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Anglo-French Drugs & Industries Ltd.,
85th Annual Report
15 Months Ended 30th June 2008

Anglo-French Drugs & Industries Limited**NOTICE**

NOTICE is hereby given that the 85th Annual General Meeting of ANGLO-FRENCH DRUGS & INDUSTRIES LIMITED will be held on Tuesday 21st October 2008 at 16.30 hrs at Goldfinch Hotel, 32/3, Crescent Road, High Grounds, Off Race Course Road, 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 15 months period ended 30th June 2008 together with the reports of the Directors and the Auditors.
2. To appoint a Director in place of Shri V.B. Haribhakti, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Messrs. Ray & Ray, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.

"RESOLVED THAT consent of the Company be and is hereby accorded for the appointment of Shri. N.S. R.C. Prasad, as a Director whose term of office will be liable for retirement by rotation.

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 1st April 2008 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 25th January 2008 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 authorized 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 consent of the Company be and is hereby accorded for the Transfer of Company's Lease Hold land at Pithampur, Madhya Pradesh and sell the manufacturing facility thereof with all its assets, on such considerations which the Chairman and Managing Director deems beneficial to the Company.

By order of the Board

Mumbai
26th September 2008

B. Subbarayalu
Company Secretary

Registered Office:

No.41, 3rd 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 AND THE PROXY FORM, TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The relative explanatory statement pursuant to sub-section (2) of Section 173 of the Companies Act, 1956 in respect of item 4 of the notice, is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed for 8 days from 14th October 2008 to 21st October 2008 both days inclusive.
4. 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 get their holding into de-materialised form.
5. Members, holding shares in physical form, may notify change in their address, by quoting Folio Number, to the Company or to the Share Transfer Agents. Those who hold shares in de-materialisation form, may notify the change in address to the Depository Participant, where such shareholder have a demat account.
6. The Shareholders who have not received/encashed the dividend in respect of financial year 2001-02 (Paid in September 2002) may lodge their claim with the Company at its Registered Office. Pursuant to Section 205A(5) of the Companies Act, 1956, the Company shall have to transfer the dividend amount, 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 amount, shall lie against the Company or Fund. In terms of the same, the unclaimed dividend will be transferred in the month of September 2009.

ANNEXURE TO NOTICE**Explanatory Statement as required by Section 173 (2) Companies Act, 1956.****ITEM 4:**

The Board of Directors at its Meeting held on 29th October 2007 has co-opted Shri.N.S.R.C. Prasad as an additional Director of the Company who holds office upto this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. Shri.N.S.R.C. Prasad is B.Com., C.A.I.I. B.(I) and Fellow of the Insurance Institute of India. He is presently Director & General Manager of the New India Assurance Co.Ltd., having 30 years of service. His knowledge and experience will add to the professional functioning of the Company. Your Directors therefore recommend his appointment for the approval of the Members.

ITEM 5:

At the Annual General Meeting of the Company held on 22nd July 2005, the remuneration payable to Shri. Abhay Kanoria, Chairman and Managing Director had been approved by the Members for three years with effect from 1st April 2005. The Board of Directors at its Meeting held on 25th January 2008 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 1st April 2008.

- 1) Salary at the rate of Rs.2.00 lakhs per month
- 2) Rent Free furnished accommodation.
- 3) 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.
- 4) Use of office car with driver. Use of the car for private purposes to be billed by the Company to Shri. Abhay Kanoria.

ANGLO-FRENCH DRUGS & INDUSTRIES LIMITED
 Regd. Office : 41, 3rd Cross, V Block, Rajajinagar, Bangalore - 560 010

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting venue.

Name of the member attending the Meeting (in block letters) _____

Member's Folio No./DPAD-Client ID No. _____

In case of Proxy, Name of Proxy _____

No. of Shares held _____

I hereby record my presence at the 85th Annual General Meeting on Tuesday the 21st October 2008, at 4.30 p.m. at "Goldenfinch" Hotel, # 32/3, Crescent Road, High Grounds, Off Race Course Road, Bangalore-560 001.

 Member's/Proxy's Signature
 (To be signed at the time of handing over this slip)

- Notes :**
1. Interested joint Shareholders may obtain attendance slips from the Company's Registered Office.
 2. Shareholders/Joint Shareholders are requested to bring the attendance slips with them.



