



Annual Report
2004 - 2005

J.K. PHARMACHEM LIMITED

Board of Directors

Deep Chandra Jain
Kailash Bhansali
Prakash Chandra Jain
Pramod Kapoor
Sudhir A. Bidkar
Dr. S.K. Sagar
T.S. Surendranath
V.P. Vig, Manager

Deputy Company Secretary

Shweta Girotra

Auditors

M/s Lodha & Co.
Chartered Accountants
Chennai

Bankers

State Bank of India
Bank of India

Registered Office and Plant

A-7, SIPCOT Industrial Complex
Cuddalore-607 005
Tamil Nadu

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of J.K. Pharmachem Limited will be held at the Registered Office of the Company at Plot No.A-7, SIPCOT Industrial Complex, Cuddalore-607 005, Tamil Nadu on Saturday, the 28th January 2006 at 3.30 P.M. to transact the following business :

1. To receive, consider and adopt the Audited Accounts for the year ended 30th September 2005 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri D.C. Jain., who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. Pramod Kapoor, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in connection therewith to pass, with or without modifications, the following as Special Resolution:

"Resolved that pursuant to the provisions of Section 224A of the Companies Act 1956, Messrs. Lodha & Co., Chartered Accountants, the retiring Auditors be and are hereby appointed Auditors of the Company to hold office from the conclusion of the 15th Annual General Meeting (AGM) until the conclusion of the next Annual General Meeting on such remuneration as may be approved by the Board of Directors."

5. To consider and if thought fit to pass, with or without modifications, the following as Ordinary Resolution.
"Resolved that Shri Ved Prakash Vig, whose appointment on the Board as Additional Director determines on the date of the present Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider and if thought fit to pass, with or without modifications, the following as Ordinary Resolution:
"Resolved that pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the appointment of Shri Ved Prakash Vig as Manager of the Company for a period of three years with effect from 27th July 2005 be and is hereby approved.

Resolved further that Shri Ved Prakash Vig shall not draw any remuneration/perquisites from the Company during the tenure of his office as its Manager except that Shri Vig will be entitled to reimbursement of actual expenses incurred by him in discharging his official duties."

Regd. Office :

A-7, SIPCOT Industrial Complex,
Cuddalore-607 005, Tamil Nadu

By order of the Board

Shweta Girotra
Dy. Company Secretary

Date : 30th November 2005

Notes :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. Members are requested to notify immediately any change in their address to the Registrar and Transfer Agents of the Company and quote their folio number in all their correspondence.
Members (Beneficial owners) holding shares in dematerialised form may please notify changes, if any, in their addresses to their Depository Participants.
3. The Register of Members of the Company shall remain closed from 23rd January 2006 to 28th January 2006 (both days inclusive).

J.K. PHARMACHEM LIMITED

4. In terms of Clause 49 of the listing agreement with the stock exchanges, brief resume of directors who are proposed to be re-appointed in this meeting are given below :

Shri D.C. Jain aged 76 years, is a B.Sc., B.E., City & Guilds (London); Post Graduate in Industrial Management, Manchester; Associate Member - Institutions of production Engineers (London). He has over 54 years experience in Industrial, administrative and corporate matters. He is a member of the Audit Committee and Shareholders/Investors Grievance Committee of the Board.

Shri Pramod Kapoor aged 58 years, is a Chartered Accountant. He has over 37 years rich experience in corporate sector.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956.

ITEM NO. 4

Pursuant to Section 224A of the Companies Act 1956, the appointment of Auditors is required to be made by a Special Resolution inasmuch as that a Government Company, Public Financial Institutions hold not less than 25% of the subscribed share capital of the Company.

None of the Directors may be deemed to be concerned or interested in the proposed resolution.

ITEM NO. 5

The Board of Directors at its meeting held on 29th April 2005 has appointed Shri Ved Prakash Vig as Additional Director. Pursuant to Section 260 of the Companies Act, 1956 Shri Vig holds office upto the date of this Annual General Meeting. The Company has received a notice under Section 257 of the said Act, together with requisite deposit from a member of the Company proposing the name of Shri Vig for appointment as a Director of the Company. Your Directors recommend this resolution for approval. Brief resume of Shri Vig is given below :

Shri Ved Prakash Vig aged 68 years, is B.A., B.E. (Mech). He has over 44 years rich experience in Production, Marketing, Personnel & General Management in various public/private sector enterprises.

None of the Directors except Shri V.P. Vig may be deemed to be concerned or interested in the proposed resolution.

ITEM NO. 6

Pursuant to Section 269 of the Companies Act the Company is required to have a Whole-time Director/Managing Director or Manager. Shri Ved Prakash Vig was appointed as Additional Director w.e.f. 29th April 2005. Further the Board of Directors appointed Shri Vig as Manager of the Company pursuant to Section 269 of the said Act for a period of 3 years w.e.f. 27th July 2005 subject to the approval of members. Shri Vig shall not draw any remuneration/perquisites from the Company during the tenure of his office as Manager except that Shri Vig will be entitled to reimbursement of actual expenses incurred by him in discharging his official duties.

The resolution is recommended for approval of the members.

None of the Directors except Shri V.P. Vig may be deemed to be concerned or interested in the proposed resolution.

Regd. Office :

A-7, SIPCOT Industrial Complex,
Cuddalore-607 005, Tamil Nadu

By order of the Board

*Shweta Girotra
Dy. Company Secretary*

Date : 30th November 2005

DIRECTORS' REPORT

To the Members

Your Directors present the Annual Report and Audited Accounts of the Company for the year ended 30th September 2005.

During the year under review there was a turnover of Rs. 6.53 Crores. There was an operating loss of Rs. 4.18 Crores and after providing for financial charges and depreciation, there was a deficit of Rs. 10.91 Crores.

The woes of Indian Penicillin-G industry caused by imports from China continued during the year under review resulting in suspension of operations of several units.

As a result of cheap imports from China and the un-remunerative domestic prices, the manufacturing operations of the Company continued to be unviable and remained suspended throughout the year under review. To further cut losses a settlement with the workmen was arrived at in January, 2005 and all the workmen were amicably paid off.

The Company has been making efforts to find a viable proposition for revival of our unit as well as for strategic alliance with Indian or foreign companies.

On a notice of motion taken out by Bank of India in its capacity as Trustees for Secured Debentureholders, the Bombay High Court has appointed a Receiver over the Immovable properties, current assets and book debts on which the Debentures are secured.

Conservation of Energy, etc

Pursuant to Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, particulars of energy conservation, technology absorption, foreign exchange earnings and outgo are annexed.

Directors

During the year Dr. S. K. Sagar ceased to be the Whole-time Director of the Company w.e.f. 19th February 2005. Dr. S.K. Sagar, however continues to be a Director on the Board of the Company.

Shri D. C. Jain and Shri Pramod Kapoor retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment. The Company has been advised legally that the provisions of Section 274(1)(g) of the Companies Act, 1956 is not applicable in respect of re-appointment in this Company of the Directors who are retiring by rotation.

On 29th April, 2005, Shri V.P. Vig was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956 and holds office upto the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act from a member of the Company signifying his intention to propose the appointment of Shri V.P. Vig as a Director liable to retire by rotation.

Further Shri V.P. Vig has been appointed as Manager in terms of Section 269 of the Companies Act, 1956 w.e.f. 27th July 2005 without any remuneration.

Auditors

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company, retire at the conclusion of the ensuing Annual General meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors in their Report read with relevant notes on accounts are self-explanatory.

Cost Audit

In view of there being no production during the year, the Company has sought exemption from the applicability of Cost Audit from Department of Company Affairs for the year.

Particulars of Employees

None of the employees are in receipt of remuneration in excess of limits prescribed under the provisions of Section 217(2A) of the Companies Act 1956.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are annexed hereto which form part of this Annual Report.

