



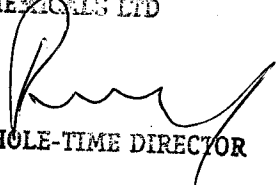
PRINCIPAL

**PRINCIPAL PHARMACEUTICALS
& CHEMICALS LTD.**

**22 nd
ANNUAL REPORT
2008-2009**

CERTIFIED TO BE TRUE

FOR PRINCIPAL PHARMACEUTICALS &
CHEMICALS LTD


WHOLE-TIME DIRECTOR



PRINCIPAL

Board of Directors :

Mr. Pradeep Malu, Chairman, President & CEO

Mr. Sanjeev Chhajed

Mr. Nilesh Bhandari

Audit Committee :

Mr. Sanjeev Chhajed

Mr. Nilesh Bhandari

Shareholders / Investors

Grievance committee :

Mr. Pradeep Malu

Mr. Nilesh Bhandari

Auditor :

Jhawar Mantri & Associates

Chartered Accountants

Banker :

HDFC Bank Ltd.

Registered Office :

513, Palm Spring, Link Road,

Malad West, Mumbai 400064

Plant :

325/1 & 2, G.I.D.C.,

Panoli, Ankleshwar – 394 115.

GUJRAT

Principal Pharmaceuticals & Chemicals Ltd.
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NOTICE is hereby given that the Twenty Second Annual General Meeting of PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED will be held at 513, Palmspring, Link Road, Malad West, Mumbai – 400 064 on Wednesday, the 30th September, 2009 at 10.00 A. M. to transact the following businesses :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the Year ended 31st March, 2009 and the Directors' and Auditors' Reports thereon;
2. To appoint a Director in place of Mr. Nilesh Bhandari who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and to fix their remuneration.

Registered Office:
513, Palmspring,
Link Road, Malad West,
Mumbai – 400 064

By Order of the Board

Date : 20th August, 2009

Pradeep Malu
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. HOWEVER PROXY FORMS SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to notify their change of address, if any, to the Company at its Registered Office, quoting the Folio No.
3. Shareholders seeking any information with regard to Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
4. The Register of Members and Share Transfer Books of the Company will remain close from 26th September 2009 to 30th September, 2009 both days inclusive.

**DIRECTORS' REPORT
TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the Twenty Second Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2009.

1. FINANCIAL RESULTS:

	<i>Rs. in Lacs</i>	
	2008-09	2007-08
Sales and Other Income	38.35	49.77
Profit / (Loss) before Interest, Amortisation, Depreciation and Tax	(58.15)	41.64
Profit / (Loss) before Amortisation, Depreciation and Tax	(60.19)	41.64
Less: Amortisation & Depreciation	36.88	36.86
Profit/Loss before Taxation	(97.07)	4.78
Less : Provision for Taxation		
- FBT	0.10	0.07
Profit/(Loss) after Taxation	(97.17)	(8.81)
Credits due to Restructured Liability / Reversal)	(21.83)	314.99
Balance of Losses brought forward	(512.54)	(818.71)
Balance carried forward to Balance Sheet	(631.54)	(512.54)

2. DIVIDEND :

In view of the accumulated losses, the Company the Board does not recommend any Dividend for the Financial Year.

3. REHABILITATION PLAN AND PROGRESS :

The company made reference to Board of Industrial & Financial Restructuring under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and it has been registered under the reference no. 321/2002 on 25th June, 2002. The company was declared as sick company on 23rd September, 2005 by the Hon'ble Board and Union Bank of India was appointed as operating agency.

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As per the directives from time to time by the Hon'ble Board, the company submitted and revised the same from time to time, rehabilitation scheme, to the Financial Institution and the Bank for their considerations. The company has settled with and paid fully to one of the banks and Financial Institution as per their OTS plan. The company has raised additional resources to settle its dues under different arrangements from time to time. During the year, the bank assigned the account of the company to Asset Reconstruction Company of India Ltd. (Arcil). An OTS proposal, submitted by the company, is pending with ARCIL. Before assigning the account to Arcil, the bank had issued notice to the company u/s Sec. 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 which was objected by the company.

During the previous year, the company has restructured its liabilities based on 'paying capabilities' (refer Note no.B-4 in Schedule 14 'Notes to the Accounts' annexed to the accounts) and had written back the excess portion in the books of accounts. During the year the Company has repaid fully settled amount to FI under OTS by raising loans thru its promoters. However the settled amount was in excess to what was provided in the books of accounts and hence the liabilities written back in the previous year now been reversed to the extent of Rs. 21.83 lacs during the current year.

4. OPERATIONS :

The company's Joint Working Arrangement has been renewed to manufacture their products on job work basis. The operations under this arrangement remained moderate and stabilized during the year. The company is unable to absorb depreciation and amortization. However, interest to Banks and Financial Institution and impairment in the value of assets (refer Note no.B-4 and B-5 respectively in Schedule 14 'Notes to the Accounts' annexed to the accounts) have not been provided.

The company has set up another division in the name of 'Inovent' to carry on ONLINE selling activities for 3rd party and also provide consulting / resources to such projects / companies who are in ONLINE selling business. During the year, the company has earned marginal revenues from this activity.

5. DIRECTORS :

Mr. Nilesh Bhandari, Director of the company retires by rotation and being eligible for reappointment, he is to be reappointed.

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6. DEPOSITS :

The Company has not accepted any deposits from the public under the Provisions of Section 58-A of the Companies Act, 1956.

7. AUDITORS REPORT :

Qualifications in Auditors' Report read with Notes to the Accounts are self explanatory and therefore do not call for any comments.

8. LISTING :

The Shares of the Company will continue to be listed on " The Stock Exchange, Mumbai " being the Regional Stock Exchange situated at Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. However, the trading was suspended by the Stock Exchange with effect from 19th May, 2004 on account of "non payment" of annual listing. The suspension order has not been revoked by the Stock Exchange till now, though the Company has already paid listing fees upto the year March, 2009.

9. CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Corporate Governance Report regarding Compliance of Conditions of Corporate Governance is made a part of the Annual Report and annexed herewith.

10. INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:

The information as required under Section 217(2A) of the Companies Act, read with Companies (particulars of employees) Rules, 1975 (as amended) is not applicable to the Company as Company has not employed any employees who was receiving remuneration of Rs.24,00,000/- p.a. or Rs. 2,00,000/- p.m. if employed part of the year.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

As the company remained out of operations for its own production and its plant was operated by third party on job work basis, the information required under section 217(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars) in the Report of the Board of Directors Rules, 1988 is not applicable hence not provided.

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12. DIRECTORS' RESPONSIBILITY STATEMENT :

As required under section 217 of the Companies Act, the Directors hereby confirm that :

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) subject to the comments in clause 4 of Auditors' Report, the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate Accounting Records in accordance with the provisions of Companies Act, 1956 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;
- iv) the Directors have prepared the Annual Accounts on a going concern basis.

13. AUDITORS :

M/s. Jhavar Mantri & Associates, Chartered Accountants, retires as a Auditors of the Company and being eligible, offer themselves for re-appointment.

14. ACKNOWLEDGEMENTS :

The Directors acknowledge the valuable co-operation and assistance rendered by the Bankers of the Company and all other people who have been supportive to the company's operations during all these years.

On Behalf of Board of Directors

MUMBAI.
DATED : 20th August, 2009

Pradeep Malu

Chairman

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ANNEXURE – A to The Directors' Report

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Consumption of Energy : Not Applicable

(b) Technology Absorption, Research & Development (R&D) :

- i. No Research and Development Expenses during the year
- ii. Expenditure on R&D: Nil (Previous year Nil)

Technology absorption, adaptation and innovation and benefits derived there from :

The company didn't incur any expenses on Research & Development during the last three years. Hence clause not applicable.

Technology imported and absorbed : Nil (Previous Year Nil)

In Rupees		
	Current Year	Previous Year
(c) Foreign exchange earnings -	—	—
Foreign exchange outgo :		
Foreign Traveling	—	—

Corporate Governance

1. Board of directors

The company's Board presently consists of a majority of non-executive / independent Directors, many of whom are acknowledged as professionals in their respective fields. The Board comprises of one (1) Executive Director and two (2) Independent Directors.

The constitution of Board is given below:

Director	Executive / Non Executive Independent	No. of other Directorships
Mr. Pradeep Malu	Executive	6
Mr. Nilesh Bhandari	Independent	-
Mr. Sanjeev Chhajed	Independent	-

2. Attendance of Directors at Board Meeting and Annual General Meeting

The Board of the Company met five times during the last financial year, on the dates 31/05/2008, 31/07/2008, 31/10/2008 and 31/01/2009.

The Company placed Before the Board performance and various other information including those specified under the Listing Agreement from time to time.

The attendance at the Board Meetings and Annual General Meeting were as under:

Name of Director	<u>Attendance</u>	
	<u>Board Meeting</u>	<u>Last AGM</u>
Mr. Pradeep Malu	4	Yes
Mr. Nilesh Bhandari	4	No
Mr. Sanjeev Chhajed	4	No

3. Remuneration of Directors

Details of remuneration paid to the Chairman, President & CEO during the year ended 31.03.2009 is as follows :

Name	Salary	Commission	Contribution to Provident Fund and other funds	Perquisites	Total
Mr. PRADEEP MALU	1,50,000	Nil	Nil	Nil	1,50,000

4. Management Discussions and Analysis :

Company Financial Review

During the year 2008-09, the company incurred loss of Rs. 97.07 lacs (Previous Year Profit Rs. 4.78 lacs) from its operations. After adjusting Interest for the prior years, credits due to restructuring of liabilities and Fringe Benefit Tax, the balance of Rs. 119.00 lacs (Previous Year profit Rs. 306.18 lacs) as Loss was transferred to the Balance Sheet during the year.

The major thrust has been on reviving the company and bringing it out from financial sickness by increasing operations, adding / acquiring other profitable businesses and by settling its dues towards Secured and other creditors.

Resources & Liquidity

As stated earlier, during the year, the company has continued to focus on implementation of rehabilitation and OTS scheme. The Company has settled its dues of FI during the year which was paid as schedule.

Business Review

The company, as per its strategy, has been carrying out job work and keeping the plant operational.

The company has set up another division in the name of 'Inovent' to carry on ONLINE selling activities for 3rd party and also provide consulting / resources to such projects / companies who are in ONLINE selling business. During the year, the company has earned marginal revenues from this activity.

Opportunities & Challenges

The biggest challenge is to raise adequate resources required for rehabilitation of the unit which include the cost of improvement of the plant. Enough opportunities would come in once the account with Arcil is settled.

Risk & Concern

While continuing the manufacturing activities and changing / enlarging the product mix, the company sees a great risk in terms of delays in getting governmental approvals. Therefore, it does not plan to expand more in manufacturing for the time being. The other matter which is a matter of concern is the notice issued by one bank u/s 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 though the same has been objected by the company

Adequacy of internal Control:

The Company has a proper and adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorized use or disposition of assets and that the transactions are authorized, recorded and reported correctly.

Human Resource Development:

The Company has outsourced its major activities and therefore it does not employ much people.

5. Code of Conduct

The Board has laid down a code of conduct for all Board members and Senior Management personnel of the Company. All Board members and Senior Management personnel have affirmed compliance with the Code of Conduct and the Whole Time Director has confirmed the same.

6. Code for prevention of Insider – trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the company has instituted a comprehensive code of conduct for its management staff. The code lays down guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing with shares of company, and cautioning them of the consequences of violation.

7. Audit Committee

During the year, Four Meetings were held on 31/05/2008, 31/07/2008, 31/10/2008 and 31/01/2009.

The constitution of the Committee and the attendance of each members of the Committee are given below:

Name	Designation	Non-executive/ Independent	Profession	Committee Meetings Attended
Mr. Nilesh Bhandari	Member	Independent	Service	4
Mr. Sanjeev Chhajer	Member	Independent	Service	4

The terms of reference of the Audit Committee include to review, inter-alia, the Audited Financial accounts and Un-audited Results.

8. Share Transfer / Investors Grievance Committee

During the year, Seven Meetings were held.

The constitution of the Committee and the attendance of each members of the Committee are given below:

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- e) Listing of Equity Shares on Stock Exchanges The Stock Exchange,
Mumbai Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
- f) Stock Exchange code Code 524622
The Company has paid Annual Listing Fees to The Stock Exchange upto the financial year 2009-2010.
- g) Distribution of shareholding as 31st March 2009:

Slab of shareholdings	Shareholders	%	Amount in Rs.	%
0 - 500	8198	86.58	20003200	33.34
501 - 1000	813	8.59	6473260	10.79
001 - 2000	270	2.85	4072920	6.79
2001 - 3000	73	0.77	1909690	3.18
3001 - 4000	22	0.23	778110	1.30
4001 - 5000	28	0.30	1303750	2.17
5001 -10000	35	0.37	2536600	4.23
10001-9999999	30	0.31	22922470	38.20
Total	9469	100.00	60000000	100.00

According to categories of shareholders as on 31st March, 2009:

Categories	Number of shares	Amount in Rs.	%
Promoters, including Companies, Directors, Relatives.	1867575	18675750	31.13
Mutual funds	Nil	Nil	Nil
Fin. Institutions	3000	30000	0.05
Companies	369696	3696960	6.16
Regular	3530929	35309290	58.85
NRI	228800	2288000	3.81
Total	6000000	60000000	100.00

h) Plant Location
325/1 & 2, G.I.D.C., Panoli, Ankleshwar - 394 115.

i) Registrar and Transfer Agent :

The company has appointed Registrar and Transfer Agent to handle the share transfer work and to solve the complaints of shareholders. Name, Address and telephone number of Registrar and Transfer Agent is given hereunder :

Adroit Corporate Services Pvt. Ltd.,
19/20, Jaferbhoy Industrial Estate, 1st Floor, Makwana Road,
Marol Naka, Mumbai 400 059
Tel No: 2859 0942 / 2859 4060 / 2859 6060
Email : adroits@vsnl.net

j) Investor correspondence Address :

Principal Pharmaceuticals & Chemicals Ltd.
513, Palmspring, Link Road,
Malad west, Mumbai-400 064.
Tel No. 40212421
Email : principal@vsnl.com

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AUDITORS' CERTIFICATE

To,
The Members of
M/s. Principal Pharmaceuticals & Chemicals Ltd.

We have examined the compliance of conditions of corporate governance by M/s. Principal Pharmaceuticals & Chemicals Ltd. for the year ended 31st March 2009, 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 carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures 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 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 JHAWAR MANTRI & ASSOCIATES
Chartered Accountants.

B.P.Mantri
Partner.
M.No. 45701

Place : Mumbai
Date : 20th Aug, 2009

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AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

1. We have audited the attached Balance Sheet of **M/s. PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED** as at 31st March, 2009, the Profit and Loss Account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and *significant estimates made by management, as well as evaluating the overall financial statement presentation*. We believe that our audit provides a reasonable basis for our opinion.
3. As required by The Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4.
 - a) **As stated in note No. B (3) in schedule 16, despite huge accumulated losses the accounts for the year have been prepared on the assumption of the going concern basis in view of the ongoing efforts being made by the company for recovery.**
 - b) **As stated in note No. 4 in schedule 16, the company has written back liabilities of secured creditors to the extent of Rs. 314.99 lacs and credited in the profit and loss account as an extra ordinary items in the previous year and out of which Rs. 21.83 lacs have been reversed during the current year, which is not as per the basic fundamental accounting assumption of consistency.**
 - c) **No provision has been made for Interest for the period from 01/04/ 2002 onwards on secured Loans and working capital facilities granted by the banks as stated in Note No. B (4) of schedule 14 to the accounts amount unascertainable in view of the pending settlement proposal.**
 - d) **As stated in Note No. B (5) of schedule 16 to the accounts, effect of impairment in the value of assets has not been recognized in the accounts as required by the AS-28. However the effect of the same can not be ascertained in view of pending restructuring proposal.**
 - e) **As stated in Note No. B(8) of schedule 16 to the accounts the company has written back liabilities of sundry creditors in the previous year amounting to Rs. 24.29 lacs and the same has been reversed during the current year and balances thereof have been**

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transferred to promoters account in view of the fact that the same would be settled by them through their personal resources, which is not as per the basic fundamental accounting assumption of consistency.

5. Further to our comments in the Annexure referred to above, we report that:
- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 those 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 and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956;
 - (v) On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 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 notes appearing in schedule 16, give the information required by the Companies Act, 1956., in the manner so required **subject to matters mentioned in clause (4) above**, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For JHAWAR MANTRI & ASSOCIATES
Chartered Accountants

MUMBAI
DATED : 20th August 2009

B.P. MANTRI
Partner
M.No. 45701

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ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF M/S. PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.

1. (a) **The Company's Fixed Assets records are under updation to show full particulars, including quantitative details and situation of Fixed Assets.**
- (b) **All the Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.**
- (c) **During the year, the company has not disposed off any part of the Fixed Assets.**
2. **According to the information and explanations given to us, there are no purchase, sales, own production and inventory during the year hence provisions of clause 2 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.**
3. (a) **The company has not taken loan from parties covered in the register maintained under Section 301 of the Companies Act, 1956. The company has not granted any loans, secured or unsecured to the companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.**
- (b) **In our opinion and according to the information and explanations given to us, since there are no loans taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 hence question of whether the rate of Interest and other terms and conditions on which loans has been taken are not *prima facie*, prejudicial to the interest of the company does not arise.**
- (c) **Since there are no such loans, question of regular in repaying the principal or interest amounts as stipulated does not arise.**
- (d) **There is no overdue amount of loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act. 1956.**
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 the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.**
5. (a) **According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.**

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- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted deposit from the public. Therefore, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
7. The company has no formal internal audit system as such but its control procedure ensures reasonable internal checking of its financial and other records.
8. **Central government has prescribed maintenance of cost records under section 209(1)(d). However, products manufactured by the company for 3rd party are not covered by the said order and therefore the company has not made and maintained such accounts and records.**
9. **The company is generally regular in depositing with appropriate authorities undisputed statutory dues including Employees provident fund, Income Tax, Wealth Tax, sales tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it except service tax outstanding of Rs. 1,95,260 as on 31st March 2009**
10. The company has accumulated losses at the end of the financial year not less than fifty percent of its net worth. The company has not incurred cash losses during the financial year and in the financial year immediately proceeding the current financial year.
11. **The company has defaulted in repayment of dues to the financial institutions and banks. The particulars of defaults by the company in repayment of dues to a bank and financial institutions are as follows:-**

Sr. No	Name of the financial institution/bank	Description of Loan	Period of default	Amount (Rs. in Lakhs)
1.	ARCIL (Union Bank of India)	Working Capital Loan & Working Capital Loan	84 months 01-04-2002 to 31-03-2009	Refer Note B (4) Schedule 16: As per the company's rehabilitation proposal, Rs. 140 lacs have been provided towards this liability. As per intimation this loan has been taken over by ARCIL. The company has written back the balance amount of Rs. 293.16 lacs in previous year ended 31 st March 2008. Further no interest has been provided in the books Outstanding amount Rs. 140 lacs.

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12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the company is not a chit fund or a *nidhi*/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. The company has maintained the proper records of the transactions of investment in shares, securities, debentures and other investment and timely entries have been made also the shares and securities have been held by the Companies in its own name.
15. In our opinion and according to the information and explanation given to us, the company has not given guarantees for loans taken by others. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
16. In our opinion and according to the information and explanation given to us the company has not taken terms loans. Therefore, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
17. The company has not raised any funds short term or long term during the year. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
18. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 to the Act. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
19. According to the information and explanations given to us, during the period covered by our audit report, the company had not issued debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
20. During the year the company has not raised money by way of public issue. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **JHAWAR MANTRI & ASSOCIATES**
Chartered Accountants

MUMBAI
DATED: 20th August 2009

B.P. MANTRI
Partner
M.No. 45701

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
BALANCE-SHEET AS AT 31ST, MARCH 2009

		31 Mar 2009	31 Mar 2008
	SCHEDULE	Rupees	Rupees
I. SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	59,997,000	59,997,000
Reserves & Surplus	2	176,850	176,850
		<u>60,173,850</u>	<u>60,173,850</u>
LOAN FUNDS:			
Secured Loans	3	14,000,000	16,038,937
Unsecured Loans	4	6,208,198	1,986,262
	TOTAL	<u>80,382,048</u>	<u>78,199,049</u>
II. APPLICATIONS OF FUNDS:			
FIXED ASSETS			
Gross Block	5	60,083,297	60,038,529
Less: Depreciation		41,535,321	37,847,889
Net Block		<u>18,547,976</u>	<u>22,190,640.</u>
Capital Work-in-Progress		-	453,947
		<u>18,547,976</u>	<u>18,547,976</u>
INVESTMENTS			
	6	119,200	119,200
CURRENT ASSETS, LOANS AND ADVANCES:			
Sundry Debtors	7	163,689	5,849,718
Cash & Bank Balance	8	1,186,298	917,919
Loans, Advances & Deposits	9	1,246,798	685,611
		<u>2,596,785</u>	<u>7,453,248</u>
LESS: CURRENT LIABILITIES & PROVISIONS	10	4,035,453	3,271,805
Net Current Assets		<u>(1,438,668)</u>	<u>4,181,443</u>
PROFIT AND LOSS ACCOUNTS			
	TOTAL	<u>63,153,540</u>	<u>51,253,819</u>
		<u>80,382,048</u>	<u>78,199,049</u>

NOTES TO THE ACCOUNTS 16
AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS

**FOR PRINCIPAL PHARMACEUTICALS
& CHEMICALS LTD.**

B. P. Mantri
Partner
M.No. 45701

Pradeep Malu
Director

Sanjeev Chhajed
Director

MUMBAI, DATED: 20th August, 2009

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

		31 Mar 2009	31 Mar 2008
SCHEDULE		Rupees	Rupees
<u>INCOME</u>			
Sales, Job Work & Service Charges	11	3,820,993	2,550,000
Other Income	12	13,619	2,426,759
	TOTAL	3,834,612	4,976,759
<u>EXPENDITURES</u>			
Cost of Sales	13	14,326	-
Employees' Cost	14	157,228	6,798
Administration, Selling & Other Expenses	15	6,595,037	805,933
Interest		204,453	-
Reversal of Sundry Balances W/back		2,428,976	-
Depreciation		3,687,432	3,685,643
Loss on Impairment of Assets		453,947	-
	TOTAL	13,541,399	4,498,374
Profit / (Loss) Before Tax		(9,706,787)	478,385
Interest for earlier years		-	1,352,092
		(9,706,787)	(873,707)
Provision for FBT		9,947	7,096
PROFIT / (LOSS) AFTER TAX		(9,716,734)	(880,803)
Extraordinary Items:			
Credits Due to Restructured Liabilities / (Reversal)		(2,182,987)	31,498,653
Income Tax earlier years		-	-
Add: Balance Brought from Previous years		(51,253,819)	(81,871,669)
Balance Carried to Balance Sheet		(63,153,540)	(51,253,819)
EPS - BASIC		(1.62)	(0.15)
EPS - DILUTED		(1.62)	(0.15)

NOTES TO THE ACCOUNTS 16 **FOR PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.**

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS

B. P. Mantri
Partner
M.No. 45701

Pradeep Malu
Director

Sanjeev Chhajed
Director

MUMBAI, DATED: 20th August, 2009

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

	31 Mar 2009	31 Mar 2008
	Rupees	Rupees

SCHEDULE : 1

SHARE CAPITAL

Authorised :		
10,000,000 Equity Shares of Rs.10/- each	100,000,000	100,000,000
Issued, Subscribed & Paid up :		
6,000,000 Equity Shares of Rs.10/- each fully paid up	60,000,000	60,000,000
Less : Stock Invest Money In Arrears	3,000	3,000
	59,997,000	59,997,000

SCHEDULE : 2

RESERVES & SURPLUS :

General Reserve	176,850	176,850
	176,850	176,850

SCHEDULE : 3

SECURED LOANS :

1. Gujarat State Financial Corporation	-	2,038,937
Refer Note B (4) Schedule 16		
2. FROM BANK :		
b) Term Loan from ARCIL (Union Bank of India)	14,000,000	14,000,000
Refer Note B (4) Schedule 16)	14,000,000	16,038,937

NOTES :

i) Term Loan from Gujarat State Financial Corporation was secured by way of hypothecation of the respective assets funded by the Corporation and personal guarantee of the President & CEO. The same has been settled under OTS and fully repaid during the year

ii) Working Capital Term Loan and Working Capital facilities from Union Bank of India are secured by way of hypothecation of Stock and Book-Debts of the Manufacturing Division of the Company. It is further secured by Factory Buildings, Plant & Machineries, Equipments(except such equipments which are financed and are part of Gujarat State Financial Corporation & Others security) as collateral securities and personal guarantee of the President & CEO and his relative. The said loan has been assigned to ARCIL by Union Bank of India as per deed of Assignment dated 26th Sept., 2008.

SCHEDULE : 4

UNSECURED LOAN

Gujarat Industrial Development Corporation	536,262	536,262
Others	5,671,936	1,450,000
	6,208,198	1,986,262

PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.
SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

Schedule : 5

Sr. No.	Particulars	Amount As on 1-4-2008	Additions	Amount As on 31-3-2009	Depreciation Upto 31-3-2008	Depreciation Amount	Depreciation Upto 31-3-2009	Net Block Upto 31-3-2009	Net Block Upto 31-3-2008
1	Lease hold Land	1,703,742.00		1,703,742.00	245,255.00	17,212.00	262,467.00	1,441,275.00	1,458,487.00
2	Factory Building	14,480,216.00		14,480,216.00	5,530,198.00	483,640.00	6,013,838.00	8,466,378.00	8,950,018.00
	Office Building	-		-	-	-	-	-	-
3	Plant & Machinery	38,179,471.00		38,179,471.00	28,500,422.00	2,832,919.00	31,333,341.00	6,846,130.00	9,679,049.00
4	Electrical Installation	3,301,915.00		3,301,915.00	2,521,452.00	245,002.00	2,766,454.00	535,461.00	780,463.00
	Furniture & Fixture	-		-	-	-	-	-	-
5	Office/Lab Equipments	2,373,185.00		2,373,185.00	1,050,562.00	106,870.00	1,157,432.00	1,215,753.00	1,322,623.00
6	Computer Systems	-	44,768.00	44,768.00	-	1,789.00	1,789.00	42,979.00	-
	TOTAL	60,038,529.00	44,768.00	60,083,297.00	37,847,889.00	3,687,432.00	41,535,321.00	18,547,976.00	22,190,640.00
	PREVIOUS YEAR	60,038,529.00	-	60,038,529.00	34,162,246.00	3,685,643.00	37,847,889.00	22,190,640.00	25,876,283.00
7	Capital Work In Progress including project expences			-					453,947.00
				60,083,297.00		3,687,432.00	41,535,321.00	18,547,976.00	22,644,587.00
<p>Note: Capital work in progress opening balance of Rs. 4,53,947/- has been considered as loss in view Accounting Standard 28 "Impairment of Assets" because there was no further progress in the same since long</p>									

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

	31 Mar 2009	31 Mar 2008
	Rupees	Rupees
SCHEDULE : 6		
INVESTMENTS :		
(Long Term, Other than trade)		
Unquoted, at cost :		
National Saving Certificate (Lodged with Department of Prohibition, Gujarat Gvt.)	50,000	50,000
National Saving Certificate (Lodged with Sales Tax Authority, Bombay)	5,000	5,000
1000 Equity Shares of Rs.10/-each fully paid up of The Saraswat Co-op Bank Ltd.	10,000	10,000
100 Equity Shares of Rs.10/- each fully paid up of The Malad Sahakari Bank Ltd.	1,000	1,000
560 Equity Shares of Rs.10/- each fully paid up of Bharuch Enviro Infrastrcuture Ltd.	5,600	5,600
13600 Equity Shares of Rs.10/- each of Panoli Enviro Technology Ltd.Rs. 3.50/- Paid Up	47,600	47,600
	119,200	119,200

CURRENT ASSETS, LOANS & ADVANCES :

SCHEDULE : 7

SUNDRY DEBTORS :

(Unsecured, considered good except stated otherwise)

Due for a period exceeding six month

Good	-	-
Doubtful	5,731,130	5,731,130
Less: Provision for Doubtfull debts	5,731,130	-
	-	5,731,130
Others	163,689	118,588
	163,689	5,849,718

SCHEDULE : 8

CASH & BANK BALANCES :

Cash in hand	1,115,914	636,863
Balance with Scheduled bank:		
In Current account.	10,234	20,907
In Margin against Bank Guarantee	60,150	60,150
In Escro Account with UBI	-	200,000
	1,186,298	917,919

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

	31 Mar 2009	31 Mar 2008
	Rupees	Rupees
SCHEDULE : 9		
(Unsecured, considered good)		
a) Advances recoverable in cash or in kind or for value to be received.	603,057	273,768
b) Loans & Advances	-	-
b) Deposits	411,843	411,843
Due from Directors	-	-
(Advance against Expenses)	231,898	-
	1,246,798	685,611
 SCHEDULE : 10		
CURRENT LIABILITIES & PROVISIONS:		
CURRENT LIABILITIES:		
Sundry Creditors:		
For Goods	1,152,679	1,195,961
For others	377,384	375,729
Deposits	800,000	800,000
Other liabilities	1,650,236	865,942
HDFC Bank Ltd. (A/c No.1185)	11,034	-
	3,991,333	3,237,632
PROVISIONS:		
Provision For FBT	44,120	3 4,173
	44,120	34,173
	4,035,453	3,271,805
 SCHEDULE: 11		
SALES & SERVICE CHARGES :		
Sales	41,253	-
Service Charges	2,579,740	750,000
(T.D.S.Rs.285825/- Previous year 77250/-)	-	-
Job Charges Recd.	1,200,000	1,800,000
(T.D.S.Rs. 22660/- Previous year Rs.40788/-)	-	-
	3,820,993	2,550,000
 SCHEDULE: 12		
OTHER INCOME :		
Dividend Received	3,120	2,920
Sundry Balances Written Back	10,499	2,423,839
	13,619	2,426,760

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

	31 Mar 2009	31 Mar 2008
	Rupees	Rupees
SCHEDULE : 13		
COST OF SALES :		
Purchase from Online	14,326	-
	14,326	-
SCHEDULE : 14		
EMPLOYEES COST :		
Salary to Directors	150,000	-
Staff Welfare Expenses - Non FBT	7,228	6,798
	157,228	6,798
SCHEDULE : 15		
ADMN. SELLING & OTHER EXPENSES :		
Auditors Remuneration:		
Audit Fees	19,854	11,236
For Taxation Matters	-	5,618
Conveyance expenses	2,173	255
Electricity charges	38,450	20,262
Insurance	28,778	37,003
Legal & Professional Charges	73,329	69,722
Listing Fees	15,000	15,300
Miscellaneous Expenses	206,349	217,738
Postage & Telegram	13,630	15,774
Printing & Stationery	9,961	11,221
Rates & Taxes	3,520	2,950
Rent	200,000	222,500
Repairs to :		
Others	55,241	11,724
Share Transfer fess	53,991	54,424
Telephone Charges	81,931	42,936
Vehicle Expenses	59,020	67,271
Shipping Cost	2,680	-
Provision for doubtful debts	5,731,130	-
	6,595,037	805,934

SCHEDULE : 16:

NOTES ON ACCOUNTS :

A. SIGNIFICANT ACCOUNTING POLICIES :

1. Method of Accounting :

The Company adopts accrual concept in preparation of financial accounts.

2. Fixed Assets :

- a) Lease hold land is valued at cost less amount amortized. Cost includes finance costs incurred during the Pre-operative period.
- b) Other Fixed Assets are stated at the cost of acquisition less accumulated depreciation. Cost includes inward freight, duties, finance costs incurred during the Pre-operative period and other expenses incidental to acquisition and installation of assets.
- c) Capital work in progress is valued at cost incurred regarding pre-operative/ installation period.

3. Depreciation and Amortization :

- a) Depreciation on Fixed Assets other than capital work in progress is provided on straight line method at the rates specified in schedule XIV to the Companies Act, 1956 on pro-rata basis with regard to the operational period of the plant.
- b) Leasehold land is amortized over the period of lease.

4. Inflation :

Assets and liabilities are recorded on the basis of "Historical Cost". These cost are not adjusted to reflect the changing value in the purchasing power of the money.

5. Investments :

Long term investments are stated at cost less provision, if any, for permanent diminution in value. Current investments are carried at the lower of cost and fair value.

6. Inventories :

- a) Raw materials and work-in-progress are valued at cost.
- b) Finished Goods are valued at the lower of cost or market value.

7. Retirement Benefit:

Gratuity : Liabilities in respect of gratuity to Employees are covered under the Group Gratuity Scheme of Life Insurance Corporation of India and premium thereof charged to revenue.

8. Borrowing cost:

Borrowing costs incurred in relation to the acquisition, construction of assets are capitalized as the part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which these are incurred.

9. Research & Development Expenditure :

- a) Research & Development Expenses in the nature of capital expenditure have been given the same treatment as that of fixed assets ;

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b) Research & Development Expenses in the nature of revenue expenses as treated as Deferred Revenue expenditure and have been amortized over a period of thirty six months on pro-rata basis.

10. Deferred Revenue Expenditure :

Deferred Revenue Expenditure have been amortized over a period of sixty months on pro-rata basis.

11. Accounting for taxes on Income:

Current tax is the amount of tax payable on taxable income for the year as determined in accordance with the provisions of the income tax act, 1961. Deferred tax is recognised on timing differences. Being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period.

12. Other Accounting Policies :

These are consistent with the generally accepted accounting practices.

B. NOTES TO THE ACCOUNTS:

1. Previous years figures have been regrouped and/or re-arranged wherever necessary in conformity with current year's figures.

2. Contingent Liabilities not provided for :

i) Call money on 13,600 Partly paid up Equity Shares of Panoli Enviro Technology Ltd. Rs. 88,400/- (previous year 88,400/-)

ii) Claim against the company not acknowledged as debt Rs. 16,13,774/- (Previous Year Rs. 16,13,774/-) A suit has been filed by the party against the company.

3. The Accounts have been prepared on a going concern basis notwithstanding the extent of Companies accumulated losses, in view of the ongoing efforts being made by the company for revival of its operations.

4. The company has suffered heavy losses during the last few years and consequently, it turned into a Sick Company as per Sick & Industrial Company's Act. The major thrust has been on reviving the company and bringing it out from financial sickness by increasing operations, adding / acquiring other profitable businesses and by settling its dues towards Secured and other creditors.

The company needed, interalia, a complete restructuring of its debts for revival and as a part of the said restructuring of debt, it was expecting the waiver of Interest and Principal amount. Based on that, the company stopped providing for interest for since 01/04/2002 onward on Secured Loans and Working Capital facilities granted by financial institution and banks.

During the previous year, the company has restructure ditliabilities of secured creditors. The liabilities which were beyond company's meanstoserviceandsettle, have been written back as per the details

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- i) Term Loan from a Financial Institution, now fully paid, was secured by way of charge on specific assets and personal guarantee of the Promoter Director. As per the company's rehabilitation proposal, Rs. 40 lacs were provided towards this liability. The FI approved OTS amount as Rs. 61.83 lacs. Accordingly, while restricting the liability to the extent of Rs. 40 lacs, the company had written back the balance amount of Rs. 21.83 lacs during previous year.

The said loan has been repaid fully by the company during the year as per OTS by raising loans thru its promoters. Hence liabilities written back in the previous year has been reversed to the extent of loans raised by company Rs. 21.83 lacs, for setting liabilities of FI under OTS ;

- ii. Working Capital Term Loan and working capital credit facilities from a Bank, now assigned to ARCIL, are secured by way of various assets of the company and personal guarantee of the Promoter Director. As per the company's rehabilitation proposal, Rs. 140 lacs have been provided towards this liability and accordingly the company had written back the balance amount of Rs. 293.16 lacs during the previous year. The bank had also issued notice under Section 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 which was objected by the company

Having credited an aggregate amount of Rs. 314.99 (as per para 4(i) and (ii) above) to Profit & Loss Account of the company after the head 'Profit after Tax' as an extraordinary item in the previous year ended 31st March 2008, Rs. 21.83 lacs has been debited to Profit & Loss Account during the current year ended 31st March 2009 as reversal of these credits due to restructured liabilities

5. In view of carrying amount of the net assets of the company being more than its market capitalization considering last trade rate of Rs. 2.71 (trading on the stock exchange is suspended since 19th May 2004) and insignificant level of operations during last few years there is a need of recognizing impairment of assets as per Accounting Standard 28 issued by Institute of Chartered Accountants of India.
6. In the opinion of the Board of Directors of the Company:
- a) The current assets loans and advances are approximately of the value stated, if realized in the ordinary course of business.
 - b) The provision for depreciation and for all known liabilities is adequate and not in excess of the amount reasonably necessary.
7. Outstanding balances of the debtors, creditors, loans and advances are subject to confirmation and reconciliation, if any.
8. The company had written back liabilities of sundry creditors in the previous years amounting to Rs. 24,28,976/-, however the same has been reversed during the current year and balances outstanding thereof has been transferred to promoters account in view of the fact that the same will be settled by them through their personal resources, gradually

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9. The Company has not received any information from any of the suppliers of there being Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial units outstanding as on 31st March 2009 are not ascertainable
10. The Company has unabsorbed depreciation and carry forward business losses available for set off under the Income Tax Act, 1961. In view of the uncertainty of future taxable income, the extent of net deferred tax assets, which may be adjusted in the subsequent years, is not ascertainable with virtual certainty at this stage and accordingly, in keeping with Accounting Standard 22 on 'Accounting for taxes on Income' issued by the of India, the same has not Institute of Chartered Accountants been recognized in these accounts on prudent basis.
11. The Company is operating only in one segment i.e. Bulk Drugs and Intermediates and therefore no segment report is made as required by Accounting Standard – 17 issued by the Institute of Chartered Accountants of India.

12. Related Party Disclosures:

Related party disclosures, as required by Accounting standard – 18 on 'Related Party Disclosure' issued by the Institute of Chartered Accountants of India are given below:

1) Relationships

(Related parties with whom transactions have taken place during the year)

(a) Key management personnel and their relatives:

- | | | |
|----|---------------------|-------------------|
| 1. | Mr. Pradeep Malu | - President & CEO |
| 2. | Mr. Sanjeev Chhajer | - Director |
| 3. | Mr. Nilesh Bhandari | - Director |

(b) Other parties where key Management Personnel and /or their relatives have significant influence

- | | |
|----|---|
| 1. | Inovent Solutions Pvt. Ltd. (formerly known as Principal E-Business Solutions P.Ltd.) |
| 2. | Radelf Pharmaceuticals Pvt.Ltd. |
| 3. | Cardioid Plasteel Pvt.Ltd. |
| 4. | Crest Latex Pvt.Ltd. |
| 5. | Raj Tex Machineries Pvt. Ltd. |
| 6. | Sumatex Ltd |

2) Details relating to person referred to in items 1 (a) above:

	Rs. 1n Lacs	
	Current Year	Previous Year
Remuneration/Sitting Fees	1.50	-
Outstanding payables	(2.32)	-

Principal Pharmaceuticals & Chemicals Ltd.
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- 3) The following transactions were carried out with the related parties referred to in item 1 (b) above in the ordinary courses of business :

	Share holder		Rs. In Lacs Other Related Party	
	Current Year	Previous Year	Current Year	Previous Year
Outstanding payable	Nil	Nil	5.78	Nil
Outstanding Balance (DR) at Balance Sheet Date	Nil	Nil	Nil	Nil

13. EARNING PER SHARE

- a) The amount used as the numerator in calculating basic and diluted earning per share is the net profit for the year disclosed in the profit and loss account.
- b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is
- c)

PARTICULARS	2008-09	2007-08
Net Profit/(Loss) after Tax	Rs. (97,16,734)	Rs. (8,80803)/-
No. of Equity Shares outstanding	60,00,000	60,00,000
Basic earning per share	Rs. (1.62)	Rs. 0.15
Diluted earning per share	Rs. (1.62)	Rs. 0.15

14. Additional information pursuant to the provisions of Paragraph 3 & 4 Part II of the Schedule VI to the Companies Act, 1956 (As certified by the Management):
- a) Quantitative Information: Manufacturing facilities of the company are used on job work basic and there is no own production, hence no quantitative information is provided for purchases, productions and sales for the year.
- b) & c) Capacity and Production :

Item	Unit	Licensed Capacity	Installed Capacity Qty. in MT	Production
Bulk Drugs & Intermediates	M.T.	N.A. (N.A.)	Not ascertainable (Not ascertainable)	NIL (NIL)

	Current Year	Previous Year)
d) Expenditure in foreign currency	NIL	NIL
e) Earning in Foreign Currency	NIL	NIL

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15. Additional information pursuant to Part IV of the Schedule VI to the Companies Act, 1956 : Balance Sheet abstract and company's general Business Profile :

I. Registration Details

State Code	11
Registration No.	11-40232
Balance Sheet Date	31-03-2009

II. Capital Raised during the year (Amt in thousand Rs)

Public Issue	Nil	Right issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of mobilization and deployment of funds (Amount in thousand Rs)

Sources of Fund	80,382	Application of Fund	80,382
Paid Up Capital	59,997	Fixed Assets	18,548
Reserve & Surplus	177	Investments	119
Secured Loans	14,000	Net Current Assets	(1,439)
Unsecured Loans	6208	Miscellaneous Expenditure	—
		Profit & Loss Accounts	63,154

IV. Performance of Company (Amount Rs. in Thousand)

Turnover	3,834	Expenditure	13,541
Profit/Loss before Tax	(9,707)	Profit Loss after Tax	(9,716)
Earning per share Rs.	(1.62)	Dividend	NIL

V. Generic Names of three Principal products of the Company (as per monetary Terms)

PRODUCT DESCRIPTION	ITEMS CODE (I.T.C CODE)
BULK DRUGS & INTERMEDIATES	29.00

For **JHAWAR MANTRI & ASSOCIATES**
 CHARTERED ACCOUNTANTS

FOR **PRINCIPAL PHARMACEUTICALS &
 CHEMICALS LIMITED**

B.P. MANTRI

Partner

Mumbai,

Dated: 31st August, 2009

PRADEEP MALU

Director

SANJEEV CHHAJED

Director

PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST, MARCH 2009

	31 MAR 2009	31 MAR 2008
	RUPEES	RUPEES
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and extraordinary items	(9,706,787)	478,385
Adjustments for :		
1. Depreciation	3,687,432	3,685,643
2. Interest/Dividend/other Income	(13,619)	(2,426,760)
3. Amortisation	453,947	-
4. Interest paid	204,453	-
5. Interest for earlier years	-	(1,352,092)
Operating Profit/(Loss) before working capital changes	(5,374,574)	385,176
Adjustments for :		
1. Trade and other receivables	5,125,841	(233,612)
2. Inventories	-	-
3. Trade and other payables	763,648	(2,995,869)
Cash used/generated in/ from operating activities	513,916	(2,844,305)
Income Tax , FBT	9,947	7,096
Net cash used in /generated from operating activities	503,969	(2,851,401)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets Inclusive of Capital WIP	(44,768)	-
Sale of Investment	-	-
Dividend/Rent/other Received	13,619	2,426,760
Net cash from Investing activities	(31,149)	2,426,760
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of Borrowing (Net of Restructured liabilities)	12	341,029
Interest paid	(204,453)	-
Net Cash used in Finance activities	(204,441)	-
Net Increase in Cash and Cash equivalents	268,379	(83,612)
Cash and cash equivalents as at (Opening Balance)	917,919	1,001,532
Cash and cash equivalents as at (Closing Balance)	1,186,298	917,919

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS

FOR PRINCIPAL PHARMACEUTICALS
& CHEMICALS LTD.

B. P. Mantri
Partner
M.No. 45701

Pradeep Malu
Director

Sanjeev Chhajed
Director

MUMBAI, DATED: 20 th Aug. 2009

PROXY FORM

PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.

Registered Office: 513, Palmspring, Link Road,
Malad West, Mumbai - 400 064

Ledger Folio No. _____

No. of Shares _____

I/We _____

Of _____

Being a Member/Members of the above named Company hereby appoint Shri/

Smt. _____

Of _____

Of falling him/her Shri/Smt. _____

_____ of as my/
our proxy to attend and vote for me/us and on my/our behalf at the 22nd Annual
General Meeting of the Company to be held on 30th September, 2009 at 10.00
M. and any adjournment thereof.

_____ signed this _____ day of _____ 2009

Signature of
Shareholder

The Proxy must be deposited at the registered office of the company at 513,
Link Road, Malad West, Mumbai - 400 064 not less than 48 hours before
or holding the meeting, not less than 48 hours before the time for holding the

BOOK-POST

If Undelivered please return to:
PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.
513, Palmspring,
Link Road, Malad (West),
Mumbai - 400 064