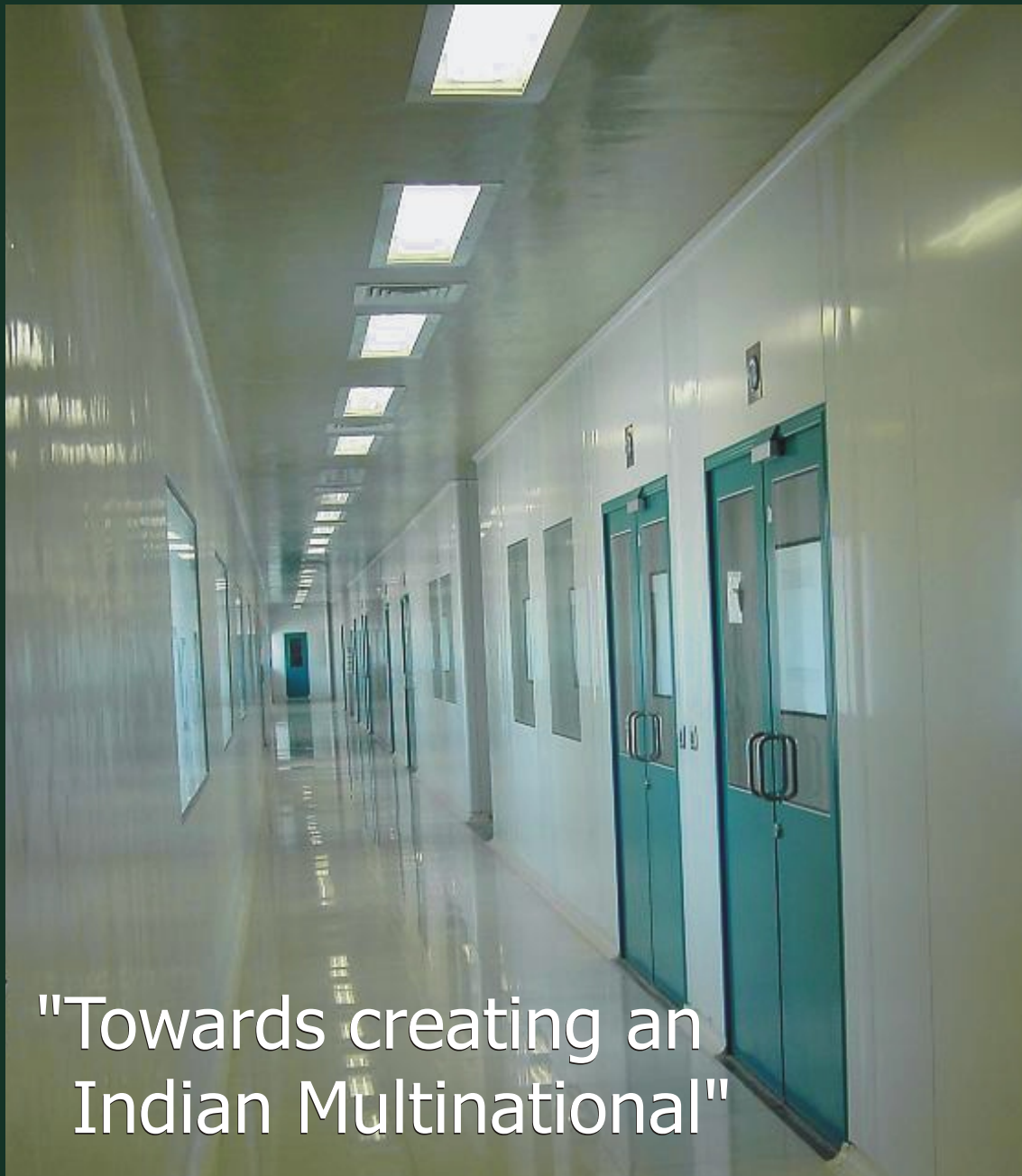


**20th
ANNUAL REPORT
2006-2007**



**"Towards creating an
Indian Multinational"**



Hester Pharmaceuticals Limited



Hester Pharmaceuticals Limited

The Managing Director's Letter To Shareholders



Dear Fellow Shareholders:

India today is the pivotal force for globalisation. The over-all growth of the economy has surpassed all expectations and is looking to forge ahead even more strongly. Our country is also emerging as a front runner in the field of biotechnology.

These developments have proved good for your company.

The year began with the Rights Shares offer in July 2006, which got a very good response from all of you. This offer was made to part-finance the capacity expansion project for increasing the capacity from 120 crore doses to 500 crore doses of poultry vaccines.

In the year, Net Revenues at Rs. 21.83 crores reflected a growth of 8.45% over the previous year. 100% utilisation of the production capacity restricted this growth. Nonetheless, the bottom-line was well maintained at 23.60% as against 22.08% in the previous year.

The capacity expansion was completed and went on-stream in March 2007.

The newly created facility is geared to manufacture not only poultry vaccines but also a few large animal vaccines.

The demand for poultry vaccines and specifically for Hester poultry vaccines is growing at a very good rate. With the new expanded capacity, your company is poised for a good growth in revenues in the current financial year.

Your company's focus is not just on the top-line. Maintaining the bottom line is as much a mandate.

In the current financial year, your company intends to get the manufacturing licence for 2 additional poultry vaccines, besides applying for 3 large animal vaccines. Exports are being given a thrust. African and Asian markets are being targeted. International marketing tie-ups are on the anvil, which will boost the export revenues.

Looking beyond this financial year, your company has a vision to become the first Asian company to have a global presence in the field of veterinary biologicals.

Your company has the organisational ability and the will to achieve its ambitions.

I take this opportunity to thank our bankers, vendors, business partners and stake holders for your un-ending support. Your company shall continue to live up to your expectations

Rajiv Gandhi

CEO & Managing Director



Hester Pharmaceuticals Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS :

Dr. Bhupendra V. Gandhi *Chairman*
Mr. Rajiv D. Gandhi *CEO & Managing Director*
Mr. Sanjiv D. Gandhi
Mr. Darayus Lakdawalla
Mr. Ravin Gandhi
Ms. Bela Gandhi
Mr. Vimal Ambani
Mr. Abhinav Shukla
Dr. Parimal Tripathi *Alternate Director of Mr. Ravin Gandhi & Ms. Bela Gandhi*

CHIEF FINANCIAL OFFICER :

Mr. Jigar Shah

REGISTERED OFFICE :

Village : Merda Adraj,
Taluka : Kadi,
District : Mehsana, Gujarat - 382 721.

CORPORATE OFFICE :

16/10, Devendra Society,
Naranpura,
Ahmedabad - 380 013.
E-mail : info@hesterpharma.co.in
Website : www.hesterpharma.co.in

MANUFACTURING UNIT :

Village : Merda Adraj,
Taluka : Kadi,
District : Mehsana, Gujarat - 382 721.

BANKERS :

Bank of India
Navrangpura Branch,
Ahmedabad - 380 009.

AUDIT COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*
Mr. Vimal Ambani *Member*
Mr. Sanjiv Gandhi *Member*

SHAREHOLDERS' GRIEVANCE COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*
Mr. Sanjiv Gandhi *Member*

REMUNERATION COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*
Mr. Vimal Ambani *Member*
Dr. Parimal Tripathi *Member*

AUDITORS :

M/s. Shah Narielwala & Co.
Chartered Accountants
608, 'Shitiratna', Panchvati, Ellisbridge,
Ahmedabad - 380 006.

REGISTRAR & TRANSFER AGENTS :

M/s. Pinnacle Shares Registry Pvt. Ltd.
Near Ashoka Mills, Naroda Road,
Ahmedabad 380 025.

CONTENTS	PAGE NO.
Directors' Report	2-5
Management Discussion and Analysis	5
Corporate Governance Report	6-13
Auditors' Report	14-15
Balance Sheet	16
Profit & Loss A/c	17
Schedules	18-26
Balance Sheet Abstract	27
Cash-flow Statement	28
Notice	29-30



Hester Pharmaceuticals Limited

DIRECTORS' REPORT

Dear Shareholder:

Your Directors are pleased to present the 20th Annual Report together with the Audited Accounts of the Company for the year ended 31.3.2007.

FINANCIAL RESULTS :

(Rs. In Lacs)

Particulars	Current year	Previous Year
Profit before Depreciation & Tax	837.69	870.52
Less : Depreciation	44.09	35.38
Profit after Depreciation & Tax	793.60	835.14
Less : Extraordinary Item	0.00	148.73
Profit Before Tax	793.60	686.41
Less : Provision for Tax		
Deferred Tax	80.68	(2.26)
Current Tax	191.80	235.25
Fringe Benefit Tax	6.00	8.97
Net Profit After Tax	515.12	444.45
Balance of Profit & Loss Account	50.32	40.86
Profit available for appropriation	565.44	485.31
Dividend on equity shares	103.82	55.62
Dividend Tax	17.64	8.84
General Reserve	309.47	370.53
Balance carried to Balance sheet	134.51	50.32
Earnings per share in Rs. (Basic/Diluted)	11.14	12.41

FINANCIAL HIGHLIGHTS :

Sales

Your company continued to post a good performance during the year. Its turnover increased by 8.45%. From Rs. 20.14 crores in 2005-2006, it went to Rs.21.83 crores in 2006-2007 in spite of already reaching 100% capacity utilisation at the beginning of the financial year.

Profitability

Your company's PBT for the year ended 31.3.2007 is recorded at Rs. 7.94 crores. Net Profit for the year is recorded at Rs.5.15 crores, which is 16.17% higher than that of the previous financial year.

Earning per share

EPS is at Rs. 11.14 as on 31.3.2007 on the effective enhanced equity.

Dividend

Your Directors have recommended a dividend payment of Rs. 2.00 per equity share of Rs. 10 each for the financial year 2006-07 as against Rs. 1.50 per equity share for the previous year. This dividend is subject to approval by the shareholders at the ensuing AGM.

REVIEW OF OPERATIONS :

Rights Issue

The company has successfully completed its rights issue and allotted 14,83,200 shares on 19.8.2006, at a price of Rs. 70 per share. (Rs. 10 face value + Rs. 60 premium) The enhanced equity capital now stands at Rs. 5.19 crores as against earlier Rs. 3.71 crores.

Capacity utilisation

The company had reached 100% capacity utilisation at the beginning of the financial year which remained so till March 2007. Against the installed capacity of 1200 million doses, your company produced 1260.28 million doses of poultry vaccines.





Hester Pharmaceuticals Limited

Completion of the capacity expansion project

The company completed its expansion project and the new expanded capacity went on-stream in March 2007. The original schedule for the completion of the project was in the month of October 2006. This delay is attributed to late design changes made in the plant to suit international standards for veterinary vaccines manufacturing. The new expanded capacity is now 500 crore doses as against the earlier capacity of 120 crore doses. The results of this capacity enhancement will be seen in this financial year.

GMP and ISO certification

We continue to be a GMP and an ISO 9001-2000 certified company.

Future Prospects

1. Biotechnology is an emerging field in India as well as world over. The state of Gujarat has unveiled a biotechnology policy to further strengthen biotechnology in Gujarat. Your company is catagorised as a 100% biotech company.
2. India is the fifth largest producer of poultry meat and eggs in the world. The Indian Poultry Industry is growing at the rate of over 10% per annum.
3. With the new expanded capacity being world class, exports of poultry vaccines will be given a thrust.
4. Your company is looking at various International tie-ups to manufacture poultry as well as large animal vaccines.

Energy Conservation

(Information under section 217(1)(e) of the Companies Act, 1956.)

The company has a continuous focus on energy conservation. Regular studies are conducted to analyse quantitative energy conservation patterns and variances are rigorously scrutinised. The company regularly benchmarks its energy conservation levels and consistently works towards improving efficiencies, towards getting the cost of energy down for every unit produced.

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION :

Particulars		31-03-2007	31-03-2006
(A) Power and Fuel Consumption:			
Electricity:			
(a) Purchased			
Units	Kwh	10,35,075.00	10,32,885.00
Total Amount	Rs.	51,77,022.00	47,23,273.00
Rate/ Unit	Rs.	5.00	4.57
(b) Own Generation through Diesel Genset			
Units	Kwh	10,801.00	23,221.00
Unit per liter of Diesel Oil	Kwh	2.22	3.30
Cost/Unit	Rs.	17.04	10.62
(B) Consumption per Unit of Production :			
Electricity consumed per vial (in units)		1.10	0.89

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Your company is now setting up a dedicated R&D centre which will be registered with the Government of India. The R&D centre will be dedicated for the development of newer vaccines for export substitute, as well as for a pilot plant to enable transforming laboratory scales to commercial production scales. We continue to work towards increasing our production yields and reducing production cycles to achieve higher efficiencies.

FOREIGN EXCHANGE EARNINGS & OUTFLOW :

Foreign exchange earnings during the year were Rs. 20.16 lacs (Previous Rs. 32.48 lacs) towards sale of goods. Total outflow of foreign exchange during year was Rs. 339.37 lacs, towards purchase of materials, Trading goods, Traveling expenses, Capital item, as compared to Rs.181.56 lacs during the previous year.

DIRECTORS :

In accordance with the provisions of the Articles of Association and of the Companies Act 1956, Mr. Ravin Gandhi, Director of the Company and Dr. Bhupendra V. Gandhi, Chairman of the Company, retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PUBLIC DEPOSITS :

The company has not invited or accepted any deposits under Section 58A of the Companies Act, 1956, from the public, during the year.





Hester Pharmaceuticals Limited

FINANCE :

The working capital requirement was funded through enhanced bank limits. The capital expenditures were funded through the Rights Issue, term loan from bankers and internal accruals.

INCREASE IN SHARE CAPITAL AND UTILISATION OF ISSUE PROCEEDS :

During the year, the company's Paid-up Share Capital has been increased from Rs. 370.80 Lacs to Rs. 519.12 Lacs, consisting of 51,91,200 Equity Shares of Rs. 10/- each. This enhancement was due to allotment of further shares through Rights Issue (14,83,200 Equity Shares of Rs. 10/- each for cash at a premium of Rs.60/- per share aggregating Rs. 1,038.24 Lacs, in the ratio of two equity shares for every five equity shares held at closure on 5 June 2006). This Rights Issue was opened on 27 June 2006 and closed on 26 July 2006. The allotment was finalized by the Right Issue Management Committee meeting held on 19 August 2006. Listing of the said shares took place as on 25 August 2006.

The Company has fully utilized the money raised as on 31.03.2007 towards its purpose as per the Letter of Offer dated 14.06.2006.

CORPORATE GOVERNANCE :

The Company has adopted Corporate Governance practices and has complied with all the mandatory requirements as specified under clause 49 of the Listing Agreement by SEBI. As required under the listing agreement, a separate Report on Corporate Governance forms part of this Annual Report. The certificate from statutory Auditors of the Company regarding compliance of conditions of Corporate Governance is part of this report and is annexed.

The Board of Directors supports the basic principles of corporate governance. In addition to this, the board lays strong emphasis on transparency, accountability and integrity.

FORMATION OF VARIOUS COMMITTEES :

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed and forms part of this report.

DEPOSITORIES :

The company's shares are being compulsorily traded in dematerialised form. The connectivity with NSDL and CDSL has been obtained. Shareholders of the Company, who are still holding the shares in physical form, are requested to dematerialise their shares, immediately.

PARTICULARS OF EMPLOYEES :

In accordance with the provisions of Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees of the Company are furnished in Annexure forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies Act, 1956 I would like to state the following:

In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

The Directors have selected such accounting policies and applied them consistently and made judgments and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, at the end of the financial year ended on 31st March, 2007.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. The Directors have prepared the attached statements of accounts for the year ended 31st March, 2007 on a going concern basis.

AUDITORS & AUDITORS REPORT :

M/s. Shah Narielwala & Co.; Chartered Accountants, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Notes forming part of the accounts are self explanatory and therefore, do not require any further comments.

ACKNOWLEDGEMENT :

The Directors express their appreciation to Bank of India, Employees at all levels and customers for their sustained support. The directors also appreciate the support extended by Bankers of the Company.

Last but not the least, the directors convey their gratitude to the esteemed shareholders whose dauntless support has been the main source of inspiration.

By order of the Board

27th June 2007
Ahmedabad

Rajiv Gandhi
CEO & Managing Director





Hester Pharmaceuticals Limited

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors Report for the year ended on 31st March, 2007

(A) Employed throughout the year and was in receipt of remuneration which in the aggregate was not less than Rs. 24,00,000/- p.a.

Sr. No.	Name & Share Holding %	Age in Years	Qualification	Date of Commencement of Employment	Designation/ Nature of Duties	Experience In years	Gross Remuneration Rs. in Lacs	Last Employment held with Designation
1	Mr. Rajiv Gandhi 9.66 %	45	B. Com Diploma in Marketing & Poultry Management	29.04.1987	CEO & Managing Director	23	24.00	—

(B) Employed for a part of the year and was in receipt of remuneration which in the aggregate was not less than Rs. 2,00,000/- p.m.

Not Applicable

Notes:

1. Gross Remuneration includes Salary, House Rent Allowance, House Rent Allowance, Extra Allowance Commission, Incentive, and Superannuation fund but excludes Gratuity.
2. The employment of person referred above is on contractual Basis

MANAGEMENT DISCUSSIONS AND ANALYSIS

Outlook for the Industry :

The poultry industry has now stabilised, which was earlier under stress due to the Bird Flu outbreak in February 2006. The industry growth rate is back in double digits, this time with a higher focus on hygiene and disease preventive measures. The use of poultry vaccines has gained lot of importance as a tool to prevent diseases. The broiler segment continues to get further integrated while the layer segment remains to be fragmented. The government policy towards poultry vaccines continues to be the same as what it was at the beginning of the financial year. Imports though permissible, are unable to make any dent in the Indian market.

Outlook for the Company :

Business is now forecasted to grow with the expanded capacity well on-stream. Economies of scale as well as modern automated technology would result into increasing efficiencies in terms of yields as well as in terms of larger batch sizes. Exports would generate sizable revenues. The focus of your company remains to be on animal biologicals and any growth or expansion envisioned would be in that direction.

Internal Control Systems :

The company has budgetary control systems and performance review programs. The organisation structure is very compact, thereby enabling the company to have the highest sale: employee ratio amongst other poultry vaccine manufacturers in India.

Financial performance Vs Operational performance :

The financial performance of the company for the year 2006-07 is described in the Director's report.

Human Resources :

The company continues to give special attention to human resources development. The total strength of the company is 182 motivated employees. Personnel turnover has been very minimal. Training programs for all employees are regularly embarked upon. Industrial relations continued to remain cordial at all levels.





Hester Pharmaceuticals Limited

REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has stipulated Corporate Governance Standards for Listed Companies vide Clause 49 in the listing agreement with the Stock Exchanges. It has revised the Clause 49 vide circulars dated 29th October, 2004 and 29th March, 2005.

Corporate Governance is Corporate discipline extended transparency, integrity and accountability towards all stakeholders. Corporate Governance helps to achieve excellence to enhance stakeholders value by focusing on long-term value creation without compromising on integrity, social obligations and regulatory compliances.

Company's Philosophy on Corporate Governance

At Hester Pharmaceuticals Limited, our continued endeavor is to achieve good governance, by way of a conscious and conscientious efforts whereby ensuring the truth, transparency, accountability and responsibility in all our employees, shareholders, consumers and community at large.

The Board of Directors represents the interest of the Company's stakeholders, for optimizing long-term value by way of providing necessary guidance and strategic vision to the Company. The board also ensures that the Company's management and employees operate with the highest degree of ethical standards.

We, at Hester Pharmaceuticals Limited, believe that the constant efforts to improve operational performance, guided by our values, from the basis for good Corporate Governance is strongly driven by our values such as quality, commitment, customer orientation and integrity.

Board of Directors :

The Company's board comprises of 9 Directors (including alternate Director) with a mix of executive/non-executive and promoter/independent directors. The composition of Board complies with the requirements of the Corporate Governance code with more than 50% of the directors being non-executive directors and at least 1/3 of the directors being independent directors.

Board meetings were held during the financial year 2006-2007. The dates on which Board Meetings held were 28th April, 2006, 14th June, 2006, 31st July, 2006, 31st October, 2006, 30th January, 2007 and 23rd March, 2007 and the 19th Annual General Meeting was held on 14th July, 2006.

The table below provides the composition of the Board, their attendance at Board meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director, Designation & Age	Category & Nature of Employment	Date of Appointment	No. of other Directorship held in public companies in India	No. of other Board committees of which Member(M)/Chairman (C)	Board meeting attended	Attendance at the last AGM	No. of Shares held & % holding (of the Company)
Mr. Bhupendra V Gandhi Chairman 65 Years	Non Executive Non Independent Director	03/12/1992	0	0	0	Yes	3,02,680 5.83%
Mr. Rajiv Gandhi CEO & Managing Director 45 Years	Executive Non Independent Director-Contractual employment	29/04/1987	2	0	6	Yes	5,01,306 9.66%
Mr. Sanjiv Gandhi Director 42 Years	Non Executive Non Independent Director	29/04/1987	2	0	1	Yes	3,91,480 7.54%
Mr. Darayus Lakdawalla Director, 46 Years	Non Executive Independent Director	01/03/1990	1	0	3	Yes	15,720 0.30%
Mr. Ravin Gandhi Director 34 Years	Non Executive Non Independent Director	22/04/1999	0	0	—	No	2,68,880 5.18%
Ms. Bela Gandhi Director 36 Years	Non Executive Non Independent Director	22/04/1999	0	0	—	No	2,67,090 5.15%
Mr. Vimal Ambani Director, 46 Years	Non Executive Independent Director	01/02/2003	2	0	5	Yes	58,900 1.13%
Mr. Abhinav Shukla Director, 62 years	Non Executive Independent Director	01/02/2003	0	0	6	No	—
Dr. Parimal Tripathi Alternate Director to Mr. Ravin Gandhi & Ms. Bela Gandhi, 48 Years	Non Executive Non Independent Director	27/06/2003	0	0	5	No	—





Hester Pharmaceuticals Limited

Notes

1. This number excludes the directorships/committee memberships held in private companies and also of the Company.
2. As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of board committees (audit /remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship, except Dr. Bhupendra V. Gandhi, Mr. Sanjiv Gandhi, Mr. Ravin Gandhi and Ms. Bela Gandhi who are relative of CEO & Managing Director of the Company. Non-executive Directors have no transaction with the company, except receiving sitting fees for attending Board Meetings. The details of sitting fees, commission and remuneration paid to each Director appear later under the disclosure relating to Remuneration to Directors.

