

# 24<sup>th</sup> Annual Report 2008-2009

Report & Function.com





**We offer effective  
Ayurvedic medicines  
adhering to time-tested  
Shastrokta principles,  
blended with  
Mordern Scientific Technology,  
serving through unique  
innovations backed by focused  
Research & Development to  
spread health & happiness**



# SANDU PHARMACEUTICALS LIMITED

## DIRECTORS :

Shri B. G. Sandu	: Chairman
Shri Dilip R. Salgaocar	: Director
Dr. Madan L. Kapre	: Director
Shri Shashank B. Sandu	: Director
Shri Umesh B. Sandu	: Managing Director & Company Secretary

## AUDITORS :

M/s. Joshi Joshi & Co.  
Chartered Accountants  
Fort, Mumbai - 400 023.

## REGISTRAR & SHARE TRANSFER AGENTS :

M/s. Sharex Dynamic (India) Pvt. Ltd.  
Unit 1, Luthra Industrial Premises,  
Andheri Kurla Road, Safed Pool,  
Andheri (East), Mumbai 400 072.  
Tel : 022-2851 5606  
E-mail : sharexindia@vsnl.com

## BANKERS :

Axis Bank Ltd.  
Vardhaman Chambers  
Premises Co-op. Society Ltd,  
Plot No. 84, Sector-17, Vashi,  
Navi Mumbai - 400 705.

## ADVOCATES & SOLICITORS :

M/s. Madekar & Co.  
84, Engineer House, 1st Floor,  
Mumbai Samachar Marg,  
Fort, Mumbai - 400 023.

## REGISTERED OFFICE :

Plot No. 25, 26, 29 & 30,  
Pilerne Industrial Estate, Marra Bardez,  
Goa - 403 511.

## CORPORATE OFFICE :

Sandu Nagar, D. K. Sandu Marg,  
Chembur, Mumbai - 400 071.

### 24<sup>th</sup> ANNUAL GENERAL MEETING

DATE	: Wednesday, 30th Sept., 2009
TIME	: 9.00 a.m.
VENUE	: Plot No. 25, 26, 29 & 30, Pilerne Indl. Estate, Marra, Bardez, Goa - 403 511.

**ISIN NUMBER : INE 751D01014 (DEMAT)**

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**TWENTY-FOURTH ANNUAL REPORT 2008-2009****NOTICE**

The **TWENTY-FOURTH** Annual General Meeting of **SANDU PHARMACEUTICALS LIMITED** will be held at Plot No. 25,26,29 & 30, Pilerne Industrial Estate, Marra, Bardez, Goa - 403 511 on Wednesday, 30<sup>th</sup> September, 2009 at 9.00 a.m. to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Director's Report, Auditors Report, Audited Profit & Loss Account for the year ended 31st March, 2009 and Balance Sheet as at that date.
2. To appoint a director in place of Shri. Dilip Salgaonkar who being longest in office retires by rotation in accordance with Article 129 of the Articles of Association of the Company and being eligible offers himself for reappointment.
3. To reappoint the Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS :**

4. To consider and if thought fit to pass with or without modification, the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311, 314 and other applicable provision, if any of the Companies Act, 1956 the consent of the Company be and is hereby accorded to Shri. Umesh B. Sandu, the Managing Director of the Company, being reappointed for a period of five years from 1st April, 2009 on the remuneration and upon the terms and conditions as detailed in the explanatory statement attached hereto subject to the overall ceiling of the total managerial remuneration for each year as provided under Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to enter into an agreement with the Managing Director.

RESOLVED FURTHER THAT Shri. Umesh B. Sandu shall not be liable to retire by rotation."

By Order of the Board of Directors

Sd/-

**AMIT PATTEKAR**

*Officer - Legal & Secretarial Compliance*

Place : Mumbai

Date : 31<sup>st</sup> July, 2009

**NOTES:**

- a) A Member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and a proxy need not be a member of the Company. A proxy form is attached herewith.
- b) The proxy form duly signed and completed in all respect should be lodged with the Company at its Registered Office at least 48 hrs. before the commencement of the Annual General Meeting.
- c) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday 15th September, 2009 to Wednesday, 30th September, 2009 (both days inclusive.)

- d) The Member / Proxies should bring their attendance slip duly completed for attending the meeting.
- e) The Members are requested to bring their copies of the Annual Reports to the Annual General Meeting as no separate copies will be distributed at the Annual General Meeting as a measure of Economy.
- f) The Members desiring any information as regards the Accounts are requested to send their queries only at the Registered Office of the Company so as to reach the Registered Office at least 7 days in advance of the date of Annual General Meeting so as to enable the Company to keep the information ready.
- g) Equity Shares of the Company have been activated by dematerialisation with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN number allotted by both the depositories is INE 751D01014.
- h) The Equity Shares of the Company are presently listed at the Bombay Stock Exchange Limited.

