

YENKEY

DRUGS AND PHARMACEUTICALS LIMITED



**17th
ANNUAL REPORT
2005 - 2006**

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

BOARD OF DIRECTORS

SHRI. NUKA VENKAT NARENDER	: Chairman & Managing Director
MS M. USHA RANI	: Technical Director
SHRI GADULA GOPALA YADAV	: Director
SHRI J. MURALIDHRAN	: Director
SHRI A. RAMAKRISHNAIAH	: Director
SHRI R. MALLIKARJUNA RAO	: Director
SHRI P. SREEDHAR	: Director
SHRI R. BALAKRISHNAN	: Additional Director
SHRI NITESH VIJAY VARGIYA	: Additional Director

AUDITORS

M/S. JAWAHAR AND ASSOCIATES

C-5, SKY LARK APARTMENTS,
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 17th Annual General Meeting of the Members of the M/s. Yenkey Drugs & Pharmaceuticals Limited will be held on Friday, 29th September, 2006 at 2.00 P.M. at Fateh Maidan Club, Fateh maidan, Hyderabad, A.P. to transact the following items of business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Report of Directors' and the Auditors Report thereon.
2. To appoint a Director in place of Shri G. Gopal Yadav, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors of the Company and to consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT M/s. **Jawahar & Associates**, Chartered Accountants, the retiring Auditors, who have offered their services and who are not disqualified to act as Auditors of the company under section 224 (1B) of the Companies Act, 1956 be and hereby appointed as Auditors of the company and hold office until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

4. APPOINTMENT OF MANAGING DIRECTOR:

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 read with Schedule XII of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment thereof for the time being in force, the Company hereby approves the appointment of **Sri. N.V. Narender** as Managing director for a period of 5 years w.e.f 30.09.2006 and further approves payment of remuneration partly by way of salary, allowances and perquisites and partly by way of commission on net profits of the Company in pursuance of Sec.198 read with Sec.349 and Sec.350 of the Companies Act, 1956 as detailed below.

I. Salary: Rs. 50,000 per month in the scale of Rs. 50,000 – 5,000-80,000.

Perquisites: In addition to the salary as above, perquisites as under, the monetary value of such perquisites being limited to 10% of the above mentioned salary per month.

Category - A :

Housing: Un furnished accommodation or HRA subject to a limit of 40% of the salary per month

Category - B :

- a). Company's contribution towards provident fund subject to a ceiling of 12% of the salary.
- b). Company's contribution towards pension / superannuation funds which shall not together with the company's contribution towards provident fund exceed 15% of the salary or such other higher percentage thereof may be laid down from time to time under the Income Tax rules.
- c). Gratuity not exceeding half months salary for each completed year of service subject to a ceiling of Rs. 3,50,000/- or such higher ceiling as may be fixed from time to time by the Central government.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED**II. Commission:**

In addition to salary and perquisites as above Sri. N.V.Narendar shall be entitled to commission at the rate of 2% of the net profits of the Company in the manner laid down under Sec.309(5) of the companies Act, 1956 and other applicable provision of the said Act.

III. Minimum Salary :

Where in any financial year during the currency of the tenure of **Sri.N.V.Narendar**, the Company has no profits or its profits are inadequate, the company shall pay a remuneration by way of salary and perquisites not exceeding the limits specified herein above.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deed, 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 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."

5. REVISION OF BORROWING LIMITS

To Consider and if thought fit to pass the following resolution, with or without modification(s), as an ORDINARY BUSINESS.

"RESOLVED THAT pursuant to clause (a) and Clause (d) of Sub – Section (1) of Section 293 of the Companies Act, 1956 and all other enabling provisions, if any in addition to all borrowings by the Directors for and on behalf of the Company authorized by resolution passed at the 6th Annual General Meeting of the Company held on 29th September, 1995, the company hereby consents to the further borrowing by the Board of Directors for and on behalf of the Company from time to time of further sums of money for the purpose of the Company amounting in the aggregate to a sum of not more than 30 crores (Rupees Thirty Crores only) (Excluding temporary loans obtained from the Company's bankers in the ordinary course of business) that is to say to the total borrowing by the Board of Directors for and on behalf of the Company of an aggregate sum not exceeding Rs.30 crores (Rupees thirty crores only) notwithstanding that the moneys already borrowed by the Company (apart from such temporary loans obtained or to be obtained from the Company's Banker) will nor may exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose and the Directors are hereby further authorized to execute such deeds or mortgage, charges, Hypothecation lien, promissory notes, deposit receipts and other deeds and instruments or writings as they think fit and containing such conditions and covenants as the Directors may think fit.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to this resolution."

BY ORDER OF THE BOARD

For YENKEY DRUGS AND PHARMACEUTICALS LIMITED

Place: Hyderabad

Date: 02/09/2006

N.V. NARENDER

Chairman & Managing Director

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

NOTES:

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of items Nos 4,5, as set out in the Notice is annexed hereto.

2. 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.

3. The Register of Members and the Share Transfer Books remained closed from 26th September, 2006 to 29th September, 2006 (both days inclusive) .

4. Members/proxies are requested to fill in the enclosed attendance slip and deposit the same at the entrance of the meeting gate.

5. Members are requested to intimate any change of address to the Company / Share Transfer Agents.

6. Pursuant to the requirements of the Listing Agreement of Stock Exchanges on corporate governance, the information about the Directors proposed to be appointed/re-appointed is given in the annexure to the Notice.

7. All the documents referred to in this Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days up to date of Annual General Meeting and shall also be available at the Meeting.

