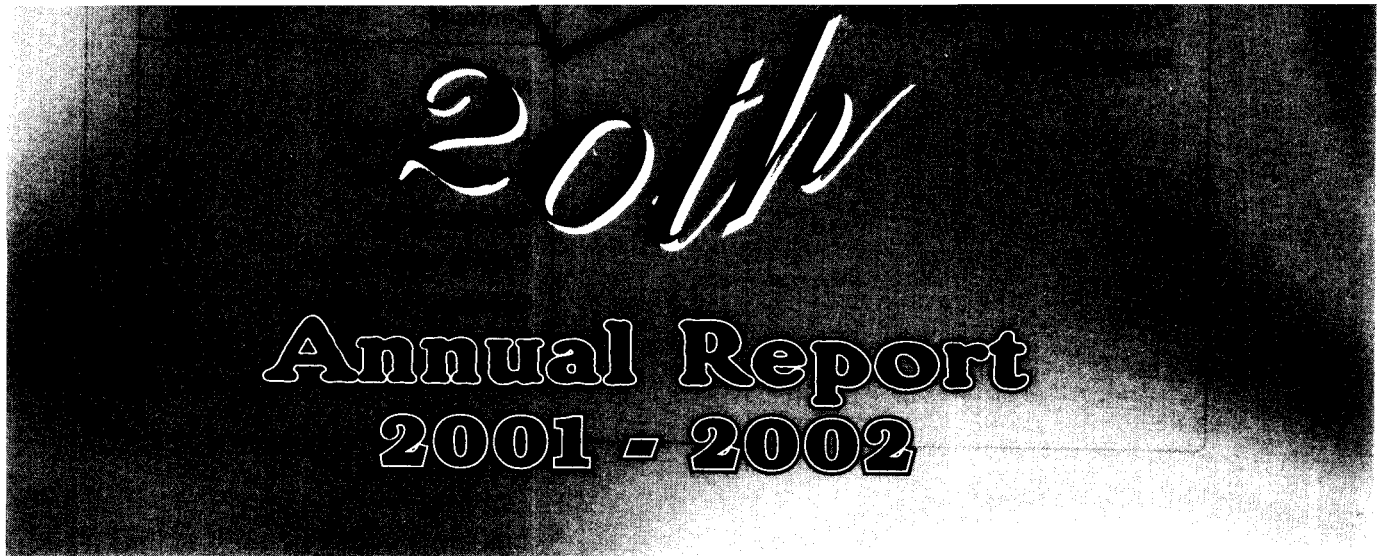
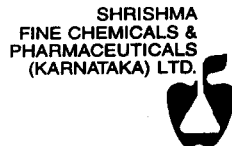


Report  Junction.com





**ANNUAL REPORT
2001-2002**

BOARD OF DIRECTORS

Dr. R. N. GOEL	:	<i>Chairman & Managing Director</i>
Dr. S. R. GOEL	:	<i>Joint Managing Director</i>
Mr. S. M. PARANDE	:	<i>Director</i>
Mr. P. P. MADAPPA	:	<i>Director</i>
Mr. WALTER SALDANHA	:	<i>Director</i>
Mr. PRAVIN VEPARI	:	<i>Director</i>

AUDITORS
HARIBHAKTI & CO.
Mumbai.

PLANT & REGISTERED OFFICE

Plot No.30, Industrial Area
Doddaballapur - 561 203
Bangalore Dist.

Contents	Page No.
Notice	1
Directors' Report	2
Auditors' Report	4
Balance Sheet	6
Profit & Loss Account	7
Schedules to Accounts	8
Cash Flow Statement	19

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Shareholders of **Shrishma Fine Chemicals and Pharmaceuticals (Karnataka) Limited** will be held at Plot No.30, Industrial Area, Doddaballapur, Bangalore -561 203, on Thursday, September 19, 2002 at 10.00 am to transact the following business:

A. ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2002 and the Profit and Loss Account for the period ended on that date along with the Reports of the Auditors and of Directors thereon;
2. To appoint a Director in place of Mr. Walter Saldanha, who retires by rotation. Mr. Walter Saldanha, the retiring Director, is eligible for re-appointment;
3. To appoint a Director in place of Mr. Pravin Vepari, who retires by rotation. Mr. Pravin Vepari, the retiring Director, is eligible for re-appointment;
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to that of the next at a remuneration to be fixed by the Board of Directors. The retiring Auditors M/s. Haribhakti & Company are eligible for re-appointment.