**ANNEXURE TO THE NOTICE :-**

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 :-

Item No. 4

Shri. Umesh B. Sandu was appointed as the Managing Director of the Company as per the provisions of Section 198,269,309,311,314 and other applicable provisions, if any, of the Companies Act, 1956. The Board of Directors have at their meeting held on 31st January, 2009 reappointed Shri. Umesh B. Sandu as Managing Director of the Company at the remuneration & the terms and conditions which are as under :-

- a) Salary :- Rs. 1,00,000/- - 1,25,000/- - 1,50,000/- - 1,75,000/- - 2,05,000/- p.m.
- b) Other Benefits :- other benefits and perquisites are restricted to Rs. 8.75 lacs p.a. for the year 2009-10, Rs. 11 lacs p.a. for the year 2010-2011, Rs. 13.15 lacs p.a. for the year 2011-2012, Rs. 15.50 lacs p.a. for the year 2012-2013 and Rs. 18 lacs p.a. for the year 2013-2014 and not more than the above perquisites at any point of time and subject to minor modification if any to comply with the existing Tax Laws.
- c) In addition to the above Shri. Umesh B. Sandu will be entitled to membership of two clubs not being life membership.
- d) The above remuneration shall be payable as minimum remuneration, Shri. Umesh B. Sandu will not be liable to retire by rotation and will not be eligible for sitting fees.

The explanatory note together with the Notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

Shri. Umesh B. Sandu, is interested in this resolution. Shri B. G. Sandu and Shri S. B. Sandu are also interested in this resolution. The Board of Directors recommend the passing of the proposed resolution.

By Order of the Board of Directors

Sd/-

**AMIT PATTEKAR**

*Officer - Legal & Secretarial Compliance*

Place : Mumbai

Date : 31<sup>st</sup> July, 2009



## Sandu Pharmaceuticals Limited

### DIRECTORS REPORT

Your Directors have pleasure to present **TWENTY - FOURTH** Annual Report on the business and operation of the Company along with the Audited Accounts for the financial year ended 31<sup>st</sup> March, 2009.

#### FINANCIAL RESULTS:

PARTICULARS	2008-09 (Rs. in Lacs)	2007-2008 (Rs. in Lacs)
Sales & Other Income	1426.61	1348.42
Total Expenditure	1336.12	1268.51
Net Profit/Loss before Tax	90.49	79.91
Provision for Taxation	4.20	5.06
Profit/Loss after Tax	86.29	74.85
Balance brought forward	673.01	601.06
Profit/Loss	759.30	675.91
<b>APPROPRIATION</b>		
Prior year Adjustment	-	2.90
Profit carried to Balance Sheet	759.30	673.01

#### The Company has commenced its "SANDU AYURVEDIC THERAPY CENTRE"

This centre is at an excellent location near **calangute beach**. Within a very short span it has become quite popular & is a sought after centre amongst Foreign & Indian tourist.

As informed earlier the company foresees a great potential in this therapy centre business & has already started work & would be shortly establishing 25 new centres over a period of 3 years which will give the company lot of visibility plus as a brand it will be quite well known, the company hopes to increase its bottom line substantially with this increased activity. The Company proposes to have business model whereby Franchisee will operate within India as well as abroad, in addition to Company owned centres.

#### BIO TECHNOLOGY:

As reported in last year Annual Report, the Company has got encouraging results for the residual, waste products generated after extraction out of the green herbs, root etc. company has already sent its first consignment in this year & hopes to do good business on that count.

#### OPERATIONAL / FINANCIAL RESULTS :-

The performance of your Company for the year under review has been satisfactory. During the year Company has achieved a turnover of Rs. 1425.82 Lacs as against Rs. 1346.98 Lacs showing growth of Rs. 78.84 lacs which is around 5.85 % more than the previous year. The profit before tax has gone up by Rs. 10.58 lacs, from 79.91 lacs to Rs. 90.49 lacs which is around 13.24% more than that of the previous year. However the Net Profit after tax has gone up by Rs. 11.44 lacs from Rs. 74.85 lacs to Rs. 86.29 Lacs which is around 15.28% more than that of the previous year.

