



PANCHSHEEL ORGANICS LIMITED

ANNUAL REPORT 2010-11

**Twenty-Second
ANNUAL REPORT
2010-2011**

BOARD OF DIRECTORS

Mahendra Turakhia	Chairman & Managing Director
Kishore Turakhia	Promoter / Executive Director
Rajesh Turakhia	Promoter / Executive Director
Kiritkumar M Doshi	Non Executive and Independent Director
Bharatkumar R Desai	Non Executive and Independent Director
Radheshyam R Tawani	Non Executive and Independent Director

REGISTERED OFFICE

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

Corporate Office

1, Kapadia Chamber, 1st Cinema Road,
Mumbai- 400 020

Bankers

YES Bank Ltd,
Horniman Circle, Mumbai

Auditors

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

Compliance Officer

Chandrakant A Shah

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 Twenty Second Annual General Meeting of the Members of Panchsheel Organics Limited will be held on Friday, the 30th day of September, 2011 at the Registered Office of the Company at B-6 & B-7, Sector-C, Industrial Area, Sanwer Road, Indore (M.P.) at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 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. Bharat Kumar R. Desai, 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 **Ordinary 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 members be and is hereby accorded to revise remuneration of Mr. Mahendra A Turakhia as a Chairman & Managing Director of the Company for remaining term, 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) mentioned below with powers to the Board of Directors (which term shall be deemed to include “Remuneration Committee” thereof) to alter, amend, vary and modify the terms and conditions of the said revised remuneration payable from time to time as it deems fit in such manner as may be mutually agreed upon:

Terms of Appointment

Mr. Mahendra A Turakhia appointed as a Chairman & Managing Director of the Company for a period of 3 (Three) years commencing from 31st August, 2009 to 30th August, 2012 (both days inclusive) at a remuneration upto Rs.10,00,000/- (Rupees Ten Lacs Only) per Annum (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.

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 modification, the following resolution as a Ordinary 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 members be and is hereby accorded for appointment of Mr. Kishore A Turakhia as an Executive Director of the Company, 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) stated below, with powers to the Board of Directors (which term shall be deemed to include "Remuneration Committee" thereof) to alter, amend, vary and modify the terms and conditions of the said revised remuneration payable from time to time as it deems fit in such manner as may be mutually agreed upon:

Terms of Appointment

Mr. Kishore A Turakhia appointed as a Executive Director of the Company for a period of 3 (Three) years commencing from 15th November, 2010 to 14th November, 2013 (both days inclusive) at a remuneration upto Rs.7,00,000/- (Rupees Seven Lacs Only) per Annum (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.

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7. To consider and if thought fit to pass with or without modification, the following resolution as a Ordinary 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 members be and is hereby accorded for appointment of Mr. Rajesh A Turakhia as an Executive Director of the Company, 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) stated below, with powers to the Board of Directors (which term shall be deemed to include "Remuneration Committee" thereof) to alter, amend, vary and modify the terms and conditions of the said revised remuneration payable from time to time as it deems fit in such manner as may be mutually agreed upon:

Terms of Appointment

Mr. Rajesh A Turakhia appointed as a Executive Director of the Company for a period of 3 (Three) years commencing from 15th November, 2010 to 14th November, 2013 (both days inclusive) at a remuneration upto Rs.7,00,000/- (Rupees Seven Lacs Only) per Annum (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term).



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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.

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."

**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: 29th August, 2011**



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 (India) Pvt. Ltd at 9, Shiv Shakti Industrial Estate, J R Boricha Marg, Lower Parel (East), Mumbai – 400 011.
7. The Register of Members and the Share Transfer Book of the Company will remain closed from 26th September, 2011 to 30th September, 2011 (Both days inclusive) for the purpose of Annual General Meeting.
8. The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their Depository Participants and to intimate the same to the Registrar and Share Transfer Agent of the Company Purva Share Registry (I) Pvt Ltd
9. 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.

**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	
1.	Name	Mr. Bharat Kumar R. Desai	Mr. Rajesh A Turakhia
2.	Date of Birth	22.11.1962	08.02.1958
3.	Profession	Business	Industrialist
4.	Qualification	M. Sc.	B. Com
5.	List of other Directorship Held excluding Private companies	Bharat Parental Limited	NIL
6.	Chairman/Member of the Committee of Board of Directors of the company	NIL	NIL
7.	Chairman / Member of the Committee of Board of Directors of other Companies.	NIL	NIL

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

Item No. 5

Mr. Mahendra A Turakhia, 65, holds a bachelors degree in science. He is the Managing Director of our Company. He looks after the overall operations of our Company. He has enriched experience of more than 40 years in the Industry. He has knowledge of latest technology and advancement in manufacturing operations.

The Board of Directors of the Company at its meeting held on 15th November, 2010 considered and approved the terms and conditions of revised remuneration of Mr. Mahendra A Turakhia, as Managing Director of the Company.

The proposed increase requires the approval of the shareholders by way of an Ordinary Resolution and accordingly, the resolution as set out in the notice is recommended.

Except Mr. Mahendra A Turakhia, no other Director of the Company is concerned or interested in the said resolution.



Item No. 6

Mr. Kishore A Turakhia, 57, holds a bachelors degree in Commerce. He is the Director of our Company. He looks after the overall operations of our Company. He has enriched experience of more than 32 years in the Industry. He has in-depth knowledge of finance and Company's business.

The Board of Directors of the Company at its meeting held on 15th November, 2010 considered and approved the terms and conditions of appointment of Mr. Kishore A Turakhia as whole time Director of the Company.

The proposed appointment requires the approval of the shareholders by way of an Ordinary Resolution and accordingly, the resolution as set out in the notice is recommended.

Except Mr. Kishore A Turakhia, no other Director of the Company is concerned or interested in the said resolution.

