



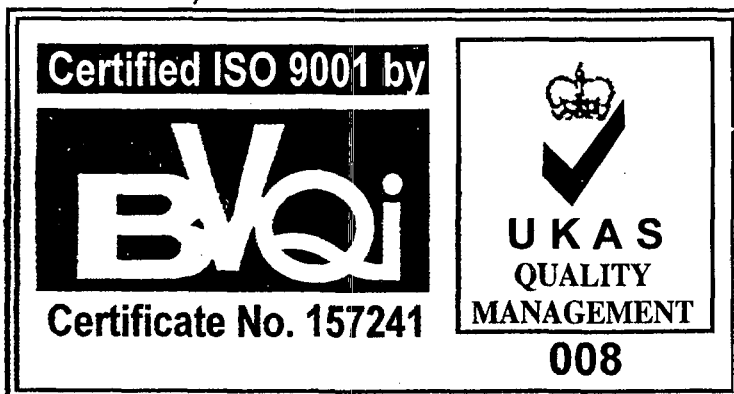
# ISHITA DRUGS AND INDUSTRIES LIMITED

## FIFTEENTH ANNUAL REPORT 2007-2008

### AN ISO 9001 : 2000 COMPANY

CERTIFIED TO BE TRUE COPY  
FOR, ISHITA DRUGS & INDUSTRIES LTD.

*[Handwritten Signature]*  
AUTHORIZED SIGNATORY



*"Our basic drugs in the service of humanity worldwide"*

**FIFTEENTH ANNUAL REPORT AND ACCOUNTS**

- Board Of Directors** : **Mr. Jagdish Agrawal** - Chairman & Managing Director  
**Mr. P. R. Rastogi** - Director  
**Mr. Govind Gupta** - Director  
**Dr. S. K. Agrawal** - Director  
**Mrs. Abha Agrawal** - Director
- Bankers** : **Corporation Bank**  
**ICICI Bank Ltd.**  
**Punjab National Bank**  
**Citibank N.A.**
- Auditors** : **M/s. Kishor Goyal & Co.**  
Chartered Accountants,  
Ahmedabad.
- Corporate Office** : 11, Valmik Complex, Near Parimal Garden,  
C.G.Road, Ellisbridge, Ahmedabad - 380 006.
- Registered Office & Factory** : Survey No. 179/1, Village : Vasna-Iyava,  
Taluka : Sanand, District : Ahmedabad
- Investors' Complaints may be addressed to** : **Mr.Suresh Parmar**  
**Share Department**  
at Corporate office.  
E-mail: [ishitadrugs@vsnl.net](mailto:ishitadrugs@vsnl.net)

**ANNUAL GENERAL MEETING**  
On Saturday, 30th September, 2008  
at 3.00 P.M. at Registered Office  
of the Company

**CONSUMPTION PER UNIT OF PRODUCTION**

It is impractical to apportion the consumption and cost of utilities to each product in view of multiplicity of products.

**RESEARCH AND DEVELOPMENT**

The Company through its R&D efforts has made significant progress in various activities like Process Development, Analytical Methods, Development and Chemical Synthesis.

**FORM-B**

Form of disclosure of particulars with respect to the technology absorption.

**(A) Research and Development (R&D)**

1. Specific areas in which R&D is carried out by the Company.
  - Process development for newer bulk drugs and process improvement for existing product
  - Development of new analytical methods for quality control and quality assurance during production.
2. Benefits derived as a result
  - Successful Commercialization of the process developed by R&D department significant savings due to in house process development.
  - Better margins due to improvement in yields.
  - Improved quality of products due to adaptation of better methods of analysis by quality assurance.
3. Future plan of action  
Research and Development efforts will be continued in process development. The Company is considering technical tie-ups with Indian and Foreign research institutes for new molecules in the chemical and biotechnology spheres.

**4. Expenditure on R & D :**

	<u>2007-08</u>	<u>2006-07</u>
(a) Capital	—	—
(b) Recurring	Rs. 126312	Rs. 110615
Total (a+b)	Rs. 126312	Rs. 110615
(c) Total R&D expenditure as a percentage of total turnover	0.31%	0.31%

**(B) Technology Absorption, Adaptation and Innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :  
Our R&D laboratory has carried out detailed experiments for the Process development of drug intermediates.
2. Benefits derived as a result of the above efforts, e.g., development, import substitution, etc.:-  
Commercial Production of the speciality chemical product (Drug Intermediate) may be taken up in near future.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) Nil

**(C) Foreign exchange earnings and outgo**

- a) Foreign Exchange Earning - Rs.9476644 (PY Rs. 5877669)
- b) Foreign Exchange Outgo - Rs.7136873 (PY Rs. 1254529)

For and on behalf of the Board

Place: Ahmedabad  
Dated: 27th August, 2008

**Jagdish Agrawal**  
Managing Director

**AUDITORS' REPORT**

TO THE SHAREHOLDERS OF ISHITA DRUGS AND INDUSTRIES LTD.

We have audited the attached Balance Sheet of **Ishita Drugs and Industries Limited** as at 31st March-2008 and also the Profit & Loss account and the Cash Flow Statement of the Company 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.

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.

We report as follows:

- 1) As required by the Companies (Auditor's Report) Order, 2003 issued by the 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 paragraph 4 and 5 of the said order.
- 2) Further to our comments in the Annexure referred to in paragraph 1 above:
  - i. 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.
  - 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 the books.
  - iii. The Balance Sheet, Profit & 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 & 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 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 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, read together with the Significant Accounting Policies and Notes on accounts, give the information 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 2008;
    - (b) In the case of 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 Premchand & Associates**  
Chartered Accountants

(Kishor Goyal)

Partner

Membership No.047286

**ANNEXURE TO THE AUDITOR'S REPORT**

Referred to in paragraph 1 of our report of even date to the members of Ishita Drugs and Industries Limited.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) The Company has physically verified certain assets during the year in accordance with a programme of verification, which in our opinion provides for physical verification of the Fixed Assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed of any substantial / major part of the Fixed Assets.
2. (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of accounts.
3. According to the information and explanations given to us, the Company has not taken / granted any loan from parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly clause (iii) (b) (c) & (d) are not applicable to the Company.
4. 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 nature of its business with regards to the purchase of inventory and fixed assets, and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
  - a. Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that needed to be entered into the register maintained under Section 301 have been so entered.
  - b. In our opinion and according to the explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 exceeding in the value of rupees five lacs in respect of any party during the year have been made at price which are reasonable having regard to prevailing market prices at that time.
6. The Company has not accepted deposits from the public and has complied with the directives issued by the Reserve Bank of India from time to time in this regard.
7. The Company has no internal audit system as the volume of commercial production has not reached optimum levels.
8. We have been informed that maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act 1956 in respect of the Company's products.
9. According to the records of the Company and information given to us, Company is regular in depositing P.F. etc. with the appropriate authority and there are no arrears of such dues.
10. The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. Based on our audit procedures and on the basis of the information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
12. According to our examinations of the records of the Company and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. Based on the examinations of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.
15. In our opinion and according to the information and explanations given to us, Company has not given guarantees for loans taken by others from banks or financial institutions during the year.
16. On the basis of examinations of records and as per the information and explanations given to us, the Company has raised term loan during the year. But the company has not taken disbursement of the same and hence this clause is not applicable.
17. According to the information and explanations given to us and overall examination of the Balance Sheet of the Company, we report that no funds have been raised on short term or long-term basis during the year.
18. 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.
19. According to the information and explanation given to us, the Company has not issued any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

**For Kishor Goyal & Co.**  
Chartered Accountants  
**(Kishor Goyal)**

Place : Ahmedabad  
Dated : 27th August, 2008

Partner  
Membership No.047286

**BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule	As at 31-Mar-08 Rupees	As at 31-Mar-07 Rupees
<b>Sources of Funds :</b>			
Shareholders' Funds			
Paid up Share Capital	1	29903000	29903000
Shares Forfeited A/c		164500	164500
Reserves and Surplus			
Capital Reserve			
State Cash Subsidy		1500000	1500000
General Reserve			
Balance in Profit & Loss A/c		2793707	325472
		34361207	31892972
Loan Funds			
Secured Loans	2	927439	—
Deferred Tax Liabilities			
		1109504	—
	Total	<u>36398150</u>	<u>31892972</u>
<b>Application of Funds :</b>			
Fixed Assets			
(A) Gross Block	3	30850252	29470940
Less : Depreciation		<u>19699643</u>	<u>17440629</u>
Net Block		11150609	12030312
(B) Capital Work-in-progress		617059	637199
Investments			
	4	1236900	1583388
Current Assets, Loans and Advances			
Inventories	5	5593655	4435084
Sundry Debtors	6	11184918	10613966
Cash and Bank Balances	7	7966718	5687362
Loans and Advances	8	<u>1783858</u>	<u>1697204</u>
		26529149	22433616
Less : Current Liabilities & Provisions	9	<u>3135567</u>	<u>4791543</u>
Net Current Assets		23393582	17642073
	Total	<u>36398150</u>	<u>31892972</u>
Notes on Accounts & Significant Accounting Policies			
	15		

As per our attached report of even date.