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING :

Name of Director	Mr. Ravin Gandhi	Dr Bhupendra V. Gandhi
Date of Birth	06.07.1973	16.10.1942
Date of appointment	22.04.1999	03.12.1992
Qualifications	MBA	Doctor in Nephrology, MBBS
Expertise in specific functional areas	General Management	Diplomate American Board of Internal Medicine Diplomate Subspeciality of Nephrology (USA)
List of Public Ltd. Co. in which Directorship held	Nil	Nil
Chairman/ Member of the Committees of the Board of Directors of the Co.	Nil	Nil
Chairman/ Member of the committees of Directors of other Co.	Nil	Nil

REMUNERATION TO DIRECTORS :

Name of Director	Designation	Remuneration (including perquisites) Paid Rs.	Sitting Fees paid Rs.	Commission paid Rs.	Total Remuneration Rs.
Dr. Bhupendra V. Gandhi	Chairman	Nil	Nil	Nil	Nil
Mr. Rajiv Gandhi	CEO & Managing Director	24,00,000/-	Nil	Nil	24,00,000/-
Mr. Sanjiv Gandhi	Director	Nil	Nil	Nil	Nil
Mr. Darayus Lakdawalla	Director	Nil	500/-	Nil	500/-
Mr. Ravin Gandhi	Director	Nil	Nil	Nil	Nil
Ms. Bela Gandhi	Director	Nil	Nil	Nil	Nil
Mr. Vimal Ambani	Director	Nil	8500/-	Nil	8500/-
Mr. Abhinav Shukla	Director	Nil	10,500/-	Nil	10,500/-
Dr Parimal Tripathi	Alternate Director	Nil	8500/-	Nil	8500/-
Total		24,00,000/-	28,000/-	Nil	24,28,000/-

AUDIT COMMITTEE :

The Audit Committee comprises of 3 members, Mr. Darayus Lakdawalla, as the Chairman of the Committee & Mr. Vimal Ambani and Mr. Sanjiv Gandhi as Members. All members are Non-Executive Directors, out of which 2 are Independent Directors.

The above composition meets all the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. Mr. Jigar Shah, CFO acts as the Secretary of the Audit Committee.

The board terms of reference of the Committee is to review and recommend the financial statements, adequacy of internal control systems and internal audit function.





Hester Pharmaceuticals Limited

The detailed terms of reference of the Committee as approved by the Board are given below.

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable law.

During the year under review, 4 meeting were held on 28th April, 2006, 31st July, 2006, 31st October, 2006 and 30th January, 2007. The chairman of Audit Committee had attended last Annual General Meeting of the company held on 14th July, 2006. The Audit Committee at its Meeting held on 28th April, 2006, reviewed the Annual Accounts for the year 2005-06 and recommended the accounts for approvals by the Board of Directors. The Audit Committee at its meeting held on 31st July, 2006, 31st October, 2006 and 31st January, 2007, reviewed the unaudited financial results for the quarter ended on June 30, 2006, September 30, 2006 and December 31, 2006.

Details of attendance of members of the Audit Committee is as under:

Name	Designation	Attendance
Mr. Darayus Lakdawalla	Chairman	4
Mr. Vimal Ambani	Member	3
Mr. Sanjiv Gandhi	Member	2

Mr. Jigar Shah, CFO is a regular invitee and also acting as Secretary to the Audit Committee. Statutory Auditors are invited as and when required.

The Audit Committee has reviewed the Management Discussion and Analysis of financial condition and results of operations forming part of this Annual Report and other information as mentioned in Clause 49 (II)(E) of the Listing Agreement.





Hester Pharmaceuticals Limited

SHAREHOLDERS' GRIEVANCE COMMITTEE :

The Shareholders Grievance Committee as a sub-committee of the Board has been constituted mainly to focus on the redressal of Shareholders/ Investors Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. The committee comprises of Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr. Sanjiv Gandhi as Member. During the year, 4 meetings were held on 28th April, 2006, 24th July, 2006, 24th October, 2006 & 23rd January, 2007. Both of them have attended all the meetings. The Company had received 11 complaints from the Shareholders, all of them have been resolved and no complaint was pending as on 31st March, 2007.

Ms. Parul Khamar (Hirani), Company Secretary provides secretarial support to the Committee and is also the designated Compliance Officer for such matters. She has been resigned as Company Secretary with effect from 31st January, 2007.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchanges and hence the handling of physical transfer of shares is minimal. The Board has delegated powers for approving transfer and transmission of shares and issue of duplicate shares to Share Transfer Committee. The Share Transfer Committee met 22 times during the year. The Company has no transfers pending at the close of the financial year.

The following table summarises the status of investor complaints received during the period. These were attended within a reasonable period of time

Sr. No.	Nature of Complaints / Requests	Received	Resolved	Pending as on 31-03-2007
1.	Non-receipt of Dividend warrant	3	3	—
2.	Non-receipt of Annual Reports	2	2	—
3.	Non-receipt of shares after transfer / Right Shares	4	4	—
4.	Letters received from SEBI / ROC / Stock Exchanges	2	2	—
5.	Others	-	-	—
Total		11	11	—

REMUNERATION COMMITTEE :

The Remuneration Committee as a sub-committee of the Board has been constituted mainly to determine and recommend to Board, the company's policies on remuneration packages for executive and non- executive directors. The committee comprises of Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr. Vimal Ambani and Dr. Parimal Tripathi as Members.

No meeting was held during the year under review, as there was no change in remuneration of any Managerial persons.

The Company pays remuneration to its Managing Director by way of Salary, perquisites and allowances, as approved by the members in general meeting. The details of remuneration paid to directors are provided elsewhere in this report under the head Remuneration to Directors.

GENERAL BODY MEETINGS :

Details of the last three Annual General Meetings are as under :

AGM	Date	Time	Venue	No. of special Resolutions passed
17th AGM	26th August 2004	11.00 a.m	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	1 (One)
18th AGM	15th June 2005	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	1 (One)
19th AGM	14th July, 2006	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	1 (One)

The special resolutions indicated above were passed by show of hands.

POSTAL BALLOT

The Company has not passed any resolution through postal ballot during the year under reference. None of the resolutions proposed for the ensuing Annual General meeting need to be passed through Postal Ballot.

Subsidiary Company

The Company does not have any subsidiary Company.

Code of Conduct

The Board of Directors has adopted the Code of Business Conduct and Ethics for the Directors and Senior Management. The said Code has been communicated to the Directors and the Members of the senior Management.





Hester Pharmaceuticals Limited

OTHER COMPLIANCES :

The Company has no materially significant related party transactions with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflicts with the interests of the Company at large. For details about related parties transactions, see Note No. 12 of Note on Accounts.

There were no instances of non-compliance or Penalties, imposed on the Company by the Stock Exchange/(s) or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years.

In preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied have been set out in the Notes to the Accounts.

Business risk evaluation and management is an ongoing process within the Organisation. During the period under review, a detailed exercise on the Business Risk Management was carried out covering all aspects of business operations.

The Company has already appointed Mr. Rajiv Gandhi, as CEO & Managing Director and Mr. Jigar Shah, as CFO of the Company. Certification from the both was placed as a part of good Corporate Governance practice in the Annual Accounts of FY 2006-07.

MEANS OF COMMUNICATION :

During the year, quarterly, half-yearly and annual financial results of the Company were submitted to the stock exchanges immediately after the conclusion of the Board meetings and were also published in three newspapers, Business Standard (English), The Hindu-Business Line (English) Financial Express (English), Financial Express (Gujarati), The News Line and Chankya.

The Company also informs by way of intimation to the stock exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.

SHAREHOLDERS' INFORMATION:

Registered office	:	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721
Corporate Office	:	16/10, Devendra Society, Naranpura, Ahmedabad 380 013. Phone : 079 - 27680476, Fax : 079 - 27682250 E-mail : info@hesterpharma.co.in , Website : http://www.hesterpharma.co.in
Branches	:	Hester Pharmaceuticals limited Old No.7 New No.17/1 1St Floor Osborne Road I Cross Bangalore 560 042 SCO 847 Cabin No.10 NAC Shivalik Enclave Manimajra Chandigarh 160 101

Date, Time, Venue of Annual General Meeting

The **20th Annual General Meeting** of the members of the company is scheduled to be held on **Tuesday, the 11th September, 2007 at 11.00 a. m.** at its Registered Office of the company at Village : Merda Adraj, Taluka: Kadi, District : Mehsana, Gujarat 382 721. All the members are invited to attend the meeting.

The Members / Proxies who intend to attend the meeting are requested to bring the Attendance slip sent herewith duly filed in to the meeting.

Financial calendar

Financial year 2006-07 (April 1, 2006 to March 31, 2007)

Results were announced on	- 31st July 2006	- first quarter
	- 31st October 2006	- half year
	- 30th January 2007	- third quarter
	- 27th June 2007	- fourth quarter and annual (audited)

Financial year 2007-08 (April 1, 2007 to March 31, 2008)

Results will be announced on	- Last week of July 2007	- first quarter
	- Last week of October 2007	- half year
	- Last week of January 2008	- third quarter
	- Third week of June 2008	- fourth quarter and annual (audited)

Book closure : Saturday 8th September, 2007 to Tuesday, 11th September, 2007 (both days inclusive)

Annual General Meeting : Tuesday 11th September, 2007 at 11.00 a.m.





Hester Pharmaceuticals Limited

Details of Shares Types of shares	: Equity Shares
No. of paid up shares	: 51,91,200
Market lot of shares	: 1 share
Stock code	: Name of Stock Exchange Code no.
	Mumbai Stock Exchange 524669

LISTING :

The Company's shares are listed and traded on the Stock Exchanges at Mumbai. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2007-2008.

RIGHTS ISSUE :

During the year, Company's Paid- Share Capital has been increased from Rs. 370.80 Lacs to Rs. 519.12 Lacs consisting of 51,91,200 Equity Shares of Rs. 10/- each. This enhancement was due to allotment of further shares through Rights Issue (14,83,200 Equity Shares of Rs. 10/- each for cash at a premium of Rs.60/- per share aggregating Rs. 1038.24 Lacs , in the ratio of two equity shares for every five equity shares held as at closure on 5th June,2006). This Rights Issue was opened on 27th June,2006 and Closed on 26th July,2006. The allotment was finalized in the Right Issue Management Committee held on 19th August,2006. Listing of the said shares took place as on 25th August,2006.

The Company has fully utilized all the money raised, as on 31.03.2007, towards its purpose as per Letter of Offer dated 14.06.2006.

STOCK DATA :

Monthly share price data on BSE for the financial year 2006-07 is as under.

Month	High Rs.	Low Rs.	Average Rs.	Volumes
April '06	121.85	96.10	108.98	137241
May '06	117.00	78.50	97.75	172935
June '06	90.90	54.10	72.50	136148
July '06	88.90	69.40	79.15	83657
August '06	81.95	70.00	75.98	49810
September '06	88.55	71.90	80.23	132539
October '06	111.00	75.20	93.10	591382
November '06	95.00	76.80	85.90	104791
December '06	90.50	75.00	82.75	72076
January '07	86.00	68.00	77.00	133215
February '07	78.50	65.40	71.95	112150
March '07	80.75	60.00	70.38	116262

SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM:

The Company's shares are compulsorily traded in dematerialized mode. **As on 31st March 2007, 77.82% shares were held in dematerialized form and balance 22.18% shares were held in physical form.** Those shareholders whose shares are held in physical form are requested to dematerialized the same at the earliest in their own interest. The demat security code (ISIN) for the equity shares is **INE782E01017**

DISTRIBUTION OF SHAREHOLDING (AS ON MARCH 31, 2007) :

a. On the basis of Shares held

No. of Equity Shares held (Range)	No. of share-holders	Percentage to total share-holders	No. of Shares held	Percentage to total shares held
Up to 500	4287	88.83	579310	11.16
501 - 1000	228	4.72	183920	3.54
1001 - 2000	118	2.45	178115	3.43
2001 - 3000	44	0.91	116623	2.25
3001 - 4000	36	0.75	131351	2.53
4001 - 5000	13	0.27	62000	1.19
5001 - 10000	49	1.02	352502	6.79
Above 10000	51	1.06	3587379	69.11
TOTAL	4826	100.00	5191200	100.00





Hester Pharmaceuticals Limited

b. On the basis of Category

Description	No. of members		No. of shares	
	Nos.	%	Nos.	%
a. Promoters Holding				
Directors & Relatives	27	0.56	2020476	38.92
Promoters' Companies	3	0.06	201300	3.88
b. Non Promoters Holding				
Resident Individual (incl. HUF)	4628	95.90	2017750	38.87
Non Resident Individual	42	0.87	751916	14.49
Mutual Fund, Nationalized Bank etc.	3	0.06	9000	0.17
Domestic Companies	123	2.55	190713	3.67
Total:	4826	100.00	5191200	100.00

DETAILS OF DIVIDEND

The Board of Directors has recommended Dividend @ Rs. 2.00 per share for financial year 2006-2007, as compared to @ Rs.1.50 per share for last year. The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:

- to those members whose names are on the Register of Members on **11th September, 2007** or to their mandates.
- in respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on **7th September, 2007**

DETAILS OF UNPAID DIVIDEND

As the Company has not paid any dividend, prior to the last two year's dividend and so there is no unpaid dividend amount. All members, who have not claimed any dividend amount in last two years, are requested to revalidate their dividend warrants.

OUTSTANDING GDRS/ADRS/WARRANTS/ANY OTHER CONVERTIBLE INSTRUMENTS

The Company does not have any outstanding instruments of the captioned type.

NOMINATION FACILITY

It is in the interest of the shareholders to appoint nominee for their investments in the Company. Those members who are holding shares in physical mode and has not appointed nominee or want to change the nomination, are requested to send us nomination form duly filed in and signed by all the joint holders.

APPOINTMENT OF REGISTRAR & TRANSFER AGENT

In terms of SEBI circular D&CC/FITTC/CIR-15/2002 dated December 27, 2002, the company has appointed M/s. Pinnacle Shares Registry Pvt. Ltd. of Ahmedabad (details as mentioned below) as our Share Transfer Agent (R&T Agent) effective from April 1, 2003 for physical as well as dematerialized shares.

CHANGE IN SHAREHOLDERS DETAILS

In case you are holding your shares in dematerialised form (e.g. in electronic mode), communication regarding change in address, bank account details, change in nomination, dematerialisation of your share certificates or other inquiries should be addressed to your DP where you have opened your Demat Account, quoting your client ID number. In case of physical holding of shares, any communication for change of any details should be addressed to our R&T agent of the company M/s. Pinnacle Shares Registry Pvt. Ltd., as per address mentioned below.

INVESTORS COMMUNICATION

Share Transfers / Dematerialisation or other queries relating to Shares of the Company should be addressed to :

M/s. Pinnacle Shares Registry Pvt. Ltd.

Unit : Hester Pharmaceuticals Limited

Near Asoka Mills, Naroda Road, Ahmedabad 380 025

Ph. 079 - 22204226 /22200591 Fax : 079 - 2220 2963 e-mail : gautam.shah@psrpl.com

DECLARATION UNDER CODE OF CONDUCT

As required under Clause 49(I)(D) of the Listing Agreement, it is hereby affirmed that all the Board Members and Senior Management Personnel have complied with Code of Conduct of the Company. The Company has obtained confirmation for the compliance of Code of Conduct from the Board Members and Senior Management Personnel on an annual basis.

Date : 27th June,2007

Place : Ahmedabad

Rajiv Gandhi
CEO & Managing Director





Hester Pharmaceuticals Limited

CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) OF THE COMPANY

We, Mr. Rajiv Gandhi, Chief Executive Officer and Mr. Jigar Shah, Chief Financial Officer of Hester Pharmaceuticals Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and Loss account, its schedule and notes to the accounts and cash flow statements for the year ended 31st March, 2007 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statement together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards , applicable laws and regulations.
2. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company during the year which are fraudulent , illegal or violate the company's code of conduct.
3. We accept the responsibilities for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee
 - a. significant change in internal control over financial reporting during the year.
 - b. significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
 - c. instances of significant fraud of which we have become aware and involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Ahmedabad
27th June, 2007

Rajiv Gandhi
Chief Executive officer

Jigar Shah
Chief Financial Officer

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Registration No. 04-22333

Nominal Capital: Rs.6,50,00,000/

To,
The Members of
HESTER PHARMACEUTICALS LIMITED

In accordance with Clause 49 of the Listing Agreement entered into by **Hester Pharmaceuticals Limited** with the Stock Exchange, I have examined all the relevant records of the Company relating to its compliance of conditions of Corporate Governance as stipulated in revised Clause 49, for the financial year ended on March 31, 2007.

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

In my opinion and to the best of my information and according to the explanations given to me and the re-presentations made by the Directors and the Management, I certify that the Company has complied with the mandatory conditions of Corporate Governance as stipulated in abovementioned listing agreement, except Code of Conduct are yet to be placed on website of the Company.

As per the records maintained by the Company and information given to me, I have to state that there were no investor grievance remaining unattended/ pending for a period exceeding one month as on 31st March,2007.

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

Signature :

Name of Company Secretary **Tapan Shah**
Membership No. : FCS4476
C. P. Number 2839

Place : Ahmedabad
Date : 27th June, 2007





Hester Pharmaceuticals Limited

AUDITORS' REPORT

To,
The Members,

HESTER PHARMACEUTICALS LIMITED

We have audited the attached Balance Sheet of **Hester Pharmaceuticals Ltd.** as at **31st March, 2007** and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of 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 & Loss Account and Cash Flow Statement dealt with by this report have been prepared, in all material respects, in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of Section 274(1)(g) 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 gives the information required by the Companies Act, 1956, in the manner so required and given a true

and fair view in conformity with the accounting principles generally accepted in India;

- a. in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2007 :
- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for Shah Nariealwala & Co
Chartered Accountants

D.R. Shah
Partner

Place : Ahmedabad
Date : 27.06.2007

Member ship No: 36805

Annexure to the Auditors' Report referred to in Paragraph-3 of our report of even date

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

- (1) (i) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (ii) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (iii) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- (2) (i) The inventory has been physically verified during the year by management. In our opinion, the frequency of verification is reasonable.
- (ii) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (iii) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (3) (i) The Company has granted loans to Companies listed in the register maintained under Section 301 of the Companies Act, 1956. Outstanding balance of loans granted at the year end was Rs. 3,800,863 /-. Maximum outstanding during the year of loans granted was Rs. 3,800,863 /- .





Hester Pharmaceuticals Limited

- (ii) In our opinion and according to the information and explanations given to us, the rates of interest and other terms and conditions on which loans have been granted from companies/ other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (iii) The loans granted by the Company are at call and no stipulations have been made regarding payment of interest.
- (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 purchase of inventory, fixed assets and with regard to the sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of audit.
- (5) (i) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (ii) In our opinion and according to the information and explanations given to us, there are no transactions, which are made in pursuance of contacts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and are exceeding the value of rupees five lakhs in respect of any party during the year.
- (6) The Company has not accepted any deposits from the public.
- (7) The Company does not have a formal internal audit system. In our opinion its internal control procedures involves reasonable internal checks commensurate with its size and nature of its business.
- (8) We have broadly reviewed the books of accounts, relating to materials and other items of cost maintained by the company in respect of product where pursuant to the rules made by the Central Government, the maintenance of Cost Records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. The same have been examined and audited by an independent cost accountant.
- (9) (i) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, cess and other statutory dues applicable to it.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty were outstanding, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (10) The accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (11) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (13) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (14) The company is not dealing or trading in shares, securities, debentures and other investments.
- (15) The Company has not given any guarantee for loans taken by others from bank or financial institution.
- (16) As informed to us, the term loans have been applied for the purpose for which they were raised.
- (17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except core (permanent) working capital.
- (18) Based on our examination of records and the information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (19) During the period covered by our audit report, the company has not issued any debentures.
- (20) According to the information and explanations given to us, the management has disclosed on the end use of money raised by Rights issue during the year and the same has been verified by us.
- (21) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

for Shah Nariealwala & Co
Chartered Accountants

D.R. Shah
Partner

Member ship No: 36805

Place : Ahmedabad
Date : 27.06.2007





Hester Pharmaceuticals Limited

BALANCE SHEET AS AT 31ST MARCH, 2007

Particulars	Schedule	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
A. SOURCES OF FUNDS					
1 SHAREHOLDERS' FUNDS					
a) Share Capital	1	5,19,12,000		3,70,80,000	
b) Reserve & Surplus	2	22,75,57,761		9,93,96,938	
			27,94,69,761		13,64,76,938
2 LOAN FUNDS					
a) Secured Loans	3	22,35,76,914		1,69,08,863	
TOTAL		50,30,46,675		15,33,85,801	
B. APPLICATION OF FUNDS					
1 Fixed Assets	4				
a) Gross Block		37,66,75,944		6,99,47,673	
b) Less: Depreciation		2,78,87,853		2,34,78,511	
c) Net Block		34,87,88,091		4,64,69,162	
d) Capital Work-in-Progress		55,45,823		2,32,36,294	
2 Current Assets, Loans & Advances	5	30,08,64,066		15,41,71,207	
Less:-					
Current Liabilities & Provisions.	6	13,53,41,075		6,25,23,809	
Net Current Assets		16,55,22,991		9,16,47,398	
3 Deferred Tax					
Assets		—		—	
Liabilities		(1,68,10,230)	(1,68,10,230)	(87,42,234)	(87,42,234)
4 Miscellaneous expenditure	4				
(to the extent not written off/adjusted)			—	7,75,181	
TOTAL		50,30,46,675		15,33,85,801	
Notes on Accounts	14				

