



Samrat Pharmachem Limited

**12th Annual Report
2003-2004**

Board of Directors



Mr. Lalit Mehta
Managing Director



Mr. Champak Parekh
Jt. Managing Director



Mr. Rajesh Mehta
Executive Director



Mr. Hitesh Parekh
Executive Director



Mr. Jaswantraai Mehta
Director



Mr. Mahendra Pipalia
Director



Mr. Harish Gandhi
Director



Mr. Samir Kothary
Director

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BOARD OF DIRECTORS

Mr. Lalit Mehta	Managing Director
Mr. Champak Parekh	Jt. Managing Director
Mr. Rajesh Mehta	Executive Director
Mr. Hitesh Parekh	Executive Director
Mr. Jaswantra Mehta	Director
Mr. Mahendra Pipalia	Director
Mr. Harish Gandhi	Director
Mr. Samir Kothary	Director

AUDITORS

Nalin S. Parekh & Co.

Chartered Accountants

302 Madhav Apts., Jawahar Road

Opposite Ghatkopar Station-East, Mumbai - 400 077

BANKERS

The Saraswat Co-op Bank Ltd.

Raja Shopping Centre

New Nagardas Road, Andheri-East

Mumbai - 400 069

ICICI Bank Ltd.

Sagar Avenue

S. V. Road, Andheri-West

Mumbai - 400 058

HDFC Bank Ltd.

Jamuna Apts

S. V. Road, Andheri-West

Mumbai - 400 058

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Limited

C/13, Pannalal Silk Mills Compound

LBS Marg, Bhandup-West

Mumbai - 400 078.

REGISTERED OFFICE AND FACTORY

Plot no. A2/3445,

GIDC Phase IV,

Ankleshwar - 393 002,

Gujarat.

CORPORATE OFFICE

A/7 Sai Prasad, 2nd Floor,

Teli Gali Cross Lane, Andheri [East],

Mumbai - 400 069.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWELFTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Wednesday, the 29th September, 2004 at 1.00 p.m. at the Registered Office of the Company at Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March 2004 and the Profit and Loss Account of the company for the year ended as on that date, together with Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Mr. Jaswantra Mehta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajesh Lalit Mehta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors' and fix their remuneration. The retiring auditors, M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass with or without modification, following as an ordinary resolution:
 "RESOLVED THAT Mr. Samir Kothary, who was appointed as an additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 effective from 10th October, 2003 and who holds office only up to the date of the forthcoming Annual General Meeting of the company and in respect of whom, the company has received a notice under section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company liable to retire by rotation."
6. To consider, and if thought fit, to pass with or without modification, following as a special resolution:
 "RESOLVED THAT pursuant to Section 198, 269, 309, Schedule XIII and all other applicable statutory provisions, if any, the company hereby accords its approval and consent to continue the appointment of Mr. Champaklal Kantilal Parekh, as Jt. Managing Director of the Company, who has attained 70 years of age as on 31st October, 2003 for an un-expired period of his appointment i.e. till 31st March, 2008, upon the same terms and conditions and stipulations as per agreement dated 17th February, 2003 commencing from 1st April, 2003."
 "RESOLVED FURTHER THAT the Board of Directors be and it is hereby authorized to take all

necessary or desirable steps for the aforesaid purpose and matters incidental thereto."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY OR PROXIES SO APPOINTED NEED NOT BE A MEMBER OR MEMBERS, AS THE CASE MAY BE, OF THE COMPANY.
2. Proxies, if any, in order to be effective, must be received at the Registered Office of the Company at Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat, not less than 48 hours before the commencement of the meeting. Proxies shall not have any right to speak at the meeting.
3. An explanatory statement as required under Section 173(2) of the Companies Act, 1956 in respect of Special Business given in items number 5 & 6 is enclosed herewith and shown as an annexure to this notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 15 days from 15th September 2004 to 29th September 2004 (both days inclusive).
5. Members are requested to kindly notify to the Registrar and Transfer Agent of the company M/s. Intime Spectrum Registry Limited, C/13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078, immediately of any change in their addresses.
6. Members are requested to quote their Folio Numbers in all their correspondence.
7. Members desirous of having any information regarding accounts are requested to write to the Company at least 7 days in advance of the date of Annual General Meeting so as to enable the Management to keep the information ready.
8. Members are requested to bring their copies of the Annual Report to the Meeting.
9. Members are requested to bring with them the attendance slip and hand it over at the entrance duly signed by them.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

**Lalit Mehta
Managing Director**

**Champak Parekh
Jt Managing Director**

**Place : Mumbai
Dated : 30 June, 2004**

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING**EXPLANATORY STATEMENT:**

The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item number 5 & 6 is as under:

Item No. 1

Mr. Samir Kothary was appointed as an Additional Director on 30th July, 2003, to fulfill the requirements of Corporate Governance Code as laid down in Clause 49 of the Listing Agreement. Mr. Samir Kothary holds office of Director only up to the date of previous Annual General Meeting.

Mr. Samir Kothary was once again appointed as an Additional Director of the Company on 10th October, 2003 in pursuance of Section 260 of the Companies Act, 1956, to comply with the requirement of Corporate Governance Code. Mr. Samir Kothary holds office upto the date of forthcoming Annual General Meeting of the Company and is eligible for appointment as Director retiring by rotation.

Mr. Samir Kothary, aged 41 years, is engaged in the business of trading of pharmaceuticals and chemicals. He has experience of more than 15 years in the pharmaceutical and chemical industry.

Your Directors recommend a resolution as set out in Item no. 5 of the Notice for your approval.

None of the Directors other than Mr. Samir Kothary is interested or concerned in the resolution.

Item No. 2

Mr. Champak Kantilal Parekh was re-appointed as Jt. Managing Director of the Company for a period of 5 years commencing from 1st April, 2003 till 31st March, 2008, which was approved by members at 10th Annual General Meeting of the Company held on 28th September, 2002. As per the provisions of Schedule XIII any Executive Director or Managing Director of the Company attaining the age of 70 years cannot continue on the post unless shareholders pass a special resolution confirming the appointment at their duly convened general meeting. Mr. Champak Kantilal Parekh attained the age of 70 years on 31st October, 2003 and therefore his continuation in office of Jt. Managing Director should be approved by the shareholders of the Company.

Mr. Champak Kantilal Parekh looks after the overall business, administrative, commercial, marketing, technical, financial matter and such other related functions of the company.

Mr. Champak Kantilal Parekh has been paid remuneration by way of salary and perquisites as Jt. Managing Director. The brief details of the remuneration paid to Mr. Champak Kantilal Parekh is given as under.

Salary in the scale of Rs. 14,000/= - Rs. 1,000 - Rs. 19,000 per month.

Perquisites : Provision of a car with a driver and telephone facility at the residence.

Your Directors recommend a resolution as set out in Item no. 6 of the Notice for your approval.

None of the Directors other than Mr. Champak Parekh & Mr. Hitesh Parekh is interested or concerned in the resolution.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

**Lalit Mehta
Managing Director**

**Champak Parekh
Jt Managing Director**

**Place : Mumbai
Dated : 30 June, 2004**

DIRECTORS' REPORT**TO THE MEMBERS**

The Directors are pleased to present the Twelfth Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March 2004.

FINANCIAL PERFORMANCE

Particulars	31 March 2004 Rs.	31 March 2003 Rs.
Turnover	166,462,653	142,135,541
Profit before tax	9,001,723	972,720
Provision for tax	-4,350,277	-28,928
Net Deferred Tax Liability for current year	991,947	-574,430
Profit after tax	5,643,393	369,362
<u>Profit & Loss account</u>		
Balance brought forward	7,052,225	6,682,863
Deferred Tax Liability of previous years	0	0
Tax adjustment of previous year	0	0
Balance carried to Balance Sheet	12,695,618	7,052,225

OPERATIONS

Your company has performed reasonably well during the year. In a highly competitive and uncertain business environment, your Company achieved a turnover of Rs. 1664.63 Lacs as against Rs. 1421.35 achieved last year - an increase of more than 17%. The profit before tax has increased by 825%. Production of 227.67 tones of pharmaceutical bulk drugs & chemicals was achieved during the year.

DIVIDEND

In order to conserve the resources, your Directors do not recommend payment of Dividend for the year.

EXPORTS

During the year 2003-2004 your company's export division registered sales of Rs. 103.54 Lacs, up from Rs. 97.34 Lacs last year. Your Company has initiated several export promotion measures to increase exports. The products

of your Company have been well accepted in the international market and the Company expects better export turnover in the near future.

DEMATERIALISATION

The equity shares of the Company have been dematerialized by joining the depositories viz. National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL). The ISIN No. allotted to the Company is INE103E01016.

CORPORATE GOVERNANCE

Certificate of auditor of your company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchange, is enclosed.

Your Company has been practicing the principles of good corporate governance over the years.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

LISTING OF SHARES

The Company's shares are listed on the Bombay Stock Exchange, The Ahmedabad Stock Exchange, The Baroda Stock Exchange, Saurashtra Kutch Stock Exchange & Pune Stock Exchange. It has paid the listing fees at all the stock exchanges for the period upto 31st March 2005. Your Company has not been delisted on any of these exchanges for non-payment of listing fees.

PARTICULARS OF EMPLOYEES

The company does not have any employee whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

DISCLOSURE OF PARTICULARS

Information as per 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 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure forming part of this report.

INSURANCE

The assets of the company have been adequately insured against the risk of fire & other risks.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jaswantra Mehta and Mr. Rajesh Lalit Mehta retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Samir Kothary was appointed as additional Directors of the company with effect from 30th July, 2003 to hold office upto the date of previous Annual General Meeting. He was once again appointed as an Additional Director on 10th October, 2003 to comply with requirements of corporate governance code. Mr. Samir Kothary was to hold office up to the date of the forthcoming Annual General Meeting and being eligible for appointment as Director has complied with the provisions of section 257 of the Companies Act, 1956 as regards to his appointment.

AUDIT COMMITTEE

In pursuance of Clause 49 of the Listing agreement, the Company has constituted an audit committee consisting of the following independent Directors:

1. Mr. Mahendra Pipalia
2. Mr. Harish Gandhi
3. Mr. Jaswantra Mehta
4. Mr. Samir Kothary

Mr. Mahendra Pipalia, a Practicing Chartered Accountant, having wide experience in accounting, audit, taxation, finance & systems, heads the audit committee. The role, terms of reference, authority & power of the committee are in conformity with the requirements of the Companies Act, 1956. The committee met for four times during the year under review.

AUDITORS

The Auditors of the Company M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai hold office till the conclusion of forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

COST AUDIT

Your Company is following the order issued under section 209(1)(d) of the Companies Act, 1956, as amended in respect of manufacture of pharmaceutical bulk drugs. The Company has been maintaining cost accounting records as required in the above-referred provisions of the Companies Act, 1956, as amended. M/s. Kalpana P. Mehta & Co., Cost Accountants, Mumbai has been appointed as the Cost Auditor of the Company for the financial year 2003-2004.

FLOTATION OF 100% SUBSIDIARY COMPANY AND STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Your Company has floated a new 100% subsidiary company during the year named as Samrat Remedies Limited to carry on activities of Manufacturing of Pharmaceutical Bulk Drugs & Chemicals.

A statement of interest in subsidiary as required under section 212 of the Companies Act, 1956, together with statement of account of subsidiary prepared as on 31st March, 2004, is enclosed herewith and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended with respect of Directors responsibility statement, it is hereby confirmed: -

1. That the preparation of accounts for the Financial Year ended 31st March, 2004, the applicable accounting standards have been followed along-with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the Financial Year and the Profit or Loss of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 as amended for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors' have prepared the accounts for the financial year ended 31st March 2004 on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors are thankful to you, our customers, suppliers, bankers employees, consultants and to all those who have extended their committed support to the progress of your Company.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

Lalit Mehta
Managing Director

Champak Parekh
Jt Managing Director

Place : Mumbai
Dated : 30 June, 2004

ANNEXURE TO THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2004

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo Section 217(1)(e) of the Companies Act, 1956

The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

Your Company continues to explore & implement measures that will help in conservation and saving of energy.

Measures taken & benefits derived are as follows:

- Hot water coming from steam traps is recycled & used as boiler feed water.
- Using economiser effectively to pre-heat boiler feed water.
- Timely & routine preventive maintenance of boiler.
- Improvement in unit operations leading to reduction in processing time in reactor, centrifuge, drier & other equipments to minimize use of electricity.
- One of the boilers is converted from oil-fired to gas-fired.

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION

(A) POWER & FUEL CONSUMPTION

Particulars	Current year ended March 2004	Previous year ended March 2003
1. ELECTRICITY		
a) Purchased Units (kwh)	190,360	157,312
Total Amount (Rs.)	932,180	802,387
Rate per Unit (Rs.)	4.90	5.10
b) Own Generation (Through Diesel Generator)		
Units (kwh)	2901	2,535
Total Amount (Rs.)	29,465	23,619
Units per Litre of Diesel	2.29	2.23
Cost per Unit (Rs.)	10.16	9.32
2. DIESEL OIL		
Unit (Litres)	21,033	37,579
Total Amount (Rs.)	417,633	628,793
Rate per Unit (Rs.)	19.86	16.73

3. NATURAL GAS		
Unit (cubic metre)	92,415	66,367
Total Amount (Rs.)	923,332	679,601
Rate per cubic metre (Rs.)	9.99	10.24
4. CONSUMPTION PER KILO		
Production of Bulk Drugs & Chemicals (Kgs)	227,666	228,897
Electricity Rs. per kg	4.22	3.61
Diesel Oil Rs. per kg	1.83	2.75
Natural Gas Rs. per kg	4.06	2.97

B. TECHNOLOGY ABSORPTION

The management has focused on productivity and quality improvement in order to optimise manufacturing costs. This has helped in achieving optimum manufacturing costs, improved quality of products and consequently enhanced customer satisfaction. The company uses indigenous technology.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned Rs. 10,353,534
F.O.B. Value of export of finished goods
(Previous year Rs. 9,734,435)

Foreign exchange used Rs. 115,779,381
Import of raw materials
(Previous year Rs. 67,341,500)

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

Lalit Mehta
Managing Director

Champak Parekh
Jt Managing Director

Place : Mumbai
Dated : 30 June, 2004

MANAGEMENT DISCUSSION AND ANALYSIS**INDUSTRY STRUCTURE AND DEVELOPMENTS**

Your Company is a producer of pharmaceuticals intermediates and bulk drugs. The intermediates produced are used in pharmaceutical and chemical industries. Your Company is amongst the manufacturers who produce for local and international needs of the pharmaceuticals and chemicals industry. The pharmaceutical industry is growing at a pace of 15% to 20% every year. This results into growth of the support or intermediate industry like us.

The globalization and liberalization measures taken by our government will have effect on the pharmaceutical and chemical industry. Indian industry must spend huge money in the research and development. However the GATT agreement coming into operation will not have any effect on the pharmaceutical & chemical produced by the company.

OPPORTUNITIES AND THREATS

The company looks forward optimistically for all round growth in turnover & profitability in the ensuing years. Your company has taken effective steps to realize the dream performance in the years to come. The company intends to double its turnover in a short period of time. The company has taken effective measures to improve quality of products and its productivity to outwit competitor from domestic and international market.

The profit margin has come down drastically over the years and unless the quantitative volume of sales is increased it would be difficult to achieve the target of profitability set by the Directors. The company should also plan to widen the product range by increasing the basket of products thereby enlarging the customer and sales base.

PRODUCT PERFORMANCE

The company has two plants producing varied items. The basic purpose of producing in two different plants is to improve efficiency and manageability. Your Company shall achieve sustainable growth in both plants by modernization and automation of operations. According to your Directors, these plants facilitate better division of labour, enable us to develop expertise in each plant and

their respective items, and hence improve productivity and profitability of the Company.

OUTLOOK

The pharmaceutical industry produces commodities essential to life. The growth and development of the pharmaceutical companies are generally assured. The industry grows at least 15% to 20% every year. The outlook is expected to be better in the current financial year 2004-2005.

RISKS AND CONCERNS

Business is full of risks. The increase in cost of production and constrained margin are the major areas of concern. Your Company is making all out efforts to become one of the lowest cost producer, in its category, of the pharmaceutical intermediates and thereby become locally and internationally most competitive. The competition from across the border especially South East Asian countries is of special concern to the pharmaceutical intermediate & bulk drugs market.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

Your Company is following a proper and adequate system of internal control in respect of all its activities including safeguarding and protecting its assets against loss or unauthorized use or disposition. Further all transactions entered into by the Company are duly authorized, recorded correctly. The managing committee of the Board closely watches and monitors all expenses incurred on various heads. All policies, procedures and guidelines have been documented. Your Company is using advanced customized software system, which is upgraded from time to time to suit the needs of the Company.

The Company has an internal audit system in place and the Board is in full control of the situation from purchases to sales, revenue and expenditures. The top management and the Audit Committee of the Board review internal audit reports periodically.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review the total production of pharmaceutical & bulk drugs was 227.67 tones as against

228.90 tones in the previous financial year. Gross turnover also increased by more than 17%. The profit after tax during the year was Rs. 56.43 Lacs as against Rs. 3.69 Lacs in the previous financial year. During the year under review, the profit margin has improved mainly due to cost cutting measures taken by the management, optimum utilization of resources, increase in volume of sales, better productivity and stronger rupee.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONTS

It is essential to put required attention on the development of workers and staff. Maintaining cordial and friendly relations and solving of workers problems through negotiation amicably is always in the interest of the Company. Your company is committed to safe and healthy working conditions for all employees. We are committed to working with the employees to develop and enhance each individual's skills and capabilities. Some of the measures being taken are to make the work more interesting, training, job rotation, job satisfaction etc. The Company gives incentives for better performance and recognizes individual achievement of the workers and staff. The industrial relations climate in your Company was harmonious and constructive. In all 32 persons were employed by the Company at the close of the financial year.

