

21st
Annual Report
2008-2009



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 PRAKASH CHANDRA SHRIMAL
SHRI DILIP PATEL
SHRI S. A. HUSSAIN

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



NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of Members of Godavari Drugs Limited will be held on Saturday 26th 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

MUKUND KAKANI
MANAGING DIRECTOR

Place: SECUNDERABAD
Date: 31-08-09

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 24th September 2009 to 26th 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 31st March 2009.

FINANCIAL RESULTS:

Particulars	(Rs. in Lacs)	
	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.

i) 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;

ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2009.

iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

That the Directors had prepared the annual accounts on a 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



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 setout 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
A. Power & Fuel Consumption			
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 & 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.



**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 29th April, 28th July, 23rd October 2008, and 24th 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. 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	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 29th April, 28th July, 23rd October 2008, and 24th 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 Shrimal, Chairman, Shri. Dilip Patel and Shri. S. A. Hussain as members. During the year, the committee met two times on 28th July 2008 and 24th 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 th Sept. 2008	2.30P.M.
2006-2007	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	29 th Sept. 2007	2.00P.M.
2005-2006	J. S. Krishnamurthy Hall, FAPCCI Premises, Red Hills, Hyderabad	27 th 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.



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 th 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 st 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 (For both physical and electronic) CIL Securities Pvt Ltd. 214, Raghava Ratna Towers Abids, Hyderabad.
10. Share transfer system Share transfers are registered and returned with in a Period of thirty days from the date of receipt, if the documents are in order in all respects.

11. Shareholding Pattern as on 31st 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
TOTAL	7530500	100.00

12. Distribution of shareholding as on 31st March 2009

Shareholding of Nominal Value	No. of Holders	% of total Holding	Shares Amount	% of total Amount	
				Frcm	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
		3609	100.00	75305000	100.00

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 31st March 2009.

Place : Secunderabad

Date : 31-08-09

Mukund Kakani

Managing Director



AUDTOR'S REPORT ON COMPLIANCE OF CONDITION OF CORPORATE GOVERNANCE

To the shareholders of **GODAVARI DRUGS LIMITED**

We have examined the compliance of conditions of corporate governance by the Godavari drugs limited for the year ended on 31st March 2009 as stipulated in clause 49 of the listing agreement of the said company with stock exchange. The compliance of conditions of corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in the above-mentioned listing agreement. We state that no investor grievances are pending for a period exceeding on month against the company as per the records maintained by the shareholders grievance committee. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For S. Daga & Co.
Chartered accountant

Date: 31.08.2009
Place: Hyderabad

T.V. Subba Rao
Partner M. No. 9636

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 2009 and also the Profit and Loss Account 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.

(ii) 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 Profit and Loss Account referred to in this report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Profit and Loss Account 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 2009, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. 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 appearing in Schedule 19 thereon, more particularly Note No.4(b) 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 2009;
 - ii. In the case of the Profit and Loss Account, of 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,

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

Place: Hyderabad
Date : 31.08.2009

**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 Eight parties covered in the register maintained u/s.301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.201.66 lacs (Previous year Rs 199.67 lakhs), the year end balance is Rs.160.67 lakhs (Previous year Rs 199.67 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 Six parties wherein no interest is charged, by the 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 controls 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.

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 year end for a period of more than six months from the date they become payable.

10. The company has accumulated losses exceeding more than fifty percent of its net worth at the end of the financial year.

11. The company has disputed the interest charges of Rs.19,77,290/- payable to State Bank of Bikaner & Jaipur (P.Y. Rs.19,77,290/-), which is outstanding at the close of the year.

