

17th Annual Report  
2011-2012



**Farmax India Limited**

Date: 05.09.2012

**Dear Shareholders,**

Sub: Updation of contact details and Email-Ids

As you all know that The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. Shareholders who have not registered their e-mail address with the Company can now register the same by submitting there Email Ids at [cs@farmax.co.in](mailto:cs@farmax.co.in).

Kindly note that soft copies of the notices and documents will be sent to the shareholders who had registered their email ids with the company. The shareholders who do not want to receive notices and documents through electronic mode may communicate the same to the email id of the Company mentioned above. Kindly also update the contact details if there are any changes in the registered contact details with us.

We are sure that as a responsible citizen, you will whole heartedly support this initiative and co-operate with the Company to make it a success.

Thanking You  
**For M/s. Farmax India Limited**

Sd/-  
**P Shivaleela Reddy**  
**Company Secretary**

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## **CHAIRMAN'S LETTER**

**Dear Shareholders,**

Welcome to the 17<sup>th</sup> Annual General Meeting of the Company.

I am pleased to bring to you the business results delivered by your Company for the Fiscal Year 2011-12. The excellent support and confidence shown by you in your company has allowed us to cross numerous milestones which in-turn has created value for all our stakeholders.

Your Company has always followed a purpose driven growth strategy and is committed to improve the lives of its consumers with its quality products. The annual sales increased from Rs. 77.25 Crores in the Financial Year 2010-11 to Rs. 90.12 Crores in the Financial Year 2011-12. However due to the increase in the prices of raw materials, labor cost, increased power cuts the company could not achieve profits during the year under review. The Company is planning to reach larger market by introducing new products, increasing its area of operation in North-Eastern States, Exporting to Middle-East & South-East Asian Countries and opening of Depot in high potential States of Madhya Pradesh and Uttar Pradesh.

Your Company has complied with the guidelines on Corporate Governance. The philosophy of the Company is to ensure transparency in all its dealings and compliance of country's laws and regulations in order to promote ethical conduct of business. A separate section on corporate governance furnishing applicable details forms part of the Directors' Report.

We will always be committed towards innovation and improvisation which will continue in the future as well. I would also attribute our success over the past years to our employees who have the ability to proactively influence the business of the Company. I also thank our shareholders for believing the Company and we look forward for their continued support in the future.

Finally, I must express my profound gratitude to all of you, dear shareholders, for the steadfast confidence you have reposed in the Company.

**Date: 05.09.2012**

**Place: Hyderabad**

**M Srinivasa Reddy**

**Chairman & Managing Director**

**CORPORATE INFORMATION**

**Board of Directors:**

- |                                 |    |                              |
|---------------------------------|----|------------------------------|
| 1. Mr. Srinivasa Reddy Morthala | -- | Chairman & Managing Director |
| 2. Mr. I Srinivasa Raju         | -- | Independent Director         |
| 3. Mr. A. V. Rama Raju          | -- | Independent Director         |
| 4. Mr. Omkareswar Gangaboina    | -- | Independent Director         |

**Company Secretary**

Ms. P Shivaleela Reddy

**Auditors:**

M/s. Chitta & Associates  
304 Divya Sai Chambers, Above SBI ATM,  
Chanda Nagar, Hyderabad - 500032

**Bankers:**

State Bank of India  
Axis Bank Limited  
ICICI Bank Limited

**Subsidiary:**

Farmax International FZE- UAE

**Registered Address:**

Farmax House, 4<sup>th</sup> Floor, Alluri Trade Centre, Bhagyanagar Colony, Opp. KPHB Colony, Kukatpally,  
Hyderabad- 500072

**Factory:**

Bowrampet Village, Qutubullapur Mandal  
(Sub-Urban of Hyderabad) Ranga Reddy Dist., A.P.

**Listing:**

- 1) National Stock Exchange of India Limited
- 2) Bombay Stock Exchange Limited (Indonext Model)
- 3) Ahmedabad Stock Exchange Limited
- 4) Luxembourg Stock Exchange

**Registrar & Share Transfer Agents:**

M/s. Venture Capital & Corporate Investments Private Limited  
12-10-167, Bharat Nagar Colony, Bharat Nagar, Hyderabad - 500018

## NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Shareholders of M/S. FARMAX INDIA LIMITED will be held on Saturday the 29th day of September, 2012 at Survey No.: 658, Bowrampet Village, Qutubullapur Mandal, (Sub-Urban) of Hyderabad, Ranga Reddy Dist, Andhra Pradesh at 10.00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, Consider and adopt the Directors' Report, the Audited Profit & Loss Account, the Balance Sheet and Cash Flow Statement as on 31st March, 2012.
2. To appoint a Director in place of Mr. Omkareswar Gangaboina who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Chitta & Associates as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company.

### SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:  
“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions of the Companies Act, 1956 and Rules framed there under, the existing Articles of Association of the Company be and is hereby amended as under :  
i) After Article 62 of the Articles of Association of the Company, the following new Article 62a shall be inserted:  
62a: The Board may provide video conference facility and/or other permissible electronic mode of communication to the shareholders of the Company for participating in General Meetings of the Company. Such participation by the shareholders at General Meetings of the Company through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.  
ii) After Article 85 of the Articles of Association of the Company, the following new Article 85a shall be inserted:  
85a: Directors may participate in Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication. Such participation by the Directors at Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.”  
“FURTHER RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee or any person which the Board may nominate/constitute to exercise its powers, including the powers by this Resolution) be and is hereby authorized to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution.”

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/ HER BEHALF, AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument of proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting. A Proxy Form is annexed to this report. Proxies submitted on behalf of the limited companies, societies, etc., must be supported by an appropriate resolution/ authority, as applicable.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 24th September, 2012 to Friday, 28th September, 2012 (both days inclusive).
3. Members holding shares in electronic form are requested to intimate any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts immediately. Members holding shares in physical form are requested to advise any change of address immediately to M/s. Venture Capital & Corporate Investments Private Limited/ Investors Service Department of the Company.
4. Members/ Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. The Company has designated an exclusive e-mail ID called [cs@farmax.co.in](mailto:cs@farmax.co.in) for the redressal of shareholders' complaints/ grievances. In case of any queries/ complaints or grievances, then please write to us at [cs@farmax.co.in](mailto:cs@farmax.co.in).
6. The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. Shareholders who have not registered their e-mail address with the Company can now register the same by submitting duly filled-in 'E-Communication Registration Form' attached at the end of this report with M/s. Venture Capital & Corporate Investments Private Limited / Investors Service Department of the Company. The Members holding shares in electronic form are requested to register their e-mail addresses with their Depository Participants only.

**Date: 05.09.2012**  
**Place: Hyderabad**

**By Order of the Board**  
**For M/s. Farmax India Limited**  
**Sd/-**  
**M. Srinivasa Reddy**  
**Chairman & Managing Director**

## **EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 4: The Ministry of Corporate Affairs (MCA), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated May 20, 2011 and Circular No. 35/2011 dated June 06, 2012 have permitted the companies to hold Board Meetings and Shareholders' Meetings through video conference facility, as part of the Green Initiatives under Corporate Governance.

Further, MCA vide Circular No. 72/2011 dated December 27, 2011 made the video conference facility at the Shareholders' Meetings optional to the Company. In order to provide video conference facility to its Directors and Shareholders, your Company has been advised to carry out necessary amendments in the existing Articles of Association of the Company by inserting enabling provisions. In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company.

The Articles of Association with alterations proposed therein as referred to in the Notice shall be available for inspection by the Members at the Registered Office of the Company 'Farmax House' 4Th Floor, Alluri Trade Centre. Bhagyanagar Colony, Opp. KPHB Colony, Kukatpally, Hyderabad- 500072 any working day except holidays observed by the Company during usual business hours up to the date of the Meeting and will also be available at this Annual General Meeting.

Accordingly, your Board recommends passing of the Resolution as a Special Resolution.

None of the Directors is interested or concerned in this Resolution.

## DIRECTORS' REPORT

To

The Shareholders,

The Directors have pleasure in presenting the 17<sup>th</sup> Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2012 and Balance Sheet as on that date.

### Financial Results

Key aspects of your Company's consolidated financial performance and standalone financial results for the year 2011-12 are tabulated below:

| Particulars                                                      | (Rupees in Millions)            |              |                               |              |
|------------------------------------------------------------------|---------------------------------|--------------|-------------------------------|--------------|
|                                                                  | Consolidated Results<br>2011-12 | 2010-11      | Standalone Results<br>2011-12 | 2010-11      |
| Sales and other income                                           | 933.98                          | 908.25       | 931.78                        | 785.08       |
| Total Expenditure other than Finance Charges and Depreciation    | 862.02                          | 820.35       | 861.15                        | 698.24       |
| <b>Gross Profit before Depreciation, Finance Charges and Tax</b> | <b>71.96</b>                    | <b>87.90</b> | <b>70.63</b>                  | <b>86.84</b> |
| Finance Charges                                                  | 48.20                           | 37.43        | 48.20                         | 37.31        |
| Depreciation and Amortisation                                    | 46.79                           | 24.46        | 46.79                         | 24.46        |
| <b>Profit/(Loss) Before Tax</b>                                  | <b>(23.03)</b>                  | <b>26.01</b> | <b>(24.37)</b>                | <b>25.07</b> |
| Provision for Tax                                                | (5.98)                          | 0.72         | (5.98)                        | 3.64         |
| <b>Profit/ (Losses) after tax</b>                                | <b>(17.05)</b>                  | <b>22.37</b> | <b>(18.39)</b>                | <b>21.44</b> |
| Surplus brought forward from previous year                       | 62.73                           | 40.36        | 61.79                         | 40.36        |
| <b>Balance available for appropriations</b>                      | <b>45.68</b>                    | <b>62.73</b> | <b>43.40</b>                  | <b>21.44</b> |
| Appropriations:                                                  |                                 |              |                               |              |
| <b>Balance Carried to Balance Sheet</b>                          | <b>45.68</b>                    | <b>62.73</b> | <b>43.40</b>                  | <b>61.79</b> |

