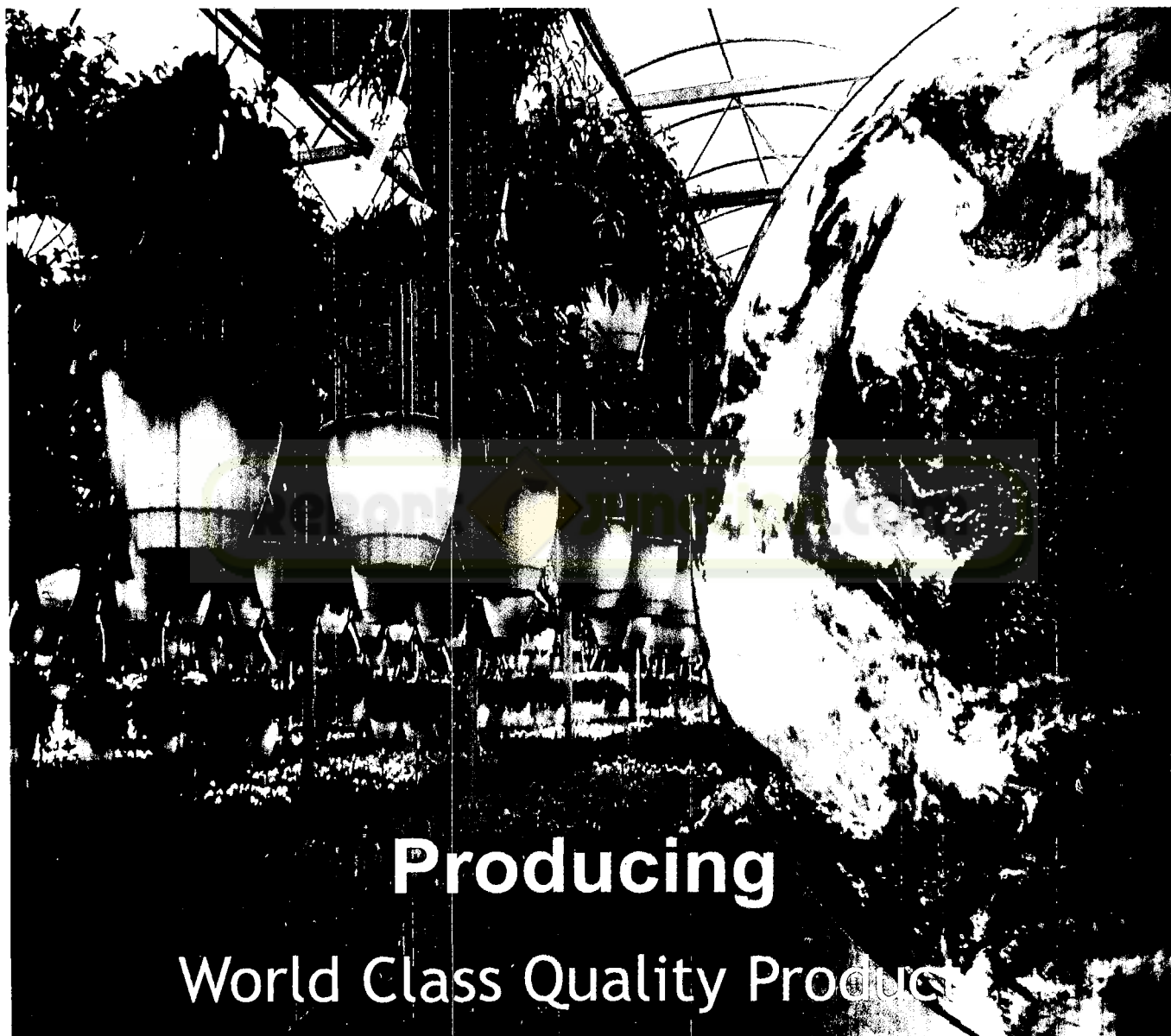




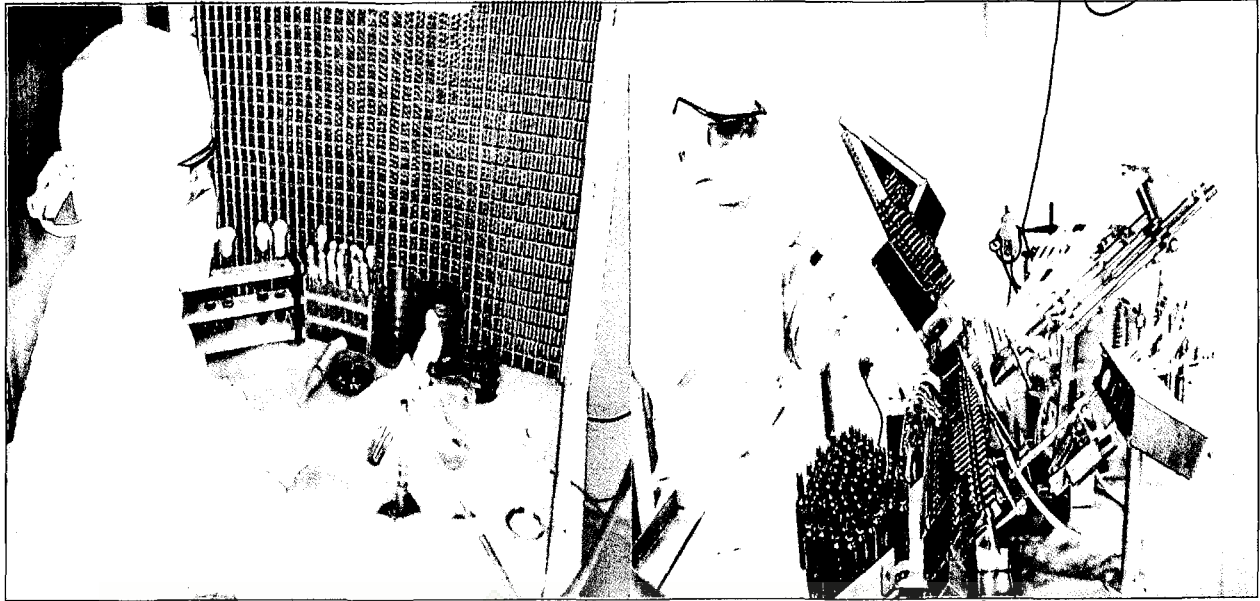
# POCHIRAJU INDUSTRIES LIMITED

A Global Player in Floriculture, Biotech, Pharma, R&D

