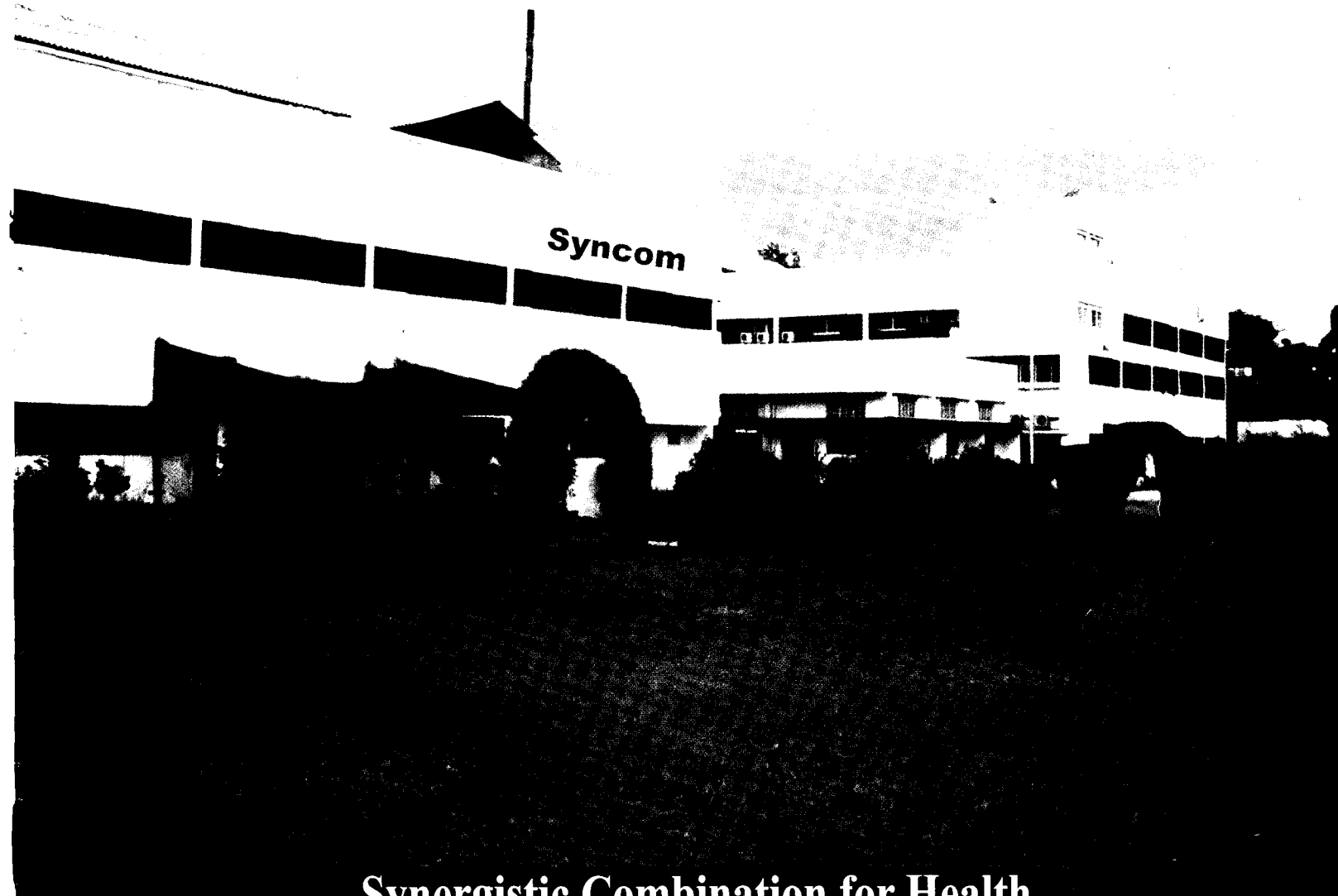
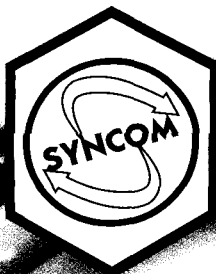


# *22<sup>nd</sup> Annual Report 2009-2010*



**Synergistic Combination for Health**



**Syneom Formulations (India) Limited**

A WHO-GMP and ISO 9001:2008 Certified Company



## Board of Directors

Kedarmal Bankda  
Chairman

Vijay Bankda  
Managing Director

C.A. Sanjay Mehta

Vinod Kabra

Krishna Das Neema

## Audit Committee

Krishna Das Neema (Chairman)

C.A. Sanjay Mehta

Vinod Kabra

## Shareholders/Investors Grievance Committee

Krishna Das Neema (Chairman)

C.A. Sanjay Mehta

Vinod Kabra

## Remuneration Committee

Krishna Das Neema (Chairman)

C.A. Sanjay Mehta

Vinod Kabra

## Auditors

S.P. Moondra & Co.,  
Chartered Accountants,  
53/8, Kanchan Bagh,  
Indore 452 001

## Bankers

Dena Bank

## Registered Office

7, Niraj Industrial Estate, Off Mahakali Caves  
Road, Andheri (East), Mumbai 400 093.

