

***17th  
Annual Report  
2004-2005***

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**GODAVARI DRUGS LIMITED**

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



**GODAVARI DRUGS LIMITED**

**BOARD OF DIRECTORS :**

SHRI GHANSHYAM JAJU  
SHRI MUKUND KAKANI  
SHRI KIRTI KUMAR JAIN  
SHRI PRAKASH CHANDRA SHRIMAL  
DR. C.G. KARANJGAONKAR

— CHAIRMAN  
— MANAGING DIRECTOR  
— EXECUTIVE DIRECTOR  
— DIRECTOR  
— DIRECTOR

**Bankers**

State Bank of Hyderabad  
State Bank of Bikaner & Jaipur

**Auditors**

M/s S. DAGA & CO.  
Hyderabad

Annual General Meeting  
26th september, 2005  
at 2.30 p.m.  
at J.S. Krishnamurthy Hall  
Red Hills , Hyderabad

**Registered Office**

"Mayfair",  
Sardar Patel Road,  
Secunderabad - 500 003.India.  
Phones : (040) 27849700, 27819624.  
Fax : (040) 27849859  
Email : [hyd1\\_godavari@sancharnet.in](mailto:hyd1_godavari@sancharnet.in)

**Factory**

A 6/2, M. I. D. C.,  
Nanded - 431 603  
Maharashtra

**Registrars**

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

**GODAVARI DRUGS LIMITED****NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of Members of Godavari Drugs Limited will be held on Monday, 26<sup>th</sup> September 2005 at 2.30 P.M. at J.S. Krishna Murthy Hall, FAPCCI Premises, 11-6-341, 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, 2005, Balance Sheet as on that date, and Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Dr. C. G. Karanjgaonkar 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.

By order of the Board

Place : SECUNDERABAD

Date : 19.08.2005

MUKUND KAKANI  
MANAGING DIRECTOR

**NOTES:**

- 1 A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
- 2 The instruments of proxy duly stamped and executed should be deposited at the Registered office of the company at least forty-eight hours before the time fixed for commencement of the meeting.
- 3 The register of members and share transfer books will remain closed from 24<sup>th</sup> of September 2005 to 26<sup>th</sup> of September 2005 (both days inclusive).
- 4 Members are requested to intimate immediately any change in their address to the company.



## GODAVARI DRUGS LIMITED

## DIRECTORS' REPORT

## TO THE SHARE HOLDERS :

Your Directors have pleasure in presenting their Seventeenth Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2005.

FINANCIAL RESULTS :	(Rs. in Lacs)	
Particulars	2004-05	2003-04
Sales and other Income	377.81	927.39
Profit before interest and Depreciation	(21.56)	46.04
Interest	178.10	161.13
Depreciation	83.43	83.62
Profit/(Loss) before tax	(283.09)	(198.71)
Provision for Tax Current tax	—	—
Deferred tax	22.83	14.96
Profit/(Loss) after tax	(260.26)	(183.74)
Adjustment pertaining to previous year	(1.57)	(5.10)
Net Profit/(Loss)	(261.83)	(188.84)
Balance brought forward from last year	(1013.40)	(824.56)
Balance Carried to Balance Sheet	(1275.23)	(1013.40)

**REVIEW OF OPERATIONS :** The Sales during the year was Rs.406.93 lacs as against Rs. 911.27 lacs in the previous year. The company has made a net loss of Rs.260.26 lacs during the year under review as against a net loss of Rs. 183.74 lacs during previous year. The steep drop in turnover and continued huge losses were due to stoppage of production of our main products because of sharp drop in prices.

**YEAR UNDER REVIEW :** During the year under review further deterioration in prices of SMX/Pyrazinamide and continuing unhealthy competition between major two manufacturers compelled your company to close down production of both the products to cut down heavy losses, which the company was incurring. The company had started undertaking contract manufacturing to overcome the present set back as an alternative measure. Considering the total discontinuation of both the major products and its effect on the working capital from Banks, this was considered the immediate remedy under the circumstances.

However the company proposes to start new products after over coming the present temporary difficulties and is also in negotiation with Institutions and banks to settle the liabilities to avoid further losses. The company also proposes to continue contract manufacturing to gauge the present scenario in the market, which is fast developing post WTO scenario.

## 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 31<sup>st</sup> March, 2005 and of the Loss 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; 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 :** Dr. C. G. Karanjgaonkar, 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.

**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 : Secunderabad

Date: 19.08.2005

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 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: Nil

Total foreign exchange used and earned:

Used : Rs.43.52 Lacs  
Earned : Nil

### FORM - A

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

Particulars	Unit	2004-05	2003-04
A. Power & Fuel Consumption			
1. Electricity			
a) Purchased			
Units	000KWH	701	1299
Total Amount	Rs. in Lacs	35.66	48.34
Average cost	Rs./KWH	5.09	3.72
b) Own Generation			
i. Through Diesel Generator		—	—
ii. Through Steam Turbine Generator		—	—
2. Coal			
("C" Grade for Steam Generation)			
Quantity	Tons	840	89
Total Cost	Rs. in Lacs	17.58	1.73
Average cost	Rs./Ton	2094	1951
3. Furnace Oil			
(For Steam Generation)			
Quantity	K.L	—	—
Total Cost	Rs. in Lacs	—	—
Average cost	Rs./KL	—	—
4. Agro /Ind Waste			
Quantity	Tons	—	2844
Total Cost	Rs. in Lacs	—	18.27
Average cost	Rs./Ton	—	650
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. Technology absorption, adoption and innovation :

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

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

c. 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 alongwith the Managing Director and another Non-Executive Director represent promoter group while the other one is an independent Director.

During the financial year 2004-2005 the Board met five times on 29<sup>th</sup> April, 31<sup>st</sup> July, 19<sup>th</sup> August, 30<sup>th</sup> October 2004 and 31<sup>st</sup> January, 2005.



## GODAVARI DRUGS LIMITED

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 outside Directorships	No. of other Committee Memberships
Shri. Ghanshyam Jaju	NED	5	Yes	2	3
Shri. Mukund Kakani	MD	5	Yes	1	Nil
Shri. Kirti Kumar Jain	ED	5	Yes	1	Nil
Shri. P. C. Shrinial	NED	5	Yes	2	3
Dr.C.G.Karanjgaonkar	NED	2	No	1	3

**3. AUDIT COMMITTEE :** Adhering to the principles envisages in clause 49 of the listing agreement the audit committee which was constituted in October 2001 has met five times during the year under review.

The terms of reference of Audit Committee is has 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 Shrinial and Dr.C.G.Karanjgaonkar. The Statutory Auditors 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 2004-05 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 as acted upon 189 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 2004 -05 is as under

Sl.No.	Nature of Complaint/request	Received	Cleared
1	Change / Correction of Address	7	7
2.	No. Of transfers	168	168
3.	Others	14	14

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
2003-2004	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	30 <sup>th</sup> Sep.04	2.30P.M.
2002-2003	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	27 <sup>th</sup> Sep.03	2.30P.M.
2001-2002	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	28 <sup>th</sup> Sep.02	2.30P.M.

In some of the above AGMs the shareholders passed certain special resolutions as set out in the respective notices.

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 Hyderabad 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
a.	AGM Date, Time and Venue	On 26 <sup>th</sup> Sep.2005 at 2.30 P.M at J. S. Krishnamurthy hall, FAPCCI Premises, Red Hills, Hyderabad.
b.	Financial Calendar 2005-2006 (Tentative)	First Quarter Results – 30 <sup>th</sup> July, 2005 Second Quarter /Half year Results - End October 2005. Third Quarter/Nine Months Results-End Jan. 2006 Fourth Quarter/Year end Results - End April 2006.



## GODAVARI DRUGS LIMITED

- c. Dates of book closure 24.09.2005 to 26.09.2005 (both days inclusive)
- d. Listing on Stock Exchanges Mumbai Stock Exchange (Voluntarily De-listed from Hyderabad and Ahmedabad Stock Exchanges.)
- e. Stock Code 530317 (BSE)
- f. Demat ISIN No. For NSDL & CDSL INE362C01012
- g. 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.14.20 on 31.03.2005 at Mumbai Stock Exchange.
- h. Performance in comparison to BSE Index / CRISIL Index The shares are infrequently traded and hence not applicable.
- i. Registrars and Transfer Agents (For both physical and electronic) CIL Securities Pvt Ltd. 214, Raghava Ratna Towers Abids, Hyderabad.
- j. Share transfer system returned with in a Period of thirty days from the date of receipt, if the documents are in order in all respects.
- k. Share Holding pattern as on 31<sup>st</sup> March 2005

Private	Category	No. of Shares Held	% of shareholding
A	Promoter's Holding		
1	Promoters		
	- Indian Promoters	2325300	46.22
	- Foreign Promoter	Nil	Nil
2	Persons acting in Concert	Nil	Nil
	Sub-Total	2325300	46.22
B	Non-Promoter Holding		
3	Institutional Investors		
a	Mutual funds and UTI		
b	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	198700	3.95
c	FII's	Nil	Nil
	Sub-Total	198700	3.95
4	Others		
a	Private Corporate Bodies	208514	4.14
b	Indian Public	1990432	39.58
c	NIR's/OCB's	307554	6.11
d	Any other (please specify)		
	Sub-Total	2506500	49.83
	GRAND TOTAL	5030500	100

l. Distribution of shareholding as on 31<sup>st</sup> March 2005

Categories	No. of Shares	% of Share holding	No. of Share holders	% of Share holders
UPTO 500	4241	87.83	651135	12.94
501 to 1000	304	6.30	261698	5.20
1001 to 2000	117	2.42	183754	3.65
2001 to 3000	38	0.79	99613	1.98
3001 to 4000	18	0.37	67185	1.34
4001 to 5000	19	0.39	90950	1.81
5001 to 10000	33	0.68	251920	5.01
10001 and above	59	1.22	3424245	68.07
Total	4829	100.00	5030500	100.00

m. Dematerialisation 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 dematerialised form for all investors. In view of the numerous advantages offered by the depository system, members are requested to avail of the facility of dematerialisation of the company's shares on either of the depositories.

## n. Outstanding ADRs/GDRs

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

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

p. 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@sanchamnet.in

Shareholders 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 31<sup>st</sup> March 2005 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