Item No. 7

Mr. Rajesh A Turakhia, 53, holds a bachelors degree in science. He is the Director of our Company. He looks after the overall operations of our Company. He has enriched experience of more than 28 years in the Industry. He has the indepth knowledge of latest technological developments and advancement in manufacturing operations.

The Board of Directors of the Company at its meeting held on 15th November, 2010 considered and approved the terms and conditions of appointment of Mr. Rajesh A Turakhia as whole time Director of the Company.

The proposed increase requires the approval of the shareholders by way of an Ordinary Resolution and accordingly, the resolution as set out in the notice is recommended.

Except Mr. Rajesh A Turakhia, no other Director of the Company is concerned or interested in the said resolution.

**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: 29th August, 2011**



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DIRECTOR'S REPORT

Your Directors have pleasure in presenting the Twenty Second Annual Report along with the Audited Accounts of the Company for the year ended 31st March 2011.

Financial Results

Particulars	2010-11	2009-10
Sales & Other Income from Operation	26,57,67,012	23,60,85,845
Increase/Decrease in Stocks	(1,23,52,220)	1,29,65,233
Other Income	NIL	17,270
Total Income	25,34,14,793	24,90,68,348
Operating Expenditure	21,02,42,367	21,38,77,884
Administrative and other Expenditure	2,05,58,288	1,40,08,644
Profit Before Depreciation and Financial charges	2,26,14,137	2,11,81,820
Depreciation	39,82,151	35,26,518
Profit Before Financial Charges	1,86,31,986	1,76,55,302
Financial Charges	40,14,752	35,91,071
Profit Before Tax	1,46,17,234	1,40,64,231
Less: Provision for Deferred Tax	14,02,152	13,61,465
Provision for Income Tax	44,35,500	41,55,000
Profit After Tax	87,79,582	85,47,766
Income Tax for earlier year	(17,18,819)	5,89,867
Balance brought forward	69911046	6,07,73,413
Balance carried to Balance sheet	76971809	6,99,11,046

Performance

During the year under review your Company achieved a turnover of Rs. 2658 Lacs Compared to Rs 2361 Lacs in the previous fiscal year 2009-2010, registering an increase of 12.57%. Profit before interest, depreciation and taxes in 2010-11 were increased at Rs 226 Lacs compared to Rs.212 Lacs in the previous fiscal.

After providing for interest of Rs. 40 Lacs (Rs.36 Lacs previous fiscal) and depreciation of Rs 40 Lacs (Rs. 35 Lacs previous fiscal), the profit after tax of the Company was Rs.88 Lacs as against the previous year's profit before tax of Rs.85 Lacs.

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.



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Operations & Future Prospects

The Turnover of the Company for the year under review showed a higher growth of 12.57 % 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. Bharat Kumar R Desai and Mr. Rajesh A Turakhia, the Directors of the Company, retires by rotation and being eligible offers themselves for re-appointment.

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

Auditors

M/s. P. B. Mehta & Associates, Chartered Accountants, 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 31st March 2011 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 2011-12 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.



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Acknowledgements

Our team across the Company through their competence, hard work, dedication and team spirit has stretched incessantly to achieve impressive results for the year 2011 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.

The Directors wish to place on record their appreciation for the co-operation received from the Government and Semi- Government Agencies.

The Directors also acknowledge the hard work, dedication and commitment of the employees. The enthusiasm unstinting efforts of the employees have enabled the Company to continue to be a leading player in the industry.

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

By Order of the Board of Directors

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

**Place: Indore
Date: 29th August, 2011**



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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 31st March 2011.

Conservation of Energy

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

FORM 'A'

Power and Fuel Consumption

PARTICULARS	Current Year	Previous Year
1. Electricity		
Total Units	734675	659996
Amount (Rs. In Lacs)	42.95	33.82
Rate per unit (Rs.)	5.85	5.12
Consumption per unit of Production (in unit)/Kg	5.24	6.73
2. Coal/ Furnace Oil /Diesel		
Total units (Kg)	579200	356037
Amount (Rs. In Lacs)	35.48	36.17
Rate per Unit (Rs.)	6.12	5.54
Consumption per unit of production (in unit) Kg	4.13	6.66

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



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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 37194884/- and exported the goods worth Rs. 16246921/-.

During the year company spent foreign exchange of Rs. 119323/- as commission on Export Sales.



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Drugs and pharmaceutical industry plays a vital role in the economic development of a nation. It is one of the largest and most advanced sectors in the world, acting as a source for various drugs, medicines and their intermediates as well as other pharmaceutical formulations. Being the intense knowledge-driven industry, it offers innumerable business opportunities for the investors/corporates the world over. The existence of well-defined and strong pharmaceutical industry is important for promoting and sustaining research and developmental (R&D) efforts and initiatives in an economy as well as making available the quality medicines to all at affordable prices. That is, it is essential to improve the health status of the individuals as well as the society as a whole, so that positive contributions could be made to the economic growth and regional development of a country.

The Indian drugs and pharmaceutical industry, over the years, has shown tremendous progress in terms of infrastructure development, technology base creation as well as product usage. On the global platform, India holds fourth position in terms of volume and thirteenth position in terms of value of production in pharmaceuticals. The pharmaceutical industry has been producing bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing processes as well as a wide range of pharma machinery and equipments. It has also developed excellent 'good manufacturing practices' (GMP) compliant facilities for the production of different dosage forms.

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.

