

# 18<sup>th</sup> Annual Report 2012-2013



**Farmax India Limited**

**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 [info@farmax.co.in](mailto:info@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/-**  
**M Srinivasa Reddy**  
**Managing Director**

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## 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

Mr. Mohd. Fasih Uz Zaman

### Auditors:

M/s. Bhaskara Rao & Associates  
A-102, Aditya Serenade, 6-3-347/25  
Dwarakapuri Colony,  
Panjagutta, Hyderabad-500082

### Bankers:

State Bank of India  
Axis Bank Limited  
ICICI Bank Limited

### Subsidiary:

Farmax International FZE- UAE

### Registered Address & Factory:

Survey No. 658, Bowrampet Village, Qutubullapur Mandal,  
(Sub-urban of Hyderabad) Ranga Reddy Dist.  
Andhra Pradesh- 500043

### Listing:

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

### Registrar & Share Transfer Agents:

M/s. Bigshare Services Private Limited  
306, Right Wing, 3rd Floor, Amrutha Ville,  
Opp. Yashodha Hospital, Rajbhavan Road,  
Somajiguda, Hyderabad-500082

## NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Shareholders of M/S. FARMAX INDIA LIMITED will be held on Monday, the 29th July, 2013 at 11:30 am at the Registered Office of the Company situated at Survey No. 658, Bowrampet Village, Qutubullapur Mandal, (Sub- urban of Hyderabad), Ranga Reddy Dist. Andhra Pradesh- 500043, 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, 2013.
2. To appoint a Director in place of Mr. Alluri Vijaya Rama Raju who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Bhaskara Rao & Associates as Statutory Auditors, Hyderabad, bearing Firm Registration No. 006171S 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 sections 269, 198, 309, 310, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the Authorities in granting such approvals, permissions and sanctions, and pursuant to the approval of the remuneration committee of the Board and the Board of Directors at their meeting held on 27th June, 2013, approval of the Company be accorded to the re-appointment of Mr. M Srinivasa Reddy as Managing Director of the Company for a period of 5 (Five) years with effect from 13.08.2013 on a total monthly remuneration of Rs. 3,00,000/- (Rupees Three Lacs Only).

“FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in schedule XIII and other applicable provisions, if any, of the Act as amended from time to time.”

“FURTHER RESOLVED THAT where in any Financial Year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to the Managing Director the above remuneration as the minimum remuneration by way of salary subject to receipt of the requisite approvals, if any.”

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, any Director of the Company be authorized to do all acts, deeds, matters and things as they may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard and to sign and execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient.”

**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, 22<sup>nd</sup> July, 2013 to Saturday, 27<sup>th</sup> July, 2013 (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. Bigshare Services 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. Big Share Services 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: 27<sup>th</sup> June, 2013  
Place: Hyderabad

By Order of the Board  
of 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 4:**

Mr. M. Srinivasa Reddy was appointed as a Chairman & Managing Director of the Company for a period of 3 years with effect from August 14<sup>th</sup>, 2010. The Board considering his significant and invaluable contribution to the operations and growth of the Company proposes reappointment of Mr. M Srinivasa Reddy as a Managing Director of the Company for a period of 5 years with effect from August 13<sup>th</sup>, 2013 on such terms and conditions as set out in the proposed Resolution. Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the Members of the Company is required for the re-appointment of and fixation of remuneration payable to Mr. M Srinivasa Reddy as a Managing Director. The Board of Directors, based on the recommendation of the Compensation/Remuneration Committee, is of the view that the remuneration package is commensurate with the operations of the Company. He will be paid the same remuneration which is being presently drawn by him. The terms of reappointment of Mr. M Srinivasa Reddy and remuneration payable to him as set out in Item 4 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956. The Board accordingly, commends the Resolution for approval of the Members as an Ordinary Resolution.

No Director except Mr. M Srinivasa Reddy is interested or concerned in the Resolution.

## DIRECTORS' REPORT

*To  
The Shareholders,*

The Directors present the 18<sup>th</sup> Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2013 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 2012-13 are tabulated below:

### Business Performance:

(Rs in Millions)

Particulars	Consolidated Results		Standalone Results	
	2012-13	2011-12	2012-13	2011-12
Sales and other income	523.35	933.99	522.97	931.78
Total Expenditure other than Depreciation	737.94	909.43	737.57	908.55
<b>Gross Profit before Depreciation and Tax</b>	<b>(214.59)</b>	<b>24.56</b>	<b>(214.60)</b>	<b>23.23</b>
Depreciation	25.38	47.59	25.38	47.59
<b>Profit/ Loss Before Tax</b>	<b>(239.97)</b>	<b>(23.03)</b>	<b>(239.98)</b>	<b>(24.36)</b>
Exceptional Items	1197.60	--	1025.94	--
Provision for Tax	7.23	(5.98)	7.23	(5.98)
<b>Profit/ Loss after tax</b>	<b>(1444.80)</b>	<b>(17.05)</b>	<b>(1273.15)</b>	<b>(18.38)</b>
Surplus/Loss brought forward from previous year	45.68	62.73	43.40	61.79
<b>Balance available for appropriations</b>	<b>(1399.12)</b>	<b>45.68</b>	<b>(1229.75)</b>	<b>43.40</b>
Appropriations:	--	--	--	--
<b>Balance Carried to Balance Sheet</b>	<b>(1399.12)</b>	<b>45.68</b>	<b>(1229.75)</b>	<b>43.40</b>