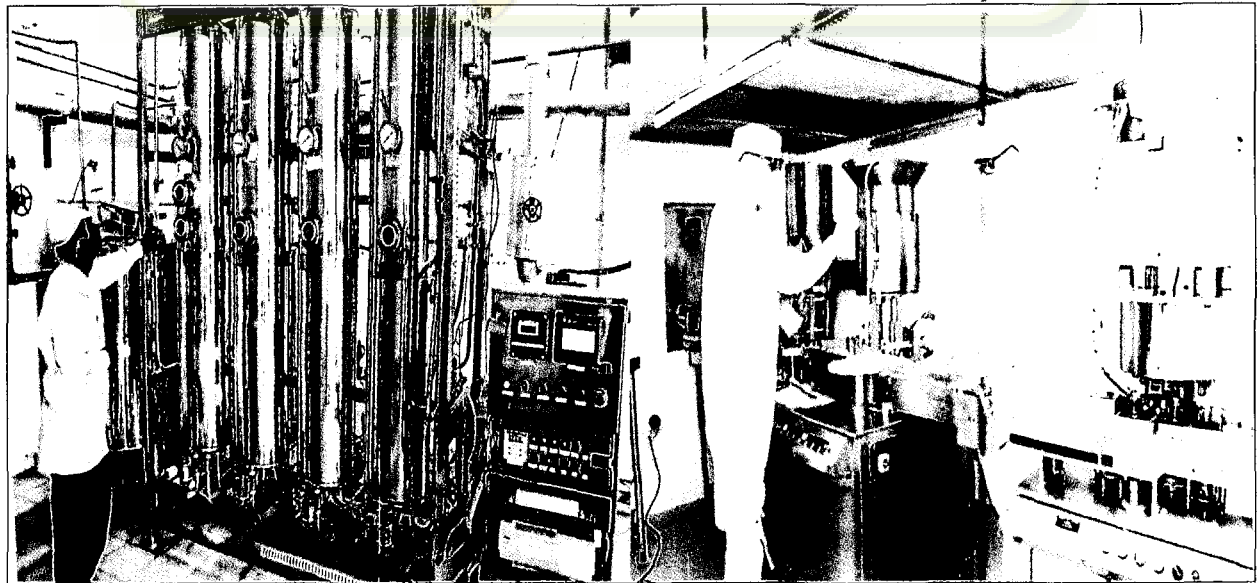


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**13th Annual Report  
2007-2008**



