



ANGLO-FRENCH DRUGS & INDUSTRIES LIMITED  
ANNUAL REPORT 2004-2005

## 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

## REGISTERED OFFICE

No. 41, 3rd Cross, V Block  
 Rajajinagar  
 Bangalore-560 010  
 Karnataka.

## COMPANY SECRETARY

SHRI G. SRINIVASAIAH

## AUDITORS

RAY & RAY  
 Kolkatta

## BANKERS

ING Vysya Bank Limited  
 State Bank of India

## SOLICITORS

Kanga & Co.

## SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.,  
 C13, Panalal Silk Mills Compound,  
 LBS Marg, Bhandup(W)  
 Mumbai 400 078  
 Ph:022-55555454 Fax:022-55555353

## MANUFACTURING PLANTS

### PHARMACEUTICALS

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

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

### FURNISHING FABRICS

Kharchi - Bilwara  
 Taluk Jhagadia  
 District Bharuch  
 Gujarat.

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**Anglo-French Drugs & Industries Limited**

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**N O T I C E**

NOTICE is hereby given that the 82<sup>nd</sup> Annual General Meeting of Anglo-French Drugs & Industries Limited will be held on Friday, 22<sup>nd</sup> July 2005 at 4.30 p.m. at Hotel 'The Grand Ashok', High Grounds, Bangalore-560 001, to transact the following business:

**ORDINARY BUSINESS**

1. To receive and adopt the audited statements of Account of the Company for the year ended 31<sup>st</sup> March 2005 together with the reports of the Directors and the Auditors.
2. To appoint a Director in place of Shri U G Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M R Hosangady, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution.

RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Ray & Ray, the retiring Auditors of the Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Meeting up to the conclusion of the next Annual General Meeting of the Company on such remuneration and out-of-pocket expenses, as the Board of Directors may fix".

**SPECIAL BUSINESS**

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the conditions specified in Schedule XIII to the Companies Act 1956, consent of the Company be and is hereby accorded for re-appointment of Shri Abhay Kanoria as the Chairman and Managing Director of the Company for a period of three years with effect from 1<sup>st</sup> April 2005 on a remuneration and on such terms and conditions as recommended by the Remuneration Committee of Directors and approved by the Board of Directors in their meetings held on 22<sup>nd</sup> January 2005 and set out in the Agreement to be entered into between the Company and Shri Abhay Kanoria (draft of which is submitted to this Meeting and initialed by the Chairman for the purpose of identification) and the Board of Directors be and is hereby authorised to revise, amend, alter or otherwise vary the terms and conditions of his appointment from time to time as they may deem fit and to do such acts, deeds and things which are necessary and incidental to give effect to the above resolution, provided that the aggregate remuneration payable to Shri Abhay Kanoria shall be in accordance with the laws, policies, rules, regulations and/or guidelines in force from time to time".



6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

RESOLVED THAT pursuant to provisions of Section 314 of the Companies Act, 1956 read with the Director's Relatives (Office or Place of Profit) Rules 2003 and other applicable laws, consent of the Company be and is hereby accorded for appointment of Shri. Uddhav Kanoria, Son of Shri Abhay Kanoria Chairman & Managing Director of the Company with effect from 1<sup>st</sup> December 2004 on a Salary of Rs.20,000/- p.m. in the scale of Rs.20,000/- — 5000/- — Rs.40,000; with applicable statutory benefits and other benefits, as per the rules of the Company, with a liberty to the Directors to revise or otherwise vary the terms provided that the aggregate remuneration payable to Shri Uddhav Kanoria shall be in accordance with the laws, policies, rules, regulations and/or guidelines in force from time to time".

By order of the Board

Mumbai  
27<sup>th</sup> May 2005

**G Srinivasaiah**  
Company Secretary

**Registered Office:**

No.41, 3<sup>rd</sup> cross, V Block,  
Rajajinagar, BANGALORE 560 010

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of items 4,5 and 6 set out above, is annexed hereto.
3. The Register of Members and the Share transfer Books of the Company will remain closed from 15<sup>th</sup> July 2005 to 22<sup>nd</sup> July 2005 (both days inclusive).
4. The Company's shares are listed with OTC Exchange of India and could be traded only in de-materialised form. The Company has established the Electronic Connectivity with NSDL and CDSL to facilitate holding and transfer of shares in de-materialised form. The International Securities Identification Number (ISIN) allotted to the Company's equity is INE570E01016. The shareholders may make use of this facility for converting their holding into de-materialised form.
5. Members holding shares in physical form may notify change in their address, if any, to the Company's Share Transfer Agents Intime Spectrum Registry Ltd., C13, Panalal Silk Mills Compound, LBS Marg, Bhandup (W) Mumbai 400 078. Ph:55555454 Fax:55555353.
6. The Shareholders who have not received/encashed the dividend in respect of financial years 1999-2000, 2000-01 and 2001-02, may lodge their claim with the Company at its Registered office. Pursuant to Section 205(5) of the Companies Act, 1956, the Company shall have to transfer the dividend, remaining unclaimed for seven years, to the Investor Education and Protection Fund (Fund) and thereafter no claim of share holders in regard to the said amounts, shall lie against the Company or Fund.

**ANNEXURE TO NOTICE**

**Explanatory Statement as required by Section 173 (2) Companies Act, 1956.**

**ITEM 4:**

Section 224A of the Companies Act, 1956 (the act) provides for the appointment or re-appointment of an auditor of a Company at each Annual General Meeting by a Special Resolution, if not less than 25 percent of its subscribed share capital is held singly or in combination by public financial or other institutions in which the State Government holds not less than 51 percent of the share capital, Nationalised Banks or Insurance Companies carrying on General Insurance Business.

## Anglo-French Drugs & Industries Limited

The holdings of the aforesaid public financial institutions in this Company exceed 25 percent of the subscribed share capital of the Company and hence the re-appointment of Messrs. Ray & Ray, Chartered Accountants, as Auditors of the Company, is required to be made by a Special Resolution. Under 224(1) of the Act, a certificate has been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (IB) of the Act.

### ITEM 5:

At the Annual General Meeting of the Company held on 27<sup>th</sup> August 2002, the remuneration payable to Shri Abhay Kanoria, Chairman and Managing Director had been approved by the Members for three years with effect from 1<sup>st</sup> April 2002. The Board of Directors at its Meeting held on 22<sup>nd</sup> January 2005 has, in accordance with Sub-section B of Section II of Part II of Schedule XIII to the Companies Act, 1956 and on the recommendation of the Remuneration Committee accorded at its meeting held on that day, approved the appointment of and payment of remuneration to Shri Abhay Kanoria, as set out below for 3 years with effect from 1<sup>st</sup> April 2005;

- i. Salary at the rate of Rs.2 lakhs per month.
- ii. Rent free furnished accommodation.
- iii. Commission at the rate of 1% of the net profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956.
- iv. Use of office car with driver. Use of the car for private purposes to be billed by the Company to Shri Abhay Kanoria.
- v. Contributions to Provident Fund and Superannuation Scheme as per Rules of the Company.
- vi. Personal Accident Insurance, annual premium of which, shall not exceed Rs.4,000/-.
- vii. Free residential telephone facility excluding long distance personal calls
- viii. Subscription fees of two clubs in India.
- ix. The reimbursement of Medical expenses for himself and family for domiciliary treatment up to a limit of Rs.15,000/- in a year and coverage under Company's group MEDICLAIM policy with Insurance Company for self and family.
- x. Leave Travel Concession for self and family once a year, in accordance with the Rules of the Company.
- xi. Earned leave as per the rules of the Company; encashment of unavailed leave at the end of tenure.
- xii. The Cost to the Company in respect of all perquisites shall not, together with the salary and commission, exceed the limits stipulated in Sub-section 'B' of Section II of Part II of Schedule XIII to the Companies Act, 1956 as existing or as may be amended from time to time.
- xiii. For the purpose of above ceiling, contributions to the Provident Fund, Superannuation Scheme to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 and encashment of unavailed leave, shall not be included.
- xiv. First Class Air or Air-conditioned/Executive Class Rail fares at his option for self, wife and dependant children to his home-town in India on termination of the Agreement.
- xv. The Agreement may be terminated at any time by either party giving to the other six English Calendar months' previous notice in writing.

Information/disclosure as required under Schedule XIII to the Companies Act, 1956, are furnished hereunder

- I. The Company is engaged in manufacture and sale of Pharmaceuticals and Furnishing Fabrics and is in existence for 82 years. The financial performance of the company for the year ended 31<sup>st</sup> March 2005 is given below;

	<u>Rs. in Lakhs</u>
Sales & Operating Revenues	5313.80
Profit/(Loss) Before Tax	(503.79)
Provision for Tax (Current)	Nil
FOB Value of exports	376.56

The Company has no foreign collaboration.



- II. Shri Abhay Kanoria is a Graduate in Science with over 22 years of Industrial experience. He is on Board of the Company since 1988 as a Director and as Chairman of the Board since March 1992. He is serving as Chairman and Managing Director of the Company since April 1997. He is also the Managing Director of Broach Textile Mills Limited.

The details of remuneration paid to him for the year ended 31<sup>st</sup> March 2005, are as under

	Rs.
Salary	24,00,000
Contribution to Provident & Other funds	6,88,000
Perquisites	56,666
Total	<u>31,44,666</u>

His rich experience & expertise in both Pharmaceutical and Textile Industries aptly suit him, to head the affairs of the Company. The remuneration proposed is commensurate with the responsibilities

- III. The year ended 31<sup>st</sup> March 2005 was an exceptional year for the Company in terms of lower sales and business loss due to adverse market conditions. The Pharmaceutical Division of the Company was severely affected in February / March 2005 due to the uncertainty over the implementation of Value Added Tax (VAT), resulting in loss of sales to the Company due to the down stocking by stockist/dealers. With implementation of VAT in April 2005, the Company has fared well in April 2005 and is confident of achieving better results in the current financial year.

In regard to Furnishing Fabrics Division, during the year 2004-05, exports declined to a substantial extent due to severe competition. This could not be made up from domestic sales. The Company is hopeful of achieving better results during the Current year.

In terms of schedule XIII to the Companies Act, 1956, the payment of remuneration requires the approval of shareholders by a Special resolution and hence the requisite resolution is set out in item 5 of the notice. The Directors recommend the resolution for approval of members. Except Shri Abhay Kanoria, no other director, is concerned or interested in this resolution.

#### ITEM 6

Shri Uddhav Kanoria, son of Shri Abhay Kanoria the Chairman and Managing Director of the Company, is a Bachelor of Business Administration with Finance as main and Marketing as ancillary from the University of Texas, Austin, USA and as a part of this he had attended short term summer courses in France and Brazil. On his return to India, Shri Uddhav Kanoria had served as Management Trainee in Pfizer Ltd., Mumbai, for six months and has also undergone a summer workshop with Kotak Mahindra Capital Company covering strategic business development. Prior to joining the Company he has served as Executive Officer in Broach Textile Mills Limited, Bharuch, Gujarat for few months managing the operations. The services of Shri Uddhav Kanoria will be beneficial to the Company and hence the Board of Directors has, at its meeting held on 22<sup>nd</sup> January 2005, appointed him as the Executive Officer, with effect from 1<sup>st</sup> December 2004 on the terms of remuneration set out in the resolution at item 6 of the notice. Shri Uddhav Kanoria shall be responsible for such functions that may be assigned by the Management from time to time.

In terms of provisions of Section 314 of the Companies Act 1956 read with the Director's Relatives (Office or Place of Profit) Rules 2003, approval of shareholders by a special resolution is required for payment of Remuneration of Rs.10,000/- and above, to any relative of a Director and accordingly, the Special resolution for appointment and payment of remuneration to Shri Uddhav Kanoria, is recommended for your approval. Except Shri Abhay Kanoria, no other director, is concerned or interested in this resolution.

By order of the Board

Mumbai  
27<sup>th</sup> May 2005

**G Srinivasaiah**  
Company Secretary



## Anglo-French Drugs & Industries Limited

### REPORT OF THE DIRECTORS TO THE MEMBERS

1. Your Directors have pleasure in presenting the EIGHTY-SECOND Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March 2005.

#### 2. FINANCIAL HIGHLIGHTS

Rs. In Lakhs

PARTICULARS	Year Ended 31.03.2005	Year Ended 31.03.2004
Profit/(Loss) for the year before Depreciation & Exceptional item	(310.77)	455.97
Less: Exceptional item—payment to employees under a Voluntary Retirement Scheme	Nil	203.19
Less: Depreciation	193.02	168.17
Net Profit/(Loss) before taxation	(503.79)	84.61
Less: Provision for Taxation		
- Current	Nil	(6.50)
- Deferred	186.29	(25.92)
Add: Balance brought forward from Profit & Loss Account	(93.51)	(145.70)
Balance carried to Balance Sheet	(411.01)	(93.51)

#### 3. OPERATIONS

Sales including other income for the year under review, amounted to Rs.5,313.80 lakhs as compared to Rs.6,286.70 lakhs in the previous year – a decrease of 15.48%.

The sales of the Pharmaceutical Division, at Rs.4,514.47 lakhs, were lower than the previous year by 13.67% and the Furnishing Fabrics Division recorded sales of Rs.537.39 lakhs – a decrease of 25.02% over 2003-04.

##### Pharmaceuticals

During the year under review, most of the Pharmaceutical Companies were severely affected by the uncertainty over Value Added Tax (VAT) effective April'05 and your Company was no exception to this.

Throughout February and March'05 there was tremendous uncertainty about implementation of VAT all over India. This resulted in substantially lower

purchases by our stockists in these two months thereby causing a sharp drop in gross margins. In spite of the Company urging the trade to continue their purchases and assuring them that they would be adequately compensated in case of any adverse impact on account of proposed introduction of VAT effective 1<sup>st</sup> April 2005, the response from the trade was poor.

Effective April 05, with the implementation of VAT in the Country, excepting certain states, normal trading has commenced and your Company has fared well in April'05 and is confident of achieving better operating results in the year 2005-06.

##### Furnishing

During the year under review, exports declined to a substantial extent due to severe competition. This could not be made up from domestic sales.

#### 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, on the basis of information furnished by the Management and Auditors of the Company, that:

- applicable accounting standards have been followed in the preparation of the annual accounts.
- 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 as at 31<sup>st</sup> March 2005 and to the loss of the Company for the year ended on that date.
- proper and sufficient care has been taken for the maintenance of adequate records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the accompanying annual accounts have been prepared 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-appointment.

## 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 31<sup>st</sup> March 2005 aggregated to Rs.45.25 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 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 part of this Report.

## 11. ACKNOWLEDGEMENTS

Your Directors acknowledge the continued support and co-operation received from the Medical Profession, Business Associates, Company's Bankers, Financial Institutions, the State and Central 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  
27<sup>th</sup> May 2005

**ABHAY KANORIA**  
Chairman & Managing Director



**Anglo-French Drugs & Industries Limited****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 31<sup>st</sup> March 2005.

Name of the Employee	Age	Qualification	Experience (Years)	Date of Commencement of employment	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Last employment & Position held.
Shri Abhay Kanoria*	49	B.Sc.	22	01/03/97	Chairman & Managing Director	31,44,666	Broach Textile Mills Limited -Managing Director

\* Employed throughout the year

- Notes :
- 1) 'Gross Remuneration' includes, salary, 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  
27<sup>th</sup> May 2005

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**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 31<sup>st</sup> March 2005.

### 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 are 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

A. Power and Fuel consumption:		Previous Year	
1. Electricity			
a) Purchased :			
Units	18,20,845	14,92,003	
Total Amount (Rs.)	95,39,101	81,41,651	
Rate/Unit (Rs.)	5.24	5.46	
b) Own Generation :			
i) Through Diesel Generator			
Units	2,80,898	7,32,918	
Units per Ltr.of Diesel Oil	1.88	2.64	
Cost/Unit (Rs.)	12.29	7.04	
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)	36	36	
Total Amount (Rs.)	5,00,415	4,67,157	
Average Rate	13,900.40	12,967.58	
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.