Directors' Responsibility Statement

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- (i) in the preparation of annual accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures;
- (ii) the accounting policies have been selected and applied consistently and judgements and estimates made 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 profit and loss of Company for that period;
- (iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Acknowledgements

Your Directors acknowledge and sincerely appreciate the continued support and co-operation from Financial Institutions, Banks, various Government agencies, Shareholders, Debentureholders, our valued customers and the employees.

On behalf of the Board

New Delhi
Date: 30th November 2005

V.P. Vig
Director & Manager

D.C. Jain
Director

ANNEXURE TO THE DIRECTORS' REPORT

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO
THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Operations of the Company remained suspended during the year under review.

PARTICULARS OF CONSERVATION OF ENERGY

	2004-05	2003-04
(I) POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
(a) Purchased		
Unit (MWH)	—	26.32
Total Amount (Rs. in Lacs)	—	257.22
Rate/Unit (Rs.)	—	9.77
(Including Max. Demand Charges)		
(b) Own Generation		
Through Generator		
Unit (MWH)	—	345.80
Unit/Ltr. of HSD/Furnace Oil	—	3.81
Cost/Unit (Rs.)	—	2.78
2. COAL	—	—
3. FURNACE OIL		
Quantity (KL)	—	15200.41
Total Amount (Rs. in Lacs)	—	1539.53
Average Rate (Rs./Ltr.)	—	10.12
(II) CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (KWH/BU)	—	31.21
Furnace Oil (Ltr./BU)	—	12.75

B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

1. RESEARCH & DEVELOPMENT

No R&D activities were carried out during the year under review in view of suspension of operations of the factory and no expenses were incurred under this head.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Operations remained suspended during the year.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. in lacs)	
	2004-05	2003-04
Foreign Exchange Earning	Nil	Nil
Foreign Exchange Outgo	13.77	111.80

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, no improvement in the domestic Penicillin-G industry, was noticed. Presently only one Penicillin-G unit is manufacturing whereas another is producing small quantity for its captive consumption.

Import prices hovered around US\$ 6.0-6.25 / BU during the year under review & accordingly domestic prices were also in the range of about Rs. 320/BU. Raw materials prices continued to rise (by about 25%) & furnace oil from Rs. 10841/KL in Sept. 04 to Rs. 18000/KL in Sept. 05 due to spurt in global oil prices, hence cost of production increased substantially thereby continuing to render the operations unviable. Due to this, the units producing Penicillin-G continued to incur heavy losses.

As per information available and as reported earlier, prices of Penicillin-G being imported from China are at dumping level, which are lower than manufacturing cost in China. Indian Penicillin Manufacturers Association (IPMA) brought this anomaly to the notice of the Government of India with a request to impose anti-dumping duty on imports of Penicillin-G but to no avail. On the contrary, export obligation period which was reduced from 30 months to 3 months, was subsequently increased to 6 months during the year. This has adversely affected the Indian Penicillin industry.

The global market share of India has further come down to 3% against 7%, whereas China's market share went up to 75% against 65% last year. Huge build-up of capacities in China has led to over-supply resulting in a price crash. Although the international prices increased somewhat but the cost of production increased much more due to spurt in global prices of petroleum products and raw materials especially solvents and sugar.

As per available information, the price level of Penicillin-G imported from China is below the cost of manufacture for most of the producers internationally but China continued dumping Penicillin-G in the Indian market which crippled the Indian Penicillin industry.

OUTLOOK

On the international front, the capacity expansions for manufacturing Penicillin-G is increasing and China will continue to dominate the global Penicillin-G scenario. Any further reduction in import duty will adversely impact the domestic industry. Unless suitable measures are taken to neutralize the inequalities through lower power tariff, higher customs duty and also imposition of anti-dumping duty, it will be difficult for the Indian Penicillin industry to recover.

HUMAN RESOURCES

The operations of the Company remained suspended from middle of September '04. An amicable settlement was reached with the workmen whereby all the workmen were paid off. Only a nucleus management cadre continues.

J.K. PHARMACHEM LIMITED

THREATS AND CONCERNS

Major area of concern is the continuous import of Penicillin-G from China at very low prices, i.e. at below their cost prices. Further, expected reduction in customs duty, rise in the petroleum products globally as well as absence of anti-dumping duty on Penicillin-G by Govt. of India will completely destroy the Indian Penicillin-G industry.

FINANCIAL PERFORMANCE AND INTERNAL CONTROL SYSTEMS

During the year under review, the Company's turnover was Rs. 6.53 crores and Operating loss Rs. 4.18 crores. After providing for financial charges, depreciation, extraordinary income, the loss for the year was Rs. 10.91 crores.

PARTICULARS	2004-05	2003-04
	(Rs. Crs.)	
Turnover	6.53	44.91
Operating Profit (PBIDT)	(4.18)	(14.03)
Cost of Borrowings	6.53	7.46
Profit / (Loss) before tax	(10.90)	(31.45)
Fringe Benefit Tax	0.01	—
Extraordinary Items	—	3.15
Profit / (Loss) After Tax	(10.91)	(28.30)

During the year, the Company has paid all dues towards principal redemption and interest upto 30.04.2005 of debentures held by public. The Company could not meet the commitments of other two institutional debenture holders and the interest due to the public accrued upto 30.09.2005.

Internal control systems are in place in all activities of the operations of the Company. The Company has been conducting structured and elaborate internal audits since its inception. The Audit Committee of Directors meets regularly and reviews operations of internal audit and action thereon.

CAUTIONARY STATEMENT

"Management Discussion and Analysis Report" contains forward looking statements, which may be identified by the use of words in that direction, or connoting the same. All statements that address expectations or projections about the future, including but not limited to, statements about the Company's strategy for growth, product development, market position and expenditures and financial results are forward looking statements. The Company's actual results, performance or achievement could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance of the Company is to ultimately enhance value to all its stakeholders and is reflected through its core values, business ethics and best business practices.

2. BOARD OF DIRECTORS:

The Board of Directors consists of eight directors out of which seven are non-executive and six are independent directors.

Sl. No.	Directors	Category	No. of	No. of	Whether Last AGM attended	No. of other Directorships and Committee Memberships/ Chairmanships		
			Board Meetings held	Board Meetings attended		Other Directorships\$	Committee Memberships*	Committee Chairmanships*
			During the year 2004-2005					
1	Shri D.C. Jain	IND	4	3	No	—	—	—
2	Shri T.S. Surendranath@ (Nominee of TIDCO)	IND	4	4	Yes	5	4	—
3	Shri Kallash Bhansali (Nominee of UTI)	IND	4	3	No	—	—	—
4	Shri P.C. Jain	IND	4	3	No	1	—	—
5	Shri Pramod Kapoor	IND	4	3	Yes	—	—	—
6	Shri Sudhir A. Bidkar	IND	4	3	No	—	—	—
7	Dr. S.K. Sagar**	Non-IND	4	3	Yes	—	—	—
8	Shri V.P. Vig •	Executive	4	1	No	—	—	—
9	Shri B. Chandran@ (Nominee of TIDCO)	IND	—	—	—	N.A.	N.A.	N.A.

\$ Excludes Directorships in private limited companies, foreign companies, memberships of Managing Committees of various chambers/bodies/section 25 companies.

* Only covers Memberships/Chairmanships of Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee.

@ Shri T.S. Surendranath was appointed as Additional Director of the Company under Section 260 of the Companies Act, 1956 in place of Shri B. Chandran w.e.f. 30.12.2004. Shri Surendranath has since been appointed as a Director w.e.f. 4.3.2005 at the Annual General Meeting.

** Dr. S.K. Sagar ceased to be Whole-time Director w.e.f. 19.2.2005. Dr. Sagar however is continuing as a non-executive Director.

• Shri V.P. Vig was appointed as Additional Director of the Company w.e.f. 29.4.2005 and as a Manager under Section 269 of the Companies Act, 1956 w.e.f. 27.7.2005 for three years.

Tamilnadu Industrial Development Corporation Ltd (TIDCO) and Unit Trust of India (UTI) are represented as co-promoter and

investing Institution, respectively.

REMUNERATION

Non-executive Directors – Except sitting fees (total amount Rs. 9,500/-) paid to the non-executive directors for each of the meetings of the Board attended by them, no other payment was made to such directors.

Executive Director – For the period from 19-02-2002 to 18-02-2005 remuneration has been paid as per terms of appointment approved by Shareholders of the Company. However remuneration paid to the Whole-time Director is in excess of the remuneration approved by the Central Government. Representations have been made to the Government for approval of the remuneration as approved by the Shareholders and it is being pursued.

NO. OF BOARD MEETINGS HELD, DATES ON WHICH HELD

Four Board Meetings were held during the financial year ended 30th September 2005 on 30th December 2004, 28th January 2005, 29th April 2005 and 27th July 2005.

3. AUDIT COMMITTEE

The Company has an Audit Committee of the Board of Directors, which has been functioning from the year 2000. The terms of reference of the Committee are as per the provisions of Section 292A of the Companies Act, 1956 and also as per Clause 49 of the Listing Agreement. The Committee consists of three members namely Shri D.C. Jain, Shri P.C. Jain and Nominee Director of TIDCO (Shri T.S. Surendranath). All the members are non executive independent directors.

Four meetings of the Committee were held during the year 2004-2005, i.e. on 30th December 2004, 28th January 2005, 29th April 2005 and 27th July 2005.

The attendance particulars are as follows:-

Name of the Chairperson/Member	Meetings	
	Held	Attended
Shri D.C. Jain - Chairman, upto 30th November 2005	4	3
Nominee Director (TIDCO) Shri T.S. Surendranath – Member	4	3
Shri P.C. Jain - Chairman, w.e.f. 1st December 2005	4	3

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

- The Company has a structured system of reviewing the Shareholders/Investors grievances at every Board meeting. However a Committee was constituted on 7th November 2001 with specific authority to look into the Investors/Shareholders grievances.
- The Shareholders/Investors Grievance Committee consists of Shri D.C. Jain (Chairman), Shri Sudhir A. Bidkar and Nominee Director of TIDCO (Shri T.S. Surendranath) as Members, all being non executive- directors.
- Three meetings of the Committee were held on 30th December 2004, 29th April 2005 and 27th July 2005.

Name of the Chairperson/Member	Meetings	
	Held	Attended
Shri D.C. Jain – Chairman	3	3
Nominee Director of TIDCO Shri T.S. Surendranath - member	3	2
Shri Sudhir A Bidkar – Member	3	3

- Name & designation of the compliance officer: Ms. Shweta Girotra, Deputy Company Secretary is the Compliance Officer.
- The number of complaints received during the year and the number of complaints not solved as at the end of the year: 7 grievances were received during the year 1st October 2004 to 30th September 2005. All the grievances have been attended satisfactorily except one grievance pertaining to past period from one institutional debenture holder with whom the matter is under discussion for resolving the same.
- Number of pending share transfers: All the requests for transfer received during the year were transferred.

5. GENERAL BODY MEETINGS:

The venue, date and time of the last three Annual General Meetings were as follows:

YEAR	DATE & TIME	LOCATION
2001-2002	27th March 2003 at 3.15 P.M	Registered Office: Plot No. A-7, SIPCOT Industrial Complex, Cuddalore-607 005
2002-2003	26th March 2004 at 3.30 P.M.	Same as above
2003-2004	4th March 2005 at 3.30 P.M.	Same as above

There were no resolutions put through Postal Ballot.

6. DISCLOSURE:

- Related party transactions during the year have been disclosed as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India. These transactions are not likely to have any conflict with the Company's interest.
- Due to extremely difficult liquidity position arising out of stoppage of plant operation, the Company could not make certain essential payments including listing fees to the Stock Exchanges at Madras, Ahmedabad, Calcutta and Delhi and Annual custody fees to NSDL and CDSL (Depositories).

7. MEANS OF COMMUNICATION

- Half Yearly Report/ Quarterly Results: Quarterly, half yearly and annual results are submitted to the Stock Exchanges in accordance with the Listing Agreements and are normally published in The News Today (a National English newspaper) and Daily Thanthi (a regional language newspaper).
- The Management Discussion and Analysis Report forms part of the Directors' Report.

8. GENERAL SHAREHOLDER INFORMATION:

(i) Annual General Meeting

The information regarding the Annual General Meeting during the year 2005 is as follows:

Date & Time : 28th January 2006, 3.30 p.m.

Place : Registered Office: Plot No. A-7, SIPCOT Industrial Complex, Cuddalore – 607 005

(II) Financial Calendar: (Tentative)

Financial Result for the Quarter: 2005-2006

31st December 2005

31st March 2006

30th June 2006

30th September 2006

Before the end of January 2006

Before the end of April 2006

Before the end of July 2006

Before the end of October 2006 (if un-audited)

Before the end of December 2006 (if audited)

Feb / March 2007

Annual General Meeting

23rd January 2006 to 28th January 2006

(III) Date of Book Closure:

(IV) Listing on Stock Exchanges (including Security Code)

The Equity Shares of the Company are listed on Madras Stock Exchange (Code No. JKP), Bombay Stock Exchange (Code No. 500218), Ahmedabad Stock Exchange (Code No. 28565), Calcutta Stock Exchange (Code No. 20035) and Delhi Stock Exchange (Code No. 7603).

The annual listing fees for the financial year 2005-06 has been paid to Bombay Stock Exchange.

Delisting of Shares from Madras, Delhi, Ahmedabad and Calcutta Stock Exchanges are being pursued as there has not been trading in the Equity Shares of the Company in these Stock Exchanges for number of years.

(V) Market Price Data: High/Low During Each Month in Last Financial Year 2004-05

Month	Stock Exchange - Mumbai (BSE) in Rs.		BSE SENSEX	
	High	Low	High	Low
October	6.84	4.51	5803.82	5558.14
November	8.66	5.50	6248.43	5649.03
December	10.15	5.90	6617.15	6176.09
January	11.20	7.20	6696.31	6069.33
February	15.92	7.50	6721.08	6508.33
March	12.98	7.40	6954.86	6321.31
April	10.68	7.18	6649.42	6118.42
May	9.85	6.58	6772.74	6140.97
June	12.00	7.90	7228.21	6647.36
July	11.00	8.40	7708.59	7123.11
August	10.60	8.19	7921.39	7537.50
September	11.00	6.67	8722.17	7818.90

(VI) Registrar and Transfer Agent

In compliance with the directives of SEBI in appointing a common agency for share registry related activities (both physical and demat), Cameo Corporate Services Limited, "Subramaniam Building", No. 1, Club House Road, Anna Salai, Chennai- 600 002, has been appointed as Registrar and Transfer Agent with effect from 1st April 2003 to attend to both physical and demat segments of share registry works.

(VII) Share Transfer System

Share Transfer/confirmation work of physical/demat segments are attended to by the M/s. Cameo Corporate Services Limited within the prescribed period under law and the Listing Agreement with Stock Exchanges. All share transfers etc. are approved by a Committee of Directors, which meets periodically.

(VIII) Distribution Of Shareholdings

As on 30.6.2005

Shareholding of Nominal Value (Rs.)	Shareholders		Share Amount	
	Number	% to Total	Rs.	% to Total
1	2	3	4	5
Upto 5000	64134	90.82	87436520	13.95
5001 - 10,000	3109	4.40	28103380	4.48
10,001-20,000	1465	2.08	24673170	3.94
20,001-30,000	835	1.18	21884150	3.46
30,001-40,000	213	0.30	7913520	1.26
40,001-50,000	300	0.43	14551210	2.32
50,001-1,00,000	300	0.43	23778660	3.79
1,00,000 and above	257	0.36	418728580	66.80
Total	70613	100.00	626849190	100.00

(IX) Dematerialisation of shares and Liquidity

The Company's Equity shares are in compulsory trading segment and the Company established connectivity with both the depositories, namely, NSDL and CDSL. The Company's ISIN No. for both the Depositories is INE335C01018. Company's Shares are traded in the Stock Exchange, Mumbai.

(X) Outstanding GDR/ADR/Warrants/Options or any convertible instruments, conversion date and likely impact on equity:- Nil

(XI) Plant Location:

Plot No. A-7, SIPCOT Industrial Complex, Cuddalore - 607 005, Tamil Nadu

(XII) Address for Correspondence:

Registered Office:
J.K. PHARMACHEM LIMITED
A-7, SIPCOT Industrial Complex,
Cuddalore- 607 005
Tamil Nadu
Email : shwetag@jkm.com

Registrar and Transfer Agent:
Cameo Corporate Services Limited
'Subramaniam Building' No. 1,
Club House Road, Anna Salai
Chennai - 600 002.
Email: cameo@cameoindia.com
Phone No: 044- 26460390

Auditors' Certificate

To the Members
M/s. JK Pharmachem Limited
SIPCOT Industrial Complex
Cuddalore, Tamil Nadu

We have examined the compliance of conditions of Corporate Governance by M/s. J.K.PHARMACHEM LIMITED, for the year ended 30th September 2005, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

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

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

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Shareholders'/Investors' Grievance Committee, except of one debentureholder regarding non payment of Interest and redemption amount.

On the basis of our review and accordance to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the Stock Exchanges have been complied with in all material respect by the company except to the extent that the Chairman of Audit Committee has not attended the 14th Annual General Meeting of the company held on 4th March 2005 and non disclosure of distribution of share holding as on 30.09.2005.

For Lodha & Co
Chartered Accountants

New Delhi, 30th November 2005

G.SUBRAMANIA SARMA
Partner

AUDITORS' REPORT

To the Members,
Auditors' Report

We have audited the attached Balance Sheet of **M/s J. K. PHARMACHEM LIMITED**, Cuddalore, Tamil Nadu, (hereinafter called the COMPANY) as at September 30, 2005 and the Profit and Loss Account of the Company for the year ended on that date and cash flow statement of the Company annexed thereto.

1 RESPONSIBILITY

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these statements based on our audit.

2 SCOPE

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 Attention Is Invited to the following:

- 3.1 Interest on debentures for the year amounting to Rs 443.09 lakhs (previous year Rs 292.86 lakhs) and interest on inter corporate loans amounting to Rs 36.02 lakhs (previous year NIL) has not been provided in the accounts and total interest not provided for in the books upto 30.09.2005 is Rs 1193.45 lakhs (upto previous year Rs 764.34 lakhs. [note no 2]**
- 3.2 No depreciation on Buildings and Plant and Machinery has been provided in the books amounting to Rs 969 lakhs (previous years Rs NIL)**
- 3.3 The accounts have been prepared on the basis of going concern concept which is subject to grant of concessions by the financial institutions, availability of remunerative prices and availability of manpower and support from the suppliers.**
- 3.4 The company has not provided for the provision for the impairment of assets as required by the Accounting Standard 28 – impairment of assets prescribed by the Institute of Chartered Accountants of India.**
- 3.5 We are not able to comment on the recoverability or otherwise of the amount of Rs 35.16 lakhs kept under advances recoverable in cash or in kind as explained in note no 12, being the amount paid to the erstwhile whole time director over and above the amount approved by the department of company affairs even though the company has made representation to the concerned authorities.**
- 3.6 We further report that without considering the item no 3.3 and 3.4 above, had the observations made by us in paragraph 3.1 and 3.2 above has been considered, loss for the year, would have been Rs 2539.32 lakhs (as against the reported figure of Rs 1091.21 lakhs) and the Balance in the profit and loss account would have been Rs. 16406.37 lakhs (as against the reported figure of Rs. 14243.92 lakhs)**

4 ASSERTIONS

- 4.1 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;**
- 4.2 The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;**

5 OPINION

- 5.1 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**
- 5.2 Subject to non compliance of the Accounting Standard 28 – impairment of assets prescribed by the Institute of Chartered Accountants of India as explained in 3.4 Supra, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211(3C) of the Act, to the extent applicable.**
- 5.3 The company has defaulted to redeem the debentures on due date and the default has exceeded one year as on 30.09.2005. Hence all the directors of the company except Mr Kailash Bhansali and Mr T.S. Surendranath (Financial Institution Nominees), in our opinion, are being disqualified from being appointed as directors in terms of Section 274(1)(g) of the Companies Act, 1956.**
- 5.4 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and other notes appearing in schedule 13, and subject to para 3 above, 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:**

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2005;
- (ii) In the case of Profit and Loss Account, of the **LOSS** for the year ended on that date.
- (iii) In the case of the cash flow statement, of the cash flows of the company for the year ended on that date.

6 As required by the Companies [Auditors' Report] Order 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and information and explanation given to us, we further report that:

FIXED ASSETS

- 6.1 The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- 6.2 We were informed that the physical verification of the fixed assets was carried out by the management during the year and no material discrepancies were noticed.
- 6.3 During the year, the Company has disposed off some of the assets, which in our opinion, does not affect the going concern assumption.

INVENTORIES

- 6.4 The inventories lying with the Company were physically verified during the year by the management at reasonable intervals, including stocks lying with third parties.
- 6.5 In our opinion, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- 6.6 The Company is maintaining proper records of inventory. As informed to us, no material discrepancies have been noticed during the verification.

LOANS TAKEN AND GIVEN

- 6.7 The Company has not accepted any deposits from the public.
- 6.8 The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.
- 6.9 Except for the amount of Rs 35.16 lakhs recoverable from the director of the company [remuneration paid in excess of the amount approved by the department of company affairs], the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956
- 6.10 In our opinion and according to the information and explanations given to us, the company has defaulted in repayment of dues to the financial institutions of Rs 3632.41 lakhs towards principal and Rs3669.75 lakhs towards interest.
- 6.11 In our opinion and according to the information and explanations given to us, the company has utilized the term loans (taken in earlier years) for the purposes for which the same were obtained.
- 6.12 The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

SECURITY FOR DEBENTURES

- 6.13 The company has not issued any debentures during the year and hence the question of commenting on the creation of security does not arise.

FURNISHING OF GUARANTEE

- 6.14 In our opinion and according to the information and explanations given to us, the company has given corporate guarantee of Rs 330 lakhs for loans taken by others from financial institutions, the terms and conditions of which are not prejudicial to the interest of the company. However the same has been discharged at the end of the year.

FURTHER ISSUE OF SHARES

- 6.15 The company has not raised any money by way of public issue during the year.
- 6.16 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.

INTERNAL CONTROL AND INTERNAL AUDIT

- 6.17 There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale / supply of services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 6.18 *The Internal audit of the Company is being entrusted to an independent firm of chartered accountants and the scope and coverage of the same is in our opinion is commensurate with the size and nature of the business*

STATUTORY DUES

6.19 The Company is generally regular in depositing with appropriate authorities the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, Service tax, Sales tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities and according to the information and explanations given to us, there are no undisputed dues of statutory dues which are outstanding as at September 30, 2005 for a period of more than six months from the date they became payable.

6.20 According to the information and explanations given to us, there are no dues of Income Tax/ Sales Tax/ Service Tax/Wealth tax/ Excise Duty /Cess which have not been deposited on account of any dispute, except the following and which are pending before the concerned authorities,

Sl. No.	Name of the Statute	Nature of Dues	Period	Amount Rs in lakhs	Forum where Dispute is Pending
1	Central Sales Tax Act	Sales tax	1996-97	279.18	STAT
2	-DO-	Penalty	1996-97	493.76	STAT
3	-DO-	Sales tax	1997-98	474.13	Appeals Commissioner
4	-DO-	Penalty	1997-98	725.15	Appeals Commissioner
5	Tamilnadu Tax on Consumption or sale of Electricity Act 2003	Energy and Consumption tax	2002-04	48.69	Hon'ble High Court of Madras
6	Electricity Act 1991	Electricity Tax	2002-04	19.00	Hon'ble High Court of Madras
7	Central Excise Act, 1944	Excise duty	1995-1996 to 1999-2000	6.19	CESTAT
8	-DO-	Excise duty	1999-2000	16.02	CESTAT
9	-DO-	Penalty	1994-1995	5.00	NIL

COST AND OTHER RECORDS

6.21 We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for the maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been made and maintained. We have not however made a detailed examination of the said records.

