

MERCURY

MERCURY LABORATORIES LIMITED
24th Annual Report 2004-2005



MERCURY

WHERE YOUR WELL - BEING MATTERS

An ISO 9002 Company

Date : 25-07-2005

Dear Member,

Sub : Dematerialisation of Shares

We have pleasure to inform that National Securities Depository Ltd. (NSDL) has allotted **ISIN No. INE947GO1011** to the Equity Shares of the Company and Central Depository Services (India) Ltd. (CDSL) is in process of confirming the same on our applications made.

As you are aware that shares held in Demat form would not only be convenient in holding but also facilitate you in dealing with the shares of the Company. We therefore recommend and request you to take the advantage of Demat of Shares.

Further, in case you are still holding your shares of the Company in the form of Counter Receipts, we again request you to obtain the physical shares certificate/s in exchange from **Intime Spectrum Registry Ltd.**, the registrar and transfer agent, by sending / lodging the counter receipts to them at its following address :

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (West),
Mumbai - 400 078.
Phone : 25923837, Fax : 25672693
E-mail : isrl@intimespectrum.com

If there is a change of your Address, please write us to register the same to help us to serve you better. You may also write about any of your queries for redressal, to our Secretarial Department at Baroda.

Thanking you and assuring our best services at all times.

For Mercury Laboratories Ltd.

Rajendra Shah
Chairman and Managing Director

**BOARD OF DIRECTORS**

Rajendra R. Shah
 Dilip R. Shah
 Dr. H. C. Barbhैया
 Dr. Dinesh Shah
 Dr. Tushar Shah
 Suryakant B. Parikh

Chairman & Managing Director
 Executive Director
 Independent Director (Upto 20.01.05)
 Independent Director
 Independent Director (From 16.01.05)
 Independent Director (From 16.01.05)

BANKERS

State Bank of India,

AUDITORS

Naresh & Company,
 Chartered Accountants
 Vadodara.

REGISTERED OFFICE

Shreeji Bhuvan,
 51, Mangaldas Road,
 Princess Street,
 Mumbai - 400 002
 Telephone : 22197268
 Fax : 22015441
 E-mail : mlbom@hathway.com

HEAD OFFICE & UNITS**UNIT NO. 1**

2/13, 2/14, Industrial Estate,
 Gorwa Road, Vadodara - 390 016
 Telephone : 2280180, 2280181, 2281625
 Fax : 2280027
 P. Box No. : 3001
 Telegram : ERGACAP
 E-mail : mlbrd@wilnetonline.net.

UNIT No. 2

Jarod, Ta. Waghodia,
 Vadodara - Halol Road,
 Dist : VADODARA

C O N T E N T S

CONTENTS	PAGE
1. NOTICE OF AGM	02
2. DIRECTORS' REPORT	04
3. AUDITOR'S REPORT	18
4. BALANCE SHEET	22
5. PROFIT & LOSS ACCOUNTS	23
6. NOTES TO ACCOUNTS	31
7. ATTENDANCE SLIP/PROXY FORM	40



NOTICE

Notice is hereby given that the 24th Annual General Meeting of Mercury Laboratories Limited will be held on Thursday, the 18th August, 2005 at 3.00 p.m. at the Registered Office of the Company at First floor, 18, Shreeji Bhuvan, 51, Mangaldas Road, Princess Street, Mumbai, to transact the following business.

Ordinary Business :

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2005 and Balance Sheet as of that date together with the reports of the Directors and the Auditors thereon.
2. To declare dividend
3. To appoint a Director in place of Shri (Dr.) Dinesh Shah who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

Special Business :

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

"RESOLVED THAT Shri (Dr.) Tushar Shah, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of a director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri Suryakant Parikh, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of a director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT consent of the Company be and is hereby given for appointment of Shri Jayesh Vyas of M/s. Jayesh Vyas & Associates, the Practising Company Secretary, Baroda, to issue compliance certificate, pursuant to Companies (Compliance Certificate) Rules, 2001 framed under Section 383A of the Companies Act, 1956, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting on the fees as may be decided by the Chairman & Managing Director in consultation with him plus out of pocket expenses."

For and on behalf of the Board,

Rajendra R. Shah
Chairman & Managing Director

Date : 25.07.2005

Place: Vadodara

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER.
2. The Proxy Form duly completed and signed should be lodged with the Company 48 hours before the commencement of the meeting, in order to be effective.
3. Explanatory statements pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business enumerated at Item Nos. 5 to 7, is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 18th August 2005 to Saturday, the 20th August, 2005 (both days inclusive).



5. MEMBER DESIROUS OF OBTAINING INFORMATION WITH RESPECT OF THE ACCOUNTS OF THE COMPANY ARE REQUESTED TO SEND QUERIES IN WRITING TO THE COMPANY AT IT'S REGISTERED OFFICE SO AS TO REACH AT LEAST SEVEN DAYS BEFORE THE DATE OF THE MEETING.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act,1956.

Item Nos. 5 & 6

The Board of Directors of the Company has appointed Shri (Dr.) Tushar Shah and Shri Suryakant Parikh as Additional Directors of the Company, pursuant to Article No. 134 of Articles of Association of the Company. In terms of Section 260 of the Companies Act,1956 they hold offices of Additional Directors upto the date of the ensuing Annual General Meeting of the Company. The Company has received notices in writing with the requisite deposits from members under Section 257 of the Companies Act, 1956 signifying their intentions to propose Shri (Dr.) Tushar Shah and Shri Suryakant Parikh for appointment as Directors of the Company.

Consents in writing have been received from them to act as Directors of the Company, if appointed.

None of the directors, except Shri (Dr.) Tushar Shah and Shri Suryakant Parikh, is interested or concerned in the said resolutions. The Board recommends the resolutions for adoption.

Item No. 7

Shri Jayesh Vyas, the Practising Company Secretary, who is M.Com, M.S.W, LL.B.(Sp), A.C.S. holding Certificate of Practice from the Institute of Company Secretaries of India, New Delhi, who has been assigned the work of issue of Compliance Certificate as required by the Companies (Compliance Certificate) Rules, 2001 framed under Section 383A(1) of the Companies Act,1956 and holds office until the conclusion of the ensuing Annual General Meeting. Members are requested to consider his reappointment for the year 2005-06.

None of the Directors is concerned or interested in the said Resolution.

The board recommends the Resolution for adoption.

For and on behalf of the Board,

Rajendra R. Shah

Chairman & Managing Director

Date : 25.07.2005

Place: Vadodara

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING.

Information pursuant to Clause 49 of the Listing Agreement regarding reappointment of Directors.

Name of the Director	Shri (Dr.) Dinesh Shah	Shri (Dr.) Tushar Shah	Shri Suryakant Parikh
Date of Birth	01.07.1959	24.12.1970	26.10.1936
Date of Appointment	31.01.2003	16.01.2005	16.01.2005
Specialised Expertise	Gynecology	Pediatrics	Costing and Finance
Qualifications	M. D., M.R.CO(G.U.K.)	M.D. (Pediatrics), LL.B.	B.Com., FICWA
Directorships of other Companies as on 31 st March, 2005	Nil	Nil	Nil
Chairman/ Member of Committees of Companies as on 31 st March, 2005	Member of Audit Committee and Remuneration Committee and Chairman of Share holders'/Investors' Grievance Committee of Mercury Laboratories Ltd.	Member of Audit Committee, Shareholders'/ Investors' Grievance Committee and Chairman of Remuneration Committee of Mercury Laboratories Ltd.	Chairman of Audit Committee and member of Shareholders'/Investors' Grievance Committee and Remuneration Committee of Mercury Laboratories Ltd.



DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 24th Annual Report together with Audited Statements of Accounts for the Year ended 31.3.2005. The following figures summarise the financial performance of the Company during the year under review.

1. FINANCIAL RESULTS :	2004-05	(Rs. in Lacs) 2003-04
Gross Income	1253.88	1350.77
Gross Profit before Depreciation, Interest & Tax	88.42	85.99
Less : Depreciation	16.93	14.41
Less : Interest	38.99	40.79
Prior period Adjustment (Net)	0.11	—
Provision for Tax	10.05	13.79
Net Profit	22.34	17.00
Balance as per last P&L A/c.	0.14	0.68
Profit available for appropriation	22.48	17.68
 This profit has been appropriated as under:-		
(i) Proposed Dividend	12.00	12.00
(ii) Income Tax on proposed dividend	1.69	1.54
(iii) Transfer to General Reserve	8.50	4.00
(iv) Balance carried to next Year	0.29	0.14
TOTAL	22.48	17.68

2. DIVIDEND :

Your Directors are pleased to recommend dividend of 10 % (Re. 1 per Share) on the Equity Share Capital of Rs.1,20,00,000 for the year 2004-2005 absorbing Rs.13.69 lacs including Tax on Dividend, which will be, if approved, paid to the Shareholders holding shares as on 18.08.2005.

3. REVIEW OF OPERATIONS :

During the year under review, the Company fetched Gross Income of Rs.1253.88 lacs with Gross Profit before depreciation, interest and tax of Rs. 88.42 lacs and Net Profit of Rs. 22.34 lacs as against Gross Income of Rs. 1350.77 lacs, Gross Profit before depreciation and interest and tax of Rs.85.99 Lacs and Net Profit of Rs. 17.00 lacs of previous year.

During the year under review, the Company put its sincere and consolidated efforts to generate higher volume of Qualitative formulations at works at Jarod and at Gorwa. However, the Company continued to witness inflationary trend and incurred higher cost of inputs and other services with no coresponding rise in turnover, which it did not pass to the consumer so as to counter competition prevailing in the market. It continued to undertake various corrective actions to reduce returns, expired stocks and accumulation of over stocks position with dealers and distributors, for overall benefit. The Company has also been strengthening its marketing channels so as to penetrate the market effectively. Beside, the Company has developed and introduced new drug formulations which are fetching sizable contributions.



