

Annual Report & Accounts 2012 - 2013



**EAST INDIA PHARMACEUTICAL
WORKS LIMITED**

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Board of Directors

Dr. Ranabir Mukherjee

Dr. Subrata Das Gupta

Mr. Probir Roy

Dr. Suman Kumar Mukerjee

Mr. Bhaskar Prasad Gupta (from 27.06.2013)

Mr. Chiraranjan Addy (from 27.06.2013)

(In the casual vacancy caused by the resignation
of Sri. Bhaskar Prasad Gupta)

Dr. Himadri Sengupta

Mr. Sukamal Chandra Basu

Late Raban Sengupta (till 16.06.2012)

Mr. Dilip Samadar (from 22.07.2012)

Dr. Samir Bhattacharya (till 09.02.2013)

Dr. Abhijit Banerjee (from 27.06.2013)

(In the casual vacancy caused by the resignation
of Dr. Samir Bhattacharya)

Managing Directors

Mr. Amit Kumar Sen

Mr. Dipankar Dutta Gupta (till 07.08.2012)

Mr. Debarshi Dutttagupta (from 10.11.2012)

Audit Committee

Mr. Bhaskar Prasad Gupta (resigned)

Mr. Probir Roy

Mr. Sukamal Chandra Basu

Mr. Dilip Samadar

Dr. Himadri Sengupta

Late Raban Sengupta (till 16.06.2012)

Mr. Amit Kumar Sen

Late Dipankar Dutta Gupta (till 07.08.2012)

Mr. Debarshi Dutttagupta

Remuneration Committee

Dr. Ranabir Mukherjee

Mr. Sukamal Chandra Basu

Mr. Probir Roy

Manager – Project Finance & Company Secretary

Mr. Nirjhar Mukhopadhyay

Chief Financial Officer

Mr. Subrata Ray

Principal Bankers

United Bank of India

Hazra Road Branch

53, S. P. Mukherjee Road, Kolkata 700 026

The Hongkong & Shanghai Banking Corporation Limited

31, B. B. D. Bagh, Kolkata 700 001

Bankers

Andhra Bank, AXIS Bank Ltd., Bank of Baroda, Bank of India, Central Bank of India, HDFC Bank Ltd.,
Indian Bank, Indian Overseas Bank, ING Vysya Bank, Punjab National Bank, State Bank of India,
State Bank of Travancore, The Kapol Co-operative Bank Ltd. & Union Bank of India.

Statutory Auditors

M/s APS Associates

Chartered Accountants

3-C, Madan Street, 1st Floor

Kolkata 700 072

Cost Auditors

M/s N.K.Samanta & Co.

Cost Accountants

P-31, Ramkrishna Pally, South Roynagar,

Bansdrani, Kolkata 700 070

Registered Office

6, Nandalal Bose Sarani, Kolkata 700 071

A DECADE AT A GLANCE

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Fixed Assets	1260.99	1402.34	1367.92	1401.32	1518.51	1514.75	1369.35	817.35	700.85	590.61
Current Assets, Loans & Advances	8008.28	7220.88	6885.54	6191.97	5389.37	5025.11	4173.80	4511.46	4372.49	4664.65
Share Capital	667.45	667.45*	444.97	444.97	444.97	444.97	444.97	444.97	444.97	444.97
Reserves & Surplus	2751.12	2907.45	2857.42	2540.97	2329.62	2142.00	2004.33	1847.15	1836.30	1831.90
Loans	2449.85	2211.66	2086.67	2020.61	1865.32	1668.50	1436.59	1299.38	1495.86	1440.73
Current Liabilities & Provisions	3680.55	3077.77	3087.41	2771.09	2409.68	2385.36	1739.37	1803.34	1340.65	1575.47
Sales	12604.61	13375.27	12317.40	11523.93	10621.26	10312.12	9117.19	8335.61	8083.73	8633.49
Cost of Materials	4268.94	4051.96	3722.51	3890.29	3722.08	3166.44	2879.59	2697.48	2341.66	2384.77
Staff Expenses	3615.90	3608.24	3347.13	3087.13	2794.49	2428.82	2279.03	2073.02	2153.66	2046.42
Contribution to Exchequer	1455.00	1591.85	1378.26	1065.60	1033.49	1634.58	1403.67	1408.05	1494.94	1736.12
Finance Cost	403.05	324.91	252.92	226.21	223.77	168.67	132.24	133.29	157.50	191.59
Profit/(Loss) Before Tax	(194.91)	566.88	657.04	589.33	473.04	382.94	287.00	136.68	66.30	478.23
Profit/(Loss) After Tax	(156.32)	388.87	472.11	351.44	317.77	254.80	274.63	86.96	55.14	310.43
Profit/(Loss) Retained	(156.32)	272.51	316.45	211.35	187.62	137.66	157.18	10.85	4.40	189.68
Dividend on Ordinary Shares	NIL	15%	30%	27%	25%	22.5%	17%	15%	10%	24%

All figures are in lacs Rs.

