



PRINCIPAL

**PRINCIPAL PHARMACEUTICALS
& CHEMICALS LTD.**

**25th
ANNUAL REPORT
2011-2012**



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

Auditors :

Jhawar Mantri & Associates

Chartered Accountants

Banker :

HDFC Bank Ltd

Registered Office :

513, PalmSpring, Link Road
Malad West, Mumbai - 400 064.

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 25th Annual General Meeting of PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED will be held at 513, Palm Spring, Link Road, Malad West, Mumbai - 400 064 on Monday, the 30th July 2012 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, 2012 and the Directors' and Auditors' Reports thereon;
2. To appoint a Director in place of Mr. Sanjeev Chhajed who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and to fix their remuneration.

Registered Office :
513, Palm Spring, Link Road
Malad West, Mumbai - 400 064.

Date : 31st May, 2012

By Order of the Board

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 closed from 20th July 2012 to 30th July, 2012 both days inclusive.

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**DIRECTORS' REPORT
TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2012.

1. FINANCIAL RESULTS :

	Rs. in Lacks	
	2011-12	2010-11
Sales and Other Income	19.73	18.42
Profit/(Loss) before Interest, Amortization, Depreciation and Tax	3.35	11.58
Less: Amortisation & Depreciation	10.23	37.04
Profit/(Loss) before Taxation	(6.88)	(25.47)
Profit/(Loss) after Taxation	(6.88)	(25.47)
Balance of Profits brought forward	(691.83)	(666.36)
Add: Transfer from Capital Reduction Reserve	361.77	---
Balance carried forward to Balance Sheet	(336.94)	(691.83)

2. DIVIDEND :

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

3. BIFR :

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

The Hon'ble Board sanctioned the Rehabilitation scheme on 14th July, 2011. However, sanctioned scheme needed a small rectification for the want of which, the scheme could not be implemented. The Hon'ble Board approved the said rectification on 26th March, 2012. The company took necessary steps to implement the scheme immediately. The sanctioned scheme inter-alia, has granted the following relief and concessions:

- i. Relief under Income Tax for carry forward of losses and its set off;
- ii. Relief from SEBI for reduction and fresh issue of capital.

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- iii. Relief from Bombay Stock Exchange for giving effect of various changes in the capital structure of the company viz. granting listing approval for the reduced capital and the fresh capital issued as per the order;
- iv. Relief from various other stock exchanges by de-listing
- v. Relief from the Ministry of Corporate Affairs and Registrar of companies by exempting the company under various provision under sections like 100-103 of the Companies Act 1956;
- vi. Relief by granting reduction of capital;
- vii. Relief by allowing fresh capital infusion ranking pari-passu

The complete Sanctioned Scheme is available on the company website.

Accordingly -

- i. The company has reduced its capital by 60% by reducing the face value of its each equity share from Rs. 10 each to Rs. 4 each.
- ii. The company has issued 48.74 lacs shares of Rs. 4 each, aggregating to Rs. 194.96 lacs to the promoters and its associates out of total Rs. 555 lacs fresh capital. The balance Rs. 360.04 (90.01 lacs shares for Rs. 4 each) shall be issued by the company to the promoters and its associates in due course.

After taking these above steps, the company's NET WORTH turns positive as on 31st March 2012 and the company is no more remains a sick company and is eligible for discharge from Hon'ble BIFR.

4. OPERATIONS :

The company is carrying out job work to utilize its manufacturing capacity. The company's Job work arrangement remained moderate and stabilized during the year. The company is working out a detailed business plan for enhancing its job work operations for generating more revenue. The company is also looking for various other opportunities other than pharmaceuticals manufacturing activities.

5. DIRECTORS :

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

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 is listed on "The Stock Exchange, Mumbai" (BSE

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code - 524622) being the Regional Stock Exchange situated at Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

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 the company has not employed any employees who was receiving remuneration of Rs. 12,00,000/- p.a. or Rs. 1,00,000/- p.m. if employed part of the year.

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

As the company's 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.

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) 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, retire as Auditors of the Company and being eligible, offer themselves for re-appointment.

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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 : 31st May, 2012

Pradeep Malu
Director

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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	--	--

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Corporate Governance

Our Corporate Governance philosophy is based on the following principles:

- Satisfy the spirit of the law and not just the letter of the law. Corporate Governance standards should go beyond the law;
- To ensure the fullest commitment of the Management and the Board for the maximization of shareholder value;
- To ensure that adequate control systems exist to enable the Board in effectively discharging its responsibilities to all the stakeholders of the Company;
- To ensure that the decision making process is fair and transparent, maintaining high degree of disclosure levels;
- Our simple and transparent corporate structure driven solely by business needs;
- To ensure that the employees of the Company subscribe to the corporate values and apply them in their conduct.

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 Executiv Independent	No. of other Directorships
Mr. Pradeep Malu	Executive	5
Mr. Nilesh Bhandari	Independent	1
Mr. Sanjeev Chhajed	Independent	

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

The Board of the Company met Seven times during the last financial year, on the dates 14/05/2011, 30/05/2011, 30/07/2011, 25/08/2011, 31/10/2011, 14/02/2012 and 30/03/2012.

