

## 93rd ANNUAL REPORT 1999





**Ramanbhai B. Amin**

19-5-1913 to 8-4-2000

*Chairman of the Alembic Group for almost five decades . . . .a visionary who pioneered the Pharma movement in India against many odds.*

*. . . . . a man with foresight and entrepreneurial spirit who propelled the company to its present position of eminence and enabled venturing into unexplored and diverse areas of agrotech, glass manufacture and engineering.*

*. . . . . a shining example of qualities of the head and the heart, with a deep sense of concern for people and society, always looking out for ways to improve life for his fellowmen, he reached out as a philanthropist to many social organisations, where he left an indelible mark.*

*We salute this great man . . . . even as we endeavour to carry on the tradition left by him.*

**ALEMBIC LIMITED**  
(Formerly - Alembic Chemical Works Co. Ltd.)

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**BOARD OF DIRECTORS** : **SHRI CHIRAYU R. AMIN** Chairman & Managing Director  
**SMT. MALIKA C. AMIN** Whole-time Director  
**DR. BABUBHAI R. PATEL**  
**DR. MOHANLAL V. PATEL**  
**SHRI HASMUKHLAL B. PARIKH**  
**SHRI RANJITBHAI R. PATEL**  
**DR. CHUNIBHAI B. PATEL**  
**SHRI RAMANLAL M. KAPADIA**

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**SECRETARY** : **SHRI R.M. KAPADIA**

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**AUDITORS** : **K. S. AIYAR & CO.,**  
Chartered Accountants,  
49-55, Bombay Samachar Marg,  
Mumbai-400 023.

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**BANKERS** : **ABN-AMRO BANK N.V.**  
**BANK OF BARODA**  
**ICICI BANK LIMITED**  
**INDIAN BANK**  
**ING BANK N.V.**  
**UNION BANK OF INDIA**  
**UTI BANK LIMITED**  
**VIJAYA BANK**

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**INSTITUTIONS** : **EXIM BANK**  
**ICICI**  
**IDBI**  
**IIBI**

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**REGD. OFFICE** : **ALEMBIC ROAD, VADODARA-390 003.**

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**FACTORIES** : **ALEMBIC ROAD, VADODARA-390 003.**  
**PANELAV, TAL. HALOL, DIST. PANCHMAHAL.**

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**STOCK EXCHANGES** : **NATIONAL STOCK EXCHANGE OF INDIA LIMITED**  
Trade World, Kamla Mills Compound,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.  
**THE STOCK EXCHANGE, MUMBAI**  
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.  
**VADODARA STOCK EXCHANGE LIMITED**  
Fortune Tower, Sayajigunj, Vadodara - 390 005.

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**ALEMBIC LIMITED****NOTICE**

Notice is hereby given that the Ninety-Third Annual General Meeting of the Members of Alembic Limited will be held at "Sanskriti", Alembic Corporate Conference Center, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara - 390 003, on **Wednesday the 14th June, 2000 at 3.30 p.m.** to transact the following business:

**ORDINARY BUSINESS :**

1. To receive and adopt the audited Balance Sheet and Profit & Loss Account of the Company for the year ended on 31st December, 1999 and the reports of the Directors and Auditors thereon.
2. To confirm the payment of interim dividends on the Preference Shares and on the Equity Shares.
3. To appoint a Director in place of Shri R.R. Patel, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri R.M. Kapadia, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS :**

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

**SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as follows:

The existing Article No. 150 of the Articles of Association of the Company be deleted and be substituted in its place and stead by the following:

<b>Notice of dividends and forfeiture of unclaimed dividends.</b>	150.	Notice of interest or dividends to become payable shall be given to each shareholder entitled thereto, as herein provided. Unclaimed dividend will not be forfeited except in terms of the provisions of Section 205A of the Companies Act, 1956.' "
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**NOTES:**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Explanatory Statement setting out all material facts concerning item no. 6 as required under Section 173 of the Companies Act, 1956, is annexed hereto.
3. All documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 10.00 a.m. to 12.00 noon on any working day.
4. Interim Dividend of Rs. 3.50 per share (i.e. 35%) has been declared for the year ended 31st December, 1999 by the Board of Directors at its meeting held on 30th March, 2000. The said dividend will be paid on 8th May, 2000 to those members whose names appear on the Register of Members of the Company on 28th April, 2000.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended on 30th June, 1994 have been transferred to the General Revenue Account of the Central Government.  
Shareholders who have not encashed the dividend warrant for the said period are requested to claim the amount from the Registrar of Companies (Gujarat), C. G. O. Complex, Opp. Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad 380 013.
6. Shareholders are requested to note that Securities and Exchange Board of India (SEBI) has issued Press Release for compulsory trading of the Equity Shares of the Company in dematerialised form by institutional investors and OCBs with effect from 26th June, 2000. The Company has entered into Agreements with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of its Equity Shares. The Intime Spectrum Registry Pvt. Ltd. will act as R & T agent for electronic connectivity. Shareholders can now avail of the facility of holding/trading their securities in the demat form. Shareholders are therefore, requested to convert their shares into dematerialised form at the earliest which will facilitate buying/selling of the Equity Shares of the Company in demat form.