Notes :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HERSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
3. The Register of Members will remain closed from August 14, 2002 to August 31, 2002 both days inclusive.
4. Members/Proxies are requested to bring their copy of Annual Report for the meeting.
5. Any Change in Address may please be advised to the Registered Office immediately.
6. Members are requested to send their queries on accounts at least three days before the meeting date.

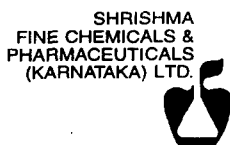
By Order of the Board

Place : Mumbai

Dated : August 7, 2002

N Ramakrishnan

Company Secretary



DIRECTORS' REPORT TO THE MEMBERS

Your Directors present herewith the Twentieth Annual Report and Audited Accounts for the period ended 31st March 2002. The Company's performance for the period is as under:

FINANCIAL RESULTS

	Rupees in Lakhs	
	2001 - 2002 (9 months)	2000-2001 (12 months)
Sales and Income	130.53	421.40
Stock Adjustments	(6.28)	38.36
Profit/(Loss) before Interest, Depreciation and Taxation	(83.11)	20.91
Loss after Interest, Depreciation	(198.70)	(133.20)
Provision for Taxation	—	—
Loss after Taxation	(198.70)	(133.20)
Write Back of excess Interest provided On Debentures in earlier years.	—	82.28
Loss carried to Balance Sheet	(198.70)	(50.92)

OPERATIONS

The general business environment prevailing in the Country and "globally in the bulk drug industry" has adversely affected our performance. There has also been no further progress on the Rehabilitation Proposal that was submitted to BIFR through the Operating Agency. The Company is also obliged to continue making monthly instalment payments of Rs. 4,00,000/- to the "The Office of the Custodian, The Special Court" as per Order of the Hon'ble Supreme Court of India on the personal default committed by the ex-chairman Mr. S.N. Chaturvedi. This forced payments by the company has cost additional burden on the already strained financial resources. Under the uncertain environment, Company's performance continue to be below normal level.

To facilitate maintenance of Books of Accounts and to avoid the tedious reconciliation process involved when two sets of Books of Accounts have to be maintained for varying fiscal years, your management has closed the financial period on 31st March, 2002, i.e. with only nine months duration. In future, the Books will be closed every

twelve months. As a result current period performance is not comparable with that of the previous year.

REMARKS OF AUDITORS

"Notes to the Accounts amply clarify some of the observations of the Auditors. On approval of the Rehabilitation Package as submitted through the Operating Agency by the BIFR, the Directors feel that the other observations of the Auditors will also get resolved."

FIXED DEPOSITS

The company did not accept or renew Fixed Deposits during the year.

DISCLOSURE OF PARTICULARS

No employee was in receipt of remuneration crossing the limits prescribed under the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

REPORT ON CORPORATE GOVERNANCE

The Company's Board is constituted of both Executive and Independent Directors.

Board Meetings are held at regular intervals with a formal schedule of matters to be transacted. During the period under review three Board Meetings were held.

Actions taken on attending to Shareholders' Grievances are regularly reviewed by the Shareholders' Grievances Committee.

ACKNOWLEDGEMENT

The Board express its gratitude and appreciation to the Shareholders, Debentureholders, Financial Institutions, Banks and Employees of the Company for their support.

For and On Behalf of Board

Dr. R N Goel
Chairman & Managing Director

Place : Mumbai
Date : August 7, 2002

ANNEXURE 'A'

Form of Disclosure of particulars with respect to conservation of energy.

Period ended
31st March, 2002

A. Power & Fuel Consumption :

1. Electricity

a) Purchase Unit	KWH 289071
Total Amount (Rs. in Lakhs)	17.78
Rate/Unit (in Rs.)	6.15
b) Own generation	—
c) Through diesel generator (unit)	K.L 22072
Units per litre of diesel oil	2.50
Cost/Unit (in Rs.)	16.25

2. Furnace Oil

Quantity	K.Litre 84.00
Total Cost (Rs. in Lakhs)	9.57
Average Rate (Rs./Litre)	8.78

B. Consumption per unit of production :

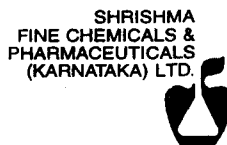
Products	}	Since the company manufactures several formulations
Electricity	}	and bulk drugs in the same factory, it is not practical
Furnace Oil	}	to apportion consumption of utility based on the record.
Coal/Others	}	

Technology Absorption :

Due to paucity of funds, no major thrust could be given.

C. Foreign Exchange Earnings & Outgo :

	2001 - 2002	2000 - 2001
		(Rs. in Lakhs)
Earnings	2.60	48.37
Outgo (Travel)	9.61	3.76
Imports	35.48	44.30



AUDITORS' REPORT

TO THE MEMBERS OF SHRISHMA FINE CHEMICALS AND PHARMACEUTICALS (KARNATAKA) LIMITED

We have audited the attached Balance Sheet of **SHRISHMA FINE CHEMICALS AND PHARMACEUTICALS (KARNATAKA) LIMITED** as at 31.03.2002 and Profit & Loss account of the Company for the period ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

- i. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we have given in the annexure a statement on the matter specified in paragraph 4 & 5 of the said order, to the extent they are applicable to the company.
- ii. Further to our comments in the annexure referred to in paragraph above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our Knowledge and belief were necessary for the purpose of our audit except that the valuation of stocks of raw materials, process stock, stores and spares and finished goods as on 31st March, 2002 are as determined by the management.
 - (b) In our opinion, proper books of accounts as required by Law have been kept by the Company, so far as appears from our examination of the books of accounts.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Profit and Loss account and Balance Sheet comply with the Accounting Standards referred to in and section (3c) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company, except compliance with Accounting Standards 2 on 'Valuation of inventories' as explained in Note No. 1.4
 - (e) In our opinion and to the best of our information and according to the explanation given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required, except that as mentioned in Note No. 9, the details of amounts due to small scale industrial unit creditors are not available.
 - (f) The Company had defaulted in 1993 in redemption of its debentures, which have still remained partly unredeemed. The matter shall be finally decided when the orders are passed on the Company's reference dated 15.02.2000 to the BIFR for a rehabilitation package. None of the Directors of the Company, as on 31st March 2002, was a director in 1993. In light of these facts and as per the legal advice obtained by the Company and based upon the written representations received from the

Directors (except one) and taken on record by the Board of Directors of the Company, (except one), is prima facie, not disqualified from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

- (g) The Company's rehabilitation scheme has been submitted to the BIFR. The management expects that after its approval and implementation the Company's performance can be revived. Accordingly, these accounts have been prepared under 'going concern assumption'. We have relied upon management assessment on such assumption.
- (h) We further report that:
 - (i) No provision has been made in the accounts in respect of (a) depreciation on fixed assets amounting to Rs. 77.13 lakhs, as mentioned in Note No. 1.2, (b) of disputed excise duty demand of Rs. 16.66 lakhs as mentioned in Note No. 2.3, (c) of certain obligations as mentioned in Note No. 3, approximate amount Rs. 80.03 lakhs plus interest @ 18% p.a. thereon, and (d) of interest of Rs. 1132.89 lakhs, as mentioned in Note No. 4.
 - (ii) As mentioned in Note No. 5, the Company has recalculated with retrospective effect from 1995 interest on certain borrowings at a concessional rate of interest proposed in the rehabilitation scheme before BIFR, even before the scheme is approved by the BIFR. Accordingly, interest of Rs. 82.28 lakhs has been written back in the Profit and Loss account for the year 2000-2001.
 - (iii) Full credit of concessions offered by the Financial Institutions and Banks amounting to Rs. 686.26 Lakhs has been given in the accounts of the Company for the year 1993-94. However, the stipulations laid down by them are yet to be fully complied with by the Company. Due to the above, the loss for the period is understated by Rs. 139.29 lakhs, the cumulative loss is understated by Rs. 2011.22 Lakhs and the relevant liabilities are understated by Rs. 1934.09 lakhs and the net block of fixed assets is overstated by Rs. 77.13 lakhs.
 - (iv) The amounts due from/to Sundry Debtors and Creditors, of loans and advances given, dues to Banks and Financial institutions and others in respect of outstanding loans and interest thereon, and the balances of Rs. 14.73 Lakhs in current and margin accounts with banks are subject to confirmations.
 - (v) As explained Note No. 1.4, the valuation of stock of finished goods and the process stock has been done based on selling price, without determining the cost of individual item.
 - (vi) The secured loans from a bank are not fully covered by the book value of relevant securities, the shortfall being Rs. 268.93 lakhs

Subject to the above observations, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In so far it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
- (b) In so far it relates to Profit & Loss Accounts, of the loss for the period ended on that date.

For **HARIBHAKTI & CO**
Chartered Accountants

Place: Mumbai
Date : August 7, 2002

CHETAN DESAI
Partner

**ANNEXURE REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE ON
THE ACCOUNTS FOR THE PERIOD ENDED ON 31ST MARCH 2002 OF SHRISHMA FINE
CHEMICALS AND PHARMACEUTICALS (KARNATAKA) LIMITED.**

I. FIXED ASSETS :

1. We are informed that (a) the Company is in the process of compiling necessary details to maintain adequate records in respect of its fixed assets and that (b) physical verification of such assets were carried out by the management during the period.
2. None of the fixed assets has been revalued during the period.

II. INVENTORIES :

3. We are informed that the stocks of raw materials, stores and spares, finished and semi-finished goods have been physically verified by the management at the end of the period.
4. The procedure, as explained to us, followed by the management for physical verification of stocks appears to be reasonable and adequate in relation to the size of the Company and the nature of its business.
5. We are informed that no material discrepancies were noticed by the management on the physical verification of stocks as compared to the book records.
6. As explained in Note No. 1.4, valuation of stock of finished goods and process stock has been done based on selling prices without determining cost. Subject to this, the valuation is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores and raw materials and finished goods and that the provisions for loss if any, has been made in the accounts.
8. As explained to us, the Company does not have any realisable by-product generated during the period.

III. TRANSACTIONS WITH PARTIES UNDER SECTION 301 OF THE COMPANIES ACT, 1956 :

9. In respect of transactions of sale of goods made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 and aggregating during the period to Rs. 50,000/- or more in respect of each party, the rates charged were not comparable as no such transactions were made with any other party.

IV. LOANS AND ADVANCES :

10. The Company has not taken / granted any loan, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
11. In respect of loans or advances in nature of loans given by the Company, the principal amount and interest thereon, wherever applicable, have been recovered as stipulated.

V. INTERNAL CONTROLS :

12. The Company does not have an internal audit system.
13. The existing internal Control procedures for the purchase of stores, raw materials, components, plants and machinery, equipment and other assets need to be strengthened to be commensurate with the size of the Company and the nature of its business.

VI. FIXED DEPOSITS :

14. We are informed that the Company has not accepted any deposit from the "Public," attracting provisions of Section 58A of the Companies Act, 1956 and the Rules framed there under.

VII. STAFF WELFARE :

15. According to the records of the Company, Provident Fund and E.S.I.C., dues have not been regularly deposited during the period with the appropriate authorities. The arrears of such dues at the end of the period were Rs. 1.96,933/-

VIII. TAXATION :

16. According to the information and explanations given to us, except sales tax dues of Rs. 16.99 lakhs and excise dues of Rs. 1.66 lakhs no other undisputed amounts payable in respect of Income-Tax, Wealth Tax, Sales-Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 2002 for a period of more than 6 months from the date they became payable.

IX. MISCELLANEOUS :

17. We are informed that the Company is required to maintain cost records by the order made by the Central Government under section 209(1)(d) of the Companies Act, 1956. The Central Government has also ordered for the audit of cost records relating to the production of bulk drugs. Such records are yet to be complied by the Company.
18. During the course of audit, which was carried out in accordance with generally accepted auditing practices, it was observed that no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is a "Sick Industrial Company" within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. We are informed by the management of the Company that necessary reference is made to The Board for Industrial and Financial Reconstruction.

For HARIBHAKTI & CO
Chartered Accountants

Place: Mumbai
Date : August 7, 2002

CHETAN DESAI
Partner