PRINCIPAL

PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.

23 rd ANNUAL REPORT 2009-2010

PRINCIPAL

Board of Directors :

Mr. Pradeep Malu, Chairman, President & CEO

Mr. Sanjeev Chhajed

Mr. Nilesh Bhandari

Audit Committee :

Mr. Sanjeev Chhajed

Mr. Nilesh Bhandari

Shareholders / Investors Grievance committee :

Mr. Pradeep Malu

Mr. Nilesh Bhandari

Auditor :

Jhawar Mantri & Associates
Chartered Accountants

Banker :

HDFC Bank Ltd.

Registered Office :

513, Palm Spring, Link Road,
Malad West, Mumbai 400064

Plant :

325/1 & 2, G.I.D.C.,
Panoli, Ankleshwar – 394 115.
GUJRAT

NOTICE is hereby given that the Twenty Third Annual General Meeting of PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED will be held at 513, Palmspring, Link Road, Malad West, Mumbai – 400 064 on Monday, the 2nd August, 2010 at 10.00 A. M. to transact the following businesses :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the Year ended 31st March, 2010 and the Directors' and Auditors' Reports thereon;

2. To appoint a Director in place of Mr. Sanjeev Chhajed who retires by rotation and is eligible for reappointment

3. To appoint Auditors and to fix their remuneration.

Registered Office:
513, Palmspring,
Link Road, Malad West,
Mumbai – 400 064

By Order of the Board

Pradeep Malu
Chairman

Date : 31st May, 2010

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. HOWEVER PROXY FORMS SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. Members are requested to notify their change of address, if any, to the Company at its Registered Office, quoting the Folio No.

3. Shareholders seeking any information with regard to Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.

4. The Register of Members and Share Transfer Books of the Company will remain close from 30th July, 2010 to 2nd August, 2010, both days inclusive.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty Third Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

1. FINANCIAL RESULTS:

Rs. in Lacs

	2009-10	2008-09
Sales and Other Income	17.32	38.35
Profit before Interest, Amortisation, Depreciation and Tax	2.10	(58.15)
Profit before Amortisation, Depreciation and Tax	2.10	(60.19)
Less: Amortisation & Depreciation	36.93	36.88
Profit / (Loss) before Taxation	(34.83)	(97.07)
Less : Provision for Taxation		
- FBT	-	0.10
Profit/(Loss) after Taxation	(34.83)	(97.17)
Credits due to Restructured Liability / (Reversal)	-	(21.83)
Balance of Losses brought forward	(631.53)	(512.54)
Balance carried forward to Balance Sheet	(666.36)	(631.53)

2. DIVIDEND :

In view of the accumulated losses, the Company the Board does not recommend any Dividend for the Financial Year.

3. REHABILITATION PLAN AND PROGRESS :

The company had made reference to Board of Industrial & Financial Restructuring (Hon'ble Board) under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and it has been registered under the reference no. 321/2002 on 25th June, 2002. The company was declared as sick company on 23rd September, 2005 by the Hon'ble Board and Union Bank of India was appointed as operating agency.

As per the directives from time to time by the Hon'ble Board, the company submitted and revised the same from time to time, a rehabilitation scheme, to the all the Financial Institutions and Banks for their considerations. The company has settled with and paid fully to the banks and Financial Institution as per their OTS plan. The company has raised additional resources to settle its dues under different arrangements from time to time. The rehabilitation scheme submitted by the company, which was duly evaluated by the operating agency viz. Union Bank of India is pending for approval with the Hon'ble Board.

4. OPERATIONS :

During the year, the company has settled and paid its dues to Asset Reconstruction Company (India) Ltd. (ARCIL). By this, the company has settled all its dues to the secured creditors viz Banks and Financial Institution

The company's Joint Working Arrangement has been renewed during the year with other party to manufacture their products on job work basis. The operations under this arrangement remained moderate and stabilized during the year. The company is unable to absorb depreciation and amortization. However, impairment in the value of assets (refer Note no. B-5 in Schedule 16 'Notes to the Accounts' annexed to the accounts) have not been provided.

During the year, the company has set up a new division in the name of 'eNable Solutions' to carry on consulting activities in e-learning, e-education and e-commerce related services. During the year, the company has earned marginal revenues from this activity as a trial run.

5. DIRECTORS :

Mr. Sanjeev Chhajed, Director of the company retires by rotation and being eligible for reappointment, he is to be reappointed.

6. DEPOSITS :

The Company has not accepted any deposits from the public under the Provisions of Section 58-A of the Companies Act, 1956.

7. AUDITOR'S REPORT :

Qualifications in Auditors' Report read with Notes to the Accounts are self explanatory and therefore do not call for any comments.

8. LISTING :

The Shares of the Company will continue to be listed on "The Bombay Stock Exchange Ltd." being the Regional Stock Exchange situated at Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. However, the trading was suspended by the Stock Exchange with effect from 19th May, 2004 on account of "non payment" of annual listing. The suspension order has not been revoked by the Stock Exchange till now, though the Company has already paid listing fees up to the year March, 2011. The matter has already been represented to the concerned authorities.

9. CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Corporate Governance Report regarding Compliance of Conditions of Corporate Governance is made a part of the Annual Report and annexed herewith.

10. INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:

The information as required under Section 217(2A) of the Companies Act, read with Companies (particulars of employees) Rules, 1975 (as amended) is not applicable to the Company as Company has not employed any employees who was receiving remuneration of Rs.24,00,000/- p.a. or Rs. 2,00.000/- p.m. if employed part of the year.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

As the company remained out of operations for its own production and its plant was operated by third party on job work basis, the information required under section 217(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars) in the Report of the Board of Directors Rules, 1988 is not applicable hence not provided.

