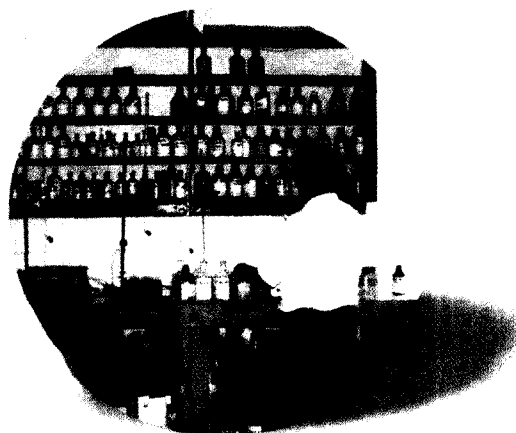
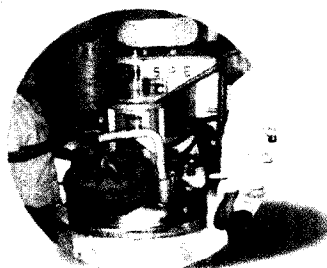
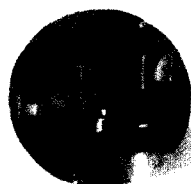




Samrat Pharmachem Limited

**13th Annual Report
2004-2005**

The king of Iodine Chemistry



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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

STATUTORY & TAX AUDITORS

Nalin S. Parekh & Co.

Chartered Accountants

302 Madhav Apts., Jawahar Road, Opposite Ghatkopar Station (East), Mumbai - 400 077

COST AUDITORS

Kalpana P. Mehta & Co.

Cost Accountants

B/74, Roop Darshan, Juhu Lane, Andheri (West), Mumbai - 400 058

CONSULTING COMPANY SECRETARY

A. A. Mulla & Associates

Company Secretaries

D/201, Trade Corner, Saki Naka Junction, Andheri (East), Mumbai - 400 072

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 AGENTS

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**13th Annual Report (2004-2005)****NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the **THIRTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Thursday, the 29th September, 2005 at 1.00 p.m. at the Registered Office of the Company at Plot No. A2/3445, GIDC, Phase 4, Ankleshwar - 393 002, Gujarat to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March 2005 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. Mahendra Pipalia, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Samir Kothary 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.

5. Members are requested to DEMAT their shares in order to facilitate easy & faster trading in equity shares.
6. Members are requested to quote their Folio / DP Id No. 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, 2005**

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. The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 15 days from 15th September, 2005 to 29th September, 2005 (both days inclusive).
4. 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.

Samrat Pharmachem Limited

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DIRECTORS' REPORT

TO THE MEMBERS

The Directors are pleased to present the Thirteenth Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March 2005.

FINANCIAL PERFORMANCE

Particulars	31 March 2005 Rs.	31 March 2004 Rs.
Turnover	204,064,948	166,462,653
Profit before tax	7,011,344	9,001,723
Provision for tax	-2,498,165	-4,350,277
Net Deferred Tax Liability for current year	-202,153	991,947
Profit after tax	431,1026	5,643,393
<u>Profit & Loss account</u>		
Balance brought forward	12,695,618	7,052,225
Tax adjustment of previous year	-8,350	0
Balance carried to Balance Sheet	17,087,294	12,695,618

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. 2040.64 Lakhs as against Rs. 1664.63 Lakhs achieved last year - an increase of more than 22%. Production of 237.62 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.

WORKING CAPITAL FACILITIES

Your company was successful in raising additional finance from its principal banker towards working capital.

EXPORTS

During the year 2004-2005 your company's export division registered sales of Rs. 126.16 Lacs, up from Rs. 103.54 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, 2006. Your Company has not been delisted on any of these exchanges for non-payment of listing fees.

INSURANCE

The assets of the company have been adequately insured against all possible risks with ICICI Lombard General Insurance Co Ltd & with ECGC Ltd.

WEBSITE

Your company's website address is www.samratpharmachem.com. The performance of the Company will be regularly updated and be made available on this website. Also the website provides other vital information about the Company.

SAFETY, HEALTH & ENVIRONMENT (SHE) POLICY

As a responsible corporate citizen, the Company is fully alive to its responsibilities for protection of the environment and to provide its employees a safe and hazard free work place. The Company has adopted a Safety, Health & Environment Policy that applies to all employees and activities. The work culture encourages total involvement and commitment of the employees to the SHE Policy.

Samrat Pharmachem Limited

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Some of the activities carried out during the year are as follows.

