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Annual Report 2003





# ASTRAZENECA PHARMA INDIA LIMITED

## Board of Directors

D E Udawadia, *Chairman*  
Andrew Howden  
J A Stevens  
J G Zetterberg  
K S Shah  
Lars Walan, *Managing Director*

## Committees of Directors:

### Audit Committee

K S Shah, *Chairman*  
D E Udawadia  
J A Stevens

### Transfer and Shareholders Grievance Committee

D E Udawadia, *Chairman*  
Lars Walan

### Company Secretary

Supriya Kumar Guha

### Bankers

The Hongkong and Shanghai Banking Corporation Ltd.  
State Bank of India

## Auditors

Bharat S Raut & Co.,  
Bangalore

## Legal Advisors

Udawadia & Udeshi, Mumbai

## Corporate and Registered Office

"Avishkar"  
Off Bellary Road  
Hebbal  
Bangalore 560 024

## Factory

12<sup>th</sup> Mile on Bellary Road  
Kattigenahalli Village, Yelahanka  
Bangalore 560 063

## Sales Outlets

Ahmedabad, Bangalore\*, Chennai,  
Cuttack, Dehradun, Delhi\*,  
Ghaziabad, Guwahati, Secunderabad,  
Indore, Jaipur, Kochi, Kolkata,  
Lucknow, Mumbai\*, Patna, Ranchi  
and Vijayawada.

\* Company outlets

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Annual General Meeting  
@ 3.00 p.m. 5<sup>th</sup> May, 2004,  
Ball Room, Taj West End Hotel  
Race Course Road, Bangalore 560 001

## NOTICE

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of the Members of AstraZeneca Pharma India Limited will be held at 3.00 p.m. at the Ball Room, Taj West End Hotel, Bangalore on 5<sup>th</sup> May 2004, to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet for the year ended 31<sup>st</sup> December 2003 and the Profit & Loss Account for the period 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 Mr. D. E. Udawadia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. S. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Bharat S. Raut & Co., Chartered Accountants, as Auditors and to fix their remuneration.
6. To consider, and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:  
  
"RESOLVED THAT upon the special resolution for the alteration of the objects clause III (C) of the Company's Memorandum of Association being approved by the requisite majority by voting by postal ballot, (a form of which has already been sent out by the Company to all its Members on 29<sup>th</sup> March 2004), approval pursuant to Section 149 (2A) of the Companies Act, 1956, be and is hereby granted to the Company

commencing and carrying on the new business in terms of sub-clause (28) of clause III (C) of the Memorandum of Association of the Company set out in the Special Resolution in the Notice of Postal Ballot dated 24<sup>th</sup> February 2004, as and when the Directors may deem fit."

7. To consider, and, if thought fit, to pass the following resolution, with or without modification, as a Special Resolution:

"RESOLVED THAT pursuant to and in accordance with the provisions of Clause 6.1(a) of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and the request received by the Company from Astra Pharmaceuticals AB, Sweden, for delisting of the shares of the Company approval be and is hereby given to the delisting of the shares of the Company from the Bangalore Stock Exchange Limited, The Stock Exchange, Mumbai and the National Stock Exchange of India Limited, where they are currently listed and the Directors be and are hereby authorised to take all action necessary or required in terms of the above Guidelines to undertake such delisting".

By Order of the Board of Directors  
For AstraZeneca Pharma India Limited

**S K GUHA**  
COMPANY SECRETARY

Registered Office:  
"Avishkar"  
Off Bellary Road  
Hebbal  
Bangalore - 560 024

Dated: 4<sup>th</sup> March 2004



## 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. An Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956, in respect of items 6 and 7 of the Notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 20<sup>th</sup> April 2004 to 5<sup>th</sup> May 2004 (both days inclusive).
4. The Dividend, if any, that may be declared at the Meeting will be paid on or before 4<sup>th</sup> June 2004 to those Members whose names appear in the Company's Register of Members as on 5<sup>th</sup> May 2004.
5. Members are requested to notify change of address, if any, to the Company's Registrars and Share Transfer Agents, M/s Alpha Systems Private Limited, 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore – 560 003 (Telephone No.080-23460815 / 6 / 7 / 8 – Fax No.080-23460819).
6. 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.
7. 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.
8. Members are requested to quote the Folio Numbers / Client Id / DP Id in all correspondence.
9. Members are requested to bring a copy of the Annual Report along with them to the Meeting since extra copies will not be supplied at the Meeting.
10. (a) Members may please note that unpaid or unclaimed Dividends in respect of the financial years upto 1993-94 have been transferred to the credit of 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 financial years are requested to claim the amount from the Registrar of Companies - Karnataka, Kendriya Sadan, 2<sup>nd</sup> 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.
- (b) Members may also please note that consequent to the amendment to Section 205A(5) of the Companies Act, 1956 and the introduction of Section 205C by the Companies (Amendment) Act, 1999, all amounts transferred to the Unpaid Dividend Account of the Company for the years 1994-95 and 1995-96 and remaining unpaid or unclaimed for a period of seven years





from the date of such transfer have been transferred to the Investor Education and Protection Fund.

11. Members are requested to note that as prescribed by Securities and Exchange Board of India (SEBI), trading in securities of the Company are in dematerialised form only. Hence, Members who are yet to dematerialise their shares are advised to do so. The Company has entered into agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (I) Ltd. (CDSL) for demat facilities.

## **Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.**

### **Item No. 6**

From the Notice of Postal Ballot dated 24<sup>th</sup> February 2004 ("the Postal Ballot Notice") sent to you earlier by the Company, you would be aware that, the Company is desirous of providing services to its affiliate, associate or group company, in the areas of accounting, finance, human resources, purchasing, information systems and technology, administration and site services, public relations and company secretariat services.

To enable the Company to engage in and undertake the provision of the above services, it would be necessary to alter the existing objects clause III (C) of its Memorandum of Association by inserting new sub-clause (28), as set out in the Postal Ballot Notice, after the present sub-clause (27) thereof.

Pursuant to Section 17 of the Companies Act, 1956 ("the Act") such alteration of the objects clause of the Company's Memorandum of Association requires the approval of its Members by a special resolution. Pursuant to Section 192A of the Act read with the Companies (passing of the resolution by postal ballot) Rules, 2001 ("the Rules"), such approval has already been sought by the Company from its Members through the Postal Ballot Notice dispatched to them. The results of the voting by postal ballot will be announced by the

Chairman at the Annual General Meeting on 5<sup>th</sup> May 2004.

Initially, it is proposed to provide all or some of the services, set out in the text of the Special Resolution contained in the Notice, to AstraZeneca India Private Limited, situated in Bangalore, which is an associate company of the Company and as such is an AstraZeneca group company.

Since the proposed business would constitute commencement of a new business activity by the Company, the commencement of such new business activity would require the prior approval of the Members by a special resolution pursuant to Section 149(2A) of the Act. The approval of the Members to the commencement of the proposed new business is conditional upon the proposed alteration of objects clause III (C) of the Company's Memorandum of Association being approved by the Members through postal ballot in terms of the special resolution set out in the Postal Ballot Notice.

The Board of Directors recommend the Special Resolution at item 6 of the Notice for the approval of the Members.

Mr. D. E. Udawadia, Mr. J. G. Zetterberg and Mr. Lars Walan, Directors, being Directors of AstraZeneca India Private Limited, to whom all or some of the aforesaid services are proposed to be provided may be regarded as interested in the special resolution at item 6 of the Notice.

### **Item No. 7**

Astra Pharmaceuticals AB ("APAB") held 56.50% of the share capital of the Company in March, 2002. Being desirous of acquiring the entire shareholding of the Company, APAB made a public offer to the shareholders of the Company by a Letter of Offer dated 11<sup>th</sup> May, 2002 ("First Public Offer") to acquire the shares of the Company at an offer price of Rs.375/-. APAB acquired 1,535,683 equity shares both through market purchases and in response to the First Public Offer; representing 30.71% of the paid up equity share capital of the Company. It thus increased its shareholding from 56.50% to 87.21%.



APAB thereafter made a second public offer to the shareholders of the Company by its Letter of Offer dated October 29, 2002. ("Second Public Offer") to acquire the remaining outstanding equity shares held by public shareholders at the offer price of Rs.375/- per share.

Clause 4.4 at page 9 of the Letter of Offer dated October 29, 2002 expressly stated that if pursuant to the Second Public Offer and / or acquisition of shares of the Company from the open market or through negotiation or otherwise, the public shareholding in the Company falls to 10% or below of the voting capital of the Company, then APAB would, in terms of Regulation 21(3) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 ("Takeover Regulations") make an offer to buy out the remaining outstanding equity shares held by the public shareholders in accordance with guidelines specified by SEBI in respect of delisting of securities.

APAB acquired 219,858 equity shares both through market purchases and in response to the Second Public Offer; representing 4.40% of the paid up equity share capital of the Company. It thus further increased its shareholding from 87.21% to 91.61%, which is APAB's current shareholding in the Company.

In connection with the above two Public Offers, shareholders are aware of the Writ Petitions filed by a shareholder Dr. Mrs. Annie Koshy in the Kerala High Court and by Mr. A.K. Agrawal and Ms. A. Prameela, shareholders of the Company, in the Karnataka High Court. Shareholders were duly advised of the above and developments pertaining thereto in the Directors' Report contained in the Annual Report for the year ended 31<sup>st</sup> December, 2002. The status of the above proceedings as of 31<sup>st</sup> December, 2003 has been indicated in the Directors' Report contained in the Annual Report for the year ended 31<sup>st</sup> December, 2003 sent with the Notice.

Since, the public shareholding in the Company is less than 10% of the voting capital of the Company, APAB has, by written communications to the Company, notified its desire for delisting of the Company's shares

in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 ("Guidelines") and has, in this behalf, requested the Company pursuant to clause 6.1(a) of the Guidelines to obtain the prior approval of the shareholders of the Company to the delisting by a Special Resolution passed at the Company's general meeting.

APAB has communicated to the Company their willingness to purchase the outstanding shares of the Company held by public shareholders at a price equal to the Floor Price which will be determined by the Guidelines but that APAB reserves its right not to proceed with the delisting process if the discovered price under the Guidelines determined by following the reverse book building process exceeds the Floor Price.

The Special Resolution at item 7 of the Notice is pursuant to the above request received by the Company from APAB for delisting of the Company's shares. The approval of the shareholders to the proposal for delisting the Company's shares is being sought in terms of the Guidelines and in particular Clause 6.1 (a) thereof.

Mr. J G Zetterberg, Mr. Andrew Howden, Mr. J A Stevens and Mr. Lars Walan represent the AstraZeneca Group of companies of which APAB is a constituent and may be deemed to be concerned or interested in the proposed Special Resolution.

By Order of the Board of Directors  
For AstraZeneca Pharma India Limited

**S K GUHA**  
COMPANY SECRETARY

Registered Office:  
"Avishkar"  
Off Bellary Road  
Hebbal  
Bangalore - 560 024

Dated: 4<sup>th</sup> March 2004



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 25<sup>th</sup> Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> December, 2003.

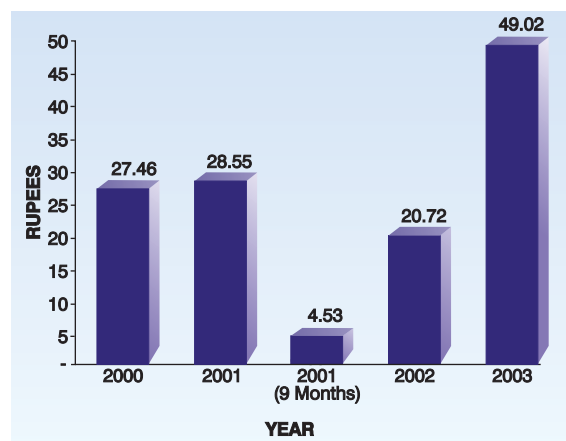
### FINANCIAL RESULTS

	(Rs in Mio)	
	2003	2002
Sales and Other Income	1,808	1,401
Profit Before Tax	384	168
Provision for Taxation		
- Income Tax	136	90
- Adjustment for Deferred Tax	3	(26)
Profit after Taxation	245	104
Surplus brought forward from the previous year	50	64
<b>Total amount available for appropriation</b>	<b>295</b>	<b>168</b>
<b>Appropriation made by Directors</b>		
Transfer to General Reserve	200	100
<b>Appropriation recommended by Directors</b>		
Dividend	19	18
Tax on proposed Dividend	5	--
Surplus carried over	71	50

### DIVIDEND

The Directors are pleased to recommend payment of a Dividend of 39% (Rs 3.90 per Equity share of Rs 10/- each), which, if approved by Members at the Annual General Meeting will absorb Rs 19 Mio (previous period Rs 18 Mio).

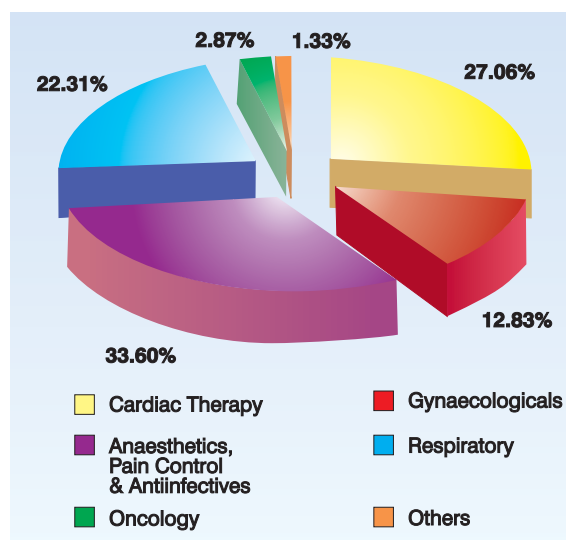
### EARNING PER SHARE



### SALES AND MARKETING

The Sales in 2003 grew a healthy 29% over the previous year. While most of the cardiovascular products responded favourably to a focussed promotion, some of the respiratory products under performed. Three new products were introduced during the second half of 2003 (two in primary care and one in hospital care). Performance is difficult to judge at this early stage but intense competition from cheaper generics is expected.

### THERAPEUTIC GROUP-WISE SALES F-2003





Merone has continued to grow in a niche antibiotic sector for serious infection and is now the Company's leading product. The Maternal Health Care (MHC) and Oncology products are now being promoted through a specialized team and have benefited as a result. One more Oncology product, Arimidex, for the management of breast cancer, was launched in 2003 and is doing well.

The process of restructuring the sales teams continued through 2003, so that the appropriate alignment was achieved with the product portfolio and coverage of key prescribers.

Your Company will continue to invest in Clinical trials, Sales and Marketing during coming years due to competitive sales environment compared to past. This is mainly due to new generic competition expected in therapeutic areas where your Company operates.

## CLINICAL TRIAL

India has now been perceived as an important destination for the global clinical research and during the year under review your Company focussed on developing the capability and expertise in conducting global trials. A global study was successfully initiated and many other such studies are in the pipeline. This will help your Company to project and establish the research image among the medical fraternity.

## MEDICO-MARKETING

To augment the ever-increasing demand of marketing for launch of new products, the department was expanded to focus in the respective Therapy Areas. Besides, scientific information was disseminated to the medical fraternity through symposiums, continuing medical education programmes and conferences, which also helped to build the corporate image.

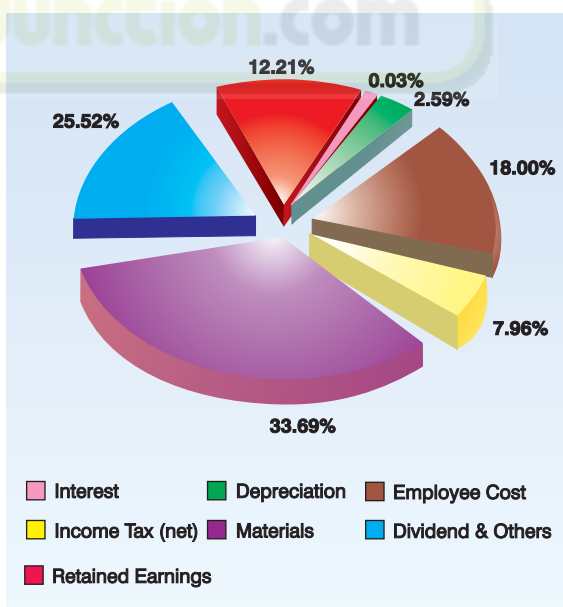
## REGULATORY AFFAIRS

The Regulatory Department played a well-defined role by giving efficient and meaningful regulatory support across the full spectrum of Primary and Speciality Care products.

## MANUFACTURING

Your Company has been successful in achieving significant cost savings through yield improvements in Bulk Drugs & Formulations and through efficient purchasing of various raw materials, packaging materials, capital and miscellaneous items. Several Safety, Health & Environment and Current GMP related projects were successfully completed in time. A new packing facility was created for products imported from the parent company.

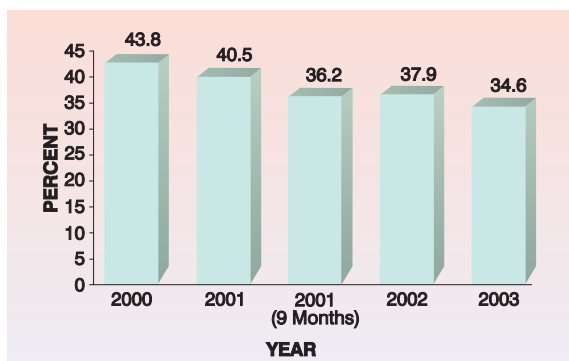
## DISTRIBUTION OF GROSS REVENUE



Employee productivity further improved from Rs.0.55 mio per employee per month to Rs.0.60 mio per employee per month resulting in better utilization of labour in manufacturing. Manufacturing was also successful in ensuring 100% order fulfillment.



## MATERIAL COST AS A % OF SALE



## ENVIRONMENT PROTECTION AND SAFETY

A safe and healthy environment is integral to your Company's operations. Every employee has the responsibility for ensuring that quality and environment aspects are taken into account in the production units as well as the laboratories. Efforts are continuously made to safeguard health and environment by developing and implementing risk assessment procedures. Some of the laboratories have been refurbished to meet global safety standards.

AstraZeneca Global Safety, Health and Environment (SHE) Team, during a recent audit of the facility appreciated several improvements made in various areas.

## HUMAN RESOURCES & EMPLOYEE RELATIONS

The Company is continuing its efforts towards inculcating a performance driven culture and becoming the Employer of Choice.

The HR initiatives in this direction were the Talent Review, the Assessment Development Centre for field force and enhancement of Learning and Development Activities.

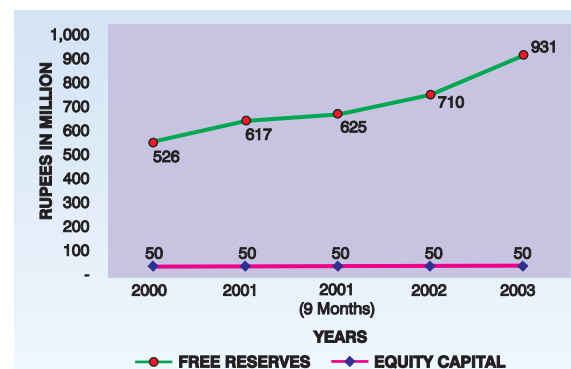
A Memorandum of Understanding (on work norms) was signed between the Management and the Union representing the Professional Sales Representatives (PSRs) effective from 22<sup>nd</sup> August 2003.

Following the expiry of the Field Staff (PSRs) Settlement on 31<sup>st</sup> December 2003, a

fresh charter of demands is presently under negotiation.

Employee relations at all levels continue to remain cordial.

## NET WORTH



## DRUG PRICE CONTROL ORDER

In the last Directors' Report, Members were informed that the Writ Petition filed by the Central Government relating to the Demand Notice on Rifampicin was allowed in part by the Karnataka High Court. By its Order the matter was referred back to the Central Government for reconsideration. The Central Government appealed against the said Order to the Division Bench of the Karnataka High Court. The Division Bench rejected the appeal. The Central Government has now made an application for transfer of this matter to the Supreme Court. In this connection, reference may be made to Note No.1 (a) in Schedule 15 to the Annual Accounts.

## 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 the 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 the Employees) Rules, 1975, is given in Annexure-II and forms part of this Report.

