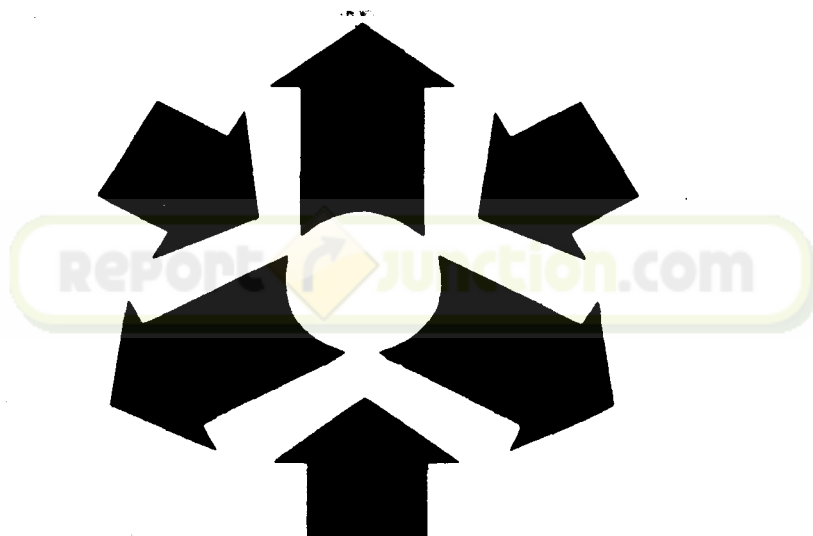


TRANSCHEM LIMITED



29TH ANNUAL REPORT 2005-2006



TRANSCHEM LIMITED

BOARD OF DIRECTORS	MR. RAJEN K. DESAI DR. G. S. BHAT MR. UMESH SARAF MR. SHIVANAND G. HEGDE MR. HEMANT LAD MRS. BINA SHAH MR. NEERAV MERCHANT	<i>Chairman</i> <i>Executive Director</i> <i>Executive Director</i> <i>Executive Director</i>
COMPANY SECRETARY	MR. D. V. KULKARNI	
AUDITORS	M/S. L. T. JADAV & CO.	
BANKERS	State Bank of India Calyon Bank HDFC Bank Union Bank of India UTI Bank	
REGISTERED OFFICE	102-104, Vardhaman Industrial Complex, Lal Bahadur Shastri Marg, Thane (W) – 400 601.	
PLANTS	Plot No. 7, M.I.D.C., Kalyan Badlapur Road, Ambernath, MAHARASHTRA. Gat No. 379, Village Bebadohol, Taluka Maval, District Pune – 410 506.	
REGISTRAR & SHARE TRANSFER AGENT	M/s. Adroit Corporate Services Pvt. Ltd. 19, Jaferbhoy Industrial Estate, 1st Floor, Makwana Road, Marol Naka, Mumbai – 400 059.	

TRANSCHEM LIMITED**NOTICE**

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the members of **TRANSCHEM LIMITED** will be held on Saturday, the 30th day of September, 2006 at Hotel Royal Inn, Gokul Nagar, Thane (W) – 400 601 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2006 and Profit & Loss Account for the year ended on that date along with the reports of Directors and Auditors thereon.
2. To appoint a director in place of Mr. S. G. Hegde, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. Hemant Lad, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the financial year 2006-07 and fix their remuneration. The retiring Auditors M/s. L. T. Jadav & Co. are eligible for re-appointment.

By order of the Board of Directors
For TRANSCHEM LIMITED

(D. V. KULKARNI)
Company Secretary

Place : THANE
Date : 07th September, 2006

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be filed with the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting.
2. The Register of Members and Share Transfer books of the Company shall remain closed from 25th September 2006 to 30th September 2006 (both days inclusive).

