

*16th
Annual Report
2003-04*

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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

DR.C.G.KARANJGAONKAR

-

DIRECTOR

Bankers

State Bank of Hyderabad

State Bank of Bikaner & Jaipur

Auditors

M/s. S.DAGA & CO.

Hyderabad

Registered Office

"Mayfair"

Sardar Patel Road,

Secunderabad - 500 003. India.

Phones : (040) 27849700, 27819624.

FAX : (040) 27849859

Email : hyd1_godavari@sancharnet.in

Factory

A6/2, M.I.D.C.

Nanded - 431 603

Maharashtra

Registrars

CIL Securities Pvt., Ltd.

214, Raghavaratna Towers, Chiragallilane

Abids, Hyderabad.

Annual General Meeting
Thursday, 30th September, 2004
at 2:30 p.m.
at J.S. Krishnamurthy Hall
Red Hills, Hyderabad.



GODAVARI DRUGS LIMITED

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of Members of Godavari Drugs Limited will be held on Thursday, 30th September 2004 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, 2004, 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:

To consider and if thought fit, to pass, with or without modification the following resolutions as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions, if any, of the Companies Act 1956, Clause 6.1 and other applicable provisions, if any, of the Securities and Exchange Board of India (De-listing of securities) Guidelines, 2003, (herein after referred to as "De-listing guidelines") and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (the Board which term shall be deemed to include any committee thereof), consent of the company be and is hereby accorded to voluntarily de-list the Equity Shares of the Company from Ahmedabad Stock Exchange Ltd and Hyderabad Stock Exchange Ltd".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary de-listing of shares as may in its absolute discretion deem fit without being required to seek any further approval of the Members or otherwise to the effect and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution".

Place: SECUNDERABAD

Date: 19.08.2004

By order of the Board
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 will remain closed from 28th of September 2004 to 30th of September 2004 (both days inclusive).
3. Members are requested to intimate immediately any change in their address to the company.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

The equity shares of the company are listed on The Stock Exchange Mumbai (BSE), The Hyderabad Stock Exchange (HSE), and Ahmedabad Stock Exchange (ASE).

The Securities and exchange board of India (SBBI) has come out with latest guidelines i.e. SEBI (De-listing of Securities) guidelines, 2003 which enables the company to voluntarily de-list shares from the stock exchange. As per the above guidelines, if the company's shares are listed either on The Stock Exchange, Mumbai (BSE) or National Stock Exchange, which have nation wide trading terminals, it can opt for de-listing of shares from the other stock exchanges without providing exit option to the shareholders. Since the company's shares are listed on BSE, which has nation wide trading terminals, it is proposed to voluntarily opt for de-listing of equity shares from HSE & ASE without providing an exit option to the shareholders in that region. Moreover, owing to the expansion of BSE and their extensive networking and extension of their terminals to other cities, investors now have access to online dealing in the Company's equity shares on such terminals across the Country.

Further, the company has been complying various formalities and no particular benefit accrues to the shareholders or the company by continuing the listing of equity shares on the said Stock Exchanges. Therefore it is considered desirable to de-list equity shares of the company from HSE & ASE subject to the company complying with the various provision of de-listing guideline and obtaining requisite approvals, permissions and sanctions in this regard.

The Company's shares however will continue to be listed on BSE. The Directors commend the Special Resolutions for the approval of the Members. None of the Directors of the company are interested in the said resolution.



GODAVARI DRUGS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDER Your Directors have pleasure in presenting their Sixteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS:	(Rs. in Lacs)	
	2003-04	2002-03
Particulars		
Sales and other Income	927.39	2423.15
Profit before interest and depreciation	46.04	214.56
Interest	161.13	202.36
Depreciation	83.62	78.28
Profit/(Loss) before tax	(198.71)	(85.36)
Provision for Tax Current tax	—	—
Deferred tax	14.96	8.78
Profit/(Loss) after tax	(183.74)	(76.58)
Balance brought forward from last year	(824.56)	(745.86)
Short provision of tax for earlier year	—	(21.43)
Adjustment pertaining to previous year	(5.09)	19.28
Net Profit/(Loss)	(188.83)	(78.73)
Balance Carried to Balance Sheet	(1013.40)	(745.83)