Registered Office :  
Alembic Road,  
Vadodara 390 003.  
Dated: 20th April, 2000

By Order of the Board,

**R.M. KAPADIA**  
Secretary

**ALEMBIC LIMITED**

**EXPLANATORY STATEMENT AS REQUIRED UNDER  
SECTION 173 OF THE COMPANIES ACT, 1956.**

**Item No. 6**

During the year, the Company had approached National Stock Exchange of India Limited for the listing of Equity Shares of the Company. The National Stock Exchange of India Limited had given listing and trading permission for Company's Equity Shares w.e.f. 22nd September, 1999. However, at the time of giving this permission, the National Stock Exchange had advised the Company to amend its Articles of Association so as to include the required provision relating to forfeiture of Unclaimed Dividend. Accordingly, the Company had given an undertaking to amend its Articles of Association in the next Annual General Meeting. Therefore, it is necessary to amend the Articles of Association of the Company, in the manner as mentioned in the resolution.

According to section 31 of the Companies Act, 1956 it is necessary to pass a Special Resolution to amend any of the provisions of Articles of Association. Therefore, the Board recommends the resolution for the approval of the members.

None of the Directors of the Company is concerned or interested in the resolution.

Registered Office :

Alembic Road,

Vadodara 390 003.

Dated: 20th April, 2000

By Order of the Board,

**R.M. KAPADIA**

Secretary



**ALEMBIC LIMITED****DIRECTORS' REPORT**

To,  
The Members,

Your Directors submit their Ninety-Third Report together with the Statement of Accounts for the year ended on 31st December, 1999.

**1. FINANCIAL RESULTS:**

	Year ended 31st December, 1999 Rs.	Year ended 31st December, 1998 Rs.
<b>The gross profit</b> for the year before providing for interest, depreciation and tax, amounts to	<b>67,44,06,676</b>	<b>56,42,93,712</b>
<b>Deducting therefrom:</b>		
Interest and discounting charges	24,25,19,462	24,85,52,108
Depreciation	10,65,61,951	12,81,58,257
Provision for Taxation	4,04,00,000	2,18,00,000
	<b>28,49,25,263</b>	<b>16,57,83,347</b>
<b>Adding thereto:</b>		
Balance brought forward from last year	18,55,54,998	5,27,33,036
Provision no longer required	2,100	1,968
Transfer from Investment Allowance Reserve	22,00,000	-
Depreciation of earlier year written back	14,147	5,02,169
Transfer from Debenture Redemption Reserve	-	4,50,00,000
	<b>47,26,96,508</b>	<b>26,40,20,520</b>
<b>Deducting therefrom:</b>		
Short Provision of the Income-tax of earlier years	-	9,37,483
The balance left is	<b>47,26,96,508</b>	<b>26,30,83,037</b>
<b>Appropriating therefrom:</b>		
Provision for Dividend on : Preference Shares	1,02,92,550	2,27,48,112
Equity Shares	2,52,48,510	2,02,59,114
Provision for Corporate Dividend Tax	38,91,106	45,20,813
General Reserve	4,00,00,000	3,00,00,000
Balance carried forward to next year's accounts	<b>39,32,64,342</b>	<b>18,55,54,998</b>
	<b>47,26,96,508</b>	<b>26,30,83,037</b>

**2. DIVIDEND:**

Your Directors have declared Interim Dividend as under :

**A. On Preference Shares :**

- On 5,00,000 Redeemable Non-convertible Cumulative Preference Shares of Rs. 100/- each (series A) for the year 1999 at 16% p.a. pro-rata for the period from 1/1/1999 upto the date of redemption (Already paid). : **9,20,550**
- On 5,00,000 Redeemable Non-convertible Cumulative Preference Shares of Rs. 100/- each (Series B) for the year 1999 at 16% p.a. pro-rata for the period from 1/1/1999 upto the date of redemption (Already paid). : **9,20,550**
- On 5,00,000 Redeemable Non-convertible Cumulative Preference Shares of Rs. 100/- each (Series C) for the year 1999 at 13.5% p.a. pro-rata for the period from 1/1/1999 upto the date of redemption (Already paid). : **61,76,700**
- On 1,68,500 Redeemable Non-convertible Cumulative Preference Shares of Rs. 100/- each (Series D) for the year 1999 at Rs. 13.50 per share (i.e. 13.5% p.a.) (Already paid). : **22,74,750**

**B. On Equity Shares :**

- On 72,13,860 Equity shares of Rs. 10/- each at Rs. 3.50 (i.e. 35% p.a.) per share for the year 1999 (To be paid). : **2,52,48,510**  
: **3,55,41,060**

The Board does not recommend any final dividend on Equity Shares in addition to interim dividend @ 35% already declared.

