



INWINEX
PHARMACEUTICALS LIMITED

BOARD OF DIRECTORS

PRAVEEN AGARWAL

MANAGING DIRECTOR

MAN MOHAN AGARWAL

EXECUTIVE DIRECTOR

RAMESH CHANDRA AGARWAL

DIRECTOR

AUDITORS

PRAKASH CHOKDA
SHOP NO.61
RAGHAVA RATNA TOWER
CHIRAGALI LANE
HYDERABAD – 500 001.

BANKERS

ANDHRA BANK
R.P. ROAD
SECUNDERABAD.

REGISTERED & CORPORATE OFFICE

3A, III FLOOR, PLOT NO.130
ROAD NO.2, BANJARA HILLS
HYDERABAD - 500 034.

WORKS

PLOT NO:22 & 23, SVCIE
MIAPUR, BACHEPALLY,
HYDERABAD - 500 325.
ANDHRA PRADESH

SHARE TRANSFER AGENTS

VENTURE CAPITAL & CORPORATE
INVESTMENTS LIMITED
6-2-913/914, 3rd FLOOR,
PROGRESSIVE TOWERS,
KHAIRTABAD, HYDERABAD-500 004.

NOTICE is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of INWINEX PHARMACEUTICALS LIMITED will be held on Friday the 29th September, 2006 at 8.30 A.M. at Inwinex Towers, Plot No.130, 3A, III Floor, Road No.2, Banjara Hills, Hyderabad – 500 034, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2006 together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.Praveen Agarwal who retires by rotation and is not seeking re-appointment.
3. To consider the reappointment of Mr.Prakash Chokda, Chartered Accountant as Auditor to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration and reimbursement of out of pocket expenses as may be mutually agreed upon between the Board of Directors and the Auditor.

SPECIAL BUSINESS:

4. APPOINTMENT OF DIRECTOR

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

“RESOLVED THAT Ms.C.Soujanya, who was appointed as an Additional Director by the Board of Directors at its meeting held on 12th July, 2006 and who holds office as per Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting and in respect of whom the company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing her candidature for the office of Director be and is hereby appointed as a Director of the Company subject to retirement by rotation”

5. APPOINTMENT OF DIRECTOR

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

“RESOLVED THAT Ms.P.Sujatha, who was appointed as an Additional Director by the Board of Directors at its meeting held on 12th July, 2006 and who holds office as per Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting and in respect of whom the company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing her candidature for the office of Director be and is hereby appointed as a Director of the Company subject to retirement by rotation”

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND PROXY NEED NOT BE A MEMBER INSTRUMENT OF PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. All documents referred to in the accompanying Notice and Explanatory Statement including Articles of Association of the Company are open for inspection at its Registered Office during the office hours on all working days except Saturdays and holidays, between 11.00 a.m. and 1.00 p.m., upto the date of the Annual General Meeting.
3. Members are requested to kindly notify any change in address immediately to the Companies' Address/Registrar.

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4. Members/Proxies should bring their attendance slip sent herewith duly filled in for attending the meeting.
5. The Register of Member's and the 'Share Transfer Books' will be closed from 27.09.2006 to 29.09.2006 (Both days inclusive)
6. Members are requested to bring the copies of Annual Report while attending the Annual General Meeting.

EXPLANATORY STATEMENT

The Explanatory Statement under Section 173 (2) of the Companies Act, 1956, in respect of special business under Item No.4 & 5 of the accompanying notice is as under:

Item No.4.

Ms.C.Soujanya was appointed as an Additional Director of the Company by the Board of Directors on 12th July, 2006. Pursuant to section 260 of the Companies Act, 1956, Ms.C.Soujanya will hold office as Additional Director upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Ms.C.Soujanya for the office of the Director of the Company pursuant to the provisions of section 257 of the Companies Act, 1956.

Ms.C.Soujanya is a Science Graduate having 15 years of experiences in Quality Control assurance in Pharma Industry & financial services. In view of her vast knowledge and experience, it will be in the interest of the Company that Ms.C.Soujanya is appointed as Director of the Company. Ms.C.Soujanya holds Nil shares in the Company. Details of Directorship and the membership of Committees of other companies of Ms.C.Soujanya are as under.

S.No.	Name of the Company	Designation	Membership of Committees
	— Nil —		

Except Ms.C.Soujanya, none of the Directors of the Company is in any way concerned or interested in the resolution.

Item No.5.

Ms.P.Sujatha was appointed as an Additional Director of the Company by the Board of Directors on 12th July, 2006. Pursuant to section 260 of the Companies Act, 1956, Ms.C.Soujanya will hold office as Additional Director upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Ms.C.Soujanya for the office of the Director of the Company pursuant to the provisions of section 257 of the Companies Act, 1956.

Ms.P.Sujatha is a Post Graduate having 5 years of experiences in technical services. In view of her vast knowledge and experience, it will be in the interest of the Company that Ms.P.Sujatha is appointed as Director of the Company. Ms.P.Sujatha holds Nil shares in the Company. Details of Directorship and the membership of Committees of other companies of Ms.P. Sujatha are as under.

S.No.	Name of the Company	Designation	Membership of Committees
	— Nil —		

Except Ms.P.Sujatha, none of the Directors of the Company is in any way concerned or interested in the resolution.

For and on behalf of the board

Sd/-

RAMESH CHANDRA AGARWAL
CHAIRMAN

Place : Hyderabad
Date : 29.07.2006

DIRECTORS REPORT**TO THE MEMBERS**

Your Directors have pleasure in presenting the ELEVENTH ANNUAL REPORT together with Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs.in Lacs)	
	Year ended 31.03.2006	Year ended 31.03.2005
Sales	637.31	2039.95
Profit/ (Loss) before Depreciation		
Interest and Income Tax (PBDIT)	(110.90)	41.45
Interest & Finance Charges	8.68	8.66
Depreciation	15.35	26.07
Net Profit/ (Loss) before Tax	(142.62)	6.71
Provision for Tax	Nil	Nil
Net Profit/ (Loss) carried to Balance Sheet	(516.80)	(374.18)

OPERATIONS:

During the year 2005-2006, the Company achieved a sales turnover of Rs.637.31 Lacs, as against sales of Rs.2039.95 Lacs representing a decrease in sales turnover during the year under review. The Sales for the year came down drastically, due to partial slow down of the factory for renovation purpose and inadequate working capital facilities. However the realizations were very competitive and stiff.

The profit of the company has also come under severe pressure due to inadequate working capital facilities. The company procured its raw material on costlier and dearer terms resulting in very low operating margin. However, continuous efforts are being made for optimizing the formulation operations. Your company is taking all necessary steps in improving its efficiency levels. During the year the Networth of the Company has been eroded by more than 50%.

OUT LOOK & FUTURE PLANS

The outlook and future plans of the company are presented in Management Discussion and Analysis, forming part of this report.

DIVIDEND

Your directors have not recommended any dividend in view of the accumulated losses and need to build up long term working capital resources.

FIXED DEPOSITS:

Your company has not accepted any Deposits from the Public during the year.

DIRECTORS:

Ms.C.Soujanya was appointed as an Additional Director during the year. Ms.C.Soujanya, Ms.P.Sujatha and Mr.Anil Mittal have tendered resignation on 30th June, 2006.

LISTING OF SHARES:

The securities of the company is listed at The Stock Exchange, Mumbai.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) In the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards had been followed.
- (ii) the directors have selected such accounting policies and applied them consistently and made judgments 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 and loss of the Company for the year under review.
- (iii) The directors 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.
- (iv) The directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE:

Your Company believes in creating wealth for its Shareholders. In pursuit of this objective, the policies of the Company are designed to strengthen the ability of the Board of the Directors to supervise the management and to enhance long term shareholder value.

Pursuant to Clause 49 of the said Listing Agreement (a) Management Discussion and Analysis, (b) the Report of the Directors on the practices prevalent on Corporate Governance in the Company and (c) the Auditors' Certificate on compliance of mandatory requirements of Corporate Governance are given as an annexure to this report.

