



40th Annual Report 2012 - 2013

Mangalam Drugs and Organics Limited
(AN ISO 9001 & WHO - GMP COMPANY)

FINANCIAL HIGHLIGHTS

(Figure in Lacs)

[illegible]



BOARD OF DIRECTORS

GOVARDHAN M. DHOOT – CHAIRMAN

SUBHASH C. KHATTAR – INDEPENDENT DIRECTOR

RAJENDRAPRASAD MIMANI – INDEPENDENT DIRECTOR

REGISTERED OFFICE

292, PRINCESS STREET
2ND FLOOR, NEAR FLYOVER,
MARINE LINES, MUMBAI-400002

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

AUDITORS

M/S. MILWANI ASSOCIATES
CHARTERED ACCOUNTANTS
BAGARIA HOUSE, 1ST FLOOR
KOLBHAT LANE, MUMBAI-400002

BANKERS

STATE BANK OF INDIA
IDBI BANK LTD.
PUNJAB AND MAHARASHTRA CO-OP. BANK LTD.

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NOTICE

NOTICE is hereby given that the Fortieth Annual General Meeting of the Members of **Mangalam Drugs & Organics Limited** will be held at the Registered office of the Company at 292, Princess Street, 2nd Floor, Near Fly over, Marine Lines, Mumbai – 400 002 on Thursday, 26th September 2013 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Statement of Profit and Loss Account for the year ended as on that date and the Reports of the Board of Directors' and the Auditors' of the Company.
2. To appoint a Director in place of Mr. Rajendra Prasad Mimani, who retires from office by rotation and being eligible, offers him for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting 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 commencement of 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. Link Intime India Private 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 Annual Report of the Company for the year 2012-2013 is also uploaded on the Company's website www.mangalamdrugs.com in the "Investor Relations" Section.
7. Members holding shares in electronic form are requested to intimate any change in their address, E-mail ID and signature to their respective Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to intimate such changes to the Registrar and Share Transfer Agents of the Company viz. M/s. Link Intime India Private Limited.
8. As per Circular No. MRD/Dop/Cir-05/2009 dated May 20, 2009 issued by Securities And Exchange Board of India (SEBI), it is mandatory to quote Permanent Account Number (PAN) for participating in the securities market. Therefore, Members holding shares in dematerialised form are requested to submit the PAN details to their Depository Participant, whereas Members holding shares in physical form are requested to submit the PAN details to the Registrar and Share Transfer Agents of the Company viz. Link Intime India Private Limited.
9. The Register of Members and Share Transfer Books of the Company will remain closed from 19th September 2013 to 26th September 2013 (both days inclusive) for the purpose of Annual General Meeting.
10. **Change of Address /Bank details:** Members are requested to inform the Company or M/s. Link Intime India Private 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.
11. Members who have not yet encashed their dividend warrant(s) for the financial year 2005-06 are requested to make their claim by writing to the Company's Share Transfer Agents, M/s. Link Intime India Private Limited. It may be noted that the unclaimed dividend for the financial year 2005-06 declared on 30th September 2006 can be claimed by the shareholders



by 29th September 2013. 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.

The Company has transferred unclaimed application money due for refund of public issue made in the year 2005 and unclaimed dividend for the financial year 2004-05 declared on 10th September 2005 to the IEPF established by the Central Government. No claim shall lie against the IEPF or the Company for the amounts so transferred nor shall any payment be made in respect of such claim.

12. A brief profile of Mr. Rajendra Prasad Mimani – director retire by rotation referred to item no. 2 of the Notice required by Clause 49IV G of the Listing Agreement with the Stock exchanges is given below:

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 35 years.
7.	Other Directorships	1. KDM IMPEX PRIVATE LIMITED. 2. ALMIGHTY POWERINFRA SOLUTIONS PRIVATE LIMITED. 3. IMP POWERS LIMITED. 4. IMP ENERGY LIMITED
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

13. Members/Proxies should bring the admission slip duly filled in for attending the meeting.
14. The Ministry of Corporate Affairs, vide its General Circular No. 18/2011 dated 29th April, 2011, has clarified that as a measure of “Green initiative in Corporate Governance” it will be in compliance, if the Annual Report (i.e. documents listed in section 219(1) of the Companies Act, 1956) is sent through e-mail. To support this green initiative, members holding shares in demat form are requested to provide their e-mail ID to the depository through their concerned depository participant and members holding shares in physical forms are requested to provide their e-mail ID to the Company’s RTA, M/s. Link Intime India Pvt. Ltd. and also update the e-mail address as and when there is any change.