8. Individual shareholders can take the facility of nomination. For further details in the regard shareholders may contact the Registrars / Company.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED _____

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO.4

Sri **N.V.Narender** was appointed as Managing Director for a period of five years on 29.09.1996 and again re-appointed on 29.09.2001 for a further period of five years. In view of his dedicated and efficient services offered to the Company, it is proposed to appoint him as Managing director for a further period of five years w.e.f. 30.09.2006. The approval of members is sought for his appointment and payment of remuneration to him. None of the directors are concerned or interested in the above terms of appointment and payment. The Board recommends this resolution for approval of the Shareholders.

None of the Directors of the Company except Shri. N.V.Narender are, in any way, concerned or interested in the proposed resolution.

ITEM NO.5

At the 6th Annual General Meeting of the Company held on 29th September, 1995, the company had accorded its consent under Section 293(1)(d) of the Companies Act, 1956, to the Directors to borrow moneys up to a limit of Rs.5.00 crores (excluding temporary loans obtained from the Company's bankers in the ordinary course of business). Taking into account the further requirements of additional finance for the expansion programme undertaken by the Company, a fresh Resolution is proposed providing that in addition to the Company's existing borrowings, the directors may, for and on behalf of and for the purposes of the Company, borrow further sums of money amounting in the aggregate to a sum of not more than TRs.30 crores, thereby raising the total borrowing limit from Rs.5.00 crores to Rs.30.00 crores.

The purpose of this Resolution is to seek members' consent to the revision in the borrowing limits and also authorising the Board of Directors to create a charge, mortgage or hypothecate the existing assets/assets to be acquired.

The Directors commend the Resolution as set out of the Item No.(6) for your approval.

None of the Directors of the Company are, in any way, concerned or interested in the proposed resolution.

BY ORDER OF THE BOARD
For **YENKEY DRUGS AND PHARMACEUTICALS LIMITED**

Place: Hyderabad

Date: 02/09/2006

N.V. NARENDER

Chairman & Managing Director

YENKEY DRUGS AND PHARMACEUTICALS LIMITED**DIRECTORS REPORT**

Dear Members,

Your Directors have pleasure in presenting the 17th ANNUAL REPORT together with the Audited Accounts of the company for the financial year ended 31st March, 2006.

FINANCIAL RESULTS :

	For the Financial Year 2005-06	For the Financial Year 2004-05
Income from Operations	227.49	120.00
Other Income	208.51	—
Total Expenditure	298.61	131.67
Profit/Loss before Depreciation and Taxation	137.39	10.61
Interest	9.70	1.60
Depreciation	19.21	21.67
Provision for Tax	—	—
Net Profit / (Loss)	108.48	(11.06)
Paid up Equity Share Capital	463.53	463.53
Reserves & Surplus	25.31	30.68

REVIEW OF OPERATIONS:

During the year under review, your company has achieved a turnover of Rs.227.49 Lacs and incurred a profit of Rs.108.48 Lacs. The OTS benefits from financial institutions were taken in to consideration. Your Directors agree that the Company not achieved the targeted results because of the following reasons.

1. Lack of working Capital facility affected the production.
2. 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. The company will be doing extremely well in 2006-07. The Company becomes debt free Company. OTS with bank will be settled and working capital facilities will be arranged from nationalized bank to meet the expected turnovers over to Rs.15.00 cores.

DIVIDEND:

Due to absence of Operating profits for the financial year ending 31st March, 2006, Directors express their inability to recommend any dividend for the said financial year. Directors regret the same, but are hopeful that the performance on the company would improve in the years to come.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

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.

The Company has not invited / accepted any fixed deposits during the year under review.

DIRECTORS:

Sri G. Gopal Yadav of your company retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

In accordance with the Article 106 and section's 257 & 260 of the Companies Act, 1956 no Share Holder has proposed for the reappointment of the additional directors viz, Shri J. Muralidharan, Shri. R. Balakrishnan, Dr. A.Ramakrishnaiah, Dr. R. Mallikarjuna Rao, Shri P. Sreedhar and Shri Nitesh Vijay Vargiya who were appointed / Co-opted as Additional Directors during the year 2005-2006.

DIRECTORS ' RESPONSIBILITY STATEMENT :

The Directors of your Company hereby report:

- (i) That in preparation of Annual Account for the financial year ended 31st March, 2006, 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, 2006 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 a 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.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED
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 (2AA) 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.

The world market for generics (Off patent Drugs) is expected to grow to about US 20 Billion by 2007, 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 export. Some of the areas it is exploring are like, obtaining exclusive marketing rights for select specialty products with high growth and making agreements for supplying cost effective molecules in bulk to large multinational companies.

Your Company has developed 14 products. The demand for the product is good but due to working capital crunch, your company 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 LIMITED, is gearing up; to meet the challenges of Bulk Drug Industry. The Company R & D is strong enough to meet the requirements of foreign Buyers.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED, can withstand any kind of shocks which normally forced by Bulk Drug Industry. The Company is facing working Capital crunch, which may be overcome by equity participation by the Investors. Directors regret the same, but are hopeful that the performance of the Company would improve in the years to come.

YENKEY DRUGS AND PHARMACEUTICALS LIMITED

EXPLANATIONS TO AUDITORS'S QUALIFICATIONS :

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

Necessary steps were taken to implement the auditors qualifications.

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 Bombay Stock Exchange. Your Company has paid the Listing fee to the Bombay Stock Exchange for the period 2006-07. The ISIN no. of the Company is INE 154 G 01014.

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 BOARD OF DIRECTORS

N.V. NARENDER

Chairman & Managing Director

Place: Hyderabad

Date: 02/09/2006