

**NOTICE**

Notice is hereby given that the 12<sup>th</sup> Annual General Meeting of AHLCON PARENTERALS (INDIA) LIMITED will be held on Saturday, the 7<sup>th</sup> day of August 2004 at 3.00 P.M. at the Ahloon Public School, Mayur Vihar, Phase-I, New Delhi-110092 to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2004 and Profit & Loss Account for the year ended on that date together with Reports of the Board of Directors and the Auditors' thereon.
2. To appoint a Director in place of Mr. Arun Kumar Gupta, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Prof. G P Talwar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Ms. Sudarshan Walia, who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint a Director in place of Dr. S S Arora, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and authorise the Board of Directors to fix their remuneration.

M/s. Arun K. Gupta & Associates, Chartered Accountants, are the retiring Auditors and being eligible, offer themselves for reappointment.

**Special Business**

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**REAPPOINTMENT OF MANAGING DIRECTOR**

"RESOLVED THAT pursuant to the provisions of section 198, 269 read with Schedule XIII, Section 309, 310 and other applicable provisions of the Companies Act, 1956, the reappointment of the Managing Director Mr. M K G Pillai be and is hereby approved for a further period of 5 years with effect from 1st April, 2004 on a remuneration and conditions as per the following: -

- a) Basic Salary @35,000/-(Rupees Thirty-Five Thousand only) per month with an annual increment of maximum of 10 per cent in the monthly salary.
- b) House Rent Allowance or provision of rented accommodation subject to the condition that the expenditure by the company on hiring such accommodation or on HRA shall not exceed 60% of the basic Salary.
- c) Leave travel allowance for self and family once in a year to and from any place in India subject to a ceiling of one month's basic salary in a year.
- d) Free supply of gas, electricity, water, furniture and furnishing at the residence, subject to the ceiling that the expenditure incurred by the company on the same valued as per the Income Tax Rules 1962, shall not exceed 20% of the basic salary.
- e) Reimbursement of Medical expenses for self and family subject to a ceiling of one month's basic salary in a year or three month's basic salary in a block of three years.
- f) Premium for Mediclaim Policy for self, spouse and dependent family subject to a ceiling of policy amount of Rs.10,00,000/-(Rupees Ten Lacs Only).
- g) Fees of maximum of two clubs, subject to the condition that Life Membership Fees shall not be allowed.
- h) Personal Accident Insurance, the premium of which shall not exceed Rs.1,000/-(Rupees one Thousand only) per annum.
- i) Free telephone facility at residence, subject to the condition that personal long distance calls shall be recovered from the Managing Director.

- j) Provision of car for use for Company's business, subject to the condition that use of car for private purposes shall be recovered from the Managing Director or reimbursement of expenses incurred on conveyance in case of use of personal car for Company's business.
- k) Gratuity not exceeding one half month's basic salary for each completed year of service.
- l) Contribution to Provident Fund subject to specified ceilings in applicable law."

"RESOLVED FURTHER THAT pursuant to the provisions of Schedule XIII, Part II, Section II the aggregate of monthly remuneration payable to the said Managing Director, inclusive of the value of all perquisites (other than those specifically exempted under section II of Part II of the Schedule), Shall not exceed the ceiling limits specified therein."

"RESOLVED FURTHER THAT the Company shall reimburse the Managing Director all expenses incurred on entertainment, traveling and/or any other expenses incurred solely for the purpose of business of the Company and that the same shall not be considered a part of remuneration."

**8 To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Ordinary Resolution:**

**REAPPOINTMENT OF WHOLETIME DIRECTOR**

"RESOLVED THAT pursuant to the provisions of section 198, 269 read with Schedule XIII, Section 309, 310 and other applicable provisions of the Companies Act, 1956, the reappointment of Whole Time Director Dr. Rohini S Ahluwalia be and is hereby approved for a further period of 5 years with effect from 1st April, 2004 on a remuneration and conditions as per the following: -

- a) Basic Salary @ 33,500/- (Rupees Thirty Three Thousand Five Hundred only) per month with an annual increment of maximum of 10 per cent in the monthly salary.
- b) House Rent Allowance or provision of rented accommodation subject to the condition that the expenditure by the company on hiring such accommodation or on HRA shall not exceed 50% of the basic Salary.
- c) Free supply of gas, electricity, water, furniture and furnishing at the residence, subject to the ceiling that the expenditure incurred by the company on the same valued as per the Income Tax Rules 1962, shall not exceed 20% of the basic salary.
- d) Leave travel allowance for self and family once in a year to and from any place in India subject to a ceiling of one month's basic salary in a year.
- e) Reimbursement of Medical expenses for self and family subject to a ceiling of one month's basic salary in a year or three month's basic salary in a block of three years.
- f) Premium for Mediclam Policy for self, spouse and dependent family subject to a ceiling of policy amount of R S.10,00,000/- (Rupees Ten Lacs only).
- g) Fees of maximum of two clubs, subject to the condition that Life Membership Fees shall not be allowed.
- h) Personal Accident Insurance, the premium of which shall not exceed Rs.1,000/- (Rupees One Thousand only) per annum.
- i) Free telephone facility at residence, subject to the condition that personal long distance calls shall be recovered from the Whole Time Director.
- j) Provision of car for use for Company's business, subject to the condition that use of car for private purposes shall be recovered from the Whole Time Director or reimbursement of expenses incurred on conveyance in case of use of personal car for Company's business.
- k) Gratuity not exceeding one half month's salary for each completed year of service.
- l) Contribution to Provident Fund and pension Fund subject to specified ceilings in applicable law."

"RESOLVED FURTHER THAT pursuant to the provisions of Schedule XIII, Part II, Section II the aggregate of monthly remuneration payable to the said Whole Time Director, inclusive of the value of all perquisites (other than those specifically exempted under section II of Part II of the Schedule), Shall not exceed the ceiling limits specified therein."

"RESOLVED FURTHER THAT the Company shall reimburse the Whole Time Director all expenses incurred on entertainment, traveling and/or any other expenses incurred solely for the purpose of business of the Company and that the same shall not be considered a part of remuneration."

**9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased from Rs. 11,00,00,000/- (Rupees Eleven Crores only) to Rs. 18,00,00,000/- (Rupees Eighteen Crores only) divided into 180,00,000 (One Hundred Eighty Lacs) shares of Rs. 10/- (Rupees Ten) each"

"RESOLVED FURTHER THAT the existing clause V of the Memorandum of Association of the Company be and is hereby altered to increase the Authorised Share Capital of the Company by substituting the following Clause V:

"V. The Authorised Share Capital of the Company is Rs. 18,00,00,000 (Rupees Eighteen Crores only) divided into 1,10,00,000 (One Hundred Ten Lacs) Equity shares of Rs. 10/- (Rupees Ten) each and 70,00,000 (Seventy Lacs) Preference Shares of Rs. 10/- (Rupees Ten) each.

**10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by substitution of the following Article 3 in place of the existing Article 3 :

"The Authorised Share Capital of the Company shall be the amount, number and description as specified under Clause V of the Memorandum of Association of the company and as amended from time to time with the power to increase, consolidate or subdivide in accordance with the provisions of the Companies Act and with power from time to time to issue any shares of the original capital with and subject to any preferential, qualified or special rights, privileges or conditions as may be thought fit, and upon the sub-divisions of Shares, to apportion the rights to participate in profits, in any manner as between the shares resulting from sub-division of the same."

**11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :**

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956 and subject to the relevant rules, regulations or guidelines of the Securities and Exchanges Board of India and/or any other appropriate authorities, if any, the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorized on behalf of the company to issue securities on private placement basis to persons, whether or not those persons include the persons referred to in Clause (a) of Section 81(1), by way of Non-Convertible Preference Shares, at a rate of Rs. 10 per share and on such other terms and conditions as to coupon rate, redemption and rights, as the Board may consider fit; provided that the total amount of issue shall not exceed Rs. 6.00 Crores (Rupees Six Crores only).

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to take all steps as it may deem necessary, desirable and expedient and to do all acts, deeds and things in connection therewith and incidental thereto, as the Board in its absolute discretion shall deem fit without being required to seek any fresh approval of the members of the company and the decision of the Board shall be final and conclusive."

New Delhi-110017  
Dated: 30. 06. 2004

By order of the Board  
For AHLCON PARENTERALS (INDIA) LIMITED

Nilanchal Pradhan  
Company Secretary

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN, 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the company shall remain closed from 28<sup>th</sup> July 2004 to 7<sup>th</sup> August 2004 (both days inclusive).
3. All documents referred 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 working day prior to the date of the Annual General Meeting.
4. Members/ Proxies should bring the attendance slips duly filled in for attending the meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. It will be appreciated that queries, if any, on accounts and operations of the company are sent to the corporate office of the company ten days in advance of the meeting so that the information may be made readily available.
6. Shareholders are requested to intimate the change in address, if any, to the Company's Registrar and Share Transfer Agent M/s Mas Services Pvt. Ltd, at AB-4, Safdarjung Enclave, New Delhi-110029.
7. Shareholders are requested to bring their copy of Annual Report to the meeting.
8. At the ensuing Annual General Meeting Mr. Arun Kumar Gupta, Prof. G P Talwar, Dr. S S Arora and Ms. Sudarshan Walia shall retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement the particulars of above said Directors are given below:

**Mr. Arun Kumar Gupta**

Mr. Gupta is having the qualifications as FCA, CWA and is a Management Consultant by profession. He was nominated to the Central Council of the Institute of Chartered Accountants of India from 1992 to 1995. He is having to his credit of restructuring of many big corporate houses.

He joined the Board of your Company as a Director on 15-03-1993 and serving your company continuously till date.

Other Directorship : 1. Ahluwalia Contracts (India) Limited 2. Satia Synthetics Limited

He has been nominated as the chairman of Audit Committee and members of Remuneration Committee and Shareholders Grievance Committee in Ahluwalia Contracts (India) Limited

**Prof. G P Talwar**

Prof. Talwar is having the qualifications of B. Sc( Hons.) M.Sc(Tech.) and Docteur es Sciences( Sorbonne). He is the Founder Director of the Talwar Research Foundation for Immunology. To name a few of his previous experience, he was the head of Research and Training Centre in Immunology of WHO for India and South East Asia, Professor and HOD of Biochemistry, AIIMS, New Delhi, Professor of Eminence and Senior consultant, International Centre for Genetic Engineering and Bio Technology, New Delhi.

He has been bestowed with several prestigious Honours and Awards by many premier organizations at national and international level.

**Dr. S S Arora**

Dr. Arora is an MBBS, MD and having the Fellowship of American Association for Respiratory Care, USA. He is having a very large experience in the pharmaceutical field. Presently he is a Senior Consultant, Batra Hospital, New Delhi.

**Ms. Sudarshan Walia**

Ms Sudarshan Walia, a Graduate by qualification and industrialist by profession. She has been a part of the company since its inception and has been serving the company as a director. As an industrialist, she is having an experience of more than 30 years.

Other Directorship : 1. Ahluwalia Contracts (India) Limited, 2. Ahluwalia Builders and Development Group (P) Limited, 3. Capricorn Industrials Limited

**Annexure to Notice: Explanatory Statement u/s 173(2) of the Companies Act, 1956.**

**Item No. 7 & 8**

The present tenure of the Managing Director, Mr. M K G Pillai and the Whole Time Director, Dr. Rohini S Ahluwalia, was coming to an end on dated 20.05.2004 and 31.03.2004 respectively.

Under the able guidance and management of Mr. Pillai and Dr. Rohini, the company has achieved its manifold objectives. Keeping the long-standing services of both the directors and in the best interest of the company, the Board has reappointed both the directors for another five years in its meeting held on 31<sup>st</sup> March 2004.

Mr. Pillai is M.Com with LL.B, having specialisation in Business Management. He is having more than 40 years of experience to his credit. Before inception of the pharmaceutical business of your company, he was the Managing Director for more than 10 years, of a well known EOU Company namely JV Electronic Limited in collaboration with Slumbreger, a big name in South Carolina, USA with head quarters in France.

He has been appointed as the Managing Director of your Company in the year 1994 and continuing in the same position, with your approval, till date.

Dr. Rohini S Ahluwalia is an MBBS and having a vast experience in the field of pharmaceutical industries. She is an eminent successful lady industrialist who is looking after the company as a Whole Time Director for past many years. Her intensive knowledge and in-depth management strategies has made the company successful through many troubled phases.

As per the provisions of Part III of Schedule XIII of the Companies Act, 1956, the reappointment and remuneration of such directors shall have to be approved by the shareholders of the company by way of a resolution in their general meeting.

As per the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance, the Remuneration Committee of the company has approved the terms of appointment and the remuneration stated in the resolution.

Therefore, the Board recommends approving item no. 7 and 8 by way of Ordinary Resolutions.