**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 2010-11 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;



PANCHSHEEL ORGANICS LIMITED

ANNUAL REPORT 2010-11

Twenty-Second
ANNUAL REPORT
2010-2011

Our Results of Operations

The Break-up of Revenue and Costs of Company is as given below:

PARTICULARS	Year ended March 31 2011	Year ended March 31 2011
INCOME		
Sales & Income from Operation		
Export	1730500	10814234
Domestic	248461512	225271611
	265767012	236085845
Increase/Decrease in Stocks	(12352220)	12965233
Other Income	0	17270
TOTAL	253414794	249068348
EXPENDITURE		
Operating Expenditure	210242367	213877884
Administrative And Other Expenditure	20558288	14008644
Finance Charges	4014752	3591071
Depreciation	3982152	3526518
TOTAL	238797559	235004117
Profit Before Tax	14617234	14064231
Less: Provision for Deferred Tax	1402152	1361465
Provision for Income Tax	4435500	4155000
Profit After Tax	8779582	8547766
Income-Tax for earlier Year	(17,18,819)	589867
Balance brought forward	69911046	60773413
Balance carried to balancesheet	76971809	69911046
Earning Per Share	1.75	1.70

(1) Total Income

Our revenue has increased from Rs 24,90,68,348/- in Financial Year 2009-10 to Rs. 253414794/- in Financial Year 2010-11 at a rate of 1.75%. The sales have increased at a rate of 12.57%. Sales in export market has increased from Rs. 1,08,14,234 in Financial Year 2009-10 to Rs.1,73,05,500 /- in Financial Year 2010-11 while sales in domestic market has increased from Rs. 22,52,71,611/- in Financial Year 2009-10 to Rs. 24,84,61,512/- in Financial Year 2010-11. There is decrease in stock from Rs.1,29,65,233/- in Financial Year 2009-10 to Rs.1,23,52,220/- in Financial Year 2010-11

(2) Operating Expenditure:

The operating expenditure has decreased from Rs.21,38,77,884/- in Financial Year 2009-10 to Rs.21,02,42,367/- in Financial Year 2010-11. The decrease has been 1.70%. The decrease in operating expenditure is mainly due to the decrease in the cost of the raw material consumed.



(3) Administrative and other expenses:

The administrative expenses have increased from Rs. 1,40,08,644/- in Financial Year 2009-10 to Rs. 2,05,58,288/- in Financial Year 2010-11. The expenditure has increased by 46.75 % in Financial Year 2010-11.

(4) Interest and Financial Charges:

Net Financial charges has increased from Rs.35,91,071/- in Financial Year 2009-10 to Rs.40,14,752/- in Financial Year 2010-11. The increase has been 11.80% in Financial Year 2010-11. The increase has been due to the borrowings in the Financial Year.

5) Depreciation

The depreciation cost has increased from Rs. 35,26,518/- in Financial Year 2009-10 to Rs. 39,82,152/- in Financial Year 2010-11. 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 increase from Rs. 85,47,766/- in Financial Year 2009-10. to Rs. 8779582 /- in Financial Year 2010-11.

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 statures.

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, 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.

**Corporate Governance Report 2010-2011**

The detailed report on Corporate Governance, for the financial year ended March 31, 2011 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 *Kishore A. Turakhia *Rajesh A. Turakhia
Non Executive and Independent Director	Kiritkumar M. Doshi Radhashyam Ramprasad Tawani Bharatkumar R Desai

* Mr. Kishore A Turakhia and Mr. Rajesh A Turakhia have been appointed as an Executive Directors of the Company by the Board at their meeting held on 15th November, 2010.

**Corporate Governance Report 2010-2011****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 6 (Six) Board Meetings for the year ended 31st March, 2011. These were held on 30th April, 2010; 12th August, 2010; 31st August, 2010; 15th November, 2010; 29th January, 2011 and 12th February, 2011.

The attendance of the Directors at the Board Meeting and the Annual General Meeting held during the year ended 31st March 2011 was as follows

Directors	Board Meetings attended during the year	Whether attended last AGM	Other Directorships/Board Committees (Numbers)	
			Directorships (excluding Private Limited)	Board Committee Membership/ (Chairmanship)
Mahendra A. Turakhia	6	Yes	None	None
Kishore A. Turakhia	6	Yes	None	None
Rajesh A. Turakhia	5	Yes	None	None
Kiritkumar M. Doshi	6	Yes	None	None
Radhashyam Ramprasad Tawani	5	No	None	None
Bharatkumar R Desai	3	No	Bharat Parenterals Limited	None

Pursuant to the provisions of the Companies Act 1956, Mr. Bharatkumar R Desai and Mr. Rajesh A Turakhia retires 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, includes:

**Corporate Governance Report 2010-2011**

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 has involved 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 shareholders 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. Bharatkumar R Desai, aged 47 years, residing at 2, Vitrag Apartment, Near Shripadnagar, VIP Road, Vadodara, 390018, who has in-depth knowledge of the pharma industries.

Mr. Rajesh A Turakhia, aged 53 years, residing at B/105, Swetambari Apartments, 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

**Corporate Governance Report 2010-2011****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 Qualifications in the draft audit report
 - 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 efficiency 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 Board comprises three Directors namely Mr. Kiritkumar M Doshi, Chairman, Mr. Kishore A Turakhia and Mr. Bharatkumar R Desai. The Audit Committee meets with the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements.

**Corporate Governance Report 2010-2011**

Mr. Chandrakant A Shah is the Secretary of the Audit Committee.

3.3 Meetings and Attendance during the year 2010-11

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. Bharatkumar R Desai
30th April, 2010	√	√	×
12th August, 2010	√	√	√
31st August, 2010	√	√	√
15th November, 2010	√	√	×
29th January, 2011	√	√	×
Total Meetings attended	5	5	3

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

**Corporate Governance Report 2010-2011**

The Remuneration Committee of the Board comprises three Directors namely:

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

The details of remuneration of Executive Directors for the financial year 2010-2011 are given below:

(Rupees in Lacs)

Particulars	2010-11	2009-10	2008-09
Salary and Allowances (Rs.)	7,65,000	2,60,000	1,20,000
Contribution to PF, Superannuation and Gratuity Funds (Rs.)	-	-	-
Commission (Rs.)	-	-	-
Total (Rs.)	7,65,000	2,60,000	1,20,000

The details of remuneration paid to the Non-Executive Directors by way of sitting fees during the financial year 2010-2011 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	6,000/-	-
2.	Mr. Rajesh A. Turakhia	2,000/-	-
3.	Mr. Kirit M. Doshi	11,000/-	-
4.	Mr. Radheshyam R. Tawani	5,000/-	-
5.	Mr. Bhartkumar R Desai	5,000/-	-

5. Shareholders Grievance Committee**5.1 Scope of the Committee**

The scope of the Shareholders Grievance Committee is to review and address the grievances 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, Executive Director and other members of the Committee includes Mr. Kishore A Turakhia and Mr. Bhartkumar R Desai.

