



Samrat Pharmachem Limited

**13th Annual Report
2004-2005**

The king of Iodine Chemistry



www.samratpharmachem.com

CONTENTS

Sr. No.	Particulars	Page No.
1.	Contents	1
2.	General Information	2
3.	Notice	3
4.	Director's Report	4-6
5.	Annexure to Director's Report	7
6.	Management Discussion & Analysis	8-9
7.	Corporate Governance Report & Auditor's Certificate	10-19
8.	Auditor's Report	20-22
9.	Balance Sheet	23
10.	Profit & Loss Account	24
11.	Schedules to Accounts	25-27
12.	Notes forming part of the Accounts	28-30
13.	Balance Sheet Abstract & Company's General Business Profile	31
14.	Cash Flow Statement	32
15.	Statement pursuant to section 212	33
16.	Samrat Remedies Limited – Directors' Report	34
17.	Samrat Remedies Limited – Audit Report	35-36
18.	Samrat Remedies Limited – Balance Sheet and Profit & Loss A/c	37-38
19.	Attendance Slip & Proxy Form	39

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

STATUTORY & TAX AUDITORS

Nalin S. Parekh & Co.
Chartered Accountants
302 Madhav Apts., Jawahar Road, Opposite Ghatkopar Station (East), Mumbai - 400 077

COST AUDITORS

Kalpana P. Mehta & Co.
Cost Accountants
B/74, Roop Darshan, Juhu Lane, Andheri (West), Mumbai - 400 058

CONSULTING COMPANY SECRETARY

A. A. Mulla & Associates
Company Secretaries
D/201, Trade Corner, Saki Naka Junction, Andheri (East), Mumbai - 400 072

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 AGENTS

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 **THIRTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Thursday, the 29th September, 2005 at 1.00 p.m. at the Registered Office of the Company at Plot No. A2/3445, GIDC, Phase 4, Ankleshwar - 393 002, Gujarat to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March 2005 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. Mahendra Pipalia, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Samir Kothary 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.

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. The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 15 days from 15th September, 2005 to 29th September, 2005 (both days inclusive).
4. 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.

5. Members are requested to DEMAT their shares in order to facilitate easy & faster trading in equity shares.
6. Members are requested to quote their Folio / DP Id No. 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, 2005**

DIRECTORS' REPORT**TO THE MEMBERS**

The Directors are pleased to present the Thirteenth Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March 2005.

FINANCIAL PERFORMANCE

Particulars	31 March 2005 Rs.	31 March 2004 Rs.
Turnover	204,064,948	166,462,653
Profit before tax	7,011,344	9,001,723
Provision for tax	-2,498,165	-4,350,277
Net Deferred Tax Liability for current year	-202,153	991,947
Profit after tax	431,1026	5,643,393
<u>Profit & Loss account</u>		
Balance brought forward	12,695,618	7,052,225
Tax adjustment of previous year	-8,350	0
Balance carried to Balance Sheet	17,087,294	12,695,618

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. 2040.64 Lakhs as against Rs. 1664.63 Lakhs achieved last year - an increase of more than 22%. Production of 237.62 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.

WORKING CAPITAL FACILITIES

Your company was successful in raising additional finance from its principal banker towards working capital.

EXPORTS

During the year 2004-2005 your company's export division registered sales of Rs. 126.16 Lacs, up from Rs. 103.54 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, 2006. Your Company has not been delisted on any of these exchanges for non-payment of listing fees.

INSURANCE

The assets of the company have been adequately insured against all possible risks with ICICI Lombard General Insurance Co Ltd & with ECGC Ltd.

WEBSITE

Your company's website address is www.samratpharmachem.com. The performance of the Company will be regularly updated and be made available on this website. Also the website provides other vital information about the Company.

SAFETY, HEALTH & ENVIRONMENT (SHE) POLICY

As a responsible corporate citizen, the Company is fully alive to its responsibilities for protection of the environment and to provide its employees a safe and hazard free work place. The Company has adopted a Safety, Health & Environment Policy that applies to all employees and activities. The work culture encourages total involvement and commitment of the employees to the SHE Policy.

Some of the activities carried out during the year are as follows.

Safety:

- Providing necessary equipments and apparatus required for the safe operation of the manufacturing activities
- Observing the rules and regulations with regard to safety & precaution
- Consulting emergency control management team to monitor the safety of the plant
- Conducting regular safety audit
- Encouraging the workforce to use protective equipments and maintain cleanliness
- Conducting seminars to impart knowledge to employees on safe operations
- Organising safety week to create safety awareness

Health:

- Medical health check up were carried out for all the employees of the Company
- Lecture meetings were arranged for providing guidance and counseling on matters of health, diet and exercise
- Seminars were arranged on meditation, yoga and anti-stress therapy

Environment:

- Ensuring smooth functioning of the effluent treatment plant with respect to air, water and solid waste.
- Updating the ETP plant to make it more nature friendly
- Proper monitoring of the pollution levels in and around the plants
- Planting trees in and around the factory
- Complying with the prescribed norms of pollution control

PERSONNEL

As on 31st March 2005, the total number of employees on the payroll of the company was 31. Industrial relations with employees at various levels continue to be cordial.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Mahendra Pipalia & Mr. Samir Kothary retires by

rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-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 2004-2005.

