



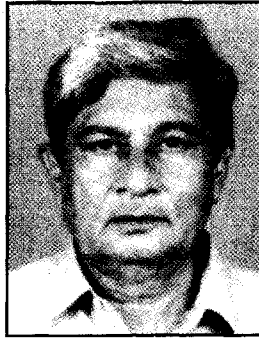
Samrat Pharmachem Limited

**12th Annual Report
2003-2004**

Board of Directors



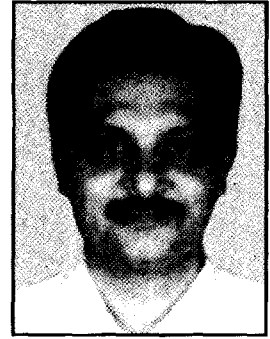
Mr. Lalit Mehta
Managing Director



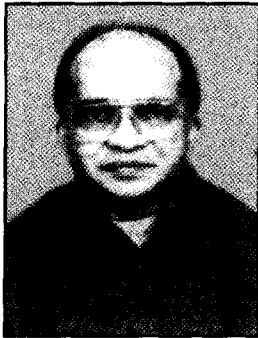
Mr. Champak Parekh
Jt. Managing Director



Mr. Rajesh Mehta
Executive Director



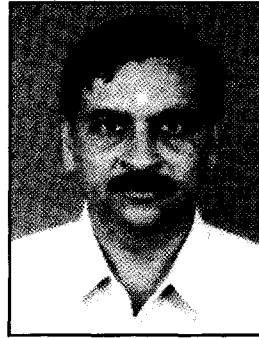
Mr. Hitesh Parekh
Executive Director



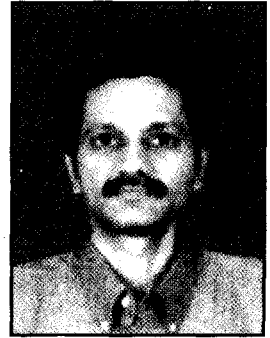
Mr. Jaswantra Mehta
Director



Mr. Mahendra Pipalia
Director



Mr. Harish Gandhi
Director



Mr. Samir Kothary
Director

Samrat Pharmachem Limited

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Samrat Pharmachem Limited**12th Annual Report (2003-2004)****BOARD OF DIRECTORS**

Mr. Lalit Mehta	Managing Director
Mr. Champak Parekh	Jt. Managing Director
Mr. Rajesh Mehta	Executive Director
Mr. Hitesh Parekh	Executive Director
Mr. Jaswantra Mehta	Director
Mr. Mahendra Pipalia	Director
Mr. Harish Gandhi	Director
Mr. Samir Kothary	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

ICICI Bank Ltd.

Sagar Avenue
S. V. Road, Andheri-West
Mumbai - 400 058

HDFC Bank Ltd.

Jamuna Apts
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.

Samrat Pharmachem Limited

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWELFTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Wednesday, the 29th September, 2004 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 2004 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. Jaswantra Mehta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajesh Lalit Mehta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors' and fix their remuneration. The retiring auditors, M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass with or without modification, following as an ordinary resolution:
"RESOLVED THAT Mr. Samir Kothary, who was appointed as an additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 effective from 10th October, 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 198, 269, 309, Schedule XIII and all other applicable statutory provisions, if any, the company hereby accords its approval and consent to continue the appointment of Mr. Champaklal Kantilal Parekh, as Jt. Managing Director of the Company, who has attained 70 years of age as on 31st October, 2003 for an un-expired period of his appointment i.e. till 31st March, 2008, upon the same terms and conditions and stipulations as per agreement dated 17th February, 2003 commencing from 1st April, 2003."

"RESOLVED FURTHER THAT the Board of Directors be and it is hereby authorized to take all

necessary or desirable steps for the aforesaid purpose and matters incidental thereto."

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 Business given in items number 5 & 6 is 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 2004 to 29th September 2004 (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, 2004

Samrat Pharmachem Limited

12th Annual Report (2003-2004)

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 number 5 & 6 is as under:

Item No. 1

Mr. Samir Kothary was appointed as an Additional Director on 30th July, 2003, to fulfill the requirements of Corporate Governance Code as laid down in Clause 49 of the Listing Agreement. Mr. Samir Kothary holds office of Director only up to the date of previous Annual General Meeting.

Mr. Samir Kothary was once again appointed as an Additional Director of the Company on 10th October, 2003 in pursuance of Section 260 of the Companies Act, 1956, to comply with the requirement of Corporate Governance Code. Mr. Samir Kothary holds office upto the date of forthcoming Annual General Meeting of the Company and is eligible for appointment as Director retiring by rotation.

Mr. Samir Kothary, aged 41 years, is engaged in the business of trading of pharmaceuticals and chemicals. He has experience of more than 15 years in the pharmaceutical and chemical industry.

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. Samir Kothary is interested or concerned in the resolution.

Item No. 2

Mr. Champak Kantilal Parekh was re-appointed as Jt. Managing Director of the Company for a period of 5 years commencing from 1st April, 2003 till 31st March, 2008, which was approved by members at 10th Annual General Meeting of the Company held on 28th September, 2002. As per the provisions of Schedule XIII any Executive Director or Managing Director of the Company attaining the age of 70 years cannot continue on the post unless shareholders pass a special resolution confirming the appointment at their duly convened general meeting. Mr. Champak Kantilal Parekh attained the age of 70 years on 31st October, 2003 and therefore his continuation in office of Jt. Managing Director should be approved by the shareholders of the Company.