CAUTIONARY STATEMENT

Statement in the report of Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning applicable securities laws or regulations. These statements are based on certain assumptions and expectations for future events. Actual results could differ materially from those of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand supply, finished goods prices in the domestic and overseas market in which the Company operates, raw materials cost and availability, changes in Government regulations, tax regimes, economic developments within

India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise and forward looking statements, on the basis of any subsequent development, information or events.

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

**Lalit Mehta
Managing Director**

**Champak Parekh
Jt Managing Director**

**Place : Mumbai
Dated : 30 June, 2004**

CORPORATE GOVERNANCE REPORT

(As per Clause 49 of the Listing Agreement with the Stock Exchanges)

We at Samrat believe that for a Company to succeed it must maintain global standards of Corporate Conduct towards its customers, suppliers, employees, bankers, shareholders and the society at large. The Company believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest. To that end we as a Company have always focused on Good Corporate Governance – which is a key driver of sustainable corporate growth and long term value & wealth creation.

Above all else, Corporate Governance must balance individual interest with Corporate Goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Achieving this balance depends upon how accountable and transparent companies are. Accountability improves decision-making and thereby builds stakeholders confidence.

Corporate Governance is not merely compliance – it is an ongoing measure of superior delivery of company's objects with a view to translate opportunities into reality. It involves leveraging its resources and aligning its activities to consumer need, shareholders benefit and employee growth, thereby delighting all its stakeholders while minimizing risks.

Your Company has implemented the mandatory requirements of Corporate Governance as set out in Under Clause 49 of the Listing Agreement with the Stock Exchanges.

COMPANY'S PHILOSOPHY

At Samrat Pharmachem Limited, the concept of Corporate Governance hinges on the total transparency, integrity and accountability of the management team. Even before the code become mandatory, the Company has been following the Corporate Governance practices like striking out reasonable balance in the composition of Board of Directors and setting up business committees, adequate disclosure and business to be deliberated by the Board etc. Your Company is committed to follow good corporate governance practices and improve upon them year after year.

BOARD OF DIRECTORS

a) Composition of the Board

The Company is fully compliant with the Corporate Governance norm in terms of constitution of the Board, headed by its Executive Chairman Mr. Lalit Mehta. The

Board comprising of 8 Directors has 4 Executive Directors' and 4 Non-executive Directors', representing the optimum mix of professionalism, knowledge and experience. Details are given in Table 1.

b) Number of Board Meetings

Samrat Pharmachem Limited held 11 Board meetings during the year ended 31st March, 2004.

Date of Board Meetings	
1	31 st May, 2003
2	30 th June, 2003
3	30 th July, 2003
4	31 st July, 2003
5	30 th August, 2003
6	10 th October, 2003
7	31 st October, 2003
8	24 th November, 2003
9	27 th January, 2004
10	31 st January, 2004
11	31 st March, 2004

The maximum interval between 2 board meetings was not more than 4 calendar months.

c) Directors' attendance record and Directorship held:

See table 1 for details.

Table 1 : Details about Samrat Pharmachem's Board of Directors'

Name of Director	Position	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM?	Directorship in other public limited companies in India *
Lalit Mehta	Chairman & Managing Director	11	11	Yes	-
Champak Parekh	Jt. Managing Director	11	11	Yes	-
Rajesh Mehta	Executive Director	11	11	Yes	-
Hitesh Parekh	Executive Director	11	11	Yes	-
Jaswantra Mehta	Non Executive Director	11	5	Yes	-
Mahendra Pipalia	Non Executive Director	11	5	Yes	-
Harish Gandhi	Non Executive Director	11	5	Yes	-
Samir Kothary**	Non Executive Director	11	5	No	-

Notes : * Figures in () indicates listed companies.

** Appointed with effect from 30th July, 2003 and appointed again on 10th October, 2003.

Independent Director means a Director who apart from receiving a Director's remuneration does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries, which in the judgment of the board may affect the independence of the judgment of the Director.

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than 5 such committees, as required Under Clause 49 of the Listing Agreement.

d) Information supplied to the Board

Among others, this includes:

- Review of annual operating plan of businesses, capital budgets, updates,
- Quarterly results of the company,
- Minutes of the meeting of audit committee and other committees,
- Information on recruitment and remuneration of senior officers just below the Board level,
- Materially important show cause notices, demand notices, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences,
- Any material significant effluent or pollution problems,
- Any material relevant to default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- Any issue which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Significant labour problem and their proposed solutions,
- Significant development in human resources and industrial relations fronts,
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business,

- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- Non-compliance of any regulatory or statutory provision of listing requirements as well as shareholder services such as non-payment of dividend and delay in share transfer.

The Board of Samrat Pharmachem Limited is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as a part of agenda papers well in advance of Board meetings or are tabled in the course of the Board meetings.

e) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transaction or relationships between Samrat Pharmachem Limited and its Directors for the year ended 31st March, 2004 that may have a potential conflict with the interest of the Company at large.

f) Remuneration of Directors: sitting fees, salary, perquisites and commissions

Table 2 gives the details of the remuneration package of Directors and their relationship with each other.

Table 2: Remuneration paid or payable to Directors during the Fin. Year 2003-2004

Name of Director	Relation with other directors	Sitting fees	Comm. on profits	Salary p.a. (Rs.)	PF	Perquisites	Total
Lalit Mehta	Father of Rajesh Mehta	-	-	1,80,000	-	-	1,80,000
Champak Parekh	Father of Hitesh Parekh	-	-	1,80,000	-	-	1,80,000
Rajesh Mehta	Son of Lalit Mehta	-	-	1,20,000	-	-	1,20,000
Hitesh Parekh	Son of Champak Parekh	-	-	1,20,000	-	-	1,20,000

g) Committees of the Board

Audit Committee

The audit committee of Samrat Pharmachem Limited performs the following functions:

- Overseeing the company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- Reviewing with the management the annual financial statement before submission to the Board;
- Reviewing with the management and external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal audit system;
- Discussing with internal auditors any significant finding and follow up on such issues;
- Reviewing the findings of any internal investigation by internal auditors in matters where there is suspected fraud or irregularity or a failure of internal control systems of a

material nature and then reporting such matter to the Board;

- Discussing with the external auditors before the audit commences on the nature and scope of audit as well as having post-audit discussion to ascertain any area of concerns;
- Reviewing the Company's financial and risk management policies and
- Examining reasons for substantial default in the payment to depositors, bankers, shareholders (in case of non-payment of declared dividends) and creditors, if any.

The Company continues to derive immense benefit from the deliberation of the Audit Committee comprising 4 non-executives and independent Directors, Mr. Mahendra Pipalia (Chairman), Mr. Harish Gandhi, Mr. Samir Kothary and Mr. Jaswantra Mehta, who are eminent professionals knowledgeable in project finance, accounts and company law. Minutes of each audit committee meeting are placed before and discussed in the full Board.

The audit committee met four times during the year on 31st March, 2004. Table 4 gives attendance record.

Table 4: Attendance record of audit committee members

Name of Director	No. of meetings held	Meetings attended
Mahendra Pipalia	4	4
Jaswantra Mehta	4	4
Harish Gandhi	4	4
Samir Kothary	4	4

In addition to the above, Samrat Pharmachem Limited's audit committee looks into controls and security of the Company's critical IT applications, the internal and control assurance audit report of all major profit centers and deviation from the code of business principles, if any.

Remuneration and Compensation Committee

Samrat Pharmachem's remuneration policy is based on 3 tenets: pay for responsibility, pay for performance and potential and pay for growth. The Company's remuneration committee is vested with all necessary powers and authority to ensure appropriate disclosure on the remuneration of Whole-time Directors' and to deal with all elements of remuneration package of all such Directors.

As for the non-whole-time Directors, their appointment is for the benefit of their professional expertise in their individual capacity as independent business executives. Accordingly, the service contract, notice period and severance fees, if any of the company are not applicable to such non-whole-time Directors. However as a company's policy, upon attaining the age of 70 years, the non-whole-time Directors' seek retirement by not offering themselves for re-appointment at the Annual General Meeting of the Company.

The committee consisting of 4 non-executive and independent Directors - Mr. Jaswantra Mehta (Chairman), Mr. Harish Gandhi, Mr. Samir Kothary and Mr. Mahendra Pipalia met twice during the year on 31st March, 2004.

Table 5 gives the attendance record of the members of the remuneration committee.