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.

STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

A statement of interest in subsidiary as required under section 212 of the Companies Act, 1956, together with statement of account of subsidiary M/s. Samrat Remedies Limited prepared as on 31st March 2005, 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 2005, 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 2005 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, 2005**

ANNEXURE TO THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2005

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 2005	Previous year ended March 2004
1. ELECTRICITY		
a) Purchased Units (kwh)	185,935	190,360
Total Amount (Rs.)	901,962	932,180
Rate per Unit (Rs.)	4.85	4.90
b) Own Generation (Through Diesel Generator)		
Units (kwh)	2727	2901
Total Amount (Rs.)	32,733	29,465
Units per Litre of Diesel	2.29	2.29
Cost per Unit (Rs.)	12.02	10.16
2. DIESEL OIL		
Unit (Litres)	5,264	21,033
Total Amount (Rs.)	144,908	417,633
Rate per Unit (Rs.)	27.53	19.86

3. NATURAL GAS		
Unit (cubic metre)	121,704	92,415
Total Amount (Rs.)	1,217,709	923,332
Rate per cubic metre (Rs.)	10.01	9.99
4. CONSUMPTION PER KILO		
Production of Bulk Drugs & Chemicals (Kgs)	237,622	227,666
Electricity		
Rs. per kg	3.93	4.22
Diesel Oil		
Rs. per kg	0.61	1.83
Natural Gas		
Rs. per kg	5.12	4.06

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. 12,615,927
F.O.B. Value of export of finished goods
(Previous year Rs. 10,353,534)

Foreign exchange used Rs. 145,255,079
Import of raw materials
(Previous year Rs. 115,779,381)

**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, 2005

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 2005-2006.

RISKS AND CONCERNS

Currency Risk : The year 2004-05 saw a lot of volatility on the currency exchange front. Imports constitute a major portion of our business activity. The company does selective hedging from time to time. However it is difficult to fully contain such adverse fluctuations, the management shall continue to take remedial steps to reduce its severity from time to time.

Competition Risk : We feel that the major business risks are the stiff competition due to low priced products from countries like China and also from domestic manufacturers for certain products. However the company is trying to expand its range of products to cater to different segment of customers and market in order to absorb fall in sales and margins.

Credit Risk : We have been able to reduce the irrecoverable amounts to a very negligible level, notwithstanding the inevitability of having some debts which are not recoverable. Due to strict monitoring and disciplined distribution channels, we do not foresee any material risk on this count.

Dead Stocks/Slow moving items/Rejections Risk : Sometimes the quality of finished product becomes bad or is rejected by a customer. The Company has taken every step in the raw material procurement stage, production stage, packing stage, testing stage and delivery stage to minimize the risk of rejection. If due to some unforeseen reasons the goods are rejected or are not as per our in-house standards, the company has made a system to reprocess all such failed material. Minimum cost is incurred to make them into acceptable standards again. Further the products that have irregular demand or are sold in lesser quantities round the year are manufactured as per customers order only. Thus the company is successful in handling dead stocks, slow moving items and rejections.

Fire, Theft & Explosion Risk : The Company has been quite conscious of the inherent risk in our business. A lot of measures to safeguard the fixed assets and stocks in the factory are taken. The management has been regularly updating the risk profile and take necessary corrective steps like educating workers, insisting workers to wear gum boots, gloves, eye goggles, helmets etc, installing fire fighting equipments, putting sign boards, banning smoking in the premises, keeping hazardous materials in a safe and protected place etc. Apart from these measures, the company has also underwritten the

various risks like fire, theft & burglary, sale/purchase in transit etc with ICICI Lombard General Insurance Co Ltd for appropriate values.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has instituted adequate internal controls, managed by professionals. The control mechanism duly supported by efficient integrated software ensures a proper documentation, accounting, reporting and safeguarding of assets. The Company has also well defined and established system of internal audit, which is periodically reviewed by the audit committee and steps taken to strengthen the control measures. The management and audit committee of the Board periodically reviews the observations and findings of the statutory auditors and cost auditors and ensures adherence to the well laid down policies, guidelines and procedures forming part of the internal control system.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

A satisfactory business performance with average volume growth in key products and business units, combined with productivity improvement, cost management and working capital management have contributed to the good operating results for the year. Also sharp focus on cost and margins has resulted in enhanced operational efficiency.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONTS

The industrial relations have been satisfactory in the Registered Office Cum Factory and at the Corporate Office. There was no loss of man-days during the year. A lot of initiatives have been undertaken by the Human Resource Department during the year. Apart from improvement in the system to align the compensation to the performance of the employees, steps are being taken by the management to provide training both in-house and at recognized institutes to enhance the effectiveness of the employees. Steps are also being taken to focus on managerial and behavioural competence across the organization. Information Technology has been a focused area for improving the operational efficiency and as a tool for decision-making.

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, 2005

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

Samrat Pharmachem Limited is committed to the best practices in the area of Corporate Governance. The company believes that proper corporate governance facilitates effective management and control of business. This in turn, enables the company to maintain a high level of business ethics and to optimize the value of all its stakeholders. The objectives can be summarized as under:

- To enhance shareholders value.
- To protect interest of shareholders and other stakeholders including customers, suppliers, banks, employees and society at large.
- To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.

