



INWINEX
PHARMACEUTICALS LIMITED

BOARD OF DIRECTORS:

MR. ARVIND VARCHASWI N.	- MANAGING DIRECTOR
MR. NARAYANAN NARASIMHAN	- NON-EXECUTIVE CHAIRMAN & DIRECTOR
MR. RAMESH CHANDRA AGARWAL	- NON-EXECUTIVE DIRECTOR
MR. NIKHIL SEN	- ADDITIONAL DIRECTOR
MR. SRIRAM CHANDRASEKARAN	- ADDITIONAL DIRECTOR
MR. GOWRA SRINIVAS	- ADDITIONAL DIRECTOR
MR. DIGVIJAY CHOUDHARI	- ADDITIONAL DIRECTOR
MR.CHANDRAKANT L RATHI	- ADDITIONAL DIRECTOR

REGISTERED OFFICE

PLOT NO. 22 & 23, SVCIE,
BACHUPALLY, QUTHBULLAPUR MANDAL,
HYDERABAD- 500 090, INDIA.

AUDITORS

VIJAY NARAYAN AND CO.,
CHARTERED ACCOUNTANTS
5-4-776, 1ST FLOOR,
LANE OPP. G.PULLAREDDY SWEETS,
STREET NO. 4, ABIDS,
HYDERABAD - 500 001.

SHARE TRANSFER AGENTS

VENTURE CAPITAL & CORPORATION INVESTMENTS
PRIVATE LIMITED
12-10-167, BHARATNAGAR,
HYDERABAD - 500 018.

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of Members of INWINEX PHARMACEUTICALS LIMITED will be held on Monday the 26th Day of September, 2011 at 11:30 AM at Sapphire Hall, Hotel Fortune Manohar, Begumpet, Hyderabad, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance sheet as on 31st March, 2011 and the Audited Profit and Loss Account for the year ended 31st March, 2011 together with reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N. Narasimhan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Srinivas Gowra, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the Auditors and fix their Remuneration and for this purpose pass the following resolution as Ordinary resolution:

“RESOLVED THAT M/S VIJAY NARAYAN & CO., Chartered Accountants, Hyderabad, retiring auditors of the Company be and are hereby re-appointed as Auditors of the Company pursuant to the provisions of Section 224 of the Companies Act, 1956 to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the company be and are hereby authorized to fix their remuneration including for other services and out of pocket expenses”

Place: Hyderabad

By Order of the Board

Date: 13.08.2011

ARVIND VARCHASWIN
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 and such proxy need not be a member of the Company.
2. Proxy Form duly executed should be deposited at the Registered Office of the Company at least **FORTY EIGHT** hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books shall remain closed from **21st September 2011 to 26th September 2011** (both days inclusive) for the purpose of Annual General Meeting.

DIRECTORS' REPORT

To

Members,

INWINEX PHARMACEUTICALS LIMITED.

Your Directors are pleasure to present 16th Annual Report of the Company together with Audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2011.

1. FINANCIAL RESULTS:

(Rs. Lakhs)

Particulars	31.03.2011	31.03.2010
Sales	48.83	34.76
Profit/(Loss) before depreciation and Interest and Income Tax (PBDIT)	(112.24)	(56.91)
Interest and Financial charges	0.05	0.05
Depreciation	17.76	16.49
Net Profit/(Loss)	(130.05)	(73.45)
Provision for Tax	Nil	Nil
Net Profit/(Loss) carried to Balance Sheet	(240.67)	(110.62)
Earnings Per Share (Basic/Diluted)	(5.34)	(1.63)

2. OPERATIONS:

The sales for the year ended 31st March, 2011 was Rs. 48,83,451/- compared to the previous financial year's income of Rs. 34,76,480/- for the year ended 31.03.2010. The income of the Company has increased compared to the last financial year due to new production advancements and values. The loss of the Company has increased to Rs. 1,30,04,720/- compared to the previous financial year's loss of Rs. 73,44,700/-.

As a result of change in management as per scheme of arrangement by the Hon'ble High Court of A.P, the Company has made a new beginning by firstly streamlining the workforce, the ancillary machinery etc. There has been a restructuring of manufacturing facility during the year to meet the global standards. This has resulted in increased operational expenditure. Further the new management has provided provisions for long outstanding debts, advances and deposits; doubtful of recovery aggregating to Rs. 43.98 lakhs, as a matter of abundant caution and prudence.

3. FUTURE OUTLOOK:

As stated in the previous report, the Company has registered with and obtained Certifications from various agencies like ISO 22000 SGS HACCP Certification from SGS, GMP Certification, USDA-Organic products approval, EEC and Indian Organic Certification, for which the Company has taken all initiatives to comply with requirements of the said agencies and is further implementing the new and improved manufacturing process and technology adoption.

Further as intended by the strategic investors, the Company has implemented its plans by installation of new technology equipments with which the company has already started to manufacture various Ayurvedic capsules and tablets, to be competent and meet the demand of both Domestic and International markets and further the Company has decided to enhance the efficiency of the production levels and quality of the medicines.

The Company estimates that the adoption of faster and better technology would meet the requirements of the market demand and on these grounds it can anticipate the expected level of revenue inflows during the next few years.

4. DIVIDEND:

In view of the losses suffered during the year, your Directors do not recommended any Dividend for the year ended 31.03.2011.

5.DIRECTORS:

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Shri N. Narasimhan and Shri Srinivas Gowra retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. During the year, Mr. Chandrakant Laxminarayan Rathi and Mr. Digvijay Choudhari have given their consents to act as Directors and pursuant to Section 264, the Board honored their intention and appointed them as Additional Directors in their meeting held on 12.11.2010 and are to be further regularized at the ensuing Annual General Meeting by passing the requisite resolutions that are forming part of this Notice.

6. AUDITORS:

M/s Vijay Narayan & Co., Chartered Accountants retire as the Statutory Auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment for holding office until the conclusion of next Annual General Meeting, Pursuant to the provisions of Section 224(IB) of the Companies Act, 1956. Their remuneration shall be fixed by the Board of Directors as per the terms of arrangement agreed upon.

7. FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits from the Public or its shareholders within the meaning of the section 58A of the Companies Act, 1956, during the year under review.

8. COMPLIANCE CERTIFICATE UNDER SECTION 383A OF THE COMPANIES ACT, 1956:

Pursuant to Section 383A of the Companies Act, 1956, the company is required to obtain a compliance certificate from a Practicing Company Secretary certifying that the company has duly complied with all applicable statutory regulations and requirements and file the same with the Registrar of Companies, Andhra Pradesh. In this connection, a Compliance Certificate issued by a Practicing Company Secretary has been obtained and is attached hereto.

9. DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements as at 31st March, 2011, Your Directors state:

- (i) That in the preparation of the Annual accounts, the applicable accounting standards have been followed.
- (ii) That your Directors have selected appropriate accounting policies and applied them consistently and diligently so as to depict 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 account for that period.
- (iii) That your Directors have taken proper and sufficient care with respect to the maintenance of required and mandated records under the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and preventing any frauds and irregularities.
- (iv) That your Directors have prepared the Annual Accounts for the Financial Year ended 31.03.2011 as per the going concern concept.

10. PARTICULARS OF EMPLOYEES:

During the year under review, all the employees have drawn their salaries within the Limits specified under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Pursuant to the provisions of Section 217(1) (e) of the Companies Act, 1956, the particulars of conservation of energy and technology absorption are annexed hereto and Foreign exchange earnings and outgo are NIL.

Power and Fuel Consumption**Current Year****Electricity**

a) Purchased Units (Kwh)	52,866
Total Amount (Rs)	4,52,616
Rate/Unit (Rs)	8.56
b) Own Generation	
Through Diesel Generator Units (Kwh)	2,138
Total Amount (Rs)	64,997
Cost/unit (Rs)	30.40

12. RESEARCH AND DEVELOPMENT:

The Company is currently carrying out several research projects and development activities in the field of Ayurveda and various kinds of related herbal and nutritional supplements and further plans to indulge into more such R & D activities to further add value to the current quality of our products and also to develop new prototypes and variants. The Company is also emphasizing on organic food and nutritional

13. LISTING:

The shares of your Company are listed in the Bombay Stock Exchange. The listing permission for the shares issued post Scheme of Arrangement has been already obtained and has been duly informed in the report pertaining to previous year. Accordingly, the said shares along with the others are being actively traded and the formalities in this respect have been complied with in all due respects. The Company has also complied with the requirement of minimum public shareholding as prescribed under Clause 40A of the Listing Agreement.

14. CODE OF CONDUCT:

The Company has adopted a uniform Code of Conduct for Directors, Senior Management Personnel and other Executive level officers to ensure proper ethical standards and further ensure due compliance to established standards.

15. SUBSIDIARY COMPANIES:

There are no subsidiaries to your Company as on the date of report.

16. CORPORATE GOVERNANCE REPORT:

The Code of Corporate Governance as per Clause 49 of the Listing Requirement is attached herewith. The Compliance Certificate on Corporate Governance received from the Statutory Auditors is also given as an Annexure to this report.

17. ACKNOWLEDGEMENTS:

Your Directors take this opportunity to express their gratitude for the assistance and co-operation rendered by Government Authorities, Bankers and other business associates along with our esteemed Shareholders and employees.

On Behalf of the Board

ARVIND VARCHASWI . N
Managing Director

NARAYANAN NARASIMHAN
Director

Place: Hyderabad

Date: 13.08.2011

MANAGEMENT DISCUSSION & ANALYSIS REPORT**INDUSTRY STRUCTURE AND DEVELOPMENT**

The practical tenets of Ayurveda, the sector where the Company now operates, are divided into eight sections or branches. These sections include:

- Internal medicine,
- Surgery,
- Organic medicine,
- Pediatrics,
- Toxicology,
- Rejuvenating remedy,
- Aphrodisiac remedies and
- Spiritual healing.

These eight sections are called "Astanga Ayurveda".

Ayurveda is a complete or holistic system that integrates the mind, body and spirit. For a few centuries, the tradition of Ayurveda was dimmed due to the natural and human calamities and also by the invasion of foreign cultures into India. The sacred texts were either destroyed or stolen. However there were many 'Vaidyas' or doctors in India who managed to preserve some of the knowledge available in these Holy Scriptures. Divine plants that sustain long life and good health are now being rediscovered. Many renowned families of Vaidyas, who are specialized in certain branches of Ayurveda, have started functioning again in India. Today there is a revival of the ancient culture and traditions inherent to Ayurveda, which is a true gift of the ancient civilization to the modern world.

Current scenario of Ayurveda Industry:**Figures:**

Herbal Product's Market(World)	: USD 80 billion
Annual Growth Rate	: 7%
By 2050	: will reach 6 trillion
Indian Market	: Estimated as Rs. 4205 Crores
Export of Ayurvedic Drugs	: Estimated as Rs. 440 Crores **
Potential by 2020	: Estimated as Rs. 7000 Crores
	(**Source EXIM report)

Status Of Ayurveda In India

The Indian Government and Non-Government Organizations have been collecting statistics on the Ayurvedic system in India and these data about the manpower and institutional aspects of Ayurveda have emerged:

- Number of registered medical practitioners: 366,812
- Number of dispensaries: 22,100
- Number of hospitals: 2,189
- Number of hospital beds: 33,145
- Number of teaching institutions (undergraduate): 187
- Number of upgraded postgraduate departments: 51
- Number of specialties in postgraduate medical training: 16
- Number of pharmacies manufacturing Ayurvedic medicines: 8,400

OUTLOOK AND FUTURE PLANS

The Company is currently thriving to achieve profitable and steady growth by introducing new aspects into the Business plan by diversifying and extending its scope to manufacturing and exporting of Ayurvedic tablets, Capsules, food supplements etc. which currently have a subsisting demand in both domestic and foreign markets. The Company has registered with and obtained certifications from various agencies like ISO 22000 SGS HACCP Certification from SGS, GMP Certification, USDA- Organic products approval, EEC and Indian Organic Certification and has further taken required initiatives to comply with the requirements arising as a result of these certifications from the said agencies and is further implementing new and improved manufacturing processes which proved effective and resourceful in the Industry and has also adopted new and updated technologies that are currently available.

The Strategic Investors who currently comprise the Board have initiated and to some extent affected a major change in the working scenario of the Company by entering into new markets exploiting their benefits both domestic and international by mainly focusing on the field of Ayurveda, which is increasingly being accepted worldwide. The Company has planned to enter the international market via export of Ayurvedic products and for this purpose has formulated suitable strategies. One of these being obtaining accreditations from various renown certifying authorities having world wide acceptance thereby adding immense value our products which shall enter the International market in an Embryonic state. As far a domestic market is concerned, Ayurvedic products are widely acceptable in our Country due to the abundant awareness about the pros of Ayurvedic products. The strategic investors are mainly focusing on this aspect as this holds the potential to bring a positive change on the Company's financial structure in the near future.

OPPORTUNITIES AND THREATS

The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural areas. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets. Indian manufacturers are one of the lowest cost producers of drugs in the world. With a scalable labor force, Indian manufactures can produce drugs at 40% to 50% of the cost to the rest of the world. In some cases, this cost is as low as 90%. Indian pharmaceutical industry possesses excellent chemistry and process re-engineering skills. This adds to the competitive advantage of the Indian companies. The strength in chemistry skill helps these Indian companies to develop processes, which are more cost effective.

Strength:

- Rich and time tested Traditional Knowledge (TK) associated with sustainable use of biogenetic resources
- Side effects free medicines.
- Trust in Indian Tradition Medicine System.
- Over 82% is Ayurveda in Indian Tradition Medicine System.

Opportunities

- An ever increasing need for new drugs to handle modern day life-style related chronic ailments
- >60 % of people in developing countries depend on Ayurveda.
- Due to fast life style trend is moving towards "HERBAL".
- India has become a top-five global destination for investment in all phases of pharmaceutical development and growth of lower-level biotechnology (e.g. vaccines, monoclonal antibodies, etc.) progresses well, but lacks an enabling environment and incentives for investment in traditional medicines.
- Business opportunities for Ayurvedic Industries: Ayurveda is an indigenous system of India and nearly 70% of its population uses the traditional system of medicine. Consumers of Ayurvedic drugs are increasing day by day in India and outside India, and growth in the consumption of herbal medicine is significant. Presently, a numbers of Ayurvedic products are being exported as nutraceuticals and health care products.

RISKS AND CONCERNS

Weaknesses:

- Lack of good institutions and teachers
- Poor marketing
- Very few good R&D centers
- Shortage of raw material
- Lack of documented validation of Products.
- Lack of documented quality control procedures.
- Lack of documented process validation.
- Batch to batch variation in product.
- Toxicity profile - not explained
- Efficacy - not scientifically proved & documented
- Quality assurance protocol - not properly designed.
- Lack of world class treatment centers.
- Lack of NABH accreditation.
- Lack of health Insurance approval.
- Lack of well trained man power.

Threats:

- Escalation in raw materials price
- Lowering of standards in the products
- Adulteration in the raw materials
- Unhealthy growth of fake massage parlors.