



**Anglo-french Drugs & Industries Ltd.,
Annual Report 2006-2007**

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

AUDITORS

RAY & RAY
 Chartered Accountants

MANUFACTURING PLANTS

PHARMACEUTICALS

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

BANKERS

ING Vysya Bank Limited
 State Bank of India

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

SOLICITORS

Kanga & Co.



REGISTRARS & SHARE TRANSFER AGENTS

Canbank Computer Services Ltd.,
 Naveen Complex, 4th Floor,
 No. 14, M.G. Road, Bangalore - 560 001.
 Phone : 080-25320541/542
 Fax : 080-25320544
 E-mail : ccslmt@eth.net

FURNISHING FABRICS

Kharchi - Bilwara
 Taluk Jhagadia
 District Bharuch
 Gujarat.

The Company's equity shares are listed with Over The Counter Exchange of India and the requisite Listing fee has been paid by the Company.

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REPORT OF THE DIRECTORS TO THE MEMBERS

1. The Directors have pleasure in presenting the EIGHTYFOURTH Annual Report together with the Audited accounts for the year ended 31st March 2007.

2. FINANCIAL SUMMARY

PARTICULARS	Rs. In Lakhs	
	YEARENDED	
	31.03.2007	31.03.2006
Profit/(Loss) for the year before Depreciation		319.96
Depreciation	274.60	
Less: Depreciation	185.39	186.08
Net Profit/(Loss) before taxation	89.21	133.88
Less: Provision for Taxation		
- Current	(10.50)	Nil
- Deferred	(28.99)	(47.47)
- Fringe Benefit	(21.90)	(23.13)
Add: Balance brought forward from Profit & Loss Account	(347.73)	(411.01)
Balance carried to Balance Sheet	(319.91)	(347.73)

3. OPERATIONS

Sales including other income for the year under review, amounted to Rs. 7,056.02 lakhs as compared to Rs.6,894.30 lakhs in the previous year – an increase of 2.35%

The sales of the Pharmaceutical Division, at Rs. 6,201.94 lakhs, were higher than the previous year by 4.24% and the Furnishing Fabrics Division recorded sales of Rs.499.78 lakhs – a decrease of 22.44% over 2005-2006.

Pharmaceuticals

During the year under review, the Company's performance was severely affected due to the impact of price reduction effected by the Government of India, in the Ceiling prices of multi-vitamin formulations, in which category the Company's major products fall. This has affected the sales as well as profitability of the Company. However, this has been, to certain extent, taken care by the Company in strengthening its products range in the segments of cough and cold, pain management and food supplements by introducing an Expectorant, a Muscle relaxant and a Protein supplement respectively.

The Company is relooking at its marketing strategies and is confident of achieving better results during the year. Besides, the Company has scheduled introduction of few more new products like Nasal drops and Calcium supplement.

Furnishing

During the year under review, though the sales were lower than the preceding year, the operational efficiency has improved and the Company is hopeful of performing better during the current year. During the current year the Company has introduced drapery line.

4. DIVIDEND

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

5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors state, on the basis of information furnished by the Management and Auditors of the Company, that:

- i. 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 as at 31st March 2007 and to the profit of the Company for the year ended on that date.
- iii. proper and sufficient care have 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.
- iv. the accompanying Annual Accounts have been prepared on a going concern basis.

6. DIRECTORS

Shri U G Patel retires 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 being eligible, offers himself for re-appointment.



Shri M R Hosangady retires 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 being eligible, offers himself 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 31st March 2007 aggregated to Rs. 16.50 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. ACKNOWLEDGEMENTS

The Directors acknowledge the continued support and co-operation received from the Medical Profession, Trade, Banks, other Business Associates, the Central and State Governments and the Shareholders.

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

On behalf of the Board

ABHAY KANORIA
Chairman &
Managing Director

Mumbai
28th May, 2007

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 2007.

Sl. No	Name of 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 *	51	B.Sc.	24	01/03/1997	Chairman & Managing Director	35,11,174	Broach Textile Mills Limited, Managing Director

* Employed throughout the year

NOTES:

- 1) 'Gross Remuneration' includes salary, house rent, electricity, Company's contributions to Provident & Pension Funds, Superannuation Scheme, medical benefits and leave travel concession.
- 2) The nature of appointment is contractual.
- 3) Not related to any Director of the Company, except Shri. Uddhav Kanoria.

On behalf of the Board

ABHAY KANORIA
Chairman & Managing Director

Mumbai
28th May, 2007



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 31st March 2007.

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	21,19,177
Total Amount [Rs.]	1,07,21,019
Rate/Unit [Rs.]	5.06
b) Own Generation :	
i) Through Diesel Generator	
Units	1,38,469
Units per Ltr.of Diesel Oil	4.06
Cost/Unit [Rs.]	7.46
ii) Through Steam Turbine/Generator	NIL
2. Furnace Oil	
Quantity (K.Ltrs)	56
Total Amount [Rs.]	9,64,715
Average Rate [Rs. per Ltrs]	17.27
3. Others	NIL
B. Consumption per unit of Production :	Standard [if any]
Particulars	
Products (with details)	
Units	
Electricity	
Furnace Oil	
Coal	
Others	

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.

**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 Absorption:Research 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 process and 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 :			Previous Year
a) Capital [Rs.]		Nil	2,82,964
b) Recurring [Rs.]		18,60,952	<u>17,52,935</u>
c) Total [Rs.]		18,60,952	<u>20,35,899</u>
d) Total R&D expenditure as a percentage of total turnover		0.28%	0.31%

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 5 years reckoned from the beginning of the financial year) following information may be furnished.		
a) Technology imported	:	Not Applicable
b) Year of Import		
c) Has technology been fully absorbed		
d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.		

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.	:	Continuous efforts are made to increase exports and develop new export markets.
g) Total foreign exchange used (Rs.)	:	1,73,55,636 (Previous year 2,84,05,163)
Total foreign exchange earned (Rs.)	:	4,81,25,092 (Previous year 6,11,30,103)

On behalf of the Board

Mumbai
28th May 2007

ABHAY KANORIA
Chairman & Managing Director



AUDITORS' REPORT

TO THE MEMBERS OF ANGLO-FRENCH DRUGS & INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Anglo-French Drugs & Industries Limited, as at 31st March 2007 and the annexed Profit & Loss Account and the Cash Flow Statement for the year ended on that date, in which are incorporated the Branch Accounts audited by us. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, and on the basis of such checks as we considered appropriate in accordance with generally accepted auditing standards and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
 4. 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 and 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 comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the Directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as a Director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956.
 - vi) Cess under section 441A of the Companies Act, 1956 is not applicable for the year since the notification in the official gazette referred to in the said section has not yet been issued by the Central Government.
5. In our opinion and to the best of our information and according to the explanations given to us the said accounts read with schedules and notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - 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 Cash Flow Statement, of the cash flows for the year ended on that date.

for **Ray & Ray**
Chartered Accountants

M. Kishore
Partner
Membership No. 23148

28th May 2007
Bangalore



ANNEXURE TO THE AUDITORS' REPORT

(referred to in paragraph 3 of our report of even date)

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| <p>I (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.</p> <p>(b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.</p> <p>(c) The fixed assets, that have been sold / disposed off during the year do not constitute a substantial part of the total fixed assets of the company. Hence the going concern concept has not been affected.</p> <p>II (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.</p> <p>(b) In our opinion, the procedures of physical verification of inventories are reasonable and adequate in relation to the size of the company and the nature of its business.</p> <p>(c) We are of the opinion that the company maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.</p> <p>III (a) The company has not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Company's Act, 1956.</p> <p>(b) (i) Particulars of loans taken by the company from companies, firms and other parties, covered in the Register maintained under section 301 of the Companies Act, 1956, are given in Table 1 attached.</p> <p>(ii) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or 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.</p> <p>(iii) Where stipulated, the company is regular in repaying the principal amounts and has been regular in the payment of interest.</p> <p>IV In our opinion there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and the sale of goods and services. Further during the course of our audit, we have neither come across nor have we been informed of any instance of major weakness in the aforesaid</p> | <p>internal control systems, which would require corrective action.</p> <p>V (a) We are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register, maintained under the said section.</p> <p>(b) In our opinion the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.</p> <p>VI The company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. Further, during the course of our audit, we have neither come across nor have we been informed of any order passed under the aforesaid sections by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal during the year.</p> <p>VII In our opinion, the company has an internal audit system commensurate with the size and nature of its business.</p> <p>VIII We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.</p> <p>IX (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs Duty, Excise Duty and other statutory dues applicable to it. There are no undisputed amounts payable in respect of all such statutory dues which were outstanding as at 31st March 2007 for a period of more than six months from the date they became payable.</p> <p>(b) Statutory claims which have not been deposited due to disputes, are given in Table 2 attached.</p> <p>X There are no accumulated losses and the company has not incurred any cash losses during the financial year covered by our report.</p> |
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