None of the Directors of the company are interested in the resolutions except Mr. M K G Pillai and Dr. Rohini S Ahluwalia being the appointees and Mr. Bikramjit Ahluwalia and Ms Sudarshan W alia, being the relatives of Dr. Rohini S Ahluwalia.

#### Item Nos. 9, 10 & 11

It is well aware to the members that the Board of Industrial and Financial Reconstruction (BIFR) vide its order dated 17.12.1999 had sanctioned a Rehabilitation Scheme which *inter-alia*, provided for induction of funds by way of capital infusion or interest free unsecured loans to the tune of Rs.6 Crores from Promoters & Associates, for meeting the cost of the revival scheme. It was also a condition that the promoters shall, also finance any shortfall in the projection of profitability and cash flow.

With valuable contributions from all concerned, the net worth of the company became positive in the year 2001 and the BIFR vide its order dated 13.06.2001, pleased to declare the company out of its purview with a precondition that the unfulfilled obligations, if any, under the sanctioned scheme would continue to remain in force for the un-expired period of the scheme, i.e. upto 31<sup>st</sup> of March, 2004.

As per the commitment of the promoters, to finance the rehabilitation scheme, the promoter company M/s Ahluwalia Contracts (India) Limited has extended interest free loan of Rs.6.23 Crores. The BIFR has specifically exempted the promoter company from the applicability of the provisions of Section 372A of the Companies Act, 1956 relating to charging of interest by lending company. As per the scheme, the shield of interest free investment by the promoter company was available upto 31<sup>st</sup> March 2004. As the period of the scheme has come to an end on the completion of the financial year 2003-04, the company has to bear the interest on the amount of loan extended as interest free by the promoter company.

As a measure to raise finance through other best alternatives, the Board has proposed to raise the same by way of issue of Preference Shares on private placement basis.

As per the provisions of Section 81 (IA) of the Companies Act, 1956, a company can issue shares to persons other than the existing shareholders if the same is resolved by the Shareholders of the company by way of a Special Resolution.

Keeping in view the issue of such preference shares and redemption of the same in future, the present level of Authorised Capital of Rs. 11 Crores needs to be increased. The Board has approved for increasing the Authorised Capital by creation of further Share Capital of Rs. 7 Crores. As per the provisions of Section 94 of the Companies Act, 1956, the company can increase its share capital and make simultaneous amendment of the Capital Clause in the Memorandum of Association, with the approval of the shareholders by way of an Ordinary Resolution.

For amending the Articles of Association, as per the provisions of Section 31 of the Companies Act, 1956, consent of the shareholders by way of a Special Resolution is necessary.

To allot preference shares to persons other than the existing shareholders pursuant to the provisions of Section 81 (IA) of the Companies Act, 1956, the consent of the shareholders by way of a Special Resolution is necessary.

Therefore, the Board recommends approving item no. 9 by way of an Ordinary Resolution and item nos. 10 & 11, by way of Special Resolutions.

None of the Directors of the company are interested in the resolutions.

**DIRECTORS ' REPORT**

To The Members,

Your Directors have pleasure in presenting their 12<sup>th</sup> Annual Report on the business and operation of your Company for the year ended 31<sup>st</sup> March 2004.

**Financial Results:**

(Rs. in Lacs)

For the year ended	31.03.2004 (Current Year)	31.03.2003 (Previous Year)
Sales and other Income	2,977.89	1,663.71
Gross operating Profit	779.90	381.21
Financial Charges	182.23	106.94
Cash Profit	597.67	274.27
Depreciation	306.29	223.86
Misc. expenditure written off	3.98	3.98
Profit before Tax	287.40	46.43
Provision for deferred Tax	113.27	21.31
Provision for Current Tax	21.87	3.50
Income Tax for Earlier Years	-	1.62
Profit after Tax	152.26	20.00
Provision for doubtful debt/advances written back	3.57	0.54
Balance brought forward from previous year	6.28	(14.26)
Profit /(loss) carried forward	162.11	6.28

**OPERATIONS AND PERFORMANCE**

The financial performance of the year under review has achieved a new height and fulfilled all the targeted projections and calculations. The company has achieved a sales turnover of Rs. 2952.75 Lacs, a growth of 82% (Approx) as compared to the previous year's figure of Rs. 1623.40 lacs. Due to the constant efforts put by the directors on cost reduction, the company has achieved a profit before tax of Rs. 287.40 lacs as compared to the previous year's figure of Rs. 46.43 lacs, a growth of 619% (Approx). The annexed Auditors' Report and Notes forming part of the accounts are self explanatory.

**CORPORATE REVIEW**

Due to the liberalization policy adopted by the Govt of India particularly for pharmaceutical sector, the basic concept of pharma business have undergone major changes. Exchange and acquisition of brands has become the trend in the global market. Taking advantage of the increased demand of Indian pharmaceutical products in the international market, the company has made arrangement with several agencies those who are having better marketing network internationally to expand the export sales in the coming years.

During the year under review, due to the major expansions carried out in the previous years for creating additional capacity on which commercial production has already started, the capacity utilization of your company was 85%.

As reported earlier year, your company has achieved the most desired standard GMP (Good Manufacturing Practice) Standard to get its products of international recognition with highest quality. After achieving the benchmark, the demand for the products your company has considerably increased in both the domestic and international market. Even though the major share of the revenue of the company was contributed by the contract manufacturing business, due to the additional capacities created in the previous years in both the SVP and LVP lines, the company has started building its own branded products. Major thrust has now been put on manufacturing and marketing of such products in both the domestic as well as international markets.

**EXPANSION/PRODUCT DEVELOPMENT**

It was the essence of the time to increase the range of products and volume to sustain in the niche market, which your company has developed and also to meet the demand of the valued customers whose numbers are growing day by day. After the installation of additional capacities in the SVP line and diversion of activities into ophthalmic / Ear care products, the range of the products both in contract manufacturing as well as own branded products, has increased to a great extent. It was the constant demand of the valued customers to add products of SVP which can conveniently can be added to the mainstream. Your directors are putting their best efforts to achieve the full capacity utilization of the additional capacities created during the current year itself.

## Exports

Due to the improvement in the international business scenario, the company has been able to earn Rs.204.15 Lacs in comparisons to Rs. 133.15 Lacs in the Previous year. In addition to the direct exports, the company has achieved indirect export through third parties Rs. 89.73 Lacs, making the total exports, to Rs. 293.88 Lacs. The company has developed third parties in India, for export of the products, who have a better marketing network internationally. In such practice, apart from assured payment, your company is also benefited by getting credit for its export obligations under the EPCG Scheme and in some cases, the DEPB benefits also. Your directors are continuously exploring the possibilities to increase the export earnings.

## Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Mr. Arun Kumar Gupta, Prof. G P Talwar, Dr. S S Arora and Ms. Sudarshan Walia, Directors of the company retire by rotation and being eligible offer themselves for reappointment. Keeping in view the longstanding service provided by them for overall development of the company, your directors hope for their reappointment to the Board.

**Directors' Responsibility Statement :** Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) That the applicable accounting standards have been followed alongwith proper explanation relating to material departures in the preparation of annual accounts;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

## Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled " Report on Corporate Governance" has been annexed to this Annual Report.

## Auditor's Report

The notes on accounts referred to the Auditors Report are self-explanatory and therefore do not call for any further comments.

**Auditors:** M/s Arun. K. Gupta & Associates, statutory auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

## Conservation of Energy, Technology absorption, Foreign Exchange Earnings/Outgo

The information pursuant to section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is furnished in the Annexure forming part of this report.

Particulars of employees: During the year under review, no employee was in receipt of remuneration exceeding the specified limits. Hence, no disclosure under 217(2-A) of the companies Act, 1956, is required to be made.

## Industrial Relation

The Company continued to maintain very healthy, cordial and harmonious industrial relations at all levels and the Directors wish to place on record their appreciation for the contributions made by the employees at all levels and take this opportunity to thank all employees for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of employees have enabled the Company to remain at the forefront of the industry despite severe competition.

## Acknowledgements

Your Directors would like to express their grateful appreciation to the Allahabad Bank for their timely financial help and assistance at all phases of working to make it successful.

They also express their grateful appreciation for the assistance and cooperation received from the shareholders, RIIICO and various government authorities. Last but not the least, the directors wish to place on record their deep sense of appreciation for the devoted service of the Executives, Staff and workers of the company for its success.

For and on behalf of the Board of Directors

New Delhi - 110017  
Date : 30.06.2004

**Bikramjit Ahluwalia**  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT****I - Conservation of Energy**

The following measures have been undertaken by your company during the year for conservation of energy.