Mr. Champak Kantilal Parekh looks after the overall business, administrative, commercial, marketing, technical, financial matter and such other related functions of the company.

Mr. Champak Kantilal Parekh has been paid remuneration by way of salary and perquisites as Jt. Managing Director. The brief details of the remuneration paid to Mr. Champak Kantilal Parekh is given as under.

Salary in the scale of Rs. 14,000/= - Rs. 1,000 - Rs. 19,000 per month.

Perquisites : Provision of a car with a driver and telephone facility at the residence.

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

None of the Directors other than Mr. Champak Parekh & Mr. Hitesh Parekh 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, 2004**

Samrat Pharmachem Limited

12th Annual Report (2003-2004)

DIRECTORS' REPORT

TO THE MEMBERS

The Directors are pleased to present the Twelfth Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March 2004.

FINANCIAL PERFORMANCE

Particulars	31 March 2004 Rs.	31 March 2003 Rs.
Turnover	166,462,653	142,135,541
Profit before tax	9,001,723	972,720
Provision for tax	-4,350,277	-28,928
Net Deferred Tax Liability for current year	991,947	-574,430
Profit after tax	5,643,393	369,362
<u>Profit & Loss account</u>		
Balance brought forward	7,052,225	6,682,863
Deferred Tax Liability of previous years	0	0
Tax adjustment of previous year	0	0
Balance carried to Balance Sheet	12,695,618	7,052,225

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. 1664.63 Lacs as against Rs. 1421.35 achieved last year - an increase of more than 17%. The profit before tax has increased by 825%. Production of 227.67 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 2003-2004 your company's export division registered sales of Rs. 103.54 Lacs, up from Rs. 97.34 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 2005. 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.

Samrat Pharmachem Limited

12th Annual Report (2003-2004)

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jaswantra Mehta and Mr. Rajesh Lalit Mehta retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Samir Kothary was appointed as additional Directors of the company with effect from 30th July, 2003 to hold office upto the date of previous Annual General Meeting. He was once again appointed as an Additional Director on 10th October, 2003 to comply with requirements of corporate governance code. Mr. Samir Kothary was to hold office up to the date of the forthcoming Annual General Meeting and being eligible for appointment as Director has complied with the provisions of section 257 of the Companies Act, 1956 as regards to his 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:

1. Mr. Mahendra Pipalia
2. Mr. Harish Gandhi
3. Mr. Jaswantra Mehta
4. Mr. Samir Kothary

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 for four times during the year under review.

AUDITORS

The Auditors of the Company M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai hold office till the conclusion of 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 appointed as the Cost Auditor of the Company for the financial year 2003-2004.

FLOTATION OF 100% SUBSIDIARY COMPANY AND STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Your Company has floated a new 100% subsidiary company during the year named as Samrat Remedies Limited to carry on activities of Manufacturing of Pharmaceutical Bulk Drugs & Chemicals.

A statement of interest in subsidiary as required under section 212 of the Companies Act, 1956, together with statement of account of subsidiary prepared as on 31st March, 2004, is enclosed herewith and forms part of this report.

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, 2004, 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 2004 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, 2004

Samrat Pharmachem Limited

12th Annual Report (2003-2004)**ANNEXURE TO THE DIRECTORS' REPORT****FOR THE YEAR ENDED 31ST MARCH, 2004**

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 2004	Previous year ended March 2003
1. ELECTRICITY		
a) Purchased Units (kwh)	190,360	157,312
Total Amount (Rs.)	932,180	802,387
Rate per Unit (Rs.)	4.90	5.10
b) Own Generation (Through Diesel Generator)		
Units (kwh)	2901	2,535
Total Amount (Rs.)	29,465	23,619
Units per Litre of Diesel	2.29	2.23
Cost per Unit (Rs.)	10.16	9.32
2. DIESEL OIL		
Unit (Litres)	21,033	37,579
Total Amount (Rs.)	417,633	628,793
Rate per Unit (Rs.)	19.86	16.73

3. NATURAL GAS		
Unit (cubic metre)	92,415	66,367
Total Amount (Rs.)	923,332	679,601
Rate per cubic metre (Rs.)	9.99	10.24
4. CONSUMPTION PER KILO		
Production of Bulk Drugs & Chemicals (Kgs)	227,666	228,897
Electricity Rs. per kg	4.22	3.61
Diesel Oil Rs. per kg	1.83	2.75
Natural Gas Rs. per kg	4.06	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. 10,353,534
F.O.B. Value of export of finished goods (Previous year Rs. 9,734,435)

Foreign exchange used Rs. 115,779,381
Import of raw materials (Previous year Rs. 67,341,500)

**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, 2004

Samrat Pharmachem Limited

12th Annual Report (2003-2004)

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. However the GATT agreement coming into operation will not have any effect on the pharmaceutical & chemical produced by the company.

OPPORTUNITIES AND THREATS

The company looks forward optimistically for all round growth in turnover & profitability in the ensuing years. Your company has taken effective steps to realize the dream performance in the years to come. The company intends to double its turnover in a short period of time. The company has taken effective measures to improve quality of products and its productivity to outwit competitor from domestic and international market.

The profit margin has come down drastically over the years and unless the quantitative volume of sales is increased it would be difficult to achieve the target of profitability set by the Directors. The company should also plan to widen the product range by increasing the basket of products thereby enlarging the customer and sales base.

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 modernization and automation of 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 2004-2005.

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 227.67 tones as against