Tel. 91-22-30887744

Fax 91-22-30887755

E-Mail : [sfil87@hotmail.com](mailto:sfil87@hotmail.com)

## Corporate Office

2<sup>nd</sup> Floor, "Tagore Centre", (Dawa Bazar),  
13-14, R.N.T. Marg, Indore (M.P.) 452001

P.O. Box No. GPO. 610

Tel. 91-731-3046868

Fax 91-731-3046872

E-mail : [sfilindore@rediffmail.com](mailto:sfilindore@rediffmail.com)

## Works

256-257, Sector 1, Pithampur  
(Dhar) M.P. 454 775

Tel. / Fax 91-7292 - 253404, 403122

E-mail : [sfil\\_pth@hotmail.com](mailto:sfil_pth@hotmail.com)

## Share Transfer Agent

Ankit Consultancy Pvt. Ltd.

Alankar Point, Geeta Bhawan Chouraha,

A.B. Road, Indore (M.P.) 452 001

E-mail: [ankit\\_4321@yahoo.com](mailto:ankit_4321@yahoo.com)

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## NOTICE FOR THE 22<sup>nd</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the members of **SYNCOM FORMULATIONS (INDIA) LTD.** will be held on 29<sup>th</sup> Sept., 2010, at 3:00 P.M. at the registered office of the company at 7, Niraj Industrial Estate, Off Mahakali Caves Road, Andheri (East), Mumbai-400093 to transact the following businesses:

### I. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2010 and the Profit and Loss Account for the year ended 31<sup>st</sup> March 2010 together with the Reports of the Board of Directors and Auditor thereon.
2. To consider and approve the dividend on the equity shares of the Company.
3. To appoint a director in place of C.A. Sanjay Mehta, who is liable to retire by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Shri Vinod Kumar Kabra, who is liable to retire by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

### II. SPECIAL BUSINESS BY SPECIAL RESOLUTION:

6. To consider and if thought fit, to pass with or without modification(s) if any, the following **SPECIAL RESOLUTION:**

**RESOLVED THAT** pursuant to the provisions of section 198, 269, 302, 309 & 310 read with the provisions of Schedule XIII of the Companies Act, 1956 and other applicable provisions if any of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being enforce) the consent of the members of the Company be and is hereby granted for re-appointment of Shri Vijay Bankda as the Managing Director of the Company w.e.f. 1<sup>st</sup> Dec., 2009 for a further period of 5 years.

### CATEGORY A:

- (a) Salary: Rs.25000/- per month, with the annual increment of Rs.5000/- only.
- (b) Perquisites: Subject to the ceiling of Rs.4,00,000/- per annum:
  - (i) Company shall provide rent-free residential accommodation or House Rent Allowance shall be paid to him subject to a maximum of 50% of the salary or the Company shall provide house accommodation and 10% of salary shall be recovered by way of rent. Expenditure incurred by the Company on his electricity, water and furnishing shall be evaluated as per Income Tax Rules, 1962 subject to a ceiling of 10% of salary.
  - (ii) Re-imbursement of medical expenses of the Managing Director and his family, the total cost of which to the Company shall not exceeding one month salary in the year or three months salary in a block of three years.
  - (iii) Leave travel assistance: Expenses incurred for self and family in accordance with the Rules of the Company.
  - (iv) Club Fees: subject to a maximum of two clubs this will not include admission and life membership.
  - (v) Personal accident insurance premium not exceeding Rs.10,000/- P.A.

### CATEGORY B:

- (i) Contribution to the Provident Fund, Family Benefit Fund, Superannuating Fund as per Rules of the Company.
- (ii) Gratuity not exceeding half a month salary for each completed year of service.
- (iii) Earned Privilege Leave: As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every year of completed services at the end of the tenure.

### CATEGORY C:

- (i) Car: The Company shall provide a car with driver for the Company's business and if no car is provided reimbursement of the conveyance shall be as per actual on the basis of claims made by him.
- (ii) Telephone: Free use of telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to the Managing Director.

**NOTE:** For the purpose of perquisites stated in Category "A" above, "Family" means the spouse, the dependent children and dependent parents of the appointee.

**FURTHER RESOLVED THAT** in the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri Vijay Bankda, Managing Director shall be the minimum remuneration payable to him in terms of the provisions of Schedule XIII to the Companies Act, 1956.

**RESOLVED FURTHER THAT** Shri Vijay Bankda, Managing Director shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges, as any from time to time be available to other senior executives of the Company.

**RESOLVED FURTHER THAT** the Board of directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto and the Board shall have absolute powers to withhold the increments, decide break up of the remuneration within the above said maximum permissible limit, in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company.

By orders of the Board of Directors

Place: Indore

Date: 14<sup>th</sup> August, 2010

KEDARMAL BANKDA  
CHAIRMAN

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Register of Members and Share Transfer Book shall remain closed from 27/09/2010 to 29/09/2010 (both days inclusive).
3. (a) Members are requested to notify immediately any change of address;
  - (i) to their Depository Participants (DPs) in respect of their electronic share accounts; and
  - (ii) to the Company to its Share Transfer Agents in respect of their physical share folios, if any.
 (b) In case the mailing address on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
4. Non-resident Indian Shareholders are requested to inform Share Transfer Agents immediately:
  - (a) Change in the residential status on return to India for permanent settlement.
  - (b) Particulars of NRE Account with Bank in India, if not furnished earlier.
5. All documents referred to in the accompanying notice are open for inspection at the Registered office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.
6. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
7. Members desiring of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
8. Equity shares of the Company may also be held in the electronic form with any Depository Participant (DP) with whom the members/investors having their depository account. The ISIN No. for the Equity Shares of the Company is **INE312C01017**. In case of any query/difficulty in any matter relating thereto may be addressed to the Share Transfer Agents M/s Ankit Consultancy Pvt. Ltd., Alankar Point, Gita Bhawan Chouraha, A.B. Road, Indore (M.P.).
9. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Transfer Agent or may be down loaded from the website of the Ministry of Corporate Affairs.