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## POCHIRAJU INDUSTRIES LIMITED

### POCHIRAJU INDUSTRIES LIMITED

#### DIRECTORS

Sri P.Sudhakar	-	Managing Director
Sri Dr. A. Ramaiah	-	Director
Sri B.V.Ramana Reddy	-	Director
Sri Dr. K.S.R. Siva Sai	-	Director
Sri Dr.S.S.N. Murthy	-	Director
Smt P.B.T.Sundari	-	Director
Smt. P. Sailaja	-	Director

#### REGISTERED OFFICE & FACTORY

1/102,Sathyamangalam Village  
Thummanapalli Post -635 105  
Hosur Taluq  
Krishnagiri Dist.  
Tamilnadu.

#### Corporate Office

130, Amarjyoti Layout  
Off Intermediate Ring Road,  
Domalur, Bangalore,  
Karnataka..-560071

#### ADMINISTRATIVE OFFICE

202, SGC's Suresh Arcade  
Opp Nature Cure Hospital  
Dharam Karam Road,  
Ameerpet  
Hyderabad -500016.

#### BANKERS

Oriental Bank of Commerce  
Ameerpet Branch  
Greenlands, Begumpet  
MyHome Jupally,  
Hyderabad – 500 016.

#### AUDITORS

B.Rama Rao & Co  
Chartered Accountants  
Flat No 7,Block No 6  
MIG 2 Baghlingampalli  
Hyderabad - 500004

Oriental Bank of Commerce  
Hosur Branch  
Hosur – 635 109  
Tamilnadu.

#### SHARE TRANSFER AGENTS

Aarthi Consultants Pvt.Ltd.  
1-2-285, Domalguda  
Hyderabad – 500 029  
[www.aarthiconsultants.com](http://www.aarthiconsultants.com)

#### COMPLIANCE OFFICER

P. Sudhakar  
202, SGC's Suresh Arcade  
Opp Nature Cure Hospital  
Dharam Karam Road,  
Ameerpet  
Hyderabad -500016.



## POCHIRAJU INDUSTRIES LIMITED

### NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF POCHIRAJU INDUSTRIES LIMITED WILL BE HELD ON MONDAY, THE 22<sup>nd</sup> OF SEPTEMBER 2008, at 3.00 P. M. AT THE REGISTERED OFFICE SITUATED AT 1/102, SATYAMANGALAM VILLAGE, HOSUR TALUK, KRISHNAGIRI DIST, TAMILNADU 635 105 TO TRANSACT THE FOLLOWING BUSINESS:

#### **Ordinary Business:**

1. To receive, consider and adopt the audited Balance Sheet as at 31-3-2008 and the Profit and Loss Account for the year ending 31st March, 2008 together with the reports of the Directors and Auditors thereon,
2. To reappoint Auditors and fix their remuneration.
3. To appoint a Director in place of Smt. P.B.T. Sundari, who retires by rotation at this Annual General Meeting and being eligible offers herself for reappointment.
4. To appoint a Director in place of Mr. B.V. Ramana Reddy, who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

Registered Office:  
1/102, Sathyamangalam Village,  
Hosur Taluk, Krishnagiri Dist,  
Tamilnadu - 635 105

By the Order of Board  
For POCHIRAJU INDUSTRIES LIMITED

Place: Hyderabad  
Date: 30/07/2008

P.SUDHAKAR  
MANAGING DIRECTOR

#### **NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 15th September, 2008 to 22nd September, 2008 (both days inclusive).



## DIRECTORS' REPORT

To

The Members

Your directors have pleasure in presenting the 13<sup>th</sup> Annual report on the working and the progress of the company along with audited annual accounts of the company for the year ended 31<sup>st</sup> March 2008 and report of the auditors thereon.

