



## Seventeenth Annual Report 2005-2006



**PHYTO CHEM (INDIA) LIMITED**



## PHYTO CHEM (INDIA) LIMITED

### **BOARD OF DIRECTORS**

Dr. P. Sreemannarayana	-	Chairman
Mr. Y. Nayudamma	-	Managing Director
Mr. U. Venkateswara Rao	-	Wholetime Director
Dr. Y. Venkateswarlu	-	Director
Mr. P. Anjaneyulu	-	Director
Mr. C. N. Chary	-	Director
Mr. T. A. Choudary	-	Director
Mr. N. Sudhakar	-	Director

### **AUDITORS**

**M/s. T. Adinarayana & Co.,**  
Chartered Accountants  
806, Raghava Ratna Towers,  
Chirag Ali Lane,  
**HYDERABAD - 500 001.**

### **BANKERS**

**M/s. The Federal Bank Limited.**  
Orient Estate, Abids,  
**HYDERABAD - 500 001.**

### **COMMON SHARE TRANSFER AGENTS**

**(Physical & Electronic)**

**M/s. Bigshare Services Pvt. Limited.**  
G-10, Left Wing, Amrutha Ville,  
Opp. Yashoda Hospital,  
Somajiguda, Raj Bhavan Road,  
**Hyderabad - 500 082.**  
Phone No.: 040-23374967.

### **CORPORATE OFFICE**

No.8-3-319/8/11, Sai Saradhi Nagar  
Behind Saradhi Studios, Yellareddyguda  
**HYDERABAD - 500 073.**  
Phone No. : 040-23756684, 23756685.

### **REGISTERED OFFICE & FACTORY**

Survey No.628, Temple Street  
**BONTHAPALLY - 502 313**  
Jinnaram Mandal, Medak District,  
Andhra Pradesh.



## PHYTO CHEM (INDIA) LIMITED

Corporate Office : No.: 8-3-319/8/11, Sai Saradhi Nagar,  
Behind Saradhi Studio's, Yellareddyguda, Hyderabad - 500 073.

### NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of M/s Phyto Chem (India) Limited will be held on Thursday, the 28th day of September, 2006 at 11.30 A.M at the Registered Office of the Company at Survey No.628, Temple Street, Bonthapally-502313, Jinnaram Mandal, Medak District, Andhra Pradesh to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, Profit and Loss Account for the year ending on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. P. Sreemannarayana, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr.U. Venkateswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution.

"RESOLVED that M/s. T. Adinarayana & Co., Chartered Accountants be and are hereby reappointed as Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of Eighteenth Annual General Meeting at such remuneration as may be fixed by the Board of Directors and reimbursement of out of pocket expenses".

### SPECIAL BUSINESS

5. Appointment of Mr. T.A. Choudary as a Director of the Company.

"To consider and if thought fit, to pass the following resolution as an Ordinary Resolution."

"RESOLVED that Mr. T.A. Choudary be and is hereby appointed as a Director of the Company liable to retire by rotation".

6. Appointment of Mr. N. Sudhakar as a Director of the Company.

"To Consider and if thought fit, to pass the following resolution as an Ordinary Resolution".

"RESOLVED that Mr. N. Sudhakar be and is hereby appointed as a Director of the Company liable to retire by rotation".

For and on behalf of the Board

Place : Hyderabad,

Y.NAYUDAMMA

Date : 25th May, 2006 **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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto in respect of Special Business.
3. The Register of Members and the Register of Share Transfers will remain closed from 26th September, 2006 to 28th September, 2006 (both days inclusive).

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4. Members desirous of seeking any information on the accounts are requested to write to the Company at least a week in advance to facilitate compilation of the information.
5. All documents referred to in the above notice are open for inspection at the Registered Office of the Company during office hours.

**Additional information in respect of the Directors appointed/reappointed.****Dr. P. Sreemannarayana**

Dr. P. Sreemannarayana, aged about 58 years, is a post-Graduate in Medicine, a Non Resident Indian, presently residing in U.S.A. He has been the Chairman of the Company since 1995.