**Corporate Governance Report 2010-2011****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
2007-2008	29 September, 2008 at 11.00 a.m.	Registered Office
2008-2009	30 September, 2009 at 11.00 a.m.	Registered Office
2009-2010	30 September, 2010 at 11.00 a.m.	Registered Office

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

2009-10 : Nil

2008-09 : Nil

2007-08 : 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 an 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.



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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 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

**Corporate Governance Report 2010-2011****8 Means of Communication**

- (a) Half-yearly report were sent to residential address of each 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 Friday, the 30th day of September, 2011 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

1st April to 31st March

10.3 Date of Book Closure

From 26th September, 2011 to 30th September, 2011 (Both days inclusive)

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

**Corporate Governance Report 2010-2011****10.7 Market Price Data: High Low during each month in Financial Year i.e. April 2010 to March 2011**

Month	Open Price	High Price	Low Price	Close Price	No. of Shares
April 2010	17.75	24	17.75	21	1,00,965
May 2010	20.05	22.35	17.25	18.45	95,664
June 2010	18.2	19.95	17	18.5	46,242
July 2010	18.5	22	15.9	19.5	83,365
August 2010	21.75	30.5	17.25	23.05	2,10,302
September 2010	22	25.9	20	21.2	2,03,755
October 2010	21.5	26.7	20.45	21.5	93,430
November 2010	21.5	24	16.6	19.1	68,004
December 2010	22	23.75	15.25	18.9	71,645
January 2011	18.9	21.8	15.15	17.95	31,104
February 2011	17.5	20.6	14.2	18.5	1,09,276
March 2011	17.5	19.8	16.5	17.3	2,03,009

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 if transfer of shares in the physical form during the financial year 2010-11.



Corporate Governance Report 2010-2011

10.10 Shareholding Pattern as on March 31, 2011

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) ¹	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group ²					
1	Indian					
(a)	Individuals/ Hindu Undivided Family	8	1798010	1797810	38.85	35.85
(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)	9	2396810	1797810	47.79	47.79
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)	9	2396810	1797810	47.79	47.79
(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

**Corporate Governance Report 2010-2011**

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) ¹	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	76	909889	140189	18.14	18.14
(b)	Individuals					
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	1662	1439106	1016206	28.69	28.69
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	8	207095	187195	4.13	4.13
(c)	Any Other (specify)					
(c-i)	NRI (Repat and Noon Repat)	3	62500	62500	1.25	1.25
	Sub-Total (B)(2)	1749	2618590	1406090	52.21	52.21
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	1749	2618590	1406090	52.21	52.21
	TOTAL (A)+(B)	1758	5015400	3203900	100	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued					0.00
	GRAND TOTAL (A)+(B)+(C)	1758	5015400	3203900	100	100

Promoters of the Company Namely Mr. Mahendra A Turakhia, Mr. Rajesh A Turakhia and Mr. Kishore A Turakhia has bought 59500 (1.18%), 65600 (1.30%) and 58000 (1.16%) shares respectively on 29th March, 2011 and collectively 183100 (3.64%), the effect of the same is not reflected in the shareholding pattern, as shares are yet to be credited in their respective demat accounts.

10.11 Dematerialisation of Shares

As on 31st March, 2011, 6,09,336 equity shares of Rs.10/- each were in dematerialized form with NSDL and 25,94,564 equity shares of Rs. 10/- each were in dematerialized form with CDSL constituting 12.15% and 51.73% respectively of the paid-up capital.



Corporate Governance Report 2010-2011

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

Not issued

10.13 Plant Locations

The Company's Plants are located at B6 & B7, Sector C, Industrial Area, Sanwer 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,
Sanwer Road, Indore, M.P.
Email: poltd@vsnl.com



Corporate Governance Report 2010-2011

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 31st March, 2011 and Profit and Loss Account for the year ended 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;



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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

Place: Indore

Mahendra A. Turakhia

Date: 29th August, 2011

Managing Director



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P.B. MEHTA & ASSOCIATES Chartered Accountants

Parag B. Mehta
Proprietor
B.Com., F.C.A
Baroda Office :
214, Pujer Complex,
Nr. Ganga Jamuna Hosp. Subhanpura
Baroda – 390 023
Mobile : 9825867008

Ph. : (O) 265 - 553897
Mobile : 9227107113
E-mail: parag_igd@yahoo.co.in
Mumbai Office:
12, Sushma Building,
Linking Road Extn.,
Santacruz (West), Mumbai – 400 054
Ph : 022- 26614820

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Panchsheel Organics Limited

We have examined the compliance of conditions of Corporate Governance by Panchsheel Organics Limited (the Company) for the year ended on March 31, 2011, 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.

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**

**Place: Indore
Date: 29th August, 2011**

**Parag B. Mehta
Proprietor**



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AUDITORS REPORT

To the members of *Panchsheel Organics Limited*.

We have audited the attached Balance Sheet of Panchsheel Organics Limited, as at 31st March, 2011 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 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, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 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 on 31st March 2011; 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 **PB Mehta & Associates**
Chartered Accountants

Parag B Mehta
Proprietor
Membership: 39878

Place: Indore
Date: 29th August 2011



Annexure to the Auditor's report for the year period March 31, 2011

- 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 program 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 program, 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 has taken any loans from parties listed in the register maintained U/s. 301 of the Companies Act, 1956.
- 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 transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding Rs. 5,00,000/- (Rupees Five Lacs only) in respect of any party during the year have been made at price, which are reasonable having regard to prevailing market price at the relevant time.
- 13) 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.
- 14) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 15) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However we are neither required to carry out nor have carried out any detailed examination of such accounts and records.
- 16) 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.
- 17) 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, 2011 for a period of more than six months from the date they became payable.
- 18) 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.
- 19) 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.
- 20) 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.
- 21) 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.