**For Kishor Goyal & Co.**  
Chartered Accountants

**Jagdish Agrawal**  
Managing Director

**Dr. S. K. Agrawal**  
Director

**Kishor Goyal**  
Partner  
Ahmedabad,  
Dated : 27th August, 2008

**Mrs. Abha Agrawal**  
Director  
Ahmedabad,  
Dated : 27th August, 2008

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2008**

	Schedule	2007-08 Rupees	2006-07 Rupees
<b>Income :</b>			
Sales		<b>40472907</b>	35731997
Other Income	10	<b>632588</b>	453877
	Total	<b>41105495</b>	36185874
<b>Less : Expenditure :</b>			
Material & Inventory Adjustments	11	<b>24030488</b>	21717319
Personnel Cost	12	<b>2705784</b>	2276445
Manufacturing and Other Exp.	13	<b>7770980</b>	7021319
Financial Charges	14	<b>539089</b>	291323
Depreciation		<b>2455287</b>	2393424
	Total	<b>37501628</b>	33699830
Operational Profit for the year before extra ordinary item & Tax		<b>3603867</b>	2486044
Fringe Benefit Tax		<b>26128</b>	23920
Minimum Alternate Tax		<b>260000</b>	282000
Less : MAT Credit Available		<b>260000</b>	282000
Add : Deferred Tax Assets (for current year)		<b>548346</b>	-
Net Profit for the year		<b>4126085</b>	2462124
Less : Deferred Tax Liabilities ( for earlier years)		<b>(1657850)</b>	-
Add: MAT Credit for previous year		-	120220
Add : Balance brought forward from previous year		<b>325472</b>	(2256872)
Balance carried to Balance Sheet profit/(loss)		<b>2793707</b>	325472
Notes on Accounts & Significant Accounting Policies	15		

As per our attached report of even date.

**For Kishor Goyal & Co.**  
Chartered Accountants

**Jagdish Agrawal**  
Managing Director

**Dr. S. K. Agrawal**  
Director

**Kishor Goyal**  
Partner  
Ahmedabad,  
Dated : 27th August, 2008

**Mrs. Abha Agrawal**  
Director  
Ahmedabad,  
Dated : 27th August, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008**

	For the year 2007-08 Rupees	For the year 2006-07 Rupees
A Cash flow from operating activities :		
Profit before tax	4152213	2486044
Add : Depreciation	2455287	2393424
Interest & Other financial charges	539089	291323
Less : Interest received	135600	41200
Dividend received	2724	2724
Income from Investments	54255	32156
Deferred Tax Assets	548346	-
Profit on sale of fixed assets	<u>160656</u>	<u>65903</u>
Operating profit before change in working capital	6245009	5028808
Add : Trade Debtors	(570952)	(2165820)
Increase in Inventory	(1158571)	(2262952)
Increase in Loans and advances	(86654)	(852497)
Less : Fringe Benefit Tax	26128	23920
MAT credit for previous year	---	(120220)
Trade creditors	<u>1655976</u>	<u>83180</u>
Net cash generated from operating activities (A)	2746728	5991558
B Cash inflow from investing activities :		
Add : Investment sold / (purchased)	346488	(548765)
Dividend received	2724	2724
Income from Investments	54255	32156
Profit on sale of fixed assets	160656	65903
Less : Capital work in progress	(20140)	(1856159)
Investment in fixed assets	<u>1575585</u>	<u>2898581</u>
Net cash generated from investing activities (B)	(991321)	(1490404)
C Cash flow from financial activities :		
Add : Interest received	135600	41200
Add: Borrowing	927439	---
Less : Repayment of borrowings	---	306401
Interest & Other financial charges	<u>539089</u>	<u>291323</u>
Net cash generated from financial activities (C)	523949	(556524)
Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	2279356	3944630
Opening balance of Cash and cash equivalents	5687362	1742732
Closing balance of Cash and cash equivalents	<u>7966718</u>	<u>5687362</u>
Net Increase/(decrease) in Cash & Cash Equivalents	<u>2279356</u>	<u>3944630</u>

Note : Figures in bracket indicate negative value

Correctly extracted from Audited accounts of the Company

**Mrs. Abha Agrawal**  
Director  
Ahmedabad,  
Dated : 27th August, 2008

**Jagdish Agrawal**  
Managing Director

**Dr. S. K. Agrawal**  
Director

**Auditors' Certificate**

We have verified the above cash flow statements of Ishita Drugs And Industries Limited from the audited financial statement for the year ended on 31st March, 2008 and found the same to be drawn in accordance therewith and also with requirements of clause 32 of the listing agreement with the Stock Exchanges.

**For Kishor Goyal & Co.**  
Chartered Accountants

Ahmedabad,  
Dated: 27th August, 2008

**Kishor Goyal**  
Partner

	As at 31-Mar-08 Amount Rs.	As at 31-Mar-07 Amount Rs.		As at 31-Mar-08 Amount Rs.	As at 31-Mar-07 Amount Rs.
<b>Schedule-1 : Share Capital</b>			<b>Schedule-5 : Inventories</b>		
Authorised :			As taken, valued and		
35,00,000 Equity Shares			certified by the M.D.		
of Rs. 10/- each	<u>35000000</u>	<u>35000000</u>	Raw material ( at cost )	<u>2073970</u>	1586550
Issued, Subscribed and paid up :			Raw Material in transit		
2990300 Equity Shares of Rs.10/-			(at cost or market price		
each fully paid up	<u>29903000</u>	<u>29903000</u>	whichever is lower)	<u>494189</u>	----
Total	<u>29903000</u>	<u>29903000</u>	Work in Process ( at cost )	<u>2897509</u>	2810000
<b>Schedule-2 : Secured Loans</b>			Packing, Fuel Etc. ( at cost )	<u>127987</u>	38534
Cash Credit			Total	<u>5593655</u>	<u>4435084</u>
( Against Hypothecation of					
stock & receivables)	<u>460551</u>	----			
ICICI Vehicle Loan	<u>466888</u>	----			
Total	<u>927439</u>	----			
<b>Schedule-3 : Fixed Assets</b>					

Particulars	Gross Block				Depreciation			Net Block		
	As at 01/04/07 Rs.	Addition Rs.	Deduction Rs.	As at 31/03/08 Rs.	As at 01/04/07 Rs.	Addition Rs.	Deduction Rs.	As at 31/03/08 Rs.	As at 31/03/08 Rs.	As at 31/03/07 Rs.
	Factory Land	904811	---	---	904811	---	---	---	---	904811
Plant and Machinery	17394234	615087	9750	17999571	11995680	1817796	---	13813476	4186095	5398555
Laboratory Equipment	684178	---	---	684178	463842	70744	---	534586	149593	220337
Cylinders	14441	---	---	14441	14441	---	---	14441	---	---
Effluent Treatment Plant	1608641	---	---	1608641	1283355	166333	---	1449688	158953	325286
Factory Building	5399672	491438	---	5891110	2033714	183445	---	2217159	3673951	3365958
Office Building	1264568	---	---	1264568	261054	20612	---	281666	982902	1003514
Furniture and Fixtures	738967	---	---	738967	511020	46777	---	557797	181170	227947
Office Equipment	253496	35571	---	289067	253496	7517	---	261013	28054	---
Computers	307417	19364	---	326781	235050	51920	---	286970	39811	72367
Vehicles	900515	727027	499425	1128117	388978	90143	196273	282848	845269	511537
<b>Total</b>	<b>29470940</b>	<b>1888487</b>	<b>509175</b>	<b>30850252</b>	<b>17440629</b>	<b>2455287</b>	<b>196273</b>	<b>19699643</b>	<b>11150609</b>	<b>12030312</b>
Previous Year	26900790	3020178	450028	29470940	15375636	2393424	328431	17440629	12030312	11525154

**Schedule-4 : Investments - at cost**

<b>1. Trade Investment</b>			
(a) Unquoted - Long Term Investments			
500 Equity Shares of Textile Traders			
Co-operative Bank Ltd. each of Rs. 25		12500	12500
fully paid up			
70000 Shares of Umang Financial Services			
Ltd. each		700000	700000
of Rs. 10/- fully paid up			
Aggregate value of Unquoted			
Investment- At cost Rs.712500			
(PYRs.712500)			
(b) Share Application Money :			
Chemengers Inventa Pvt. Ltd.		300000	---
(c) Quoted - Long Term Investments			
204 Shares of Jet Airways each		224400	224400
of Rs.10/- fully paid up			
(Market value Rs.113495 (PY Rs.128979))			
<b>2. Other Investments - Quoted</b>			
Templeton India Treasury Management Fund		---	646488
Total	<u>1236900</u>	<u>1583388</u>	

**Schedule-6 : Sundry Debtors**

( Unsecured and Considered good		
Outstanding for a period of more		
thansixmonths	146074	193160
Others	<u>11038844</u>	<u>10420806</u>
Total	<u>11184918</u>	<u>10613966</u>



	As at 31-Mar-07 Amount Rs.	As at 31-Mar-06 Amount Rs.		For the year 2006-07 Rupees	For the year 2005-06 Rupees
<b>Schedule-7 : Cash and Bank Balances</b>			<b>Schedule-12 : Personnel Cost</b>		
Cash on hand	546183	262797	Salary & wages	1762172	1534434
Banks Balance In Current Accounts	241009	4297383	Gratuity	100624	7962
In EEFC Account	1039751	761016	Staff Welfare Exp.	38331	35523
In Fixed Deposit Accounts	6139775	366166	Director's Remuneration	760000	660000
Total	<u>7966718</u>	<u>5687362</u>	Contribution for Provident Fund	44657	38526
			Total	<u>2705784</u>	<u>2276445</u>
<b>Schedule-8 : Loans and Advances</b> (Unsecured - Considered good)			<b>Schedule-13 : Manufacturing and other expenses</b>		
Advances recoverable in cash or kind or for value to be received	1493775	1338883	Power & Fuel	1414623	1361672
Advance Payment of Income Tax	290083	358321	Conversion Charges	435451	113629
Total	<u>1783858</u>	<u>1697204</u>	Stores & Spares	191195	271946
			Excise duty on sales	3381791	3097946
			Repairs - To Machinery	101646	17780
			- To Building	30115	—
			- To Others	184696	68879
				316457	86659
<b>Schedule-9 : Liabilities</b>			Laboratory Exp	13728	30290
Sundry Creditors	2504678	4276568	Research & Development Expenses	126312	110615
Other Liabilities	630889	514975	Freight & Forwarding	147045	311348
Total	<u>3135567</u>	<u>4791543</u>	Insurance Exp.	91657	99295
	<b>For the year 2007-08 Rupees</b>	<b>For the year 2006-07 Rupees</b>	Security Exp.	73525	69939
			ETP Maintenance exp.	335380	367808
			Export Documents Clearing Exp.	26880	37815
<b>Schedule-10 : Other Income</b>			Printing & Stationery Exp.	57377	57987
Discount & Kasar	262853	311894	Postage & Telephones	164442	212110
Dividend Income	2724	2724	Loss on sale of Import License	—	9831
Profit on sale of fixed assets	160656	65903	Traveling & Conveyance	226282	246091
Interest Income	135600	41200	Office and General Exp.	111010	115245
Income from Investments	54255	32156	Motor Car Expenses	101605	87967
Other Misc.Income	16500	—	Sales Commission	47390	30905
Total	<u>632588</u>	<u>453877</u>	Advertisement	39021	116251
			Payment to Auditor	15000	16854
<b>Schedule-11 : Material and Inventory Adjustments</b>			Legal & Professional fees	141882	67878
A. Material Consumption of			Listing, filling & license fees	38724	52662
Raw Material	18685219	16595599	Share Transfer Exp.	26438	30870
Consumption of Packing Material	280127	233081	Loss on Sale of Fixed Assets	228152	—
Value of Goods traded	5152651	3449539	Sales Tax	—	855
Total-A	<u>24117997</u>	<u>20278219</u>	Rates & Taxes	19612	16854
			Total	<u>7770980</u>	<u>7021319</u>
B. Inventory Adjustments :			<b>Schedule-14 : Financial Charges</b>		
(a) Opening Stock			Financial Consultancy Charges	—	150000
Manufacturing Goods	—	311100	Provision for Foreign Exchange Fluctuation	68976	11387
Work in process	2810000	3938000	Interest	130659	5205
	2810000	4249100	Other financial charges	339454	124731
(b) Closing Stock			Total	<u>539089</u>	<u>291323</u>
Manufacturing Goods					
Work in process	2897509	2810000			
	2897509	2810000			
Net Inventory Adjustments (a-b) Total-B	(87509)	1439100			
Total (A+B)	<u>24030488</u>	<u>21717319</u>			

**SCHEDULE - 15**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2008.**

Significant Accounting Policies adopted by the Company in the preparation and presentation of the Accounts.

**ACCOUNTING CONVENTION**

The financial statements are prepared and presented under historical cost convention on accrual basis of accounting, in accordance with Indian Generally Accepted Accounting Principles and Accounting Standard issued by the Institute of Chartered Accountants of India.

**FIXED ASSETS**

Fixed assets are stated at historical cost less depreciation.

**DEPRECIATION**

Depreciation of Fixed Assets is provided on straight-line method particularly on Plant and Machineries on Triple Shift Basis. Rates of Depreciation adopted are as specified in Schedule XIV of the Companies Act, 1956. Depreciation on the additions is calculated pro rata from the date of additions. Depreciation is not provided on deletion of assets, as it has no effect on the results of the Company.

**INVESTMENTS**

Long term investments are stated at cost less provision for diminution, if any, in the value of such investments. Diminution in the value is provided for where the management is of the opinion that the diminution is of a permanent nature. Short term investments are valued at lower of cost or net realizable value.

**INVENTORIES**

- a) Packing & fuel are valued at cost on FIFO Basis.
- b) Raw materials are valued at cost on FIFO Basis.
- c) Finished goods are valued at cost or market value whichever is lower.
- d) Work in progress is valued at cost.

**MODVAT**

Cenvet benefit is accounted on accrual basis on purchases of raw materials and capital goods and on actual payment basis on input services. The Cenvet benefit is appropriated against payment of excise duty on clearance of excisable goods.

**SALES**

Sales are accounted inclusive of excise duty.

**FOREIGN CURRENCY TRANSACTIONS**

Foreign Currency transactions are recorded at exchange rate prevailing on the date of transaction/realization. Current Assets / Liabilities are taken at transaction value. Diminution in the value is provided for where the management is of the opinion that the diminution is of a permanent nature. The resultant difference, if any, on realization is recognized in the profit & loss account.

**EXCISE DUTY**

As per past practice, the Company is accounting for liability for excise duty on finished goods lying in factory premises as and when the same are cleared. Accordingly, estimated liability amounting to Rs.NIL (P.Y.Rs.NIL) in respect of such goods as on 31.03.2008 has not been provided for in the accounts and hence not included in valuation of inventory. Non-provision of this liability will not affect profit for the year.

**CUSTOM DUTY**

Custom duty is charged in the year when it is paid.

**PROVISION FOR RETIREMENT BENEFITS**

Gratuity: The Company's obligations towards gratuity to employees has been provided for at actuals and other retirement benefits as per policy of the company have been provided for as per AS-15(Revised). The same have been charged in the profit and loss of the Company.

Provident Fund: The employer and employee make statutory contribution towards the Government's Provident Fund and the same is charged in the profit and loss of the Company.

**EXPENSES**

Material known liabilities are provided based on available information /estimates.

**TIMING REVENUE RECOGNITION**

In appropriate circumstances, revenue (income) is recognized when no significant uncertainty as to measurability or collectability exists.

**TAXATION**

Provision for taxation is made based on the current tax rates in force. Deferred tax charge or credit (reflecting the tax effect of timing difference between accounting income and taxable income for the period) is determined in accordance with the Accounting Standard-22 of the Institute of Chartered Accountants of India. The deferred tax charged or credited and the corresponding deferred tax liabilities or assets are recognized using the tax rate that have been enacted or subsequently established by the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**FRINGE BENEFIT TAX**

Consequent to the introduction of Fringe Benefit Tax (FBT) effective from April 1, 2005, the Company has made necessary provisions for FBT in accordance with the guidance note on accounting for FBT, issued by the Institute of Chartered Accountants of India.

**CASH FLOW STATEMENT**

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature and any deferrals or accruals of past and future cash receipts and payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

**CONTINGENT LIABILITIES**

All liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the notes on accounts.

**IMPAIRMENT OF ASSETS**

Impairment loss, if any, is recognized in accordance with the accounting standard AS-28 issued by the Institute of Chartered Accountants of India.

**PRIOR PERIOD ITEMS**

Material items of prior period non-recurring and extra ordinary items, if any, are disclosed separately.

**NOTES :**

1. No provision for income tax has been considered necessary as there is no taxable income. However, Minimum Alternate Tax payable under the Income Tax Act, 1961 is provided as computed by the Company.
2. Debit and credit balances in respect of debtors, loans and advances and creditors are subject to confirmation and reconciliation.
3. In accordance with the Accounting Standard AS-11 issued by the Institute of Chartered Accountants of India, net loss of Rs. 0.69 lacs (PY Rs. 0.12 lacs) due to foreign exchange fluctuations arising on foreign currency transactions has been considered in the Profit and Loss Account.
4. In the year under review, the Company has provided the gratuity Rs. 48855 (P.Y. Rs. NIL) calculated up to the date of Balance Sheet date according to the Gratuity Act.
5. In the year under review, the Company has adopted the Accounting Standard-22. The company has provided the deferred tax liability amounting to Rs. 1657850 (P.Y. Rs. NIL) for the period up to the Balance Sheet dated 31.03.2007 and booked the deferred tax assets Rs. 548346 (P.Y. Rs. NIL) for the year under review, in the profit and loss account. The corresponding net effect of the same is reflected as deferred tax liability of Rs. 1109504 (P.Y.Rs. NIL) in the Balance Sheet.
6. Contingent liability to the extent not provided for :
 

	31.03.2008	31.03.2007
a) Letter of credit opened by banks on behalf of the company	Rs. 58,30,827	NIL
7. Previous year figures have been regrouped and reclassified wherever necessary to be in conformity with the current year figures.
8. Estimated amount of capital contracts remaining to be executed and not provided for net of advance paid Rs. NIL (PY Rs. 3.54 Lacs).
9. Managerial Remuneration paid:
 

	<u>2007-08</u>	<u>2006-07</u>
	<u>Mg. Dir.</u>	<u>Mg. Dir.</u>
(a) Salary Rs.	760000	660000

	<u>2007-08</u>	<u>2006-07</u>
10. Payment to Auditors	Rs. 15000	11236
As an auditor	Rs. 2246	2247
For Taxation & other work	Rs. 6630	2247
For Tax Audit	Rs. 1124	1124
Out of Pocket Exp.		

11. The Company has not received any information from any of the suppliers of their status as Small Scale Industrial Unit. Hence, the amounts due to them outstanding as at 31st March 2008 is not ascertainable.

12. Related party disclosures as per the Accounting Standard AS-18 issued by the Institute of Chartered Accountants of India:

- a. List of related parties
  - i. Subsidiaries: The Company does not have any subsidiary Company.
  - ii. Key Management personnel
    - Mr. Jagdish Agrawal
    - Mr. Sumit Agrawal
  - iii. Relatives of Key Management Personnel
    - Ishita Pharmaceuticals
    - Mrs. Pratibha Agrawal
    - Umang Financial Services Ltd.
    - Chemengers Inventa Pvt Ltd.
    - J & J Chemicals
- b. Transactions / balances outstanding with Related parties

Particulars	Key Management Personnel	Relatives of Key Management Personnel
	Amount Rs.	Amount Rs.
Managerial Remuneration	1180000	---
Sales of Goods / Services	---	3356300
Purchases of Goods /Services	---	200545
Investment in equity shares/ Share Application Money	---	1000000
Debtors outstanding at year end	---	3852378
Loans/advance at year end	---	138000
Creditors outstanding at year end	---	---

**Note :** Related parties are as identified by the Company and relied upon by the auditors.

13. Earning per Shares (EPS) as per Accounting Standard AS-20

Particulars	2007-08	2006-07
	Amount Rs.	Amount Rs.
Profit after Tax	4126085	2462124
Weighted Average no. of equity shares of Rs. 10 each	2990300	2990300
Basic Diluted	---	---
EPS ( Rs. )	1.38	0.82
Basic Diluted	---	---

Additional information pursuant to the provisions of paragraph 3, 4C, and 4D of part-II of the schedule VI of the Companies Act, 1956.

## 14. Quantitative details and other information :

	Unit	for the year 2007-08		for the year 2006-07	
		Quantity	Value Rs.	Quantity	Value Rs.
<b>A Sales</b>					
Manufacturing goods					
Bulk drugs	MT	70.528	35046069	80.833	31768803
Goods traded in					
Drugs/Intermediates	MT	5.050	5256516	56.366	3815388
Others	---	---	170322	---	147806
<b>Total</b>			<u>40472907</u>		<u>35731997</u>
<b>B Raw material consumed</b>					
P.A.B.S.	MT	33.000	4182241	44.000	5268346
3-CP	MT	29.400	7446732	21.600	4598754
Others	---	---	7056246	---	6728499
<b>Total</b>			<u>18685219</u>		<u>16595599</u>
<b>C Purchased goods traded :</b>					
Drugs/Intermediates	MT	5.050	5152651	56.366	3449539
<b>Total</b>			<u>5152651</u>		<u>3449539</u>
<b>D Value and quantitative break up in respects of opening and closing stock of Goods manufactured, purchased and traded :</b>					
Opening stock					
Manufacturing goods					
Bulk drugs	MT	---	---	0.510	311100
<b>Total</b>					<u>311100</u>
Closing stock					
Manufacturing goods					
Bulk drugs	MT	---	---	---	---
<b>Total</b>					
<b>E Capacity and production</b>					
Information in respect of each class of goods manufactured :					
Class of goods		A/c. year	Licensed Capacity	Installed Capacity	Production MT
<b>Bulk Drugs</b>		2007-08	N/A	---	70.528
Bulk Drugs		2006-07	N/A	---	80.833
<b>F Value of imports in rupees calculated on CIF basis in respect of ;</b>					
		Curr. Yr.		Prev. Yr.	
		Rs.		Rs.	
Material		7106996		877669	
Capital Goods		---		305120	
<b>G Expenditure in foreign currency :</b>					
Purchases of materials		7106996		877669	
Capital Goods		---		305120	
Foreign Bank Charges		25260		53564	
Advertisement Expenses		4617		18176	
<b>H Value of raw materials, stores and spares consumed :</b>					
		Rs.	%	Rs.	%
(a) Value of raw material consumed :					
Imported		6644357	35.56%	1367164	8.24%
Indigenous		12040862	64.44%	15228435	91.76%
		<u>18685219</u>	<u>100.00%</u>	<u>16595599</u>	<u>100.00%</u>
(b) Value of stores and spares consumed :					
Indigenous		191195	100.00%	271946	100.00%
		<u>191195</u>	<u>100.00%</u>	<u>271946</u>	<u>100.00%</u>
<b>I. Amount remitted in foreign currency on account of dividend</b>		NIL		NIL	
<b>J. Earnings in foreign exchange Rs.</b>		9476644		5877669	

Signature to Schedules 1 to 15

For Kishor Goyal & Co  
Chartered Accountants

Jagdish Agrawal  
Managing Director

Dr. S. K. Agrawal  
Director

Kishor Goyal  
Partner  
Ahmedabad,  
Dated : 27th August, 2008

Mrs. Abha Agrawal  
Director  
Ahmedabad,  
Dated : 27th August, 2008

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

Registration No.	L24231GJ1992PLC017054	State Code	04
Balance Sheet Date	31-Mar-08		

**Capital raised during the year ( Amount in thousands )**

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

**Position of Mobilisation and Deployment of Funds. ( Amount in thousands )**

Total Liabilities	36398	Total Assets	36398
Source of Funds			
Paid up Capital	29903	Unsecured Loans	—
Reserves & Surplus	4294	Secured Loans	927
Shares forfeited	165	Deferred Tax	1110
Application of Funds			
Net Fixed Assets	11768	Net Current Assets	23394
Investments	1237	Accumulated Losses	—

**Performance of the Company ( Amount in thousands )**

Turnover	40473	Total expenditure	36869
Profit before tax	3604	Profit after tax	4126
Earning per Share Rs.	1.38	Dividend Rate (%)	—

**Generatic Names of Three Principal Products/services of Company.**

(as per monetary terms)

Item Code No. ( ITC Code )	29419060
Product Description	NORFLOXACIN
Item Code No. ( ITC Code )	29362920
Product Description	NICOTINIC ACID
Item Code No. ( ITC Code )	29350015
Product Description	SULFONAMIDES

**Note :** Classification of products/services under ITC code being of a technical nature is not verified by the Auditors.  
As per our attached report of even date.

Asm per our attached report of even date.

**For Kishor Goyal & Co**  
Chartered Accountants

**Jagdish Agrawal**  
Managing Director

**Dr.S.K.Agrawal**  
Director

**Kishor Goyal**  
Partner  
Ahmedabad,  
Dated : 27th August, 2008

**Mrs.Abha Agrawal**  
Director  
Ahmedabad,  
Dated : 27th August, 2008

**ISHITA DRUGS AND INDUSTRIES LTD**

Registered Office : Survey No. 179/1 , Vasna lyava, Sanand.

**Proxy Form**

DP ID : \_\_\_\_\_

CLIENT ID : \_\_\_\_\_

FOLIO No. : \_\_\_\_\_ No. of Shares held \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of ISHITA DRUGS AND INDUSTRIES LIMITED hereby appoint

\_\_\_\_\_ of \_\_\_\_\_

or failing him \_\_\_\_\_ of \_\_\_\_\_ as my/our

proxy to vote for me/us on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Company to

be held on Tuesday, 30th September, 2008 and at any adjournment thereof.

Affix
100 Paise
Revenue
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Signature \_\_\_\_\_

Note: This form duly completed and signed must be deposited at the registered Office of the Company not less than 48 hours before the Meeting.
--

**ISHITA DRUGS AND INDUSTRIES LTD**

Registered Office : Survey No. 179/1 , Vasna lyava , Sanand.

**Attendance Slip**

(To be handed over at the entrance of the meeting hall)

15th Annual General Meeting - 30th September 2008

DP ID : \_\_\_\_\_

CLIENT ID : \_\_\_\_\_

FOLIO No. : \_\_\_\_\_ No. of Shares held \_\_\_\_\_

I hereby record my presence at the FIFTEENTH ANNUAL GENERAL MEETING of the Company held at

Survey no. 179/1, Vasna lyava, Sanand. Dist : Ahmedabad at 3.00 P.M.

Full name of Member (in BLOCK LETTERS) \_\_\_\_\_

Full name of Proxy (in BLOCK LETTERS) \_\_\_\_\_

Member's/Proxy's Signature \_\_\_\_\_

**BOOK-POST**

*If undelivered, please return to :*

**ISHITA DRUGS AND INDUSTRIES LIMITED**

Registered Office :

Survey No. 179/1,

Vasna-Iyava, Taluka - Sanand,

Dist : Ahmedabad. (Gujarat)