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	Attendance in	
	Board Meeting	Last AGM
Mr. Pradeep Malu	7	Yes
Mr. Nilesh Bhandari	7	No
Mr. Sanjeev Chhajed	7	No

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3. Remuneration of Directors

Details of remuneration paid to the Chairman and Managing Director during the year ended 31.03.2012 is as follows.

Name	Salary	Commission	Contribution to Provident Fund and other fund	Perquisites	Total
Mr. PRADEEP MALU	150,000	Nil	Nil	Nil	150 000

4. Management Discussions and Analysis:

Company Financial Review

During the year 2011-12, the company incurred loss of Rs. 6.88 lacs (Previous year Loss of Rs. 25.47 lacs) from its operations after amortization and depreciation of Rs. 10.23 lacs (Previous Year Rs. 37.04 lacs).

The major thrust has been on reviving the company and bringing it out from financial sickness by enhancing its capacity utilization, increasing operations, adding / acquiring other profitable businesses.

During the year, Rehabilitation Scheme submitted by the company was approved by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR). The company took necessary steps to implement various provision of the sanctioned Rehabilitation Scheme. The major steps taken by the company were :

- i. The company has reduced its capital by 60% by reducing the face value of its each equity share from Rs. 10 each to Rs. 4 each.
- ii. The company has issued 48.74 lacs shares of Rs. 4 each, aggregating to Rs. 194.96 lacs to the promoters and its associates out of total Rs. 555 lacs fresh capital. The balance Rs. 360.04 (90.01 lacs shares for Rs. 4 each) shall be issued by the company to the promoters and its associates in due course.

After taking these above steps, the company's NET WORTH turns positive as on 31st March 2012 and the company is no more remains a sick company and is eligible for discharge from Hon'ble BIFR.

Necessary steps shall be taken by the company to get discharged from Hon'ble BIFR on priority.

During the year, the company has closed its division eNable Solutions, which was set up to carry out consulting activities in e-learning, e-education and e-commerce related services and intends to restructure ecommerce services.

Resources & Liquidity

As per the sanctioned Rehabilitation Scheme, the Promoters have already introduced fresh capital to the tune of Rs. 194.96 lacs. Further capital shall be brought in by the promoters and its associates at an appropriate time for scaling up and expanding the company's operations.

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Business Review

The company, as per its strategy, has been carrying out job work and keeping the plant operational. The company shall be implementing the sanctioned Rehabilitation Scheme besides, expanding its business activities by diversifying in different areas.

Opportunities & Challenges

The company is looking for a bigger opportunity in Commerce besides streamlining its API and intermediates manufacturing activities as per the sanctioned scheme.

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 government approvals. However, due care shall be taken in de-risking these factors for continuing the operations.

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. The code of conduct is displayed by the company on its website.

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, Five Meetings were held on 14/05/2011, 30/07/2011, 25/08/2011, 31/10/2011, and 14/02/2012.

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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	5
Mr. Sanjeev Chhajed	Member	Independent	Service	5

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

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. Pradeep Malu	Director	Executive	Business	Yes
Mr. Sanjeev Chhajed	Member	Independent	Service	Yes

9. General Body Meetings

The location and time of the Annual General Meeting held during the last 3 years is as follows :

Annual General Meetings (AGM)	Date	Time	Venue	If Spécial Resolutions passed
22nd AGM	30th Sept, 2009	10.00 a.m	513, Palmspring, Link Road, Malad (W), Mumbai - 400 064	-
23rd AGM	2nd August, 2010	10.00 a.m.	513, Palmspring, Link Road, Malad (W), Mumbai - 400 064	-
24th AGM	30th Sept., 2011	10.00 a.m.	513, Palmspring, Link Road, Malad (W), Mumbai - 400 064	-

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Resolutions put through postal ballot during the last year and details of voting pattern:

For the financial year ended 31st March, 2012, the following Special Resolutions were passed by the Company's Shareholders through postal ballot.

- 1) Postal Ballot Notice dated 30th May 2011 in respect of the following matters:
 - a) **Item no. 1** - Reduction of the existing, Issued, Subscribed and Paid Up Equity Share Capital of the Company by 60% from Rs. 600 Lakhs to Rs. 240 Lakhs by reducing the paid up value of the existing equity shares of Rs. 10/- each into One equity Share of Rs. 4/- each without further consolidation as per Rehabilitation Scheme submitted to Board of Industrial & Financial Reconstruction (BIFR).
 - b) **Item no. 2** - Alteration to the Memorandum & Articles of Association as per the Rehabilitation Scheme
 - c) **Item no. 3** - Allotment of further Equity Shares to the tune of Rs. 555 Lacs to the Promoters and associates as per Rehabilitation Scheme submitted to the BIFR.

Mr. Dilip Bharadiya of M/s. Dilip Bharadiya & Associates, Company Secretaries was appointed as the Scrutinizer for conducting the Postal Ballot process. Based on the report of the Scrutinizer dated 11th July, 2011, the results of voting by Postal Ballot were declared on 11th July 2011. The same is summarised as under:

Particulars	Item No. 1		Item No. 2		Item No. 3	
	No. of Postal Ballots	No. of Votes	No. of Postal Ballots	No. of Votes	No. of Postal Ballots	No. of Votes
Valid Ballots/ Votes	401	9456	401	9456	401	9456
In Favour	289	18,79,540	280	18,75,550	279	18,74,150
%age		98.70		99.00		98.93
Against	63	24,750	50	18,900	52	20,300
%age		1.30		1.00		1.07
Invalid Ballots/ Votes	49	1,92,790	71	2,01,350	70	2,07,350

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10. Means of Communication

The annual, half-yearly and quarterly results are regularly submitted to the Stock Exchange in accordance with the listing Agreement.

11. General Shareholder Information

a) Annual General Meeting

Date & Time	30th July, 2012 at 10.00 A.M.
Venue	513, Palmspring, Link Road Malad West Mumbai-400 064

b) Financial Calendar

Financial Reporting for	
Quarter ending June 30, 2012	End of July 2012
Half year ending September 30, 2012	End of October 2012
For the quarter ending December 31, 2012	End of January 2013
For the year ending March 31, 2013	June/July 2013
Annual General Meeting for the year ending March 31st 2013	August/September 2013

c) Date of book closure 20th July, 2012 to
30th July, 2012

d) Registered office 513, Palmspring,
Link Road,
Malad (W),
Mumbai-400 064.

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 up to the financial year 2012-2013.

g) Plant Location

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

h) 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 Agents given hereunder

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

i) Investor correspondence Address :

Principal Pharmaceuticals & Chemicals Ltd.
513, Palm Spring, Link Road
Malad west, Mumbai-400 064.
Tel No. 022 4257 6767
Email : principal@vsnl.com

j) Distribution of shareholding as 31st March 2012 :

Slab of shareholdings	Shareholders	%	Amount in Rs.	%
0 - 500	8133	86.83	7893116	18.15
501 - 1000	788	8.41	2509016	5.77
1001 - 2000	263	2.81	1588384	3.65
2001 - 3000	76	0.81	783120	1.80
3001 - 4000	22	0.23	310744	0.71
4001 - 5000	28	0.30	524776	1.21
5001 - 10000	34	0.36	1022996	2.35
10001 - 9999999	24	0.25	28663848	66.36
Total	9368	100.00	43496000	100.00

k) According to categories of shareholders as on 31st March, 2012 :

Categories	Number of shares	Amount	%
Promoters, including Companies, Directors, Relatives.	6794075	in Rs 27176300	62.48
Mutual funds	Nil	Nil	Nil
Fin. Institutions	3000	12000	0.03
Companies	146004	584016	1.34
Regular	3715121	14860484	34.17
NRI	215800	863200	1.98
Total	10874000	43496000	100.00

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I) Statement Showing Shareholding Pattern

Statement Showing Shareholding Pattern

Category Code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged otherwise encumbered
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	
(I)		(III)	(IV)	(V)	(VI)	(VII)	(VIII)
(A)	Shareholding of Promoter and Promoter Group²						
1 -	Indian						
(a)	Individuals/ HUF	0	0	0	0.00	0.00	0.00
(b)	Central Govt./ State Govt.(s)	0	0	0	0.00	0.00	0.00
(c)	Bodies Corporate	4	3234500	1243100	29.75	29.75	0.00
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0.00
(e)	Any Others(Specify)						
(e-I)	Directors Relatives	5	259100	259100	2.47	2.47	0.00
(e-II)	Directors	1	3290375	407875	30.26	30.26	0.00
2	S. Total (A) (1)	10	6794075	1920075	62.48	62.48	0.00
a	Foreign Individuals (NRI)/Foreign Individuals)	0	0	0	0.00	0.00	0.00

(IX) = (VIII) / (IV) * 100

II	shr capital upto Rs.1L	8928	3501703	2188203	32.20	32.20	0	0.00
	Ind-Hold nominal shr capital in excess of Rs.1L	3	212718	212718	1.96	1.96	0	0.00
(c)	Any Other (specify)							
(c-i)	Clearing member	3	700	700	0.01	0.01	0	0.00
(c-ii)	NRIs	309	215800	58600	1.98	1.98	0	0.00
	Sub-Total (B)(2)	9357	4076925	2591825	37.49	37.49	0	0.00
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	9358	4079925	2594825	37.52	37.52	0	0.00
	TOTAL (A)+(B)	9368	10874000	4514900	100.00	100.00	0	0.00
(C)	Shares held by Custodians and against which Depository Receipts have been issue							
1.	Promoter and Promoter Group	0	0	0	0.00	0.00	0	0.00
2	Public -	0	0	0	0.00	0.00	0	0.00
	GDRs/ADRs/ADSS	0	0	0	0.00	0.00	0	0.00
	Sub-Total (C)	0	0	0	0.00	0.00	0	0.00
GRAND TOTAL (A)+(B)+(C)		9368	10874000	4514900	100.00	100.00	0	0.00

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GREEN INITIATIVE IN CORPORATE GOVERNANCE - ANNUAL REPORT IN ELECTRONIC FORM

Dear Shareholder,

In connection with the Green Initiative in Corporate Governance taken by the Ministry of Corporate Affairs(MCA), Govt. of India vide Circular No. 17/2011 dated 21st April, 2011, and Circular No. 18/2011 dated 29.04.2011, it had allowed paperless complies by the companies.