### FINANCIAL RESULTS:

Your directors have pleasure in presenting the financial results of the company for the year ended 31<sup>st</sup> March 2008

	Rs. in Lakhs	
	31-3-2008	31-3-2007
Gross Income	3587.51	2933.74
PBDT	1232.26	1006.13
Depreciation	111.60	88.25
Net profit for the year before Taxation	1120.66	917.88
Add: Provisions no longer required		
Provision for Taxes	57.53	10.75
Net profit after Taxes	1063.13	907.13
Prior period items	5.56	—
Profit after prior period items	1057.57	—
Profit Brought Forward	1303.43	396.30
From previous year		
Net Profit carried to Balance sheet	2366.57	1303.43

### OPERATIONS:

The Company has earned a Net Profit of Rs 1063.13 Lakhs after Depreciation and Taxes. The amount of Net Profit available for appropriation after adjustment for prior period items is Rs. 1057.57 lacs and the Net Profit of Rs 1057.57 Lakhs is carried to the Balance Sheet. The operations during the year ended on 31<sup>st</sup>, March 2008 were encouraging. The Gross income has increased by 22.28 % over last year income and Net Profit has shown an increase of 17.20 % over previous year's profit.

### MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of the financial condition and results of operations of the Company for the period under review as required under Clause 49 of the listing agreement with the Stock Exchange, is given as a separate statement forming a part of the Annual Report.

### EXPANSION AND DIVERSIFICATION

The company has successfully launched its Pharma division during the third quarter of the year in five states and has made arrangements to launch Pharma products in another five states. The products are well received in the market. The company achieved a sale of Pharma products of Rs. 76.58 Lacs. during the period. The company has entered into a loan licensing arrangement



## POCHIRAJU INDUSTRIES LIMITED

with M/s Kanha biogenetics, and Brooks Laboratories Limited, Baddi for manufacture of Pharma products. Arrangements are also under way to launch Oncology products and for this purpose the company has identified and entered into Loan licensing arrangements with M/s Get well Pharmaceuticals, Gurgaon and M/s Khandelwal Laboratories, Mumbai for outsourcing of Bio Pharma and Oncology products. Necessary licenses have been obtained for the same. During the year the company was allotted 10 acres of land in APIIC, Nadikudi Industrial estate, Andhra Pradesh for its proposed unit for manufacture of Active Pharmaceutical Ingredients (A.P.I) . The company has also been allotted 10 Acres of Land in APIIC's Bio tech park Phase III at Karakapatla, Andhra Pradesh for future expansion of Biopil division. For the various expansion and diversification projects of the company, it is proposed to raise US \$100 million.

The construction of state of the art Bio tech plant at Shapoorji Pallonji Biotech Park at Shameerpet is under progress. Our Company has identified vendors for the plant and machinery/equipment to be purchased and civil contractors /architects for construction of civil structures and the construction work is under progress. However due to procedural delays in issue of licenses etc. the implementation is likely to be delayed by a further 9 to 12 months. The input costs have gone up over the past one year and this will result in cost overruns which are proposed to be met from internal accruals.

### **BANKS AND FINANCIAL INSTITUTIONS:**

Our Bankers are Oriental Bank of Commerce and we have been dealing with them since 1998. We have very good business relationship with our bankers and the bank has been supporting us throughout our business growth plans. A term loan of Rs 10 crores and working capital loan of Rs 5.70 crores for Bio Pharma division and a working capital facility of Rs. 4.50 crores for our Pharma Division was sanctioned by our bankers.

### **CHANGES IN THE BOARD OF DIRECTORS:**

During the period under review Mr. B.V. Ramana Reddy and Smt. P.B.T. Sundari are liable to retire by rotation and being eligible offer themselves for reappointment. There are, otherwise, no changes in the constitution of the Board of Directors of the company.

### **DIRECTORS RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956:**

- a) In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation related to material departures.
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of state of affairs of the company as at the end of 31<sup>st</sup> March, 2008 and the Profits for the year ended on that date.
- c) The Director have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a going concern basis.



**POCHIRAJU INDUSTRIES LIMITED**

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**AUDITORS:**

M/S B.RAMA RAO &CO., Chartered Accountants, Hyderabad, the present Auditors of the company retire at the ensuing Annual General Meeting and are eligible for reappointment.

**AUDITORS REPORT**

The notes on Accounts referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments

**EMPLOYEE RELATIONS:**

In terms of the provisions of Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975 names and other particulars of employees are required to be set out in the Annexure to the Director's Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Act, the Annual Report is being sent to all the members of the Company excluding this information. Any member interested in obtaining such particulars may write to the Compliance Officer at the Administrative Office of the Company.

