

Annual Report 2005

# life inspiring ideas

AstraZeneca 

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# living our values



Our core values underpin all our activities

- Integrity and high ethical standards
- Respect for the individual and diversity
- Openness, honesty, trust and support for each other
- Leadership by example at all levels





# Notice

Notice is hereby given that the 27<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 28<sup>th</sup> April, 2006 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> December, 2005 and the 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 Mr. Andrew Howden, who retires by rotation, and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. D E Udwadia, who retires by rotation, and, being eligible, offers himself for re-appointment.
5. To appoint M/s. BSR & Co., Chartered Accountants, as Auditors and to authorize the Board of Directors to fix their remuneration.

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

**BHASKER V IYER**  
Managing Director

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

Dated: 23<sup>rd</sup> February 2006



# 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 the Share Transfer Books of the Company shall remain closed from 14<sup>th</sup> April 2006 to 28<sup>th</sup> April, 2006 (both days inclusive).
3. The Dividend, if any, that may be declared at the Meeting will be paid on or before 27<sup>th</sup> May 2006 to those Members whose names appear in the Company's Register of Members as on 28<sup>th</sup> April, 2006.
4. Members are requested to immediately 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).
5. For the convenience of Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members/proxies attending the Meeting are kindly requested to complete the enclosed Attendance Slip and affix their signature at the place provided thereon 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 / Client Id / DP Id in all correspondence.
8. Members/proxies 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.
9. (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 Act. 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 560 034. 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 Act 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, 1995-96, 1996-97 and 1997-98 and remaining unpaid or unclaimed for a period of 7 (seven) years from the date of such transfer have been transferred to the Investor Education and Protection Fund.
10. 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 (India) Ltd. (CDSL) for demat facilities.

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

**BHASKER V IYER**  
Managing Director

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

Dated: 23<sup>rd</sup> February 2006



# Directors' Report to the Members

Your Directors have pleasure in presenting their 27<sup>th</sup> Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> December 2005.

## FINANCIAL RESULTS

	(Rs in Mio)	
	2005	2004
Sales and Other Income	2329	1965
Profit Before Tax	648	437
Provision for Taxation		
- Income Tax	227	178
- Wealth Tax	(12)	12
- Adjustment for Deferred Tax	(8)	(11)
- Fringe Benefit Tax	10	0
Profit after Taxation	431	258
Surplus brought forward from the previous year	13	70
<b>Total amount available for appropriation</b>	<b>443</b>	<b>328</b>
<b>Appropriation made by Directors</b>		
Transfer to General Reserve	43	32
<b>Appropriation recommended by Directors</b>		
Dividend	100	250
Tax on proposed Dividend	14	33
Surplus carried over	286	13

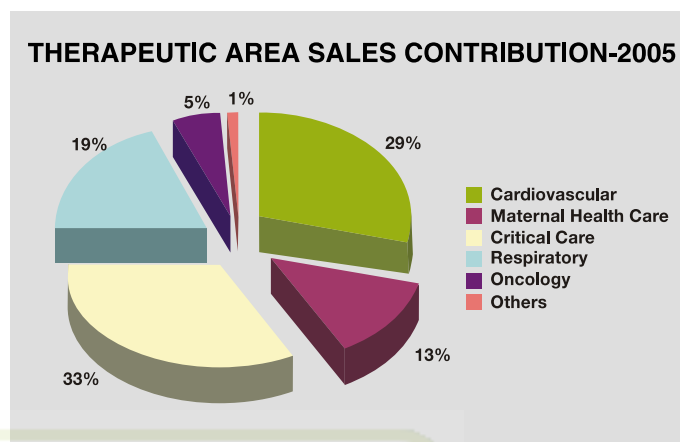
## DIVIDEND

The Directors are pleased to recommend payment of a Dividend of 200% (Rs.20/- per Equity share of Rs.10/- each), which, if approved by Members at the Annual General Meeting will on aggregate absorb Rs.100 Mio.



