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P I DRUGS & PHARMACEUTICALS LTD.



22ND ANNUAL REPORT

2006-2007

P I DRUGS & PHARMACEUTICALS LIMITED**BOARD OF DIRECTORS**

MR. BHARAT MERCHANT
Chairman

MR. K. R. RAVISHANKAR

MR. M. BALASUBRAMANIAN

DR. GOPAKUMAR G. NAIR

MR. L. N. BHAT
Managing Director

MR. S. N. JAGANNATH
Executive Director

MR. S. V. SHANBHAG
Executive Director

MRS. BINA SHAH

COMPANY SECRETARY:
MRS. LATA VARSHNEY

SUBSIDIARY COMPANY :

M/s. Elixir Chemicals Private Limited
1, Chintamani Apartments, Mithagar Road,
Mulund (E), Mumbai – 400 081.

BANKERS :

HDFC Bank
State Bank of India
Calyon Bank
Indian Overseas Bank
UTI Bank

REGISTERED OFFICE :

116, Vardhaman Industrial Complex,
Lal Bahadur Shastri Marg,
Thane (W) – 400 601.

PLANTS :

- W-152, MIDC, Tarapur, Boisar, Dist. Thane.
- B-32, MIDC, Mahad, Dist. Raigad.
- A-68, Additional Ambernath, MIDC Indl. Area, Ambernath (East), Dist. Thane.
- Research & Development Center, Bangalore & Kumta.
- Plot No. W-150/151, W-136-141, MIDC, Tarapur, Boisar, Thane.
- A-14, MIDC(Phase-I), Dombivli (E), Thane.

REGISTRAR & SHARE TRANSFER AGENT :

M/s. Adroit Corporate Services Pvt. Ltd.
19, Jaferbhoy Industrial Estate, 1st Floor,
Makwana Road, Marol Naka,
Andheri (E), Mumbai - 400 059.

P. I. DRUGS & PHARMACEUTICALS LIMITED**NOTICE**

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of **P. I. DRUGS & PHARMACEUTICALS LIMITED** will be held on Monday, the 17th day of September, 2007 at Hotel Royal Inn, Gokul Nagar, Thane(W) – 400 601 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and to adopt the Audited Balance Sheet of the Company as at 31st March 2007 and Profit & Loss Account for the year ended on that date along with the reports of Directors and Auditors thereon.
2. To declare dividend for the financial year 2006-2007 on equity shares.
3. To appoint a director in place of Mr. L N. Bhat, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mrs. Bina Shah, who retires by rotation and being eligible offers herself for re-appointment.
5. To appoint M/s B K Khare & Co., Chartered Accountant as Statutory Auditors for the financial year 2007-08 and to fix their remuneration.

SPECIAL BUSINESS:

TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION:

6. AS AN ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. K R Ravishankar, who was appointed Additional Director by the Board of Directors of the Company and in respect of whom a Notice has been received from a shareholder proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company.

7. AS AN ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. M. Balasubramanian, who was appointed Additional Director by the Board of Directors of the Company and in respect of whom a Notice has been received from a shareholder proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company.

8. AS AN ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. Gopakumar G Nair, who was appointed Additional Director by the Board of Directors of the Company and in respect of whom a Notice has been received from a shareholder proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company.

PIDRUGS & PHARMACEUTICALS LIMITED**9. AS A SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to Section 310 and other applicable provisions, if any, of the Companies Act 1956 the sitting fees of the Directors for attending each Board Meeting to be paid to Non-Executive Directors be raised to Rs. 20,000/- per Board Meeting effective 1st April 2007.

10. AS A SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, consent of the shareholders be and is hereby accorded that Mr. Pramod Bhat, a relative of Mr. L. N. Bhat, Managing Director of the Company to hold and continue to hold a place of profit as employee of the Company's subsidiary M/s. Elixir Chemicals Pvt. Ltd. in the pay scale of Rs. 25,000/- to Rs. 1,50,000/- together with the other allowances and benefits, amenities and facilities including retiring gratuity and provident fund benefits, as applicable to other employees of the subsidiary with authority to the Board of Directors of the said M/s. Elixir Chemicals Pvt. Ltd. to sanction annual increments within the scale, at their discretion, as they may deem fit and proper.

RESOLVED FURTHER THAT the remuneration payable to Mr. Pramod Bhat as aforesaid will be subject to such modifications as the Central Government may suggest or require which the Directors are hereby authorized to accept on behalf of the Company and which may be acceptable to Mr. Pramod Bhat and are not less favourable to the Company.

11. AS A SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, consent of the shareholders be and is hereby accorded that Mr. Nandan Bhat, a relative of Mr. L. N. Bhat, Managing Director of the Company to hold and continue to hold a place of profit as employee of the Company's subsidiary M/s. Elixir Chemicals Pvt. Ltd. in the pay scale of Rs. 25,000/- to Rs. 1,50,000/- together with the other allowances and benefits, amenities and facilities including retiring gratuity and provident fund benefits, as applicable to other employees of the subsidiary with authority to the Board of Directors of the said M/s. Elixir Chemicals Pvt. Ltd. to sanction annual increments within the scale, at their discretion, as they may deem fit and proper.

RESOLVED FURTHER THAT the remuneration payable to Mr. Nandan Bhat as aforesaid will be subject to such modifications as the Central Government may suggest or require which the Directors are hereby authorized to accept on behalf of the Company and which may be acceptable to Mr. Nandan Bhat and are not less favourable to the Company.

12. AS AN ORDINARY RESOLUTION:

RESOLVED THAT pursuant to Section 198, 269, 309, read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 the re-appointment of Mr. S. N Jagannath as Executive Director for a period of three years w.e.f. 01.08.2007 on the remuneration and perquisites as approved by the Board of Directors in their meeting held on 23.07.2007 be and the same is hereby ratified and confirmed.

P I DRUGS & PHARMACEUTICALS LIMITED**13. AS AN ORDINARY RESOLUTION:**

"RESOLVED THAT in accordance with the provisions of section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, part I, or any statutory modifications or reenactment thereof, if any, Board of Directors/ Remuneration Committee be and are hereby authorized to revise the remuneration of Mr. L.N. Bhat, Managing Director, for the residual tenure of his appointment effective 1st October 2007 so that total emolument not to exceed 5% of the profit of the Company in a financial year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do the needful to give effect to the resolution.

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

PLACE: THANE
DATE : 23.07.2007.

(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 at 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 17.09. 2007 to 22.09.2007 (both days inclusive) and for the purpose of payment of dividend 17th September 2007 be the Record Date.
3. The Memorandum and Articles of Association shall remain open for inspection by shareholders during business hours at the Registered Office of the Company
4. The explanatory statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business to be transacted in the meeting are annexed hereto.
5. The dividend, if declared by the shareholders for the year ended March 31, 2007 will be payable on 25th September 2007.

PIDRUGS & PHARMACEUTICALS LIMITED**ANNEXURE TO THE NOTICE:**

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

ITEM NO. 6, 7 & 8:

Mr. K. R. Ravishankar & Mr. M. Balasubramanian being the Directors of M/s. Fraxis Life Sciences Pvt. Ltd. were co-opted as Directors of the Company after the conclusion of Open Offer on 27th April 2007 belongs to the category of Promoter Director.

Dr. Gopakumar G. Nair, an independent director was co-opted by the Board in its meeting held on 20th June 2007.

Pursuant to Section 260 of the Companies Act they are vacating the office at the conclusion of ensuing Annual General Meeting. However pursuant to Section 257 Company has received notices from shareholders proposing their candidature for the office of Directors. The details of their qualification & experience are given as Annexure to this notice and forming part of it.

Except the respective Directors no other Director is interested in the resolutions. Your Directors recommend the resolutions for your approval.

ITEM NO. 9:

Pursuant to the Listing Agreement Company is having optimum composition of Executive/ Non-Executive & Independent Directors on the Board of the Company. While Executive Directors are drawing their salaries that include annual increments, there was no increase in sitting fees for the Non Executive Directors since your last approval. To attract and retain the best talent as Non Executive Director it is proposed to increase the sitting fees per Board Meeting. No sitting fees be paid for attending Committee Meetings. The Government has specified Rs. 20,000/- as maximum sitting fees that a company can give without prior approval from Central Government. As the sitting fees proposed is within the above said limit no approval from Central Government is required.

The resolution is placed before you as a part of good Corporate Governance. All the Non Executive Directors may be considered as interested in the resolution. Your Directors recommend the resolution for your approval.

ITEM NO. 10 & 11:

Your Company has acquired M/s. Elixir Chemicals Pvt. Ltd. and effective September'06 it has become a wholly owned subsidiary of your Company. Mr. Pramod Bhat and Mr. Nandan Bhat are working as Executive Director of the said M/s. Elixir Chemicals Pvt. Ltd. As per the MOU entered into between M/s. Elixir Chemicals Pvt. Ltd. and the Company after M/s. Elixir Chemicals Pvt. Ltd. becomes the subsidiary of the Company, Mr. Pramod Bhat and Mr. Nandan Bhat, Executive Directors of M/s. Elixir Chemicals Pvt. Ltd. shall step down as Directors of the Company.

It is proposed to appoint them as employees of M/s. Elixir Chemicals Pvt. Ltd. in the pay scale as specified in the resolution. The benefits available in the pay scale, apart from basic salary, are HRA not exceeding 25% of basic salary, reimbursement of conveyance not exceeding 50% of basic salary and reimbursement of medical expenditure for an amount not exceeding one month's basic salary in a year along with other benefits like ex-gratia, provident fund and gratuity. Mr. Pramod Bhat & Mr. Nandan Bhat are sons of Mr. L. N. Bhat, Managing Director of the Company. Under sub-section (1B) of Section 314 of the Companies Act it is necessary to obtain the prior consent of the Company by a special resolution and the approval of Central Government for holding or continue to hold office or place of profit in the Company or its subsidiary by the relative of the Directors of the Company carrying a total monthly remuneration of Rs. 50,000/- or more.

The present salary of Mr. Pramod Bhat and Mr. Nandan Bhat is as follows:

- | | |
|--------------------------------|---------------------------|
| 1. Basic | : Rs. 39,330/- per month. |
| 2. House Rent Allowance | : Rs. 9,833/- per month. |
| 3. Reimbursement of Conveyance | : Rs. 18,022/- per month. |
| 4. Reimbursement of Medical | : Rs. 1,250/- per month. |

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plus other benefits like ex-gratia, provident fund and gratuity as applicable to other employees of M/s. Elixir Chemicals Pvt. Ltd

Mr. Pramod Bhat & Mr. Nandan Bhat are having qualification and experience commensurate to the salary and grade as specified in the resolution.

None of the Director other than Mr. L. N. Bhat is concerned or interested in the resolution. The Board recommend the resolutions for approval of the members.

ITEM NO. 12:

The tenure of appointment of Mr. S. N. Jagannath, Executive Director is going to be concluded on 31st July 2007. However considering contribution made by Mr. S. N. Jagannath, the Board of Directors of your Company has re appointed him for a further period of three years on the terms and conditions relating to remuneration and perquisites as specified below:

Basic salary not to exceed Rs. 80,000/- p.m.

The annual increment which will be effective from 1st April each year be decided by the Board and Remuneration Committee and will be merit-based and take into account the Company's performance.

Perquisites: In addition to his basic salary following perquisites shall also admissible to Mr. S. N. Jagannath.

- (a) House Rent Allowance subject to maximum of 50% of the Basic Salary.
- (b) Reimbursement of medical expenses incurred by the Director and his family subject to maximum of one month salary in a financial year.
- (c) Ex-gratia payment as per the rules of the Company, applicable to other employees as well, not exceeding 25% per annum salary.
- (d) Use of office car for official purpose. Director shall be entitled for reimbursement of petrol and other costs incurred for maintenance of car for an amount not exceeding his basic salary monthly on an average basis.
- (e) Company's Contribution towards Provident Fund for an amount 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 by the Director, he shall be entitled to en-cash the same at the end of his tenure.

NATURE OF DUTIES: The Executive Director shall, subject to the supervision and control of the Board of Director, be perform such duties as shall, from time to time, be entrusted to him.

None of the Director other than Mr. S. N. Jagannath is concerned or interested in the resolution. This may also be considered as Notice pursuant to Section 302 of the Companies Act.

Yours Directors recommend the resolutions for your approval.

ITEM NO. 13:

Mr. L. N. Bhat was appointed as Managing Director of your Company for a period of three years effective 1st September 2005 on a remuneration of Rs. 1,50,000/- per month plus perks by the shareholders in their Annual General Meeting held on 30th September 2005. Since at the time of his appointment there was no sufficient profit, the appointment was made pursuant to Schedule XIII of the Act. Now Company is earning sufficient profit and accordingly it is proposed to revise his remuneration to the extent not exceeding 5% of the profit of the Company.

Except Mr. L. N. Bhat none of the Director is concerned or interested in the resolution. This may also be considered as Notice pursuant to Section 302 of the Companies Act.

Yours Directors recommend the resolution for your approval.

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

PLACE: THANE
DATE : 23.07.2007.

(LATA VARSHNEY)
COMPANY SECRETARY

PIDRUGS & 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 : 60 years.
 Qualification : M.Sc.
 Expertise : Having more than three decades of experience in the Pharmaceutical industry.
 Other Directorship : Nil.

2. Mrs. Bina Shah:

Name : Mrs. Bina Shah
 Age : 38 years.
 Qualification : B. Com, ACS.
 Expertise : Expert in Corporate Law matters and in Finance and accounts.
 Other Directorship : 1.

3. Mr. K. R. Ravishankar:

Name : Mr. K. R. Ravishankar
 Age : 45 years.
 Qualification : B. Sc.
 Expertise : Over 15 years experience in the pharmaceutical Industry.
 Other Directorship : 2. (excluding private limited Companies)

4. Mr. M. Balasubramanian:

Name : Mr. M. Balasubramanian
 Age : 56 years.
 Qualification : B. Sc., ACA
 Expertise : Over 30 years experience in Finance & Accounts.
 Other Directorship : Nil. (excluding private limited Companies)

5. Dr. Gopakumar G. Nair:

Name : Dr. Gopakumar G. Nair
 Age : 66 years.
 Qualification : M. Sc., Phd, Diploma in Operation Management and Diploma in Patent Law and Practice.
 Expertise : Over 48 years experience in various fields and Industries.
 Other Directorship : 3. (excluding private limited Companies)

6. Mr. S. N. Jagannath:

Name : Mr. S. N. Jagannath
 Age : 58 years.
 Qualification : M. Sc. (Organic Chemistry)
 Expertise : 35 years in various capacities in the industry.
 Other Directorship : Nil.

PIDRUGS & PHARMACEUTICALS LIMITED**DIRECTORS REPORT**

Dear Members,

Your Directors are pleased to submit their Twenty Second Annual Report, together with the Audited Statement of Accounts of your Company for the financial year ended 31st March 2007.

FINANCIAL RESULTS :**Rs. Lacs**

For the Year	2006-07	2005-06
Sales	3697.11	3003.71
Profit Before Interest Depreciation and Tax	1043.33	598.74
Profit Before Tax	906.77	541.69
Profit After Tax	767.04	375.22
Profit Brought Forward	450.03	620.27
Profit Available for Appropriation	1217.07	995.49
Appropriated as follows :		
Dividend on Equity Shares	75.00	-
Tax on Dividend	12.75	-
Transfer to General /Capital Redemption Reserve	80.00	545.46
Balance Carried Forward	1049.32	450.03

THE YEAR UNDER REVIEW:

During the year under review the company achieved sales of Rs 3697 lacs, an increase of 23% over the previous year. Excluding the exceptional item, the Company's profit before tax increased 17% to Rs 623.84 lacs as against Rs 533.42 lacs in previous year and profit after tax increased 32% to Rs 484.10 lacs as against Rs 366.95 lacs in the previous year. The Earnings per Share was Rs 7.26 in 2006-07 compared to Rs 5.65 in 2005-06.