10. The unpaid dividend for the year 2002-03 lying in the unpaid dividend account will be transferred to the Investors Education and Protection Fund as per the provisions of Section 205C of the Companies Act, 1956. Members who have not encashed their dividend warrants for the year 2002-03 and thereafter are requested to lodge their claim with the company immediately. It may be noted that once the unclaimed dividend is transferred to the Investors Education and Protection Fund, as above, no claim shall lie in respect thereof.
11. Pursuant to the Clause No.49 of the Listing Agreement, profile of the director proposed for re-appointment being given in a statement containing details of the concerned director is annexed hereto.
12. The dividend, if declared, will be paid on or after 04/10/2010 to the members so entitled, whose names appear in the register of members as on 27/09/2010 being the date of Annual General Meeting of the company.

## STATEMENT REGARDING THE DIRECTORS PROPOSED FOR APPOINTMENT

Name and Designation Of Appointee	Age/ Qualification Year	Expertise/ Experience	Date of appoint -ment	Other Directorship	No. of shares held & %age
Shri Vijay Bankda, Managing Director	51 years B.Com, LLB	He has experience of more than 29 years in the Pharmaceutical Industry.	01/12/1999	Nil	24,27,657 shares consisting 19.56%
C.A. Sanjay Mehta, Independent Director	41 years B.Sc., F.C.A.	Practicing C.A. and Has experience of more than a decade in field of Corporate Law, Taxation and Finance.	31/07/2004	Director in MSK Projects India Ltd.	0
Shri Vinod Kumar Kabra Independent Director	58 years B.Ed., M.Com LLB	Experience more than 32 years in the educational field	30/04/2007	Nil	0

## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT IN PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT TO THE SPECIAL BUSINESS

#### Item No.6:

Shri Vijay Bankda, Managing Director was re-appointed by the Members for a period of five years and his tenure has been completed on 30<sup>th</sup> Nov., 2009. Therefore the Board of directors of the Company upon recommendation of the remuneration committee of the Board has re-appointed him for a period of 5 years w.e.f. 1<sup>st</sup> Dec., 2009 on the terms, conditions and remuneration as set out in the notice of the Annual General Meeting.

Shri Vijay Bankda is graduate degree in commerce and Laws and looking into all the marketing, finance and corporate affairs of the Company at the Registered office, Mumbai. Looking into the expanded business activities, and his contribution in the growth and success of the Company, your Board of directors recommend for re-appointment of Shri Vijay Bankda as proposed in Item No.6 of the notice by way of special resolution.

Except, being re-appointed and Shri Vijay Kumar Bankda and Shri Kedarmal Bankda being relatives none of the directors are interested or concerned in the resolution.

By orders of the Board of Directors

KEDAR MAL BANKDA  
CHAIRMAN

Place:Indore  
Date : 14<sup>th</sup> August, 2010

## DIRECTORS' REPORT

To,  
The Members,  
Syncom Formulations (India) Limited

Your directors have pleasure in presenting their 22<sup>nd</sup> Annual Report and Audited Statements of Accounts for the year ended 31<sup>st</sup> March 2010.

### 1. FINANCIAL PERFORMANCE

Financial Results of the Company for the year under review along with the figures for previous year are as follows:

Financial Results		(Rs. In Lacs)	
Particulars	Year ended 31/03/2010	Year ended 31/03/2009	
Net Sales and Other incomes	8,575.26	5,831.75	
<b>Profit before interest, depreciation and tax</b>	<b>956.18</b>	<b>747.76</b>	
Less: Financial Charges	54.73	53.17	
Less: Depreciation	217.39	140.08	
<b>Profit before Taxation</b>	<b>684.06</b>	<b>554.51</b>	
Provision for Taxation for current year	217.44	122.20	
Difference in income tax for previous year	10.09	116.60	
Fringe Benefit Tax	0	14.34	
Deferred Tax	15.18	36.98	
<b>Net Profit after tax</b>	<b>441.35</b>	<b>264.39</b>	
Add: Balance brought forward from previous years	364.94	305.16	
<b>Amount available for appropriation</b>	<b>806.29</b>	<b>569.55</b>	
Appropriation: Transfer to general Reserve	250.00	150.00	
<b>Proposed Dividend</b>	<b>86.67</b>	<b>46.69</b>	
Corporate Dividend Tax	14.73	7.93	
Balance carried to the Balance Sheet	454.89	364.93	
<b>E.P.S. (in Rs.) (Annualized)</b>	<b>5.18</b>	<b>4.25</b>	

### 2. REVIEW OF OPERATIONS:

During the year under review Company achieve total turnover of Rs.8575.26 lacs as compared to Rs 5831.75 lacs during previous year thereby registering growth of 47.04% in turnover YOY basis. The company generated profit of Rs.441.35 as compared to Rs 264.39 lacs during the previous year thereby registering growth of 66.93% YOY basis.

### 3. MARKETING AND EXPORT:

During the year under review the export sales of the company increase to Rs 6860.77 lacs as compared to previous year Rs 4655.58 lacs which registered a growth 47.36%. The company increased efforts in building up of the export market in various countries and expects significant improvement in current and future years.

#### Company's prospects in domestic market

Cratus Life Care, is the domestic division of your company and is carrying marketing in the Ethical and OTC divisions of formulations products of the Company. Ethical division comprises mainly of therapeutic divisions such as Vitamins, Nutritional Supplements, Cough and Cold, Gynecology, Orthopedics & Dermatology divisions. In order the increase its market share, your company plans to make major investment on media promotions for its certain products to enable market seeding and market creation. This coupled with other marketing efforts of company is expected to enable the company to maintain and increase its market share in market segments in which it has presence.

Further that your company is making all the efforts to grow and develop revenue under its only two operating divisions viz Export business under Syncom Formulations (India) Limited and Domestic Business under Cratus Life Care (A Division of Syncom Formulations (India) Limited).

### 4. CONTRACT MANUFACTURING:

Your company has been doing contract manufacturing for certain large companies in various therapeutic divisions. Your Company intends to expand the contract manufacturing activities on a major scale in near future to utilized its spare capacity in various divisions.

### 5. DIVIDEND:

Your Director's philosophy is to enhance stakeholders and customers



satisfaction value. In continuation of said philosophy your directors are please to recommend payment of 19<sup>th</sup> dividend @ Rs.0.50 per equity share including the new 49,24,000 equity shares allotted on 30<sup>th</sup> June, 2010 under the preferential issue subject to approval by members at the coming Annual General Meeting.

## 6. ISSUANCE OF NEW SECURITIES:

Looking into the expanded capacity available with the Company, in order to utilize the same, requirement for long term working capital has substantially increased for the increasing export and domestic turnover. Your company has raised new shares of Rs.10/- each at a premium of Rs.7/- per shares through right issue of equity share to the members of the Company in the ratio of one equity share for every 2 equity shares held by the members together with the Detachable Warrants given entitlement of one equity share allotted under the Right at a price of Rs.17/- per shares with the total capital being raised Rs.1051.42 lacs. The Company's issue was fully subscribed and the proposed new shares have been listed at the Bombay Stock Exchange Ltd.

The existing 3,25,000 Warrants of Rs.46 each, convertible into equity share of Rs.10/- each at a premium of Rs.36 per equity share on 29<sup>th</sup> March, 2008 were forfeited during the year under review.

Further that your company has issued 49,24,000 Equity Shares of Rs.10/- each at a premium of Rs.18/- per share aggregating Rs.1378.72 lacs on 30<sup>th</sup> June, 2010 as per the special resolution passed u/s 81(1A) of the Companies Act, 1956 by the members at their extra ordinary general meeting held on 16<sup>th</sup> May, 2010 for consideration otherwise then in cash for acquisition of various properties from the promoter group of the Company on preferential basis as per SEBI (ICDR) 2009.

Your company has further issued 49,70,000 Warrants convertible into equity shares of Rs.10/- each at a price of Rs.28/- per share (including premium of Rs.18/- per share) on 30<sup>th</sup> June, 2010 to the strategic investors as per the special resolution passed u/s 81(1A) of the Companies Act, 1956 by the members at their extra ordinary general meeting held on 16<sup>th</sup> May, 2010 to meet out the long term working capital requirements of the Company.

## 7. PURPOSE OF RAISING FUNDS AND ITS UTILISATION ON THE DATE OF DIRECTOR'S REPORT:

Date of issuance of securities	Purpose of raising capital	Amount raised (Rs. in Lacs)	Amount utilized (Rs. in Lacs)
On 25/05/2009 through Right issue	For long term working capital requirements	529.12	529.12
On 25/03/2010 conversion of warrants issued with right	— do —	522.38	522.38
On 30/06/2010 Preferential issue of shares	For acquisition of various properties	1,378.72	1,378.72
On 30/06/2010 Preferential issue of warrants	For long term working capital requirements	347.90	347.90

## 8. OPEN OFFER FOR ACQUISITION OF SHARES

The Board of Directors allotted 4924000 Equity Shares to the promoters and persons acting in concert with them by way of preferential allotment on 30<sup>th</sup> June 2010. This allotment led to compulsory triggering of takeover as per SEBI (SAST) Regulations, 1997 as amended and therefore the Promoters had to give Open Offer to the public for acquisition upto 20% of the Equity Shares of Rs. 10/- each. Therefore, the acquirers had made Public Announcement on 6<sup>th</sup> July 2010 for acquiring upto 34, 66,870 Equity Shares from Public Shareholders of the Company at an Offer Price of Rs. 34/- Per Share.

## 9. BOARD OF DIRECTORS:

The Board consists of Executive and Non-Executive Directors including independent Directors who have wide and varied experience in different disciplines of corporate functioning.