4. MANAGEMENT DISCUSSION & ANALYSIS :

Industry Structure and Development :

The Company was no exception to Indian Pharmaceutical industry which had another sluggish year. Unlike the past years, the year under review, witnessed the introduction of the Patent Law, VAT and MRP based Central Excise duty. All the three factors has affected the pharmaceutical industry of the Country adversely, and consequently de growth was reported by the all the players in the Industry. During the year and in particular, the last quarter of the financial year under review, the MRP based Central Excise has given big blow to the small and medium unit in the Country which were doing contract manufacturing work for the big player in the industry. As our Company has its own marketing network and not much dependent upon the contract manufacturing, performance was not much affected as compared to others but the VAT had given negative growth to the Company in the last quarter of the year substantially.

Opportunities and Threats :

Your Company operates in an area where a large market exists and offers ample opportunity for growth. Your Company products are well received in the market. However, stiff competition prevailing in the market, causes considerable threat. The Company intends to introduce more product in the segment of the Gynecology and Pediatrics Drugs and would like to be known as Mother and Child Company.

Outlook :

In view of slow down in the market, your director feel that the performance of the Company has been reasonably good. Due to constant work on the quality, better concentration on the material usage and proper price, the Company could improve its performance, in spite of the adverse market condition. The Management endeavors to improve the quality of products manufactured, as the Company has availed the WHO/ GMP certificate for its Tablet division, which will enable Company to undertake the contract manufacturing jobs from the big players in the industry and also bringe good export business.

The Company has also introduced and implemented the strict credit policy for selling of its product to reduce the cost of the Company in the form of expiry, breakage and spoilage. With these, the Company hopes for better results in coming years, barring inforeseen circumstances.

Risk and concerns :

The external factors such as slow down in the market and competition, natural calamities including erratic monsoon etc., are common to all the Industrial sectors. It is, therefore necessary to address urgently to the effect of those risk on the business of the Company. Risks which directors and management would have control, are being taken care of.

Diversified portfolio product, focus on money rotation, introduction of new products, achieving optimum usage of available infrastructure and deriving the maximum possible cost reduction etc. are some of the strategies which are identified by the Company to manage business risk.

Internal Control Systems and thier adequacy :

Internal control systems are continuously being fine tuned in line with the changing requirements in the industry. The management regularly reviews the internal control systems in the areas of finance procurement, sale and distribution and marketing and new product lauches. Thus, emphasis on internal control sytem is spread over all major functions and processes.

**Financial Performance :**

Financial performance of the Company has been indicated hereinabove, hence not repeated.

Human Resources and Industrial Relations :

You Directors believe that employees are the most valued assets of the organisation. Thus, all the human resources practices are directed towards enhancing the value of these assets. The focus of the management is on the organisational development and to imbibe new organisation values- entrepreneurship, team work achievement and commitment.

5. DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that:-

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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 of the Profit of the Company for the year under review.
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the Directors have prepared the Annual Accounts on a going concern basis.

6. DIRECTORATE :

Shri (Dr.) Dinesh Shah who retires by rotation and being eligible offers himself for reappointment.

Shri Harshad Barbhaiya resigned as director of the Company on 20.01.2005. The Board of Directors places on record its appreciation for the valuable contributions received from him during his tenure as a Director of the Company.

Shri (Dr.) Tushar Shah and Shri Suryakant Parikh have been appointed as Additional Directors on the Board of Directors of the Company on 16.01.2005 and hold office upto the date of ensuing Annual General Meeting. The Company has received notices under Section 257 of the Companies Act, 1956 proposing their candidature for directorship. The Board hopes that the Company would be immensely benefited by their contributions.

7. STATUTORY DISCLOSURES :

- I. Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure 'B' to this report.
- II. As required under the provisions of Section 217(2)(A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 information is not furnished as no employee is covered thereunder.
- III. In compliance of Section 383A(1) of the Companies Act, 1956, Compliance Certificate as issued by Shri Jayesh Vyas of M/s. Jayesh Vyas and Associates, the Practising Company Secretary, is annexed as Annexure "C" to this report.

**8. CORPORATE GOVERNANCE :**

Pursuant to Clause 49 of the Listing Agreement entered into with the Over the Counter Exchange of India (OTCEI), Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report as Annexure "A", whereas the Management Discussion and Analysis is given hereinabove.

9. DEMATERIALISATION OF SHARES :

In response to the applications made, to the National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL), NSDL has allotted ISIN No. INE947GO1011 to the shares of the Company for dematerialization. We hope that CDSL would also shortly confirm the said ISIN allotted to the shares of the Company.

Since dematerializations of shares is in progress, Members are requested to take the advantage of getting their shares dematerialized so as to avail the benefit of dealing with the shares.

10. AUDITORS :

M/s. Naresh & Co., Chartered Accountants, Baroda, the Auditors of the Company retire at the ensuing Annual General Meeting, being eligible, offer themselves for reappointment. Members are requested to consider their re-appointment for the current year and fix their remuneration.

11. AUDITORS' REMARKS :

Remarks made by the Statutory Auditors in their report and annexure thereto, are self explanatory and do not call for any further comments, information and observations.

12. DEPOSITS :

The Company has no unpaid and / or unclaimed deposit. The Company has complied with all requisite applicable provisions of the Companies Act relating thereto.

13. INSURANCE :

All the properties and insurable interests of the Company including buildings, plants & machineries and stocks, have been adequately insured.

14. APPRECIATION :

Your Directors have pleasure to place on record their appreciation for the services rendered by the Workmen and Staff of the Company and thank State Bank of India, Government of Gujarat and Central Government for their valuable cooperation extended to the Company in furthering interest of the Company.

For and on behalf of the Board,

Rajendra R. Shah
Chairman & Managing Director

Date : 25.07.2005

Place: Vadodara



ANNEXURE A

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement entered into with Over the Counter Exchange of India (OTCEI), the Company submits its report on the matters mentioned in the said Clause and lists its practices followed as under.

1. Company's Philosophy on Code of Corporate Governance. :

Mercury Laboratories Limited's philosophy on Corporate Governance envisages working towards high level of transparency, accountability, consistent value systems, delegation, across all facets of its operations leading to sharply focused and operationally efficient growth. The business operations are conducted to benefit its all stakeholders, including shareholders, employees, customers, suppliers and statutory authorities.

2. Board of Directors :

The Board of Directors is consisting of five directors with a Chairman and Managing Director, Executive Director and three Independent Non Executive Directors as on 31.3.2005. A brief resume of the directors being reappointed at the Annual General Meeting, the nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership of the committees of the Board, are annexed to the notice.

The names and categories of the Directors, their attendance at Board Meetings, Annual General Meeting, No. of directorships in other Companies and committee meetings etc are given below.

Name of Director	Category of Director	No.of Board Meetings attended during 2004-05	Whether attended last AGM
Rajendra R. Shah	Executive Chairman & Promoter	5	Yes
Dilip R. Shah	Executive & Promoter	4	No
Dr.H.C.Barbhaiya	Independent Non executive	3	No**
Dr. Dinesh Shah	Independent Non executive	4	No
Dr. Tushar Shah	Independent Non executive	1	N.A.***
Suryakant B Parikh	Independent Non executive	1	N.A.***

** Resigned as the Director of the Company from 20.1.2005.

***Joined as the Directors of the Company from 16.1.2005.

None of the directors is director or member or chairman of any other domestic public limited Company.

Board Meetings : During the year 2004-05, the Board met 5 times on 24.4.2004, 29.7.2004, 19.8.2004, 30.10.2004 and 29.1.2005. The longest gap between any two Board Meetings did not exceed 4 months.

None of the Directors on the Board hold the office of Director in more than 15 Companies nor are they members in Committees of the Board in more than 10 Committees or Chairman of more than 5 Committees.

3. Audit Committee :

The Board of Directors had constituted an Audit Committee, comprising of Independent, Non-Executive Directors viz Shri Suryakant Parikh(from 16.01.2005), Shri (Dr.) H. C. Barbhaiya(upto 20.01.2005), Shri (Dr.) Dinesh Shah and Shri (Dr.) Tushar Shah (from 16.01.2005). The Chairman of the Committee is Shri Suryakant Parikh.



The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and Clause 49II(D) of the Listing Agreement and the terms of reference prescribed by the Board for the Audit Committee, covers the matters specified in aforesaid Section and clause of Listing Agreement, which are as under :

- i. Overseeing the Company's financial reporting process and disclosure of its financial information.
- ii. Recommending the appointment and removal of the external auditor, fixation of audit fees and approving payments for any other services.
- iii. Reviewing with the management the annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and guidelines of stock exchange etc.
- iv. Reviewing the adequacy of internal control systems and the internal audit function and reviewing the company's financial and risk management policies.
- v. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- vi. Reviewing reports furnished by the internal auditors and ensuring suitable follow up thereon.
- vii. Discussing with external auditors before the audit commences of the nature and scope of audit. Also post-audit discussion to ascertain any area of concern.
- viii. To consider into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in the case of non-payment of declared dividends) and creditors.

The Manager – Accounts & Finance along with Internal Auditor, attend the meetings regularly.

During year 2004-05 the Audit Committee met on 19.8.2004, 30.10.2004 and 29.1.2005, details of attendance of members are as under.

