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|-----|--|-----|----|
| MD | | RKC | |
| CS | | DPY | NA |
| RO | | DIV | NA |
| TRA | | AC | |
| AGM | | SHE | |
| YE | | | |

9th Annual Report 1996-97

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GODAVARI DRUGS LIMITED

Regd. Office : May Fair
Sardar Patel Road, Secunderabad - 500 003.

BOARD OF DIRECTORS:

| | | |
|------------------------------|---|--------------------|
| SHRI GHANSHYAM JAJU | — | CHAIRMAN |
| SHRI MUKUND KAKANI | — | MANAGING DIRECTOR |
| SHRI KIRTI KUMAR JAIN | — | EXECUTIVE DIRECTOR |
| SHRI PRAKASH CHANDRA SHRIMAL | — | DIRECTOR |
| SHRI P. DATTA | — | SICOM NOMINEE |
| DR. C.G. KARANJGAONKAR | — | DIRECTOR |

Bankers

State Bank of Hyderabad
State Bank of Bikaner & Jaipur

Auditors

M/s S.DAGA & CO.
Hyderabad

Annual General Meeting on
Monday, 29th September, 97
at 2.30 p.m.
at J.S. Krishnamurthy Hall
Red Hills, Hyderabad

Registered Office

"Mayfair",
Sardar Patel Road,
Secunderabad - 500 003. India.
Phones : (0842) 846700, 849700
Telex : 0425-6319 MOIL IN
Fax : (0842) 843945
Grams : "GODRUGS"

Factory

A 6/2, M.I.D.C.,
Nanded,
Maharashtra

GODAVARI DRUGS LIMITED

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of Members of Godavari Drugs Limited will be held on Monday, the 29th September 1997 at 2.30 p.m. at J.S. Krishna Murthy Hall, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad -500 004 (A.P) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 1997, Balance Sheet as on that date, and Directors and Auditors' Reports thereon.
2. To appoint a Director in place of Shri P.C.Shriimal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To pass with or without modifications the following resolution as Special Resolution
"RESOLVED THAT in accordance with the provisions of sections 198,269,309 read with 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) be and is hereby approves re-appointment of Shri MUKUND KAKANI as Managing Director of the company for a period of five years with effect from 1.10.1997 to 30.09.2002 on the following terms and conditions:

REMUNERATION:

- a) Salary Rs. 20,000 (Rupees twenty thousand only) per month including dearness and all other allowances with an option to review every year.
- b) Perquisites: Perquisites shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary or Rs. 2,00,000 per annum, whichever is less. Perquisites are classified into two categories Part A and B as under:

PART A:

- i) Housing: The expenditure by the company on hiring furnished accomodation will be subject to the following ceilings:
 - a. 30% of the salary over and above 10% payable by the Managing Director.
 - b. If the company does not provide accomodation to the Managing Director he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.
 - c. If accomodation in the company owned house is provided to the Managing Director a deduction of 10% shall be made from the salary of the said Director.
The Expenditure incurred by the company on Gas, electricity, water and furnishings shall be valued as per Income Tax Rules 1962.
- ii) Medical reimbursement: Reimbursement of medical expenses incurred for self and family subject to ceiling of **one month** salary in a year or **three months** salary over a period of **three** years.
- iii) Leave travel concession: Leave travel concession for self and family **once** in a year incurred in accordance with the rules of the company.
- iv) Club Fees: Fees of clubs subject to a maximum to **two** clubs. No admission and life membership fees will be paid.
- v) Personal accident insurance: Personal accident insurance of an amount, the annual premium of which shall not exceed Rs.3,000 per annum.

CATEGORY B:

Provision of car for use on company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose, shall be billed by the company.

OTHER TERMS:

- i) The Managing Director will be entitled to reimbursement of entertainment and all other expenses actually and properly incurred by him in the course of legitimate business of the company.
- ii) The Managing Director, so long as he functions as such shall not be paid any sitting fee for attending meetings of the Board of Directors or any committee(s) thereof.

In the event of absence or inadequacy of profits of the company in any year Shri MUKUND KAKANI will be entitled to receive the same remuneration and perks as indicated above as his minimum remuneration for that year.

5. To pass with or without modifications the following resolution as an Ordinary Resolution

"RESOLVED THAT Shri KIRTI KUMAR JAIN who was co-opted as a Director by the Board on 28.03.1997 under Article 107 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting, be and is hereby appointed as an Executive Director of the company for a period of five years with effect from 1.10.1997 to 30.09.2002 on the following terms and conditions:

REMUNERATION:

- a) Salary: Rs.15,000 (Rupees fifteen thousand only) per month including dearness and all other allowances with an option to review every year.
- b) Perquisites: Perquisites shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to three months salary or Rs.40,000 per annum, whichever is less. Perquisites are classified into two categories Part A and B as under:

PART A:

- i) Club Fees: Fees of clubs subject to a maximum to two clubs. No admission and life membership fees will be paid.
- ii) Personal accident insurance: Personal accident insurance of an amount, the annual premium of which shall not exceed Rs.3,000 per annum.

CATEGORY B:

Provision of car for use on company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose, shall be billed by the company.

OTHER TERMS:

- i) The Executive Director will be entitled to reimbursement of entertainment and all other expenses actually and properly incurred by him in the course of legitimate business of the company.
- ii) The Executive Director, so long as he functions as such shall not be paid any sitting fee for attending meetings of the Board of Directors or any committee(s) thereof.

In the event of absence or inadequacy of profits of the company in any year Shri KIRTI KUMAR JAIN will be entitled to receive the same remuneration and perks as indicated above as his minimum remuneration for that year.

By order of the Board

Place: Secunderabad
Date : 05.09.1997

MUKUND KAKANI
Managing Director

GODAVARI DRUGS LIMITED**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL, VOTE INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 27TH OF SEPTEMBER,1997 TO THE 29TH OF SEPTEMBER,1997 (BOTH DAYS INCLUSIVE)
3. MEMBERS ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS TO THE COMPANY.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

In conformity with the provisions of Section 173 of the Companies Act, 1956 the following Explanatory Statement sets out all material facts relating to Special Business mentioned in the accompanying notice dated 5th September 1997 and should be taken as forming part of the notice.

Item No. 4 : The term of appointment of Shri Mukund Kakani as Managing Director expires on 30.09.97. The Board of Directors at its meeting held on 05.09.97 has re-appointed Shri Mukund Kakani as Managing Director for a further period of five years with effect from 01.10.97. Resolution No. 4 is therefore proposed for the appointment Shri Mukund Kakani as Managing Director of the company.

Shri Mukund Kakani has done yeoman service to the cause of the company right from its inception, his longstanding business experience and knowledge of chemical industry is of immense benefit to the company.

Shri Ghanshyam Jaju and Shri Mukund Kakani being relatives of each other are interested in passing the resolution, no other director is concerned or interested in passing of the resolution.

Item No. 5 : Shri Kirti Kumar Jain was co-opted as Executive Director during the year. He will be holding office as a director upto the date of the ensuing Annual General Meeting of the company. Resolution No. 5 is therefore proposed for the appointment of Shri Kirti Kumar Jain as Executive Director of the company.

Shri Kirti Kumar Jain is having longstanding business experience which will be immense benefit to the company. Except Shri Kirti Kumar Jain, no other director is concerned or interested in passing of the resolution.

By order of the Board

Place: Secunderabad
Date : 05.09.1997

MUKUND KAKANI
Managing Director

DIRECTORS' REPORT**TO THE SHARE HOLDERS**

Your Directors have pleasure in presenting their Ninth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS :

| | 1996-97 | (Rs. in Lacs) 1995-96 |
|--|----------|--------------------------|
| Sales and other Income | 2305.90 | 2624.81 |
| Profit before Interest and depreciation | (72.47) | 213.69 |
| Interest | 106.73 | 56.54 |
| Depreciation | 36.86 | 31.49 |
| Profit Before Tax | (216.06) | 125.66 |
| Provision for Tax | — | 10.00 |
| Profit after tax | (216.06) | 115.66 |
| Surplus brought forward from previous year | 175.46 | 132.00 |
| Profit available for appropriation | (40.60) | 247.66 |
| APPROPRIATIONS: | | |
| General Reserve | — | 15.00 |
| Proposed Dividend | — | 57.20 |
| Balance carried forward to Balance Sheet | (40.60) | 175.46 |

REVIEW OF OPERATIONS

The Sales during the year was Rs 2203.13 lacs as against Rs 2463.54 lacs in the previous year. These figures would have been far more encouraging but for severe constraints faced by the company due to various factors beyond its control.

The company is regretfully posting losses to the extent of Rs 216.06 lacs during the year under review. This is mainly due to Government policies like reduction in import duties from 60% to 30%. Your company had advance licences to the extent of Rs. 756.00 lacs against which had completed export obligation and imports were pending. These licences were delayed for 12 to 18 months as so many importers has misused the system by importing in advance and export commitments were pending compelling government to change the VBAL to Pass Book system and now from pass book to DEPB system. Frequent changes and delay in clearance of licences have caused a loss of about Rs. 200 lacs to your company. Further In spite of the assurances given by concerned authorities, the customs dept. has collected interest on the amount of Modvat reversed to the extent of Rs. 22.92 lacs during the year under review.

The over all situation during the year was not encouraging at all, the financial crunch coupled with high raw material cost and unhealthy competitions have also contributed their share in negative performance of the company.

GODAVARI DRUGS LIMITED**EXPORT :**

During the year under review the company has exported 61% of their production of 347MT. The company as a policy has penetrated in the local markets to establish their name amongst user consumers to take a fair share in the local consumption which was hither to negligible.

MARKETING PROSPECTS :

As per the policy adopted by your company the local sales have increased in comparison to last year. The company continues to enjoy the privilege and reputation in export market as in the earlier years.

