



36th Annual Report

2014-15

**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

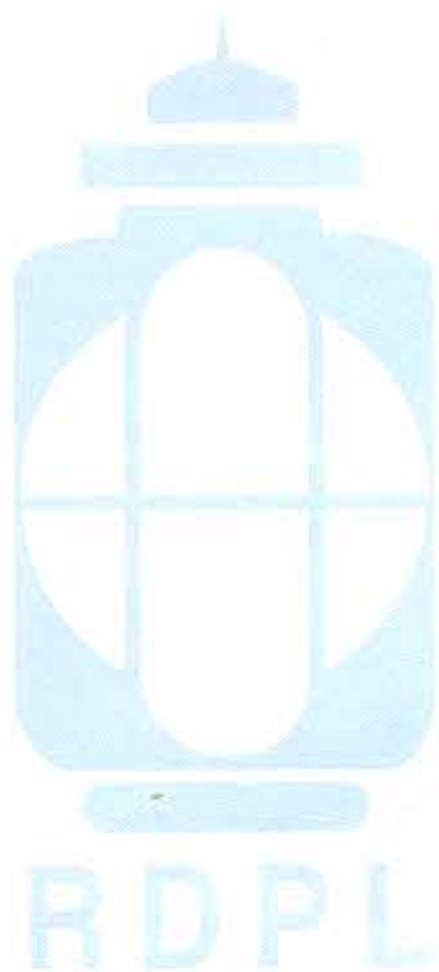
- To improve in house facilities to manufacture essential medicines (Generic and Branded medicines) for supply to Government organizations as well as for Open Market, at reasonable prices.*
- To continuously improve the Quality of Products and Services to enhance Customer satisfaction.*
- To develop 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.

36th ANNUAL REPORT

2014-2015



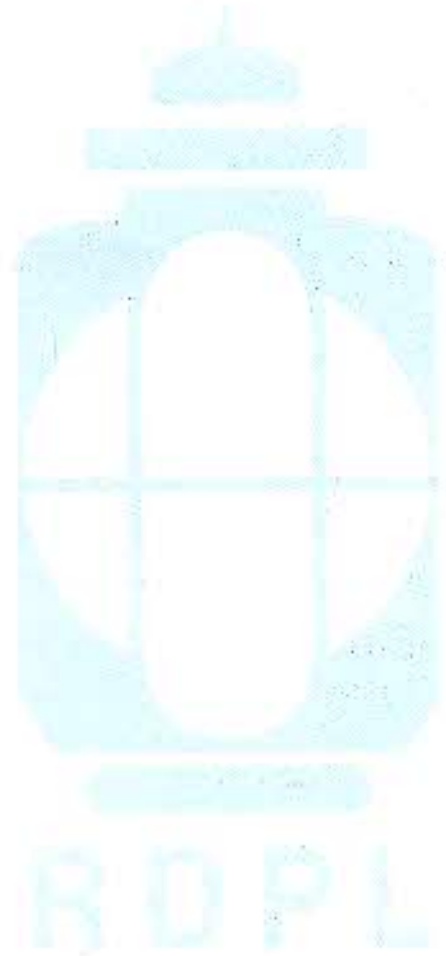
RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.

(A Govt. of India Enterprise)

JAIPUR



RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.





RAJASTHAN DRUGS AND PHARMACEUTICALS LTD.



RDPL

RAJASTHAN DRUGS AND PHARMACEUTICALS LIMITED

BOARD OF DIRECTORS
(AS ON 5TH AUGUST, 2015)

CHAIRMAN

SHRI MUKESH SHARMA, IAS

Principal Secretary-Medical & Health, Govt. of Rajasthan

DIRECTORS

SHRI K.L. SHARMA, 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

SHRI A.V. LAKRA

Dy. Secretary (Finance) to the Govt. of India, Deptt. of Pharmaceuticals

SHRI SANJAY SOLANKI

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 36th 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 the previous & current year (2014-15). 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 2014-15 after a run of 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 years 2013-14 and 2014-15. The year under review has been painful and challenging. The aggregate turnover during the year ended 31st March, 2015 reduced to half (viz. Rs. 24.90 crore) the size of 2013-14 (viz. Rs.43.51 crore). It sustained a loss of Rs.19.76 crore during the year under review due to considerable reduction in turnover and providing for provision of non-recoverable debts for previous years, as against the loss of Rs.19.44 crore, due to reduction in turnover and providing for provision of non-recoverable debts for previous years during the previous year. The negative working was contributed mainly by non-availability of bulk orders from the government institutions and working capital constraint, as a result of which break-even point could not be achieved during the year under review.

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 :

For upgradation plan under Phase-II and implementation of WHO-GMP/GLP Compliance programme undertaken the Administrative Ministry provided Rs.684.00 lakhs to the Company as Grant-in-aid in March, 2015, which shall be completed as per re-scheduled plan. This would enable the Company to secure more orders from institutions and for exports in 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



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induction of Independent Directors which is in process) in this regard. The company has been managing its business in an ethical and responsible manner for sustainable value creation of all stakeholders within the prevalent regulatory framework. The company believes in adopting the best practices being followed in the area of corporate governance in India. The proposal for appointing Independent Directors is already with the Administrative Ministry for consideration as per guidelines of the DPE.

CORPORATE SOCIAL RESPONSIBILITY :

Your company has been discharging its corporate social responsibility. During the year under review, the company could make a token contribution of Rs. 10,000/- to SOS Children Village under CSR head due to unfavourable working results and losses. However, it has constituted a Directors' Committee to finalize the CSR policy as and when felt necessary, subject to profitability.

LOOKING AHEAD :

Based on past experience, the company is exploring all avenues to acquire good order booking position and mobilization of its resources through speedier recovery of outstanding debtors to regain its leadership in Pharma CPSU in manufacturing and supplies of the drugs and medicines at reasonable prices with quality.

ACKNOWLEDGEMENTS :

I also take this opportunity to express my sincere gratitude for the support and guidance received by your company from Ministry of Chemicals & Fertilizers, Department of Pharmaceuticals, Ministry of Finance, erstwhile Planning Commission, Govt. of India, Govt. of Rajasthan and RIICO Ltd. and also KAPL, Bengaluru. I am also thankful to Bank of Baroda, CAG of India, Statutory Auditors, Customers/Procurement Authorities, suppliers and other business associates for all their support and guidance extended to the company.

I also express my thanks and appreciation to my esteemed colleagues on the Board and to all employees of the company for their continued commitment to their work. I convey my sincere thanks to all stakeholders for their support and cooperation. I am confident that the company with the support of all concerned will continue to discharge its responsibilities and enhance once again value to its stakeholders.

With best wishes,

(Sd/-)
(Mukesh Sharma, IAS)
Chairman

Place: Jaipur

Dated: 30th September, 2015



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 **36th Annual Report** for the financial year 2014-15 on the working and affairs of the company, together with the Audited Accounts, Report of the Auditors thereon and the comments of the Comptroller and Auditor General of India.

Your Directors hereby inform you that the year under review has been painful and challenging. The aggregate turnover of the company achieved was Rs. 2,490.30 lacs this year in comparison to the previous year's turnover of Rs. 4350.55 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, working capital crunch 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. 992.61 lacs as against the operating loss of Rs. 1554.37 lacs in the previous year.

The overall working of the Company considerably reduced during the year under review as a result of which overall Operational Costs went up, 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 the 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 abnormally 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 Services 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. 2,504.31 lacs as compared to that of Rs. 4344 lacs in the previous year, thus registering a decline of 57.65%. The production under Loan Licence (Purchase value) decreased from Rs. 1149.36 lacs in previous year to Rs. NIL during the year under review, registering a decrease of nearly 100%. 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 the



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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 2014-15 was Rs. 2,490.30 lacs as against the sales registered during the previous year of Rs. 4350.56 lacs, showing a decrease of about 57.24% 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.

Further, company could not make trade sale during the year due to financial crunch. 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 2014-15 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 additional working capital loan of Rs. 5 crore against the sovereign guarantee.
- (d) RMSCL could not place more orders as contingent supplier.
- (e) Position of outstanding debtors being unclear, was 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 crore have been reported as doubtful recoveries. Out of above Rs.3.80 crore have been written off during 2013-14 and a provision of Rs.2.43 crore were made in earlier years. Further, the sum of Rs. 1.47 crore being unrecoverable is proposed to be written off and a provision for doubtful debts for Rs. 8.37 crore is made during the year under review, as pointed out by the CAG of India in the Comments to the Accounts for the year 2013-14.

FUTURE PROSPECTS:

The change in Purchase Preference Policy of Govt. of Rajasthan is 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 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 working capital constraint, besides non-receipt of bulk orders from Govt. Institutions, inadequate infrastructure and high rate of interest levied by our Bank. 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 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 for 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, 2013 & 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. In addition, through the assistance from the Administrative Ministry, Company has started receiving raw-materials from the suppliers on credit under the assurance of KAPL, to enable the company to maintain productivity and achieve sizeable progress till the working capital crunch is resolved.

Recently it has been decided at the level of Administrative Ministry to extend the Jan Aushadhi Scheme (launched by the Govt. of India in 2008) through Public-Private Partnership and Partnering with Individual Entrepreneurs so that people take full advantage of Jan Aushadhi Scheme. The implementation of the Scheme at larger scale would indirectly enable the Company to enhance its trade sale during the current year.

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 completed, your company will be able to participate in World Bank aided projects and could also explore exports market.

In March, 2015 the Administrative Ministry made release of Rs. 684.00 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 whose names are being identified and the proposal being sent to the Administrative Ministry for consideration. Thereupon the Govt. shall approve the appointment of Independent Directors. Meanwhile, company constituted an Audit Committee comprising three Nominee Directors and the Managing Director.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

In accordance with DPE's guidelines on Corporate Governance, a detailed report on Management Discussion and Analysis is given at *Annexure-I* hereto.

MEMORANDUM OF UNDERSTANDING:

Pursuant to a decision of the Govt. of India, your company has signed Memorandum of Understanding (MOU) with Govt. of India for achieving a turnover of Rs. 6,500.00 lacs (at excellent target) during the year 2015-16 and your company is going to make every effort to achieve the target set despite change in policy of support from the Govt. of Rajasthan, however, subject to working capital constraint.

FINANCIAL SUMMARY & HIGHLIGHTS:

The sales realization being unduly delayed and blockage of a considerable amount of working capital in the expansion and upgradation project is continuously causing stress on working capital front.

As on 31.3.2015, the equity contribution stood at Rs.254.50 lacs(51%)and Rs.244.11 lacs(49%) from Govt. of India and RIICO Ltd. respectively. The company can look forward to enormous development potential with the support of Govt. of India and RIICO Ltd. (co-promoter). The Govt. of India has provided grant-in-aid for Rs.684.00 lacs for completion of Phase-II project and then company shall be eligible to comply with WHO-GMP requirements. As envisaged in Bank working capital requirements assessed by the Bank of Baroda, the Company may have to suitably increase its equity capital base with support of the Govt. of India with matching contribution from RIICO Ltd. so as to enhance the working capital assistance in adequate manner during the current year. Accordingly, the Administrative Ministry and RIICO Ltd. have been requested to provide additional equity support of Rs.10 crore in the ratio of 51:49 pursuant to provision of Articles of Association of the Company. As the said proposal had no favourable view, the Administrative Ministry has been kind enough to seek the additional working capital assistance from the Bankers against the sovereign guarantee. Accordingly Company is approaching the Bankers.

During the year, the Bank of Baroda provided working capital to the company which stood at Rs.1412.55 lacs as on 31st March, 2015.

Some of the important financial figures for the year under review with comparative figures for the previous year are given below:

	(₹ in lacs)	
	2014-15	2013-14
Net Profit/Loss before Tax	(-)1975.98	(-)1943.52
Add: Earlier Year Tax (Excess/Short Provision written back)	0.00	6.71
	(-)1975.98	(-)1936.81
Less: Provision for Tax (C.Y)	-	-
Less: Deferred Income Tax and Demand for earlier years	(-)0.00	(-) 2.92
Profit/Loss After Tax	(-)1975.98	(-)1939.73
Add: Balance Profit b/f	0.00	0.01
Profit/Loss	(-)1975.98	(-)1939.72
Profit appropriated as under:		
Proposed Dividend	-	-
Tax on Proposed Dividend	-	-
Transferred to General Reserve	-	-
Surplus/Deficit Carried to Balance sheet	-	0.01
	(-)1975.98	(-)1939.72



CORPORATE SOCIAL RESPONSIBILITIES:

Although CSR provisions are not applicable to the Company, yet your company is fully sensitive and aware to the happenings all around. Your company has always taken initiative to show compassion and sympathy to lessen the pain of society. However, due to heavy loss sustained during the year under review, your company could spend only Rs.10,000/- on CSR activity through SOS Children Village. Your company has been complying with provisions of the Right to Information Act, 2005 by providing the information asked for by citizens and others pursuant to provisions of the said Act.

SWACHHA BHARAT ABHIYAN:

Under the Swachha Bharat Abhiyan of the Hon'ble Prime Minister of India, the officers and employees of the Company organized the programme on 2nd October, 2014 by taking an oath for clean India and by cleaning the factory compound and sanitizing the production machinery with pleasure and vigour under the supervision of the Factory manager.

BUSINESS WITH SSI UNITS:

Your company does not have any ancillary unit of its own. It, however, has good supportive attitude towards them. Substantial quantities of packing material and other requirements were purchased from them.

VIGILANCE:

The Administrative Ministry vide its letter No.2 (7)2010-PI-IV dated 23.04.2012, appointed Shri. R.K. Maggo, Dy. Secretary, Department of Pharmaceuticals, Govt. of India, New Delhi as part-time Chief Vigilance Officer of the company, in addition to his present duties, till further orders. The vigilance inquiries are conducted under the supervision of Chief Vigilance Officer and remedial action is taken as suggested by him.

During the year, 14 vigilance cases were inquired into and completed and 1 Vigilance case remained pending for further processing as per procedure. Your Company organized "Vigilance Awareness Week 2014" from 27-10-2014 to 01-11-2014 where employees were guided to maintain ethics and values in day-to-day working life with a Theme on "Combating Corruption-Technology as an enabler."

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO & OTHER REQUIREMENTS:

A report on conservation of energy, technology absorption, foreign exchange earnings and outgo etc. in the manner prescribed as per Rule 8 of Companies (Accounts) Rules, 2014, is given at Annexure-II hereto.

EXTRACT OF ANNUAL RETURN:

Extract of Annual Return u/s 92(3) of Companies Act, 2013 is annexed herewith as Annexure-III.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to provisions of Sec.134 (5) of Companies Act, 2013, your Directors hereby state:

- (a) That in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (b) 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 and of the profit and loss of the company for that period.