



Medi-Caps Limited

23rd

Annual Report

2005-2006

BOARD OF DIRECTORS

- **R.C. MITTAL** CHAIRMAN & MANAGING DIRECTOR
- **ALOK K.GARG** EXECUTIVE DIRECTOR
- **MRS. TRAPTI GUPTA** DIRECTOR
- **MRS. KUSUM MITTAL** DIRECTOR
- **DR. S.K. SHARMA** DIRECTOR
- **DR. J.P. SHRIVASTAVA** DIRECTOR
- **DR. SHAMSHER SINGH** DIRECTOR
- **DR. VISHWANATH B. MALKAR** DIRECTOR
- **DR. VINAY G. NAYAK** DIRECTOR

AUDITORS

- **RAWKA AGRAWAL & CO.**
Chartered Accountants,
403, Arcade Silver 56,
1, New Palasia, INDORE - 452 001 (M.P.)

COMPANY SECRETARY

- **GANESH PAWAR**

COMPANY LAW ADVISOR

- **D.K. JAIN & CO.**
Company Secretaries
4th Floor, Silver Ark Plaza, Narayan Kothi Square,
20/A New Palasia, Indore (M.P.)

BANKERS

- **IDBI Bank Ltd.**
- **State Bank of Indore**
- **HSBC Ltd.**
- **Indusind Bank Ltd.**
- **Citibank N.A.**

REGISTRAR AND SHARE TRANSFER AGENT

- **Ankit Consultancy Pvt. Ltd.**
Alankar Point, Geeta Bhawan Chouraha,
A.B. Road, Indore (M.P.)

REGISTERED OFFICE & WORKS

- Mhow-Neemuch Road, Sector - I ,
PITHAMPUR - 454 775, Distt.-Dhar (M.P.)
E-mail : info@medicaps.com
Website : www.medicaps.com

OFFICE

- 401, Chetak Center,
12/2 R.N.T.Marg,
INDORE - 452 001

NOTICE

NOTICE is hereby given that 23rd Annual General Meeting of the members of **MEDI-CAPS LIMITED** will be held at the Registered Office of the Company at Mhow -Neemuch Road, Sector-1, Pithampur, District Dhar (M.P.) on Friday the 29th day of September, 2006 at 11.00 A.M. to transact the following businesses:

I. ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account of the Company for the year ended 31st March, 2006 together with the report of the Directors' & Auditor's thereon.
2. To declare dividend on the equity share capital of the Company.
3. To appoint a director in place of Shri Ramesh C.Mittal, who liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mrs. Kusum Mittal, who liable to retire by rotation and being eligible, offers herself for re-appointment.
5. To appoint a director in place of Dr. Shashi Kant Sharma, who liable to retire by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Rawka Agrawal & Co., Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

II. SPECIAL BUSINESS BY ORDINARY RESOLUTION:

7. To consider and if thought fit to pass with or without modification(s), if any, the following resolution as Ordinary Resolution:

RESOLVED THAT Dr. Vinay G.Nayak, who was appointed as an additional director by the Board to hold office up to the date of this Annual General Meeting, and in respect of whom a notice under section 257 of the Companies Act, 1956 have been received from some members signifying their intention to propose Dr. Vinay G. Nayak, as a candidate for the office of the director of the Company be and is hereby elected and appointed as a director, liable to retire by rotation.

III. SPECIAL BUSINESS BY SPECIAL RESOLUTION:

8. To Consider and, if thought fit, to pass with or without modifications, the following as a Special Resolution:

RESOLVED THAT subject to the provisions of the Memorandum and Articles of Association of the Company, provisions of section 81(1A) of the Companies Act, 1956, if applicable, and in accordance with the listing agreements with Stock Exchanges and subject to permission, clearance, approval of appropriate authorities, if necessary, the consent, permission and approval of the members of the Company be and is hereby given to the Board of Directors ("Board") to reissue/sell 5,51,091 equity shares of Rs.10/- each forfeited by the Company or any part thereof, to such persons as the Board of

directors may in its sole discretion decide at such price(s) as per the Stock Exchange Guidelines provided that the reissue sale price of the subject equity shares shall not be lower than Rs.10.00 per equity share and that the share so issued/sold shall be under the lock in period as may be specified by the SEBI/Stock Exchange guidelines.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to finalize the terms and conditions of the reissue/sale and to settle any questions, difficulty or doubt that may arise in regard to the re-issue/ sale of the forfeited shares and to finalize and execute all such documents, deeds and writings as may be necessary desirable or expedient as the Board of directors may deem fit."

**BY ORDERS OF THE BOARD
MEDI-CAPS LIMITED**

Place : Pithampur

R.C.MITTAL

Date : 5th August,2006 **CHAIRMAN & MANAGING DIRECTOR**

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Register of Members and Share Transfer Book shall remain closed from 25.09.2006 to 29.09.2006 (both days inclusive).
3. a) Members are requested to notify immediately any change of address;
 - (i) to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - (ii) to the Company to its Share Transfer Agents in respect of their physical share folios, if any.
- b) In case the mailing address on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
4. Non-resident Indian Shareholders are requested to inform Share Transfer Agents immediately:
 - a) the change in the residential status on return to India for permanent settlement.
 - b) the particulars of NRE Account with a Bank in India, if not furnished earlier.
5. All documents referred to in the accompanying notice are open for inspection at the Registered office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.
6. Members who are holding shares in identical order of names in more than one folio are requested to send to the Share Transfer Agent the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
7. Members desires of obtaining any information concerning Accounts and Operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.

8. The Company has connectivity from the CDSL & NSDL and equity shares of the Company may also be held in the Electronic form with any Depository Participant (DP) with whom the members/ investors having their depository account. The ISIN No. for the Equity Shares of the Company is INE442D01010. In case of any query/ difficulty in any matter relating thereto may be addressed to the Share Transfer Agents Ankit Consultancy Pvt. Ltd., Alankar Point, Gita Bhawan Chouraha A.B. Road, Indore (M.P.).
9. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Transfer Agent or may be down load from the website of the Department of Company affairs.
10. The members who have not encashed their dividend cheques/DD for the year 2003- 04 and 2004-05 may approach to the Company for revalidation thereof.
11. The dividend, if any, declared by the Members for the year 2005-06, will be paid to those members whose names appears in the Register of Members as on 29.09.2006 and to the beneficiaries whose details as may be made available by the CDSL and NSDL in case of holding of shares in the D-mat form on 29.09.2006.
12. Pursuant to the clause 49 of the Listing Agreement on Corporate Governance for re-appointment of the retiring directors, a statement containing details of the concerned directors is attached hereto.

STATEMENT REGARDING THE DIRECTORS PROPOSED FOR APPOINTMENT

Shri R.C.Mittal, the Chairman & Managing Director, aged about 59 years is the core promoter director of the Company since 6th August, 1983. Shri Mittal is a qualified as B. Pharma, having wide experience of 30 years in the field of pharma industry and real estates. He is also Director of Medi-Caps Finance Limited, Trapti Investment Pvt. Ltd., Medi - Caps IT Park Pvt. Ltd., Medpak India Ltd., Chairman of Medi - Caps Education Society, Managing Trustee of Medi-Caps Charitable Trust, International Institute of Foreign Trade & Research- a prominent educational institute of foregin trade & management, Medi-Caps Institute of Technology and Management - an engineering college with high level degree courses and following achievements: Udyog Excellence Awards 1992, Glory of India International Award 1993. Shri R.C. Mittal is holding 9,45,510 equity shares, consisting 30.32% of the total shareholding of the Company.

Mrs. Kusum Mittal is a Non Executive Promoter Director, aged about 56 years, is a promoter director of the Company since 4th May, 1991 and having experience in the investment and finance business activities. She is holding 4,52,980 equity shares in the Company consisting 14.53% of the total paid up capital of the Company.

Dr. Shashi Kant Sharma, is an independent Director of the Company since 29th June, 1993 he is MBBS, MD (Medicine), having experience in the medical line.

Dr. Vinay G. Nayak, aged about 50 years, is an independent director, appointed on 31st Oct., 2005. Dr. Nayak having done Ph.d in Analytical Chemistry, is a one of the known personality in the field of pharma industry. He has 190 published papers and five patents in his name. Having specialized in the field of Quality Assurance, formulation, R&D etc. At this moment he is holding reputable position as President of M/s. Waston Pharma P. Ltd. a company of international repute having Head Quarter in USA. Dr. Nayak has a professional working experience in major multinational companies in the country for the last 25 years, who is listed in "Who is who" a Scientist from India in USA.

EXPLANATORY STATEMENT IN PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT TO THE SPECIAL BUSINESS:

ITEM NO.7 :

Dr. Vinay G.Nayak was appointed by the Board as additional director of the Company w.e.f 31st October 2005 to broad base the Board of directors and to utilise his expert knowledge and advises. The Company has received a notice u/s 257 of the Companies Act, 1956 from member proposing his appointment for the office of the directors of the Company. Looking into his experience and qualification, the Board recommends the appointment of Dr.Vinay G.Nayak as the director of the Company and proposes the respective resolution as set out in item No. 7 of the Notice for approval as an Ordinary Resolution.