**CORPORATE GOVERNANCE**

As per clause 49 of the listing agreement with the Stock Exchange, a separate section on Corporate Governance forms a part of Annual Report. A Certificate from the Auditors of the Company confirming compliance with conditions of Corporate Governance as stipulated under clause 49 of the listing agreement is annexed to this Report.

**ACKNOWLEDGEMENTS:**

Your Directors would like to express their sincere appreciation for the co-operation and support received from Shareholders, Bankers, Regulatory Bodies, Customers and other business constituents. Your Directors also place on record their deep sense of appreciation for the commitment displayed by all employees of the Company resulting in successful performance, consistent growth of business during the period under review.

For and on behalf of the Board  
**For POCHIRAJU INDUSTRIES LIMITED**

Place: Satyamangalam  
Date: 30/07/2008

P.Sudhakar  
Managing Director



## POCHIRAJU INDUSTRIES LIMITED

## ANNEXURE - I

Information under section 217(1)(e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of Directors Report.

## FORM A

## A) Power and Fuel Consumption

	<u>Current Year</u>	<u>Previous Year</u>
1) Electricity		
Purchases Units	209207	187173
Total Amount (Rs)	944045	774897
Rate/Unit (Rs)	4.51	4.14
Own Generation		
Through Diesel Generators (Units)	95123	86027
Unit per liter of Diesel Oil (Nos)	8.26	7.50
Cost/Unit (Rs)	5.12	4.51

## B) Consumption per unit of production

	Standards		
Electricity	0.25	0.28	0.25

## C) Foreign Exchange Earnings and out go (Rs in Lakhs) (Rs in Lakhs)

i) Foreign Exchange earned (Rs.)	-	-
ii) Foreign Exchange used (Rs)		
1. Raw Materials	-	-
2. Machinery	-	-
iii) Foreign Travel (Rs)	5.63	1.20
Commission/Import duty/handling charges		

## D) FORM - B

Form for disclosure of particulars with respect to absorption

- 1) Research and development
- 2) Technology absorption, adaptation and innovation
- 3) Foreign Exchange earnings and outgo

Earnings (Rs in lakhs)	-	-
Outgo (Rs in lakhs)	5.63	1.20





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING A PART OF THE ANNUAL REPORT DISCUSSES BELOW THE FOLLOWING MATTERS WITH REFERENCE TO THE COMPANY'S CORE BUSINESS VIZ., FLORICULTURE, BIO PHARMA AND PHARMACEUTICALS.**

### INDUSTRY STRUCTURE, DEVELOPMENTS AND PRODUCT WISE PERFORMANCE

The Company has three divisions:-the first at Tamilnadu in Sathyamangalam village, where core activities consist of cultivation and processing of cut flower roses under controlled environment using sophisticated greenhouse technology. The Second division is the Pharma division, where the company is manufacturing its Pharmaceutical formulations under the loan licensing agreement with Kanha Biogenetics, and Brooks Laboratories Ltd at Baddi, Himachal Pradesh. Company is also setting up a state of the art Multi-product USFDA Compliance Bio-Pharma Unit at Shapoorji Pallonji park in shameerpet to manufacture its proposed Bio-tech Bulk APIs and Bio-Similars. The company has made arrangements for outsourcing of its Biotech and Oncology formulations under BIOFIL - the biotech division of the company on contract manufacturing basis and is fully geared to launch the same in the domestic market before the end of this year.

### FLORICULTURE INDUSTRY

Floriculture industry in India comprises of flower trade, nursery plants, and potted plants, seed and bulb production, micro propagation and extraction of essential oil from flowers. The success of floriculture depends purely on a strong infrastructure like plenty of good quality cold storages and handling facilities at airports and apart from that plenty of light, humid and moderate temperature, use of good organic manure, Nutritional requirements, pruning methodology, planting distance and use of growth regulating chemicals. Our company has been following all the above measures for the optimum cultivation of these cut roses and also has the location advantage to it. The company is presently utilizing its available land for greenhouse cultivation and also setup a nursery for the propagation and multiplication of different plant species of flowers, ornamental plants, medicinal plants and fruits. The company is supplying and marketing the same to the farmers all over India. To add more value to the same the company is constructing a tissue culture lab at its floriculture farm near Bangalore. This will help the company to produce Micro propagation of different plant species in an aseptic condition for exports to different Asia Pacific and European markets. To cater to the needs of its different customers such as wholesalers, retailers, event managers the company is procuring other varieties of flowers apart from roses such as coronations, zerkers, anthuriums, glads, etc and supplying the same. The company is negotiating with farmers in the states of Tamilnadu, Karnataka and Andhra Pradesh for contract farming of the said flowers to ensure uninterrupted supplies and also to cater to the growing demand. The company is also identifying lands in Kenya and Ethiopia for expansion of its greenhouse cultivation.

