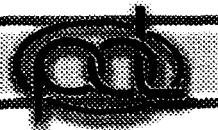


Panchsheel Organics Ltd.

**T w e n t i e t h**  
**ANNUAL REPORT**  
**2008-2009**



***Board of Directors***

Mahendra Turakhia  
Kishore Turakhia  
Rajesh Turakhia  
Kiritkumar M Doshi  
Bharatkumar R Desai  
Radheshyam R Tawani

Chairman & Managing Director  
Promoter / Non Executive Director  
Promoter / Non Executive Director  
Non Executive and Independent Director  
Non Executive and Independent Director  
Non Executive and Independent Director

***Registered Office***

B6 & B7, Sector – C, Industrial Estate,  
Sanwer Road, Indore (MP)

***Corporate Office***

1, Kapadia Chamber, 1<sup>st</sup> Cinema Road,  
Mumbai – 400 020

***Bankers***

State Bank of India  
SME Branch, Indore

***Auditors***

M/s P. B. Mehta & Associates.  
Chartered Accountants

***Company Law Consultant***

M/s A. K. Jain & Co.  
Company Secretaries

***Plant***

B6 & B7, Sector – C, Industrial Estate,  
Sanwer Road, Indore (MP)

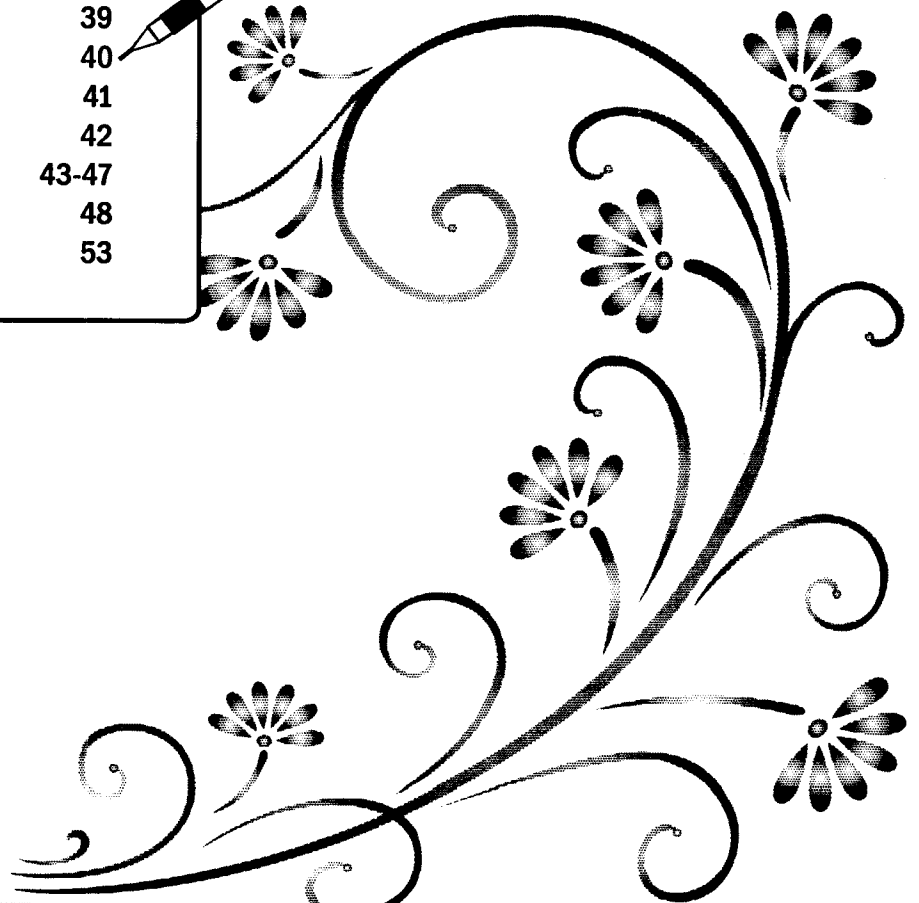
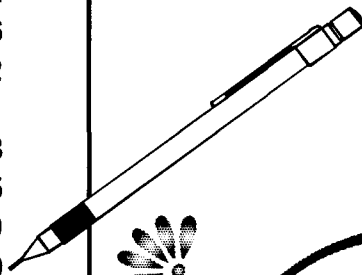
***Share Transfer Agents***

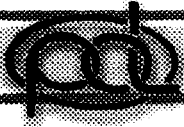
Purva Share Registry (I) Pvt Ltd  
Shivshakti Industrial Estate,  
Unit No. 9, 7/B, Sitaram Mill Compound,  
J R Boricha Marge, Lower Parel, Mumbai 400 011



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**NOTICE**

**NOTICE** is hereby given that the Twentieth Annual General Meeting of the Members of Panchsheel Organics Limited will be held on Wednesday, the 30<sup>th</sup> day of September, 2009 at the Registered Office of the Company at B-6 & B-7, Sector-C, Industrial Area, Sanwer Road, Indore (M.P.) at 11.00 a.m. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended as on that date along with Schedules and the Report of the Directors and Auditors.
2. To re-appoint Mr. Kishore A Turakhia, who retires by rotation and being eligible offers himself for re-appointment.
3. To re-appoint Mr. Rajesh A Turakhia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. P B Mehta & Associates, Chartered Accountants, Mumbai, as Auditors of the Company from the conclusion of this Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

5. To consider and if thought fit to pass with or without modification, the following resolution as a **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and such other consents as may be required from various bodies, the consent of the Company be and is hereby accorded to appoint Mr. Mahendra A Turakhia as a Chairman & Managing Director of the Company for a period of 3 (Three) years commencing from 31<sup>st</sup> August, 2009 to 30<sup>th</sup> August, 2012 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction of the Board of Directors of the Company or the Remuneration Committee to revise the terms of re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act /rules made there under.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”



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

**“RESOLVED THAT** subject to the provision of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Mr. Bharatkumar R Desai, who has been appointed as an Additional Director by the Board of Directors at their Meeting held on 31<sup>st</sup> January, 2009 and who ceases to hold office as per the provision of the Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidatures for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

**Registered Office:**  
**B-6 & B-7, Sector-C,**  
**Industrial Area,**  
**Sanwer Road,**  
**Indore - 452001(M.P)**

**By Order of the Board of Directors**

**Mahendra A. Turakhia**  
**Chairman and Managing Director**

**Place: Indore**

**Date: 31<sup>st</sup> August, 2009**

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE MEETING) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
3. Members/Proxies should fill the Attendance Slip for attending the meeting.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in electronic form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of the annual report to the meeting.
6. Members are requested to notify immediately any change in their address to their respective Depository participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at Purva Share Registry (I) Pvt. Ltd. Shivshakti Industries Estate, Unit No. 9, 7/B, Sitaram Mill Compound, J R Boricha Marge, Lower Parel, Mumbai – 400 011.

7. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed herewith.
8. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days, except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
9. The Register of Members and the Share Transfer Book of the Company will remain closed from 26<sup>th</sup> September, 2009 to 30<sup>th</sup> September, 2009 (Both days inclusive) for the purpose of Annual General Meeting.

**ANNEXURE TO NOTICE**

**Information under Clause 49 of the Listing Agreement with respect to Directors seeking appointment/re-appointment in this Annual General Meeting.**

**Item No. 2 and 3**

Sr. No.	Particular	Directors			
		Kishor A Turakhia	Rajesh A Turakhia	Bharatkumar R Desai	Mahendra A Turakhia
1.	Name	Kishor A Turakhia	Rajesh A Turakhia	Bharatkumar R Desai	Mahendra A Turakhia
2.	Date of Birth	12-06-1954	08-02-1958	22-11-1962	25-12-1945
3.	Profession	Business	Business	Business	Business
4.	Qualification	B. Com	B. Com	B. Sc.	B.Sc.
5.	List of other Directorship Held excluding Private companies	Nil	Nil	Bharat Parenterals Limited	Nil
6.	Chairman/Member of the Committee of Board of Directors of the company	Nil	Nil	Nil	Nil
7.	Chairman / Member of the Committee of Board of Directors of other Companies.	Nil	Nil	Nil	Nil

**Registered Office:**  
B-6 & B-7, Sector-C,  
Industrial Area,  
Sanwer Road,  
Indore - 452001(M.P)

**By Order of the Board of Directors**

**Mahendra A. Turakhia**  
**Chairman Cum Managing Director**

**Place: Indore**  
**Date: 31<sup>st</sup> August, 2009**

**EXPLANATORY STATEMENT (PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956)**

**Item No. 5**

The Company is in growth phase in this extremely competitive environment and it will take some time before the Company starts making substantial profits. The duties and engagement of the Directors have been increased and are more accountable now. However, the zest to scale the top has enabled them to face new challenges with even more determination.

Hence it was recommended by the Board of Directors upon receiving the recommendations from the Remuneration Committee, having at their meeting passed resolutions for the appointment of the following Directors on the terms and conditions as mentioned herein:

**Terms of Appointment**

Mr. Mahendra A Turakhia appointed as a Chairman & Managing Director of the Company for a period of 3 (Three) year s commencing from 31<sup>st</sup> August, 2009 to 30<sup>th</sup> August, 2012 (both days inclusive) at a remuneration of Rs. 30,000/- (Rupees Thirty Thousand Only) per month (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term).

**Additional Terms**

The remuneration is inclusive of Salary and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement, leave travel concession for self and family, club fees, medical/accident insurance, and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors.

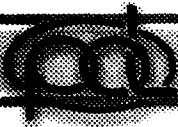
For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

Benefits under the Provident Fund Scheme, the Company's Pension/Superannuation Fund Scheme in accordance with the Company's rule and regulations in force from time to time shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable, under the Income Tax Act, 1961. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration as aforesaid.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

**Minimum Remuneration**

Notwithstanding anything contained herein, where in any financial year during the currency of the tenure, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above.



Your Directors recommends the Resolutions for the approval of the members.

None of the Directors except the abovementioned is deemed to be concerned or interested in the said Resolutions.

**Item No. 6**

Mr. Bharatkumar R Desai, was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 by the Board of Directors at their meeting held on 31<sup>st</sup> January, 2009. He has rich experience in the field of pharma industries. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member signifying his intention proposing his candidature for the office of the Directorship.

Your Directors recommend the resolution for approval by the members of the company as an Ordinary Resolution.

None of the Directors except the abovementioned is deemed to be concerned or interested in the said Resolutions.



**DIRECTOR'S REPORT**

Your Directors have pleasure in presenting the Twentieth Annual Report along with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2009.

