

P I Drugs & Pharmaceuticals Ltd

Annual Report 2004-05



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- (b) Reimbursement of actual medical expenses incurred by Mr. L. N. Bhat and his family subject to maximum of one month salary in a financial year or three months salary over a period of three years.
- (c) Ex-gratia payment as per the rules of the Company, applicable to other employees as well, not exceeding 25% of his salary.
- (d) The use of two motor cars with chauffer, all expenses for running and upkeep of such motor cars and also the salary of the chauffer to be borne and paid by the company.
- (e) Company's contribution towards Provident Fund and Super Annuation Fund or Annuity Funds not exceeding the limits as specified in Income Tax Act, 1960.
- (f) Gratuity at the rate of one half month's salary for each completed year of services.
- (g) Leave on full remuneration as per the rules of the Company. In case leave not availed of, Mr. Bhat be entitled to encash the same at the end of his tenure.
- (h) Reimbursement of traveling and entertainment expenses reasonably incurred by him exclusively for the business of the Company.

The benefits enumerated at (e) to (h) shall not be included in the computation of the ceiling on remuneration.

7. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING AS A SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 310 and other applicable provisions, if any, of the Companies Act, 1956 a sitting fees of Rs. 1500/- for attending each Board Meeting and/or Committee Meeting be paid to the Non-Executive Directors.

RESOLVED FURTHER THAT the payment of sitting fee made to the Non-Executive Directors since January 2005 be and is hereby ratified."

By order of the Board of Directors
For P.I. DRUGS & PHARMACEUTICALS LIMITED

PLACE: THANE
DATE: 06.09.2005.

(LATA VARSHNEY)
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be filed with the Company as its Registered Office not later than forty-eight hours before the commencement of the meeting.
2. The Register of members and Share Transfer books of the Company shall remain closed from 15th September 2005 to 30th September 2005. (both days inclusive).

P.I. DRUGS & PHARMACEUTICALS LIMITED**ANNEXURE OF THE NOTICE:**

Explanatory Statement in respect of the businesses specified in the notice pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO. 5:

Mrs. Bina Shah an Associate Member of the Institute of Company Secretaries of India was co-opted by the Board of Directors in their meeting held on 30.07.2005 as Additional Director to the Board of the Company.

Pursuant to Section 260 of the Companies Act, 1956 she is vacating the office at the conclusion of ensuing Annual General Meeting. However pursuant to Section 257 Company has received a notice from a shareholder for appointment of Mrs. Bina Shah to the office of Director.

None of the Director other than Mrs. Bina Shah is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

ITEM NO. 6:

Mr. L. N. Bhat, a postgraduate in Chemistry, was appointed the Managing Director of the Company pursuant to the scheme of amalgamation as approved by the High Court Mumbai. The Company, that has commenced the business on 05.07.1985, is in the business of pharmaceuticals since the Scheme of Amalgamation has become effective i.e. 12th November 2003.

Mr. L. N. Bhat who was working as Managing Director of the transferor Company was appointed the managing Director of the Company for the remaining period of his tenure of appointment. His tenure of appointment has concluded on 31st August 2005. The Remuneration Committee has considered and approved his re appointment with revised salary as mentioned in the resolution with effect from 1st September 2005 without any break in his service. During his previous tenure of appointment that concluded on 31st August 2005. Mr. L. N. Bhat was drawing a remuneration of Rs. 1,25,000/- p.m. plus perks.

Your Company is self sufficient in terms of technical knowledge and innovation. There is no foreign collaboration agreement company has entered into. During the financial year ended on 31st March 2005 your Company has achieved a turn over of Rs. 25.47 Crores that includes Rs. 8.13 Crores towards the export sale, and earned a profit of Rs. 4.74 Crores. Your Company is a debt-free Company.

Before being appointed as Managing Director of the company Mr. L. N. Bhat was working as Whole Time Director with M/s Transchem Limited, a listed first tier global Pharmaceutical Company. He is having vast experience of more than three decades working with the leading pharmaceutical companies. As Managing Director of the Company Mr. Bhat shall have substantial powers of management. Under his able guidance Company has achieved various mile stones of success and is market leader in area of its product range.

The remuneration proposed to be paid to Mr. Bhat is well comparable with the prevailing remuneration of directors of the Companies of comparable size in the industry. Except the remuneration he has no other pecuniary relationship with the Company.



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The company has recently acquired the business of Pharmaceuticals through amalgamation that was carried on by an unlisted Company having little resources at its disposal. Company is considering various plans for increasing its capacity by de-bottling exercise etc. An expansion plan is also in pipe line. It is expected that due to these the production and profitability of the company would increase by 60-70%.

The Board of Directors of the Company considers that the appointment of Mr. L. N. Bhat as Managing Director would be in the interest of the Company. None of the Directors other than Mr. L. N. Bhat is interested in the resolution.

Pursuant to the Companies Act read with Schedule XIII remuneration as specified in part II, Section II (B) of Schedule XIII can be paid to a director subject to the approval of shareholders by way of Special Resolution. The Resolution is intended for the purpose.

The Explanatory Statement together with the accompanying notice should be treated as an abstract on the terms of the Agreement and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

None of the Director other than Mr. L. N. Bhat is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

ITEM NO. 7:

Pursuant to the Listing Agreement Company is having optimum composition of Executive/ Non-Executive and Independent Directors on the Board of the Company. While Executive Directors are drawing their salaries no payment was made to Non-Executive Directors prior to January 2005. To retain the qualified and experienced professionals as Directors Board decided to reimburse them by way of sitting fees. Accordingly since January 2005 a sitting fees of Rs. 1500/- is being paid to Non-Executive Directors. As a matter of good corporate practice the proposal is placed before you for your consent.

All the Non-Executive Directors may be considered as interested in the resolution.

Your Directors recommend the resolution for your approval.

By order of the Board of Directors
For P.I. DRUGS & PHARMACEUTICALS LIMITED

PLACE: THANE
DATE: 06.09.2005.

(LATA VARSHNEY)
COMPANY SECRETARY

P.I. DRUGS & PHARMACEUTICALS LIMITED**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:**

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/re-appointed are as follows:

1. Mr. L. N. Bhat:

Name	:	Mr. L. N. Bhat.
Age	:	58 years.
Qualification	:	M. Sc.
Expertise	:	30 years in various capacities in the industry.
Other Directorship	:	NIL

2. Mr. S. N. Jagannath:

Name	:	Mr. S. N. Jagannath.
Age	:	56 years.
Qualification	:	M. Sc. (Organic Chemistry)
Expertise	:	33 years in various capacities in the industry.
Other Directorship	:	NIL.

3. Mr. S. V. Shanbhag:

Name	:	Mr. S. V. Shanbhag.
Age	:	61 years.
Qualification	:	B. Sc., MCA, DBM.
Expertise	:	40 years in various capacities in the industry
Other Directorship	:	NIL.

4. Mrs. Bina Shah:

Name	:	Mrs. Bina Shah
Age	:	36 years.
Qualification	:	B.Com, ACS.
Expertise	:	7 years as Company Secretary with various Listed Companies.
Other Directorship	:	1.



DIRECTORS REPORT

Dear Members,

Your Directors are pleased to submit their Twentieth Annual Report, together with the Audited Statement of Accounts of your Company for the financial year ended 31st March 2005.

FINANCIAL RESULTS:

Particulars	(Rs. In lacs)	
	Current year ended 31.03.2005	Previous year ended 31.03.2004
Income from operation	2546.93	1988.06
Other Income	52.63	31.56
Gross Profit before Depreciation & Taxation	520.79	437.00
Depreciation	46.53	37.76
Provision for Tax	167.22	103.73
Profit after Depreciation & Taxation	307.04	295.51

OPERATION:

Your Company is a leading manufacturer and exporter of bulk drugs and specialized veterinary formulations with an objective to fulfill the diverse demands in the field. It is the endeavor of the Company and its people to become a true Global Pharmaceutical player. With this view it has made representations before WHO-GMP. The World Health Organization has shown keen interest in your Company. A team of representatives have visited the Bulk drug plant of the Company at Mahad and granules manufacturing facility at Additional Ambarnath and accredited the same.

The products of your Company are being well accepted in the market and the Company has received new orders for Nitro Phenyl Aniline. As a step to further its business in the Liquid Oral field we have finalized manufacturing Facilities and orders for machinery have been placed. It is expected that the plant shall be commissioned and start production during the current financial year. The newly erected sophisticated Research and Development plant at Kumta has commenced operations. The formulation division has acquired the status of 100% EOU. Steps are being taken to expand production capacity at the Company's various plants. The Company's fund requirement for such expansion is to the tune of Rs. 24 Crores, to be raised either by way of preferential issue or in any other suitable.

DIVIDEND:

Your Company is in process of expanding its operation by expanding the production capacity and exploring new markets. With these goals in mind your Directors have decided to plough back the profit and not recommended any dividend to the equity shareholders. The preference shares that carry a cumulative dividend of 5%, allotted on 31st March 2004, are subject to compulsory redemption on 15th September 2005 and so no provision for dividend in respect of the same has been made.

PERSONNEL:

There is no employee drawing salary exceeding or equal to the limit as prescribed in the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975.

P.I. DRUGS & PHARMACEUTICALS LIMITED**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO:**

The information required under section 217(1)(e) of the Companies Act, read with the Companies (Disclosure of the particulars in the report of the Board of Directors) Rules, 1988 is appended hereto and forms part of this report.

DIRECTORS:

During the year under review Mr. Yogesh Parikh, Mrs. Gita Parikh, Mr. Kartik Kapadia & Mr. Chandrashekhar Lal submitted their resignation from the office of Directors.

To broadband the Board your Directors co-opted Mr. Utpal Joshi an Advocate and Mrs. Bina Shah a Company Secretary as Additional Directors to the Company. However Mr. Utpal Joshi has resigned. Company has received a notice from the shareholder proposing the candidature of Mrs. Bina Shah for the office of Director of your Company.

The tenure of appointment of Mr. L. N. Bhat, Managing Director has been concluded on 31st August 2005. However it is proposed to re-appoint him with effect from 1st September 2005 without considering any break in his service.

Mr. S. V. Shanbhag and Mr. S. N. Jagannath, Directors will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

EXTENSION OF PERIOD OF TRUST DEED:

Pursuant to the order of High Court a trust namely P. I. Share Trust 2003 was created on 11th September 2003. Originally the trust was created for a period of two years, however on the recommendation of trustee the period of trust has been extended to five years by amending the Trust Deed with the consent of the Board of Directors of your company in their meeting held on 30th July 2005.

DEPOSITS:

The Company has not invited or accepted any deposits from public during the year.

INDUSTRIAL RELATIONS:

The industrial relations continued to be cordial throughout the year.

CORPORATE GOVERNANCE:

The Board has been committed to adopt, besides any obligations under relevant laws or regulations, relevant best practices for Corporate Governance. Further, the Company is regular in filing and submitting reports on Corporate Governance to the Stock Exchange whereat its securities are listed and has fully implemented all the requirements of Clause 49 of the Listing Agreement.

AUDIT COMMITTEE:

Pursuant to the Companies (Amendment) Act, 2000, Board of Directors has constituted an audit Committee. The present constitution of Audit Committee is of three Non-Executive Directors. Mrs. Bina Shah, an Associate member of Institute of Company Secretary is an expert in the financial matter. Mr. Bharat Merchant an Advocate and Mr. Aditya Desai. Mrs Bina Shah a Non-Executive Independent Director is the Chairperson of the said committee. The Company Secretary used to act as Secretary of the Audit Committee.

**DIRECTORS RESPONSIBILITY STATEMENT:**

Pursuant to section 217(2AA) of the Companies (Amendment Act) 2000, the Director of the Company state as under that:

- (i) in the preparation of annual accounts, applicable Accounting Standards have been followed.
- (ii) the selected accounting policies are consistently applied and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit for that period.
- (iii) the Directors had taken proper and sufficient care 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.
- (iv) the Directors have prepared annual accounts on a ongoing concern basis.

AUDITORS:

M/s. L. T. Jadav & Co., Chartered Accountants of Mumbai, will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness for re-appointment.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of the support and co-operation received from the Government authorities and the Company's Bankers. Yours Directors also commend the contribution made by the employees.

By order of the Board of Directors
For **P.I. DRUGS & PHARMACEUTICALS LIMITED**

PLACE : THANE
DATE: 06.09.2005.

(BHARAT MERCHANT)
CHAIRMAN

P.I. DRUGS & PHARMACEUTICALS LIMITED**ANNEXURE****FORM A**

(See Rule 2)

Form for disclosure of particulars with respect to conservation of Energy (Pharma Division):

A. POWER AND FUEL CONSUMPTION:

	Current Year	Previous Year
1. ELECTRICITY:		
(a) Purchase		
Consumed Unit	1312464	930214
Total amount (Rs. in lacs)	47.42	36.07
Rate/Unit (Rs.)	3.61	3.88
(b) Own generation through Diesel		
Generator Set:		
Unit	105481	31760
Unit per-litre of diesel oil	11.46	3.19
Costs/Units	2.76	8.18
2. COAL:		
Quantity (tonnes)	NIL	NIL
Total Cost	NIL	NIL
Average rate	NIL	NIL
3. FURNANCE OIL/L.D.O.:		
Quantity (litres)	355873	297889
Total amount (Rs. in lacs)	72.27	50.33
Rate/litre	20.31	16.90
4. OTHER/INTERNAL GENERATION:		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate/Unit	NIL	NIL

**FORM B**

(See Rule 2)

Form of disclosure of particulars with respect to absorption:

RESEARCH AND DEVELOPMENT (R&D):

- | | | |
|---|---|---|
| 1. Specific areas in which R&D carried out by the Company | : | Company has started working on potential API molecules. |
| 2. Benefits derived as a result of above R & D | : | Company is intending to enter international API market. |
| 3. Future plan of Action | : | Company would like to expand its API range. |
| 4. Expenditure on R&D | : | |
| (a) Capital | | 6.48 |
| (b) Recurring | | <u>14.08</u> |

20.56

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TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION:

- | | | |
|---|---|-----------------|
| 1. Efforts, in brief, made towards Technology absorption, adaptation and innovation. | : | NIL. |
| 2. Benefits derived as a result of the above e.g. product improvement, cost reduction, product development, import substitution, etc. | : | NIL. |
| 3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: | : | Not applicable. |
| (a) Technology imported | : | NIL |
| (b) Year of import | : | NIL |
| (c) Has technology been fully absorbed? | : | NIL |
| (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action | : | NIL |