



PAN DRUGS LIMITED

17th

**Annual Report
2009-2010**

17th Annual Report

Board of Directors :	Shri Kamal Pandya	Chairman & Managing Director
	Shri Atul Pandya	Managing Director
	Shri Sambhasiva Reddy	Independent Director
	Shri Hemant Upadhyay	Independent Director
	Shri Parag Raval	Independent Director

Auditors : M/s. S.G. Bhagwat & Co
Chartered Accountants
Vadodara.

Registered Office : 167, GIDC, Nandesari, Dist. Vadodara – 391340
E-mail : info@pandrugs.com, pandrugs@gmail.com

PAN DRUGS LIMITED

NOTICE

Notice is hereby given that the 17th Annual General Meeting of **Pan Drugs Limited** will be held on Thursday, the 30th September, 2010 at 9.30 a.m. at its Registered Office at 167, GIDC, Industrial Estate Nandesari, Dist. Vadodara-391340, to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2010 and Balance Sheet as of that date together with the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Parag V. Raval who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

Special Business :

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant the provisions of sections 198, 269, 309, 310, 314 read with schedule XIII and other applicable provision, if any, of the Companies Act, 1956 (including any statutory Modifications, or Re-enactment thereof, for the time being in force), subject to approval of the shareholders and such other authorities as may be required, consent of the Company, be and is hereby accorded for the appointment of Shri Kamal N. Pandya, as the Managing Director of the Company, for a period of 3 years from 16th July, 2010 to 15th July, 2013 on the terms and conditions including remuneration as are set out in the Agreement entered into between the Company and Shri Kamal N. Pandya, a copy whereof is placed before the Meeting which is here by specifically approved with liberty to the Board of Directors (hereinafter referred to as “The Board” which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement subject to the same not exceeding the limits set out in the said Schedule XIII to the Companies Act, 1956 including any statutory modification or re enactment thereof for the time being in force or as may hereafter be made by the Central Government in the behalf, from time to time or any amendments thereto as may be agreed to by the Board and Shri Kamal N. Pandya.”

“FURTHER RESOLVED THAT in the event of inadequacy or absence of profits in any financial year, Shri Kamal N. Pandya, the Managing Director, be paid remuneration as minimum Remuneration, subject to the ceiling as prescribed in section II of Part II of Schedule XIII to the Companies Act, 1956.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 314 and other applicable provisions, if any, read with Schedule XIII as amended up to date, of the Companies Act, 1956, consent be and is hereby accorded to the reappointment of and the remuneration and perquisites being paid or provided to Shri Atul N. Pandya as the Managing Director of the Company, for a period of three Years from 31st July, 2010 to 30th July, 2013 on the terms and conditions as set out in the Agreement entered into between the Company and Shri Atul N. Pandya, which is hereby specifically approved.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the said remuneration and perquisites including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorized in accordance with any provision under the Act for the time being in force provided,

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however, that the remuneration payable to Shri Atul N. Pandya shall be within the limits set out in the said Act including the said Scheduled XIII to the Act or any amendments thereto or any modifications (s) or statutory re-enactment(s) thereof and/or any rules or regulations framed there under and the terms of the aforesaid Agreement between the Company and Shri Atul N. Pandya be suitably modified to give effect to such variations or increase as the case may be.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office of Shri Atul I N. Pandya, the Managing Director, the remuneration and perquisites set out in the aforesaid agreement, be paid or granted to Shri Atul N. Pandya as minimum remuneration, provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act or such other amount and perquisites as may be provided in the said Schedule XIII and as may be amended from time to time or any equivalent statutory re-enactment(s) thereof for the time being in force.”

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

“**RESOLVED THAT** consent of the Company be and is hereby given for appointment of Shri Jayesh Vyas of M/s. Jayesh Vyas & Associates, the Practising Company Secretary, Vadodara, to issue compliance certificate, pursuant to Companies (Compliance Certificate) Rules, 2001 framed under Section 383A of the Companies Act, 1956, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting on the fees as may be decided by the Chairman & Managing Director in consultation with him plus out of pocket expenses.”

For and on behalf of the Board,

Sd/-

Date : 03-09-2010

Place: Vadodara

**Kamal N. Pandya
Chairman & Managing Director**

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER.
2. The Proxy Form duly completed and signed should be lodged with the Company 48 hours before the commencement of the meeting, in order to be effective.
3. Explanatory statement, pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business enumerated at Item Nos. 4 to 6 , is annexed.
4. The Register of members and share transfer books of the company will remain closed from Friday, the 24th September, 2010 to Thursday, the 30th September, 2010 (both days inclusive).
5. MEMBER DESIROUS OF OBTAINING INFORMATION WITH RESPECT OF THE ACCOUNTS OF THE COMPANY ARE REQUESTED TO SEND QUERIES IN WRITING TO THE COMPANY AT IT'S REGISTERED OFFICE SO AS TO REACH AT LEAST SEVEN DAYS BEFORE THE DATE OF THE MEETING.

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ANNEXURE TO NOTICE

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

Item No. 4 & 5 :

Shri Kamal N. Pandya is a qualified Science post graduate having obtained a M.Sc. (Chemistry) Degree from the M.S. University of Vadodara and having extensive experience of Two decades in the field of production, marketing, finance and administration of pharmaceutical industry, was appointed as a Managing Director of the Company from 16th November, 1993 and has since then been acting as Managing Director of the Company. Lastly he was appointed as Managing Director, for a period of three years, the tenure of which expires on 15th July, 2010.

Whereas Shri Atul N. Pandya is qualified Commerce graduate having obtained a B.Com Degree from the M.S. University of Vadodara and having experience of production, quality control, and materials management and administration. He was earlier appointed as Managing director, however, he resigned due to personal problem. Shri Atul Pandya was again appointed as a Director and Managing Director with effect from 31st July, 2007, the tenure of his office expired on 30th July, 2010.

The Board of Directors, subject to the approval of the shareholders, at their meeting held on 16-07-2010 have re-appointed Shri Kamal N. Pandya and Shri Atul N. Pandya as the Managing Directors of the Company, for further period of 3 years with effect from 16th July, 2010 to 15th July, 2013 and from 31st July, 2010 to 30th July, 2013 respectively, in consideration of their proven abilities, competence, business acumen and experiences.

Draft Agreement between the Company and Shri Kamal N. Pandya and another with Shri Atul N. Pandya embody following main terms and conditions :

- 1) Tenure : 3 years from the date of re-appointment.
- 2) Remuneration :
 - I) Salary : Rs. 1,00,000 per month
 - II) Perquisites & Allowances :
 - a) In addition to the salary and commission payable, the Managing Directors shall also be entitled to perquisites and allowance like accommodation (furnished or otherwise) or house rent allowance in lieu thereof : House maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, Medical reimbursement, club fees and Leave Travel concession for themselves and their family, Medical insurance and such other perquisites and allowances with the rules of the Company or as may be agreed to by the Board of Directors and Shri Kamal N Pandya and Shri Atul N Pandya. Such other perquisites and allowance will be subject to a maximum of 50% of their annual salary.
 - b) For the purpose of calculating the above ceiling , perquisites shall be evaluated as per Income Tax Rules, at actual cost.
 - c) Provision for the use of the Company's car for official duties and telephones at residence (including payment for local calls and long distance official calls) shall not be included in the competition of perquisite for the purpose of calculation and said ceiling.
 - III) Commission :

Such remuneration by way of commission, in addition to the Salary and perquisite and allowances payable, calculated with reference to the Company at the end of each financial year, subject to the over all ceiling stipulated in Section 198 and 309 of the Act, the specific amount payable to the Managing Directors not exceeding four times their annually after the annual accounts have been approved by the Board of Directors and adopted by the shareholders.

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IV) Minimum Remuneration :

Not with standing anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Managing Directors, the Company as no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites and allowance as specified above.

- 3) The terms and conditions of the said reappointments and/or Agreement may be altered and varied from time to time by the Board as it may be, in its discretion, deemed fit, within the maximum amount payable to managing Directors and executive Directors in accordance with the schedule XIII to the Act, or any amendments made thereafter in this regard.
- 4) The agreement may be terminated by either party giving the other party three months' salary in lieu thereof.

If at any time the Managing Directors, as the case may be, ceases to be a Director of the Company for any cause whatsoever, he shall cease to be a Managing Director of the Company. If at any time the Managing Director ceases to be in employment of the Company for any cause whatsoever, he shall be ceases to be a Director of the Company.

The Managing Directors as the case may be, are appointed by virtue of their employment in the Company and their appointments are subject to the provisions of section 282(1) (I) of the Companies Act, 1956.