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- 22) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- 23) 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.
- 24) 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.
- 25) 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 term loans during the year.
- 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 the short-term funds raised have not been used for long-term investment and vice versa.
- 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 made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 28) 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.
- 29) 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.
- 30) 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 PB Mehta & Associates
Chartered Accountants

Parag B Mehta
Proprietor
Membership: 39878

Place: Indore
Date: 29th August 2011



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BALANCE SHEET AS AT 31 ST MARCH 2011

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
<u>SOURCES OF FUNDS</u>			
SHAREHOLDER'S FUND			
Share Capital	1	50,154,000.00	50,154,000.00
Reserve & Surplus	2	87,516,194.13	79,568,452.12
Deferred Tax (Liability) / Asset		15,391,997.00	13,989,845.00
LOAN FUNDS			
Secured Loan	3	52,822,678.05	32,437,459.08
Unsecured Loan	3 A	10,000,000.00	-
Total Funds Employed		215,884,869.18	176,149,756.20

APPLICATION OF FUNDS

Fixed Assets	4	79,944,750.73	72,432,209.35
Investments	5	6,000.00	6,000.00
Current Assets & Loans And Advances	6	181,473,719.77	163,623,153.20
Less : -			
Current Liabilities & Provisions	7	45,539,601.32	59,911,606.35
Net Current Assests		135,934,118.45	103,711,546.85
Total Funds Applied		215,884,869.18	176,149,756.20

Notes To Accounts 12 For and on behalf of the Board

As per our report attached

For P B Mehta & Associates
Chartered Accountants

Mahendra Turakhia
Chairman & Managing Director

Parag B Mehta
Proprietor

Kishore Turakhia
Director

Place : Indore
Dated : 29th August 2011

Rajesh Turakhia
Director



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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
INCOME			
Sales & Income from Operation			
Export		17,305,499.91	10,814,234.00
Domestic		248,461,512.53	225,271,611.00
		<u>265,767,012.44</u>	<u>236,085,845.00</u>
OTHER INCOME			
Profit On Sales of Unit no I Poanta Saheeb		-	17,270.30
Increase / Decrease In Stocks	8	(12,352,219.55)	12,965,232.58
Export Incentives		-	-
TOTAL		<u>253,414,792.89</u>	<u>249,068,347.88</u>
EXPENDITURE			
Operating Expenditure	9	210,242,367.10	213,877,883.96
Administrative And Other Expenditure	10	20,558,288.33	14,008,643.68
Finance Charges	11	4,014,751.64	3,591,071.29
Depreciation	4	3,982,151.69	3,526,517.59
TOTAL		<u>238,797,558.76</u>	<u>235,004,116.52</u>
Profit Before Tax		14,617,234.13	14,064,231.36
Less : Provision for Deferred Tax		1,402,152.00	1,361,465.00
Provision for Income Tax		4,435,500.00	4,155,000.00
Profit After Tax		8,779,582.13	8,547,766.36
Income-Tax for earlier Year		(1,718,818.92)	589,867.00
Balance brought forward		69,911,046.12	60,773,412.76
Balance carried to balance Sheet		76,971,809.33	69,911,046.12
Earnings Per Share		1.75	1.70
As per our report attached		For and on behalf of the Board	
For P B Mehta & Associates		Mahendra Turakhia	
Chartered Accountants		Chairman & Managing Director	
Parag B Mehta		Kishore Turakhia	
Proprietor		Director	
Place : Indore			
Dated : 29th August 2011		Rajesh Turakhia	
		Director	



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Schedules to the Accounts

Particulars	As at March 31, 2011	As at March 31, 2010
SCHEDULE : 1 : SHARE CAPITAL		
Authorized Capital		
60,00,000 Equity Share of Rs. 10/- each	60,000,000.00	60,000,000.00
Issued Subscribed and Paid up		
50,15,400 Equity Share of Rs. 10/- each	50,154,000.00	50,154,000.00
TOTAL	50,154,000.00	50,154,000.00
SCHEDULE : 2 : RESERVE & SURPLUS		
General Reserve :		
Balance as per Last Balance Sheet	959,560.00	959,560.00
Capital Reserve :		
Subsiby from UNIDO	6,584,824.80	5,697,846.00
Share Premium :		
Balance as per Last Balance Sheet	3,000,000.00	3,000,000.00
Profit & Loss Account :		
Balance as per last Balance Sheet	69,911,046.12	60,773,412.76
Add : Profit for the year	7,060,763.21	9,137,633.36
	76,971,809.33	69,911,046.12
TOTAL	87,516,194.13	79,568,452.12
SCHEDULE : 3 : SECURED LOANS		
TERM LOAN		
From M.P Financial Corp (Secured by hypothecation of Fixed Assets)	16,086,378.00	15,061,339.00
From HDFC Bank Ltd (Car Loan)	113,869.00	223,540.00
WORKING CAPITAL LOAN		
From Yes Bank (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)	36,622,431.05	-
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)	-	15,008,340.08
	-	2,144,240.00
TOTAL	52,822,678.05	32,437,459.08
SCHEDULE : 3A : UNSECURED LOANS		
Niyati Leasing Ltd	10,000,000.00	-
	10,000,000.00	-



