

ANNUAL REPORT 1998-99

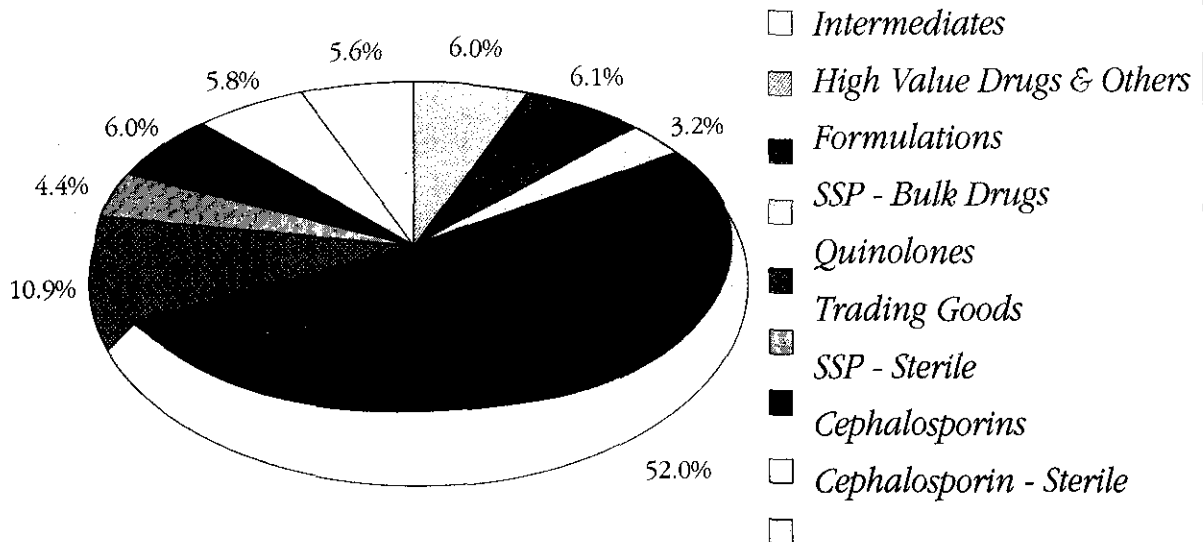
ReportJunction.com



AUROBINDO
PHARMA LTD.

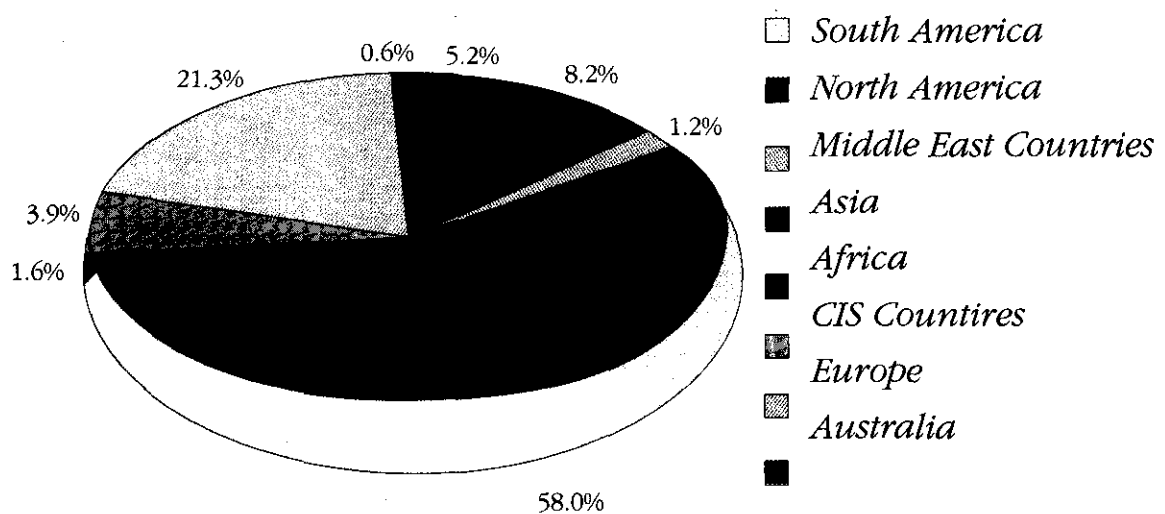


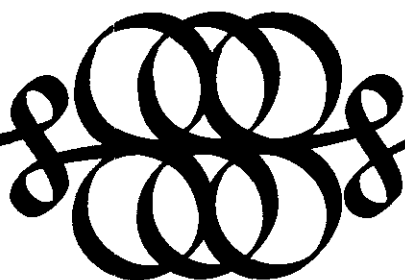
Sales Mix Rs.550.03 Crores



Report  junction.com

Global Breakup of Exports Rs.215.60 Crores

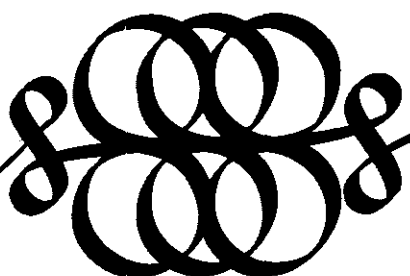




*Aurobindo Pharma a premier health care company of India
is engaged in manufacture and marketing a wide range
of oral and sterile antibiotics, antibacterials, anti ulcerants and
other new generation basic drugs and various formulations catering
to all therapeutic specialities in more than sixty countries.*

*Aurobindo pharma is confidently marching into the new millieunum
with a commitment to contribute to the health care of the
people world over by providing quality products and new technologies.*

*As it moves forward, the Twelve year old Aurobindo Pharma
rededicates itself towards rapid growth through
Research & Development, thereby maximising the shareholders' wealth.*





Aurobindo Pharma Limited

Financial Highlights

	(Rs. in Crores)				
	1995	1996	1997	1998	1999
Abridged Profit & Loss Account					
Sales	85.43	121.26	221.07	295.31	550.03
Other Income	0.99	0.55	0.76	1.48	2.79
Gross Profit	7.51	11.23	26.86	39.85	78.07
Interest	0.94	3.25	10.55	11.87	17.01
Depreciation	0.34	0.64	1.07	2.22	6.28
Tax	0.21	0.22	1.88	1.97	5.19
Net Profit	6.02	7.12	12.73	23.79	50.13
Abridged Balance Sheet					
<i>Fixed Assets</i>					
Gross Block	11.06	34.45	45.12	59.98	102.22
Less: Depreciation	0.83	1.44	3.14	5.03	11.52
Net Block	10.23	33.01	41.98	54.68	90.07
Investments	0.13	0.35	0.16	1.08	1.86
Current Assets, Loans & Advances	37.31	55.12	100.59	140.56	252.84
Less: Current Liabilities & Provisions	11.43	20.78	42.63	56.01	110.01
Bank Borrowings	5.32	19.01	31.66	30.77	38.09
(including - Commercial Paper)					
Net Working Capital	20.56	15.33	26.03	53.78	104.74
Net Tangible Assets	30.92	48.69	68.44	109.54	197.03
Less: Secured Term Loans	0.28	13.06	18.13	32.88	54.86
Unsecured Loans			2.91	7.21	18.01
Net Worth	30.64	35.63	47.04	69.45	124.43
<i>Represented by</i>					
<i>Share Capital</i>					
- Equity Shares	4.72	4.72	4.72	4.72	4.72
- Preference Shares				0.50	9.00
Reserves & Surplus	26.32	32.26	43.56	64.83	106.28
Total	31.04	36.98	48.28	70.05	124.73
Less: Misc. Expenditure not w/o	0.04	1.35	0.88	0.06	0.03
Net Worth	30.64	35.63	47.04	69.45	124.43
Net Worth (Exclg.Red.Pref.Shares)	30.64	35.63	47.04	68.95	115.43
Ratios					
Exports Turnover/Total Turnover (%)	29.46	39.79	40.84	31.83	39.20
Gross Profit Margin (%)	8.79	9.26	12.12	13.49	14.31
Net Profit Margin (%)	7.05	5.87	5.74	8.06	9.11
Return on Net Worth (%)	19.65	19.98	26.86	34.25	40.29
Debt-Equity Ratio	0.01	0.37	0.38	0.47	0.44
Total Borrowings/Networth	0.18	0.90	1.11	1.03	1.04
Current Ratio	2.23	1.39	1.35	1.62	1.71
Asset Turnover	8.35	3.67	5.28	5.40	6.06



Board of Directors

P.V. RAMAPRASAD REDDY

Managing Director

K. NITYANANDA REDDY

Joint Managing Director

Dr. M. SIVAKUMARAN

A. SIVA RAMA PRASAD

K.A. VENKATACHALAM

B. SIVAPRASAD REDDY

M. AJAYA KUMAR

A.J. KAMATH

P. SUNEELA RANI

WORKS

Unit I

129/3, Thuttipet Village
Villianur Commune, Pondicherry

Unit II

103/A, S.V.C.I.E., I.D.A, Bollaram
Jinnaram Mandal
Medak Dt. A.P.

Unit III

5-36/207, Prashanthi Nagar
Kukatpally, Hyderabad - 500 037. A.P.

Unit IV

Plot No.32 & 33, Block A, Phase I,
IDA, Pashamylaram
Patancheru Mandal, Medak Dt. A.P.

Unit V

Plot No.79-91, Chemical Zone, IDA
pashamylaram, Patancheru Mandal
Medak Dt. A.P.

Unit VI

Survey Nos. 329/39 & 329/47
Chitkul Village
Patancheru Mandal, Medak Dt. A.P.

COMPANY SECRETARY

A.N. SARMA

AUDITORS

K. Nagaraju & Associates
Chartered Accountants
Chikkadpally
Hyderabad

BANKERS

ANZ Grindlays Banks Plc.
Canara Bank
ICICI Banking Corporation Limited
IDBI Bank Limited
Punjab National Bank
State Bank of Hyderabad
State Bank of India

REGISTERED OFFICE

Plot No.2, Mythri Vihar
Behind Mythri Vanam
Ameerpet
Hyderabad - 500 038.

REGISTRARS & SHARE TRANSFER AGENTS

KARVY CONSULTANTS LIMITED
21, Avenue 4, Street No.1, Banajara Hills
Hyderabad - 500 034.
Ph: 3312454, Fax: 3311968



Notice

NOTICE is hereby given that the Twelfth Annual General Meeting of AUROBINDO PHARMA LIMITED will be held on Wednesday, the 30th June, 1999 at 3.00 P.M. at Green Park Hotel, Green Lands, Begumpet, Hyderabad - 500 016 to transact the following business:

ORDINARY 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 Board of Directors and the Auditors thereon.
2. To declare Dividend paid on the Preference Share Capital.
3. To Declare Dividend on the Equity Share Capital.
4. To appoint a Director in place of Dr. M. Siva Kumaran who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. K. A. Venkatchalam who retires by rotation and being eligible, offers himself for re appointment.
6. To appoint a Director in place of Mrs. P. Suneela Rani who retires by rotation and being eligible, offers herself for re appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. M/s. K. Nagaraju & Associates, Chartered Accountants, Hyderabad, retire at this Annual General Meeting and are eligible for reappointment.

SPECIAL BUSINESS

8. APPOINTMENT OF MR. M. AJAYA KUMAR AS A DIRECTOR

To consider and, if thought fit, to pass with or without modifications the following as an Ordinary Resolution:

"RESOLVED THAT Mr. M. Ajaya Kumar who was appointed as an Additional Director of the Company with effect from 24th August, 1998 under Article 37 of the Articles of Association and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retirement by rotation".

9. APPOINTMENT OF MR. MAJAYA KUMAR AS A WHOLE TIME DIRECTOR

To consider and, if thought fit, to pass with or without modifications the following as an Ordinary Resolution:

"RESOLVED THAT in accordance with the Sections, 269, 198, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, and subject to such other consents/approvals as may be required Mr. M. Ajaya Kumar be and is hereby appointed as a Whole Time Director of the Company for a period of three years with effect from 01.09.1998 whose term of office shall be liable to retirement by rotation at such salary and perquisites as per details given below".

- | | |
|---|---|
| a) Salary | : Rs.38,000/- per month. |
| b) House Rent Allowance | : Rs.4,000/- per month. |
| c) Medical Reimbursement | : Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years. |
| d) Leave Travel Concession | : for self & family once in a year as per the rules of the Company. |
| e) Personal Accident Insurance | : Premium not exceeding Rs.4,000/- per annum. |
| f) Club Fees | : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee. |
| g) Provident Fund, Superannuation benefits and Gratuity | : as per the rules of the Company subject to the ceilings as per the guidelines for Managerial remuneration in force from time to time. |
| h) Provision of Company's Car. | |
| i) Provision of telephone at Residence. | : However personal calls shall be charged to the appointee. |
| j) Encashment of Leave | : Encashment of leave at the end of the tenure as per the rules of the Company. |

**EXPLANATION:**

For the purpose of c & d above, family means, the spouse, the dependent children and dependent parents of the appointee.

10. INVESTMENT IN SUBSIDIARY COMPANIES ABROAD

To consider and, if thought fit, to pass with or without modifications the following as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification/s or re-enactment/s thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and subject to such other regulations prescribed in this behalf and the approvals, permissions and sanctions as may be prescribed under the applicable laws or imposed by any of the aforementioned authorities while granting such approvals, permissions and sanctions, the approval of the Company be and is hereby accorded to the Board of Directors of the Company which term shall include any duly constituted and authorised committee thereof to invest upto a maximum amount of Rs.20.00 Crores (Rupees Twenty Crores) in suitable foreign currency/ies, in one or more tranches in such overseas corporate bodies, whether as wholly owned or as joint ventures, at such issue price and on such premiums as per the guidelines as to pricing issued by the concerned authorities, and on such terms and conditions as may be determined, decided upon and fixed by the Board in its absolute discretion in the best interest of the Company not withstanding the fact that such investments will exceed such percentage of the subscribed capital of Aurobindo Pharma Limited as may be prescribed from time to time by the Companies Act, 1956.

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to apply for, obtain necessary approvals, sanctions as may be necessary under the Companies Act or the Foreign Exchange Regulation Act, 1973 or such other enactments (s) and to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution".

11. PREFERENTIAL ALLOTMENT OF SECURITIES

To consider and, if thought fit, to pass with or without modifications the following as a Special Resolution:

RESOLVED THAT in accordance with the provisions of Section 81(1A) and other

applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification/s or re-enactment/s thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and subject to the regulations prescribed in this behalf by the Government of India and the Reserve Bank of India and subject to the guidelines issued by the Securities Exchange Board of India for the time being in force, and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are enlisted and subject to such other approvals, permissions and sanctions as may be prescribed under the applicable laws or imposed by any of the aforementioned authorities while granting such approvals, permissions and sanctions, the approval of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter called the Board) which term shall include any duly constituted and authorized committee thereof to create, offer and issue in one or more tranches, 10,00,000 (Ten Lakhs) equity shares of the Company on preferential allotment basis, to such Foreign Institutional Investors, Overseas Corporate bodies, Banks, Financial and Investment Institutions, Mutual Funds, Bodies Corporate, NRIs and Resident individuals with an option to further allot upto 10% (Ten percent) of the over subscription of the above said number of shares, at such issue price and on such premiums as the Board may, subject to the guidelines as to pricing issued by the Securities and Exchange Board of India determine and on such terms and conditions as may be determined, decided upon and fixed by the Board in its absolute discretion in the best interest of the Company.

RESOLVED FURTHER THAT the new shares, when allotted, shall rank pari passu with the existing Equity share capital of the Company, save and except that such new Equity shares shall carry the right to priority dividend, if any declared by the Company, in respect of the financial year in which they are allotted.

RESOLVED THAT approval of the Company be and is hereby accorded to investment by Foreign Institutional Investors (exclusive of the investments made by the Non Resident Indians, Persons of Indian Origin and Overseas Corporate bodies) in the Equity Share capital of the Company upto a maximum aggregate limit of 30% of the paid up Equity Share Capital of the Company or such higher limit as may, from time to time prescribed by the Reserve Bank of India or the Central Government.

RESOLVED FURTHER THAT approval of the Company is further accorded to the investment in



the Equity Share Capital of the Company by Non Resident Indians/Persons of the Indian Origin/ Overseas Corporate Bodies exclusive of foreign institutional investors) upto an overall maximum limit of 10% of the paid up Equity Share Capital of the Company or such higher limit as may, from time to time, prescribed by the Reserve Bank of India or the Central Government.

12. TO DELEGATE POWERS TO BORROW UPTO RS. 500 CRORES

To consider and, if thought fit, to pass with or without modifications the following as an Ordinary Resolution:

"RESOLVED THAT in modification of the resolution passed at the Annual General Meeting held on 4th June, 1994 the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (d) and other applicable provisions of the Companies Act, 1956 to borrow such sum or sums of moneys in any manner, as the Board of Directors may think fit, from time to time with or without security and upon such terms and conditions as they may think fit, notwithstanding that the moneys borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.500 Crores (Rupees Five Hundred Crores only)".

13. MORTGAGING AND CHARGING FOR BORROWING UPTO RS.500 CRORES

To consider and, if thought fit, to pass with or without modifications the following as an Ordinary Resolution:

"RESOLVED that pursuant to the Provisions of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions for borrowing upto Rs.500 Crores (Rupees Five Hundred Crores Only), at such time or times and from time to time and in such form or manner,

as they may think fit, the whole or substantially the whole of the Company's any one or more of the undertakings including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking or undertakings of the Company, as the case may be, in favour of Financial Institutions Corporations, Banks, Mutual Funds, Government/other Agencies or any other person/s entities which give, provide or extend loans to the Company or in favour of Trustees of such lenders to secure the said amount of loans/debentures together with interest thereon, commitment charges, liquidated damages, premium on redemption, trustees remuneration, costs, charges, expenses, and all other monies under the agreement(s)/arrangement(s) entered into \ to be entered into by the Company in respect of the said loans as the Board may deem fit in the best interests of the Company.

By Order of the Board

Place : Hyderabad,

Date : 15th May, 1999

A.N.SARMA

Company Secretary

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the Company. The proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
3. The Registers of Members and Share Transfer Books of the Company will remain closed from 26th June 1999 to 30th June, 1999 (both days inclusive) in connection with the ensuing Annual General Meeting and payment of dividend.
4. The Dividend when declared will be payable to the members or their mandates whose names appear on the Registers of Members of the Company on 30th June, 1999.
5. **THE COMPANY'S EQUITY SHARES ARE AVAILABLE FOR TRADING IN DEMAT FORM ALSO. THE SAID SECURITIES BEARS THE ISIN NO. INE 406A01011. THE SHAREHOLDERS MAY AVAIL THE FACILITY.**



Explanatory Statement

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.s 8 & 9

Mr. M. Ajaya Kumar was appointed by the Board of directors of the Company on 24.08.1998 as an Additional Director. According to the provisions of the Companies Act, 1956 he holds office as Director upto the date of ensuing annual general meeting.

The Board later appointed Mr. M. Ajaya Kumar as a Wholetime Director of the Company, subject to the approval of the members, for a period of three years with effect from 01.09.1998 on the terms specified in the resolution.

Mr. M. Ajaya Kumar is postgraduate in agricultural science having considerable experience in the Pharmaceutical Industry as well as Banking. Therefore, the Board felt that his association as a Wholetime Director of the Company would be beneficial to the Company.

As per the provisions of Sections 198, 269, 309, 314 and other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the members is required for the appointment of a Wholetime Director.

A notice in writing under Section 257 of the Companies Act, 1956 along with a necessary deposit has been received from a Shareholder of the Company signifying his intention to propose Mr. M. Ajaya Kumar for the office of Director/ Wholetime Director.