- To ensure accountability for performance and to achieve excellence at all levels.
- To provide corporate leadership of highest standards for other to follow.

Samrat Pharmachem Limited is committed to:

- Ensuring that the Board of Directors of the Company meet regularly, provide effective leadership, exercise control over management and monitor executive performance.
- Establishing a framework of strategic control and continuously reviewing its efficacy.
- Establishing clearly documented and transparent management processes for policy development, implementation and review, decision-making, monitoring, control and reporting.
- Providing free access to the Board to all relevant information, advices and resources as are necessary to enable it to carry out its role effectively.
- Ensuring that all employees are responsible for compliance issues with all applicable statutes, regulations, code of conduct, policies as laid down by the Board and report deviation or misconduct, if any, to the Board.

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 8 Board meetings during the year ended 31st March 2005.

Date of Board Meetings	
1	30 th June, 2004
2	31 st July, 2004
3	31 st August, 2004
4	16 th October, 2004
5	30 th October, 2004
6	22 nd December, 2004
7	31 st January, 2005
8	31 st March, 2005

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	8	6	No	-
Champak Parekh	Jt. Managing Director	8	8	Yes	-
Rajesh Mehta	Executive Director	8	8	Yes	-
Hitesh Parekh	Executive Director	8	8	Yes	-
Jaswantra Mehta	Non Executive Director	8	3	Yes	-
Mahendra Pipalia	Non Executive Director	8	3	Yes	-
Harish Gandhi	Non Executive Director	8	4	Yes	-
Samir Kothary	Non Executive Director	8	4	Yes	-

Notes : * Figures in () indicates listed companies.

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, 2005 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 2004-2005

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	-	-	1,68,000	-	-	1,68,000
Champak Parekh	Father of Hitesh Parekh	-	-	1,68,000	-	-	1,68,000
Rajesh Mehta	Son of Lalit Mehta	-	-	1,32,000	-	-	1,32,000
Hitesh Parekh	Son of Champak Parekh	-	-	1,32,000	-	-	1,32,000
Jaswantra Mehta	-	3,000	-	-	-	-	3,000
Harish Gandhi	-	3,000	-	-	-	-	3,000
Mahendra Pipalia	-	4,000	-	-	-	-	4,000
Samir Kothary	-	4,000	-	-	-	-	4,000

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, 2005. 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, 2005.

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, 2005. 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, 2005 is given below:

Nature of Complaints	Received	Resolved	Pending
Non-receipt of share certificates duly transferred	2	2	0
Non-receipts of refund orders	0	0	0
Non-receipts of dividend warrants	0	0	0
Non-receipt of rejected DRF	16	16	0
Non-receipt of Demat Credit	7	7	0

Non-receipt of Annual Report	1	1	0
Miscellaneous	0	0	0
Letters from SEBI	1	1	0
Letters from Stock Exchanges	0	0	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.

GENERAL SHAREHOLDERS INFORMATION**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 69 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 43 years. He looks after the entire administration of the Company.

Mr. Champak Parekh aged 71 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 41 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 40 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 68 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 42 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 50 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 42 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
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
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
12 th AGM	31 st March, 2004	29 th Sept., 2004	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

AGM No.	13 th Annual General Meeting
Date	29 th September, 2005
Time	1:00 pm
Venue	Plot No. A2/3445 GIDC, Phase 4, Ankleshwar - 393 002, Gujarat

Financial Calendar

Financial Year : 1st April, 2004 TO 31st March, 2005

For the year ended 31st March 2005, results were 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

For the financial year 2005-06, results will be announced on:

1 st Quarterly Results (Un-audited)	End of July 2005
2 nd Quarterly Results (Un-audited)	End of Oct. 2005
3 rd Quarterly Results (Un-audited)	End of Jan. 2006
4 th Quarterly Results (Audited)	End of June 2006

Book Closure

The annual book closure period is from & to following dates, inclusive of both days.

Book Closure From Date	Book Closure To Date
15 th September, 2005	29 th September, 2005

Listing

The Company's shares are listed and traded on the stock exchanges at Vadodara, 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
ISIN No.	INE103E01016

The International Securities Identification Number of Samrat Pharmachem Limited (or demat number) on both the NSDL (National Securities Depository Limited) and

CDSL (Central Depository Services India Limited) is INE103E01016.

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, 2005.

Table 1 : Monthly share price at BSE

Month	High	Date	Low	Date
April 2004	5.50	12/04/2004	4.03	01/04/2004
May 2004	5.65	07/05/2004	4.10	17/05/2004
June 2004	4.84	16/06/2004	4.01	03/06/2004
July 2004	5.00	21/07/2004	3.56	02/07/2004
August 2004	6.48	31/08/2004	4.41	02/08/2004
September 2004	10.34	30/09/2004	6.03	09/09/2004
October 2004	10.06	01/10/2004	8.50	14/10/2004
November 2004	12.25	09/11/2004	10.09	01/11/2004
December 2004	13.87	15/12/2004	9.34	08/12/2004
January 2005	13.10	03/01/2005	10.31	19/01/2005
February 2005	12.08	09/02/2005	9.75	28/02/2005
March 2005	12.63	18/03/2005	9.61	09/03/2005

Shareholding Pattern

Table 2: Distribution of shareholding by size, class as on 31st March, 2005

Holdings	Shareholders		Shares	
	Number	% of total	Shares	% of total
1-500	2546	85.49	620511	20.08
501-1000	216	7.25	166609	5.39
1001-2000	90	3.02	130869	4.24
2001-3000	37	1.24	95766	3.10
3001-4000	13	0.44	45402	1.47
4001-5000	16	0.54	75060	2.43
5001-10000	26	0.08	194210	6.28
10001-and above	34	1.14	1761273	57.01
Grand Total	2978	100.00	3089700	100.00

Shares held in physical and dematerialized form as on 31st March, 2005

Sr No	Particulars	No. of shares	% of total capital	No. of accounts
1.	Central Depository Services (I) Ltd	2,72,886	8.83 %	212
2.	National Securities Depository Ltd	15,27,404	49.44 %	831
	Total Dematerialised	18,00,290	58.27 %	1043
3.	Physical	12,89,410	41.73 %	1935
	Grand Total	30,89,700	100.00 %	2978

Table 3 : Distribution of shareholdings by ownership as on 31st March, 2005

Sr No	Category	No. of shares held	% of shareholding
[A]	Promoter's Holding		
1.	Promoters		
	- Indian Promoters *	8,00,281	25.90 %
	- Foreign Promoters	-	-
2.	Persons acting in concert	5,21,000	16.86 %
	Sub Total :	13,21,281	42.76 %
[B]	Non-Promoter's Holding		
3.	Institutional Investors		
a.	Mutual Funds & UTI	-	-
b.	Banks, FI, Insurance Co (Central / State Govt Inst. / Non- govt. Inst.)	-	-
c.	FII's	1,00,000	3.24 %
	Sub Total :	1,00,000	3.24 %
4.	Others		
a	Private Corporate Bodies	73,094	2.37 %
b.	Indian Public	14,87,125	48.13 %
c.	NRIs/OCBs	1,08,200	3.50 %
d.	Any Other (please specify)	-	-
	Sub Total :	16,68,419	54.00 %
	GRAND TOTAL :	30,89,700	100.00 %

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, 2005**

CERTIFICATE

To the Members of
Samrat Pharmachem Limited
Ankleshwar.

I have examined the compliance of conditions of Corporate Governance by Samrat Pharmachem Limited, for the year ended **31st March 2005**, 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, 2005**, 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**

Nalin S. Parekh

**Place : Mumbai
Date : 30th June, 2005**

**[Proprietor]
Membership No. 13821**

AUDIT REPORT

The Members of

SAMRAT PHARMACHEM LIMITED

Ankleshwar

1. We have audited the attached balance sheet of **SAMRAT PHARMACHEM LIMITED** as at **31st March 2005**, 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 2005** and taken on record by the Board of Directors, we report that none of the directors is disqualified as on **31st March 2005** 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 2005**;
 - (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, 2005

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, 2005** 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, 2005

BALANCE SHEET AS AT 31st MARCH, 2005

PARTICULARS	SCHEDULE	31/Mar/05 Rs.	31/Mar/04 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		0.00	89,000.00
(ii) Profit And Loss Account		17,087,293.95	12,695,618.21
<u>LOAN FUNDS</u>			
(i) Secured Loans	2	4,479,968.96	6,178,779.03
(ii) Unsecured Loans		0.00	0.00
TOTAL		52,464,262.91	49,860,397.24
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
Gross Block	7	13,998,723.33	13,228,887.93
Depreciation		3,877,151.28	3,297,252.26
Net Block		10,121,572.05	9,931,635.67
CAPITAL WORK-IN-PROGRESS		0.00	0.00
INVESTMENTS	3	520,000.00	520,000.00
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
Inventories	4	5,691,810.37	10,936,355.10
Sundry Debtors	5	52,326,247.62	35,984,626.97
Cash & Bank Balances	6	13,589,508.03	16,642,229.39
Other Current Assets		2,051,897.05	1,601,424.15
Loans And Advances	8	815,915.00	711,817.00
		74,475,378.07	65,876,452.61
LESS : CURRENT LIABILITIES & PROVISIONS	9	(31,370,984.21)	(25,649,022.36)
NET CURRENT ASSETS		43,104,393.86	40,227,430.25
DEFERRED TAX LIABILITY		(1,281,703.00)	(1,079,550.00)
<u>MISCELLANEOUS EXPENDITURE [To the Extent Not Written Off]</u>			
Preliminary Expenses		0.00	48,799.60
Public Issue Expenses		0.00	212,081.72
TOTAL		52,464,262.91	49,860,397.24
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 Director

Rajesh Mehta
Executive Director

Champak Parekh
Jt Managing Director

Hitesh Parekh
Executive Director

PLACE : Mumbai
DATED : 30 June 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

