



ADVIK LABORATORIES LIMITED
TENTH
ANNUAL REPORT
2003-2004

(Health is our prime objective)

Board of Director	Mr. V. K. Jain	-	Managing Director
	Mr. Sanjay Jain	-	Director
	Mr. A. P. Jain	-	Director
	Mr. F. M. Banthiya	-	Director
	Dr. S. Ramanathan	-	Director

Bankers	HDFC Bank
	Punjab National Bank
	State Bank of Mysore

Auditors	Vijay K. Bansal & Co.
	Chartered Accountants
	205, Laxman Palace,
	19 Veer Savarkar Block
	Shakarpur, Delhi - 110092

Corp. Office	203, Allied House, 1 L.S.C. Complex
	Opp. Pushpa Bhawan, Madangir
	New Delhi - 110 062 (INDIA)
	Tel : 91-11-51649171-175
	Fax : 91-11-51649171
	E-mail : mail@advikindia.com
	Website : www.advikindia.com

Registered Office & Works	138, Roz-Ka-Meo, Industrial Area,
	Sohna - 122103 Distt. Gurgaon
	Haryana. INDIA

Share Transfer Agent	Beetel Financial & Computer Services Pvt. Ltd.
	321-S, Chirag Delhi,
	Near Shahid Bhagat Singh College
	New Delhi - 110 017
	Tel : (91-11) 2925 1990, 2925 0390
	Fax : (91-11) 2925 2146

Annual Report 2003-2004**NOTICE**

Notice is hereby given that the **Tenth Annual General Meeting** of the Members of **ADVIL LABORATORIES LIMITED** will be held on Wednesday 29th September 2004 at 4.00 P.M. at its Registered Office at 138, Roz- Ka - Meo, Industrial Area Sohna, Distt. Gurgaon -122 103 (Haryana) INDIA to transact the following business(es):

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004, the Profit & Loss account for the period ended on the date, Reports of Auditors and the Board of Directors thereon.
2. To appoint a Director in place of Sh. S. Ramanathan, who retires by rotation and being eligible, offers himself for re - appointment.
3. To consider and thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:
 "RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Vijay K Bansal & Company, Chartered Accountants, be and is hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors and/or any committee thereof."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form should be lodged with the Company at its Registered Office at least 48 hours before the time of the meeting.
2. All documents referred to in the notice are open for inspection at the Registered Office of the Company between 11.00 a. m to 1.00 p.m. on any 10 (Ten) Working days prior to the date of the meeting and also at the meeting.
3. The Register of Members of the Company and Share Transfer Books shall remain closed from 26th September to 29th September, 2004 (both days inclusive)
4. The members are requested to :-
 - i) Notify change in their address, if any.
 - ii) Send their queries, if any, at least 7 days in advance of the meeting so that the information can be made available at the meeting.
 - iii) Members/proxies should bring the attendance slip duly filled in for attending the meeting.
 - iv) Bring their copy of Annual Report while coming to attend the meeting.
5. Members holding shares in the same names under different folios are requested to apply for consolidation of such folios and send relevant share certificates.
6. Since the Shares of the Company are under Compulsory Demat form and hence those members are requested whose shares are under physical form to demat their shares.

By Order of the Board of Director
FOR ADVIL LABORATORIES LIMITED

Sd/-

Dhananjay Shukla
Company Secretary

Place: Sohna, Gurgaon
Date: 23rd August, 2004

DIRECTORS REPORT

To

The Members of Advik Laboratories Limited,

Your Directors have great pleasure in presenting the 10th Annual report of the Company along with the Audited Statement of Accounts for the year ended 31st March 2004, and Auditors report thereon.

1. FINANCIAL RESULTS (Rs. in Lacs)

	2003 - 2004	2002 - 2003
Sales		
- Local	2010.86	46.24
- Export	---	1479.05
Other Income	19.34	185.66
Gross profit/ (Loss)		
before interest & dep.	63.69	351.97
Interest	27.73	69.46
Depreciation	34.26	34.23
Net profit/ (Loss) for the year	1.70	248.28

2. BUSINESS PERFORMANCE

The sole manufacturing facility of your company located at 138, Rozka-Meo Industrial Area, Sohna is probably one of the more advanced pharmaceutical formulations facilities in the country. Equipped for the manufacture of Tablets, Capsules and Dry Syrups, the facility was constructed in technical collaboration with Pharma Focus Consultants (PFC), Switzerland who are credited with providing consultancy for internationally developed facilities of MNCs like Merck, Glaxo, Hoechst, Pfizer, etc.. This facility has been constructed keeping in mind the stringent USFDA requirements. It is this foresight with which your company came into existence, and such are the high standards of quality that are consistently followed. After consistently tasting success in the international market till the end of last year, your company was subject to an unfortunate delay of its shipment worth Rs. 15 Cr. for an important order it had procured in the Republic of Qatar. It is due to this delay, along with a subsequent change in regulations of the importing countries that your company lost out on its lucrative and highly profitable export contracts. As a result, for the year 2003-04, the Company had to rely more on Domestic Sale instead of Exports. Even though we were successful in increasing the turnover, but contrary to the profit margin during the financial year 2002 - 2003, the profitability of the Company reduced significantly. The total debt of the company during the financial year 2002 - 2003 was to the tune of Rs. 7.51 Crs which included the secured loans of Rs. 6.99 crs, the Company during the year paid the whole amount to the secured creditors and unsecured creditors were also paid in full. A provision of about Rs. 13.93 Lacs has been created in the books of accounts pursuant to the dispute in the payment of interest to Haryana Financial Corporation and State Bank of India of which Rs. 4.41 Lacs are payable to Haryana Financial Corporation and Rs. 9.52 Lacs are payable to State Bank of India. However your Board of Directors are in constant discussion with the Institution and the Bank for the early disposal of the matter.

Your Company had to burn its finger by doing business in the Domestic Market as the Raw materials were acquired at a higher price and high discounts had to be provided in order to lure customers and hence profit margin reduced significantly. However the Company has learnt from this experience even though this learning has come at a cost through a reduction in the profit margin. Hence it can be seen that as against the sale of Rs. 20.10 Crores there is a Manufacturing expenses of about Rs. 18.45 Crores thereby the gross profit margin reduced significantly.

Annual Report 2003-2004**3. FUTURE OUTLOOK**

After realizing the need of your company to continue its focus on high-quality manufacturing and focus on the export market for high price realization, it was decided by the management during March 2004 to go ahead with required renovation and changes in the facility in order to conform to the latest Schedule M and WHO-cGMP norms. The next goal that has been recognized by the management is obtaining of WHO-cGMP Certification, which requires an expenditure of about Rs. 50 Lacs.

Obtaining UKMCA certification is still in the pipeline of the Company but the only constraint which the Company possesses is the financial constraint as obtaining of the certification requires expenditure to the extent of Rs. 5 Crores. Your Company has earlier during the month of December 2003 had decided to go for Rights Issue but that proposition could not come up for consideration as the pricing of the shares in the Stock Exchange didn't stay stable and it continued to maintain a downward trend and hence the management of your Company decided not to come up with the issue.

However there has been some change in the Company policy, your Board of Directors have decided to put concentration on the domestic segment of the Market and capitalize from the experience that it earned during the financial year 2003 - 2004.

4. FIXED DEPOSIT

The company has not accepted any fixed Deposits within the meaning of Section 58 A of the Companies Act, 1956 and the rules made there under.

5. DIRECTORS

Mr. S. Ramanathan is the Director liable to retire by rotation and being eligible has offered for the Re - Appointment.

6. AUDITORS

M/s Vijay K Bansal & Co. Chartered Accountants, New Delhi are the Auditors of the Company and they retire at the ensuing Annual General Meeting and being eligible offers themselves for the Re - Appointment.

7. AUDITORS REPORT

The notes on the accounts referred to in the Auditors Report are self explanatory and therefore no comments are called for on the observation made in that behalf in the Auditors Report.