CA Sanjay Mehta and Shri Vinod Kumar Kabra are liable to retire by rotation at the ensuing Annual general meeting and being eligible offers himself for re-appointment.

Shri Vijay Bankda was re-appointed as the Managing Director by the Board at their meeting held on 30<sup>th</sup> Oct., 2009 for a further period of 5 years w.e.f. 1<sup>st</sup> Dec., 2009 on the terms and conditions as set out in the notice of the Annual General Meeting.

Your Directors recommend to pass necessary resolutions for the above said purposes as proposed in the notice of the Annual General Meeting.

## 10. DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956, your directors state that:

- In the preparation of accounts, the applicable accounting standards have been followed.
- Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of March 31, 2010 and the profit 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 Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- The annual accounts of the Company have been prepared on a going concern basis.

## 11. PARTICULARS OF THE EMPLOYEES:

There was no employees in the company who, if employed throughout or part of the financial year, were in receipt of remuneration, whose particulars if so employed, are required to be included in the Report of directors in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

## 12. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTIONS AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 and particular of employees are set out in the annexure 1 attached to this report.

## 13. PUBLIC DEPOSITS:

Your Company has not accepted any public deposit within the meaning of provisions of section 58A and 58AA of the Companies Act, 1956 and there is no outstanding deposit due for re-payment.

## 14. AUDITORS AND THEIR REPORT:

M/s S.P. Moondra & Co., the statutory auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting and the company is in receipt of confirmation from them that if they are reappointed, their appointment will be in accordance with the limit mentioned in section 224(1B) of the Companies Act, 1956.

Comments of the Auditors in their report and the notes forming part of Accounts are self-explanatory and need no comments.

## 15. CORPORATE GOVERNANCE:

Your Company is committed to good Corporate Governance Practices and following to the guidelines prescribed by the SEBI and Stock Exchanges from time to time. The Company has implemented all the mandatory requirements as applicable to the Company. A report on the Corporate Governance together with the Auditors Certificate are set out in the annexure 2 attached to this report.

## 16. PERSONNEL:

The Company continued to have cordial and harmonious relationship with its employees. In totality our employees have shown a high degree of maturity and responsibility in responding to the changing environment, economic and the market conditions.

## 17. ACKNOWLEDGMENTS:

Your directors take this opportunity to express their gratitude for the assistance and continued cooperation extended by the Banks, financial institutions, government authorities, customers and suppliers, the director are pleased to record their sincere appreciation for the devotion and sense of commitment



shown by the employees as all levels and acknowledge their contribution towards sustained progress and performance of your company.

For and on behalf of the Board of Directors

Place: Indore

Date : 14<sup>th</sup> August, 2010

KEDARMAL BANKDA  
CHAIRMAN

## Annexure 1 to the Directors' Report:

[Information as per the Companies (Disclosure of particular in Report of Board of Directors) Rules, 1988]

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE:

Information as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 is given hereunder:

#### I. CONSERVATION OF ENERGY:

The Company has taken many steps for the Conservation of Energy.

	Current Year (2009-2010)	Previous Year (2008-2009)
1. Electricity (Purchased) Units	18,79,620	14,66,840
Amount (Rs.)	1,05,01,729	80,56,979
Rate/unit (Rs)	5.59	5.49
2. Electricity (Generated) units	11,482	9,860
Amount (Rs.)	1,31,680	1,06,020
Unit per Litre of Diesel oil	3.61	3.53
Rate/unit (Rs.)	11.46	10.75

#### II. CONSUMPTION PER UNIT OF PRODUCTION:

In view of varied nature of products, of their units measurement and of their packs, it is not feasible to give information on the accurate consumption per unit of production.

#### III. RESEARCH & DEVELOPMENT:

##### 1 Specific areas in which the company carries out R&D:

The Scope of activities covers process development in drug and pharmaceutical formulations.

##### 2 Benefits Derived from R&D

- Productivity and quality improvements.
- Improved process performance and better-cost management
- Enhancement of safety and better environmental protection

##### 3 Future plan of action

- Develop cost effective process for existing and new products.
- Development of new drug delivery systems.
- Development of new products for international marketing.
- Improvements in quality and productivity.

##### 4 Expenditure on Research and Development

NIL (Previous Year: NIL)

#### TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

The company has so far not imported any technology. The company manufactures standard products for which technology is established.

#### FOREIGN EXCHANGE EARNING AND OUTGO:

During the year company has earned foreign exchange by effecting export sales worth of Rs 6663.22 lacs (previous year 4615.32 lacs) (FOB value) and total foreign outgo was Rs. 11.78 Lacs (previous year 141.21 Lacs).

For and on behalf of the Board of Directors

## Annexure 2 to the Directors' Report: CORPORATE GOVERNANCE REPORT REPORT OF COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES MANAGEMENT DISCUSSIONS AND ANALYSIS:

### 1. Industry Structure and Developments

#### (a) Industrial Scenario

According to IMS Health Inc., the global pharmaceutical market grew by 7% in 2009 compared with 4.8% growth in 2008. In 2010 market is expected to grow by 4% to 6%. This growth will be largely driven by strong overall growth in the emerging countries as well as the rising influence of Health Care access and funding on market demand.

