

80th Annual Report 2002 - 2003

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Anglo-French Drugs & Industries Limited

BOARD OF DIRECTORS

SHRI ABHAY KANORIA, *Chairman & Managing Director*
 SHRI U.G. PATEL
 SHRI D.D. DAMODAR
 SHRI M.R. HOSANGADY
 SHRI V.B. HARIBHAKTI
 SHRI S. GUHA RAY

COMPANY SECRETARY

SHRI G. SRINIVASIAH

AUDITORS

RAY & RAY
 Chartered Accountants

BANKERS

State Bank of Mysore
 State Bank of India

SOLICITORS

Kanga & Co.

REGISTERED OFFICE

41, 3rd Cross, SSI Area, V Block
 Rajajinagar, Bangalore-560 010
 Karnataka.

MANUFACTURING PLANTS

PHARMACEUTICALS

55, SSI Area, V Block
 Rajajinagar, Bangalore-560 010
 Karnataka.

Plot No. 4, Peenya Industrial Area
 Phase II, Yeshwanthpur
 Bangalore-560 058
 Karnataka.

Plot Nos. 1101 & 1101-A
 Pithampur Industrial Area III
 District Dhar
 Madhya Pradesh

FURNISHING FABRICS

Kharchi - Bilwara
 Taluk Jhagadia
 District Bharuch
 Gujarat

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REPORT OF THE DIRECTORS TO THE MEMBERS

1. Your Directors have pleasure in presenting the EIGHTIETH Annual Report together with the audited accounts for the year ended 31st March 2003.

2. FINANCIAL HIGHLIGHTS

PARTICULARS	Rs. in lakhs	
	Year Ended 31-03-2003	Year Ended 31-03-2002
Profit/(Loss) for the year before Depreciation	(165.38)	305.21
Less: Depreciation	155.02	168.14
Net Profit/(Loss) before taxation & extraordinary item	(320.40)	137.07
Less: Provision for Taxation		
- Current	Nil	50.00
- Deferred	(107.04)	(35.05)
Add: Extraordinary item	Nil	3.50
Add: Balance brought forward from Profit & Loss Account	67.66	38.48
Amount available for appropriation	(145.70)	164.10
APPROPRIATIONS		
Proposed Dividend	Nil	17.44
Debenture Redemption Reserve	Nil	59.00
General Reserve	Nil	20.00
Balance carried to Balance Sheet	(145.70)	67.66
	(145.70)	164.10

3. OPERATIONS

Sales including other income for the year under review, amounted to Rs. 5,393.47 lakhs as compared to Rs. 6,639.24 lakhs – a decrease of 18.76%.

The sales of the Pharmaceutical Division, at Rs. 4,532.46 lakhs, were lower than the previous year by 17.58% and the Furnishing Fabrics Division recorded sales of Rs. 591.49 lakhs - a decline of 36.23% over 2001-02.

Both sales and profitability have been substantially lower than the previous year. The reasons are:

Pharmaceuticals

Throughout February and March'03 there was tremendous uncertainty about the implementation of VAT all over India. Varying State laws over the claim of set off on stocks held at the year end compounded this. This resulted in substantially lower purchases by our dealers in these two months. This also caused a sharp drop in gross margins.

The government notified lower administrative prices for our company's major products, Vitamins.

The Company withdrew from the generics market due to the nature of that market not matching our corporate culture.

The Company had ambitious plans for growth and consequently increased expenditure on sales promotion. But this additional cost did not yield the desired increase in sales, which severely impacted profitability.

This year the Company has taken a very hard look at all the operations and challenges in the market place. To this end, the Company appointed consultancy and training firms and spent considerable amount of time, money and energy on these. This is bearing fruit and is borne out by the sharp spurt in sales in the first two months of this year. The outlook for 2003-04 appears to be good.

Furnishing Fabrics

Exports to the USA declined to a substantial extent due to severe competition. This could not be made up from domestic sales or exports to other countries. But in the first two months of 2003-04, the Company has recovered these markets and prospects are encouraging.

4. DIVIDEND

Having regard to the operating loss during the year, your Directors do not propose any dividend for the year.

5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- applicable accounting standards have been followed in the preparation of the Annual Accounts.



- ii. appropriate accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and to the loss of the Company for that period.
- iii. proper and sufficient care have been taken for the maintenance of adequate 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.
- iv. the accompanying Annual Accounts have been prepared for the year ended 31st March, 2003 on a going concern basis.

6. DIRECTORS

Shri U. G. Patel and Shri M. R. Hosangady retire by rotation under Section 256 of the Companies Act, 1956 read with Article 131 of the Articles of Association of the Company at the forthcoming Annual General Meeting and are eligible for re-election.

Your Directors have appointed Shri S. Guha Ray as Director in place of Shri R. M. Solanki, whose term of office will be liable to retirement by rotation. Shri S. Guha Ray holds office up to the forthcoming Annual General Meeting. The Board recommends his appointment by the Members.

