



35th

Annual Report

2013-14

Rajasthan Drugs & Pharmaceuticals Limited
(A Govt. of India Enterprise)

Vision

To achieve excellence in the field of manufacturing and marketing of Quality drugs & Health care Products at affordable prices for all.

Mission

- To improve in house facilities to manufacture essential medicines (Generic and Branded medicines) for supply to Government organizations as well as for Open Market, at reasonable prices.*
- To continuously improve the Quality of Products and Services to enhance Customer satisfaction.*
- To develop highly motivated multi skilled Human Resources to increase Productivity.*
- To meet emergency need of the country for supply of Medicines during Natural Calamities like Epidemics, Earthquakes, Floods and in Disaster Management.*



RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.

35th ANNUAL REPORT

2013-2014



RDPL

RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.

(A Govt. of India Enterprise)

JAIPUR



RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.



RAJASTHAN DRUGS AND PHARMACEUTICALS LIMITED

BOARD OF DIRECTORS
(AS ON 31ST OCTOBER 2014)

CHAIRMAN

SHRI MUKESH SHARMA, IAS
Principal Secretary-Medical & Health, Govt. of Rajasthan

DIRECTORS

SHRI ARUN KUMAR PANDA, IAS
Jt. Secretary (Regulation) to Govt. of India, Ministry of Health & Family Welfare

SHRI NAVEEN JAIN, IAS
Managing Director, Rajasthan Medical Services Corporation Limited

SHRI SHAMBHU KALLOLIKAR, IAS
Jt. Secretary to Govt. of India, Ministry of Chemicals & Fertilizers, Deptt. of Pharmaceuticals

MS. MONIKA VERMA,
Director, Ministry of Chemicals & Fertilizers, Deptt. of Pharmaceuticals

SHRI PRAKASH TEKWANI
Financial Advisor, RIICO Limited

Dr. A.K. GUPTA
Chief General Manager (Finance), RIICO Limited

Dr. B.R. MEENA
Director, Medical & Health Services, Govt. of Rajasthan

SHRI S.B. BHADRANAVAR
Managing Director

AUDITORS

M/s. J.K. SINGHAL & CO.
Chartered Accountants, Jaipur

BANKERS

BANK OF BARODA

MANAGER (FINANCE)
SHRI NAVNEET KUMAR MATHUR

REGISTERED OFFICE
ROAD NO. 12, V.K.I. AREA, JAIPUR - 302 013 (RAJASTHAN)



CHAIRMAN'S SPEECH

Ladies and Gentlemen,

On behalf of the Board of Directors of Rajasthan Drugs and Pharmaceuticals Limited (RDPL) and on my own behalf, I am pleased to welcome you on the occasion of 35th Annual General Meeting of the Company.

I am pleased to be associated as Chairman, Board of Directors of RDPL since 29th October, 2014. I came to know that your company is having a consistent record of reasonable excellence in all-round performance, growth and profitability over the last twelve years except this year (2013-14). I however take this opportunity to share my views on the economic scenario and present the performance highlights of the Company.

ECONOMIC SCENARIO :

The global economy is still reeling under the effect of recession with marked slowdown in the industrial activity. The Indian economy has not been spared either by the cascading effect of global turmoil with GDP growth further slipping to lower side in the financial year 2013-14 after a run a good growth in the last few years. The long term fundamentals like rising income, increasing consumption base, favourable statistics and huge infrastructural growth coupled with Indian economy pattern of consumption nature continue to be broadly in tact and expected to be sustained over a long period. The growth is primarily driven by domestic investment. Based on strong fundamentals and the mitigative measures taken by the Government of India, we expect Indian economy to sustain reasonably good growth rate over the long term period with a sense of urgency, except some volatility in the short term.

PERFORMANCE POSITION :

The company continued to register a good growth in preceding 15 years prior to the year 2013-14. The aggregate turnover during the year ended 31st March, 2014 reduced to half (viz. Rs. 43.51 crore) the size of 2012-13 (viz. Rs.85.67 crore). It sustained a loss of Rs.19.43 crore during the year under review against the profit of Rs.77.49 lakh during the previous year. The negative working was contributed mainly by non-availability of bulk orders from the government institutions and some sales return during the year (which is under investigation) and working capital constraint, as a result of which not achieving the break-even point, beside the heavy provisions made on account of liquidated damages and irrecoverable debts of the past years, during the year under review, as per recommendations of the auditors. Further, the administered selling prices of products under PPP of Govt. of India remained same from August 2006 onwards till October, 2013, which was outside the control of the management.

I am glad to report that company continued to meet its commitments with regard to supply of medicines in the larger public interest and also keeping in view the prudent ethical business practices. Despite abnormally higher input costs and multi-faceted adverse circumstances it fulfilled the commitment towards society and the Government. It is noteworthy to indicate that the Govt. of Rajasthan (including RMSCL) are yet to frame its preferential procurement policy for placing orders on RDPL, which is under active consideration of Govt. of Rajasthan.

EXPANSION & MODERNIZATION :

The upgradation plan under Phase-I is almost complete and Phase-II programme undertaken has been delayed owing to certain unforeseen circumstances. This is going to be resolved and taken up in the near future.

CORPORATE GOVERNANCE :

Although your company is an unlisted company, it has been complying with the requirements of Corporate Governance as stipulated in the Guidelines notified by the Department of Public Enterprises (DPE), Govt. of India (except induction



DIRECTORS' REPORT

To
The Shareholders
Rajasthan Drugs and Pharmaceuticals Limited,
Jaipur.

Gentlemen,

The Directors of your company have great pleasure in presenting to you their **35th Annual Report** for the financial year 2013-14 on the working and affairs of the company, together with the Audited Accounts, Report of the Auditor thereon and the comments of the Comptroller and Auditor General of India.

Your Directors hereby inform you that the year under review has been surprising as well as challenging. The aggregate turnover of the company received to Rs. 4350.55 lacs this year in comparison to the previous year's turnover of Rs. 8567.27 lacs, with a considerable fall in the turnover of the company due to non-receipt of bulk orders from Ministry of Health and Family Welfare as in the yester years and delay in renewal of Preferential Purchase Policy of Department of Pharmaceuticals, Govt. of India. Despite all efforts your company could not manage various constraints of adversities and compelled to face an operating loss during the year, which came to Rs.1554.37 lacs as against operating profit of Rs. 85.02 lacs achieved in the previous year.

The profitability of the Company reduced during the year under review since overall Operational Costs have gone considerably, whereas the administered selling prices of products under Preferential Purchase Policy (PPP) of Govt. of India remained same from August, 2006 till the date of expiry in August, 2011 and even subsequently since Government Institutions have continued to purchase at the same rates even to this day, wherever the Rate Contracts are in force with PPP Administered Prices adopted as the Benchmark price.

However the Company continued to meet its commitments with supply of medicines in the larger Public interest and also keeping in view the prudent ethical business practices. Despite abnormally higher input costs and such abnormal adverse circumstances it could fulfill its commitment towards society and the Government.

Further, there is a perceptible change in the policy of the Govt. of Rajasthan, which has been one of the major and important consumers of the products of the company. The Govt. of Rajasthan has done away with the purchase preference system which was available to the company and instead set up Rajasthan Medical Supplies Corporation Limited (RMSCL), a Govt. of Rajasthan Enterprise, which will be nodal agency to buy the medicines from the open market without any kind of preference to the company. This change in policy by Govt. of Rajasthan proved a severe set back to the company for its ongoing business. However, the company made requests to the Govt. for restoration of the Preferential Purchase Policy in favour of RDPL which is yet under the consideration of the Govt. of Rajasthan. Meanwhile, RMSCL has been procuring from the Company certain medicines which are not supplied/not available with the approved suppliers, as contingent supplier, subject to price being L1.

PRODUCTION:

During the year under review, the company achieved Own Production (Value of Production) of Rs. 4344 lacs as compared to that of Rs. 6559.28 lacs in the previous year, thus registering a decline of 33.77%. The production under Loan Licence (Purchase value) decreased from Rs.1809.16 lacs in previous year to Rs. 1149.36 lacs during the year under review, registering a decrease of nearly 36%. This reflects resonance that due to various constraints of adversities faced by company in working with in house facilities and the occurrence of disturbances on account of ongoing expansion and renovation work in the production area, the optimum level of production could not be achieved. The performance of



RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.

the company could have been better had the company received bulk orders from Ministry of Health and Family Welfare as well as orders from Preferential Purchase Policy (PPP) Deptt. of Pharmaceuticals, Ministry of Chemicals & Fertilizers, Govt. of India during the year. Further, production was affected adversely by working capital constraints due to delays in realization of debtors. Beside this, the company is still pursuing its ambitious expansion and upgradation plan of the production facilities and utilities to make the same WHO-GMP compliant, which shall enable the company to enhance its much needed entry into International Business and also for aided Bulk Purchases by Govt. of India.

SALES AND MARKETING:

The sales of the company during the year 2013-14 was Rs.4350.56 lacs as against the sales registered during the previous year of Rs.8567.27 lacs, showing a decrease of about 49% against the previous year. But this performance has to be viewed in the light of the fact that the company did not receive any bulk orders from the Ministry of Health, as well as from Preferential Purchase Policy (PPP) of Ministry of Chemicals & Fertilizers, Govt. of India after the expiry of the PP Policy in August, 2011. This adverse position was chiefly due to non-realization of past debtors.

Further, it will be seen that company achieved trade sales of Rs.100 lacs approx.. The trade sale could have been better, but for closure of Jan Aushadhi operation by Govt. of Rajasthan and in other States.

In fact the performance during the year 2013-14 was substantially deteriorated due to following reasons:-

- (a) Production cycle was broken from August, 2013 onwards and showed a steep decline month after month and thus company was not able to feed even 50% of the orders.
- (b) Company had been requesting RMSCL/Govt. of Rajasthan to waive Liquidated Damages and refund of Rs. 2.00 crore approx. recovered by RMSCL from the company and to provide interest free working capital term loan of Rs. 6 crore against outstanding dues of RMSCL/Govt. of Rajasthan with a moratorium of 2 years and repayment period of 5 years. The said request could not be considered favourably.
- (c) Bank of Baroda has yet to consider to provide remaining credit of Rs.2.00 crore against working capital requirement of Rs.5 crore as per request made(as only Rs.3.00 crore adhoc credit was provided).
- (d) RMSCL could not place orders after October, 2013 even as contingent supplier.
- (e) Position of outstanding debtors being unclear, was being examined by Internal Auditors. As reported by Internal Auditors, out of gross outstanding amounts Rs.34.35 crore as on 31.03.2014, Rs.16.07 core have been reported as doubtful recoveries which needs to be verified by the company, out of above LD & other deductions of Rs.3.24 crore & testing charges of Rs.0.56 crore have been written off, besides other provisions and operating losses owing to production capacity and man-power remained unutilized during the year.

FUTURE PROSPECTS:

The expiry of Preferential Purchase Policy (PPP) of Govt. of India on 6th August, 2011 and change in Purchase Preference Policy of Govt. of Rajasthan are of great concern to the company's future prospects. However, the renewal of PPP of Govt. of India w.e.f. October, 2013 for a further period of 5 years will help to receive bulk orders from Ministry of Health and other Government Institutions.

Further, the proposal for purchase preference policy's continuance by Govt. of Rajasthan in line with similar preference given by Govt. of Karnataka to KAPL, a similarly constituted company, had been submitted to Govt. of Rajasthan which is yet under their active consideration.

The company has accepted the challenge posed by the above circumstances and devised new strategy to combat the problem. New C & F Agents, Marketing Organizers cum Distributors are proposed to be appointed in new territories in near future. They have been geared up to meet higher targets of sales. They are highly professional in their pursuit and they will not only procure more orders, but they will be instrumental in realizing early payments also as envisaged.



The reduction in production was mainly due to pending approval of the Union Cabinet for further extension of Preferential Purchase Policy. Owing to close of PPP of Govt. of India from 6.8.2011, there were no orders from Central Government Institutions. These have adversely affected the performance of the company in general. In order to maintain the on-going working performance, your company has taken following remedial measures:-

- (a) Exploring more business for non-PPP segments such as Ayurved, Kits and Pharma products which are not covered under PPP. In this context, it may be stated that the Company has been empanelled by Ministry of Health and Family Welfare for supply of non-PPP segments.
- (b) The Company is selective while considering the products while supplying to Institutions by taking the products of high value and better margins.

These measures, in addition to the renewal of the Preferential Purchase Policy (PPP) of Govt. of India w.e.f October, 2011 & the Preferential Purchase Policy of Govt. of Rajasthan (which is yet under process), would certainly improve the working operations during the current year. However, working capital has been the main constraint in the present scenario. Keeping this in view, the company is ensuring some advances with the receipt of orders to tide over the financial crunch.

MODERNISATION AND WHO-GMP COMPLIANCE (NEW AREA):

The modernization and upgradation plan which has been going on for past few years and renovation work under the Phase-I has almost been completed but for HVAC work which is partly pending. Additional civil work for secondary change room, canteen and materials stores expansion are yet to be taken up and further Utilities is under process based on the Grant-in-Aid approved by Govt. of India. The Quality Control Laboratory is also well equipped to ensure high standards of quality of the products. Your Directors are confident that once the upgradation and modernization of project is complete your company will be able to participate in World Bank aided projects and could also explore exports market.

In November, 2012 the Administrative Ministry had provided first release of Rs. 455.00 lacs to the company as Grant-in-aid for meeting the expenses for upgradation/implementation of facilities for WHO-GMP/GLP compliance as Plan Outlay which shall be implemented as per rescheduled plan.

GOOD CORPORATE GOVERNANCE:

Your company has been pursuing good corporate governance and transparency in its working operations. Company's equity shares are not listed with any recognized Stock Exchange. The Report on Corporate Governance forms a part of this report. The Practicing Company Secretary's Certificate on the Compliance of Corporate Governance embodied in DPE's guidelines is attached as Annexure and forms part of this report.

CODE OF CONDUCT & AUDIT COMMITTEE:

Pursuant to Good Corporate Governance practices made applicable to Central PSUs by the Department of Public Enterprises, Govt. of India, a Code of Conduct as approved by the Board of Directors has been introduced and Board members and senior management personnel of the company have affirmed the same. The Board members were also appraised with training needs, as may be felt necessary to upgrade their knowledge about the company's products and activities. The company has thus adopted good corporate governance practices except the induction of independent directors who are yet to be sponsored by the Administrative Ministry. The company has already requested the Administrative Ministry for appointment of Independent Directors. Meanwhile, company constituted an Audit Committee comprising three Nominee Directors and the Managing Director (Additional Charge).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

In accordance with DPE's guidelines on Corporate Governance, a detailed report on Management Discussion and Analysis is annexed herewith.