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 27th June, 2007

for and on behalf of the Board

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Darayus Lakdawalla

Director

Ahmedabad, 27th June, 2007





Hester Pharmaceuticals Limited

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

Particulars	Schedule	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
A. INCOME					
Sales (Net)		21,82,79,085		20,13,70,201	
Other Income	7	26,32,458		3,01,602	
Exchange Profit & Loss		9,60,369		—	
Change in Inventories	8	2,25,42,088		70,22,684	
TOTAL		24,44,13,999		20,86,94,487	
B. EXPENDITURE					
Trading Purchases		30,45,776		26,10,830	
Rawmaterial Consumed	9	7,09,36,710		4,52,56,374	
Manufacturing Expenses	10	2,31,70,869		2,68,78,323	
Personnel Cost	11	1,96,40,080		1,51,63,970	
Selling, General & Adm. Expenses	12	3,68,73,395		2,91,59,364	
TOTAL		15,36,66,830		11,90,68,861	
OPERATING PROFIT		9,07,47,168		8,96,25,626	
Interest & Finance Charges	13	69,77,223		25,73,170	
PROFIT BEFORE DEP. AND TAX		8,37,69,945		8,70,52,456	
Less : Depreciation		44,09,342		35,37,506	
PROFIT BEFORE EXTRAORDINARY ITEM		7,93,60,603		8,35,14,950	
Less : Extraordinary Items		—		1,48,73,457	
PROFIT BEFORE TAX		7,93,60,603		6,86,41,493	
Less : Provision For Taxation					
Current Tax		1,91,80,000		2,35,25,000	
Deferred Tax		80,67,996		(2,26,486)	
Fringe benefit Tax		6,00,000		8,97,600	
		2,78,47,996		2,41,96,114	
PROFIT AFTER TAX		5,15,12,607		4,44,45,379	
BALANCE BROUGHT FORWARD		50,31,938		40,85,980	
PROFIT AVAILABLE FOR APPROPRIATION		5,65,44,546		4,85,31,359	
Less :					
Proposed Dividend (Equity Shares)		1,03,82,400		55,62,000	
Dividend Tax		17,64,489		8,84,421	
Transferred to General Reserve		3,09,47,000		3,70,53,000	
BALANCE CARRIED TO BALANCE SHEET		1,34,50,657		50,31,938	
Earning per Share (Basic/Diluted)		11.14		12.41	
Notes on Accounts	14				

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 27th June, 2007

for and on behalf of the Board

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Darayus Lakdawalla

Director

Ahmedabad, 27th June, 2007





Hester Pharmaceuticals Limited

SCHEDULES 1 TO 14 FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2007

Particulars	31.03. 2007		31.03 2006	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 1 : SHARE CAPITAL				
Authorised Share Capital				
65,00,000 Equity Shares of Rs.10/- each (Prev. Yr. 65,00,000 shares)		6,50,00,000		6,50,00,000
		<u>6,50,00,000</u>		<u>6,50,00,000</u>
Issued, Subscribed and Paid up Capital				
51,91,200 Equity Shares of Rs.10/- each fully Paid-up (Prev. Yr. 37,08,000 Shares)		5,19,12,000		3,70,80,000
TOTAL		<u>5,19,12,000</u>		<u>3,70,80,000</u>
SCHEDULE - 2 : RESERVES & SURPLUS				
a) General Reserve				
Opening Balance	5,50,00,000		3,00,00,000	
Less : Transferred to Capital redemption Res.	—		(1,20,53,000)	
Add : Transferred from Capital Redemption Res.	1,40,53,000		—	
Add:Transferred during the year	3,09,47,000		3,70,53,000	
Less:Adj. for the arrears of Pref. Divi.	—		—	
	<u>10,00,00,000</u>		<u>5,50,00,000</u>	
b) Capital Redemption Reserve -				
Opening Balance	1,40,53,000		20,00,000	
Add : Transferred during the year	(1,40,53,000)	—	1,20,53,000	1,40,53,000
	<u>—</u>		<u>—</u>	
c) Share Premium	11,41,07,105		2,53,12,000	
d) Profit and Loss account	1,34,50,657		50,31,938	
TOTAL	<u>22,75,57,761</u>		<u>9,93,96,938</u>	
SCHEDULE - 3 : SECURED LOANS				
1. BANK OF INDIA				
a. Cash credit- Secured by Hypo. of Stock , book debt and other current assets	6,05,09,444		1,25,50,917	
b. Term Loan	10,00,00,000		—	
(Above loans are further secured by first charge on Company's factory land, building, Plant & Machineries)				
c. Overdraft against Fixed Deposit	5,99,90,150		—	
2. HP Loan from ICICI Finance Ltd. (secured by hypo. of specific Motor Cars)	30,77,321		43,57,946	
TOTAL	<u>22,35,76,914</u>		<u>1,69,08,863</u>	



Hester Pharmaceuticals Limited

SCHEDULE - 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2006	Addition during the year	Deduction during the year	Balance as on 31.03.2007	Provided Upto 31.03.2006	Provided during the year	Adjustment during the year	Balance as on 31.03.2007	As on 31.03.2007	As on 31.03.2006
ASSETS										
Land & Site Development	1,660,844	—	—	1,660,844	—	—	—	—	1,660,844	1,660,844
Factory Building	12,094,768	—	—	12,094,768	3,766,664	403,965	—	4,170,629	7,924,139	8,328,104
Plant & Machineries										
— Imported	4,552,524	—	—	4,552,524	1,673,486	216,245	—	1,889,731	2,662,793	2,879,038
— Indigenous	31,955,061	974,285	—	32,929,346	11,026,317	1,546,963	—	12,573,280	20,356,067	20,928,744
Electrical Installation	2,944,296	144,422	—	3,088,718	1,296,334	139,854	—	1,436,188	1,652,529	1,647,962
Utilities	3,365,753	—	—	3,365,753	1,490,966	159,873	—	1,650,839	1,714,914	1,874,787
Furniture & Fixtures	1,198,772	46,490	—	1,245,262	455,607	78,044	—	533,650	711,612	743,165
Office Equipments	765,480	282,685	—	1,048,165	291,987	43,660	—	335,646	712,518	473,493
Vehicles	9,770,554	—	—	9,770,554	2,405,845	928,203	—	3,334,047	6,436,507	7,364,709
Computers	1,096,171	467,950	—	1,564,121	899,739	215,190	—	1,114,928	449,193	196,433
Dead Stock	169,064	—	—	169,064	81,263	10,702	—	91,965	77,099	87,801
Storage Equipment	316,705	117,085	—	433,790	55,070	20,629	—	75,699	358,091	261,635
Scooters	25,083	—	—	25,083	24,258	—	—	24,258	825	825
Dead Stock Canteen	32,598	—	—	32,598	10,977	2,063	—	13,040	19,558	21,621
Total	69,947,673	2,032,917	—	71,980,590	23,478,511	3,765,389	—	27,243,900	44,736,690	46,469,162
Previous Year's Figures	65,772,752	4,647,161	472,241	69,947,673	20,187,075	3,537,506	246,070	23,478,511	46,469,162	45,585,677

FIXED ASSETS -New Project

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2006	Addition during the year	Deduction during the year	Balance as on 31.03.2007	Provided Upto 31.03.2006	Provided during the year	Adjustment during the year	Balance as on 31.03.2007	As on 31.03.2007	As on 31.03.2006
ASSETS										
Land & Site Development	—	3,428,591	—	3,428,591	—	—	—	—	3,428,591	—
Factory Building	—	175,163,446	—	175,163,446	—	215,321	—	215,321	174,948,125	—
Plant & Machineries										
- Imported	—	12,313,226	—	12,313,226	—	41,909	—	41,909	12,271,317	—
- Indigenous	—	69,241,846	—	69,241,846	—	235,339	—	235,339	69,006,507	—
Electrical Installation	—	25,793,004	—	25,793,004	—	88,466	—	88,466	25,704,538	—
Utilities	—	17,484,045	—	17,484,045	—	60,618	—	60,618	17,423,427	—
Furniture & Fixtures	—	379,261	—	379,261	—	1,301	—	1,301	377,960	—
Office Equipments	—	676,000	—	676,000	—	258	—	258	675,742	—
Storage Equipment	—	215,935	—	215,935	—	741	—	741	215,194	—
Total	—	304,695,354	—	304,695,354	—	643,953	—	643,953	304,051,401	—
Total	69,947,673	306,728,271	—	376,675,944	23,478,511	4,409,342	—	27,887,853	348,788,091	—





Hester Pharmaceuticals Limited

Particulars	31.03.2007 Rs.	31.03 2006 Rs.
SCHEDULE - 5 : CURRENT ASSETS, LOANS & ADVANCES		
a) INVENTORIES (As taken, valued & certified by the management)		
- Raw materials	18,54,935	20,14,786
- Work-in-process	1,57,31,391	1,64,65,941
- Packing Materials	15,24,869	14,62,323
- Trading Stock	15,47,640	4,07,264
- Finished Goods	2,92,34,895	70,98,633
- Stock of Diesel	21,162	20,868
TOTAL	4,99,14,892	2,74,69,815
b) SUNDRY DEBTORS (Unsecured, Considered Good)		
- Outstanding for more than six months	4,43,97,369	2,10,08,921
- Others	5,23,20,608	6,37,15,325
- Considered Doubtful	—	—
TOTAL	9,67,17,977	8,47,24,246
c) CASH & BANK BALANCE		
Cash on hand	10,92,163	73,478
Balance with Scheduled bank		
- Current Account	61,37,141	16,61,375
- Term Deposit Account	6,15,96,837	—
TOTAL	6,88,26,141	17,34,853
d) LOANS, ADVANCES & DEPOSITS (Unsecured, Considered Good)		
1 Advances recoverable in cash or kind or for value received	1,43,91,115	37,434
2 Deposits	56,97,204	18,67,288
3. Advance to Group Company / Relative	38,00,863	6,73,864
4 Loan to others	43,17,361	13,35,963
5 Advance Income Tax	5,71,98,514	3,63,27,744
TOTAL	8,54,05,056	4,02,42,293
GRAND TOTAL (a+b+c+d)	30,08,64,066	15,41,71,207
SCHEDULE - 6 : CURRENT LIABILITIES & PROVISIONS		
a) CURRENT LIABILITIES		
Creditors for Goods	2,30,63,151	61,93,847
Deposit - Payable	—	12,57,786
Creditors for Expenses	45,19,613	22,25,068
Other Liabilities	51,19,943	28,60,813
Creditors for Project	2,74,451	—
Creditors for New Project	2,69,12,029	53,910
Creditors for Capital Exp.	—	65,315
	5,98,89,186	1,26,56,739
b) PROVISIONS		
Provision for Taxation (Net of Tax)	6,33,05,000	4,35,25,000
Provision for Taxation (Dividend Tax)	17,64,489	7,80,070
Proposed Dividend (Equity Share)	1,03,82,400	55,62,000
TOTAL (A+B)	13,53,41,075	6,25,23,809





Hester Pharmaceuticals Limited

Particulars	31.03.2007 Rs.	31.03 2006 Rs.
SCHEDULE - 7 : OTHER INCOME		
Interest on Bank deposits	24,85,297	2,07,488
Miscellaneous Income	1,47,161	94,114
TOTAL	26,32,458	3,01,602
SCHEDULE - 8 : CHANGE IN INVENTORY		
Closing Stock		
- Trading stock	15,47,640	4,07,264
- Finished Goods	2,92,34,895	70,98,633
- Work-in-process	1,57,31,391	1,64,65,941
	4,65,13,926	2,39,71,838
Opening Stock		
- Trading stock	4,07,264	17,77,641
- Finished Goods	70,98,633	35,74,893
- Work-in-process	1,64,65,941	1,15,96,620
	2,39,71,838	1,69,49,154
Increase / (Decrease) TOTAL	2,25,42,088	70,22,684
SCHEDULE - 9 : RAWMATERIAL CONSUMED		
Opening Stock	20,14,786	24,70,695
Add: Purchases	7,07,76,859	4,48,00,465
	7,27,91,645	4,72,71,160
Less: Closing stock	18,54,935	20,14,786
TOTAL	7,09,36,710	4,52,56,374
SCHEDULE - 10 : MANUFACTURING EXPENSES		
Power & Fuel	60,61,370	58,62,578
Consumables & Stores	16,03,295	15,47,701
Packing Expenses	64,74,579	72,52,234
Quality control & Testing Exp.	58,90,948	55,98,140
Other production expenses	31,40,677	66,17,670
TOTAL	2,31,70,869	2,68,78,323





