

24th
Annual Report
2011-2012



GODAVARI DRUGS LIMITED

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



BOARD OF DIRECTORS :

SHRI GHANSHYAM JAJU
SHRI MUKUND KAKANI
SHRI KIRTI KUMAR JAIN
SHRI DILIP PATEL
SHRI S. A. HUSSAIN
SHRI MOHIT JAJU

- CHAIRMAN
- MANAGING DIRECTOR
- EXECUTIVE DIRECTOR
- INDEPENDENT DIRECTOR
- INDEPENDENT DIRECTOR
- ADDITIONAL DIRECTOR

Bankers

State Bank of Hyderabad
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 : info@godavaridrugs.com

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
28th September, 2012
at 2.30 p.m.
at FAPCCI
J. S. Krishnamurthy Hall
Red Hills , Hyderabad



NOTICE

NOTICE is hereby given that the 24th Annual General Meeting of the members of Godavari Drugs Limited will be held on Friday, September 28, 2012 at 2.30 PM at J.S. Krishna Murthy Hall, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad-500004 to transact the following Business:

ORDINARY BUSINESSES :

1. To consider and adopt the Audited Balance Sheet of the Company as at March 31, 2012, the Profit & Loss Account for the financial year ended on that date and the Reports of the 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 reappointment.
3. To appoint M/s. S. Daga & Co., Chartered Accountants, as the Statutory Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

The following resolution is proposed to be passed, with or without modifications, as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224(1) and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. Daga & Co., Chartered Accountants, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

Special Business

4. *To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:*

Appointment of Mr. Mohit Jaju as a Director of the Company

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Mohit Jaju, who was appointed as an Additional Director pursuant to the provisions of section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of the Articles of Association of the Company."

5. *To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:*

Appointment of Mr. Mohit Jaju as Executive Director of the Company

"RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 read with Schedule XIII and other applicable sections if any, of the Companies Act, 1956 and subject to such approvals/consent as may be required if any, Mr. Mohit Jaju be and is hereby appointed as Executive Director of the



Company for a period of 5 (five) years with effect from May 10, 2012 after passing of this resolution on following terms and Conditions:

- a) Basic Salary Rs. 15,000/- per month
- b) HRA, Medical, Exgratia, LTA, Leave, Gratuity, Telephone be provided as per rules of the Company.
- c) Fees of Clubs subject to a maximum of two clubs excluding admission and Life Membership Fees.
- d) Provision for the use of Car for Company's business purpose

RESOLVED FURTHER THAT the Board of Directors of the Company be and is and are hereby authorized to file requisite Forms with the Registrar of Companies, Andhra Pradesh for the appointment of Mr. Mohit Jaju as Executive Director."

6. *To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:*

Re-Appointment of Mr. Mukund Kakani as Managing Director of the Company

"RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 read with Schedule XIII and other applicable sections if any, of the Companies Act, 1956 and subject to such approvals/consent as may be required if any, Mr. Mukund Kakani be and is hereby appointed as Managing Director of the Company for a period of 5 (five) years with effect from passing of this resolution on following terms and Conditions:

- a) Basic Salary Rs. 24,000/- per month
- b) HRA, Medical, Exgratia, LTA, Leave, Gratuity, Telephone be provided as per rules of the Company.
- c) Fees of Clubs subject to a maximum of two clubs excluding admission and Life Membership Fees.
- d) Provision for the use of Car for Company's business purpose

RESOLVED FURTHER THAT the Board of Directors of the Company be and is and are hereby authorized to file requisite Forms with the Registrar of Companies, Andhra Pradesh for the appointment of Mr. Mukund Kakani as Managing Director."

7. *To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:*

Re-Appointment of Mr. Kirti Kumar Jain as Executive Director of the Company

"RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 read with Schedule XIII and other applicable sections if any, of the Companies Act, 1956 and subject to such approvals/consent as may be required if any, Mr. Kirti Kumar Jain be and is hereby appointed as Executive Director of the Company for a period of 5 (five) years with effect from passing of this resolution on following terms and Conditions:

- a) Basic Salary Rs.15,000/- per month
- b) HRA, Medical, Exgratia, LTA, Leave, Gratuity, Telephone be provided as per rules of the Company.



- c) Fees of Clubs subject to a maximum of two clubs excluding admission and Life Membership Fees.
- d) Provision for the use of Car for Company's business purpose

RESOLVED FURTHER THAT the Board of Directors of the Company be and is and are hereby authorized to file requisite Forms with the Registrar of Companies, Andhra Pradesh for the appointment of Mr. Kirti Kumar Jain as Executive Director."

By order of the Board
For **Godavari Drugs Limited**

Place: Secunderabad
Date: 14.08.2012

Mukund Kakani
(Managing Director)

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting ("the Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
2. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
3. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting. Members are requested to bring their attendance slips along with their copy of Annual Report to the Meeting.
4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from 22-09-2012 to 28-09-2012 (both days inclusive).
6. Members are requested to quote their Registered Folio Number/Client ID on all correspondence with the Company/RTA and notify the Company's RTA, or the Depository Participants, in case of shares in dematerialized form, immediately of change, if any, in their registered address.
7. Reappointment of **Mr. Ghanshyam Jaju:**

At the ensuing AGM, Mr. Ghanshyam Jaju is retiring by rotation and being eligible, offers himself for reappointment. His brief resume and other relevant details are as follows:



| | |
|--|---|
| Name | Mr. Ghanshyam Jaju |
| Date of birth | 31.03.1947 |
| Date of appointment | 03.12.1987 |
| Expertise | Over 25 years of experience in the industry |
| Qualifications | B.Com |
| No. of shares held in the Company | 341600 |
| Relationship with other directors of the Company | Mohit Jaju –Son |
| Directorship in other companies | Nil |
| Chairman/Member of the Committee of the Board of the companies in which he is a Director | Nil |

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

Item No. 4

Mr. Mohit Jaju was appointed as an Additional Director on the Board of the Company with effect from May 10, 2012.

In terms of the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting. The Company, pursuant to the provisions of Section 257 of the Act, has received notices in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Mr. Mohit Jaju as a Director of the Company.

Except Mr. Ghanshyam Jaju, none of the Directors of the Company are, in any way, concerned or interested in the resolution.

The Board recommends the resolution for your approval.

Item No. 5

Mr. Mohit Jaju is rendering his time and services for the Company in the capacity of a Director. Hence, it is proposed to appoint him as an Executive Director on the Board of the Company and remunerate him for his services monthly with effect from 10.05.2012.

In terms of the provisions of Section 198, 269, 309 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any the Board recommends the resolution for your approval.

Except Mr. Ghanshyam Jaju, none of the Directors of the Company are, in any way, concerned or interested in the resolution.

Item No. 6

Mr. Mukund Kakani is rendering his time and services for the Company and has been managing the



day to day affairs of the Company in the capacity of a Managing Director since last few years. Hence, it is proposed to re-appoint him as the Managing Director on the Board of the Company and remunerate him for his services monthly as his term of appointment expires at the ensuing Annual General Meeting.

In terms of the provisions of Section 198, 269, 309 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any the Board recommends the resolution for your approval.

None of the Directors of the Company are, in any way, concerned or interested in the resolution.

Item No. 7

Mr. Kirti Kumar Jain is rendering his time and services for the Company and has been involved in the business and day to day affairs of the Company in the capacity of a Director since last few years. Hence, it is proposed to re-appoint him as the Executive Director on the Board of the Company and remunerate him for his services monthly as his term of appointment expires at the ensuing Annual General Meeting.

In terms of the provisions of Section 198, 269, 309 and Schedule XIII of the Companies Act, 1956 and other applicable provisions if any the Board recommends the resolution for your approval.

None of the Directors of the Company are, in any way, concerned or interested in the resolution.

By order of the Board
For **Godavari Drugs Limited**

Place: Secunderabad
Date: 14.08.2012

Mukund Kakani
(Managing Director)



Dear Shareholder,

Subject: Green Initiative - Registration of E-mail address

The Ministry of Corporate Affairs, (MCA) had taken a "Green Initiative in the Corporate Governance" vide its Circular Nos. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011, respectively had permitted the companies to serve the documents viz. annual reports, notices of general meetings/ postal ballot, other documents etc. to the shareholders through electronic mode. SEBI, vide its circular ref. No. CIF/CFD/DIL/2011 dated 5 October 2011, and has directed listed companies to supply soft copies of full Annual Reports to all those shareholders who have registered their email addresses.

Your Company, being dedicated towards preserving and protecting environment, continuously seeks opportunities to reduce adverse impact on the planet. In order to support "Green Initiative", your Company has decided to have paperless documentation to the maximum possible extent by forwarding the above referred documents to you through electronic mode from the end of this Annual General Meeting. This will also ensure prompt receipt of communication and avoid loss in postal transit.

We therefore request you to register your E-mail address and / or changes therein from time to time with the Company's Registrar & Share Transfer Agent (RTA) viz. CIL Securities Private Limited. In case you do not have your email address registered with the Company or Company's RTA you may send us an email to **info@godavaridrugs.com** by quoting the name of first/sole shareholder, Folio no./DP ID and Client ID or in case you are holding shares in physical mode by filling up the form appearing on reverse of this communication so that the Company can make a note of it and start sending you the communications through electronic mode to your respective email id's.

We request your whole-hearted support to this "Green Initiative" by opting for electronic mode of communication.

Thanking you,

Yours faithfully,

For **Godavari Drugs Limited**

Mukund Kakani

(Managing Director)

Secunderabad

14.08.2012



REGISTRATION OF E-MAIL ADDRESS FORM

(In terms of circular Nos.17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011, respectively
issued by Ministry of Corporate Affairs)
(For shares in physical mode)

CIL Securities Private Limited
(Unit: Godavari Drugs Limited)
214, Raghava Ratna Towers,
Abids, Hyderabad-500001

I/we shareholder(s) of Godavari Drugs Limited hereby accord my/our approval to receive documents viz. annual reports, notices of general meetings/ postal ballot and such other documents that Ministry of Corporate Affairs may allow, to be sent in electronic mode.

I/we request you to note my/our latest email address, as mentioned below. If there is any change in the E-mail address, I/we will promptly communicate the same to you. I/we attach the self attested copy of PAN Card / Passport towards identification proof for the purpose of verification.

Folio No.

Name of first/sole shareholder

Name of joint shareholder(s) if any

Registered Address

E-mail address (to be registered)

Place:

Date:

(Signature of shareholder)



DIRECTORS' REPORT

TO THE SHARE HOLDERS

Your Directors have pleasure in presenting their Twenty Fourth Annual Report and the Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS:

(Rs. in Lacs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------|----------|
| Sales and other Income | 374.75 | 532.01 |
| Extra ordinary Items | --- | --- |
| Profit before interest and Depreciation | (53.76) | 102.27 |
| Interest | 14.42 | 13.23 |
| Depreciation | 91.42 | 88.38 |
| Profit/(Loss) before tax | (159.66) | 0.66 |
| Earlier year tax | 0.00 | 0.00 |
| Fringe Benefit tax | 0.00 | (0.03) |
| Deferred tax | 0.00 | 0.00 |
| Adjustment pertaining to previous year | 0.00 | 0.00 |
| Profit/(Loss) before tax | (159.66) | 0.63 |
| Corporate tax (MAT) | (0) | (0.12) |
| Profit/loss After TAX | (159.66) | 0.51 |
| Balance brought forward from last year | (980.62) | (981.14) |
| Balance Carried to Balance Sheet | (1140.29) | (980.62) |

PERFORMANCE:

The gross sale and contract manufacturing income for the year under review is 374.75 a decrease of 29% compared to the previous year of Rs.532.00 Lacs. The reduction in turnover was mainly due of upgradation work at the plant.

OPERATIONS:

The management had to shut down major portions of the manufacturing plant for about 6 months to undertake upgradation of the facilities to meet cGMP and Q.A. Requirement alongwith ware housing, storage, and other facilities upgradation, to ensure better customer service, and to offer for inspections to multinational companies to improve the working of the unit. The ongoing processes will be completed in due course of time.

AUDITOR'S REPORT:

The Auditor's Report together with the Audited Accounts for the financial year ended March 31, 2012 and the Notes on Accounts are self-explanatory and therefore do not call for any further comments.

As regard to the observations of the Auditors in the Auditors' Report on Financial Statements, the Board would like to comment as follows:

On the para 5 of the Auditors' Report: Note 2.29

The Board has resolved in its Board meeting held on August 14, 2012 to write off 1/5th of the development cost of new products pending implementation for over 3 years of Rs. 126.62 lakhs (Pr. Year Rs. 134.87 lakhs), every year from the financial year 2012-13.

On the para 5 of the Auditors' Report: Note 2.30

The Company will take confirmation letters confirming the balances to the debit or credit of parties for the year ended March 31, 2012 and also in future as required by the Companies Act, 1956, in the manner so required.

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.

PARTICULARS OF EMPLOYEES:

There was no employee of the Company who received remuneration in excess of the limits prescribes under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as by Companies (Particulars of Employees) Amendment Rules, 2011 read with General Circular No. 23/2011

issued by the Ministry of Corporate Affairs, Government of India.

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-I** forming part of this Report.

DIRECTORS:

As on the date of this report the Board comprises of (i) Shri Ghanshyam Jaju (ii) Shri Dilip Patel (iii) Shri. Kirti Kumar Jain (iv) Shri S.A Hussain (v) Shri. Mukund Kakani and (vi) Shri Mohit Jaju.

The shareholders may note that Shri Prakash Chand Shrimai who had been associated with the Company as Promoter Director since inception and had been a guiding force, throughout his tenure in the Company expired on March 04, 2012. He will be missed by one and all connected with the company.

Shri Ghanshyam Jaju, Chairman retires by rotation and being eligible offers himself for reappointment.

Shri Mohit Jaju was appointed as additional director during the year, resolution for his reappointment is placed in the notice calling the AGM. It is also proposed to appoint him as an Executive Director on the Board.

PUBLIC DEPOSITS:

Your Company has not accepted/renewed any deposits U/S 58A of the Companies Act, 1956.

CORPORATE GOVERNANCE:

The Directors adhere to the requirements set out by Clause 49 of the Listing Agreement. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite Certificate from M/s. S. Daga & Co, Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report for the year ended March 31, 2012 as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is attached as **Annexure-II** to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Provisions of Sec.217 (2AA) of the Companies Act, 1956 Directors of your Company hereby confirm that:

- The Annual Accounts of the Company have been prepared in accordance with applicable Accounting Standards.
- The Company has been consistently following selected accounting policies and made judgement 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 and of the Profit & Loss account of the Company.
- The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safe guarding assets of the Company and for preventing and detecting fraud and other irregularities.
- The Annual Accounts have been prepared on a ongoing concern basis.

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 of Directors
For Godavari Drugs Limited

Secunderabad
14.08.2012

Ghanshyam Jaju
(Chairman)

Mukund Kakani
(Managing Director)

**Annexure-I****Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo:**

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: It is an ongoing process in the Company's activities to conserve energy. The details to total energy consumption are set out in Form 'A' below.

B. Technology Absorption: Technology absorption by the plant of the Company are given in the Form 'B' below.

C. Foreign Exchange Earnings and Outgo: Nil

Total foreign exchange used and earned:

Used: Nil

Eared: Nil

FORM - A

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

| Particulars | Unit | 2011-2012 | 2010-2011 |
|--|-------------|-----------|-----------|
| A. Power & Fuel Consumption | | | |
| 1. Electricity | | | |
| a) Purchased Units | 000KWH | 966 | 1817 |
| Total Amount | Rs. In Lacs | 64.63 | 108.15 |
| Average cost | Rs. /KWH | 6.69 | 5.95 |
| 2. Coal "C" Grade for Steam Generation | | | |
| Quantity | Tons | --- | --- |
| Total Cost | Rs. In Lacs | --- | --- |
| Average cost | Rs./Ton | --- | --- |
| 3. Furnace Oil | | | |
| (For Steam Generation) | | | |
| Quantity | K.L. | --- | --- |
| Total Cost | Rs. In Lacs | --- | --- |
| Average cost | Rs./KL | --- | --- |
| Agro / Ind. Waste | | | |
| Quantity | Tons | 1991 | 3577 |
| Total Cost | Rs. in Lacs | 51.83 | 91.32 |
| Average | Rs./Ton | 2603 | 2553 |
| 4. 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. 1487655 |
| c. Total: | Rs. 1487655 |
| d. Total R&D expenditure as a percentage of total turnovers: | 4.00 |

Annexure-II**Management Discussion and Analysis Report****Industry Overview**

In India, the drug manufacturing industry has evolved over the years as a business which requires good business fundamentals, technology, expertise, finance and timely deliverables. The Company has established, grown and survived in the various market conditions and proved itself to be a good market player.

Future outlook

The Company plans to expand its business by entering into new contracts and commitments with various national / multinational manufactures and increase the turnover of the Company by capturing greater clientele. The key factors driving growth in the drug and pharmaceutical industry is the increase in healthcare access and increased penetration in underpenetrated/ smaller towns.

Risk Factors

Manufacture of drugs is strictly regulated and controlled by authorities across the world. Should the Company or its suppliers/ contractors fail to fully comply with such regulations, there could be a regulator-enforced shutdown of concerned production facilities, revocation of drug approvals previously granted, failure or delay in obtaining approvals for new products, product recalls of existing drugs sold in the market, prohibition on the sale or import of non-complying products. Regulators across the world have become stricter, in respect of compliance to requirements with even more severe consequences for non-compliance.

Strengths

As there is huge competition on the market front, the policy of 'Survival of the fittest' still holds good. As the production cost and cost of labour is controlled by various means and techniques the company's products stand out in the market with respect to the sales prices keeping intact the profitability ratios as desired. The Company has evolved to be a highly technology and labour friendly organisation.

For and on behalf of the Board of Directors
For **Godavari Drugs Limited**

Secunderabad
14.08.2012

Ghanshyam Jaju
(Chairman)

Mukund Kakani
(Managing Director)



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

1. COMPANY'S PHILOSOPHY

In order to ensure sustainable returns to all stakeholders of the business, it is imperative, especially for large organizations, to adopt and follow certain policies, procedures and processes, which together constitute a "Code of Corporate Governance". It is important that such a Code is institutionalized, to ensure transparency, consistency and uniformity of decision making processes and actions. The Company has always believed in such a "Sound" Code of Corporate Governance, as a tool for highest standards of management and business integrity.

2. BOARD OF DIRECTORS

The Board of Directors of the Company as on the date of this report comprises of 3 Executive Directors, 2 Independent Directors and 1 Non-Executive Director.

During the financial year the Board met Four (4) times on 05 May 2011, 10 August 2011, 12 November 2011 and 09 February 2012.

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 below:

| 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 | 4 | Yes | Nil | Nil |
| Shri. Mukund Kakani | MD | 4 | Yes | Nil | Nil |
| Shri. Kirti Kumar Jain | ED | 4 | Yes | Nil | Nil |
| Shri. P. C. Shrimal | NED | 3 | Yes | 1 | 1 |
| Mr. Dilip Patel | ID | 4 | Yes | 6 | 3 |
| Mr. S A Hussain | ID | 3 | Yes | 2 | 2 |

Other Directorships do not include Directorships in private limited companies.

3. AUDIT COMMITTEE

Composition of the Committee

The Committee comprises of Shri Dilip Patel, Shri S. A. Hussain (Independent Directors) and Shri Kirti Kumar Jain (Executive Director), The Statutory Auditor is also invited to the meetings.

The terms of reference of Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the guidelines set out in Clause 49 of the Listing Agreement.

Meetings and attendance of the Committee during the year

The Committee met Four (4) times during the financial year on 05 May 2011, 10 August 2011, 12 November 2011 and 09 February 2012.

| Members | No. of Meetings held | No. of Meetings attended |
|-----------------------|----------------------|--------------------------|
| Shri Dilip Patel | 4 | 4 |
| Shri S. A. Hussain | 4 | 3 |
| Shri Kirti Kumar Jain | 4 | 4 |

4. SHAREHOLDERS GRIEVANCE COMMITTEE

Composition of the Committee

As on the date of this report the Committee comprises of Shri Dilip Patel, Shri S. A. Hussain (Independent Directors) and Shri Ghanshyam Jaju (Non-Executive Director).

The committee was reconstituted on May 10, 2012 as P.C. Shrimal ceased to

be a member of the committee due to his death.

Meetings and attendance of the Committee during the year

During the year, the committee met two times on 05 May 2011 and 12 November 2011. 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 are 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 2011-12 is as under:

| Sl.No. | Nature of Complaint/request | Received | Cleared |
|--------|--------------------------------|----------|---------|
| 1 | Change / Correction of Address | Nil | Nil |
| 2 | No. Of transfers | 11 | 11 |
| 3 | Non receipt of shares /Others | Nil | Nil |

5. 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.

The details of remuneration paid to the Directors during the financial year 2011-12 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. |

6. CODE OF CONDUCT

The Company has adopted a Code of Conduct for its employees including the Managing Director and the Executive Directors which is followed by everyone. There is also a Code of Conduct for the Senior Management Personnel in place.

7. GENERAL BODY MEETINGS

The details of last three Annual General / Extra Ordinary General Meetings are as follows:

| Year | Location | Date | Time |
|-----------|---|---------------------------------|-----------|
| 2010-2011 | J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad | 29 th September 2011 | 2.00 P.M. |
| 2009-2010 | J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad | 28 th September 2010 | 2.00 P.M. |
| 2008-2009 | J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad | 26 th September 2009 | 2.30 P.M. |

During the year, no Extra-Ordinary General Meeting was held and no resolution was passed through Postal Ballot.

8. DISCLOSURES

The Company complied with all the regulations of the Stock Exchange, 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 newspapers.

The quarterly financial results of the company are generally published Business Standard (English Daily) and Andhra Bhoomi (Telugu Daily).

| Sl.No | Item | Details | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------|---|--|--|-------------------------------|--|--|------------|-----------|----------|------|------|--------|------|------|---------|------|------|---------|------|------|-----------|------|------|--------------|------|------|------------|------|------|-------------|-----|------|-------------|------|------|------------|------|------|-------------|------|-----|----------|------|------|
| 1. | AGM Date, Time and Venue | On 28 th September, 2012 at 2.30 P.M at J. S. Krishnamurthy hall, FAPCCI Premises, Red Hills, Hyderabad (To be held) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Financial Calendar 2012-2013 (Tentative) | First Quarter Results - By 15 th Aug 2012 Second Quarter /Half year Results - By 15 th November 2012 Third Quarter/Nine Months Results- By 15 th February 2013 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Dates of book closure | 22-09-2012 to 28 -09-2012 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 | <table border="1"> <thead> <tr> <th></th><th colspan="2">Bombay Stock Exchange Limited</th></tr> <tr> <th></th><th>High (Rs.)</th><th>Low (Rs.)</th></tr> </thead> <tbody> <tr><td>April'11</td><td>8.48</td><td>8.48</td></tr> <tr><td>May'11</td><td>7.63</td><td>7.63</td></tr> <tr><td>June'11</td><td>7.75</td><td>7.04</td></tr> <tr><td>July'11</td><td>6.28</td><td>6.28</td></tr> <tr><td>August'11</td><td>6.95</td><td>6.95</td></tr> <tr><td>September'11</td><td>7.46</td><td>7.46</td></tr> <tr><td>October'11</td><td>7.79</td><td>7.79</td></tr> <tr><td>November'11</td><td>4.9</td><td>4.44</td></tr> <tr><td>December'11</td><td>2.86</td><td>2.86</td></tr> <tr><td>January'12</td><td>4.06</td><td>3.71</td></tr> <tr><td>February'12</td><td>5.59</td><td>5.2</td></tr> <tr><td>March'12</td><td>4.78</td><td>4.78</td></tr> </tbody> </table> | | Bombay Stock Exchange Limited | | | High (Rs.) | Low (Rs.) | April'11 | 8.48 | 8.48 | May'11 | 7.63 | 7.63 | June'11 | 7.75 | 7.04 | July'11 | 6.28 | 6.28 | August'11 | 6.95 | 6.95 | September'11 | 7.46 | 7.46 | October'11 | 7.79 | 7.79 | November'11 | 4.9 | 4.44 | December'11 | 2.86 | 2.86 | January'12 | 4.06 | 3.71 | February'12 | 5.59 | 5.2 | March'12 | 4.78 | 4.78 |
| | Bombay Stock Exchange Limited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | High (Rs.) | Low (Rs.) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| April'11 | 8.48 | 8.48 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| May'11 | 7.63 | 7.63 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| June'11 | 7.75 | 7.04 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| July'11 | 6.28 | 6.28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| August'11 | 6.95 | 6.95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| September'11 | 7.46 | 7.46 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| October'11 | 7.79 | 7.79 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| November'11 | 4.9 | 4.44 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| December'11 | 2.86 | 2.86 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| January'12 | 4.06 | 3.71 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| February'12 | 5.59 | 5.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| March'12 | 4.78 | 4.78 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. | Registrars and Transfer Agents (For both physical and electronic) | CIL Securities Pvt Ltd. 214, Raghava Ratna Towers, Abids, Hyderabad-500001 Email ID: rta@cilsecurities.com | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. | 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| 10. Shareholding Pattern as on 31 st March 2012 | | |
|--|---------------|--------|
| Category | No. of Shares | % |
| Promoter | 3059957 | 40.63 |
| Financial Institution and Banks | 103100 | 1.37 |
| Bodies Corporate | 841514 | 11.17 |
| Indian Public | 3278544 | 43.54 |
| NRI's / OCB's | 247385 | 3.29 |
| TOTAL | 7530500 | 100.00 |

| | | | | | | |
|-----|--|--------|------------|---------|------------|--------|
| 11. | Distribution of shareholding as on 31 st March 2012 | | | | | |
| | Shareholding of Nominal value | No. of | Shares | | | |
| | | | % of total | Amount | % of total | |
| | From | To | Holders | Holding | Amount | |
| | 5000 | 3081 | | 86.91 | 4728400 | 6.28 |
| | 5001 | 10000 | 229 | 6.46 | 1979710 | 2.63 |
| | 10001 | 20000 | 79 | 2.23 | 1243560 | 1.65 |
| | 20001 | 30000 | 43 | 1.21 | 1088240 | 1.45 |
| | 30001 | 40000 | 12 | 0.34 | 430050 | 0.57 |
| | 40001 | 50000 | 22 | 0.62 | 1040170 | 1.38 |
| | 50001 | 100000 | 16 | 0.45 | 1229200 | 1.63 |
| | 100001 | ABOVE | 63 | 1.78 | 63565670 | 84.41 |
| | | | 3545 | 100.00 | 75305000 | 100.00 |

| | | |
|-----|--|---|
| 12. | Dematerialization 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 |
| 13. | Plant Location | A-6/2, MIDC, Nanded, - 431 603, Maharashtra. |
| 14. | 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: info@godavaridrugs.com * 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 2012.

For and on behalf of the Board of Directors
For **Godavari Drugs Limited**

Secunderabad
14.08.2012

Mukund Kakani
(Managing Director)

**AUDITOR'S REPORT****To the Members of
GODAVARI DRUGS LTD.**

1. We have audited the attached Balance Sheet of GODAVARI DRUGS LTD. as at 31st March 2012 and also the Statement of Profit and Loss of the company for the year ended on that date annexed thereto and the 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 an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (i) As required by the Companies (Auditor's Report) Order, 2003 (and amended by The Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet and the Statement of Profit and Loss and Cash Flow Statement referred to in this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

e. On the basis of written representations received from the directors, as on 31st March 2012, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant accounting policies and notes thereon, *more particularly Note No. 2.28 with regard to non-provision of impairment in development cost of new products pending implementation for over 3 years Rs. 126.62 lakhs (Pr. Year Rs. 134.87 lakhs) which the management is in the process of evaluating the same; and Note No. 2.29 with regard to non confirmation of balances to the debit or credit of parties gives* the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
- ii. In the case of the Statement of Profit and Loss, the loss for the year ended on that date; and
- iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.DAGA & CO.,
Chartered Accountants,
(FRN 000669S)

(T.V SUBBA RAO)

Partner

M.No:9636

Place: Hyderabad

Date : 14.08.2012

**ANNEXURE TO AUDITORS' REPORT****Referred to in Paragraph 3 of our Report of even date:**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
(b) According to the information and explanations given to us, most of the fixed assets have been physically verified by the Management during the year. In our opinion, the frequency of such physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification as compared to the available records.
(c) There was no substantial disposal of fixed assets during the year.
2. (a) Physical verification of Inventory has been conducted by the management at reasonable intervals.
(b) The procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the company and nature of its business.
(c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification, as compared to the book records.
3. The company has taken unsecured loans from seven parties covered in the register maintained u/s.301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.187.48 lakhs (Previous Year Rs.138.31 lakhs) the yearend balance is Rs.186.48 lakhs (Previous Year Rs.116.48 lakhs) in case of said parties covered in the register maintained u/s.301 of the Companies Act.
The company has not granted unsecured loans to Companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956.
As per the information and explanation provided to us, interest paid on unsecured loans taken from parties are reasonable as per prevailing market rate in case of three parties and no interest is charged by two parties listed in the register maintained under section 301 of the Companies Act, 1956. All the loans are repayable on demand and the other terms and conditions on which loans have been taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company.
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing major weaknesses in internal control system.
5. a) According to the information and explanation given to us, we are of the opinion that the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public but has accepted unsecured loans from shareholders and directors for which no return was filed with in the meaning of provisions of section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the act, and rules framed there under.
7. In our opinion, the company has to strengthen the internal audit system

commensurate with the size and nature of its business.

8. The company has not maintained cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956. We have been informed that adequate steps are being taken to maintain the cost records and accounts as prescribed by law.
9. a) The company is generally regular in depositing undisputed Statutory dues including Provident fund and Employees' state insurance, Income-Tax, Sales-Tax, Service tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it with the appropriate authorities. However there are delays in payment of Provident Fund, Employees State Insurance and TDS.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of sales-tax, Income-Tax, Wealth Tax, Service tax, Custom Duty, Excise duty and Cess were outstanding at the yearend for a period of more than six months from the date they become payable.
10. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. Further the company has incurred cash losses during the financial year covered by our audit report and has not incurred cash losses in the immediately preceding financial year.
11. In our opinion and according to the information and explanation given to us, the Company has not paid the interest due on the loan from a Bank, which is pending settlement amounting to Rs. 19,77,290/- (Previous Year Rs.19,77,290/-).
12. There are no unsecured loans granted against pledge of securities/shares which are outstanding as at the end of year.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies.
14. In our opinion and according to the information and explanation given to us, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The company has not raised any fresh term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company or vice versa.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the companies act, 1956.
19. The company did not have any outstanding debentures during the year.
20. The company has not raised any money through public issue during the year.
21. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For S.DAGA & CO.,
Chartered Accountants,
(FRN 0006695)

(T.V SUBBA RAO)
Partner
M.No:9636

Place: Hyderabad
Date : 14.08.2012

**BALANCE SHEET AS AT 31st MARCH, 2012**

| | Note No. | 31.03.2012 Rupees | 31.03.2011 Rupees |
|--------------------------------------|----------|----------------------|----------------------|
| <u>Equity And Liabilities</u> | | | |
| Share holder's funds | | | |
| Share Capital | 2.1 | 75,305,000 | 75,305,000 |
| Reserves and Surplus | 2.2 | (555,639) | 15,410,620 |
| Non-Current Liabilities | | | |
| Deferred Tax Liabilities (Net) | 2.3 | 2,222,625 | 2,222,625 |
| Long term Borrowings | 2.4 | 18,648,169 | 11,648,169 |
| Long term Provisions | 2.5 | 1,502,518 | 1,481,333 |
| Current Liabilities | | | |
| Short term Borrowings | 2.6 | 1,977,290 | 1,977,290 |
| Trade payables | 2.7 | 16,130,082 | 4,003,924 |
| Other current liabilities | 2.8 | 37,983,686 | 27,224,905 |
| Short-term provisions | 2.9 | 717,791 | 672,677 |
| TOTAL | | 153,931,522 | 139,946,543 |
| <u>Assets</u> | | | |
| <u>Non-Current assets</u> | | | |
| Fixed Assets | | | |
| Tangible Assets | 2.10 | 64,935,869 | 61,456,245 |
| Intangible Assets | 2.10 | 12,662,657 | 13,487,281 |
| Capital work-in-progress | 2.10 | 2,555,797 | 1,584,013 |
| <u>Current Assets</u> | | | |
| Inventories | 2.11 | 36,446,576 | 30,165,370 |
| Trade receivables | 2.12 | 4,081,705 | 6,064,917 |
| Cash & Cash equivalents | 2.13 | 962,278 | 1,712,178 |
| Short term Loans & Advances | 2.14 | 13,339,012 | 9,333,704 |
| Other Current assets | 2.15 | 18,947,628 | 16,142,835 |
| TOTAL | | 153,931,522 | 139,946,543 |

Significant Accounting Policies & Notes on Financial Statements 1 & 2

The Significant Accounting Policies & Notes on Financial Statements form an integral part of Balance Sheet.

As per our attached report of even date

For S. DAGA & Co.,

Chartered Accountants

(FRN.000669 S)

For and on behalf of the Board of Directors

(T.V. SUBBA RAO)

Partner M.No.9636

MUKUND KAKANI

Managing Director

KIRTI KUMAR JAIN

Executive Director

Place: Hyderabad

Date: 14.08.2012

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 st MARCH, 2012**

| | Note No. | 31.03.2012 Rupees | 31.03.2011 Rupees |
|---|----------|----------------------|----------------------|
| INCOME | | | |
| Revenue from Operations(Gross) | 2.16 | 37,997,550 | 53,443,123 |
| Less: Excise duty | | 823,789 | 1,073,647 |
| Revenue from Operations(Net) | | 37,173,761 | 52,369,476 |
| Other Income | 2.17 | 301,246 | 832,006 |
| TOTAL REVENUE | | 37,475,007 | 53,201,482 |
| EXPENDITURE | | | |
| Cost of Raw Materials Consumed | 2.18 | 18,307,323 | 7,260,488 |
| Changes in Inventories of Finished Goods and Work -in-Process | 2.19 | (7,681,921) | (4,737,006) |
| Employee Benefit expenses | 2.20 | 11,424,084 | 9,168,125 |
| Finance costs | 2.21 | 1,442,276 | 1,322,777 |
| Depreciation/Amortisation | 2.10 | 9,147,990 | 8,837,800 |
| Other expenses | 2.22 | 20,801,514 | 31,283,451 |
| TOTAL EXPENSES | | 53,441,266 | 53,135,635 |
| Profit/(Loss) before tax | | (15,966,259) | 65,847 |
| Provision for taxation | | | |
| Corporate tax | | 0 | 12,000 |
| Fringe Benefit tax | | 0 | 2,601 |
| Deferred tax | | 0 | 0 |
| Profit /(Loss) after tax | | (15,966,259) | 51,246 |
| EARNINGS PER EQUITY SHARE | | | |
| Basic and Diluted earning per share | 2.25 | (2.12) | 0.01 |
| Face value of each share | | 10.00 | 10.00 |
| Significant Accounting Policies & Notes on Financial Statements 1 & 2 | | | |
| The Significant Accounting Policies & Notes on Financial Statements form an integral part of Statement of Profit and Loss | | | |

As per our attached report of even date

For S. DAGA & Co.,
Chartered Accountants
(FRN.000669 S)

For and on behalf of the Board of Directors

(T.V. SUBBA RAO)
Partner M.No.9636

MUKUND KAKANI
Managing Director

KIRTI KUMAR JAIN
Executive Director

Place: Hyderabad
Date: 14.08.2012

**Cash flow statement for the year ended 31 March, 2012**

| Particulars | March 31, 2012 Amount in Rs. | March 31, 2011 Amount in Rs. |
|--|---------------------------------|---------------------------------|
| A. Cash Flow From Operating Activities: | | |
| Net Profit/loss before prior period adjustments | (15,966,259) | 280,343 |
| Adjustment for depreciation | 9,147,990 | 8,837,800 |
| Deferred revenue expenses written off | 824,624 | 824,624 |
| Operating Profit before working capital changes | (5,993,645) | 9,942,767 |
| Adjustment for | | |
| Trade and other receivables | (4,826,889) | 11,357,415 |
| Inventories | 6,281,206 | 7,048,269 |
| Trade Payables | 13,297,458 | 14,945,101 |
| Cash Generated from Operations | 5,849,496 | 6,482,184 |
| Prior period adjustments | --- | (229,097) |
| Capital work in progress | (971,784) | (217,289) |
| Net Cash Flow from Operating Activities (A) | 4,877,712 | 6,035,798 |
| B. Cash Flow From Investing Activities: | | |
| Purchase Of Fixed Assets | (12,627,612) | (3,267,958) |
| Deferred revenue expenses | --- | --- |
| Net Cash Used In Investing Activities (B) | (12,627,612) | (3,267,958) |
| C. Cash Flow From Financing Activities: | | |
| Unsecured loans received | 7,000,000 | --- |
| Unsecured loans paid | --- | (2,182,984) |
| Net Cash flow from Financing Activities (C) | 7,000,000 | (2,182,984) |
| Net increase in cash and cash equivalents (A+B+C) | (749,900) | 584,856 |
| Cash and Cash equivalents at beginning of the year | 1,712,178 | 1,127,322 |
| Cash and Cash equivalents at end of the year | 962,278 | 1,712,178 |

As per our attached report of even date

For S. DAGA & Co.,
Chartered Accountants
(FRN.000669 S)

For and on behalf of the Board of Directors

(T.V. SUBBA RAO)
Partner M.No.9636

MUKUND KAKANI
Managing Director

KIRTI KUMAR JAIN
Executive Director

Place: Hyderabad
Date: 14.08.2012



Notes on financial statements for the year ended 31st March, 2012

Note No. 1: SIGNIFICANT ACCOUNTING POLICIES

1.1 ACCOUNTING CONCEPTS

The company follows mercantile system of Accounting and recognizes Income and Expenditure on accrual basis. Accounting Policies not otherwise referred to consistent with generally accepted principles.

1.2 REVENUE RECOGNITION

- a) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership are transferred to the customer.
- b) Interest income is accounted as per contractual terms entered into with the parties concerned.

1.3 TURNOVER

Turnover comprises sale*of goods and contract manufacturing charges.

1.4 FIXED ASSETS

Fixed Assets are stated at cost less depreciation.

1.5 DEPRECIATION

Depreciation on Plant & Machinery, Factory Building, Electrical Installations and Laboratory Equipment is provided on straight line method, while in case of Furniture and Fixtures, Vehicles, Office Equipment and Computers is provided on written down value method as per the rates prescribed in schedule XIV of the Companies Act, 1956 as amended and rules framed there under.

1.6 INVENTORIES

Raw materials, Trading goods, Work-in-process and finished goods are valued at the lower of cost or net realizable value.

Cost of raw materials, packing materials, trading goods and stores, spares is determined on first - in first - out basis. Cost of work-in-process includes cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.7 BORROWING COSTS

Borrowing costs that are attributable to acquisition of machinery or construction of buildings are capitalized as part of such assets for the period up to the date such assets are put to use. All other borrowing costs are charged to revenue.

1.8 RESEARCH AND DEVELOPMENT

- (i) Equipment purchased for research and development is capitalised when commissioned and included in the gross block of fixed assets
- (ii) Research and Development expenditure incurred are charged to Profit & Loss account of the year under relevant head of Account.
- (iii) Research and Development expenditure incurred on identified products on or before 31st March 2003, the benefit of which is expected to accrue to the company over period of time will be written off in five years from the production/launch of the product.

1.9 GOVERNMENT GRANTS

Grants in the form of capital/investment subsidy are treated as capital reserve.

1.10 FOREIGN EXCHANGE TRANSACTIONS

Revenue from overseas clients and collections are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Monetary Assets and Liabilities denominated in foreign currency as at the Balance Sheet date not covered by foreign exchange contracts are translated at year-end rates. The resultant exchange differences are recognized in the Profit & Loss account.

1.11 EMPLOYEE BENEFITS

- a) Short term employee benefits
Undiscounted value of short term employee benefits such as salaries, wages, short term compensated absences bonus, exgratia and performance incentives are recognized as expense in the period in which the employees render the related service.
- b) Post employment Benefits

Defined contribution plans

Contribution to refined contribution plans being Employee Provident Fund, Employee State Insurance, Employee Pension Schemes, Labour Welfare Fund, Employee Insurance Scheme and Super Annuation Fund are recognized in the statement of Profit and Loss during the period in which the employees render the related services.

Defined Benefit Plans

Liabilities in respect of defined benefit plans being Gratuity and Leave encashment are determined based on an actuarial valuation using the projected unit cost method. Actuarial gains or losses are recognized immediately in the statement of profit and loss.

1.12 TAXES ON INCOME

Tax on Income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961.

Deferred tax assets and liabilities are accounted for based on the difference between taxable income and accounting income that originate in one period and reasonably expected to reverse in the subsequent periods.

Deferred tax assets arising from timing differences are recognised to the extent, there is reasonable certainty that these would be realised in future.

1.13 SEGMENT REPORTING

The Company's operations mainly comprises manufacturing of bulk drugs and Contract manufacturing. These activities constitute the primary segment.

1.14 EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating the diluted earnings per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1.15 IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, then the carrying value is reduced to the higher of the net selling price or the value in use. The value in use is the present value of estimated future net income expected from use of the asset.

1.16 PROVISIONS/CONTINGENT LIABILITIES

Provisions are recognised, when the Company has a present legal or constructive obligation, as a result of past events, for which is probable that an out flow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The disclosure is made for all present or possible obligations that may but probably will not require outflow as contingent liability in the financial statements.

**Notes on financial statements for the year ended 31st March, 2012****Note.No.2**

| | Rupees As at 31.03.2012 | Rupees As at 31.03.2011 |
|---------------------------------------|-------------------------------|-------------------------------|
| Note No.2.1 | | |
| Share capital | | |
| Authorised | | |
| 100,00,000 (Previous Year 100,00,000) | 100,000,000 | 100,000,000 |
| Equity shares of Rs.10/- each | | |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 75,30,500(Previous Year 75,30,500) | 75,305,000 | 75,305,000 |
| Equity shares of 10/- each | | |
| TOTAL | 75,305,000 | 75,305,000 |

The Company is having one class of Equity Shares of face value Rs.10 per share. Each holder of Equity share is entitled to one vote per share.

The Number of shares at the beginning and the end are the same. There are no fresh issue of shares or forfeiture during the current year and in the previous year.

Details of Equity Shareholders holding more than 5 % of equity shares along with No. of Equity Shares held at the beginning and at the end of the reporting period are as given below:-

| | As at 31.03.2012 No. of shares | % | As at 31.03.2011 No. of shares | % |
|------------------|-----------------------------------|-------|-----------------------------------|-------|
| Kamala Jaju | 824,500 | 10.95 | 824,500 | 10.95 |
| Sushma Kakani | 752,400 | 9.99 | 752,400 | 9.99 |
| Laxmidas Jhaveri | 418,555 | 5.56 | 418,555 | 5.56 |

Note No.2.2**RESERVES AND SURPLUS****RESERVES****Capital Reserves:**

| | | |
|---|-----------|-----------|
| Central Subsidy | 1,000,000 | 1,000,000 |
| Maharashtra State Special Capital Incentive | 4,500,000 | 4,500,000 |
| | 5,500,000 | 5,500,000 |

| | | |
|------------------------------|-------------|-------------|
| Securities premium Reserve | 106,318,993 | 106,318,993 |
| Investment Allowance Reserve | 1,654,000 | 1,654,000 |

| | | |
|--|-------------|-------------|
| | 113,472,993 | 113,472,993 |
|--|-------------|-------------|

Surplus in statement of profit and loss

| | | |
|---------------------------|---------------|--------------|
| As per last balance sheet | (98,062,373) | (98,113,619) |
| Add: Loss for the year | (15,966,259) | 51,246 |
| | (114,028,632) | (98,062,373) |

| | | |
|-------------------------------------|-----------|------------|
| TOTAL RESERVES & SURPLUS | (555,639) | 15,410,620 |
|-------------------------------------|-----------|------------|

Note No.2.3**Deferred Tax Liabilities**

| | | |
|--|-----------|-----------|
| Deferred Tax Liabilities arising on account of On Fiscal allowances on Fixed assets | 2,222,625 | 2,222,625 |
| | 2,222,625 | 2,222,625 |

**Notes on financial statements for the year ended 31st March, 2012**

| | Rupees As at 31.03.2012 | Rupees As at 31.03.2011 |
|---|----------------------------|----------------------------|
| Note No.2.4 | | |
| Other Long term borrowings | | |
| Loans from Directors - Unsecured | 11,565,379 | 4,565,379 |
| Loans from Others - Unsecured | 7,082,790 | 7,082,790 |
| | 18,648,169 | 11,648,169 |
| Note No.2.5 | | |
| Long Term Provisions | | |
| Provision for Gratuity | 1,371,355 | 1,359,926 |
| Provision for Leave Encashment | 131,163 | 121,407 |
| | 1,502,518 | 1,481,333 |
| Note No.2.6 | | |
| Short Term Borrowings-Secured | 1,977,290 | 1,977,290 |
| From Bank-Cash Credit Facility secured by inventory, Trade receivables and other movable assets | | |
| Note No.2.7 | | |
| Trade Payables | | |
| Raw materials | 12,295,843 | 2,550,649 |
| Others | 3,834,239 | 1,453,275 |
| | 16,130,082 | 4,003,924 |
| Note No.2.7a | | |
| The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under | | |
| Principal amount due and remaining unpaid | --- | --- |
| interest due on above and the unpaid interest | --- | --- |
| interest paid | | |
| Payment made beyond the appointed day during the year | --- | --- |
| Interest due and payable for the period of delay | --- | --- |
| Interest accrued and remaining unpaid | --- | --- |
| Amount of further interest remaining due and payable in succeeding years | --- | --- |
| Note No.2.8 | | |
| Other Current liabilities | | |
| Int .acc.and due Borrowings | 7,404,468 | 6,106,418 |
| Sundry Creditors Capital | 3,006,118 | 1,026,201 |
| Other Liabilities | 27,573,100 | 20,092,286 |
| | 37,983,686 | 27,224,905 |
| Note No.2.9 | | |
| Short term term Provisions | | |
| Provision for Gratuity | 682,807 | 672,677 |
| Provision for Leave Encashment | 34,984 | 0 |
| | 717,791 | 672,677 |



Notes on financial statements for the year ended 31st March, 2012

Note No.2.10

AMOUNT IN RS

| Name of the Asset | GROSS BLOCK | | | DEPRECIATION BLOCK | | | NET BLOCK | |
|-------------------------|--------------------|-------------------|--------------------|----------------------|------------------|--------------------|-------------------|-------------------|
| | As at 01.04.11 | Additions | As at 31.03.12 | Upto 01.04.11 | for the period | Up to 31.03.12 | As at 31.03.12 | As at 31.03.11 |
| TANGIBLE ASSETS | | | | | | | | |
| Lease hold land | 327,800 | 0 | 327,800 | 0 | 0 | 0 | 327,800 | 327,800 |
| Buildings | 22,703,260 | 0 | 22,703,260 | 10,550,494 | 758,289 | 11,308,783 | 11,394,477 | 12,152,766 |
| Plant & Machinery | 155,923,425 | 11,160,212 | 167,083,637 | 107,128,786 | 8,186,051 | 115,314,837 | 51,768,800 | 48,794,639 |
| Furniture & Fixture | 371,945 | 0 | 371,945 | 356,124 | 2,864 | 358,988 | 12,957 | 15,821 |
| Vehicles | 740,437 | 1,351,000 | 2,091,437 | 727,985 | 130,328 | 858,313 | 1,233,124 | 12,452 |
| Office Equipment | 1,899,622 | 116,400 | 2,016,022 | 1,746,853 | 70,458 | 1,817,311 | 198,711 | 152,769 |
| Total | 181,966,489 | 12,627,612 | 194,594,101 | 120,510,244 | 9,147,990 | 129,658,233 | 64,935,868 | 61,456,245 |
| Intangible Assets R & D | 19,725,555 | 0 | 19,725,555 | 6,238,274 | 824,624 | 7,062,898 | 12,662,657 | 13,487,281 |
| Total | 201,692,044 | 12,627,612 | 214,319,656 | 126,748,518 | 9,972,614 | 136,721,131 | 77,598,525 | 74,943,526 |
| Previous Year | 198,424,086 | 3,267,958 | 201,692,044 | 1,117,086,094 | 9,662,424 | 126,748,518 | 74,943,526 | 79,688,744 |

**Notes on financial statements for the year ended 31st March, 2012**

| | Rupees As at 31.03.2012 | Rupees As at 31.03.2011 |
|---|----------------------------|----------------------------|
| Note No.2.11 | | |
| Inventories | | |
| Raw materials | 7,067,470 | 7,214,897 |
| Work-in-Process | 12,125,556 | 9,127,142 |
| Finished Goods | 17,103,267 | 12,419,760 |
| Others | 150,283 | 1,403,571 |
| | ----- | ----- |
| | 36,446,576 | 30,165,370 |
| Note No.2.12 | | |
| Trade Receivables | | |
| Out standing for a period exceeding six months from the date they are due for payment | 0 | 0 |
| Others | | |
| Unsecured considered good | 4,081,705 | 6,064,917 |
| | ----- | ----- |
| TOTAL | 4,081,705 | 6,064,917 |
| Note No.2.13 | | |
| Cash and cash equivalents | | |
| Cash on hand | 352,287 | 185,372 |
| Bank Balances | | |
| Current Accounts | 609,991 | 1,526,806 |
| | ----- | ----- |
| TOTAL | 962,278 | 1,712,178 |
| Note No.2.14 | | |
| Loans and Advances - Unsecured considered good | | |
| Short term | | |
| Loans and Advances to employees | 1,572,298 | 1,045,255 |
| Security deposits | 1,875,398 | 1,875,398 |
| Others | 9,521,441 | 6,130,028 |
| Prepaid expenses | 369,875 | 283,023 |
| | ----- | ----- |
| | 13,339,012 | 9,333,704 |
| Note No.2.15 | | |
| Other current assets | | |
| Cenvat Credit Receivable | 16,917,895 | 14,784,764 |
| Others | 2,029,733 | 1,358,071 |
| | ----- | ----- |
| | 18,947,628 | 16,142,835 |
| | | Rupees |
| | For the Year Ended | For the Year Ended |
| | 31.03.2012 | 31.03.2011 |
| Note No.2.16 | | |
| Revenues from operations | | |
| Sale of products | | |
| Finished Goods | 8,821,714 | 13,229,905 |
| Less:Exise duty | 823,789 | 1,073,647 |
| | ----- | ----- |
| | 7,997,925 | 12,156,258 |
| Contracr Manufacturing | 29,175,836 | 40,213,218 |
| | ----- | ----- |
| | 37,173,761 | 52,369,476 |

**Notes on financial statements for the year ended 31st March, 2012**

| | Rupees As at 31.03.2012 | Rupees As at 31.03.2011 |
|---|----------------------------|----------------------------|
| Note No.2.17 | | |
| Other income | | |
| interest income | 101,710 | 95,147 |
| Others | 199,536 | 736,859 |
| | ----- | ----- |
| | 301,246 | 832,006 |
| Note No.2.18 | | |
| Cost of raw materials consumed | | |
| Opening Stock | 7,214,897 | 3,590,655 |
| Add:Purchases | 18,159,896 | 10,884,730 |
| | ----- | ----- |
| | 25,374,793 | 14,475,385 |
| Less :Closing Stock | 7,067,470 | 7,214,897 |
| | ----- | ----- |
| | 18,307,323 | 7,260,488 |
| (Individually all the items are less than 10% of consumption) | | |
| Note No.2.19 | | |
| Increase or Decrease in inventories | | |
| Inventories at the beginning of the year | | |
| Finished goods | 12,419,760 | 5,408,897 |
| Work in process | 9,127,142 | 11,400,999 |
| | ----- | ----- |
| | 21,546,902 | 16,809,896 |
| Inventories at the end of the year | | |
| Finished Goods | 17,103,267 | 12,419,760 |
| Work in process | 12,125,556 | 9,127,142 |
| | ----- | ----- |
| | 29,228,823 | 21,546,902 |
| Increase in inventories | (7,681,921) | (4,737,006) |
| | For the Year Ended | For the Year Ended |
| | 31.03.2012 | 31.03.2011 |
| | Rs. | Rs. |
| Note No.2.20 | | |
| EMPLOYEE BENEFIT EXPENSES | | |
| Salaries ,wages and Other Benefits | 10,444,858 | 8,294,680 |
| Contribution to Provident and Other Funds | 572,415 | 476,703 |
| Staff Welfare Expenses | 406,811 | 396,742 |
| | ----- | ----- |
| | 11,424,084 | 91,68,125 |
| | ----- | ----- |

Note No. 2.20 a
Employee Benefits

As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee Benefits as defined in the Accounting Standard are given below:

Defined Contributions:

Payments and provisions for employees include Rs.61.97 lakhs (Previous Year Rs.52.99 lakhs) recognised as expenses in respect of defined contribution plans.



Defined Benefit Plans:

Gratuity – Gratuity is payable to all the eligible employees of the Company on resignation, death, permanent disablement in terms of the Payment of Gratuity Act, 1972

Leave Encashment – entitlement to annual leave is recognised when they accrue to employees. Annual leave can either be availed or encashed subject to a restriction on the maximum number of accumulation of leaves.

The assumptions and other disclosures relating to the Actuarial Valuation of Gratuity and leave Encashment are as under:

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

| Note No.2.20.a | Rs. | | Rs. | |
|---|------------------|------------------|------------------|------------------|
| | As At 31.03.2012 | As At 31.03.2011 | As At 31.03.2012 | As At 31.03.2011 |
| a Change in present value of obligation | | | | |
| Present Value of Obligation at beginning of period | 2,032,603 | 1,694,313 | 121,407 | 48,656 |
| Interest cost | 166,064 | 134,087 | 7,993 | 3,585 |
| Current Service Cost | 149,028 | 145,662 | 153,118 | 85,077 |
| Past Service Cost - (Vested Benefits) | --- | --- | --- | --- |
| Benefits Paid | --- | (36,463) | (47,155) | (7,680) |
| Actuarial (Gain)/Loss on Obligation | (293,533) | 95,004 | (69,216) | (8,231) |
| Present Value of Obligation at en of period | 2,054,162 | 2,032,603 | 166,147 | 121,407 |
| b Amounts to be recognized in the Balance Sheet and Statement of Profit & Loss | | | | |
| Present Value of Obligation at end of period | 2,054,162 | 2,032,603 | 166,147 | 121,407 |
| Fail Value of Plan Assets at end of period | --- | --- | --- | --- |
| Funded Status | (2,054,162) | (2,032,603) | (166,147) | (121,407) |
| Unrecognized Actuarial Gain/(Loss) | --- | --- | --- | --- |
| Net Asset/(Liability) recognized in the Balance Sheet | (2,054,162) | (2,032,603) | (166,147) | (121,407) |
| c Expense recognised in the Statement of Profit & Loss | | | | |
| Current Service Cost | 149,028 | 145,662 | 153,118 | 85,077 |
| Interest Cost | 166,064 | 134,087 | 7,993 | 3,585 |
| Past Service Cost - (non vested benefits) | --- | --- | --- | --- |
| Past Service Cost - (vested benefits) | --- | --- | --- | --- |
| Expected Return on Plan Assets | --- | --- | --- | --- |
| Net Actuarial (Gain)/Loss recognised for the period | (293,533) | 95,004 | (69,216) | (8,231) |
| Expense recognised in the Statement of Profit & Loss | 21,559 | 374,753 | 91,985 | 80,431 |
| d Movements in the Liability recognised in Balance Sheet | | | | |
| Opening Net Liability | 2,032,603 | 1,694,313 | 121,407 | 48,656 |
| Expenses as above | 21,559 | 374,753 | 91,895 | 80,431 |
| Contribution Paid | - | (36,463) | (47,155) | (7,680) |
| Closing Net Liability | 2,054,162 | 2,032,603 | 166,147 | 121,407 |
| Assumptions | | | | |
| Mortality | LIC (1994-93)Ult | LIC (1994-93)Ult | LIC (1994-93)Ult | LIC (1994-93)Ult |
| Discount Rate | 8.00% | 8.17% | 8.00% | 8.17% |
| Rate of increase in Compensation | 1.50% | 1.50% | 1.50% | 1.50% |
| Rate of return (expected) on Plan Assets | NA | NA | NA | NA |
| Attrition Rate | 6.39 | 4.64 | 5.88 | 4.64 |
| Maximum Limit for Gratuity (Rs. Lakhs) | 10.00 | 10.00 | --- | --- |

Notes: The estimate of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**Notes on financial statements for the year ended 31st March, 2012**

| | Rupees For the Year Ended 31.03.2012 | Rupees For the Year Ended 31.03.2011 |
|----------------------------------|--|--|
| Note No.2.21 | | |
| Finance Costs | | |
| Interest on unsecured loans | 1,442,276 | 1,093,680 |
| Prior Period Expenses | 0 | 229,097 |
| | 1,442,276 | 1,322,777 |
| Note No.2.22 | | |
| Other Expenses | | |
| Power & fuei | 11,731,519 | 20,207,961 |
| Consumption of Stores and spares | 2,133,568 | 2,951,866 |
| Rent | 480,000 | 480,000 |
| Repairs and maintenance: | | |
| Plant and machinery | 268,568 | 166,589 |
| Building | 98,557 | 102,751 |
| Others | 30,618 | 14,275 |
| | 397,743 | |
| insurance | 236,833 | 167,866 |
| Rates & taxes | 152,809 | 483,423 |
| Miscellaneous expenses | 5,669,042 | 6,708,720 |
| | 20,801,514 | 31,283,451 |

Notes on financial statements for the year ended 31st March, 2012**Note No:2.23**

| | Rupees As at 31.03.2012 | Rupees As at 31.03.2011 |
|-------------------------------|----------------------------|----------------------------|
| CONTINGENT LIABILITIES | | |
| On account of bank guarantee | 0 | 15,000 |

Note No.2.24**Deferred Tax**

The company has not provided deferred tax asset/Liability due to huge accumulated losses appearing in the balance sheet and is uncertain of realizing deferred tax asset against future taxable income.

Note No.2.25**Earnings per Share**

| | | |
|--|--------------|-----------|
| Net profit after tax attributable to equity shareholders | (15,966,259) | 51,246 |
| Weighted average of number of Shares | 7,530,500 | 7,530,500 |
| Total Shares outstanding | 7,530,500 | 7,530,500 |
| Basic and Diluted earnings per share | (2.12) | 0.01 |
| Face value per share | Rs.10/- | Rs.10/- |

**Note No.2.26****CAPITAL INCENTIVES**

Maharashtra State Special Capital Incentives granted under the

1993 scheme are refundable if within the operating period, the company does not comply any of the conditions mentioned in terms of the sanction

4,500,000 4,500,000

Note No.2.27

Claim of Cenvat Refund receivable towards Cenvat Credit
availed on inputs used in Manufacture of finished product
sold in domestic market is pending with Department

2,798,385 2,798,385

Note No.2.28

The company has developed new products valued Rs.1,26,62,657/-
(previous year Rs.1,34,87,281/-), the said project has been delayed for more
than three years, hence such products / project could be impaired.

The management is in the process of carrying out an evolution for impairment.

Pending completion of impairment testing, the impact of non provisioning of loss if any,
is presently not ascertainable.

Notes on financial statements for the year ended 31st March, 2012**Note No.2.29**

The company has not obtained confirmation of balances outstanding to the debit or credit of the parties.

Note No.2.30**RELATED PARTY TRANSACTIONS**

Names of Associated Companies

P.C.S Securities Ltd., Godavari Capital Pvt Ltd,

Godavari Homes Pvt. Ltd and A.K Paper Products Pvt. Ltd

Names of Associated Firms Nil**Names of Key Management Personnel**

Mr. Ghanshyam Jaju, Mr. Mukund Kakani and Mr. Kirti Kumar Jain

Names of Relatives of Key Management Personnel

Mrs. Kamala Jaju, Mr. Mohit Jaju and Mrs. Sushma Kakani

| Nature of transaction | Key management Personnel | Relatives | Rupees |
|-----------------------|--------------------------|-----------|-----------|
| | | | Total |
| a. Rent Paid | | | |
| Sushma Kakani | | 300,000 | 300,000 |
| | | (300,000) | (300,000) |
| Mohit Jaju | | 180,000 | 180,000 |
| | | (180,000) | (180,000) |
| b. Remuneration | | | |
| Mukund Kakani | 288,000 | | 288,000 |
| | (288,000) | | (288,000) |
| Kirti Kumar Jain | 180,000 | | 180,000 |
| | (180,000) | | (180,000) |
| Mohit Jaju | | 90,000 | 90,000 |
| | | (90,000) | (90,000) |
| c. Interest Paid | | | |
| Kamala Jaju | | 774,776 | 774,776 |
| | | (774,776) | (774,776) |
| Ghanshyam Jaju HUF | | 225,000 | 225,000 |
| | | (225,000) | (225,000) |
| Ghanshyam Jaju | 442,500 | | 442,500 |

**Notes on financial statements for the year ended 31st March, 2012****Sundry creditors**

| Nature of transaction | Key management Personnel | Relatives | Rupees |
|---|--------------------------|----------------------|--------------------------|
| | | | Total |
| Sushma Kakani | | 180,180 (180) | 180,180 (180) |
| Mohit Jaju | | 829,240 (476,740) | 829,240 (476,740) |
| Mukund Kakani | 2,652,972 (2,376,473) | | 2,652,972 (2,376,473) |
| Kirti Kumar Jain | 1,705,620 (1,525,620) | | 1,705,620 (1,525,620) |
| A.K.Paper Products Pvt Ltd (Associate) | 36,407 | | 36,407 |

(Note: Previous years figures in brackets)

| Note No.2.31 | 2011-12 | 2010-11 |
|--|----------------|----------------|
| Payment to Statutory Auditors towards | | |
| Audit fees | 35,000 | 35,000 |
| Fee for audit under IT Act | 15,000 | 15,000 |
| Certification and other matters | 10,000 | 10,000 |
| TOTAL | 60,000 | 60,000 |

Note No:2.32**Particulars of Sales, closing and Opening Inventory**

| | Sales Values | | Closing inventory 31.03.2012 | Opening inventory 01.04.2011 |
|-----------------------|-------------------|-------------------|---------------------------------|---------------------------------|
| | 2011-12 | 2010-11 | | |
| Bulk Drugs(net of ED) | 7,997,925 | 12,156,258 | 17,103,267 | 12,419,760 |
| Contract Mfg | 29,175,836 | 40,213,218 | — | — |
| Total | 37,173,761 | 52,369,476 | 17,103,267 | 12,419,760 |

Notes on financial statements for the year ended 31st March, 2012

| Note No. 2.33 | % of cons | 2011-12 | % of cons | Rupees |
|------------------------|-----------|------------|-----------|-----------|
| | | | | 2010-11 |
| Value of Raw materials | | | | |
| Consumed | | | | |
| Imported | — | — | — | — |
| Indigenous | 100% | 18,307,323 | 100% | 7,260,488 |

Note No.2.34

| Value of indigenous goods, Stores & spares consumed | % of cons | 2011-12 | % of cons | 2010-11 |
|--|------------------|----------------|------------------|----------------|
| Imported | — | — | — | — |
| Indigenous | 100% | 2,133,568 | 100% | 2,951,866 |



Note No.2.35

The Company has prepared these financial statements as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 (the Schedule) issued by Ministry of Corporate Affairs, Previous period's figures have been recast /restated to conform to the classification required by the revised Schedule VI.

As per our attached report of even date

For S. DAGA & Co.,
Chartered Accountants
(FRN.000669 S)

For and on behalf of the Board of Directors

(T.V. SUBBA RAO)
Partner M.No.9636

MUKUND KAKANI
Managing Director

KIRTI KUMAR JAIN
Executive Director

Place: Hyderabad
Date: 14.08.2012

GODAVARI DRUGS LIMITED

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

PROXY FORM

I/We _____ of _____

in the district of _____ being member of the

above Company hereby appoint _____

of _____ in the district of _____

_____ or failing him/her _____

my/our proxy and to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held on Friday, 28th September, 2012, at 2.30 p.m. at FAPCCI, J.S. Krishnamurthy Hall, Red Hills, Hyderabad and at any adjournment thereof.

Regd. Folio No. : _____ DPID No. : _____ Client ID No. : _____

Signature _____

No. of Shares held :

Place :

Date :

Affix
Re. 1/-
Revenue
Stamp

Note : The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

GODAVARI DRUGS LIMITED

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

ATTENDANCE SLIP

To be handedover at the entrance of meeting hall

Full Name of the member attending _____

Member's Folio No. _____ No. of Shares held _____

Name of Proxy _____

(To be filled in, if the Proxy attends instead of the member)

I hereby record my presence at the 24th Annual General Meeting of Godavari Drugs Limited at FAPCCI, J.S. Krishnamurthy Hall, Red Hills, Hyderabad on Friday, 28th September, 2012.

Member's Proxy's Signature

Note : Members are requested to bring their copies of the Annual Report to the meeting since further copies will not be available.

THE COMPANY DOES NOT HAVE THE PRACTICE OF GIVING GIFTS AT THE ANNUAL GENERAL MEETING

If undelivered please return to :
GODAVARI DRUGS LIMITED
Regd. Office : May Fair
Sardar Patel Road, Secunderabad - 500 003.