AUDITORS:

Mr. Prakash Chokda, Chartered Accountant, Auditor of the company who retires at the conclusion of the Annual General Meeting has given his consent to be reappointed for the current year.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

No employees are drawing salary as specified in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 hence no details are required to be given.

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particular) in the report of Board of Directors Rules, 1988 is annexed and form part of this Report.

INFORMATION AS REQUIRED U/S 217(3)

Explanation to point No.9 a) Annexure to the Auditors' Report

The Company has been incurring losses till 31.03.2003 and slowly recovering out of it. Since the company is facing working capital problem and not able to sustain its day to day financial pressures, there are some instances of delays in payment of ESI due, however the company cleared total outstanding at the end of the year.

ACKNOWLEDGEMENT

The Board of Directors wish to acknowledge the support extended by the Andhra Bank. Your Company wish to place on record the appreciation for the devoted services rendered by employees at all levels. The board also extends its gratitude to the Company's shareholders, various Government Authorities, Stockist, Distributors, and Doctors for their full co-operation.

For and on behalf of the Board
sd/-

Place: Hyderabad
Date: 30.06.2006

RAMESH CHANDRA AGARWAL
CHAIRMAN

ANNEXURE TO DIRECTOR'S REPORT

INFORMATION UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

A) CONSERVATION OF ENERGY

Present operations of the Company do not involve high energy consumption. However, steps are being taken to minimize energy consumption.

FORM A

(Form for Disclosure of particulars with respect to conservation of energy)

Particulars	Unit	Current Year
A. POWER & FUEL CONSUMPTION:		
1) Electricity		
a) Purchased :	Units/KWH	74,044
Total Amount	Rs.	419,209
Rate/Unit	Rs.	5.66
b) Own Generation :		
Through Diesel		
Generator :	Units/KWH	4,384
Units per Ltr. Of Diesel	Rs.	30,293
Cost per Unit	Rs.	6.90
2) Coal :		
(Specify quality and where used)		NIL
B. CONSUMPTION PER UNIT OF PRODUCTION :		
Electricity (Units/Kg)	Since the Company manufactures different types of formulations it is not practicable to give Consumption per unit of production.	
C" Grade Coal		
Fuel (Liters/Kg)		
Others		

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FORM B

(Form for disclosure of particulars with respect to Technology Absorption)

- A. RESEARCH & DEVELOPMENT (R & D)**
1. Specific area in which R & D carried out by the Company. : Formulations for antibacterial and anti-inflammatory antibiotics etc.
 2. Benefits derived as a result of the above R & D. : Absorption of technology & development of process.
 3. Future plan of action : Scaling up of the laboratory process & improvement of technology for Formulations
 4. Expenditure on R & D
 - (a) Capital : - Nil -
 - (b) Recurring : - Nil -
 - (c) Total : - Nil -
 - (d) Total R & D expenditure as Percentage of total turnover : - Nil -
- B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**
1. Efforts, in brief, made towards technology absorption, adaptation and innovation : - Nil -
 2. Benefits derived as a result e.g. product improvement, cost reduction, product development, import substitution, etc. : - Nil -
 3. Import of Technology : - Nil
- C. FOREIGN EXCHANGE EARNINGS AND OUT GO**
- (a) Earnings : Nil
 - (b) Outgo : Rs.23.65 lacs (USD 53,850)

ANNEXURE TO THE DIRECTORS' REPORT

Corporate Governance Report

The Securities and Exchange Board of India (SEBI) has instituted mandatory Standards of Corporate Governance for companies listed on Indian Stock Exchanges. These Standards have been enshrined in Clause 49 of the Listing Agreement of the Stock Exchanges. Your company has implemented all the mandatory requirements as prescribed under Clause 49 of the Listing Agreement.

Recent Developments

SEBI vide circular SBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004, issued revised Clause 49 of the Listing agreement, which was come into effect on April 1, 2005. Since it was brought to SEBI's notice that a large number of companies were still not in a state of preparedness to be fully compliant with the requirements as contained in the revised clause 49, SEBI vide circular no. SEBI/CFD/DIL/CG/1/29/3 dated March 29, 2005 extended the date for ensuring compliance with the revised Clause 49 of the Listing Agreement upto December 31st 2005. The revised Clause 49 thus has come into effect from January 1, 2006.

This section of the Annual Report discusses the compliance with the erstwhile Clause 49 of the listing agreement till December 31, 2005 and with the new Clause 49 with effect from January 1, 2006 to March 31, 2006.

Company's philosophy on Code of Corporate Governance

Inwinex Pharmaceuticals Board of Directors and Management are committed to maximize shareholder value on a sustained basis. The company considers good Corporate Governance to be a pre-requisite for meeting the objective of shareholders' wealth maximization. Good Governance practice includes adoption of best Board practices, respect and protection of minority views and interests and institutionalization of a fair and transparent reporting system.

Board of Directors

Composition of Board

As on 31st March, 2006, Inwinex Pharmaceuticals Board of Directors consists of 6 Directors. The Chairman of the Board is a Promoter, Chairman and Managing Director. In addition, Board comprises of 5 other Directors, one of them is a Promoter Executive Director and another director is Promoter Non Executive Director and remaining Three Directors are Non Executive Independent Directors.

Board Meetings

During the year 2005-06, the Board met 7 times on the following dates, viz., 04th April 2005, 27th June, 2005, 29th July, 2005, 04th October 2005, 31st October 2005, 31st January 2006, 29th March, 2006. The maximum gap between any two successive meetings was less than 4 months.

Directors attendance Record and Directorships

The following table gives details of Directors, their attendance at the Board Meetings during the year 2005-2006 and the last Annual General Meeting, their number of other directorships in the Board/ Committees of various other companies:

Name of the Director	Category of Director ship	No. of Board Meetings attended	Attendance at last AGM	Director ship	Committee Membership	Committee Chairman ship
Praveen Agarwal	CMD/PD	7	Present	Nil	1	Nil
Man Mohan Agarwal	ED/PD	7	Present	1	Nil	Nil
Ramesh Chandra Agarwal	NED/PD	7	Present	1	Nil	Nil
Anil Mittal	NED/ID	7	Absent	Nil	1	1
P.Sujatha	NED/ID	5	Absent	Nil	Nil	Nil
C.Soujanya **	NED/ID	3	N.A	Nil	Nil	Nil
Mukesh Kumar Agarwal *	NED/ID	2	Absent	Nil	Nil	Nil

* Mukesh Kumar Agarwal retired at the AGM i.e., 31st August, 2006.

** C.Soujanya was appointed as Additional Director by the Board at its Meeting held on 31st October, 2005 i.e., subsequent to the last AGM.

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CMD – Chairman & Managing Director, PD – Promoter Director, ED – Executive Director, NED – Non Executive Director, ID – Independent Director.

None of the Directors is a member in more than ten committees and act as a chairman in more than five committees across all companies in which he is a Director.

BOARD COMMITTEES:

The Company is committed to transparency in all its dealings and to provide efficient and effective service to the members/shareholders. The Board has constituted Committees of Directors to deal with matters that need quick and timely decisions and overall supervision and guidance.

The Board has delegated certain powers to some of the Committee of its members, and these Committees decide the matters referred to it and report to the Board at the subsequent Board meetings. Three Committees have been constituted viz., Audit Committee, Remuneration Committee and Shareholders/Investors' Grievances Committee.

Audit Committee

The terms of reference of the Audit Committee include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Approval of payment to statutory auditor for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - a. Any changes in accounting policies and practices
 - b. Major accounting entries based on exercise of judgment by management.
 - c. Qualifications in draft audit report
 - d. Significant adjustments arising out of audit
 - e. The going concern assumption
 - f. Compliance with accounting standards
 - g. Compliance with stock exchange and legal requirements concerning financial statements
 - h. Any related party transactions
5. Reviewing with management the quarterly financial statements before submission to the board for Approval.
6. Reviewing with the management, external and internal auditors, the adequacy of internal control systems, and recommending improvements to the management.
7. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.