BY ORDER OF THE BOARD OF DIRECTORS

GOVARDHAN M. DHOOT
CHAIRMAN

Place: Mumbai
Dated: 23rd May 2013

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



DIRECTORS' REPORT

To,

The Members of
MANGALAM DRUGS & ORGANICS LIMITED

The Directors have pleasure in presenting the Fortieth Annual Report and Audited Accounts for the accounting year ended 31st March 2013.

1. FINANCIAL RESULTS:

(Rs. in Lacs)

	2012-2013	2011-2012
Revenue from operations	12525.87	15318.19
Other Income	157.27	95.40
Profit before Finance Expenses, Depreciation & Amortizations	(283.71)	1503.85
Less: Depreciation & Amortizations	393.97	373.64
Finance Expenses	1002.24	1016.43
Profit / (Loss) before tax	(1679.92)	113.78
Provision for Current Tax	-	22.00
Provision for Deferred Tax	(499.98)	28.42
Profit / (Loss) after tax	(1179.94)	63.36
Balance b/f. from previous year	629.25	565.89
Balance carried to Balance Sheet	(550.69)	629.25

2. DIVIDEND:

In view of the loss incurred during the financial year ended March 31, 2013, no amount is transferred to the General Reserve and the directors do not recommend any dividend on equity shares for the year ended March 31, 2013. (Previous Year: Rs. Nil)

3. REVIEW OF PERFORMANCE:

During the year under review, the Company earned a total income of Rs. 12683.14 lacs as compared to Rs. 15413.59 lacs made in the previous year, a decrease of 17.71%. The reason for decrease was mainly due to Company being a pharma industry had witnessed slowdown in Global Fund Financing and this lead to slowdown in orders to companies customers which resulted them in putting on hold orders they had placed with the company. On the other hand due to weak global scenario. Chinese companies started dumping their products at cheap prices to reduce their inventory levels and due to this our company was also forced to reduce its prices and this had an impact on the profitability of the company; vice versa during the year the company had also been affected due to severe forex fluctuation whereby Rupee had depreciated by more than 20% vis-a-vis US Dollar. All the above factors have put tremendous pressure on the profitability of the Company due to which the company made a loss of Rs. 1179.94 lacs after tax as compared to profit after tax of Rs. 63.36 lacs made in the previous year. During the year under review the company has been sanctioned restructuring of debt by consortium of banks resulting in moratorium of repayments of term loan; the liability of repayment commences from June 2014. Hence there is no repayment of term loan for the financial year 2012-13 and 2013-14 respectively.

4. EXPORTS:

The Company has achieved exports sales of Rs. 6,402.25 lacs as against export sales of Rs. 1,037.44 lacs made in the previous year. Constant efforts are being made to boost exports.

5. FUTURE OUTLOOK:

In keeping with the innovative tradition of previous years, your company remains committed to continuously populate it's development pipeline with a new molecule every quarter. During the year under review, the company has developed anti-AIDS API's which have a bright future and a huge potential demand. The company is in the process of preparing the drug master file for getting approval of WHO for the same; similarly three more bulk drugs namely Lamivudine, Efavirenz and Nevirapine are under development at R&D. The CSIR recognition to the R&D had already placed our research activity on the national map. Our business partners have appreciated our efforts by sourcing their requirements of speciality molecules like impurity and metabolites from our R&D team. In devising most economical & ingenious routes toward manufacture of our volume products has been strength of our bench scientists, the regulatory department has been held in respect as a 'serial DMF filer'. It is the robust regulatory strategy & continuous cost minimization which has helped your company to grow steadily inspite of the trying market conditions of last two years.



6. RESEARCH & DEVELOPMENT:

As the global economy is on a path of recovery, our thrust continues to be a research driven company. The backbone of progress and diversification of every industry lies in its technological strength. Low product costs and intellectual property are going to be the most definitive drivers in the international generics market.

From a one product company in 1977, today MANGALAM has build up a diversified range of products involving varied chemistry applications which is achieved by our in-house technical strength. The work at the research centres ensures that the company has a robust pipeline to feed all the markets that the company operate in. The R&D team is engaged in striving for world class quality standards for its various products. Consistently the R&D division is mainly responsible for developing the entire range of products in-house of the Company and has created difficult to-replicate molecules/products involving innovative and economically viable technologies at competitive costs. The company driving a bold R&D strategy with the goal of delivering the next generation of APIs that will provide better medicines for treatments for many conditions and new hope for people with severe, unmet medical needs. The R&D center has manpower strength of 25 persons.

There is constant effort to reduce, recycle and re-use all resources for conservation and waste reduction, wherever feasible, new processes and improvement, developed are scaled up in the company's pilot plant facility.