REVIEW OF OPERATIONS : The Sales during the year was Rs. 911.27 lacs as against Rs. 2313.36 lacs in the previous year. During the year the company has exported 59 % of total sales & continued to be a net foreign exchange earner. The company has made a net loss of Rs. 188.83 lacs during the year under review as against a net loss of Rs. 78.73 lacs during previous year due to low realisation of finished products. The overall situation during the year was not encouraging as compared to previous year, the production of bulk drugs and intermediates was at 133 MT as against 485 MT during previous year.

YEAR UNDER REVIEW : During the year under review the steep fall in sales is due to non-availability of producing the main product SMX which was giving a major turnover of the total sales. The company has been manufacturing SMX and Pyrazinamide. The operations of SMX were discontinued due to steep fall in prices and unhealthy competition resulting in the sale price going down very severely there by incurring huge losses. This product alone was giving major turnover. The company has adopted a strategy to plug the losses for which the company has started contract manufacturing. In the present scenario the contract manufacturing has become a huge market due to many multinationals and Pharmaceutical companies outsourcing the facility keeping in view the post WTO scenario. Further the company presently due to heavy losses has kept SMX production on hold. The company further wants to undertake high value drugs to utilise the capacity of the plant for which two products have been short listed and initial trials are being undertaken. The company will have to undertake certain additions and changes in the present equipments to suit the requirement of the new products which are under initial stages of trial. The company is hopeful of achieving better results once the new products are established.

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.

i) 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;

ii) 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 31st March, 2004 and of the Profit of the company for that period;

iii) 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

iv) 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.

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 re-appointment.

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

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.

Place : Secunderabad.
Date: 19.08.2004

For and on behalf of the Board
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 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 exports contributed 59% of its turnover

Total foreign exchange used and earned:

Used :Rs. 319.33 Lacs

Earned : Rs. 427.15 Lacs

FORM - A

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

Particulars	Unit	2003-04	2002-03
A. Power & Fuel Consumption			
1. Electricity			
a) Purchased			
Units	000KWH	1299	4713
Total Amount	Rs.in Lacs	48.34	175.28
Average cost	Rs./KWH	3.72	3.72
b) Own Generation			
i. Through Diesel Generator			
		—	—
ii. Through Steam Turbine Generator			
		—	—
2. Coal			
("C" Grade for Steam Generation)			
Quantity	Tons	89	289
Total Cost	Rs. in Lacs	1.73	5.10
Average cost	Rs./Ton	1951	1765
3. Furnace Oil			
(For Steam Generation)			
Quantity	K.L	—	72
Total Cost	Rs. in Lacs	—	6.72
Average cost	Rs./KL	—	9333
4. Agro /Ind Waste			
Quantity	Tons	2844	9191
Total Cost	Rs. in Lacs	18.27	49.78
Average cost	Rs./Ton	650	542
5. Others/Internal Generation—			
		—	—

B. Consumption per unit of production : Since the company manufactures different types of bulk drugs and drug intermediates, it is not practicable to give consumption per unit of production.

FORM - B

Research and development (R & D)

1. Specific areas in which R & D was carried out by the Company:

Development of technology for advanced bulk drugs and intermediates

2. Benefits derived as a result of the above R&D :

Development of process and identification of new drug intermediates

3. Future plan of action : The company has plans to upgrade process Technology through its own R&D efforts to improve quality and reduce costs.

4. Expenditure on R&D:

a) Capital Rs. : NIL

b) Recurring : Rs. 5 167414

c) Total : Rs. 5 167414

d) Total R&D expenditure as a percentage of total turnover : 5.5%

Technology absorption, adoption and innovation :

1. Efforts made towards technology : In-house developments towards backward Integration, absorption, adoption, both on technology and engineering fronts, innovation.

2. Benefits derived as a result of : Resulted in reduction manufacturing costs in the above efforts

3. Particulars of technology imported : NIL during the last five years reckoned from the beginning of the financial year.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause - 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY : The company's philosophy on Corporate Governance is concerned with how the company is run and the manner in which the Board of Directors discharges its mission and responsibilities to ensure proper management, with accountability in the best interests of shareholders and other stakeholders. And, in addition, the issue of transparency and disclosure of information about the affairs of the company assumes greater importance.

2. BOARD OF DIRECTORS : The Board of Directors comprises of Managing Director, one Executive Director and three Non-Executive Directors. The three Non-Executive Directors includes the Chairman who along with the Managing Director and another Non-Executive Director represent promoter group while the other one is an independent Director. During the financial year 2003-2004 the Board met six times on 30th April, 31st July, 2nd



GODAVARI DRUGS LIMITED

September, 27th September, 30th October 2003 and 29th January, 2004. The details of attendance of Directors at the Board Meetings and at the last Annual General Meeting with particulars of their Directorship and Committee Memberships are given in the following table.

Name of the Director	Category of directorship	Board Meetings attended	Last AGM attended	No. of Directorships outside	No. of other Committee Memberships
Shri. Ghanshyam Jaju	NED	6	Yes	2	3
Shri. Mukund Kakani	MD	6	Yes	1	Nil
Shri. Kirti Kumar Jain	ED	6	Yes	1	Nil
Shri. P.C. Shrimal	NED	6	Yes	2	3
Dr.C.G.Karanjgaonkar	NED	4	Yes	1	3

3. AUDIT COMMITTEE: Adhering to the principles envisaged in clause 49 of the listing agreement the audit committee which was constituted in October 2001 has met four times during the year under review. The terms of reference of Audit Committee is as contained in the section II of Corporate Governance code as per the Listing Agreement. The Audit Committee of the Board comprises of all the Non- Executive Directors namely Shri. Ghanshyam Jaju, Shri.P C Shrimal and Dr.C.G.Karanjgaonkar. The Statutory Auditor is permanent invitee to the meetings.

4. REMUNERATION OF DIRECTORS: The Non-Executive Directors do not receive any remuneration from the company apart from sitting fees for attending the meetings of Board which is decided by Board of Directors. The details of remuneration paid to the Directors during the financial year 2003-04 are given below.

Name of the Director	Salary (In Rs.)
Shri. Mukund Kakani	24,000 P.M.
Shri. Kirti Kumar Jain	15,000 P.M.

The tenure of appointment of each of the above Managing Director and Executive Director is for a period of 5 years. Notice period, severance fees and stock options are not applicable

5. SHAREHOLDERS GRIEVANCE COMMITTEE: The Shareholders and Investors Grievance Committee has acted upon 162 complaints/request which was received from shareholders and others as per the details given below and all of them have been resolved to date. There were no share transfers pending for registration for more than 30 days. The status of shareholder's complaints/request during the financial year 2003-04 is as under.

Sl.No.	Nature of Complaint/request	Received	Cleared
1	Change / Correction of Address	36	36
2.	No. Of transfers	114	114
3.	Others	12	12

The Complaints from the shareholders are given top priority and have been attended to on day to day basis.

6. GENERAL BODY MEETINGS: The details of last three Annual General Meetings are as follows:

Year	Location	Date	Time
2002-2003	J.S.Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	27th Sep.03	2.30pm
2001-2002	J.S.Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	28 th Sep.02	2.30PM.
2000-2001	J.S.Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	29 th Sep.01	2.30PM.

In some of the above AGMs certain special resolutions as set out in the respective notices were passed by the shareholders. No special resolutions were passed through postal ballot during the previous year.

At the forthcoming AGM there is no item on the agenda that needs approval by means of postal ballot.

7. DISCLOSURES: The Company 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.

8. MEANS OF COMMUNICATION: The company shares are listed on Mumbai Stock Exchange and financial results on quarterly basis are being submitted to the Stock Exchange and have been published in the news papers. The quarterly financial results of the company are generally published in the following news papers. Business Standard (English Daily) Andhra Bhoomi (Telugu Daily) There has been no display of official news releases and there have been no presentations made to institutional investors or to the analysts.

9. GENERAL SHAREHOLDERS INFORMATION

Sl. No.	Item	Details
1.	AGM Date, Time and Venue	On 30 th Sep. 2004 at 2.30 PM at J.S.Krishnamurthy hall, FAPCCI Premises, Red Hills, Hyderabad.
2.	Financial Calendar 2004-2005 (tentative)	First Quarter Results - 31 st July, 2004 Second Quarter /Half year Results - End October 2004. Third Quarter/Nine Months Results- End Jan. 2005 Fourth Quarter/Year end Results - End April 2005.



GODAVARI DRUGS LIMITED

3. Dates of book closure 28.09.2004 to 30.09.2004 (both days inclusive)
4. Listing on Stock Exchanges Mumbai Stock Exchange (Voluntarily De-listed from Hyderabad and Ahmedabad Stock Exchanges.)
5. Stock Code 530317 (BSE)
6. Demat ISIN No. for NSDL & CDSL INE362C01012
7. Market Price Data Since the shares of the Company are not regularly traded it is not possible to provide monthly quotes of the shares. The shares of the company were quoted at Rs.7.00 on 31.03.2004 on Mumbai Stock Exchange.
8. Performance in comparison to BSE Index/CRISIL Index The shares are infrequently traded and hence not applicable.
9. Registrar and Transfer Agents (for both physical & electronic) CIL Securities Pvt Ltd. 214, Raghava Ratna Towers Abids, Hyderabad.

10. Share transfer system: Share transfers are registered and returned with in a period of thirty days from the date of receipt, if the documents are in order in all respects.

11. Distribution of shareholding as on 31st March 2004.

Categories	No. of Shares	% of Share holding	No. of Share holders	% of Share holders
UPTO 500	663461	13.19	4546	90.39
501 to 1000	209704	4.17	245	4.87
1001 to 2000	137151	2.73	86	1.71
2001 to 3000	66549	1.32	26	0.52
3001 to 4000	76239	1.51	20	0.40
4001 to 5000	101800	2.02	21	0.42
5001 to 10000	196254	3.90	24	0.48
10001 and above	3579342	71.16	61	1.21
Total	5030500	100.00	5029	100.00

12. Dematerialization of shares and liquidity The Company has entered into tripartite agreements With NSDL and CDSL to establish electronic . Connectivity through company's Electronic Registrar i.e., CIL Securities, Hyderabad and Facilitate scripless trading. Trading in the equity shares of the company is compulsorily in dematerialized form for all investors. 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.

13. Outstanding ADRs/GDRs : The Company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.

14. Plant Locations: The Company has its unit at A-6/2, MIDC, Nanded, Maharashtra.

15. Address for correspondence: Mayfair Registered office 1-8-303/34, Sardar Patel Road, Secunderabad - 500 003 Phone : 91-40-2784 9700, Fax: 91-40-2784 9859 e-mail: hyd1_godavari@sancharnet.in

Share holders holding shares in electronic form should address all their correspondence to their respective depository participants.

AUDITOR'S REPORT ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the shareholders of GODAVARI DRUGS LIMITED

We have examined the compliance of conditions of corporate governance by the Godavari drugs limited for the year ended on 31st March 2004 as stipulated in clause 49 of the listing agreement of the said company with stock exchange. The compliance of conditions of corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in the above-mentioned listing agreement. We state that no investor grievances are pending for a period exceeding on month against the company as per the records maintained by the shareholders grievance committee. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency of effectiveness with which the management has conducted the affairs of the company.

For S. Daga & Co
Chartered Accountants
Purohit Sridhar
Partner

Place: Hyderabad

Date: 19.08.2004

AUDITORS' REPORT REPORT OF THE AUDITORS TO THE MEMBERS

1. We have audited the attached Balance Sheet of M/s. GODAVARI DRUGS LTD, as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed there and Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express on opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards