



Medi-Caps Limited

24th

Annual Report

2006-2007

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. K.S. VERMA	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

- **ANURAG DUTT**

COMPANY LAW ADVISOR

- **D.K. JAIN & CO.**
Company Secretaries
4th Floor, Silver Ark Plaza, Narayan Kothi Square,
20/1 New Palasia, Indore (M.P.)

BANKERS

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

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 24th 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 28th day of September, 2007 at 12.30 P.M. to transact the following businesses:

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account of the Company for the year ended 31st March, 2007 together with the report of the Directors' & Auditor's thereon on that date.
2. To declare dividend on the equity share capital of the Company.
3. To appoint a director in place of Shri Alok K. Garg, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mrs. Trapti Gupta, who is liable to retire by rotation and being eligible, offers herself for re-appointment.
5. 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:

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

RESOLVED THAT Dr. Keshav Singh Verma, 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.Keshav Singh Verma, 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:

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

RESOLVED THAT pursuant to the provisions of section 198, 269, 302, 309 & 310 read with the provisions of Schedule XIII of the Companies Act, 1956 and other applicable provisions if any of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being enforce) the consent of the members of the Company be and is hereby granted for the re-appointment of Shri R.C. Mittal as the Chairman and Managing Director of the Company for a period of three years w.e.f. 1st July, 2007 on the following terms and conditions:

- (a) Salary: Rs.2,50,000/- per month
- (b) Contributions: to the Provident Fund, Family Benefit Fund & Superannuation Fund as per Rules of the Company.
- (c) Gratuity: not exceeding half a month salary for each completed year of service.

- (d) Earned Privilege Leave: As per the Rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every completed year of services at the end of the tenure.

FACILITIES:

- (i) Car: The Company shall provide a car with driver for the Company's business and if no car is provided, reimbursement of the conveyance shall be as per actual on the basis of claims made by him.
- (ii) Telephone: Free use of mobile and a telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to the Managing Director.

FURTHER RESOLVED THAT in the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri R.C.Mittal, the Chairman and Managing Director shall be the minimum remuneration payable to him in terms of the provisions of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT Shri R.C.Mittal the Chairman and Managing Director shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges, as any from time to time, be available to other Senior Executives of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto and to decide break up of the remuneration within the above said maximum permissible limit in the best interest of the Company.

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

RESOLVED THAT pursuant to the provisions of Section 198, 269, 302, 309 & 310 read with the provisions of Schedule XIII of the Companies Act, 1956 and other applicable provisions if any of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being enforce) the consent of the members of the Company be and is hereby granted for the appointment of Shri Alok K.Garg as the Whole-time Director and be designated as the Executive Director of the Company for a period of three years w.e.f. 1st April, 2007 on the following terms and conditions:

- (a) Salary: Rs.1,25,000/- per month, with the annual increment of Rs.5,000/- only.
- (b) Perquisites: Subject to the ceiling of Rs.9,00,000/- p.a. as under:
 - (1) Re-imbursment of medical expenses of the Executive Director and his family, the total cost of which to the Company shall not exceeding one month salary in the year or three months salary in a block of three years.
 - (2) Leave travel assistance: Expenses incurred for self and family in accordance with the Rules of the Company.

NOTES:

- (3) Club Fees: subject to a maximum of two clubs this will not include admission and life membership.
- (4) Personal accident insurance premium not exceeding Rs.10,000/- p.a.
- (5) Annual Bonus upto 20% of the salary.

BENEFITS:

- 1. Contribution to the Provident Fund, Family Benefit Fund & Superannuation Fund as per Rules of the Company.
- 2. Gratuity not exceeding half a month salary for each completed year of service.
- 3. Earned Privilege Leave: As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every completed year of services at the end of the tenure.

FACILITIES:

- (i) Car: The Company shall provide a car with driver for the Company's business and if no car is provided reimbursement of the conveyance shall be as per actual on the basis of claims made by him.
- (ii) Telephone: Free use of mobile and a telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to the Executive Director.

NOTE: For the purpose of perquisites stated in Category "A" above, "Family" means the spouse, the dependent children and dependent parents of the appointee.

FURTHER RESOLVED THAT in the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri Alok K.Garg shall be the minimum remuneration payable to him in terms of the provisions of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT Shri Alok K.Garg the Executive Director shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges, as any from time to time, be available to other Senior Executives of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto and the Board shall have absolute powers to withhold the increments, decide break up of the remuneration within the above said maximum permissible limit, in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company.

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

Place : Pithampur
Date : 10th August,2007

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

- 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 24th September, 2007 to 28th September, 2007 (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 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 of the Company 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 desiring 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 is having connectivity from the CDSL & NSDL and equity shares of the Company may be held in the Electronic form with any Depository Participant (DP) with whom the members/investors having their Demat 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 as prescribed by the Central Government may be obtained from the Share Transfer Agent or may be downloaded from the website of the Ministry of Company Affairs.
- 10. The Members who have not encashed their dividend cheques/DD for the year 2003-04, 2004- 05 and 2005-06 may approach to the Company for revalidation thereof.

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11. The dividend, if any, declared by the Members for the year 2006-07, will be paid to those members whose names appears in the Register of Members as on 24.09.2007 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 28.09.2007.
 12. Pursuant to the recommendation of SEBI Committee 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 RE-APPOINTMENT

1. Shri R.C.Mittal: Shri R.C. Mittal, the Chairman and Managing Director aged about 60 years is the core promoter director of the company since 6th of August, 1983. Shri Mittal is a qualified as B. Pharma having wide experience of 31 years in the field of Pharma industry and real estate. He is also director of Medi-Caps Finance Limited, Trapti Investment Pvt. Ltd., Medi-Caps IT Park Pvt. Ltd. and Medpak India Limited. He has having Chairmanship of Medi-Caps Education Society, Managing Trustee of Medi-Caps Charitable Trust, International Institute of Foreign Trade & Research a prominent education institute of foreign trade and management, Medi-Caps Institute of Technology & Management, an engineering college with high level degree courses. He has been awarded by Udhog Excellence Award 1992, Glory of India International Award 1993. Shri R.C. Mittal is holding 744460 equity shares consisting 23.88% of the total share holding of the company.

2. Shri Alok K.Garg: Shri Alok K Garg, the Executive Director of the Company aged about 37 years B.A. (Honors), M.B.A with specialization in marketing, Diploma in Export Documentation & Implementation from IIFT, Delhi is having wide experience in the field of marketing and he has contributed significantly to improve turnover of the company. He is Member of Governing Body of Medi-Caps Institute of Technology and Management, Secretary of International Institute of Foreign Trade and Research. He is also director of Medpak India Limited, Medgel Pharmaceuticals Pvt. Ltd., Akshit Finvest P. Ltd. He is holding 7,691 equity shares consisting of 0.25% of the paid up capital of the Company.

3. Mrs. Trapti Gupta: Smt. Trapti Gupta, the Director of the Company aged about 30 years. She is commerce graduate having wide experience in the field of export. She is also director of Janani Industries Pvt. Ltd. She is not holding any equity shares in the company.

4. Dr. Keshav Singh Verma: Dr. K.S. Verma, the Independent Director of the company aged about 60 years Dr. Verma having done Ph.D. in Mechanical Engineering and M. Tech from IIT, Delhi. He has over 35 years experience in the field of engineering and he is Fellow member of Institution of Engineers (India), Kolkata and Life Member of Indian Society for Technical Education, New Delhi. He is not holding any equity shares in the company.

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

ITEM NO.6:

Dr. Keshav Singh Verma was appointed by the Board as an additional director of the Company w.e.f 30th April, 2007 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 a 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.Keshav Singh Verma as the normal directors of the Company and proposes the respective resolution as set out in item No. 6 of the Notice for approval as an Ordinary Resolution. Except, Dr. Keshav Singh Verma being appointed none other directors are interested or concerned in the resolution.

ITEM NO. 7:

The tenure of Shri R.C. Mittal, (B.Pharma) the Chairman and Managing Director expired on 30th June, 2007 on completion of three years. Therefore the Board considered for his re-appointment and on the recommendation of the remuneration committee the Board has re- appointed him w.e.f 1st July, 2007 for a period of 3 years as the Chairman and Managing Director of the Company on the remuneration as contained in the resolution.

Shri R.C.Mittal is the founder of the Company and has full technical knowledge and expertise of more than 31 years and working in the Company since more than 23 years as the Managing Director. Shri Mittal is overall in charge of all the business activities of the Company and directly looking into the investment activities of surplus funds.

Presently he is drawing consolidated salary of Rs.2,00,000/- p.m. in addition to that he is not having any other pecuniary interest except his shareholding as the promoter of the company. The Remuneration Committee of the Board of has recommended for the re-appointment of Shri R.C.Mittal on the consolidated salary of Rs.2,50,000/- p.m. for a period of three years w.e.f.1st July, 2007.

The proposed remuneration is matching with the remuneration payable in the pharmaceutical industry for a person of his caliber, however, there is no comparable company in the manufacturing line of the Company.

The Company is carrying commercial activities since more than 23 years and as per the financial statements upto 31st March, 2007 the Company is having net own funds of Rs.3782.56 Lacs, the income from operations of the company is Rs.2688.02 Lacs. The Company has also earned net profit of Rs. 821.80 Lacs. The company is also having sound business track record and it is hopeful to increase in the productivity and profitability in future also. The export turnover of the Company was Rs.285.83 Lacs for the year 2006-07, however, it has no collaboration as such with any domestic or foreign partner.

Therefore his appointment shall be the assets for the Company. The Board recommends passing necessary resolution for his re-appointment as the Chairman and Managing Director on the terms and conditions as set out in item No. 7 of the Notice as a Special Resolution.

Necessary relevant documents are available at the Registered Office of the Company for inspection during the normal business hours till the conclusion of the Annual General Meeting.

Except, Mrs. Kusum Mittal, Shri Alok K.Garg and Mrs.Trapti Gupta being relatives and Shri R.C.Mittal being appointed none other directors are interested or concerned in the resolution.

ITEM NO: 8

Shri Alok K. Garg, is a qualified graduate & MBA, was appointed by the Board w.e.f. 1st October, 1998 to 31st March, 1999 as a Manager Marketing of the Company. Looking into his dynamic marketing skill and effective management he was further appointed as the Executive Director of the Company w.e.f. 1st April, 1999. Shri Alok K. Garg is a young and dynamic professional and having proper exposure to deal with the marketing of the Company's products.

Shri Garg is the overall in charge of all the marketing and general administration of the Plant at Pithampur and also assisting to the Chairman and Managing Director in the business activities of the Company.

Presently he is drawing salary of Rs100000/- p.m. with 20% bonus on his salary in addition to that he is not having any other pecuniary interest except, his nominal shareholding in the company. The tenure of Shri Alok K.Garg, being the whole-time Director of the Company expired on 31st March, 2007. The Remuneration Committee of the Board of has recommended for the re-appointment of Shri Alok K.Garg on the salary of Rs. 1,25,000/- p.m. with perquisites subject to Rs.9,00,000 p.a. for a period of three years w.e.f. 1st April, 2007.

The proposed remuneration is matching with the remuneration payable in the pharmaceutical industry for a person of his caliber however, there is no comparable company in the manufacturing line of the Company.

The Company is carrying commercial activities since more than 23 years and as per the financial statements upto 31st March, 2007 the Company is having net own funds of Rs.3782.56 Lacs, the income from operations of the company is Rs.2688.02 Lacs. The Company has also earned net profit of Rs. 821.80 Lacs. The company is also having sound business track record and it is hopeful to increase in the productivity and profitability in future also. The export turnover of the Company was Rs.285.83 Lacs for the year 2006-07 however, it has no collaboration as such with any domestic or foreign partner.

Therefore his appointment shall be in the interest of the Company. The Board recommend to pass necessary resolution for his re-appointment as the Whole-time Director on the terms and conditions as set out in item No. 8 of the Notice as Special Resolution.

Necessary relevant documents are available at the Registered Office of the Company for inspection during the normal business hours till the conclusion of the Annual General Meeting.

Except, Shri R.C.Mittal, Mrs. Kusum Mittal, and Mrs.Trapti Gupta being relatives and Shri Alok k.Garg being appointed none other directors are interested or concerned in the resolution.

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

Place : Pithampur
Date : 10th August, 2007

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

DIRECTORS' REPORT

AND

MANAGEMENT DISCUSSION AND ANALYSIS

To
The Members
Medi-Caps Limited

Your Directors are pleased to present their 24th 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, 2007.

1. PERFORMANCE OF THE COMPANY:

Your company's performance during the year 2006-07 is summarised below:

(Amount in Lacs)

	Year ended 31st March, 2007	Year ended 31st March, 2006
Net Sales/Income from Operations	2076.27	1946.31
Other Income	<u>609.69</u>	<u>513.86</u>
Total Income	<u>2685.96</u>	<u>2460.17</u>
Operating Profit (PBITD)	1015.45	830.42
Less : Depreciation	81.27	76.99
Less : Interest	<u>4.11</u>	<u>0.07</u>
Profit Before Tax	930.07	753.36
Less : Previous year adjustments	6.18	1.40
Provision for current year Income Tax	110.00	130.00
Provision for Fringe Benefit Tax	1.83	1.93
Add : Deferred Tax	<u>9.74</u>	<u>13.40</u>
Net Profit after tax & adjustments	821.80	633.43
Add : Balance carried from Profit & Loss A/c	<u>1542.52</u>	<u>993.91</u>
Total profit available for appropriation	<u>2364.32</u>	<u>1627.34</u>
Less : Transferred to General Reserves	31.50	31.50
Less : Proposed Dividend	46.76	46.76
Less : Corporate Tax on Dividend	<u>7.95</u>	<u>6.56</u>
Surplus Carried to the Balance Sheet	2278.11	1542.52
EPS in Rs. (Shares on Rs. 10/- each)	<u>26.36</u>	<u>20.32</u>

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:

The favorable hike in profit was substantially due to the better utilization of the manufacturing capacity, substantial continuous efforts made towards modernization, automation of the plant. During the year Company achieved a total turnover of Rs.2076.27 lacs in comparison of previous year Rs.1946.31 lacs.

Your company is in process of modernization of the existing manufacturing facility to get better output and quality and in this process we have already converted two machines to high speed as per latest design thus increasing the output to a tune of 30% resulting cost saving in manpower and electricity.

The financial health of the company has shown significant growth in all the sectors, and the company could able to earn Rs.821.80 Lacs (previous year Rs.633.43 Lacs) this income includes dividend and capital gain on mutual fund of Rs.578.36 Lacs. Due to strong financial planning your company has maximized its value of investments and also foresee the positive trends in the coming year.

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, 2007 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 of the Board of directors 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:**

Indian pharmaceuticals market registered a growth of 14.3% during 2006-07 with the multinational pharmaceutical companies growing at 6.5% (Source Org/IMS-MAT-2007). The Government continued focus on economic reforms, its commitment to increase its investment in health care a robust service sector and India's demographic profiles are expected to sustain the growth momentum in the pharmaceuticals market. The Indian pharmaceutical market currently ranked 4th in the world in terms of volume and 14th in terms of value, is highly fragmented with more than 5000 players and going forward consolidation is expected to take place for improved efficiency and productivity.

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

- Strong in-house Research & Development.
- Integrated supply chain.
- Ability to deliver cost saving.
- High quality manpower resources.
- 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 drug formulation companies.
- Frequent fluctuation in market demand.
- Very sensitive process of manufacturing.

6.2.3 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.
- Registration of patent by the users of the products of the company.
- Developed countries are very rigid in procuring capsules from out of countries.
- Competitions from the new entrants in the Tax/Duty Exemption area, which are enjoying these exemption benefits

6.2.4 Opportunities:

- There is a very good demand of gelatin capsules in overseas and India having good quantum in that and quality of Indian capsule recognized in world.
- The new Special Economic Zone has been set up at Pithampur for Pharmaceuticals industries and many Multinational and National companies are coming with their formulation plants, hence we would be the nearest suppliers of the capsules to their plants.
- Due to improved capital market, there are favorable conditions to invest the surplus funds in good securities and mutual funds for multiple growth of the investors funds.

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 country 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 cliental list with improved quality of products as well as services.

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.

The tenure of Shri R.C.Mittal as the Chairman & Managing Director of the Company has completed on 30th June, 2007 and Shri Alok K.Garg the Whole-time Director on 31st March, 2007. The Board on the recommendation of the remuneration committee has re-appointed them for a further period of three years subject to the approval of members by way of special resolutions in the ensuing annual general meeting.

In view of impending retirement from the directorship of Shri Alok K.Garg and Mrs. Trapati Gupta are liable to retire by rotation at the forthcoming Annual General Meeting, they being eligible, offers themselves for re-appointment.

Dr.Keshav Singh Varma was appointed by the Board w.e.f. 30th April 2007 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 for the above said purposes as set out in the notice of the Annual General Meeting.

Dr. J.P.Shrivastava ceased to be director of the Company w.e.f. 10th Feb 2007 due to his sad demise. The Board appreciates the valuable services and guidance rendered by him in the capacity of director of the Company.

8. DEPOSITORY SYSTEMS AND LISTING:

The equity shares of the Company may also be kept in electronic form with 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 shares in dematerialized form. Company's equity shares are listed at the Mumbai Stock Exchange Ltd., Mumbai, the equity shares of the Company being regularly traded in the Bombay Stock Exchange.

The Company has complied with the entire requirement for delisting of share from the M.P. Stock Exchange. However, a 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 may be considered as 'Zero Debts Company'.

9.2. Internal Control Systems and its adequacy:

The Company's internal control procedures are tailored to match the organization pace of growth and increasing complexity of operations, these ensure compliance with various policies, practices and statutes. The Company's internal audit team carries out extensive audit through out the year, across all functional area and submits its report to the Audit Committee of the Board of directors.

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 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 of Loss Accounts for the year ended 31st March, 2007.

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.