Except, Dr. Vinay G. Nayak being appointed none other directors are interested or concerned in the resolution.

ITEM NO. 8:

As the members are aware that the Board of directors of the Company has forfeited 5,51,091 partly paid equity shares earlier for non-payment of the unpaid amount. The Board has decided to seek members' approval for reissue/sale of 5,51,091 forfeited share at such price as the Board of directors may decide subject to the guidelines of the Stock Exchange/SEBI as may be applicable at the time of re-issuance but in any case not lower than Rs.10.00 per equity share in one or more than single trenches to the persons on preferential basis to other than the same proportionate to all the equity share holders as the Board may consider appropriate in the best interest of the Company, upon receipt of the members' approval. The shares so issued shall be under lock in period as may be required under the Stock Exchange/SEBI Guidelines as may be applicable at the time of their re-issuance. In terms of the Listing Agreement and provisions of section 81(1A) of the Companies Act.

None of the Directors of the company is interested or concerned in the resolution, except to the extent to the shares as may be re-issued to them and/or personal acting in concert with them if any.

The Board recommends the resolution set forth in item No.8 for the approval of the members by way of special resolution.

**BY ORDERS OF THE BOARD
MEDI-CAPS LIMITED**

Place : Pithampur
Date : 5th August, 2006

**R.C.MITTAL
CHAIRMAN & MANAGING DIRECTOR**

DIRECTORS' REPORT

To
The Members
Medi-Caps Limited

Your Directors have pleasure in presenting their 23rd Annual Report on the business and operations of the Company alongwith the Audited Balance Sheet and Profit & Loss Accounts for the year ended 31st March, 2006.

1. PERFORMANCE OF THE COMPANY:

Your company's performance during the year 2005-06 is summarised below: (Amount Rs. in Lacs)

	Year ended 31 st March, 2006	Year ended 31 st March, 2005
Net Sales/Income from Operations	1946.31	2053.05
Other Income	<u>513.86</u>	<u>229.45</u>
Total Income	<u>2460.17</u>	<u>2282.50</u>
Operating Profit (PBIDT)	830.42	596.91
Less : Depreciation	76.99	78.69
Less : Interest	<u>0.07</u>	<u>-</u>
Profit Before Tax	753.36	518.21
Less : Previous year adjustments	1.40	6.04
Provision for earlier year Income Tax	-	0.55
Provision for current year Income Tax	130.00	118.50
Provision for Fringe Benefit Tax	1.93	-
Add : Deferred Tax	<u>13.40</u>	<u>7.65</u>
Net Profit after tax & adjustments	633.43	400.78
Add : Balance carried from Profit & Loss A/c	<u>993.91</u>	<u>677.95</u>
Total profit available for appropriation	1627.34	1078.73
Less : Transferred to General Reserves	31.50	31.50
Less : Proposed Dividend	46.76	46.76
Less : Corporate Tax on Dividend	<u>6.56</u>	<u>6.56</u>
Surplus Carried to the Balance Sheet	1542.52	993.91
EPS in Rs. (Shares on Rs. 10/- each)	20.32	12.87

2. DIVIDEND:

Your directors are pleased to inform on continuous excellent success enjoyed by the company and looking into the healthy cash position and the management's confidence in the future growth your Directors have recommend a dividend @ 15% (Rs.1.50 per equity share (Previous Year Rs.1.50 per share), which will be paid to the shareholders subject to the approval of the members at the forthcoming Annual General Meeting.

3. REVIEW OF OPERATIONS:

During the under review Company could achieve a total income of Rs.2460.17 lacs in comparison of previous year Rs. 2282.50 lacs. Decline in manufacturing turnover is purely due to various Government polices. For example introduction of VAT, Excise on MRP for finished products etc. Due to these issues major consumers of our product have cut down their production due to which there was low demand.

The financial health of the country has shown significant growth in all the sectors, and the company could able to earn Rs.468.21 Lacs (previous year Rs.204.99 Lacs) this income includes dividend of Rs.100.87 Lacs and profit on sale of mutual funds Rs.321.92 Lacs. Due to strong financial planning your company has maximised its value of investments and also foresee the positive trends in the coming year. The overall profit for the year is recorded to Rs.633.43 lacs in comparison of previous year Rs. 400.78 lacs. The Company has grown substantially the profitability despite of fall in turnover.

4. DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of section of 217(2AA) of the Companies Act, 1956, your directors state that:

- In the preparation of accounts, the applicable accounting standards have been followed.
- Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the company as at the end of March 31, 2006 and the profit of the company for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- The annual accounts of the company have been prepared on a going concern basis.

5. CORPORATE GOVERNANCE:

Your Company is committed to good Corporate Governance Practices. Being a value driven organisation, the company's good corporate governance practices and the disclosures are need based, duly complied with the statutory and the regulatory requirements of the Companies Act, 1956, together with all the relevant clauses of the Listing Agreement and all the others applicable laws. The Company's Corporate Governance policies and the practices are also in accordance with the clause 49 of the listing agreement. A report on the Corporate Governance along with the auditors certificate forming part of the Director's report, being annexed herewith.

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**6.1 Industry structure and developments:**

The pharmaceuticals industry is a knowledge driven industry and is heavily dependent on Research and Development of new products and growth. However, basic research is a time consuming and expensive process and is thus dominated by the huge local and global multinationals. Indian companies have entered into the area and the results have been encouraging.

In the global pharmaceuticals market, western markets are growing largely due to the introduction of the new molecules at the highest prices. A well-established reimbursement and the insurance system imply that the per capita drug expenditure is abnormally high in the western countries.

The Indian pharmaceuticals industry is highly fragmented, but has grown rapidly due to the friendly patent regime and the low cost manufacturing structure. The country production of the bulk drugs and the formulations grew at CAGR of 18% over the past ten years.

6.2 SWOT ANALYSIS FOR THE COMPANY:**6.2.1 Strengths:**

- ♦ Strong Research & Development.
- ♦ Integrated supply chain.
- ♦ Ability to deliver cost saving.
- ♦ High quality of manpower resources at a lower cost.
- ♦ Centralized manufacturing activities at Pithampur Plant.
- ♦ Zero Debt Company.
- ♦ Strong financial planning.

6.2.2 Weaknesses:

- ♦ Scarcity of Technical Expertise.
- ♦ Controlling of process parameters is very critical.
- ♦ Dependency on formulation Companies.
- ♦ Frequent fluctuation in market demand.
- ♦ Very sensitive process of manufacturing.

6.2.3 Opportunities:

- ♦ In export there is a very good demand of gelatin capsules and India having good quantum in that and quality of Indian capsule recognized in world.
- ♦ Due to improved capital market, there are good possibility to invest the surplus funds in good securities and mutual funds.

6.2.4 Threats:

- ♦ India has one of the lower per capita health care expenditure in the world.
- ♦ Aggressive price competition from local and multinational players.
- ♦ Fast technology change in the manufacturing line of the Company.
- ♦ Frequent change in Govt. policy for pharmaceutical industries.
- ♦ Developed countries are very rigid in procuring capsules from out of countries.
- ♦ Competitions from the new entrants in the SEZ area, which are enjoying duty exemption benefits.

6.3 Outlook:

While we cannot predict a further performance, we believe considerable opportunities will exist for sustained and profitable growth, not only in the developing countries but also in the developed western countries. The Company is in continuous process to launch new variety of capsules and variants to meet out the demands in the coming year, and also to expand its marketing reach in other countries for growth in the export as well as domestic turnover. The company with its continued focus on exports stands to gain a lot from the emerging scenario.

6.4 Marketing and Export:

In domestic market your Company had added many multinational companies in its client lists with improved quality of products as well as services. Due to that, company is forced to reduced the export basket.

7. DIRECTORS:

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning.

In view of impending retirement from the directorship of Shri R.C. Mittal, Mrs. Kusum Lata Mittal and Dr. S.K. Sharma are liable to retire by rotation at the forthcoming Annual General Meeting, they being eligible, offers themselves for re-appointment.

Dr. Vinay G.Nayak, was appointed by the Board w.e.f.31st Oct., 2005 as an additional director of the Company in order the broad base the Board of directors of the Company. The Company has received a notice under section 257 of the Act in writing for proposing his appointment as a director of the Company at the ensuing annual general meeting. Your directors recommend passing appropriate resolutions as set out in the notice of the Annual General Meeting.

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8. DEPOSITORY SYSTEMS AND LISTING:

The equity shares of the Company may also be kept in electronic form as your company is having connectivity from the Central Depository Services Ltd. (CDSL) and National Depository Services Ltd. (NSDL) therefore all members and investors may hold their shares in the Company's in dematerialized form. Company's equity shares are listed at the Bombay Stock Exchange Ltd., Mumbai, the equity shares of the Company being regularly traded in the Bombay Stock Exchange.

The Company has also passed necessary resolution for voluntary delisting of its shares from the M.P. Stock Exchange, Indore and has complied with the entire requirements for delisting. However, necessary order to that effect is still awaited from the M.P. Stock Exchange. The Company is regular in payment of annual listing fee to the stock exchanges.

9. FINANCE & ACCOUNTS:

9.1 Cash generation:

Your company continued its strong cash generation driven by business performance. Your company optimized the return on investment by deployment of cash surplus in a balanced portfolio of sale and liquid securities and continuously having status of 'Zero Debts Company' as it has not borrowing and interest cost.

9.2. Internal Control Systems and its adequacy:

The Company has reasonable system of internal control in the power, supervision, checks, policies and procedures, which are being tested on routine basis by the management. Moreover, the company continuously upgrades these systems in the line with the best accounting practice. The Audit Committee also reviews the adequacy of internal controls systems and the compliance thereof. Further, the annual financial statements of the company are reviewed and recommended by the Audit Committee for the consideration and approval of the Board of directors. The Committee also review internal controls system, significant accounting policy, major accounting entries, related party transactions, etc.

9.3 Adequate coverage of risk:

The Company's assets are adequately insured against the loss of fire and other risk, which were considered necessary by the management from time to time.

Your company is a foreign exchange earner and the transactions are suitably covered for exchange risk and there is no materially significant exchange rate risk associated with the company.

9.4 Segment-wise results:

Your company is basically dealing only in a single segment, i.e. manufacturing of the gelatin capsules; therefore AS-17 for Segment-Wise reporting is not applicable to the Company.

9.5 Subsidiary Company:

Your Company is not having any subsidiary company and is also not a subsidiary of any other company.

9.6 Disclosures:

The Company has made adequate disclosures regarding related party transactions, contingent liabilities, remuneration of directors, and significant accounting policy in the notes to the accounts as an integral part of the Balance Sheet and Profit & Loss Accounts for the year ended 31st March, 2006.

10. ISO: 9001:2000 CERTIFICATION:

As you are aware that your Company is ISO: 9001:2000 complied company which is the latest version of ISO series and this will give further strength to the quality as well as international recognition and will contribute to the export business of the company as it has done in the past years.

11. AUDITORS AND THEIR REPORT:

Comments of the Auditors in their report and the notes forming part of the Accounts are self-explanatory and need no comments. M/s Rawka Agrawal & Co., Chartered Accountants, the Statutory Auditors has to vacate their office at the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from the Auditors, to the effect that their re-appointment, if made, would be in accordance with the provisions of section 224(1) of the Companies Act, 1956.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, PARTICULAR OF EMPLOYEES AND FOREIGN EXCHANGE:

Information as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 have been annexed herewith.

13. DEPOSITS:

Your Company has not accepted any public deposit within the meaning of provisions of section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 and there is no outstanding deposit due for re-payment.

14. PERSONNEL:

The Company continued to have cordial and harmonious, rooted in the philosophy of bilaterism. In totality our employees have shown a high degree of maturity and responsibility in responding to the changing environment, economic and the market conditions.

15. ACKNOWLEDGEMENTS:

Your directors acknowledge the vital role played by conscientious and hardworking employees of the company at all levels towards its overall success. Your directors also acknowledge the support provided by suppliers, vendors and valued customers in its efforts to provide high quality products. Your Board takes this opportunity to record their appreciation in this regard including valued investors and shareholders of the Company.

FOR AND ON BEHALF OF THE BOARD,

Place: Pithampur
Date : 5th August, 2006

R.C.MITTAL
CHAIRMAN & MANAGING DIRECTOR

Annexure to the Directors' Report:

[Information as per the Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988]

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE:

Information as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is given hereunder:

A. CONSERVATION OF ENERGY:

The Company has taken many steps for the Conservation of Energy.

	Current Year	Previous Year
POWER & FUEL CONSUMPTION		
1. Electricity (Purchased) Units	54,55,280	55,52,960
Total Amount (Rs.)	2,16,70,714	2,44,24,507
Rate per Unit (Rs.)	3.97	4.40
2. Electricity (Generated) units	46,869	66,008
Diesel / LDO / SKO consumed in Litres	13,829	19,675
Total Amount (Rs.)	3,27,083	3,12,256
Rate per Unit (Rs.)	6.98	4.73
3. Total Units consumed	55,02,149	56,18,968
Units consumed in lac per capsule	158.05	169.11

B. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

Research and Development is in process for followings:

- ♦ to increase production capacity of Capsule manufacturing machine.
- ♦ to increase automisation of manufacturing process.
- ♦ to reduce critical defects.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

Information in respect of Foreign Exchange Earning and Outgo are as under:

	Current Year	Previous Year
Earning	Rs. 311.96 Lacs	Rs.395.23 Lacs
Outgoing	Rs. 19.15 Lacs	Rs. 14.72 Lacs

D. DISCLOSURE OF PARTICULARS OF EMPLOYEES :

Details of Remuneration paid /payable to employees/Directors in excess of Rs.2.00 Lacs P.M. or Rs.24.00 Lacs p.a. during the year 2005-06 are as under.

Name	Position Held	Remuneration	Provident fund	Total Remuneration
Shri R.C. Mittal	Chairman (Managing Director)	2400000/-	288000/-	2688000/-

Shri R.C. Mittal is holding 945510 equity shares consisting of 30.32% of the total share capital of the company.

FOR AND ON BEHALF OF THE BOARD,

Place : Pithampur
Date : 5th August, 2006

R.C.MITTAL
CHAIRMAN & MANAGING DIRECTOR

CORPORATE GOVERNANCE REPORT
REPORT UNDER CLAUSE 49
OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES
1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Our corporate governance policies recognise the accountability of the Board and importance of its decisions to all constituents, including customers, investors, employees, and regulatory authorities and to demonstrate to shareholders who are the ultimate beneficiaries of our economic activities. The functions of the Board and the Executive Management are well defined and are distinct from one another. We have taken a series of steps including the setting up of sub-committees of the Board to oversee the functions of Executive Management. These sub-committees of the Board, which mainly consists of Non-Executive Directors, meet regularly to discharge their objectives.

2. BOARD OF DIRECTORS:

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning. Shri R.C.Mittal, the Chairman & Managing Director, supported by Shri Alok K. Garg, the Executive Director of the Company is overall incharge for the affairs of the Company who exercise his powers and discharge duties under the superintendence and control of the Board of directors of the Company from time to time. The Board is having optimum composition, represented by five independent directors in the Board.

Details of Directors and meetings of the Board attended :

During the financial year 2005-06 the Board of directors met 6 (Six) times on 29th April, 2005; 29th July, 2005; 31st October, 2005; 8th December, 2005; 30th January, 2006 and 27th March, 2006:

The composition of the Board of directors and their attendance at the meetings during the year were as follows;

Directors	Executive/ Non Executive/ Independent	No. of Meeting Attended	No. of outside directorship held		No. of outside Committee positions held	
			Public	Private	Member	Chairman
Shri Ramesh C.Mittal	Executive	6	2	2	-	-
Shri Alok K. Garg	Executive	6	1	1	-	-
Mrs. Kusum Mittal	Non-Executive	5	1	2	-	-
Mrs. Trapti Gupta	Non-Executive	1	1	-	-	-
Dr. Shashi Kant Sharma	Independent	5	-	-	-	-
Dr. Shamsher Singh	Independent	5	-	-	-	-
Shri J.P. Shrivastava	Independent	3	-	-	-	-
Dr. Vishwanath B. Malher	Independent	1	-	-	-	-
Dr. Vinay G. Nayak*	Independent	1	-	-	-	-

* Appointed as additional Director on 31st Oct., 2005.

All the Board meetings of the company were held at the registered office of the Company at Pithampur.

3. AUDIT COMMITTEE:
(A) Brief description of terms of reference:

- Review with the management the annual/half-yearly/quarterly financial statements before placing the Board.
- Hold separate discussion with Head-Internal Audit, Statutory Auditors and among members of the Audit Committee to find out whether the company's financial statements are fairly presented in conformity with the Accounting Standards issued by ICAI.
- Review the Company's financial and risk management policies and the adequacy of internal control systems.
- Review the adequacy of accounting records maintained in accordance with the provisions of the Companies Act, 1956.
- Review the performance of Auditors and recommend their appointment and remuneration to the Board, considering their independence and effectiveness.
- Perform other activities consistent with the Company's Memorandum and Articles, the Companies Act, 1956 and other Governing Laws.
- Review the accounting policy and notes to the accounts.
- Review disclosure of related party transactions.

(B) Composition of Committee and number of meetings held:

During the year under review, the Audit Committee of the Board met four times on 28th April, 2005; 29th July, 2005; 28th Oct., 2005 and 28th January, 2006 and deliberated on various matters.

The detail of the members of Committee and No. of Meetings attended by them during the financial year 2005-06 are as under:

S.No.	Name of the Member of Committee	Designation	Position in Committee	No. of Meeting Attended
1.	Dr. Shamsher Singh	Director	Chairman	4
2.	Dr.J.P.Shrivastava	Director	Member	3
3.	Dr.S.K.Sharma	Director	Member	2

The Whole-time Director Shri Alok.K. Garg, in charge of the Finance and Accounts and the statutory auditors of the Company were the permanent invitee for the meetings of the Audit Committee. Shri Ganesh Pawar, the secretary of the Company acts as the secretary of the Audit Committee.

4. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

(A) Brief description of terms of reference:

The Company has a 'Shareholders' Grievance & Transfer Committee' at the Board level to look into the redressing of shareholders and investors complaints like:

- (i) Transfer, transmissions and delay in confirmation in D-mat of shares;
- (ii) Non-receipt of Annual Report, etc.;
- (iii) Non-receipt of dividend and
- (iv) Any other complaints as may be received by shareholders of the Company.

(B) Composition of Committee :

S.No.	Name	Designation	Position in Committee
1.	Dr. S.K. Sharma	Director	Chairman
2.	Dr. J.P. Shrivastava	Director	Member
3.	Shri Ashok R. Pitliya	Manager (Accounts)	Member

5. REMUNERATION COMMITTEE:

(A) Brief description of terms of reference:

The Company has constituted a remuneration committee of independent directors at the Board level to look into the matters relating to the re-appointment and terms, conditions and remuneration of the Managing and Whole-time Director.

(B) Composition of Committee and number of meetings held:

S.No.	Name	Designation	Position in Committee
1.	Dr. S.K. Sharma	Director	Chairman
2.	Dr. J.P. Shrivastava	Director	Member
3.	Dr. Shamsheer Singh	Director	Member

During the year under review, no meeting of the remuneration committee was required to be held.

(C) Remuneration policy

The Remuneration Committee determines the remuneration of executive director/managing director. Payment of non-executive directors and composition of the Committee: The Company is not paying any remuneration to the non executive/independent directors except, sitting fees for the attending of the Board or the Committee meetings.

(D) Whistle-blower policy

We have a established a mechanism for employee to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The mechanism also provides for adequate safeguard against victimization of employee who avails of the mechanism and also provides for direct access to the chairperson of the audit committee in exceptional cases. We further affirm that during the financial year 2005-2006, no employee has denied access to the audit committee.

6. INVESTORS GRVIEANCES :

Status of the investors/shareholders complaints

- (i) Number of complaints received during the year : 22
- (ii) Number of complaints solved during the year : 22
- (iii) Number of complaints pending at the end of the year : Nil

The Company has authorised to implement transfer, transmission and D-mat of Shares to the Share Transfer Agent and to resolve the relating problems as professional agency. The Committee meets only on specific nature of complaints not resolved within a period of 21 days from the date of its receipts.

7. GENERAL MEETINGS:

Location and time, where last three AGMs were held:

Financial Year	2002-03	2003-04	2004-05
-Date	29.09.2003	24.09.2004	27.09.2005
-Time	11.00 A.M.	11.00 A.M.	11.00 A.M.
-Venue	Pithampur, Dhar	Pithampur, Dhar	Pithampur, Dhar
-No. of special business transacted	0	1	1

No resolution was passed by way of postal ballot during the year under review.

8. DISCLOSURES:

There are no materially significant related party transactions i.e. transactions, material in nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. having potential conflict with the interest of the company at large except as disclosed elsewhere in the notes of accounts forming part of the annual accounts.

There has not been any non-compliance by the company and no penalties or strictures imposed on the company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

9. MEANS OF COMMUNICATION:

The company has a web site viz. www.medicaps.com. The quarterly and annual financial statements are posted on the website of the stock exchange for information of its shareholders.

Quarterly results of the company are published in leading newspapers such as Nai Dunia, Hindustan Times, Economic Times, Free press, Choutha Sansar, etc. The results are promptly submitted to the Stock Exchanges, where the equity shares of the company are listed.

10. GENERAL INFORMATION TO SHAREHOLDERS & INVESTORS:

- | | |
|--|--|
| (i) Date, Time and Venue of Annual General Meeting | : 29th September, 2006 at 11.00 A.M. at the registered office of the Company at Mhow- Neemuch Road, Sector-1, Pithampur, Dist. Dhar (M.P.) |
| (ii) Financial Calendar for 2006-07: | : April to March |
| First Quarter Results | On 29th July, 2006 |
| Second Quarter Results | On or before 31st Oct., 2006 |
| Third Quarter Results | On or before 31st Jan., 2007 |
| Last Quarter Results | On or before 30th April, 2007 |
| (iii) Dates of Book Closure | : From 25.09.2006 to 29.09.2006 |
| (iv) Date of dispatch of Dividend Warrants | : 28th Oct., 2006 (on or before) |
| (v) Board meeting for consideration of Annual Accounts | : 5th August, 2006 |
| (vi) Posting of Annual Report | : Before 4th Sept., 2006 |
| (vii) Last date for receipt of Proxy | : 27th Sept., 2006 |
| (viii) No. of Shares holders as on 31st March, 2006 | : 5,706 |
| (ix) Listing on Stock Exchanges | : M.P. Stock Exchange,
The Bombay Stock Exchange Ltd. |
| (x) Stock Code: | |
| The Stock Exchange, Madhya Pradesh | : N.A. |
| The Bombay Stock Exchange Ltd. | : 523144 |
| (xi) Demat ISIN No. for CDSL and NSDL | : INE442D01010 |
| (xii) Performance in comparison to broad based indices | : BSE Sensex
The Stock Exchange, Mumbai
The Delhi Stock Exchange |

(xiii) **Stock Market Data** : The shares of the company were traded only at the Bombay Stock Exchange Ltd. Month wise high and low price of the Equity Shares of Rs. 10/- each of the Company during the financial year 2005-06 were as under (Source website of BSE)

Month	Highest (Rs.)	Lowest (Rs)	No. of Trades	No. of Shares Traded	Total volume (Rs. in Lacs)
April, 2005	59.25	44.65	1382	2,77,501	136.48
May, 2005	58.00	44.05	2347	3,76,696	198.22
June, 2005	60.90	49.40	3175	6,56,356	368.61
July, 2005	78.00	54.15	4189	9,38,872	628.02
August, 2005	78.50	59.50	6070	10,54,749	730.20
Sept., 2005	121.40	69.00	20585	26,00,065	2613.40
Oct., 2005	96.60	66.50	2897	2,10,967	180.68
Nov., 2005	85.10	69.80	1848	1,25,923	99.96
Dec., 2005	101.80	76.20	6029	6,34,940	597.65
Jan., 2006	130.00	102.60	21311	20,26,226	2380.58
Feb., 2006	111.00	87.05	3976	2,56,991	265.04
March, 2006	96.40	78.15	3172	2,19,922	192.04

(xiv) Share Transfer System:

Shareholders/Investors' Grievance Committee also approves share transfers and meets at frequent intervals. The Company's Share Transfers Agent, Ankit Consultancy Pvt. Ltd. processes these transfers. Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. In cases where, shares are transferred after sending notice to the transferors, in compliance of applicable provisions, the period of transfer is reckoned from the date of expiry of the notice.

(xv) Dematerialisation/Rematerialisation:

Based on a SEBI directive, Company's Equity Shares are traded in electronic (demat) form. The details of Shares held by the members as on 31st March, 2006 are as under

(a) In physical Form	: 15,20,859
(b) In CDSL	: 5,82,719
(c) in NSDL	: 10,13,911

(xvi) Distribution of Share owning as on 31st March, 2006

Shareholding of Nominal Value of Rs.	No. of Owners	% of Share holders	Share Amount (Rs)	% to Total
Upto 1000	3310	58.0	2572360	8.25
1001 -2000	1018	17.8	1866460	5.99
2001 -3000	400	7.01	1125100	3.61
3001 -4000	172	3.01	663040	2.13
4001 -5000	338	5.92	1666220	5.34
5001 -10000	279	4.89	2253140	7.23
10001-20000	107	1.88	1613970	5.18
20001-30000	37	0.65	917670	2.94
30001-40000	11	0.19	388090	1.24
40001-50000	6	0.11	268090	0.86
50001-100000	14	0.25	1003310	3.22
100001- Above	14	0.25	16837440	54.0
Total	5706	100.00	31174890	100.00

(xvii) Categories of Shareholders as on 31st March, 2006 :

Sr.	Category	No. of Shares held	% of share holding
A	<u>Promoter Holding</u>		
1	Promoters		
	Indian Promoters	1429800	45.864
	Foreign Promoters		
2	Persons Acting in Concern	760	0.024
	Sub Total	1430560	45.888
B	<u>Non Promoters Holding</u>		
3.	Intutional investors		
(a)	Mutual Funds and UTI	1400	0.045
(b)	Bank, financial Institutions, companies (Central/State Govt./Non- Govt. Institutions)	7300	0.234
(c)	FII's		
	Sub Total	8700	0.279
4	<u>Others</u>		
(a)	Private corporate Bodies	146644	4.704
(b)	Indian Public	1490458	47.810
(c)	NRI/OCBs	41127	1.319
(d)	Any other		
	Sub Total	1678229	53.833
	GRAND TOTAL	3117489	100.000

(xviii)Address for Communication

: Shareholders should address their correspondence to the Company's Share Transfer Agent Ankit Consultancy Pvt. Ltd., Alankar Point, Gita Bhawan Chouraha, A.B.Road, Indore (M.P.) and may also contact at the registered office of the Company.

(xix) Name and Designation of the Compliance Officer

: Shri Ashok R. Pitaliya
Manager - Accounts

(xx) Plant Location & Address for correspondence

: Mhow Neemuch Road, Sector -1
Dist, Dhar (M.P.) Pithampur- 454775
Email:info@medicaps.com
Website:www.medicaps.com
Phone: 0091 7292 407445,407446
Fax : 0091 7292 407387

FOR AND ON BEHALF OF THE BOARD,

Place : Pithampur
Date : 5th August, 2006

**R.C.MITTAL
CHAIRMAN & MANAGING DIRECTOR**

.....
MANAGEMENT RESPONSIBILITY STATEMENT

The Management of Company accepts responsibility for the integrity and objectivity of these financial statements, as well as, for estimates and judgments relating to matters not concluded by the year-end. The management believes that the financial statements reflect fairly the form and substance of transactions and reasonably presents the company's financial condition, and results of operations. To ensure this, the company has installed a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis. Internal auditors have conducted periodic audits to provide reasonable assurance those company's established policies and procedures have been followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls.

These financial statements have been audited by M/s Rawka Agrawal & Co., Chartered Accountants, the Statutory Auditors of the Company.

Place: PITHAMPUR
Dated: 5th August, 2006

R.C.Mittal
CHAIRMAN & MANAGING DIRECTOR

ASHOK R.PITALIYA
MANAGER ACCOUNTS

CERTIFICATE OF STATUTORY AUDITORS
ON CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To
The Board of directors
Medi-Caps Limited

We have examined the compliance of conditions of Corporate Governance procedures as stipulated in Clause 49 of Listing Agreement entered into by the company with the Stock Exchanges, for the financial year beginning 1st April, 2005 and ending on 31st March, 2006.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of 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.

We have conducted our review on the basis of the relevant records and documents maintained by the company and furnished to us for review and the information and explanations given to us by the company. Based on such review, in our opinion, the Corporate Governance Report of the company, referred to above, reflects on a fair basis the status of compliance by the company with the Clause 49 of the Listing Agreement of the Stock Exchanges, relating to Corporate Governance, for the F.Y. 2005-06 and that no investors grievances is pending for a period exceeding one months against the Company as per the records mentioned by the Share Department/Share Transfer Agent of the Company.

We further state that such compliance is neither an assurance or 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 **RAWKA AGRAWAL & CO.**
Chartered Accountants

Indore
Date : 5th August, 2006

C.P.RAWKA
PARTNER

AUDITORS' REPORT

The Members,

MEDI-CAPS LIMITED

We have audited the attached Balance Sheet of 'MEDI-CAPS LIMITED' as at 31st March, 2006 and also the Profit and Loss Account for the period ended on that date annexed thereto and cash flow statements for the period ended on that date. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used significant estimates made by managements, as well as evaluating the overall financial statements preparation. We believe that our audit procedure provide a reasonable basis for our opinion.

As required by Company (Auditor's Report) Order, 2003, issued by the Departments of Company affairs. In term sub-section (4A) of section 227 of Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit .
- (ii) In our opinion, proper books of accounts 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 & Loss Account dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- (v) On the basis of written representation received from the directors, as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director as on 31st March, 2006 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006, and
- (b) In the case of the Profit and Loss Account for the period ended on that date ;and
- (c) In the case of the Cash Flow statements, of the cash flows of the company for the year ended on that date.

For **RAWKA AGRAWAL & CO.**

Chartered Accountants

Place : INDORE

Date : 05th August, 2006

C.P. RAWKA

Partner

ANNEXURE REFERRED TO IN THE AUDITORS' REPORT ON THE ACCOUNTS OF MEDI-CAPS LIMITED :

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at the year-end. We are informed that no material discrepancies have been noticed by the management on such verification as compared with the record of fixed assets maintained by the company.
- (c) The Company has not disposed off substantial part of fixed assets during the year.
2. (a) The inventory has been physically verified during the year by the management at reasonable intervals.
- (b) In our opinion, the procedures of the physical verification of inventory followed by the managements were reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to the book of records were not material and have been properly dealt with in the books of accounts.
3. (a) The Company has not taken any loan from any party covered in the Register maintained U/s 301 of the Companies Act, 1956 to whom company has granted inter-corporate deposits except transaction such as packing material purchase at Rs. 4.14 lacs, which term & condition are not prima facie prejudicial to the interest of the company.
- (b) In respect of the inter-corporate deposits granted to party covered in the register maintained under section 301 of Companies Act,
 - (i) In our opinion, the terms and condition on which loans have been granted to companies firm or other parties listed in the register maintained under section 301, of the Companies Act, 1956 are not prima facie

- prejudicial to the interest of the company except interest free granted.
- (ii) The parties has repaid the principle amounts as stipulated.
- 4 In our opinion and according to the information and explanations given to us there are adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, in our opinion, there is no continuing failure to correct major weaknesses in internal control.
- 5 (a) To the best of our knowledge and belief and according the information and explanation given to us, we are of the opinion that the transactions that need to be entered into the maintained under Section 301 of Companies Act,1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contract or arrangements and exceeding the value of Rupees five lakhs in respect of any party during the year, which have been made at price, which are not reasonable having regard to the prevailing market price at the relevant time.
- 6 In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public during the year.
- 7 The company has an Internal audit system commensurate with the size and nature of its business.
- 8 The Central Government has not prescribed the maintenance of cost records by the company under section 209 (1) (d) of the Companies Act,1956.
- 9 (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection fund, Employee's State Insurance, Income Tax, Sales Tax, Custom duty, and Excise duty, Cess and any other statutory dues with the appropriate authorities and there are no outstanding liabilities as on 31st March 2006, outstanding for a of more than six months from the date they became payable, other that those stated in the statements as under.

S.No.	Name of Dues	Amount (Rs.)	Period of which the Amount Relates
1.	CST, MPCT & ET (Net)	102850	1994-95
2.	-Do-	52448	1995-96
3.	-Do-	227116	1997-98
4.	-Do-	7243	2000-01
5.	-Do-	104226	2001-02

- (b) According to the information & explanations given to us, there is no dues of Sales Tax, Income Tax, Wealth Tax, Excise duty, or Cess outstanding on account of any dispute.
- 10 The company does not have any accumulated losses. The company has not incurred cash losses

- during the financial year covered by our audit and the immediately proceeding financial year.
- 11 According to the information & explanations given to us, the company has not defaulted in repayment of dues to a financial Institution, bank or debenture holders.
- 12 According to the information & explanations given to us, the company has not granted loans & advances on the basis on security by way of pledge of shares, debentures and other securities.
- 13 The Company is not a chit fund, nidhi or mutual benefit fund/ society . Therefore, the provisions of clause (xiii) of the Order are not applicable to the company.
- 14 In our opinion, the company has maintained proper records of the transactions and contracts of the Investments/ Proceeding of the shares dealt is by the company and timely entries have been made there in. The Investment made by the company are in its own name.
- 15 According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks of financial Institutions.
- 16 According to the information and explanations given to us, the company has not raised any term loans during the year.
- 17 According to the information and explanations given to us, the funds raised by the company on the short term basis have, prima facie, not been used during the period for long term Investments and vice-versa.
- 18 The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956
- 19 The company has not issued any debenture during the year and hence clause (xix) of the Order is not applicable to he company.
- 20 The company has not made any public issue during the year.
- 21 According to the information & explanations given to us, any frauds on or by the company has not been noticed or reported during the year.

For **RAWKA AGRAWAL & CO.**
Chartered Accountants

Place : **INDORE**
Date : 05th August, 2006

C.P. RAWKA
Partner

BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	31ST MAR.06	31ST MAR.05
		Rupees	Rupees
SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS :			
Share Capital	1	3,39,30,345	3,39,30,345
Reserves and Surplus	2	<u>26,81,32,287</u>	<u>21,06,38,209</u>
		30,20,62,632	24,45,68,554
LOAN FUNDS :			
Secured Loans	3	15,51,832	0
Unsecured Loans		0	42,55,506
Deferred Tax Liabilities		1,03,05,706	1,16,45,435
		<u>31,39,20,170</u>	<u>26,04,69,495</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
	4		
Gross Block		15,96,02,070	15,97,73,203
Less : Depreciation		<u>10,39,38,513</u>	<u>9,79,45,700</u>
Net Block		<u>5,56,63,557</u>	<u>6,18,27,503</u>
		5,56,63,557	6,18,27,503
INVESTMENTS	5	19,63,14,124	12,25,12,755
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	6	2,57,42,210	2,81,61,847
Sundry Debtors	7	4,32,69,504	3,78,51,803
Cash and Bank Balances	8	82,33,364	1,53,55,904
Loans and Advances	9	<u>2,93,64,589</u>	<u>3,31,44,501</u>
		10,66,09,667	11,45,14,055
Less :			
CURRENT LIABILITIES AND PROVISIONS :			
Current Liabilities	10	2,68,75,801	2,23,35,090
Provisions	11	<u>1,83,57,552</u>	<u>1,71,82,076</u>
		4,52,33,353	3,95,17,166
NET CURRENT ASSETS		6,13,76,314	7,49,96,889
MISCELLANEOUS EXPENDITURE	12	5,66,175	11,32,348
(To the extent not written off or adjusted)			
	TOTAL	<u>31,39,20,170</u>	<u>26,04,69,495</u>
NOTES TO THE ACCOUNTS	19		

As per our attached report of even date
For **RAWKA AGRAWAL & Co.**

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 5th August, 2006

GANESH PAWAR
Company Secretary

ALOK K. GARG
Executive Director

R.C. MITTAL
Chairman & Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	31ST MAR.06	31ST MAR.05
		Rupees	Rupees
INCOME:			
Sales		19,46,30,672	20,53,05,351
Other Income	13	5,13,85,939	2,29,44,553
Increase (Decrease) in Stock	14	(56,81,148)	1,17,50,676
	TOTAL	24,03,35,463	24,00,00,580
EXPENDITURE :			
Cost of Raw Material Consumed	15	5,35,38,088	5,73,52,216
Operating Expenses	16	3,78,47,792	4,34,89,826
Employee Cost	17	2,51,54,821	2,51,22,894
Excise Duty		1,94,41,415	2,45,79,467
Other Expenses	18	2,07,45,559	2,91,99,082
Depreciation	4	82,15,365	83,85,420
Less:Transfer from Revaluation Reserve		5,16,256	5,16,256
		76,99,109	78,69,164
Interest	18-A	7,032	0
Right Issue Exp. Written Off		5,66,173	5,66,173
Expenses of previous year		1,39,961	6,03,503
		16,51,39,950	18,87,82,325
PROFIT BEFORE TAX		7,51,95,513	5,12,18,255
Less : Provision for Income Tax		1,30,00,000	1,18,50,000
Add : Deferred Tax [Schedule 19B (7)]		13,39,729	7,64,823
Less : Fringe benefit Tax		1,92,831	0
PROFIT AFTER TAX		6,33,42,411	4,01,33,078
Balance of Profit brought forward		9,93,91,135	6,77,95,216
		16,27,33,546	10,79,28,294
Income Tax adjustment of previous years		0	55,082
Transfer to General Reserve		31,50,000	31,50,000
Proposed dividend		46,76,234	46,76,234
Tax on proposed dividend		6,55,842	6,55,842
		84,82,076	85,37,158
BALANCE OF PROFIT CARRIED TO BALANCE SHEET		15,42,51,470	9,93,91,136
BASIC AND DILUTED EARNING PER EQUITY SHARES [SCHEDULE 19 B(9)]		20.32	12.87
NOTES TO THE ACCOUNTS	19		

As per our attached report of even date
For **RAWKA AGRAWAL & Co.**

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 5th August, 2006

GANESH PAWAR
Company Secretary

ALOK K. GARG
Executive Director

R.C. MITTAL
Chairman & Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	2005-2006 (RUPEES)	2004-2005 (RUPEES)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax & extraordinary items	6,20,02,682	3,93,68,255
Adjustment for :		
Add : Depreciation.	76,99,109	78,69,164
Add : Right Issue expenses written off	5,66,173	5,66,173
Operating profit before working capital changes	7,02,67,964	4,78,03,592
Adjustment for :		
Current Assets	1,37,97,048	82,35,515
Current Liabilities	57,16,187	(1,14,19,373)
Cash generated from working capital	1,95,13,235	(31,83,858)
Cash generated from operations	8,97,81,199	4,46,19,734
Income Tax for current year	1,30,15,200	1,15,22,230
Cash flow before extra ordinary items	7,67,65,999	3,30,97,504
Income Tax for previous year	0	55,082
Proposed Dividend & Tax	53,32,076	53,32,076
Cash flow after extra ordinary items (A)	7,14,33,923	2,77,10,346
B. CASH FLOW FROM INVESTING ACTIVITIES		
Addition to investments	7,38,01,369	1,33,85,494
Purchase of Fixed assets	(1,71,133)	23,99,280
Capital work in progress	0	(6,199)
Adjustment for depreciation on sale of fixed assets	22,22,552	3,44,147
Net cash used in investing activities (B)	7,58,52,788	1,61,22,722
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Loans borrowed	0	(16,65,930)
Unsecured Loan Repaid	(42,55,506)	0
Secured Loan	15,51,832	0
Net Cash Used In Financial Activities	(27,03,674)	16,65,930
Net Increase In Cash And Cash Equivalents(A+B+C)	(71,22,540)	99,21,694
Cash & cash equivalents at the beginning of the year	1,53,55,904	54,34,210
Cash & cash equivalents at the closing of the year	82,33,364	1,53,55,904

As per our attached report of even date
For **RAWKA AGRAWAL & Co.**

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 5th August, 2006

GANESH PAWAR
Company Secretary

ALOK K. GARG
Executive Director

R.C. MITTAL
Chairman & Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	31ST MAR.06 Rupees	31ST MAR.05 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
40,00,000 Equity Shares of Rs.10/- each (Previous Year 40,00,000 Equity Shares of Rs.10/- each)	<u>4,00,00,000</u>	<u>4,00,00,000</u>
ISSUED CAPITAL		
36,68,580 Equity Shares of Rs. 10/- each (Previous Year 36,68,580 Equity Shares of Rs.10/- each)	<u>3,66,85,800</u>	<u>3,66,85,800</u>
SUBSCRIBED CAPITAL		
31,17,489 Equity Shares of Rs. 10/- each (Previous Year 31,17,489 Equity Shares of Rs.10/- each) fully paid up	3,11,74,890	3,11,74,890
Add : Forefeited Shares amount originally Paid up	27,55,455	27,55,455
	<u><u>3,39,30,345</u></u>	<u><u>3,39,30,345</u></u>
SCHEDULE 2 : RESERVES & SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	44,21,000	44,21,000
SHARE PREMIUM		
As per last Balance Sheet	3,89,81,502	3,89,81,502
REVALUATION RESERVE		
As per last Balance Sheet	28,03,761	33,20,017
LESS : Transfer to Profit and Loss Account	<u>5,16,256</u>	<u>5,16,256</u>
	22,87,505	28,03,761
4.CENTRAL INVESTMENT SUBSIDY		
As per last Balance Sheet	25,00,000	25,00,000
INVESTMENT ALLOWANCE RESERVE (UTILISED)		
As per last Balance Sheet	36,16,880	36,16,880
GENERAL RESERVE		
As per last Balance Sheet	5,89,23,930	5,57,73,930
Add : Transfer from Profit & Loss A/c	<u>31,50,000</u>	<u>31,50,000</u>
	6,20,73,930	5,89,23,930
PROFIT AND LOSS ACCOUNT		
As per Annexed Account	<u>15,42,51,470</u>	<u>9,93,91,136</u>
	<u><u>26,81,32,287</u></u>	<u><u>21,06,38,209</u></u>
SCHEDULE 3 : LOAN & FUNDS:		
SECURED LOAN		
HSBC Bank	10,00,000	0
ICICI Bank	5,51,832	0
UNSECURED LOAN		
Sales tax deferred loan	0	42,55,506
	<u>15,51,832</u>	<u>42,55,506</u>

	31ST MAR.06 Rupees	31ST MAR.05 Rupees
SCHEDULE 5 : INVESTMENTS (Non Trade-At Cost)		
Quoted		
- 100(100) Equity Shares of Natural Capsules Ltd.	1,000	1,000
- 43,600(43600) Equity Shares of Jord Engg. I. Ltd.	21,41,139	21,41,139
- 1,07,000 (107000) Equity Shares of Endo Labs Ltd.	10,70,000	10,70,000
- 100(100) Equity Shares of Bharti Health Care Ltd.	2,012	2,012
- Nil (5000) Equity Shares of TVS Electronics Ltd.	0	3,79,053
- Nil (10000) Equity Shares of M.R.P. Ltd.	0	5,93,891
- Nil (12000) Equity Shares of Tata Motors Ltd.	0	54,86,853
- Nil (10000) Equity Shares of I.P.C. Ltd.	0	19,34,172
- Nil (5000) Equity Shares of Cipla Ltd.	0	14,53,181
- Nil (1414) Equity Shares of Punjab National Bank	0	5,51,460
- 20000 (Nil) Equity shares of JBF Industries	16,80,336	0
- 2500 (Nil) Equity shares of Nahar Export	2,23,283	0
- 1000 (Nil) Equity shares of Power trading Corp.	60,084	0
- 5000 (Nil) Equity shares of Prism Cement	1,29,199	0
- 200 (Nil) Equity Shares of RCVL	62,244	0
5000 (Nil) Equity shares of J.P.Hydro	1,45,813	0
(Market Value Rs. 3462302/- Previous Year Rs. 9611201/-)	55,15,110	1,36,12,761
Unquoted		
-- 10,000 (10000) Equity Shares of Ives L. & F. LTD.	1,00,000	1,00,000
- 21,800 (Nil) Equity Shares of Medi Caps Finance LTD.	2,18,000	2,18,000
	3,18,000	3,18,000
- 99942 Unit (14,90,034) in PNB Principal Mgt. Mutual Fund	10,00,000	1,49,11,446
- 1360053 Unit (6,53,121) in HDFC Mutual Fund	2,25,00,000	84,30,993
- 145075 Unit (4,09,077) in Birla Sun Life Mutual Fund	1,00,00,000	88,60,658
- 2483360 Unit (7, 46,144) in SBI Mutual Fund	3,75,00,000	1,00,00,000
- 478471.9 Unit (Nil) in Prudential ICICI Mutual Fund	1,00,00,000	0
- Nil Units (977995) in ABN Amro Mutual funds	0	1,00,00,000
- 997204 Unit (1821304) in Reliance Mutual Fund	3,01,92,524	2,20,57,725
- 2106562 Unit (1500000) in Frankin India Mutual Fund	3,50,00,000	1,50,00,000
- 465818 Unit (244499) in DSP Myrill Lynch Mutual Fund	1,25,00,000	50,00,000
- 201710 Units (Nil) in Fidelity Equity Mutual funds	25,00,000	0
- 977995 Units (Nil) UTI Leadership Equity Fund	1,00,00,000	0
- 1374843 Units in HSBC India Opportunities Funds	1,50,00,000	0
LIC Gratuity Fund	29,19,215	26,47,004
Investment in Property	13,69,275	1,16,74,168
	19,04,81,014	10,85,81,994
Total Investment	19,63,14,124	12,25,12,755

	31ST MAR.06 Rupees	31ST MAR.05 Rupees
<u>SCHEDULE 6 : INVENTORIES :</u>		
(As valued and certified by the management)		
Raw Materials (At cost)	54,02,169	20,09,000
Finished Goods (At Cost or market price; whichever is less)	1,52,19,981	2,23,98,982
Stock in process and waste (At cost or Market price; whichever is less and in case of waste at realisable value)	26,15,041	11,17,188
Stores and Spares (At cost)	7,63,651	8,56,987
Colour & Chemical (At cost)	7,96,278	5,96,198
Packing Material (At cost)	4,97,392	4,25,249
Printing Material (At cost)	25,172	53,708
Lab Chemical & Glass wears (At cost)	26,690	59,446
Fuel (At cost)	3,95,836	6,45,089
	<u>2,57,42,210</u>	<u>2,81,61,847</u>
<u>SCHEDULE 7 : SUNDRY DEBTORS :</u>		
Debts outstanding for a period exceeding six months	18,96,793	2,85,573
Other debts	4,13,72,711	3,75,66,230
	<u>4,32,69,504</u>	<u>3,78,51,803</u>
<u>SCHEDULE 8 : CASH AND BANK BALANCES :</u>		
Cash in Hand	62,410	82,718
Balances with Scheduled Banks : In current accounts	81,70,954	1,52,73,186
	<u>82,33,364</u>	<u>1,53,55,904</u>
<u>SCHEDULE 9 : LOANS AND ADVANCES :</u>		
(Unsecured considered good unless otherwise stated)		
Loans	68,12,345	0
Advances recoverable in cash or kind or for value to be received	76,82,406	2,03,91,239
Advances for Capital Goods	11,27,141	4,14,641
Income Tax	1,37,42,697	1,23,38,621
	<u>2,93,64,589</u>	<u>3,31,44,501</u>
Maximum Amount due from officers during the year	-	50,000
<u>SCHEDULE 10 : CURRENT LIABILITIES :</u>		
Sundry Creditors for goods and expenses	1,16,32,080	73,18,388
Other Liabilities	1,52,43,721	1,50,16,702
	<u>2,68,75,801</u>	<u>2,23,35,090</u>
<u>SCHEDULE 11 : PROVISIONS :</u>		
Provision for Income Tax	1,30,00,000	1,18,50,000
Proposed Dividend	46,76,234	46,76,234
Tax on Proposed Dividend	6,55,842	6,55,842
Provision for Fringe Benefit Tax	25,476	0
	<u>1,83,57,552</u>	<u>1,71,82,076</u>



	31ST MAR.06 Rupees	31ST MAR.05 Rupees
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SCHEDULE 12 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Right Issue Expenses	11,32,348	16,98,521
TOTAL	11,32,348	16,98,521
Less : Written off during the year	5,66,173	5,66,173
	5,66,175	11,32,348

SCHEDULE 13 : OTHER INCOME

Interest Received	11,60,844	3,08,124
Miscellaneous Income	15,105	36,345
Dividend Income	1,00,87,309	65,08,975
Claim Account	2,19,372	56,772
Rent Received	4,65,212	0
Profit on sale of Mutual Fund	3,21,92,351	1,22,67,836
Profit on sale of securities	23,12,351	14,14,503
Bad Debts Recovered	90,000	61,846
Profit on Speculation Business	10,67,670	0
Profit on sale of Property	27,34,003	4,33,684
DEPB Received	10,41,722	18,56,468
	5,13,85,939	2,29,44,553

SCHEDULE 14 : INCREASE(DECREASE) IN STOCKS

Stock as at 31.03.2006 :		
Finished Goods	1,52,19,981	2,23,98,982
Stock in Process	22,67,796	9,73,301
Waste	3,47,245	1,43,887
	1,78,35,022	2,35,16,170
Less : Stock as on 01.04.2005 :		
Finished Goods	2,23,98,982	1,00,66,973
Stock In Process	9,73,301	16,25,041
Waste	1,43,887	73,480
	2,35,16,170	1,17,65,494
	(56,81,148)	1,17,50,676

SCHEDULE 15 : RAW MATERIAL CONSUMED

Opening Stock	20,09,000	52,75,190
Add : Purchases (Net)	5,69,31,257	5,40,86,026
Less : Closing Stock	54,02,169	20,09,000
	5,35,38,088	5,73,52,216

	31ST MAR.06 Rupees	31ST MAR.05 Rupees
SCHEDULE 16 : OPERATING EXPENSES		
Colour & Chemical Consumed	29,35,554	35,47,067
Packing Material Consumed	41,05,782	42,38,062
Printing Material Consumed	11,48,284	16,20,434
Lab Chemical & Glass wear Consumed	1,97,925	2,02,792
Stores and Spares Consumed	28,70,754	47,40,147
Power and Fuel	2,25,36,591	2,47,36,763
Repairs to Machinery	28,17,744	27,36,960
Repair to Electricals	10,75,285	15,08,623
Water Expenses	1,59,873	1,58,978
	<u>3,78,47,792</u>	<u>4,34,89,826</u>
SCHEDULE 17 : EMPLOYEE COST		
Salaries, Wages and Bonus	1,76,82,505	1,76,99,836
Contribution to Provident Fund	16,07,939	15,36,223
Keyman Policy Premium	24,76,263	24,76,263
Staff Incentives	24,38,641	22,79,621
Staff Welfare Expenses	9,49,473	11,30,951
	<u>2,51,54,821</u>	<u>2,51,22,894</u>
SCHEDULE 18 : OTHER EXPENSES		
Rent	1,72,800	1,58,400
Repairs to Building	8,63,811	23,50,549
Insurance Expenses	6,17,988	6,34,237
Rates and Taxes	2,82,436	80,760
Telephone & Telex Expenses	4,89,648	5,36,514
Donation	46,000	48,400
Bad & Doubtful Debts	6,05,501	5,38,912
Loss on Sale of Fixed Assets	1,20,779	1,19,791
Loss on Speculation business	0	35,04,680
Sales Commission	48,21,538	49,61,815
Freight Expenses	59,19,869	62,95,163
Miscellaneous Expenses	68,05,189	99,69,861
	<u>2,07,45,559</u>	<u>2,91,99,082</u>
SCHEDULE 18-A: INTEREST		
To Bank	7,032	0
	<u>7,032</u>	<u>0</u>

.....
SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE 19 : SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS.****A. SIGNIFICANT ACCOUNTING POLICIES :-**

a) Basis of preparation of Financial Statements : -

The accompanying financial statements have been prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles and as per the provisions of the Companies Act, 1956.

b) Sales : -

Sales include excise duty.

c) Export Benefits : -

Export benefits under Exim Policy are accounted for on realisation basis.

d) Fixed Assets and Depreciation : -

Fixed Assets are stated at cost net of cenvat or revalued figures less depreciation provided on straight line basis at the rates specified in Schedule XIV to the Companies Act,1956 (as ammended) and on Prorata basis.

e) Investments : The Company has policy to make investments on strategic and long term basis and the investment have been shown as the cost of investments of acquisition, no adjustments for change in the valuation as on the date of the balance sheet being made, as it has temporary in the nature.

f) Valuation of Inventories : -

Inventories are valued at lower of cost or net realisable value.

g) Foreign Exchange Transaction : -

Transaction in foreign currency are recorded by applying exchange rate applicable on the date of transaction. The difference if any on actual payment / realisation is charged off to revenue.

h) Sundry Debtors and Advances :-

Company's Management periodically verify the outstanding balance of sundry debtors, advances etc and on the basis of such verification management determines whether the said outstandings are good, bad or doubtful and accordingly same are written off or provided for.

i) Research & Development : -

Capital Expenditure is treated in same line as any other Capital expenditure and Revenue expenditure is charged to the respective heads of Profit & Loss Account.

j) Terminal Benefit : -

Gratuity Liability is accounted for on accrual basis & the Company has consituted trust with Life Insurance Corporation of India.

k) Taxation : -

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax recognised, subject to the consideration of prudence in respect of deferred tax assets as timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period.

B. NOTES TO THE ACCOUNTS:-

1. Depreciation has been provided on Straight Line Method at the SLM rates specified in Schedule XIV to the Companies Act,1956 on prorata basis. Based on the technical opinion obtained by the Company, the Company has provided depreciation on Plant & Machinery at the rates specified for continuous process plant.
2. Depreciation charged for the year in Profit & Loss Account is after deducting amount of Rs. 5,16,256 (Previous Year Rs. 5,16,256) , representing the extra depreciation arising on revaluation of fixed assets, which has been withdrawn from Revaluation Reserve.
3. In consonance with Accounting Standard on 'Inventory valuation' and Guidance Note on 'Accounting Treatment for Excise Duty' issued by the Institute of Chartered Accountants of India, the excise duty on finished goods not cleared have been considered for valuation. However, such change has no impact on profit for the year.
4. Company has identified old finished goods stock & the same has been valued at realisable value.
5. Information on segment reporting as per Accounting Standard - 17, the entire operation of the company related to one segment as such there is no separate reporting required. Company's earning includes Rs. 468.21 lacs of income from Interest, Dividend and Investments however as per explanation given in AS - 17, segment revenue does not include Interest, dividend and income from Investment, hence there is no separate segment reporting required.

6. Information on related party transaction as per Accounting Standard 18 on related party disclosure :

Sr. No.	Related Party	Nature of transactions	Amount
1.	Shri R.C. Mittal Chairman & Managing Director	Remuneration	26,88,000
2.	Shri Alok K. Garg, Ex. Director	Remuneration	14,79,385
3.	Mrs. Kusum Mittal, Director	Rent	1,72,800
4.	Medpak India Ltd.	Purchase	4,14,017

7. Information on deferred tax has been provided in accordance with Accounting Standard 22 - Accounting for Taxes on Income Issued by the Institute of Chartered Accountants of India with effect from 1st April 2001. The accumulated net deferred tax liability amounting to Rs. 1,28,66,070/- as on 1st April, 2001 has been adjusted against the general reserve. Further, the deferred tax assets for the year is Rs. 13,39,729 has been recognised in the Profit & Loss Account.

8. Other liabilities include :

- Rs. 7,63,038 (US\$ 15,477) which is received from Star Overseas as security deposit for special size capsule (size "1" elongated) development and to be adjusted against supply.
- Advance received for supply from S.B. Company, Dubai Rs. 51,216 (USD-1,174.87)

9. Earning per shares, the numerator and denominator used to calculate basic and diluted Earning Per Equity Share's:

	2005-2006	2004-2005
i) Profit after tax used as the numerator	6,33,42,411	4,01,33,078
ii) Basic / Weighted Average number of Equity Share used as the denominator	31,17,489	31,17,489
iii) Nominal value of Equity Share	10/-	10/-
iv) Basic & Diluted earning per Equity Share	20.32	12.87

11. The Company does not have outstanding for more than 30 days as on 31st March, 2006 of S.S.I. Units as per status available provided to the company by the respective parties.

12. Payment to Auditors : -

Audit Fees	70,000	70,000
In other capacity		
Tax Audit Fee	7,000	7,000
Other	23,000	15,000

13. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances)

	2005-2006	2004-2005
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14. Contingent Liabilities : -

	NIL	NIL
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15. Managerial Remuneration under section 198 of the Companies Act, 1956

Salary	36,00,000	33,75,000
Contribution to Provident Fund	3,96,000	2,67,600
Other Perquisites and Benefits	1,71,385	1,60,215
	41,67,385	38,02,815

16. As per the industrial policy of the Government of India, the activity of the Company does not require licensing.

17. Additional information pursuant to the provisions of para 3 & 4 of part II of Schedule VI to the Companies Act, 1956 are as follows:

	2005-2006	2004-2005
A. Capacity and production	Hard Gelatin	Hard Gelatin
Class of Goods Produced	Capsule	Capsule
(Qty. - Nos. in Lacs)	Shells I.P.	Shells I.P.
i) Licensed Capacity	NA	NA
ii) Installed Capacity	32,500	32,500
iii) Actual Production *	31,742	33226
(Rounded off to nearest Lacs)		

* after deducting 375.00 Lacs (168.24 Lacs Prev.Year) reprocessing and shortage.

	2005-2006		2004-2005	
	Qty (Nos.in Lacs)	Value (Rs.in Lacs)	Qty (Nos.in Lacs)	Value (Rs. inLacs)
B. Opening & Closing stock of goods produced (Hard Gelatin Capsule Shells I.P.)				
i) Opening Stock	5539.30	223.88	2326.16	100.67
ii) Closing Stock*	4315.04	152.20	5539.30	223.88
C. Turnover				
Hard Gelatin Capsule Shells I.P.	32849.83	1946.30	30012.67	2053.05
D. Raw Material Consumed				
Gelatin	252455 Kgs	535.38	260720Kgs.	573.52
E. Value of Raw Materials, Stores and Spares consumed	Value (Rs. in Lacs)	% of total consumption	Value (Rs.in Lacs)	% of total consumption
a) Raw materials				
i) Imported	8.09	1.51	10.27	1.79
ii) Indigenous	527.29	98.49	563.25	98.21
b) Stores and spare parts				
i) Imported	Nil	Nil	Nil	Nil
ii) Indigenous	28.71	100%	47.40	100 %
F. Value of Imports on C.I.F. basis	17.94		13.61	
G. Value of Export on FOB basis	295.18		369.43	
- Inclusive of amounts contracted for payment in Rupees (Including Exchange Difference)				
H. Expenditure in Foreign Currency				
- Foreign Travel & Others	1.21		NIL	

18. Previous Year figures have been regrouped and rearranged wherever necessary.

19. Schedules 1 to 19 form an integral part of the accounts

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	2 2 3 1	State Code	1 0
Balance Sheet Date	3 1 . 0 3 . 0 6		

II. CAPITAL RAISED DURING THE YEAR

(Amount in Rs. Thousand)

Public Issue	N I L	Right Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS

(Amount in Rs. Thousand)

Total Liabilities	3 1 3 9 2 0	Total Assets	3 1 3 9 2 0
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SOURCE OF FUNDS

Paid-up capital	3 3 9 3 0	Reserves & Surplus	2 6 8 1 3 2
Secured Loans	1 5 5 2	Unsecured Loans & Deferred Tax Liabilities	1 0 3 0 6

APPLICATIONS OF FUNDS

Net Fixed Assets	5 5 6 6 4	Investment	1 9 6 3 1 4
Net Current Assets	6 1 3 7 6	Misc. Expenditure	5 6 6
Accumulated Losses	N I L		

IV. PERFORMANCE OF COMPANY

(Amount in Rs. Thousand)

Turnover including other income	2 4 6 0 1 7	Total Expenditure*	1 7 0 8 2 2
Profit before tax	7 5 1 9 5	Profit after tax**	6 3 3 4 2
Earning per Share in Rs.	2 0 . 3 2	Dividend Rate %	1 5 %

* Excluding earlier year tax

** After addition of Deferred Tax

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICE OF THE COMPANY

(as per monetary terms)

Item Code No.	96020030	Product Description	Hard Gelatin Capsule Shells I.P.
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As per our attached report of even date annexed
For **RAWKA AGRAWAL & Co.**

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 5th August, 2006

GANESH PAWAR
Company Secretary

ALOK K. GARG
Executive Director

R.C. MITTAL
Chairman & Managing Director

MEDI-CAPS LIMITED

REGD. OFFICE : Mhow-Neemuch Road, Sector-1, Pithampur - 454 775

ATTENDANCE SLIP

PLEASE FILL IN ATTANDANCE SLIP AND HAND IT OVER AT ENTRANCE OF THE MEETING HALL. Joint shareholders may obtain additional attendance slip on request.

Names and addresses of the Shareholders

No. of Shares held

.....

Client & DP ID / Folio No.

.....

I hereby record my presence at the 23rd Annual General Meeting of the members of the Company held on 29th September 2006 at 11.00 A.M. at the above mentioned Registered Office of the Company

.....

Signature of the Shareholders or Proxy.



MEDI-CAPS LIMITED

REGD. OFFICE : Mhow-Neemuch Road, Sector-1, Pithampur - 454 775

PROXY FORM

Client & DP ID / Folio No.

I/We _____ of _____ being

a Member / Member(s) of Medi-Caps Limited hereby appoint _____

_____ of _____ or failing him/

her _____ of _____ as my/

our proxy in my/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on 29th September, 2006 at 11.00 A.M. or at any adjournment thereof.

Signed this _____ day of _____ 2006.

Signed by the said

Affix 1 Re.
Revenue
Stamp

Signature

Note :

The proxy must be returned so as to reach Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.



BOOK-POST

Printed by : Agrawal's, Indore Ph. 4048868
E-mail : agrawal@aitelbroadband.in

If Undelivered please return to :

Medi-Caps Limited

Regd. Office :- Mhow-Neemuch Road,
Sector -1, Pithampur - 454775 Dist. Dhar (M.P.)
E-mail : info@medicaps.com
