

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



23rd

**Annual Report
2004 - 2005**

BOARD OF DIRECTORS**ANNUAL REPORT
2004 - 2005**

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

M/s. Haribhakti & Co.
Free Press House
Nariman Point, Mumbai - 400021

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 Third Annual General Meeting of the Shareholders of **Shrishma Fine Chemicals & Pharmaceuticals (Karnataka) Limited** will be held at Plot No. 30, Industrial Area, Doddaballapur, Bangalore District -561203 on Friday, December 9, 2005 at 10:00 a.m. to transact the following business:

A. ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at March 31, 2005 and the Profit & Loss Account for the year ended on that date along with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Parvin Vepari, who retires by rotation. Mr. Parvin Vepari, the retiring director, is eligible for appointment.
3. To appoint a Director in place of Mr. Walter Saldanha, who retires by rotation. Mr. Walter Saldanha, the retiring director, is eligible for 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, Chartered Accountants are eligible for re-appointment.

B. SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act and such other approvals as may be necessary, the Company hereby approves the reappointment of Dr R N Goel as the Chairman & Managing Director of the Company for one year from April 27, 2005 on the existing terms and conditions and as approved by the Board of Directors.

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act and such other approvals as may be necessary, the Company hereby approves the reappointment of Dr S R Goel as the Joint Managing Director of the Company for one year from April 27, 2005 on the existing terms and conditions and as approved by the Board of Directors.

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her self. 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 December 15 to December 31 2005
4. Members/ Proxies are requested to bring their copy of the Annual Report for the meeting.
5. Changes in the address of members may be communicated to the Registered Office immediately.
6. Members are requested to send their queries on accounts at least three working days before the meeting date.

Place : Mumbai
Date : October 24, 2005

By Order of the Board
N Ramakirshnan
Company Secretary

SHRISHMA FINE CHEMICALS & PHARMACEUTICALS (KARNATAKA) LTD.**Explanatory Statement pursuant to section 173 of the Companies Act, 1956 for Item Nos. 5 and 6:****Item 5:**

Dr R N Goel was reappointed as the Chairman & Managing Director of the Company for one year at the last Annual General Meeting and his term expired on April 26 2005.

The Board of Directors at a meeting held on March 31, 2005 reappointed Dr R N Goel for a further period of one year ending on April 26, 2006 on the same terms i.e. Re 1/- per month in addition to reimbursement of actual medical, hospitalization, dental and optical expenses incurred for self and wife.

CATEGORY C

Provision of car for conducting Company's business and telephone at residence will not be considered as perquisite. Personal long distance telephone calls and use of car for private purposes shall be billed to him.

The Company shall reimburse to CMD entertainment, traveling and all other expenses incurred by him for business of the Company.

Dr. R.N. Goel and Dr. S.R. Goel being relatives are interested in the above resolution.

Item 6:

Dr S R Goel was reappointed as Joint Managing Director of the Company for one year at the last Annual General Meeting and his term expired on April 26 2005.

The Board of Directors at a meeting held on March 31, 2005 reappointed Dr S R Goel for a further period of one year ending on April 26, 2006 on the same terms i.e. Salary of Re 25000/- per month and following perquisites:

II. PERQUISITES :

Classified into three categories A,B and C as below: Annual Salary, perquisites and commission shall not exceed five percent of the net profits of the Company for one such managerial person and if there is more than one such person, ten per cent for all of them together.

CATEGORY A :

- i. **Housing :** Expenditure on hiring furnished accommodation will be subject to 60% of the salary. In case, no accommodation is provided by the Company, the Joint Managing Director shall be entitled to house rent allowance as above. Expenditure incurred on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962.
- ii. **Medical benefits for self & family :** Reimbursement of actual medical, hospitalization, dental and optical expenses incurred for self, wife and dependents subject to ceiling of one month's salary in a year.
- iii. **Leave Travel Concession :** For self and family, once a year incurred in accordance with any rules specified by the company.
- iv. **Club Fees :** Fees for club subject to maximum of two clubs. This will not include admission and life membership fee.

- v. Personal accident insurance premium not to exceed Rs 4,000 per annum.

CATEGORY B :

- i. Company's contribution towards Provident Fund @ 12% of salary as per rules of the company or such percentage as may be specified from time to time.
- ii) Company's contribution towards superannuation of annuity fund together with provident fund shall not exceed 25% of the salary as prescribed by the Income Tax Rules, 1962 or any statutory modification thereof. The contribution to Provident Fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- iii) Gratuity: Not exceeding half month's salary for each completed year of service
- iv) Earned/Privilege leave: On full pay and allowances, as per rules of the company but not more than one month's leave for every eleven months of service. He will also be entitled to sick leave & casual leave benefits as per the rules of the company. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY C :

Motor Car with the services of a driver, expenses of maintenance and running of the car to be borne and paid by the company. Telephone at residence will be provided. They will, however, not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

III. COMMISSION :

In addition to salary and perquisites, such commission may also be paid, as determined by the Board of Directors based on net profits of the company in each of the years, provided that the total remuneration inclusive of commission does not exceed the ceiling prescribed by Sections 198 and 309 of the Companies Act, 1956.

Remuneration in case of inadequacy of profits: The salary and perquisites as above shall be paid as remuneration notwithstanding absence or inadequacy of profits. However, in such an event, the total amount of salary and value of perquisites shall not exceed Rs 10,50,000/- per annum.

Dr. R N Goel and Dr. S R Goel, being relatives are interested in the above resolution.

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

Your Directors present herewith the Twenty Third Annual Report and Audited Accounts for the year ended 31st March 2005. The Company's performance has been as under:

Financial Results

	Rupees in lakhs	
	2004-05	2003-04
Sales and Income	199.00	215.11
Stock Adjustments	(43.98)	14.39
Loss before Interest, Depreciation and Taxation	(33.37)	(2.02)
Loss after Interest, Depreciation and Taxation	(187.52)	(158.61)
Provision for Taxation	33.82	(443.54)
Loss after Taxation	(153.71)	(602.16)
Loss carried to Balance Sheet	(3214.86)	(3061.15)

OPERATIONS

Uncertainty prevailed throughout the financial year based on the BIFR order to the Operating Agency advising for advertisement for change in management. As a result there has been further drop in the activity levels at the factory. Your management, despite the uncertain situation, ensured un-interrupted production at the factory, despite the cash losses.

DIRECTORS

The office of Chairman & Managing Director and the Joint Managing Director fell vacant on completion of one year's term on April 25, 2005. The Board of Directors appointed them for a further term of one year, subject to the approval of the Shareholders at the ensuing annual general meeting, on the same terms and conditions as before. Members are requested to approve their appointments.

Mr. Pravin Vepari retires by rotation and is offering himself for reappointment as Director.

Mr. Walter Saldanha retires by rotation and is offering himself for reappointment as Director.

Members are requested to appoint them as Directors to retire by rotation at the annual general meeting.

AUDITORS

M/S Haribhakti & Company, Chartered Accountants, retire as Auditors of the Company and have given their consent for re-appointment. They have confirmed that their appointment will be in conformity, as far as limits are concerned, under Section 224 of the Companies Act, 1956.

REMARKS OF AUDITORS

Observations of Auditors relate mainly to non provision of interest expenses, arrears of depreciation. In the earlier years interest provision were not made in the hope that the Operating agency will be able to get the rehabilitation proposal sanctioned by BIFR. Now that it has not happened and the commission has directed the Operating Agency for a change in management, the situation on these counts remains status quo.

FIXED DEPOSITS

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

DISCLOSURE OF PARTICULARS

No employee was in receipt of remuneration falling within the purview of Section 217 (2A) of the Companies Act, 1956 and as such particulars of employees is not applicable.

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

This has 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:

1. in the preparation of annual accounts, the applicable accounting standards have been followed;
2. they have, in the selection of the accounting policies consulted the statutory auditors and these have been applied consistently and reasonable and prudent judgements 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 2005, and the loss of the company for the year ended on that date;
3. 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;
4. 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 agenda. During the year under review four meetings were held.

Actions taken on disposing Shareholders' grievances are duly reviewed by the Shareholders' grievances committee.

ACKNOWLEDGEMENT

The Board expresses its gratitude and appreciation to the Shareholders, Debenture Holders and Financial Institutions for their support.

For and on behalf of the Board

Dr. R. N. Goel

Chairman & Managing Director

Place : Mumbai

Date : October 24, 2005

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

Form of Disclosure of Particulars with respect to Conservation of Energy

Year ended March 31, 2005

A. Power & Fuel Consumption:**1. Electricity**

a) Purchase Unit	KWH	228,807
Total Amount	Rs-Lacs	17.74
Rate / Unit	Rs	7.76
b) Own Generation		-
c) Through Diesel Generator	Unit	5,536
Unit per litre of petrol		1.86
Cost/ unit	Rs	17.93

2. Furnace Oil

Quantity	kilo litre	64,867
Total Cost	Rs lacs	9.41
Average Rate	Rs / litre	14.52

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 and Outgo: (Rs in lacs)

	2004-05	2003-04
Earnings	0.23	13.26
Outgo	5.65	3.72
Imports	19.30	0.74

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 & PHARMACEUTICALS (KARNATAKA) LIMITED (the company)** as at 31st March 2005 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and also 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 Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India 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 1 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, 2005 are as determined by the management.
 - (b) In our opinion, proper books of account 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 that as explained in accounting policy 1.d, the valuation of inventory has been done without determining its cost, which is in non compliance with AS-2 on 'valuation of inventories'
 - (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 12, 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. None of the Directors of the Company as on 31st March 2005, was a director in 1993. In light of these facts and as per a 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 elapse 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 meanwhile, 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. However, the network of the Company is fully eroded due to heavy losses year after year. In view of above, we are unable to comment whether the company can be considered as a 'Going Concern.' In view of this, we are unable to judge whether the Company can be considered as a 'Going Concern' and whether it would be in position to meet its liabilities.
- (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. 2, (b) of disputed excise duty demand of Rs. 16.66 lakhs as mentioned in Note No. 5.3, (c) of certain obligations as mentioned in Note No. 3, approximate amount Rs. 137.18 lakhs plus interest @ 18% p.a. thereon, as mentioned in Note No. 6 and (d) of interest of Rs. 1612.43 lakhs, as mentioned in Note No.7.
 - (ii) As mentioned in Note No.8, 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 the BIFR, which was, due to time lapse, 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.