



Samrat Pharmachem Limited

**11th Annual Report
2002-2003**

Samrat Pharmachem Limited

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Samrat Pharmachem Limited**11th Annual Report (2002-2003)****BOARD OF DIRECTORS**

Mr. Lalit Mehta	Managing Director
Mr. Champak Parekh	Jt. Managing Director
Mr. Rajesh Mehta	Executive Director (Finance)
Mr. Hitesh Parekh	Executive Director (Technical)
Mr. Jaswantra Mehta	Director
Mr. Mahendra Pipalia	Director
Mr. Harish Gandhi	Director

AUDITORS

Nalin S. Parekh & Co.
Chartered Accountants
302 Madhav Apts., Jawahar Road
Opposite Ghatkopar Station-East
Mumbai - 400 077

BANKERS**The Saraswat Co-op Bank Ltd.**

Raja Shopping Centre
New Nagardas Road, Andheri-East
Mumbai - 400 069

Dena Bank

GIDC Industrial Estate
Ankleshwar - 393 002
Gujarat.

Dena Bank

Deepavali, 1st Floor,
S. V. Road, Andheri-West,
Mumbai - 400 058.

REGISTRAR & SHARE TRANSFER AGENT**Intime Spectrum Registry Limited**

C/13, Pannalal Silk Mills Compound
LBS Marg, Bhandup-West
Mumbai - 400 078.

REGISTERED OFFICE AND FACTORY

Plot no. A2/3445,
GIDC Phase IV,
Ankleshwar - 393 002,
Gujarat.

CORPORATE OFFICE

A/7 Sai Prasad, 2nd Floor,
Teli Gali Cross Lane, Andheri [East],
Mumbai - 400 069.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Monday, the 29th September, 2003 at 1.00 p.m. at the Registered Office of the Company at Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March 2003 and the Profit and Loss Account of the company for the year ended as on that date, together with Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Mr. Hitesh Parekh, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors' and fix their remuneration.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass with or without modification, following as an ordinary resolution:

"RESOLVED THAT Mr. Mahendra Pipalia, who was appointed as an additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 effective from 17th March, 2003 and who holds office only up to the date of the forthcoming Annual General Meeting of the company and in respect of whom, the company has received a notice under section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company liable to retire by rotation."

5. To consider, and if thought fit, to pass with or without modification, following as an ordinary resolution:

"RESOLVED THAT Mr. Harish Gandhi, who was appointed as an additional Director by the Board of Directors pursuant to section 260 of the Companies Act, 1956 effective from 17th March, 2003 and who

holds office only up to the date of the forthcoming Annual General Meeting of the company and in respect of whom, the company has received a notice under section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company liable to retire by rotation."

6. To consider, and if thought fit, to pass with or without modification, following as a special resolution:

"RESOLVED THAT pursuant to Section 17 or other applicable provisions of the Companies Act, 1956 as amended and subject to the approval of the Central Government, the object Clause No. 10 of the objects incidental or ancillary to the main object be amended, altered as under, thereby superceding, substituting the existing Clause 10 and replacing the same by the new Clause No. 10 :

Clause 10 : To amalgamate, take over, merge or de-merge, reverse merging, spin off, etc with other body or bodies corporate with a view to achieve synergy, improve efficiency, specialization or division of labour and manageability, to enter into partnership or any arrangement for sharing of profits or losses, union of interests, co-operation, joint ventures or reciprocal concessions with any person or company carrying on or engaged in or about to carry on or engage in or which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the Company and to give or accept by way of consideration for any of the act or things aforesaid or properties acquired, any shares, debentures, debenture stocks or securities that may be agreed upon and to hold and retain or sell, mortgage and deal with any shares, debentures, debenture stocks or securities so received. To acquire business or businesses or control or management of any body or bodies corporate including taking over of assets and liabilities as going concern and to offer share, debentures, debenture stock, securities or other consideration for business acquired, taken over etc."

