

PARENTERAL DRUGS (INDIA) LIMITED

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21st Annual Report

2005



PARENTERAL DRUGS (INDIA) LIMITED**BOARD OF DIRECTORS**

Shri Manoharlal Gupta	Chairman Cum-Managing Director
Shri Vinod Kumar Gupta	Managing Director
Shri Govind Das Garg	Whole-time Director
Shri Satish Chandra Consul	Non-Executive/Independent Director
Shri Dharam Pal Khanna	Non-Executive/Independent Director
Shri D.K.Panchaity	Non-Executive/Independent Director

COMPANY SECRETARY

Mr. Amit Kumar Sohni

REGISTERED OFFICE

340, Laxmi Plaza, Laxmi Industrial Estate
New Link Road, Andheri (West)
Mumbai-400 053

CORPORATE OFFICE & INVESTORS GRIEVANCES CENTRE

Shree Ganesh Chambers,
Navlakha Crossing,
Indore-452 001
Madhya Pradesh

SHARE TRANSFER AGENT

M/s. Intime Spectrum Registry Limited,
307, City Centre,
570, M.G.Road,
Indore-452 001
Madhya Pradesh

CERTIFIED TRUE

AUDITORS

M/s. T.N.Unni & Co.
Chartered Accountants,
Indore-452001

For Parenteral Drugs (India) Limited

Company Secretary.

BANKERS

State Bank of India
State Bank of Indore

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held on Friday the 30th day of September, 2005, at 10 a.m. at 57, Mulji House, Bharuch Street, Masjid Bunder, Mumbai-400 009 to transact the following business:

ORDINARY BUSINESS

- 1) To consider, approve and adopt the Balance Sheet of the Company as on 31st March, 2005, and Profit and Loss Account for the year ended on that date and the report of the Statutory Auditors' and the Directors' thereon.
- 2) To appoint a director in place of Shri Vinod Kumar Gupta who retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint the Statutory Auditors of the Company and to fix their remuneration. The retiring Auditors of the Company M/s. T.N.Unni & Co., Chartered Accountants, Indore, are eligible for re-appointment.

SPECIAL BUSINESS

ITEM NO. 4 APPOINTMENT OF DIRECTOR

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT in terms of provisions of Section 257 of the Companies Act, 1956 Shri D.K.Panchaity, be and is hereby appointed as a professional, independent Director of the Company liable to retire by rotation."

ITEM NO. 5 AUTHORITY TO THE BOARD TO CREATE CHARGE

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT in terms of provisions of Section 293 (1) (a) of the Companies Act, 1956 approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company to create such mortgage and charges in addition to the existing mortgages and charges, created by the Company, as the Board may decide, on the assets of the Company, whether movable or immovable both present and future, in favour of State Bank of India, Commercial Branch, G.P.O., Indore for their total financial facilities to the tune of Rs.5200 lacs and in favour of State Bank of Indore, Industrial Finance Branch, Khel Prashal, Indore for their total financial facility to the tune of Rs.1325 lacs;

RESOLVED FURTHER THAT all monies already borrowed, charges created and other steps to be taken in respect thereof and the documents executed by the Board of Directors of the Company in respect of the above financial facilities, in favour of the Banks be and are hereby ratified and confirmed."

BY ORDER OF THE BOARD

Place :Indore
Dt. 3rd September, 2005

Vinod Kumar Gupta
Managing Director

PARENTERAL DRUGS (INDIA) LIMITED**NOTES:-**

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY AND THE PROXY IN ORDER TO BE VALID MUST BE DEPOSITED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME FOR THE MEETING.
- 2) The Register of Members and the Share Transfer Books of the Company will remain closed from Monday the 26th September, 2005 to Friday the 30th September, 2005 (both days inclusive).
- 3) Shareholders desiring any information pertaining to the accounts are requested to write to the Company at an early date to enable the Company to reply the queries suitably.
- 4) Explanatory Statements in terms of provisions of section 173 of the Companies Act, 1956 in respect of the item No.4 & 5 are enclosed and forming part of the notice.
- 5) The Shareholders who are still holding their shares in physical form are requested to approach their Depository Participants for dematerialization of their shares.

EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of item No. 4 & 5 of the Notice are given hereunder :-

ITEM NO.4

Shri D.K.Panchaity was appointed as an Additional Director of the Company, pursuant to Section 260 of the Companies Act, 1956 by the Board at its meeting held on 31st January, 2005, and his respective office is coming to an end at the ensuing Annual General Meeting of the Company.

In terms of provisions of section 257 read with the provisions of section 190 of the Companies Act, 1956, a notice from a shareholder of the Company has been received for his appointment as a director of the Company.

Shri D.K.Panchaity, is 55 years old and a retired Bank Official from Bank of India and possesses vast experience in the field of accounts, finance and corporate administration.

In terms of provisions of Section 257 of the Companies Act, 1956 approval of the members of the Company is required for appointment of Shri D.K.Panchaity as regular Director of the Company liable to retire by rotation.

The directors of the Company recommend passing of the resolution as an ordinary resolution.

None of the Directors of the Company except Shri D.K.Panchaity, is interested in the resolution.

ITEM NO.5

State Bank of India, Commercial Branch, GPO, Indore and State Bank of Indore, Industrial Finance Branch, Khel Prashal, Indore has sanctioned various financial facilities to the Company to the tune of Rs.5200 lacs and Rs.1325 lacs respectively, in respect of which necessary security and charge documents have already been executed in favour of the Banks from time to time.

In terms of provisions of section 293 (1) (a) of the Companies Act, 1956 approval of the members of the Company is sought to ratify the charge so created by the Company in favour of State Bank of India, Commercial Branch, GPO, Indore and State Bank of Indore, Industrial Finance Branch, Khel Prashal, Indore, by way of passing the proposed resolution as an Ordinary Resolution. The Board recommends passing of the resolution.

None of the Directors of the Company is interested in the resolution.

CERTIFIED TRUE COPY

For Parenteral Drugs (India) Limited

BY ORDER OF THE BOARD

Place :Indore
Dt. 3rd September, 2005

Company Secretary.

Vinod Kumar Gupta
Managing Director

PARENTERAL DRUGS (INDIA) LIMITED**DIRECTORS' REPORT**

To,
The Members of
M/s. Parenteral Drugs (India) Limited

Dear Shareholders

Your Directors are pleased to present their report on the performance of the Company for the financial year ended 31st March, 2005.

FINANCIAL PERFORMANCE

(Rs.in lacs)

PARTICULARS	Current year ended 31st March, 2005	Previous year ended 31st March, 2004
Sales and other Income	10599.10	9675.91
Less: Operating Expenses	9680.13	8964.11
Profit before Interest & Depreciation	918.97	711.80
DEDUCTIONS		
Interest	479.55	327.72
Depreciation	226.99	203.59
Deferred Revenue Expenses and public Issue expenses written Off	--	6.43
Provision for Taxation / Deferred Tax	70.73	55.12
Operational Profit after Tax	141.70	118.94
ADDITIONS		
Balance brought forward from previous year	1247.60	1159.85
APPROPRIATIONS		
Surplus Available for Appropriation	1389.30	1278.79
Previous year tax Liability	28.90	31.19
Balance carried to Balance Sheet	1360.40	1247.60

PERFORMANCE HIGHLIGHTS

Business Scenario: - During the year the Company has recorded a growth of 9% in its turnover. This year saw unprecedented increase in the price of one of the major raw material, plastic (P.P. and P.E. Granules), which increased by approximately 20% on an average. The company has been able to tide over the same by reducing wastages. During the last quarter the excise duty liability on the Pharma Sector increased owing to revision of the policy by the Government to levy the excise duty on MRP base rather than the invoice value. Owing to implementation of VAT in some States from April, 2005, the Sales suffered in the month of March 2005. However in spite of the setbacks, your Company has been able to record a positive growth in sales as well as the profits. The Company expects to surpass its performance in the coming year.

Baddi Project:- The Company has undertaken a project at Baddi (H.P.) where the Company intends to set up production lines for formulations. This will help the Company in reducing its tax liabilities since there is a provision for 10 years exemption on excise duty and 5 years income tax holiday. The first of its lines is expected to commence production by Jan/Feb. 2006.

BY ORDER



PARENTERAL DRUGS (INDIA) LIMITED

DIVIDEND

In order to conserve the financial resources for continued expansion activities of the Company the Board does not recommend any dividend for the year.

DIRECTORS

Shri Vinod Kumar Gupta, Director of the Company is retiring at the forthcoming Annual General Meeting and he is eligible for re-appointment. The Board recommends his appointment for another tenure.

During the year under review Mr.G.B.Kathuria, Non-executive/Independent Director of the Company resigned from the Board on 10th August, 2004. The Board of Directors places on record its appreciation for the valuable contributions made by him.

During the year Shri D.K.Panchaity was appointed on the Board of the Company w.e.f. 31st January, 2005 as an additional director to hold office till the conclusion of the ensuing Annual General Meeting. It is proposed to appoint him as a director of the Company. The Board recommends his re-appointment.

AUDITORS

M/s. T.N.Unni & Co., Chartered Accountants, Indore the Statutory Auditors of the Company are retiring at the forthcoming annual general meeting of the Company. The Board recommends their re-appointment until the conclusion of the next annual general meeting.

AUDITORS' REPORT

The report of the Auditors of the Company and notes on accounts are self-explanatory and do not require further explanation from the Board.

SUBSIDIARY COMPANY & CONSOLIDATED FINANCIAL STATEMENT

The annual accounts of subsidiary and "Consolidated Financial Statements", with its subsidiary company i.e. Parenteral Drugs and Pharmaceuticals Limited are enclosed and forming part of this Annual Report.

FIXED DEPOSITS

The Company did not accept any deposit from the public during the year; and there are no unpaid or unclaimed deposits with the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Board confirms:

- (i) that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgement 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 or loss of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 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.

REPORT ON CORPORATE GOVERNANCE

A report on corporate governance and a report on management discussion and analysis alongwith Auditors' certificate regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges are enclosed.

PARENTAL DRUGS (INDIA) LIMITED**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.**

The details of energy conservation, technology absorption, foreign exchange earnings and outgo during the year are annexed in Form No. A and B as required under Section 217 (1) (e) and forming part of the report of the Board.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the provisions of the Companies (Particulars of Employees) Rules, 1975, as amended, regarding the employees, is presently not required to be disclosed in respect of any employee of the Company.

DELISTING APPLICATION

The Company's equity shares are presently listed on The Stock Exchange, Mumbai and The Madhya Pradesh Stock Exchange, Indore.

During the year the Company secured permission for voluntary delisting from The Stock Exchange, Ahmedabad w.e.f. 15th October, 2004 and Madras Stock Exchange Limited, Chennai w.e.f. 19th January, 2005.

RELATIONS WITH EMPLOYEES

The relations with the employees at all levels were cordial. The Directors take this opportunity to place on record their appreciation for the devoted and committed services rendered by the workers and staff members during the year under review.

ACKNOWLEDGEMENT

The Directors place on record their sincere gratitude to the Bankers, shareholders, associates and Govt. Departments for their continued support to the Company.

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FOR AND ON BEHALF OF THE BOARD

Place : Indore
Dt. 4th September, 2005

Manoharlal Gupta
Chairman Cum-Managing Director

PARENTERAL DRUGS (INDIA) LIMITED**ANNEXURE TO THE DIRECTORS' REPORT****FORM- 'A'**

Disclosure of particulars with respect to Conservation of Energy :

	Current Year 31.03.2005	Previous Year 31.03.2004
A) POWER AND FUEL CONSUMPTION		
1) Electricity		
a) Purchased units (in lacs)	49.74	42.37
Total Amount (Rs. In lacs)	235.28	200.00
Rate/Unit (Rs)	4.73	4.72
b) Own Generation		
Through diesel /LDO generator		
Units (in lacs)	21.14	15.67
Units per liter of diesel/LDO Oil	3.50	3.50
Total Cost (Rs. In lacs)	132.88	69.10
Cost/Unit (Rs.)	6.28	4.41
2) Coal, (specify quality and where used)		
Steam coal (for Distilled water)		
Quantity (Tonnes)	6555.08	5517.12
Total Cost (Rs. In lacs)	186.95	137.93
Average Rate (Rs.)	2852.00	2500.00
3) Furnace Oil		
Quantity (Tonnes)	--	-
Total Amount (Rs. in lacs)	--	-
Rate/Unit (Rs.)	--	-
B) CONSUMPTION PER UNIT OF PRODUCTION		
Production (Unit 1000 Bottles)		
Electricity (Units)	58.64	58.82
(Purchased + Own Generation)		
Coal (Kgs)	53.20	52.69

FORM 'B'**(A) RESEARCH AND DEVELOPMENT****1) Specific areas in which Research & Development carried out by the Company**

- i) The Company has its own in-house Research & Development laboratory for testing and development of new products.
- ii) On going research for the development of formulations.
- iii) On going research for the development of new I.V. bottles.

2) Benefit derived as a result of above Research & Development

- i) No. of Complaints being reduced.
- ii) Better and safe shape of I.V. bottles.
- iii) More customer satisfaction after using our products.

3) Future Plan of Action

- i) Development of more number of antibiotic to combat infections.
- ii) Working for solutions for patients especially in Asthma and Diabetes.
- iii) Development of affordable and efficacious mode of treatment.

4) Expenditure

- a) **Capital** : None
- b) **Recurring** : Being born by the company on regular basis

(B) TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION

No new technology was absorbed or adopted during the year.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total foreign exchange earnings during the year was Rs.251.80 Lacs (Previous year Rs.128.94 Lacs).
- ii) The total foreign exchange outgo Rs.236.56 Lacs (Previous year Rs.103.44 Lacs).

CERTIFICATE

To
The Members of
Parenteral Drugs (India) Limited

We have examined the compliance of the conditions of Corporate Governance by Parenteral Drugs (India) Limited for the year ended March 31, 2005 as stipulated in clause 49 of the listing agreement of the said company with stock exchanges in India.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on financial statement of the company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that in respect of investor grievances received during the year ended March 31, 2005 no investor grievances are pending against the company as on date as per the records maintained by the company and presented to the investors/shareholders grievance committee.

We further state that such compliance is neither an assurance as to the further viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.



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For T.N. UNNI & CO
Chartered Accountants

Place: Indore
Dt. 4th September, 2005

T.N. Unni
Partner

REPORT ON CORPORATE GOVERNANCE**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The contribution of the Indian pharmaceuticals industry in the world pharma industry is approximately 1% and the Indian pharma industry has yet to achieve its place by producing quality drugs of international standards and by having sophisticated manufacturing facilities. The regulated market in the world pharma industry is gradually dominating the unregulated market on account of quality and higher priced products. In India the unregulated/semi regulated market is dominating due to minimal entry barriers in terms of regulatory requirements.

The outlook for the year ahead is very positive. The Company is targeting further increase in its turnover with launching of few new products in the market as well as commissioning of its new project at Himachal Pradesh.

The generic market particularly in India has seen its good time, however now over a period of time it will face stiff competition from the regulated market in addition to continued patent litigations. However the patent regulatory system in India is causing delay in conversion of the generic market into a regulated market.

Your Company has established internal control systems for its operations throughout the Country including its group companies. The Company has a team of experts to play their role on a continuous basis in implementation and monitoring of the internal control systems.

The performance of the Company during the year under review was not up to the expectations, inspite of increase in the turnover, mainly due to increase in the cost of the basic raw material of the Company i.e. PP and PE granules, increase in the excise duty due to its being MRP based, applicability of VAT in some of the States which resulted into severe reduction in sales during the month of March. However the Company expects better performance in future.

The pharma industry, being human driven, its overall performance is dependent mainly on the devotion of its field force. The Company has engaged qualified field force throughout the Country, in addition to employment of large number of workers at the factory. The Company is maintaining good industrial relations with its work force.

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MANDATORY REQUIREMENTS

Your Company has complied in all material respects, with the features of the code of Corporate Governance, as per Clause 49 of the Listing Agreement, with the stock exchanges. A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance essentially deals with the importance of business ethics and is driving force of the Company. It is a combination of voluntary practices and compliance with the laws and regulations, leading to effective control and management of the organization. Good corporate governance leads to build up long term shareholder value and strengthens the core values of the Company. The Core value of the Company are its belief in people, entrepreneurship, customer orientation and pursuit of excellence. The Company's goal is to find creative and productive ways of rewarding its investors, customers and associates, while fulfilling the role of a responsible corporate representative, committed to the best practices.

II. BOARD OF DIRECTORS

The present Board of Directors of the Company has an optimum combination of executive and non-executive independent directors, with not less than 50% of the Board of Directors comprising of independent directors. The present strength of the Board of Directors is Six (6).

Seven (7) Board meetings were held during the financial year ended on 31st March, 2005 and the dates on which, the said meetings were held are as follows:

- | | | |
|-------------------------|--------------------------|------------------------|
| (1) 30th April, 2004 | (2) 31st July, 2004 | (3) 14th August, 2004 |
| (4) 3rd September, 2004 | (5) 18th September, 2004 | (6) 30th October, 2004 |
| (7) 31st January, 2005. | | |