FUTURE OUTLOOK :

Considering the present scenario in Bulk drug industry, your directors have decided to identify new products and develop at the completed R&D facilities in house, to ensure that the company becomes a multi product company. It is also proposed to develop intermediates to reduce the cost and also improve on the process to ensure better realisation.

RESEARCH & DEVELOPMENT :

The company has completed setting up of the pilot plant and laboratory which is one of the best equipped in the industry having multi speed and multi agitated reactors, specially design packed columns etc. This facilities will help in improving the processes in our present products and also to develop new molecules.

PROMISE Vs PERFORMANCE (In Terms of Clause 43 of Listing Agreement)

Your Company has given following profitability projections in the prospectus dated 31.01.1995 issued to the public.

| Particulars | 1996-97 (Rs inlacs) | |
|-------------|---------------------|----------|
| | Projection | Actual |
| Sales | 3269.10 | 2203.13 |
| Net profit | 479.60 | (216.06) |
| Book value | 44.06 | 30.57 |
| EPS (Rs) | 9.50 | — |

The losses are mainly attributed to the reasons explained hereinabove.

INDUSTRIAL SAFETY AND POLLUTION CONTROL :

The company continues to follow its policy of maintaining highest standards of safety. Plantation of trees taken up around the plant ensures friendly environment and reduction in pollution.

As per the directive of the Maharashtra Pollution Control Board the company is in advance stage of completion of their effluent treatment plant by installing primary, secondary and tertiary treatment systems, which is likely to be completed by December 1997. Our request to the Govt. for allotment of additional land for utilising treated water for forestry is still pending and is pursued regularly.

INDUSTRIAL RELATIONS :

Industrial relation between the management and the employees during the year under review remained cordial. The welfare activities continued as before.

PARTICULARS OF EMPLOYEES :

There is no employee drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required under 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 the information is given in the annexures forming part of this Report.

DIRECTORS :

Mr. Ashok Kumar Jaiswal resigned as executive director due to his other commitments, Mr. Kirti Kumar Jain has been appointed director in his place to take over his responsibilities.

Mr. Prakash Chand Shrimal director of the company retires by rotation in accordance with the articles of association of the company and being eligible offers him self for reappointment.

AUDITORS :

M/s. S. Daga & Company, Chartered Accountants, the present Auditors of the Company retire and are eligible for re-appointment.

Note No. 5 of the Notes to the Accounts referred to in the Auditors' Report is self explanatory.

ACKNOWLEDGEMENTS :

Your Directors convey their deep gratitude to Industrial Development Bank of India, SICOM Ltd, Maharashtra State Finance Corporation, State Bank of Hyderabad, and State Bank of Bikaner & Jaipur for their continuous support and co-operation.

Your Directors also acknowledge with deep sense of appreciation, the continued support from Employees, Shareholders/Investors, Customers and Suppliers.

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for and on behalf of the Board

Place : Secunderabad

Date : 05.09.1997

GHANSHYAM JAJU

Chairman

GODAVARI DRUGS LIMITED

ANNEXURE TO DIRECTORS' REPORT

Particulars as required under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

- A. Conservation of Energy : The Company continued its efforts to improve energy consumption through planned and close monitoring of manufacturing methods and processes. The details of total energy consumption and energy consumption per unit of production are set out in Form 'A' enclosed.
- B. Technology Absorption: Efforts made in technology absorption are as per Form 'B' enclosed.
- C. Foreign Exchange Earnings and Outgo: During the year under review the Company's export contributed 59% of its turnover
Total foreign exchange used and earned:
Used : Rs. 610 Lacs
Earned : Rs. 740 Lacs

FORM - A

(Form for disclosure of particulars with respect to Conservation of Energy)

| Particulars | Unit | 1996-97 | 1995-96 |
|---|-------------|---------|---------|
| A. Power & Fuel Consumption | | | |
| 1. Electricity | | | |
| a) Purchased | | | |
| Units | 000KWH | 2510 | 2945 |
| Total Amout | Rs.in Lacs | 83.42 | 81.43 |
| Rate/Unit | Rs./KWH | 3.32 | 2.76 |
| b) Own Generation | | | |
| i) Through Diesel Generator | — | — | — |
| ii) Through Steam Turbine Generator | — | — | — |
| 2. Coal | | | |
| ("C" Grade for Steam Generation) | | | |
| Quantity | Tonnes | 1380 | 1595 |
| Total Cost | Rs. in Lacs | 13.53 | 14.02 |
| Average cost/tonne | Rs/Tonne | 981 | 879 |
| 3. Furnace Oil | | | |
| (For Steam Generation) | | | |
| Quantity | Tonnes | 593 | 270 |
| Total Cost | Rs. in Lacs | 40.27 | 32.28 |
| Average cost/tonne | Rs/Tonne | 6791 | 11956 |
| 4. Others/Internal Generation | — | — | — |
| B. Consumption per unit of producton | | | |
| Per tonne of Sulphamethoxazole | | | |
| Electricity | KWH | 7.243 | 7.188 |
| Coal | Tonnes | 3.983 | 3.893 |
| Furnace Oil | Tonnes | 1.711 | 0.659 |