It had permitted companies to issue Annual Report and other documents by email to the shareholders. The Listing Agreement with the Stock Exchanges, amended recently, now requires a company to send soft copies of the report and Accounts to the members who register their email addresses with the Company.

In its constant endeavor the company proposes to enhance sustain ability to the environment and cutting down on consumption of paper, proposes to given an option to the shareholders to receive Annual Report in electronic Form at their email address registered with their respective Depository Participant (DP)accounts(in the records of the Depositories, viz. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). Shareholders holding shares in physical form will receive the Annual Report at their email address registered with/ provided to the Company's Registrar & Transfer Agents(RTA).

We request you to join us in this noble initiative and look forward to your consent to receive the Annual Report from now onwards in electronic form. Please complete a tear off portion appended below and return the same to our Registrar & Transfer Agent in the postage paid envelope enclosed herewith. Please note that the Annual Report will also be available on the Company's website www.principalpharma.in under link Annual Report, for your ready reference. The shareholders of the Company are entitled to request and receive a printed copy of the Annual Report of the Company.

We are sure that you would appreciate the GREEN INITIATIVE taken by the Company and opt for receiving Annual Report in electronic form.

Thanking You
For PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD

DIRECTOR

To,
Adroit Corporate Services Pvt. Ltd.,
19/20, Jafferbhoy Industrial Estate, 1st Floor, Makwana Road,
Marol Naka, Mumbai 400 059

Re: Consent of shareholders to receive Annual Report in Electronic Form

Dear Sir,
I give my consent to receive the Annual Report in the electronic Form at my following e-mail address.

Name of the Shareholder	
Folio No / DP ID & Client ID:	
Email ID	
Phone Number	

Thanking You

Signature of the first named shareholder

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President & CEO's Certificate on Corporate Governance:

To
The Board of Directors
Principal Pharmaceuticals & Chemicals Ltd.
513, Palm Spring, Link Road
Malad West, Mumbai-400 064

On the basis of the review of the financial statements and the cash flow statement for the financial year ending 31st March 2012 and to the best of my knowledge and belief I hereby certify that:

- i. These results and statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- ii. These results and statements together present a true and a fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- iii. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

I accept responsibility for establishing and maintaining internal control systems of the Company and we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any of which we are aware and steps we have taken or propose to take to rectify these deficiencies.

I have also indicated to the Auditors and the Audit Committee :

- i. significant changes in internal control during the year with respect to financial reporting during the year;
- ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- iii. to the best of my knowledge and belief, there are no instances of fraud involving either the Management or employee having a significant role in the Company's internal control system with respect to financial reporting

Place : Mumbai
Date: 31st May, 2012

Pradeep Malu
President & CEO

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ANNEXURE TO CORPORATE GOVERNANCE REPORT

Declaration regarding affirmation of Code of Conduct

In terms of the requirements of the amended Clause 49 of the Listing Agreement, this is to confirm that all members of the Board and the senior management personnel have affirmed compliance with the code of Conduct for the year ended 31st March, 2012.

Place: Mumbai
Date: 31st May, 2012

Pradeep Malu
President & CEO

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AUDITORS' CERTIFICATE

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

We have examined the compliance of conditions of corporate governance by M/s. Principal Pharmaceuticals & Chemicals Ltd. for the year ended 31st March 2012, 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 affair of the company.

For JHAWAR MANTRI & ASSOCIATES
Chartered Accountants.

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

Place : Mumbai
Date : 31st May, 2012

Principal Pharmaceuticals & Chemicals Ltd.
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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, 2012, the Statement of Profit and Loss and 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. 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in compliance 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, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 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 thereon give the information

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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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
- (b) in the case of the Statement of Profit and Loss, of the loss 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 JHAWAR MANTRI & ASSOCIATES
Chartered Accountants
(Firm Registration No. 113221W)

MUMBAI
DATED: 31/5/2012

B.P. MANTRI
Partner
M. No. 45701
Firm Reg. No. 113221W

Principal Pharmaceuticals & Chemicals Ltd.
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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 2012.

1.
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - (b) Fixed Assets of the company have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its assets.
 - (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 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 given by the company to 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 given 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.
 - (e) The company has not taken any loan from parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the requirement of clause (iii) (f) and (iii) (g) of paragraph 4 of the order are not applicable.

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 and services. 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 into 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. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
 8. Products manufactured by the company for 3rd party are not covered by the order issued under section 209(1)(d) prescribed by the Central Government 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, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it except Service Tax where some delays are observed in payment, however there are no outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable.
 10. The company's net worth has turned positive at the end of the financial year. However, accumulated losses of the company at the end of the financial year are 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 preceding the current financial year.
 11. There are no dues payable by the company to any bank and financial institution; hence this clause is not applicable.
 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 nihil 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

Principal Pharmaceuticals & Chemicals Ltd.
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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 (xvii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
18. According to the information and explanations given to us, during the year the company has made preferential allotment of 48,74,000 equity shares of face value of Rs. 4/- each aggregating to Rs. 1,94,96,000/- at par to parties and companies covered in the register maintained under section 301 to the Act as per the order of BIFR, hence the price at which shares have been issued is not prejudicial to the interest of 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
Firm Reg. No. 113221W

Place : Mumbai
Date : 31st May, 2012

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

Principal Pharmaceuticals & Chemicals Ltd.
Annual Report 2011-12
BALANCE SHEET AS AT 31.03.2012

	Note No.	As at 31.03.2012 Rs	As at 31.03.2011 Rs
I) EQUITY AND LIABILITIES			
1) Shareholders Funds			
(a) Share Capital	1	43,496,000	59,997,000
(b) Reserves and surplus	2	(33,694,604)	(69,006,279)
(c) Money received against share warrants		-	-
Total Shareholder Funds		9,801,396	(9,009,279)
2) Non-current liabilities			
(a) Long-term borrowing		-	-
(b) Deferred tax liabilities (Net)		-	-
(c) Other Long term liabilities	3	2,733,160	22,231,204
(d) Long-term provisions		-	-
Total Non-current liabilities		2,733,160	22,231,204
3) Current liabilities			
(a) Short-term borrowing		-	-
(b) Trade payables		-	-
(c) Other current liabilities 4		767,032	607,417
(d) Short-term provisions		-	-
Total current liabilities		767,032	607,417
Total Equity and Liabilities		13,301,588	13,829,342
II) ASSETS			
1) Non-current assets			
a) Fixed Assets			
(i) Tangible Assets	5	10,161,847	11,185,353
(b) Non-current investments	6	119,200	119,200
(c) Deferred tax assets (net)		-	-
(d) Long-term loans and advances	7	2,089,812	2,004,759
(e) Other non-current assets		-	-
Total Non-current assets		12,370,860	13,309,312
2) Current assets			
(a) Current investments		-	-
(b) Inventories		-	-
(c) Trade receivables	8	5,589	11,178
(d) Cash and Bank Balances	9	851,797	467,466
(e) Short-term loans and advances	10	50,000	-
(f) Other current assets	11	23,342	41,386
Total current assets		930,728	520,030
TOTAL		13,301,588	13,829,342

Significant Accounting Policies A to M
Notes on Financial Statements 1 to 25

As per our report of even date
For Jhavar Mantri & Associates
Firm Registration No. 113221W
Chartered Accountants
B. P. Mantri (Partner)
Membership No. 045701
Place Mumbai Dated: 31st May, 2012

For Principal Pharmaceutical & Chemicals Limited

Pradeep Malu
(Director)

Sanjeev Chhajed
(Director)

Principal Pharmaceuticals & Chemicals Ltd.
Annual Report 2011-12

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2012

	Note No.	Year Ended 31.03.2012 Rs	Year Ended 31.03.2011 Rs
INCOME			
I. Revenue from operations	12	1,951,500	1,800,000
II. Other Income	13	21,190	42,169
III. TOTAL REVENUE (I+II)		1,972,690	1,842,169
IV. EXPENSES			
Cost of materials consumed		-	-
Employee benefit expense	14	150,000	150,000
Financial costs		-	-
Depreciation and amortization expenses	5	1,023,505	3,704,428
Other Expenses	15	1,487,510	534,491
TOTAL EXPENSES		2,661,015	4,388,919
V. Profit before exceptional and extraordinary items and tax (III-IV)		(688,325)	(2,546,750)
VI. Exceptional Items		-	-
VII. Profit before extraordinary items and tax (V-VI)		(688,325)	(2,546,750)
VIII. Extraordinary Items		-	-
IX. Profit (Loss) Before Tax (VII-VIII)		(688,325)	(2,546,750)
X. Tax expenses:			
(1) Current Tax		-	-
(2) Deferred Tax		-	-
XI. Profit/(Loss) for the period (IX-X)		(688,325)	(2,546,750)
Profit carried to Balance Sheet		(688,325)	(2,546,750)
Earnings per equity share of face value of Rs. 4 each in current year and Rs. 10 in previous year			
EPS - Basic & Diluted	24	(0.11)	(0.42)
Significant Accounting Policies Notes on Financial Statements	A to M 1 to 25		

As per our report of even date
For **Jhawar Mantri & Associates**
Firm Registration No. 113221W
Chartered Accountants

B. P. Mantri (Partner)
Membership No. 045701
Place : Mumbai
Dated : 31st May, 2012

For **Principal Pharmaceutical
& Chemicals Limited**

Pradeep Malu (Director) Sanjeev Chhajer (Director)

Principal Pharmaceuticals & Chemicals Ltd.
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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	31-Mar-12	31-Mar-11
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax as per Statement of Profit and Loss	(688,325)	(2,546,750)
Adjustments for :		
1. Depreciation	1,023,505	3,704,428
2. Interest/Dividend/other Income	(21,190)	(42,169)
Operating-Profit/(Loss) before working capital changes	313,990	1,115,509
Adjustments for :		
1. Trade and other receivables	(111,420)	(354,285)
2. Inventories	-	-
3. Trade and other payables	159,615	(1,042,196)
Cash used/generated in/ from operating activities	362,185	(280,972)
Income Tax , FBT	-	-
Net cash used in /generated from operating activities	362,185	(280,972)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets Inclusive of Capital WIP	-	-
Dividend/Rent/other Received	21,190	42,169
Net cash from Investing activities	21,190	42,169
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of share capital	19,496,000	-
Promoter contribution for Rehabilitation	(19,499,044)	-
Stock Invest Money Arrears		3,000
Repayment of Borrowing (Net of Restructured liabilities)	-	245,521
Interest paid	-	-
Net Cash used in Financing activities	956	245,521
Net Increase in Cash and Cash equivalents	384,331	6,718
Cash and cash equivalents as at (Opening Balance)	407,316	400,598
Cash and cash equivalents as at (Closing Balance)	791,647	407,316