### Consolidated Financial Results:

The Company has recorded a turnover of Rs. 519.24 Millions as against Rs. 914.24 Millions in the previous year. During the year under review the consolidated loss after tax incurred by the Company is Rs. 1444.80 Millions as against Rs. 17.05 Millions in the previous financial 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 has registered revenue of Rs. 519.24 Millions as compared to Rs. 914.24 Millions in the previous year. During the year under review the net loss of the Company stood at Rs. 1273.15 Millions as against Rs. 18.39 Millions in the previous financial year.



**Dividend on Equity Shares:**

Keeping in view the losses incurred by the Company, your Directors have decided not to recommend any dividend for the year under review.

**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.

**Fixed Deposits with Euram Bank:**

- a. In 2010 the Company made a GDR Issue of an amount of USD 71.91 mn and deposited the proceeds in a Bank Account with European American Investment Bank AG, Vienna (EURAM Bank). Advisors to the Company who planned and coordinated various functions during to the GDR Issue obtained operational control of our Bank Accounts with EURAM Bank ostensibly to make payments to the intermediaries of the GDR Issue. We were eventually informed that control of the Bank Accounts passed on to one Vintage FZE (now known as Alta Vista International FZE). The Company later discovered that without its knowledge or approval, amounts aggregating USD 15.60 mn were transferred from the Company's Vienna Bank Account to the Bank Account of Company's wholly-owned subsidiary in the UAE (FZE). Further, the Company also discovered that a nearly identical amount was transferred from FZE's Bank Account to entities with which neither the Company nor the FZE has any business relationship. When we made inquiries with Vintage FZE, the company promised to return the funds, but we have not received any funds so far. Pending recovery by FZE and their onward remittance back to the Company, these amounts have been shown by the FZE as "Amounts payable to Farmax India Limited" on the Liabilities side and the "amounts receivable from suppliers" on the assets side. Reflecting this treatment, the Company also showed this amount as receivable from FZE. Despite repeated efforts, FZE is unable to recover any of these monies so far and is planning to initiate legal action to recover the funds. However, in line with the prudential accounting principles, in the Statements of Accounts for the year March 31, 2013, these amounts have been written off by FZE without prejudice to the right to recover these amounts. If, eventually, for any unlikely reason, these amounts remain unrecovered, the amounts receivable by the Company from the FZE would also become unrecoverable. Therefore, following prudential accounting principles, the Company has also written off the amount receivable from its wholly-owned UAE subsidiary. Notwithstanding this accounting treatment, based on legal opinion, the Company is confident of recovering the amounts.

- b. As for the remaining amount of USD 56.6 million (equivalent to Rs. 2515.62 million as per the exchange rates prevalent at the time) on deposit with EURAM Bank, the Company, in August 2012, received a letter from EURAM Bank claiming that the remaining amount had been seized to repay a third party loan to the same Vintage FZE (now known as Alta Vista International FZE) pursuant to a Pledge Agreement alleged to have been executed by the Company with EURAM Bank. The Company did not authorize or execute any such Pledge Agreement and was not aware of any loan from Euram Bank to Vintage FZE. The Company has retained legal counsel in Austria to initiate legal action to recover the amount EURAM Bank seized to satisfy the third party loan. Pending the recovery of the amounts and without prejudice to its rights, the Company decided to write off the amounts, in line with the prudential accounting principles. Accordingly, in the previous year, the balance of USD 56.60 million (equivalent to Rs. 2515.62 million as per the exchange rates prevalent at the time) on deposit with EURAM Bank was written off with a corresponding decrease in the securities premium account. Notwithstanding this accounting treatment, based on legal opinion, the Company is confident of recovering the amounts.

**Corporate Governance:**

As required by Clause 49 of the listing agreement, a separate report on Corporate Governance together with a certificate of Statutory Auditors of the Company forms part of this report as per Annexure III.

**Formation of Various Committees:**

Details of various committees constituted by the Board of Directors as per the provisions of Clause 49 of the Listing Agreement and Companies Act, 1956 are given in the Corporate Governance Report annexed and forming part of this report.

**Directors:**

Pursuant to the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. A V Rama Raju, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

**Increase in Share Capital:**

During the year under review the Company has issues 150.00 Million Equity Shares of Re. 1/- each at an Issue Price of Rs. 1.44/- each to Promoters and other on preferential basis. Issued Capital of the Company is increased from Rs. 260.64 Million to Rs. 410.64 Million, thus the Subscribed and Paid-up Capital of the Company is increased from Rs. 258.30 Million to Rs. 408.30 Million.

**Employee Stock Option Scheme:**

Farmax has introduced Employees Stock Option Scheme-2009 (Farmax ESOS – 2009) to enable the employees of the Company to participate in the future growth and financial successes of the Company. As per the ESOS scheme 80% of the options have been granted and vested during 2009-2010 and the balance 20% of options vesting & exercise period is still due.