ANGLO-FRENCH DRUGS & INDUSTRIES LIMITED
 Regd. Office : 41, 3rd Cross, V Block, Rajajinagar, Bangalore - 560 010

PROXY FORM

I/We _____

of _____

being a member/members of Anglo-French Drugs & Industries Ltd., hereby appoint

of _____

or failing him _____

of _____

or failing him _____

of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 85th Annual General Meeting of the Company to be held at Bangalore on Tuesday 21st October 2008.

Signed this _____ day of _____

Signature of the said _____

of _____

Note : If a member is unable to attend the Meeting, he may sign this form and send it to the Registered Office of the Company so as to reach atleast 48 hours before the time for holding the Meeting.



Anglo-French Drugs & Industries Limited

- 5) Contributions to Provident Fund, Gratuity Fund, Superannuation Scheme and coverage under Personal Accident Insurance as per Rules of the Company.
- 6) Free Residential telephone excluding long distance personal calls
- 7) *Subscription fees of two clubs in India*
- 8) The re-imbursement 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 MEDICLAIM policy with Insurance Company for self and family.
- 9) Leave Travel Concession for self and family once a year, in accordance with the Rules of the Company
- 10) Earned leave as per the rules of the Company: encashment of un-availed leave at the end of the tenure.
- 11) The Cost to the Company in respect of all perquisites shall not, together with the salary and commission exceed the limits, stipulated in Section B of Section II of Part II of Schedule XIII to the Companies Act as existing or as may be amended from time to time.
- 12) For the purpose of above ceiling, contributions to the Provident Fund and the Superannuation Scheme to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 and encashment of un-availed leave shall not be included.
- 13) 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.
- 14) The Agreement may be terminated at any time by either party giving to the other six English Calendar month's previous notice in writing.

ITEM 6:

The Company has an injectable plant, commissioned in February 1992, at Pithampur, Madhya Pradesh. It was set up to take advantage of the then sales tax benefits and investment subsidies. That purpose has been achieved some time ago. All the assets thereof most of which have already been fully depreciated.

In the last few years, excise and tax free zones have been set up particularly in Himachal Pradesh and Uttaranchal. There are many new factories specializing in injectables production. These have much larger capacities than the company's plant and are consequently more cost effective, apart from the tax breaks.

It would require a large investment, about Rs.9 crores, to bring the company's plant to equally competitive levels. Further, with our product range, even the existing capacity is underutilized, so the upgraded and expanded plant will be certainly uneconomical.

Accordingly, it is beneficial to sell the facility, including transfer of the leased land on which it is built. The Company's products will be manufactured on contract.

The Directors in the Board Meeting held on 26th September 2008 have approved the Transfer of Company's Lease Hold Land at Pithampur, Madhya Pradesh, admeasuring 32082 Sq. Mtrs. and sell the manufacturing facility thereof with all its assets, on such considerations which the Chairman and Managing Director deems beneficial to the Company subject to the approval of the Shareholders in the ensuing Annual General Meeting of the Company as required under Section 293(1) (a) of the Companies Act, 1956.

None of the Directors is interested in the above Resolution.

Mumbai
26th September 2008

Registered Office:

No.41, 3rd cross, V Block, Rajajinagar
BANGALORE 560 010

By order of the Board

B. Subbarayalu
Company Secretary

BOARD OF DIRECTORS

SHRI ABHAY KANORIA, *Chairman & Managing Director*
 SHRI U.G. PATEL
 SHRI M.R. HOSANGADY
 SHRI V.B. HARIBHAKTI
 SHRI UDDHAV KANORIA
 SHRI N.S.R.C. PRASAD, *Nominee Director*

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

SOLICITORS

Kanga & Co.

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

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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Anglo-French Drugs & Industries Limited

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors have pleasure in presenting the EIGHTYFIFTH Annual Report together with the Audited accounts for the 15 months period ended 30th June 2008.

OPERATIONS

The sales of the Pharmaceutical Division, was Rs. 8355 lakhs and the Furnishing Fabrics Division recorded sales of Rs. 734 lakhs, totaling Rs. 9089 lakhs as compared to Rs. 7949 lakhs in the previous 12 month period. This includes other income from operations.

During the 15 months period your Company, has not significantly increased its revenue. There were increased costs of raw materials, which could not be passed on the customer because of price restrictions from the government. Your company incurred higher selling, sales promotion and personnel cost with the expectation of getting substantially higher sales, but there was significant delay in the achievement of this objective. Your company raised field staff allowances to be in line with market norms for companies of commensurate size. Moreover, a major contract manufacturing arrangement the Company had with a MNC came to an end in May'2007. The fabrics division was severely affected by the worldwide reduction in demand. All these severely affected profitability.