AS PER OUR REPORT OF EVEN DATE ATTACHED

For Jhavar Mantri & Associates
Firm Registration No. 113221W
Chartered Accountants
B. P. Mantri
Partner
M.No. 45701
Place : MUMBAI,
DATED: 31st May, 2012

**FOR PRINCIPAL PHARMACEUTICALS
& CHEMICALS LTD**

**Pradeep Malu
Director**

**Sanjeev Chhajed
Director**

Principal Pharmaceuticals & Chemicals Ltd.
Annual Report 2011-12

SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Preparation of Financial Statement:

The financial statements are prepared on accrual basis under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

B. Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized

C. 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.

D. 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.

E. Inflation:

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

F. 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.

G. 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.

H. 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.

Principal Pharmaceuticals & Chemicals Ltd. Annual Report 2011-12

I. 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.

J. Research & Development Expenditure:

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

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.

K. Deferred Revenue Expenditure:

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

L. 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 incomes and accounting income those originate in one period and are capable of reversal in one or more subsequent period.

M. Other Accounting Policies:

These are consistent with the generally accepted accounting practices.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012:

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

	31.03.2012 Rs	31.03.2011 Rs
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Note - 1

A) Share Capital

Authorised 25,000,000 Equity

Shares of Rs.4/- each (Previous Year

10,000,000 Equity Shares of

Rs.10/- each)

	10,00,00,000	10,00,00,000
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Issued, Subscribed & fully Paid

10,874,000 Equity Shares of Rs.4/- each

fully paid up

	4,34,96,000	6,00,00,000
--	-------------	-------------

(Previous Year 6,000,000 Equity

Shares of Rs:10/- each fully paid up)

Less: Stock Invest Money In Arrears - by others

	-	3,000
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	4,34,96,000	5,99,97,000
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B) Reconciliation of the number of shares

			Amount		Amount
outstanding is as under	No. of shares	(Rs.)	No. of shares	(Rs.)	(Rs.)

a) Equity Share of Rs.10/- Each

at the beginning of the year	60,00,000	6,00,00,000	6,00,00,000		60,00,00,000
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Principal Pharmaceuticals & Chemicals Ltd.
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Less : As per BIFR Order capital reduced by 60% accordingly face value reduced from Rs. 10 to Rs. 4/- each hence this reduction. Refer point B(b) below for the new reduced capital at the end of the year

	60,00,000	6,00,00,000	-	-
	-	-	6,00,00,000	60,00,00,000

b) Equity Share of Rs.4/- Each

at the beginning of the year
Add : As per BIFR Order capital reduced by 60% accordingly face value reduced from Rs. 10 to Rs. 4/- each hence equity shares of Rs. 4/- face value issued in lieu of equity shares of Rs. 10/- each face valu. Refer point B(a)
Add: Shares Issued to promoters and associates as per BIFR Order

at the end of the year

	60,00,000	2,40,00,000	-	-
	48,74,000	1,94,96,000	-	-
	1,08,74,000	4,34,96,000	-	-

C) Details of Shareholders holding more than 5% shares

Name of Shareholders	No. of Shares	% of holding	No. of Shares	% of holding
PRADEEP MALU	32,90,375	30.26		
INOVENT SOLUTIONS LTD	19,91,500	18.31		
CARDIROID PLASTEEL PVT LTD	-	-	5,97,050.00	9.95
CREST LATEX PVT LTD	-	-	5,23,800.00	8.73
RADELPH PHARMACEUTICALS PVT LTD	-	-	3,50,200.00	5.84
Total	52,81,875	48.57	14,71,050	24.52

Please also refer Note no. 16 for details.

Note - 2

Reserves and surplus

a) Capital Reduction Reserve

Opening Balance	-	-
Add: Transfer from General Reserves	1,76,850	-
Add: Capital Reduction as BIFR Order	3,60,00,000	-
Less: Transfer to Statement of Profit & loss	(3,61,76,850)	-

Closing Balance

	-	-
	-	-

Principal Pharmaceuticals & Chemicals Ltd.
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b) General Reserves

Opening Balance	1,76,850	1,76,850
Less: Transfer to Capital Reduction Reserve	1,76,850	-

Closing Balance	-	1,76,850
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c) Surplus as

per Statement of Profit and Loss

Opening Balance	(6,91,83,129)	(6,66,36,379)
Add: Net Profit/(Net Loss) For the current year	(6,88,325)	(25,46,750)

Add: Transfer from Capital

Reduction Reserve

Closing Balance	3,61,76,850	-
	(3,36,94,604)	(6,91,83,129)

Total	(3,36,94,604)	(6,90,06,279)
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Note - 3

Other Long term liabilities

a) Trade payables

b) Others

Security Deposit	10,00,000	10,00,000
Promoters contribution for Rehabilitation		
- Directors	72,457	1,15,40,790
- Companies under the same Management	1,71,742	82,01,453
Other Payables	14,88,961	14,88,961
	27,33,160	2,22,31,204

Note - 4

Other current liabilities

Other Payables

Overdue Deferred Payment Liabilities

(Refer Note: 4.1)	4,33,188	4,33,188
Statutory Dues	46,989	12,487
Bank Balance (Book OD)		16,710
Outstanding for Expenses	2,86,855	1,45,032
	7,67,032	6,07,417

4.1 Overdue deferred payment liabilities pertains to GIDC, overdue prior to the company turned sick. No interest has been provided by the Company as pending settlement.