## SALES AND MARKETING

Sales in 2005 grew by 17% over the previous year (more than three times that of the Indian pharmaceutical industry, Source: IMS Stockist Purchase MAT Dec '05). Robust double-digit growths were registered across all the four zones & across all therapy areas.



Cardiovascular segment registered a substantial growth primarily driven by the launch of a new dedicated field force coupled with a new 'disease based' promotional strategy.

Maternal Health Care also recorded a healthy growth primarily driven by focused promotion and by driving the concept of 'Optimising Labor Protocol' through sixty workshops in different states in the country.

Meronem continued to be the leading brand of the Company, showing a strong volume growth over the previous year in spite of a number of generics. Intense competition from generics is expected to continue in 2006.

Oncology products responded favorably to focused promotion and showed respectable growth. The portfolio was further strengthened with the launch of two innovator brands during the year.

Respiratory products with the newly launched dedicated team, registered a significant double digit growth, well ahead of the market growth.

The new zonal business management structure helped the Company move closer to the customers through optimum coverage of key prescribers and implementation of focused promotion. This initiative coupled with strong marketing in terms of shifting from a product centric to a customer centric approach contributed to the improved overall performance in all therapy areas.





## SALES FORCE EFFECTIVENESS

In line with the Company's commitment to using Sales Force Effectiveness (SFE) as a key business driver, a dedicated SFE team was put into place. This team was instrumental in implementation of various initiatives focusing on improving productivity of field force, better business planning and improving customer segmentation and targeting.

The Company will continue to invest on key brands and sales force during the coming years to meet challenges in the market place.

## MEDICAL, REGULATORY AND CLINICAL TRIALS

In addition to supporting the launch of new products in the oncology therapeutic area, strategic medico-marketing initiatives such as setting up of advisory boards, scientific meetings and symposia were undertaken for the existing products in 2005.

New products registrations, approvals for new clinical trials as well as renewal of licenses for the existing products were obtained. With the introduction of the Patent (Amendment) Act, 2005, the regulatory department is gearing up to meet the challenges in the patent era.

Your Company successfully completed global clinical trials initiated in the earlier year as per Good Clinical Practices (GCP). The Company has now started participating in the early phase trials. India is now perceived to be one of the preferred countries for conducting global clinical trials.

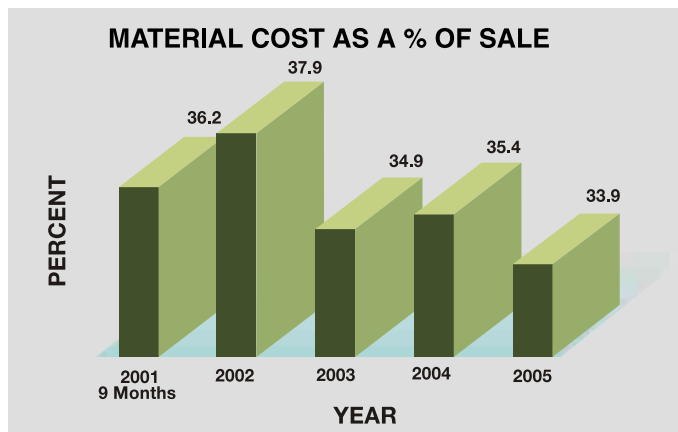
## MANUFACTURING

Your Company successfully achieved significant cost savings through process improvements, pack rationalization and increased purchasing efficiency. Productivity in the manufacturing unit continued to show significant improvement.

Your Company has upgraded its Liquid Orals and Parenterals manufacturing facility to meet the highest standards in line with AstraZeneca Global Compliance requirements and to meet the revised CGMP guidelines of Drug Authorities in India.

AstraZeneca Supply System, a global initiative, has been institutionalized. Initiatives like Demand Driven Supply have helped reduce lead times. This has resulted in better customer service, improved forecast accuracy and higher stock turns.

The Bulk Drug Plant continued to supply Terbutaline Sulphate to Sweden to partly meet AZ Global requirements.