12. DIRECTORS' RESPONSIBILITY STATEMENT :

As required under section 217 of the Companies Act, the Directors hereby confirm that :

i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) subject to the comments in clause 4 of Auditors' Report, the Directors have selected such accounting policies and applied them consistently and made judgment 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 loss of the Company for the year;

iii) the Directors have taken proper and sufficient care 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 fraud and other irregularities to the best of their knowledge and ability;

iv) The Directors have prepared the Annual Accounts on a going concern basis.

13. AUDITORS :

M/s. Jhawar Mantri & Associates, Chartered Accountants, retires as a Auditors of the Company and being eligible, offer themselves for re-appointment.

14. ACKNOWLEDGEMENTS :

The Directors acknowledge the valuable co-operation and assistance rendered by the Bankers of the Company and all other people who have been supportive to the company's operations during all these years.

On Behalf of Board of Directors

Pradeep Malu
Chairman

MUMBAI.
DATED : 31st May,2010

ANNEXURE – A to The Directors' Report

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Consumption of Energy : Managed by 3rd party

(b) Technology Absorption, Research & Development (R&D) :

i. No Research and Development Expenses during the year

ii. Expenditure on R&D: Nil (Previous year Nil)

Technology absorption, adaptation and innovation and benefits derived there from :

The company didn't incur any expenses on Research & Development during the last three years. Hence clause not applicable.

Technology imported and absorbed : Nil (Previous Year Nil)

In Rupees

	Current Year	Previous Year
(c) Foreign exchange earnings -	—	—
Foreign exchange outgo :		
Foreign Traveling	—	—

Corporate Governance

1. Board of directors

The company's Board presently consists of a majority of non-executive / independent Directors, many of whom are acknowledged as professionals in their respective fields. The Board comprises of one (1) Executive Director and two (2) Independent Directors.

The constitution of Board is given below:

Director	Executive / Non Executive Independent	No. of other Directorships
Mr. Pradeep Malu	Executive	5
Mr. Nilesh Bhandari	Independent	1
Mr. Sanjeev Chhajed	Independent	-

2. Attendance of Directors at Board Meeting and Annual General Meeting

The Board of the Company met Eight times during the last financial year, on the dates 29/04/2009, 15/07/2009, 31/07/2009, 20/08/2009, 31/10/2009, 31/12/2009 , 30/01/2010 and 31/01/2010.

The Company placed Before the Board performance and various other information including those specified under the Listing Agreement from time to time.

The attendance at the Board Meetings and Annual General Meeting were as under:

Name of Director	Attendance Board Meeting	Last AGM
Mr. Pradeep Malu	8	Yes
Mr. Nilesh Bhandari	8	No
Mr. Sanjeev Chhajed	8	No

3. Remuneration of Directors

Details of remuneration paid to the Chairman, President & CEO during the year ended 31.03.2010 is as follows :

Name	Salary	Commission	Contribution to Provident Fund and other funds	Perquisites	Total
Mr. PRADEEP MALU	1,50,000	Nil	Nil	Nil	1,50,000

4. Management Discussions and Analysis :

Company Financial Review

During the year 2009-10, the company incurred loss of Rs. 34.83 lacs (Previous Year Profit Rs. 97.07 lacs) from its operations.

The major thrust has been on reviving the company and bringing it out from financial sickness by increasing operations, adding / acquiring other profitable businesses and by settling its dues towards Secured and other creditors. The company has successfully settled and paid all the dues to its secured creditors viz. Banks and Financial Institution.

During the year, the company has set up a new division in the name of 'eNable Solutions' to carry on consulting activities in e-learning and e-education and e-commerce related services. During the year, the company has earned marginal revenues from this activity as a trial run.

Resources & Liquidity

As stated earlier, during the year, the company has continued to focus on implementation of rehabilitation and OTS scheme. The Company has settled and paid its dues to Banks and Financial Institution during the year. The additional resources have been raised by the Promoters for paying its settled dues with Bank and ARCIL. The rehabilitation scheme submitted by the company is under consideration with the Hon'ble Board. The Promoters intend to bring in additional resources to scale up the company's operations after the approval of the rehabilitation scheme by the Hon'ble Board.

Business Review

The company, as per its strategy, has been carrying out job work and keeping the plant operational.

During the year, the company has set up a new division in the name of 'eNable Solutions' to carry on consulting activities in e-learning and e-education and e-commerce related services. During the year, the company has earned marginal revenues from this activity as a trial run.

Opportunities & Challenges

The biggest challenge is to raise adequate resources for company's own operations which requires the approval of the rehabilitation scheme by the Hon'ble Board submitted by the company.

The company also sees great opportunity in terms of services related to Internet and seeing that opportunity, it has set up a division named "e-Nable Solutions"

Risk & Concern

While continuing the manufacturing activities and changing / enlarging the product mix, the company sees a great risk in terms of delays in getting governmental approvals. However, due care shall be taken in de-risking these factors for continuing the operations.

Adequacy of internal Control:

The Company has a proper and adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorized use or disposition of assets and that the transactions are authorized, recorded and reported correctly.

Human Resource Development:

The Company has outsourced its major activities and therefore it does not employ much people.

5. Code of Conduct

The Board has laid down a code of conduct for all Board members and Senior Management personnel of the Company. All Board members and Senior Management personnel have affirmed compliance with the Code of Conduct and the Whole Time Director has confirmed the same.

6. Code for prevention of Insider – Trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the company has instituted a comprehensive code of conduct for its manage ment staff. The code lays down guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing with shares of company, and cautioning them of the consequences of violation.

7. Audit Committee

During the year, Five Meetings were held on 29/04/2009, 31/07/2009, 20/08/2009, 31/10/2009, and 30/01/2010.

The constitution of the Committee and the attendance of each members of the Committee are given below:

Name	Designation	Non-executive/ Independent	Profession	Committee
Mr. Nilesh Bhandari	Member	Independent	Service	5
Mr. Sanjeev Chhajed	Member	Independent	Service	5

The terms of reference of the Audit Committee include to review, inter-alia, the Audited Financial accounts and Un-audited Results.

8. Share Transfer / Investors Grievance Committee

During the year, Seven Meetings were held.

The constitution of the Committee and the attendance of each members of the Committee are given below:

Name	Designation	Non-executive/ Independent	Profession	Committee Meetings Attended
Mr. Pradeep Malu	Director	Executive	Business	7
Mr. Sanjeev Chhajed	Member	Independent	Service	7

9. General Body Meetings

The location and time of the Annual General Meeting held during the last 3 years is as follows :

Annual General Meetings (AGM)	Date	Time	Venue	If special Resolutions passed
20th AGM	5th Sep, 2007	10.00 a.m.	4, Amrapali, . Turel Pakhadi Road, Liberty Garden, Malad (W), Mumbai - 400 064	Re-appointment of Mr. Pradeep Malu as a Whole-time Director
21st AGM	11th Aug, 2008	10.00 a.m.	Do	-
22st AGM	30th Sept. 2009	10.00 a.m.	513, Palmspring Link Road, Malad (W), Mumbai - 400 064.	-

10. Means of Communication

The annual, half-yearly and quarterly results are regularly submitted to the Stock Exchange in accordance with the listing Agreement.

11. General Shareholder Information :

a) Annual General Meeting

- Date & Time — 2nd August, 2010 at 10.00 A.M.
- Venue — 513, Palmspring, Link Road, Malad West, Mumbai-400 064

b) Financial Calendar

Financial Reporting for

- Quarter ending June 30, 2010	End of July 2010
- Half year ending September 30, 2010	End of October 2010
- For the quarter ending December 31, 2010	End of January 2011
- For the year ending March 31, 2011	June/July 2011
Annual General Meeting for the year ending March 31st 2011	August/September 2011

c) Date of book closure — 30th July, 2010 to 2nd August, 2010

d) Registered office — 513, Palmspring, Link Road, Malad (W), Mumbai-400 064

e) Listing of Equity Shares on Stock Exchanges: The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

f) Stock Exchange code: Code 524622

The Company has paid Annual Listing Fees to The Stock Exchange upto the financial year 2010-2011.

g) Distribution of shareholding as 31st March 2010:

Slab of shareholdings	Shareholders	%	Amount in Rs.	%
0 - 500	8187	86.54	19984200	33.31
501 - 1000	815	8.562	6496260	10.83
001 - 2000	269	2.84	4058740	6.76
2001 - 3000	75	0.79	1948190	3.25
3001 - 4000	20	0.21	701790	1.17
4001 - 5000	29	0.31	1346750	2.24
5001 -10000	35	0.37	2541600	4.24
10001-9999999	20	0.32	22922470	38.20
Total	9460	100.00	60000000	100.00

According to categories of shareholders as on 31st March, 2010:

Categories	Number of shares	Amount in Rs.	%
Promoters, including Companies, Directors, Relatives.	1920075	19200750	32.00
Mutual funds	Nil	Nil	Nil
Fin. Institutions	3000	30000	0.05
Companies	296629	2966290	4.94
Regular	3540196	35401960	59.01
NRI	240100	2401000	4.00
Total	6000000	60000000	100.00

h) Plant Location

325/1 & 2, G.I.D.C., Panoli, Ankleshwar - 394 115.

i) Registrar and Transfer Agent :

The company has appointed Registrar and Transfer Agent to handle the share transfer work and to solve the complaints of shareholders. Name, Address and telephone number of Registrar and Transfer Agent is given hereunder :

Adroit Corporate Services Pvt. Ltd.,
19/20, Jaferbhoy Industrial Estate, 1st Floor, Makwana Road,
Marol Naka, Mumbai 400 059
Tel No: 2859 0942 / 2859 4060 / 2859 6060
Email : adroits@vsnl.net

j) Investor correspondence Address :

Principal Pharmaceuticals & Chemicals Ltd.
513, Palmspring. Link Road,
Malad west, Mumbai-400 064.
Tel No. 40212421
Email : principal@vsnl.com

President & CEO's Certificate on Corporate Governance :

To
The Board of Directors
Principal Pharmaceuticals & Chemicals Ltd.
Mumbai

CERTIFICATE

I have reviewed the financial results and the cash flow statement of Principal Pharmaceuticals & Chemicals Ltd. (the Company) for the financial year ended 31 March 2010, and certify that:

(a) These results and statements, to the best of my knowledge and belief:
(i) do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
(ii) present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) To the best of my knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) I accept responsibility for establishing and maintaining internal controls and have evaluated the effectiveness of the internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls of which I am aware, and the steps taken and proposed to be taken to rectify these deficiencies.

(d) I have also indicated to the Auditors and the Audit committee:
(i) significant changes in the internal controls with respect to financial reporting during the year ;
(ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements ; and
(iii) To the best of my knowledge and belief, there are no instances of fraud involving either the Management or employees having a significant Role in the Company's internal control systems with respect to financial reporting.

Pradeep Malu
President & CEO

Mumbai, 31st May, 2010

AUDITORS' CERTIFICATE

To,
The Members of
M/s. Principal Pharmaceuticals & Chemicals Ltd.

We have examined the compliance of conditions of corporate governance by M/s. Principal Pharmaceuticals & Chemicals Ltd. for the year ended 31st March 2010, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation 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.

In our opinion and to the best of our information and according to the explanations given to us, We certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

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

For JHAWAR MANTRI & ASSOCIATES
Chartered Accountants.

B.P.Mantri
Partner.
M.No. 45701
Firm Reg. No. 113221W

Place : Mumbai
Date : 31st May, 2010

AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

1. We have audited the attached Balance Sheet of **M/s. PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED** as at 31st March, 2010, the Profit and Loss Account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by The Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. a) **As stated in note No. B (3) in schedule 16, despite huge accumulated losses the accounts for the year have been prepared on the assumption of the going concern basis in view of the ongoing efforts being made by the company for recovery.**

   b) **As stated in Note No. B (5) of schedule 16 to the accounts, effect of impairment in the value of assets has not been recognized in the accounts as required by the AS-28. However the effect of the same can not be ascertained in view of pending restructuring proposal.**

5. 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 purpose of our audit;

   (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956,

(v) On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes appearing in schedule 16, give the information required by the Companies Act,1956., in the manner so required **subject to matters mentioned in clause (4) above**, give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

(b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

(c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For JHAWAR MANTRI & ASSOCIATES
Chartered Accountants

B.P. MANTRI
Partner
M.No. 45701
Firm Reg No. 113221W

MUMBAI
DATED : 31st May 2010

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF **M/S. PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED** ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010.

1. (a) **The Company's Fixed Assets records are under updation to show full particulars, including quantitative details and situation of Fixed Assets.**

   (b) **All the Assets have not been physically verified by the management during the year but there is a regular program of verification which, inouropinion,isreasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.**

   (c) **During the year, the company has not disposed off any part of the Fixed Assets.**

2. According to the information and explanations given to us, there are no purchase, sales, own production and inventory during the year hence provisions of clause 2 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

3. (a) The company has not granted any loans, secured or unsecured to the companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.

   (b) In our opinion and according to the information and explanations given to us, since there are no loans given by the company to parties listed in the register maintained under section 301 of the Companies Act, 1956 hence question of whether the rate of Interest and other terms and conditions on which loans has been given are not *prima facie*, prejudicial to the interest of the company does not arise.

   (c) Since there are no such loans, question of regular in repaying the principal or interest amounts as stipulated does not arise.

   (d) There is no overdue amount of loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act. 1956.

   (e) The company has taken loan from 1 (one) party covered in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs. 79.66 lacs.

   (f) In our opinion and according to the information and explanations given to us, the rate of Interest and other terms and conditions on which loans has been taken by the company are not *prima facie*, prejudicial to the interest of the company.

   (g) There is no interest and no repayment schedule hence question of payment of the principal and interest on regular basis does not arise.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in to the register maintained under section 301 of the 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 contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year.

6. In our opinion and according to the information and explanations given to us, the company has not accepted deposit from the public. Therefore, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

7. **The company has no formal internal audit system as such but its control procedure ensures reasonable internal checking of its financial and other records.**

8. **Central government has prescribed maintenance of cost records under section 209(1)(d). However, products manufactured by the company for 3rd party are not covered by the said order and therefore the company has not made and maintained such accounts and records.**

9. The company is generally regular in depositing with appropriate authorities undisputed statutory dues including Employees provident fund, Income Tax, Wealth Tax, sales tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it.

10. The company has accumulated losses at the end of the financial year not less than fifty percent of its net worth. The company has not incurred cash losses during the financial year and in the financial year immediately proceeding the current financial year.

11. **The company has defaulted in repayment of dues to the financial institutions and banks in earlier years. However during the earlier years and current year the company has settled and fully repaid all outstanding of Banks & Financial Institutions as per the OTS approved by Bank/Financial Institutions.**

12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

13. In our opinion, the company is not a chit fund or a *nidhil* mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

14. The company has maintained the proper records of the transactions of investment in shares, securities, debentures and other investment and timely entries have been made also the shares and securities have been held by the Companies in its own name.

15. In our opinion and according to the information and explanation given to us, the company has not given guarantees for loans taken by others. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

16. In our opinion and according to the information and explanation given to us the company has not taken terms loans. Therefore, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

17. The company has not raised any funds short term or long term during the year. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

18. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 to the Act. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

19. According to the information and explanations given to us, during the period covered by our audit report, the company had not issued debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

20. During the year the company has not raised money by way of public issue. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **JHAWAR MANTRI & ASSOCIATES**
Chartered Accountants

MUMBAI
DATED: 31st May 2010

B.P. MANTRI
Partner
M.No. 45701
Firm Reg. No. 113221W

BALANCE-SHEET AS AT 31ST, MARCH 2010

	SCHEDULE	31 Mar 2010 Rupees	31 Mar 2009 Rupees
1. SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	59,997,000	59,997,000
Reserves & Surplus	2	176,850	176,850
		60,173,850	60,173,850
LOAN FUNDS:			
Secured Loans	3	-	14,000,000
Unsecured Loans	4	20,032,983	6,786,688
	TOTAL	**80,206,833**	**80,960,538**
II. APPLICATIONS OF FUNDS:			
FIXED ASSETS	5		
Gross Block		60,118,297	60,083,297
Less: Depreciation		45,228,516	41,535,321
Net Block		14,889,781	18,547,976
Capital Work-in-Progress		-	-
		14,889,781	18,547,976
INVESTMENTS	6	119,200	119,200
CURRENT ASSETS, LOANS AND ADVANCES:			
Sundry Debtors	7	-	163,689
Cash & Bank Balance	8	460,748	1,186,298
Loans, Advances & Deposits	9	1,703,038	1,246,798
		2,163,786	2,596,785
LESS: CURRENT LIABILITIES & PROVISIONS	10	3,602,312	3,456,963
Net Current Assets		(1,438,526)	(860,178)
PROFIT AND LOSS ACCOUNTS		66,636,379	63,153,541
	TOTAL	80,206,833	80,960,538

NOTES TO THE ACCOUNTS 16

FOR PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS

B. P. Mantri
Partner
M.No. 45701
Firm Reg. 113221W
MUMBAI, DATED: 31st May, 2010

Pradeep Malu
Director

Sanjeev Chhajed
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	SCHEDULE	31 Mar 20010 Rupees	31 Mar 2009 Rupees
INCOME			
Sales, Job Work & Service Charges	11	1,721,203	3,820,993
Other Income	12	10,842	13,619
	TOTAL	1,732,045	3,834,612
EXPENDITURES			
Cost of Sales	13	30,940	14,326
Employees' Cost	14	1,53,031	157,228
Administration, Selling & Other Expenses	15	1,337,602	6,595,037
Interest		-	204,453
Reversal of Sundry Balances W/back		-	2,428,976
Depreciation		3,693,195	3,687,432
Loss on Impairment of Assets		-	453,947
	TOTAL	5,214,768	13,541,399
Profit / (Loss) Before Tax		(3,482,723)	(9,706,787)
Interest for earlier years		-	-
		(3,482,723)	(9,706,787)
Provision for FBT		-	9,947
PROFIT / (LOSS) AFTER TAX		(3,482,723)	(9,716,734)
Extraordiniary Items:			
Credits Due to Restructured Liabilities / (Reversal)		-	(2,182,987)
Income Tax earlier years		(115)	-
Add: Balance Brought from Previous years		(63,153,541)	(51,253,820)
Balance Carried to Balance Sheet		(66,636,379)	(63,153,541)
EPS - BASIC		(0.58)	(1.62)
EPS - DILUTED		(0.58)	(1.62)

NOTES TO THE ACCOUNTS 16

FOR PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS

B. P. Mantri
Partner
M.No. 45701
Firm Reg. 113221W

Pradeep Malu
Director

Sanjeev Chhajed
Director

MUMBAI, DATED: 31st May, 2010

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

	31 Mar 2010	31 Mar 2009
	Rupees	Rupees
SCHEDULE : 1		
SHARE CAPITAL		
Authorised :		
10,000,000 Equity Shares of Rs.10/- each	100,000,000	100,000,000
Issued, Subscribed & Paid up :		
6,000,000 Equity Shares of Rs.10/- each fully paid up	60,000,000	60,000,000
Less : Stock Invest Money In Arrears	3,000	3,000
	59,997,000	59,997,000
SCHEDULE : 2		
RESERVES & SURPLUS :		
General Reserve	176,850	176,850
	176,850	176,850
SCHEDULE : 3		
SECURED LOANS :		
b) Term Loan from ARCIL (Union Bank of India) Refer Note B (4) Schedule 16)	-	14,000,000
	-	14,000,000

NOTES :

ii) Working Capital Term Loan and Working Capital facilities from Union Bank of India are secured by way of hypothecation of Stock and Book-Debts of the Manufacturing Division of the Company. It is further secured by Factory Buildings, Plant & Machineries, Equipments(except such equipments which are financed and are part of Gujarat State Finacial Corporation & Others security) as collateral securities and personal guarantee of the President & CEO and his relative. The said loan has been assigned to ARCIL by Union Bank of India as per deed of Assignment dated 26th Sept., 2008.

SCHEDULE : 4		
UNSECURED LOAN		
Others (Includes Rs. 79.66 (previous year Rs. 5.78) due to Companies under the same Management and Rs. 115.30 Lacs (Previous year Rs. Nil) due to Directors	20,032,983	6,786,688
	20,032,983	6,786,688

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

Schedule : 5

Sr. No.	Particulars	Amount As on 1-4-2009	Additions	Amount As on 31-3-2010	Depreciation Upto 31-3-2009	Depreciation Amount	Depreciation Upto 31-3-2010	Net Block Upto 31-3-2010	Net Block Upto 31-3-2009
1	Lease hold Land	1,703,742.00		1,703,742.00	262,467.00	17,212.00	279,679.00	1,424,063.00	1,441,275.00
2	Factory Building	14,480,216.00		14,480,216.00	6,013,838.00	483,640.00	6,497,478.00	7,982,738.00	8,466,378.00
3	Plant & Machinery	38,179,471.00		38,179,471.00	31,333,341.00	2,832,919.00	34,166,260.00	4,013,211.00	6,846,130.00
4	Electrical Installation	3,301,915.00		3,301,915.00	2,766,454.00	245,002.00	3,011,456.00	290,459.00	535,461.00
5	Office/Lab Equipments	2,373,185.00		2,373,185.00	1,157,432.00	106,870.00	1,264,302.00	1,108,883.00	1,215,753.00
6	Computer Systems	44,768.00	35,000.00	79,768.00	1,789.00	7,552.00	9,341.00	70,427.00	42,979.00
	TOTAL	60,083,297.00	35,000.00	60,118,296.62	41,535,321.00	3,693,195.00	45,228,516.00	14,889,781.00	18,547,976.00
	PREVIOUS YEAR	60,038,529.00	44,768.00	60,083,296.62	37,847,889.00	3,687,432.00	41,535,321.00	18,547,976.00	22,190,640.00

