

YENKEY

DRUGS AND PHARMACEUTICALS LIMITED



16th
ANNUAL REPORT
2004 - 2005

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

YENKEY DRUGS & PHARMACEUTICALS LIMITED

BOARD OF DIRECTORS

MR. NUKA VENKAT NARENDER	:	CHAIRMAN & MANAGING DIRECTOR
MR. NUKA HARIPRASAD YADAV	:	EXECUTIVE DIRECTOR
MR. GADULA GOPALA YADAV	:	DIRECTOR
MR I SESHAGIRI RAO	:	DIRECTOR
MR.V.T.CARYULU	:	DIRECTOR
MS M. USHA RANI	:	DIRECTOR

AUDITORS

M/S. JAWAHAR AND ASSOCIATES
C-5, SKY LARK APATMENTS,
BASHEERBAGH,
HYDERABAD 500 029.

REGISTERED OFFICE

A-8, MADHURA NAGAR,
AMEERPET,
HYDERABAD – 500 038.

BANKERS

STATE BANK OF INDIA,
OVERSEAS BRANCH,
GUNFOUNDRY, HYDERABAD.

FACTORY

SURVEY NO.14, GADDA POTHARAM,
JINNARAM MANDAL,
MEDAK DISTRICT.

STOCK EXCHANGES

THE STOCK EXCHANGE, MUMBAI.
THE HYDERABAD STOCK EXCHANGE.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of the Yenkey Drugs & Pharmaceuticals Limited will be held at 3.00 P.M. on Thursday, 29th September, 2005 at Functions Plaza, Barkatpura Hyderabad to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2005 and the Profit and Loss Account for the financial year ended on that date and the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. I Seshagiri Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Ms. Usha Rani, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

BY ORDER OF THE BOARD

Place: Hyderabad,

Date : 02.09.2005

N.V.NARENDER

CHAIRMAN AND MANAGING DIRECTOR

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books remain closed from 27th September, 2005 to 30th September, 2005 (both days inclusive)
3. Additional information on Directors retiring by rotation and seeking re-appointment at the Annual General Meeting (pursuant to clause 49 of the Listing Agreement)
 - i) Mr. I.seshagiri Rao has done B.Tech in Chemical engineering. He was a retired Chief General Manager of APITCO and also worked in IDPL, He is a Chemicals Engineer with 35 years of experience in the field of chemical engineering.
 - ii) Ms M.Usha Rani has done Post Graduation in Organic Chemistry. She has 15 years of rich experience in Chemical industry.

BY ORDER OF THE BOARD

Place: Hyderabad

Date: 02.09.2005

N.V.NARENDER

CHAIRMAN AND MANAGING DIRECTOR

YENKEY DRUGS AND PHARMACEUTICALS LIMITED**DIRECTORS' REPORT**

To,

The Members,

Your Directors have pleasure in presenting the SIXTEENTH ANNUAL REPORT together with the Audited Accounts of the company for the financial year ended 31st March, 2005.

FINANCIAL RESULTS:

	(Rs in Lakhs)	
	For the Financial Year 2004-2005	For the Financial Year 2003-2004
Income from operations	120.60	108.88
Other Income	—	—
Total Expenditure	128.98	204.40
Profit/Loss before Depreciation and taxation	10.61	(90.49)
Interest	1.60	65.80
Depreciation	21.67	19.04
Provision for tax	-	-
Net Profit/ (Loss)	8.38	(112.22)
Paid up Equity Share Capital	463.53	463.53
Reserves & Surplus	27.99	30.68

REVIEW OF OPERATIONS:

During the year under review, your company has achieved a turnover of Rs. 120.60 Lacs and incurred a loss of Rs 8.38 Lacs. Your Directors agree that the Company has not achieved the targeted results because of the following reasons:

1. To meet the operation expenses of the company started own production of TTC
2. Lack of working capital facility effected the production.
3. Company is planning to induct new financial directors with considerable investment to meet one time settlements and operational expenses.

Your directors hope that the new products and tie up with International Companies, your Company will come out of the debt and achieve good Turnovers in the coming Years.

DIVIDEND:

Due to absence of profits for the financial year ending 31st March, 2005, Directors express their inability to recommend any dividend for the said financial year. Directors regret the same, but are hopeful that the performance of the Company would improve in the years to come.