**Financial Results**

<b>Particulars</b>	<b>2008-2009</b>	<b>2007-2008</b>
Sales & Other Income from Operation	226,849,027	18,95,21,632
Increase/Decrease in Stocks	(613,318)	(4,573,463)
Total Income	22,635,709	184,948,169
Operating Expenditure	187,225,300	151,079,816
Administrative and other Expenditure	18,453,770	13,131,920
Profit Before Depreciation and Financial charges	20,556,640	20,736,432
Depreciation	2,808,681	2,760,089
Profit Before Financial Charges	17,747,959	17,976,344
Financial Charges	3,511,915	3,791,992
Profit Before Tax	14,236,044	14,184,351
Less: Provision for Deferred Tax	1,062,300	413,386
Provision for Income Tax	4,875,000	2,982,500
Provision for Fringe Benefit Tax	168,700	145,000
Profit After Tax	8,130,044	10,643,465
Income Tax for earlier year	(843,286)	-
Balance brought forward	53,486,655	42,843,190
Balance carried to Balancesheet	60,773,413	53,486,655

**Performance**

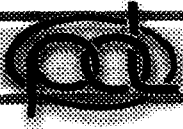
During the year under review your Company achieved a turnover of Rs.2268.49 Lacs Compared to Rs.1895.22 Lacs in the previous fiscal year 2007-2008, registering an increase of 19.70%. Profit before interest, depreciation and taxes in 2008-09 were reducing at Rs.205.56 Lacs compared to Rs. 207.36 Lacs in the previous fiscal.

After providing for interest of Rs. 35.12 Lacs (Rs.37.92 Lacs previous fiscal) and depreciation of Rs 28.09 Lacs (Rs. 27.60 Lacs previous fiscal), the profit after tax of the Company was Rs.81.30 Lacs as against the previous year's profit before tax of Rs. 106.43 Lacs.

During the year under review, the Company Scaled new heights in revenue.

**Dividend**

Owing to the development and expansion plans already undertaken by the company and the need of ploughing back in the company of the generated profits during the year, your Directors do not recommend any dividend for the year under review.



### **Operations & Future Prospects**

The Turnover of the Company for the year under review showed a higher growth of 19.70% over the corresponding previous year. The overall business prospects of the Company are encouraging despite reduction in parity at certain levels of operations.

### **Directors**

Mr. Kishore A Turakhia and Rajesh A Turakhia, the Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

During the financial year the Company had lost the invaluable services of Mr. Ramesh O. Shah, Director due to his sudden demise.

Mr. Bharatkumar R Desai, appointed as an Additional Director by the Board and who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidatures for the office of Director.

Mr. Mahendra Abhaychand Turakhia, re- appointed as Chairman & Managing Director of the Company for a period of three year by the Board.

Your Directors recommend the appointments and re-appointments of the aforesaid Directors.

### **Auditors**

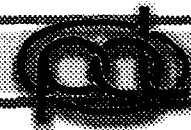
M/s. P. B. Mehta & Associates, Chartered Accounts, Mumbai, Statutory Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting, and are eligible for re-appointment. The Company has received their consent under section 224(1B) of the Companies Act, 1956 for such re-appointment.

### **Fixed Deposits**

The company has not accepted Fixed Deposits from public within the purview of section 58A, of the Companies Act, 1956, during the year under review.

### **Financial Condition and Result of operation**

Management discussion and analysis of financial condition and result of operation of the company for the year under review, as stipulated under clause 49 of listing agreement with the Stock Exchanges are given as a separate statement in this annual report.

**Particulars of Employees**

There are no employees whose particulars are required to be shown in terms of provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

**Directors Responsibility Statement**

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, your Directors state that:-

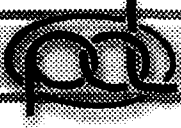
- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to; material departures, if any.
- 2) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of; the company. As at the end of the financial year and profit for the year under review.
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act. For safeguarding the assets of the Company and for the preventing and detecting fraud and other irregularities.
- 4) The Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March 2009 on a "going concern" basis.

**Listing of Equity Shares**

The equity shares of your Company are listed on the Bombay Stock Exchange Limited, Mumbai (BSE) and the Madhya Pradesh Stock Exchange, Indore. The Listing fee for the year 2009-10 has already been paid.

**Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgoes**

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988, is annexed hereto; and form part of this report.



### **Corporate Governance**

Your Company's philosophy on corporate Governance is attainment of the highest level of transparency, accountability and equity in all spheres of operations, interactions with the shareholders, employees, government and others.

A separate section on Corporate Governance from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as Stipulated under clause 49 of the listing Agreement with the Stock Exchanges, form the part of this Annual Report.

### **Acknowledgements**

Our teams across the Company through their competence, hard work, dedication and team spirit, have stretched incessantly to achieve impressive results for you year 2009 and over the years has made your company a great place to work with. The Board wishes to place on the record its sincere appreciation of the effort put in by your company's senior management team, executives and consultants at all levels, with your wishes and trust we endeavors to delivers long term shareholder value.

Your Directors would likes to thank all investors, customers, financial institutions, vendors, banks, government authorities, the registrars, share transfer agents, business/alliance and technology partners for the support.

Your Directors thanks the government of India and support during the year, and look forward to their continued support in the future.

#### **Registered Office:**

B-6 & B-7, Sector-C,  
Industrial Area,  
Sanwer Road,  
Indore - 452001(M.P)

#### **By Order of the Board of Directors**

**Mahendra A. Turakhia**  
Chairman Cum Managing Director

**Place: Indore**

**Date: 31<sup>st</sup> August, 2009**



**Annexure to Director's Report**

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of board of Directors) Rules, 1998 forming part of the Directors Report for the year ended 31<sup>st</sup> March 2009.

**Conservation of Energy**

Energy conservation measures taken; additional investments and proposal being implemented for reduction of consumption if energy.

**FORM 'A'**

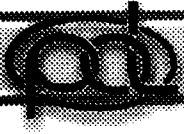
Power and Fuel Consumption

	<b>PARTICULARS</b>	<b>Current Year</b>	<b>Previous Year</b>
1.	<b>Electricity</b>		
	Total Units	388820	475650
	Amount (Rs. In Lacs)	18.24	21.7
	Rate per unit (Rs.)	4.69	4.56
	Consumption per unit of Production (in unit)/Kg	5.84	5.61
2.	<b>Furnace Oil (Diesel)</b>		
	Total units (ltr.)	313514	260689
	Amount (Rs. In Lacs)	33.85	47.20
	Rate per Unit (Rs.)	10.80	18.11
	Consumption per unit of production (in unit) Kg	4.71	2.62

**FORM 'B' TECHNOLOGY ABSORPTION**

Research and Development (R & D)

1.	Specific Areas in which developmental activities carried out by the company	Development of new products and absorption of new technology.
2.	Benefits derived as a result of the above R & D	Improvement in quality, customer satisfaction and productivity
3.	Future plan of action.	Up gradation of technology
4.	Expenditure on R & D	There being no separate R & D cell, the expenditure cannot be quantified



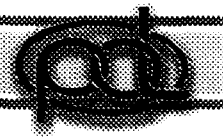
**TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

The management has created a work culture in the organization to foster innovation in all functions including production. The technology used is entirely indigenous. However, continuous efforts are being made towards the modernization and up gradation of technology for higher output of the products qualitatively and quantitatively modernization; and up gradation of technology for higher output of the products qualitatively and quantitatively.

**Foreign Exchange Earnings and Outgoes**

During the year under review Company has imported the raw materials of Rs.55,379,405/- and exported the goods worth Rs.11,181,402/-.

During the year company spent foreign exchange of Rs.52,056/- as commission on Export Sales.

**MANAGEMENT DISCUSSION AND ANALYSIS****OVERVIEW**

The world we see at the end of 2009 is not what it was when the year began. Though the signs had started becoming visible in the second half of 2008, the confirmation of the global recessionary trend during 2009 had significant effects on all macro-economic indicators, highlighted by the failure of huge institutions like Lehman, Bear Stearns, Not only did this have an impact on the demand of commodities industry, it also had a huge impact on economic metrics like foreign exchange fluctuations, stock market valuations, growth expectations etc.

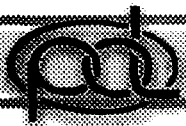
Rapidly changing global economic & business conditions and technological innovation are creating an increasingly competitive environment that is driving companies to transform their operations globally. While the expectations of the customers have increased manifold; we are committed to satisfy the clients with improved quality and accelerated delivery schedules with a focus on developing long terms relationships and strengthening strategic partnerships.

**INDUSTRY STRUCTURE AND DEVELOPMENT**

The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing processes and has also developed excellent GMP (Good Manufacturing Practices) compliant facilities for the production of different dosage forms. The strength of the industry is in developing cost effective technologies in the shortest possible time for drug intermediates and bulk activities without compromising on quality. This is realized through the country's strengths in organic chemicals' synthesis and process engineering.

India is today recognized as one of the leading global players in pharmaceuticals. India is the world's fourth largest producer of pharmaceuticals by volume, accounting for around 8% of global production. In value terms, production accounts for around 1.5% of the world total. The Indian pharmaceutical industry directly employs around 500,000 people and is highly fragmented. While there are around 270 large R&D based pharmaceutical companies in India, including multinationals, government-owned and private companies, there are also around 5,600 smaller licensed generics manufacturers, although in reality only around 3,000 companies are involved in pharmaceutical production. Most small firms do not have their own production facilities, but operate using the spare capacity of other drug manufacturers.

The government has taken some proactive steps to control the situation, but sentiments remain gloomy. However Indian pharmaceutical industry remained less affected compared to other sectors and according to ORG-IMS, registered a growth of more than 10%. Despite the fact that exports grew by more than 30% due to the depreciating rupee there were challenges like falling liquidity in the global market, adverse currency fluctuations and increasing competition in various markets.



## THREATS & OPPORTUNITIES

### Drug Pricing

The domestic pharmaceutical industry is very much dependent on the government's drug pricing policy. It is important for the Government to introduce free and fair competition rather than arbitrary drug control measures to decide prices of essential drugs.

This will ensure that companies like us can manufacture and market all the vital life saving drugs at economical prices.

### Rising Costs and Availability of Materials

The prices of many API's and intermediates have risen significantly due to restriction in production by various Chinese manufacturers. Other factors contributing to such price hike are rise in price of petroleum-based products, frequent shortages and general inflationary conditions.

All these adversely affect the production schedules and overall margins of our Company's products.

## OPPORTUNITIES

### Domestic Markets

The Company has a wide range of pharmaceutical products in its portfolio. We try and tap every lawful opportunity coming our way and follow a focused approach and increased marketing efforts. All these have resulted in increased growth of the Company in the recent years. In the coming years, we shall strive hard to build a strong reputation for ourselves and carve a niche for our products.

### International Markets

The Company is continuously trying to build a large overseas business and revenue from export business accounts for a sizeable component of Company's total turnover. The company is continuously tapping potentially new markets and exporting a wide range of products to these countries.

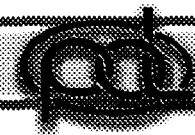
## SEGMENT-WISE PERFORMANCE

The operation of the company consists of the single segment. The company deals in bulk drugs. Hence, Accounting Standard on Segment Reporting (AS-17) issued by Institute of Chartered accountants of India does not apply.

## OUTLOOK

The Indian economy has shown a substantial growth in the year 2008-09 and this will have a positive impact on all the sectors. However, to tap the full potential of this emerging opportunity, the domestic industry needs to improve its cost effectiveness, scale of





operations and quality/reliability in order to be able to compete with other global suppliers in the export market.

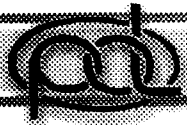
Commodities prices have maintained their high volatility, making it difficult to take long-term view on prices. The appreciation of rupee against dollar has further been a cause of concern for exporters.