The Indian pharmaceutical market has seen a CAGR of about 14% in the last five years. It continues to be highly fragmented and dominated by Indian Companies. The domestic pharmaceutical Industry grew by 18% in March 2010 compared to 10% in March 2009. The Government of India's vision 2015 indicates an 18% plus CAGR for the pharmaceutical sector, translating to a doubling of revenues over the next five years. According to this report, growth will be driven by all verticals: domestic formulations, generic exports and outsourcing.

The Indian Pharmaceuticals market valued at around USD 9 billion continues to be a highly fragmented market with more than 5000 players, the vast majority of which are in the unorganized sector. It is predominantly a "branded generics" market with over 25000 brands and is growing @ 10 % p.a.

Introduction of a product patent regime was widely welcomed but an environment of world class intellectual property rights including data protection continues to be elusive. There is a need to foster an ecosystem that recognizes, respects and rewards innovation.

The Pharmaceutical Policy 2002 which proposed to increase the scope of price control to all 354 drugs needs serious review. Industry hopes that its recommendation to government of price monitoring as opposed to price control of drugs will form the basis of the progressive new Pharmaceutical Policy.

The Indian over-the-counter (OTC) medicines market, valued at over USD 1.8 billion, is the 11<sup>th</sup> largest in the world. It is the second fastest growing market globally with a growth rate of around 9% per annum. The market has been performing well, partly due to switch of popular brands from prescription to OTC.

Despite strong growth, the OTC market development is still held back by several factors. OTC per capita spend remains low for several reasons, including reliance on herbal home remedies, regulatory restrictions, counterfeit medicines and price control. Pharmacies are mainly concentrated in urban areas and while they are increasingly being found in rural areas, doctor- dispensing is still the norm. The Government continued focus on economic reforms, its commitment to increase its investment in health care a robust service sector and India's demographic profiles are expected to sustain the growth momentum in the pharmaceuticals market.

#### (b) Threats, Risks and Concerns:

Lack of clarity on the Government's future policy especially in relation to price control continues to be an area of major concern for the industry. The absence of a clear objective and transparent policy on drug pricing continues to impact the overall industry direction.

Introduction of new taxes and changes in existing tax laws as well as other statutes particularly in the pharmaceutical sector continue to pose challenge to the industry

Slower consumer off-take resulting from the recent economic slowdown may result in poor prescription compliance, namely postponing treatment and/or buying less than the prescribed dosage.

#### (c) Opportunity:

The Indian middle class is growing rapidly with increasing prospects for greater health insurance coverage. The Indian , market is under-insured with less than 4% of the population covered by State Health Insurance The private health insurance market is limited to a miniscule number. It is estimated that the number of Indians who can afford quality private healthcare stands at about 100 million, which is about 1/3rd of the middle class population and 1/10th of the total

Place: Indore

Date : 14<sup>th</sup> August, 2010

KEDARMAL BANKDA  
CHAIRMAN



Population. Increasing penetration of health insurance coupled with rising purchasing power is expected to stimulate the market. Healthcare reforms are also expected to expand the coverage of organized healthcare to rural areas leading to increased supply of secondary care.

Your company has set up a strong distribution network in countries where it operates. We are still in process of entering newer markets globally. The increasing spending on healthcare world wide will help to grow sales. Also your company has created an excellent base in the huge and potential Indian Pharma market. This gives your company an excellent opportunity to grow in domestic as well as international market.

## (d) Outlook

Your company has been focusing on achieving higher sales growth in the two division in the same pharmaceutical segment viz Export business under Syncom Formulations India Limited and Domestic Business under Cratus Life Care (A Division Of Syncom Formulations India Limited).

Your company has invested in manpower in sales and marketing to consolidate and accelerate its growth. While keeping its focus on achieving a higher sales growth, the company continues to work on generating cost related efficiency in areas of Supply Chain, Administrating expenses, Selling expenses and Manufacturing expenses.

We believe that 2011 could be as optimistic with the economic environment getting favourable .

## (e) Internal control systems and their adequacy:

The Company has an adequate system of internal controls which ensures that its assets are protected against loss from unauthorized use or disposition and all transactions are authorized, recorded and reported in conformity with generally accepted accounting principles.

The internal control systems are documented with clearly defined authority limits. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically updated to meet current business requirements.

The Company has a system for regular review of Internal Controls to assess its effectiveness and the controls are suitably revised to keep pace with changing business environment. Internal Control Systems and processes are reviewed and tested by Internal Auditors on a regular basis. The scope of Audit Program is agreed upon with the Audit Committee. Audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of the said recommendations.

The Management Committee addresses the business risk on continuous basis. During the year, the Company has taken the initiative to institutionalize an enterprise-wide risk management program and integrate the same with Internal Controls.

## (f) Cautionary statement:

Statement in the management discussion and analysis describing company's objectives, projections, estimates and expectations may constitutes "forward looking statement" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

## 2. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company has been committed to healthy corporate governance practices. Being a value driven organization, the Company's corporate governance practices and disclosures have been duly complied with the statutory and regulatory requirements of the Companies Act, 1956, Securities and Exchange Board of India Act, 1992, together with all the rules and regulations framed there under and the provisions of the listing Agreement and all other applicable laws. The Company's corporate governance policies and practices are in accordance with the provisions of Clause 49 of the Listing Agreement and has complied with all the mandatory requirement as applicable to the Company.