The Managing Directors as the case may be shall not be entitled to supplements their earnings under the Agreement with any buying or selling, commission. They shall not also become interested or otherwise concerned directly or through their wives and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

The Managing Directors during their tenure of office, will not be liable to retire by rotation.

In compliance with the provisions of Section 309 and 310 of the Companies Act, 1956, the terms of remuneration specified above, are now being placed before the members in general Meeting for their approval.

The draft agreement between the Company and Shri Kamal N Pandya and Shri Atul N. Pandya are available for inspection by the of the Company at its Registered office between 11.30 a.m. and 3.30 p.m. on any working day (except Sundays and Holidays), till the date of the Annual General Meeting.

None of the other Directors except Shri Atul N. Pandya and Shri Kamal N Pandya, are deemed to be concerned or interested in the said resolutions.

The Board recommends the resolution for adoption.

The Explanatory Statement together with the accompanying Notice shall be treated as an abstract of the terms of agreement and Memorandum of Concern or interest under Section 302 of the Companies Act, 1956.

Item No.6 :

Shri Jayesh Vyas, the Practising Company Secretary, who is M.Com, M.S.W, LL.B.(Sp), F.C.S holding Certificate of Practice from the Institute of Company Secretaries of India, New Delhi, has been assigned the work of issue of Compliance Certificate as required by the Companies (Compliance Certificate) Rules, 2001 framed under Section 383A(1) of the Companies Act, 1956 and holds office until the conclusion of the ensuing Annual General Meeting. He being eligible, offers himself for reappointment. Members are requested to consider his reappointment.

None of the Directors is concerned or interested in the said Resolution.

The Directors recommend the resolution for adoption.

Date : 03-09-2010

Place: Vadodara

**For and on behalf of the Board,
Kamal N. Pandya
Chairman & Managing Director**

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ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING.

Information pursuant to Clause 49 of the Listing Agreement regarding reappointment of Director

Name of the Director	:	Shri Parag V. Raval
Date of Birth	:	06/01/1964
Date of Appointment	:	30/04/2008
Specialised Expertise	:	Accountancy & Finance
Qualifications	:	B.Com. (Hon.)
Directorships of others Companies as on 31 st March, 2010	:	Nil
Chairman/ Member of Committees of Companies as on 31 st March, 2010	:	Chairman of Audit Committee and Remuneration Committee and member of Shareholders' / Shareholders' Grievance Committee of Pan Drugs Ltd.

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DIRECTORS' REPORT

To,
The Members,
Pan Drugs Limited

Your Directors have pleasure in presenting the 17th Annual Report together with Audited Statements of Accounts for the Year ended 31st March, 2010.

The following figures summarise the financial performance of the Company during the year under review.

1. FINANCIAL RESULTS :

Financial Highlights	(Rs. in Lacs)	
	<u>2009 – 2010</u>	<u>2008 – 2009</u>
Gross Income	4800.50	2,863.33
Profit before Interest, Depreciation and Tax	475.10	100.14
Less: Interest	353.08	49.77
Less: Depreciation	35.19	34.54
Profit for the year	86.83	15.83
Prior Period Adjustment	(509.74)	13.05
Net Profit/ (Loss)	(422.91)	28.88
Profit / (Loss) for the year brought forward	(851.49)	(880.38)
Amount available for appropriation	(1274.40)	(851.50)
Balance Carried to Balance Sheet	(1274.40)	(851.50)

2. DIVIDEND :

In view of carried forward loss, the Directors regret their inability to recommend the payment of the dividend to the Shareholder.

3. OPERATIONS IN RETROSPECT:

During the year under review, the Company produced impressive results by yielding Gross Income of Rs. 4800.50 lacs as against Gross Income of Rs. 2,863.33 lacs , fetched Gross Profit before Dep. Interest & Tax of Rs. 475.10 as against of Rs. 100.14 lacs of the previous year and earned Net Profit of Rs. 86.83 lacs against Rs. 15.83 lacs of previous year, registering thereby increasing in Gross income by 67.65% and Net Profit by 549% in comparison with the previous year.

The Company continued to implement its focus on manufacturing of high surplus generating and value added product Viz. Guaifensin and measures for reduction of operative cost so as to derive maximum mileage on generation of higher profits.

The Company continues to pledge itself to put its best sincere endeavours to bring improved results by covering larger segments of market by putting thrust and exports and on strengthening its marketing channels for effective penetration.