We are committed to deliver quality products on a consistent basis and at competitive prices. Our strategy has been to make optimum utilisation of the resources, raw materials, timely production and delivery schedules, safety of the workforce and finally develop strong customer relationship and thereby backing our prime motto to be a customer driven Company.

#### **Factors that may affect our results of the operations**

Our financial conditions and results of operations are affected by numerous factors inter alia—

- Growth of unorganized sector and threat from local regional players
- Change in freight and forwarding charges
- General economic and business conditions;
- Our Company's ability to successfully implement our growth strategy;
- Fluctuation in Exchange rates.
- Prices of raw materials we consume and the products we manufacture;
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;

**Our Results of Operations**

The Breakup of Revenue and Costs of Company is as given below:

	Year ended March 31 2009	Year ended March 31 2008	% Change
<b>INCOME</b>			
Sales & Income from Operation			
Export	13677296	8094805	68.96
Domestic	213171731	181426827	17.50
	<b>226849027</b>	<b>189521632</b>	<b>19.70</b>
Increase/Decrease in Stocks	(613318)	(4573463)	(86.59)
Export Incentives			
<b>TOTAL</b>	<b>226235708.86</b>	<b>184948168.92</b>	<b>(20.21)</b>
<b>EXPENDITURE</b>			
Operating Expenditure	187225300	151079816	23.92
Administrative And Other Expenditure	18453770	13131920	40.53
Finance Charges	3511915	3791992	(7.39)
Depreciation	2808681	2760089	1.76
<b>TOTAL</b>	<b>211999665</b>	<b>170763818</b>	<b>24.15</b>
Profit Before Tax	14236044	14184351	0.36
Less: Provision for Deferred Tax	1062300	413386	156.98
Provision for Income Tax	4875000	2982500	63.45
Provision for Fringe Benefit Tax	168700	145000	16.34
Profit After Tax	8130044	10643465	(23.61)
Income-Tax for earlier Year	(843286)	-	
Balance brought forward	53486655	42843190	24.84
Balance carried to balancesheet	60773413	53486655	13.62
Earning Per Share	1.62	2.12	(23.59)

**(1) Total Income**

Our revenue has increased from Rs.184,948,168/- in Financial Year 2007-08 to Rs.226,235,708/- in Financial Year 2008-09 at a rate of 20.21%. The sales have increased at a rate of 19.70%. Sales in export market has increased from Rs.8,094,805 in Financial Year 2007-08 to Rs.13,677,296/- in Financial Year 2008-09 while sales in domestic market has increased from Rs.181,426,826/- in Financial Year 2007-2008 to Rs.2,13,171,731/- in Financial Year 2008-09. The decrease in stocks has reduced from Rs.4,573,463/- in Financial Year 2007-08 to Rs.613,318/- in Financial Year 2008-09.

**(2) Operating Expenditure:**

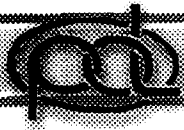
The operating expenditure has increased from Rs.151,079,816/- in Financial Year 2007-2008 to Rs.187,225,299/- in Financial Year 2008-2009. The increase has been 23.92%. The increase in operating expenditure is mainly due to the increase in the cost of the raw material consumed.



- (3) **Administrative and other expenses:**  
The administrative expenses have increased from Rs. 13,131,920/- in Financial Year 2007-08 to Rs.18,453,769/- in Financial Year 2008-09. The expenditure has increased by 40.53% in Financial Year 2008-09.
- (4) **Interest and Financial Charges:**  
Net Financial charges has reduced from Rs.3,791,992/- in Financial Year 2007-08 to Rs.3,511,915/- in Financial Year 2008-2009. The decrease has been 7.39%. The decrease in interest amount is mainly due to the decrease in the car loan amount from Rs. 690,202/- in Financial Year 2007-08 to Rs. 631,718/- in Financial Year 2008-09.
- 5) **Depreciation**  
The depreciation cost has increased from Rs. 2,760,089/- in Financial Year 2007-08 to Rs. 2,808,680/- in Financial Year 2008-09. The increase in the cost of the depreciation is due to the addition of the fixed asset during the year.
- (6) **Net Profit**  
Net profit has decrease from Rs.10,643,465/- in Financial Year 2007-08 to Rs.8,130,044/- in Financial Year 2008-09.

**Other Factors:**

- (1) **Known trends or uncertainties**  
The world economy has witnessed an unprecedented economic crisis causing severe recessionary trends in various countries but Indian pharmaceutical industry remained less affected compared to other sectors.
- (2) **Future relationship between costs and revenues**  
Our Company doesn't see substantial increase in labour cost or other cost related to the product except that raw material prices may go up in near future due to rise in commodity prices. However; any increase in raw material prices would be duly covered in the sales price of the product.
- (3) **Dependence on Single or few suppliers/Customers**  
The Customer base of our Company is very strong as we do not deal with a single customer or supplier. We have a very cordial relationship with all customers and suppliers with whom we have been dealing for a very long time.
- (4) **Significant developments subsequent to last financial year.**  
In the opinion of the Directors, there are no significant changes since the date of the last financial statements, which could materially affect the operations, and Profitability of our Company.



## **INTERNAL CONTROL**

The Company's internal control procedures are tailored to match the organization's pace of growth and increasing complexity of operations. This ensures compliance to various policies, practices and statutes.

We have an adequate system of Internal Control which enables reliable financial reporting, safeguard of assets and encourages adherence to management policies.

The Company has a system for speedy compilation of accounts and management information reports to comply with applicable laws and regulations.

We have a reasonable budgetary control system so that the management can monthly review actual performance against the budget.

A well defined organization structure is in place with authority level, internal rules and guidelines for conducting business transactions.

### **Transaction in which the management is interested in their personal capacity**

During the year 2009, there are no materially significant related party transactions entered into with the management that may have potential conflict with the interest of your Company.

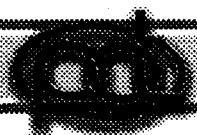
For detailed discussion, refer note No. 18 of Schedule 12 in Notes to Accounts.

### **Human Resource and Industrial Relations**

Industrial relations of the company were cordial during the year and continue to remain peaceful at the factory & office at Indore and the corporate office at Mumbai and all the employees are working with the company for a common objective.

### **Cautionary Statement**

Statements in this Management Discussion and Analysis describing your Company's objectives, projections, estimates and expectations, may be 'forward looking statements' are within the meaning of the applicable laws and regulations. Actual results might differ substantially or materially from those expressed and implied. Important development that could affect your Company's operations include a downtrend in the international market, fall in onsite, offshore rate and significant changes in political and economic environment, environment standards, tax laws, litigations and labour relations.



The detailed report on Corporate Governance, for the financial year ended March 31, 2009 as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

### 1. Company's philosophy on the code of Governance

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company is being managed in a way which ensures accountability, transparency, fairness in all its transactions in widest sense and meet up its stakeholders aspirations and societal expectations.

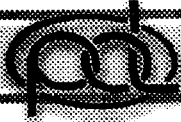
The Company has always endeavored to implement the Corporate Governance process in the most democratic form as maximization of shareholders wealth is cornerstone of your company. For the Company the advent of the revised Clause 49 of the Listing Agreement has paved way for sharing with the stakeholders, the corporate governance practices, which are deeply rooted in the corporate culture of the Company. Your Company has been committed in adopting and adhering to global recognised standards of corporate conduct towards its employees, clients and the society at large. The management team of your Company exerts the strict adherence to corporate governance practices in order to cover the entire spectrum of governance activities and benchmark its practices with the prevailing guidelines of Corporate Governance.

### 2. Board of Directors

The Board of Panchsheel consists of Six Directors with a fair representation of executive, non-executive and independent directors. The Chairman being Executive, as per Listing Agreement, the Company has three independent Directors. There is no institutional nominee on the Board. Details of Directors retiring by rotation and their brief are provided in the notice to Annual General Meeting.

#### 2.1. Composition and category of Directors

<i>Category</i>	<i>Name of Director</i>
Promoter / Executive Director	Mahendra A. Turakhia
Promoter / Non Executive Director	Kishore A. Turakhia Rajesh A. Turakhia
Non Executive and Independent Director	Kiritkumar M. Doshi Radhashyam Ramprasad Tawani Bharatkumar R Desai



## 2.2. Board Meetings

### Attendance of each Director at the Board meetings and the last annual general meeting:

The Company holds regular Board Meetings. The detailed agenda along with the explanatory notes is circulated to the Directors well in advance. The Directors can suggest inclusion of any item(s) in the agenda at the Board Meeting.

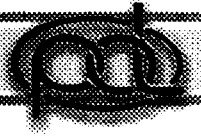
The Company held Six Board Meetings during the year ended 31<sup>st</sup> March, 2009. These were held on 30<sup>th</sup> April, 2008, 31<sup>st</sup> July, 2008, 28<sup>th</sup> August, 2008, 25<sup>th</sup> October, 2008, 20<sup>th</sup> November, 2008 and 31<sup>st</sup> January, 2009.

The attendance of the Directors at the Board Meeting and the Annual General Meeting held during the year ended 31<sup>st</sup> March 2007 was as follows

Directors	Board Meetings attended during the year	Whether attended last AGM	Other Directorships/ Board Committees (Numbers)	
			Directorships (excluding Private Limited Company)	Board Committee Membership/ (Chairmanship)
Mahendra A. Turakhia	6	Yes	None	None
Kishore A. Turakhia	6	Yes	None	None
Rajesh A. Turakhia	4	Yes	None	None
Kiritkumar M. Doshi	5	Yes	None	None
Radhashyam Ramprasad Tawani	5	Yes	None	None
*Ramesh Ochavlal Shah	4	Yes	None	None
*Bharatkumar R Desai	1	No	Bharat Parenterals Limited	None

During the financial year the Company had lost the invaluable services of Mr. Ramesh O. Shah, Director due to his sudden demise and Mr. Bharatkumar R Desai, appointed as an Additional Director by the Board.

Pursuant to the provisions of the Companies Act 1956, Mr. Kishore A Turakhia and Mr. Rajesh A Turakhia retire by rotation and being eligible, offer themselves for re-appointment.

**2.3 Information provided to the Board:**

The Board of the Company is presented with all information under the following heads, whenever applicable and materially significant. These are submitted either as part of the agenda will in advance of the Board Meetings or are tabled in the course of the Board Meetings. This, inter-alia, include:

1. Annual operating plans of businesses, capital budgets, updates.
2. Quarterly results of the Company and its operating divisions or business segments.
3. Minutes of the Audit Committee and other committees.
4. Information on recruitment and remuneration of senior officers just below the Board level.
5. Materially important litigations, show cause, demand, prosecution and penalty notices.
6. Fatal or serious accidents.
7. Any material default in financial obligations to and by the Company or substantial non-payment for services rendered by the Company.
8. Details of any joint venture or collaboration agreement or new client win.
9. Any issue, which involves possible public liability claims of substantial nature, including any judgment or order, which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
10. Transactions hat involve substantial payments towards good-will, brand equity, or intellectual property.
11. Significant development in the human resources front.
12. Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business.
13. Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement.
14. Quarterly update on the return from deployment of surplus funds.
15. Non-compliance of any regulatory or statutory provisions or listing requirements as well as shareholder services as non-payment of dividend and delays in share transfer.