By order of the Board of Directors
For TRANSCHEM LIMITED

(D. V. KULKARNI)
Company Secretary

Place : THANE
Date : 07th September, 2006

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed / re-appointed are as follows :

- | | | | |
|----|--------------------|---|---|
| 1. | Name | : | Mr. Shivanand G. Hegde |
| | Age | : | 45 years |
| | Qualification | : | M.Sc (Organic Chemistry) |
| | Expertise | : | Worked with reputed Pharmaceuticals companies and having experience of about 20 years in Bulk Drugs / Fine Chemicals. |
| | Other Directorship | : | NIL |
| 2. | Name | : | Mr. Hemant Lad |
| | Age | : | 44 years |
| | Qualification | : | B.Com |
| | Expertise | : | Having expertise in Finance |
| | Other Directorship | : | NIL |

DIRECTORS REPORT

Dear Members,

Your Directors are pleased to submit their Twenty Ninth Annual Report, together with the Audited Statement of Accounts of your Company for the financial year ended 31st March 2006.

FINANCIAL RESULTS :**(Rs. in lacs)**

	Current year ended 31-03-2006	Previous year ended 31-03-2005
Income from Sales	6014.60	4968.77
Other Income	96.35	654.76
Gross Profit before Depreciation & Taxation	322.60	760.11
Depreciation	250.54	236.41
Provision for Tax	6.52	41.00
Profit after Depreciation & Taxation	65.54	482.70

OPERATION:

Bulk API Companies saw oil price hit new high. Consequently, the raw materials continue to price rise during the year.

Your company took various steps to counter the steep price rise. Strongly enough the price rise could not be transferred to the market. Your company continues to pursue aggressively the regulated market by DMF route, which will give better yields. Your company participated in CPhI at Madrid to explore the international market. Buyers from several countries visited the stall and showed keen interest in your company's products.

DIVIDEND :

Your Directors have not recommended any dividend to the equity shareholders.

PERSONNEL :

There is no employee drawing salary exceeding or equal to the limit as prescribed in the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975.

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

The information required under Section 217(1)(e) of the Companies Act, read with the Companies (Disclosure of the particulars in the report of the Board of Directors) Rules, 1988 in respect of Pharma Division of the Company is appended hereto and forms part of this report.

DIRECTORS :

There was no change in the constitution of Board of Directors of your Company during the year.

DEPOSITS :

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

INDUSTRIAL RELATIONS :

The Industrial relations continued to be cordial throughout the year.

TRANSCHEM LIMITED

CORPORATE GOVERNANCE :

The Board has been committed to adopt, besides any obligations under relevant laws or regulations, relevant best practices for Corporate Governance. Further, the Company is regular in filing and submitting Compliance Report on Corporate Governance to the Stock Exchange wherein it is listed and has fully implemented all the requirements of Clause 49 of the Listing Agreement.

AUDIT COMMITTEE :

Pursuant to the Companies Act, 1956 and Clause 49 of the Listing Agreement, Board of Directors has constituted an audit Committee. The present constitution of Audit Committee is of three Non-Executive Directors. Mrs. Bina Shah, an Associate member of Institute of Company Secretary is an expert in the financial matter. Mr. Hemant Lad and Mr. Rajen Desai, are holding Bachelor Degree in Commerce, have financial literacy. Mrs. Bina Shah a Non-Executive Independent Director is the Chair person of the said committee. The Company Secretary used to act as Secretary of the Audit Committee.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies (Amendment Act) 2000, the Directors of the Company state as under that:

- (i) in the preparation of annual accounts, applicable Accounting Standards have been followed.
- (ii) the Directors have selected such accounting policies and consistently applied them and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit for the year.
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the Directors have prepared annual accounts on a ongoing concern basis.

AUDITORS :

M/s. L. T. Jadav & Co., Chartered Accountants of Mumbai, will retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness for re-appointment.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their appreciation for the support and co-operation received from the Government authorities and the Company's Bankers. Your Directors also commend the contribution made by the employees.