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,

Place: Hyderabad
Date : 31.08.2009

(T.V. SUBBA RAO)
Partner MNo.9636

**BALANCE SHEET AS AT 31ST MARCH 2009**

	SCHEDULE	RUPEES	31.03.2009 RUPEES	31.03.2008 RUPEES
SOURCES OF FUNDS				
Shareholders Fund				
Share Capital	1	75,305,000		75,305,000
Reserves & Surplus	2	113,472,993		113,472,993
			188,777,993	188,777,993
Loan Funds				
Secured Loans	3		1,977,290	2,396,380
Unsecured Loans	4		16,066,839	19,966,277
Deferred tax Liability (Net)	5		2,117,625	1,893,177
TOTAL			208,939,747	213,033,827
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	6	177,605,340		177,461,070
Less: Depreciation		102,877,977		94,089,777
Net Block		74,727,364		83,371,293
Add: Capital work in progress		1,366,722		0
			76,094,086	83,371,293
Current Assets , Loans and Advances				
Current Assets	7	27,615,178		26,520,841
Loans & Advances	8	12,942,410		13,012,719
		40,557,588		39,533,560
Less: Current Liabilities & Provisions	9	18,980,631		19,297,394
Net Current Assets			21,576,957	20,236,166
Miscellaneous expenditure	10		15,136,529	15,961,151
Profit & Loss account			96,132,175	93,465,217
TOTAL			208,939,747	213,033,827

As per our attached report of even date

For S.DAGA & Co.,
Chartered Accountants

For and on behalf of the Board

(T.V.SUBBA RAO)
Partner M.No.9636
Place: Hyderabad
Date: 31-08-2009MUKUND KAKANI
Managing DirectorKIRTIKUMAR JAIN
Executive Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2009**

	SCHEDULE	31.03.2009 RUPEES	31.03.2008 RUPEES
INCOME			
Turnover	11	37,284,176	39,976,685
Less: Excise duty		—	—
		<u>37,284,176</u>	<u>39,976,685</u>
Accretion/(Decretion)	12	(107,205)	(7,469,524)
Other Income	13	1,316,479	1,768,513
		<u>38,493,450</u>	<u>34,275,674</u>
TOTAL			
EXPENDITURE			
Raw Materials	14	2,091,732	5,835,692
Power & Fuel	15	14,182,432	9,112,447
Expenditure on Personnel	16	7,996,035	6,541,408
Manufacturing, Administrative & Selling Exps	17	6,326,741	9,753,444
Interest	18	1,524,318	2,019,161
Depreciation	6	8,788,200	8,806,711
		<u>40,909,458</u>	<u>42,068,863</u>
		<u>(2,416,009)</u>	<u>(7,793,189)</u>
Profit/(Loss) before tax			
Provision for taxation			
Earlier year tax		-	120,938
Fringe Benefit tax		26,500	30,522
Deferred tax		(224,448)	100,712
		<u>(2,666,957)</u>	<u>(7,843,937)</u>
Profit / (Loss) after tax			
Prior period items		-	1,466,067
		<u>(2,666,957)</u>	<u>(9,310,004)</u>
Balance brought forward from previous year		(93,465,219)	(84,155,215)
Balance carried to Balance Sheet		<u>(96,132,175)</u>	<u>(93,465,219)</u>
Basic Earning per share (Excl. Extra ordinary item)			
Basic Earning per share(Face value Rs.10/-each)		(0.35)	(1.24)
Diluted Earning Per share (face value Rs.10/-each)		(0.35)	(1.24)
Notes to the accounts and significant accounting policies	19		

As per our attached report of even date

For S.DAGA & Co.,
Chartered Accountants

For and on behalf of the Board

(T.V.SUBBA RAO)
Partner M.No.9636
Place: Hyderabad
Date: 31-08-2009MUKUND KAKANI
Managing DirectorKIRTIKUMAR JAIN
Executive Director



CASH FLOW STATEMENT for the year ended 31st March 2009

Particulars	2008-09	2007-08
A. Cash flow from operating activities		
Net Profit/(Loss) before prior period adjustments	(2666957)	(7843936)
Adjustment for depreciation	8788200	8806711
Interest on working capital loans	0	0
Deferred revenue expenses written off	824622	824622
Operating Profit before working capital changes	6945865	1787397
Adjustment for		
Trade and other receivables	251261	6899554
Inventories	1432966	11650370
Trade Payables	(92317)	(7496955)
Cash generated from operations	5169321	12840366
Prior period adjustments	0	1466067
Net Cash flow from operating activities (A)	5169321	11374299
B. Cash flow from investing activities		
Purchase of fixed assets	(1510992)	0
Deferred revenue expenses	0	0
Net Cash used in investing activities (B)	(1510992)	0
C. Cash flow from financing activities		
Proceeds from issue of share capital	0	6750000
Unsecured loans received	0	904468
Unsecured loans paid	(3899438)	0
Term loans paid	(419090)	(18279539)
Net Cash flow from financing activities (C)	(4318528)	(10625071)
Net increase in cash and cash equivalents (A+B+C)	(660199)	749228
Cash and cash equivalents at beginning of the year	1041563	292335
Cash and cash equivalents at end of the year	381364	1041563

As per our attached report of even date

For S.DAGA & Co.,
Chartered Accountants

For and on behalf of the Board

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

MUKUND KAKANI
Managing Director

KIRTIKUMAR JAIN
Executive Director

Place: Hyderabad
Date: 31-08-2009


SCHEDULES FORMING PART OF BALANCE SHEET

RUPEES	31.03.2009 RUPEES	31.03.2008 RUPEES
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED CAPITAL		
100,00,000 Equity shares of Rs.10/- each (Previous year 100,00,000 Equity shares of Rs.10/- each)	100,00,000	100,00,000
ISSUED, SUBSCRIBED AND PAID UP		
75,30,500 Equity shares of 10/- each fully paid up (Previous year 71,55,500 Equity shares of 10/- each fully paid up)	75,305,000	75,305,000
TOTAL	75,305,000	75,305,000
SCHEDULE 2 : RESERVES & SURPLUS		
Investment Allowance Reserve	1,654,000	1,654,000
Capital Reserves :		
Central Subsidy	1,000,000	
Maharashtra State Special Capital Incentive	4,500,000	
	5,500,000	5,500,000
Share Premium	106,318,993	106,318,993
TOTAL	113,472,993	113,472,993
SCHEDULE 3 : SECURED LOANS		
A. Term Loans from :		
Industrial Development Bank of India	0	390,620
B. Cash Credit From Scheduled Banks		
	1,977,290	2,005,760
TOTAL	1,977,290	2,396,380
SCHEDULE 4 : UNSECURED LOANS		
Loan from Directors	5,019,409	5,519,409
Loan from Others	11,047,430	14,446,868
TOTAL	16,066,839	19,966,277
SCHEDULE 5 : DEFERRED TAX LIABILITY		
DEFERRED TAX LIABILITIES		
On Fiscal allowances on Fixed assets	1,893,177	2,114,177
Add / (Less) : DEFERRED TAX ASSETS		
On Others	224,448	221,000
TOTAL	2,117,625	(1,893,177)

SCHEDULE - 6 : FIXED ASSETS

AMOUNT IN RS

Name of the Asset Dep	GROSS BLOCK					DEPRECIATION BLOCK					NET BLOCK	
	Rate of the year	As at 01.04.08 the year	Sales during	Additions during Period	As at 31.03.09 the year	Upto 01.04.08 the year	Deletions During year	Adjust During year	For the Period	Upto 31.03.09	As at 31.03.09	As at 31.03.08
Lease hold land	0	327800	0	0	327800	0	0	0	0	0	327800	327800
Factory Building	3.34	22703260	0	0	22703260	8275627	0	0	758289	9033916	13669344	14427633
Plant & Machinery	5.28	141897822	0	0	141897822	78399063	0	0	7492205	85891268	56006554	63498759
Furniture & Fixture	18.10 wdv	371945	0	0	371945	343146	0	0	5213	348359	23586	28799
Elect.Installations	4.75	8521534	0	0	8521534	4097836	0	0	404773	4502609	4018925	4423698
Vehicles	25.89 wdv	740437	0	0	740437	709845	0	0	7920	717765	22672	30592
Laboratory Equipments	5.15	1125473	0	60147	1185620	664390	0	0	60679	725069	460551	461083
Office Equipment	13.91 wdv	503770	0	48823	552593	426843	0	0	14682	441525	111068	76927
Computers	40 wdv	1269029	0	35300	1304329	1173027	0	0	44439	1217466	86863	96002
Total		177461070	0	144270	177605340	94089777	0	0	8788200	102877977	74727363	83371293
Previous year		177461070	0	0	177461070	85283066	0	0	8806711	94089777	83371293	92178004



**SCHEDULES FORMING PART OF BALANCE SHEET**

	RUPEES	31.03.2009 RUPEES	31.03.2008 RUPEES
	19,792,250	18,359,284	
SCHEDULE 7 : CURRENT ASSETS			
A. INVENTORIES			
(as taken, valued and certified by management)			
Raw Materials	5,475,707		4,426,611
Finished Goods	3,551,667		3,457,580
Work in Process	9,839,159		10,040,451
Others	925,717		434,642
B. SUNDRY DEBTORS			
(Unsecured, considered good)			
Debts outstanding for a period exceeding six months	72,072		100,980
Other debts	7,369,492		7,019,014
		7,441,564	7,119,994
C. CASH AND BANK BALANCES			
Cash on hand	331,114		322,952
With schedule Banks in current accounts	50,250		718,611
		381,364	1,041,563
D. OTHER CURRENT ASSETS			
TOTAL (A to D)		27,615,178	26,520,841
SCHEDULE 8 : LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind of for value to be received		7,197,800	7,320,266
Staff Advances		387,273	394,759
Advance tax		704,954	660,311
Deposit with Govt Depts		1,837,998	1,837,998
with Others		16,000	1,000
Cenvat credit receivable		2,798,385	2,798,385
TOTAL		12,942,410	13,012,719
SCHEDULE 9 : CURRENT LIABILITIES AND PROVISIONS			
CURRENT LIABILITIES			
Sundry Creditors :			
For goods		765,456	2,712,270
For capital expenditure		989,030	1,685,127
For others		14,115,311	13,517,587
Advance from customers		22,753	26,310
Overdrawn book balance with bank		1,536,041	0
PROVISIONS			
Fringe benefit tax		14,500	9,672
Leave encashment		116,425	46,738
Retirement benefits		1,421,115	1,299,691
TOTAL		18,980,631	19,297,394



RUPEES	31.03.2009 RUPEES	31.03.2008 RUPEES
SCHEDULE 10 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
DEFERRED REVENUE EXPENDITURE		
Research & Development		
Opening Balance	15,961,151	16,785,773
Less: Written off during the year	824,622	824,622
TOTAL	15,136,529	15,961,151
SCHEDULE - 11: TURNOVER		
CONTRACT MANUFACTURING		
(TDS Rs.23082/-Previous year Rs.38916/-)	30,844,126	25,226,505
SALES		
Finished Goods	6,440,050	14,750,180
	6,440,050	14,750,180
TOTAL	37,284,176	39,976,685
SCHEDULE - 12 : ACCRETION/(DECRETION) IN STOCKS		
Closing Stock		
Finished Goods	3,551,667	
Work in process	9,839,159	
	13,390,826	13,498,031
Less: Opening Stock		
Finished goods	3,457,580	
Work in process	10,040,451	
	13,498,031	20,967,555
TOTAL	(107,205)	(7,469,524)
SCHEDULE- 13 : OTHER INCOME		
Interest on deposits (TDS Rs.21561/-Previous year Rs.21561/-)	99,150	95,153
Rebates & Discounts	188	-
Miscellaneous Income	67,000	133,858
Excess provision written back	-	443,393
Sundry amounts written back	1,150,140	1,096,109
TOTAL	1,316,479	1,768,513
SCHEDULES - 14: RAW MATERIALS		
Opening Stock	4,426,611	
Add:Purchases	3,140,828	
	7,567,439	10,262,302
Less :Closing Stock		
Less: Cost of raw material sold	5,475,707	
	5,475,707	4,426,611
TOTAL	2,091,732	5,835,692



	RUPEES	31.03.2009 RUPEES	31.03.2008 RUPEES
SCHEDULE -15:POWER & FUEL			
Power		8,713,570	6,566,190
Fuel & Water		5,468,862	2,546,257
TOTAL		14,182,432	9,112,447
SCHEDULE -16 : EXPENDITURE ON PERSONNEL			
Salaries & Wages and Allowances		7,360,808	5,883,537
Contribution to provident fund		429,416	475,066
Contribution to employees state insurance		182,369	130,969
Staffwelfare expenses		23,442	51,836
TOTAL		7,996,035	6,541,408
SCHEDULE-17: MANUFACTURING,ADMINISTRATIVE & SELLING EXPENSES			
Consumption of Stores		796,412	559,945
Lab chemicals consumed		222,777	61,873
Repairs and maintenance:			
Building	6,560		
Plant and machinery	282,683		
Others	96,638		
		385,881	309,661
Rent		480,000	480,000
Rates & taxes		88,507	127,400
Insurance		244,460	357,867
Printing and stationary		42,072	83,846
Postage, telegrams and telephones		332,099	378,141
Electricity charges		60,444	84,765
Bank commission and charges		18,975	27,960
Directors remuneration		468,000	468,000
Amount irrecoverable written off		-	3,102,157
Bad debts written off		4,726	23,245
Vehicle maintenance		-	1,349
Labour charges		609,054	437,534
Packing and forwarding charges		32,711	401,374
Sales tax		-	511,000
Travelling Expenses		500	4,850
Miscellaneous expenses		586,742	601,835
Auditors remuneration		60,000	60,000
Deferred revenue exp. Written off		824,622	824,622
Research & Development expenses		1,068,760	846,021
TOTAL		6,326,741	9,753,444
SCHEDULE - 18: INTEREST			
On Term loans from Financial Institutions		86,688	309,304
On working capital loans from Banks		-	564,090
On Loans from Others		1,437,630	1,145,767
TOTAL		1,524,318	2,019,161



SCHEDULE – 19: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31.03.2009

A. SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONCEPTS

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

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.

TURNOVER

Turnover comprises sale of goods and contract manufacturing charges.

FIXED ASSETS

Fixed Assets are stated at cost less depreciation.

DEPRECIATION

Depreciation on Plant & Machinery, Factory Building, Electrical Installation and Laboratory Equipments is provided on straight line method while in case of Furniture and Fixtures, Vehicles, Office Equipment and Computers 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.

INVENTORIES

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

BORROWING COSTS

Borrowing costs that are attributable to acquisition or construction of fixed assets are capitalised as part of such assets for the period up to the date of commencement of production. All other borrowing costs are charged to revenue.

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 accounts.
- (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.

GOVERNMENT GRANTS

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

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.

RETIREMENT BENEFITS

Accrued liability for retirement benefits (Gratuity) is calculated based on the assumption that these benefits are payable to all employees at the end of the accounting year.

Contributions to defined schemes such as Provident Fund, Employees State Insurance Scheme and Provision for Bonus are accounted for on accrual basis.

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.

EMPLOYEE BENEFITS

a. Short term employee benefits:

Undiscounted value of short term employee benefits such as salaries, wages, bonus and exgratia are recognised as expense in the period in which the employee renders the related service.

b. Post Employee Benefits

Defined contribution Plans : Contribution to defined contribution plans being employee Provident Fund, Employee state insurance and Employee Pension schemes are recognized in the profit and loss account during the period in which the employee renders the related service.

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 credit method. Actuarial gains or losses are recognised immediately in the profit and loss account.

B. NOTES TO ACCOUNTS

1 CONTINGENT LIABILITIES

On account of bank guarantee

2008-09(Rs.)	15000
2007-08(Rs.)	—

2 SECURED LOANS

a) The Rupee converted rescheduled foreign currency loan from Industrial Bank of India has been paid under OTS

As at 31.03.09	As at 31.03.08
Rs. —	Rs. 390620

b) Working Capital cash credit with State Bank of

Bikaner & Jaipur (secured by inventories, receivables and other movables assets)

Rs.1977290	Rs.1977290
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c) Working capital with State Bank of Hyderabad paid under OTS

—	Rs.28470
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Rs.1977290	Rs.2396380
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3 Employee Benefits

The Company has the various benefits prescribed to employee as under:

- 1. Defined Contribution Schemes
 - a. Employee Provident Fund, Employee Pension Scheme, Employee State Insurance
- 2. Defined Benefit Schemes
 - a. Gratuity Plan is payable to all eligible employees of the company in terms of the provisions of the payment of Gratuity Act.



b. Leave Encashment Plan – Eligible employees of the company can carry forward and encash leaves on super annuation, death and resignation subject to maximum accumulation of 30 days. The assumptions and other disclosures relating to the Actuarial Valuation of Gratuity and Leave encashment are as under:

A. Gratuity	31-03-09	31-03-08
a. Change in Present Value of Obligation		
Present Value of obligation of beginning of period	1299691	1058968
Interest cost	103975	84717
Current Service Cost	127829	84376
Benefits paid	—	—
Actuarial (gain)/loss on obligation	(110380)	71630
Present Value of Obligation at end of period	1421115	
b. Changes in fair value of plan assets		
Fair value of plan Assets at beginning of period	—	—
Expected Return on Plan Assets	—	—
Contributions	—	—
Benefit Paid	—	—
Actual gain/loss on plan Assets	—	—
Fair value of plan Assets at end of period	—	—
c. Fair Value of Plan Assets		
Fair value of plan Assets at beginning of period	—	—
Actual Return on Plan Assets	—	—
Contributions	—	—
Benefit Paid	—	—
Fair value of plan Assets at end of period	—	—
Funded Status	(1421115)	(1299691)
Excess of actual over estimated return on Plan Assets		
d. Experience History		
(Gain)/Loss on obligation due to change in assumption	215322	
Experience (Gain)/Loss on obligation	(325702)	
Experience (Gain)/Loss on Plan Assets		
e. Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation)	110380	
Actuarial Gain/(Loss) for the period (Plan assets)		(71630)
Total Gain/(Loss) for the period	110380	
Actuarial Gain/(Loss) recognized for the period	110380	
Unrecognized Actuarial Gain/Loss at end of Period	—	
f. Amounts to be recognized in the balance sheet and statement of Profit & loss account		
Present Value of Obligation at end of period	1421115	1299691
Fair Value of Plan Assets at end of period	—	—
Funded Status	(1421115)	(1299691)
Unrecognized Actuarial Gain/(Loss)	—	—
Nett Asset/(Liability) recognized in the balance sheet	(1421115)	(1299691)
g. Expense recognised in the statement of P & L A/c.	(1421115)	(1299691)
Current Service Cost		
Interest Cost	127829	84376
Expected Return on Plan Assets	103975	84717
Net Actuarial (Gain) / Loss recognized for the period		
Expense recognised in the statement of P & L A/c.	(110380)	(1299691)
h. Movements in the Liability recognized in Balance Sheet		
Opening Net Liability	121424	240723
Opening Net Liability	1299691	1058968
Expenses as above	121424	240723
Contribution paid	—	—

Closing Net Liability	1421115	1299691
Assumptions		
Mortality		—
Discount Rate	Lic (1994-96)Ult	Lic(1994-96)Ult
Rate of increase in compensation	7.00%	8.00%
Rate of return (expected) on plan assets	1.50%	2.50%
Attrition rate	N.A.	N.A.
Expected average remaining service of employees in years	8.14	16.23

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.

B. Leave Encashment	31.03.09	31.03.08
a. Change in Present Value of Obligation		
Present Value of obligation of beginning of period	46738	61278
Interest cost	2903	4902
Current Service Cost	90941	60817
Benefits paid	(20905)	—
Actuarial (gain)/loss on obligation	(3252)	(80259)
Present Value of Obligation at end of period	116425	46738
b. Changes in fair value of plan assets		
Fair value of plan Assets at beginning of period	—	—
Expected Return on Plan Assets	—	—
Contributions	20905	—
Benefit Paid	(20905)	—
Actual gain/loss on plan Assets	—	—
Fair value of plan Assets at end of period	—	—
c. Fair Value of Plan Assets		
Fair value of plan Assets at beginning of period	—	—
Actual Return on Plan Assets	—	—
Contributions	20905	—
Benefit Paid	(20905)	—
Fair value of plan Assets at end of period	—	—
Funded Status	(116425)	—
Excess of actual over estimated return on Plan Assets		
d. Experience History		
(Gain)/Loss on obligation due to change in assumption		
Experience (Gain)/Loss on obligation	2360	—
Experience (Gain)/Loss on Plan Assets	(5612)	—
e. Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation)	3252	80259
Actuarial Gain/(Loss) for the period (Plan assets)		
Total Gain/(Loss) for the period	3252	80259
Actuarial Gain/(Loss) recognized for the period	3252	80259
Unrecognized Actuarial Gain/Loss at end of Period	—	—
f. Amounts to be recognized in the balance sheet and statement of Profit & loss account		
Present Value of Obligation at end of period	116425	46738
Fair Value of Plan Assets at end of period	—	—
Funded Status	(116425)	(46738)
Unrecognized Actuarial Gain/(Loss)	—	—
Nett Asset/(Liability) recognized in the balance sheet	116425	46738
g. Expense recognised in the statement of P & L A/c.		
Current Service Cost	90941	60817
Interest Cost	2903	4902
Expected Return on Plan Assets	—	—
Net Actuarial (Gain) / Loss recognized for the period	(3252)	(80259)
Expense recognised in the statement of P & L A/c.	90592	(14540)



h. Movements in the Liability recognized in Balance Sheet

Opening Net Liability	46738	61278
Expenses as above	90592	(14540)
Contribution paid	(20905)	0
Closing Net Liability	116425	46738

Assumptions

Mortality		
Discount Rate		
Rate of increase in compensation	Lic (1994-96)Ult	Lic(1994-96)Ult
Rate of return (expected) on plan assets	7.00%	7.00%
Attrition rate	1.50%	2.50%
Expected average remaining service of employees in years	N.A.	N.A.

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.

4. CURRENT ASSETS, LOANS AND ADVANCES

- a. In the opinion of the Board of directors, the current assets loans and advances are approximately of the value stated if realized in the ordinary course of business. The provision for depreciation and for all known liabilities is adequate and not in excess of the amounts considered reasonably necessary.
- b. The company has not obtained confirmation of balances outstanding to the debit or credit of the parties.

5. Disclosure in accordance with section 22 of Micro, Small and Medium Enterprise Development Act, 2006

- | | | |
|--|-----|-----|
| a. Principal amount remaining unpaid and interest due thereon | Nil | Nil |
| b. Interest paid in term of Section 16 | Nil | Nil |
| c. interest due and payable for the period of delay in payment | Nil | Nil |
| d. Interest accrued and remaining unpaid | Nil | Nil |
| e. Interest due and payable even in succeeding years | Nil | Nil |

6. 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.

7. The company's significant leasing arrangements are in respect of operating leases for office premises. These leasing arrangements, which are not non-cancelable, range between 11 months and 9 years generally or longer and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent.

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

	2798385	2798385
--	---------	---------

9. Sundry creditors written back which in the opinion of the management, no longer payable has been credited and disclosed under the head "Other income."

	1150140	1096109
--	---------	---------

10. DIRECTORS REMUNERATION

Salary	468000	468000
Sitting fees	33000	39000

11. AUDITORS REMUNERATION INCLUDES

Statutory audit	35000	35000
Tax audit	15000	15000
Certification and other matters	10000	10000

TOTAL	60000	60000
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12. Earnings Per Share (EPS)

i) Basic Earning per Share:		
Numerator for Basic Earning per Share:		
Profit/(Loss) attributable to		
Equity share holders after tax	(2666957)	(9310003)
Profit/(Loss) after Tax excluding Extra ordinary item(2666957)		(9310003)
Denominator for Basic Earning per Share:		
Weighted Average No of Shares	7530500	7530500
Basic Earning per Share	(0.35)	(1.24)

13. Segment Reporting as per Accounting Standard -17

Primary segment is manufacture of bulk drugs and is only the reportable segment.

14. Promoters and shares holdings.

	31.03.09	31.03.08
Aggregate of Non-promoters shareholding		
No.of Shares	4027860	4092860
Percentage	53.49	57.35
Promoters and promoter group Shareholding		
a) Pledged/Encumbered		
Number of shares	500000	
Percentage of shares (as a % of the total shareholding of promoter and promoter group)	14.27	
Percentage of shares (as a % of the total share capital of the company)	6.64	
b) Non-Encumbered		
Number of shares	3002640	
Percentage of shares (as a % of the total shareholding of promoter and promoter group)	85.73	
Percentage of shares (as a % of the total share capital of the company)	39.87	

15. 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



Disclosures of transactions between the company and the related parties (In Rupees)

Name of transaction	Key management Personnel	Relatives	Total
Rent Paid	0	480000	480000
	(0)	(480000)	(480000)
Remuneration	468000	90000	558000
	(468000)	(90000)	(558000)
Interest Paid	0	1437630	1437630
	(0)	(1145767)	(1145767)
Loan -Receipt	0	2605562	2605562
	(0)	(7456000)	(7456000)
Loan -Repayment	500000	6005000	6505000
	(0)	(0)	(0)

Balances as at 31.03.2009

a) Loans	5019409	11047430	16066839
	(5519409)	(14446868)	(19966277)
b) Sundry creditors	118000	0	118000
	(90000)	(0)	(90000)

16. Particulars in respect of licensed capacity, installed capacity and actual production.
(Quantity in MTs)

Products	Licensed capacity		Installed capacity		Production	
	2009	2008	2009	2008	2009	2008
(a) Bulk Drugs	1418	1418	770	770		
i. Own Production					1.760	5.822
ii. Contract Mfg.					252.637	195.277
(b) Intermediates	--	--	40	40	0	0

17. Break up of Turnover

	2008-2009		2007-2008	
	Quantity MTs	Value Rs	Quantity MTs	Value Rs

(a) Bulk Drugs				
i. Own Production	3.950	6326050	9.900	14549750
ii. Contract Mfg.	239.432	30844126	195.277	25226505
(b) Intermediates	0.030	114000	0.138	200430
Total		37284176		39976685

18. Particulars of opening stock

(a) Bulk Drugs	2.582	2283450	6.660	6497350
(b) Intermediates	3.098	1025438	3.236	1071116
(c) Work in process	Numerous	10040451	Numerous	10264089
(d) Contract Mfg.-Conv. charges	1.521	148692	36.000	3135000
TOTAL		13498031	45.896	20967555

19. Particulars of closing stock

(a) Bulk Drugs	0.392	440850	2.582	2283450
(b) Intermediates	3.068	1015508	3.098	1025438
(c) Work in process	Numerous	9839159	Numerous	10040451
(d) Contract Mfg.-Conv. charges	14.726	2095309	1.521	148692
TOTAL		13390226		13498031

20. Particulars in respect of consumption of Raw materials

	Qty(Kgs)	Value(Rs)	Qty(Kgs)	Value(Rs)
Solvents	853	180073	11601	650443
Chemicals	Numerous	1911660	Numerous	5185249
Total		2091733		5835692

21. The variation in published unaudited quarterly results for the financial year 2008-09 has exceeded more than 10% due to write off of R&D Expenditure incurred for the year Rs. 8.13 lakhs at the close of the year.

22. Previous year figures have been regrouped and reclassified wherever necessary to confirmed to the current year's classification.

As per our attached report of even date

For S.DAGA & Co.,
Chartered Accountants

For and on behalf of the Board

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

MUKUND KAKANI
Managing Director

KIRTIKUMAR JAIN
Executive Director

Place: Hyderabad
Date: 31-08-2009

BALANCE SHEET ABSTRACT AND GENERAL PROFILE

I. Registration Details

Registration No. : 0 8 0 1 6

State Code : 0 1

Balance sheet Date : 3 1 0 3 2 0 0 9

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

N i l

Bonus Shares

N i l

Right Issue :

N i l

Private Placement :

N i l

III. Position on Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

2 0 8 9 4 0

Total Assets :

2 0 8 9 4 0

Sources of Funds

Paid - up Capital :

7 5 3 0 5

Reserves & Surplus :

1 1 3 4 7 3

Secured Loans :

1 9 7 7

Unsecured Loans :

1 6 0 6 6

Deferred Tax Liability

2 1 1 7

Application of Funds

Net Fixed Assets :

7 6 0 9 4

Investments :

N i l

Net Current Assets :

2 1 5 7 7

Misc. Expenditure :

1 5 1 3 6

Accumulated Losses :

9 6 1 3 2

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

3 7 2 8 4

Total Expenditure :

4 0 9 0 9

+ - Profit / (Loss) Before Tax

- 2 4 1 6

+ - Profit / (Loss) After Tax

- 2 6 6 7

(Please tick Appropriate box +for profit -for loss)

Earning per Share before

Extra - Ordinary Item (in Rs.)

(0.35)

Dividend(%)

N i l

V. Generic Names of Two Principal Products of Company (as per monetary terms)

Item code No. (ITC code) : 2 9 4 2 0 0

Product Description : P Y R A Z I N A M I D E

Item code no. (ITC code) : 2 9 0 5 1 4

Product Description : E T H A M B U T O L H C L



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 21st Annual General Meeting of the Company to be held on Saturday, 26th September, 2009. at 2.30 p.m. at 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 21st Annual General Meeting of Godavari Drugs Limited at J.S. Krishnamurthy Hall, Red Hills, Hyderabad on Saturday, 26th September, 2009.

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 DOSE NOT HAVE THE PRACTICE OF GIVING GIFTS AT THE ANNUAL GENERAL MEETING

BOOK POST

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

AKP HYD. PH : 040-24654223