**Mr. U. Venkateswara Rao**

Mr. U. Venkateswara Rao, aged about 43 years, is a Graduate in Science. He has experience in teaching and business fields. He has been the wholtime Director-Production of the company since 1999.

**Mr. T.A. Choudary**

Mr. T.A. Choudary, aged about 60 years, is a B.E. in Electrical Engineering and also a Post Graduate in Business Management. He has versatile experience of over 30 years in the fields of Project Management and Finance and he has retired from APIDC as Chief General Manager. He is now Independent Director on the Board of M/s Vibra Automet Limited & M/s Softpro Systems Limited and also a member of the Shareholder Grievance Committee of M/s Vibra Automet and Remuneration Committee of M/s Softpro Systems Limited, Hyderabad. He has been appointed as Additional Director of the Company on 29th December, 2005 and also as Member of Audit Committee & Remuneration Committee and Chairman of Investors Grievance & Redressel Committee.

**Mr. N. Sudhakar**

Mr. N. Sudhakar, aged about 48 years, is a Post - Graduate in Commerce and has over 20 years experience in Accounting and industrial fields. Presently, he is heading the printing division of M/s Suresh Offset Printers, Hyderabad. He has been appointed as Additional Director of the Company on 29th December, 2005. He is the Chairman of Audit Committee and member of Remuneration Committee and Investors Grievance & Readressel Committee.

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT.1956. ITEM NO. 5 & 6.**

Mr. T.A. Choudary and Mr. N. Sudhakar were appointed as Additional Directors of the Company in the Board Meeting held on 29th December, 2005 and they retire at the ensuing Annual General meeting. Notice(s) under Section 257 have been received from the member(s) of the Company along with the requisite deposit of Rs. 500/- each proposing their candidatures for the post of Director(s). Your Directors recommend the resolution for approval of shareholders.

None of the Directors except Mr. T.A. Choudary and/or Mr. N. Sudhakar is interested or concerned in the resolution

For and on behalf of the Board

Place : Hyderabad, **Y.NAYUDAMMA**  
Date : 25th May,2006 **MANAGING DIRECTOR**

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### DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Seventeenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2006.

#### 1. FINANCIAL RESULTS :

The financial results for the year ended 31st March, 2006 are summarised as under:

	(Rs. in lacs)	
Particulars	2005-2006	2004-2005
Sales / Income	1690.43	1464.26
Profit before depreciation and tax	47.46	47.01
Depreciation	17.76	16.02
Profit before Tax	29.70	30.99
<b>Provision for Tax</b>		
Current Tax	12.67	7.75
Deferred Tax	--	--
Profit after Tax	17.03	23.24
Prior Period Adjustments	1.51	0.38
Profit after Prior Period Adjustments	15.52	22.86

#### 2. REVIEW OF OPERATIONS AND DIVIDEND:

Your Company achieved a turnover of Rs.1690.43 lacs during the year 2005-2006 as against a turnover of Rs.1464.26 lacs during the previous year and the Company has earned net profit of Rs.17.03 lacs during 2005-2006 as against net profit of Rs.23.24 lacs during 2004-2005. After providing for prior period adjustments, the Company could make net profit of Rs.15.52 lacs during 2005-2006 as against net profit of Rs.22.86 lacs during 2004-2005. The Company's performance was good in terms of turnovers as compared to previous year, even in the stiff competitive market. Your Board of Directors could not recommend any dividend for the year 2005 - 2006 as sufficient profits are not available.

During the year 2005-2006, the turnover increased by 15.45% as compared to the turnover of 2004-2005. The ratio of Manufacturing Expenses to the sales during the year 2005-2006 is 78.20% as against 84.45% during 2004-2005. The ratio of Administrative, Selling and other expenses to the total expenditure is 25.66% during the year

2005-2006 as against 24.09% during 2004-2005. The marketing activities were stepped up during the year 2005-06 and the results of it are likely to have positive bearing in the years to come.

The Company has deployed Rs.114.33 Lacs in trading of Agricultural equipments and the Company has realised Rs.122.31 Lacs and earned profit of Rs.7.98 Lacs. The Company has deployed Rs. 121.70 Lacs in Real Estate activity during the year 2005-06 which has appreciation in value and the Company expects the revenues and appreciation will also be good in 2006-2007.