Through development of new APIs, the R&D activity continues to support your Company's standing as a "one-stop" source of Antimalarials which have been prioritized by World Health Organisation. The new-product development pipeline has 3 new Molecules.

New Chemicals entity (NCE) generation activity has resulted in a panel of novel compounds which shall be tested against Falciparum malarial parasite.

7. FIXED DEPOSIT:

The Company has not accepted any public deposit and as such, no amount on account of principal or interest on public deposit was outstanding as on date of the balance sheet.

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

The information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is 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 no employee 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. Rajendra Prasad 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 2013 the applicable accounting standards has 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 losses 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 have 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 forthcoming Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.



13. COST AUDITORS :

Pursuant to the direction of the Central Government that the cost accounts maintained by the Company be audited by a Cost Auditor, the Company has appointed Mr. Girish Krishna S. Maniar, Cost Accountants, for conducting the cost audit for the Bulk Drugs business of the Company for the financial year ending March 31, 2013. For the year 2010-2011 and 2011-2012, the Cost Auditor has duly filed the Cost Audit Report. Pursuant to the provisions of section 233B of the Companies Act, 1956, necessary application has been submitted to the Ministry of Corporate Affairs, for the appointment of Mr. Ankit Kishore Chande as Cost Auditors to audit the cost accounts maintained by the Company in respect of Bulk Drugs for the year ending March 31, 2014.

14. CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is set out in Annexure 'II' forming part of this 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 co-operation 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 : 23rd May, 2013

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

A. CONSERVATION OF ENERGY:

- (a) **Energy conservation measures taken:** The manufacturing processes of the Company are not energy intensive; therefore impact of energy saving devices is insignificant. Energy conservation is an ongoing process within the Company. The Company has been making continuous efforts for enhancement in capacity utilization, cost competitiveness and quality through systematic process monitoring and adherence to technological norms.
- (b) **Additional investment and proposals, if any being implemented for reduction of consumption of energy:** NIL
- (c) **Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact of the cost of production of goods:** The above measure will help in reducing cost.
- (d) **Total energy consumption per unit of production as per Form A in respect of industries specified in the Schedule**

FORM A

Form for disclosure of particulars with respect to conservation of energy.

Power and Fuel Consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased Units (KWH)	45,91,252	55,47,588
Total Amount (Rs.)	2,92,20,414	3,22,64,648
Cost per unit (Rs.)	6.36	5.82
(b) Own generation		
(i) Through diesel generator (KWH)	55,028	85,563
Unit per-ltr. of diesel oil	5.80	5.80
Cost per unit (Rs.)	31.65	30.15
(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. Others/internal generation		
Quantity	13,29,793	16,76,970
Total cost	4,78,23,546	3,78,02,785
Rate/unit	35.96	22.54



B. TECHNOLOGY ABSORPTION :

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:

- (i) Study and optimization of processing parameters in the manufacture of antimalarial APIs.
- (ii) Quality upgradation of antimalarial APIs which are on priority list of World Health Organization.
- (iii) Synthesis of antimalarial compounds which are in pre-clinical stages.
- (iv) Analytical method innovations to meet international quality demands.

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

- (i) Optimal utilization of resources for the global market.
- (ii) We are the first company to feature on WHO's API prequalification programme.
- (iii) We shall be a preferred source of future drug candidates and hence shall enjoy a competitive advantage.

c. Future plan of action:

- (i) Development of frontline antimalarial and antiviral API and their intermediates.
- (ii) Additional investment in state-of-the-art analytical instrumentation and plant machinery to boost quality and cost efficiencies.
- (iii) Generate a panel of novel antimalarial candidate compounds by Anagrammatic approach for screening against resistant malarial parasite strains.

d. Expenditure on R&D

(Rs. In lacs)

Particulars	Current year	Previous year
Capital	0.13	34.71
Recurring	93.42	106.91
Total	93.55	141.62

R & D expenditure was 0.74% of total revenue, as against 0.92% in the previous year.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

a. Efforts in brief made towards absorption, adaptation and innovation:

- (i) Development of patent-non-infringing processes for antimalarial and antiviral APIs.
- (ii) Generation of innovative new chemical entities to achieve "Single-dose-cure" in Antimalarial Segment.

b. Benefits derived as results of the above efforts: e.g. output improvement, cost reduction, product development, import substitutions etc.

- (i) Expansion of product portfolio to cater to emerging markets.
- (ii) Improvement in operational efficiency through reduction in batch time cycles, increase in batch size and simplification of processes.

c. Details of imported Technology.

No technology has been imported for last 5 years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a. **Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services, and export plans:** The Company is continuously exploring avenues to increase exports to various countries