### Business Environment:

The Indian Economy is one of the fastest growing markets in the world. It has continuously recorded high growth rates and has become an attractive destination for investments. India's economic growth is expected to remain robust in 2012 and 2013, despite likely headwind of double-dip recessions in Europe and the US, according to a United Nations' annual economic report - World Economic Situation and Prospects 2012. The Indian economy is expected to grow between 7.7 per cent and 7.9 per cent this year, as per the report.

The economy has estimated a growth rate of 6.9 per cent in 2011-12 and is expected to be around 7.6 per cent in the fiscal year 2012-13. The growth has been broad based with a rebound in the agriculture sector which is expected to grow around 2.5 per cent. Manufacturing and Services sector also have registered impressive gains. The Survey reports that the industrial output growth rate was 3.9 per cent while the services sector registered a growth rate of 9.4 per cent in 2011-12.

### Business Performance:

Your Company posted yet another year of impressive performance with high growth and high earnings creating strong business results during the year under review as under:

**Consolidated Financial Results:**

Your Company's total consolidated revenue for the year under review increased to Rs. 934 Million from Rs. 908 Million in the previous year. The company has faced losses of Rs. 17 million due to the increase in the direct and indirect expenses such as prices of the raw materials, labor costs, increase in fuel cost, Power fluctuations, Regional agitations etc. as against a profit of Rs.22.4 million in the previous year.

The Audited Consolidated Financial Statements, based on the financial statements received from subsidiary of the Company, as approved by their respective Board of Directors have been prepared in accordance with Accounting Standard (AS) 21 – Consolidated Financial Statements, Accounting Standard (AS) 23 – Accounting for Investments in Associates and Accounting Standard (AS) 27 – Financial Reporting of interest in Joint Ventures in consolidated financial statement notified under Section 211(3C) of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006 (as amended). The said consolidated financial statements form part of this Annual Report and Accounts.

**Standalone Financial Results:**

On standalone basis, your Company registered gross revenue of Rs. 932 Million as compared to Rs. 785 Million in the previous year. The net loss stood at Rs. 18.4 Million as against a net profit of Rs. 21.5 Millions in the previous year due to the increase in the direct and indirect expenses such as prices of the raw materials, labor costs, increase in fuel cost, Power fluctuations, Regional agitations etc. as against a profit of Rs.22.4 million in the previous year.

**Dividend on Equity Shares:**

Due to the losses incurred by the Company during the year and also keeping in view the growth and expansion plans, your Directors have decided not to recommend any dividend for the year under review.

**ISO 9001:2008:**

Your Company continues to maintain its certification as per the International Standards of ISO 9001-2008 Quality Management System and your company is continually committed to improve the implemented QMS.

**Goodwill:**

The Company has considered writing off the entire goodwill of Rs.. 20.00 Millions as part of AS-14 compliances.

**Fixed Deposits:**

Your Company does not accept or hold any fixed deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under and as such, no amount on account of principal or interest on fixed deposits was outstanding as on date of the Balance Sheet.

**Effect of increase in prices:**

As the prices of the raw materials like Wheat, Rava, Maida, Atta etc. has hiked drastically in recent times and due to which the Company is going to incur huge losses.

Based on this reason the Company has decided to reduce or stop the Trading business and marketing of other outsourced products. The Company will continue only manufacturing of its products and their marketing.

**Fixed Deposit in Euram Bank:**

Your directors after thorough scrutiny here by bring to your notice that the company had fixed deposits amounting to Rs. 2515.62 Millions with EURAM Bank. These amounts pertaining to the GDRS Issued by the company during financial year 2010-11

On receipt of letter from EURAM Bank, your directors discovered that the entire amount of Rs. 2515.62 Millions has been adjusted against pledge of fixed deposits given against a loan taken by a third party by name M/s Alta Vista International FZE, Dubai.