Shri S. B. Khanolkar has resigned as Executive Director of the Company. Shri R. M. Solanki, has resigned as Director of the Company. The Board places on record the valuable service rendered by Shri R. M. Solanki during his tenure.

7. FIXED DEPOSITS

As at the close of the accounting year under review the total amount of Fixed Deposits accepted by the Company from the public and outstanding as on 31st March, 2003 aggregated Rs. 38.50 Lakhs. As of date there is no deposit, due for repayment and remaining unclaimed.

8. AUDITORS

Members are requested to appoint Auditors for the current financial year. M/s Ray & Ray, Chartered Accountants, Kolkatta, the retiring Auditors, have furnished a certificate of their eligibility for the appointment under Section 224(1) of the Companies Act, 1956.

9. EMPLOYEES

Industrial relations in all the offices and plants were cordial.

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure I to the Report and forms a part of this Report.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure II to the Report and forms a part of this Report.

11. SECRETARIAL COMPLIANCE CERTIFICATE

Pursuant to the proviso to Section 383A(1) of the Companies Act, 1956 read with Rule 3(1) of the Companies (Compliance certificate) Rules 2001, a compliance certificate obtained from Shri R. Jayaraman, Secretary in whole-time practice, is attached as Annexure III and forms part of this Report.

12. ACKNOWLEDGEMENTS

Your Directors acknowledge the continued support and co-operation received from the Medical Profession, Trade, Company's Bankers, Financial Institutions, the Central and State Governments and the Shareholders.

Your Directors also place on record their appreciation of the dedicated services of the employees at all levels.

On behalf of the Board

Mumbai
27th June, 2003

ABHAY KANORIA
Chairman & Managing Director

ANNEXURE - I TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2003.

Sl. No.	Name of the Employee	Age	Qualification	Experience (Years)	Date of Commencement of employment	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Last employment & Position held.
1.	Shri Abhay Kanoria*	47	B.Sc.	20	01-03-97	Chairman & Managing Director	31,38,358	Broach Textile Mills Limited Managing Director

* Employed throughout the year

- Notes :
- 1) 'Gross Remuneration' includes, salary, commission, medical benefits, leave travel concession, Company's contributions to Provident & Pension Funds and Superannuation Scheme.
 - 2) The nature of appointment is contractual.
 - 3) Not related to any Director of the Company.

On behalf of the Board

Mumbai
27th June, 2003

ABHAY KANORIA
Chairman & Managing Director



**ANNEXURE II TO THE DIRECTORS' REPORT**

Information as per Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2003.

A. CONSERVATION OF ENERGY :

- a) Energy conservation measures taken.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- d) Total energy consumption and energy consumption per unit of production.

The Company is constantly concerned about energy conservation, but having regard to the present level of consumption and the nature of activities, which is not energy intensive, the need for taking special energy conservation measures has not been immediately felt.

Please refer Form A hereunder

FORM A

[See Rule 2]

Form for Disclosure of particulars with respect to conservation of energy

		Previous Year	
A.	Power and Fuel consumption:		
1.	Electricity		
a)	Purchased :		
	Units	13,17,709	14,41,746
	Total Amount (Rs.)	69,39,442	71,19,632
	Rate/Unit (Rs.)	5.27	4.94
b)	Own Generation :		
i)	Through Diesel Generator		
	Units	7,33,843	6,37,128
	Units per Ltr. of Diesel Oil	2.44	3.04
	Cost/Unit (Rs.)	6.81	5.73
ii)	Through Steam Turbine/Generator		
	Units	Nil	Nil
	Units per Ltr. of Fuel Oil/Gas		
	Cost/Unit (Rs.)		
2.	Coal		
	Quantity (tonnes)		
	Total Cost (Rs.)	Nil	Nil
	Average Rate		
3.	Furnace Oil		
	Quantity (K.Ltrs)	24	36
	Total Amount (Rs.)	2,97,112	4,29,326
	Average Rate	12,379.67	11,925.72
4.	Others/internal generation		
	Quantity		
	Total Cost	Nil	Nil
	Rate/Unit		

B. Consumption per unit of Production:**Particulars****Products (with details)**

Units

Electricity

Furnace Oil

Coal

Others

Standard (if any)

Taking into account the number of formulations and furnishing fabrics manufactured by the Company and having regard to the records and other books maintained, it is not possible to apportion the consumption of utilities unitwise at this stage.

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B. TECHNOLOGY ABSORPTION :

- e) Efforts made in technology absorption : Please refer Form B hereunder.

FORM B

[See Rule 2]

Form for disclosure of particulars with respect to Technology AbsorptionResearch and Development (R&D)

- | | | |
|--|---|---|
| 1. Specific areas in which R&D carried out by the Company. | : | a) Formulations:
Development of new formulations, new dosage forms, substitution of imports by indigenous materials, improvement in stability of products. |
| | | b) Furnishing Fabrics: Nil |
| 2. Benefits derived as a result of the above R&D | : | Launching of new products, increase in shelf life and reduction in costs. |
| 3. Future plan of action | : | Continuous development of new formulations. |
| 4. Expenditure on R & D (in Rupees) : | | |
| a) Capital | | |
| b) Recurring | | |
| c) Total | | |
| d) Total R&D expenditure as a percentage of total turnover | | |

Previous Year

Nil
12,61,258
12,61,258
0.25%

Nil

20,98,933

20,98,933

0.33%

Technology absorption, adaptation and innovation

- | | | |
|--|---|--|
| 1. Efforts in brief made towards technology absorption, adaptation and innovation | : | Regular absorption of updated technical information. |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. | : | Improved processes and operating efficiencies, cost reduction. |
| 3. In case of imported technology (imports during the last five years reckoned from the beginning of the financial year) following information may be furnished. | | |
| a) Technology imported | | |
| b) Year of Import | | |
| c) Has technology been fully absorbed | | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | | |

Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|---|---|---|
| f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products & services & export plans. | : | Continuous efforts are made to increase exports and develop new export markets. |
| g) Total foreign exchange used | : | Rs. 4,05,14,138 |
| Total foreign exchange earned | : | Rs. 4,78,44,241 |

On behalf of the Board

Mumbai
27th June, 2003

ABHAY KANORIA
Chairman & Managing Director



ANNEXURE III TO THE DIRECTORS' REPORT

R. JAYARAMAN

Company Secretary(in Whole-time Practice)

Adi Shakti, No.14/16 1st Cross,
Muni Reddy Layout,
Chikka Kallasandra, Bangalore – 560 061
Phone No: 639 2148/ 639 2202

COMPLIANCE CERTIFICATE ISSUED UNDER RULE No.3(1) OF THE COMPANIES (COMPLIANCE CERTIFICATE) RULES, 2001,

To

The Members of
Anglo-French Drugs & Industries Limited
41, 3rd Cross, SSI Area, V Block, Rajajinagar,
Bangalore - 560 010

I have examined the registers, records, books and papers of M/s Anglo-French Drugs & Industries Limited as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31.03.2003. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company is not a Private Limited Company.
4. The Board of Directors duly met 4 times, on 27.06.2002, 24.07.2002, 26.10.2002 and 28.01.2003 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company closed Register of Members from 20.08.2002 to 27.08.2002 in compliance of Section 154 of the Act, and had released an advertisement alongwith Financial Results in News papers viz Financial Express in English and Udayavani in Kannada, in Bangalore on 30.06.2002.
6. The Annual General Meeting for the financial year ended on 31.03.2002 was held on 27.08.2002 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loan to its Directors and /or persons or firms or companies referred in the Section 295 of the Act.
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that Section.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors, members and previous approval of the Central Government pursuant to Section 314 of the Act wherever applicable.

Anglo-French Drugs & Industries Limited

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12. The Board of Directors or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
13. The Company has:
- delivered all the certificates on allotment of securities and on lodgment thereof for transfer/ transmission of any other purpose in accordance with the provisions of the Act;
 - deposited the amount of dividend declared in a separate Bank Account on 23.09.2002 which is 27 days from the date of declaration of such dividend.
 - paid/posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/ unpaid dividend has been transferred to Unpaid Dividend Account of the Company with Corporation Bank, Basaveshwaranagar Branch, Bangalore.
 - transferred the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund. In this connection, the Company is in correspondence with the Registrar of Companies, Karnataka, on certain issues.
 - duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies has been duly made. The Form 32 in respect of appointment of Shri. R.M.Solanki as an Additional Director, by the Board of Directors has been filed with Registrar of Companies but the same is not filed after his appointment in the General Meeting.
15. The appointment of Managing/Wholetime Director/ Manager has been made in compliance with the provisions of Section 269 read with Schedule XIII to the Act.
16. The Company has not appointed any sole-selling agents.
17. The Company has obtained all necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares/ debentures/ other securities during the financial year.
20. The Company has not bought back shares during the financial year.
21. The Company has not issued any Preference shares. 1/3rd of the amount of 350 Non Convertible Debentures amounting to Rs.117 lakhs has been redeemed during the year.
22. There were no rights dividend, issue of rights shares and bonus shares during the year.
23. The Company has complied with the provisions of Sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975, the applicable directions issued by the Reserve Bank of India/ any other authority in respect of deposits accepted amounting to Rs.27.48 lakhs as on 31.03.2002 and the Company has filed the copy of statement in lieu of advertisement/necessary particulars as required with the Registrar of Companies on 19.07.2002. The Company has also filed returns of deposit with the Registrar of Companies/Reserve Bank of India/other authorities.
24. The amounts borrowed by the Company from Directors, members, public, financial institutions, banks and others during the financial year ended 31.03.2003 are within the borrowing limits of the Company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened Annual General Meeting. The Company has not filed any modification in respect of its availing FCNR (B) credit facilities out of its
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