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,
MEDI-CAPS LIMITED**

Place: Pithampur
Date : 10th August, 2007

**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	55,52,321	54,55,280
Total Amount (Rs.)	2,15,66,107	2,16,70,714
Rate per Unit (Rs.)	3.91	3.97
2. Electricity (Generated) units	35,140	46,869
Diesel / LDO / SKO consumed in Litres	11,142	13,829
Total Amount (Rs.)	30,6401	3,27,083
Rate per Unit (Rs.)	8.72	6.98
3. Total Units consumed	55,87,461	55,02,149
Units consumed per lac capsule	141.65	158.05

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.285.83	Rs.311.96 Lacs
Outgoing	Rs.25.71	Rs.19.15 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 are as under.

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

**FOR AND ON BEHALF OF THE BOARD,
MEDI-CAPS LIMITED**

Place : Pithampur
Date : 10th August, 2007

**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:

We have taken various 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 AND THEIR MEETINGS:

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, Executive Director is overall in charge 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 2006-07 the Board of directors met 7 (Seven) times on 27th April, 2006; 29th July, 2006; 5th August, 2006; 30th October, 2006; 1st Dec. 2006; 31st January, 2007 and 10th Feb. 2007:

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	Promoter/Executive	7	2	2	-	-
Shri Alok K. Garg	Promoter/Executive	7	1	3	-	-
Mrs. Kusum Mittal	Promoter/Non-Exec.	4	1	2	-	-
Mrs. Trapti Gupta	Promoter/Non-Exec.	1	-	1	-	-
Shri S.K.Sharma	Independent	5	-	-	-	-
Dr. Shamsheer Singh	Independent	5	-	-	-	-
Shri J.P. Shrivastava*	Independent	2	-	-	-	-
Dr. Vishwanath B. Malher	Independent	2	-	-	-	-
Dr. Vinay G. Nayak	Independent	2	-	-	-	-

* Office of the director held by Dr.J.P.Shrivastava was ceased w.e.f. 10th Feb., 2007 due to his sad demises.

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

3. AUDIT COMMITTEE:

(A) Brief description of terms of reference:

- (i) Review with the management the annual/half-yearly/quarterly financial statements before placing before the Board.
- (ii) 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.
- (iii) Review the Company's financial and risk management policies and the adequacy of internal control systems.
- (iv) Review the adequacy of accounting records maintained in accordance with the provisions of the Companies Act, 1956.
- (v) Review the performance of Auditors and recommend their appointment and remuneration to the Board, considering their independence and effectiveness.
- (vi) Perform other activities consistent with the Company's Memorandum and Articles, the Companies Act, 1956 and other Governing Laws.
- (vii) Review the accounting policy and notes to the accounts.
- (ix) 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 27th April, 2006; 29th July, 2006; 30th Oct., 2006 and 31st January, 2007 and deliberates on various matters.

S.No.	Name of the Member of Committee	Designation	Position in Committee	No. of Meeting Attended
1.	Dr. J.P.Shrivastava*	Director	Chairman	3
2.	Dr. S.K.Sharma	Director	Chairman	4
3.	Dr. Shamsheer Singh	Director	Member	4
4.	Shri Vinay G. Nayak	Director	Member	2

* Office of the Chairman of the Audit Committee held by Dr.J.P.Shrivastava was ceased w.e.f. 10th Feb., 2007 due to his sad demises. Dr.S.K.Sharma was appointed as the Chairman of the Audit Committee.

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 Anurag Dutt, the Company Secretary 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 investor's complaints like:

- (i) Transfer of Shares, 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 the shareholders of the Company.

(B) Composition of Committee :

S.No.	Name	Designation	Position in Committee
1.	Dr. J.P.Shrivastava*	Director	Chairman
2.	Dr. S.K.Sharma	Director	Chairman
3.	Dr. Shamsher Singh	Director	Member
4.	Shri Ashok Pitliya	General Manager (Finance)	Member

* Office of the Chairman of the Committee held by Dr.J.P.Shrivastava was ceased w.e.f. 10th Feb., 2007 due to his sad demises. Dr.S.K.Sharma was appointed as the Chairman of the Committee.

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 determination of terms, conditions and remuneration of the Managing and Whole-time Director of the Company.

(B) Composition of Committee:

S.No.	Name	Designation	Position in Committee
1.	Dr. J.P.Shrivastava*	Director	Chairman
2.	Dr. S.K.Sharma	Director	Chairman
3.	Dr. Shamsher Singh	Director	Member
4.	Dr. Vinay G. Nayak	Director	Member

* Office of the Chairman of the Remuneration Committee held by Dr.J.P.Shrivastava was ceased w.e.f. 10th Feb., 2007 due to his sad demises. Dr.S.K.Sharma was appointed as the Chairman of the Remuneration Committee.

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

6. INVESTORS GRVIEANCES :

Status of the investors/shareholders complaints

- (i) Number of complaints received during the year : 38
- (ii) Number of complaints solved during the year : 38
- (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	2003-04	2004-05	2005-06
-Date	24.09.2004	27.09.2005	29.09.2006
-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	1	1	2

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 else where 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 The Economic Times, Free Press Journal, 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 | : 28th September, 2007 at 12.30 P.M. at the registered office of the Company at Mhow- Neemuch Road, Sector-1, Pithampur, Dist. Dhar (M.P.) |
| (ii) Financial Calendar for 2007-08: | : April to March |
| First Quarter Results | On 29th July, 2007 |
| Second Quarter Results | On or before 31st Oct., 2007 |
| Third Quarter Results | On or before 31st Jan., 2008 |
| Last Quarter Results | On or before 30th April, 2008 |
| (iii) Dates of Book Closure | : From 24.09.2007 to 28.09.2007 |
| (iv) Date of dispatch of Dividend Warrants | : On or before 27th Oct., 2007 |
| (v) Board meeting for consideration of Annual Accounts | : 10th August, 2007 |
| (vi) Posting of Annual Report | : On or before 2nd Sept., 2007 |
| (vii) Last date for receipt of Proxy | : 26th Sept., 2007 |
| (viii) No. of Share holders as on 31st March, 2007 | : 5,139 |
| (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., Mumbai | : 523144 |
| (xi) Demat ISIN No. for CDSL and NSDL | : INE442D01010 |
| (xii) Performance in comparison to broad based indices | : BSE Sensex |