Note: Capital work in progress opening balance of Rs. 4,53,947/- has been considered as loss in view Accounting Standard 28 "Impairment of Assets" because there was no further progress in the same since long

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

	31 Mar 2010	31 Mar 2009
	Rupees	Rupees
SCHEDULE : 6		
INVESTMENTS :		
(Long Term, Other than trade)		
Unquoted, at cost :		
National Saving Certificate (Lodged with Department of Prohibition, Gujarat Gvt.)	50,000	50,000
National Saving Certificate (Lodged with Sales Tax Authority, Bombay)	5,000	5,000
1000 Equity Shares of Rs.10/-each fully paid up of The Saraswat Co-op Bank Ltd.	10,000	10,000
100 Equity Shares of Rs.10/- each fully paid up of The Malad Sahakari Bank Ltd.	1,000	1,000
560 Equity Shares of Rs.10/- each fully paid up of Bharuch Enviro Infrastrcuture Ltd.	5,600	5,600
13600 Equity Shares of Rs.10/- each of Panoli Enviro Technology Ltd.Rs. 3.50/- Paid Up	47,600	47,600
	119,200	119,200
CURRENT ASSETS, LOANS & ADVANCES :		
SCHEDULE : 7		
SUNDRY DEBTORS :		
(Unsecured, considered good except stated otherwise)		
Due for a period exceeding six month		
Good		
Doubtful	5,731,130	5,731,130
Less: Provision for Doubtfull debts	5,731,130	5,731,130
	-	-
Others	-	1,63,689
	-	163,689
SCHEDULE : 8		
CASH & BANK BALANCES :		
Cash in hand	373,113	1,115,914
Balance with Scheduled bank:		
In Current account.	27,485	10,234
In Margin against Bank Guarantee	60,150	60,150
In Escro Account with UBI	-	-
	460,748	1,186,298

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

	31 Mar 2010	31 Mar 2009
	Rupees	Rupees
SCHEDULE : 9		
LOANS, ADVANCES & DEPOSITS:		
(Unsecured, considered good)		
a) Advances recoverable in cash or		
in kind or for value to be received.	1,416,195	603,057
b) Deposits	286,843	411,843
Due from Directors	-	231,898
	1,703,038	1,246,798
SCHEDULE : 10		
CURRENT LIABILITIES & PROVISIONS:		
CURRENT LIABILITIES :		
Sundry Creditors:		
For Goods	1,145,462	1,152,679
For others	69,220	377,384
Deposits	1,524,313	800,000
Other liabilities	863,317	1,071,746
HDFC Bank Ltd. (A/c No.1185)	-	11,034
	3,602,312	3,412,843
PROVISIONS :		
Provision For FBT	-	44,120
	-	44,120
	3,602,312	3,456,963
SCHEDULE: 11		
SALES & SERVICE CHARGES :		
Sales	49,218	41,253
Service Charges	271,985	2,579,740
(T.D.S.Rs. 30,900/- Previous year 2,85,825/-)		
Job Charges Recd.	1,400,000	1,200,000
(T.D.S.Rs. 73,596/- Previous year Rs.22,660/-)		
	1,721,203	3,820,993
SCHEDULE: 12		
OTHER INCOME :		
Dividend Received	2,560	3,120
Sundry Balances Written Back	6,474	10,499
Interest Received on Income Tax Refund	1,211	-
Miscellaneous Income	597	-
	10,842	13,619

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

	31 Mar 2010	31 Mar 2009
	Rupees	Rupees
SCHEDULE : 13		
COST OF SALES :		
Purchase from Online	30,940	14,326
	30,940	14,326
SCHEDULE : 14		
EMPLOYEES COST :		
Salary to Directors	150,000	150,000
Staff Welfare Expenses - Non FBT	3,031	7,228
	153,031	157,228
SCHEDULE : 15		
ADMINISTRATION,SELLING & OTHER EXPENSES :		
Auditors Remuneration:		
Audit Fees	19,854	19,854
Advertisement Expenses	15,679	-
Conveyance expenses	85	2,173
Electricity charges	13,950	38,450
Insurance	18,270	28,778
Legal & Professional Charges	100,420	73,329
Listing Fees	64,081	15,000
Miscellaneous Expenses	48,929	206,349
Postage, Telegram & Courier	1,577	13,630
Printing & Stationery	13,919	9,961
Rates & Taxes	10,699	3,520
Rent	-	200,000
Repairs to :		
Plant & Machinery	895,732	-
Others	8,096	55,241
Share Transfer fess	37,895	53,991
Telephone Charges	31,698	81,931
Travelling Expenses	9,445	-
Vehicle Expenses	39,518	59,020
Shipping Cost	7,755	2,680
Provision for doubtful debts	-	5,731,130
	1,337,602	6,595,037

SCHEDULE : 16:

NOTES ON ACCOUNTS :

A. SIGNIFICANT ACCOUNTING POLICIES :

1. Method of Accounting :
   The Company adopts accrual concept in preparation of financial accounts.

2. **Fixed Assets :**
   a) Lease hold land is valued at cost less amount amortized. Cost includes finance costs incurred during the Pre-operative period.
   b) Other Fixed Assets are stated at the cost of acquisition less accumulated depreciation. Cost includes inward freight, duties, finance costs incurred during the Pre-operative period and otherexpenses incidental to acquisition and installation of assets.
   c) Capital work in progress is valued at cost incurred regarding pre-operative/ installation period.

3. **Depreciation and Amortization :**
   a) Depreciation on Fixed Assets other than capital work in progress is provided on straight line method at the rates specified in scheduleXIV to the Companies Act,1956on pro-rata basis with regard to the operational period of the plant.
   b) Leasehold land is amortized over the period of lease.

4. **Inflation :**
   Assets and liabilities are recorded on the basis of "Historical Cost". These cost are not adjusted to reflect the changing valued in the purchasing power of the money.

5. **Investments :**
   Long term investments are stated at cost less provision, if any, for permanent diminution in value. Current investments are carried at the lower of cost and fair value.

6. **Inventories :**
   a) Raw materials and work-in-progress are valued at cost.
   b) Finished Goods are valued at the lower of cost or market value.

7. **Retirement Benefit:**
   Gratuity : Liabilities in respect of gratuity to Employees are covered under the Group Gratuity Scheme of Life Insurance Corporation of India and premium thereof charged to revenue.

8. **Borrowing cost:**
   Borrowing costs incurred in relation to the acquisition, construction of assets are capitalized as the part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which these are incurred.

9. **Research & Development Expenditure :**
   a) Research & Development Expenses in the nature of capital expenditure have bee: given the same treatment as that of fixed assets ;

b) Research & Development Expenses in the nature of revenue expenses as treated as Deferred Revenue expenditure and have been amortized over a period of thirty six months on pro-rata basis.

10. **Deferred Revenue Expenditure :**

Deferred Revenue Expenditure have been amortized over a period of sixty months on pro-rata basis.

11. **Accounting for taxes on Income:**

Current tax is the amount of tax payable on taxable income for the year as determined in accordance with the provisions of the income tax act, 1961. Deferred tax is recognised on timing differences. 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.

12. **Other Accounting Policies :**

These a e consistent with the generally accepted accounting practices.

B. NOTES TO THE ACCOUNTS:

1. Previous years figures have been regrouped and/or re-arranged wherever necessary in conformity with current year's figures.

2. Contingent Liabilities not provided for :

i) Call money on 13,600 Partly paid up Equity Shares of Panoli Enviro Technology Ltd. Rs. 88,400/- (previous year 88,400/-)

ii) Claim against the company not acknowledged as debt Rs. 16,13,774/- (Previous Year Rs. 16,13,774/-) A suit has been filed by the party against the company.

3. The Accounts have been prepared on a going concern basis notwithstanding the extent of Companies accumulated losses, in view of the ongoing efforts being made by the company for revival of its operations.

4. The company has suffered heavy losses during the last few years and consequently,it turned into a Sick Company as per Sick & Industrial Company's Act. The major thrust has been on reviving the company and bringing it out from financial sickness by increasing operations, adding / acquiring other profitable businesses and by settling its dues towards Secured and other creditors. Working Capital Term Loan and working capital credit facilities from a Bank, later on assigned to Asset Reconstruction Company (India) Ltd. (ARCIL), were secured by way of various assets of the company and personal guarantee of the Promoter Director.

The company had needed, interalia, a complete restructuring of its debts for revival and as a part of the said restructuring of debt, it was expecting the waiver of Interest and Principal amount from ARCIL. As per the company's rehabilitation proposal, the ARCIL's liability was estimated for Rs. 140 lacs. During the current year the company has settled and fully repaid outstanding of ARCIL for Rs. 140 lacs which was as per the books of account and such settlement and payment has no impact on the liability and profit / (loss).

5. In view of insignificant level of operations during last few years, there is a need of recognizing 'impairment of assets' as per Accounting Standard 28 issued by The Institute of Chartered Accountants of India. The process of recognizing 'impair ment of assets' shall be undertaken upon the approval of rehabilitation scheme by the Hon'ble Board and the effect of the same shall be given in the books of accounts as per the Accounting Standard 28.
6. In the opinion of the Board of Directors of the Company:
   a) The current assets loans and advances are approximately of the value stated, if realized in the ordinary course of Business ;
   b) The provision for depreciation and for all known liabilities is adequate and not in excess of the amount reasonably necessary.
7. Outstanding balances of the debtors, creditors, loans and advances are subject to confirmation and reconciliation, if any.
8. The Company has not received any information from any of the suppliers of there being Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial units outstanding as on 31st March 2010 are not ascertainable.
9. The Company has unabsorbed depreciation and carry forward business losses available for set off under the Income Tax Act, 1961. In view of the uncertainty of future taxable income, the extent of net deferred tax assets, which may be adjusted in the subsequent years, is not ascertainable with virtual certainty at this stage and accordingly, in keeping with Accounting Standard 22 on 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India, the same has not been recognized in these accounts on prudent basis.
10. The Company is operating only in one segment i.e. Bulk Drugs and Intermediates and therefore no segment report is made as required by Accounting Standard – 17 issued by the Institute of Chartered Accountants of India.
11. Related Party Disclosures:
    Related party disclosures, as required by Accounting standard – 18 on 'Re lated Party Disclosure' issued by the Institute of Chartered Accountants of India are given below:
    1) Relationships
    (Related parties with whom transactions have taken place during the year)
    (a) Key management personnel and their relatives:
        1. Mr. Pradeep Malu - President & CEO
        2. Mr. Sanjeev Chhajed - Director
        3. Mr. Nilesh Bhandari - Director
    (b) Other parties where key Management Personnel and /or their relatives have significant influence
        1. Inovent Solutions Ltd. (formerly known as Principal E-Business Solu tions P.Ltd.)
        2. Radelf Pharmaceuticals Pvt.Ltd.
        3. Cardioid Plasteel Pvt.Ltd.
        4. Crest Latex Pvt.Ltd.
        5. Raj Tex Machineries Pvt. Ltd.

2) Details relating to person referred to in items 1 (a) above:

	Rs. In Lacs Current Year	Previous Year
Remuneration/Sitting Fees	1.50	1.50
Outstanding payables / (receivable)	115.30	(2.32)

3) The following transactions were carried out with the related parties referred to in item 1 (b) above in the ordinary courses of business :

	Rs. In Lacs Share holder		Other Related Party	
	Current Year	Previous Year	Current Year	Previous Year
Outstanding payable	Nil	Nil	79.66	5.78
Outstanding Balance (DR) at Balance Sheet Date	Nil	Nil	Nil	Nil

12. EARNING PER SHARE

a) The amount used as the numerator in calculating basic and diluted earning per share is the net profit for the year disclosed in the profit and loss account.

b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is

c)

PARTICULARS	2009-10	2008-09
Net Profit/(Loss) after Tax	Rs. (34,82,723)	Rs. (97,16,734)
No. of Equity Shares outstanding	60,00,000	60,00,000
Basic earning per share	Rs. (0.58)	Rs. (1.62)
Diluted earning per share	Rs. (0.58)	Rs. (1.62)

13. Additional information pursuant to the provisions of Paragraph 3 & 4 Part II of the Schedule VI to the Companies Act, 1956 (As certified by the Management):

a) Quantitative Information: Manufacturing facilities of the company are used on job work basic and there is no own production, hence no quantitative information is provided for purchases, productions and sales for the year.

b) & c) Capacity and Production :

Item	Unit	Licensed Capacity	Installed Capacity Qty. in MT	Production
Bulk Drugs & Intermediates	M.T.	N.A. (N.A.)	Not ascertainable (Not acertainable)	NIL (NIL)

	Current Year	Previous Year)
d) Expenditure in foreign currency	NIL	NIL
e) Earning in Foreign Currency	NIL	NIL

14. Additional information pursuant to Part IV of the Schedule VI to the Companies Act, 1956 : Balance Sheet abstract and company's general Business Profile :

I. Registration Details

State Code	11
Registration No.	11-40232
Balance Sheet Date	31-03-2010

II. Capital Raised during the year (Amt in thousand Rs)

Public Issue	Nil	Right issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of mobilization and deployment of funds (Amount in thousand Rs)

Sources of Fund	80,207	Application of Fund	80,207
Paid Up Capital	59,997	Fixed Assets	14,890
Reserve & Surplus	177	Investments	119
Secured Loans	-	Net Current Assets	(1,438)
Unsecured Loans	20,033	Miscellaneous Expenditure	—
		Profit & Loss Accounts	66,636

IV. Performance of Company (Amount Rs. in Thousand)

Turnover	1,732	Expenditure	5,215
Profit/Loss before Tax	(3,483)	Profit Loss after Tax	(3,483)
Earning per share Rs.	(0.58)	Dividend	NIL

V. Generic Names of three Principal products of the Company (as per monetary Terms)

PRODUCT DESCRIPTION	ITEMS CODE (I.T.C CODE)
BULK DRUGS & INTERMEDIATES	29.00

For **JHAWAR MANTRI & ASSOCIATES**
CHARTERED ACCOUNTANTS

B.P. MANTRI
Partner
Mumbai,
DATED : 31st May 2010
Firm Reg No. 113221W

FOR **PRINCIPAL PHARMACEUTICALS & CHEMICALS LIMITED**

PRADEEP MALU
Director

SANJEEV CHHAJED
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST, MARCH 2010

	31 MAR 2010	31 MAR 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	(34,82,723)	(97,06,787)
Adjustments for :		
1. Depreciation	36,93,195	36,87,432
2. Interest/Dividend/other Income	(10,842)	(13,619)
3. Amortisation	-	4,53,947
4. Interest paid	-	2,04,453
5. Interest for earlier years	-	-
Operating Profit/(Loss) before working capital changes	**1,99,629**	**(53,74,574)**
Adjustments for :		
1. Trade and other receivables	(2,92,551)	5,1,24,841
2. Inventories	-	-
3. Trade and other payables	1,45,349	1,85,158
Cash used/generated in/ from operating activities	**52,428**	**(64,574)**
Income Tax , FBT	**115**	**9,947**
Net cash used in /generated from operating activities	**52,313**	**(74,521)**
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets Inclusive of Capital WIP	(35,000)	(44,768)
Sale of Investment	-	-
Dividend/Rent/other Received	10,842	13,619
Net cash from Investing activities	**(24,158)**	**(31,149)**
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of Borrowing (Net of Restructured liabilities)	(7,53,705)	5,78,502
Interest paid	-	(204,453)
Net Cash used in Finance activities	(7,53,705)	3,74,049
Net Increase in Cash and Cash equivalents	**(7,25,550)**	**2,68,379**
Cash and cash equivalents as at (Opening Balance)	**11,86,298**	**9,17,919**
Cash and cash equivalents as at (Closing Balance)	**4,60,748**	**11,86,298**

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR JHAWAR MANTRI & ASSOCIATES
CHARTERED ACCOUNTANTS

B. P. Mantri
Partner
M.No. 45701
Firm Reg No. 113221W
MUMBAI, DATED : 31st May 2010

FOR PRINCIPAL PHARMACEUTICALS & CHEMICALS LTD.

Pradeep Malu
Director

Sanjeev Chhajed
Director