DIRECTORS:

Ms. Usha Rani and Mr. I Seshagiri Rao, Directors of your company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors of your Company hereby report:

- (i) that in the preparation of Annual Accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with the proper explanation relating to material departures, if any, there from
- (ii) that the directors have selected such accounting policies and applied them consistently 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 ended 31st March, 2005 and of the profit and loss of the company for that period:
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- (iv) that the directors have prepared the annual accounts on a going concern basis.

AUDITORS:

M/s. Jawahar and Associates, Chartered Accountants, the Statutory Auditors of the company retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have submitted a Certificate pursuant to the provisions of section 224 (1B) of the Companies Act, 1956, that if their re-appointment be made for another term will be within the prescribed limits. Your directors recommend their appointment.

FIXED DEPOSITS:

The company has neither accepted nor renewed any deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.

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

A Statement giving details of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, is set out in Form - 'A' and Form - 'B' which is enclosed as Annexure - A to this report.

PARTICULARS OF EMPLOYEES:

Pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, as amended, no employee of your Company is in receipt of remuneration exceeding Rs.2,00,000/- per month or Rs.24,00,000/- per annum during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS:

The Competition in the Pharmaceuticals industry is very high from both the organized and un-organized sectors. In the present scenario there are more number of opportunities than threats to your Company.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

The world market for generics (off Patent Drugs) is expected to grow to about US \$ 50 Billion by 2008, and to about US \$ 80 Billion by 2010. This represents a great opportunity for Indian companies with Good GMP Manufacturing Facilities and regulatory skills. Your Company is exploring all the possibilities to take advantage of patent expiry. Some of the areas it is exploring are like, obtaining exclusive marketing rights for select specialty products with high growth and marketing agreements for supplying cost effective molecules in bulk to large multinational companies.

Your Company has developed 20 products and unmaterialised. The demand for the product is good but due to working capital crunch, your company is unable to meet the demand at export market. Your Company is planning to offer the products on profit sharing basis with other drug industries .

Yenkey Drugs and Pharmaceuticals Ltd., is gearing up to meet the challenges of Bulk Drugs Industry. The Company R&D is strong enough to meet the requirements of Foreign Buyers.

Yenkey Drugs and Pharmaceuticals Ltd., can withstand any kind of Shocks which normally forced by Bulk Drugs Industry. The Company is facing working capital crunch, which may be overcome by equity participation by the Investors.

EXPLANATIONS TO AUDITOR'S QUALIFICATION

The following are the explanations given by your Directors in respect of the qualifications made in the Auditors' Report.

- NIL -

CORPORATE GOVERNANCE:

In terms of Clause 49 of the Listing Agreement, a Separate Report on Corporate Governance is enclosed as Annexure-B to this report.

LISTING FEE:

Your Company's shares are listed on the Hyderabad Stock Exchange and Mumbai Stock Exchange. Your company has paid Listing fee to The Stock exchange, Mumbai for the period 2005-2006.

ACKNOWLEDGEMENTS:

Your Directors would like to place on record their sincere appreciation and gratitude to the Company's Customers, Bankers, Shareholders for their support and co-operation. Your Directors express their heartfelt gratitude to the employees for their exceptional commitment and loyalty to the company.

FOR AND ON BEHALF OF THE BOARD

Place:Hyderabad

Date: 02.09.2005

N.V.NARENDER

Chairman and Managing Director

YENKEY DRUGS AND PHARMACEUTICALS LIMITED**ANNEXURE – A****FORM - "A"****ANNEXURE TO THE DIRECTORS REPORT**

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors Report:

Conservation Of Energy

- A) Energy conservation measures taken: The Company is very careful in using the power to reduce the cost of maintenance and conserve the resources.
- B) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy; Nil
- C) Impact of the clause (1) and (2) above for reduction of energy consumption and consequent impact on the production of goods: N.A