By order of the Board of Directors
For TRANSCHEM LIMITED

Place : THANE
Date : 07th September, 2006

(RAJEN K. DESAI)
Chairman

ANNEXURE

FOR PHARMA DIVISION

FORM A

(See Rule 2)

Form for Disclosure of particulars with respect to conservation of Energy :

A. POWER AND FUEL CONSUMPTION :

	Current Year	Previous Year
1. ELECTRICITY :		
(a) Purchase :		
Consumed Unit	1311272	1240224
Total amount (Rs. in lacs)	49.35	45.88
Rate / Unit (Rs.)	3.76	3.70
(b) Own generation through Diesel :		
Generator Set :		
Unit	24291	13900
Unit per-litre of diesel oil	1.55	1.40
Cost / Units	22.41	22.78
2. COAL :		
Quantity (tonnes)	NIL	NIL
Total Cost	NIL	NIL
Average rate	NIL	NIL
3. FURNACE OIL / L.D.O. :		
(a) L.D.O.		
Quantity (litres)	302478	275856
Total amount (Rs. in lacs)	74.38	63.46
Rate / Litre	24.59	23.01
(b) FURNACE OIL :		
Quantity (litres)	7345	NIL
Total amount (Rs. in lacs)	1.18	NIL
Rate / Litre	16.04	NIL
4. OTHER / INTERNAL GENERATION :		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate/Unit	NIL	NIL

TRANSCHEM LIMITED**FORM B**
(See Rule 2)

Form for disclosure of particulars with respect to absorption :

Research and Development (R&D) :

- | | | | |
|----|--|---|---|
| 1. | Specific areas in which R & D carried out by the Company | : | Development of cost effective and environmentally friendly process for scaled up Bulk drugs. To develop new high value Molecule. |
| 2. | Benefits derived as a result of above R & D | : | New Eco friendly process developed which has improved cost |
| 3. | Future plan of Action | : | With the ushering in of the new scenario of WTO and implementation of Patent Regime, Company will try to take advantage of patent protection. |
| 4. | Expenditure on R & D | : | (Rs. in lacs) |
| | (a) Capital | : | Rs. 4.08 |
| | (b) Recurring | : | Rs. <u>130.57</u> |
| | | : | Rs. <u>134.65</u> |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- | | | | |
|----|--|---|---|
| 1. | Efforts, in brief, made towards Technology absorption, adaptation and innovation | : | Process of Cymiazole standardized on plant. |
| 2. | Benefits derived as a result of the above e.g. product improvement, cost reduction, product development, import substitution, etc. | : | Company continues to be the larger Vet API producer in the country. |
| 3. | The Company has not used any imported technology. | | |

FORM C

Foreign exchange earning & outgo :

		(Rs. in lacs)
(a)	Earning	: 3214.03
(b)	Outgo	: 477.15

By order of the Board of Directors
For **TRANSCHEM LIMITED**Place : THANE
Date : 07th September, 2006(RAJEN K. DESAI)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS**MACRO VIEW :**

The Indian economy is on the threshold of becoming a major economy in the world. The focus has shifted to two of the most burgeoning and dynamic markets, viz. China & India. While China has achieved significant lead over others in manufacturing sector, India is ahead in the Service sector. The GDP growth at 8% is bears adequate testimony of the robust state of Indian Economy. If the agriculture sector clocks improved growth rate and the Industry and Service sector sustains its current growth rate, India can emulate China and clock double digit growth rate. Real Estate, Capital Market are all booming and the consumerism is on the rise. Spiralling oil prices and the consequent inflation of course cause scare and trepidation. Infrastructure development is another area where the Government needs to focus upon. Bureaucracy and red tapism also need to be controlled and the lead time for starting an Industry in India should be shrunk. Nothing can then stop India's march towards achieving Global leadership status.

INDUSTRY STRUCTURE AND DEVELOPMENTS :

Animal health care industry is on an increasing growth curve. The growth is triggered by increasing awareness about animal health and increasing pet population. Anthelmintic segment within animal health care is witnessing very healthy growth rate. The Bulk Drug Industry (API) in animal health care business in India is dependent on domestic demand as also exports for its growth. The domestic demand is also on the rise and should complement the ever increasing exports. Animal health care business is in a different league in itself. While the major pharmaceutical companies concentrate on human health care and therapeutic drugs the small companies are unable to leverage emerging opportunities as they are found wanting in internal capabilities.