Particulars	Schedule	31/Mar/05 Rs.	31/Mar/04 Rs.
<u>INCOME</u>			
Sales		204,064,948.41	166,462,652.76
Increase In Stock		0.00	581,495.25
Other Income	10	1,324,103.85	1,516,713.32
Profit On Sale Of Fixed Assets		0.00	0.00
TOTAL [A] —>		205,389,052.26	168,560,861.33
<u>EXPENDITURE</u>			
Materials, Manufacturing & Other Expenses	11	179,953,493.34	141,396,395.45
Decrease In Stock		1,547,555.19	0.00
Salaries, Wages And Other Employee Benefits	12	2,940,587.59	2,678,187.15
Office And Administration Expenses	13	3,062,030.77	2,807,163.04
Selling And Distribution Expenses	14	10,062,821.60	8,343,405.13
Interest & Finance Charges	15	(29,560.31)	354,479.75
Depreciation On Fixed Assets		579,899.02	736,743.09
Preliminary & Public Issue Expenses W/Off		260,881.32	260,881.40
Loss On Sale Of Fixed Assets		0.00	2,981,883.22
TOTAL [B] —>		198,377,708.52	159,559,138.23
PROFIT BEFORE TAX [A] - [B]		7,011,343.74	9,001,723.10
Less : Provision for Income Tax		(2,498,165.00)	(4,350,277.00)
Net Deferred Tax (Liability)/Write back for the Current Year		(202,153.00)	991,947.00
PROFIT AFTER TAX		4,311,025.74	5,643,393.10
OPENING BALANCE IN PROFIT & LOSS ACCOUNT		12,695,618.21	7,052,225.11
Add : Profit After Tax		4,311,025.74	5,643,393.10
Transfer from Capital Reserve		89,000.00	0.00
Less : Taxation Adjustment Of Previous Year		(8,350.00)	0.00
BALANCE CARRIED FORWARD		17,087,293.95	12,695,618.21
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 2005

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 31 MARCH, 2005

	31/Mar/05 Rs.	31/Mar/04 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		
CASH CREDIT FROM SCHEDULED BANK	4,479,968.96	6,178,779.03
[Secured against Fixed Assets, Stock, Book Debts & Personal Guarantee of Executive Directors]		
TOTAL	4,479,968.96	6,178,779.03
[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	500,000.00
TOTAL	520,000.00	520,000.00
[4] INVENTORIES		
RAW MATERIALS	1,252,889.68	4,946,758.62
FUEL	7,350.00	10,470.60
WORK IN PROCESS & FINISHED GOODS	4,431,570.69	5,979,125.88
TOTAL	5,691,810.37	10,936,355.10
[5] SUNDRY DEBTORS		
[Unsecured]		
<i>Considered Good</i>		
OUTSTANDING FOR MORE THAN SIX MONTHS	758,716.61	554,996.72
OTHERS	51,567,531.01	34,317,151.05
<i>Considered Doubtful</i>	0.00	1,112,479.20
TOTAL	52,326,247.62	35,984,626.97
[6] CASH AND BANK BALANCES		
CASH BALANCE	190,689.00	334,887.06
WITH SCHEDULED BANKS IN CURRENT ACCOUNTS	3,590,135.78	5,515,890.08
WITH SCHEDULED BANKS IN DEPOSIT ACCOUNTS	9,808,683.25	10,791,452.25
TOTAL	13,589,508.03	16,642,229.39

[7] FIXED ASSETS [AT COST]

Name	Gross Block 31/03/04	Additions	Disposal	Gross Block 31/03/05	Depn Upto 31/03/04	Depn For The Year	Deduct For Asset Sold	Total Depn	Net Block 31/03/04	Net Block 31/03/05
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	878,123.91	126,580.15	0.00	1,004,704.06	2,911,701.07	2,785,120.92
PLANT AND MACHINERY	7,895,983.95	549,611.00	0.00	8,445,594.95	2,226,535.80	386,233.55	0.00	2,612,769.35	5,669,448.15	5,832,825.60
OFFICE PLANT & EQUIPMENT	441,577.00	181,150.00	0.00	622,727.00	142,475.14	49,942.96	0.00	192,418.10	299,101.86	430,308.90
FURNITURE & FIXTURES	114,150.00	39,074.40	0.00	153,224.40	29,416.28	8,363.60	0.00	37,779.88	84,733.72	115,444.52
VEHICLES	95,858.00	0.00	0.00	95,858.00	20,701.13	8,778.76	0.00	29,479.89	75,156.87	66,378.11
As At Mar/05	13,228,887.93	769,835.40	0.00	13,998,723.33	3,297,252.26	579,899.02	0.00	3,877,151.28	9,931,635.67	10,121,572.05
As At 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