* Bonus Shares issued 1:2 capitalising from General Reserve.

Directors' Report

The Directors present the 76th Annual Report of the Company for financial year 2012-13, which was the most difficult year encountered by the Company so far. For the first time the Directors regret to inform the shareholders that there is a loss of Rs. 1,94,91,496/- during the year under review. However, the Directors confirm that there is no cash loss incurred by the Company.

The reason behind this is non-availability of the price of Iodochlorohydroxyquinoline (ICHQ) followed by the price of Enteroquinol (EQL). In the last year's annual accounts references have been made to the problems faced by us. In November, 2012 the price of ICHQ was fixed by the NPPA at Rs. 1526/- per kg. which is far below of our requirement. The rupee during this period has devalued from Rs. 46 a Dollar to Rs.59 a Dollar. As a result the conversion price of purchased made on Letter of Credit rose by nearly 9%. Unfortunately the price of the end product Enteroquinol was not sanctioned within two months as prescribed in the DPCO, 1995. It was deferred from one month to another at some plea or other. The reason for such inordinate delay by the NPPA is still not clear to us. Meanwhile a new DPCO, 2013 came into force on 15th May, 2013 repealing the old DPCO, 1995. Enteroquinol now is outside the purview of DPCO, 2013. However more astonishingly an order from NPPA dated 10.06.2013 was received under the old DPCO, 1995 fixing an arbitrary price for Enteroquinol which needless to say is again far below our requirement.

There was a dichotomy in the whole process: the price of Enteroquinol was declared on the basis of DPCO, 1995 whereas the current DPCO came into force much before the price given to us under DPCO, 1995.

In the year 2012-13 there was an acute shortage of Enteroquinol in the market because of the continued scarcity of Iodine in the market. Scarcity of Enteroquinol resulted in further deterioration of sales of our other products particularly, in the Hindi belt because our main business pivots around Enteroquinol. However, we tried our best to compensate the loss for the Enteroquinol by pushing other products in the market.

We are happy to inform that the DST-DPRP collaborative project with Visva-Bharati (VBU) / Sri Ramachandra University (SRU), Chennai / East India Pharmaceutical Works Ltd. (EIPWL) is moving on in the direction for bringing out herbal products to address the management of diabetic complications. The monitoring meeting organised by DST on 8th August, 2013 along with experts facilitated for standardizing the raw materials procurement based on scientific rationale and identified suitable animal model that should be adopted by the collaborating institutions to facilitate the rapid way to bring in the product for regulatory clearances that is as per revised GCP guidelines of ASU drugs.

All of you must have seen in the papers the price declaration by the Govt. on various products. We are again adversely affected by the lower price declared by the Govt. for our products coming under DPCO, 2013. The total amount of loss of business due to new price declared by the Govt. is about Rs. 7 crores. The cumulative effect of all these except the new enhanced price of Enteroquinol is expected to put further pressure on our products basket as a whole.

	Rs.
Profit / (loss) before tax	(1,94,91,496)
Less: Net Deferred Tax Credit	<u>(38,59,246)</u>
Profit / (loss) for the year	<u>(1,56,32,250)</u>

In view of above the Directors regret that they do not recommend the declaration of a dividend.

The turnover during the year under review is down by Rs. 7 crores (5%). We have tried our level best to booster up the sale without Enteroquinol but have not succeeded in doing so.

COMMITTEES OF THE BOARD**A. AUDIT COMMITTEE**

The Audit Committee of the Company, inter alia, provides assurance to the Board on the adequacy of the internal control systems, financial disclosures and ensures that generally accepted accounting principles are observed by the Company. It also provides guidance and liaises with the Internal Auditors, Cost Auditor and the Statutory Auditors of the Company.

The terms of reference of the Audit Committee are in conformity with the requirements of Section 292A of the Companies Act, 1956.

Composition

The Audit Committee comprises of four independent Non-Executive Directors. Mr. Bhaskar Prasad Gupta, Chairman of the Committee is an independent Non-Executive Director and a Barrister acknowledged as a legal expert in his own right. However, Mr. Bhaskar Prasad Gupta resigned as Chairman of the Audit Committee with effect from 20.05.2013 and Mr. Probir Roy was elected Chairman of the Audit Committee. Mr. Probir Roy, Mr. Sukamal Chandra Basu and Mr. Raban Sengupta (now deceased) are also members of the Audit Committee. All the members are well versed in corporate finance and related areas. The Managing Directors - Mr. Amit Kr. Sen & Mr. Dipankar Dutta Gupta up to 7th August, 2012 and thereafter Mr. Debarshi Dutttagupta are also the members of the Audit Committee.