Your company has installed Enterprise Resource Planning system (ERP), namely SAP. This was started in November 2007. Parallel runs are going on at this time and the company expects to switch in November 2008.

Your company has entered into an agreement with a marketing company who markets 'generic' drugs on which the company will get a handsome royalty.

Your company needs to substantially upgrade its manufacturing facilities to meet the quality standards of both domestic and international markets as well as regain the contract manufacturing arrangements earlier utilized. Work on this has commenced and is scheduled to be completed in February 2009.

In order to augment the working capital requirements and meet the cost of upgrading the manufacturing facilities, your company disposed part of its land at Peenya, Bangalore. There is still enough land for future expansion to quadruple the capacity.

FINANCIAL HIGHLIGHTS

The completion of ERP implementation process got delayed due to technical reasons and therefore your company took a decision to extend the accounting year from April 07 - March 08 to April 07 - June 08. Hence the year under review comprises a period of 15 months commencing from 1st April 2007.

The financial results for the fifteen months period were as under.

Rs. In Lakhs

P A R T I C U L A R S	15th Months	12 Months
	Period Ended 30.06.2008	Year Ended 31.03.2007
Profit/(Loss) for the year before		
Depreciation	(560.56)	274.60
Less: Depreciation	<u>201.17</u>	<u>185.39</u>
Net Profit/(Loss) before taxation	(761.73)	89.21
Add: Extraordinary income	<u>1972.78</u>	<u>Nil</u>
(Refer Note 8)	1211.05	89.21
Less: Provision for Taxation		
- Current	(450.00)	(10.50)
- Deferred	13.69	(28.99)
- Fringe Benefit	(27.91)	(21.90)
Add: Balance brought forward		
from Profit & Loss Account	<u>(319.91)</u>	<u>(347.73)</u>
Balance carried to Balance Sheet	<u>426.92</u>	<u>(319.91)</u>

DIVIDEND

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

OUTLOOK FOR 2008-2009

With all the necessary steps being taken to increase the operational efficiency, your company is hopeful of increasing the revenue quite substantially. Apart from the main stay of trade formulations, your company's institutional and exports divisions will now reap the benefit of earlier investments by way of registrations of the company and its products in government and private institutions as well as foreign countries.

The sharp increase in the price of raw materials has been reversed. Expenses on this account have already declined and are expected to go down even further.



Anglo-French Drugs & Industries Limited

Your company has made corrections in selling and sales promotion expenses commensurate to sales.

With the implementation of ERP, your company expects reductions in stocks and other operating costs and, more importantly will have improved decision making tools.

The 'generics' sale is showing robust increase and the company expects to gain substantially higher profits from this venture.

With the sale of land, the company has reduced expenditure on interest and there will be no need to borrow any funds for upgradation of the manufacturing facilities. This will, in the next financial year (2009-2010), add to profits as the company will get contract manufacturing revenues.

In total, this year both sales revenues and profits will be vastly improved.

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:

- 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 30th June 2008 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.

DIRECTORS

Shri V.B. Haribhakti 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 D.D. Damodar has resigned as Director of the Company. The Board places on record the valuable services rendered by Shri. D. D. Damodar during his tenure.

Your Directors have appointed Shri N.S.R.C. Prasad as a Director, who will hold the office upto 85th Annual General Meeting. The Board recommends Mr.N.S.R.C. Prasad's appointment by the Members, for his continuance as a Director.

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 30th June 2008 aggregated Rs. 14.50 Lakhs. As of date there is no deposit, due for repayment and remaining unclaimed.

AUDITORS

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

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.

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



Anglo-French Drugs & Industries Limited

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.

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

On behalf of the Board

ACKNOWLEDGEMENTS

Your 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.

Mumbai
26th September 2008

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 15 months period ended 30th June 2008.

Sl.

No	Name of Employee	Age	Qualification	Experience (Years)	Date of commencement of employment	Designation/ Nature of Duties	Gross Remuneration Rs.('000)	Last employment & Position held.
1	Shri Abhay Kanoria *	52	B.Sc.	25	01/03/1997	Chairman & Managing Director	4543	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

Mumbai
26th May, 2008

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 15 months period ended 30th June 2008.

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