## 3. BOARD OF DIRECTORS:

### (a) Constitution of the Board of Directors.

The Company is having whole-time executive Chairman and Managing Director, who discharge their duties and obligations under the superintendence and control of the Board of Directors of the Company. In the Board of Directors of the Company, the majority of the directors are independent and non-executive

having varied and rich experience.

Details of the directors are as under:

Director	Executive /Independent	No. of outside directorship held
Shri Kedarmal Bankda	Promoter & Executive	1
Shri Vijay Bankda	Promoter & Executive	0
Shri Vinod Kumar Kabra	Independent/NED	0
C.A. Sanjay Mehta	Independent/NED	1
Shri Krishna Das Neema	Independent/NED	0

### (b) Details of director reappointment/seeking appointment.

Shri Vinod kumar Kabra and C.A. Sanjay Mehta, the Director of the company, are liable to retire by rotation and seeking there re-appointment.

### (c) Dates of the Board Meetings and Attendance Record of the Directors:

During the financial year 2009-10, 9 meeting of the Board of Directors were held. The following table gives the attendance record of all the Directors at the Board Meetings.

Name of Director	Mr. Kedarmal Bankda	Mr. Vijay Bankda	Mr. Vinod Kr. Kabra	C.A. Sanjay Mehta	Mr. Krishna Das Neema
Dates of Meetings					
29.04.2009	Yes	Yes	Yes	LOA	Yes
04.05.2009	Yes	Yes	Yes	LOA	Yes
10.07.2009	Yes	Yes	Yes	LOA	Yes
31.07.2009	Yes	Yes	Yes	LOA	Yes
28.08.2009	Yes	Yes	Yes	LOA	Yes
31.09.2009	Yes	Yes	Yes	LOA	Yes
23.01.2010	Yes	Yes	Yes	Yes	Yes
30.01.2010	Yes	Yes	Yes	LOA	Yes
25.03.2010	Yes	Yes	Yes	Yes	Yes

## 4. AUDIT COMMITTEE:

As a measure of good Corporate Governance and to provide assistance to the Board of Directors and to meet the requirement of section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement and in fulfilling the Board's overall responsibilities, an Audit Committee consisting of only independent directors is continuously functioning since its formation. The Audit Committee inter-alia has all the powers and played its role in terms of the Clause 49 of the Listing Agreement:

### (a) Composition of the Audit Committee:

The Audit Committee of the Company was constituted comprising of the following independent Directors:

S. No.	Name	Designation	Position in Committee
1.	Shri Krishna Das Neema	Director	Member/Chairman
2.	C.A. Sanjay Mehta	Director	Member
3.	Shri Vinod Kabra	Director	Member

Shri Devendra Maheshwari, the G.M. (Accounts) and Compliance officer appointed by the Board is also functioning as the Secretary of the Committee. The Chairman and Statutory Auditor of the Company is the special invitee to the meeting of the Audit Committee.

### (b) Meetings and Attendance during the year:

Name of the Director	Mr. Vinod Kabra	C.A. Sanjay Mehta	Mr. Krishna Das Neema
Dates of the Meeting			
29.04.2009	Yes	LOA	Yes
30.07.2009	Yes	LOA	Yes
28.08.2009	Yes	LOA	Yes
31.10.2009	Yes	LOA	Yes
30.01.2010	Yes	LOA	Yes

Remarks : "LOA" = leave of absence granted.

## 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

### (a) Brief description of terms of reference:

The Company has a Shareholders Grievance & Transfer Committee at the Board level to look into the redressing of shareholders and investor's complaints like:





- (i) Transfer of Shares, transmissions and delay in confirmation in D-mat of shares;
- (ii) Non-receipt of Annual Report, etc.
- (iii) Non-receipt of the dividend warrants.

## (b) Composition of Shareholders Grievance and Transfer Committee:

S. No.	Name	Designation	Position in Committee
1.	Shri Krishna Das Neema	Director/NED	Member/Chairman
2.	C.A. Sanjay Mehta	Director/NED	Member
3.	Shri Vinod Kabra	Director/NED	Member

Shri Devendra Maheshwari, the G.M. (Accounts) and Compliance officer appointed by the Board is also functioning as the Secretary of the Committee.

(c) Name and designation of Compliance Officer : Shri Devendra Maheshwari, G.M. (Accounts)

## (d) Status of the investors/shareholders Complaints :

- (i) Number of complaints received during the year : 53
- (ii) Number of complaints solved during the Year : 53
- (iii) Number of complaints pending at the end of the year : NIL

The Company has authorised to implement transfer, transmission and D-mat of Shares to the Share Transfer Agent and to resolve the relating problems as professional agency. The Committee meets only on specific nature of complaints not resolved within a period of 21 days from the date of its receipts.

## 6. REMUNERATION/COMPENSATION COMMITTEE:

### (a) Brief description of terms of reference:

The terms of reference of the Committee are to review and recommend compensation payable to the Executive Directors. The Committee also ensures that the compensation policy of the Company provides for performance-oriented incentives to management.

### (b) Composition of the Committee

S. No.	Name	Designation	Position in Committee
1.	Shri Krishna Das Neema	Director/NED	Chairman
2.	C.A. Sanjay Mehta	Director/NED	Member
3.	Shri Vinod Kabra	Director/NED	Member

A meeting of the remuneration committee was held on 31st Oct., 2009 for approval of re-appointment of Shri Vijay Bankda as the Managing Director of the Company in which proper quorum was present.

### (c) Remuneration of Executive and Non Executive Directors:

The terms of remuneration of Mr. Kedarmal Bankda, the Chairman and Whole-time Director and Mr. Vijay Bankda, the Managing Director are in accordance with the approval of shareholders at are within the limits of Schedule XIII of the Companies Act, 1956.

Director	Sitting Fees (Rs.)	Salary & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Shri Kedarmal Bankda	0	3,00,000	0	3,00,000
Shri Vijay Bankda	0	3,00,000	0	3,00,000
Shri Vinod Kabra	10,000	0	0	10,000
C.A. Sanjay Mehta	10,000	0	0	10,000
Shri Krishna Das Neema	10,000	0	0	10,000

## 7. GENERAL MEETINGS:

The last three Annual General Meeting of the Company were held at the registered office of the Company on the following dates and times:

	Date	Time	No. of Special business Transacted	No. of resolutions passed by postal ballot process
21 <sup>st</sup> AGM	30 <sup>th</sup> September, 2009	03.00 p.m.	0	-
20 <sup>th</sup> AGM	26 <sup>th</sup> September, 2008	02.00 p.m.	5	-
19 <sup>th</sup> AGM	29 <sup>th</sup> September, 2007	12.30 p.m.	1	-

The Chairman/Member of the Audit Committee was also present at the Annual General Meeting. No extra ordinary general meeting was held during the year 2009-10

## 8. DISCLOSURES

The Board of Directors of the Company do hereby state and confirm that:

- (i) There are no material significant related party transactions made by the

Company with its promoters, directors or the management, their subsidiaries or relatives that may have potential conflict with the interests of Company at large. The register of contracts containing transactions in which Directors are interested is placed before the Board regularly for its approval.

- (ii) During the last three years there was no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets.

## 9. WHISTLE-BLOWER POLICY:

We have established a mechanism for employee to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The mechanism also provides for adequate safeguard against victimization of employee who avails of the mechanism and also provides for direct access to the chairperson of the audit committee in exceptional cases. We further affirm that during the financial year 2009-10, no employee has denied access to the audit committee.

## 10. CODE OF CONDUCT

1. The Company is having code of conduct for prevention of insider trading.
2. The Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct has been posted on the notice Board/website of the company and all Board members and senior management personnel has affirmed compliance with the code on an annual basis.

## 11. MEANS OF COMMUNICATION:

Quarterly results of the Company are published in leading newspapers such as **Navshakti Maratha** being the Marathi vernacular newspaper and the **Free press Journal**, English newspaper. The results are promptly submitted to the Stock Exchanges where the shares of the Company are listed.

## 12. GENERAL INFORMATION TO SHAREHOLDERS & INVESTORS

- (i) Date, Time & Venue of Annual General Meeting : 29<sup>th</sup> September, 2010 at 3.00 P.M. at the Regd. Office of the Company.
- (ii) Financial Calendar : April 2010 to March 2011
  - Result for the quarter ended 30.06.2010 : On 14<sup>th</sup> Aug., 2010
  - Result for the quarter ended 30.09.2010 : Before 15<sup>th</sup> Nov., 2010
  - Result for the quarter ended 31.12.2010 : Before 15<sup>th</sup> Feb., 2011
  - Result for the quarter ended 31.03.2011 : Before 15<sup>th</sup> June, 2011
- (iii) Board meeting for consideration of Annual A/cs : 14<sup>th</sup> August, 2010
- (iv) Posting of Annual Report : On or before 4<sup>th</sup> Sept., 2010
- (v) Last date for receipt of Proxy : 27<sup>th</sup> Sept., 2010
- (vi) Date of dispatch of dividend warrants/cheques : on or before 28<sup>th</sup> Oct., 2010
- (vii) Dates of Book Closure : From 27<sup>th</sup> Sept., 2010 to 29<sup>th</sup> Sept., 2010
- (viii) Listing on Stock Exchange : The Bombay Stock Exchange Limited
- (ix) Stock Code : BSE Code 523144
- (x) D-mat ISIN No. For CDSL and NSDL : INE312C01017
- (xi) No. Of Shareholders on 31.03.2010 : 7,272
- (xii) Stock Market Data:

The monthly High and Low stock quotations during the financial year ended 31<sup>st</sup> March 2010 on BSE are as under (Source the Website: bseindia.com)

Month	High (Rs.)	Low (Rs.)	Volume of shares traded
Apr-2009	18.50	13.20	76,936
May-2009	23.80	14.85	1,31,523
Jun-2009	23.60	15.10	4,05,396
July-2009	20.00	15.80	1,42,385
Aug-2009	24.80	17.30	3,20,687
Sep-2009	24.95	19.30	3,16,907
Oct-2009	25.00	17.35	1,58,570
Nov-2009	23.75	17.10	1,02,658
Dec-2009	28.00	19.15	3,37,471
Jan-2010	29.85	23.10	6,26,157
Feb-2010	31.00	23.00	3,62,250
Mar-2010	30.50	22.00	6,61,976