
**33rd
ANNUAL REPORT**

Report 2005-06 ion.com

Paushak

PAUSHAK LIMITED

(Formerly known as Darshak Limited)

ALEMBIC ROAD, VADODARA-390 003.

www.reportjunction.com

PAUSHAK LIMITED

(Formerly known as Darshak Limited)

DIRECTORS	:	Mr. C. R. Amin Mrs. M. C. Amin Mr. Udit C. Amin Mr. Amit Goradia Mr. R. M. Kapadia Mr. Chandan Kumar Mr. A. M. Kamdar Mr. Pradeep Kumar	Chairman Upto 10th March, 2006 w.e.f. 13th May, 2006
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AUDITORS	:	K. S. Aiyar & Co. Chartered Accountants, F-7, Laxmi Mills, Shakti Mills Lane (Off. Dr. E. Moses Rd.) Mahalaxmi, Mumbai - 400 011.
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BANKERS	:	IDBI Bank
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.REGD. OFFICE	:	Alembic Road, Vadodara - 390 003.
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R & T AGENTS	:	M/s. Intime Spectrum Registry Ltd. 308, 1st Floor, Jaldhara Complex, Opp. Manisha Society, Off. Old Padra Road, Vadodara - 390 015.
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STOCK EXCHANGES	:	Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Mumbai - 400 001. Ahmedabad Stock Exchange Limited Kamdhenu Complex, Panjrapole, Ambavadi, Ahmedabad. Bangalore Stock Exchange Limited Stock Exchange Tower, 51, 1st Cross, J.C. Road, Bangalore - 560 027.
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PAUSHAK LIMITED

NOTICE

NOTICE is hereby given that the Thirty-Third Annual General Meeting of **Paushak Limited** will be held at "Sanskriti", Alembic Corporate Conference Center, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara-390 003, on **Monday, the 25th September, 2006 at 4:30 p.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account of the Company for the year ended on 31st March, 2006 and the Reports of the Directors' and Auditors' thereon.
2. To confirm the Payment of Dividend in Arrears and Dividend for the year 2005-06 on 12%; 1,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each and 12%; 2,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each of erstwhile Paushak Limited.
3. To appoint a Director in place of Mr. R. M. Kapadia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Amit Goradia who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner

After Article 7, the following new Articles be inserted:

(A) Article 7A: Further Issue of Shares

1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
 - a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.
2. Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever:
 - a) If a special resolution to that effect is passed by the Company in General Meeting, or
 - b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.
3. Nothing contained in sub-clause (c) of (1) hereof shall be deemed;
 - a) To extend the time within which the offer should be accepted; or

- b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- 4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
 - i) To convert such debentures or loans into shares in the Company; or
 - ii) To subscribe for shares in the Company (whether such is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

(B) Article 7B: Shares at the Disposal of the Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

(C) Article 7C: Limitation of Time for Issue of Certificates

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the Directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be sufficient delivery to all such holder.

(D) Article 7D: Issue of New Certificate in place of one Defaced, Lost or Destroyed

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees, if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

PAUSHAK LIMITED**(E) Article 7E: Transfer of Securities**

The provisions of Section 111 of the Companies Act, 1956, regarding powers to refuse Registration of Transfers and appeal against such refusal should be adhered to. Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

(F) Article 7F: Instrument of Transfer

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

(G) Article 7G: No Fee on Transfer or Transmission

No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

(H) Article 7H: Payment in Anticipation of Call may carry interest

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

(I) Article 7I: Company's Lien on Share/Debentures

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

(J) Article 7J: Term of Issue of Debenture

Any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares or any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

(K) Article 7K: Unpaid or Unclaimed Dividend

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Paushak Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government. A claim to any money so transferred to the above fund may be preferred to the Central Government / Committee appointed by the Central Government by the shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for giving effect to the aforesaid alterations of Article of Association and to settle any question, difficulty or doubt that may arise in this regard in such manner as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company".

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution: "RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force, the Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other applicable Acts, Rules, Regulations and Guidelines and subject to the approval(s), consent(s), permission(s) or sanction(s) of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and such other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and / or modifications, as may be prescribed or imposed by any authority while granting such approval(s), consent(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof constituted by the Board), the consent of the Company be and is hereby accorded to delist the equity shares of the Company from Bangalore Stock Exchange Limited and Ahmedabad Stock Exchange Limited.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary actions to delist the shares of the Company from Bangalore Stock Exchange Limited and Ahmedabad Stock Exchange Limited."