Name of Directors	No. of Meeting held	Meeting Attended
Shri Suryakant Parikh ***	1	1
Shri (Dr.) Dinesh Shah	3	3
Shri (Dr.) Tushar Shah ***	1	1
Shri (Dr.) H. C. Barbhaiya **	2	2

** Resigned as the Director of the Company from 20.1.2005.

***Joined as the Directors of the Company from 16.1.2005.

4. Shareholders'/Investors' Grievance Committee. :

The Board of Directors had constituted an Shareholders'/Investors' Grievance Committee, comprising three Independent Non-Executive Directors viz Shri Suryakant Parikh(from 16.01.2005), Shri (Dr.) H. C. Barbhaiya(upto 20.01.2005), Shri (Dr.) Dinesh Shah and Shri (Dr.) Tushar Shah (from 16.01.2005). The Chairman of the Committee is Shri (Dr.) Dinesh Shah.

The Committee, inter alia, oversees and reviews all matters connected with the securities and looks into shareholders complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividend etc. The Committee oversees the performance and the working of M/s. Intime Spectrum Registry Ltd., the Registrar & Transfer Agent and of the Secretarial Department and recommends measures for overall improvement in the quality of investor services.

During year 2004-05, the Shareholders'/Investors' Grievance Committee met on 19.8.2004 and 29.1.2005, details of attendance of members are as under.



Name of Directors	No. of Meeting held	Meeting Attended
Shri (Dr.) Dinesh Shah	2	2
Shri (Dr.) H. C. Barbhैया **	1	1
Shri Suryakant Parikh ***	1	1
Shri (Dr.) Tushar Shah ***	1	1

** Resigned as the Director of the Company from 20.1.2005.

*** Joined as the Directors of the Company from 16.1.2005.

The Company has designated Shri Prakash Patel as Compliance Officer.

Three complaints were received and resolved to the satisfaction of shareholders during the year under review. No complaints are outstanding and no request for transfer was pending for approval as on 31.3.2005

5. Remuneration Committee:

The Board of Directors has formed a Remuneration Committee to review and recommend the remuneration package of the whole time directors, based on performance and defined criteria, which consists of Shri Suryakant Parikh (from 16.01.2005), Shri (Dr.) H. C. Barbhैया (upto 20.01.2005), Shri (Dr.) Dinesh Shah and Shri (Dr.) Tushar Shah (from 16.01.2005). The Chairman of the Committee is Shri (Dr.) Tushar Shah. The Committee has not met, during the year.

Remuneration Policy is directed towards rewarding performance, based on the review of achievements. The remuneration policy is in consonance with the existing Industry practice.

The remuneration paid to Managing Director and Executive Director is recommended by the Remuneration Committee and approved by the Board of Directors in the Board Meeting, subject to the approval by the Shareholders at the Annual General Meeting and such other authorities as may be required.

Details of remuneration paid during 2004-2005

The aggregate value of salary and perquisites including Company's contribution to provident fund, gratuity fund etc., for the year ended 31st March, 2005 paid to Shri Rajendra R. Shah, the Managing Director and Shri Dilip R. Shah, the Executive Director, are as follows.

	(Amount in Rs.)	
	Managing Director	Executive Director
Salary	2,40,000	2,40,000
Contribution to Provident Fund and other Funds	—	—
Perquisites	1,29,894	29,272
Total	3,69,894	2,69,272

Shri Rajendra Shah and Shri Dilip Shah, have been appointed as the Managing Director and Executive Director for a tenure of five years with effect from 1.4.2002 and 1.8.2002, respectively, under the Agreements which can be terminated by either party giving three months' notice in writing.

Non Executive Directors do not draw any remuneration. However, sitting fees were paid to them upto 29.7.2005 @ Rs. 1500/- and thereafter @ Rs.2,000/- per Board Meeting and @ Rs. 500/- per Committee Meeting, during the year under review.


Details of sitting fees paid to Non Executive Directors during the year 2004-2005.

Name of Directors	Sitting Fees (in Rs.) paid
Shri (Dr.) Dinesh Shah	11,000
Shri (Dr.) H. C. Barbhaiya **	8,000
Shri Suryakant Parikh ***	3,000
Shri (Dr.) Tushar Shah ***	3,000

** Resigned as the Director of the Company from 20.1.2005.

***Joined as the Directors of the Company from 16.1.2005.

As of now, the Company does not have any employee stock option plan.

6. General Body Meetings :

Particulars of the last 3 Annual General Meetings held are as under.

Date	Time	Place	Details of Special Resolution passed
24.09.2002	12.00 Noon	At the Registered Office.	1. Reappointment of Managing Director 2. Reappointment of Executive Director
26.09.2003	03.00 p.m	At the Registered Office.	—
24.09.2004	03.00 p.m	At the Registered Office	—

No postal ballots were used for voting at these meetings as the same was not required. Presently the Company does not have any proposal that requires a postal ballot.

7. Disclosures :

Related Party transactions, comprising of contracts or arrangements with the Promoters or other Companies/entities in which the Directors are interested, are entered in the Register of Contracts and placed before Board Meeting as per Section 301 of the Companies Act, 1956. None of the transactions with any of the related parties were in conflict with the interest of the Company.

There were no instances of non-compliance and no strictures and penalties have been imposed on the Company by the Stock Exchange or SEBI or any statutory authorities, on the any matters related to capital markets, during the last three years.

8. Means of communication :

Quarterly results are regularly published by the Company in news papers as per the Stock Exchange requirements. In addition, these are also submitted to the Stock Exchange in accordance with the Listing Agreement. Financial Results are supplied through E-Mail & posts to the Shareholders on demand.

9. General Shareholder information :
9.1 Annual General Meeting:

- Date and time : Thursday, 18th August, 2005 at 3.00 p.m.
- Venue : At the Registered Office at 18, Shreeji Bhuvan, 51, Mangaldas Road, Princess Street, Mumbai.

9.2 Financial Calendar :

Board Meeting to approve Unaudited Financial results for	Period
Quarter ending September 30,2005	: By end of October,2005
Quarter ending December 31,2005	: By end of January,2006
Quarter ending March 31, 2006	: By end of April, 2006
Quarter ending June 30,2006	: By end of July,2006
Audited Results for year 2005-06	: By end of August, 2006.



9.3 Dividend Payment Date	:	Before 25th September, 2005
9.4 Details of Book Closure	:	From Thursday, the 18 th August, 2005 to Saturday, the 20 th August, 2005 (Both days inclusive)
9.5 Listing of Equity Shares	:	At Over the Counter Exchange of India (OTCEI)
9.6 Stock Code	:	Not Applicable
Trading Symbol OTCEI	:	Not Applicable
Demat ISIN Number	:	INE947GO1011

9.7 Stock Market Data:

No Shares of the Company were traded at OTC Exchange during the period under review. Hence, the Stock Market Data are not given.

9.8 Registrar and Share Transfer Agent	:	Intime Spectrum Registry Ltd. C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai - 400 078. Phone : 25923837, Fax : 25672693 E-mail : isrl@intimespectrum.com
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9.9 Share Transfer System:

Presently, the share transfers which are received in physical form are processed by the Registrar and Transfer Agent and the share certificates are returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

9.10 Distribution of Shareholding as on 31st March, 2005.

Shareholding (No of Shares)	No. of Shareholders	% of Total	No of shares	% of Total
1 - 500	817	89.49	145500	12.12
501 - 1000	40	4.38	35900	2.99
1001 - 2500	23	2.52	40900	3.41
2501 - 5000	15	1.64	58500	4.88
5001 - 10000	2	0.22	15850	1.32
10001 - 20000	17	1.75	903350	75.28
20001 & above	Nil	Nil	Nil	Nil
Total	914	100.00	120000	100.00

The Company has not issued any GDRs/ADRs/Warrants or any convertible instrument.

9.11 Dematerialisation of Shares

The Shares of the Company has already been allotted ISIN INE947GO1011 by NSDL. Whereas it is hoped that CDSL would confirm the said ISIN shortly. Members are requested to Dematerialise of their Shares to facilitate them to trade therein.

9.12 Plant locations	:	at 2/13-14 B IDC, Gorwa Industrial Estate, Baroda
	:	at Jarod, Dist. Vadodara.
9.13 Address for Correspondence for settlement of Shares related Grievances.	:	Intime Spectrum Registry Ltd. C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West) Mumbai - 400 078.



AUDITORS' CERTIFICATE**TO THE MEMBERS OF MERCURY LABORATORIES LIMITED.**

We have examined the compliance of conditions of Corporate Governance by MERCURY LABORATORIES LIMITED for the year ended on 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to producers and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' / Investors' Grievance Committee.

We 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 NARESH & CO.
CHARTERED ACCOUNTANTS,

PLACE : VADODARA.
DATED : 25.7. 2005

PARTNER.



ANNEXURE B

Information in accordance with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2005.

A CONSERVATION ENERGY :

- (a) Energy Conservation measure taken :
Optimum batch size, Elimination idle running time and Inventor planning control.
- (b) Additional Investment proposal being implemented for reduction consumption energy:
The Company has ongoing study and survey of actual energy consumption. Less efficient equipments are being replaced with efficient equipments.
- (c) Impact the measure a (a) and (b) above for reduction energy consumption and consequent impact the cost production goods :
The measure take have resulted in saving the cost of production.
- (d) Detail Energy Consumption for production

a Power and fuel Consumption :

1 Electricity	Current year	Previous year
(a) Purchased Unit Nos.	2,48,434	2,80,422
Total Amount Rs.	15,40,510	16,78,027
Rate/Unit Rs	6.20	5.98
(b) Own Generation		
(i) Through diesel. Generator		
Units(Kwh.	—	—
Units per liter diesel oil	—	—
Cost / Units	—	—
(ii) Through Steam turbine /Generator	N. A	N.A.
2 Coal (Specify quality an whereas used	N.A	N.A.
3 Furnace Oil ,Qty(K. Liters)	20,850	6,025
Total Amount Rs	5,75,136	1,24,512
Average Rat Rs (Per Lit) (Per Lit)	27.58	20.67
4 Other internal Generation (Pleas give details)	N.A.	N.A

b Consumption per unit production :

There are number products with different sizes, shape and other parameters being manufactured by the Company, hence, it is not feasible to give information of fuel consumption per unit of production.