	31/Mar/05 Rs.	31/Mar/04 Rs.
[8] LOANS AND ADVANCES		
[Unsecured, Considered good]		
ADVANCES	476,205.00	420,550.00
[Recoverable in cash or in kind or against value to be received]		
DEPOSITS	339,710.00	291,267.00
TOTAL	815,915.00	711,817.00
[9] CURRENT LIABILITIES AND PROVISIONS		
<u>CURRENT LIABILITIES</u>		
SUNDRY CREDITORS FOR GOODS	27,255,592.02	20,072,326.00
SUNDRY CREDITORS FOR EXPENSES	1,134,108.19	752,835.36
ADVANCES RECEIVED AGAINST ORDER/GOODS	120,000.00	120,000.00
OTHER CURRENT LIABILITIES	400,000.00	400,000.00
	21,345,161.36	21,169,365.53
<u>PROVISION FOR INCOME TAX</u>	2,461,284.00	4,303,861.00
TOTAL	31,370,984.21	25,649,022.36
[10] OTHER INCOME		
EXPORT INCENTIVES	1,304,985.00	1,486,354.00
INCOME FROM SALE OF SCRAP	11,355.00	16,365.00
DIVIDEND FROM SHARES OF SARASWAT CO-OP BANK	3,600.00	1,800.00
INTEREST ON INCOME TAX REFUND	4,163.85	12,194.32
TOTAL	1,324,103.85	1,516,713.32
[11] MATERIALS, MANUFACTURING AND OTHER EXPENSES		
MATERIALS CONSUMED	149,626,437.13	116,596,080.83
JOB WORK CHARGES	384,509.25	884,725.00
POWER CHARGES	901,961.64	932,179.79
FUEL CONSUMED	177,681.00	417,633.03
GAS CHARGES	1,217,709.00	923,332.00
WATER CHARGES	163,051.00	138,376.00
ANALYTICAL & TESTING CHARGES	438,641.25	375,293.55
INSURANCE CHARGES	137,970.00	106,838.00
CENTRAL EXCISE DUTY	25,144,941.00	19,616,157.00
REPAIRS TO FACTORY BUILDING	318,125.50	70,386.00
REPAIRS TO PLANT & MACHINERY	1,114,226.57	843,448.25
EFFLUENT TREATMENT & POLLUTION CONTROL	328,240.00	369,553.00
OTHERS	0.00	122,393.00
TOTAL	179,953,493.34	141,396,395.45
[12] SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
SALARIES & WAGES FACTORY	1,004,909.29	901,284.35
CONTRACT	676,855.00	697,349.60
OFFICE	360,074.60	328,612.70
EMPLOYEES STATE INSURANCE CORPORATION	94,942.00	43,530.00
PROVIDENT FUND	305,623.00	278,788.00
PROFESSION TAX	3,660.00	3,160.00
GRATUITY FUND	50,954.00	45,971.00
FACTORY SECURITY CHARGES	92,141.00	91,295.00
REFRESHMENT & STAFF WELFARE	351,428.70	288,196.50
TOTAL	2,940,587.59	2,678,187.15

	31/Mar/05 Rs.	31/Mar/04 Rs.
[13] OFFICE AND ADMINISTRATION EXPENSES		
OFFICE ELECTRICITY	53,110.00	71,050.00
OFFICE LEASE RENT	197,970.00	187,500.00
LEGAL & PROFESSIONAL CHARGES	505,873.00	503,198.00
PRINTING & STATIONERY	276,334.76	250,210.50
CONVEYANCE - LOCAL	145,652.00	124,800.00
VEHICLE EXPENSES	46,115.63	18,942.00
TRAVELLING - OUTDOOR	134,404.00	108,903.00
TELEPHONE & TELECOMMUNICATION CHARGES	256,647.38	237,976.24
POSTAGE & COURIER CHARGES	227,901.00	210,650.30
DIRECTORS REMUNERATION	618,000.00	620,000.00
AUDITOR'S REMUNERATION	35,000.00	31,800.00
COST AUDITOR'S REMUNERATION	17,885.00	18,900.00
STOCK EXCHANGE & COSTODIAL FEES	38,995.00	40,600.00
ROC FEES	2,600.00	3,500.00
OFFICE REPAIRS & RENEWALS	57,406.00	51,830.00
SUBSCRIPTIONS & PERIODICALS	19,469.00	0.00
ADVERTISEMENT (STATUTORY)	92,914.00	0.00
SUNDRY EXPENSES	335,754.00	327,303.00
TOTAL	<u>3,062,030.77</u>	<u>2,807,163.04</u>
[14] SELLING & DISTRIBUTION EXPENSES		
EXPORT EXPENSES	277,718.80	313,560.00
ADVERTISEMENT & PUBLICITY	91,987.00	126,349.00
BUSINESS PROMOTION	28,007.00	43,115.00
BAD DEBTS WRITTEN OFF	699,280.80	0.00
DISCOUNT	177,895.83	182,218.51
COMMISSION & BROKERAGE	1,006,110.17	640,223.62
SALES TAX	7,167,517.00	6,514,413.00
INSURANCE - GOODS-IN-TRANSIT	138,099.00	90,120.00
DELIVERY CHARGES	476,206.00	461,430.00
OCTROI DUTY	0.00	(28,024.00)
TOTAL	<u>10,062,821.60</u>	<u>8,343,405.13</u>
[15] INTEREST & FINANCE CHARGES		
BANK INTEREST & CHARGES	(29,560.31)	354,479.75
TOTAL	<u>(29,560.31)</u>	<u>354,479.75</u>

SIGNATORIES TO SCHEDULES 1 TO 15

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 Director

Rajesh Mehta
Executive Director

Champak Parekh
Jt Managing Director

Hitesh Parekh
Executive Director

PLACE : Mumbai
DATED : 30 June 2005

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

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 2005	31 March 2004
Licenced Capacity	No licence is required	
Installed Capacity (MT)	528.00	528.00
Actual Production (MT)	237.62	227.67

(ii) Analysis of Raw Materials consumed

Class of Goods	31 March 2005		31 March 2004	
	MT	Rs.	MT	Rs.
Iodine Crude	169.80	138,231,704	142.30	102,712,491
Other Pharmaceutical Materials	462.73	9,453,135	569.69	12,542,406
Packing Materials		1,162,903		941,189
Total		148,847,742		116,196,086