EXPORTS

The Company's exports (inclusive of deemed exports) was Rs 1044 lacs as against Rs 1188 lacs in the previous year.

FUTURE

During the year under review initiatives have been taken to strengthen its resources and capabilities by investment in state of the art R&D facilities at Kumta for development of new products and solvent recovery plant at Mahad.

The benefits of these initiatives will be felt across the foreseeable future.

RESEARCH & DEVELOPMENT:

The company strengthened its research and development activity with a view to introduce innovative products and enhance the productivity of its existing products. Your Directors are pleased to inform you that the Ministry of Science and Technology, Department of Scientific and Industrial Research has recognized the in house R&D facility at Kumta.

PIDRUGS & PHARMACEUTICALS LIMITED**DIVIDEND:**

The Board of Directors of the company is pleased to recommend a maiden Dividend of Rs. 1/- per equity share of Rs 10/- each for the financial year 2006-07 in view of the good performance. This dividend if approved at the ensuing Annual General Meeting, would be payable for all equity shares existing on the record date and will be paid to those share holders whose name appear on register of members of the company as on the record date.

TRANSFER TO RESERVES:

The Company proposes to transfer Rs. 80 lacs to the General Reserve out of the amount available for appropriations and an amount of Rs. 1049.32 lacs is proposed to be retained in the Profit and Loss Account.

ACQUISITION OF COMPANY:

Your Company has acquired M/s. Elixir Chemicals Pvt. Ltd. in the month of September 2006 and accordingly the said Company has become wholly owned subsidiary of your Company during the year.

The company's wholly owned subsidiary posted a turnover of Rs 1713 lacs and a profit after tax of Rs 295 lacs. The result of the subsidiary company is attached to the report along with statement pursuant to section 212 of the Companies Act 1956.

CHANGE IN MANAGEMENT:

On 25th January 2007 M/s. Fraxis Life Sciences Pvt. Ltd acquired 7.93% share capital of your Company. On their request the Board of Directors of your Company recognized them as promoters of the Company. In view of SEBI (Substantial Acquisition of Shares & Takeover) Regulation 1997 they gave an open offer to the shareholders that was concluded on 18th April 2007 and consequent thereof there was a change in promoters and management of the Company.

DIRECTORS:

During the year Mr. Aditya Desai resigned from the office of Director and ceased to be promoter of the Company. Your Directors put on record their sincere thanks for the services rendered by Mr. Aditya Desai to the Company. Mr. K. R. Ravishankar and Mr. M. Balasubramanian Directors of M/s. Fraxis Life Sciences Pvt. Ltd. were co-opted as Additional Directors of the Company by the Board. Dr. Gopakumar G. Nair an Independent Director also joined the Company as Additional Director.

The tenure of appointment of Mr. S. V. Shanbhag and Mr. S. N. Jaggannath, Executive Directors, is going to conclude on 31st July 2007. However considering the contribution made by Mr. S. N. Jagannath who has not yet completed the age of retirement, the Board has re-appointed him as Executive Director for a further period of three years, effective 1st August 2007.

Mr. L. N. Bhat and Mrs. Bina Shah, Directors retire by rotation, and being eligible have offered themselves for re-appointment.

ISSUE OF SHARES ON CONVERSION OF WARRANTS AND CHANGE IN PAID-UP SHARE CAPITAL:

Pursuant to the resolution passed by the members at the Extra Ordinary General Meeting of the Company held on 15th May 2006, 1800000 Optionally convertible warrants of Rs. 47/- each were allotted on preferential basis to promoters and non-promoters. Out of this 1000000 warrants were transferred to M/s. Fraxis Life Sciences Pvt. Ltd who exercised the option and asked for the conversion of warrants into equity shares. Accordingly Board in its meeting held on 31st January 2007 allotted 1000000 shares to M/s. Fraxis Life Sciences Pvt. Ltd on conversion of warrants and consequent thereon paid-up capital increased from Rs. 6,50,00,030/- to Rs. 7,50,00,030/-.