## SAFETY HEALTH AND ENVIRONMENT

Your directors are pleased to inform you that the ISO 14001 certification has now been upgraded to ISO 14001: 2004 version, which meets the more stringent international standards. Many initiatives were taken in the areas of behavioral and construction safety which has enhanced SHE awareness among employees. You will be pleased to know that, your Company received the Golden Peacock Award from World Environment Foundation recognizing excellence in environment management practices.

## FACTORY LAND ATYELAHANKA

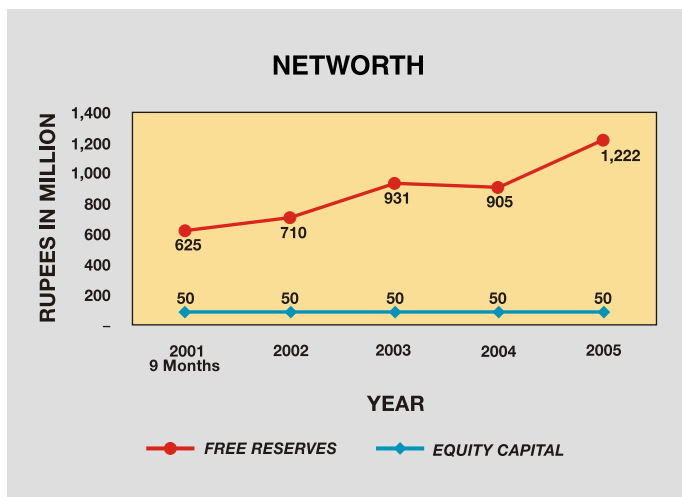
As informed to you last year, the National Highway Authorities of India (NHAI) have acquired a portion of the factory land at Yelahanka for expansion of the Hyderabad-Bangalore Highway. The compensation receivable for the same amounts to Rs. 23,709,254/-.

However, having regard to an agreement with Gulf Oil Corporation Ltd (formally known as IDL Industries Limited) pertaining to straightening of the land on the eastern side of the land situated at the periphery of the Company's land at Yelahanka, a part of the compensation, when received, would be payable to Gulf Oil Corporation Ltd.

## HUMAN RESOURCES & EMPLOYEE RELATIONS

The Company is continuing its efforts to enhance competency of its people across the organization. Robust Performance and Talent Management processes have been institutionalized to build capabilities for the future.

In a 2005 survey conducted by "Grow Talent", a premier HR consulting firm affiliated to Great Places to Work Institute, US, which featured in the Business World, your Company substantively improved its ranking to within the top 50 companies across all companies surveyed in India. Employee relations at all levels continue to remain cordial.



## INFORMATION SYSTEMS

2005 saw the implementation of Oracle ERP for critical business processes. Order Management System in Oracle ERP was implemented successfully in all 21 depots. "Procure to Pay" cycle in Oracle ERP was also implemented. DELTA, an Electronic Territory Management System, was developed and implemented for the sales team supporting the Sales Force Effectiveness initiative. Human Resources Information System (HRIS) was implemented to integrate various HR processes. All these initiatives have improved quality and reliability of business information available leading to better decision making. Investments in IT infrastructure were also made to improve disaster recovery and ensure business continuity.

## DRUG PRICE CONTROL ORDER

In the last Directors' Report, Members were informed that the Writ Petition filed by the Company relating to the Demand Notice on Rifampicin was allowed in part by the Karnataka High Court. Consequent to the Order of the High Court, the Central Government heard the Company's representation on the issue. The Central Government recently confirmed its earlier order and issued a demand notice. The Company is in the process of filing a writ petition against the said order cum demand notice.

The Central Government also issued a demand notice for another product Ibuprofen sold during 1981 to 1987. The Company has filed a writ petition in the Karnataka High Court which is yet to be heard.

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.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors states that in the preparation of the Company's Accounts, the applicable accounting standards have been followed and proper explanations have been provided for material departures, wherever applicable. The Directors have selected such accounting policies, which have been applied 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 as of the financial year ended 31<sup>st</sup> December 2005 and of the profit of your Company for that period. The Board of Directors has 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.

It is confirmed that the financial statements have been prepared on a going concern basis.

## OPEN PUBLIC OFFERS MADE BY ASTRA PHARMACEUTICALS AB, SWEDEN TO THE SHAREHOLDERS OF THE COMPANY

Members had been advised of the Writ Petitions filed by the under mentioned three shareholders challenging the First and Second Open Public Offers made by Astra Pharmaceuticals AB, Sweden (APAB). The status as of 31<sup>st</sup> December 2005 is as under:

First Open Offer pursuant to the Letter of Offer dated 11<sup>th</sup> May 2002.

The suit in the Kerala High Court, Kochi, filed by Ms Annie Koshy and the two suits in the Karnataka High Court, Bangalore, filed by Mr Arun Kumar Agrawal and Ms A Prameela are yet to be heard.



Second Open Offer pursuant to the Letter of Offer dated 29<sup>th</sup> October 2002.

The two suits in the Karnataka High Court, Bangalore, filed by Mr Arun Kumar Agrawal and Ms A Pameela are also yet to be heard.

### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company aims to be a responsible member of the local communities through charitable donations, sponsorships and other initiatives that make a positive difference to people's lives.

Your Company continues its community activities focused on making the Katigenahalli Primary School, Yelahanka, a better place to study for the children. Your Company also continues to contribute to the monthly operating cost of the emergency ambulance service 'Operation Sanjeevani' run by the Comprehensive Trauma Care Consortium, Bangalore.

Disease Awareness programs were arranged on special occasions like the World TB Day (Stop Spitting campaign), World Heart Day & Breast Cancer Awareness Month. Posters and leaflets have been distributed to doctors & hospitals for the patients.

In continuation with its commitment towards the cause of "Safe Motherhood" in India, your Company has joined hands with The Federation of Obstetric and Gynaecological Societies of India in creating awareness about the theme of 'Optimizing Labour and Delivery for Safe Motherhood' meant to make labour & delivery safer. A public awareness campaign, 'Anmol Anchal' helped create awareness on the topic of safe motherhood through the media.

### **CORPORATE GOVERNANCE REPORT**

The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed by the amended Listing Agreements of the Stock Exchanges on which the Company is listed are complied with.

The Management Discussion and Analysis is attached as Annexure-III and forms part of this Report.

A Report on Corporate Governance, along with a certificate from the Auditors' confirming compliance, is annexed as Annexure-IV and forms part of this Report.

### **DIRECTORS**

Ms Philippa Rodriguez resigned as a Director of the Company effective from 24<sup>th</sup> August 2005. Mr John A Stevens resigned as Director of the Company with effect from the conclusion of the Board Meeting of the Company on 20<sup>th</sup> October 2005. The Board places on record its sincere appreciation of the services rendered and significant contribution made by Ms Philippa Rodriguez and Mr J A Stevens during their tenure as Directors. Dr Henrik Nistrup Madsen was appointed as Director of the Board on 20<sup>th</sup> October 2005 in the casual vacancy caused by the resignation of Ms Philippa Rodriguez.

Mr Andrew Howden and Mr D E Udawadia, Directors, retire by rotation at the Annual General Meeting and being eligible, offer themselves for re-appointment.

### **COMPANY SECRETARY**

Mr S K Guha, Company Secretary resigned with effect from 31<sup>st</sup> January, 2006.

### **AUDITORS**

The present Auditors M/s BSR & Co., Chartered Accountants, retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

### **ACKNOWLEDGEMENTS**

Your Directors take this opportunity to thank Astra Pharmaceuticals AB, AstraZeneca Plc, the Central and the State Governments, various Statutory Authorities, the Company's Bankers, the Medical Profession and Trade, Vendors & Business Associates and the Shareholders for their continued interest in, and valued support to, the Company's operations.

The Directors also place on record their sincere appreciation of the significant contributions made, and the continued support extended, by the employees at all levels to the Company's operations during the year.

On behalf of the Board of Directors

**D E UDWADIA**  
Chairman

Place : Bangalore  
Date : 23<sup>rd</sup> February 2006





# Annexure I to Directors' Report

## FORM A

### 1. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

SI No.	Particulars	2005 Jan - Dec	2004 Jan - Dec
<b>A</b>	<b>POWER AND FUEL CONSUMPTION</b>		
<b>1. Electricity</b>			
(a)	Purchased		
	Unit (Kwh) Million	<b>2.66</b>	2.70
	Total amount (Rs in Million)	<b>13.61</b>	13.16
	Rate/Unit (Rs)	<b>5.11</b>	4.88
(b)	Own Generation		
(i)	Through Diesel Generation		
	Unit (Kwh) Million	<b>0.13</b>	0.21
	Unit per Litre of Diesel	<b>2.91</b>	2.86
	Cost/Unit (Rs)	<b>9.84</b>	7.88
(ii)	Through Steam Turbine/Generator		
	Units	<b>NIL</b>	NIL
	Unit per Litre of Fuel		
	Oil/Gas Cost/Unit (Rs)		
<b>2. Coal (including Agro Husk &amp; Briquettes)</b>			
	Quantity (Tonne)	<b>623.27</b>	790.56
	Total Cost (Rs Million)	<b>1.76</b>	1.99
	Average Rate (Rs/Tonne)	<b>2823.13</b>	2520.44
<b>3. Furnace Oil</b>			
	Quantity (Kilo Litre)		
	Total Amount (Rs Million)		
	Average Rate	<b>NIL</b>	NIL
<b>4. Other/Internal Generation</b>			
	Quantity (Kilo Litre)		
	Total Amount		
	Average Rate	<b>NIL</b>	NIL

### B CONSUMPTION PER UNIT OF PRODUCTION

	Standards* (if any)	2005+ Jan-Dec	2004+ Jan-Dec.
(i) Electricity			
(ii) Furnace Oil			
(iii) Coal			
(iv) Others			

\* Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production.

+ For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.



# Annexure I to Directors' Report

## FORM B

### 2. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R&D)

- |   |  |
|---|--|
| 1. Specific areas in which R&D was carried out by the Company   | <p>The Company continued its R&amp;D activities in following therapeutic categories :</p> <ul style="list-style-type: none"> <li>- Maternal healthcare products</li> <li>- Cardiovascular Drugs</li> <li>- Anti-Asthmatic Formulations</li> <li>- Pain control products</li> </ul> |
| 2. Benefits derived as a result of the above R&D  | <p>R&amp;D in the above areas enabled introduction of new formulations in the cardiovascular range of products. Process development of Terbutaline Sulphate polymorph B was successfully completed.</p>  |
| 3. Future plan of action  | <p>Formulations Development Department will focus on trials and scale up of AstraZeneca research products and absorption of technology from parent Company.</p>  |
| 4. Expenditure on R&D   |  |
| (a) Capital   | Rs. 859,377  |
| (b) Recurring   | Rs. 20,815,649   |
| (c) Total   | Rs. 21,675,026   |
| (d) Total R&D expenditure as percentage of total sales.   | 1.0%   |
| 5. Technology absorption, adaptation and innovation.  | Fully absorbed.  |
| (1) Efforts in brief made towards technology absorption, adaptation and innovation.   | The process for new formulations was adapted by modifying it to suit local requirements.   |
| (2) Benefits derived as a result of the above efforts e.g., Product development, import substitution, etc.  | Introduction of new products with clean production Technology and quality improvement.   |
| (3) In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished. | Astra Pharmaceuticals AB, Sweden, the Company's foreign promoter continue to extend from time to time additional know-how for the following products licensed by them to the Company. Such technical know-how is adapted and absorbed as ongoing exercise experimentation.         |