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SCHEDULE - 4 : FIXED ASSETS												
Schedules to the Accounts Year 2010 - 11												
NO.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		Total as on 01/04/2010	Addition during the year	Total as on 31/03/2011	Depreciation as on 01/04/2010	Provision during the year	Total Depreciation	Total as on 31/03/2011	Total as on 31/03/2010			
1	Land (Lease Hold)	53,529.00	-	53,529.00	-	-	-	53,529.00	53,529.00			
2	Site Developments	1,254,556.50	-	1,254,556.50	617,963.75	41,787.39	659,751.14	1,212,769.11	1,254,556.50			
3	Factory Building	6,881,525.02	1,753,546.64	8,635,071.66	2,632,069.43	261,213.91	2,893,283.34	8,373,857.75	6,881,525.02			
4	Land Pithampur		2,578,262.00	2,578,262.00				2,578,262.00				
5	Plant & Machinery	35,610,647.47	5,554,847.45	41,165,494.92	17,610,640.54	2,236,851.8	19,847,492.32	38,928,643.14	35,610,647.47			
6	Plant & Machinery (UNIT II)	1,436,954.08	-	1,436,954.08	0.00			1,436,954.08	1,436,954.08			
7	Laboratory Testing Equipments	4,728,724.96	575,780.00	5,304,504.96	3,257,492.93	281,167.47	3,538,660.40	5,023,337.49	4,728,724.96			
8	Electric Installation	1,451,455.31	208,044.00	1,654,499.31	959,259.75	88,856.89	1,048,116.64	1,565,642.42	1,451,455.31			
9	Furniture & Fixtures	1,271,173.67	64,136.00	1,335,309.67	909,247.33	100,449.76	1,009,697.09	1,234,859.91	1,271,173.67			
10	Office Equipments	219,211.22	-	219,211.22	107,658.78	12,865.90	120,524.68	206,345.32	219,211.22			
11	Vehicles	2,315,312.12	-	2,315,312.12	1,659,251.88	271,779.58	1,931,031.46	2,043,532.54	2,315,312.12			
12	Pollution Control Equipments	378,048.66	667,182.00	1,045,230.66	752,751.34	37,587.98	790,339.32	1,007,642.68	378,048.66			
13	Computer	199,374.75	97895	297,269.75	386,108.79	42,537.51	428,646.30	254,732.24	199,374.75			
14	Wind Power Project	10,343,075.59	-	10,343,075.59	1,656,924.41	607,053.53	2,263,977.94	9,736,022.06	10,343,075.59			
15	Plant & Machinery (Un Installed)	2,063,721.00	-	2,063,721.00	-	-	-	2,063,721.00	2,063,721.00			
16	Plant & Machinery (UNIDO)	4,224,900.00		4,224,900.00				4,224,900.00	4,224,900.00			
	TOTAL	72,432,209.35	11,494,693.09	83,926,902.44	30,549,368.93	3,982,151.69	34,531,520.62	79,944,750.73	72,432,209.35			



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Particulars	As at March 31, 2011	As at March 31, 2010
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
TOTAL	6,000.00	6,000.00
SCHEDULE : 6 : CURRENT ASSETS, LOANS & ADVANCES		
A . Current Assets		
a. INVENTORIES		
Raw Material	49,632,160.00	43,953,244.00
Work In Progress	11,745,295.00	21,361,551.00
Finished Goods :		
i) Manufacturing	13,408,279.00	16,144,242.55
	627,886.00	622,697.00
Pharma Div		
i) Trading	6,131,227.76	5,059,424.49
SUB-TOTAL (a)	81,544,847.76	87,141,159.04
b. TRADE DEBTORS		
(Unsecured, Considered good)		
Due over 6 months	58,746,819.29	10,152,938.26
Others	20,405,491.49	62,402,653.34
SUB-TOTAL (b)	79,152,310.78	72,555,591.60
c. CASH & BANK BALANCES		
Cash In Hand	626,400.44	516,880.49
Balance with Scheduled Banks		
- In Current account (Temporary Over Draft)	(1,559,921.72)	(12,563,337.35)
- In Fixed deposit account	9,383,277.74	1,877,824.00
SUB-TOTAL (c)	8,449,756.46	(10,168,632.86)
d. SUNDRY DEPOSITS		
Sundry Deposits	4,190,571.00	2,756,431.00
SUB-TOTAL (d)	4,190,571.00	2,756,431.00
GRAND TOTAL (a + b + c + d)	173,337,486.00	152,284,548.78
B : LOANS & ADVANCES		
(Recoverable in cash or in kind or for value to be received)		
Sundry Loans	1,460,152.00	1,460,152.00
Advance Given	5,255,561.00	5,163,594.00
Balance with Excise & Sales Tax Department	627,782.33	1,754,530.00
Tax deducted at source	91,314.94	1,325,850.92
Prepaid Expenses	158,461.00	158,461.00
Accrued Interest	542,962.50	1,476,016.50
Total B	8,136,233.77	11,338,604.42
GRAND TOTAL A + B	181,473,719.77	163,623,153.20

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Particulars	As at March 31, 2011	As at March 31, 2010
SCHEDULE : 7 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	41,897,347.32	54,845,850.05
Outstanding Expenses & Other Payable	(866,679.46)	837,322.84
Bank Overdrafts (Temporary)	73,433.46	73,433.46
Provision for Income Tax	4,435,500.00	4,155,000.00
TOTAL	45,539,601.32	59,911,606.35
SCHEDULE : 8 : INCREASE / (DECREASE) IN STOCKS		
STOCK AT CLOSE		
Finished Goods	13,408,279.00	16,144,242.55
Work In Process	11,745,295.00	21,361,551.00
	25,153,574.00	37,505,793.55
STOCK AT COMMENCEMENT		
Finished Goods	16,144,242.55	14,301,787.97
Work In Process	21,361,551.00	10,238,773.00
	37,505,793.55	24,540,560.97
Increase / (Decrease) in stock	(12,352,219.55)	12,965,232.58



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Particulars	As at March 31, 2011	As at March 31, 2010
SCHEDULE : 9 : OPERATING EXPENDITURE		
Cost of Material Consumed / Sold		
Opening Stock		
Manufacturing :		
Import	25,159,679.00	30,382,245.00
Domestic	18,793,565.00	16,878,252.00
Total of Manufacturing	43,953,244.00	47,260,497.00
Trading :		
Pharma Division	5,682,121.49	11,111,231.22
Total of Trading	49,635,365.49	58,371,728.22
Add : Purchase		
Manufacturing :		
Import	47,128,191.90	77,979,308.92
Domestic	86,259,131.95	47,958,137.00
Total of Manufacturing	133,387,323.85	125,937,445.92
Trading :		
Import	1,124,909.00	1,780,322.00
Domestic	17,407,207.30	45,649,528.00
	18,532,116.30	47,429,850.00
Pharma Division		
Domestic	45,118,445.80	17,332,328.80
Total of Trading	45,118,445.80	17,332,328.80
	246,673,251.44	249,071,352.94
Less : Closing Stock		
Manufacturing :		
Import	24,987,824.00	25,159,679.00
Domestic	24,644,336.00	19,118,405.00
Domestic PONta UNIT II	627,886.00	622,697.00
Total of Manufacturing	50,260,046.00	44,900,781.00
Trading :		
Import	-	-
Domestic	-	-
Pharma Division	6,131,227.76	5,059,424.49
Total of Trading	56,391,273.76	54,694,789.98
	190,281,977.68	194,376,562.96
Consumables	881,118.00	382,772.00
Contribution To E.S.I.C	43,418.00	104,394.00
Enrty Tax	1,631,329.00	1,471,903.00
Excise Duty	1,923,119.00	(258,712.00)
Factory Wages	1,259,811.00	1,982,808.00
Freight Inwards	1,761,491.00	1,593,215.00
Insurance	270,067.00	183,740.00
Packing Materials	1,893,350.00	903,847.00
Power & Fuel	7,873,881.00	7,048,176.00
Processing Charges	626,431.00	4,730,615.00
Quality Control Expense	294,452.86	158,285.00
Repairs & Maintenance- to Plant & Mach.	269,913.00	213,662.00
Service Tax	59,921.00	52,834.00
Staff Welfare	426,491.81	241,293.00
Stores & Spares Consumed	451,645.75	347,114.00
Water Charges	293,950.00	345,375.00
TOTAL	210,242,367.10	213,877,883.96

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Particulars	Schedules to the Accounts	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE : 10 : ADMINISTRATIVE & OTHER EXPENDITURE		
Advertisement	154,638.00	638,626.00
Auditor's Remuneration	40,000.00	38,605.00
Cartage & Hamali, Crain Charges	437,986.00	329,733.00
Civil Work (Expenses)	206,670.00	-
Commission & Brokerage	645,733.80	1,305,855.00
Commission On Export	119,323.00	53,868.00
Computer Expenses	114,877.90	83,601.00
Consolidation Charges	-	160,000.00
Consultancy Fees/Service Charges	397,489.00	326,229.00
Contribution To Provident Fund	118,572.00	137,422.00
Conveyance	427,461.00	474,869.00
Courier Charges	486,923.34	283,840.03
Director's Remuneration	765,000.00	260,000.00
Director's Sitting Fees	29,000.00	45,000.00
Director's Travelling Expenses	640,323.94	139,011.05
Discount, Kasar & Book Debts	905,749.76	291,890.48
Electrical Expenses	22,006.00	20,310.00
Etp Running Charges	111,749.00	-
Export Clearing Charges	1,620,396.00	733,631.00
Export Expenses	-	4,040.00
Fees & Subscription	437,531.00	339,345.00
Freight Outward	181,092.00	184,899.00
House Rent Allowance	179,169.00	198,610.00
Laboratory Exp (Analysis Charges)	68,286.00	-
Legal And Professional Charges	4,635.00	-
Loss On Consignment Sale	277,421.93	-
Marketing & Sales Promotional Expenses	1,294,714.00	410,490.81
Miscellaneous Expenses	262,220.60	135,007.00
Office & Other Expenses	62,996.00	26,682.00
Postage & Telegram & Courier	75,430.00	82,405.00
Printing & Stationary	243,359.00	192,839.00
Processing Charges For Bank Loan	939,700.00	-
Professional Charges	502,172.00	-
Rates & Taxes / Property Tax	136,250.00	64,256.00
Rent	330,000.00	399,676.00
Repairs & Maintanance	76,530.00	51,980.00
Salary & Bonus	3,634,598.00	3,126,785.00
Sales Tax Delhi	-	24,254.00
Sales Tax Poanta	4,375.00	-
Sales Tax Mumbai	3,114,519.06	1,878,859.00
Security Service	179,708.00	147,817.00
Telephone Expenses	365,778.00	348,676.19
Testing Chagres	-	83,009.00
Travelling Expenses	394,001.00	358,951.12
Vehicle Running & Maintenance	38,381.00	71,162.00
Warehousing Charges	301,122.00	87,030.00
Wind Mill Mtn Charges	210,401.00	469,380.00
TOTAL	20,558,288.33	14,008,643.68
SCHEDULE : 11 : FINANCE CHARGES		
Bank Charges	418,034.10	264,738.79
Interest on Loan	3,596,717.54	3,326,332.50
TOTAL	4,014,751.64	3,591,071.29



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. 7,65,000.00 (2,60,000.00)



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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	2010-2011	2009-2010
a)	Raw Materials	37,194,883.90	61,852,168.92

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

	2010-2011		2009-2010	
	%	Value	%	Value
Imported	37.04	47,300,046.90	64.5	83,201,874.92
Indigenous	62.96	80,408,360.95	35.5	45,717,984.00
Total	100.00	127,708,407.85	100	128,919,858.92

9. Expenditure in foreign currency:

Commission Rs. 1,19,323/-

10. F.O.B. Value of earnings in foreign exchange Rs. 1,62,46,921/-.

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

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	Qty	Value	Qty	Value
Bulk Drug	12786.92	161.44	140312.44	142324.07	2033.30	10774.848	152.44
	(8791.62)	(173.97)	(98085.51)	(94090.31)	(1718.92)	(12786.92)	(161.44)