**2.4. Brief resume of Directors who will be retiring by rotation at this Annual General Meeting of the Company**

Mr. Kishor A Turakhia aged 45 years, residing at B/105, Swetambari Apts., 2nd Floor, N. J. Road No. 5, Gulmohar Cross Road No. 6, Mumbai, 400049, who has in-depth knowledge of business and economics.

Mr. Rajesh A Turakhia aged 41 years, residing at B/104, Swetambari Apts., 2nd Floor, N. J. Road No. 5, Gulmohar Cross Road No. 6, Mumbai, 400049, who has technically sound knowledge in the Company's business.

### 3. Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting progress with a view to ensuring accurate timely and proper disclosures and transparency, integrity and quality of financial reporting.

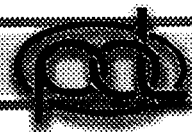
The Committee oversees the work carried out by the management, internal auditors on the financial reporting process and the safeguards employed by them

#### 3.1 Brief description of the terms of reference

The terms of reference of the Audit Committee are as follows:

- (a) To oversee the Company's financial reporting process and the disclosure of its financial information and to ensure that the financial statements are correct, sufficient and credible.
- (b) To recommend the appointment/removal of external auditors, fixing audit fees and to approve payments for any other services.
- (c) To review with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices
  - Major accounting entries based on exercise of judgment by management
  - Significant adjustments arising out of audit
  - The going concern assumption
  - Compliance with the accounting standards
  - Compliance with Stock Exchanges and legal requirements concerning financial statements
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large
- (d) To review and approve annual accounts of the Company and recommended to the Board for consideration or otherwise.
- (e) To review with Management, external and internal auditors, and review the efficacy of internal control systems.
- (f) To review the adequacy of internal audit function, including the structure of The internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (g) To discuss with internal auditors about any significant findings and follow-up thereon.
- (h) To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (i) To discuss with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- (j) To review the Company's financial and risk management policies.





- (k) To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

### 3.2 Composition, Name of Members and Chairman:

The Audit Committee of the Company re-constitutes on 31<sup>st</sup> January, 2009 of three non-executive and Independent directors, viz. Kiritkumar M. Doshi, Kishore A. Turakhia and Bharatkumar R Desai.

### 3.3 Meetings and Attendance during the year 2008-09

The Audit Committee met 5 (Five) times during the year and the attendance record is as per the table given below

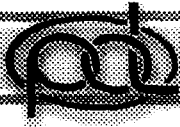
Date of Meeting	Mr. Kiritkumar M. Doshi	Mr. Kishore A. Turakhia	* Mr. Ramesh Ochavlal Shah	* Mr. Bharatkumar R Desai
30/04/2008	√	√	√	-
31/07/2008	-	√	√	-
28/08/2008	√	√	√	-
25/10/2008	√	√	√	-
31/01/2009	√	√	-	√
Total Meetings attended	4	5	4	1

\*During the financial year the Company had lost the invaluable services of Mr. Ramesh O. Shah due to his sudden demise and after Mr. Bharatkumar R Desai, appointed as an Additional Director by the Board.

### 4. Remuneration Committee

The remuneration committee determines and recommends to the Board of Directors, the remuneration payable to the Executive Directors. The Board of Directors approved the remuneration to the Executive Directors on the basis of the performance as well as Company's performance, subject to consents as may be required.

The Non Executive Directors are not paid any remuneration except for the sitting fees for attending the Board Meetings/ Committee Meetings.



The resolutions for the appointment and remuneration payable to the Executive Directors including commission to Managing Director are approved by the shareholders of the company.

The remuneration to the Executive Directors consists of a fixed salary and other perquisites. The leave Travel allowance is paid as per the Company rules. Provident Fund and superannuation are provided for as per the Company's policies. Wherever applicable the perquisites are considered as part of remuneration and taxed as per Income Tax Laws. The Commission recommended by the Remuneration Committee to the Board is paid to the Managing Director in accordance with the provisions of the Companies Act, 1956.

The Remuneration Committee was re-constituted by the Board of Directors at their meeting held on 31<sup>st</sup> January, 2009 in accordance with the requirements of Schedule XIII to the Companies Act, 1956, and Clause 49 of the Listing Agreement with the Stock Exchanges, the Remuneration Committee was constituted comprising of:

Mr. Bharatkumar R Desai	-	Chairman
Mr. Rajesh A. Turakhia	-	Member
Mr. Radheshyam R. Tawani	-	Member

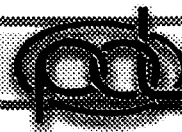
The details of remuneration of Managing Directors for the financial year 2008-2009 are given below:

Particulars	(Rupees in Lacs)		
	2008-09	2007-08	2006-07
Salary and Allowances (Rs.)	1,20,000	1,20,000	1,20,000
Contribution to PF, Superannuation and Gratuity Funds (Rs.)	-	-	-
Commission (Rs.)	-	-	-
Total (Rs.)	1,20,000	1,20,000	1,20,000

The details of remuneration paid to the Non-Executive Directors by way of sitting fees during the financial year 2008-2009 are given below:

(Rupees in Lacs)

Sr. No.	Name of the Non-Executive Director	Sitting fees (Rupees)	Other elements of remuneration
1.	Mr. Kishore A. Turakhia	11,000	-
2.	Mr. Rajesh A. Turakhia	4,000	-
3.	Mr. Kirit M. Doshi	9,000	-
4.	Mr. Ramesh O. Shah	5,000	-
5.	Mr. Radheshyam R. Tawani	8,000	-
6.	Mr. Bharatkumar R Desai	2,000	-



## 5. Shareholders Grievance Committee

### 5.1 Scope of the Committee

The scope of the Shareholders Grievance Committee is to review and address the grievance of the shareholders in respect of share transfers, transmission, non-receipt of annual report, non-receipt of dividend etc, and other related activities. In addition, the Committee also looks into matters which can facilitate better investor's services and relations.

### 5.2 Composition of the Committee

The Committee is headed by Mr. Rajesh A. Turakhia, (non-executive director). Other members of the Committee includes  
Mr. Kishore A. Turakhia  
Mr. Bharatkumar R Desai

### 5.3 Compliance Officer

Mr. Chandrakant A. Shah is the Compliance officer of the Company

## 6. General Body Meetings

### 6.1 Location and time, where last three AGMs were held

Following table details the particulars of the last Three Annual General Meetings of the Company

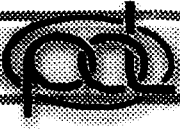
Financial Year	Date & Time	Venue
2005- 2006	30 September, 2006 at 11.00 a.m.	Registered Office
2006-2007	29 September, 2007 at 11.00 a.m.	Registered Office
2007-2008	29 September, 2008 at 11.00 a.m.	Registered Office

### 6.2 Details of the Special Resolutions passed in the previous three AGMs

2004-05: Nil  
2005-06: Nil  
2006-07: Nil

## 7. Disclosures

### 7.1 Disclosures regarding materially significant related party transactions



No transaction of material nature has been entered into by the Company with its Promoters or Directors or management or relatives etc. that may have potential conflict with the interest of the Company.

All transactions with the Related Parties were in the ordinary course of business and at arms length.

### 7.2 Disclosure

There are no material transactions with related parties, which require separate disclosure. A comprehensive list of related party transactions as required by Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of note no. 18 of schedule 12 to the accounts in the Annual Report.

The Board reviews the risk assessment and minimization procedure from time to time. The risk management issues are discussed in detail in the report of Management Discussion and Analysis.

There is no material pecuniary transaction with any Non-Executive as well as Independent Directors of the Company that requires a separate disclosure.

The Management Discussion and Analysis Report is prepared in accordance with the requirements laid out in Clause 49 of the Listing Agreement.

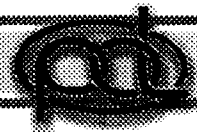
There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

No penalties were imposed on the Company by the Bombay Stock Exchange Limited or SEBI or any other statutory authority on any matter related to capital market during the last three years.

The details of compliance with mandatory requirements of Clause 49 are as contained in this Report.

### 7.3 Prevention of Insider Trading

In compliance With the Securities and Exchange Board of India (Prevention of Insider Trading) Regulations 1992, as amended till date on prevention of Insider Trading, the Company has a comprehensive code of conduct and the same is being strictly adhered by its management staff and relevant business associates. The code expressly lays down the guidelines and the procedure to be followed and disclosures to be made while dealing with shares of the company and cautioning them on the consequences on non-compliance thereof.



The Company follows quiet periods (closure of trading window) prior to its publication of unpublished price sensitive information. During the quiet period, the Company has set up a mechanism where the management and relevant staff and business associates of the Company are informed not to trade in Company's securities.

The company also affirms that no personnel has been denied access to the audit committee

#### **7.4 Code of conduct**

In terms of Clause 49 of the Listing Agreement(s), the Company has adopted a Code of Conduct for the board of Directors and Senior Management Personnel of the Company. The same has been posted on the Company's website. The Declaration by the Chairman of the Company forms part of this Report.

#### **7.5 Details of Compliance with Clause 49 of the Listing Agreement**

The Company has complied with the provisions of Clause 49 of the Listing Agreement

#### **8 Means of Communication**

- (a) Half-yearly report were sent to each household of shareholders
- (b) The quarterly and half yearly results are published in The FREE PRESS JOURNAL (National Daily) and CHAUTHA SANSAR (Regional Newspaper).

#### **9. Management Discussion and Analysis**

The Company has provided a detailed Management Discussion and Analysis report in its Annual Report and the same forms part of the Annual Report.

#### **10. General Shareholder Information**

##### **10.1 Forth Coming Annual General Meeting**

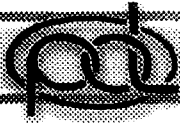
The forthcoming Annual General Meeting of the Company is scheduled to be held on Wednesday, the 30<sup>th</sup> day of September, 2009 at the Registered Office of the Company at 11.00 a.m. at B-6 & B-7, Sector C, Industrial Area, Sanwer Road, Indore

##### **10.2 Financial Year of the Company**

1<sup>st</sup> April to 31<sup>st</sup> March

##### **10.3 Date of Book Closure**

From 26<sup>th</sup> September, 2009 to 30<sup>th</sup> September, 2009

**10.4 Listing on Stock Exchange**

The Bombay Stock Exchange Limited, Mumbai  
The Madhya Pradesh Stock Exchange, Indore

**10.5 Stock Code**

**531726** on The Bombay Stock Exchange Limited, Mumbai  
**2853** on The Madhya Pradesh Stock Exchange, Indore

**10.6 The ISIN of Panchsheel Organics Limited on both NSDL and CDSL**

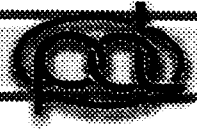
INE 316G01019

**10.7 Market Price Data: High Low during each month in Financial Year i.e. April 2008 to March 2009**

Month	Open Price	High Price	Low Price	Close Price	No. of Shares
April 2008	13.00	16.87	12.00	15.92	17623
May 2008	17.45	18.35	14.15	14.85	25114
June 2008	15.57	16.20	10.72	10.79	5285
July 2008	10.26	16.47	9.32	15.75	9615
August 2008	15.00	16.15	12.70	13.10	11952
September 2008	12.50	15.99	12.50	13.26	9708
October 2008	13.90	13.92	9.79	11.19	4432
November 2008	10.64	13.46	8.56	8.96	12426
December 2008	9.39	10.81	7.06	7.06	20367
January 2009	7.41	11.34	6.55	11.04	58263
February 2009	10.49	12.35	9.60	9.76	6693
March 2009	9.28	9.28	6.50	6.50	256164

**10.8 Registrar and Share Transfer agents**

Purva Share Registry (I) Private Limited  
ShivShakti Industrial Estate, Unit No. 9, 7/B  
Sitaram Mill Compound, J. R. Boricha Marg  
Lower Parel, Mumbai- 400 001



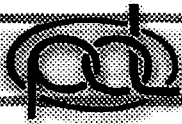
### 10.9 Share transfer system

Shares sent for transfer in physical form are registered and returned by Registrar and Share transfer agents within 30 days from the date of receipt of documents, provided the documents are found in order. Share under objection are returned within 21 days. There have been no instances of transfer of shares in the physical form during the financial year 2008-09.

