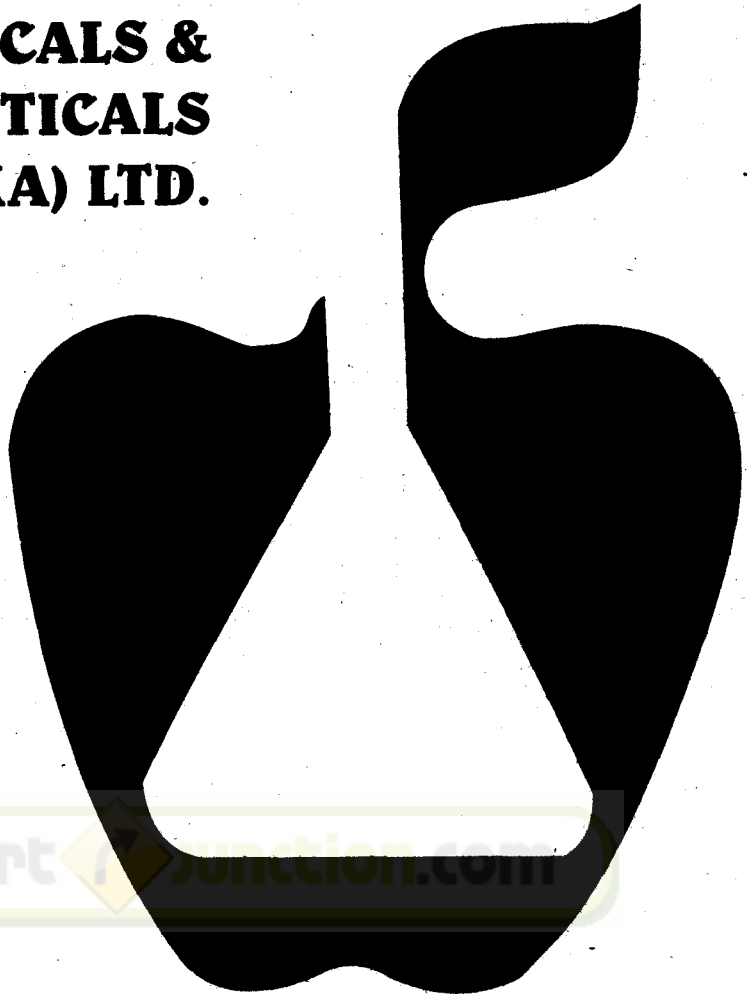


**SHRISHMA
FINE CHEMICALS &
PHARMACEUTICALS
(KARNATAKA) LTD.**



21st

Annual Report

2002 - 2003

SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.

**ANNUAL REPORT
2002-2003**

BOARD OF DIRECTORS

Dr. R. N. GOEL	:	<i>Chairman & Managing Director</i>
Dr. S. R. GOEL	:	<i>Joint Managing 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.

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SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.**NOTICE**

Notice is hereby given that the Twenty First 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 Friday, September 19, 2003 at 10.00 am to transact the following business:

A. ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ended on that date along with the Reports of the Auditors and of Directors thereon;
2. To appoint a Director in place of Mr. P. P. Madappa, who retires by rotation. Mr. P. P. Madappa, 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 September 16, 2003 to September 25, 2003 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.

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By Order of the Board

Place : Mumbai
Dated : July 23, 2003

N Ramakrishnan
Company Secretary

SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present herewith the Twenty First Annual Report and Audited Accounts for the year ended 31st March 2003. The Company's performance for the year is as under:

FINANCIAL RESULTS

	Rupees in Lakhs	
	2002 - 2003	2001-2002
	(12 months)	(9 months)
Sales and Income	340.88	130.53
Stock Adjustments	(65.21)	(6.28)
Profit/(Loss) before Interest, Depreciation and Taxation	31.20	(83.11)
Loss after Interest, Depreciation	(122.88)	(198.70)
Provision for Taxation	34.50	(308.26)
Loss after Taxation	(88.38)	(506.96)
Loss carried to Balance Sheet	(2458.99)	(2370.61)

OPERATIONS

Despite depressed business environment in the bulk drug industry and other difficulties, the Company has managed to improve its performance compared to the previous period. The Company is also obliged to continue making monthly instalment payments of Rs.4,00,000/- to the "The Office of the Custodian" on the personal default committed by the ex-chairman Mr. S. N. Chaturvedi. This forced payments by the company has resulted in additional burden on the already strained financial resources. The original Rehabilitation Scheme filed with the BIFR which was accepted by all Financial Institutions and Govt. of Karnataka was not approved by the BIFR in March 2003, because of the time lapse and they have asked IDBI the Operating Agency to get New Revival Proposals from interested parties and also the Management.

DIRECTORS

Mr. P. P. Madappa retires by rotation and being eligible offers himself for re-appointment as Director.

Mr. S. M. Parande retires by rotation and is not seeking re-election. It is not intended to fill the vacancy caused by the retirement of Mr. Parande. Your directors place on record their appreciation of the valuable services rendered by him during his tenure.

Mr. Pravin Vepari retires by rotation and being eligible offers himself for re-appointment as Director.

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants, retire as Auditors of the Company and have given their consent for re-appointment. They have confirmed under section 224 of the Companies Act, 1956, that their appointment, if made, would be in conformity with the limits specified in the said section.

REMARKS OF AUDITORS

Observations of auditors relate mainly to non-provision of depreciation during closed period, and the effect given in accounts based on the Scheme of Rehabilitation that was submitted for approval by BIFR through Operating Agency. Notes to the accounts clarify other observations of auditors.

FIXED DEPOSITS

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

DISCLOSURE OF PARTICULARS

No employee was in receipt of remuneration of not less than Rs.24,00,000/- during the year ended 31st March, 2003 or not less than Rs.2,00,000/- per month during any part of the said year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

These have been given in Annexure "A" to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have, in the selection of the accounting policies consulted the Statutory Auditors and, these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003, and the loss of the Company for the year ended on that date;
- proper and sufficient care has 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.

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 : July 23, 2003

SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.**ANNEXURE 'A'**

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

Year ended
31st March, 2003**A. Power & Fuel Consumption :****1. Electricity**

a) Purchase Unit	KWH 430503
Total Amount (Rs. in Lakhs)	27.30
Rate/Unit (in Rs.)	6.34
b) Own generation	—
c) Through diesel generator (unit)	K.L 40080
Units per litre of diesel oil	2.75
Cost/Unit (in Rs.)	13.93

2. Furnace Oil

Quantity	K.Litre 120.00
Total Cost (Rs. in Lakhs)	17.28
Average Rate (Rs./Litre)	12.00

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 :

	2002 - 2003	2001 - 2002
	(Rs. in Lakhs)	
Earnings	70.88	2.60
Outgo (Travel)	2.55	9.61
Imports	—	35.48

SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.

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 (the company)** as at 31st March 2003 and Profit & Loss account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 and 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 stock of raw materials, process stock, stores and spares and finished goods as on 31st March, 2003 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.

(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 after a fresh rehabilitation package. None of the Directors of the Company as on 31st March 2003, 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, none of the Directors (except one) is prima facie, 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 submitted to the BIFR was not approved because of lapse of time and IDBI the Operating Agency has been asked to get new revival proposals and the company has also been asked to re-submit its proposal. In the mean while, operations of the Company continue as in the past and the management is confident of maintaining the position until final decision is taken by BIFR. 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 of 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 No. 2.3, (c) of certain obligations as mentioned in Note No. 3, approximate amount Rs. 109.52 lakhs plus interest @ 18% p.a. thereon, and (d) of interest of Rs. 1297.25 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, which due to time lapse was rejected by BIFR and a new Rehabilitation package is to be prepared by the company. Accordingly, interest of Rs. 82.28 lakhs has been written back in the Profit and Loss account for the year 2000-2001.

SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.

- (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. 14.92 Lakhs in current and margin accounts with banks are subject to confirmations.
- (v) As explained in 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. 279.14 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, 2003 and
- (b) In so far it relates to Profit & Loss Accounts, of the loss for the year ended on that date.
- (c) In the case of Cash Flow Statements, of the Cash Flow for the year ended on that date.

For **HARIBHAKTI & CO**
Chartered Accountants

CHETAN DESAI

Partner

Place: Mumbai

Date : July 23, 2003

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