4. MANAGEMENT DISCUSSION & ANALYSIS :

a. Industry Structure and Developments:

The Company was like other Indian pharmaceutical Industry had reasonably good year, in terms of the profit and growth for the year ended 31st March, 2010. Sincere attempt is being made to introduce necessary changes on continual basis, in the various areas of operations so as to optimize the operating results.

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b. Opportunities and Threats :

Your Company operates in an area where a large market exists and offers ample opportunities for growth. Your Company's products are well-received in the market. However, the Company faces tremendous competitions from the organized and also unorganized sectors.

c. Outlook :

In view of inflationary trend prevailing in the market, your Directors feel the performance of the Company has been reasonably good. Your Directors are also aware of the fact that Indian Pharmaceutical industry is highly potential to growth but competitive and fragmented.

The management is conscious about the changing scenario in pharmaceutical industry and review take place regularly.

d. Risks and concerns :

The external factors such as inflationary trend prevailing in the market, natural calamities, and competition are common to all the industrial sectors. It is therefore necessary to address urgently to the effect of those risks on the business of the Company. Risks which are internal on which the Directors and management would have control, such as Product demand, Technology upgradation of products, adequate availability of working Capital fund, allocation of scarce financial, focus on financial disbursement, achieving optimum usage of available infrastructure and deriving maximum possible returns, cost reduction in its operations etc. are some of the inbuilt strategies which are implemented by the Company to manage business risk.

e. Internal Control System and their adequacy :

The internal control systems are continuously being fine tuned in line with the changing requirements in the industry. The management regularly reviews the internal control systems in the areas of finance procurement, sales and distribution and marketing and new product launches. Thus emphasis on internal control system is spread over across all major functions and processes.

f. Financial Performance :

Financial performance of the Company has been indicated hereinabove.

f. Human Resources/Industrial Relations :

Your Directors believe that employees are the most valued assets of the organization. Thus, all the human resources practices are directed towards enhancing the value of these assets. The focus of the management is on the organizational development and to imbibe new organization values-entrepreneurship, team work achievement and commitment.

5. DIRECTORS' RESPONSIBILITY STATEMENT.:

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that:-

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give 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 the year under review.
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the Directors have prepared the Annual Accounts on a going concern basis.

6. DIRECTORATE :

Shri Parag V. Raval who retires by rotation and being eligible, offers himself for reappointment. Members are requested to consider his re-appointment.

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A brief note on Director retiring by rotation and eligible for re-appointment is furnished in the accompanying notice calling the Annual General Meeting.

7. STATUTORY DISCLOSURES:

- I. Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, statement showing particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo, is given in the **Annexure 'A'** to this report.
- II. As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 information is not furnished as no employee is covered there under.
- III. In compliance of Section 383A(1) of the Companies Act, 1956 Compliance Certificate as issued by Shri Jayesh Vyas of M/s. Jayesh Vyas and Associates, the Practicing Company Secretary, is annexed as **Annexure "B"** to this report.

8. CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the Listing Agreements with the Bombay Stock Exchange Ltd., Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report as **Annexure "C"**, whereas the Management Discussion and Analysis is given hereinabove.

9. DEMATERIALISATION OF SHARES :

The Company has been in process of Dematerialisation of its shares by obtaining ISIN from National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL). It is expected that process of Dematerialisation of Company's share would begin shortly.

10. AUDITORS :

M/s. S.G.Bhagwat & Co., Chartered Accountants, Vadodara, the Auditors of the Company retire at the ensuing Annual General Meeting, being eligible, offer themselves for reappointment.

Members are requested to consider their re-appointment for the current year and fix their remuneration.

11. DEPOSITS :

The Company has not accept any deposit unpaid and / or unclaimed deposit. The Company has complied with all requisite applicable provisions of the Companies Act relating thereto.

12. INSURANCE :

All the properties and insurable interests of the Company including buildings, plants & machineries and stocks, have been adequately insured.

13. APPRECIATION :

Your Directors have pleasure to place on record their appreciation of the service rendered by the Workmen and Staff of the Company and thank Customers, Suppliers and Government Agencies for their valuable cooperation in furthering interest of the Company.

For and on behalf of the Board,

Sd/-

Date : 03-09-2010
Place: Vadodara

Kamal N Pandya
Chairman & Managing Director