NOTES:

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Proxy Form, duly completed, must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
3. The Explanatory Statement as required under Section 173 of the Companies Act, 1956 is enclosed herewith.
4. Pursuant to the Scheme of Amalgamation, the name of the company has been changed from Darshak Limited to Paushak Limited with effect from 19th September, 2005.
5. The Register of Members and Transfer books of the Company will remain closed from Monday, the 18th September, 2006 to Monday, the 25th September, 2006 (both days inclusive) for the purpose of Annual General Meeting.
6. All documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day.
7. Shareholders who have not encashed the dividends for the financial year ended 1998-1999, declared by the Company and thereafter are requested to immediately approach the Company. According to Section 205A of the Companies Act, 1956, all the unclaimed dividends, if any, are required to be transferred to the 'Investors' Education and Protection Fund'.
8. The entire work related to share registry in terms of both, physical and electronic has been handed over to Company's R&T Agents, **M/s. Intime Spectrum Registry Limited**, 308, 1st Floor, Jaldhara Complex, Opp. Manisha Society, Off. Old Padra Road, Vadodara-390015. [Tel: (0265) 2250241, 3249857 Telefax: (0265) 2250246 Email: vadodara@intimespectrum.com.] Shareholders are requested to send their communication to the aforesaid address in future.
9. Re-appointment / Appointment of Directors:
At the ensuing Annual General Meeting, Mr. R. M. Kapadia and Mr. Amit Goradia, Directors of the Company retires by rotation and being eligible offers himself for re-appointment. The information or details pertaining to these Directors, to be provided in terms of Clause 49 of the Listing Agreement are furnished in the Statement on Corporate Governance published elsewhere in this Annual Report.

Registered office:

Alembic Road
Vadodara - 390 003.
Date: 23rd May, 2006

By Order of the Board

C. R. Amin
Chairman

PAUSHAK LIMITED**Explanatory Statement as required under Section 173 of the Companies Act, 1956****Item No. 6**

Pursuant to the Scheme of Amalgamation of erstwhile Paushak Limited with the Company, the Company had applied for listing of its shares with the Bombay Stock Exchange Limited (BSE). The Company was directed by BSE vide its letter dated November 8, 2005 to amend its Articles of Association at the ensuing Annual General Meeting so as to include the provisions as mentioned in the special resolution at item no. 6.

Your Directors, therefore, recommend the said resolution at Item No. 6 for your approval.

None of the Directors is, in any way, concerned or interested in the said resolution.

Item No. 7

The Securities and Exchange Board of India (SEBI) has issued SEBI (De-listing of Securities) Guidelines, 2003 (hereinafter referred to as the "De-listing Guidelines") prescribing, amongst others, provisions for de-listing of securities of a body corporate voluntarily by a promoter or an acquirer or any other person other than the Stock Exchanges.

The Equity Shares of the company are currently listed on the following Stock Exchanges:

1. Bombay Stock Exchange Limited
2. Bangalore Stock Exchange Limited
3. Ahmedabad Stock Exchange Limited

With the extensive networking of the Bombay Stock Exchange Limited (BSE) as also the extension of BSE terminals to other cities as well, investors have access to online dealings in Equity Shares of the Company across the country. Moreover, trading in the scrip of the Company reported on these exchanges for the last few years is very negligible.

The proposed De-listing of the Company's Equity Shares from the said Stock Exchanges, as and when takes place, will not affect the investors adversely. The Company's Equity Shares will continue to be listed on BSE. The de-listing will become effective after receipt of all approvals, permissions and sanctions.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

Registered office:

Alembic Road
Vadodara - 390 003.
Date: 23rd May, 2006

By Order of the Board

C. R. Amin
Chairman

DIRECTORS' REPORT

To
The Members,

Your Directors present the 33rd Annual Report on the working of the Company with the Audited Accounts for the year ended on 31st March, 2006.