Safety:

- Providing necessary equipments and apparatus required for the safe operation of the manufacturing activities
- Observing the rules and regulations with regard to safety & precaution
- Consulting emergency control management team to monitor the safety of the plant
- Conducting regular safety audit
- Encouraging the workforce to use protective equipments and maintain cleanliness
- Conducting seminars to impart knowledge to employees on safe operations
- Organising safety week to create safety awareness

Health:

- Medical health check up were carried out for all the employees of the Company
- Lecture meetings were arranged for providing guidance and counseling on matters of health, diet and exercise
- Seminars were arranged on meditation, yoga and anti-stress therapy

Environment:

- Ensuring smooth functioning of the effluent treatment plant with respect to air, water and solid waste.
- Updating the ETP plant to make it more nature friendly
- Proper monitoring of the pollution levels in and around the plants
- Planting trees in and around the factory
- Complying with the prescribed norms of pollution control

PERSONNEL

As on 31st March 2005, the total number of employees on the payroll of the company was 31. Industrial relations with employees at various levels continue to be cordial.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Mahendra Pipalia & Mr. Samir Kothary retires by

rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-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 2004-2005.

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.

Samrat Pharmachem Limited**13th Annual Report (2004-2005)****STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956**

A statement of interest in subsidiary as required under section 212 of the Companies Act, 1956, together with statement of account of subsidiary M/s. Samrat Remedies Limited prepared as on 31st March 2005, 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 2005, 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 2005 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, 2005**

Samrat Pharmachem Limited

13th Annual Report (2004-2005)**ANNEXURE TO THE DIRECTORS' REPORT****FOR THE YEAR ENDED 31ST MARCH, 2005**

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 2005	Previous year ended March 2004
1. ELECTRICITY		
a) Purchased Units (kwh)	185,935	190,360
Total Amount (Rs.)	901,962	932,180
Rate per Unit (Rs.)	4.85	4.90
b) Own Generation (Through Diesel Generator)		
Units (kwh)	2727	2901
Total Amount (Rs.)	32,733	29,465
Units per Litre of Diesel	2.29	2.29
Cost per Unit (Rs.)	12.02	10.16
2. DIESEL OIL		
Unit (Litres)	5,264	21,033
Total Amount (Rs.)	144,908	417,633
Rate per Unit (Rs.)	27.53	19.86

3. NATURAL GAS		
Unit (cubic metre)	121,704	92,415
Total Amount (Rs.)	1,217,709	923,332
Rate per cubic metre (Rs.)	10.01	9.99
4. CONSUMPTION PER KILO		
Production of Bulk Drugs & Chemicals (Kgs)	237,622	227,666
Electricity Rs. per kg	3.93	4.22
Diesel Oil Rs. per kg	0.61	1.83
Natural Gas Rs. per kg	5.12	4.06

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. 12,615,927
F.O.B. Value of export of finished goods
(Previous year Rs. 10,353,534)

Foreign exchange used Rs. 145,255,079
Import of raw materials
(Previous year Rs. 115,779,381)

**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, 2005

Samrat Pharmachem Limited

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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 2005-2006.

RISKS AND CONCERNS

Currency Risk : The year 2004-05 saw a lot of volatility on the currency exchange front. Imports constitute a major portion of our business activity. The company does selective hedging from time to time. However it is difficult to fully contain such adverse fluctuations, the management shall continue to take remedial steps to reduce its severity from time to time.

Competition Risk : We feel that the major business risks are the stiff competition due to low priced products from countries like China and also from domestic manufacturers for certain products. However the company is trying to expand its range of products to cater to different segment of customers and market in order to absorb fall in sales and margins.

Credit Risk : We have been able to reduce the irrecoverable amounts to a very negligible level, notwithstanding the inevitability of having some debts which are not recoverable. Due to strict monitoring and disciplined distribution channels, we do not foresee any material risk on this count.

Dead Stocks/Slow moving items/Rejections Risk : Sometimes the quality of finished product becomes bad or is rejected by a customer. The Company has taken every step in the raw material procurement stage, production stage, packing stage, testing stage and delivery stage to minimize the risk of rejection. If due to some unforeseen reasons the goods are rejected or are not as per our in-house standards, the company has made a system to reprocess all such failed material. Minimum cost is incurred to make them into acceptable standards again. Further the products that have irregular demand or are sold in lesser quantities round the year are manufactured as per customers order only. Thus the company is successful in handling dead stocks, slow moving items and rejections.

Fire, Theft & Explosion Risk : The Company has been quite conscious of the inherent risk in our business. A lot of measures to safeguard the fixed assets and stocks in the factory are taken. The management has been regularly updating the risk profile and take necessary corrective steps like educating workers, insisting workers to wear gum boots, gloves, eye goggles, helmets etc, installing fire fighting equipments, putting sign boards, banning smoking in the premises, keeping hazardous materials in a safe and protected place etc. Apart from these measures, the company has also underwritten the