#### 3. FIXED DEPOSITS:

Your Company has not accepted any deposits from the Public during the year.

#### 4. AUDITORS :

M/s T. Adinarayana & Co., Chartered Accountants, Hyderabad, the Auditors of the Company retire at the conclusion of this Annual General Meeting and are recommended for reappointment. They have signified their willingness to accept the reappointment and have confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

#### 5. DIRECTORS:

Mr. T.A. Choudary and Mr. N. Sudhakar, Directors, who were appointed as Additional Directors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received notices under Section 257 of the Act proposing their appointment as Directors liable to retire by rotation. Dr. Sreemannarayana and Mr. U. Venkateswara Rao will retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment.

#### 6. DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed :

(i) That in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures:



## PHYTO CHEM (INDIA) LIMITED

(II) That the Directors have selected such accounting policies and applied them consistently made judgements and estimates that were 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 the year under review:

(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 for the financial year ended 31st March, 2006 on a 'going concern' basis.

### 7. RISK MANAGEMENT:

In line with Corporate Governance practices, during the current year an exclusive exercise is under way to bring in a model regulating risk management mechanism given the size and nature of Company's business.

### 8. INSURANCE:

Your Company's assets are adequately insured against the risk from fire, riot, earthquake, terrorism etc.

### 9. CORPORATE GOVERNANCE:

The Corporate Governance Report in terms of Clause 49 of the Listing Agreement is enclosed to this Report.

### 10. PERSONNEL:

None of the Employees is covered under Sec.217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

### 11. PARTICULARS REGARDING ENERGY CONSUMPTION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUT GO.

As required by Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, the relevant data pertaining to consumption of Energy, Technology Absorption, Foreign Exchange earnings and outgo are given in the Annexure to this report.

### 12. PAYMENT OF LISTING FEE:

The shares of the Company are listed at Mumbai Stock Exchange, which has nationwide trading terminals and the listing fee has been paid by the Company till the finance year under review.

### ACKNOWLEDGEMENTS:

Your Directors wish to place on record their appreciation for the esteemed support and co-operation received from M/s The Federal Bank Limited, Abids, Hyderabad. Your Directors also acknowledge the support and encouragement received from both Central and State Governments and also thank the Dealers, Distributors and Institutional Customers for their patronisation, support, feed back and encouragement. The Board also records its warm appreciation for the committed and dedicated services rendered by the employees and workers of the Company. The Board also thank the shareholders who have stood with us and reposed confidence in us.

For and on behalf of the Board

**P. ANJANEYULU**  
DIRECTOR

**Y.NAYUDAMMA**  
MANAGING DIRECTOR

Place : Hyderabad,  
Date : 25th May, 2006

### ANNEXURE TO DIRECTOR'S REPORT FORM A

The following are the particulars of the Company, as required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

Form for Disclosure of Particulars with respect to Conservation of Energy.

#### A) POWER AND FUEL CONSUMPTION:

	Current Year 31-03-2006	Previous year 31-03-2005
<b>i) Electricity</b>		
Purchased Units	47,698	49,859
Total amount (Rs)	2,15,784	2,22,354
Rate per Unit	4.52	4.46
<b>ii) Own Generation</b>		
Through Diesel Generator(Units)	24,010	23,064
Units per Ltr of Diesel Oil	2.45	2.40
Rate per Unit (Rs.)	13.17	11.31



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### B) CONSUMPTION PER UNIT OF PRODUCTION:

	Current Year 31-03-2006	Previous Year 31-03-2005
Production (Ltrs/Kgs)	13,96,810	13,38,660
Power Consumption Per Litre/Kgs	0.051	0.054

### C) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

The Company has adopted Indigenous Technology for manufacture of Pesticides Formulations and no imported technology is involved.

### D) RESEARCH AND DEVELOPMENT (R&D):

The Company has an Inhouse R&D division for improving the quality, productivity and for developing the new viable products.

### E) FOREIGN EXCHANGE EARNINGS AND OUT GO

#### a) i) Activities relating to exports:-

Various types of Pesticides Formulations.