### PHARMA INDUSTRY

The Indian Pharmaceutical Industry, which is a US \$ 22 billion Industry, has been growing at a faster pace in recent years. The Industry produces bulk drugs which include all major therapeutic groups requiring systematic and modern manufacturing technologies. In India, most of the



## POCHIRAJU INDUSTRIES LIMITED

formulations in various dosage forms are being produced in GMP compliant facilities. India now ranks 4<sup>th</sup> largest producer of drugs in the world which is accounting 8% of world's production by volume and 1.5% by value. Indian Pharma Industry ranks 17<sup>th</sup> in terms of export value of bulk actives and dosage forms. Indian products are exported to more than 200 countries around the globe including highly regulated markets of US, Europe, Japan and Australia. Product patent in Pharmaceuticals has been introduced in the country with effect from 1<sup>st</sup> January, 2005 by amending the Patents act, 1970 in conformity with the TRIPS agreement. The physical infrastructure in the four patent offices in the country (Kolkata, Delhi, Chennai and Mumbai) has been substantially strengthened and computerization has been introduced. Steps are now being taken to further augment and improve the software and human resources in these offices to enable them to deal with the new responsibilities.

Estimates show that the Pharma exports touched a level of over Rs. 24942 crores during 2006-07. Exports constitute a substantial part of the total production of Pharmaceuticals in India. Another note worthy feature of export is more of dosage form export to advanced markets like Europe, US, CIS Africa etc. The trend of exports is as follows:-

According to IBEF, the domestic Indian Pharmaceuticals Industry is likely to more than triple to US\$ 20 billion by 2015 from the current US\$ 6 billion to become one of the top ten Pharmaceutical markets in the next decade. Ever since the new patent regime is in force, the pharmaceutical market is witnessing structural changes. Consequently, patented drugs are likely to see increased sales in the domestic pharmaceutical market, growing from virtually nothing at present to about US\$ 2 billion in seven years.

According to a study done by Goldman Sachs, it is estimated that India will be the fifth largest Pharmaceutical market in the world by 2020, with sales of US\$ 43 Billion. With increased individual incomes, growing middle - class households, expansion of medical infrastructure, greater penetration of health insurance etc have made a positive impact on the pharmaceutical market. Consequently, a number of multinationals have entered the Indian Pharmaceutical market. Already 15 of the 20 largest pharmaceutical companies in the world have been doing business in India. In effect the drugs and Pharmaceuticals constitute the 8<sup>th</sup> largest FDI category in India.

The company has launched its pharmaceuticals formulations in five states of Andhra Pradesh, Karnataka, Tamilnadu, Orissa and West Bengal. It is making arrangements for launch of the same in another six states of Kerala, Assam, Madhyapradesh, Maharashtra, Chastisghad and Gujarat by the end of this year. Presently the company has launched its products in the segments of Antibiotics – Macrolides, Fluoroquinolones, Analgesics, Haematinics, Statins, Anticoagulant, Anticold, Anticholenergic, Proton pump inhibitors and Antipiratic. The company is launching its specialty formulations in Cardiovascular, Diabitolgy & Endocrinology Ginic Obesity, Pediatrics, Dermatology and latest third generation Cephalosporines.

On the R&D front the company is focusing on the development of pharmaceutical formulations of latest molecules which are going out of patent in the coming 2 to 3 years . The same will be launched in domestic and export markets as generics after obtaining necessary statutory permissions. For the export markets the company will apply for registration of its present and proposed formulations in Asia Pacific Countries, CAS countries and semi regulated markets. Presently, as mentioned, the company is outsourcing manufacture of its pharmaceutical formulations but with the proposed R&D in product development and proposed export registrations it is proposed to have a state of the art US FDA compliant formulation manufacturing unit .