



Mangalam Drugs & Organics Limited

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**34th Annual Report
2006-2007**

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Particulars	31-Mar-99	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07
Sales & Other Sales Income	6159.49	6353.35	6431.40	6853.45	7736.90	8075.33	9046.35	10432.37	8905.38
Profit before Interest & Depreciation	502.20	472.62	408.66	495.25	507.77	541.56	598.00	707.68	567.40
Interest	278.97	236.59	157.23	224.43	224.45	192.42	161.82	234.22	282.59
Depreciation	72.61	80.38	85.83	90.25	92.92	93.79	122.94	158.23	206.25
Profit Before Tax	150.62	155.65	165.60	180.57	190.40	255.35	313.24	315.23	78.56
Profit After Tax	131.28	136.43	147.46	136.34	134.88	190.20	274.80	269.08	66.35
Dividend (%)	15	10	10	5	2.5	1	2	2	0
Payout	16.70	11.13	11.13	5.57	5.57	6.68	26.36	26.36	0
Equity Capital	111.30	111.30	111.30	111.30	222.60	667.80	667.80	1317.82	1317.82
Preference Share Capital	-	-	-	-	-	-	-	-	-
Reserves & Surplus	898.25	1023.55	1159.87	1287.88	1308.69	1066.95	1315.39	2338.15	2404.50
Net Worth	1009.55	1134.85	1271.17	1399.18	1531.30	1734.75	1983.19	3655.97	3722.32
Borrowings:									
Long Term Loans	736.82	592.97	419.69	741.52	669.53	635.23	873.99	575.62	378.64
Short Term - Bank	1009.83	955.17	1239.12	908.56	1426.09	1318.52	1424.06	1470.29	1906.41
Short Term - Others	532.91	495.78	672.59	309.14	365.34	564.49	720.61	475.84	585.13
Total Borrowings	2279.56	2043.92	2331.40	1959.22	2460.96	2518.24	3018.66	2521.75	2870.18
Gross Block	1684.05	1785.57	1906.89	1963.85	2070.08	2533.21	3373.03	4243.33	4689.27
Less : Depreciation	361.76	439.03	522.57	610.75	697.78	780.70	903.63	1060.72	1259.97
Net Block (Fixed Assets)	1322.29	1346.54	1384.32	1353.10	1372.30	1752.51	2469.40	3182.61	3429.30
Investments	17.90	17.93	19.01	19.27	29.76	18.92	18.95	264.79	48.05
Current Assets, Loans & Advances	2849.79	2793.38	3191.98	2467.52	3182.61	3017.53	3300.42	3783.81	4274.89
Less : Current Liabilities	900.87	979.08	992.74	481.49	592.42	535.98	804.93	1150.16	1232.25
Net Working Capital	1948.92	1814.30	2199.24	1986.03	2590.19	2481.55	2495.49	2633.65	3042.64
Book Value (Rs) per share	90.71	101.96	114.21	125.71	68.79	25.98	29.70	27.74	28.25
Earnings (Rs) per share	11.80	12.26	13.25	12.25	6.06	2.85	4.11	2.04	0.50
Nominal value per share	10	10	10	10	10	10	10	10	10
Bonus Shares (Ratio)	-	-	-	-	1:1	2:1	-	-	-

**BOARD OF DIRECTORS**GOVARDHAN M. DHOOT (*Chairman*)

SUBHASH C. KHATTAR

RAJENDRAPRASAD MIMANI

REGISTERED OFFICE

292, PRINCESS STREET
2ND FLOOR
MUMBAI – 400 002

WORKS**VAPI - UNIT 1**

PLOT NO. 187, GIDC
VAPI, DIST. BULSAR
GUJARAT - 396 195

VAPI - UNIT 2

PLOT NO. 1203, GIDC
VAPI, DIST. BULSAR
GUJARAT - 396 195

SANGAMNER - UNIT 3

SANGAMNER AUDYOGIK
VASAHAT LIMITED
SANGAMNER – 422 805
DIST. AHMEDNAGAR, MAHARASHTRA.

AUDITORS

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

BANKERS

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-fourth Annual General Meeting of the members of the Company will be held at Hindi Vidya Bhavan, Marine Lines (west), Mumbai – 400 002 on Friday, 28th September 2007 at 4.30 p.m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 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 appoint a Director in place of Mr. Rajendraprasad K. Mimani, who retires by rotation and being eligible, offers him for re-appointment.
3. 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, queries, if any, on the accounts at least 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, 20th September 2007 to Friday, 28th September 2007 (both days inclusive).
7. **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, and 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.
8. Members who have not encashed their dividend warrant(s) for the financial year 2004-05 and 2005-06 are requested to seek issue of duplicate warrant(s) by writing 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 that 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
31.03.2006	30/09/2006	29/09/2013

9. Appointment / Reappointment of the Directors:

Item No.3

At the ensuing Annual General Meeting Mr. Rajendraprasad K. Mimani 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. Rajendraprasad K. Mimani
2.	Date of Birth	02.04.1952
3.	Educational Qualification	Commerce Background
4.	Date of Appointment on the Board	01.11.2004
5.	Category of Director	Independent Director
6.	Experience	Experience in marketing of various types of products. He has an experience over 32 years.
7.	Other Directorships	1. Universal Transformers Pvt. Ltd. 2. Boesky Securities Pvt. Ltd.
8.	Name of Committees in which Chairman	Nil
9.	Name of Committees in which Member	Mangalam Drugs and Organics Ltd. – Audit Committee
10.	Number of shares held in the Company	Nil

10. 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 : 29TH June 2007



Mangalam Drugs & Organics Limited

DIRECTORS' REPORT

To,

The Members of
MANGALAM DRUGS & ORGANICS LIMITED

The Directors have pleasure in presenting to you their Thirty-Fourth Annual Report and Audited Accounts for the accounting year ended 31st March 2007

1. FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2006-2007	2005-2006
Sales	8840.47	10333.71
Other Income	64.91	98.66
Profit before Interest, Depreciation & Amortizations	591.55	731.84
Less: Depreciation & Amortizations	230.41	182.39
Interest	282.59	234.22
Profit before tax	78.55	315.23
Fringe Benefit Tax	5.21	2.70
Provision for taxation	7.00	40.00
Tax on Dividend	0.00	3.44
Profit after tax	66.34	269.08
Provision for Deferred Taxation for Current Year	(9.71)	67.78
Profit after Deferred tax	76.05	201.30
Balance b/f from previous year	10.06	10.11
Surplus available for Appropriation	86.11	211.41
Appropriations:		
Transfer to General Reserve	0.00	175.00
Proposed Dividend	0.00	26.36
Balance carried to Balance Sheet	86.11	10.06

2. DIVIDEND:

Your Directors do not recommend any dividend for the financial year 2006-2007 (Previous Year: Rs.0.20 per share)

3. REVIEW OF PERFORMANCE:

During the year under review, a Company made Sales of Rs. 8840.47 lacs as compared to Rs. 10333.71 lacs made in the previous year, a reduction of 14.45% than the previous year. The reasons for reduction in sales were mainly on account of closure of our Aluminium plant at Sangamner. The Company made a profit before tax of Rs. 78.55 lacs as compared to Rs. 315.22 lacs made in the previous year. On account of additional revenue expenditure incurred for EDQM approval, increase in the cost of power, raw material and marginal increase in the cost of borrowing etc. has resulted in reduction of profits.

During the year, your Company has been certified by EDQM (European Directorate for the quality of Medicine) Authority as well as successfully audited by Multinational Companies like Pfizer Limited, Dr.Reddys Labs. Ltd., Sanofi Aventis & Lupin Limited. The Company received WHO-GMP certification.

4. EXPORTS:

The Company has achieved exports sales of Rs. 1404.87 Lacs (Previous year Rs. 1631.15 lacs). Constant efforts are being made to boost exports.



5. FUTURE OUTLOOK:

The Indian Pharmaceutical Sector is growing at a very rapid pace. It is fast emerging as preferred manufacturing location with its strong technical skills and low cost manufacturing. India is fast becoming a preferred outsourcing choice for knowledge based chemicals. The Indian budget of 2006-07 took a significant step to boost the domestic pharmaceutical sector. The budget provided for the reduction of customs duty on certain life-saving drugs. These drugs will also be exempted from excise duty and counter-vailing duty (CVD). Moreover there is increased allocation for health and family welfare by 22%.

Your Directors are pleased to inform you that during the year under review the Company has launched anti-malarial bulk drugs like:

- 1) LUMEFANTRINE
- 2) PIPERAZINE
- 3) FUROSOMIDE I.P.

Your company is shortly introducing following new bulk drugs:

- 1) CLOPIDROGEL BI-SULPHATE
- 2) LANSAPRAZOLE
- 3) MELOXICAM

6. RESEARCH & DEVELOPMENT:

Research & Development is the key drives at Mangalam. R & D helped your company in process improvements, enhanced efficiency and reduced the cost without compromising the quality. Your Company has invested in facilities and skilled people and established an R & D Centre equipped with the latest equipments. Commitment to research and effort to produce the best quality pharmaceutical products will offer the customers cost effective products.

7. FIXED DEPOSIT:

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

8. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING 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.

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. Rajendraprasad K. Mimani retires by rotation and being eligible, offer himself for re-appointment.

11. 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 2007 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;



Mangalam Drugs & Organics Limited

- (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.

12. 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.

13. 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.

14. 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.

15. INDUSTRIAL RELATIONS:

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

16. 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
Date : 29TH June 2007

(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 processes of the Company are not energy intensive; therefore impact of energy saving devices is insignificant.

I. FORM A

A. Power and Fuel Consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased Units (KWH)	35,19,921	33,60,124
Total Amount (Rs.)	1,64,34,936	1,48,83,866
Cost per unit (Rs.)	4.67	4.43
(b) Own generation		
(i) Through diesel generator (KWH)	64,226	1,35,116
Unit per-ltr. of diesel oil	2.61	2.82
Cost per unit (Rs.)	13.86	14.83
(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.)	13,82,820	14,83,262
Total Amount (Rs.)	2,90,40,058	2,86,80,646
Average rate per K. ltrs. (Rs.)	21.00	19.34
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 up gradation 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 & up gradation & 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)

	Current Year	Previous Year
Foreign Exchange Earnings	1404.87	1631.15
Foreign Exchange Outgo		
(i) Raw material	1383.18	1885.41
(ii) Commission	21.81	17.54
(iii) Travelling Expenses	11.71	3.52
(iv) Interest on foreign currency loan (FCNRB)	179.54	150.74
Total	1596.24	2057.21

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 29TH June 2007

(GOVARDHAN M. DHOOT)
CHAIRMAN