OPPORTUNITIES & THREATS :

The demand for animal health care products for the year 2006-07 is expected to be in excess of 15 billion US \$. The companies which make substantial investment in enduring technologies, systems & processes, innovation and research would acquire international competitiveness and would have the wherewithal to effectively combat internal as well as external threats. The fact that many a multinationals are sourcing their requirement of animal health care drugs from companies in India augurs well for the industry. The companies have to be engaged in blending their competencies and creating new vistas of opportunities. The international market is ruthless and your company's religious focus on maintaining loftiest standards of quality and steadfastness in following the regulatory norms would steer the company ahead of its competitors. The company's ability to remain WHO compliant would earn unflinching loyalty of its customers and would also enable the company to broad base its customers. The company also has to stringently adhere to all environmental and safety norms.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE :

The company operates in only one segment viz. animal health care segment within the broad category of pharmaceuticals. Hence no information is provided. The mushroom division which operated as a 100% EOU is non-operational for the last several years. The company is now exploring various options to commercially exploit the facilities of mushroom division. .

OUTLOOK :

The outlook of animal health care business is good. The underlying sentiments are positive. With the increasing awareness the domestic business will and so will the export business improve. In view of the good performance repeated year after year a robust platform has been shaped for embarking expansion projects.

TRANSCHEM LIMITED

Adversities faced in the past can now be converted into opportunities. With the expiry of patents a number of products would now assume the status of generic offering scope for company to expand and diversify.

RISKS & CONCERNS :

The rising raw material cost fuelled by increase in prices of crude and oil products is mitigating the benefits of increase in price of finished products. The company has to ruthlessly attack and rationalize costs, enhance efficiency, increase productivity and improve quality to retain its leadership status in the business.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The company has a proper system of internal controls to ensure that all its assets are safeguarded and protected against loss from unauthorized use of disposition. Risk mitigation processes are well defined and structured. All financial records are maintained diligently. Internal processes are adequate and would grow with the organization. These systems are periodically reviewed internally and also by Statutory Auditors. They are modified and upgraded appropriately. The systems are also WHO compliant. Your company's internal control systems and procedure are adequate and commensurate with the size of operations.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE :

The financial performance of the company for the year has been reasonable and the pharmaceutical business has registered good growth. The static financial ratios are good and indicative of robust financial health. The dynamic ratios though offer huge scope for improvement and barring unforeseen circumstances should improve in the near future. Sales for the year is Rs. 60.15 crores of which export sales is Rs. 32.12 crores and profit before tax is Rs. 0.72 crores.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS :

There exists a spirit of bonhomie and camaraderie with workmen and the relationship with them has been absolutely cordial. Company continues its quest to spot and nurture talent and conducts many a development programs for the benefit of its employees. Organizational goals and aspirations of the employees are in sync with each other.

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

A. MANDATORY REQUIREMENTS :**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :**

The Company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and assist the top management of the Company in the efficient conduct of its business internally and externally, including its inter-action with employees, shareholders, creditors, consumers and institutional and other lenders and places due emphasis on regulatory compliance.

The Company believes that its systems and actions must be dovetailed for enhancing corporate performance and maximizing shareholders value in the long term.

2. BOARD OF DIRECTORS :**COMPOSITION AND CATEGORY :**

- 1 Promoter, Non-Executive Director
- 3 Executive Directors
- 3 Independent, Non-Executive Directors

Independent Directors are Directors, who apart from receiving sitting fees do not have any other material pecuniary relationship or transactions with the Company.

The composition of the Board of Directors during the financial year and also the number of other Board of Directors or Board Committees of which the director is a member/Chairman are as under:

Sr. No.	Name of Director	Category of Directorship	Number of other Directorships (*)
1.	Mr. Rajen K. Desai, Chairman	Promoter, Non-Executive	1
2.	Dr. G. S. Bhat	Executive Director	NIL
3.	Mr. Umesh Saraf	Executive Director	NIL
4.	Mr. Shivanand Hegde	Executive Director	NIL
5.	Mr. Hemant Lad	Independent, Non-Executive	NIL
6.	Mrs. Bina Shah	Independent, Non-Executive	1
7.	Mr. Neerav Merchant	Independent, Non-Executive	NIL

- * Excludes Directorships in Indian Private Limited Companies, membership of managing committees of various bodies.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING :

During the financial year ended 31st March 2006, six Board Meetings were held on 30th April 2005, 1st June 2005, 30th July 2005, 27th September 2005, 29th October 2005, & 30th January 2006. The attendance of each Director at Board Meeting and the last Annual General Meeting (AGM) is as under: