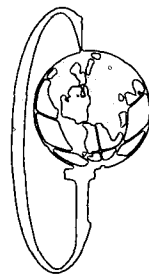


19th
Annual Report
2006-2007

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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	—	CHAIRMAN
SHRI MUKUND KAKANI	—	MANAGING DIRECTOR
SHRI KIRTI KUMAR JAIN	—	EXECUTIVE DIRECTOR
SHRI PRAKASH CHANDRA SHRIMAL	—	DIRECTOR
SHRI DILIP PATEL	—	DIRECTOR
SHRI S. A. HUSSAIN	—	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

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

Nanded - 431 603

Maharashtra

Registrars

CIL Securities Pvt., Ltd.

214, Raghavaratna Towers, Chiragallilane

Abids, Hyderabad - 500 001.

Annual General Meeting
29th september, 2007
at 2.00 p.m.
at J. S. Krishnamurthy Hall
Red Hills , Hyderabad

GODAVARI DRUGS LIMITED



NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of Members of Godavari Drugs Limited will be held on Saturday 29th September 2007 at 2.00 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, 2007, 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 a Director in place of Mr. Mukund Kakani who retires by rotation and being eligible, offers himself for re-appointment.
4. 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: 25-07-2007

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 27th September 2007 to 29th September 2007 (both days inclusive).
4. Members are requested to intimate immediately any change in their address to the company.



DIRECTORS' REPORT

TO THE SHARE HOLDERS : Your Directors have pleasure in presenting their Nineteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS:

(Rs. in Lacs)

Particulars	2006-07	2005-06
Sales and other Income	440.09	290.38
Extra ordinary Items	159.64	647.81
Profit before interest and Depreciation	193.54	517.80
Interest	13.81	37.17
Depreciation	88.22	83.69
Profit/(Loss) before tax	91.51	396.94
Provision for tax	-	-
Fringe Benefit tax	0.63	0.26
Deferred tax	13.70	(65.85)
Profit/(Loss) after tax	104.59	330.83
Adjustment pertaining to previous year	(0.51)	(1.23)
Balance brought forward from last year	(945.63)	(1275.23)
Balance Carried to Balance Sheet	(841.55)	(945.63)

REVIEW OF OPERATIONS : The Sales during the year was Rs. 401.27 lacs as against Rs. 261.88 lacs in the previous year. Which includes contract manufacturing.

YEAR UNDER REVIEW

During the year under review the company continues to undertake contract manufacturing from reputed companies and has started making small quantities of Ethambutol, which the company plans to increase steadily.

ONE TIME SETTLEMENT : The company has arrived at settlement with all secured creditors resulting in benefit of Rs.159.64 Lacs during the year as against Rs.647.81 Lacs during previous year, reflected in the financial figures.

FUTURE OUT LOOK : The Company is at advanced stage of discussions with major multinational companies for contract manufacturing to ensure capacity utilization. With favorable indications in R & D for new products, the company is hopeful of achieving better results.

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 judgments 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, 2007.

- 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 ongoing concern basis.

AUDIT REPORT : The observations made by statutory auditors are self-explanatory.

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 annexure forming part of this Report.

DIRECTORS : Sri P.C. Shrimal and Sri Mukund Kakani, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

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

ACKNOWLEDGEMENTS : Your Directors convey their deep gratitude to Industrial Development Bank of India, 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 : 25-07-2007

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: Nil
- Earned: Nil

FORM - A

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

Particulars	Unit	2006-07	2005-06
A. Power & Fuel Consumption			
1. Electricity			
a) Purchased Units	000KWH	1096	1139
Total Amount	Rs. in Lacs	53.54	42.54
Average cost	Rs./KWH	4.88	3.73
b) Own Generation			
i. Through Diesel Generator		—	—
ii. Through Steam Turbine Generator		—	—
2. Coal			
"C" Grade for Steam Generation			
Quantity	Tons	1226	1594
Total Cost	Rs. in Lacs	39.66	45.35
Average cost	Rs./Ton	3235	2845
3. Furnace Oil			
(For Steam Generation)			
Quantity	K.L	—	—
Total Cost	Rs. in Lacs	—	—
Average cost	Rs./KL	—	—
4. Agro /Ind. Waste			
Quantity	Tons	122	Nil
Total Cost	Rs. in Lacs	1.22	Nil
Average cost	Rs./Ton	1000	Nil
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.399246/-
c) Total:	Rs.399246/-
d) Total R&D expenditure as a percentage of total turnovers:	1.00%

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 of 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.

MANAGEMENT DISCUSSION AND ANALYSIS: India with a billion populations is second largest pharmaceutical market in terms of volume consumed over the past decade the drug consumption is steadily increasing by more than 15%.

OUTLOOK: According to reliable estimates the market for API's is more than US\$ 14 billion India with its vast population alongwith China jointly account for about 20% of the world generic market and branded active pharmaceuticals ingredients (API's). India API's is expected to grow by 20% per year taking in to account severe competition in the world generic API's business.

OPPORTUNITIES AND THREATS: Since 2005 after the patent regime in place there is encouraging atmosphere for out sourcing by big pharma companies resulting in mutual strategic benefits to Indian pharma companies.

The Global pharmaceuticals market consider India increasingly as an important base to source bulk drugs active and intermediate pharmaceutical ingredients since it has advantage of low cost manufacturing infrastructure and equipments facility in the country with proven technological and processes engineering.

The company presently is undertaking contract manufacturing from reputed organisation apart from their own products restarted in a small way. The company is sure to increase the productions of the on going products and add some new products in near future, which are under advance stage of developments.

MANAGEMENT OF RISK AND CONCERN

The company has initiated a number of steps to ensure financial discipline. The company was successful in getting favourable one time settlements from Institutions and Banks resulting in benefits by way of concessions.

The company proposes to add further clients of repute for contract manufacturing to ensure steady progress and utilization of facilities, which will add to the profitability.

With various approvals for its manufacturing facilities its track records of commitment to quality and capability to handle diverse product portfolio the company has an advantage of de-risked business.

**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. 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 four Non-Executive Directors. The four Non-Executive Directors includes the Chairman who alongwith the Managing Director and another Non-Executive Director represent promoter group while the other two are an independent Director.

During the financial year 2006-2007 the Board met five times on 28th April, 31st July, 29th August, 30th October 2006, and 30th January, 2007.

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 of Meetings Attended	Last AGM Attended	No. of outside Directorships	No. of other Committee Memberships
Shri. Ghanshyam Jaju	NED	5	Yes	1	Nil
Shri. Mukund Kakani	MD	5	Yes	1	Nil
Shri. Kirti Kumar Jain	ED	5	Yes	Nil	Nil
Shri. P. C. Shrimal	NED	5	Yes	2	1
Mr. Dilip Patel	ID	5	No	3	2
Mr. S A Hussain	ID	4	Yes	3	2

Outside Directorships do not include Directorship in private limited companies.

3. AUDIT COMMITTEE: Adhering to the principles envisaged in clause 49 of the listing agreement the audit committee was formed, which has met five times on 28th April, 31st July, 29th August, 30th October 2006, and 30th January, 2007.

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 comprises of Executive Director and Independent Directors namely Shri. Kirti Kumar Jain, Shri. Dilip Patel and Shri. S. A. Hussain. The Statutory Auditor is 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 2006-07 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 COMMITTEE: The Board has constituted a Shareholders and Investors Grievance Committee which comprises of Shri. P C Shrimal, Chairman, Shri. Dilip Patel and Shri. S. A. Hussain as members. During the year, the committee met three times on 28th April, 31st July and 30th Oct 2006. The committee oversees the performance of the Registrar and Share Transfer Agent and recommends measures for overall improvement in the quality of investor service. 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 2006 -07 is as under

Sl.No.	Nature of Complaint/request	Received	Cleared
1.	Change / Correction of Address	4	4
2.	No. Of transfers	65	65
3.	Others (Loss of shares)	Nil	Nil

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

6. CODE OF CONDUCT: The Company has adopted a Code of Conduct for its employees including the Managing Director and the Executive Directors. In addition the Company has adopted a code of conduct for its Non-Executive Directors and Senior Management Personnel.

7. GENERAL BODY MEETINGS: The details of last three Annual General / Extra Ordinary General Meetings are as follows:

Year	Location	Date	Time
2005-2006	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	27th Sept. 2006	2.30P.M.
2004-2005	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	26th Sept., 2005	2.30P.M.
2003-2004	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	30th Sept., 2004	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.

8. 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.

9. MEANS OF COMMUNICATION : The company shares are listed on Bombay Stock Exchange and financial results on quarterly basis are being submitted to the Stock Exchange and have been published in the newspapers.

The quarterly financial results of the company are generally published in the following newspapers : Business Standard (English Daily) and 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.

10. GENERAL SHAREHOLDERS INFORMATION

S.No. Item	Details
a. AGM Date Time and Venue	On 29th September, 2007 at 2.00 P.M. at J. S. Krishnamurthy hall, FAPCCI Premises, Red Hills, Hyderabad. (to be held)
b. Financial Calendar 2006-2007 (Tentative)	First Quarter Results – 25th July 2007 Second Quarter/Half year Results - End October 2007 Third Quarter/Nine Months Results - End January 2008 Fourth Quarter/Year end Results- End April 2008
c. Dates of book closure	27-07-2007 to 29-07-2007 (both days inclusive)
d. Listing on Stock Exchanges	Bombay Stock Exchange
e. Stock Code	530317 (BSE)
f. Demat ISIN No. For NSDL & CDSL	INE362C01012
g. Market Price Data	

Months	Bombay Stock Exchange Ltd.	
	High (Rs.)	Low (Rs.)
April'06	24.60	17.50
May'06	24.00	14.35
June'06	17.70	10.50
July'06	15.25	12.00
August'06	17.80	13.81
September'06	16.90	11.40
October'06	19.00	14.00
November'06	20.00	15.35
December'06	18.30	14.65
January'07	18.95	15.80
February'07	17.40	14.00
March'07	15.95	12.10

h. Performance in comparison	The shares are infrequently to BSE Index / CRISIL Index 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	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.

k. Shareholding Pattern as on 31st March 2007

Category	No. of Shares	Percentage
Promoter	3065011	42.83
Financial Institution and Banks	225100	3.15
Bodies Corporate	550787	7.69
Indian Public	3055068	42.70
NRI's / OCB's	259534	3.63
TOTAL	7155500	100.00

l. Distribution of shareholding as on 31st March 2007

Shareholding of Nominal value		No. of Holders	% of total Holding	Shares Amount	% of total Amount
From	To				
—	5000	3683	97.86	10908120	15.24
5001	10000	16	0.43	1236270	1.73
10001	20000	16	0.43	2521210	3.52
20001	30000	7	0.19	1739490	2.43
30001	40000	4	0.11	1451850	2.03
40001	50000	2	0.05	891000	1.25
50001	100000	17	0.45	15172540	21.20
100001	ABOVE	18	0.48	37634520	52.60
		3763	100.00	71555000	100.00

m. Dematerialisation of shares and liquidity: The trading in Company's shares is permitted only in dematerialized form. In order to enable to shareholders to hold their shares in electronic form and to facilitate scrip-less trading, the Company has enlisted its shares with NSDL and CDSL

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

o. Plant Location: A-6/2, MIDC, Nanded, - 431 603, Maharashtra.

p. Address for correspondence Registered office:
1-8-303/34, Mayfair, Sardar Patel Road,
Secunderabad - 500 003, Phone: 91-40-27849700,
Fax: 91-40-27849859 • E-mail: hyd1_godavari@sancharnet.in

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

DECLARATION OF MANAGING DIRECTOR ON THE COMPANY'S CODE OF CONDUCT

In terms of Clause 49 of the Listing Agreement, I hereby confirm that all the Board members and Senior Management personnel of the Company have affirmed compliance with their respective Codes of Conduct, as applicable to them for the year ended 31st March 2007.

Place: Secunderabad
Date : 25-07-2007

Mukund Kakani
Managing Director