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

NIL

4. CONSUMPTION OF MATERIALS

Particulars	31 March 2005		31 March 2004	
	Rs.	%age	Rs.	%age
Raw Materials Imported	138,231,704	92.87	102,712,491	88.40
Indigenous	10,616,038	7.13	13,483,595	11.60
Total	148,847,742	100.00	116,196,086	100.00

5. SALES

Class of Goods	31 March 2005		31 March 2004	
	MT	Rs.	MT	Rs.
Pharmaceutical Bulk Drugs & Chemicals	272.24	202,427,361	225.37	163,874,427

6. CONTINGENT LIABILITIES

In respect of Letters of Credit issued by the Company's Bankers: Rs. 11,656,375 (Previous year Rs. 6,959,706).

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

7. FOREIGN EXCHANGE FLUCTUATION

Gain on account of foreign exchange fluctuation accounted during the year is Rs. 3,808,006 (Previous year gain of Rs. 2,821,863).

8. AUDITOR'S REMUNERATION

Particulars	31 March 2005 Rs.	31 March 2004 Rs.
For Statutory Audit	25,000	24,300
For Taxation	10,000	7,500
Total	35,000	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 2005

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, 2005		

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	85117
Total Assets	85117

Sources of Funds

Paid up Capital	30897
Reserves and Surplus	17087
Secured Loans	4480
Unsecured Loans	NIL

Application of Funds

Net Fixed Assets	10122
Investments	520
Net Current Assets	41823 *
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

* Net of Deferred Tax Liability

IV. Performance of Company (Rupees in thousands)

Turnover	204065
Total Expenditure	198378
Profit/Loss before Tax	7011
Profit/Loss after Tax	4311 *
Earning per share (in Rs.)	1.40

* 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)	280120.00
Product Description	Iodine
Item Code No. (ITC Code)	282760.20
Product Description	Sodium Iodide

AS PER OUR REPORT OF EVEN DATE

For Nalin S. Parekh & Co.
Chartered Accountants

Nalin S. Parekh
Proprietor

PLACE : Mumbai
DATED : 30 June 2005

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 31 MARCH, 2005

Particulars	31/Mar/05 Rs.	31/Mar/04 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	7,011,343.74	9,001,723.10
ADJUSTMENTS FOR :		
DEPRECIATION	579,899.02	736,743.09
PROFIT/LOSS ON SALE OF ASSETS	0.00	2,981,883.22
PRELIMINARY EXPENSES	260,881.32	260,881.40
INTEREST/DIVIDEND	(33,160.31)	352,679.75
	<u>807,620.03</u>	<u>4,332,187.46</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	7,818,963.77	13,333,910.56
ADJUSTMENTS FOR :		
TRADE AND OTHER RECEIVABLES	(16,896,191.55)	(6,861,091.03)
INVENTORIES	5,244,544.73	(3,761,623.42)
TRADE PAYABLES	7,564,538.85	597,243.27
	<u>(4,087,107.97)</u>	<u>(10,025,471.18)</u>
CASH GENERATED FROM OPERATIONS	<u>3,731,855.80</u>	<u>3,308,439.38</u>
INTEREST PAID	29,560.31	(354,479.75)
DIRECT TAXES PAID	(4,349,092.00)	(46,416.00)
	<u>(4,319,531.69)</u>	<u>(400,895.75)</u>
CASH FLOW BEFORE EXTRAORDINARY ITEMS	<u>(587,675.89)</u>	<u>2,907,543.63</u>
EXTRAORDINARY ITEMS	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	<u>(587,675.89)</u>	<u>2,907,543.63</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(769,835.40)	(733,509.64)
SALE/REALIZATION OF FIXED ASSETS	0.00	136,000.00
CAPITAL WORK-IN-PROGRESS	0.00	0.00
SALE/REALIZATION OF INVESTMENTS	0.00	(500,000.00)
INTEREST/DIVIDEND RECEIVED	3,600.00	1,800.00
NET CASH USED IN INVESTING ACTIVITIES	<u>(766,235.40)</u>	<u>(1,095,709.64)</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	(1,698,810.07)	(1,733,594.74)
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,698,810.07)</u>	<u>(1,733,594.74)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(3,052,721.36)</u>	<u>78,239.25</u>
CASH AND CASH EQUIVALENTS AT 1/Apr (Opening Balance)	<u>16,642,229.39</u>	<u>16,563,990.14</u>
CASH AND CASH EQUIVALENTS AT 31/Mar (Closing Balance)	<u>13,589,508.03</u>	<u>16,642,229.39</u>

For Nalin S. Parekh & Co.
Chartered Accountants

Nalin S. Parekh
Proprietor

PLACE : Mumbai
DATED : 30 June 2005

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

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, 2005**.

(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 31st March, 2005 | N.A. |
| b. Profit/(Loss) for its previous financial years | N.A. |

(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 31st March, 2005 | N.A. |
| b. Profit/(Loss) for its previous financial years | N.A. |

**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, 2005**

**Rajesh Mehta
Executive Director**

**Hitesh Parekh
Executive Director**

DIRECTORS' REPORT**TO THE MEMBERS**

The Directors are pleased to present the Second Annual Report for the period ended 31st March 2005.