B. TECHNOLOGY ABSORPTION :

Research Development an Technology Absorption :

Considering the size the units an nature products the avenue for are very limited an therefore no applicable.

C. FOREIGN EXCHANGE EARNING AND OUT GO :

	Current Year	Previous Year
Total foreign exchange use and earned :	Rs.	Rs.
i) Foreign Exchange used	20,06,490	15,66,511
ii) Foreign Exchange earned	2,08,79,595	1,68,62,740

**ANNEXURE C**

Company No. : 11-26341
Filing Fee : Rs.500/-

Authorised Capital : Rs.200 Lacs
Date of AGM : 18-08-2005

COMPLIANCE CERTIFICATE

To,
The Members
MERCURY LABORATORIES LIMITED
18, Shreeji Bhuvan, 51, Mangaldas Road,
Princess Street,
Mumbai.

I have examined the registers, records, books and papers of MERCURY LABORATORIES LIMITED as required under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2005. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year.

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificates as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, within the time prescribed under the Act and the rules made there under.
3. The Company being Public limited Company has the minimum prescribed paid-up capital and its maximum number of members during the said financial year were 914 (Nine Hundred Fourteen only).
 - (i) has not invited public to subscribe for its shares or debentures; and
 - (ii) has accepted deposits from persons other than its members, Directors or their relatives and complied with relevant rules.
4. The Board of Directors duly meet 5 (Five) times on 24.04.2004, 29.07.2004, 19.08.2004, 30.10.2004 and 29.01.2005, in respect of which meetings proper notices were given and the proceedings including Circular Resolutions passed by the Directors, were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 20.09.2004 to 24.09.2004 (both days inclusive), during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2004 was held on 24.09.2004 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the period under review.
8. The Company has not advanced loan to its Directors and / or persons or firms or Companies referred to under Section 295 of the Act except to a firm listed in the Register maintained under Section 301 of the Act, during the year under review.
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of the Contracts specified in that Section.



10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. There were no instances falling within the purview of Section 314 of the Act.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (i) During the year under review, the Company has not allotted any shares but registered transfer of shares as per transfer requests with duly executed valid documents received.
(ii) The Company has deposited amount of Dividend @ 10% in Separate Bank Account and paid dividend as declared, during the year.
(iii) The Company has posted warrants to all members of the Company.
(iv) The Company was not required to transfer any amount in unclaimed dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have been remained unclaimed or unpaid for the period of Seven years to Investor Education and Protection Fund and hence the same was not done.
(v) The Company has duly complied with the requirement of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted during the year under review. Two persons were appointed and one person resigned as Director of the Company.
15. The Company, being a Public Limited Company, Provision of the Act with regard to appointment of Managing Director and an Executive Director as are applicable, have been already complied with.
16. The Company has not made appointment of any sole-selling agent during the year under review.
17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such authorities as may be prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/Companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any Shares, Debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There were no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has invited/accepted deposit from public including unsecured loans falling within the purview of Section 58A during the financial year and duly complied with the provisions of the Act and relevant rules.
24. The Company, being a Public Company, the borrowing made during the year, do attract provision of Section 293(1)(d) of the Act and the Company has already complied with requirements of relevant provisions of the Act.
25. In respect of loan and guarantee provided and loan availed by the Company, necessary compliance has since been made by the Company as required in terms of Section 372A of the Act.
26. The Company has not altered the provisions of the Memorandum with respect to situation Clause of the Company's Registered Office from one State to another State during the year under scrutiny.



27. The Company has not altered the provisions of Memorandum with respect to the Object Clause of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to Name Clause of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share Capital Clause of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association of the Company during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from the employees during the financial year.
33. The Company has deducted and deposited contribution towards Provident Fund with appropriate authorities pursuant to Section 418 of the Act.

Place : Baroda
Date : 25.07.2005

Signature : Sd/-
Name of Company Secretary : Jayesh Vyas
C.P.NO. : 1790
A.C.S.NO. : 7094

Annexure "A"

Registers as maintained by the Company

1. Register of Charges u/s.143.
2. Register of Members u/s.150.
3. Minutes Book of Board Meetings u/s.193.
4. Minutes Book of General Meetings u/s.193.
5. Register of Disclosures of interest by Directors u/s.301.
6. Register of Contract u/s.301.
7. Register of Directors u/s.303.
8. Register of Directors Shareholdings u/s.307.
9. Register of Investment, Loans & Guarantee u/s 372A.

Annexure "B"

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ending on 31st March, 2005.

1. Annual Return filed u/s.159.
2. Balance Sheet filed u/s.220.
3. Statement in Lieu of Advertisement u/s.58A.
4. Return of Deposit u/s.58A.
5. Compliance Certificate u/s. 383A.
6. Form No.32 filed u/s. 302
7. Form No.29 filed u/s. 264



AUDITORS' REPORT

To the Members

We have audited the attached Balance Sheet of MERCURY LABORATORIES LIMITED as at 31ST MARCH 2005 and also the Profit & Loss Account of the Company, for the year ended on that date, annexed thereto and the Cash Flow Statement for the year ended on that date. 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.

We conducted our audit in accordance with 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.

1. As required by the Companies (Auditors Report) Order, 2003 and companies (Auditors Report) order (Amendment) 2004 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - a. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our Audit.
 - b. In our opinion, proper books of accounts as required by the law have been kept by the Company, so far as appears from our examination of the said books.
 - c. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts of the Company.
 - d. In our opinion, the Balance Sheet & the Profit & Loss Account annexed thereto and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956.
 - e. 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 of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and in accordance with the explanations given to us, the said Balance Sheet and the Profit & Loss Account annexed thereto and the Cash Flow Statement, read together with the Significant Accounting policies and Notes on Accounts (Schedule - O), **subject to Note No. B2 for non provision of bad and doubtful debts / advances to the tune of Rs. 53.09 lacs**, give the information as 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 :-
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005, AND
 - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date,
 - (iii) in the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date

FOR. NARESH&CO.
CHARTERED ACCOUNTANTS

PARTNER

Place : Vadodara
Date : 25/07/2005

**ANNEXURE TO AUDITORS' REPORT**

(Referred to in paragraph 1 or our report of even date on the accounts for the year ended 31st March 2005 of Mercury Laboratories Limited)

- (i) (a) The Company has maintained proper records showing full particulars including Quantitative Details and situation of the Fixed Assets for the last five years. As informed to us, the Company is in the process of updating its old records.
- (b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off any of its fixed assets except vehicle. However, it does not form a substantial part of the fixed assets. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said vehicle has not affected the concept of going concern.
- (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) On the basis of our examination of the records of inventory, we are of the opinion that 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) (a) The Company has not taken any secured or unsecured loan from Companies, Firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, no comments are necessary on Para (iii) (e), (f) and (g) of CARO 2003 as amended by CARO (Amendment) 2004.

The Company has granted an unsecured loan to a Firm listed in the Register maintained under Section 301 of the Companies Act, 1956. The Maximum amount involved during the year was Rs. 44.53 lacs and the year end balance of the loans was Rs. 10.81 lacs.

- (b) In our opinion the rate of interest and other terms and conditions on which loan have been granted are not, prima facie, prejudicial to the interest of the company.
- (c) Though the Company has received repayments towards the loan granted, there are no specific stipulations regarding repayment of interest or principal.
- (d) Interest is being charged and certain repayments have been received in respect of the loan granted. However, in absence of specific stipulations regarding repayment of interest or principal, it is not possible to determine if any amount is overdue or not.
- (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 the internal controls.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to Section 301 of the Act have been entered into the register maintained under section 301 have been so entered.



- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve bank of India, wherever applicable and the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size of the Company 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) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection and Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty, Cess and material other statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other applicable material statutory liabilities were outstanding, as at 31st March, 2005 for a period of more than six months from the date they became payable.

- (b) According to the records of the company, there are no dues of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty, Cess or other applicable statutory liabilities which have not been deposited on account of any dispute except following :

Statute	Nature of Dues	Amount (Rs.)	Period	Forum
Sales Tax	GST on Assessment	16,832.00	1978-79	Tribunal Appeals
Sales Tax	CST on Assessment	1,02,385.00	1979-80	Demanded by S.T.
Sales Tax	GST on Assessment	89,391.00	1991-92	Tribunal Appeals
Central Excise	Excise duty on Assessment	3,07,778.55	2002-03	Commissioner Appeals

- (x) The Company has no accumulated losses. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions or banks. The Company has not issued any debentures.
- (xii) As per information given to us, during the year under report, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, considering the nature of activities carried on by the Company during the year, the Company is not a Chit fund or Nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of CARO, 2003 are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures, or other investments. Accordingly, the therefore provisions of Clause 4(xiv) of CARO, 2003 are not applicable.
- (xv) The Company has given a Corporate Guarantee during earlier years for Working Capital Finance Limits of Rs. 190 lacs for Mercury Phytochem Ltd. Based on the information and explanations given to us, we are of the opinin that the terms and conditions of the said guarantee were not prejudicial to the interests



of the Company at the time when the guarantee was given. However, as informed to us, the Company is contingently liable towards the same, in view of the current financial position of Mercury Phytochem Limited.

- (xvi) During the year under report, the Company has raised Long Term Loans from Bank and same have been utilised for purpose of the which they will obtained.
- (xvii) On the basis of review of utilization of funds which are based on an overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, we report that funds raised on short - term basis have not been used for long - term investment. Long term application of funds during the year, being investment in Fixed Assets has been financed either out of Long Term funds raised through Bank Loans and out of the reserve / internal accruals of the Company.
- (xviii) The company has not made preferential allotment of shares to Parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the period covered by our audit report, the company has not issued any debentures.
- (xx) The Company has not raised any money through public issues during the year under report.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

FOR, NARESH&CO.
CHARTERED ACCOUNTANTS

NARESH PARIKH
PARTNER

Place : Vadodara
Date : 25/07/2005



BALANCE SHEET AS AT 31ST MARCH, 2005

DESCRIPTION	Sch.No.	31/03/2005(Rs.)	31/03/2004(Rs.)
SOURCES OF FUNDS			
SHARE HOLDERS FUND			
SHARE CAPITAL	A	12,000,000	12,000,000
RESERVES & SURPLUS	B	14,721,377	13,856,245
		26,721,377	25,856,245
LOAN FUNDS			
SECURED LOAN	C	27,733,808	28,614,137
UNSECURED LOAN	D	9,060,771	9,560,077
		36,794,579	38,174,214
DEFERRED TAX LIABILITY			
DEFERRED TAX LIABILITIES		4,540,019	4,293,643
LESS : DEFERRED TAX ASSETS		1,136,045	1,294,308
		3,403,974	2,999,335
TOTAL Rs.		66,919,930	67,029,794
APPLICATION OF FUNDS			
FIXED ASSETS (AT COST)			
GROSS BLOCK	E	39,281,913	33,803,551
LESS :- DEPRECIATION		12,422,612	10,738,268
NET BLOCK.		26,859,301	23,065,283
INVESTMENTS (AT COST)	F	63,000	63,000
CURRENT ASSETS, LOANS & ADVANCES			
INVENTORIES	G	26,577,386	20,208,961
SUNDRY DEBTORS		34,138,594	43,483,340
CASH & BANK BALANCE		1,719,196	1,094,850
LOAN , ADVANCES & DEPOSIT		12,792,246	12,897,511
		75,227,422	77,684,662
LESS :- CURRENT LIABILITIES & PROVISIONS			
- LIABILITIES	H	28,485,610	27,421,575
- PROVISIONS		6,744,183	6,361,576
		35,229,793	33,783,151
NET CURRENT ASSETS		39,997,629	43,901,511
TOTAL Rs.		66,919,930	67,029,794

Notes forming part of the Accounts

As per our report of even date

For Naresh & Co.,

Chartered Accountants

Naresh Parikh

Partner

Vadodara

Date : 25/7/2005

For and on behalf of the Board,

R. R. Shah

Managing Director

Vadodara

Date : 25/7/2005

D. R. Shah

Executive Director



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2005

DESCRIPTION	Sch.No.	31/03/2005(Rs.)	31/03/2004(Rs.)
INCOME			
TURNOVER	I	13,63,43,218	145,856,530
LESS : EXCISE DUTY		9,589,423	9,494,557
		12,67,53,795	136,361,973
LESS : RETURNS		1,771,534	2,076,753
		12,49,82,261	134,285,220
OTHER INCOME	J	405,740	791,819
TOTAL RS.		12,53,88,001	135,077,039
EXPENDITURE			
MATERIAL CONSUMPTION	K	5,58,73,246	6,47,59,249
MANUFACTURING EXPS.	L	6,040,300	59,99,572
EMPLOYEES EMOLUMENTS	M	21,311,410	2,20,74,231
INTEREST		3,898,971	40,78,572
ADMINIS. & SELLING / DISTRI. EXPS	N	3,33,20,832	3,36,45,072
DEPRECIATION	E	1,693,461	14,41,449
TOTAL RS.		12,21,38,220	131998145
PROFIT BEFORE TAX		3,249,781	3,078,894
LESS:- PRIOR PERIOD ADJUSTMENT (Net)		10,885	0
LESS:- PRIOR PERIOD INCOME TAX		0	331,624
LESS :- PROVISION FOR CURRENT TAX		600,000	750,000
PROVISION FOR DEFERRED TAX		404,639	297,793
PROFIT AFTER TAX		22,34,257	1,699,477
ADD:- SURPLUS B/F. FROM PRE. YEAR		13,739	68,012
AVAILABLE FOR APPROPRIATION		2,247,996	1,767,489
APPROPRIATED AS UNDER :			
PROPOSED DIVIDEND		1,200,000	1,200,000
TAX ON DIVIDEND		169,125	153,750
TRANSFER TO GENERAL RESERVE		850,000	400,000
BALANCE CAR. FOR. TO BALANCE SHEET		28,871	13,739

Notes forming part of the Accounts

As per our report of even date

For Naresh & Co.,

Chartered Accountants

Naresh Parikh

Partner

Vadodara

Date : 25/7/2005

For and on behalf of the Board,



R. R. Shah

Managing Director

Vadodara

Date : 25/7/2005



D. R. Shah

Executive Director



Cash flow Statement for the year ended on 31st March 2005

(PERSUANT TO AMENDMENT TO CLAUSE 32 OF THE LISTING AGREEMENT)

(Rupees In Thousand)

DESCRIPTION	31/03/2005	31/03/2004
(A) CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	3249.78	3078.89
ADJUSTMENT FOR :		
DEPRECIATION	1693.46	1441.45
INTEREST CHARGED	3898.97	4078.57
BED-DEBTS EXPENSE	1092.22	1197.52
INTEREST RECEIVED	-68.79	-25.91
MISCELLANEOUS RECEIPTS	-197.03	-511.83
LOSS ON SALE OF ASSETS	-	102.92
DEPRECIATION RECOUPED ON SALE OF ASSETS	-9.11	-50.54
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	9659.50	9311.07
ADJUSTMENT FOR :		
TRADE RECEIVABLES	8252.53	-2879.57
INVENTORIES	-6368.42	4728.22
LOANS AND ADVANCES	1038.20	1779.84
TRADE PAYABLES	831.27	-2557.60
CASH GENERATION FROM OPERATIONS	13413.08	10381.96
INTEREST PAID	-3898.97	-4078.57
PRIOR PERIOD ADJUSTMENT (NET)	-10.89	-
DIRECT TAXES PAID	-932.94	-1044.19
NET CASH FROM OPERATING ACTIVITIES	8570.28	5259.20
(B) CASH FLOW FROM INVESTING ACTIVITIES		
INTEREST RECEIVED	68.79	25.91
MISCELLANEOUS RECEIPTS	197.03	511.83
SALE OF ASSETS	-	340.46
PURCHASE OF FIXED ASSETS	-5478.36	-4483.83
NET CASH GENERATED FROM INVESTING ACTIVITIES	-5212.54	-3605.63
(C) CASH FLOW FROM FINANCING ACTIVITIES		
UNSECURED LOANS	-499.31	-1371.08
SECURED LOANS	-880.33	1512.34
DIVIDEND PAID	-1353.75	-1353.75
NET CASH GENERATED FROM FINANCING ACTIVITIES	-2733.39	-1212.49
NET CASH INCREASE/DECREASE IN CASH & CASH EQUIVALENTS	624.35	-441.08
OPENING BALANCE OF CASH & CASH EQUIVALENTS	1094.85	1535.93
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	1719.20	1094.85

Notes forming part of the Accounts

As per our report of even date

For Naresh & Co.,

Chartered Accountants

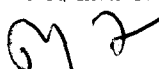
Naresh Parikh

Partner

Vadodara

Date : 25/7/2005

For and on behalf of the Board,


R. R. Shah

Managing Director
Vadodara

Date : 25/7/2005


D. R. Shah

Executive Director



Schedules Forming Part of the Balance Sheet as at 31st March, 2005

Particulars	31/03/2005 (Rs.)	31/03/2004 (Rs.)
SCHEDULE : (A)		
SHARE CAPITAL :-		
AUTHORISED		
2000000 Shares of Rs.10/- each	20,000,000	20,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
1200000 Equity Shares of Rs.10/- each		
Fully Paid-up in Cash	12,000,000	12,000,000
TOTAL Rs.	12,000,000	12,000,000
SCHEDULE : (B)		
RESERVES & SURPLUS :-		
GENERAL RESERVE		
Balance B/F. from Previous Year	10,242,506	9,813,106
Add : Transfer From Export Profit Reserve	0	29,400
Add : Set aside this year	850,000	400,000
	11,092,506	10,242,506
SHARE PREMIUM RESERVE	3,600,000	3,600,000
PROFIT & LOSS A/C.		
Surplus at the end of the year	28,871	13,739
TOTAL RS.	14,721,377	13,856,245
SCHEDULE : (C)		
SECURED LOAN		
From small industrial dev. bank ltd.	3,427,433	0
From ICICI Ltd.	96,182	178,335
(Against Hypothecation of Motor Car)		
	3,523,615	178,335
From State Bank of India		
- Term Loans	1,105,436	2,005,436
- Cash Credits	23,104,757	26,430,366
	24,210,193	28,435,802
TOTAL RS.	27,733,808	28,614,137
SCHEDULE : (D)		
UNSECURED LOAN		
From Public	1,639,000	2,108,444
From Others - Trade deposit	7,421,771	7,451,633
TOTAL RS.	9,060,771	9,560,077



SCHEDULE : (E) FIXED ASSETS											
SR NO	FIXED ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
		AS ON 01.04.04 Rupees	ADDITIONS Rupees	DEDUCTION & ADJUSTMENTS AMORTIZATION Rupees	AS ON 31.03.05 Rupees	AS ON 01.04.04 Rupees	RECOUPED Rupees	FOR THE YEAR 2004-2005 Rupees	AS ON 31.03.05 Rupees	AS ON 31.03.05 Rupees	AS ON 31.03.04 Rupees
1	Building	10639190	440378	95700	10983867	1917380	-	329734	2247114	8736753	8721810
2	Plant & Machinery	9963352	2096970	234900	11825422	3671299	-	488949	4160248	7665174	6292053
3	Laboratory Instruments	3471285	665404	-	4136689	842975	-	175657	1018632	3118057	2628310
4	Air Condition & Equipment	2204809	1037775	-	3242584	565368	-	133918	699286	2543298	1639441
5	Furniture, Fixtures & Deadstock	5755244	1577552	-	7332796	3198952	-	448405	3647357	3685439	2556292
6	Vehicles	1769671	0	9117	1760554	542294	9117	116798	649975	1110579	1227377
	TOTAL	33803551	5818078	339717	39281913	10738268	9117	1693461	12422612	26859301	23065284
	Previous Year	29660177	4483830	340456	33803551	9347359	50540	1441449	10738268	23065284	16136041



Schedules Forming Part of the Balance Sheet as at 31st March, 2005

Particulars	31/03/2005 (Rs.)	31/03/2004 (Rs.)
SCHEDULE : (F)		
INVESTMENT AT COST		
Long - Term Investment		
Non Trade Investment		
Trade (Quoted)		
50000 Equity Shares of Rs. 10 each of Mercury Phytochem Ltd. (Net of Provision for diminution in value)		
(Market Value - Not Available)		
Trade (Unquoted - At Cost)		
63 Equity Shares of Rs. 1000/- each in Baroda Industrial Development Corporation	63,000	63,000
TOTAL Rs.	63,000	63,000
SCHEDULE : (G)		
CURRENT ASSETS, LOANS & ADVANCES		
(A) CURRENT ASSETS :-		
(1) Inventories:		
(As valued & certified by Management)		
Raw Materials	3527464	2,211,747
Work in Process	3763341	3,166,940
Packing Materials	2443394	2,549,353
Finished Goods	16843187	12,280,921
	26577386	20,208,961
(2) Sundry Debtors		
(Unsecured)		
Outstanding for More than 6 Months		
- Considered Good	2,534,542	5,810,028
- Considered Doubtful	1,008,543	1,061,518
	3,543,085	6,871,546
Others		
- Considered Good	30,595,509	36,611,794
	34,138,594	43,483,340
(3) Cash & Bank Balance		
Cash on Hand	81,567	173,182
Money in Transit	90,000	0
Balances with Scheduled Banks		
- In Current Account	1,380,208	743,125
- Fixed Deposit	1,810	1,810
- In Margin Deposit	165,611	176,733
	1,547,628	921,668
	1,719,196	1,094,850
Total Current Assets	62,435,176	64,787,151



Particulars	31/03/2005 (Rs.)	31/03/2004 (Rs.)
(B) Loans, Advances & Deposits (Unsecured, Considered Good unless otherwise specified) Advances Receivable in Cash or Kind or for value to be received		
- Considered Good	6,175,011	7,221,045
- Considered Doubtful	4,301,367	4,301,367
	10,476,378	11,522,412
Balance with Excise and Customs department	8,548	720
Tax Paid in Advance	2,307,320	1,374,379
	12,792,246	12,897,511
TOTAL Rs.	75,227,422	77,684,662
SCHEDULE : (H)		
CURRENT LIABILITIES & PROVISIONS		
Liabilities		
Sundry Creditors	28,433,478	27,348,080
Interest Accrued but not due on Loans	52,132	73,495
	28,485,610	27,421,575
Provisions		
Provision for Taxation	2,000,000	1,400,000
Provision for Proposed Dividend & Tax thereon	1,369,125	1,353,750
Provision for Gratuity and Leave Encashment	3,375,058	3,807,826
	6,744,183	6,381,576
TOTAL Rs.	35,229,793	33,783,151
SCHEDULE : (I)		
SALES		
Indigenous Sales	113,335,766	128,004,804
Export Sales	22,020,936	16,862,740
Export Incentives	986,516	988,986
	136,343,218	145,856,530
SCHEDULE: (J)		
OTHER INCOME :		
Processing Charges	139,920	254,078
Interest Earned	68,788	25,908
Miscellaneous Receipts	197,032	511,833
	405,740	791,819
SCHEDULE : (K)		
MATERIAL CONSUMPTION:		
Raw Materials		
Opening Stock of Raw Materials	2,211,747	2,508,383
Add : Purchases	19,086,599	16,815,426
	21,298,346	19,323,809
Less : Closing Stock of Raw Materials	3,527,464	22,11,747
Raw Materials Consumed (a)	17,770,882	17,112,062



Particulars	31/03/2005 (Rs.)	31/03/2004 (Rs.)
Packing Materials		
Opening Stock of Packing Materials	2,549,353	2,732,183
Add : Purchases	12,897,947	13,199,113
	15,447,300	15,931,296
Less : Closing Stock of Raw Materials	2,443,394	2,549,353
Packing Materials Consumed (b)	13,003,906	13,381,943
Finished Products Purchased (c)	30,257,126	30,016,493
Increase / (Decrease) in Stock		
Stock at Commencement		
Work in Process	3,166,940	3,559,246
Finished Goods	12,280,921	16,137,366
	15,447,861	19,696,612
Less : Closing Stock		
Work in Process	3,763,341	3,166,940
Finished Goods	16,843,187	12,280,921
	20,606,528	15,447,861
Increase / (Decrease) in Stock (d)	-5,158,667	4,248,751
TOTAL Rs.	55,873,246	64,759,249
SCHEDULE: (L)		
MANUFACTURING EXPENSES		
Manufacturing Labour Charges	290,632	590,074
Power & Fuel	2,115,646	1,802,538
Repairs & Maintenance (Plant & Machinery)	574,976	936,565
Repairs & Maintenance (Building)	672,351	377,835
Repairs & Maintenance (Others)	189,759	149,731
Stores & Spares	1,117,497	1,062,312
Laboratory Expenses	1,079,440	1,080,517
TOTAL Rs.	6,040,300	5,999,572
SCHEDULE: (M)		
EMPLOYEES EMOLUMENTS		
Salaries, Wages, Bonus & Incentives	19,107,218	19,704,183
Contribution to P.F. and other funds	850,335	920,029
Employees' State Insurance Scheme	343,025	367,779
Workmen & Staff Welfare Expenses	1,010,832	1,082,240
TOTAL Rs.	21,311,410	22,074,231



Particulars	31/03/2005 (Rs.)	31/03/2004 (Rs.)
SCHEDULE : (N)		
ADMINISTRATIVE & SELLING / DISTRIBUTION EXPENSES :		
Rent	141,708	106,408
Rates & Taxes	179,207	147,907
Insurance Premium	275,806	213,123
Packing & Forwarding Expenses	5,209,702	4,651,197
Selling Expenses	3,919,019	2,669,893
Commission & Discount	2,790,623	2,805,372
Travelling & Conveyance Expenses	10,719,480	11,365,619
General Expenses	5,424,599	5,290,873
Advertisement & Publicity	1,007,221	1,185,231
Audit Fees & Professional Charges	577,838	625,353
Directors Fees	25,000	6,500
Directors Remuneration	480,000	480,000
Donation	8,001	11,001
Goods Return , Loss on Expiry, Spoilage & Breakage	1,470,406	2,786,159
Loss on Discarding of Plant & Machinery	0	102,916
Bad - debts	1,092,223	1,197,520
TOTAL RS.	33,320,832	33,645,072

**SCHEDULE "O"****NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS
ACCOUNT ANNEXED THERETO :****A. SIGNIFICANT ACCOUNTING POLICIES :****1. Method of Accounting:**

- a. The accounts of the Company are prepared under the Historical Cost Convention and using the accrual method of accounting unless otherwise stated hereinafter. The accounts are prepared to comply in all material aspects with the applicable accounting principles in India and the mandatory accounting standards issued by the Institute of Chartered Accountants of India.
- b. Accounting Policies, not specifically referred to, are consistent and in consonance with generally accepted accounting principles.

2. Fixed Assets :

- a. Fixed Assets are stated at their cost of acquisition less accumulated depreciation. The cost of acquisition includes freight, installation cost, duties, taxes and other incidental expenses, identifiable with the asset, incurred during the installation / construction stage in order to bring the assets to their working condition for intended use.
- b. The Company takes Modvat Credit for the excise duty element in the cost of the Fixed Assets purchased. Furthermore, the Company also receives subsidies against purchase and installation of new plant and machinery in some cases. The cost of assets purchased which is disclosed under the head "Fixed Assets" and for the purpose of depreciation is after deducting the excise duty element as well as the subsidies received.

3. Depreciation:

- a. Depreciation on assets is being provided on the Straight Line Method in accordance with the provisions of Section 205(2)(a) and according to the classification and at the rates specified in Schedule XIV to the Companies Act, 1956 as amended via circular no. 14/93 dt. 20.12.93. As per the option given by the Circular, depreciation has been provided at old rates in respect of the Assets existing on the effective date of amendment and at new rates on the additions made subsequent to that date.
- b. No depreciation is being provided on the assets sold during the year. On the additions during the year, depreciation has been provided pro-rata on the basis of number of days for which the asset was used during the year.

4. Inventory:

- a. Raw Materials and Packing Materials are valued 'at Cost' on FIFO basis. 'Cost' includes all duties, taxes and other expenses incurred to bring the inventories to their present location and condition, except duties and taxes which are subsequently recoverable from the taxing authorities.
- b. Finished goods produced by the Company are valued at lower of cost or net realisable value.



- c. Semi-Finished goods have been valued at Raw Material cost increased by a proportion of overheads in consonance with the stage of completion as certified by the management.
- d. Stock of goods purchased for resale purposes are valued at their acquisition cost inclusive of all duties and taxes.

5. Retirement Benefits :

- a. Contributions to Provident Fund and Employees' State Insurance are accounted on accrual basis and charged to the Profit & Loss account for the year.
- b. Provisions for Gratuity (for employees with more than five years of services) and Leave encashment are being made by the Company on accrual basis and charged to the Profit & Loss account for the year.

6. Sales/Turnover and Income Recognition:

- a. Sales Income for the year includes domestic and export sales as well as export incentives.
- b. Revenue is recognized on transfer of property in goods or on transfer of significant risks and rewards of ownership to the buyer, for a consideration, without the seller retaining any effective control over the goods.
- c. Sales are accounted on dispatch of goods (which generally coincides with the transfer of ownership) and are inclusive of excise duty but net of sales tax.
- d. Export sales are accounted at their CIF value based on the actual realisation in Indian Rupees.
- e. Export Incentives include advance license benefits as well as income on sales of import licenses. Advance license benefit is also recognised on accrual basis on the licenses on hand with the Company as at the year end
- f. Other items of income including interest are accounted on accrual basis (depending on certainty of realisation) and disclosed under the head "Other Income".

7. Foreign Currency Transactions :

Transactions in foreign currency are recorded in Indian Rupees at the exchange rate prevailing on the date of the transactions. Exchange gains or losses on settlement, if any, are treated as income or expenditure respectively in the Profit and Loss Account except those relating to acquisition of fixed assets, if any, which are adjusted in the cost of such assets. Liabilities in foreign currency as well as receivables in foreign currency as on the date of the Balance Sheet have been restated into Indian rupees at the rates of exchange prevailing as on the date of Balance Sheet. However, if the liabilities / receivable have been actually realised subsequently, the same have been recorded at that value.

8. Borrowing Costs:

According to AS-16 Borrowing costs, issued by the Institute of Chartered Accountants of India, borrowing costs that are directly attributable to the acquisition of qualifying assets are to be



capitalized for the period until the asset is ready for its intended use. A qualifying asset being, an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are to be recognized as an expense in the period in which they are incurred. No borrowing costs were eligible for capitalization during the year.

9. Government Grants:

Government Grants / Subsidies received during the year relating to specific fixed assets have been reduced from the cost of the asset.

10. Investments:

Long Term Investments are valued at Cost. Provision for diminution, if any, in the value of Investments is made to recognise a decline, other than temporary.

11. Accounting for Taxes on Income:

- a. Provision for taxation for the year under report include provision for current tax as well as provision for deferred tax.
- b. Provision for Current tax is made, based on tax estimated to be payable as computed under the various provisions of the Income Tax Act, 1961.
- c. Deferred tax is recognised, subject to prudence, on timing differences between taxable income and accounting income that originate during the year and are capable of being reversed in one or more subsequent periods. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that future taxable income will be available against which such deferred tax assets can be realised.
- d. Deferred Tax Liabilities / Assets are quantified using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date.

B. NOTES ON ACCOUNTS :

1. a. Contingent Liabilities not provided for in respect of: (Rs. in lacs.)

	31.03.2005	31.03.2004
Bank Guarantees pending to be redeemed	6.55	7.34
Guarantee given to SBI for a Limited Company	190.00	190.00
Sales tax matters in dispute	2.09	2.32
Central Excise duty matter in dispute	7.08	7.08
 - b. There is no claim against company to be acknowledged as debt.
 - c. Estimated amount of contracts to be executed on capital account not provided for Rs. Nil.
2. a. Sundry Debtors include Rs. 10.08 lacs outstanding for more than six months and considered to be doubtful of recovery. However, no provision has been made in the accounts for the same and to that extent the Profits / Reserves are reflected on the higher side.
 - b. Loans and advances include Rs. 43.01 lacs due from a Company and considered to be doubtful of recovery. However, no provision has been made in the accounts for the same and to that extent the Profits / Reserves are reflected on the higher side.



3. In cases where letters of confirmation have been received from the parties, book balances have been generally reconciled and adjusted. In other cases, balances in the account of sundry debtors, sundry creditors and loans and advances or deposits are taken as per the books of accounts.
4. In case of Sundry Debtors and Loans & Advances which are considered good, the Company holds no security other than the personal security of the parties.
5. The finances from State Bank of India are secured by way of hypothecation charge on all types of stocks, whether lying in the premises of the Company or elsewhere, book-debts, inland and foreign bills in course of collection. The loans are further secured by way of first charge on the Plant & Machinery, equipments and all other movable assets, both present or future and also by way of Equitable Mortgage of Company's Land & Building at Vadodara and also the Building at Jarod. These loans are also personally guaranteed by the Directors of the Company.
6. In the opinion of the Board, the Current Assets, Loans & Advances, other than those disclosed as doubtful, are expected to realize at least the amount at which they are stated, if realised in the ordinary course of business and provision for all known liabilities has been adequately made in the accounts.
7. Sundry Creditors for Goods includes Rs.101.73 lacs (p.y. 57.04 lacs) outstanding to Small scale & ancillary undertakings to whom the company owes a sum which is outstanding for more than 30 days are : ATUL PACKAGER, ANAND PACKAGING, AIMCO PHARMA MFG CO, ABS PRINTERS, ALPHA LAB, ASHISH PRINTERS, AIDS MARKETING, AKHIL TRADERS, AKHIL HEALTHCARE, DHANSHREE PHARMACY, ESPEE PHARMA CHEM PVT. LTD., GELIKEPS PVT. LTD., HEENA ROTO PRINT, HIRAN ORGACHEM LTD., MARUTI PRINTERS, MAK AMPOULES PVT. LTD., MAK POLYPLAST, MAC PHARMA, OM TRADERS, OLIVE HEALTHCARE, PRIMA AMPOULES, PHARMA PRINTS, PATEL ENTERPRISE, PARAS ENTERPRISE, PRIME PHARACHEM, PERFECT PROTIN PVT. LTD., RICH PHARMA CHEM, SANJAY PRINTERS, SHREE RAJ CHEM, SHREEJEE OFFSET PRINT & PACKAGERS, SHARPIN PHARMA PVT. LTD., SUYOG PHARACEUTICALS PVT. LTD., VAIBHAV PACKERS.

The above information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancillary undertakings on the basis of information available with the Company and relied upon by the auditors.

The Company deals with various Small Scale and Ancillary undertakings on mutually accepted terms and conditions. Accordingly, no interest is payable if the terms are adhered to by the Company. Consequently, no provision for interest payable to such units has been made under "The Interest on Delayed Payments to Small Scale & Ancillary undertakings Act, 1993."

8. Segment Reporting :

With respect to Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the management is of the view the products of the Company can be classified into only one category i.e. "Pharmaceutical Formulations". Thus, the business of production and sales of pharmaceutical products belong to one segment only.

9. Deferred Taxes :

In compliance with Accounting Standard 22 on Taxes on Income issued by the Institute of Chartered Accountants of India, the Company has disclosed net deferred tax liability of Rs. 34.04 for the year ended 31st March, 2005 after charging the net deferred tax liability for the year under report of Rs. 4.05 lacs to the profit and loss account.



The break up of the net deferred tax liability as is as under: Rs. in lacs

	31.03.2005	31.03.2004
▲ Deferred tax liability on account of difference between accounting and tax depreciation	45.40	42.93
▲ Deferred tax asset on account of Liabilities provided in the books but allowable for tax purpose only when actually paid (prov. for Gratuity & PL encash.)	11.36	12.94
Net Deferred tax liability as at 31st March, 2004	34.04	29.99

10. Earning Per Share :

	31.03.2005	31.03.2004
▲ Amount used as Numerator-Profit After Taxation	22.34	16.99
▲ Amount used as Denominator Weighted Average number of Equity Shares	12.00	12.00
▲ Nominal Value of Share	10.00	Rs. 10.00
▲ Basic / Diluted Earnings per Share	1.86	Rs. 1.41

11. The disclosures required under Accounting Standard 18, issued by the Institute of Chartered Accountants of India are as under:

- ▲ Remuneration and Perquisites to Mr. R.R.Shah, Managing Director Rs. 3.70 lacs
- ▲ Remuneration and Perquisites to Mr. D.R.Shah, Executive Director Rs. 2.69 lacs
- ▲ Rent paid to Smt. Kusumben R. Shah, relative of Directors Rs. 0.90 lacs
- ▲ Transactions with Mercury Antibiotics P. Ltd., an enterprise managed by the relatives of directors Purchases Rs. 130.85 lacs, Sales Rs. 0.28 lacs, Service Charges Recovered Rs. 0.60 lacs. Balance as at 31st March 2005 Rs. 2.28 lacs (Dr.) (p.y. Rs. 10.74 lacs Cr.)
- ▲ Transactions with Mercury Marketing & Consulting Services, a concern in which directors are partners. Interest Recovered Rs. 2.28 lacs. Balance as at 31st March 2005 Rs. 10.81 lacs (Dr.) (p.y. Rs. 38.63 lacs Dr.)
- ▲ Transactions with Biomed India, a concern in which directors are partners Sales Rs. 7.15 lacs & Rent Paid Rs. 0.22 lacs, Balance as at 31st March 2005 Rs. 13.27 lacs (Dr.) (p.y. Rs. 12.18 lacs Dr.)

No amounts have been written off or written back during the year under report in respect of debts due from the above parties. As on the date of Balance Sheet, there is no provision for doubtful debts due from the above parties.

12. Payment to Auditors.

	2004-2005 (Rupees)	2003-2004 (Rupees)
i) As Auditors	55,100	52,893
ii) In other capacity	-	-



13. Raw Materials and Packing Materials Consumption and Finished Products Purchased

(a) Break-up of Raw Materials Consumed		2004-2005		2003-2004	
		Quantity (Kg.)	Rupees in Thousand	Quantity (Kg.)	Rupees in Thousand
Raw Materials					
(i)	Gentamycine Sulphate	213.206	755.36	221.611	688.71
(ii)	Ethmysylate	1749.191	965.12	861.672	532.93
(iii)	Ciprofloxacin	723.566	740.71	903.098	1120.28
(iv)	Tetracycline	3757.750	2797.04	2816.650	2322.67
(v)	Tranexamic Acid	335.614	1580.16	390.226	2148.78
(vi)	Cefixime Trihydrate	32.651	803.58	17.592	494.65
(vii)	Other (Including E.G. Capsules, none of which individually accounts for more than 5% of total consumption)		10128.91		9804.04
TOTAL			17770.88		17112.06

(b) Break-up of Finished Products Purchased		2004-2005		2003-2004	
		Quantity	Rupees in Thousand	Quantity	Rupees in Thousand
Class of Goods	Unit of Measures				
Tablets	Million Nos	9.806	3163.15	3.860	2728.39
Liquids	Litres	146783.500	12345.34	173254.820	15473.12
Capsules	Million Nos	15.877	7811.73	18.980	7856.33
Oinements		8841.630	2652.07	-	-
Injection	Liters	13465.800	1871.86	16327.76	3454.34
Others		-	2412.96	-	504.31
TOTAL			30257.12		30016.49

(c) Imported and Indigenous Raw Materials consumed		2004-2005		2003-2004	
		Rupees in Thousand	Percentage	Rupees in Thousand	Percentage
Imported		1734.16	9.76	521.04	3.05
Indigenous		16036.72	90.24	16591.02	96.95
TOTAL		17770.88	100.00	17112.06	100.00

(c) Imported and Indigenous Packing Materials consumed		2004-2005		2003-2004	
		Rupees in Thousand	Percentage	Rupees in Thousand	Percentage
Imported		-	-	-	-
Indigenous		13003.91	100	13381.94	100.00
TOTAL		13003.91	100.00	13381.94	100.00



14. Managerial Remuneration

Profit and Loss Account also includes payments and provisions on account of

	<u>2004-2005</u> Rupees	<u>2003-2004</u> Rupees
(1) Managing Director		
Remuneration	240000	240000
Other perquisites	129894	117896
TOTAL	369894	357896
(2) Executive Director		
Remuneration	240000	240000
Other perquisites	29272	20000
TOTAL	269272	260000

No Commission is paid to Director, Remuneration within the limit U/s 198 of the Companies Act, 1956

15. GIF value of Imports, Expenditure and Earnings in Foreign Currencies

	<u>2004-2005</u> Rupees	<u>2003-2004</u> Rupees
(a) CIF Value of Imports		
Raw Materials	2054037	603042
(b) Expenditure in Foreign Currencies		
Travelling Expenses	260029	277527
Book & Periodical	4273	—
Bank Charges	—	20219
Machinery Purchase	—	858440
(c) Earning in Foreign Currencies		
FOB value of exports	20879595	15285293

16. Quantities and sales value in respect of each class of goods dealt with by the Company. (Rupees in thousand)

Class of Goods	Unit of Measures	<u>2004-2005</u>		<u>2003-2004</u>	
		Quantity	Value	Quantity	Value
Tablets	Million Nos	74.869	50688.84	58.628	49484.73
Capsules	Million Nos	20.461	29104.58	24.679	29499.78
Liquids	Litres	126818.790	26449.70	157142.215	31811.84
Injectables	Litres	9844.173	20997.36	18586.629	25198.24
Ointments	Kgs.	7210.640	4101.25	10300.190	5593.47
Other		-	5001.49	-	4268.47
	TOTAL		136343.22		145856.53



17. Quantitative details and value in regard to Finished goods. (Rupees in thousand)

Class of Goods	Unit of Measures	31-3-2005		31-3-2004	
		Quantity	Value	Quantity	Value
Tablets	Million Nos	15.542	8673.16	11.021	6581.89
Capsules	Million Nos	1.574	1451.76	2.127	1105.94
Liquids	Litres	12864.535	2448.82	14677.355	1854.16
Injectables	Litres	2162.670	3351.05	1702.558	2283.88
Ointments	Kgs.	1822.295	918.40	2163.100	455.05
	TOTAL		16843.19		12280.92

18. Quantitative information in regard to class of goods manufactured by Company (Including processed by outsiders)

Class of Goods	Unit of Measures	2004-2005	2003-2004
Tablets	Million Nos	62.854	74.926
Capsules	Million Nos	5.641	5.723
Liquids	Litres	2567.300	1546.200
Injectables	Litres	12764.170	14760.620
Ointments	Kgs.	256.000	10554.100

19. Accounting Ratios


	31-03-2005	31-03-2004
(a) Sales to Total Assests	1.09	1.34
(b) Operating Profit (before Interest, Dep.& tax) to Capital Employed	33.09	33.25
(c) Return (profit after tax) on net worth %	9.91	9.00
(d) Profit (before tax) to Sales %	2.59	2.27


20. Previous year's figures have been regrouped and rearranged wherever necessary, in order to confirm to this year's presentation.

As per our report of even date
For Naresh & Co.,
Chartered Accountants

For and on behalf of the Board,

Naresh Parikh
Partner
Vadodara
Date : 25/07/2005


R. R. Shah
Managing Director
Vadodara
Date : 25/07/2005


D. R. Shah
Executive Director



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
1. REGISTRATION DETAILS

Registration No.	:	26341
State Code	:	11
Balance Sheet Date	:	31.03.2005

2. CAPITAL RAISED DURING THE YEAR

(Amount in Rs. Thousand)

Public Issue	:	NIL
Right Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	NIL

3. POSITION MOBILISATION AND DEVELOPMENT OF FUNDS

(Amount in Rs. Thousand)

Total Liabilities	:	66920
Total Assets	:	66920

SOURCES OF FUNDS

Paid-up Capital	:	12000
Reserves & Surplus	:	14721
Secured Loan	:	27734
Unsecured loan	:	9061
Deferred Tax Liabilities	:	3404

APPLICATION OF FUNDS

Net Fixed Assets	:	26859
Investments	:	63
Net Current Assets	:	39998

4. PERFORMANCE OF COMPANY

(Amount in Rs. Thousand)

Turnover	:	125388
Total Expenditure	:	122138
Profit Before Tax	:	3250
Profit After Tax	:	2234
Earning per share in Rs.	:	1.86%
Dividend Rate %	:	10%

5. GENERAL NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY (As per monetary terms)

Item Code No. (ITC Code)	:	30042013
Product Description	:	Gentamycin Formulation thereof in capsules, injections, eye drops etc.
Item Code No. (ITC Code)	:	30044007
Product Description	:	Formulation of ergot preparator
Item Code No. (ITC Code)	:	30048008
Product Description	:	Multivitamin containing vitamin A.B - Group. C. D



MERCURY LABORATORIES LIMITED

Registered Office : Shreeji Bhavan, 51, Mangaldas Road, Princess Street, Mumbai - 400 002.

ATTENDANCE SLIP

Please complete this Attendance slip and hand it over at the entrance of the Meeting Place.

L.F. No. (S) _____ No. of Shares held _____

Name & Address of the Member _____

I/We, hereby record my/our presence at the **24th Annual General Meeting** held on Thursday, the 18th August, 2005 at 3:00 p.m. at the Registered Office of the Company at 18, Shreeji Bhuvan, 51, Mangaldas Road, Princess Street, Mumbai - 400 002.

NOTES :

SIGNATURE OF SHAREHOLDER/PROXY

- Members / Proxy holders are requested to bring their copies of the Annual Report with them at the Meeting.
- Please carry with you this Attendance Slip and hand over the same duly signed at the space provided at the entrance of the Meeting Place.

-----Tear here -----

MERCURY LABORATORIES LIMITED

Registered Office : Shreeji Bhuvan, 51, Mangaldas Road, Princess Street, Mumbai - 400 002.

PROXY

L.F.No. (s) _____ No. of shares held _____

I/We _____ of _____

_____ being a member/members of MERCURY LABORATORIES LIMITED hereby appoint _____ of _____

_____ or failing him/her _____ of _____ as my/our Proxy to vote for me/us and on my/our behalf at the **24rd Annual General Meeting** held on Thursday, the 18th August, 2005 at 3:00 p.m. at the Registered Office of the Company at 18, Shreeji Bhuvan, 51, Mangaldas Road, Princess Street, Mumbai - 400 002 or at any aourjment thereof.

Dated this _____ day of _____ 2005.

Affix Revenue Stamp of Re. 1/-

NOTES : (1) The Proxy duly completed must be returned so as to reach the Registered office of the Company not less than 48 hours before the time of holding the meeting.

(2) The Proxy Form should be signed across the stamp.

Book - Post
Printed Matter

To,

If undelivered, please return to :

MERCURY LABORATORIES LIMITED

2/13 & 2/14

Baroda Industrial Estate,

Gorwa Road,

Vadodara - 390 026.