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"RESOLVED FURTHER THAT necessary formalities relating to amendment, alteration of the Object Clause of the Memorandum of Association be carried out as stipulated in the Companies Act, 1956 and rules made thereunder and the Board of Directors of the Company be and are hereby authorized to do all acts, things, deeds necessary and expedient in giving effect to this resolution."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY OR PROXIES SO APPOINTED NEED NOT BE A MEMBER OR MEMBERS, AS THE CASE MAY BE, OF THE COMPANY.
2. Proxies, if any, in order to be effective, must be received at the Registered Office of the Company at Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat, not less than 48 hours before the commencement of the meeting. Proxies shall not have any right to speak at the meeting.
3. An explanatory statement as required under section 173(2) of the Companies Act, 1956 in respect of Special Businesses given in item number 4, 5 & 6 are enclosed herewith and shown as an annexure to this notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 15 days from 15th September 2003 to 29th September 2003 (both days inclusive).
5. Members are requested to kindly notify to the Registrar and Transfer Agent of the company M/s. Intime Spectrum Registry Limited, C/13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078, immediately of any change in their addresses.
6. Members are requested to quote their Folio Numbers in all their correspondence.
7. Members desirous of having any information regarding accounts are requested to write to the Company at least 7 days in advance of the date of Annual General Meeting so as to enable the Management to keep the information ready.
8. Members are requested to bring their copies of the Annual Report to the Meeting.
9. Members are requested to bring with them the attendance slip and hand it over at the entrance duly signed by them.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

**Lalit Mehta
Managing Director**

**Champak Parekh
Jt Managing Director**

**Place : Mumbai
Dated : 30 June, 2003**

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ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT:

The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item numbers 4, 5 & 6 is as under:

Item No.1

Mr. Mahendra Pipalia was appointed as an Additional Director on 17th March, 2003, to fulfill the requirements of Corporate Governance Code as laid down in Clause 49 of the Listing Agreement. Mr. Mahendra Pipalia holds office of Director only up to the date of forthcoming Annual General Meeting.

Mr. Mahendra Pipalia aged 40 years is a practicing Chartered Accountant based in Mumbai and has been practicing in the areas of Internal Audits, Taxation, Finance & System Development. He has an experience of more than 15 years in various corporate fields.

Your Directors recommend a resolution as set out in Item no. 4 of the Notice for your approval.

None of the Directors other than Mr. Mahendra Pipalia is interested or concerned in the resolution.

Item No.2

Mr. Harish Gandhi was appointed as an Additional Director on 17 March, 2003, to fulfill the requirements of Corporate Governance Code as laid down in Clause 49 of the Listing Agreement. Mr. Harish Gandhi holds office of Director only up to the date of forthcoming Annual General Meeting.

Mr. Harish Gandhi is an architect by profession. He has wide experience in dealing matters like construction, maintenance and legislative matters related to the industry. He advises the Company in various matters related to Government Agencies. He also does liaison & follow-up work with Government Departments.

Your Directors recommend a resolution as set out in Item no. 5 of the Notice for your approval.

None of the Directors other than Mr. Harish Gandhi is interested or concerned in the resolution.

Item No. 3

The Memorandum of Association contains Clause 10 in the objects incidental or ancillary to main object facilitating amalgamation, take over, merger etc. with other bodies corporate. The Directors of your Company proposes to make the Clause 10 more exhaustive to include various

new concepts such as de-merger, spin off etc. to the said clause to avoid hardship that may be caused to the Company in future.

The said alteration, amendment, substitution, require approval of the members by passing a special resolution under Section 17 of the Companies Act, 1956 at their duly convened general meeting, subject to the approval of the Central Government.

The amended copy of the Memorandum of Association of the Company has been kept for the inspection of the members at the Registered Office of the Company on all working day between 11.00 a.m. to 1.00 p.m.

Your Directors recommend a resolution as set out in Item no.6 of the Notice for your approval.

None of the Directors is interested or concerned in the resolution.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

Lalit Mehta
Managing Director

Champak Parekh
Jt Managing Director

Place : Mumbai
Dated : 30 June, 2003

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DIRECTORS' REPORT

TO THE MEMBERS

The Directors are pleased to present the Eleventh Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March 2003.

FINANCIAL PERFORMANCE

Particulars	31 March 2003 Rs.	31 March 2002 Rs.
Turnover	142,135,541	128,811,093
Profit before tax	972,720	259,254
Provision for tax	-28,928	-12,707
Net Deferred Tax Liability for current year	-574,430	-93,149
Profit after tax	369,362	153,398
Profit & Loss account		
Balance brought forward	6,682,863	7,934,598
Deferred Tax Liability of previous years	0	-1,403,918
Tax adjustment of previous year	0	-1,215
Balance carried to Balance Sheet	7,052,225	6,682,863

OPERATIONS

Your company has performed reasonably well during the year. In a highly competitive and uncertain business environment, your Company achieved a turnover of Rs. 1421.35 Lacs as against Rs. 1288.11 achieved last year - an increase of more than 10%. The profit before tax has increased by 275%-. Production of 228.90 tones of pharmaceutical bulk drugs & chemicals was achieved during the year.

DIVIDEND

In order to conserve the resources, your Directors do not recommend payment of Dividend for the year.