### 10.10 Distribution of shareholding and shareholding pattern as on March 31, 2009

Distribution of shareholding

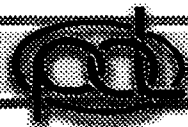
SHARES Category	SHARE HOLDERS		SHARE AMOUNT	
	No of share holders	% to total share holders	Total Equity in Rupees	% to total equity
Up to - 5000	892	65.54	2324520	4.63
5001 - 10000	202	14.84	1761550	3.51
10001 - 20000	114	8.38	1796110	3.58
20001 - 30000	41	3.01	1089760	2.17
30001 - 40000	14	1.03	506370	1.01
40001 - 50000	18	1.32	832740	1.65
50001 - 100000	31	2.28	2328590	4.64
100001 and Above	49	3.60	39514360	78.79
TOTAL	1361	100.00	50154000	100



Shareholding Pattern as on March 31, 2009

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	
					As a percentage of(A+B) <sup>1</sup>	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group <sup>2</sup>					
1	Indian					
(a)	Individuals/ Hindu Undivided Family	15	1480310	1480310	29.52	29.52
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00
(c)	Bodies Corporate	1	598800	0	11.94	11.94
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00
(e)	Any Others(Specify)	0	0	0	0.00	0.00
	Sub Total(A)(1)	16	2079110	1480310	41.45	41.45
2	Foreign					
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0.00	0.00
b	Bodies Corporate	0	0	0	0.00	0.00
c	Institutions	0	0	0	0.00	0.00
d	Any Others(Specify)	0	0	0	0.00	0.00
d-i		0	0	0	0.00	0.00
d-ii		0	0	0	0.00	0.00
	Sub Total(A)(2)	0	0	0	0.00	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	16	2079110	1480310	41.45	41.45
(B)	Public shareholding					
1	Institutions					
(a)	Mutual Funds/ UTI	0	0		0.00	0.00
(b)	Financial Institutions / Banks	0	0		0.00	0.00
(c)	Central Government/ State Government(s)	0	0		0.00	0.00
(d)	Venture Capital Funds	0	0		0.00	0.00
(e)	Insurance Companies	0	0		0.00	0.00
(f)	Foreign Institutional Investors	0	0		0.00	0.00





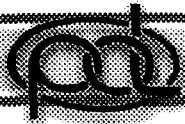
Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B) <sup>1</sup>	As a percentage of (A+B+C)
(g)	Foreign Venture Capital Investors	0	0		0.00	0.00
(h)	Any Other (specify)	0	0		0.00	0.00
	Sub-Total (B)(1)	0	0	0	0.00	0.00
B 2	Non-institutions					
(a)	Bodies Corporate	48	876545	38805	17.48	17.48
(b)	Individuals					
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	1269	1225744	720784	24.44	24.44
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	26	774001	581401	15.43	15.43
(c)	Any Other (specify)					
(c-i)	NRI (Repat and Noon Repat)	2	60000	60000	1.20	1.20
	Sub-Total (B)(2)	1345	2936290	1400990	58.55	58.55
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	1345	2936290	1400990	58.55	58.55
	TOTAL (A)+(B)	1361	5015400	2881300	100	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued					0.00
	GRAND TOTAL (A)+(B)+(C)	1361	5015400	2881300	100	100

### 10.11 Dematerialisation of Shares

As on 31<sup>st</sup> March, 2009, 9,17,134 equity shares of Rs.10/- each were in dematerialized form with NSDL and 19,64,166 equity shares of Rs. 10/- each were in dematerialized form with CDSL constituting 18.29% and 39.16% respectively of the paid-up capital.

### 10.12 Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

Not issued



**10.13 Plant Locations**

The Companies Plants are located at B6 & B7, Sector C, Industrial Area, Sanwar Road, Indore, Madhya Pradesh.

**10.14 Address for correspondence**

**For any Query relating to the Shares of the Company**

**Purva Share Registry (I) Private Limited**

Shiv Shakti Industrial Estate, Unit No. 9, 7/B, Sitaram Mill Compound, J. R. Boricha Marg, Lower Parel, Mumbai- 400 001

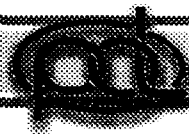
Any other Query

**Secretarial Department**

**Panchsheel Organics Limited**

B-6 & B-7, Sector C, Industrial Area, Sanwar Road, Indore, M.P.

Email: poltd@vsnl.com

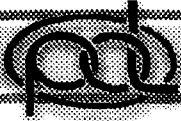


**DECLARATION BY THE CEO/MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

**Managing Director's Certification pursuant to Clause 49 of the Listing Agreement**

I, Mahendra Turakhia, Chairman & Managing Director of Panchsheel Organics Limited, to the best of my knowledge and belief, certify that:

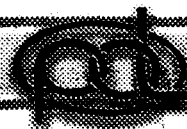
1. I have reviewed the Balance Sheet as on 31<sup>st</sup> March, 2009 and Profit and Loss Account for the year ended (consolidated and unconsolidated) as on that date along with all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report;
2. Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on my knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of, the company's affairs, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. To the best of my knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
5. I am responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and I have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the company, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Company's disclosure, controls and procedures; and
  - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;



6. I have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company (and persons performing the equivalent functions)
  - a) all deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
  - b) significant changes, if any, in internal controls during the year covered by this report;
  - c) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements;
  - d) instances of significant fraud of which I am aware, that involves management or other employees who have a significant role in the Company's internal control system;
7. I affirm that I have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and I have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
8. I further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

**For Panchsheel Organics Limited**

**Mahendra A. Turakhia**  
**Managing Director**



## **P.B. MEHTA & ASSOCIATES**

### **Chartered Accountants**

**Parag B. Mehta**  
**Proprietor**  
**B.Com., F.C.A.**

**Ph. : (O) 265 - 553897**  
**Mobile : 9271 0711**  
**E-mail: parag\_igd@rediffm**

**Baroda Office :**  
214, Pujer Complex,  
Nr. Ganga Jamuna Hosp.,  
Subhanpur  
Baroda - 390 23  
Mobile : 98258 67008

**Mumbai Office :**  
12, Sushma Building,  
Linking Road Extn.,  
Santacruz (West)  
Mumbai - 400 054  
Ph : 022 - 26614820

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#### **AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

##### **To the Members of Panchsheel Organics Limited**

We have examined the compliance of conditions of Corporate Governance by Fortune Financial Services (India) Limited (the Company) for the year ended on March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock exchanges.

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

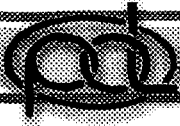
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-referred Listing Agreement except to the requirement with respect to constitution of the Board of Directors with not less than 50% as Independent Directors considering the Chairman being executive.

We have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For P. B. Mehta & Associates**  
**Chartered Accountants**

**P. B. Mehta**  
**Proprietor**

**AUDITOR'S REPORT**

To the members of *Panchsheel Organics Limited*.

We have audited the attached Balance Sheet of *Panchsheel Organics Limited*, as at 31st March, 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test check 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.

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 enclosed in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

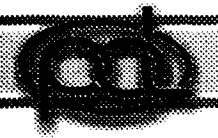
Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account 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 March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 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 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009; and
  - (b) in the case of Profit & Loss Account, of the Profit for the period ended on that date.
  - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

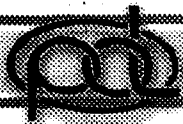
For **P B Mehta & Associates**  
Chartered Accountants

**Parag B Mehta**  
Proprietor  
Membership: 39878

Place: Indore  
Date: 31<sup>st</sup> August, 2009

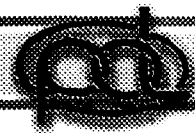
**Annexure to the Auditor's report for the year period March 31, 2009**

- 1) In our opinion and according to the information and explanations given to us the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- 2) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the management has physically verified fixed assets during the year and no material discrepancies were noticed on such verification.
- 3) The assets disposed off during the year do not constitute a substantial part of the total fixed assets of the company. Hence, there is no affect on the going concern status of the company.
- 4) The inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. In case of material lying with third parties, the company has obtained certificates confirming such inventory.
- 5) In our opinion and according to the information and explanations given to us, the Procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- 6) In our opinion and according to information and explanation given to us, the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stock were not material and have been properly dealt with in the books of accounts.
- 7) As informed to us, during the year, the Company has not granted any loans to parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- 8) As informed to us, the Company had not taken any unsecured loan from the directors / share holders and their relatives.
- 9) In our opinion, the rate of interest and other terms on which the said loan have been taken or not, prima facie, prejudicial to the interest of the Company.
- 10) 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 for purchase of inventory, fixed assets and sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.



- 11) In our opinion and according to the information and explanations given to us, the company has entered all the transactions that need to be entered in the register in pursuance of Section 301 of the Companies Act.
- 12) In our opinion and according to the information and explanations given to us, The Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- 13) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 14) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of any of the product of the Company.
- 15) According to the information and explanations given to us, and on the basis of our examination of the books of account, we report that the Company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, custom duty, wealth tax and other material statutory dues applicable to it.
- 16) According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, wealth tax, custom duty and cess were in arrears as at March 31, 2009 for a period of more than six months from the date they became payable.
- 17) According to the information and explanations given to us, there are no undisputed income tax, excise duty, sales tax and custom duty that have not been paid to the concern authorities.
- 18) The Company does not have any accumulated losses at the end of the financial year nor has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 19) In our opinion and according to the information and explanations given to us and on overall examination of the balance sheet, we report that company has not defaulted in repayment of dues to any loans from financial institution or bank.
- 20) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 21) In our opinion, the company is not a chit fund, nidhi, mutual benefit or society.



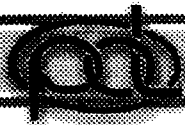


- 22) According to the information and explanations given to us, the company is not dealing or trading in shares, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the company.
- 23) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- 24) In our opinion and according to the information and explanation given to us and on overall examination of the balance sheet of the company, we report that the company has obtained any term loans during the year.
- 25) In our opinion and according to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that the short-term funds raised have not been used for long-term investment and vice versa.
- 26) In our opinion and according to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 27) In our opinion and according to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that company has not issued any debentures.
- 28) In our opinion and according to the information and explanation given to us and on overall examination of the balance sheet, we report that the company has not raised any money by public issues during the year.
- 29) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year has been noticed or reported during the year.

