

DIRECTORS' REPORT

To,
The Members
PANJON LIMITED

Your directors present their 19th Annual report on the business and operations of the company along with the Audited Balance Sheet and Profit & Loss Accounts for the period ended on 30th June 2002 (for a period of fifteen months commencing from 1st April, 2001 to 30th June 2002)

FINANCIAL RESULTS.

Financial Results of the company for the year under review along with the figures for previous year are as follows :

	(Amount Rs. In lacs)	
	30 th June 2002	31 st March 2001
Turnover	1220.08	932.30
Other Income	15.00	0.01
Total Income from operations	1235.00	932.31
Profit before interest, depreciation & tax	129.60	133.75
Less interest	87.33	91.32
Less depreciation	32.76	27.05
Profit before tax	9.51	15.38
Less provision for taxation	0.15	0.16
Less deferred tax	7.83	0.00
Previous year taxation adjustments	(-) 0.25	(-) 1.33
Amount transferred from the General reserves	70.00	
Provisions for differed tax liabilities	(-)149.15	
Balance carried from previous year	(-) 87.55	(-)104.08
Loss carried to the Balance sheet	(-) 165.42	(-) 87.55

DIVIDEND :

In view of the accumulated losses of the earlier years, your directors are not in a position to recommend any dividend for the year under review (previous year nil).



SHARE CAPITAL:

Your directors are pleased to report that the company has allotted 49,82,600 Equity Shares of Rs.10/- each aggregating Rs. 498.26 lacs only for cash at par as the partly paid up shares and has also allotted 10,00,000 Equity Shares of Rs. 10/- each, fully paid-up, aggregating Rs. 100.00 lacs against the Swapping Agreement to M/s. Raunaq Laboratories Limited on the preferential basis in compliance of the SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997 on 1st June, 2002.

The Company has submitted application for the listing of the shares issued under the preferential allotment with the Madhya Pradesh Stock Exchange at Indore (Regional Stock Exchange) & Mumbai. Listing permission from the said Stock Exchanges are still awaited. The company proposes to give D-materialisation facilities on the new capital on obtaining listing permission from the said stock exchanges.

D-MAT & LISTING OF SHARES:

The company's existing equity shares (other than the shares issued on the preferential allotment) are listed with the M.P. Stock Exchange (Regional) & The Stock Exchange, Mumbai. During the year under review there was no suspension trading of shares by any stock exchange.

Your company also has connectivity with the Central Depository Services Ltd. (CSDL) and National Depository Services Ltd. (NSDL) to provide facilities to all members and investors to hold the company's shares in De-materialised Form (except in case of the shares allotted under the preferential allotment made on 1st June, 2002).

DEPOSITS:

The company has not accepted any public deposit within the meaning of the provisions of section 58A of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT:

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your directors state that:

- ❖ In the preparation of accounts, the applicable accounting standards have been followed
- ❖ Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the company as at the end of June 30, 2002 and the profit of the company for the year ended on that date

BUSINESS PERFORMANCE :

Your directors report that during the period under review the company has achieved the total turnover of Rs. 1220.08 lacs(previous year Rs. 932.30 lacs) and has earned a profit of Rs. 9.36 lacs(previous year profit of Rs. 15.22 lacs).

The current accounting year of the company has been extended for a period of 3 months, therefore, the financial results for this year is based on 15 months period i.e. 1st April, 2001 to 30th June 2002.

Your company is planning to foray into health care retailing as part of its forward integration plans. The company is also planning a foray into research and development with an eye on the Novel Drug System and over the counter market with new product launches.

DIRECTORS:

Shri Nagin Kothari, the Director retires by rotation and being eligible offered himself for re-appointment. The Board recommends his re-appointment.

AUDITOR'S REPORT:

The comments of the Auditors at their report and the notes forming part of the account . Yours directors submit the following comments on the remarks given by the auditor:

Para No.15 relating to the Internal Audit system: The company is having internal audit department for the purpose of controlling the financial transactions and is continuously taking suitable steps to improve the internal audit.

Para No.9: relating to the Loans to the body corporate: In view of the financial crisis, some of the companies are not paying off their liabilities towards the principal and interest amount due to the company timely. The company is making necessary follow-up to realize the amount.

Para No.17 & 18 : Relating to the PF and other statutory dues : The company has to face liquidity crunch due to low recovery from the debtors and for that reasons it was not possible for the management to pay the dues to the PF and ESIC Sales Tax and VAT amount within the stipulated time. The company is in process to regularize the payment.

