1752.51	2469.40	3182.61
Investments	17.90	17.93	19.01	19.27	29.76	18.92	18.95	264.79
Current Assets, Loans &								
Advances	2849.79	2793.38	3191.98	2467.52	3182.61	3017.53	3300.42	3783.81
Less : Current Liabilities	900.87	979.08	992.74	481.49	592.42	535.98	804.93	1150.16
Net Working Capital	1948.92	1814.30	2199.24	1986.03	2590.19	2481.55	2495.49	2633.65
Book Value (Rs) per share	90.71	101.96	114.21	125.71	68.79	25.98	29.70	27.74
Earnings (Rs) per share	11.80	12.26	13.25	12.25	6.06	2.85	4.11	2.04
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 (*Wholtime Director – upto 15-02-06*)

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 - 396195

VAPI - UNIT 2

PLOT NO. 1203, GIDC
VAPI, DIST. BULSAR
GUJARAT - 396195

SANGAMNER - UNIT 3

SANGAMNER AUDYOGIK
VASAHAT LIMITED
SANGAMNER - 422805
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
IDBI BANK LTD.

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Mangalam Drugs & Organics Limited

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-third Annual General Meeting of the members of the Company will be held at Hindi Vidya Bhavan, Marine Lines (West), Mumbai – 400 002 on Saturday, 30th September, 2006 at 4.30 p.m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2006 and Profit and Loss Account for the year ended as on that date and the reports of Board of Directors' and Auditors' thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Subhash C. Khattar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received by the Company at the Registered Office not less than 48 hours before the meeting.
2. All documents referred to in the accompanying Notice 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.
3. 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.
4. 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.
5. 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.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 21st September 2006 to Saturday, 30th September 2006 (both days inclusive) for determining the names of members eligible for dividend on equity shares.
7. The dividend as recommended by the Board of Directors, if approved at the Annual General Meeting will be paid to those members whose name appears on the Company's Register of Members on 21st September 2006 and will be paid on the basis of particulars of ownership furnished by the Depositories for the purpose.
8. Dividend, if approved will be paid on or after 5th October 2006
9. **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.
10. Members who have not encashed their dividend warrant(s) for the financial year 2004-05 are requested to seek issue of duplicate warrant(s) by writng to the Company's Share Transfer Agents, M/s. Intime Spectrum Registry Limited. Any such amounts of dividend remaining unclaimed for a period of seven years from the date they become due for payment shall be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Kindly note that no claim shall lie against the Company or the IEPF in respect of the amounts which were unclaimed and unpaid for a period of seven years for the date they first become due for payment and no payment shall be made in respect of any such claims.



Financial Year Ended	Date of the Annual General Meeting	Due Date for transfer to IEPF
31.03.2005	10/09/2005	09/09/2012

11. Appointment / Reappointment of the Directors:

Item No.3

At the ensuing Annual General Meeting Mr. Subhash C. Khattar 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.

1. Name	Mr. Subhash C. Khattar
2. Date of Birth	03.07.1939
3. Educational Qualification	Chartered Accountant
4. Date of Appointment on the Board	04.06.2004
5. Category of Director	Independent Director
6. Experience	Mr. Subhash C. Khattar is a Chartered Accountant having about 40 yrs of experience. He is a senior partner in M/s H Gambhir & Co., New Delhi and specializes in taxation and auditing. He is on the statutory panel of Bank Audits and other Public Sector Undertakings (PSUs) and Private Companies.
7. Other Directorships	Apexo Melwares Pvt. Ltd.
8. Name of committees in which Chairman	Mangalam Drugs and Organics Ltd. – Audit Committee & Investor Grievances Committee
9. Name of Committees in which Member	Mangalam Drugs and Organics Ltd. – Audit Committee & Investor Grievances Committee
10. Number of shares held in the Company	Nil

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

BY ORDER OF THE BOARD OF DIRECTORS

(GOVARDHAN M. DHOOT)
CHAIRMAN

Registered Office :

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

Place: Mumbai

Date: 30th June, 2006



DIRECTORS' REPORT

To,
The Members of
Mangalam Drugs & Organics Limited

The Directors have pleasure in presenting their Thirty-Third Annual Report and Audited Statement & Accounts for the accounting year ended 31st March, 2006.

