



Samrat Pharmachem Limited

**14th Annual Report
2005-2006**

Financial Highlights at a Glance

| Particulars | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Sales | 1288.11 | 1421.35 | 1664.62 | 2040.64 | 2620.63 |
| PBIDT | 25.73 | 23.97 | 103.53 | 78.81 | 57.83 |
| Interest | 12.49 | 3.27 | 3.54 | 0.29 | 21.15 |
| Depreciation / Write off | 10.65 | 10.98 | 9.98 | 8.41 | 6.50 |
| PBT | 2.59 | 9.72 | 90.01 | 70.11 | 30.18 |
| PAT | 1.53 | 3.69 | 56.43 | 43.11 | 19.09 |
| Net Fixed Assets | 137.88 | 130.52 | 99.31 | 101.21 | 114.21 |
| Cash & Bank Balance | 105.45 | 169.85 | 166.42 | 135.89 | 75.02 |
| Net Current Assets | 333.29 | 344.27 | 402.27 | 431.04 | 450.72 |
| Equity Share Capital | 308.97 | 308.97 | 308.97 | 308.97 | 308.97 |
| Reserves & Surplus | 67.71 | 71.41 | 127.84 | 170.87 | 189.97 |
| Net Worth | 376.68 | 380.38 | 436.81 | 479.84 | 498.94 |
| Loan Funds | 87.55 | 79.12 | 61.78 | 44.79 | 52.23 |
| Deferred Tax Liability | 14.97 | 20.71 | 10.79 | 12.81 | 13.96 |
| Total Capital Employed | 479.20 | 480.21 | 509.38 | 537.44 | 565.13 |
| Current Ratio | 2.57 | 2.63 | 2.57 | 2.37 | 2.48 |
| Acid Test Ratio | 1.75 | 2.29 | 2.14 | 2.19 | 1.19 |
| Asset Turnover | 9.34 | 10.89 | 16.76 | 20.16 | 22.95 |
| Collection Period (Days) | 66.84 | 72.51 | 78.90 | 93.59 | 71.81 |
| Stocking Period (Days) | 60.92 | 27.28 | 34.30 | 13.88 | 27.06 |
| Debts to Total Assets | 18.58% | 16.66% | 12.32% | 8.42% | 9.25% |
| Promoter Equity Ratio | 39.37% | 39.49% | 40.28% | 42.76% | 40.73% |
| PBIDT to Sales | 2.00% | 1.69% | 6.22% | 3.86% | 2.21% |
| PBT to Sales | 0.20% | 0.68% | 5.41% | 3.44% | 1.15% |
| Return on Net Worth | 0.41% | 0.97% | 12.92% | 8.98% | 3.83% |
| Earnings per share | 0.05 | 0.12 | 1.83 | 1.40 | 0.62 |
| Price Earning Ratio | 80.78 | 33.49 | 2.49 | 7.97 | 17.75 |
| Market price on BSE as of 31st March | 4.00 | 4.00 | 4.55 | 11.12 | 10.97 |

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BOARD OF DIRECTORS

| | |
|-----------------------------|------------------------------|
| Mr. Lalit Mehta | Chairman & Managing Director |
| Mr. Rajesh Mehta | Executive Director |
| Mr. Mahendra Pipalia | Director |
| Mr. Samir Kothary | Director |
| Mr. Hitendra Shah | 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

PRINCIPAL BANKER

ICICI Bank Ltd.

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

CO-BANKER

HDFC Bank Ltd.