Table 5 : Attendance record of the remuneration committee members

Name of Director	No. of meetings held	Meetings attended
Jaswantra Mehta	2	2
Mahendra Pipalia	2	2
Harish Gandhi	2	2
Samir Kothary	2	2

Shareholder / Investor Grievance Committee

The Shareholder/Investor grievances committee specially looks into redressing of shareholders and investors' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividend and to ensure expeditious share transfer process. This committee consists of 4 non-executive Directors comprising Mr. Harish Gandhi (Chairman), Mr. Mahendra Pipalia, Mr. Samir Kothary and Mr. Jaswantra Mehta met twice during the year ended 31st March, 2004. Table 6 gives the attendance record.

Table 6 : Attendance record of investor grievance committee members

Name of Director	No. of meetings held	Meetings attended
Harish Gandhi	2	2
Jaswantra Mehta	2	2
Mahendra Pipalia	2	2
Samir Kothary	2	2

A summary of complaints received and resolved during the year ended 31st March, 2004 is given below:

Nature of Complaints	Received	Resolved	Pending
Non-receipt of share certificates duly transferred	3	3	0
Non-receipts of refund orders	4	4	0
Non-receipts of dividend warrants	0	0	0
Miscellaneous	17	17	0
Letters from SEBI	7	7	0
Letters from Stock Exchanges	1	1	0

MANAGEMENT**a) Management discussion and analysis**

The Directors' Report includes details of Management Discussion and Analysis of various businesses of the Company.

b) Disclosures by management to the Board

All details relating to financial and commercial transactions where Directors' may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

SHAREHOLDERS**a) Disclosure regarding appointment and re-appointment of Directors**

According to the Articles of Association of Samrat Pharmachem Limited, all Directors except Mr. Lalit Mehta and Mr. Champak Parekh retire every year and, if eligible offer themselves for re-election at every Annual General Meeting. All the Directors are eligible and offering themselves for re-election.

Given below are the abbreviated resumes of the Directors of Samrat Pharmachem Limited.

Mr. Lalit Mehta aged 67 years is the Chairman and Managing Director of Samrat Pharmachem Limited. Mr. Lalit Mehta is a science and law graduate from University of Mumbai. He is a promoter Director of the Company. Mr. Lalit Mehta started his career with Air India. His enthusiasm, hard work, vision & business sense landed him in the chemical business. Mr. Lalit Mehta has vast and varied experience of the chemical & pharmaceuticals industry. He is in the chemical & pharmaceutical line for the last 41 years. He looks after the entire administration of the Company.

Mr. Champak Parekh aged 70 years is the Joint Managing Director of Samrat Pharmachem Limited. He started his career as a tax consultant after completion of his studies. He is a promoter Director of the Company. Mr. Champak Parekh has wide experience of chemical and pharmaceuticals

industry. He is in chemical & pharmaceutical line for last 41 years. He looks after sales & administrative affairs of the Company.

Mr. Rajesh Mehta aged 40 years is the Executive Director (Finance) of Samrat Pharmachem Limited. Mr. Rajesh Mehta is a commerce graduate from University of Mumbai and an Associate Member of the Institute of Chartered Accountants of India. He is a promoter Director of the Company. Mr. Rajesh Mehta has wide experience of the chemical and pharmaceutical industry. He is in chemical and pharmaceutical industry since last 16 years. He looks after accounts, finance, corporate affairs & MIS of the Company.

Mr. Hitesh Parekh aged 39 years is the Executive Director (Technical) of Samrat Pharmachem Limited. Mr. Hitesh Parekh is a Bachelor of Pharmacy from University of Pune. He is a promoter Director of the Company. Mr. Hitesh Parekh has wide experience of chemical and pharmaceutical industry. He is in chemical and pharmaceuticals industry for last 16 years. He looks after production of the Company.

Mr. Jaswantra Mehta aged 67 years is the Non-executive Director of Samrat Pharmachem Limited. He has wide experience of working in textile and pharmaceutical industry. He is a retired employee of Reliance Industries Limited. He advises the Company in administrative and legislative matters.

Mr. Mahendra Pipalia aged 41 years is the Non-executive Director of the Company. Mr. Mahendra Pipalia is a commerce graduate from the University of Mumbai and a fellow member of the Institute of Chartered Accountants of India. Mr. Mahendra Pipalia has wide experience in internal audit, finance and taxation as also development of software systems for various industries. He advises the Company in accounts, finance, taxation, audit matters & control systems.

Mr. Harish Gandhi aged 49 years is the Non-executive Director of the Company. Mr. Harish Gandhi is an architect by profession. He has wide experience in dealing with matters like construction,

maintenance and legislative matters related to the industry. He advises the Company in various administrative and legislative matters.

Mr. Samir Kothary aged 41 years is the Non-executive Director of the Company. He is engaged in the business of trading of pharmaceuticals and chemicals. He has experience of more than 15 years in the pharmaceutical and chemical industry. He advises the Company in procurement of raw materials.

b) Communication to shareholders

Samrat Pharmachem has its own web site and all vital information relating to the Company and its performance has been put on the web site. The web site address is www.samratpharmachem.com.

The quarterly, half yearly and annual results are published in leading newspapers circulated in Vadodara.

c) Investors grievances

As mentioned earlier in this chapter, the Company has constituted a Shareholders'/Investors' Grievance

Committee for redressing shareholders' and investors' complaints. The status on complaints is reported to the Board of Directors as an agenda item.

d) Share transfer

All share transfers are handled by the Registrar and Share Transfer Agent **M/s. Intime Spectrum Registry Limited**, having office at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400078 (Phone: 55555454, Fax: 55555353, Kind Attn: Mr. Sharad Patkar). All transfers and queries relating to share transfer, demat and other matters may be referred to the Registrar directly at the above noted address.

e) Details of non-compliance

Company has been fully compliant with all matters relating to the capital market and the listing agreements.

f) General body meetings

Details of the last 3 annual general meetings are given in the Table 7.

Table 7 : Date, time & venue of the last 3 AGMs :

AGM No.	Financial Year	Date	Time	Venue
11 th AGM	31 st March, 2003	29 th Sept., 2003	1.00 p.m.	Plot No. A2/3445, GIDC, Phase IV, Ankleshwar – 393 002, Gujarat
10 th AGM	31 st March, 2002	28 th Sept., 2002	1.00 p.m.	Plot No. A2/3445, GIDC, Phase IV, Ankleshwar – 393 002, Gujarat
9 th AGM	31 st March, 2001	29 th Sept., 2001	1.00 p.m.	Plot No. A2/3445, GIDC, Phase IV, Ankleshwar – 393 002, Gujarat

g) Postal ballot:

During the year company was not required to take any postal ballot for passing resolutions as per Section 192A of the Companies Act, 1956 as amended.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the auditor's certificate is given as an annexure to the Directors' Report.

Additional Shareholder Information

12th Annual General Meeting

Date	29 th September, 2004
Time	1:00 pm
Venue	Plot No. A2/3445 GIDC Phase IV, Ankleshwar - 393 002, Gujarat

Financial Calendar

Financial Year : 1st April, 2003 to 31st March, 2004

For the year ended 31st March 2004, results were announced on:

1 st Quarterly Results (Un-audited)	31 st July, 2003
2 nd Quarterly Results (Un-audited)	31 st October, 2003
3 rd Quarterly Results (Un-audited)	31 st January, 2004
4 th Quarterly Results (Audited)	30 th June, 2004

For the financial year ended 2004-05, results will be announced on:

1 st Quarterly Results (Un-audited)	31 st July, 2004
2 nd Quarterly Results (Un-audited)	30 th October, 2004
3 rd Quarterly Results (Un-audited)	31 st January, 2005
4 th Quarterly Results (Audited)	30 th June, 2005

Book Closure

The annual book closure period is from 15th September, 2004 to 29th September, 2004, inclusive of both days.

Listing

The Company's shares are listed and traded on the stock exchanges at Baroda, Ahmedabad, Rajkot, Pune and Mumbai.

Stock Codes

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	530125
The Vadodara Stock Exchange Ltd	530125
The Saurashtra Kutch Stock Exchange Ltd	Samrat Pharmachem
The Stock Exchange, Ahmedabad	530125
The Pune Stock Exchange Ltd	530125

The ISIN Number of Samrat Pharmachem Limited (or demat number) on both the NSDL and CDSL is **INE 103E01016**.

Stock Data

Table 1 gives monthly high and low prices of Samrat Pharmachem Limited at The Stock Exchange, Mumbai (BSE) for the year ended 31st March, 2004.

Table 1 : Monthly share price at BSE

Month	High	Low
April 2003	-	-
May 2003	-	-
June 2003	-	-
July 2003	4.00	2.51
August 2003	4.32	3.00
September 2003	7.00	4.50
October 2003	5.55	3.11
November 2003	5.40	2.15
December 2003	9.60	6.31
January 2004	8.55	5.31
February 2004	5.56	4.41
March 2004	5.50	3.60

Distribution of Shareholding

Table 2: Distribution of shareholding by size, class as on 31st March, 2004

Holdings	Shareholders		Shares	
	Number	% of total	Shares	% of total
1-500	3000	86.45	734147	23.76
501-1000	233	6.72	174149	5.64
1001-2000	89	2.56	130750	4.23
2001-3000	62	1.79	158501	5.13
3001-4000	11	0.32	39000	1.26
4001-5000	13	0.37	61250	1.98
5001-10000	26	0.75	199850	6.47
10001-and above	36	1.04	1592053	51.53
Total	3470	100.00	3089700	100.00

Table 3 : Distribution of shareholdings by ownership, 31st March, 2004

Category	Shares held (Nos.)	% of holdings
Promoters' Holding	1244451	40.27
Foreign Financial Institution	100000	3.24
Non resident Indians	228800	7.40
Other Corporate Bodies	34351	1.11
Indian public	1482098	47.98
Grand Total	3089700	100.00

Shares held in physical and dematerialized form

As on 31st March, 2004, 20.82% of Samrat Pharmachem's shares were held in dematerialized form and the rest in physical form. It needs to be said that promoters' shares of around 40%, which are all in physical form will add to demat if dematerialized.

Details of public funding obtained for last 3 years

Not applicable, Samrat Pharmachem has not obtained any public funding in the last 3 years.

Investor Services

All transfers and related operations are conducted by the Registrar and Share Transfer Agent M/s. Intime Spectrum Registry Limited having office at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400078 (Phone : 55555454, Fax : 55555353). Concerned officer in charge of the Registry is Mr. Sharad Patkar, Email: sharad@intimespectrum.com

All correspondence relating to transfer, mandate, change of address may be directly addressed to the Registrar and Share Transfer Agent.

The members may address their other queries to the Company at its Corporate Address at:

A/7, Sai Prasad, 2nd Floor, Teli Gali Cross Lane, Andheri (East), Mumbai - 400 069, India.

Phone : (91-22) 26841707, 26841740, 26833756

Fax : (91-22) 26843745

Email : samrat@bom4.vsnl.net.in

Website : www.samratpharmachem.com

Plant Locations

- 1) Plot No. A2/3445, GIDC, Phase IV, Ankleshwar-393 002, Gujarat
- 2) Plot No. A2/3444, GIDC, Phase IV, Ankleshwar-393 002, Gujarat

**By Order of the Board of Directors
For Samrat Pharmachem Limited**

Lalit Mehta
Managing Director

Champak Parekh
Jt Managing Director

Place : Mumbai
Dated : 30 June, 2004

CERTIFICATE

To the Members of

Samrat Pharmachem Limited

I have examined the compliance of conditions of Corporate Governance by Samrat Pharmachem Limited, for the year ended **31st March 2004**, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In my opinion and to the best of my information and according to the explanations given to us, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

I state that in respect of investor grievances received during the year ended 31st March, 2004, no investor grievances are pending against the Company exceeding 1 month as per records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

**For Nalin S. Parekh & Co.
Chartered Accountants**

**Place : Mumbai
Date : 30th June, 2004**

**Nalin S. Parekh
[Proprietor]
Membership No. 13821**

AUDIT REPORT**The Members of SAMRAT PHARMACHEM LIMITED**

1. We have audited the attached balance sheet of SAMRAT PHARMACHEM LIMITED as at 31st March 2004, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information and required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2004;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For Nalin S. Parekh & Co.
Chartered Accountants**

**Nalin S. Parekh
[Proprietor]
Membership No. 13821**

**Place : Mumbai
Date : 30th June, 2004**

ANNEXURE

Re: **SAMRAT PHARMACHEM LIMITED**

Referred to in paragraph 3 of our report of even date,

(i)

- (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off a major part of the plant and machinery.

(ii)

- (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) According to information and explanations given to us, no loans have been taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clauses 4(iii)(a) to 4(iii)(d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(iv) In our opinion and according to the information and

explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v)

- (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, no transaction has been made in pursuance of any contract or arrangement required to be entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year.

(vi) According to the information and explanations given to us, the company has not accepted any deposit from the public.

(vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained.

(ix)

(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state

- insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it, though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, and cess were in arrears, as at 31st March 2004 for a period of more than six months from the date they become payable.
- (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provision of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the company has not raised any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company had not issued any debentures.
- (xx) According to the information and explanations given to us, the company has not raised any money by public issue during the financial year covered by our audit.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Nalin S. Parekh & Co.
Chartered Accountants**

**Nalin S. Parekh
[Proprietor]
Membership No. 13821**

**Place : Mumbai
Date : 30th June, 2004**

BALANCE SHEET AS AT 31st MARCH, 2004

PARTICULARS	SCHEDULE	31/Mar/04 Rs.	31/Mar/03 Rs.
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDERS' FUNDS</u>			
Equity Share Capital	1	30,897,000.00	30,897,000.00
<u>RESERVES AND SURPLUS</u>			
(i) Capital Reserve		89,000.00	89,000.00
(ii) Profit And Loss Account		12,695,618.21	7,052,225.11
<u>LOAN FUNDS</u>			
(i) Secured Loans	2	6,178,779.03	7,912,373.77
(ii) Unsecured Loans		0.00	0.00
TOTAL		49,860,397.24	45,950,598.88
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
Gross Block	7	13,228,887.93	17,554,720.04
Depreciation		3,297,252.26	4,501,967.70
Net Block		9,931,635.67	13,052,752.34
CAPITAL WORK-IN-PROGRESS		0.00	0.00
INVESTMENTS	3	520,000.00	20,000.00
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
Inventories	4	10,936,355.10	7,174,731.68
Sundry Debtors	5	35,984,626.97	28,235,962.26
Cash & Bank Balances	6	16,642,229.39	16,985,437.58
Other Current Assets		1,601,424.15	2,463,397.83
Loans And Advances	8	711,817.00	737,417.00
		65,876,452.61	55,596,946.35
LESS : CURRENT LIABILITIES & PROVISIONS	9	-25,649,022.36	-21,169,365.53
NET CURRENT ASSETS		40,227,430.25	34,427,580.82
DEFERRED TAX LIABILITY		-1,079,550.00	-2,071,497.00
MISCELLANEOUS EXPENDITURE [To the Extent Not Written Off]			
Preliminary Expenses		48,799.60	97,599.20
Public Issue Expenses		212,081.72	424,163.52
TOTAL		49,860,397.24	45,950,598.88
THE SCHEDULES REFERRED TO ABOVE FORM PART OF THE ACCOUNTS.			

AS PER OUR REPORT OF EVEN DATE**FOR NALIN S. PAREKH & CO.**

Chartered Accountants

NALIN S. PAREKH
Proprietor**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**LALIT MEHTA
Managing DirectorRAJESH MEHTA
Executive DirectorCHAMPAK PAREKH
Jt Managing DirectorHITESH PAREKH
Executive DirectorPLACE : Mumbai
DATED : 30 June 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

PARTICULARS	SCHEDULE	31/Mar/04 Rs.	31/Mar/03 Rs.
<u>INCOME</u>			
Sales		166,462,652.76	142,135,540.74
Increase In Stock		581,495.25	0.00
Other Income	10	1,516,713.32	2,305,367.45
Profit On Sale Of Fixed Assets		0.00	0.00
TOTAL	[A] —>	168,560,861.33	144,440,908.19
<u>EXPENDITURE</u>			
Materials, Manufacturing & Other Expenses	11	141,396,395.45	118,953,434.48
Decrease In Stock		0.00	10,047,911.70
Salaries, Wages And Other Employee Benefits	12	2,678,187.15	2,618,159.55
Office And Administration Expenses	13	2,807,163.04	2,675,158.28
Selling And Distribution Expenses	14	8,343,405.13	7,198,985.91
Interest & Finance Charges	15	354,479.75	327,947.43
Depreciation On Fixed Assets		736,743.09	837,263.00
Preliminary & Public Issue Expenses W/Off		260,881.40	260,881.40
Loss On Sale Of Fixed Assets		2,981,883.22	548,446.55
TOTAL	[B] —>	159,559,138.23	143,468,188.30
PROFIT BEFORE TAX	[A] - [B]	9,001,723.10	972,719.89
Less : Provision for Income Tax		-4,350,277.00	-28,928.00
Net Deferred Tax (Liability)/Write back for the Current Year		991,947.00	-574,430.00
PROFIT AFTER TAX		5,643,393.10	369,361.89
OPENING BALANCE IN PROFIT & LOSS ACCOUNT		7,052,225.11	6,682,863.22
Add : Profit After Tax		5,643,393.10	369,361.89
Less : Deferred Tax Liability of Previous years		0.00	0.00
Taxation Adjustment Of Previous Year		0.00	0.00
BALANCE CARRIED FORWARD		12,695,618.21	7,052,225.11

THE SCHEDULES REFERRED TO ABOVE FORM PART OF THE ACCOUNTS.