Hester Pharmaceuticals Limited

Particulars	31.03.2007 Rs.	31.03 2006 Rs.
SCHEDULE - 11 : PERSONNEL COST		
Directors' Remuneration	24,00,000	16,13,961
Contribution to Provident Fund / Gratuity Fund	8,07,058	6,50,104
Salaries & Wages	1,55,43,261	1,22,47,233
Staff Welfare	8,89,762	6,52,671
TOTAL	1,96,40,081	1,51,63,969
SCHEDULE - 12 : OFFICE, ADMINISTRATION & SELLING EXPENSES		
Postage, Telephone & Telegram Expense	14,06,692	14,66,168
Insurance Expenses	10,92,615	10,25,750
Legal, Professional & Consultancy	26,59,686	18,92,387
Auditors Remuneration	2,39,780	3,15,720
Printing & Stationery	9,78,829	5,88,222
Travelling & Conveyance Expenses	28,18,714	20,46,916
Directors' Travelling	15,32,504	19,07,427
Rent, Rates & Taxes	7,26,223	8,31,408
Repair & Maintenance	82,676	79,533
Vehicle & Petrol Expenses	15,20,958	13,14,768
Electric Charges	2,03,827	2,77,517
Selling Expenses	1,01,43,324	1,44,24,523
Sales Tax Exp.	97,93,040	5,27,776
Bad Debts written off / creditors written back	19,64,136	4,48,549
AGM, Board meeting & Share transfer Exp.	1,30,042	1,77,071
Loss on Sale of Fixed Asset	—	1,86,171
Donations	1,11,000	31,000
Miscellaneous Expenses	14,69,351	15,92,997
Exchange P & L	—	25,460
TOTAL	3,68,73,395	2,91,59,363
SCHEDULE - 13 : INTEREST & FINANCE CHARGES		
Term Loan Interest	2,59,584	11,193
Bank Interest	56,82,232	13,23,921
Bank Commission & Charges	7,62,500	7,84,776
Lease Rental Frontline	—	84,583
Other Interest	1,224	64,350
HP Finance Charges	2,71,683	3,04,348
TOTAL	69,77,223	25,73,171





SCHEDULE - 14 NOTES FORMING PART OF ACCOUNTS AS AT 31-03-2007

1. SIGNIFICANT ACCOUNTING POLICIES :

Accounting Convention:

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956.

a) **USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future period.

b) **REVENUE AND EXPENDITURE RECOGNITION:**

Revenue and expenditure are recognized on accrual basis.

c) **FIXED ASSETS & DEPRECIATION:**

All Fixed Assets are stated at historical cost less depreciation. Depreciation on all assets has been provided at rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on assets acquired and used in old project is being calculated on Straight Line method basis and on assets acquired for new project (commission during March'2007) is calculated on Written Down Value method basis.

Direct costs as well as related incidental expenses incurred on acquisition of fixed assets that are not yet ready for their intended use or not put to use as on the Balance sheet date are stated as Capital Work in progress.

d) **INVENTORIES :**

Inventories are valued at lower of cost or market value.

Cost of work -in-progress and finished goods is ascertained considering direct costs plus a share of manufacturing overheads. Cost of raw materials and packing materials is arrived at, by using FIFO Method.

e) **COST OF PROJECT:**

Direct /Indirect costs, even though of revenue nature, related to the new project are capitalized and amortized over the cost of fixed assets on the date of commissioning of the new project. Expenses incurred after commencement of production in new project have been charged to revenue.

f) **BORROWING COSTS:**

Cost of borrowed funds for the project has been capitalized and included in the cost of fixed assets till commencement of production. Other borrowing costs are recognized as expenses in the period in which they are incurred.

g) **FOREIGN CURRENCY TRANSACTIONS :**

Expenditure/Income in foreign currencies are translated into Indian rupees at the rates prevailing on the date of occurrence of the transaction. At the year end all monetary foreign currency assets and liabilities are related to closing exchange rates. Gains or losses on settlement of foreign currency transactions during the period and from the year end restatement referred to above, are recognized in the Revenue account.

h) **IMPAIRMENT OF ASSET:**

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

i) **RESEARCH AND DEVELOPMENT:**

Revenue expenditure on Research and Development is charged against the Profit for the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to the fixed assets and is depreciated on the same basis as other fixed assets.

j) **RIGHT ISSUE EXPENDITURE:**

Expenses incurred on right issue/preferential allotment have been adjusted against share premium account.

k) **PROVISION FOR RETIREMENT BENEFITS:**

Gratuity liability has been covered by Group Gratuity policy of Life Insurance Corporation of India under irrevocable trusts, annual premium whereof calculated is charged to Profit and Loss Account. Provision for leave encashment benefits to the employees is made based on the leave balance and the salary of the respective employee as on the balance sheet date. Contribution to provident fund and other statutory funds is charged to the profit & loss account in the year in which it is incurred.

l) **TAXATION :**

a. **Current Tax:**

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.





Hester Pharmaceuticals Limited

b. Deferred Tax Provision:

Deferred Tax charge or credit is recognized on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. It is calculated using the applicable tax rates and tax laws that have been enacted by the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future. At each Balance-sheet date, recognized and unrecognized Deferred Tax Assets are reviewed.

c. Fringe Benefit Tax:

Tax on Fringe Benefits is measured as the specified rates on the value of Fringe Benefits in accordance with the provisions of the Section 115WC of the Income Tax Act, 1961. Accounting for Fringe Benefit Tax is done as per the Guidance note issued by ICAI.

2. Figures are rounded off to nearest rupee and previous year's figures have been regrouped wherever necessary.

3. CONTINGENT LIABILITIES & COMMITMENTS:

- Claims against the Company not acknowledgement as debts Nil (Previous year Nil)
 - Estimated amount of contracts remaining to be executed on capital account and not provided for (net-off advances) Rs.282.66 lacs(Previous year Nil).
- In the month of August 2006, the company has issued and allotted 1483200 fully paid equity share of Rs.10/- each at premium of Rs.60/- at an issue price of Rs.70/- per equity share aggregating of Rs. 1038.24 Lacs on right basis. The funds raised by such right issue has been fully utilized during the year for the purpose for which they were raised in terms of the letter of offer issued by the company, i.e. for purchase of fixed Assets -for the New Project as shown in schedule -4 of Balance sheet.
 - In the opinion of the Board of directors, loans and advances are of the value stated in the Balance Sheet, to be realized in the normal course of business and provision for all known liabilities have been made in the books of accounts which are adequate and not in excess of the amount reasonably required.
 - The management of the company has during the year carried out technical evaluation for identification of impairment of assets, if any in accordance with the Accounting Standard (AS) 28, issued by the Institute of Chartered Accountants of India. Based on the judgment of the management and as certified by the directors, no provision for impairment of the asset is considered necessary in respect of any of the assets of the company.
 - The amount of loans and advances include Rs.38,00,863/- (P.Y. Rs.6,73,864/-) loans to companies, Firms and persons as listed in the register maintained under Section 301 of the Companies act, 1956. Maximum outstanding during the year was Rs.39,69,192/- (P.Y. Rs. 6,73,864/-)
 - Balance of Debtors, Creditors and loans and advances are as per books and subject to confirmation from respective parties.
 - It is not possible to identify SSI undertakings from amongst Sundry Creditors. Hence details of dues to SSI undertakings are not given.
 - All expenses relating to new projects till 23/3/2007, the date of commencement of commercial production amounting to Rs.1,81,47,541/- have been capitalized and allocated to the fixed assets of new projects.

11. Deferred Taxation :

The net deferred tax liabilities at the end of the year comprise of tax effect of following timing differences:

Particulars	2006-07	2005-06
Deferred tax liability		
- Excess of Net block over Written Down value as per provisions of I.T. Act	(1,68,10,230)	(87,42,234)
	(1,68,10,230)	(87,42,234)

12. Related Party Disclosures :

(i) List of Related Parties :

Related parties with whom transactions have taken place during the year.

(a) Associates / Individual Relatives :

- | | |
|--------------------------------|-----------------------------|
| 1. Hester Diagnostics Pvt.Ltd. | 2. Hester Coatings Pvt.Ltd. |
| 3. Sinsui (India) Pvt.Ltd. | 4. Biolink Healthcare Ltd. |
| 5. Diagnostic India. | 6. Zubin Lakdawala |

(b) Key Management Personnel :

Rajiv Gandhi - CEO & Managing Director





Hester Pharmaceuticals Limited

- (ii) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

Sr. No.	Nature of Transactions	Associates Individual Relatives		Key Management Personnel	
		31.03.2007	31.03.2006	31.03.2007	31.03.2006
1.	Advance Repaid	Nil	20,877	Nil	Nil
2.	Advance Given	52,76,999	12,510	Nil	Nil
3.	Advance Recovered	21,50,000	Nil	Nil	Nil
4.	Outstanding Balance Included in Loans & Advances	38,00,863	6,73,864	Nil	Nil
5.	Outstanding Balance Included in Unsecured Loan	Nil	Nil	Nil	Nil
6.	Loss on Damaged Goods	Nil	Nil	Nil	Nil
7.	Amount W/Off	Nil	1,194	Nil	Nil
8.	Purchase of Materials	Nil	Nil	Nil	Nil
9.	Local Sales	Nil	Nil	Nil	Nil
10.	Director's Remuneration	Nil	Nil	24,00,000	16,13,961
11.	Rent- MD's Residence	1,80,000	1,80,000	Nil	Nil

Note : Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

13. Auditor's remuneration : (Amount In Rs.)

Sr. No.	Particulars	31.03.2007	31.03.2006
a.	Audit fees	1,50,000	1,90,000
b.	Tax Audit and Taxation matters	80,000	90,000
c.	Other Services	9,780	35,720

14. Additional Information as required under Para 3, 4C and 4D of part II Schedule VI of the Companies Act, 1956 are as under:

- A. Installed capacity of Poultry Vaccines: (in million doses)

	31.03.2007	31.03.2006
Installed Capacity	4180	1200
Actual Production	1260.28	1389.96

Note : Actual Production comprises of 73602 (Prev.Yr. 62721) Bottles of Killed Vaccines and 861843 (Prev. Yr. 1095299) Vials of Live Vaccines.

- B. Quantity (Net of returns) and Sales Value of each class of goods dealt with by the Company.

		31. 03.2007		31.03.2006	
Class of Goods	U.O.M	Quantity	Value (Rs.)	Quantity	Value (Rs.)
(i) Manufacturing					
Killed Vaccines	Bottles	69458	7,05,10,635	61688	6,79,28,708
Live Vaccines	Vials	798412	1,45,426,620	1039701	12,86,16,197
TOTAL		867870	2,15,93,72,55	1101389	19,65,44,905
(ii) Trading					
Kits	Nos.	55	15,47,070	62	12,24,848
Vaccines	Bottle	392	7,94,760	3537	36,00,447
Selfeed CF	Bag	—	—	—	—
TOTAL		477	23,41,830	3599	48,25,295





Hester Pharmaceuticals Limited

- C. Value and Quantitative break-up in respect of opening and closing stock of each class of goods traded. (Previous year's figures are given in brackets)

		Opening Stock				Closing Stock			
Class of Goods	U.O.M	Quantity		Value (Rs.)		Quantity		Value (Rs.)	
		31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
(i) Manufacturing									
Killed Vaccines	Bottles	3466	2507	17,18,991	10,38,199	7395	3466	40,45,412	17,18,991
Live Vaccines	Vials	104366	77641	52,70,280	23,74,122	151938	104366	2,48,67,097	52,70,280
Diluents	Vials	27600	67964	1,09,362	1,62,572	110132	27600	3,22,386	1,09,362
(ii) Trading									
Vaccines	Bottle	399	1490	3,77,055	14,44,457	—	399	—	3,77,055
Kits	Nos.	1	15	30,209	3,33,184	13	1	2,17,205	30,209
Selfeed CF	Baq	—	—	—	—	799	—	13,30,435	—

Note: 21 Kits are used for own in house consumption. (P.Y :17 Kits)

- D. Value and Quantitative break-up of purchase of goods traded in :

		31. 03.2007		31.03.2006	
Class of Goods	U.O.M	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Kits	Nos	88	19,10,754	46	8,67,702
Vaccines	Bottle	—	—	2011	17,43,128
Selfeed-CF	Bags	800	11,35,022		
E. (i) Raw Material Consumption :					
Growth Media	Nos	5213640	2,81,32,575	2080610	3,51,38,770
Other Chemicals			47,65,252		1,01,17,604
Concentrate			3,80,38,883		
Total			7,09,36,710		4,52,56,374

- F. CIF value of Import of Goods/Raw Materials Rs.4, 32, 84,389/- (Previous Year Rs. 1,11,12,304/-)

- G. Raw Material Consumption:

		31. 03.2007		31.03.2006	
		Percentage	Value (Rs.)	Percentage	Value (Rs.)
a. Imported		61.15	4,32,84,389	24.55	1,11,12,304
b. Indigenous		38.85	2,76,52,321	75.44	3,41,44,070

15. Expenditure in Foreign Currency for (Amount In Rs.)

Particulars	31.3.2007	31.3.2006
Purchase/Materials (including payment to creditors)	2,24,57,830	1,58,53,516
Travelling	6,42,702	2,70,895
Others	—	20,31,685
Capital Expenditure	1,08,36,798	—

16. F.O.B. value of exports Rs.20,16,098 /- (Previous Yr. Rs. 32, 47,856/-)

17. Earnings per Share :

Calculation of Net Profit (including extraordinary item) available for Equity Shareholders : (Amount In Rs.)

	31-03-2007	31-03-2006
a. Net Profit After Tax	51,512,607	4,44,45,377
Profit available to Equity shareholders	51,512,607	4,44,45,377
b. Weighted Average No. of Eq. Shares of Rs. 10/- each	46,22,301	35,72,400
c. Basic and diluted Earning per share	11.14	12.41
Calculation of Net Profit(excluding extraordinary item) available for Equity Shareholders:		
a. Net Profit After Tax	51,512,607	5,93,18,834
Profit available to Equity shareholders	51,512,607	5,93,18,834
b. Weighted Average No. of Eq. Shares of Rs. 10/- each	46,22,301	35,72,400
c. Basic and diluted Earning per share	11.14	16.60





Hester Pharmaceuticals Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

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 State Code

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Balance Sheet Date

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0	3
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2	0	0	7
---	---	---	---

Date Month Year

II. Capital Raised during the year (Rs. in thousands)

Private Placement

				N	I	L
--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Rs. in thousands)

Total Liabilities

	5	0	3	0	4	7
--	---	---	---	---	---	---

 Total Assets

	5	0	3	0	4	7
--	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

		5	1	9	1	2
--	--	---	---	---	---	---

 Reserves & Surplus

	2	2	7	5	5	8
--	---	---	---	---	---	---

Secured Loans

	2	2	3	5	7	7
--	---	---	---	---	---	---

 Unsecured Loans

						—
--	--	--	--	--	--	---

Application of Funds

Net Fixed Assets

	3	4	8	7	8	8
--	---	---	---	---	---	---

 Net Current Assets

	1	6	5	5	2	3
--	---	---	---	---	---	---

Work-in-Progress

			5	5	4	6
--	--	--	---	---	---	---

 Deferred tax

		(1	6	8	1	0)
--	--	----	---	---	---	----

Misc. Expenditure

						—
--	--	--	--	--	--	---

IV. Performance of Company (Rs. in thousands)

Total Turnover

	2	1	8	2	7	9
--	---	---	---	---	---	---

 Other Income

			2	6	3	2
--	--	--	---	---	---	---

 Total Expenditure

	1	6	5	0	5	3
--	---	---	---	---	---	---

Profit before Tax

		7	9	3	6	1
--	--	---	---	---	---	---

 Profit after tax

		5	1	5	1	3
--	--	---	---	---	---	---

Earning per share in Rs.

		1	1	.	1	4
--	--	---	---	---	---	---

 Dividend Rate

				2	0	%
--	--	--	--	---	---	---

V. Generic Names of Three Principal Products/Services of Company

Product Description : Item Code No. (ITC Code)

(a) Veterinary Vaccines

3	0	0	2	3	9	0	0
---	---	---	---	---	---	---	---

18. Schedule 1 to 14 are attached to and form part of accounts for the year ended on 31st March, 2007.

Signatures to Schedules 1 to 14

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 27th June, 2007

for and on behalf of the Board

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Darayus Lakdawalla

Director

Ahmedabad, 27th June, 2007





Hester Pharmaceuticals Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	31/03/2007		31/03/2006	
	Amount Rs.	Amount Rs.	Amount Rs.	Amount Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit/(Loss) before tax and extraordinary items		8,63,37,826		8,60,88,119
Adjustments for :				
Loss on sale of asset	—		1,86,171	
Depreciation	44,09,342		35,37,506	
Interest and other income	(26,32,458)		(3,01,602)	
Extra Ordinary Item	—		(1,48,73,457)	
		17,76,884		(1,14,51,383)
		8,81,14,710		7,46,36,736
Operating Profit/(Loss) before Working Capital Charge				
Adjustment for :				
Trade & Other Receivables	(1,19,93,731)		(79,93,360)	
Inventories	(2,24,45,077)		(72,43,769)	
Trade Payables	4,72,32,448		(1,18,55,146)	
Loans & Advances	(2,42,91,993)		10,79,678	
Bank borrowings for working capital	4,79,58,527		13,18,616	
		3,64,60,173		(2,46,93,982)
Cash Generated from operating Activity		12,45,74,883		4,99,42,755
Interest Paid		(69,77,223)		(25,73,170)
Net Cash from operating Activity		11,75,97,660		4,73,69,585
B. CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(28,27,16,797)		(46,47,161)	
Purchase of Fixed Assets (Capital WIP)	(55,45,823)		(2,32,36,294)	
Misc. Exp. Capitalised	—		(7,75,181)	
Sales of Fixed Assets	—		40,000	
Interest and other income	26,32,458		3,01,602	
Net Cash Used in Investing Activities	(28,56,30,162)		(2,83,17,034)	
C. CASH FLOW FROM FINANCING ACTIVITY				
Proceeds from Long Term Borrowings	10,00,00,000		—	
Repayment of Long Term Financing	(12,80,625)		(5,18,437)	
Repayment of Other Loans	—		(5,462)	
Increase in Share Capital & Premium	10,36,27,105		2,71,20,000	
Redemption of Preference Capital	—		(1,40,53,000)	
Payment of Taxes	(2,16,50,840)		(2,87,31,766)	
Dividend	(55,62,000)		(1,09,12,498)	
Net Cash Flow from Financing Activity	17,51,33,640		(2,71,01,163)	
Net Increase in Cash & Cash Equivalents	71,01,138		(80,48,612)	
Cash & Cash Equivalent as at (Op. Balance)	17,34,853		97,83,465	
Cash & Cash Equivalent as at (Cl. Balance)	88,35,991		17,34,853	

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 27th June, 2007

for and on behalf of the Board

Rajiv Gandhi *CEO & Managing Director*

Sanjiv Gandhi *Director*

Darayus Lakdawalla *Director*

Ahmedabad, 27th June, 2007





Hester Pharmaceuticals Limited

NOTICE

NOTICE is hereby given that **20th** Annual General Meeting of the Members of Hester Pharmaceuticals Limited, will be held on **Tuesday, the 11th September, 2007 at 11.00 a. m.** at Registered office of the Company at Village : Merda - Adraj, Taluka: Kadi, District : Mehsana, Gujarat 382 721 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. Ravin Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. Bhupendra V. Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

6. To give Authority to Directors to borrow in excess of the paid-up capital and free reserves.
To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :-

"RESOLVED that in supersession of Resolution passed at the Annual General Meeting of the Company held on 15th June, 2005, the consent of the Company be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs.100 crores."

7. To give Authority to Directors to create Charge on the properties of the Company.
To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :-

"RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the management and concern of the Company in certain events in favour of

Banks/Financial Institutions, other investing agencies and trustees for the holders of debentures/bonds/other instruments to secure rupee/foreign currency loans and/or the issue of debentures whether partly/fully convertible or non-convertible and/or securities linked to Ordinary shares and/or rupee/foreign currency convertible bonds and/or bonds with share warrants attached (hereinafter collectively referred to as "Loans") provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, shall not, at any time exceed the limit of Rs.100 crores".

"RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required."

8. To alter Articles of Association of the Company.

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article 192 of the Articles of Association of the Company be altered so as to delete the existing Article and substitute with new Articles as stated below:

Unpaid Dividend or Dividend Warrant posted

- 192 (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend Account of HESTER PHARMACEUTICALS LIMITED" and transfer to the said Account, the total amount of dividend which remains unpaid or in relation which no dividend warrant has been posted.
- (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government, to be credited to the Investor Education and Protection Fund. No claim shall lie against the Fund or the Company in respect of any money so transferred to the Investor Education and Protection Fund.
- (c) No unpaid or unclaimed dividend shall be forfeited by the Board.

Date : 26.07.2007 for **Hester Pharmaceuticals Limited**

Registered Office:
Village : Merda Adraj
Taluka : Kadi
District : Mehsana
Gujarat - 382 721

Rajiv Gandhi
CEO & Managing Director





Hester Pharmaceuticals Limited

Note

- Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956, is annexed as a part of this notice.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000/-.
- The Proxies should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from **Saturday, 8th September, 2007 to Tuesday, 11th September, 2007 (both days inclusive).**
- The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:
 - (i) to those members whose names are on the Register of Members on **11th September, 2007** or to their mandates.
 - (ii) in respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on **7th September, 2007.**
- Members are requested to note the following :
 - The Company has appointed M/s. Pinnacle Shares Registry Pvt. Ltd. as R&T agent for both Demat & Physical share transfer work, hence any documents for share transfer, transmission, transposition, change of bank account details, nomination and other communication regarding shareholding in the company should be addressed to R&T agent, as per following address.
M/s. Pinnacle Shares Registry Pvt. Ltd.
Unit : Hester Pharmaceuticals Limited
Near Asoka Mills, Naroda Road, Ahmedabad 380 025.
Ph. 079-2220 4226/2220 0582 Fax : 079-2220 2963
e-mail : gautam.shah@psrpl.com
 - To quote folio no. / DP ID & CL. ID for any communication for their shareholding.
 - To bring the copy of Annual Report at the meeting.
- At the ensuing Annual General Meeting, Mr. Ravin Gandhi & Dr. Bhupendra V. Gandhi, retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to them to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges is furnished in the statement of Corporate Governance published elsewhere in this Annual Report.
- The copies of relevant documents can be inspected at the Registered office of the Company on any working day between 11.00 a.m. to 5.00 p.m. up to the date of A.G.M.
- Members wishing to claim their unclaimed dividend for the FY. 2004-05 & 2005-06, are requested to correspond with the Secretarial Department or the Registrar of the Company.
- **The Company has made transport arrangement for attending the Annual General Meeting for the shareholders from the Corporate office of the Company. The shareholders who**

intend to avail the facility may write to the company quoting their folio number and DP ID-CL ID and such requisition should reach the company before 8th September, 2007.

- The Company's shares are listed at Mumbai Stock Exchange. The Company has paid listing fees to Mumbai Stock Exchange for financial year **2007-2008.**

Explanatory Statement

[pursuant to section 173 (2) of the Companies Act, 1956]

Item Nos. 6 and 7

Under Section 293(1)(d) of the Act, the Board of Directors of a company cannot, except with the consent of the company in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid up capital and free reserves of the company, that is to say, reserves not set apart for any specific purpose.

Taking into consideration the requirements of additional funds to meet the cost of the Company's Capital Expenditure Programmes as also additional working capital requirements of the Company, it is expected that the limit, as sanctioned by the shareholders is likely to be exceeded. The consent of the Shareholders is therefore, sought in accordance with the provisions of Section 293(1)(d) of the Act, to enable the Directors to borrow monies to the extent of Rs. 100 crores. The Resolution under Item No. 6 is to obtain the consent of the shareholders' for this purpose. Even with the proposed borrowing, the debt equity ratio of the Company will be within a reasonable limit.

The proposed borrowings of the Company be secured by way of charge/ mortgage/ hypothecation on the Company's assets in favour of the security holders/trustees for the holders of the said securities. As the documents to be executed between the security holders/trustees for the holders of the said securities and the Company, it is necessary to pass a resolution under Section 293(1)(a) of the Act, for creation of charges/ mortgages/ hypothecations for an amount not exceeding the borrowing limit of Rs. 100 crores.

The proposed offers are in the interest of the Company and your Directors commend the Resolutions in Item Nos. 6 & 7 of the Notice for acceptance of the members.

None of the Directors are interested in the resolutions at Item Nos. 6 and 7 of the accompanying Notice.

Item Nos. 8

As per Section 207 of the Companies Act, 1956, the Company must pay dividend, which is approved by the shareholders, within 30 days time from its declaration. In the Articles no. 192 of the Articles of Association of the Company, it has been mentioned as 42 days. Further transfer of unclaimed dividend to Central Government has been changed. Therefore, it would be necessary to alter the said Article so as to delete the existing Article and substitute with new Article no. 192 of the Articles of Association of the Company.

In accordance with the provisions of Section 31 of the Companies Act, 1956, the resolution for giving effect to the proposed amendment of the existing articles, is to be passed as a special resolution. Your Directors recommend the same for your approval. None of the Directors are interested in the resolutions at Item Nos. 8 of the accompanying Notice.

Date : 26.07.2007 for **Hester Pharmaceuticals Limited**

Registered Office:

Village : Merda Adraj
Taluka : Kadi
District : Mehsana
Gujarat - 382 721

Rajiv Gandhi
CEO & Managing Director





Hester Pharmaceuticals Limited

Hester Pharmaceuticals Limited

Registered Office : Village : Merda Adraj, Taluka : Kadi, District : Mehsana, Gujarat - 382721.

ATTENDANCE SLIP

Members or their proxies are requested to present this for admission, duly signed in accordance with their specimen signatures registered with the Company. The admission will, however, be subject to verification of signatures and such other checks, as may be necessary.

NAME & ADDRESS OF THE SHAREHOLDER	Ledger Folio No. / DPID-CLID	No. of Shares held

I hereby record my presence at the 20th ANNUAL GENERAL MEETING of the Company held on Tuesday, the 11th September, 2007 at 11.00 a.m.

SIGNATURE OF THE SHAREHOLDER OR PROXY

Hester Pharmaceuticals Limited

Registered Office : Village : Merda Adraj, Taluka : Kadi, District : Mehsana, Gujarat - 382721.

PROXY FORM

L. F. No.

I, We _____

of _____ being a member/members of **Hester Pharmaceuticals Limited**

hereby appoint _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held at 11.00 a.m. on Tuesday, the 11th September, 2007.

As witness my/our hand(s) this _____ day of _____ 2007.

Affix a
30 Paisa
Revenue
Stamp

Signature(s) of the Shareholder(s)

NOTE : The proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid Meeting.

The Company has made transport arrangement for attending the Annual General Meeting for the shareholders from the Corporate office of the Company. The shareholders who intend to avail the facility may write to the company quoting their folio number/DP ID & CL ID and such requisition should reach the company before 8th September, 2007.

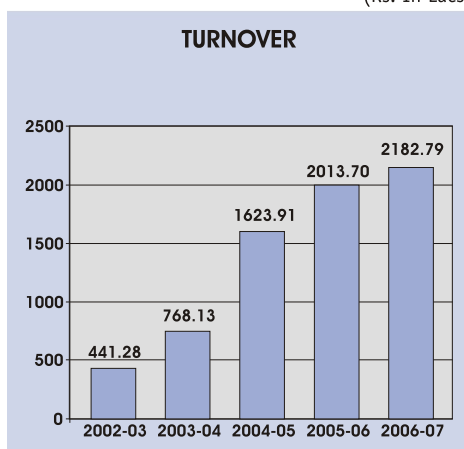




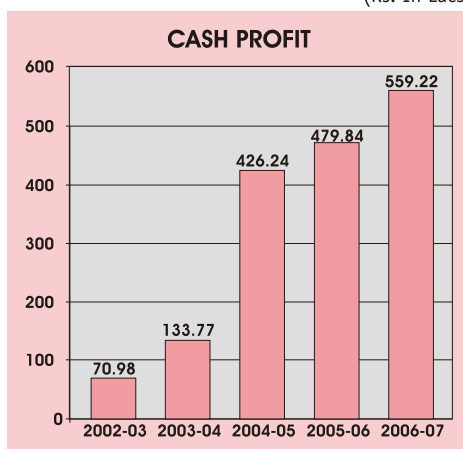
TEN YEAR FINANCIAL STATISTICS

(Rs. In Lacs)										
YEAR ENDED 31ST MARCH	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Manufacturing Sales	50.56	138.09	229.94	305.29	377.05	428.41	731.83	1579.42	1965.45	2160.11
Trading Sales	28.87	19.32	1.31	6.22	7.54	12.87	36.30	44.49	48.25	22.68
Net Income from Sales	79.43	157.41	231.25	311.51	384.59	441.28	768.13	1623.91	2013.70	2182.79
Other Income	0.56	1.56	2.65	0.84	2.57	5.08	0.36	3.97	3.02	26.32
Total Income	79.99	158.97	233.90	312.35	387.16	446.36	768.49	1627.88	2016.72	2209.11
Total Expenses	103.06	134.21	174.12	219.53	293.17	326.71	520.28	936.94	1120.46	1301.64
(a) (Increase)/decrease in Stock in trade	7.17	-22.65	-7.35	-48.77	-3.57	-8.50	38.16	-92.93	-70.22	-225.42
(b) Trading Purchase	13.58	15.29	0.00	5.57	7.50	17.91	17.14	52.03	26.11	30.46
(c) Consumption of Raw material	8.72	28.87	44.70	90.13	82.12	82.20	132.24	432.96	452.56	709.37
(d) Manufacturing Expenses	14.90	24.15	29.43	39.44	46.66	57.30	84.71	182.75	268.78	222.10
(e) Staff Cost	23.55	26.10	40.81	58.65	58.29	75.73	90.38	138.63	151.64	196.40
(f) Selling, General & Admn. Expenses	35.14	62.45	66.53	74.51	102.17	102.07	157.65	223.50	291.59	368.73
Interest	41.59	46.51	41.91	52.04	15.31	27.37	26.33	24.39	25.73	69.77
Depreciation.	21.87	21.65	21.84	22.95	24.89	25.35	26.95	31.98	35.38	44.09
Amortisation of Preliminary Exp.	11.18	11.18	11.18	11.18	11.18	0.00	0.00	0.00	0.00	0.00
Profit before Extra ordinary Item	-97.71	-54.58	-15.15	6.65	42.61	66.93	194.93	634.57	835.15	793.61
Extra Ordinary item	0.00	0.00	0.00	-0.29	74.39	0.12	-0.87	0.00	-148.73	0.00
Profit Before Tax	-97.71	-54.58	-15.15	6.36	117.00	66.81	194.06	634.57	686.42	793.61
Provision for taxation	0.00	0.00	0.00	0.00	28.90	21.18	87.24	240.31	241.96	278.48
Net Profit	-97.71	-54.58	-15.15	6.36	88.10	45.63	106.82	394.26	444.46	515.13
Equity Dividend	-	-	-	-	-	-	-	12%	15%	20%
SOURCES OF FUNDS:										
Paid-up equity share capital	352.72	352.72	352.72	352.72	352.72	352.72	352.72	352.72	370.80	519.12
Preference Share Capital	0.00	0.00	140.53	140.53	140.53	140.53	140.53	140.53	0.00	0.00
General Reserve & Surplus	5.35	5.35	5.35	5.35	65.32	65.32	85.32	360.86	993.97	2275.58
Loan Funds	306.42	333.48	265.39	311.57	260.18	233.68	170.16	161.14	169.09	2235.77
	664.49	691.55	763.99	810.17	818.75	792.25	748.73	1015.25	1533.86	5030.47
APPLICATION OF FUNDS:										
Net Fixed Assets	452.90	434.83	415.70	428.95	412.60	398.97	406.05	455.86	464.69	3487.88
Capital Work - in - Progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	240.11	55.46
Net Current Assets	4.03	5.75	93.33	143.79	233.33	282.60	392.46	649.08	916.48	1655.23
Profit & Loss account	152.51	207.10	222.26	215.89	127.79	82.16	-4.66	0.00	0.00	0.00
Miscellaneous Expenditure	55.05	43.87	32.70	21.54	10.36	7.76	5.16	0.00	0.00	0.00
Deferred Tax Assets / liabilities	0.00	0.00	0.00	0.00	34.67	20.76	-50.28	-89.69	-87.42	-168.10
	664.49	691.55	763.99	810.17	818.75	792.25	748.73	1015.25	1533.86	5030.47

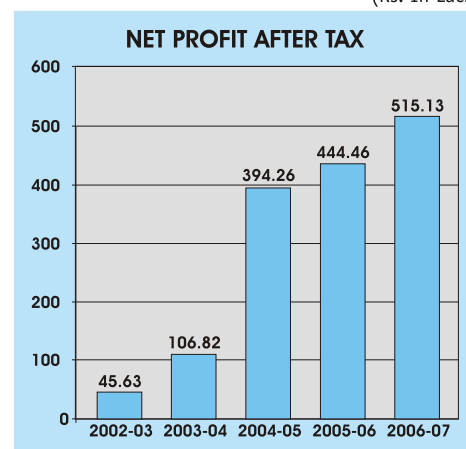
(Rs. In Lacs)



(Rs. In Lacs)



(Rs. In Lacs)





Hester Pharmaceuticals Limited

www.hesterpharma.co.in