1. General reduction in energy consumption level by minimum use of lighting and fans in the production/ packing area, stores, office and corridors and area outside the plant.
2. Timely preventive maintenance of Electrical motors and accessories.

**(A) 1. Electricity, Power and Fuel Consumption**

	Current Year	Previous Year
(a) Purchased :		
Units	3383470	2070928
Total amount (Rs.)	13928022	9111887
Average Rate per Unit	4.12	4.40
(b) Own Generation :		
Units Generated	519370	326306
Units generated per liter of Diesel oil	3.01	2.97
Average Cost per Unit (Rs.)	6.12	5.55
2 Fuel ( Furnace Oil/ LDO) :		
Units ( Litrs. )	1416791	619145
Total amount (Rs.)	16268368	7166979
Average Rate/Unit (Rs.)	11.48	11.57
(B) Average Consumption (value) per unit of production :		
Electricity	0.222	0.307
Fuel (Furnace Oil/ LDO)	0.211	0.201

**II- Technology absorption, adoption and innovation :**

The company manufactures I V Fluids using the FFS (Form-Fill-Seal) technology, imported from Rommelag AG of Switzerland which is fully absorbed and as a result of which the company is able to derive the benefits of import substitution of materials and superior quality products.

**III- Foreign Exchange earnings and outgo:**

	Current Year	(Rs. In Lacs) Previous Year
Foreign Exchange earnings	204.15	133.15
Foreign Exchange Outgo :		
(a) Foreign Travel	2.02	16.79
(b) Imports - Spares	6.94	31.41
(c) Imports - Raw Materials	335.24	189.83
(d) Commission	2.89	1.11
(e) Bank charges	0.32	0.31
(f) Registration Charges	2.81	4.13
(g) Capital goods	-	1057.91

For and on behalf of the Board of Directors

New Delhi - 110017

Date : 30.06.2004

**Bikramjit Ahluwalia**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE & DEVELOPMENTS

In the last few years the industrial scenario in pharmaceutical sector is changing fast as the Indian pharmaceutical industry is gradually aligning itself with international pharmaceutical industry. As 2005 is approaching now and India has to recognize the product patent regime instead of the present process regime, the ray of hope for Indian pharmaceutical industry is the global generic market which is according to a recent estimate, is growing at a rate of over 20%. In the next 2 years time, more than 7 block busters molecules are getting out of patent. US generic market itself is pegged at around USD 50 billion which is almost 10 times the total pharmaceutical market in India as on date. Even if the Indian industry is able to take 10% off this share, it will give enormous growth potential to Indian Industries. Your company is also putting its every efforts to encash upon this opportunity.

### OUTLOOK ON OPPORTUNITIES

With the increase in capital outlay on healthcare segments, ongoing liberalization in insurance sector and increased governmental spending on healthcare is going to have a positive effect on the pharmaceutical industry. Also with the healthy growth in GDP and proportionate increase in the per capita income, Indian household spending on healthcare will also increase. Due to these microeconomics factors, all the industries shall grow at a faster rate including the pharmaceutical industry. The Indian customer is also getting more educated and because of its international awareness owing to the telecommunication revolution, is becoming more and more demanding and quality conscious. These changes in the attitude of the customer will result into a better growth prospects for the companies, which are aligned to the better customer needs and customer services. Indian pharmaceutical industry is again anticipated to grow at the rate more than 15% annually in real terms and this creates enough room for the growth of quality conscious and customer oriented organizations.

### OUTLOOK ON THREATS, RISK AND CONCERNS

The dynamics of intravenous Infusion industry has not changed much more and this industry continues to suffer from poor pricing policies of the few greedy players. Though this is affecting the bottom lines of all the organizations across the industry but nobody is able to change the scenario. This is having a negative impact on the progress of the industry, as revenue demands for upgradations and research & development is not met with. To hedge with such kind of risk, Ahlcon has developed a strategy to align itself with the global market and there by reducing the risks arising out of local competitions. This required a commitment both in terms of quality and investment.

### EXPANSION / PRODUCT DEVELOPMENT

It was the essence of the time to increase the range of products and volume to sustain in the niche market, which your company has developed and also to meet the demand of the valued customers whose numbers are growing day by day. After the installation of additional capacities in the SVP line and diversion of activities into ophthalmic/ Ear care products, the range of the products both in contract manufacturing as well as own branded products, has increased to a great extent. It was the constant demand of the valued customers to add products of SVP which can conveniently be added to the mainstream. Your directors are putting their best efforts to achieve the full capacity utilization of the additional capacities created during the current year itself.

### INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has adequate internal control procedures commensurate with its size and- nature of the business. These business control procedures ensure efficient use and protection of the resources and compliance with the policies, procedures and statutes. The internal control system provide for well documented policies, guidelines, authorisations and approval procedures. The Company has an Internal Audit Department, which carries out audits extensively throughout the year. The prime objective of such audits is to test the adequacy and effectiveness of all internal controls laid down by the management and to suggest improvements.

The company has constituted an Audit Committee, which continuously reviews the internal control procedure and suggestions given by the committee are immediately incorporated into the system.

### FINANCIAL AND OPERATIONAL PERFORMANCE

The same has been discussed elaborately in the Directors Report.

### HUMAN RESOURCES

The Company regards its human resources amongst its most valuable assets and proactively reviews and evolves policies and processes to attract and retain its substantial pool of scientific, technical and managerial resources through a work environment that encourages initiative, provides challenges and opportunities. Adequate facilities and opportunities are also being provided to the technical and professional staffs to update themselves in the fast changing era of technologies.

### CAUTIONARY NOTE

Certain statements in the above report may be forward looking and are stated as required by legislations in force. The actual results may be affected by many factors, which may be different from what the Directors/Management envisage in terms of future performance and outlook.

### REPORT ON CORPORATE GOVERNANCE

The best corporate governance practices has been adopted by Ahlcon and the same is being continuously reviewed to ensure that they adhere to the latest corporate developments and conform to the best corporate governance ethics.

**In accordance with Clause 49 of the listing agreement with the stock exchanges, the details of compliance by the Company are as under:**

#### 1. Board of Directors

The Board is having a non-executive Chairman and appropriate composition of Executive and Non- Executive Directors conforming to the specification provided in the Listing Agreement. All the Directors are equipped with variety of perspectives and skills, to ensure effectiveness of the Board, facilitating efficient discharge of duties and adding value in the context of the Company's circumstances.

The Board of Directors consists of 9 directors and the composition and category of Directors is as follows:

Name of Director	Category	Board Meeting Attended	Attendance at the Last AGM held on 30/09/03	No. of Directorship in other Companies	Number of Committee membership held in other Companies		Remarks
					Chairman	Member	Date of Appointment
Mr. Bikramjit Ahluwalia	Chairman (promoter) Non Executive	5	Yes	3	NIL	NIL	Since Incorporation
Mr. M.K.G.Pillai	Managing Director (Executive)	6	Yes	1	NIL	NIL	20.5.1994. Reappointed as M.D. on 31.03.2004
Ms. Sudarshan Walia	Director (Promoter) Non Executive	5	Yes	3	NIL	1	Since Incorporation
Dr. Rohini S. Ahluwalia	Whole Time Director (Promoter & Executive)	6	Yes	2	NIL	NIL	01.04.1994. Reappointed as WTD on 31.03.2004.
Mr. Anun Kumar Gupta	Independent Director Non Executive	5	Yes	3	1	2	15.03.1993
Mr. V. K. Sachdeva	Independent Director Non Executive	3	No	2	1	3	16.08.1993
Dr. S. S. Arora	Independent Director Non Executive	3	No	NIL	NIL	NIL	30.01.2002
Prof. G. P. Talwar	Independent Director Non Executive	4	No	NIL	NIL	NIL	30.01.2002
Dr. S.C.L.Gupta	Independent Director Non Executive	4	No	NIL	NIL	NIL	29.01.2003

Six Board meetings of the Company were held during the year on the following dates:

I 30.06.2003	II 30.07.2003	III 30.10.2003	IV. 29.11.2003
V. 30.01.2004	VI. 31.03.2004		

None of the Directors on the Board hold directorship in more than fifteen companies and no Director is a member of more than 10 committee and Chairman of more than 5 Committee ( as specified in Clause 49), across all the Companies of which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

There are no pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company.

#### 2 Board and its subordinate Committees

With a view to sub serve the functions specifically prescribed by Clause 49 of the listing agreements, the company has constituted an Audit Committee, Remuneration Committee and Shareholders Grievance Committee. The following report depicts the composition of the committees and also the nature of functions performed by them during the year under report: