



Report Junction



Annual Report 1998-99



ASTRA-IDL

New ointment and jelly manufacturing facility

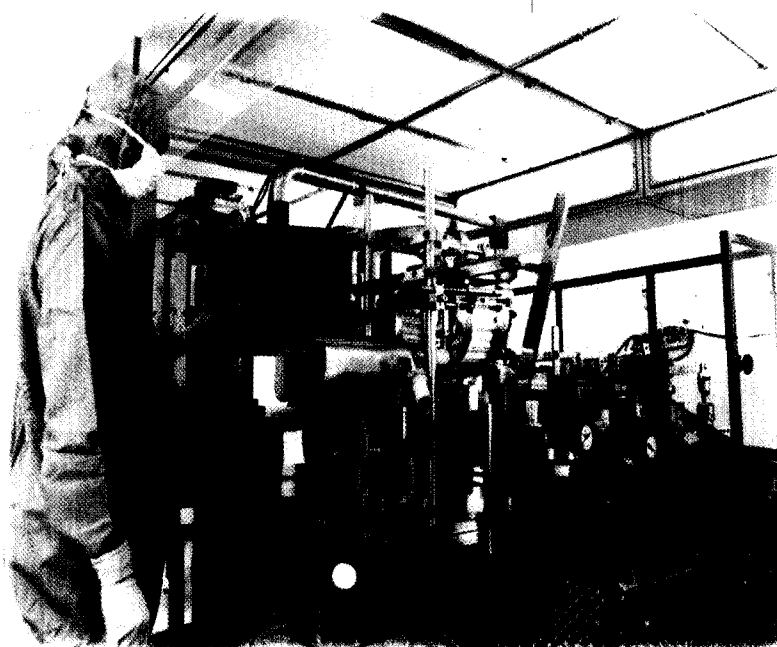
The first of its kind in concept and scale in the country

Self locking stainless steel pass box with class 100 environment for automatic transfer of empty gamma irradiated tubes



Microprocessor controlled all stainless steel double door steam sterilizer used for sterilization of inputs

A state of the art automatic filling and sealing machine housed in a class 100 area to ensure quality



BOARD OF DIRECTORS

D E Udwadia, *Chairman*
 K N Venkatasubramanian
 S K Warrior
 Dr E G Mahadevan
 Dr Nitya Nand
 B D Punjabi
 K Gyllvik
 P S Dasgupta
 Per Wesslau
 A R Hegde, *Managing Director*

Company Secretary

B Gururaj (*upto 28.06.1999*)
 S K Guha (*w.e.f. 01.07.1999*)

Senior Management Team

R Melanta
Vice President – HR & Administration
 R A Bhat (*w.e.f. 20.07.1999*)
Vice President – Finance
 M H Narasimhan (*upto 30.04.1999*)
Vice President – Marketing
 A S Vittal Rao (*w.e.f. 19.04.1999*)
Vice President – Marketing & Business Development
 Dr B Venugopalan
Vice President – R&D
 U N Misra
General Manager – Operations
 H N Sharat Chandra
General Manager – Materials & Exports
 R K Bhat
Controller – Sales
 K R P Shenoy
Controller – QA and Technical Services
 Dr R S Nadig
Controller – Medical Services
 R S V Rao
Controller – Planning & Production Services
 G M Kamath
Controller – Distribution Services
 V Ramesh Kadaba
Controller – Production

Bankers

State Bank of India
 ANZ Grindlays Bank
 Canara Bank

Auditors

A F Ferguson & Co.
 Bangalore

Legal Advisors

Udwadia, Udeshi & Berjis
 Mumbai

Corporate & Registered Office

Crescent Towers
 32/1-2, Crescent Road
 Bangalore 560 001

Registrars & Share Transfer Agents

Alpha Systems Private Limited
 30, Ramana Residency
 4th Cross, Sampige Road
 Malleswaram
 Bangalore 560 003

Factory

12th Mile on Bellary Road
 Kattigenahalli Village
 Yelahanka
 Bangalore 560 063

Sales Outlets

Ahmedabad
 Bangalore *
 Calcutta
 Chennai
 Cuttack
 Delhi *
 Guwahati
 Hyderabad
 Indore
 Jaipur
 Kochi
 Lucknow
 Mumbai *
 Patna
 Vijayawada

* Company outlets

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Astra-IDL Limited will be held at the Ball Room, Taj West End Hotel, Race Course Road, Bangalore, on Tuesday, 7th September, 1999, at 2.45 p.m., to transact the following business:

- 1 To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 and Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2 To declare a dividend.
- 3 To appoint a Director in place of Dr Nitya Nand, who retires by rotation and, being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Mr A R Hegde, who retires by rotation and, being eligible, offers himself for re-appointment.

- 5 To appoint a Director in place of Mr K N Venkatasubramanian, who retires by rotation and, being eligible, offers himself for re-appointment.
- 6 To appoint Auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors
ASTRA-IDL LIMITED

S K GUHA
COMPANY SECRETARY

Bangalore
Date : 21st July, 1999
Regd. Office:
Crescent Towers
32/1-2, Crescent Road
Bangalore - 560 001

NOTES

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
- 2 The Register of Members and Share Transfer Books of the Company shall remain closed from 30th August, 1999 to 7th September, 1999 (both days inclusive).
- 3 The dividend, if any, that may be declared at the Meeting will be paid on or before 18th October, 1999 to those members, whose names appear in the Company's Register of Members as on 7th September, 1999.
- 4 Members are requested to notify the change of address, if any, to the Company's Registrars and Share Transfer Agents, *M/s Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 (Telephone No.080-3460815/6/7/8 Fax No.080-3460819).*
- 5 For the convenience of members and for proper conduct of the Meeting, entry to the place of Meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are kindly requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.
- 6 Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of share folios and send the relative share certificates to the Company's Registrars and Share Transfer Agents.
- 7 Members are requested to quote the Folio Numbers in all correspondence.
- 8 Members are requested to bring a copy of the Annual Report along with them to the Annual General Meeting since extra copies will not be supplied at the Meeting.
- 9 Members may please note that unpaid / unclaimed Dividends for the years upto 1993-94 have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Members who have not encashed the Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies - Karnataka, Kendriya Sadan, 2nd Floor, 'E' Wing, Koramangala, Bangalore. Intimations have been sent to the members concerned, pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

By Order of the Board of Directors
ASTRA-IDL LIMITED

S K GUHA
COMPANY SECRETARY

Bangalore
Date : 21st July, 1999

Regd. Office:
Crescent Towers
32/1-2, Crescent Road
Bangalore - 560 001

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their 20th Annual Report and Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in Mio)	
	1998-99	1997-98
Sales and Other Income	1052	1025
Profit Before Tax	167	176
Provision for Taxation	63	63
Net Profit for the Year	104	113
Surplus brought forward from the previous year	140	90
Transfer from Investment Allowance Utilised Reserve	2	3
Total amount available for appropriation	246	206

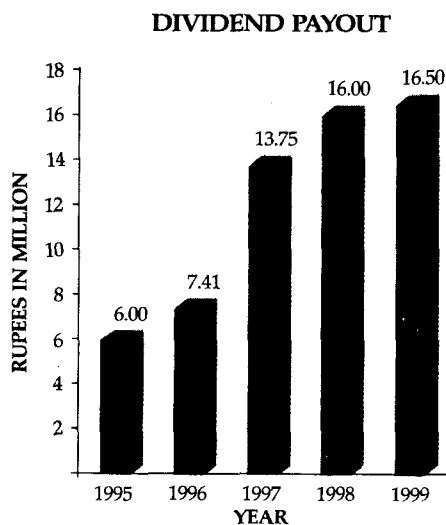
Appropriation made by Directors

Transfer to General Reserve	87	48
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Appropriation recommended by Directors

Dividend	17	16
Tax on Dividend	2	2
Surplus carried over	140	140

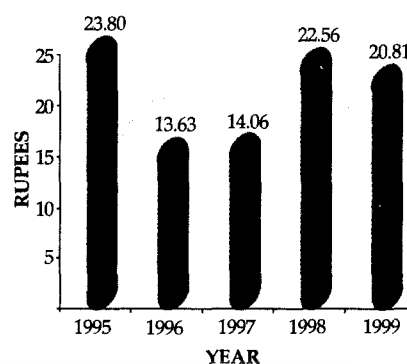
DIVIDEND



The Directors recommend payment of a Dividend of 33% (Rs.3.30 per equity share of Rs.10 each), which, if approved by the Members at the Annual General Meeting, will absorb Rs.16.50 Mio (previous year Rs.16.00 Mio) excluding income tax on dividend amounting to Rs.1.82 Mio (previous year Rs.1.60 Mio).

EARNINGS PER SHARE

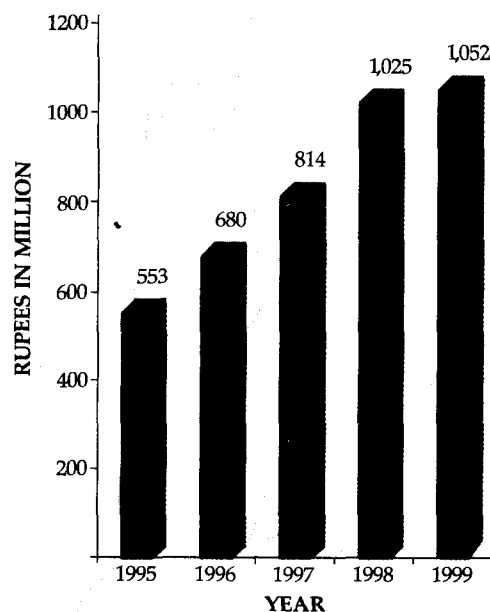
EPS is post - bonus since 1996



MARKETING

Members may be pleased to note that your Company has yet again registered a landmark sale of Rs.100 Crore with the Domestic Pharma sales alone, and this

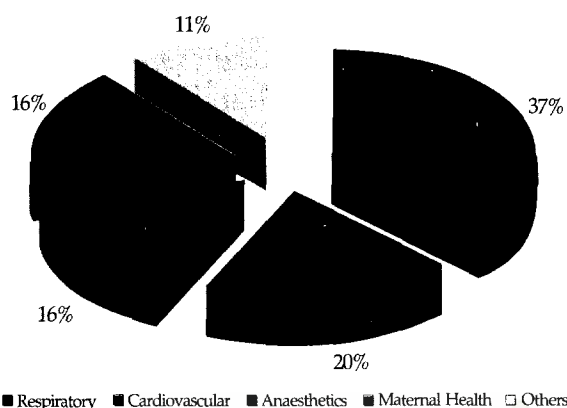
TOTAL TURNOVER



despite the general sluggishness and slowing down of the industry growth rates coupled with intense competition.

Members may also be pleased to note that we are the third fastest growing amongst the foreign affiliated companies as per ORG-MARG. The market share has been consolidated at 0.8% and the Moving Annual Turnover has moved up from Rs.732 Mio to Rs.850 Mio in March, 1999.

THERAPEUTIC GROUP-WISE SALES



The Company's continued focus and intensive promotional thrust in its areas of core competence have resulted in the ranking climbing from 48th position in March, 1997 to 36th position in March, 1999.

The Company's inherent belief in the core values of ethical promotion and continuing medical education through scientific dissemination of information continues to be its driving force in the formulation and implementation of corporate strategy.

NEW PRODUCT PORTFOLIO

The identified core therapeutic segments remain the mainstay of our business. To further strengthen these segments for the future, the Company is constantly scanning the environment to evaluate new products, which will expand business opportunities. The initiative taken to identify, develop, manufacture and launch products is a

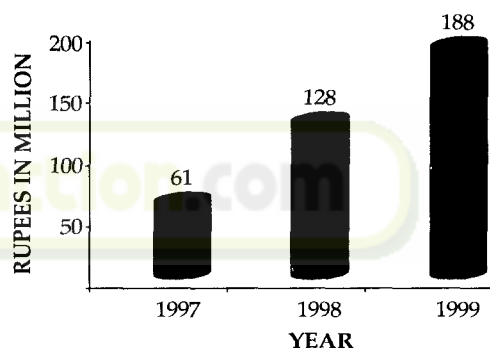
continuous process and the following brands have been introduced :

Durovit-Fez	- August, 1998	Maternal Health Care
Linctus-Dx	- December, 1998	Respiratory
Oxyvit	- December, 1998	Cardiovascular
Iteol-3 (1 litre)	- January, 1999	Antiseptic

Today, your Company has created a strong therapeutic equity in each one of the core segments that it is operating in.

A number of other products were identified and developed viz., Ipratop, Chromotop, Pulmicort 200 & 400 mcg – in the aerosol form in the Respiratory segment; Vermitel tablets and suspension in the Anthelmintic segment and Clavotrol tablets and suspension in the Anti-infective segment, all launched recently.

NEW PRODUCTS' PROGRESS



The new products today contribute a sizeable portion of the total turnover and would continue to be the key driver of growth in the years to come.

MEDICO-MARKETING

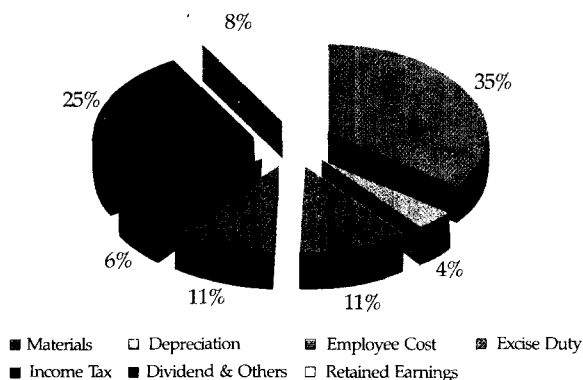
Your Company undertook various training programmes in Medical Education for both internal and external customers. Further, extensive market research was undertaken with the help of Pharmacy and Management students to help sharpen the customers' perception of our products in core areas with special emphasis on prostaglandins, inhalation steroids and pre-anaesthetic medication.

EXPORTS

Due to inordinate delay in placement of orders by WHO for Clofazimine, the Company's exports were adversely affected. This situation may improve in the coming year.

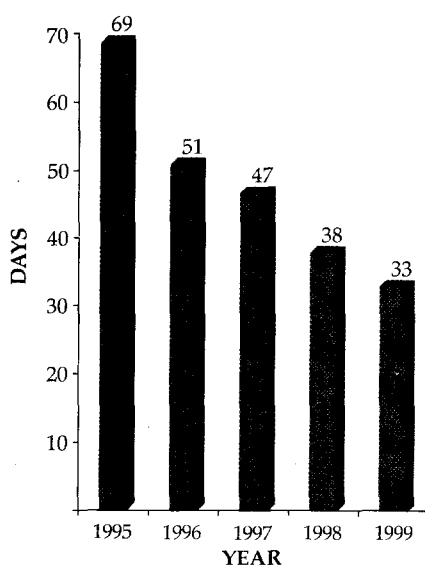
OPERATIONS

DISTRIBUTION OF GROSS REVENUE

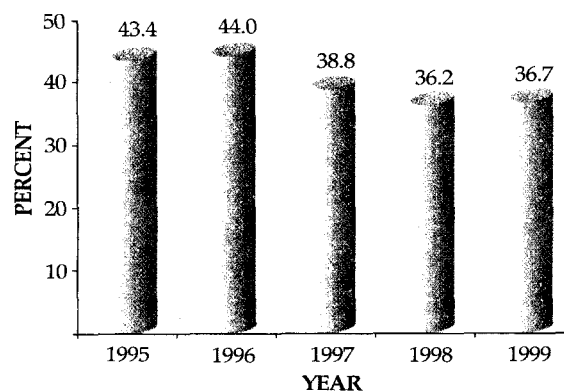


The Pharma industry in the country benchmarks your Company for exceptional inventory management. From an inventory holding of 47 days in 1996-97, the Company achieved 38 days in 1997-98 and a remarkable 33 days in the year under review. This has been possible largely due to aggressive benchmarking against its own performance.

INVENTORY HOLDING



MATERIALS COST AS A % OF SALES

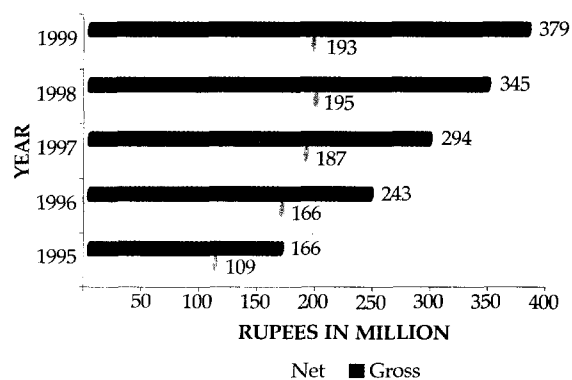


In line with current Good Manufacturing Practices, the old Penglobe manufacturing area has been upgraded and made use of for tablet products other than semi-synthetic penicillin.

Subsequent to capacity augmentation, production facility of Aerosols during the year was fully operational.

Annual capacity in the tablet facility was enhanced from 580 to 642 Million by marginal investments on balancing equipment. A state-of-the-art facility for manufacturing Xylocaine Jelly was commissioned during the year and made fully operational.

GROSS AND NET FIXED ASSETS

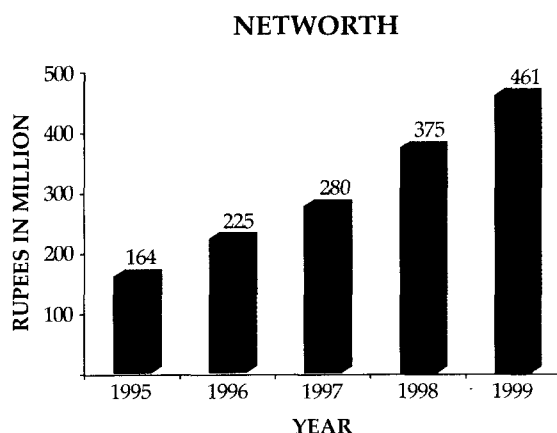


The Fine Chemicals Plant – I was upgraded in two stages at a cost of Rs.11.51 Mio to meet the current Good Manufacturing Practices leading to eventual US-FDA norms for manufacture of bulk drugs.

A 725 KVA D.G. set was installed as part of upgradation of utilities, thus enhancing the total captive power generating capacity from 1050 KVA to 1775 KVA in order to ensure uninterrupted production activities.

Energy conservation received a major thrust. A hi-tech system with a built-in stabiliser replaced the existing 750 KVA transformer. This helped in saving energy costs besides reducing down time of equipment.

Despite the difficult environment prevailing, your Company has produced impressive profits, before and after tax, which stood at 16.5% and 10.3% of sales, respectively. This has added to the already significant reserves and has also enhanced the networth to levels that reflect the financial well being of your Company. In recognition, the Institute of Chartered Financial Analysts of India (ICFAI) conferred the trophy for the "Most Investor Rewarding Company" in the Small Industries' category to your Company. The award reaffirms the strong financial parameters of your Company across all industries, not merely pharmaceutical, based on the financial performance for 5 years ending 1997-98. Members will be pleased to know that in the year 1998-99, we were the only recipient of an award in the Small Industries' category amidst stiff competition.



QUALITY ASSURANCE

The Formulations Plant received the prestigious Quality Excellence Award instituted by the Indian Drug Manufacturers' Association for the third consecutive year in the category of plants exceeding turnover of Rs.30 Crore.

ENVIRONMENT PROTECTION & SAFETY

Being sensitive to the impact its operations may have on the environment, your Company has taken all possible steps to ensure the highest standards of safety and protection in the areas of Health and Environment. The Company has a comprehensive environment management policy embracing air, water and noise pollution and disposal of solid wastes thus protecting local ecology.

Environmental protection is the most important criterion for selection of new technology, plant and equipment. This is achieved through in-built control equipment and pollution monitoring at the plant design stage and a growing emphasis on control procedures and pollution management through integrated training on environment management.

The Company has made substantial investments over the years in the latest pollution control technology to keep water and air in the vicinity, free from injurious effluents.

EMPLOYEE RELATIONS

A Memorandum of Settlement was signed between the Management and the Astra-IDL Employees' Association, representing the workmen, for a period of three and a half years, effective 1st July, 1998.

Employee relations at all levels continue to remain cordial.

DRUGS (PRICES CONTROL) ORDER, 1995

Members were informed in the Directors' Report last year that the Company had filed a Writ Petition in the High Court of Karnataka against a Demand Notice of the Government of India, served in 1997 and earlier in 1987, with a prayer to quash the said Notices besides seeking interim relief for Stay of the Notices. The Company had obtained an interim order from the Hon'ble Court directing the Respondent i.e. the Government of India, not to proceed in the matter till further orders.

This suit was heard on 5th July, 1999 in the Hon'ble High Court of Karnataka. The Hon'ble Court admitted the Writ Petition and has granted an unconditional Stay of the Demand Notice till further orders.

In this connection, reference may be made to Note No. 2(a) in Schedule 14 to the Annual Accounts.

Y2K COMPLIANCE

The Company has taken steps to identify, address and minimise the impact of Y2K related issues. A competent Steering Committee has been entrusted with the responsibility of implementing a comprehensive programme for ensuring such compliance latest by October, 1999. Your Company has also initiated an ERP solution, namely Oracle Applications, at an estimated cost of Rs.7 Mio to address the issue. Additional revenue expenditure of approximately Rs.1.5 Mio is expected to be incurred for remediation of non-compliant equipment and software. The Company is preparing a comprehensive contingency plan for the rollover to the new millenium.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information 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, is given in Annexure-I and forms part of this Report.

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in Annexure-II and forms part of this Report.

RELATIONSHIP WITH ASTRA PHARMACEUTICALS AB, SWEDEN

In last year's Directors' Report, Members were informed of the decision taken by Astra Pharmaceuticals AB, one of the Promoters of the Company, to withdraw its present association/collaboration with your Company and its proposal to carry out the withdrawal in a phased manner over a period of time.

The Board of Directors has recently been informed by Astra Pharmaceuticals AB that negotiations have been held between itself and IDL Industries Limited, the Indian Promoter, that these negotiations are now concluded and the principal results of the negotiations are that (a) Astra will grant IDL an option to acquire all shares in Astra-IDL owned by Astra; (b) the option shall be exercised not later than 30th June, 2000 and purchase be completed not later than three months after exercise of the option; (c) upon IDL exercising the option but in no event later than 30th June, 2000 (regardless if IDL exercises the option or not), Astra-IDL will change its name by deleting the word Astra; (d) if IDL do not exercise the option then Astra-IDL will continue to manufacture, use