Jamuna Apts, S. V. Road, Andheri (West), Mumbai - 400 058

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited

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

REGISTERED OFFICE & FACTORY

Plot no. A2/3445, GIDC, Phase 4, 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 **FOURTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Saturday, the 30th September, 2006 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 receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 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. Rajesh Mehta, who retires by rotation and being eligible offers himself for re-appointment.
3. 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

4. To consider and if thought fit to pass with or without modification the following as a special resolution.

"RESOLVED THAT in modification to the resolution passed at the 10th Annual General Meeting of the Company held on 28th September, 2002, and in pursuance of the provision of Section 198, 269, 309, 310, Schedule XIII and subject to the approval of members at the ensuing Annual General Meeting and subject to approval, if any, of the authority or authorities, consent of the company is hereby accorded to increase in remuneration of Mr. Lalit Mehta, Chairman & Managing Director of the Company for the period from 1st April, 2006 till 31st March, 2008, as stipulated in the explanatory statement attached herewith and the Board of Directors of the Company are hereby authorized to vary the remunerations within the limit as laid down in Schedule XIII of the Act or any amendment or enactment thereafter and subject to the terms and conditions as laid down in the draft agreement a copy of which initialed by the Chairman for the purpose of identification and which has been placed before the meeting for the approval of members."

5. To consider and if thought fit to pass with or without modification the following as a special resolution.

"RESOLVED THAT in modification to the resolution passed at the 10th Annual General Meeting of the Company held on 28th September, 2002, and in

pursuance of the provision of Section 198, 269, 309, 310, Schedule XIII and subject to the approval of members at the ensuing Annual General Meeting and subject to approval, if any, of the authority or authorities, consent of the company is hereby accorded to increase in remuneration of Mr. Rajesh Mehta, Executive Director of the Company for the period from 1st April, 2006 till 31st March, 2008, as stipulated in the explanatory statement attached herewith and the Board of Directors of the Company are hereby authorized to vary the remunerations within the limit as laid down in Schedule XIII of the Act or any amendment or enactment thereafter and subject to the terms and conditions as laid down in the draft agreement a copy of which initialed by the Chairman for the purpose of identification and which has been placed before the meeting for the approval of members."

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. Lalit Mehta, as Chairman & Managing Director of the Company, who will be attaining 70 years of age on 8th August, 2006 for an un-expired period of his appointment i.e. till 31st March, 2008, upon the terms and conditions and stipulations as laid down in the foregoing resolution."

"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 4, 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

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period of 15 days from 16th September, 2006 to 30th September, 2006 (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.
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**

**Rajesh Mehta
Executive Director**

**Place : Mumbai
Date : 30th June 2006**

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ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT :

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 4 , 5 & 6.

At the meeting of the Board of Directors held on 30th December, 2005, the remuneration of following 2 Wholtime Directors were increased with effect from 1st April, 2006 to 31st March, 2008.

| Sr. No. | Name of the Wholtime Director |
|---------|-------------------------------|
| 1. | Mr. Lalit Mehta |
| 2. | Mr. Rajesh Mehta |

The increased remuneration payable to whole time directors has been reviewed by the remuneration committee at their duly convened and constituted meeting.

REMUNERATION

The above named whole time directors shall be entitled to the following emoluments, benefits and perquisites during the period from 1st April, 2006 till 31st March, 2008, of their employment subject to the ceiling limits laid down in Section 198, Section 309 and Schedule XIII of the Companies Act, 1956.

SALARY

| Name of the Director | Salary scale per month |
|----------------------|------------------------|
| Mr. Lalit Mehta | Rs. 55,000 |
| Mr. Rajesh Mehta | Rs. 50,000 |

PERQUISITES

The perquisites will remain same as laid down in resolution passed at the 10th Annual General Meeting of the Company held on 28th September, 2002.

Minimum Remuneration: Where in any financial year, the Company has no profits or its profits are inadequate, the remuneration payable will be in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

In the event of any increase in the limits of the emoluments, benefits and perquisites payable in accordance with the laws, policies, rules, regulations or guidelines in force from time to time, the Company may, in its discretion, increase the remuneration payable to

them, subject to obtaining such approvals as may be required.

Sitting Fees: No sitting fees will be paid to the appointee for attending the meeting of the Board of Directors or committee thereof of the Company.

Approval of the member is sought for payment of remuneration by special resolution to Mr. Lalit Mehta & Mr. Rajesh Mehta.