FORM A**A. Power and fuel consumption**

	<i>Current year</i>	<i>Previous year</i>
1. a. Electricity		
<i>Purchased</i>		
Unit	1,44,686	1,39,827
Total amount	Rs.7,13,301/-	Rs.6,90660/-
Rate / unit	Rs.4.93	Rs.4.93
b. Own generation		
<i>i. Through diesel generator</i>		
Units	2683 Ltrs.	6679 Ltrs
Total Amount	Rs.80,500/-	Rs.160304/-
Cost / unit	Rs.30.00	24.00
<i>ii. Through steam turbine / generator</i>	<i>NIL</i>	<i>Nil</i>
Units per Units		
Units per ltr of fuel oil / gas		
Cost / unit		
2. Coals		
Quantity	55.54Mt	123.099Mt
Total Cost	Rs.1,61,062/-	Rs.3,28,423/-
Average rate	Rs. 2900/-	Rs.2600/-
3. Furnace Oil		
Quantity	NIL	NII
Total Cost		
Average rate		
4. Other internal generation		
Quantity		
Total Cost	NII	NII
Rate / unit		

YENKEY DRUGS AND PHARMACEUTICALS LIMITED**B. Consumption per unit of production**

	Standards	
(if any)	Current Year	Previous Year
<i>Products / per Ton</i>		
Electricity	Nil	
Furnace Oil	Nil	
Coal	Nil	
Others	Nil	

*Since there are number of stages involved in production, it is not practicable to ascertain product wise consumption.

B. Technology Absorption**FORM B:**

(Disclosure of particulars with respect to technology absorption to the extent applicable)

1. Research And Development (R&D)

1. Specific areas in which R & D carried out by the Company : Speciality high valued and margin products were developed.
2. Benefits derived as a result of the above R & D: Better yields in Trityl Chloride & 4 Crs
3. Future plan of action : Developing Pentaprazole, Rabi Prazole and Phloglucinol
4. Expenditure on R & D
 - a. Capital : Nil
 - b. Recuring : Nil
 - c. Total : Nil
 - d. Total Expenditure on R & D as a percentage of total turnover. : Nil

2. Technology Absorption, Adaptation and Innovation

Efforts, in brief, made towards technology absorption, adoption and innovation: Pcess development Trityl Chloride, 4 CRS and Phloglucinol has resulted in reasonable margins.

Benefits derived as a result of the above efforts, Ex; product improvement, cost reduction, product development, import substitution etc. : Profit Margins have increased better quality acceptable to european market.

Import of technology: Nil

C. Foreign Exchange Earnings And Outgo:

Earnings : Nil
Outgo : Nil

FOR AND ON BEHALF OF THE BOARD

Place:Hyderabad
Date : 02.09.2005

N.V.NARENDER
Chairman and Managing Director

YENKEY DRUGS AND PHARMACEUTICALS LIMITED**ANNEXURE – B****REPORT ON CORPORATE GOVERNANCE**
(Pursuant to Clause 49 of the Listing Agreement)

Pursuant to the Schedule of implementation of the Clause 49 of the Listing Agreement the Code of Corporate Governance is applicable to your Company from this financial year 2003-2004. Accordingly, the Company presents its first report on Corporate Governance.

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

The directors of the company are of the firm belief that the company can reach to the peak of success only by following good managing principles and by implementing them in a systematic manner besides complying with all the statutory requirements as required under various laws, statutes, regulations, by-laws etc., which are applicable to the company from time to time. Further, it envisages that the code of Corporate Governance is a policy framework wherein the interests of the shareholders, employees and other constituents are well protected.

2. BOARD OF DIRECTORS**A. Compositions**

As on 31st March, 2005, the Board of Directors consists of Six Directors comprising of two promoter Executive Directors, one non executive Director and three non-executive Independent Directors.

Name of the Director	Category	No. of other Directorships	No. of Committees acting as	No. of Meetings Held	No of Meetings attended	Whether attended last AGM	Chairman Member
N.V.Narender	Promoter Managing Director	—	1	5	5	YES	
N.Hari Prasad Yadav	Promoter Executive Director	—	—	5	5	YES	
G.Gopal Yadav	Non-Executive Director	—	—	5	5	YES	
I.Seshagiri Rao	Non-Executive Independent Director	—	—	5	5	YES	
V.T.Charyulu	Non-Executive Independent Director	—	—	5	0	NO	
M.Usha Rani	Executive	—	—	5	5	YES	

B Date of Board Meetings

Board of Directors met five times during the financial year 2004-2005 on the following dates 30-04-2004, 30-07-2004, 30.08.2004, 29.10.2004 and 29.01.2005

3. AUDIT COMMITTEE

The Audit Committee was duly constituted and comprising of the following non-executive independent directors: