

*21st*  
*Annual Report*  
*2008-2009*

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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  
 SHRI DILIP PATEL  
 SHRI S. A. HUSSAIN

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

**Bankers**

State Bank of Hyderabad<sup>2</sup>  
 State Bank of Bikaner & Jaipur  
 HDFC Bank

**Auditors**

M/s S. DAGA & CO.  
 Hyderabad

**Registered Office**

“Mayfair”,  
 Sardar Patel Road,  
 Secunderabad - 500 003, India.  
 Phones : (040) 27849700, 27844557.  
 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  
 26th september, 2009  
 at 2.30 p.m.  
 at J. S. Krishnamurthy Hall  
 Red Hills , Hyderabad

GODAVARI DRUGS LIMITED



## NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of Members of Godavari Drugs Limited will be held on Saturday 26<sup>th</sup> September 2009 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, 2009, Balance Sheet as on that date, and Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Ghanshyam Jaju who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Kirti Kumar Jain 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: 31-08-09

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> September 2009 to 26<sup>th</sup> September 2009 (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 Twenty First Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2009.

### FINANCIAL RESULTS:

	(Rs. in Lacs)	
Particulars	2008-09	2007-08
Sales and other Income	385.90	413.02
Extra ordinary Items	-	-
Profit before interest and Depreciation	76.72	30.33
Interest	15.24	20.19
Depreciation	87.88	88.07
Profit/(Loss) before tax	(24.16)	(77.93)
Earlier year tax	0.00	1.21
Fringe Benefit tax	0.27	0.30
Deferred tax	(2.24)	1.01
Profit/(Loss) after tax	(26.67)	(78.44)
Adjustment pertaining to previous year	( - )	(14.66)
Balance brought forward from last year	(934.65)	(841.55)
Balance Carried to Balance Sheet	(961.32)	(934.65)

**REVIEW OF OPERATIONS** The Sales during the year was Rs.372.84 lacs as against Rs. 399.77 lacs in the previous year. Which includes contract manufacturing.

### YEAR UNDER REVIEW

The Company continuous contract manufacturing, and is pursuing to ensure full utilisation of the capacity. The Company also proposes to undertake some products, which are at final stages of development.

### FUTURE OUT LOOK

The Company is hopeful to improve working by achieving full capacity utilisation. The company is also striving to undertake production of new products, to ensure better productivity and profitability.

**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 deviation, 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 31<sup>st</sup> March, 2009.
- 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 take 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 Ghanshyam Jaju and Sri Kirti Kumar Jain , 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.

### ACKNOWLEDGEMENT:

Your Directors 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 : 31-08-09

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	2008-09	2007-08
<b>A. Power &amp; Fuel Consumption</b>			
1. Electricity			
a) Purchased			
Units	000KWH	1801	1295
Total Amount	Rs. in Lacs	87.13	65.66
Average cost	Rs./KWH	4.85	5.07
b) Own Generation			
i. Through Diesel Generator		—	—
ii. Through Steam Turbine Generator		—	—
2. Coal			
"C" Grade for Steam Generation			
Quantity	Tons	—	38
Total Cost	Rs. in Lacs	—	1.23
Average cost	Rs/Ton	—	3235
3. Furnace Oil			
(For Steam Generation)			
Quantity	K.L	10.00	—
Total Cost	Rs. in Lacs	0.75	—
Average cost	Rs./KL	—	—
4. Agro /Ind. Waste			
Quantity	Tons	3394	2937
Total Cost	Rs. in Lacs	50.32	20.56
Average cost	Rs./Ton	1483	700
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 &amp; 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. 1068760 /-
c) Total:	Rs. 1068760 /-
d) Total R&D expenditure as a percentage of total turnovers:	2.86%

**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**

With growing economy and per capita income the local demand is envisaged to pickup substantially, the local manufacturer with low cost production will have advantage in the present situation.

**OUTLOOK**

Take over of foreign companies by major Indian manufacturers will ensure more products to be outsourced from India, to achieve cost competitiveness. Companies with big manufacturing capacities will have an opportunity to participate in the changed scenario.

**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 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.

## GODAVARI DRUGS LIMITED



### 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 2008-2009 the Board met four times on 29<sup>th</sup> April, 28<sup>th</sup> July, 23<sup>rd</sup> October 2008, and 24<sup>th</sup> January, 2009.

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	Lost AGM attended	No. Of outside Directorships	No. of other Committee Memberships
Shri. Ghanashyam Jaju	NED	4	Yes	Nil	Nil
Shri. Mukund Kakani	MD	4	Yes	Nil	Nil
Shri. Kirti Kumar Jain	ED	4	Yes	Nil	Nil
Shri. P. C. Shrimai	NED	4	Yes	1	1
Mr. Dilip Patel	ID	4	Yes	6	3
Mr. S A Hussain	ID	3	Yes	2	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 four times on 29<sup>th</sup> April, 28<sup>th</sup> July, 23<sup>rd</sup> October 2008, and 24<sup>th</sup> January, 2009.

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 2008-09 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 Shrimai, Chairman, Shri. Dilip Patel and Shri. S. A. Hussain as members. During the year, the committee met two times on 28<sup>th</sup> July 2008 and 24<sup>th</sup> January 2009. 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 2008 -09 is as under

Sl.No.	Nature of Complaint/request	Received	Cleared
1	Change / Correction of Address	2	2
2	No. Of transfers	1	1
3	Non receipt of shares /Others	3	3

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
2007-2008	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	26 <sup>th</sup> Sept. 2008	2.30P.M.
2006-2007	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	29 <sup>th</sup> Sept. 2007	2.00P.M.
2005-2006	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	27 <sup>th</sup> Sept. 2006	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.



## GODAVARI DRUGS LIMITED

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

Sl.No.	Item	Details
1.	AGM Date, Time and Venue	On 26 <sup>th</sup> September, 2009 at 2.30 P.M at J. S. Krishnamurthy hall, FAPCCI Premises, Red Hills, Hyderabad. (to be held)
2.	Financial Calendar 2009 - 2010(Tentative)	First Quarter Results - 31 <sup>st</sup> July 2009 Second Quarter /Half year Results - End October 2009 Third Quarter/Nine Months Results - End January 2010 Fourth Quarter/Year end Results - End April 2010
3.	Dates of book closure	24-09-2009 to 26-09-2009 (both days inclusive)
4.	Listing on Stock Exchanges	Bombay Stock Exchange
5.	Stock Code	530317 (BSE)
6.	Demat ISIN No. For NSDL & CDSL	INE362C01012
7.	Market Price Data	

Months	Bombay Stock Exchange Ltd.	
	High (Rs.)	Low (Rs.)
April'08	12.34	9.51
May'08	11.20	9.50
June'08	10.49	8.89
July'08	10.65	8.29
August'08	10.84	8.72
September'08	11.50	9.40
October'08	9.40	6.57
November'08	7.50	5.59
December'08	7.11	5.67
January'09	7.23	5.59
February'09	5.70	4.78
March'09	4.70	3.62

8. Performance in comparison to BSE Index / CRISIL Index The shares are infrequently traded and hence not applicable.
9. Registrars and Transfer Agents CIL Securities Pvt Ltd.  
(For both physical and electronic) 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. Shareholding Pattern as on 31<sup>st</sup> March 2009

Category	No. of Shares	Percentage
Promoter	3502640	46.51
Financial Institution and Banks	225100	2.99
Bodies Corporate	624814	8.29
Indian Public	2920727	38.79
NRI's / OCB's	257219	3.42
<b>TOTAL</b>	<b>7530500</b>	<b>100.00</b>

### 12. Distribution of shareholding as on 31<sup>st</sup> March 2009

Shareholding of Nominal Value		No. of Holders	% of total Holding	Shares Amount	% of total Amount
From	To				
—	5000	3530	97.81	10420030	14.56
5001	10000	19	0.53	1457180	2.04
10001	20000	16	0.44	2615570	3.66
20001	30000	6	0.17	1513670	2.12
30001	40000	4	0.11	1432150	2.00
40001	50000	2	0.06	891000	1.25
50001	100000	16	0.41	14230090	18.36
100001	ABOVE	17	0.47	42786160	56.01
		<b>3609</b>	<b>100.00</b>	<b>75305000</b>	<b>100.00</b>

13. 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.

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

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

16. Address for correspondence Registered office: 1-8-303/34, Mayfair, Sardar Patel Road, Secunderabad - 500 003,  
Phone: 91-40-2784 9700, Fax: 91-40-2784 9859

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 31<sup>st</sup> March 2009.

Place : Secunderabad

Date : 31-08-09

Mukund Kakani

Managing Director