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	2005-2006	2004-2005
Sales	10333.71	9001.64
Other Income	98.66	44.71
Profit before Depreciation & Interest	707.68	598.00
Less: Depreciation	158.23	122.94
Interest	234.22	161.82
Profit before tax	315.23	313.24
Fringe Benefit Tax	2.70	-
Provision for taxation	40.00	35.00
Tax on Dividend	3.44	3.44
Profit after tax	269.08	274.80
Provision for Deferred Taxation for Current Year	67.78	74.68
Profit after Deferred tax	201.30	200.12
Balance b/f from previous year	10.11	21.35
Surplus available for Appropriation	211.41	221.47
Appropriations:		
Transfer to General Reserve	175.00	185.00
Proposed Dividend	26.36	26.36
Balance carried to Balance Sheet	10.06	10.11

2. DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.0.20 per share (Previous Year: Rs.0.20) for the year ended 31st March, 2006. The proposed dividend, if approved at the Annual General Meeting, will result in out flow of Rs. 26.36 Lacs.

3. REVIEW OF PERFORMANCE

The total income has grown from Rs 9046.35 to Rs.10432.37. The Company has achieved the set targets. Due to considerable reduction in prices of Aluminium Chloride Anhydrous, there is heavy pressure on profit margin. Hence the unit is no longer viable. Hence we have stopped the operation of our Sangamner Unit. The Company is also no longer going ahead with the proposed expansion of its Aluminium Chloride Anhydrous manufacturing facilities. On account of improved market conditions there is an appreciation in the prices of our existing bulk drugs products. Your director are hopeful of improved performance in the current year. Hence the funds earmarked for the Aluminium Chloride Anhydrous project are being utilised for increasing the bulk drugs capacity and setting up a modern R&D facilities at Vapi.

4. EXPORTS

The Company has achieved the targeted exports of Rs. 1631.15 Lacs (Previous year Rs. 1197.50 lacs). Constant efforts are being made to boost exports.



5. FUTURE OUTLOOK

The Indian Pharmaceutical Industry is going through major structural changes. The Industry comprises of large number of players with no player having a market share of more than 6% due to competition in domestic market and regulatory price control, the prices of drugs in domestic market are lower as compared to international market. The key factors influencing the industry are intensive price rivalry among Industry players, changes in patent laws, changes in price control regime, enhanced drug regulatory standards, increased R & D investments and alliance with multinational companies. These changes pose many challenges and opportunities to companies operating in this environment. In this context the company has identified following growth initiatives.

Our Bulk drug production capacity has been further enhanced from 960 MT per annum to 1260 MT per annum. To make it one of the leading players in anti-malarial segment we are shortly introducing following new bulk drugs in this category. The development process is on and we hope to commercialize the same during this year :

Bulk Drugs

- 1) Lumefantrine
- 2) Hydroxy Chloroquine Sulphate
- 3) Piperaquine

The Company already has in the field following anti-malarial bulk drugs :

- 1) Chloroquine Phosphate
- 2) Chloroquine Sulphate
- 3) Amodiaquine Hydrochloride
- 4) Amodiaquine Base
- 5) Artesunate
- 6) Artemether

In the current competitive scenario, it is important for bulk drug manufacturers to build its strength on capacities and robust product portfolio backed with strong backward integration of the same.

The World Health Organization has launched strong initiative to eradicate / control epidemic – malaria which is affecting 9% of the global disease burden.

This will boost the requirement of anti-malarial products and your company stands to benefit immensely from the same.

Your Company also has strong and leading presence in NSAID market in India. It is also now proposing to diversify into anti-diabetic and Fluoroquinolones.

We are also in touch with some pharma multinationals for their requirements / custom / synthesis of pharmaceutical intermediates. On account of improvements in the prices of our existing products since January'2006, we hope to achieve improved results in the current year.

6. FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year under review.

7. ISSUE OF SHARES:

During the year the Company made its maiden Public Issue. The Issue received an overwhelming response and was subscribed by about 4.88 times. The Company had issued and allotted 65,00,248 equity shares of Rs.10/- each at a premium of Rs. 12/- per share for cash aggregating to Rs.1430 lacs.

8. RESEARCH AND DEVELOPMENT

We have sharpened our focus on R & D, which is need of the hour. We plan to continuously direct our R & D budgets towards rich and focused business segments to strengthen the Company further for consistent growth.

The product patents regime has set in from January'2005. It has brought about sea of opportunities especially in the areas of Research & Development. The future will belong to those also who are able to leverage their expertise to build a platform for growth. It is with this vision, your Company is in the process of upgrading its R & D facilities. The Company has already launched new products like Artesunate & Artimether. The Company is in the process of development and have successfully produced new products like Lumafantrine & Hydroxy Chloro Sulphate at lab scale



Mangalam Drugs & Organics Limited

9. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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.

10. 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.

11. DIRECTORS

During the year under review Mr. Ashok R. Boob resigned as Director and thereby as Wholtime Director of the Company with effect from 15th February, 2006 in view of his other pre-occupations. The Board places on record its appreciation of the valuable guidance / advice given by Mr. Ashok Boob during his tenure as Director.

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

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility statement as required under Section 217 (2AA) of the Companies Act, 1956 is given hereunder:

- (i) That in the preparation of the annual accounts for the Year ended 31st March, 2006, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- (ii) That the Directors had 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 and of the profit of the Company for that year;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

13. AUDITORS

M/s. Milwani Associates, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

14. CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, annexed as Annexure II forming part of the Annual Report.

15. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchanges is annexed as Annexure 'III' forming part of this Report.

16. INDUSTRIAL RELATIONS

Cordial Industrial relations continued to prevail throughout the financial year under review.

17. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors are also grateful to the customers, suppliers and business associates of your Company for their continued cooperation and support. Your Directors wish to place on record their deep sense of appreciation to all the employees for their commendable teamwork and enthusiastic contribution during the year.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 30th June, 2006

GOVARDHAN M. DHOOT
CHAIRMAN



ANNEXURE 'I' TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure Of Particulars in the Report of Board Of Directors) Rules, 1988.

The manufacturing process of the Company are not energy intensive, therefore impact of energy saving devices are insignificant.

I. FORM A

A. Power and Fuel Consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased Units (KWH)	33,60,124	27,23,721
Total Amount (Rs.)	1,48,83,866	1,26,72,156
Cost per unit (Rs.)	4.43	4.65
(b) Own generation		
(i) Through diesel generator (KWH)	1,35,116	76,602
Unit per-ltr. of diesel oil	2.82	2.98
Cost per unit (Rs.)	14.83	8.60
(ii) Through steam turbine/Generator Unit	N.A.	N.A.
Unit per-ltr. of fuel oil/gas	N.A.	N.A.
Cost per unit	N.A.	N.A.
2. Coal		
Quantity (Tones)	N.A.	N.A.
Total cost	N.A.	N.A.
Average rate	N.A.	N.A.
3. Furnace Oil		
Quantity (K.Ltrs.)	14,83,262	14,67,696
Total Amount (Rs.)	2,86,80,646	2,08,61,857
Average rate per K. ltrs. (Rs.)	19.34	14.21
4. Others/internal generation		
Quantity	N.A.	N.A.
Total cost	N.A.	N.A.
Rate/unit	N.A.	N.A.


Mangalam Drugs & Organics Limited
II. FORM B
Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)
A. Specific areas in which R & D carried out by the Company:

The focus of R & D is to meet the changing requirement of business environment. The development of activities has resulted into:

- (i) Development of Indigenous Technologies for bulk drug & intermediate, process improvements, process simplification etc.,
- (ii) Improvement of existing process to improve yields and quality, reduce cost and lead to eco-friendly process

B. Benefits derived as a result of the above R & D:

- (i) R & D efforts have helped to bring out an improvement in process, product, design & operating efficiencies.
- (ii) Development of various bulk drugs & intermediates.
- (iii) Development of new markets, for local and export markets as per requirement, quality upgradation and cost reduction.

C. Future plan of action:

- (i) Development of various bulk drugs/intermediate having good potential for local as well as export markets.
- (ii) Additional investment in Latest instrument & upgradation & strengthening of existing R & D facilities.

D. Expenditure on R & D:

The amount being insignificant, not mentioned.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:
(Rs. In lacs)

Particulars	Current year	Previous year
Foreign Exchange Earnings	1631.15	1197.50
Foreign Exchange Outgo		
(i) Raw material	1885.41	1236.75
(ii) Commission	17.54	24.48
(iii) Travelling Expenses	3.52	26.88
(iv) Interest on foreign currency loan (FCNRB)	150.74	81.38
Total	2057.21	1369.49

FOR AND ON BEHALF OF THE BOARD

(GOVARDHAN M. DHOOT)
CHAIRMAN

Place : Mumbai
Dated : 30th June, 2006