AS PER OUR REPORT OF EVEN DATE

FOR NALIN S. PAREKH & CO.
Chartered Accountants

NALIN S. PAREKH
Proprietor

PLACE : Mumbai
DATED : 30 June 2004

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

LALIT MEHTA
Managing Director

RAJESH MEHTA
Executive Director

CHAMPAK PAREKH
Jt Managing Director

HITESH PAREKH
Executive Director

SCHEDULES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2004

	31/Mar/04 Rs.	31/Mar/03 Rs.
[1] SHARE CAPITAL		
AUTHORISED		
5,000,000 EQUITY SHARES OF Rs.10 EACH	50,000,000.00	50,000,000.00
[Previous Year 5,000,000 Equity Shares]		
ISSUED AND SUBSCRIBED		
3,089,700 EQUITY SHARES OF Rs.10 EACH FULLY PAID	30,897,000.00	30,897,000.00
[Previous Year 3,089,700 Equity Shares]		
[2] SECURED LOANS		
BILL/LETTER OF CREDIT DISCOUNTING WITH SCHEDULED BANK	0.00	0.00
CASH CREDIT FROM SCHEDULED BANK	6,178,779.03	7,912,373.77
[Secured against Fixed Assets, Stock, Book Debts & Personal Guarantee of Executive Directors]		
TOTAL	6,178,779.03	7,912,373.77
[3] INVESTMENTS		
[Unquoted, At Cost]		
GOVERNMENT SECURITIES	0.00	0.00
OTHERS 2,000 SHARES OF SARASWAT CO-OP BANK LTD	20,000.00	20,000.00
50,000 SHARES OF SAMRAT REMEDIES LIMITED	500,000.00	0.00
TOTAL	520,000.00	20,000.00
[4] INVENTORIES		
RAW MATERIALS	4,946,758.62	1,758,276.05
FUEL	10,470.60	18,825.00
WORK IN PROCESS & FINISHED GOODS	5,979,125.88	5,397,630.63
TOTAL	10,936,355.10	7,174,731.68
[5] SUNDRY DEBTORS		
[Unsecured]		
<i>Considered Good</i>		
OUTSTANDING FOR MORE THAN SIX MONTHS	554,996.72	66,745.60
OTHERS	34,317,151.05	27,734,131.06
<i>Considered Doubtful</i>	1,112,479.20	435,085.60
TOTAL	35,984,626.97	28,235,962.26
[6] CASH AND BANK BALANCES		
CASH BALANCE	334,887.06	306,583.30
WITH SCHEDULED BANKS IN CURRENT ACCOUNTS	5,515,890.08	3,700,244.44
WITH SCHEDULED BANKS IN DEPOSIT ACCOUNTS	10,791,452.25	12,978,609.84
TOTAL	16,642,229.39	16,985,437.58

	31/Mar/04 Rs.	31/Mar/03 Rs.
--	------------------	------------------

[7] FIXED ASSETS [AT COST]

Name	Gross Block 31/03/03	Additions	Disposal	Gross Block 31/03/04	Depn Upto 31/03/03	Depn For The Year	Deduct For Asset Sold	Total Depn	Net Block 31/03/03	Net Block 31/03/04
LAND	891,494.00	0.00	0.00	891,494.00	0.00	0.00	0.00	0.00	891,494.00	891,494.00
BUILDING	3,789,824.98	0.00	0.00	3,789,824.98	751,543.76	126,580.15	0.00	878,123.91	3,038,281.22	2,911,701.07
PLANT AND MACHINERY	10,934,536.29	526,019.64	3,564,571.98	7,895,983.95	2,733,934.04	470,796.66	978,194.90	2,226,535.80	8,200,602.25	5,669,448.15
OFFICE PLANT & EQUIPMENT	971,562.00	139,890.00	669,875.00	441,577.00	619,805.11	82,039.41	559,369.38	142,475.14	351,756.89	299,101.86
FURNITURE AND FIXTURES	871,444.77	67,600.00	824,894.77	114,150.00	384,762.42	48,548.11	403,894.25	29,416.28	486,682.35	84,733.72
VEHICLES	95,858.00	0.00	0.00	95,858.00	11,922.37	8,778.76	0.00	20,701.13	83,935.63	75,156.87
As At 31st Mar/04	17,554,720.04	733,509.64	5,059,341.75	13,228,887.93	4,501,967.70	736,743.09	1,941,458.53	3,297,252.26	13,052,752.34	9,931,635.67
As At 31st Mar/03	17,785,853.45	663,167.59	894,301.00	17,554,720.04	3,997,059.15	837,263.00	332,354.45	4,501,967.70	13,788,794.30	13,052,752.34

[8] LOANS AND ADVANCES

[Unsecured, Considered good]

ADVANCES

420,550.00

433,150.00

[Recoverable in cash or in kind
or against value to be received]

DEPOSITS

291,267.00

304,267.00

TOTAL

711,817.00

737,417.00

[9] CURRENT LIABILITIES AND PROVISIONSCURRENT LIABILITIES

SUNDRY CREDITORS FOR GOODS

20,072,326.00

19,785,621.36

SUNDRY CREDITORS FOR EXPENSES

752,835.36

1,342,296.73

SUNDRY CREDITORS FOR FIXED ASSETS

0.00

-500,000.00

ADVANCES RECEIVED AGAINST ORDER/GOODS

120,000.00

120,000.00

BANK OVERDRAFT WITH SCHEDULED BANK

0.00

421,447.44

OTHER CURRENT LIABILITIES

400,000.00

0.00

21,345,161.36

21,169,365.53

PROVISION FOR INCOME TAX

4,303,861.00

0.00

TOTAL

25,649,022.36

21,169,365.53

[10] OTHER INCOME

EXPORT INCENTIVES

1,486,354.00

1,235,012.45

INCOME FROM SALE OF SCRAP

16,365.00

21,655.00

DIVIDEND FROM SHARES OF SARASWAT CO-OP BANK

1,800.00

2,000.00

INSURANCE CLAIM

0.00

967,050.00

COMPENSATION FROM SUPPLIER

0.00

79,650.00

INTEREST ON INCOME TAX REFUND

12,194.32

0.00

TOTAL

1,516,713.32

2,305,367.45

	31/Mar/04 Rs.	31/Mar/03 Rs.
[11] MATERIALS, MANUFACTURING AND OTHER EXPENSES		
MATERIALS CONSUMED	116,387,709.83	96,001,593.31
JOB WORK CHARGES	884,725.00	1,644,067.50
POWER CHARGES	932,179.79	802,386.75
FUEL CONSUMED	417,633.03	652,411.73
GAS CHARGES	923,332.00	679,601.00
WATER CHARGES	138,376.00	122,957.25
ANALYTICAL & TESTING CHARGES	375,293.55	204,754.54
INSURANCE CHARGES	106,838.00	106,838.00
CENTRAL EXCISE DUTY	19,616,157.00	17,183,768.00
REPAIRS TO FACTORY BUILDING	70,386.00	96,459.00
REPAIRS TO PLANT & MACHINERY	843,448.25	1,012,154.98
EFFLUENT TREATMENT & POLLUTION CONTROL	369,553.00	195,647.42
FOREIGN BILL STAMPS	208,371.00	220,987.00
OTHERS	122,393.00	29,808.00
TOTAL	141,396,395.45	118,953,434.48
[12] SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
SALARIES & WAGES FACTORY	901,284.35	880,897.50
CONTRACT	697,349.60	617,439.00
OFFICE	328,612.70	314,321.55
EMPLOYEES STATE INSURANCE CORPORATION	43,530.00	46,229.00
PROVIDENT FUND	278,788.00	272,336.00
PROFESSION TAX	3,160.00	2,000.00
GRATUITY FUND	45,971.00	100,401.00
HOUSE RENT	0.00	6,630.00
FACTORY SECURITY CHARGES	91,295.00	90,997.00
REFRESHMENT & STAFF WELFARE	288,196.50	286,908.50
TOTAL	2,678,187.15	2,618,159.55
[13] OFFICE AND ADMINISTRATION EXPENSES		
OFFICE ELECTRICITY	71,050.00	49,849.75
OFFICE LEASE RENT	187,500.00	169,631.00
LEGAL & PROFESSIONAL CHARGES	503,198.00	416,717.00
PRINTING & STATIONERY	250,210.50	299,928.34
CONVEYANCE - LOCAL	124,800.00	114,959.00
VEHICLE EXPENSES	18,942.00	20,218.00
TRAVELLING - OUTDOOR	108,903.00	81,896.00
TELEPHONE & TELECOMMUNICATION CHARGES	237,976.24	274,425.44
POSTAGE & COURIER CHARGES	210,650.30	172,480.75
DIRECTORS REMUNERATION	620,000.00	480,000.00
AUDITOR'S REMUNERATION	31,800.00	31,800.00
COST AUDITOR'S REMUNERATION	18,900.00	18,900.00
STOCK EXCHANGE FEES	40,600.00	100,600.00
ROC FEES	3,500.00	13,900.00
DATA PROCESSING CHARGES	0.00	34,149.00
OFFICE REPAIRS & RENEWALS	51,830.00	95,684.00
SUBSCRIPTIONS & PERIODICALS	0.00	4,090.00
SUNDRY EXPENSES	327,303.00	295,930.00
TOTAL	2,807,163.04	2,675,158.28

	31/Mar/04 Rs.	31/Mar/03 Rs.
[14] SELLING & DISTRIBUTION EXPENSES		
EXPORT EXPENSES	313,560.00	374,876.25
ADVERTISEMENT & PUBLICITY	126,349.00	72,803.00
BUSINESS PROMOTION	43,115.00	15,515.00
BAD DEBTS WRITTEN OFF	0.00	206,318.40
DISCOUNT	182,218.51	98,116.13
COMMISSION & BROKERAGE	640,223.62	365,736.13
SALES TAX	6,514,413.00	5,456,038.00
INSURANCE - GOODS-IN-TRANSIT	90,120.00	36,552.00
DELIVERY CHARGES	461,430.00	573,031.00
OCTROI DUTY	-28,024.00	0.00
TOTAL	8,343,405.13	7,198,985.91
[15] INTEREST & FINANCE CHARGES		
BANK INTEREST & CHARGES	354,479.75	327,947.43
TOTAL	354,479.75	327,947.43

SIGNATORIES TO SCHEDULES 1 TO 15

AS PER OUR REPORT OF EVEN DATE

FOR NALIN S. PAREKH & CO.
Chartered Accountants

NALIN S. PAREKH
Proprietor

PLACE : Mumbai
DATED : 30 June 2004

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

LALIT MEHTA
Managing Director

RAJESH MEHTA
Executive Director

CHAMPAK PAREKH
Jt Managing Director

HITESH PAREKH
Executive Director

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004**1. SIGNIFICANT ACCOUNTING POLICIES****(a) System of Accounting**

The accounts have been prepared under the historical cost convention and on accrual basis.

(b) Fixed Assets

Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition.

(c) Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Department of Company Affairs from time to time.

Depreciation on assets added during the year has been provided on pro-rata basis.

(d) Investments

Long-term investments are being valued at cost of acquisition.

Short-term investments are being valued at cost or market value whichever is lower.

(e) Inventories

Raw materials, Stores and spares and Work-in-Progress are valued at cost.

Finished goods are valued at lower of cost or realisable value.

The inventories values are determined on FIFO basis.

(f) Sales

Sales are recognised when goods are supplied in accordance with the terms of sale and are recorded net of trade discounts and rebates but include excise duty and sales tax.

(g) Foreign currency transaction

Transactions in foreign exchange are accounted at a standard exchange rate. The difference between the amount originally recorded and the settlement amount is recognised as exchange rate fluctuation. Fluctuation amount is added/reduced from purchase or sale, as the case may be, in the drawing the Profit & Loss statement.

(h) Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in the subsequent periods.**(i) Preliminary & Public Issue expenses are being amortised over a period of 10 years.**

2. QUANTITATIVE INFORMATION IN RESPECT OF GOODS MANUFACTURED BY THE COMPANY

(i) Licenced Capacity, Installed Capacity & Production (As Certified by the Management)

Class of goods: Pharmaceutical Bulk Drugs & Chemicals

Particulars	31 March 2004	31 March 2003
Licenced Capacity	No licence is required	
Installed Capacity (MT)	528.00	528.00
Actual Production (MT)	227.67	228.90

(ii) Analysis of Raw Materials consumed

Class of Goods	31 March 2004		31 March 2003	
	MT	Rs.	MT	Rs.
Iodine Crude	142.30	102,712,491	105.82	80,873,357
Other Pharmaceutical Materials	569.69	12,542,406	562.90	14,011,777
Packing Materials		941,189		995,577
Total		116,196,086		95,880,711

3. PARTICULARS IN RESPECT OF INVENTORIES AND PURCHASES OF TRADED GOODS

NIL

4. CONSUMPTION OF MATERIALS

Particulars	31 March 2004		31 March 2003	
	Rs.	%age	Rs.	%age
Raw Materials Imported	102,712,491	88.40	80,873,357	84.35
Indigenous	13,483,595	11.60	15,007,354	15.65
Total	116,196,086	100.00	95,880,711	100.00

5. SALES

Class of Goods	31 March 2004		31 March 2003	
	MT	Rs.	MT	Rs.
Pharmaceutical Bulk Drugs & Chemicals	225.37	163,874,427	225.45	139,313,219

6. CONTINGENT LIABILITIES

In respect of Letters of Credit issued by the Company's Bankers: Rs. 6,959,706 (Previous year Rs. 11,318,690).

In respect of Bank Guarantees given by the Company's Bankers Rs. 531,825 (Previous year Rs. 350,000).

7. FOREIGN EXCHANGE FLUCTUATION

Gain on account of foreign exchange fluctuation accounted during the year is Rs. 2,821,863 (Previous year gain of Rs. 1,245,777).

8. AUDITOR'S REMUNERATION

Particulars	31 March 2004 Rs.	31 March 2003 Rs.
For Statutory Audit	24,300	24,300
For Taxation	7,500	7,500
Total	31,800	31,800

9. REMUNERATION paid u/s 198 of the Companies Act, 1956 to Managing Director, Joint Managing Director and Executive Directors are in accordance with the approval of the Central Government and or within the limits laid down under Schedule XIII to the Companies Act, 1956 & included in the Profit & Loss Account, as Directors Remuneration.

10. The company has taken Group Gratuity for its employees from Life Insurance Corporation of India.

11. Previous period's figures have been re-arranged, re-grouped and re-classified where necessary.

AS PER OUR REPORT OF EVEN DATE

FOR NALIN S. PAREKH & CO.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
For Samrat Pharmachem Limited

LALIT MEHTA
Managing Director

CHAMPAK PAREKH
Jt Managing Director

NALIN S. PAREKH
Proprietor

RAJESH MEHTA
Executive Director

HITESH PAREKH
Executive Director

PLACE : Mumbai
DATED : 30 June 2004

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No	04-17820	State Code	04
Balance Sheet Date	31 st March, 2004		

II. Capital raised during the year (Rupees in thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of mobilisation and Deployment of Funds (Rupees in thousands)

Total Liabilities	76589
Total Assets	76589

Sources of Funds

Paid up Capital	30897
Reserves and Surplus	12785
Secured Loans	6179
Unsecured Loans	NIL

Application of Funds

Net Fixed Assets	9932
Investments	520
Net Current Assets	39148
Miscellaneous Expenditure	261
Accumulated Losses	NIL

* Net of Deferred Tax Liability

IV. Performance of Company (Rupees in thousands)

Turnover	166463
Total Expenditure	158978
Profit/Loss before Tax	9002
Profit/Loss after Tax	5643
Earning per share (in Rs.)	1.67

* Net of deferred Tax Liability for the current year

V. Generic names of three principal products/services of Company (as per monetary terms)

Item Code No. (ITC Code)	282760.10
Product Description	Potassium Iodide
Item Code No. (ITC Code)	282760.20
Product Description	Tri-Methyl Sulfoxonium Iodide
Item Code No. (ITC Code)	280120.00
Product Description	Iodine

AS PER OUR REPORT OF EVEN DATE

FOR NALIN S. PAREKH & CO.
Chartered Accountants

NALIN S. PAREKH
Proprietor

PLACE : Mumbai
DATED : 30 June 2004

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
For Samrat Pharmachem Limited

