

86th Annual Report 2008-2009

June

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Anglo-French Drugs & Industries Ltd.,

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

NOTICE is hereby given that the 86th Annual General Meeting of ANGLO-FRENCH DRUGS & INDUSTRIES LIMITED will be held on Friday 23rd October 2009 at 4.30 p.m. at Hotel Abhimaani Vasathi, # 2/9, Dr. Rajkumar Road, Rajajinagar, Bangalore-560 010, to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited statements of Account of the Company for the year ended 30th June 2009 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 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 the remuneration.

SPECIAL BUSINESS

5. 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. Ashok Kumar Roy, as an Additional Director, whose term of office will be liable to retirement, in place of Shri. N.S.R.C. Prasad.

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary 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. Uddhav Kanoria as the Whole-time Director of the Company for a period of three years with effect from 10th August 2009 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 6th August 2009 and set out in the Agreement to be entered into between the Company and Shri. Uddhav 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. 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
6th August 2009

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 Register of Members and the Share Transfer Books of the Company will remain closed for 8 days from 16th October 2009 to 23rd October 2009 both days inclusive.
3. 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.
4. 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,

ANNEXURE TO NOTICE**Explanatory Statement as required by Section 173(2) of the Companies Act, 1956.****ITEM 5:**

The Board of Directors at its Meeting held on 6th August 2009 has co-opted Shri. Ashok Kumar Roy as an Additional Director of the Company in place of Shri. N.S.R.C. Prasad, pursuant to Section 260 of the Companies Act, 1956. Your Directors therefore recommend his appointment for the approval of the Members. Except Shri. Ashok Kumar Roy, none of the other Directors of the Company, is interested in this resolution.

ITEM 6:

At the Annual General Meeting of the Company held on 29th July 2006, the remuneration payable to Shri. Uddhav Kanoria, Whole-time Director had been approved by the Members for three years with effect from 10th August 2006. The Board of Directors at its Meeting held on 6th August 2009 and on the recommendation of the Remuneration Committee accorded at its meeting held on that day, approved the re-appointment of Shri. Uddhav Kanoria, for 3 years with effect from 10th August 2009 on the same remuneration as approved in the Annual General Meeting held on 29th July 2006, as set out below;

- i. Salary at the rate of Rs.75,000/- per month.
- ii. Perquisites and allowances:
 - a. Rent free accommodation or House Rent Allowance in lieu thereof, and other perquisites like reimbursement of expenditure incurred on Gas, Electricity, Power, Water and Furnishings.
 - b. Use of Company maintained car with driver. Use of the car for personal use to be billed to Shri. Uddhav Kanoria.
 - c. Contributions to Provident Fund and Superannuation Scheme as per Rules of the Company and contribution to Gratuity Fund computed at half a month's salary for every completed year of Service.

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- d. Personal Accident Insurance, annual premium of which, shall not exceed Rs.4,000/- .Free residential telephone facility excluding long distance personal calls.
 - e. Subscription fees of two clubs in India.
 - f. The reimbursement of Medical expenses for himself and family on domiciliary treatment up to a limit of Rs.15,000/- in a year and coverage under Company's group MEDI CLAIM policy with an Insurance Company for self and family.
 - g. Leave Travel Concession for self and family once a year, in accordance with the Rules of the Company.
 - h. Leave as per the rules of the Company; encashment of unavailed earned leave at the end of tenure.
 - i. The value of all perquisites and allowances shall not exceed Rs.3.00 lakhs per annum. For the purpose computation of the said ceiling, contributions to the Provident Fund and Superannuation Scheme, to the extent these either singly or put together, are not taxable under the Income Tax Act,1961, Gratuity and encashment of un-availed leave, shall not be included.
 - j. The perquisites and allowances are to be valued as per the Income Tax Rules, wherever applicable and actual cost to the Company in other cases.
- III. The total remuneration including Salary, Perquisites and allowances shall not exceed the limits stipulated in Sub-section 'A' 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.
- iv First Class Air or Air-conditioned/Executive Class Rail fares at his option for self to his home-town in India on termination of the Agreement.
- v. The Agreement may be terminated at any time by either party giving to the other six English Calendar months' prior notice in writing or salary in lieu thereof.

By order of the Board

Mumbai
6th August 2009

B. Subbarayalu
Company Secretary

Registered Office:

No.41, 3rdcross, V Block, Rajajinagar,
BANGALORE 560 010

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 ASHOK KUMAR ROY, *Additional 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

IDBI Bank Limited
 State Bank of India

SOLICITORS

Kanga & Co.

FURNISHING FABRICS

Kharchi - Bilwara
 Taluk Jhagadia
 District Bharuch
 Gujarat.

REGISTRARS & SHARE TRANSFER AGENTS

Canbank Computer Services Ltd.,
 # 218, J.P. Royale, 1st Floor
 2nd Main, Sampige Road
 (Near 14th Cross), Malleswaram
 Bangalore-560 003
 Phone : 080-23469661/62 & 23469664/65
 Fax : 080-23469667/68
 E-mail : canbankrta@ccsl.co.in

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. Your Directors have pleasure in presenting the **EIGHTY SIXTH Annual Report** together with the Audited accounts for the year ended 30th June 2009.

2. OPERATIONS

The turnover of the Pharmaceutical Division during the period under review is Rs.7652 Lakhs as compared to Rs.8355 Lakhs of previous period of 15 months and hence not comparable. Similarly turnover in Furnishing Fabrics Division for the year under review is Rs.457 Lakhs as against Rs.734 Lakhs of previous period of 15 months.

The total turnover of the Company during the period under review is Rs. 8109 Lakhs as compared to previous 15 months period turnover of Rs. 9089 Lakhs, which when annualized is Rs. 7271 Lakhs and shows a growth of around 11%.

Pharmaceutical Division:

During the year under review the Company had embarked on various strategic measures to improve its operating performance and this has resulted in making a profit. The annualized growth in turnover is 14%. Marketing had been more focused and additional contributions were made in the form of ancillary business like CRAMS (Contract Research & Manufacturing Services) and Contract Manufacturing. Lot of stress had been laid on training and development of people, brand building and cost reduction in all processes, which will be a continuing endeavour.

The Company has invested in upgrading its facility at Peenya, to meet the quality standard for both domestic and international markets during the year under review and the facility is fully operational now.

The Company has successfully implemented Enterprise Resource Planning (ERP) which has now resulted in obtaining timely information for quick and efficient decision making, inventory and credit controls.

Furnishing Fabrics Division:

During the year under review, the global recession had its impact on the business as exports had substantially being impacted, causing a drop in sales, annualized to 23%.

3. FINANCIAL HIGHLIGHTS

Rs. In Lakhs

PARTICULARS	12 Months Period Ended 30.06.2009	15 Months Period Ended 30.06.2008
Profit/(Loss) for the year before		
Depreciation	260.22	(560.56)
Less: Depreciation	<u>183.54</u>	<u>201.17</u>
Net Profit/(Loss) before taxation	76.68	(761.73)
Add: Extraordinary income	<u>0.00</u>	<u>1972.78</u>
	76.68	1211.05
Less: Provision for Taxation		
- Current	(9.50)	(450.00)
- Deferred	(32.30)	13.69
- Fringe Benefit	(19.01)	(27.91)
Add: Balance brought forward from Profit & Loss Account	<u>426.92</u>	<u>(319.91)</u>
Balance carried to Balance Sheet	<u>442.79</u>	<u>426.92</u>

4. DIVIDEND

Having regard to the modest profit, 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 30th June 2009 and to the profit of the Company for the year ended on that date.
- 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.

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- 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.

Your Directors have appointed Shri Ashok Kumar Roy, as Director, in place of Shri. N.S.R.C. Prasad, whose term of office will be liable for retirement by rotation. Shri. Ashok Kumar Roy will hold the office upto 86th Annual General Meeting. The Board recommends his appointment by the Members, for his continuance as a Director.

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 30th June 2009 aggregated Rs.14.50 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, Kolkata, 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, Banks, other Business Associates, 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
6th August 2009

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 30th June 2009.

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 *	53	B.Sc.	26	01/03/1997	Chairman & Managing Director	3648	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, commission, 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
6th August, 2009

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 30th June 2009.

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.

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FORM A

[See Rule 2]

Form for disclosure of particulars with respect to conservation of energy.

A. Power and Fuel consumption:

1. Electricity

Previous year

a) Purchased :

Units	14,73,342	20,92,868
Total Amount Rs. in ('000)	8,739	11,609
Rate/Unit (Rs.)	5.93	5.55

b) Own Generation :

i) Through Diesel Generator

Units	83,514	59,501
Units per Ltr. of Diesel Oil	3.37	4.06
Cost/Unit (Rs.)	11.45	8.92

ii) Through Steam Turbine/Generator

Units		
Units per Ltr. of Fuel Oil/Gas		
Cost/Unit (Rs.)	Nil	Nil

2. Coal

Quantity (tonnes)

Total Cost (Rs.)	Nil	Nil
Average Rate		

3. Furnace Oil

Quantity (K.Ltrs)

Total Amount Rs. in ('000)	53	73
Average Rate Rs. per Ltrs	1,581	1,795
	29.83	24.59

4. Others/internal generation

Quantity

Total Cost	Nil	Nil
Rate/Unit		

B. Consumption per unit of Production :
Particulars

Standard [if any]

Products (with details)

Units	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.
Electricity	
Furnace Oil	
Coal	
Others	

B. TECHNOLOGY ABSORPTION:

- a) 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.in ('000) | | 1587 — |
| b) Recurring Rs.in ('000) | | 2565 2519 |
| c) Total Rs.in ('000) | | 4152 2519 |
| d) Total R&D expenditure as a percentage of total turnover | | 0.55% 0.32% |

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

- | | | |
|---|---|---|
| a) 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. |
|---|---|---|

- | | | |
|---|---|----------------------|
| | | Previous year |
| b) Total foreign exchange used [Rs.in '000] | : | 54535 32192 |
| Total foreign exchange earned [Rs.in '000] | : | 53659 52089 |

On behalf of the Board

Mumbai
6th August 2009

ABHAY KANORIA
Chairman & Managing Director