In the meeting held on 10th November, 2012 the Directors co-opted Mr. Dilip Samadar. In the meeting held on 27th June, 2013 the Directors co-opted Dr. Himadri Sengupta. The Committee now consists of Mr. Sukamal Chandra Basu, Mr. Dilip Samadar, Mr. Probir Roy who is also the Chairman of the Audit Committee and Dr. Himadri Sengupta.

The Chief Financial Officer - Mr. Subrata Ray, the Chief Accountant - Mr. Somnath Ray and the Chief Internal Auditor - Mr. Arijit Dasgupta are permanent invitees to the audit committee meeting. Mr. Nirjhar Mukhopadhyay, Manager-Project Finance & Company Secretary is the Secretary of the Committee.

Attendance

During the financial year ended 31st March, 2013 four Meetings of the Audit Committee were held on 12.05.2012, 21.07.2012, 10.11.2012 & 05.02.2013.

Name of Director	Number of meeting attended
Mr. Bhaskar Prasad Gupta (resigned)	4
Mr. Probir Roy	4
Mr. Sukamal Chandra Basu	4
Mr. Raban Sengupta (deceased)	1
Mr. Amit Kumar Sen	4
Mr. Dipankar Dutta Gupta (deceased)	2
Mr. Debarshi Dutttagupta	1
Mr. Dilip Samadar	1

The representatives of the Statutory Auditors & the Cost Auditors attended the Audit Committee Meeting held during the year.

B. REMUNERATION COMMITTEE

The Remuneration Committee of Directors recommends the Board of compensation terms of Executive Directors. Dr. Ranabir Mukherjee, Chairman of the Committee is an independent Non-Executive Director. The other members of the Committee are Mr. Sukamal Chandra Basu and Mr. Probir Roy.

Attendance

During the financial year ended 31st March, 2013, one meeting of the Remuneration Committee was held on 21.07.2012

Directors' Report

Name of Director	Number of meeting attended
Dr. Ranabir Mukherjee	1
Mr. Probir Roy	1
Mr. Sukamal Chandra Basu	1

Prof. Samir Bhattacharya resigned from the Board and his resignation was accepted on 09.02.2013. The Board records its sincere appreciation for the contribution made by Prof. Bhattacharya.

Export - The total value of exports was Rs. 56,56,226/- as against Rs.23,80,501/- during the previous year. Efforts are being made to open up new export market.

Fixed Deposit - The total deposits under the Public Deposit Scheme as on 31st March, 2013 was Rs. 265 lacs (previous year Rs.274 lacs) and the total number of deposits were 1625 (previous year 1674). A sum of Rs. 8 lacs was paid on maturity during the year 2012-13. A sum of Rs.3.92 lacs of deposits were matured during the year in respect of which neither any renewal request has been received nor any repayment has taken place. The Company transfers such funds to Investors Education & Protection Fund according to the Companies Act, 1956.

Other Directors due to retire are Mr. Sukamal Ch. Basu, Dr. Himadri Sengupta and Mr. Dilip Samadar being eligible offer themselves for re-election. The Directors recommend that they be re-elected Directors of the Company.

Mr. Bhaskar Prasad Gupta resigned from the Board on 20th May, 2013 and his resignation was accepted by the Board at its meeting held on 27th June, 2013. At that meeting Mr. Chiraranjan Auddy, Solicitor & Advocate and Dr. Abhijit Banerjee were co-opted as Directors. The Board records its sincere appreciation for the contribution made by Mr. Gupta.

QASAR - Our subsidiary Company suffered a loss of Rs. 10,261/- against a loss of Rs.11,218/- in the last year as the operation of the Company could not be re-started. Efforts are being made to restart the Company.

Particulars of employees - There is no employee whose remuneration is required to be disclosed u/s 217(2A).

Auditors - The Auditors, M/s. APS Associates, Chartered Accountants, retire at the end of the conclusion of the meeting and are eligible for reappointment.

M/s. N. K. Samanta & Co., Cost Accountants, have been appointed as the Cost Auditor of the Company for the year 2013-14.

We have traversed nearly 80 years of journey through ups & downs. This is for the first time that we have suffered a loss for not obtaining required price of Enteroquinol and introduction of DPCO, 2013 which has adversely affected many products, mostly products under Paracetamol group. The Board of Directors is trying their level best to redress the situation. We are trying our level best to compensate in declining the DPCO products by increasing the turnover from other products. As you can imagine, this is not easy task but we hope with your support and understanding we will overcome the difficulties like earlier years. Look forward to your continued support as before.

In fine we would like to convey our gratitude to our Shareholders, Medical fraternities, Bankers and particularly to our employees without whose sincere efforts it would not have been possible to sustain this difficult period.

DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors confirm that –

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period.