(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 2006-07 were as under (Source website of BSE)

Month	Highest (Rs.)	Lowest (Rs)	No. of Trades	No. of Shares Traded	Total volume (Rs.)
April, 2006	102.80	82.15	3320	259197	23,564,432.00
May, 2006	97.95	70.00	2387	199986	17,556,678.00
June, 2006	74.00	48.00	1249	98944	6,014,759.00
July, 2006	63.30	51.00	603	42027	2,412,634.00
August, 2006	68.00	54.00	1844	137738	8,335,788.00
Sept., 2006	75.95	59.00	2654	255681	17,247,375.00
October, 2006	73.80	60.00	2359	220889	15,045,283.00
Nov., 2006	84.00	53.60	4153	425160	30,809,247.00
Dec., 2006	77.00	58.00	1748	135610	8,938,229.00
January, 2007	78.85	55.70	1501	137485	9,496,470.00
Feb., 2007	71.85	58.00	961	98303	6,479,696.00
March, 2007	63.00	53.00	801	75609	43,69,569.00

(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. process 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, 2007 are as under

(a) In physical Form	: 14,86,924
(b) In CDSL	: 4,85,883
(c) in NSDL	: 11,44,682

(xvi) Distribution of Share owning as on 31st March, 2007

Shareholding of Nominal Value of Rs.	No. of Owners	% of Share holders	Share Amount (Rs)	% to Total
Upto 1000	2874	55.90	2,214,160	7.10
1001 -2000	929	18.10	1,689,740	5.42
2001 -3000	369	7.18	1,044,350	3.35
3001 -4000	176	3.42	674,370	2.16
4001 -5000	325	6.32	1,597,500	5.12
5001 -10000	293	5.70	2,380,520	7.64
10001-20000	95	1.85	1,390,150	4.46
20001-30000	24	0.47	592,080	1.90
30001-40000	15	0.29	545,260	1.75
40001-50000	8	0.16	364,890	1.17
50001-100000	15	0.29	1,058,330	3.39
100001- Above	16	0.31	17,623,540	56.50
TOTAL	5139	100.00	31,174,890	100.00

(xvii) Categories of Shareholders as on 31st March, 2007 :

Sr.	Category	No. of Shares held	% of share holding
A	<u>Promoter Holding</u>		
1	Promoters		
	Indian Promoters	1461841	46.89
	Foreign Promoters		
2	Persons Acting in Concern		
	Sub Total	1461841	46.89
B	<u>Non Promoters Holding</u>		
3.	Intutional investors		
(a)	Mutual Funds and UTI	1200	0.04
(b)	Bank, financial Institutions, companies (Central/State Govt./Non- Govt. Institutions)	7300	0.23
(c)	FIs		
	Sub Total	8500	0.27
4	<u>Others</u>		
(a)	Private corporate Bodies	120633	3.87
(b)	Indian Public	1420050	45.55
(c)	NRI/OCBs	106465	3.55
(d)	Any other	---	---
	Sub Total	1647148	52.84
	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
General Manager -Finance

(xx) Plant Location & Address for correspondence

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

**FOR AND ON BEHALF OF THE BOARD,
MEDI-CAPS LIMITED**

Place : Pithampur
Date : 10th August, 2007

**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

R.C.Mittal**ASHOK R.PITALIYA**

Dated: 10th August, 2007

CHAIRMAN & MANAGING DIRECTOR**GENERAL MANAGER FINANCE****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, 2006 and ending on 31st March, 2007.

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 Financial Year 2006-07 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

Place : Indore

C.P.RAWKA

Date : 10th August, 2007

PARTNER

AUDITORS' REPORT

The Members,
MEDI-CAPS LIMITED

We have audited the attached Balance Sheet of 'MEDI-CAPS LIMITED' as at 31st March, 2007 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 requires that we plan and perform the audit plan 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 2007, 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, 2007 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 2007, 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 : 10th August, 2007

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.
- (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 have 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 to 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 regards 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, 2007 outstanding for more than six months from the date they became payable, other than those stated in the statements as under:

- (b) According to the information & explanations given to us, there are 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 preceding 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, debenture 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 is 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 the 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 : 10th August, 2007

C.P. RAWKA
Partner



BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	31ST MAR.07	31ST MAR.06
		Rupees	Rupees
SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS :			
Share Capital	1	3,39,30,345	3,39,30,345
Reserves and Surplus	2	34,43,25,297	26,81,32,287
		37,82,55,642	30,20,62,632
LOAN FUNDS :			
Secured Loans	3	1,09,052	15,51,832
Deferred Tax Liabilities		93,32,117	1,03,05,706
		38,76,96,811	31,39,20,170
APPLICATION OF FUNDS :			
FIXED ASSETS			
	4		
Gross Block		16,50,40,597	15,96,02,070
Less : Depreciation		11,11,78,233	10,39,38,513
Net Block		<u>5,38,62,364</u>	<u>5,56,63,557</u>
		5,38,62,364	5,56,63,557
INVESTMENTS			
	5	27,37,15,732	19,63,14,124
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	6	2,29,65,528	2,57,42,210
Sundry Debtors	7	5,26,09,515	4,32,69,504
Cash and Bank Balances	8	1,17,60,675	82,33,364
Loans and Advances	9	1,97,44,643	2,93,64,589
		<u>10,70,80,361</u>	<u>10,66,09,667</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS :			
Current Liabilities	10	3,03,07,793	2,68,75,801
Provisions	11	1,66,53,853	1,83,57,552
		<u>4,69,61,646</u>	<u>4,52,33,353</u>
NET CURRENT ASSETS		6,01,18,715	6,13,76,314
MISCELLANEOUS EXPENDITURE	12	0	5,66,175
(To the extent not written off or adjusted)			
TOTAL		38,76,96,811	31,39,20,170
Significant Accounting Policies & Notes on Accounts	20		

