



# **P I Drugs & Pharmaceuticals Ltd**



**24th ANNUAL REPORT 2008-2009**

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

Mr. K R Ravishankar  
Chairman & Managing Director  
Dr. Gopakumar G Nair  
Mr. Joe Thomas  
Mr. Kannan Ramanujam  
Mr. S N Jagananath  
Executive Director

**COMPANY SECRETARY**

Mrs. Lata Varshney

**BANKERS**

Bank of India  
Andhra Bank  
State Bank of Hyderabad  
State Bank of India

**AUDITORS**

M/s. B K Khare & Co.

**REGISTERED OFFICE**

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

**ADMINISTRATIVE OFFICE**

102-104, Vardhaman Industrial Complex,  
Lal Bahadur Shastri Marg,  
Thane (W) – 400 601.

**REGISTRAR & SHARE TRANSFER AGENT**

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

**SUBSIDIARY COMPANY**

**Sequent Global Holdings Ltd,**  
First Island Trust Company Ltd.  
St. James Court, Suite 308,  
St. Denis Sheet, Port Louis,  
Republic of Mauritius

**Sequent European Holdings Ltd,**

Themistokli Dervi, 3 Julia House,  
P.C. 1066, Nicosia, Cyprus

**Strides Italla Srl,**  
Strada per Voghera,  
27050 Corana PV, Italy

**FORMULATION UNIT**

A-68, Additional Ambernath,  
MIDC Indl. Area,  
Ambernath (E), Dist. Thane.

**API UNITS**

W-152, MIDC, Tarapur, Boisar,  
Dist. Thane

Plot No 7, MIDC Engineering Zone,  
Kalyan Badlapur Road,  
Ambernath – 421 501.

B-32, G-2, G-3, MIDC, Mahad,  
Dist. Raigad

Plot No. W-150/151, W-136-141,  
MIDC, Tarapur, Boisar, Thane.

A-14, MIDC (Phase – I),  
Dombivli (E), Thane.

Plot No. 11, KIADB Ind Area, CENTER Jigani,  
Taluka Anekal, Dist. Bangalore

**RESEARCH & DEVELOPMENT**

Plot No. SPL 9, Kumta Ind Estate,  
Kumta, Karnataka.

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## **NOTICE**

**NOTICE** is hereby given that the Twenty Fourth Annual General Meeting of the members of **P.I. DRUGS & PHARMACEUTICALS LIMITED** will be held on Friday the 4<sup>th</sup> day of September, 2009 at Hotel Royal Inn, Gokul Nagar, L B S Marg, Thane (W) - 400601 at 10.30 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 31<sup>st</sup> March 2009 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 2008-2009 on equity shares.
3. To appoint a director in place of Mr. K R Ravishankar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Dr. Gopakumar G Nair, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s Deloitte Haskins & Sells, Chartered Accountant as Statutory Auditors for the financial year 2009-10 and to fix their remuneration.

### **SPECIAL BUSINESS:**

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

#### **6. AS AN ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Joe Thomas, 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 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. Kannan Ramanujam, 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 Director of the Company.

#### **8. AS AN ORDINARY RESOLUTION:**

"RESOLVED THAT in super session of resolution passed at the Twenty First Annual General Meeting of the Company held on 30<sup>th</sup> September 2006 and pursuant to Sub-section (1)(d) of Section 293 of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that money to be borrowed together with moneys already borrowed by the Company, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which moneys may be borrowed by the Board of Directors shall not exceed the sum of Rs. 500 Crore over and above the aggregate of the paid-up capital and free reserves of the Company.

**P I DRUGS & PHARMACEUTICALS LIMITED****9. AS A SPECIAL 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, or any statutory modifications or re-enactment thereof, if any, The appointment of Mr. K R Ravishankar as Managing Director of the Company with effect from 1<sup>st</sup> November 2008 for a period of 5 years as made by the Board of Directors of the Company be and is hereby approved.

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 : 31.07.2009.

(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 04.09.2009 to 10.09.2009 (both days inclusive) and for the purpose of payment of dividend 04.09.2009 be the Record Date.
3. The dividend, if declared by the shareholders for the year ended March 31, 2009 will be payable on or after 15<sup>th</sup> September 2009.
4. The Memorandum and Articles of Association shall remain open for inspection by shareholders during business hours at the Registered Office of the Company
5. 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.

**P I DRUGS & 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:**

Mr. Joe Thomas and Mr. Kannan Ramanujam being Independent directors were co-opted by the Board on 1<sup>st</sup> April 2009 as additional directors.

Pursuant to Section 260 of the Companies Act they are going to vacate office of director 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 resolution for your approval.

**ITEM NO. 8:**

For its expansion plans and working capital requirements company needs fund. To meet this requirement directors are considering borrowing of the funds from Banks and/ or financial institutions.

The sanction of the shareholders is sought to permit the Board to borrow money in excess of its paid-up capital and free reserves. Pursuant to Section 293 (1) (d) of the Act Company can borrow money in excess of its paid-up capital and free reserves only with the consent of shareholders. The resolution is intended for the purpose. Considering the company's plans for expansion, your directors think it necessary to acquire this power and commends passing of this resolution.

None of the Director is concerned or interested in the resolution. The Board recommends the resolution for approval of the members.

**ITEM NO. 9:**

The Board of Directors, on recommendation of Remuneration Committee, has appointed Mr. K R Ravishankar as Managing Director. Mr. K R Ravishankar who is a Science Graduate having vast experience in the pharmaceutical industry.

In the able guidance of Mr. K R Ravishankar the company, for the year ended 31<sup>st</sup> March 2009 has achieved a turnover of Rs 106.06 crs recording a growth of 56% over previous year and profit before depreciation, interest and tax of Rs 13.87 Crs compared to Rs 7.02 crs in the previous year. The company has continued to pursue its strategy for inorganic growth to further accelerate its pace of progress and expand its presence in select geographies. Important milestones achieved in that direction during the year were:

- a) Merger of SeQuent Scientific Limited, a fine chemical & human API manufacturing company with annual sales of Rs 65 crs and a profit of Rs 3.70 crs for the year ending 31<sup>st</sup> March 2009.
- b) Formation of Joint Venture Company called Galenica B.V. in Netherlands who are having partnership with ORFA a major distributor of API Veterinary products. The JV will focus on production, marketing, licensing, distribution and trade of veterinarian pharmaceutical products.
- c) As a part of Company's ongoing strategy for expending its API business the Company has acquired Codifar, a Company based in Belgium through its JV Galenica. The turnover of Codifar for the year ending 31<sup>st</sup> Dec 2008 was Rs 8 Crores.

**P I DRUGS & PHARMACEUTICALS LIMITED**

- d) Acquisition of Strides Italia Srl, through the subsidiaries of the Company, a fermentation unit manufacturing key intermediates and APIs for leading multinationals

The growth and progress of the company is largely attributable to the vision strategy and leadership of Mr. K.R Ravishankar. As the responsibilities are growing multifold and Mr. K R Ravishankar is devoting his substantial time and attention to the business and affairs of the Company and committed to perform and discharge all such duties and responsibilities as may from time to time be assigned and entrusted to him by the board. He has consented to accord and possess and exercise all such powers as may be required by and be granted to him for proper performance, discharge and execution of his duties and responsibilities by the Board. He is sharing the power to formulate policies of the company and advising on matters concerning business operations of the company on regular basis.

The management one level below the Board is reporting to Mr. K.R Ravishankar who is responsible for decision making at that level. He is coordinating with other directors in guiding the business of the company as a whole.

**Period of Appointment:**

Five years with effect from 1<sup>st</sup> November 2008.

**Remuneration:**

1. Basic Salary : Not to exceed Rs 1.20 Crs per Annum.
2. Perquisites : Mr. K R Ravishankar shall also be entitled for the following Perquisites:
  1. Contribution to Provident Fund, Superannuation Fund and/ or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
  2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
  3. Encashment of leave at the end of the tenure.

**Other terms and conditions:**

The Managing Director shall not during the continuance of his employment or at time thereafter, divulge or disclose to any person whatsoever or make any use whatsoever for his own or for whatever purpose of any confidential information or knowledge obtained by him during his employment as to the business or affairs of the Company or as to any trade secrets or secret know-how or process of the Company.

As the remuneration approved by the Board is in excess of the limits prescribed in the Act Company has already made an application to Central Government to obtain its approval towards the appointment of Mr. K R Ravishankar, Managing Director and payment of remuneration to him.

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. K R Ravishankar is concerned or 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 : 31.07.2009.

(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. K R Ravishankar:**

Name	:	Mr. K R Ravishankar
Age	:	47 years.
Qualification	:	B. Sc.
Expertise	:	Over 17 years experience in the pharmaceutical industry.
Other Directorship	:	4. (excluding private limited Companies)

**2. Dr. Gopakumar G Nair:**

Name	:	Dr. Gopakumar G Nair
Age	:	68 years.
Qualification	:	M. Sc., PHd, Diploma in Operation Management and Diploma in Patent Law and Practice.
Expertise	:	Over 50 years experience in various fields and industries. Presently working as Patent and Trade Mark Agent and provide consultancy in the matter.
Other Directorship	:	3. (excluding private limited Companies)

**3. Mr. Joe Thomas:**

Name	:	Mr. Joe Thomas
Age	:	52 years.
Qualification	:	Post Graduate in Chemistry.
Expertise	:	He has 23 years experience in International Business. He now heads BioServe Biotechnologies Ltd as MD and COO (Global). He has an abiding interest in working with start-up and in guiding strategy development and organization building in Regional and Global companies.
Other Directorship	:	3. (excluding private limited Companies)

**4. Mr. Kannan Ramanujam:**

Name	:	Mr. Kannan Ramanujam
Age	:	47 years.
Qualification	:	B.Com, FCA.
Expertise	:	A Chartered Accountant by profession with over 22 years of notable experience in Project Funding, Taxation and Audit in different industries. He has strong skills in visionary planning and strategising of business.
Other Directorship	:	3. (excluding private limited Companies)

**P I DRUGS & PHARMACEUTICALS LIMITED****DIRECTORS REPORT**

Dear Members,

Your Directors have pleasure in presenting the Twenty Fourth Annual Report on the business and operations of the company for the financial year ended March 31, 2009.

**Financial Highlights:**

The table below gives the financial highlights of the company on stand alone basis for the year ended March 31, 2009 compared to previous financial year.

(Rupees in Lacs)

Particulars	For the Year Ended	
	March 31, 2009 Rs Lacs	March 31, 2008 Rs Lacs
<b>Financial Results</b>		
<b>1.1 Income</b>	10785.43	6818.43
<b>1.2 Profits</b>		
Operating Profit (EBDTA)	1828.06	752.33
Less Interest	419.36	185.18
Depreciation/Amortisation	414.41	243.42
Exceptional Item (Forex Loss)	440.84	49.61
<b>Profit/(Loss) Before Tax</b>	553.45	274.12
Less Provision for Tax		
Current	183.25	39.00
Deferred	7.43	48.67
Fringe Benefit Tax	11.00	5.20
(Excess)/short provision for earlier yrs	-	(22.05)
<b>Profit/(Loss) after tax</b>	351.77	203.30
Add : Balance in Profit & Loss Account	1080.35	1049.32
Available for Appropriations	1432.12	1252.62
<b>1.3 Appropriations</b>		
Dividend	110.85	138.70
Dividend Tax	18.84	23.57
Transfer to General Reserve	10.00	10.00
Balance Carried to Balance Sheet	1292.43	1080.35

Note: The financial highlights of the current year include financials of merged wholly owned subsidiary M/s Elixir Chemicals Pvt Ltd and to that extent the figures of previous year are not comparable.

**Review of Operations:**

During the year under review, total income increased to Rs 10785.43 lacs in 2008-09 from Rs 6818.43 lacs in 2007-08 registering a growth of 58%. Net profit after tax for the year stood at Rs 351.77 lacs compared to Rs 203.30 lacs recorded last year thus reflecting 73% growth.

On a consolidated basis the income stood at Rs 15053.13 lacs as against Rs 7519.30 lacs

**P I DRUGS & PHARMACEUTICALS LIMITED****Dividend:**

The Board of Directors of the company is pleased to recommend a Dividend of 10% (Rs 1/- per share of Rs 10/- each for financial year 2008-09. This dividend if approved at ensuing Annual General Meeting would become payable for all Equity Share Holders existing on record date.

**Business Outlook:**

During the year the company completed merger of its wholly owned subsidiary of Elixir Chemicals Pvt Ltd. The company has also embarked on new capex for capacity expansion of existing products to cater to new markets and new customers. The revenues from the expanded capacity are expected to flow in the coming years. The exports for the year was Rs 6256.11 lacs as against Rs 2846.99 lacs in the previous year registering a growth of 119.74%. Despite the global melt down adversely affecting business environment currently, our exports of APIs are expected to gather momentum in the coming years. New regulatory filings for two of our products are planned for the next year.

**Acquisitions/Investments/Subsidiaries /Joint Ventures/Merger****Acquisition of controlling stake in Strides Italia Srl.:**

During the year your company formed two wholly owned subsidiaries namely Sequent Global Holdings Ltd in Mauritius and Sequent European Holdings Ltd in Cyprus. Through these subsidiary companies, your company acquired 81% controlling stake in Strides Italia Srl, a plant in Italy manufacturing Bio Pharmaceutical products.

**Joint Venture:**

During the year the company also formed a joint venture (JV) company, Galenica B.V. Netherlands with Orffa International B.V. The JV will focus on production, marketing, licensing, distribution and trade of veterinarian pharmaceutical products. The Joint Venture Company Galenica has acquired CODIODFAR B.V. based in Netherlands who are in the business of research, development, registration, marketing, wholesale and distribution of Veterinarian pharmaceutical products.

**Investments during the Year:**

The company is in the process of acquiring Vedic Elements Pvt Ltd who are into contract farming and extraction of anti malarial intermediates. The company made an investment of Rs. 1503.51 Lacs in the current year for acquisition of shares of Vedic Elements Pvt Ltd.

The company also made further investments of Rs 373.98 Lacs in Strides Italia Srl its step down subsidiary through Sequent Global Holdings Ltd its wholly owned subsidiary.

**Research and Development:**

Detailed write up on Research and Development activity forms part of annexure to the Directors' report.

**Consolidated Financial Statements:**

In accordance with Accounting Standards AS- 21 on consolidated financial statements, your Directors provide the audited consolidated financial statements in the annual report.

**P I DRUGS & PHARMACEUTICALS LIMITED****Corporate Governance:**

The company has complied with all the mandatory requirements of Corporate Governance specified by Securities Exchange Board of India through clause 49 of the Listing agreement. As required by the said clause a separate report on corporate governance forms part of the annual report of the company. A certificate from Statutory Auditors of the company regarding compliance with conditions of corporate governance also forms part of the report.

**Management Discussion and Analysis:**

Pursuant to clause 49 of the listing agreement entered into with Stock Exchange the Management Discussion and Analysis forms part of this report.

**Personnel:**

Information pursuant to Section 217(2AA) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 will be provided on request.

**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.

**Deposits:**

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

**Board of Directors:**

To strengthen the Board Mr. Joe Thomas and Mr. R. Kannan were co-opted by the Board during the year as Additional Directors.

Mr. Joe Thomas is a Post Graduate in Chemistry and has experience of over two decade in International Business out of that 11 years been with Procter & Gamble in India and at Regional HQ in Singapore. Presently he heads M/s BioServe Biotechnologies Limited as their MD and COO (Global). Mr. Joe Thomas has an abiding interest in working with start-up and early stage companies and helping them to attain the next level.

Mr. R. Kannan is a graduate and fellow member of the Institute of Chartered Accountants of India. He started his career with Kannan & Co, his personal consulting firm and have notable experience in Project Funding, Taxation and Audit. He has strong skills in visionary planning and strategizing of Business. Presently he is working as CEO and Managing Director of M/s Emerge Learning Services Limited, a public limited company into professional and academic skill and learning space.

Mr. Deepak Vaidya, Mr. P M Thampi and Mr. M Balasubramanian resigned from the office of Director during the year.

Mr. K R Ravishankar and Dr. Gopakumar G Nair, Directors retire by rotation, and being eligible have offered themselves for re-appointment.

During the year your Board appointed Mr. K R Ravishankar as Managing Director on the terms and conditions as recommended by the remuneration Committee and approved by the Board. As the remuneration approved to be