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

Item	Year	Consumption Qty	Value
Intermediates and Other items (Inclusive of process materials)	2010-11	662521.80	1277.80
Intermediates and Other items (Inclusive of process materials)	2009-10	595141.60	1292.44

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	17,305,500	203,330,658	43,864,144

17. Deferred Tax Liability

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

	(Rs In Lacs)
Depreciation	153.48
Expenses Allowable	0.44



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18. Related Parties Discloser:

(a) List of Related Parties and relationships:

S.No.	Name of the Related party	Relationship
1	Turakhia Brothers	Associate Companies / and Firms
2	Invochem Laboratories	
3	Synodrug & Intermediates	
4	Suneeta Chemicals	
5	Gene Biotech Pvt Ltd	
6	Mahendra A Turakhia	Key Managerial Personnel
7	Kishore A Turakhia	
8.	Rajesh A Turakhia	
9.	Arti K Turakhia	Relative of Key Managerial Personnel

(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
1	Turakhia Brothers	48931	11516858			
2	Invochem Laboratories					49506
3	Synodrug & Intermediates	175370	5609421	58686		
4	Suneeta Chemicals			86880		
5	Gene Biotech P Ltd	1184495.12	8505779			
6	Arti K Turakhia				72000	

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

(E) Directors Sitting Fees Rs 29000/-

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19 Balance Sheet abstract and Companies General Business Profile:

(Rs in Thousand)

Registration Details	
Registration No.	: 05390 State Code: 10
Balance Sheet Date	: 31.03.2011
Capital Raised During the year (Rs 000)	
Public Issue	: NIL
Bonus Issue	: NIL
Private Placement	: NIL
Position of Mobilization of and Deployment of Funds (Rs 000)	
Total Liabilities	: 123753
Total Assets	: 215885
Sources of Funds(Rs 000)	
Paid up Capital	: 50154
Reserves and Surplus	: 87516
Secured Loans	: 52822
Unsecured Loans	: 10000
Application of Funds (Rs 000)	
Net Fixed Assets	: 79945
Investments	: 6
Net Current Assets	: 135934
Misc Expenditure	: -
Accumulated Losses	: -
Performance of the Company	
Sales & Other Income	: 253415
Total Expenditure	: 238798
Profit Before Tax	: 14617
Profit After Tax	: 8780
Earning Per Share	: 1.75
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
Place : **Indore**
Date : : **29th August 2011**

KISHORE TURAKHIA
Director

RAJESH TURAKHIA
Director

**PANCHSHEEL ORGANICS LIMITED****ANNUAL REPORT 2010-11****Twenty-Second
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2010-2011****CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

		2010-11	2009-10
(A)	Cash flow from Operating Activities		
	Net Profit	146.17	140.64
	ADJUSTMENT FOR		
	Depreciation	39.82	35.27
	Preliminary Expenses	0.00	0.00
	Export Incentive	0.00	0.00
	Earlier Year Items	0.00	0.00
	Operating Profit Before	185.99	175.91
	ADJUSTMENT FOR		
	Inventories	(55.97)	153.66
	Debtors	(65.96)	(153.67)
	Deposits & Balances	(14.34)	(16.11)
	Loans & Advances	32.03	(28.80)
	Current Liabilities	<u>(141.80)</u>	<u>92.37</u>
	Direct Taxes Paid	(44.36)	(41.55)
	Cash Generated from Operation	(104.41)	68.79
(B)	INVESTING ACTIVITIES		
	Fixed Assets	114.95	0.72
	Misc. Expenses	0.00	0.00
	Investment	0.00	0.00
(C)	FINANCING ACTIVITIES		
	Share Capital	0.00	0.00
	Terms Loans	9.16	(42.93)
	Working Capital Loans	<u>194.70</u>	<u>(0.73)</u>
	Unsecured Loans	100.00	0.00
		84.50	(101.83)
	NET CASH FLOW DURING THE YEAR		
	Opening Balances	(101.83)	(0.58)
	Closing Balance	84.50	(101.83)

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

(PARAG B MEHTA)
Proprietor
Place : **Indore**
Date : **29th August 2011 .**

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

KISHORE TURAKHIA
Director

RAJESH TURAKHIA
Director



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

Parag B. Mehta
Proprietor
B.Com., F.C.A
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214, Pujer Complex,
Nr. Ganga Jamuna Hosp. Subhanpura
Baroda – 390 023
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Mobile : 9227107113
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Mumbai Office:
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Linking Road Extn.,
Santacruz (West), Mumbai – 400 054
Ph : 022- 26614820

AUDITOR'S REPORT

We have examined the above Cash Flow Statement of Panchsheel Organics Limited for the year ended 31st March 2011. 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 : 29th August 2011



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

ATTENDANCE SLIP

22nd Annual General Meeting on 30th September 2011

R/F. No.

Mr./Mrs./Miss. _____

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the 22nd ANNUAL GENERAL MEETING of the Company being held at B-6 & B-7, Sector- C, Industrial Area, Sanwer Road, Indore (M.P.) on 30th September 2011 at 11.00 AM.

.....
Proxy's name in Block Letters

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

NOTES:

Shareholders/Proxy holders are requested to bring the attendance slips with them when they come to the Meeting and attend 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

I/We. _____
of. _____ being a
Member of Panchsheel Organics Limited holding _____
Ordinary Share(s) hereby Appoint _____
or calling him / her _____
of _____ as my/our proxy to vote for me/our
on my/our behalf at the Annual General Meeting of the Company to be held on Friday, the 30th September
2011 at 11.00 AM. and at any adjournment thereof.

As witness my/our hand (s) this day of 2011
Signed by the said
Folio No.

Affix 1
Rupee
Revenue
Stamp

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.