The remaining part of the Auditors Report are self explanatory and need no comments.

AUDITORS :

M/s. Trilok Jain & Co. Chartered Accountants, Auditors of the company retires from the office of the Auditors at the ensuing Annual General Meeting, and the company has received a certificate from the Auditors to the effect that their re-appointment if made would be in accordance with the provisions of section 224(1) of the Companies Act., 1956. The Directors recommend the re-appointment of M/s. Trilok Jain & Co. and authorize to the Board to fix their remuneration.

- ❖ Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- ❖ The annual accounts of the company have been prepared on a going concern basis.

PERSONNEL:

The relations between the workers and the managements were remained normal and there was no loss of production on account of the labour problem.

SEGMENT REPORTING:

In terms of the Listing Agreement the Segmental business report being annexed with the report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN TRADE :

Information as required under section 217(1)(e) of the companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 have been enclosed with the Report.

CORPORATE GOVERNANCE:

Corporate governance assumes a great deal of importance in the business life of the company. The driving forces of the corporate governance at company are its core values, belief in people, entrepreneurship, customers orientations and the pursuit of excellence. The company's goal is to find creative and productive ways of delighting its stakeholders, i.e. investors, customers and associates, while fulfilling the role of a responsible corporate representative committed to the best practices.

Clause 49 of the listing guidelines has been applicable to the company during the year 2002-03 and the company has to comply with the requirement by 31st March 2003. Your company is taking steps to comply with the requirement of the Listing conditions.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their sincere appreciation and acknowledge with gratitude the support and consideration extended by Bankers, MPAVN, MPFC, SEBI, Stock Exchanges investors & employees and also look forward for their continued support.

Place : INDORE

Date : 28th Nov., 2002

By order of the Board
For **PANJON LIMITED**


NAGIN KOTHARI
DIRECTOR

C. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT

(1) **Research & Development:**

- Successfully developed a fully in house indigenous Circular oriented printing Machine, which can print capsules in a circumference of 250 degrees.
- Process debottlenecking at all stages of production line.
- Development in the area of trimming collection by efficient vacuum cyclone System.
- Automation in the area of physical test checking for finished product.
- Automation in the area of packing section.

R & D Expenditure

Not quantified separately.

(2) **Technology, absorption, adoption, and innovation.**

(a) Efforts in brief made towards technology absorption, adoptions, and innovation.

-Constant monitoring of process and technology up gradation taking place in advance countries and to offer similar products through in-house R & D as well as through progressive manufacturing activities. The company is in the process of further improving its quality control methods and testing facilities.

-Regular interaction with segment designers and manufacturers and major raw material suppliers for improvements to processing and operating parameters.

(b) Benefits derived as a result of above efforts.

-Improved product quality

D: FOREIGN EXCHANGE EARNING AND OUTGO

(a) Activities relating to exports, initiatives taken to increase exports, development of new export plans.

(b) Information in respect of Foreign Exchange Earning & Outgo is:

Current Year.	Previous Year
---------------	---------------

E: PARTICULARS OF THE EMPLOYEES:

Particulars as required under Section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of the employees) Rules 1975 are not applicable, since none of the employees of the Company is drawing salary of Rs. 24,00,000 p.a. or Rs. 12,00,000/- p.m. for the part of the year.

Annexure to the Directors Report

Segmental Business Report:-

In terms of AS-17 and the Listing Agreement, the company has identified the following segments, details are as under:-

**(A) Primary Segments
Business Segments**

	Manufacturing	Trading	Total
(1) Sales Revenue:			
External Sales	2,29,41,092	9,90,67,319	12,20,08,411
Total Sales	2,29,41,092	9,90,67,319	12,20,08,411
(2) Segment Results Before Int. & Tax:	92,08,963	4,25,636	96,25,599
Add: Exceptional Items	-----	-----	49,162
Less: Interest	14,19,060	73,13,615	(-) 87,32,675
Net Profit Before Tax			9,51,086
Less : Income Tax			(-) 15,000
Less : Income Tax related to earlier years			(-) 25,000
Less : Deferred Income Tax			(-) 7,56,420
Net Profit after Tax			1,27,666
(3) Segment Assets:	14,93,31,766	1,70,67,597	16,63,99,363
Unallocable Assets	-----	-----	1,22,63,233
Total Assets			17,86,62,596
(4) Segment Liabilities	1,21,56,568	6,72,38,964	7,63,95,832
Unallocable Liabilities	-----	-----	1,69,70,302
Total Liabilities			9,63,66,134

(B) Secondary Segments

Geographic Segments	Central India	North India	Western India	Total
Total Revenue	9,99,22,033	1,448,66,354	72,20,024	12,20,08,411

Trilok Jain & Company,
Chartered Accountants
115, Bansi Trade Centre,
581/5, M.G. Road, Indore
Off. Tele/Fax 533324/533576,

AUDITOR'S REPORT

To,
Members,
Panjon Limited,
Dawa Bazar,
INDORE-452 002

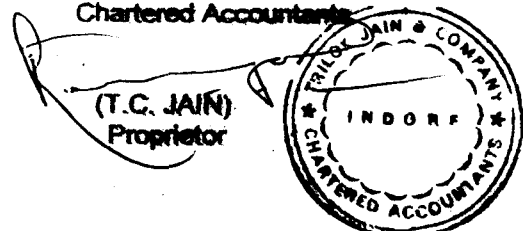
We have audited the attached Balance sheet of PANJON LIMITED, INDORE as at 30th June 2002 and the Profit and Loss Account of the Company for the period ended on that date, annexed thereto. These Financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto Statement on the matter specified in the order.
2. Further, our comments in the Annexure referred to in paragraph (1) above.
 - (a) We have obtained all the information and explanations which on the best of our knowledge and belief, were necessary for the purpose of the audit.
 - (b) In our opinion, proper books of accounts, as required by law has been kept so far, as appears from our examination of the books.
 - (c) The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet and Profit & Loss A/c dealt by this report are in compliance with the Accounting Standards (A) referred to in section 211(3C) of the Companies Act, 1956.
 - (e) On the basis of written representation received from the directors and taken on records by Board we mention that none of the directors of the Company is disqualified from being appointed in accordance with Clause (g) of sub section (1) of Section 274, as on 30th June -2002.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th June-2002
 - (ii) In the case of the Profit & Loss of the Profit of Company for the period of 15 Months ended on that date.

PLACE: INDORE
Date: 28th November 2002

for Trilok Jain & Co.
Chartered Accountants



ANNEXURE TO THE AUDITORS REPORT

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The Management, at reasonable intervals during the period has, physically verified all the Fixed Assets and we have been informed that no significant discrepancies have been noticed on such verification, as compared to book records.
2. None of the fixed assets have been revalued during the period.
3. The Stock of finished goods, raw materials, stores and spares during the period have been physically verified by the management.
4. In our opinion the procedure of physical verification followed by the management in respect of goods and stocks are adequate or reasonable.
5. We have been informed that no material discrepancies were noticed on verification of stocks, as compared to book records.
6. In our opinion and as evidenced by us examination of stock records and as per the information and explanation given to us, valuation of stocks is fair and proper in accordance with normally accepted accounting principles.
7. In our opinion, the rate of interest and other terms & conditions on which loan has been taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima-facie, prejudicial to the interest of the company. As explained to us, there are no Companies under the same management as defined under the then applicable section 370(B) of the Companies Act, 1956.
8. The Company has granted unsecured loans, advances to the companies listed in the Register maintained under section 301 of the Companies Act, 1956. According to the information and explanations given to us, the rate of interest and other terms and conditions of the loan are prima-facie, prejudicial to the interest of the Company as per notes to the Accounts.
9. In respect of the loans and advances in the nature of loans given by the Company where stipulations have been made, the parties are generally not repaying the principal amount as stipulated and have also been irregular in the payment of interest where applicable, confirmation not received. Please refer notes to the accounts.
10. In our opinion and as per the information and explanations give to us, there is adequate procedure commensurate with the size of the company and the nature of its business for purchase of goods equipment's, plant & Machinery and other assets and for sale of goods and services.
11. We are informed that the Company has made transactions of purchase and sale aggregating during the period to Rs.50,000/- or more at prices which are reasonable having regard to prevailing market prices for such goods in respect of the parties entered in the register maintained under section 301 of the Companies Act, 1956
12. Company has not informed about unserviceable or damaged stores, raw materials and finished goods.
13. The Company has not accepted any deposit from public, within the meaning of section 58A of the Company's Act 1956.
14. The Company does not have any by-product and the Company's operation does not generate any significant realizable scrap.
15. The Company has no proper internal audit system commensurate with its size and nature and business.
16. As explained to us, the maintenance of cost records prescribed under section 209(1) (B) of the Companies Act, 1956 pursuant to rules made by the Central Government are not applicable to company for the period under review.