#### ii) Initiative taken to increase exports:-

Maintain high quality standards and timely deliveries.

#### iii) Development of new export markets for products and services:-

Efforts are being made to develop new export markets.

#### iv) Export Plans :-

Proposes to have active plans for export.

#### b) i) Total Foreign exchange out flow :-

Equivalent to Rs.151.04 lacs (USD 335450) towards Raw materials.

#### ii) Total Foreign exchange inflow :-

Equivalent to Rs.Nil lacs (USD Nil) towards export of finished goods

For and on behalf of the Board

P. ANJANEYULU  
DIRECTOR

Y.NAYUDAMMA  
MANAGING DIRECTOR

Place : Hyderabad,  
Date : 25th May, 2006

## CORPORATE GOVERNANCE REPORT

### 1. Company Philosophy on Code of Corporate Governance:-

The Board lays strong emphasis on attainment of high levels of transparency, accountability and integrity and the corporate actions, which balance the Interest of the stakeholders. The Company has adopted a code of conduct for Members of the Board and Senior Management, who have all affirmed in writing their adherence to the code.

### 2. Board of Directors:-

The Board of Directors comprises of 8 Directors of which 3 are Promoter Directors. viz. Dr.P.Sreemannarayana, Mr.Y. Nayudamma, and Dr.Y. Venkateswarlu.

Six Board Meetings were held during period April 2005 to March 2006 on the following dates:

30th May, 2005; 29th July, 2005; 31st October, 2005; 29th December, 2005, 30th January, 2006 and 24th February 2006.

### The attendance of the Directors at Meetings, Number of other Directorships:-

Sl. No	Name of the Director	Designation	Category	Number of Board Meetings attended	Attendance at last AGM (Yes/No)	Other Directorships
1.	Dr.P.Sreemannarayana	Chairman	NE & I	—	No	1
2.	Mr.Y.Nayudamma	M.D	E	6	Yes	2
3.	Mr.U.Venkateswara Rao	W.T.D	E	3	Yes	-
4.	Dr.Y.Venkateswarlu	Director	NE & I	2	Yes	-
5.	Mr.P.Anjaneyulu	Director	NE & I	5	Yes	2
6.	Mr.C.N.Chary	Director	NE & I	6	Yes	-
7.	Mr.T.A.Choudary	Director	NE & I	3	NA	2
8.	Mr.N.Sudhakar	Director	NE & I	3	NA	-



## PHYTO CHEM (INDIA) LIMITED

\* NE = Non Executive I = Independent E = Executive

Mr. T.A. Choudary w.e.f 29th December, 2005

Mr. N. Sudhakar w.e.f 29th December, 2005

### 3. Audit Committee:-

The Audit Committee comprises of Mr.P.Anjaneyulu as Chairman, Mr.C.N.Chary and Dr.Y.Venkateswarlu as its Members till 28-12-2005. The role, terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and listing agreements.

On reconstitution of the Committees on 29-12-2005, the Audit Committee consists of the following members.

- 1) Mr. N. Sudhakar, Chairman
- 2) Mr. C.N. Chary, Member
- 3) Mr. T.A. Choudary, Member
- 4) Mr. P. Anjaneyulu, Member

The Committee held 4 meetings during the year 2005-2006 on 30th May, 2005, 29th July, 2005, 31st October, 2005, and 30th January, 2006 and the attendance at the meetings was as under:

S.No	Name of the Director	Attendance Particulars
1.	Mr.P.Anjaneyulu	3
2.	Dr.Y.Venkateswarlu	2
3.	Mr.C.N.Chary	4
4.	Mr.T.A.Choudary	1
5.	Mr.N.Sudhakar	1

The Audit Committee discusses with the Statutory Auditors on the "Limited Review" of the quarterly / half-yearly accounts, the audit plan for the year, matters relating to compliance with accounting standards, the Auditors observations arising from the Annual Audit of the Company's accounts, and other related matters.

### 4. Remuneration Committee:-

#### Remuneration Policy

Remuneration Policy of the Company is summarised as follows :

#### 1. For Managing Director :

The total remuneration, subject to shareholders approval, consists of Salary, allowances and perquisites and benefits are in line with the Company's rules for Senior Managerial Personnel.

#### 2. For Non-Executive Directors :

Sitting Fees is paid as per the Companies Act, 1956 and the Articles of Association of the Company for attending meetings of the Board or any committees of the Board. Directors are also reimbursed actual travel costs & incidental expenses incurred for attending such meetings or in connection with the Company's business. The Chairman of the Company is reimbursed the cost of travel and expenses incurred for attending Board and General Meetings.

No meeting was required to be conducted during the year as there were no appointments / reappointments of wholetime Directors / Managing Director.

The Remuneration Committee comprises of Mr. C.N. Chary as Chairman and Mr. P. Anjaneyulu & Mr. Dr. Y. Venkateswarlu as its Members and considers the remuneration of Executive Directors.

On reconstitution of the Committees on 29-12-2005, the Remuneration Committee consists of the following members.

- 1) Mr.C.N.Chary, Chairman
- 2) Mr.T.A.Choudary, Member
- 3) Mr.N.Sudhakar, Member



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The details of Remuneration of Directors during the period under review are as follows:

Sl. No.	Name of the Director	Relationship with other Directors	Sitting Fees Rs.	Commission on Profits Rs.	Salary & Allowance Rs.	Perquisites Rs.	Total Rs.
1.	Dr.P.Sreemannarayana	Relative	—	—	—	—	—
2.	Mr.Y.Nayudamma	Relative	—	—	300000	—	300000
3.	Mr.U.Venkateswara Rao	Relative	—	—	216000	—	216000
4.	Dr.Y.Venkateswarlu	Relative	1250	—	—	—	1250
5.	Mr.P.Anjaneyulu	Relative	6000	—	—	—	6000
6.	Mr.C.N.Chary	—	7250	—	—	—	7250
7.	Mr.T.A.Choudary	—	3500	—	—	—	3500
8.	Mr.N.Sudhakar	—	3500	—	—	—	3500

### 5. Shareholder(s) / Investor(s) Grievance & Redressal Committee:

The Shareholder/Investor Grievance & Redressal Committee was reconstituted and comprises of Mr. T. A. Choudary as Chairman, Mr. C.N. Chary, Mr. N. Sudhakar and Mr.Y.Nayudamma as Members. All the complaints were redressed and no complaints received during the year were pending either in the beginning or ending of the year for which the details are given below :-

Sl. No.	Nature of Complaints	No. of Letters Received	No. of Letters Replied	Pending/ Remarks
1.	No. of requests for Changes of Address.	30	30	--
2.	Non-receipt of Share Cert./Bonus Shares	22	22	--
3.	Issue of Duplicate Share Certificate	9	9	--
4.	Non-receipt of Demat Confirmations/Rejections	17	17	--
5.	Other Letters	11	11	--

During the year, there are no other investor grievances pending in respect of transfers, revalidation of refund orders, letters from SEBI & Stock Exchange and Non-Receipt of Dividend Warrants.

### Share Transfer Committee :

The Shares Transfer Committee comprised of Mr. Y. Nayudamma as Chairman, Mr. U. Venkateswara Rao as Member & Mr. V. Sri Rama Murty as Member and Compliance Officer under SEBI (Prohibition of Insider Trading) Regulations 1992.

### 6. General Body Meetings:

The last three Annual General Meetings of the Company were held at the Regd. Office of the Company at Survey No.628, Temple Street, Bonthapally - 502313, Jinnaram Mandal, Medak District, Andhra Pradesh on 30th September, 2003 at 11.30 A.M., 29th September, 2004 at 12.15 P.M. and 29th July, 2005 at 11.30 A.M. respectively.

No postal Ballots were used/invited for voting at these meetings in respect of the special resolutions required to be passed. Nor they are proposed at the ensuing Annual General Meeting.

### 7. Disclosures:

a) There were no transactions of material nature between the Company and the Directors or Management and their relatives or promoters that may have any potential conflict with interest of the Company. The details of the related party transactions have given under Item No.11 of Note to Accounts.

b) There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty/strictures been imposed on the Company by the stock exchanges or SEBI or any other statutory authority on such matters during the last 3 years.