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. Rajesh Mehta & Mr. Hitesh Parekh retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The auditors of the Company M/s. Nalin S. Parekh & Co., Chartered Accountants, Mumbai hold office upto the conclusion of 2nd 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, 2005, 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 2005 on a going concern basis.

For Samrat Remedies Limited

By Order of the Board of Directors

Lalit Mehta
Director

Champak Parekh
Director

Place : Mumbai
Dated : 30 June, 2005

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 2005. 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 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 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 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 2005;

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

**Place : Mumbai
Date : 30 June, 2005**

**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**

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

**Place : Mumbai
Date : 30 June, 2005**

BALANCE SHEET AS AT 31 MARCH, 2005

Particulars	31/Mar/05 Rs.	31/Mar/04 Rs.
<u>SOURCES OF FUNDS</u>		
<u>SHAREHOLDERS' FUNDS</u>		
Equity Share Capital Authorized		
50,000 Equity shares of Rs. 10 each	500,000.00	500,000.00
Issued, Subscribed & Paid		
50,000 Equity shares of Rs. 10 each	500,000.00	500,000.00
<u>RESERVES AND SURPLUS</u>	0.00	0.00
<u>LOAN FUNDS</u>	0.00	0.00
TOTAL	500,000.00	500,000.00
<u>APPLICATION OF FUNDS</u>		
<u>FIXED ASSETS</u>	0.00	0.00
<u>INVESTMENTS</u>	0.00	0.00
<u>CURRENT ASSETS, LOANS & ADVANCE</u>		
Advance to Samrat Pharmachem Limited	400,000.00	400,000.00
Balance with Saraswat Co-op Bank [Scheduled Bank]	54,955.00	54,955.00
	454,955.00	454,955.00
LESS : CURRENT LIABILITIES & PROVISIONS (Auditor's Remuneration)	(8,320.00)	(4,320.00)
NET CURRENT ASSETS	446,635.00	450,635.00
MISCELLANEOUS EXPENDITURE [To the Extent Not Written Off]		
Preliminary Expenses	53,365.00	49,365.00
TOTAL	500,000.00	500,000.00

AS PER OUR REPORT OF EVEN DATE

For Nalin S. Parekh & Co.
Chartered Accountants

Nalin S. Parekh
Proprietor

PLACE : Mumbai
DATED : 30 June 2005

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2005

Particulars	31/Mar/05 Rs.	31/Mar/04 Rs.
<u>INCOME</u>	0.00	0.00
TOTAL	0.00	0.00
<u>EXPENDITURE</u>		
TOTAL	0.00	0.00

Note : As there were no commercial operation during the year, there is no profit or loss

AS PER OUR REPORT OF EVEN DATE

For Nalin S. Parekh & Co.
Chartered Accountants

Nalin S. Parekh
Proprietor

PLACE : Mumbai
DATED : 30 June 2005

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

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 Thirteenth Annual General Meeting being held on **Thursday, the 29th day of September, 2005 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 Thirteenth Annual General Meeting of the Company to be held on Thursday, the 29th day of September, 2005 at 1.00 p.m. at the Registered Office of the company and at any adjournment thereof.

Signed this _____ day of _____ 2005.

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.

REGISTRATION DETAILS

Name of the factory	Samrat Pharmachem Limited
Address	Plot No. A2/3444/5, GIDC, Phase IV, Ankleshwar - 393 002, Gujarat, India.
Co. Regn. No. & Dt.	04-17820 dt. 16/06/1992
ECC Code No.	AAECS 0806 MXM 001
Range	I
Division	Ankleshwar II
Commissionerate	Surat II, Gujarat
Postal Address	Plot No. C/4/9, Central Excise Bldg., Behind Roshan Cinema, GIDC Estate, Ankleshwar - 393 002, Gujarat.
Drug Licence Nos.	G/859 FORM 25 dt. 06/04/1993 G/492 FORM 28 dt. 06/04/1993
Neutral Drug Code for Export	GUJ/DRUG/G/859 FORM 25 dt. 18/09/1993 GUJ/DRUG/G/492 FORM 28 dt. 18/09/1993
GST No.	219008878 dt. 01/07/2002
CST No.	GUJ/15-C/3365 dt. 18/11/1992
I/E Code No.	0392065622 dt. 05/02/1993
SSI No.	04/04/02960 dt. 17/10/1996
PAN No.	AAECS 0806 M
Bombay Stock Exchange Code	530125 (SAMPHA)
NSDL/CDSL Demat Code	INE103E01016
Our Banker (Indian Trade)	Saraswat Co-operative Bank Ltd., Raja Shopping Centre, New Nagardas Road, Andheri (E), Mumbai - 400 069, India. Account No. 4877, Tel.: (91-22) 28390820, 28371106 Fax : (91-22) 28203349
Our Banker (Foreign Trade)	Saraswat Co-operative Bank Ltd., Forex Centre, Zone III, Phatak Bldg., 1 st Floor, 66, Nehru Road, Vile Parle (East), Mumbai - 400 057, India. Account No. 4877. Swift Code No. AEIBUS33. Tel.: (91-22) 26183689, 26183783 Fax : (91-22) 26183786 Corresponding Bank : American Express Bank Ltd, New York. Bank Code : Ch0160459



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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