Mr. Lalit Mehta, is holding office of Chairman & Managing Director, for the period of 5 years from 1st April, 2003 till 31st March, 2008, which was approved by the members at 10th Annual General Meeting held on 28th September, 2002. As per the provision of Schedule XIII any managing director of the company attaining the age of 70 years cannot continue on the post unless the shareholders pass a special resolution confirming the appointment at their duly convened general meeting. Mr. Lalit Mehta will attain the age of 70 years on 8th August, 2006, and therefore his continuance in office of Chairman & Managing Director should be approved by the members of the Company.

In compliance with the applicable provisions of the Companies Act, 1956, Special Resolution in terms as set out in items 4, 5 & 6 of the accompanying Notice are now being placed before the Members in the General Meeting for their approval.

Except Mr. Lalit Mehta & Mr. Rajesh Mehta no other Director of the Company is concerned or interested in the said Special Resolutions.

This Explanatory Statement is and should be treated as an abstract under section 302 of the Companies Act, 1956, of the Agreements to be entered into between the Company and Mr. Lalit Mehta & Mr. Rajesh Mehta.

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

**Lalit Mehta
Managing Director**

**Rajesh Mehta
Executive Director**

Place : Mumbai

Date : 30th June 2006

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DIRECTORS' REPORT

TO THE MEMBERS

Samrat Pharmachem Limited
Ankleshwar.

The Directors are pleased to present the Fourteenth Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March, 2006.

FINANCIAL PERFORMANCE

| Particulars | 31 March 2006 Rs. | 31 March 2005 Rs. |
|---|----------------------|----------------------|
| Turnover | 262,063,864 | 204,064,948 |
| Profit before tax | 3,018,268 | 7,011,344 |
| Provision for tax | -993,877 | -2,498,165 |
| Net Deferred Tax Liability for current year | -114,518 | -202,153 |
| Profit after tax | 1,909,873 | 4,311,026 |
| Profit & Loss account Balance brought forward | 17,087,294 | 12,695,618 |
| Transfer from Capital Reserve | 0 | 89,000 |
| Profit of the current year after tax | 1,909,873 | 4,311,026 |
| Tax adjustment of previous year | 601 | -8,350 |
| Balance carried to Balance Sheet | 18,997,768 | 17,087,294 |

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. 2620.63 Lakhs as against Rs. 2040.64 Lakhs achieved last year - an increase of more than 28%. Production of 276.117 tonnes of pharmaceutical 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 changed its principal banker during the year from Saraswat Co-operative Bank Ltd to ICICI Bank Ltd who have offered higher and better credit facilities to the company.

EXPORTS

During the year 2005-2006 your company's export division registered sales of Rs. 48.92 Lacs, down from Rs. 126.16 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 next year.

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 (International Securities Identification Number) 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.

The company has adopted Code of Conduct for Directors and Employees of the Company as stipulated in revised Clause 49 of the Listing Agreement effective from 1st January, 2006.

LISTING OF SHARES

The Company's shares are listed on the Mumbai 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, 2007. Your Company has not been delisted on any of these exchanges for non-payment of listing fees.

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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.

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 2006, 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. Rajesh Mehta retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

During the year Mr. Champak Parekh, Mr. Hitesh Parekh, Mr. Jaswantrai Mehta & Mr. Harish Gandhi resigned as Directors of the Company with effect from 16th September, 2005. The Board hereby place on record its appreciation for the services rendered by the above named Directors during their respective tenures of association with the Company.

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.

AUDITORS REPORT

The report of auditors is self explanatory and do not require any further elucidation.

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

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appointed as the Cost Auditor of the Company for the financial year 2005-2006.

The Company will be applying to The Joint Director (Cost), Government of India, Ministry of Finance, Dept. of Company Affairs, Cost Audit Branch, New Delhi – 110 011. for cancellation of Cost Audit as it has surrendered its Drug Licence Nos. Form 25:- G/859 & Form 28 :- G/492 to Food & Drug Control administration, Gandhinagar, Gujarat.

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.

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 2006, 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 2006 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**

**Rajesh Mehta
Executive Director**

**Place : Mumbai
Date : 30th June 2006**