Principal Pharmaceuticals & Chemicals Ltd.
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Less : As per BIFR Order capital reduced by 60% accordingly face value reduced from Rs. 10 to Rs. 4/- each hence this reduction. Refer point B(b) below for the new reduced capital at the end of the year

60,00,000	6,00,00,000	-	-
-	-	6,00,00,000	60,00,00,000

b) Equity Share of Rs.4/- Each

at the beginning of the year
Add : As per BIFR Order capital reduced by 60% accordingly face value reduced from Rs. 10 to Rs. 4/- each hence equity shares of Rs. 4/- face value issued in lieu of equity shares of Rs. 10/- each face valu. Refer point B(a)
Add: Shares Issued to promoters and associates as per BIFR Order
at the end of the year

60,00,000	2,40,00,000	-	-
48,74,000	1,94,96,000	-	-
1,08,74,000	4,34,96,000	-	-

c) Details of Shareholders holding more than 5% shares

Name of Shareholders	No. of Shares	% of holding	No. of Shares	% of holding
PRADEEP MALU	32,90,375	30.26		
INOVENT SOLUTIONS LTD	19,91,500	18.31		
CARDIROID PLASTEEL PVT LTD	-	-	5,97,050.00	9.95
CREST LATEX PVT LTD	-	-	5,23,800.00	8.73
RADELPH PHARMACEUTICALS PVT LTD	-	-	3,50,200.00	5.84
Total	52,81,875	48.57	14,71,050	24.52

Please also refer Note no. 16 for details.

Note - 2

Reserves and surplus

a) Capital Reduction Reserve

Opening Balance	-
Add: Transfer from General Reserves	1,76,850
Add: Capital Reduction as BIFR Order	3,60,00,000
Less: Transfer to Statement of Profit & loss	(3,61,76,850)
Closing Balance	-

Principal Pharmaceuticals & Chemicals Ltd.
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b) General Reserves

Opening Balance	1,76,850	1,76,850
Less: Transfer to Capital Reduction Reserve	1,76,850	-

Closing Balance	-	1,76,850
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c) Surplus as

per Statement of Profit and Loss

Opening Balance	(6,91,83,129)	(6,66,36,379)
Add: Net Profit/(Net Loss) For the current year	(6,88,325)	(25,46,750)

Add: Transfer from Capital

Reduction Reserve 3,61,76,850

Closing Balance	(3,36,94,604)	(6,91,83,129)
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Total	(3,36,94,604)	(6,90,06,279)
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Note - 3

Other Long term liabilities

a) Trade payables

b) Others

Security Deposit	10,00,000	10,00,000
Promoters contribution for Rehabilitation		
- Directors	72,457	1,15,40,790
- Companies under the same Management	1,71,742	82,01,453
Other Payables	14,88,961	14,88,961
	27,33,160	2,22,31,204

Note - 4

Other current liabilities

Other Payables

Overdue Deferred Payment Liabilities (Refer Note: 4.1)	4,33,188	4,33,188
Statutory Dues	46,989	12,487
Bank Balance (Book OD)	-	16,710
Outstanding for Expenses	2,86,855	1,45,032
	7,67,032	6,07,417

4.1 Overdue deferred payment liabilities pertains to GIDC, overdue prior to the company turned sick. No interest has been provided by the Company as pending settlement.

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Note : 5 :- Fixed Assets & Depreciation
a) Statement Showing Fixed Assets And Depreciation Charged as per Schedule XIV of Companies Act 1956

Sr No	Particulars	Gross Block			Depreciation			Net Block			
		As on 31-3-2011	Additions	Deductions / Adjustments	As on 31-3-2012	Upto 31-3-2011	For the year	Deletion (Refer Note 5.1)	Upto 31-3-2012	Upto 31-3-2011	
	Tangible Assets (Owned Assets)										
1	Lease hold Land	1,703,742			1,703,742	296,892	-	-	314,104	1,389,638	1,406,850
2	Factory Building	14,480,216			14,480,216	6,981,117	-	-	7,464,757	7,015,459	7,499,099
3	Plant & Machinery	38,179,471			38,179,471	36,999,177	619,972	619,972	37,350,718	828,763	1,180,294
4	Electrical Installation	3,301,915			3,301,915	3,256,458	199,547	199,547	3,301,913	2	45,457
5	Office/Lab Equipments	2,373,185			2,373,185	1,377,028	-	-	1,489,754	883,431	996,157
6	Computer Systems	79,768			79,768	22,272	-	-	35,203	44,565	57,496
	TOTAL	60,118,297	-	-	60,118,297	48,932,944	819,519	819,519	49,956,449	10,161,848	11,185,353
	PREVIOUS YEAR	60,118,297	-	-	60,118,297	45,228,516	-	-	48,932,944	11,185,353	18,547,976

Note:

5.1 Deletion shown in depreciation column is excess depreciation charged during earlier years which is reversed now.

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Note - 6

A) Non Current Investment

(Long Term, Other than trade)

Unquoted, at cost :

(a) Investments in Equity Instruments:

Fully Paid

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 Infrastrcutre Ltd.	5,600	5,600

Partly Paid

13600 Equity Shares of Rs. 10/- each of Panoli Enviro Technologies Ltd (Refer note 6.1)	47,600	47,600
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(b) Investments in Government or trust securities:

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
	1,19,200	1,19,200

Aggregate amount of unquoted investments	1,19,200	1,19,200
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6.1 The Company has not paid and accounted unpaid called amount of Rs. 6.50 per share aggregating to Rs. 88,400/- in respect of investment of 13600 Equity Shares of Rs. 10/- each of Panoli Enviro Technologies Ltd. Present status of the said investment is not known.

Note - 7

Long-term loans and advances

A) Security Deposits	2,86,843	2,86,843
B) Other Loans & Advances		
Receivables from Revenue Authorities	7,66,517	6,78,948
Receivables from Others	10,34,703	10,38,969
Prepaid Expenses	1,750	-
	20,89,812	20,04,759

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17. Contingent Liabilities and commitments

17.1 Contingent Liabilities not provided for:

- i) Claim against the company / disputed liabilities not acknowledged as debt in respect of others Rs. 16,13,774/- (Previous Year Rs. 16,13,774/-) A suit has been filed by the party against the company.

17.2 Commitments

- i) Company has not paid and accounted unpaid called amount of Rs. 6.50 per share aggregating to Rs. 88,400/- in respect of investment of 13600 Equity Shares of Rs. 10/- each of Panoli Enviro Technologies Ltd. Present status of the said investment is not known.

18. In the opinion of the Board of Directors of the Company:

- a) The current assets 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.

19. Outstanding balances of the debtors, creditors, loans and advances are subject to confirmation and reconciliation, if any

20. 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 2012 are not ascertainable.

21. 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 Institute of Chartered Accountants of India, the same has not been recognized in these accounts on prudent basis.

22. 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.

23. 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

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

1. Inovent Solutions Ltd.
2. Radelf Pharmaceuticals Pvt.Ltd.
3. Cardioid Plasteel Pvt.Ltd.
4. Crest Latex Pvt.Ltd.

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

	Rupees	
	Current Year	Previous Year
Remuneration/Sitting Fees	1,50,000	1,50,000
Other long term liabilities (Promoters contribution towards rehabilitation)	72,457	1,15,40,790

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	
	Current	Previous	Other Related Party Current	Party Previous
Other Long term liabilities (Promoters contribution towards rehabilitation)	1,71,742	Nil	Nil	82,01,453

24. 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	2011-12	2010-11
Net Profit/(Loss) after Tax	Rs. (688,324)	Rs. (2,546,750)
No. of Equity Shares outstanding	1,08,74,000	60,00,000
Basic earning per share	Rs. (0.11)	Rs. (0.42)
Diluted earning per share	Rs. (0.11)	Rs. (0.42)

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25. Additional information pursuant to the provisions Revised Schedule VI to the Companies Act, 1956 (As certified by the Management):

		Rupees	
		Current Year	Previous Year
a)	Value of imports calculated on C.I.F basis	Nil	Nil
b)	Expenditure in foreign currency	Nil	Nil
c)	i) Total value of all imported raw materials, spare parts and components consumed	Nil	Nil
	ii) Total value of indigenous raw materials, Spare parts and components consumed	Nil	Nil
d)	The amount remitted during the year in foreign currencies	Nil	Nil
	On account of dividend		
e)	Earnings in foreign exchange	Nil	Nil
f)	The amount of dividend proposed to be distributed	Nil	Nil

For JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Reg. No. 113221W

FOR PRINCIPAL PHARMACEUTICALS
& CHEMICALS LIMITED

B. P. MANTRI
Partner
M.No. 45701
Mumbai,
Dated : 31st May, 2012

Pradeep Malu
(Director)

Sanjeev Chhajed
(Director)

PROXY FORM

PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.

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

Ledger Folio _____ No. of Shares _____

I/We _____ of _____

being a Member/Members of the Company hereby appoint Shri/Smt. _____

_____ of _____ failing him/her.

Shri/Smt. _____

of _____ as my/ our proxy to attend and vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held on 30th July, 2012 at 10.00 A.M. and any adjournment thereof.

Signed this _____ day of _____, 2012 Signature of Shareholder

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

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE.

Folio No.

No. of shares held

Name and address of the shareholders

I hereby record my presence at the 25th Annual General Meeting of the Company to be held on Monday, the 30th day of July, 2012 at 10 00 a.m. at 513, Palm Spring, Link Road, Malad West, Mumbai - 400 064

SIGNATURE OF THE SHAREHOLDER OR PROXY *

* Strike out whichever is not applicable