Accordingly, the Board commend the resolution for approval as an ordinary resolution.

None of the Directors of the Company other than Mr. M. Ajaya Kumar may be deemed to be concerned or interested in the resolution.

Item No. 10

In order to increase its presence in the international markets, the members of the Company, in the Eleventh Annual General Meeting have passed resolution for setting up wholly owned subsidiaries in United States of America and Hongkong. However, the emerging trends suggest that the Board may be empowered to invest in such overseas corporate bodies in accordance with the market needs. Therefore, the approval of the members is sought to authorise the Board to invest in the share capital of such overseas corporate bodies in suitable foreign currency whether wholly owned or

partly owned whether in one or more tranches subject to a maximum investment of Rs. 20 Crores (Rupees Twenty Crores Only) in all such ventures at any time.

The Board accordingly commend the resolution as a special resolution.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

Item No. 11

In order to meet the Company's funds requirements for investments in formulation activities, Research and Development and updation of technologies/facilities etc., the Board of Directors of the Company propose to issue, in one or more lots, 10,00,000 (Ten Lakhs only) equity shares of Rs.10/- each, with a discretion to retain upto 10% of the oversubscription, if any, at such price or prices (not being less than the price calculated as per laws, rules and regulations of SEBI, GOI, RBI and any other appropriate authorities) to FIIs/NRIs/OCBs etc., as set out in the resolution preferential basis, subject to the guidelines of SEBI, GOI and RBI in terms of ceiling, pricing etc.,

The consent of members is also sought for Foreign Direct Investment in the Company and for increasing FIIs/NRIs/OCBs investment in excess of 24% of the issued share capital of the Company.

Consequent to such allotment, there would not be any change in control over the Company.

A certificate from the Statutory Auditors confirming that this issue is in conformity with the guidelines of SEBI shall be available for inspection for the members of the Company in the Annual General Meeting of the Company in which this resolution is proposed.

The Board accordingly commend the resolution as a special resolution.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

Item No. 12

The Members of the Company at the seventh Annual General Meeting held on 4th June, 1994 have authorised the Board of Directors of the Company to borrow such sum or



sums which together with the monies already borrowed by the Company may exceed the aggregate of the paid up capital of the company and its free reserves, provided that the total amount so borrowed and outstanding at any time shall not exceed Rs. 100 crores. (Rupees One Hundred Crores).

In order to meet the increasing long term working capital requirements and for financing the present and future projects, the Board of Directors request the members to accord their consent to borrow monies upto a maximum limit of Rs. 500 Crores (Rupees Five Hundred Crores Only) as per the provisions of the Companies Act, 1956 and the rules of Banks and Financial Institutions.

Under Section 293(1) (d) of the Companies Act, 1956 consent of the Members is necessary to the Board of Directors to borrow monies which will exceed the aggregate of the paid up capital of the Company and its free reserves. The Board accordingly commend the resolution for the approval of the members as an ordinary resolution.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

Item No. 13

The Members at the seventh annual general meeting held on 4th June, 1994 have accorded their consent to mortgaging

and/or charging by the Board of Directors of the Company of all the movable and immovable properties of the Company and its undertakings in favour of Banks, Financial Institutions etc., for borrowing upto a sum of Rs. 100 Crores (Rupees One Hundred Crores only).

In view of the significant growth in the operations of the Company, it is felt that it may be necessary to mortgage and/or charge the properties of the Company in favour of the Banks and Financial Institutions etc., for securing the requisite finance upto a maximum of Rs. 500 Crores (Rupees Five Hundred Crores Only).

Since mortgaging and/or charging of the assets, properties and/or undertakings of the Company may be regarded as disposal thereof, consent of the Members of the Company is necessary under Section 293(1) (a) of the Companies Act, 1956. The Board accordingly commend the resolution for the approval of the members as an ordinary resolution.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

By Order of the Board

Place : Hyderabad,

Date : 15th May, 1999

A. N. SARMA

Company Secretary