8. DIRECTORS RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Board of Directors hereby confirms:-

1. That in preparation of the accounts for the financial year ended 31st March, 2004 the applicable accounting Standards have been followed along with proper explanation relating to material departures
2. That the Directors have selected and applied such accounting Policy consistently and made judgments and estimates that were reasonable and prudent manner so as to give true and fair view of the state of affairs of the Company as at the end of financial year and of the profit or loss for that period.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern basis'.

Annual Report 2003-2004**9. SAFETY & ENVIORNMENT**

The company continued to maintain a good safety record. The plants of the company are environment friendly and maintain all safety measures.

10. PARTICULARS OF EMPLOYEES

There is no employee in the Company whose particulars are required to be given under Section 217 (2A) of the Companies Act, 1956 read the Companies (Particulars of Employees) Rules, 1975.

11. REPORT ON CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure – B and forms part of the report.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Conservation of energy continues to remain the thrust area with studies, discussions and analysis being undertaken regularly for further improvements.

As 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 the required information relating to ,conservation of energy, technology absorptions and foreign exchange earnings and outgo are Annexed hereto as Annexures-A..

13. ACKNOWLEDGEMENTS

The Board of Directors expressed its deep appreciation to all section of its employees in the company for their outstanding contribution to the growth of business during the year. The Board of Directors thanks officials of Central & State Government Authorities ,Financial Institutions-Haryana Financial Corporation, Bankers, Suppliers & Customers for their continued support.

FOR AND ON BEHALF OF THE BOARD

Sd/-

V.K.Jain

(Managing Director)

Place: Sohna, Gurgaon
Date: 23d August, 2004

Annual Report 2003-2004**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure & Development**

The arrival of 2005 will herald a new era in the Indian Pharmaceutical industry, with the acceptance of an internationally accepted & prevalent product patent regime as compared to the current practice of recognizing process patents. This impending policy shift has rendered the industry in a state of tumult. Whether it is API manufacturers or Pharmaceutical formulators, big or small, everyone is looking ahead to try and make out what the future holds for the industry. Even though most players, both big and small are putting on a brave face and refuse to accept any kind of impact of this change on their business practices, it is quite possible most of them are resorting to the ostrich syndrome to tide over the short term, waiting for the storm to gather momentum before thinking of ways to counter it. It could, unfortunately be too late for most to react by then.

The current strong foundation of the Indian Pharmaceutical Industry was laid down by the Indian Patents Act of 1970. As per this act, substances used in pharmaceuticals could not be granted product patents, and could only be granted process patents for a period of 5 years from the date of grant of the patent, or 7 years from the date of filing, whichever happened earlier. It was this prudent move on the part of the Government that has resulted in making the industry an international powerhouse, and a force to reckon with, due to the freedom it imparted to the Indian companies by allowing them to develop reverse engineering skills for the development of cheaper generic versions of international blockbuster molecules. This also resulted in honing the skills of India's significantly large talent pool of scientists, and created a large demand for scientists with skills in this field. This was followed by the introduction of the Drugs Price Control Order (DPCO) by the Government in 1970, which capped the prices of certain mass-usage products in order to curb undue profiteering. As a result of this dual policy of reduction of prices through building local competition as well as putting a cap on prices through the DPCO, the Government gave a lease of life to the virtually non-existent Indian Pharmaceutical Industry.

Opportunities & Threats(SWOT Analysis)

As a result of this double-whammy, along with introduction of FERA in the late '70s, due to which the MNCs were compelled to reduce their stake in Indian ventures below 40%, they reduced the scope of their operations in India, which gave further space and impetus to the Indian Companies to grow. This helped the Indian companies to steadily tighten their grip over the MNCs, which is amply reflected in an increase in their Market share from around 20% in 1970 to about 70% today. Further, over the past few years, there have been no less than 7 Indian companies in the Top 10 performers in the Indian Companies.

However, now that this protection is under threat due to acceptance of Product patents as a result of acceptance of the WTO norms, it is hard to believe that there will be no impact on Indian Pharmaceutical manufacturers, and instead of ignoring the challenge, it would be imperative that the challenge be taken head-on to survive in future.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorised, recorded and reported correctly. Management continuously review the internal control system and procedures to ensure orderly and efficient conduct of business. The Internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Our Employees are the backbone of our organization. The Company recognizes the importance and contribution of its human resource for its growth and development and is committed to the development of its people. Our efforts to instill the competency driven culture, have resulted in much more dynamic and result oriented human capital throughout the organization. The company believes in nurturing young talents through its people interventions and management training schemes which strives to develop business manager of tomorrow. These youngsters are equipped with professional degrees.