6.22 In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. The investments shown in the accounts are held in the name of the Company.

OTHERS

6.23 The accumulated losses at the end of the year is more than 50% of the net worth of the Company. However, the Company has incurred cash losses both during the current financial year as well as in the immediately preceding financial year, after considering the quantum of qualifications in the auditors report.

6.24 In our opinion, considering the nature of the activities carried out by the company during the year, the provisions of any special statute applicable to chit fund/ nidhi/mutual benefit fund/societies are not applicable to the company.

6.25 Based on the information and explanations given to us, and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on short term basis which have been used for long term investment.

6.26 On the basis of the books and records of the company verified by us in the normal course of audit and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported by/to us during the course of our audit.

NON-REPORTING OF CERTAIN CLAUSES

6.27 In our opinion the reporting on the Clauses 4(iii) (b) to (iii)(d), 4(iii)(f), 4(iii)(g), 4(v) of the CARO 2003 is not applicable and hence not reported upon.

For LODHA & CO
Chartered Accountants,

G.SUBRAMANIA SARMA
Partner

Dated 30th November 2005 at New Delhi.

BALANCE SHEET

As at 30th September 2005

(Rs. in lacs)

	Schedule	30.09.2005	30.09.2004
SOURCES OF FUNDS			
Shareholder's Funds			
Capital	1	9400.17	9400.17
Reserves and Surplus	2	4233.85	4390.46
		<u>13634.02</u>	<u>13790.63</u>
Loans			
Secured Loans	3	10522.75	9968.46
Unsecured Loans		585.13	704.30
		<u>11107.88</u>	<u>10672.76</u>
Total		<u>24741.90</u>	<u>24463.39</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	19180.41	19249.19
Less: Depreciation		8563.71	8564.71
Net Block		<u>10616.70</u>	<u>10684.48</u>
Capital Work-in-Progress including advances		-	-
		<u>10616.70</u>	<u>10684.48</u>
Investments	5	11.31	11.31
Current Assets, Loans and Advances	6	627.23	1715.88
Less: Current Liabilities and Provisions	7	<u>757.26</u>	<u>1134.60</u>
Net Current Assets		(130.03)	581.28
Miscellaneous Expenses (To the extent not written off / adjusted)		-	33.61
Profit and Loss Account		14243.92	13152.71
Total		<u>24741.90</u>	<u>24463.39</u>

Accounting Policies and Notes on Accounts 13

Schedules 1 to 7 and 13 attached to the Balance Sheet are an integral part thereof

Vide our report of even date

For **Lodha & Co.**
Chartered Accountants**G. SUBRAMANIA SARMA**
Partner**Shweta Girotra**
Dy.Co.Secretary

Deep Chandra Jain Prakash Chandra Jain Pramod Kapoor Sudhir A. Bidkar Dr. S.K. Sagar T.S. Surendranath V.P. Vig, Director & Manager	} Directors
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New Delhi , the 30th November, 2005

New Delhi , the 30th November, 2005

J.K. PHARMACHEM LIMITED

PROFIT AND LOSS ACCOUNT

For the Year Ended 30th September 2005

(Rs. in lacs)

Particulars	Schedule	2004-2005	2003-2004
INCOME			
Sales & Other Income	8	652.91	4491.19
Less: Excise Duty		89.94	622.42
		<u>562.97</u>	<u>3868.77</u>
Increase/(Decrease) in Finished Goods		(521.53)	159.20
		<u>41.44</u>	<u>4027.97</u>
EXPENDITURE			
Materials & Manufacturing	9	116.15	4582.68
Employees	10	140.89	393.41
Other Expenses	11	202.85	455.09
		<u>459.89</u>	<u>5431.18</u>
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		(418.45)	(1403.20)
Cost of Borrowings	12	653.35	745.56
Depreciation		18.80	996.24
PROFIT/(LOSS) Before Tax & Extraordinary Items		(1090.60)	(3145.00)
Extraordinary Items		-	314.75
Provision for Fringe Benefit Tax		0.61	-
PROFIT/(LOSS) After Tax		(1091.21)	(2830.25)
Deferred Tax Credit		-	(751.56)
LOSS BROUGHT FORWARD		(13152.71)	(9570.90)
		<u>(14243.92)</u>	<u>(13152.71)</u>
CARRIED TO BALANCE SHEET		(14243.92)	(13152.71)
Earnings Per Share (Rs) (Face Value - Rs 10 per Share)		(1.74)	(4.52)
Accounting Policies and Notes on Accounts	13		
Schedules 8 to 13 attached to the Profit and Loss Account are an integral part thereof.			

Vide our report of even date

For **Lodha & Co.**
Chartered Accountants

G. SUBRAMANIA SARMA
Partner

Shweta Girotra
Dy.Co.Secretary

Deep Chandra Jain
Prakash Chandra Jain
Pramod Kapoor
Sudhir A. Bidkar
Dr. S.K. Sagar
T.S. Surendranath
V.P. Vig, Director & Manager

Directors

New Delhi, the 30th November, 2005

New Delhi, the 30th November, 2005

J.K. PHARMACHEM LIMITED

Schedule 1	30.09.2005	(Rs. in lacs) 30.09.2004
SHARE CAPITAL		
Authorised:		
Equity Shares - 6,64,00,000 of Rs.10 each	6640.00	6640.00
Preference Shares - 10,00,000 of Rs. 100 each	1000.00	1000.00
Preference Shares - 2,05,000 of Rs. 1200 each	2460.00	2460.00
	<u>10100.00</u>	<u>10100.00</u>
Issued, Subscribed and Paid Up:		
Equity Shares - 6,26,84,919 of Rs.10 each fully paid up	6268.49	6268.49
Zero Coupon Redeemable Preference Shares 10,00,000 of Rs.100 each	1000.00	1000.00
Redeemable Preference Shares of 1,77,640 of Rs 1200 each	2131.68	2131.68
	<u>9400.17</u>	<u>9400.17</u>

Notes:

1. 10,00,000 Zero Coupon Redeemable Preference Shares of Rs.100 each, allotted at par, fallen due on 23rd July,2004.
2. 1,77,640 Redeemable preference Shares of Rs. 1200 each, allotted at par,with a YTM of 12 % (including premium on redemption) and repayable in 3 equal instalments at the end of 7th, 8th and 9th year from 1st April 2000.

Schedule 2

RESERVES & SURPLUS

Share Premium	3690.27	3846.88
Less : Share/Debenture issue expenses written off	33.61	33.61
: Premium on Redeemable Debentures	123.00	123.00
	<u>3533.66</u>	<u>3690.27</u>
Add: Excess Premium on Redeemable Debentures written back	-	-
Capital Reserve	22.20	22.20
Debenture Redemption Reserve	677.99	677.99
	<u>4233.85</u>	<u>4390.46</u>

Schedule 3

LOANS

SECURED LOANS

16% Non Convertible Debentures	9.38	14.08
13.75% Non Convertible Debentures	3675.37	3675.37
Non Convertible Debentures	717.10	717.10
Deep Discount Bonds	1000.00	1000.00
Zero Coupon Non Convertible Debentures		
" A Series"	1142.00	1142.00
" B Series"	590.00	590.00
Other Loans - Banks	439.02	659.07
Premium on Debenture Redemption due	246.00	123.00
	<u>7818.87</u>	<u>7920.62</u>
Add: Interest accrued and due	2703.88	2047.84
	<u>10522.75</u>	<u>9968.46</u>

UNSECURED LOANS

Deferred Sales tax	495.48	495.48
Others	89.65	208.82
	<u>585.13</u>	<u>704.30</u>

Notes:

1. 16% Non- Convertible Debentures (NCD) are secured by a pari passu first mortgage/charge on the immovable property of the Company in the State of Gujarat and on all movable and immovable properties pertaining to the

J.K. PHARMACHEM LIMITED

Company's plant at Cuddalore, Tamilnadu, present and future, subject to prior charges in favour of Banks for working Capital and on certain item of machinery. 23,480 NCDs of Rs.40 each aggregating to Rs.9.38 lacs are redeemable in two annual installments of Rs.20 each between July 2006 and July 2007. NCDs aggregating to Rs.4.70 lacs were redeemed during the year.

2. 13.75% Non-Convertible Debentures of Rs. 60 each are secured by a pari passu first mortgage / charge on the immovable property of the Company in the State of Gujarat and on all movable and immovable properties pertaining to the Company's plant at Cuddalore, Tamil Nadu, present and future, subject to prior charges in favour of the Banks for working capital and on certain item of machinery. These debentures are redeemable in seven annual installments of Rs 4, Rs 8, Rs 8, Rs 10, Rs 10, Rs 10 and Rs 10 commencing from 1st July 2001.
3. Non-Convertible Debentures aggregating to Rs 717.10 lacs are secured by a pari passu first mortgage / charge on the immovable property of the Company in the State of Gujarat and on all movable and immovable properties pertaining to the Company's plant at Cuddalore, Tamil Nadu, present and future, subject to prior charges in favour of the Banks for working capital and on certain item of machinery. Pursuant to the modified repayment schedule, these debentures are redeemable in 28 quarterly installments commencing from 31st March 2003 at a premium with Yield to Maturity of 10.43%.
4. Deep Discount Bonds (DDBs) aggregating Rs. 1000 lacs are secured by a pari passu first mortgage / charge on the immovable property of the Company in the State of Gujarat and on all movable and immovable properties pertaining to the Company's plant at Cuddalore, Tamil Nadu, present and future, subject to prior charges in favour of the Banks for working capital and on certain item of machinery are redeemable in five equal yearly installments of Rs.200 lacs each commencing 1st April 2005 with Yield to Maturity of 6%.
5. Zero Coupon Non Convertible Debentures
 "A series " 11,420 nos of Rs.10,000 each aggregating Rs.1142 lacs and
 "B series " 5,900 nos of Rs.10,000 each aggregating Rs.590 lacs are secured by a pari passu first mortgage / charge on the immovable property of the Company in the State of Gujarat and on all movable and immovable properties pertaining to the Company's plant at Cuddalore, Tamil Nadu, present and future, subject to prior charges in favour of the Banks for working capital and on certain item of machinery are redeemable in five equal annual installments commencing from 1st October 2004.
6. Other loans from Banks are working capital loans secured by hypothecation of stocks & book debts etc., both present and future of the Company.
7. The company has provided a negative lien on the fixed assets to the Government of Tamil Nadu in respect of Deferred Sales Tax Loan.
8. Other Unsecured loans include Rs. 1.27 lacs for hire purchase of motor cars (Previous Year Rs.8.82 lacs).

Schedule 4

FIXED ASSETS

Assets	(Rs. in lacs)									
	Gross Value at Cost				Depreciation				Net Value	
	As at 30-9-2004	Addi- tions	Sales/ adjust- ments	As at 30-9-05	Up to Last Year	For the Year	On Sales/ adjust- ments	To date	As at 30-9-05	As at 30-9-05
Land-Free Hold	54.77	-	-	54.77	-	-	-	-	54.77	54.77
Land-Lease Hold	84.51	-	1.00	83.51	-	-	-	-	83.51	84.51
Buildings	1009.98	-	-	1009.98	271.63	-	-	271.63	738.35	738.35
Plant & Machinery	17758.43	-	-	17758.43	8081.42	-	-	8081.42	9677.01	9677.01
Furniture & Fixtures & Office Equipments	284.70	-	17.68	267.02	197.16	16.47	6.56	207.07	59.95	87.54
Vehicles	56.80	-	50.10	6.70	14.50	2.33	13.24	3.59	3.11	42.30
Total	19249.19	-	68.78	19180.41	8564.71	18.80	19.80	8563.71	10616.70	10684.48

Schedule 5

30.09.2005

(Rs. in lacs)
30.09.2004

INVESTMENTS

Long Term Investments - (Non-Trade & Unquoted)
 Cuddalore SIPCOT Industries Common Utilities Ltd.
 (11,310 Equity Shares)

11.31

11.31

J.K. PHARMACHEM LIMITED

(Rs. in lacs)
30.09.2004

Schedule 6

30.09.2005

CURRENT ASSETS, LOANS AND ADVANCES

A. CURRENT ASSETS

1. Raw Materials	4.46	37.20
2. Stores and Spares	310.44	325.32
3. Finished Goods	-	606.64
4. Sundry Debtors (unsecured and considered good)		
Debts over 6 months	2.47	194.53
Other Debts	-	71.05
6. Cash & Bank Balances		
Cash on hand	0.04	0.53
Balances with Scheduled Banks		
On Current Accounts	0.66	17.23
On Deposit Account	1.54	21.32
Cheques on hand	6.63	-
	326.24	1273.82

B. LOANS AND ADVANCES

(Unsecured and considered good)

Advances Recoverable in cash or in kind
or for value to be received

122.11 170.46

Deposits with Government Authorities and Others

178.88 **271.60**

300.99 **442.06**

627.23 **1715.88**

Schedule 7

CURRENT LIABILITIES AND PROVISIONS

A. CURRENT LIABILITIES

Sundry Creditors	373.25	603.87
Other Liabilities	107.73	140.51
Interest accrued but not due on loans	270.00	330.00
	750.98	1074.38

B. PROVISIONS

Gratuity & Others	6.28	60.22
	757.26	1134.60

Schedule 8

SALES AND OTHER INCOME

1. Sales	612.77	4459.39
2. Miscellaneous Income	40.14	31.80
	652.91	4491.19

Schedule 9

MATERIALS & MANUFACTURING

Raw Materials	16.34	2156.91
Increase(-) / Decrease (+) in Stock-in-Process	-	51.61
Stores, Spares and Chemicals Consumed	31.67	346.67
Power & Fuel	55.94	1912.33
Repairs to Building	-	13.89
Repairs to Machinery	12.20	101.27
	116.15	4582.68

J.K. PHARMACHEM LIMITED

(Rs. in lacs)
30.09.2004

Schedule 10

30.09.2005

EMPLOYEES

Salaries, Wages & Gratuity	132.86	333.83
Contribution to Provident and other Funds	5.95	28.01
Employees' Welfare and Other Benefits	2.08	31.57
	<u>140.89</u>	<u>393.41</u>

Schedule 11

OTHER EXPENSES

Rent and Lease Rental	4.91	6.60
Insurance	24.01	47.03
Discounts & Commission	5.97	18.75
Rates & Taxes	2.50	34.39
Directors' Fee	0.10	0.12
Loss on Sale of Assets (Net)	31.94	6.84
Technical Know How Fee written off	-	-
Deferred Revenue Expense written off	-	9.38
Balances Written off	62.53	174.77
Miscellaneous expenses	70.89	157.21
	<u>202.85</u>	<u>455.09</u>

Schedule 12

COST OF BORROWINGS

Interest on :		
Debenture, Deferred Credit & DDB	592.43	597.26
Others	65.59	151.67
	<u>658.02</u>	<u>748.93</u>
Less : Interest from banks and others	4.67	3.37
(Tax at source Rs 0.15 lakhs , Previous year Rs 0.35 Lakhs)	<u>653.35</u>	<u>745.56</u>

Schedule 13

Accounting Policies and Notes on Accounts

A. Significant Accounting Policies

1. Accounts are maintained on accrual basis. Claims/Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
2. Fixed Assets are stated at cost.
3. Expenditure during construction/erection period is included in Capital Work-in-Progress and is allocated to the respective fixed assets on commencement of Commercial Production.
4. Depreciation on Fixed Assets in use is provided on Straight Line Method as per the rates specified in Schedule XIV of the Companies Act 1956. No depreciation is provided on Fixed Assets if not in use. Leasehold land is amortised over the period of lease. Software is amortised over a period of five years.
5. Inventories are valued at the lower of cost and net realisable value. The cost is computed on weighted average basis. Finished Goods and Process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
6. Retirement benefits are accounted on accrual basis.
7. Duty drawback and other export benefits on Revenue account are recognised in the Profit & Loss account and on Capital Account are reduced from Gross Value of Fixed Assets. Project subsidy is credited to Capital Reserve.
8. Expenditure incurred against which benefit is expected to flow into future periods are treated as Deferred Revenue Expenditure and charged to revenue accounts over expected duration of benefit.
9. Long-term investments are stated at cost.
10. Foreign currencies outstanding are converted to Rupees at the Exchange rate prevailing at the year-end or at forward contracted rates. Exchange difference in respect of fixed assets is adjusted to the carrying cost of fixed assets and in respect of others is charged to Profit and Loss Account.
11. Borrowing cost is charged to profit & loss account except for acquisition of qualifying assets, which is capitalised till the date of commercial use of the asset.
12. Current Tax is the amount of tax payable on the estimated taxable income for the current year as per the provisions of Income Tax, Act 1961. Deferred Tax Assets and Liabilities are recognised in accordance with AS 22. Deferred Tax Asset is recognised on the basis of reasonable / virtual certainty that sufficient future taxable income will be available against which the same can be realised.

B. Notes on Accounts

1.	Contingent liabilities in respect of claims not accepted as debts and not provided for are as follows:-			(Rs.in lacs)
		30.09.05	30.09.04	
	a) Excise Duty Liability in respect of matters in appeals	27.21	22.00	
	b) Other Matters	64.76	77.72	
2.	Settlement with major debenture holders for restructuring of the dues, the Company has not provided interest (including interest on overdue interest/amount) on debentures aggregating Rs.443.09 lacs for the year (Previous Year - Rs. 292.86 lacs) and Rs.1157.43 lacs upto 30 th September 2005 (Previous year – Rs.764.34 lacs). Further, Interest of Rs.36.02 lacs (Previous Year – Rs. Nil) on Inter-Corporate Deposits has not been provided during the year.			
3.	The Supreme Court of India has stayed recovery proceedings pending final disposal of the writ petition against a demand of Rs. 1972 lacs (Previous Year Rs. 1972 lacs) raised by the Government of Tamilnadu towards Sales Tax on Branch Transfer.			
4.	Miscellaneous expenditure to the extent not written off includes			(Rs.in lacs)
		30.09.05	30.09.04	
	a) Share and debenture issue expenses set off Rs. Nil lacs during the year (previous year Rs.33.61 lacs) from share premium account over a period of ten years	—	33.61	
	b) Deferred Revenue expenditure amortised over a period of five years			
	i) Tech. Know-how & Research & Development Exp. set off Rs. Nil lacs (Prev. Year 9.38 lacs)	—	—	
5.	Loans and Advances include Rs.139.87 lacs paid under protest towards disallowance of Modvat Credit on Capital Goods by Commissioner of Central Excise, Trichy. The Company has preferred an appeal against the said disallowance.			
6.	a) Additions to Vehicle include those under Hire Purchase amounting to Rs. Nil lakhs (Previous Year – Rs.10.48 lacs). Written down value Rs 3.11 lacs (Previous Year – Rs.17.29 lacs).			
	b) Additions to Plant & Machinery represents Rs. Nil lacs on account of exchange rate fluctuation (Previous year addition – Rs.0.13 lacs).			
	c) Exchange Difference (net) Rs. Nil lacs (Previous Year – Rs.0.73 lacs) has been debited in respective heads of Profit and Loss Account.			
	d) Depreciation on Building & Plant and Machinery amounting to Rs.969 lacs for the year are not provided since there is no manufacturing activity carried out during the year.			
7.	a) Debts over six months are net of provisions made for doubtful debts of Rs.20.94 lacs (Previous year – Rs.20.94 lacs)			
	b) Debts over six months amounting to Rs 2.47lacs (Previous year Rs.194.53 lacs) for which suitable action has been taken. In the opinion of the management, these debts are recoverable and the same have been classified as good.			
8.	Increase/(Decrease) in Finished goods include excise duty element of Rs.85.11 lacs (Previous year – Rs 27.14 lacs).			
9.	Amount paid to Auditors:			(Rs. in lacs)
	i) Statutory Auditors:	30.09.2005	30.09.2004	
	- Audit Fee	0.55	1.10	
	- Taxation	0.15	0.28	
	- Certificates/Other services	0.35	0.46	
	ii) Cost Auditors:			
	- Audit Fee	-	0.12	
10.	Quantitative Information			
	Particulars of Installed Capacity, Production, Sales & Stock-Penicillin			
		30.9.2005	30.9.2004	
		Qty (MMU)	Qty (MMU)	Value (Rs. In lacs)
	Installed capacity	1250	1250	—
	Opening Stock	158	109	420.30
	Production	-	1192	—
	Sales	158	1143	4459.39
	Closing Stock	-	158	606.64
11.	a) Expenditure in Foreign Currency (as remitted)			(Rs in lacs)
		30.9.2005	30.09.2004	
	i) Technical Know-how Fee & others	0.55	2.23	
	ii) C.I.F Value of imports:			
	- Raw Material	13.22	92.15	
	- Stores and spare Parts	-	17.42	
12.	Remuneration to Whole Time Director (*)			(Rs.in lacs)
		30.9.2005	30.9.2004	
	- Salaries	3.48	9.00	
	- Contribution to Provident and other Funds	0.81	1.48	
	- Value of Perquisites (as per Income Tax Rules)	-	-	
		4.29	10.48	

(*) For the period from 19.02.2002 to 18.02.2005, remuneration has been paid as per terms of appointment. However the remuneration approved by the Central Government is at variance with shareholders approval. Representations have been made to the Government for approval of remuneration as approved by shareholders and it is being pursued. Pending approval, remuneration paid in excess of the amount approved by the Central Government amounting to Rs. 35.16 lacs excluding retirement benefits (Maximum amount outstanding at any time during the year Rs 41.79 lacs) (Previous Year Rs. 29.69 lacs) have been shown under advances recoverable.

J.K. PHARMACHEM LIMITED

13. Particulars of Raw Materials and Stores and Spares consumed:

		30.9.2005		30.9.2004	
		Quantity Tonnes	Amount (Rs. In lacs)	Quantity Tonnes	Amount (Rs. In lacs)
a)	Raw Materials				
	Sugar	-	-	6123	719.63
	Solvents	-	-	1134	431.18
	Chemicals & others	-	-	-	1006.10
					<u>2156.91</u>
	% of Total			% of Total	
	Imported	-	-	6.40	137.96
	Indigenous	-	-	93.60	2018.95
b)	Stores and Spares				
	Imported	-	-	4.77	16.53
	Indigenous	-	-	95.23	330.14

14. Research & Development expenses amounting to Rs. Nil lacs (Previous Year Rs. 48.35 lacs) debited to respective heads.

15. The Company's securities are listed with Chennai, Mumbai, Delhi, Calcutta and Ahmedabad stock exchanges and listing fees in respect of certain stock exchanges payable Rs.17.96 lacs (Previous Year Rs. 12.97 lacs). The company has been pursuing for delisting of its securities from Delhi, Calcutta, Chennai and Ahmedabad Stock Exchanges.

16. Sundry Creditors of Rs. 373.25 lacs (Previous Year 603.87 lacs) include Rs. 54.49 lacs (previous year Rs. 88.30 lacs) due to Small Scale Industrial undertakings to the extent such parties have been identified from available information. List of small scale industrial undertakings for whom outstanding is more than 30 days are: Ammonia Marketing Company, Jai Sakthi Packaging Industries, STS Chemicals, KNR Packaging, Trikuta Chemicals, Unitech Heat Exchangers, Shree Oil Mill, Gopal Industries, Redhex Corrosion Management and Jarlin Leather.

17. Employees cost include Rs.58 lacs towards settlement of workers under section 12(3) & 18(1) of Industrial Disputes Act,1947 and retrenchment of Management cadre employees during the year.

18. The Deferred Tax Assets and Liabilities are not recognized in accordance with AS 22 as there is no reasonable/virtual certainty that sufficient future taxable income will be available against which the same can be realized if deferred tax asset is recognized.

19. The Company operates in a single segment i.e. Penicillin and hence reporting under Accounting Standard 17 (AS 17) is not applicable.

		(Rs in lacs)	
		30.09.2005	30.09.2004
20.	Earnings Per Share :		
i)	Profit/(Loss) after Tax	(1091.21)	(2830.25)
ii)	No. of Equity Shares Outstanding	62684919	62684919
iii)	Nominal Value per Share (Rs.)	10.00	10.00
iv)	Earnings Per Share (i/ii) (Rs.)	(1.74)	(4.52)

21. Related Party disclosure in accordance with the Accounting Standard 18 :

i) Key Management Personnel :

Shri V.P.Vig – Director & Manager
Appointed as Manager with effect from 27.07.2005.

Dr S.K.Sagar - President & Director
Ceased to be Whole Time Director with effect from 19.02.2005.

J.K.Industries Limited – Ceased to be
Associate with effect from 01.10.2004.

		(Rs.in Lacs)	
		30.09.2005	30.09.2004
a)	Nature of Transactions with J.K. Industries Limited, Associate		
	Reimbursement of Expenses	-	1.44
	Guarantee	-	330.00
b)	Outstanding as on 30 th September		
	Expenses Payable	-	8.50

Details of remuneration to key management personnel are given in Note*12.

22. The Company is exploring possible viable alternative arrangements/alliances. As such the Accounts have been prepared on a going concern basis without considering impairment of assets, if any, which is not ascertainable at this point of time and not provided for.

23. There is no loan / advance as required to be disclosed under clause 32 of the Listing Agreements.

24. Other Liabilities include provisions for Wealth Tax and Fringe Benefit Tax.

25. The previous year figures have been regrouped and rearranged wherever necessary.

View our report of even date

For Lodha & Co.
Chartered Accountants

Deep Chandra Jain
Prakash Chandra Jain
Pramod Kapoor
Sudhir A. Bidkar
Dr. S.K. Sagar
T.S. Surendranath
V.P. Vig, Director & Manager

Directors

G. SUBRAMANIA SARMA
Partner

Shweta Girotra
Dy.Co.Secretary

New Delhi, the 30th November, 2005

New Delhi, the 30th November, 2005

J.K. PHARMACHEM LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE AS PER SCHEDULE VI PART (IV) OF THE COMPANIES ACT, 1956

I. REGISTRATION DETAILS

Registration Number	18889
State Code	18
Balance Sheet Date	30.09.2005

II. CAPITAL RAISED DURING THE YEAR (Rs. in lacs)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. POSITION ON MOBILISATION AND DEPLOYMENT (Rs. in lacs)

Total Liabilities	25499.16
Total Assets	25499.16
SOURCES OF FUNDS	
Paid-up Capital	9400.17
Reserves & Surplus	4233.85
Loans	11107.88

APPLICATION OF FUNDS

Net Fixed Assets	10616.70
Investments	11.31
Net Current Assets	(130.03)
Deferred Tax Asset	-
Misc. Expenditure	-
Accumulated Loss	14243.92

IV. PERFORMANCE OF THE COMPANY (Rs. in lacs)

Turnover	652.91
Total Expenditure	1743.51
Profit before tax	(1090.60)
Profit after tax	(1091.21)
Earnings per Share (Rs)	(1.74)
Dividend Rate (%)	Nil

V. GENERIC NAME OF THE PRINCIPAL PRODUCT/SERVICES OF THE COMPANY

Itemcode No	294110
Product Description	Penicillin



Value
Research

Shweta Girotra
Dy.Co.Secretary

Deep Chandra Jain
Prakash Chandra Jain
Pramod Kapoor
Sudhir A. Bidkar
Dr. S.K. Sagar
T.S. Surendranath
V.P. Vig, Director & Manager

Directors

New Delhi, the 30th November, 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 30th SEPTEMBER, 2005

	2004-2005	2003-2004
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax and extraordinary items	(1090.60)	(3145.00)
Adjustments for:		
Depreciation	18.80	996.24
Interest expenses	658.02	748.93
Loss on sale of asset	31.94	6.84
Interest Received	(4.67)	(3.37)
Deferred Revenue expenses written off	-	9.38
Operating profit before working capital changes	(386.51)	(1386.98)
Adjustments for:		
Trade and Receivables	404.38	1371.44
Inventories	654.26	73.40
Trade Payables	(318.15)	184.12
NET CASH FROM OPERATING ACTIVITIES	353.98	241.98
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-	(98.43)
Sale of Assets	17.04	16.36
NET CASH USED IN INVESTING ACTIVITIES	17.04	(82.07)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Borrowings	-	-
Repayment of Borrowings	(343.92)	10.50
Interest paid	(57.31)	(153.81)
Net Increase/decrease in Cash & Cash Equivalents	(401.23)	(143.31)
CASH & CASH EQUIVALENTS (OPENING)	(30.21)	16.60
CASH & CASH EQUIVALENTS (CLOSING)	39.08	22.48
	8.87	39.08

Vide our report of even date
For Lodha & Co.
Chartered Accountants

Deep Chandra Jain
Prakash Chandra Jain
Pramod Kapoor
Sudhir A. Bidkar
Dr. S.K. Sagar
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Directors

G. SUBRAMANIA SARMA
Partner

Shweta Girotra
Dy.Co.Secretary

New Delhi, the 30th November, 2005

New Delhi, the 30th November, 2005

J.K. PHARMACHEM LIMITED

J.K. PHARMACHEM LIMITED

Regd. Office : Plot No. A-7, SIPCOT Industrial Complex, Cuddalore-607 005, Tamil Nadu

ADMISSION SLIP

Folio No./DPID & Client ID	
No. of Equity Shares held	

Please bring your copy of the Annual Report to the Meeting

I hereby record my presence at the 15th Annual General Meeting of the Company being held at Plot No. A-7, SIPCOT Industrial Complex, Cuddalore-607 005, Tamil Nadu on Saturday, the 28th January 2006 at 3.30 P.M.

Name of the Member (in Block Letters)
Name of the Proxy-holder/ Authorised representative* (in Block Letters)

* Strike out whichever is not applicable

Signature of the Member/Proxy/Authorised Representative

- Note : 1. A member/proxy/authorised representative wishing to attend the meeting must complete this Admission slip before coming to the Meeting and hand it over at the entrance.
2. If you intend to appoint a proxy, please complete, stamp, sign and deposit the Proxy Form given below at the Company's Registered Office at least 48 hours before this Meeting.

----- Cut here -----

J.K. PHARMACHEM LIMITED

Regd. Office : Plot No. A-7, SIPCOT Industrial Complex, Cuddalore-607 005, Tamil Nadu

PROXY FORM

I/We _____ of

_____ being a Member/Members of J.K. Pharmachem Limited hereby appoint

Shri/Smt./Kum. _____ of _____

or failing him/her Shri/Smt./Kum. _____ of _____

or failing him/her Shri/Smt./Kum. _____ of _____

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 15th Annual General Meeting of the Company to be held on Saturday, the 28th January 2006 at 3.30 P.M. and at any adjournment thereof.

Signed this _____ day of _____ 2006.

Folio No./DPID & Client ID	
No. of Equity Shares held	

Signature(s).....

Affix Rs. 1 Revenue Stamp

Note : The Proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.



If Undelivered please return to :

J.K. PHARMACHEM LIMITED
A-7, SIPCOT Industrial Complex
Cuddalore-607 005
Tamil Nadu