

*14th  
Annual Report  
2001-2002*



**GODAVARI DRUGS LIMITED**

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

## GODAVARI DRUGS LIMITED

### BOARD OF DIRECTORS :

SHRI GHANSHYAM JAJU	-	CHAIRMAN
SHRI MUKUND KAKANI	-	MANAGING DIRECTOR
SHRI KIRTI KUMAR JAIN	-	EXECUTIVE DIRECTOR
SHRI PRAKASH CHANDRA SHRIMAL	-	DIRECTOR
DR.C.G.KARANJGAONKAR	-	DIRECTOR

### Auditors :

M/s. S.DAGA & CO.,  
Chartered Accountants,  
Hyderabad

### Bankers :

State Bank of Hyderabad  
State Bank of Bikaner & Jaipur

### Registered Office :

"Mayfair",  
Sardar Patel Road,  
Secunderabad - 500 003, India.  
Phones : (040) 7849700, 7842602.  
FAX : (040) 7849859  
Email : godavari@hd1.vsnl.net.in

### Factory :

A6/2, M.I.D.C.  
Nanded - 431 603  
Maharashtra

### Registrars :

Physical Mode  
Managment Consultants Pvt. Ltd.  
A-2(D), Huda Complex, Tarnaka, Hyderabad.

### Depository Mode

CIL Securities Pvt., Ltd.  
214, Raghavaratna Towers, Chiragalilane  
Abids, Hyderabad.

Annual General Meeting  
Saturday, 28th September, 2002  
at 2:30 p.m.  
at J.S. Krishnamurthy Hall  
Red Hills, Hyderabad.

Report



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## NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of Members of Godavari Drugs Limited will be held on 28th September 2002 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, 2002, Balance Sheet as on that date, and Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.P.C.Shrimal 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 consider and pass with or without modifications the following resolution as ordinary 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 the re-appointment of Mr. MUKUND KAKANI as Managing Director of the company for a period of five years with effect from 1.10.2002 on the following terms and conditions:

### REMUNERATION:

- a) Salary Rs. 20,000 (Rupees twenty thousand only) per month 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. 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 his salary



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 Five months salary over a period of Five 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.5,000

#### PART 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 Mr. MUKUND KAKANI will be entitled to receive the same remuneration and perks as indicated above as his minimum remuneration for that year.

5. To Consider and pass with or without modifications the following resolution as Ordinary 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 Mr. KIRTI KUMAR JAIN as an Executive Director of the company for a period of five years with effect from 1.10.2002 on the following terms and conditions:

#### REMUNERATION:

a) Salary:Rs.15,000 (Rupees fifteen thousand only) per month 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. 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.5,000.

#### PART 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.

## GODAVARI DRUGS LIMITED



## 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 Mr. 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 : 20.08.2002

MUKUND KAKANI

Managing Director.

## 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 26th of SEPTEMBER, 2002 TO 28th of SEPTEMBER, 2002(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 2002 and should be taken as forming part of the notice.

Item No.4: The terms of appointment of Shri Mukund Kakani as Managing Director expires on 30.09.2002. The Board of Directors at its meeting held on 31.07.2002 has re-appointed Shri Mukund Kakani as Managing Director for a further period of five years with effect from 01.10.2002. Resolution No.4 is therefore proposed for the appointment Shri Mukund Kakani as Managing Director of the company.

Shri Mukund Kakani has been 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: The terms of appointment of Shri Kirti Kumar Jain as Executive Director expires on 30.09.2002. The Board of Directors at its meeting held on 31.07.2002 has re-appointed Shri Kirti Kumar Jain as Executive Director for a further period of 5 year with effect from 01.10.2002. 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 of 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 : 20.08.2002

MUKUND KAKANI

Managing Director.



## GODAVARI DRUGS LIMITED

### DIRECTORS' REPORT

#### TO THE SHARE HOLDERS

Your Directors have pleasure in presenting their Fourteenth Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2002.

FINANCIAL RESULTS:	(Rs. in Lacs)	
Particulars	2001-02	2000-01
Sales and other Income	3222.33	2119.30
Profit before interest and Depreciation	327.05	138.56
Interest	186.30	149.26
Depreciation	76.27	66.48
Profit/(Loss) before tax	64.48	(77.18)
Provision for Tax		
Current tax	—	—
Deferred tax	14.35	—
Profit/(Loss) after tax	50.13	(77.18)
Profit/(Loss) brought forward from previous year	(795.96)	(718.78)
Balance Carried to Balance Sheet	(745.83)	(795.96)

#### REVIEW OF OPERATIONS

The Sales during the year was Rs.3203.87 lacs as against Rs.2098.12 lacs in the previous year. During the year the company has exported 44% of total sales and continued to be a net foreign exchange earner.

The company has earned a net profit of Rs.50.13 lacs during the year under review as against a net loss of Rs. 77.18 lacs during previous year.

The over all situations during the year improved as compared to previous year, the production of bulk drugs and intermediates was at 589 MT as against 395 MT during previous year.

#### MARKETING PROSPECTS:

The marketing strength of the company today is an added advantage and the products are very well accepted internationally and domestically to the multinational companies and other companies who are exporting the pharmaceutical products. This has given us a very strong presence in world market in both the products. The company taking advantage of marketing setup proposes marketing of other products by sourcing from various manufacturers.

#### RESEARCH & DEVELOPMENT:

In R&D, the company is continuing the efforts to further improve on the yields and recovery, which has given favorable results this year, in both the products. Presently the R&D division is concentrating on vapour phase reactions and also new high value speciality products and hope to get a break with one or

two good products to be added in future course.

Taking into consideration the increase in capacity of SMX and Pyrazinamide, the steam capacity was a big constraint, which compelled the company to go in for a higher capacity Boiler. The twin furnace fired Boiler (with coal or bagasse as fuel) will now replace the old boilers, which will not only give double the quantity of steam, but also reduce the cost of fuel, thereby saving on an average to recover the cost in one year. The boiler was commissioned for operation during March 2002.

#### DIRECTORS' RESPONSIBILITY STATEMENT;

In pursuance of the provision of Section 217(2AA) of the Companies Act, 1956, the Directors of your company hereby furnish the following responsibility statement with regard to annual accounts, accounting policies, maintenance of adequate accounting records etc. of the company.

- that in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any, there from;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31<sup>st</sup> March, 2002 and of the profit of the company for that period;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting 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;
- that the Directors had prepared the annual accounts on a going concern basis.

#### INDUSTRIAL SAFETY AND POLLUTION CONTROL

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

#### INDUSTRIAL RELATIONS:

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

## GODAVARI DRUGS LIMITED



## 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. P.C. 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 offers themselves for re-appointment.

DISCLOSURE UNDER SEBI'S CIRCULAR NO: SMPRP/CIR-14/98 DATED 29 TH APRIL 1998.

The Equity Shares of the Company are listed with Hyderabad and Mumbai Stock Exchanges.

## CORPORATE GOVERNANCE (LIMITED DISCLOSURE)

As a Group B2 Company listed on the Hyderabad and Mumbai Stock Exchanges, the company is required to comply with SEBI guidelines for adoption of Corporate Governance (as incorporated in clause 49 of the listing agreements) within the financial year 2002-2003. Following the spirit of guidelines, the company makes voluntary disclosures as below for the financial year ended 31 st March 2002.

## Board of Directors

The Board of Directors comprises 5 members, of which 3 are Non-Executive Directors (NED). Amongst, the 3 NED's, 2 represent promoter group while the other one is an independent Director.

## Composition of the Board and details of meetings.

During 2001-2002 Six meetings of the Board of Directors were held on 24th April, 2001, 31 st July, 2001, 31 st August, 2001, 29 th October, 2001, 31 st January, 2002 and 28 th March, 2002

The following table gives the composition of Directors and their attendance at the Board meetings held on the dates above mentioned, and the Thirteenth Annual General Meeting held on 29 th September, 2001.

Name of the Director	Category	Board Meetings attended	Annual General meeting	No. of outside directorships
Mr. Ghanshyam Jaju	NED	5	Yes	2
Mr. Mukund Kakani	MD	6	Yes	1
Mr. Kirti Kumar Jain	ED	6	Yes	1
Mr. P.C. Shrimal	NED	6	Yes	2
Dr. C.G. Karanjgaonkar	NED	2	No	1
Mr. P. Datta (SICOM Nominee)	NED	1	No	—
Mr. A.D. Joshi (SICOM Nominee)	NED	1	No	—

Mr. P. Datta was withdrawn as nominee Director by SICOM, Limited Mumbai with effect from 05.09.2001 and Mr. A.D. Joshi was appointed as nominee Director by SICOM Limited, Mumbai on 17.12.2001 and subsequently withdrawn with effect from 29.01.2002.

## Audit Committee

The Company had constituted an audit committee. The broad terms of reference of the Audit committee were to review reports of the internal audit department, to meet the statutory auditors to discuss their findings, suggestions and other related matters. The Company has complied the requirements of Clause 49 II (A) as regards composition of the audit committee. A meeting of the Audit committee was held on 29th October, 2001. The Composition of the audit committee and the details of meetings attended by the directors are given below :

Name of Member	Category	No. of Meetings attended during the year 2001-02
1. Mr. Ghanshyam Jaju	(NED)	1
2. Mr. P.C. Shrimal	(NED)	1
3. Dr. C.G. Karanjgaonkar	(NED)	1

## Remuneration Committee

The Company had constituted a remuneration committee. The broad terms of reference of the remuneration committee are to recommend to the board, salary, perquisites, benefits to be paid to the company's managing/whole time director and others. A meeting of the Remuneration committee was held on 29th October, 2001. The composition of the Remuneration Committee and the details of meetings attended by the Directors are given below :

Name of Member	Category	No. of Meetings attended during the year 2001-02
1. Mr. Ghanshyam Jaju	(NED)	1
2. Mr. P.C. Shrimal	(NED)	1
3. Dr. C.G. Karanjgaonkar	(NED)	1



## GODAVARI DRUGS LIMITED

### Shareholders Committee

An Investors Grievance Committee was constituted to specifically look into the redressal of Investor complaints like transfer of shares, non-receipt of balance sheet etc., A meeting of the Investors Grievance Committee was held on 29 th October, 2001. The composition of the Shareholders Committee and the details of meetings attended by the Directors are given below :

Name of Member	Category	No. of Meetings attended during the year 2001-02
1. Mr. Ghanshyam Jaju	(NED)	1
2. Mr. P.C. Shimal	(NED)	1
3. Dr. C.G. Karanigankar	(NED)	1

### Disclosures

The Company has complied with all the regulations of the Stock Exchanges, Securities and Exchange Board of India and other Statutory bodies regulating the capital markets. No Stretchers or penalties were imposed on the company. There are no transactions with related parties having potential conflict with the interest of the company at large. Other transactions are adequately disclosed in the notes to Annual accounts.

### Shareholders information

(i) The last three annual general meetings were held at the following places :

13 th Annual General Meeting : J.S. Krishna Murthy Hall, FAPCCI, Red Hills, Hyderabad on 29 th September, 2001 at 2.30 P.M.

12 th Annual General Meeting : J.S. Krishna Murthy Hall, FAPCCI, Red Hills, Hyderabad 23 rd September, 2000, at 2.30 P.M.

11 th Annual General Meeting : J.S. Krishna Murthy Hall, FAPCCI, Red Hills, Hyderabad 30 th September, 1999 at 2.30 P.M.

(ii) 14 th Annual General Meeting will be held on 28 th September, 2002 at 2.30 P.M. at J.S. Krishna Murthy hall, FAPCCI, Red Hills, Hyderabad.

(iii) Dates of book closure 26 th September, 2002 to 28 th September, 2002 (both days inclusive)

(iv) Financial Calender

Board meeting to approve the Approved Date

Financial results for the

Quarter ending

30 th June, 2002

31 st July, 2002

Quarter ending

Proposed date

30 th September, 2002

3 rd/ 4 th Week of October, 2002

31 st December, 2002

3 rd/4 th Week of January, 2003

31 st March 2003

3 rd/4 th Week of April 2003

(V) Shares of Godvari Drugs Ltd are listed on Hyderabad and Mumbai Stock Exchanges.

Stock code of Mumbai Stock Exchange is 530317

(vi) DISTRIBUTION OF SHAREHOLDING AS ON 31 st MARCH 2002

Categories	No. of Shareholders	% of Shareholders
1 to 500	5169	91.23
501 to 1000	257	4.53
1001 to 2000	81	1.43
2001 to 3000	26	0.46
3001 to 4000	22	0.39
4001 to 5000	21	0.37
5001 to 10000	26	0.46
10001 & above	64	1.13
Total	5666	100.00

### (vii) Depository Systems

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

### (viii) Registrar and Transfer Agents

For shares held in physical mode For shares held in Depository mode  
Management Consultants Pvt. Ltd. CIL Securities Pvt Ltd.  
A-2(D) Huda, Complex, Tarnaka, 214, Raghava Ratna Towers  
Hyderabad. Abids, Hyderabad.

### (ix) SHARE TRANSFER SYSTEM

Share transfers are registered and returned within a period of thirty days from the date of receipt, if the documents are in order in all respects.

### 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.

For and on behalf of the Board

Place : Secunderbad.

GHANSHYAM JAJU

Date: 31.07.2002

CHAIRMAN