EXPORTS

During the year 2002-2003 your company's export division registered sales of Rs. 97.34 Lacs, up from Rs. 72.71 Lacs last year. Your Company has initiated several export promotion measures to increase exports. The products

of your Company have been well accepted in the international market and the Company expects better export turnover in the near future.

DEMATERIALISATION

The equity shares of the Company have been dematerialized by joining the depositories viz. National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL). The ISIN No. allotted to the Company is INE103E01016.

CORPORATE GOVERNANCE

Certificate of auditor of your company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchange, is enclosed.

Your Company has been practicing the principles of good corporate governance over the years.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

LISTING OF SHARES

The Company's shares are listed on the Bombay Stock Exchange, The Ahmedabad Stock Exchange, The Baroda Stock Exchange, Saurashtra Kutch Stock Exchange & Pune Stock Exchange. It has paid the listing fees at all the stock exchanges for the period upto 31st March 2004. Your Company has not been delisted on any of these exchanges for non-payment of listing fees.

PARTICULARS OF EMPLOYEES

The company does not have any employee whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

DISCLOSURE OF PARTICULARS

Information as per section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure forming part of this report.

INSURANCE

The assets of the company have been adequately insured against the risk of fire & other risks.

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DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Hitesh Parekh retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Mr. Mahendra Pipalia & Mr. Harish Gandhi were appointed as additional Directors of the company with effect from 17 March, 2003 to comply with requirements of corporate governance code made applicable from financial year 2002-03. Mr. Mahendra Pipalia and Mr. Harish Gandhi were to hold office up to the date of the forthcoming Annual General Meeting and being eligible for appointment as Directors have comply with the provision of section 257 of the Companies Act, 1956 as regards to their appointment.

AUDIT COMMITTEE

In pursuance of Clause 49 of the Listing agreement, the Company has constituted an audit committee consisting of the following independent Directors on 17th March, 2003:

1. Mr. Mahendra Pipalia
2. Mr. Harish Gandhi
3. Mr. Jaswantra Mehta

Mr. Mahendra Pipalia, a Practicing Chartered Accountant, having wide experience in accounting, audit, taxation, finance & systems, heads the audit committee. The role, terms of reference, authority & power of the committee are in conformity with the requirements of the Companies Act, 1956. The committee met once during the year under review prior to finalization of accounts for the year ended 31 March 2003.

AUDITORS

The Auditors of the Company M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai hold office upto the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

COST AUDIT

Your Company is following the order issued under section 209(1)(d) of the Companies Act, 1956, as amended in respect of manufacture of pharmaceutical bulk drugs. The Company has been maintaining cost accounting records as required in the above-referred provisions of the Companies Act, 1956, as amended. M/s. Kalpana P. Mehta & Co., Cost Accountants, Mumbai has been appointment as the Cost Auditor of the Company for the financial year 2002-2003.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended with respect of Directors responsibility statement, it is hereby confirmed: -

1. That the preparation of accounts for the Financial Year ended 31st March, 2003, the applicable accounting standards have been followed along-with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the Financial Year and the Profit or Loss of the Company for the year under review;
3. 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 as amended for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors' have prepared the accounts for the financial year ended 31st March 2003 on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors are thankful to you, our customers, suppliers, bankers employees, consultants and to all those who have extended their committed support to the progress of your Company.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

**Lalit Mehta
Managing Director**

**Champak Parekh
Jt Managing Director**

**Place : Mumbai
Dated : 30 June, 2003**

Samrat Pharmachem Limited

11th Annual Report (2002-2003)**ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003**

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

Section 217(1)(e) of the Companies Act, 1956

The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

Your Company continues to explore & implement measures that will help in conservation and saving of energy.

Measures taken & benefits derived are as follows:

- Hot water coming from steam traps is recycled & used as boiler feed water.
- Using economiser effectively to pre-heat boiler feed water.
- Timely & routine preventive maintenance of boiler.
- Improvement in unit operations leading to reduction in processing time in reactor, centrifuge, drier & other equipments to minimize use of electricity.
- One of the boilers is converted from oil-fired to gas-fired.

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION**(A) POWER & FUEL CONSUMPTION**

Particulars	Current year ended March 2003	Previous year ended March 2002
1. ELECTRICITY		
a) Purchased Units (kwh)	157,312	137,030
Total Amount (Rs.)	802,387	730,570
Rate per Unit (Rs.)	5.10	5.33
b) Own Generation (Through Diesel Generator) Units (kwh)	2,535	3,564
Total Amount (Rs.)	23,619	31,107
Units per Litre of Diesel	2.23	2.24
Cost per Unit (Rs.)	9.32	8.73

2. DIESEL OIL		
Unit (Litres)	37,579	79,465
Total Amount (Rs.)	628,793	1,305,078
Rate per Unit (Rs.)	16.73	16.42
3. NATURAL GAS		
Unit (cubic metre)	66,367	-
Total Amount (Rs.)	679,601	-
Rate per cubic metre (Rs.)	10.24	-
4. CONSUMPTION PER KILO		
Production of Bulk Drugs & Chemicals (Kgs)	228,897	223,132
Electricity Rs. per kg	3.61	3.27
Diesel Oil Rs. per kg	2.75	5.85
Natural Gas Rs. per kg	2.97	-

B. TECHNOLOGY ABSORPTION

The management has focused on productivity and quality improvement in order to optimise manufacturing costs. This has helped in achieving optimum manufacturing costs, improved quality of products and consequently enhanced customer satisfaction. The company uses indigenous technology.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned Rs. 9,734,435
F.O.B. Value of export of finished goods
(Previous year Rs. 7,270,966)

Foreign exchange used Rs. 67,341,500
Import of raw materials
(Previous year Rs. 63,876,750)

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

**Lalit Mehta
Managing Director**

**Champak Parekh
Jt Managing Director**

Place : Mumbai

Dated : 30 June, 2003

Samrat Pharmachem Limited**11th Annual Report (2002-2003)****MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE AND DEVELOPMENTS**

Your Company is a producer of pharmaceuticals intermediates and bulk drugs. The intermediates produced are used in pharmaceutical and chemical industries. Your Company is amongst the manufacturers who produce for local and international needs of the pharmaceuticals and chemicals industry. The pharmaceutical industry is growing at a pace of 15% to 20% every year. This results into growth of the support or intermediate industry like us.

The globalization and liberalization measures taken by our government will have effect on the pharmaceutical and chemical industry. Indian industry must spend huge money in the research and development. The full implementation of GATT agreement will allow process patenting in the pharmaceuticals. This will lead to increase of branded products in the market, as the products branded in GATT members' countries will enjoy same protection in other countries.

OPPORTUNITIES AND THREATS

Your Directors' anticipate improved performance and better growth and profitability in the years to come. The way the pharmaceutical and chemical industry is progressing, it is expected that the growth and development will continue unabated. The Company has initiated effective steps to cope with the fluctuation in the market, all round increase in the cost of production, economic slow down in the economy.

The positive effect of opening of the sector to the international manufacturers is that domestic industry will be taking measures to improve its quality and control its costs. The margins are already constrained and it is expected that they will fall further. The Company should be prepared for such grave consequences and plan in advance to ensure its survival in the times to come.

PRODUCT PERFORMANCE

The company has two plants producing varied items. The basic purpose of producing in two different plants is to improve efficiency and manageability. Your Company shall achieve sustainable growth in both plants by streamlining various operations. According to your Directors, these plants facilitate better division of labour, enable us to develop expertise in each plant and their respective items,

and hence improve productivity and profitability of the Company.

OUTLOOK

The pharmaceutical industry produces commodities essential to life. The growth and development of the pharmaceutical companies are generally assured. The industry grows at least 15% to 20% every year. The outlook is expected to be better in the current financial year 2003-04.

RISKS AND CONCERNS

Business is full of risks. The increase in cost of production and constrained margin are the major areas of concern. Your Company is making all out efforts to become one of the lowest cost producer, in its category, of the pharmaceutical intermediates and thereby become locally and internationally most competitive. The competition from across the border especially South East Asian countries is of special concern to the pharmaceutical intermediate & bulk drugs market.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

Your Company is following a proper and adequate system of internal control in respect of all its activities including safeguarding and protecting its assets against loss or unauthorized use of disposition. Further all transactions entered into by the Company are duly authorized, recorded correctly. The managing committee of the Board closely watches and monitors all expenses incurred on various heads. All policies, procedures and guidelines have been documented. Your Company is using advanced customized software system, which is upgraded from time to time to suit the needs of the Company.

The Company has an internal audit system in place and the Board is in full control of the situation from purchases to sales, revenue and expenditures. The top management and the Audit Committee of the Board review internal audit reports periodically.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review the total production of pharmaceutical & bulk drugs was 228.90 tones as against 223.13 tones in the previous financial year. Gross turnover also increased by more than 10%. The profit after tax during the year was Rs. 3.69 Lacs as against Rs. 1.53 Lacs in the previous financial year. During the year under