Industrial Relations have continued to be harmonious at the unit throughout the year. Measures for safety of employees, training, welfare and development continued to receive top priority.

Annual Report 2003-2004**ANNEXURE "A" TO THE DIRECTOR'S REPORT**

Information under Section 217(1)(e) of the Companies Act ,1956 read with the company (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors's report for the year ended 31st March,2004.

A) CONSERVATION OF ENERGY

	Year Ended 31.03.2004	Year Ended 31.03.2003
I) Power and Fuel Consumption		
1.) Electricity		
a) Purchased Unit (kwh)	45522	—
Total amount	305050	—
Rate/ Unit (Rs/Kwh)	6.70	—
b) Own generation		
i)Through Diesel Generator		
Unit (Kwh)	141017	4,23,076
Unit per litre of Diesel oil (Kwh)	4.42	4.22
Cost/Unit (Rs/ Kwh)	5.01	4.43
ii)Through Steam Turbine	—	—
Generator Unit (Lakh kwh)	—	—
Unit per tonne of fuel (kwh)	—	—
Cost/unit (Rs/kwh)	—	—
2.) Coal	—	—
3.) Furnace Oil	—	—
4.) Others/internal generation	—	—

II) Consumption per unit of production:

Product	Formulation	
Electricity (kwh)	.08	.004
Furnace oil (litr)	nil	nil
Fuel	nil	nil

B) TECHNOLOGY ABSORPTION

I) Research & Development (R & D)	nil	nil
II) Technology absorption, adoption & Innovation	nil	nil

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year	Previous Year
Foreign Exchange Earned (Rs)	2,35,26,794	13,70,42,278
Foreign Exchange used (Rs)	30,03,000	7,73,000

Annual Report 2003-2004**ANNEXURE "B" TO THE DIRECTOR REPORT****CORPORATE GOVERNANCE AT ADVIK LABORATORIES LIMITED**

1. The vision with which the company was incorporated seems to be achieved by following a good Corporate Governance. We are a consumer focused company with discipline, trust & commitment towards a better society. The code of Corporate Governance issued by Securities & Exchange Board of India (SEBI) has been applicable to the company from the financial year 2002-03. The company has been taking adequate steps to adhere to the corporate governance practice in general & those stipulated by SEBI. Given below is the report on compliance of the Corporate Governance Code in the company.

2. BOARD OF DIRECTORS

The Composition of Board of Directors, their attendance at the Board meetings held during the year and at the last AGM and also the number of other Directorship held by them are given below:

Name	Designation	Status	No. of meetings attended	Other BoD's or Board Committees	Attendance at last AGM
Mr. V.K Jain	Managing Director	Executive Director	10	1	Yes
Mr. Sanjay Jain	Director	Non – Executive Independent Director	8	1	Yes
Mr. A.P Jain	Director	Non – Executive Independent Director	7	N/A	Yes
Mr. F. M Banthiya	Director	Non – Executive Independent Director	8	1	Yes
Dr. S Ramanathan	Director	Non – Executive Independent Director	5	N/A	Yes

There were total ten Board Meetings held during the financial year 2003-04 on the following dates 30/04/2003 10/05/2003, 26/07/2003, 31/07/2003, 2/09/2003, 24/10/2003, 29/11/2003, 15/01/2004, 31/01/2004 and 31/3/2004.

3. AUDIT COMMITTEE

The Audit Committee of the Board of Directors comprises of Mr. F.M. Banthiya, Sanjay Jain & A.P. Jain. Mr. F.M. Banthiya is the chairman of the committee & he has rich experience of more than 15 years in the field of finance & account.

The audit committee is responsible for the effective supervision of the financial & accounting policies of the Company. The committee interacts with the Auditors to ascertain the quality and veracity of the Company's transactions, to