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

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 10th August, 2007

ANURAG DUTT
Company Secretary

ALOK K. GARG
Executive Director

R.C. MITTAL
Chairman & Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE	31ST MAR.07	31ST MAR.06
		Rupees	Rupees
INCOME:			
Sales		20,76,27,324	19,46,30,672
Other Income	13	6,09,68,907	5,13,85,939
Increase (Decrease) in Stock	14	2,05,718	(56,81,148)
	TOTAL	26,88,01,949	24,03,35,463
EXPENDITURE :			
Cost of Goods Consumed	15	5,77,35,818	5,35,38,088
Operating Expenses	16	3,80,91,157	3,78,47,792
Employee Cost	17	2,51,14,924	2,51,54,821
Excise Duty & Education Cess Paid		2,37,13,747	1,94,41,415
Other Expenses	18	2,20,34,662	2,07,45,559
Interest	19	4,10,656	7,032
Preliminary & Right Issue Exp. Written Off		5,66,175	5,66,173
Depreciation		86,43,784	82,15,365
Less: Transfer from Revaluation Reserve		5,16,256	5,16,256
		81,27,528	76,99,109
		17,57,94,667	16,49,99,989
PROFIT FOR THE YEAR		9,30,07,282	7,53,35,474
Previous year Expenditure/Income		6,17,752	1,39,961
PROFIT BEFORE TAX		9,23,89,530	7,51,95,513
Less : Provision for Income Tax		1,10,00,000	1,30,00,000
Less : Provision for Fringe Benefit Tax		1,82,893	1,92,831
Add : Deferred Tax		9,73,589	13,39,729
PROFIT AFTER TAX		8,21,80,226	6,33,42,411
Balance of Profit brought forward		15,42,51,470	9,93,91,135
		23,64,31,696	16,27,33,546
Transfer to General Reserve		31,50,000	31,50,000
Proposed dividend		46,76,234	46,76,234
Tax on proposed dividend		7,94,726	6,55,842
		86,20,960	84,82,076
BALANCE OF PROFIT CARRIED TO BALANCE SHEET		22,78,10,736	15,42,51,470
Basic & Diluted Earning Per Share (In Rupees)		26.36	20.32
Significant Accounting Policies & Notes on Accounts	20		

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

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 10th August, 2007

ANURAG DUTT
Company Secretary

ALOK K. GARG
Executive Director

R.C. MITTAL
Chairman & Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	2006-2007 (RUPEES)	2005-2006 (RUPEES)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax & extraordinary items	8,12,06,637	6,20,02,682
Adjustment for :		
Depreciation	81,27,528	76,99,109
Preliminary exp. written off	5,66,175	5,66,173
Operating profit before W/C change	8,99,00,340	7,02,67,964
Adjustment for working capital		
Current Assets	1,35,17,917	1,37,97,048
Current Liabilities	17,28,293	57,16,187
Cash generated from working capital	1,52,46,210	1,95,13,235
Cash generated from operations	10,51,46,550	8,97,81,199
Income Tax for the year	1,04,61,300	1,30,15,200
Cash flow before extra ordinary items	9,46,85,250	7,67,65,999
Proposed dividend	46,76,234	46,76,234
Dividend tax on proposed dividend	7,94,726	6,55,842
Cash flow after extra ordinary items	8,92,14,290	7,14,33,923
B. CASH FLOW FROM INVESTING ACTIVITIES		
Addition to investments	(7,74,01,608)	(7,38,01,369)
Purchase of Fixed assets	(54,38,527)	1,71,133
Adjustment for dep. on sale of fixed assets	(14,04,064)	(22,22,552)
Net cash used in investing activities	(8,42,44,199)	(7,58,52,788)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Unsecured Loan Repaid	(14,42,780)	(42,55,506)
Loan borrowed	0	15,51,832
Net Cash Used In Financial Activities	(14,42,780)	(27,03,674)
Net Increase In Cash And Cash Equivalents(A+B+C)	35,27,311	(71,22,540)
Cash & cash equivalents at the beginning of the year	82,33,364	1,53,55,904
Ending of the year	1,17,60,675	82,33,364
Increase in cash and equivalents	35,27,311	(71,22,540)

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

FOR AND ON BEHALF OF THE BOARD

C.P. RAWKA
Partner
Indore, 10th August, 2007

ANURAG DUTT
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.07 Rupees	31ST MAR.06 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	<u>27,55,455</u>	<u>27,55,455</u>
	<u>3,39,30,345</u>	<u>3,39,30,345</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	22,87,505	28,03,761
Less : Transfer to Profit and Loss Account	<u>5,16,256</u>	<u>5,16,256</u>
	17,71,249	22,87,505
4.CENTRAL INVESTMENT SUBSIDY		
As per last Balance Sheet	25,00,000	
Less : Transfer to General Reserve	<u>25,00,000</u>	Nil
		25,00,000
5.INVESTMENT ALLOWANCE RESERVE (UTILISED)		
As per last Balance Sheet	36,16,880	
Less : Transfer to General Reserve	<u>36,16,880</u>	Nil
		36,16,880
6.GENERAL RESERVE		
As per last Balance Sheet	6,20,73,930	5,89,23,930
Add : Transfer from Central Investment Subsidy	25,00,000	
Add : Transfer from Investment Allow. Reserve	36,16,880	
Add : Transfer from Profit & Loss A/c	<u>31,50,000</u>	<u>31,50,000</u>
	7,13,40,810	6,20,73,930
7.PROFIT AND LOSS ACCOUNT		
As per Annexed Account	<u>22,78,10,736</u>	<u>15,42,51,470</u>
	<u>34,43,25,297</u>	<u>26,81,32,287</u>
SCHEDULE 3 : SECURED LOANS :		
SECURED LOAN		
HSBC Bank	0	10,00,000
ICICI Bank	<u>1,09,052</u>	<u>5,51,832</u>
	<u>1,09,052</u>	<u>15,51,832</u>

	31ST MAR.07 Rupees	31ST MAR.06 Rupees
SCHEDULE 5 : INVESTMENTS (Non Trade-At Cost)		
Quoted		
- 100(100) Equity Shares of Natural Capsules	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 (20000) Equity shares of JBF Industries Ltd.	0	16,80,336
- Nil (2500) Equity shares of Nahar Export Ltd.	0	2,23,283
- Nil (1000) Equity shares of Power trading Corp Ltd.	0	60,084
- Nil (5000) Equity shares of prism cements Ltd.	0	1,29,199
- Nil (200) Equity Shares of RCVL	0	62,244
- Nil (5000) Equity shares of J.P.Hydro	0	1,45,813
- 2000 (Nil) Equity shares of cummins India Ltd	5,08,832	0
- 3000 (Nil) Equity shares of arvind mills Ltd.	1,60,601	0
- 500 (Nil) Equity shares of deepak fertilizers Ltd.	50,584	0
Total (A)	39,34,168	55,15,110
(Market Value Rs. 39,18,431/- Previous Year Rs. 1,09,25,210/-)		
Unquoted		
-- 10,000 (10000) Equity Shares of Ives L. & F. LTD.	1,00,000	1,00,000
- 21,800 (21800) Equity Shares of Medi Caps Finance LTD.	2,18,000	2,18,000
Total (B)	3,18,000	3,18,000
- 1343202 Unit (99942) in Principal Mutual Fund	1,34,39,785	10,00,000
- 1461160.773 Unit (1360053) in HDFC Mutual Fund	3,00,00,000	2,25,00,000
- 1259557.276 Unit (145075) in Birla Mutual Fund	3,00,00,000	1,00,00,000
- 828357.828 Unit (2483360) in SBI Magnum Mutual Fund	2,50,00,000	3,75,00,000
- Nil Unit (478471.90) in Prudential ICICI Mutual Fund	0	1,00,00,000
- 2428344.876 Unit (997204) in Reliance Mutual Fund	4,70,54,010	3,01,92,524
- 2266750.786 Unit (2106562) in Franklin India Mutual Fund	2,75,00,000	3,50,00,000
- 281020.019 Unit (465818) in DSP Merrill Lynch Mutual Fund	75,00,000	1,25,00,000
- Nil Units (201710) in Fidelity Mutual funds	0	25,00,000
- 977995.110 Units (977995) UTI Leadership Mutual Fund	1,00,00,000	1,00,00,000
- 1222493.888 Units (1374843) in HSBC Mutual Funds	1,25,00,000	1,50,00,000
- 2615588.025 Units (Nil) In Sunderam India Mutual Funds	2,95,00,000	0
- 1502128.328 Units (Nil) In TATA Mutual Funds	3,00,00,000	0
Total (C)	26,24,93,795	18,61,92,524
Other Investment		
LIC Gratuity Fund	30,62,769	29,19,215
Investment in Immovable Preperty	39,07,000	13,69,275
	69,69,769	42,88,490
Toal Investment	(A+B+C+D)	27,37,15,732
		19,63,14,124

	31ST MAR.07 Rupees	31ST MAR.06 Rupees
SCHEDULE 6 : INVENTORIES :		
(As valued and certified by the management)		
Raw Materials (At cost)	27,52,081	54,02,169
Finished Goods (At Cost or market price; whichever is less)	1,56,49,036	1,52,19,981
Stock in process and waste (At cost or Market price; whichever is less and in case of waste at realisable value)	23,91,704	26,15,041
Stores and Spares (At cost)	8,52,025	7,63,651
Colour & Chemical (At cost)	4,61,013	7,96,278
Packing Material (At cost)	2,64,554	4,97,392
Printing Material (At cost)	43,068	25,172
Lab Chemical & Equipments (At cost)	45,222	26,690
Fuel (At cost)	5,06,825	3,95,836
	<u>2,29,65,528</u>	<u>2,57,42,210</u>
SCHEDULE 7 : SUNDRY DEBTORS :		
Debts outstanding for a period exceeding		
Six months	18,71,614	18,96,793
Other debts	<u>5,07,37,901</u>	<u>4,13,72,711</u>
	<u>5,26,09,515</u>	<u>4,32,69,504</u>
SCHEDULE 8 : CASH AND BANK BALANCES :		
Cash in Hand	82,705	62,410
Balances with Scheduled Banks :		
In current accounts & fixed deposits	<u>1,16,77,970</u>	<u>81,70,954</u>
	<u>1,17,60,675</u>	<u>82,33,364</u>
SCHEDULE 9 : LOANS AND ADVANCES :		
(Unsecured considered good unless otherwise stated)		
Loans	0	68,12,345
Advances recoverable in cash or kind or for value to be received	70,63,914	76,82,406
Advances for Capital Goods	4,14,641	11,27,141
Income Tax	<u>1,22,66,088</u>	<u>1,37,42,697</u>
	<u>1,97,44,643</u>	<u>2,93,64,589</u>
SCHEDULE 10 : CURRENT LIABILITIES :		
Sundry Creditors for goods and expenses	1,61,81,037	1,16,32,080
Other Liabilities	<u>1,41,26,756</u>	<u>1,52,43,721</u>
	<u>3,03,07,793</u>	<u>2,68,75,801</u>
SCHEDULE 11 : PROVISIONS :		
Provision for Income Tax	1,10,00,000	1,30,00,000
Provision for Fringe Benefit Tax	1,82,893	25,476
Proposed Dividend	46,76,234	46,76,234
Tax on Proposed Dividend	<u>7,94,726</u>	<u>6,55,842</u>
	<u>1,66,53,853</u>	<u>1,83,57,552</u>



	31ST MAR.07	31ST MAR.06
	Rupees	Rupees

SCHEDULE 12 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Right Issue Expenses	5,66,175	11,32,348
TOTAL	5,66,175	11,32,348
Less : Written off during the year	5,66,175	5,66,173
	<u><u>0</u></u>	<u><u>5,66,175</u></u>

SCHEDULE 13 : OTHER INCOME

Interest Received	5,79,735	11,60,844
Miscellaneous Income	15,704	15,105
Dividend Income	2,57,25,001	1,00,87,309
Claim Account	8,71,211	2,19,372
Rent Received	70,830	4,65,212
Capital Gain on Mutual Fund	3,21,11,004	3,21,92,351
Profit on sale of securities	3,86,709	23,12,351
Bad Debts Recovered	0	90,000
Profit on Speculation	0	10,67,670
Profit on sale of Property	2,52,724	27,34,003
DEPB Received	9,55,989	10,41,722
	<u><u>6,09,68,907</u></u>	<u><u>5,13,85,939</u></u>

SCHEDULE 14 : INCREASE(DECREASE) IN STOCKS

Stock as at 31.03.2007

Finished Goods	1,56,49,036	1,52,19,981
Stock in Process	20,46,932	22,67,796
Waste	3,44,772	3,47,245
	<u><u>1,80,40,740</u></u>	<u><u>1,78,35,022</u></u>

Less : Stock as on 01.04.2006

Finished Goods	1,52,19,981	2,23,98,982
Stock In Process	22,67,796	9,73,301
Waste	<u>3,47,245</u>	1,43,887
	<u><u>1,78,35,022</u></u>	<u><u>2,35,16,170</u></u>
	<u><u>2,05,718</u></u>	<u><u>(56,81,148)</u></u>

SCHEDULE 15 : RAW MATERIAL CONSUMED

Opening Stock	54,02,169	20,09,000
Add : Purchases (Net)	5,50,85,730	5,69,31,257
Less : Closing Stock	<u>27,52,081</u>	<u>54,02,169</u>
	<u><u>5,77,35,818</u></u>	<u><u>5,35,38,088</u></u>



	31ST MAR.07 Rupees	31ST MAR.06 Rupees
SCHEDULE 16 : OPERATING EXPENSES		
Colour & Chemical Consumed	27,96,654	29,35,554
Packing Material Consumed	41,97,461	41,05,782
Printing Material Consumed	10,79,850	11,48,284
Lab Chemical & Equipment Consumed	1,78,331	1,97,925
Stores and Spares Consumed	26,08,537	28,70,754
Power and Fuel	2,26,58,416	2,25,36,591
Repairs to Machinery	34,73,008	28,17,744
Repair to Electricals	8,93,027	10,75,285
Water Expenses	2,05,873	1,59,873
	3,80,91,157	3,78,47,792
SCHEDULE 17 : EMPLOYEE COST		
Salaries, Wages and Bonus	1,87,53,005	1,76,82,505
Contribution to Provident Fund	15,96,837	16,07,939
Keyman Policy Premium	6,77,768	24,76,263
Staff Incentives	32,74,651	24,38,641
Staff Welfare Expenses	8,12,663	9,49,473
	2,51,14,924	2,51,54,821
SCHEDULE 18 : OTHER EXPENSES		
Rent	1,72,800	1,72,800
Repairs to Building	18,70,444	8,63,811
Insurance Expenses	7,27,926	6,17,988
Rates and Taxes	1,28,182	2,82,436
Telephone & Telex Expenses	4,25,538	4,89,648
Donation	28,556	46,000
Bad & Doubtful Debts	2,04,008	6,05,501
Loss on Sale of Fixed Assets	1,31,664	1,20,779
Sales Commission	52,22,859	48,21,538
Freight Expenses	56,24,179	59,19,869
Miscellaneous Expenses	74,98,506	68,05,189
	2,20,34,662	2,07,45,559
SCHEDULE 19 : INTEREST		
To Bank	4,10,656	7,032
	4,10,656	7,032

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE 20: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS.

A. SIGNIFICANT ACCOUNTING POLICIES :-

- a) Basis of preparation of financial statements :- The accompanying statements have been prepared under the historicals cost inventions, 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 on 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 investmenst 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 Transctions :- Transaction in foreign currency are recorded by applying rate applicable on the date of transaction. The difference if any on actual payments / realisation is charged off to revenue.
- h) Sundry Debtors and Advances :- Company's managements periodically verify the outstanding balance of sundry debtors, advances etc and on the basis of such verification managements determines whether the said outstandings are good, bad, or doubtful and accordingly same are written off or provided for.
- i) Research & Developments :- Capital Expenditure is treated in same line as any other Capital expenditure and Revenue expenditure is charged to the respective heads of Profit & Loss Accounts.
- j) Terminal Benefits :- Gratuity Liability is accounted for an accrual basis & the company has constituted trust with Life Insurance Corporation of India.
- k) Taxations:- Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferrred 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 charged 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 depreciaton 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 Stanadard on 'Inventory valuation ' and 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 reasonable 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 include Rs.588.02 lacs of Income from Interest,Dividend and Investments, However as per explanation given in AS-17 , Segment revenue does not include Dividend income, Interest & Income from Investment,hence there is no separate 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	15,28,385/-
3.	Mrs. Kusum Mittal, Director	Rent	1,72,800/-

7 Information on deferred tax has been provided in accordance with Accounting Standard 22 - Accounting for taxation 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/- has been adjusted against the general reserve.Further , the deferred tax assets for the year is Rs. 9,73,589/- has been recognised in the Profit & Loss Account.

8 Other liabilities includes :

- a) Rs. 7,63,038/ (US \$ 15477) which is received from Star Overseas as security deposit for special size capsule (size "1" elongated) development and to be adjusted against supply.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. III

Registration No. State of
 Incorporated on

II. III

Issue of Shares N Rights N
 Outstanding Shares N Rate N

III. IIIII

Fixed Assets Total Assets
 Current Assets Reserves
 Loans Loans
 Current Liabilities

II

Net Fixed Assets Net Current Assets
 Net Assets N
 Total Assets N

I.

Revenue Total Revenue
 Profit Profit
 Operating Profit in Rs. Net Profit
 Operating Profit in Rs.
 Operating Profit in Rs.

. IIIII

Charter No. Registration No. Date of Incorporation

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, 10th August, 2007

ANURAG DUTT
 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 24th Annual General Meeting of the members of the Company held on 28th September 2007 at 12.30 P.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 24th Annual General Meeting of the Company to be held on 28th September, 2007 at 12.30 P.M. or at any adjournment thereof.

Signed this _____ day of _____ 2007.

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.

.....

Printed by : Agrawal's, Indore Ph. 6455818
E-mail : agrawal@airtelbroadband.in

BOOK-POST

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, accounts@medicaps.com