1. Financial Results :

Particulars	Year ended on 31st March, 2006	Year ended on 31st March, 2005
Profit for the year before Interest, Depreciation, Non-recurring expenses and Tax	8,36,33,750	4,87,98,644
Deducting therefrom :		
Interest	50,36,265	1,01,28,819
Depreciation	85,91,543	80,16,858
Non recurring expenses (bad debts written off)	-	5,23,22,867
Profit/(Loss) for the year before Taxes	7,00,05,942	(2,16,69,900)
Add : Excess provision of Income Tax no longer required	4,14,326	25,866
	7,04,20,268	(2,16,44,034)
Less : Provision for Deferred Tax Liabilities/(Asset)	1,51,80,580	(67,05,815)
Less : Provision for Income Tax, FBT & Wealth Tax	62,96,459	42,600
Profit/(Loss) after Taxes	4,89,43,229	(1,49,80,819)
Add : Profit/(Loss) brought forward from last year	1,36,13,823	2,85,94,642
Balance available for appropriation	6,25,57,052	1,36,13,823
Less APPROPRIATIONS:		
Dividend in Arrears Paid - Preference Shares	99,00,000	-
Dividend Tax Paid on above	13,88,475	-
Proposed Dividend in Arrears - Preference Shares	90,46,027	-
Proposed Dividend for current year - Preference Shares	36,00,000	-
Dividend Tax on Proposed dividend - Preference Shares	17,73,605	-
Surplus carried to Balance Sheet	3,68,48,945	1,36,13,823

Dividend :

During the year, the Board of Directors had proposed/approved the payment of arrears of dividend on the 12%, 1,00,000 Redeemable Cumulative Preference shares of Rs. 100/- each of erstwhile Paushak Limited, out of current profits of the Company to the tune of Rs. 99 lacs. Your Board has approved payment of balance amount of dividend in arrears on the 12%, 1,00,000 Redeemable Cumulative Preference shares of Rs. 100/- each and the entire amount of dividend in arrears on the 12%, 2,00,000 Redeemable Cumulative Preference shares of Rs. 100/- each of erstwhile Paushak Limited, out of current profits of the Company to the tune of Rs. 90.46 lacs. The Board also proposes payment of dividend for the current year on the abovementioned preference shares of erstwhile Paushak Limited to the tune of Rs. 36 lacs. The Board has also approved the redemption of the aforementioned series of Preference Shares of erstwhile Paushak Limited out of profits of the Company.

In order to conserve resources for long term growth of the Company, no dividend on Equity Shares has been declared for the year ended on 31st March, 2006.

2. Operations :

The Gross Profit (before interest, depreciation, non-recurring expenses and tax) was Rs. 836.34 lacs for the year under review as compared to Rs. 487.99 lacs for the previous year ended on 31st March, 2005. The Company made a net profit of Rs. 489.43 lacs for the year under review as compared to net loss of Rs. 149.81 lacs for the previous year ended on 31st March, 2006. Export sales for the year under review were Rs. 833.02 lacs as compared to Rs. 384.44 lacs for the previous year ended on 31st March, 2005.

3. Management Discussion and Analysis :

Management Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges is enclosed at Annexure "A" to this report. Certain statements in the "Management Discussion and Analysis

PAUSHAK LIMITED

Report" section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the directors envisage in terms of the future performance and outlook.

4. Corporate Governance :

Your Company complies with the provisions of Corporate Governance as envisaged in the Listing Agreements. A separate report on Corporate Governance is attached as a part of the Annual Report, along with the Auditor's Certificate on the compliance.

As required vide clause 49 of the listing agreement on Corporate Governance, the board has laid down a code of conduct for all members and senior management team of the Company. The said code of conduct has been posted on the website of the Company, www.paushak.com. All Board members and senior management personnel have affirmed the requirements of the said code of conduct.

5. Research & Development :

Research & Development is carried out for improvements in the production and quality of products. The Company is also exploring opportunities to develop and introduce new products.

6. Listing of Equity Shares :

The Company's Equity Shares are listed with Bombay Stock Exchange Limited, Ahmedabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The Company is regular in paying listing fees to all the Stock Exchanges.

The Board of Directors propose to de-list the equity shares of the Company from Ahmedabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The Equity Shares of the Company are, presently, listed on Bombay Stock Exchange Limited, Ahmedabad Stock Exchange Limited and Bangalore Stock Exchange Limited. With the extensive networking of BSE, investors have access to the dealings in Equity Shares of the Company across the country. Moreover, there is no trading in the scrip of the Company at Ahmedabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The proposed de-listing of the Company's equity shares from the said Stock Exchange, as and when takes place, will not affect the shareholders. The Company's Equity Shares will continue to be listed on Bombay Stock Exchange Limited.

7. Safety, Health & Environment :

The Company continues to maintain high standards of safety. It is ensured that all safety rules and statutory requirements are complied during production, storage, handling and transportation of products to prevent any accident. Mock-drill of on-site emergency plans are being carried out periodically. The Company maintained emission within the specified limits of standard. The preservation of Environment and Pollution Control are among the top priorities of your Company.

8. Fixed Deposits :

The Company has not accepted any deposits during the year. The fixed deposits including loans from shareholders of the Company as on 31st March, 2006 amounted to Rs. 74,000/-. All these deposits aggregating to Rs 74,000/- from 6 depositors have not been renewed on due dates and no instructions from depositor holders have been received so far.

9. Particulars of employees :

No employee of the Company is covered under Section 217(2A) of the Companies Act, 1956, as amended read with the Companies (Particulars of Employees) Rules, 1975.

10. Energy, Technology and Foreign Exchange :

Information pursuant to 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, is given in the Annexure - "B" hereto and forms part of this Report.

11. Directors :

As per the provisions of the Companies Act, 1956, Mr. R. M. Kapadia and Mr. Amit Goradia, Directors of the Company, retire by rotation and are eligible for re-appointment.

During the year, Mr. Chandan Kumar had resigned as Director. The Board places on record, its appreciation of the services rendered by Mr. Chandan Kumar as Director of the Company. Mr. Pradeep Kumar had been appointed as Director of the Company to fill the casual vacancy caused by the resignation of Mr. Chandan Kumar.

12. Auditors :

M/s. K. S. Aiyar & Co., the company's Auditors, will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment as Auditors. Members are requested to re-appoint them and fix their remuneration.

13. Directors' Responsibility Statement :

In terms of the provisions of Companies Act, 1956, the Directors state that:

- i) In preparation of the Annual Accounts for the year, the applicable Accounting Standards have been followed.

- ii) Accounting policies as listed in Schedule U to the financial statements have been selected and consistently applied and reasonable and prudent judgements have been made so as to give true and fair view of the state of affairs of the Company as on 31st March, 2006 and profit of the Company for the accounting year ended on that date.
- iii) Proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provisions of the Act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- iv) The Annual Accounts have been prepared on going concern basis.

15. Acknowledgement :

Your Directors wish to place on record their sincere appreciation for the support received from the Company's bankers, government Authorities, Valuable Customers, Vendors, Depositors and the Shareholders.

Date : 23rd May, 2006

Place : Vadodara

On behalf of Board of Directors

C. R. AMIN

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS**Annexure 'A' to Directors' Report.****(A) Industry Structure and Development :**

The Financial year 2005-06 was a challenging one for most of the economies globally. The Indian pharmaceutical industry has shown momentous growth, progressing from MNC monopoly to present R & D revolution. There is an increase in demand for certain products made by your Company. The Company has embarked upon an de-bottlenecking and expansion drive.

(B) Opportunities, Threats, Risks, Concern and Outlook :

There is a stiff competition for the Company's products. However, the Company is able to retain its market share due to its quality in the domestic market.

There is good opportunity in Africa and Latin America market for our flag ship products. Your Company has commenced sales in these countries.

India is being seen as a preferred partner by MNCs for fine Chemicals and Advance Intermediates. Our focus is to continue to take advantage of it and cater to the domestic and International demand. We are also increasing our focus on R&D to improve our product range and make a foray in to Custom Synthesis projects for innovator companies.

(C) FINANCIAL PERFORMANCE :

The total income of the Company for the year under review was Rs. 2,282.04 lacs as compared to income of Rs. 1,871.27 lacs for the previous year ended on 31st March, 2005. The Gross Profit (before interest, depreciation, non-recurring expenses and tax) was Rs. 836.34 lacs for the year under review as compared to Rs. 487.99 lacs for the previous year ended on 31st March, 2005. The Company made a net profit of Rs. 489.43 lacs for the year under review as compared to net loss of Rs. 149.81 lacs for the previous year ended on 31st March, 2006. Export sales for the year under review were Rs. 833.02 lacs as compared to Rs. 384.44 lacs for the previous year ended on 31st March, 2005.

(D) INTERNAL CONTROL SYSTEMS AND ADEQUACY :

Your Company maintains a system of well-established policies and procedure for internal control of operations and activities of the Company. The Company has appointed M/s. Pravin Doshi & Co., Chartered Accountants as Internal Auditors.

(E) HUMAN RESOURCES INTERVENTIONS IN 2005-06 :

Your Company regards its human resources amongst its most valuable assets and proactively reviews and evolves policies and processes to attract and retain the efficient people. Your organization has continued to attract best talent in strategically critical area of competence. The concept of Cross Functional Teams has been reinforced and institutionalized. Need based changes in the organizational changes were effected to facilitate speedy exertion of business processes.