Your Company is mainly engaged in the manufacture of Ayurvedic Medicines and requires lot of efforts in the research and development of the new products. Your Company has taken effective steps in the research and development of the new products and new modern technology.

#### MANAGEMENT DISCUSSION AND ANALYSIS :-

Pursuant to clause 49 (v) (A) & (B) of the Listing Agreement, your Directors wish to report as follows :-

##### (a) Industry Structure & Development :

Company is mainly engaged in the manufacture of Ayurvedic Medicines and comes under the Pharmaceutical Industry. However Pharmaceutical Industry in India is progressing very

slowly which affect the Industry as such, we are however optimistic towards stabilisation in the industry in the near future.

##### (b) Opportunities and Threats:

The opportunities are exist in the Ayurvedic Industry and can be achieved through proper research and developments and there is no doubt that the industry will thrive. The Company has good opportunities in the export market and it will also increase in near future. The industry needs to create general appreciation in the minds of the customer regarding Ayurveda which will help to increase the demands for Ayurvedic Products. There is increase in demand for Ayurvedic Products from all the section of the Society. The industry will have to face the acute competition in the regime of WTO and globalisation and liberalisation policies adopted by the government. Also the economic policies of the Government and political situation in the country will also affect the present business of the Company.

##### (c) Segment wise performance:

Segment wise analysis of performance is not applicable to your Company under Accounting Standards 17 because there is only one segment i.e. Pharmaceutical.

##### (d) Outlook:

The outlook for the industry and consequently for your company during the current financial year is reasonably good subject however to the effects of government policies.

##### (e) Risk and concerns:

Domestic and international market conditions would be the only risk which may be faced by the Company. Other risks and concerns related to finance, production, stocks, insurance etc. are being managed adequately and efficiently by your Company.

##### (f) Internal Control Systems and their adequacy :

Your Company has put effective internal control systems into operation and is having regular internal audit mechanism to monitor and review the same under the overall control and supervision of the internal auditor and the audit committee of the directors. These systems have improved substantially and resulted into better management and effective controls. Continuous improvements are implemented in this regard.

##### (g) Discussion of Financial performance with respect to operational Performance :

The financial performance with respect to the operational performance during the year under review was satisfactory. The Company was successful in maintaining the profit level only because of the higher volumes & better margins.

##### (h) Material Development in Human Resource / Industrial Relations :

Your Company is constantly endeavoring to introduce Human Resource Development activities for overall improvement of its team and induction of professional manpower. Your Company has good industrial relations. Your Company has substantially improved the relationship with all the employees at all the levels which also resulted to achieve higher production and intum increase the profitability.

##### (i) Material Financial and Commercial Transaction :

There are no material significant financial and commercial transactions with related parties viz. Promoters, Directors or the Management, their companies / firms or relatives conflicting

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with the interest of the Company. The Promoters and the Directors are dealing in the shares of the Company as an when required as per their investment plan.

### DIVIDEND :-

Your Directors have decided to plough back the entire profits in order to achieve better results in future and do not recommend any dividend during the year under review.

### DEMATERIALIZATION OF SHARES:

The Company has entered into an agreement with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for Dematerialisation of shares. With this, the Members have the option to hold their shares in the Company through Demat Mode and the script is under the compulsory demat. The Company had dematerialised 45.329 % of its entire shares and hence members are requested to dematerialise their shares at the earliest.

### CORPORATE GOVERNANCE

Your Company has taken all the mandatory steps as required in clause 49 of the listing agreement. A detail report on Corporate Governance alongwith a certificate from the auditors certifying the compliance is annexed hereto and forms part of the Directors Report.

### INSURANCE

Your Company has taken adequate insurance cover of all its assets.

### PARTICULARS OF EMPLOYEES

The Company maintained cordial relationship with its employees during the year under review.

For the year under review there are no employees falling under the purview of the section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended up to date.

### CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT ETC :-

The particulars as required under the provisions of section 217(2A) of the Companies Act, 1956, and companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are annexed hereto.

Also as there were no transactions in connection with the import or export of any raw materials or products, hence no inflow or outflow of Foreign Exchange, thereby resulting in the inapplicability of Clause 217 (1) (e) of the Companies Act, 1956.

### DIRECTORS

Shri. Dilip R. Salgaonkar, Director who retires by rotation and being offers himself for re-appointment. As required, brief resume of Director is given under separate section of Corporate Governance. You are requested to consider his reappointment.

### DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm that :-

- in the preparation of annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of

the state of affairs of the Company as on 31st March, 2009 and of the profit of the Company for the year ended 31st March, 2009;

- Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

### AUDITORS

The notes to the accounts are referred to in the Auditors report are self-explanatory and therefore do not call for any further comments. M/s Joshi Joshi & Company, Chartered Accountants, Mumbai hold office until the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The certificate from the auditor has been received to the effect that the reappointment if made would be within the prescribed limits under Section 224 (1B) of The Companies Act, 1956.

You are requested to consider their appointment.

### ACKNOWLEDGEMENT:

The Board of Directors places on record its sincere appreciation for the wholehearted and continued devotion and a sense of commitment extended by the employees at all levels which has been a source of strength and inspiration to the Company and acknowledge their contribution towards sustained progress and performance of your Company.

The Board also wishes to place on record their gratitude to its shareholders and Bankers - Axis Bank Ltd., Bombay Stock Exchange Limited, NSDL, CDSL for their continued support to the Company and the trust and confidence placed by them.

ON BEHALF THE BOARD OF DIRECTORS

Place : Mumbai  
Dated : 31<sup>st</sup> July, 2009

**B. G. SANDU**  
Chairman

### ANNEXURE TO DIRECTORS REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTOR'S REPORT.

### CONSERVATION OF ENERGY :-

The required data with regard to conservation of energy as applicable to our industry is furnished below.

	For the Year ended 31.03.2009	For the Year ended 31.3.2008
<b>1. ELECTRICITY</b>		
Purchased (units)	186474	148399
Total Amount Rs.	972141	794633
Rate/Units in Rs.	5.21	5.35
<b>2. FUEL CONSUMED</b>		
Quantity	51215	66596
Total Amount	1579071	1827369
Rate per litre	30.83	27.44



## Sandu Pharmaceuticals Limited

### CORPORATE GOVERNANCE REPORT

#### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :-

Your Company believes in adopting best corporate governance practices and envisages the attainment of the highest levels of transparency, accountability and ethics, in all facets of its operations. Company recognizes the rights and interests of its stakeholders and is committed to protect the same. Company considers that all its operations and actions must serve the underlying goal of increasing employee and customer satisfaction and enhancing overall shareholder value together with fair treatment to its stakeholders.

#### BOARD OF DIRECTORS

##### Composition:

The Board of Directors consists of 5 Directors. The composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Executive Director	Shri. Umesh B. Sandu
Promoter/Non Executive Directors	Shri. B. G. Sandu      Shri. Shashank B. Sandu
Independent Directors	Shri. Dilip Salgaonkar      Dr. Madan L. Kapre

As per clause 49 of the Listing agreement, if the Chairman is executive, at least half of the board should consist of non executive independent directors. This provision is adequately complied by your Company and achieved desired level of independence of Board. All non executive directors are persons of eminence, and bring a wide range of expertise and experience to the Board.

#### Board Procedure

During the financial year 2008-09 the Board met 4 times on the following dates, namely 30.04.2008, 31.07.2008, 31.10.2008 and 31.01.2009. The maximum time gap between any two meetings was not more than three calendar months as compared to the mandated requirement of not more than four months in clause 49.

#### Attendance record of Directors

The details of attendance of Directors out of a total of 4 Board meetings held during the financial year 2008-09 and at the last Annual General Meeting held on 30th September, 2008, also the number of other directorship and Chairmanship / Membership of Committees of each Director in various Companies are depicted hereunder :-

Name of Director	Attendance Particulars		No. of Directorship/Chairmanship/ Committee Chairmanship		
	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Shri. Bhaskar G. Sandu	4	Yes	NIL	NIL	NIL
Dr. Madan L. Kapre	2	Yes	NIL	NIL	NIL
Shri. Dilip Salgaonkar	2	Yes	2	NIL	NIL
Shri. Shashank B. Sandu	4	Yes	8	NIL	NIL
Shri. Umesh B. Sandu	4	Yes	9	NIL	NIL

None of the Director is a member of more than 10 committees or act as a Chairman of more than 5 committees as required under clause 49 of the Listing Agreement.

#### AUDIT COMMITTEE

The Audit Committee is constituted according to Section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. The scope and term of reference of the audit committee is reviewed and presently are in conformity with clause 49 of the listing agreement and section 292A of the Companies Act, 1956. The scope includes review of quarterly, half-yearly and annual financial results of the Company and submitting the observations thereon to the Board of Directors, review of annual budgets, interaction with Statutory auditors on the annual accounts and other accounting matters, major accounting policies and practices, compliance with accounting standards, review of adequacy and efficacy of internal control system, cost control measures, statutory compliance in various functional areas.