LALIT MEHTA
Managing Director

RAJESH MEHTA
Executive Director

CHAMPAK PAREKH
Jt Managing Director

HITESH PAREKH
Executive Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2004

Particulars	31/Mar/04 Rs.	31/Mar/03 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	9,001,723.10	972,719.89
ADJUSTMENTS FOR :		
DEPRECIATION	736,743.09	837,263.00
PROFIT/LOSS ON SALE OF ASSETS	2,981,883.22	548,446.55
PRELIMINARY EXPENSES	260,881.40	260,881.40
INTEREST/DIVIDEND	352,679.75	325,947.43
	<u>4,332,187.46</u>	<u>1,972,538.38</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	13,333,910.56	2,945,258.27
ADJUSTMENTS FOR :		
TRADE AND OTHER RECEIVABLES	-6,861,091.03	-4,832,276.30
INVENTORIES	-3,761,623.42	10,308,249.83
TRADE PAYABLES	597,243.27	331,686.44
	<u>-10,025,471.18</u>	<u>5,807,659.97</u>
CASH GENERATED FROM OPERATIONS	<u>3,308,439.38</u>	<u>8,752,918.24</u>
INTEREST PAID	-354,479.75	-327,947.43
DIRECT TAXES PAID	-46,416.00	-99,374.15
	<u>-400,895.75</u>	<u>-427,321.58</u>
CASH FLOW BEFORE EXTRAORDINARY ITEMS	2,907,543.63	8,325,596.66
EXTRAORDINARY ITEMS	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	<u>2,907,543.63</u>	<u>8,325,596.66</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	-733,509.64	-663,167.59
SALE/REALIZATION OF FIXED ASSETS	136,000.00	13,500.00
CAPITAL WORK-IN-PROGRESS	0.00	0.00
SALE/REALIZATION OF INVESTMENTS	-500,000.00	0.00
INTEREST/DIVIDEND RECEIVED	1,800.00	2,000.00
NET CASH USED IN INVESTING ACTIVITIES	<u>-1,095,709.64</u>	<u>-647,667.59</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	0.00	0.00
SUBSIDY FROM GOVERNMENT	0.00	0.00
PROCEEDS FROM LONG TERM BORROWINGS	0.00	0.00
SHORT TERM BORROWINGS	-1,733,594.74	-842,627.64
NET CASH USED IN FINANCING ACTIVITIES	<u>-1,733,594.74</u>	<u>-842,627.64</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2004

Particulars		31/Mar/04 Rs.	31/Mar/03 Rs.
NET INCREASE IN CASH AND CASH EQUIVALENTS		78,239.25	6,835,301.43
CASH AND CASH EQUIVALENTS AT 1/Apr / 03 (Opening Balance)		16,563,990.14	9,728,688.71
CASH AND CASH EQUIVALENTS AT 31/Mar / 04 (Closing Balance)		16,642,229.39	16,563,990.14

FOR NALIN S. PAREKH & CO.
Chartered Accountants

NALIN S. PAREKH
Proprietor

PLACE : Mumbai
DATED : 30 June 2004

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

LALIT MEHTA
Managing Director

RAJESH MEHTA
Executive Director

CHAMPAK PAREKH
Jt Managing Director

HITESH PAREKH
Executive Director

STATEMENT PURSUANT TO SECTION 212(1) & (3) OF THE COMPANIES ACT, 1956

SAMRAT REMEDIES LIMITED

Amt in Rs.

(1) Holding company's interest:

Samrat Pharmachem Limited held entire issued and paid up capital of its above subsidiary consisting of 50,000 equity shares of face value of Rs. 10 each fully paid up as at 31st March, 2004.

(2) Holding company's interest:

Net aggregate amount of subsidiary's profit/(loss) not dealt with in the holding company's accounts:

- | | |
|---|------|
| a. Profit/(Loss) for the subsidiary's financial year ended 31 st March, 2004 | N.A. |
| b. Profit/(Loss) for its previous financial years | |

(3) Holding company's interest:

Net aggregate amount of subsidiary's profit/(loss) dealt with in the holding company's accounts :

- | | |
|---|------|
| a. Profit/(Loss) for the subsidiary's financial year ended 31 st March, 2004 | N.A. |
| b. Profit/(Loss) for its previous financial years | N.A. |

Place : Mumbai
Dated : 30 June, 2004

By Order of the Board of Directors
For Samrat Pharmachem Limited

Lalit Mehta
Managing Director

Champak Parekh
Jt Managing Director

Rajesh Mehta
Executive Director

Hitesh Parekh
Executive Director

DIRECTORS' REPORT**TO THE MEMBERS**

The Directors are pleased to present the First Annual Report for the period ended 31st March 2004.

OPERATIONS

The company is yet to start business operations.

DISCLOSURE OF PARTICULARS

Information as per 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 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is not applicable to the company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Lalit Mehta & Mr. Champak Parekh retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The first auditors of the Company M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai hold office upto the conclusion of 1st Annual General Meeting and being eligible offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended with respect of Directors responsibility statement, it is hereby confirmed: -

1. That the preparation of accounts for the Financial Year ended 31st March, 2004, the applicable accounting standards have been followed along-with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 as amended for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors' have prepared the accounts for the financial year ended 31st March 2004 on a going concern basis.

Place : Mumbai
Dated : 30 June, 2004

By Order of the Board of Directors
For Samrat Remedies Limited

Lalit Mehta
Director

Champak Parekh
Director

Rajesh Mehta
Director

Hitesh Parekh
Director

AUDIT REPORT**The Members of SAMRAT REMEDIES LIMITED**

1. We have audited the attached balance sheet of SAMRAT REMEDIES LIMITED as at 31st March 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The balance sheet dealt with by this report is in agreement with the books of account;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information and required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2004;

**For Nalin S. Parekh & Co.
Chartered Accountants**

**Place : Mumbai
Date : 30th June, 2004**

**Nalin S. Parekh
[Proprietor]
Membership No. 13821**

ANNEXURE**Re: SAMRAT REMEDIES LIMITED**

Referred to in paragraph 3 of our report of even date

- (i) The company has not maintained fixed assets register as there are no fixed assets.
- (ii) The company has not commenced any business operation and hence no inventory records are maintained.
- (iii) According to information and explanations given to us, no loans have been taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clauses 4(iii)(a) to 4(iii)(d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (iv) According to the information and explanations given to us, the company has not accepted any deposit from the public.
- (v) According to the information and explanations given to us, the company has not raised any term loans or working capital loan.
- (vi) According to the information and explanations given to us, the company has not raised any money by public issue during the financial year covered by our audit.
- (vii) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Nalin S. Parekh & Co.
Chartered Accountants**

**Place : Mumbai
Date : 30th June, 2004**

**Nalin S. Parekh
[Proprietor]
Membership No. 13821**

BALANCE SHEET AS AT 31ST MARCH, 2004

PARTICULARS	31/Mar/04 Rs.
<u>SOURCES OF FUNDS</u>	
<u>SHAREHOLDERS' FUNDS</u>	
Equity Share Capital	500,000.00
Authorised	
50,000 equity shares of Rs. 10 each	
Issued, subscribed & paid	
50,000 equity share of Rs. 10 each fully paid	
<u>RESERVES AND SURPLUS</u>	0.00
<u>LOAN FUNDS</u>	0.00
TOTAL	500,000.00
<u>APPLICATION OF FUNDS</u>	
<u>FIXED ASSETS</u>	0.00
<u>INVESTMENTS</u>	0.00
<u>CURRENT ASSETS, LOANS & ADVANCES</u>	
Advance to Samrat Pharmachem Limited	4,00,000.00
Balance with Saraswal Co-op Bank (Scheduled bank)	54,955.00
	454,955.00
LESS: CURRENT LIABILITIES & PROVISIONS (Auditor's remuneration)	(4,320.00)
NET CURRENT ASSETS	450,635.00
Preliminary Expenses	49,365.00
TOTAL	500,000.00

AS PER OUR REPORT OF EVEN DATE

FOR NALIN S. PAREKH & CO.

Chartered Accountants

NALIN S. PAREKH
Proprietor

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

LALIT MEHTA
Director

RAJESH MEHTA
Director

CHAMPAK PAREKH
Director

HITESH PAREKH
Director

PLACE : Mumbai

DATED : 30 June 2004

Registered Office

Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

L. F. No. (s) _____

NAME OF THE SHAREHOLDER/PROXY _____

ADDRESS _____

No. of shares held : _____

I/We hereby record our presence at the Twelfth Annual General Meeting being held on **Wednesday, the 29th day of September, 2004 at 1.00 p.m. at the Registered Office of the Company** at Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat.

SIGNATURE OF THE SHAREHOLDER / PROXY _____

* Strike out whichever is not applicable.

Registered Office

Plot No. A2/3445, GIDC Phase IV, Ankleshwar - 393 002, Gujarat

PROXY FORM

Regd. Folio No./DP ID No. _____

No. of Shares held _____

Proxy No. _____

I/We _____

of _____

being a Member / Members of **SAMRAT PHARMACHEM LIMITED, Ankleshwar,**

hereby appoint _____

of _____ or failing him _____

_____ of _____

as my/our proxy to vote for me/us on my behalf, at the Twelfth Annual General Meeting of the Company to be held on **Wednesday, the 29th day of September, 2004 at 1.00 p.m. at the Registered Office of the company** and at any adjournment thereof.

Signed this _____ day of _____ 2004.

Please Affix
One Rupee
Revenue
Stamp here

Signature of Member(s)
across the stamp

Note : The proxy must be deposited with the Registered Office of the Company at Plot No. A2/3445, GIDC Phase IV, Ankleshwar-393 002, GUJARAT not less than 48 hours before the time for holding the meeting.

Samrat

*The King of
Iodine Chemistry*



Manufacturing plants at Ankleshwar in Gujarat State of India

Book-Post



If undelivered please return to :

Samrat Pharmachem Limited

Plot No. A2/3445,
GIDC, Phase 4,
Ankleshwar - 393 002,
Gujarat.

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