**For P B Mehta & Associates**  
Chartered Accountants

**Parag B Mehta**  
Proprietor  
Membership: 39878

**Place: Indore**  
**Date: 31<sup>ST</sup> August, 2009**

**BALANCE SHEET AS AT 31 ST MARCH 2009**

<b>Particulars</b>	<b>Schedule</b>	<b>As at March 31, 2009</b>	<b>As at March 31, 2008</b>
<b><u>SOURCES OF FUNDS</u></b>			
<b>SHAREHOLDER'S FUND</b>			
Share Capital	1	50,154,000.00	50,154,000.00
Reserve & Surplus	2	70,430,818.76	61,919,060.94
Deferred Tax (Liability) / Asset		12,628,380.00	11,566,080.00
<b>LOAN FUNDS</b>			
Secured Loan	3	36,735,167.58	30,669,931.01
<b>Total Funds Employed</b>		<b>169,948,366.34</b>	<b>154,309,071.95</b>

**APPLICATION OF FUNDS**

Fixed Assets	4	76,031,541.64	67,854,390.38
Investments	5	6,000.00	6,000.00
Current Assets & Loans And Advances	6	144,586,122.35	142,391,059.63
Less : -			
Current Liabilities & Provisions	7	50,675,297.65	55,942,378.06
Net Current Assests		93,910,824.70	86,448,681.57
<b>Total Funds Applied</b>		<b>169,948,366.34</b>	<b>154,309,071.95</b>

**Notes To Accounts** 12 For and on behalf of the Board

As per our report attached

For *P B Mehta & Associate s*  
*Chartered Accountants*

**Parag B Mehta**  
*Proprietor*

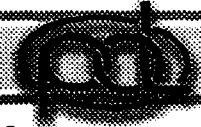
Place : Indore

Dated : 31st August 2009

**Mahendra Turakhia**  
*Chairman & Managing Director*

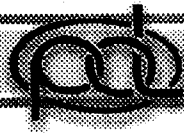
**Kishore Turakhia**  
*Director*

**Rajesh Turakhia**  
*Director*



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009**

Particulars	Schedule	As at March 31, 2009	As at March 31, 2008
<b>INCOME</b>			
<b>Sales &amp; Income from Operation</b>			
Export		13,677,296.40	8,094,805.00
Domestic		213,171,730.49	181,426,826.92
		226,849,026.89	189,521,631.92
Increase / Decrease In Stocks	8	(613,318.03)	(4,573,463.00)
<b>TOTAL</b>		<b>226,235,708.86</b>	<b>184,948,168.92</b>
<b>EXPENDITURE</b>			
Operating Expenditure	9	187,225,299.51	151,079,816.17
Administrative And Other Expenditure	10	18,453,769.52	13,131,920.22
Finance Charges	11	3,511,915.07	3,791,992.39
Depreciation	4	2,808,680.94	2,760,089.00
<b>TOTAL</b>		<b>211,999,665.04</b>	<b>170,763,817.78</b>
Profit Before Tax		14,236,043.82	14,184,351.14
Less : Provision for Deferred Tax		1,062,300.00	413,386.00
Provision for Income Tax		4,875,000.00	2,982,500.00
Provision for Fringe Benefit Tax		168,700.00	145,000.00
Profit After Tax		8,130,043.82	10,643,465.14
Income-Tax for earlier Year		(843,286.00)	-
Balance brought forward		53,486,654.94	42,843,189.80
Balance carried to balance Sheet		60,773,412.76	53,486,654.94
Earnings Per Share		1.62	2.12
As per our report attached For P B Mehta & Associates Chartered Accountants			For and on behalf of the Board  <b>Mahendra Turakhia</b> Chairman & Managing Director
<b>Parag B Mehta</b> Proprietor			<b>Kishore Turakhia</b> Director
Place : Indore			<b>Rajesh Turakhia</b> Director
Dated : 31st August 2009			

**Schedules to the Accounts**

<b>Particulars</b>	<b>As at March 31, 2009</b>	<b>As at March 31, 2008</b>
<b>SCHEDULE : 1 : SHARE CAPITAL</b>		
<b>Authorized Capital</b>		
60,00,000 Equity Share of Rs. 10/- each	60,000,000.00	60,000,000.00
<b>Issued Subscribed and Paid up</b>		
50,15,400 Equity Share of Rs. 10/- each	50,154,000.00	50,154,000.00
<b>TOTAL</b>	<b>50,154,000.00</b>	<b>50,154,000.00</b>
<b>SCHEDULE : 2 : RESERVE &amp; SURPLUS</b>		
<b>General Reserve :</b>		
Balance as per Last Balance Sheet	959,560.00	959,560.00
<b>Capital Reserve :</b>		
Subsiby from UNIDO	5,697,846.00	4,472,846.00
<b>Share Premium :</b>		
Balance as per Last Balance Sheet	3,000,000.00	3,000,000.00
<b>Profit &amp; Loss Account :</b>		
Balance as per last Balance Sheet	53,486,654.94	42,843,189.80
Add : Profit for the year	7,286,757.82	10,643,465.14
	60,773,412.76	53,486,654.94
<b>TOTAL</b>	<b>70,430,818.76</b>	<b>61,919,060.94</b>
<b>SCHEDULE : 3 : SECURED LOANS</b>		
<b>TERM LOAN</b>		
From M.P Financial Corp (Secured by hypothecation of Fixed Assets)	18,945,511.00	12,661,204.00
From HDFC Bank Ltd (Car Loan)	631,718.50	690,202.93
<b>WORKING CAPITAL LOAN</b>		
From State Bank Of India (Secured against first charge by hypothecation of stock and book debts and second charges on fixed assets of the Company and personally guaranteed by three Directors of Company)	14,926,361.08	15,104,630.08
	2,231,577.00	2,213,894.00
<b>TOTAL</b>	<b>36,735,167.58</b>	<b>30,669,931.01</b>

# PANCHSHEEL ORGANICS LIMITED



## SCHEDULE : 4 : FIXED ASSETS

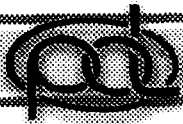
### Schedules to the Accounts

NO.	Particulars	GROSS BLOCK			DEPERECIATION			NET BLOCK	
		Total	Addition	Total	Depreciation	Provision	Total	Total	Total
		as on	during	as on	as on	during	Depreciation	as on	as on
		01/04/2008	the year	31/03/2009	01/04/2008	the year		31/03/2009	31/03/2008
1	Land (Lease Hold)	53,529.00	-	53,529.00	-	-	-	53,529.00	53,529.00
2	Site Developments	1,342,500.38	-	1,342,500.38	530,019.87	44,716.66	574,736.53	1,297,783.72	1,342,500.38
3	Factory Building	6,387,419.67	410,490.00	6,797,909.67	2,187,161.78	220,033.48	2,407,195.26	6,577,876.19	6,387,419.67
4	Plant & Machinery	25,771,120.79	5,286,064.20	31,057,184.99	14,379,277.02	1,323,529.79	15,702,806.81	29,733,655.20	25,771,120.79
5	Laboratory Testing Equipments	4,823,417.75	265,089.00	5,088,506.75	2,790,200.14	234,269.37	3,024,469.51	4,854,237.38	4,823,417.75
6	Electric Installation	1,464,163.44	47,748.00	1,511,911.44	817,987.62	70,611.63	888,599.25	1,441,299.81	1,464,163.44
7	Furniture & Fixtures	1,408,709.43	25,000.00	1,433,709.43	737,711.57	87,611.76	825,323.33	1,346,097.67	1,408,709.43
8	Office Equipments	68,001.03		68,001.03	101,368.97	3,221.20	104,590.17	64,779.83	68,001.03
9	Vehicles	2,347,111.49	441,567.00	2,788,678.49	1,185,885.51	231,058.12	1,416,943.63	2,557,620.37	2,347,111.49
10	Pollution Control Equipments	416,580.63		416,580.63	714,219.37	19,733.37	733,952.74	396,847.26	416,580.63
11	Computer	199,884.07	21,154.00	221,038.07	320,945.47	34,008.16	354,953.63	187,029.91	199,884.07
12	Wind Power Project	11,397,276.00		11,397,276.00	602,724.00	539,887.40	1,142,611.40	10,857,388.60	11,397,276.00
13	Plant & Machinery (Un Installed)	2,063,721.00		2,063,721.00	-	0.00	-	2,063,721.00	2,063,721.00
14	Plant & Machinery (UNIDO)	2,999,900.00	1,225,000.00	4,224,900.00	-	0.00	-	4,224,900.00	2,999,900.00
	<b>TOTAL</b>	<b>60,743,334.68</b>	<b>7,722,112.20</b>	<b>68,465,446.88</b>	<b>24,367,501.32</b>	<b>2,808,681</b>	<b>27,176,182.26</b>	<b>65,656,765.94</b>	<b>60,743,334.68</b>

### PANCHSHEEL ORGANICS LTD

#### Poanta Sahib, Himachal Pradesh

NO.	Particulars	Total	Addition	Total	Depreciation	Provision	Total	Total	Total
		as on	during	as on	as on	during	Depreciation	as on	as on
		01/04/2008	the year	31/03/2009	01/04/2008	the year		31/03/2009	31/03/2008
1	Land	870,850.00	-	870,850.00	0.00	0.00	0.00	870,850.00	870,850.00
2	Factory Building (Under Construction)	5,967,835.70	2,335,254.00	8,303,089.70	0.00	0.00	0.00	8,303,089.70	5,967,835.70
3	Electric Installation (Un Installed)	272,370.00	103,036.00	375,406.00	0.00	0.00	0.00	375,406.00	272,370.00
3	Plant & Machinery	0.00	825,430.00	825,430.00	0.00	0.00	0.00	825,430.00	-
	<b>TOTAL</b>	<b>7,111,055.70</b>	<b>3,263,720.00</b>	<b>10,374,775.70</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10,374,775.70</b>	<b>7,111,055.70</b>
	<b>TOTAL</b>	<b>67,854,390.38</b>	<b>10,985,832.20</b>	<b>78,840,222.58</b>	<b>24,367,501.32</b>	<b>2,808,680.94</b>	<b>27,176,182.26</b>	<b>76,031,541.64</b>	<b>67,854,390.38</b>

**SCHEDULES : 5 : INVESTMENT**

10 Shares in Gujrat Mercantile Credit Co Op Soc Ltd	1,000.00	1,000.00
Indira Vikas Patra	5,000.00	5,000.00
<b>TOTAL</b>	<b>6,000.00</b>	<b>6,000.00</b>

**SCHEDULE : 6 : CURRENT ASSETS, LOANS & ADVANCES****A . Current Assets****a. INVENTORIES**

Raw Material	47,260,497.00	26,102,959.00
Work In Progress	10,238,773.00	12,271,255.00
Finished Goods :		
i) Manufacturing	14,301,787.97	12,882,624.00

**Pharma Div**

i) Trading	6,051,806.73	8,491,467.06
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<b>SUB-TOTAL (a)</b>	<b>77,852,864.70</b>	<b>59,748,305.06</b>
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**b. TRADE DEBTORS**

(Unsecured, Considered good)

Due over 6 months	5,382,893.87	9,267,270.04
Others	51,806,355.49	58,925,647.04
<b>SUB-TOTAL (b)</b>	<b>57,189,249.36</b>	<b>68,192,917.08</b>

**c. CASH & BANK BALANCES**

Cash In Hand	534,643.11	427,085.03
Balance with Scheduled Banks		
- In Current account (Temporary Over Draft)	(2,471,177.24)	(2,212,854.28)
- In Fixed deposit account	1,877,824.00	1,877,824.00
<b>SUB-TOTAL (c)</b>	<b>(58,710.13)</b>	<b>92,054.75</b>

**d. SUNDRY DEPOSITS**

Sundry Deposits	1,144,540.00	2,625,554.68
<b>SUB-TOTAL (d)</b>	<b>1,144,540.00</b>	<b>2,625,554.68</b>

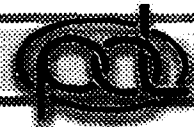
<b>GRAND TOTAL (a + b + c + d)</b>	<b>136,127,943.93</b>	<b>130,658,831.57</b>
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**B : LOANS & ADVANCES**

(Recoverable in cash or in kind or for value to be received )

Staff Advances & Loans	-	-
Sundry Loans	1,460,152.00	6,169,238.00
Advance Given	2,492,201.00	2,275,248.00
Balance with Excise & Sales Tax Department	1,556,776.00	345,319.64
Tax deducted at source	1,314,571.92	1,307,944.92
Prepaid Expenses	158,461.00	158,461.00
Accrued Interest	1,476,016.50	1,476,016.50
<b>Total B</b>	<b>8,458,178.42</b>	<b>11,732,228.06</b>

<b>GRAND TOTAL A + B</b>	<b>144,586,122.35</b>	<b>142,391,059.63</b>
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**SCHEDULE : 7 : CURRENT LIABILITIES & PROVISIONS**

**CURRENT LIABILITIES**

Sundry Creditors	43,584,275.35	51,749,429.44
Outstanding Expenses & Other Payable	1,963,888.84	482,015.16
Other Liabilities	-	500,000.00
Bank Overdrafts (Temporary)	83,433.46	83,433.46
Provision for Income Tax	4,875,000.00	2,982,500.00
Provision for Fringe Benefit Tax	168,700.00	145,000.00
<b>TOTAL</b>	<b>50,675,297.65</b>	<b>55,942,378.06</b>

**SCHEDULE : 8 : INCREASE / (DECREASE) IN STOCKS**

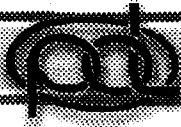
**STOCK AT CLOSE**

Finished Goods	14,301,787.97	12,882,624.00
Work In Process	10,238,773.00	12,271,255.00
	<b>24,540,560.97</b>	<b>25,153,879.00</b>

**STOCK AT COMMENCEMENT**

Finished Goods	12,882,624.00	17,919,607.00
Work In Process	12,271,255.00	11,807,735.00
	<b>25,153,879.00</b>	<b>29,727,342.00</b>

Increase / (Decrease) in stock	<b>(613,318.03)</b>	<b>(4,573,463.00)</b>
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**Schedules to the Accounts**

<b>Particulars</b>	<b>As at March 31, 2009</b>	<b>As at March 31, 2008</b>
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**SCHEDULE : 9 : OPERATING EXPENDITURE****Cost of Material Consumed / Sold****Opening Stock****Manufacturing :**

Import

14,559,772.00

24,478,443.00

Domestic

11,543,187.00

9,461,423.00

Total of Manufacturing

26,102,959.0033,939,866.00**Trading :**

Pharma Division

8,491,467.06

8,038,205.00

Total of Trading

34,594,426.0641,978,071.00**Add : Purchase****Manufacturing :**

Import

71,769,258.00

60,812,624.00

Domestic

47,104,037.35

36,551,539.24

Total of Manufacturing

118,873,295.3597,364,163.24**Trading :**

Domestic

56,652,575.00

8,222,675.00

56,652,575.008,222,675.00**Pharma Division**

Domestic

11,483,727.00

11,718,919.10

Total of Trading

11,483,727.0011,718,919.10221,604,023.41159,283,828.34**Less : Closing Stock****Manufacturing :**

Import

30,382,245.00

14,559,772.00

Domestic

16,878,252.00

11,543,187.00

Total of Manufacturing

47,260,497.0026,102,959.00**Trading :**

Domestic

-

-

Pharma Division

6,051,806.73

8,491,467.06

Total of Trading

53,312,303.7334,594,426.06168,291,719.68124,689,402.28



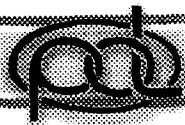


**Schedules to the Accounts**

Particulars	As at March 31, 2009	As at March 31, 2008
Central Sales Tax	0.00	1,700,124.00
Consumables	261,680.00	154,684.00
Contribution To E.S.I.C	51,168.00	53,685.00
Enrty Tax	1,170,923.00	938,573.00
Excise Duty	999,129.00	4,965,218.00
Service Tax	57,424.00	47,775.00
Factory Wages	2,202,737.00	1,971,839.00
Freight Inwards	1,163,995.00	1,165,429.00
Insurance	172,901.00	270,966.00
M P Commercial Tax	726,029.83	1,677,198.00
Packing Materials	381,877.00	361,845.10
Power & Fuel	5,035,265.00	7,222,154.70
Processing Charges	5,149,159.00	4,953,525.55
Quality Control Expense	179,195.00	72,739.14
Repairs & Maintenance- to Plant & Mach.	343,467.00	154,226.50
Staff Welfare	334,740.00	342,687.00
Stores & Spares Consumed	549,715.00	335,944.90
Water Charges	154,175.00	1,800.00
<b>TOTAL</b>	<b>187,225,299.51</b>	<b>151,079,816.17</b>

**SCHEDULE : 10 : ADMINISTRATIVE & OTHER EXPENDITURE**

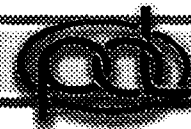
Advertisement	180,865.00	169,194.00
Auditor's Remuneration	39,326.00	33,708.00
Cartage & Hamali, Crain Charges	355,664.00	202,417.00
Commission & Brokerage	1,054,540.88	1,339,872.38
Commission on Export	52,056.00	90,088.00
Computer Expenses	50,171.00	47,361.00
Consolidation Charges	23,479.00	34,598.00
Consultancy Fees/Service Charges	318,266.00	298,727.80
Contribution to Provident Fund	143,454.00	127,576.00
Conveyance	471,728.00	299,607.00
Courier Charges	301,070.97	222,004.68
Director's Remuneration	120,000.00	120,000.00
Director's Sitting Fees	39,000.00	39,000.00
Director's Travelling Expenses	213,613.96	194,353.20
Discount & Kasar	666,159.55	369,166.40
Donation	0.00	4,000.00
Electrical Expenses	35,275.00	20,458.00

**Schedules to the Accounts**

<b>Particulars</b>	<b>As at March 31, 2009</b>	<b>As at March 31, 2008</b>
Export Clearing Charges	1,907,426.89	595,954.40
Export Expenses	9,745.00	10,817.00
Fees & Subscription	154,158.00	318,465.00
Freight Outward	535,806.00	829,325.42
Gifts & Presentation	0.00	55,250.00
House Rent Allowance	173,154.00	155,519.00
Loss on Consignment Sale	49,096.28	0.00
Marketing & sales Promotional Expenses	0.00	596,153.00
Miscellaneous Expenses	189,022.00	88,246.00
Office & Other Expenses	151,704.00	34,190.00
Postage & Telegram & Courier	103,707.00	67,874.12
Printing & Stationary	443,245.00	353,038.00
Rates & Taxes / Property Tax	44,310.00	17,198.00
Rent for Office	401,660.00	250,792.00
Repairs & Maintenance	115,821.00	17,479.00
Salary & Bonus	4,753,113.00	4,995,436.00
Sales Tax Mumbai	2,385,003.49	0.00
Sales Tax Delhi	27,062.00	0.00
Sales Tax Demands of Earlier Years	1,766,614.68	0.00
Security Service	137,988.00	121,232.00
Staff Recruitment	0.00	15,250.00
Telephone Expenses	495,738.82	419,111.82
Testing Chagres	40,156.00	25,750.00
Trade Mark Charges/Registration Fees	7,000.00	0.00
Travelling Expenses	300,038.00	288,154.00
Vehicle Running & Maintenance	76,590.00	67,643.00
Warehousing Charges	120,941.00	196,911.00
<b>TOTAL</b>	<b>18,453,769.52</b>	<b>13,131,920.22</b>

**SCHEDULE : 11 : FINANCE CHARGES**

Interest on Loan	3,193,118.57	3,472,589.04
Bank Charges	318,796.50	319,403.35
<b>TOTAL</b>	<b>3,511,915.07</b>	<b>3,791,992.39</b>

**SCHEDULE 12: NOTES TO ACCOUNTS****1. Significant Accounting Policies**

- (i) **Basics of Accounting:**  
The financial statements are prepared under historical cost convention on an accrual basis and comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (ii) **Fixed Assets:**  
Fixed Assets are stated at cost of acquisition less accumulated depreciation.
- (iii) **Sales:**  
Sales are shown net of returns and include Excise Duty and Sales Tax wherever applicable.
- (iv) **Depreciation:**  
Depreciation on fixed assets has been provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (v) **Inventories:**  
Inventories are valued at cost or market price, whichever is lower.
- (vi) **Investments:**  
Investments are valued at cost.
- (vii) **Excise duty:**  
Sales and Purchase are inclusive of excise duty.
- (viii) **Foreign Currency Transaction:**  
Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction any.  
Exchange Gain/Loss is credited / debited in Export Sales Account.
- (ix) **Recognition of income & expenditure:**  
All income and expenditure are accounted on accrual basis. However, provision for leave encashment and retirement benefits are accounted for on cash basis.
- (x) **Miscellaneous Expenditure/Public Issue Expenses:**  
These are written off over the estimated period of utilisation in 10 years.

**2. Contingent Liabilities not provided for:**

Bank Guarantee to custom authorities Rs. 3,55,824 (3,55,824).

For the same above the Company has deposited F.D.R. of full amount.

**3. The Company does not provide for Leave Encashment benefit and Gratuity liability on accrual basis since the same is accounted for on cash basis****4. The Company has received advance licenses for duty free imports against exports made or to be made, from Joint Controller of Exports & Imports. The Company has treated these as stock, as the imports there against will be made in future. However, no authoritative Guidance Note from the Institute of Chartered Accountants of India is available on this item except the opinion of the Expert Advisory Committee.****5. Payment of Remuneration to Director Rs. 1,20,000.00 (1,20,000.00)**

6. In the opinion of the Board of Directors of the Company, the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount which they are stated and the provisions for all known liabilities are adequate and not in excess of the amount reasonably necessary.

7. C.I.F. Values of Imports:

Sr. No.	Items	2008-2009	2007-2008
a)	Raw Materials	55379405.00	60812624.00
b)	Capital Goods	---	741889.00

8. Raw Materials Consumed: (As informed by management)

	2008	2009	2007	2008
	%	Value	%	Value
Imported	56.59	54446785.00	67.23	7,07,31,295.00
Indigenous	43.41	41768972.35	32.77	3,44,69,775.00
<b>Total</b>	100.00	96215757.35	100.00	10,52,01,070.00

9. Expenditure in foreign currency:

Commission Rs. 52056.00

10. F.O.B. Value of earnings in foreign exchange Rs. 11181402.00

11. Licensed and installed capacity (as given and certified by the Management and Relied upon by the auditors, being a technical matter):

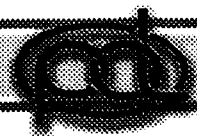
Capacity	Item	Capacity (in Kgs)
Licensed Capacity	Bulk Drug	N. A.
Installed Capacity	Bulk Drug	1,20,000 (36900)
Actual Production	Bulk Drug	66564.71 (93826)

12. Quantitative details of finished goods:

The Quantities are in Kgs and Value is in Lacs of Rupees)

A. Manufactured Goods:

Name	Opening Stock		Production	Sales		Closing Stock	
	Qty	Value		Qty	Value	Qty	Value
Bulk Drug	8451.27	127.63	66569.71	66229.36	1623.92	8791.62	173.97
	(5983.06)	(173.67)	(93825.88)	(91357.57)	(1661.90)	(8451.37)	(127.63)



13. Quantitative details of raw materials: (Rs. in Lacs)

Item	Year	Consumption Qty	Value
Intermediates and Other items (Inclusive of process materials)	2008 – 09	450137.30	958.42
Intermediates and Other items (Inclusive of process materials)	2007 – 08	488162.70	981.98

14. Previous year figures have been placed in brackets and have been re -grouped and re-arranged wherever necessary.

15. Some additional information figures have not been given due to practical difficulty in giving the same as informed by the Company.

16. Segment Reporting

The is engaged in the business of manufacturing and trading of Bulk Drugs and marketing of formulation products being the reported business segment as per Accounting Standard as 17 “Segment Reporting” issued by the institute of Chartered Accountants of India. Details as under.

	Bulk	Drugs	Formulation
	Export	Domestic	Domestic
Sales	13677296.40	202935956.63	10235773.46

17. Deferred Tax Liability

Deferred Tax Liability / (Asset) at the year end comprising timing difference on account of

	(Rs In Lacs)
Depreciation	125.84
Expenses Allowable	0.44

18. Related Parties Discloser:

(a) Related Parties are company & partnership Firms

Related Parties with whom transactions have taken place during the year.

1	Turakhia Brothers	Partnership Firm
2	Invochem Laboratories	Partnership Firm
3	Synodrug & Intermediaes	Partnership Firm
4	Suneeta Chemicals	Partnership Firm
5	Panchsheel Organics	Partnership Firm
6	Gene Biotech Pvt Ltd	Private Ltd Co.
7	Arti K Turakhia	Individual

(b) **Particulars of related Parties Transaction:**

The following is a summary of significant related parties Transaction

S.No	Related Party	Sale	Purchase	Processing Charges	Rent	Testing Charges	Commission Paid
1	Turakhia Brothers	839298	6413750	-	55200	-	16725
2	Invochem Laboratories	-	-	-	-	40156	-
3	Synodrug & Intermediates	11133431	3039863	90000	-	-	-
4	Suneeta Chemicals	-	-	4333680	-	-	-
5	Panchsheel Organics	1232	726634	-	-	-	-
6	Gene Biotech P Ltd	419654	8723669	-	-	-	-
7	Arti K Turakhia				48000		

(c) Details of remuneration paid to chairman cum managing director are given in note 5, Schedule-12.

(d) Directors Sitting Fees Rs 39000/-

14. Balance Sheet abstract and Companies General Business Profile:

<b>Registration Details</b>		
Registration No.	:	05390 State Code: 10
Balance Sheet Date	:	31.03.2009
<b>Capital Raised During the year (Rs 000)</b>		
Public Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	NIL
<b>Position of Mobilization of and Deployment of Funds (Rs 000)</b>		
Total Liabilities	:	10004
Total Assets	:	22062
<b>Sources of Funds(Rs 000)</b>		
Paid up Capital	:	50154
Reserves and Surplus	:	83059
Secured Loans	:	36735
Unsecured Loans	:	-
<b>Application of Funds (Rs 000)</b>		
Net Fixed Assets	:	76032
Investments	:	6
Net Current Assets	:	73190
Misc Expenditure	:	-
Accumlated Losses	:	-
<b>Performance of the Company</b>		
Sales & Other Income	:	226849
Total Expenditure	:	212613
Profit Before Tax	:	142.36
Profit After Tax	:	81.30
Earning Per Share	:	1.62
Dividend	:	NIL

Generic Names of Principal Products and ITC Code

a.	Promethazine	29343000
b.	Albendazole	29332909
c.	Imipramine	29420014

As per our report attached  
For P B Meththa & Associates.,  
Chartered Accountants

For and on behalf of the Board  
**MAHENDRA TURAKHIA**  
Chairman & Managing Director

**(PARAG B MEHTA)**  
Proprietor

**KISHORE TURAKHIA**  
Director

Place : Indore  
Date : 31<sup>ST</sup> August, 2009

**RAJESH TURAKHIA**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009**

	2008 - 09	2007 - 08
<b>(A) Cash flow from Operating Activities</b>		
Net Profit	142.36	141.84
<b>ADJUSTMENT FOR</b>		
Depreciation	28.09	27.60
Preliminary Expenses	0.00	0.00
Export Incentive	0.00	0.00
Earlier Year Items	0.00	0.00
Operating Profit Before	170.45	169.44
<b>ADJUSTMENT FOR</b>		
Inventories	(181.05)	119.57
Debtors	110.04	(20.44)
Deposits & Balances	14.81	(3.50)
Loans & Advances	32.74	(62.78)
Current Liabilities	<u>(71.83)</u>	<u>(244.35)</u>
Direct Taxes Paid	(34.39)	(31.28)
Cash Generated from Operation	40.77	52.23
<b>(B) INVESTING ACTIVITIES</b>		
Fixed Assets	(109.85)	(77.51)
Misc. Expenses	0.00	0.00
Investment	0.00	0.00
<b>(C) FINANCING ACTIVITIES</b>		
Share Capital	0.00	0.00
Terms Loans	71.27	9.39
Working Capital Loans	<u>(1.61)</u>	<u>14.89</u>
Unsecured Loans	0.00	0.00
	(0.58)	(0.99)
<b>NET CASH FLOW DURING THE YEAR</b>		(0.99)
Opening Balances	0.92	1.91
Closing Balance	(0.58)	0.92

As per our report attached  
For P B Meththa & Associates.,  
Chartered Accountants

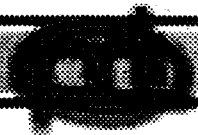
**(PARAG B MEHTA)**  
Proprietor  
Place : Indore  
Date : 31<sup>ST</sup> August, 2008.

For and on behalf of the Board  
**MAHENDRA TURAKHIA**  
Chairman & Managing Director

**KISHORE TURAKHIA**  
Director

**RAJESH TURAKHIA**  
Director





**P.B. MEHTA & ASSOCIATES**  
**Chartered Accountants**

**Parag B. Mehta**  
**Proprietor**  
**B.Com., F.C.A.**

**Ph. : (O) 265 - 553897**  
**Mobile : 9271 0711**  
**E-mail: parag\_igd@rediffmail.com**

**Baroda Office :**  
214, Pujer Complex,  
Nr. Ganga Jamuna Hosp.,  
Subhanpur  
Baroda – 390 23  
Mobile : 98258 67008

**Mumbai Office :**  
12, Sushma Building,  
Linking Road Extn.,  
Santacruz (West)  
Mumbai – 400 054  
Ph : 022 - 26614820

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**AUDITOR'S REPORT**

We have examined the above Cash Flow Statement of Panchsheel Organics Limited for the year ended 31<sup>st</sup> March 2009. The statement has been on and is in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report to the members of the Company.

**For P B Mehta & Associates.,**  
*Chartered Accountants*

**(PARAG B MEHTA)**  
Proprietor  
Membership : 39878

**Place : Indore**  
**Date : 31<sup>st</sup> August, 2009**







**Panchsheel Organics Limited**  
Registered Office : B-6 & B-7, Sector-C,  
Industrial Area, Sanwer Road, Indore (M.P.)

**ATTENDANCE SLIP**  
20<sup>th</sup> Annual General Meeting on 30<sup>th</sup> September, 2009

No. ....

Mrs./Miss. ....

I hereby declare that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the 20<sup>th</sup> ANNUAL GENERAL MEETING of the Company being held at B-6 & B-7, Sector- C, Industrial Sanwer Road, Indore (M.P.) on Saturday, 30<sup>th</sup> Day of September 2009 at 11.00 AM.

.....  
Member's name in Block Letters

.....  
Members'/Proxy's Signature

ES:

Shareholders/Proxy holders are requested to bring the attendance slips with them when they come to the Meeting and hand them over at the entrance after affixing their signatures on them.

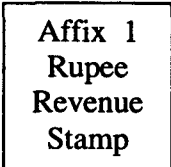
If it is intended to appoint a proxy, the Form of Proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the Meeting.

**Panchsheel Organics Limited**  
Registered Office: B-6 & B-7, Sector-C,  
Industrial Area, Sanwer Road, Indore (M.P.)  
**PROXY FROM**

.....  
..... being a  
Member of Panchsheel Organics Limited holding .....  
Share(s) hereby Appoint .....  
and I am authorizing him / her .....

..... as my/our proxy to vote for me/our on my/our  
part at the Annual General Meeting of the Company to be held on Saturday, the 30<sup>th</sup> day of September, 2009 at 11.00  
AM and at any adjournment thereof.

I witness my/our hand (s) this ..... day of ..... 2009  
Signed by the said .....  
No. ....



Note: If it is intended to appoint a proxy, the Form of Proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the Meeting.

Book-Post



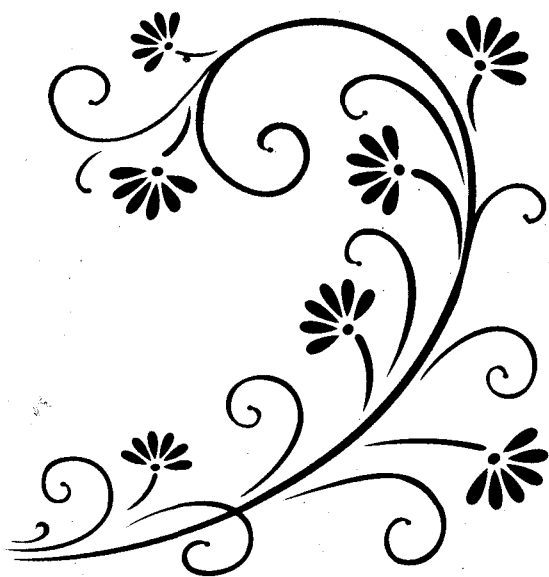
To,

.....

.....

.....

.....



*If undelivered please return to :*  
**Panchsheel Organics Ltd.**  
*B6-B7, Sector C, Industrial Estate,  
Sanwer Road, INDORE-452 015.*