## ALEMBIC LIMITED

**3. CAPITAL :**

During the year, the Company has redeemed 15,00,000 Redeemable Non-Convertible Preference Shares of Rs. 100/- each, aggregating to Rs. 15 crores of series A, B and C, at par. Necessary Capital Redemption Reserve has been created from the transfer from General Reserve Account. In the current year 2000, the Company has prepaid 1,05,000 Redeemable Non-Convertible Preference Shares of Rs. 100/- each of series D at par and the remaining 63,500 Redeemable Non-Convertible Preference Shares of series D are also being prepaid by 30th April, 2000.

**4. SHAREHOLDERS' VALUE:**

The Company has been making endeavours to improve the Shareholders' value by undertaking various measures. Apart from operational improvement which has a bearing on the market prices, the Company has gone for a sub-division of Equity Shares of Rs. 100/- face value to Rs. 10/- face value. In order to improve the liquidity of the Shares, apart from the listing with National Stock Exchange in the current year, your Company has entered into an agreement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for dematerialisation of Equity Shares. This enables you to hold your Shares in an electronic form with either of these depositories. Even though mandatory dematerialisation was to be effected for the Institutional Investors only, the Company has opted for dematerialisation of Equity Shares for all categories of investors in view of desirable benefits such as quick transfers, paperless trading, avoidance of theft and forgery of share certificates etc. Although this is optional for other categories of investors, they are requested to take advantage of dematerialisation immediately. The Company's Equity Shares are listed with Vadodara Stock Exchange, Mumbai Stock Exchange and National Stock Exchange. The Company is regular in paying listing fees in each of the Stock Exchanges.

**5. OPERATIONS:**

The Company's sales, including export incentives, were Rs. 391.79 crores for the year ended on 31st December, 1999 as compared to Rs. 374.05 crores for the previous year ended on 31st December, 1998. The gross profit (before providing interest and depreciation) was Rs. 67.44 crores as compared to Rs. 56.43 crores for the year ended on 31st December, 1998. The Company has made profit (before tax provision) of Rs. 32.53 crores for the year under review as compared to Rs. 13.76 crores for the previous year ended on 31st December, 1998. The improvement in the profitability is mainly due to change in product mix, financial restructuring leading to reduction in interest and finance cost, improvement in the process of manufacturing bulk drugs, control on employees' costs and other administrative expenses, etc.

The Company has undertaken financial restructuring in last two years, fruits of which have already been realised. The Company has continued in this direction in the year 1999 with many of the high cost borrowings being paid off including the Preference Share Capital, long term loans from banks and financial institutions, hire purchase financial arrangements, etc. The Company has also started availing money market instruments including Commercial Paper, Unsecured Short Term Loan, etc. by which, considerable saving in interest and finance costs is being realised.

**(i) Pharmaceutical Division :**

The sales, including export incentives, were Rs. 367.66 crores for the year ended on 31st December, 1999 as compared to Rs. 346.99 crores for the previous year ended on 31st December, 1998.

In line with the sluggish turnover in Pharma formulations industry, the turnover of the Pharma division was lower than that projected by the Company. India probably has the most competitive pharmaceutical market in the world, with a vast number of pharmaceutical manufacturers and a very price conscious consumer. Sales have grown modestly mainly because of the emergence of Generic Market with increased competition. Although some of our brands like Althrocin, Glycodin, etc. suffered set back during the year, we have been able to sustain our efforts in domestic formulation market by advancing position of certain brands like Roxid, Azithral, Nimegesic etc. This in turn has helped the Company in consolidating its position in key therapeutic area of Macrolide and Non-steroidal Anti-inflammatory Drugs (NSAID).

**Export Sales**

Export Sales for the year ended on 31st December, 1999 were Rs. 75.35 crores as against Rs. 67.09 crores for the previous year ended on 31st December, 1998 showing a growth of 12%.

Though the growth rate has come down, we have consolidated our position in Asia-Pacific and African Markets. The price realization of some of the key products has come down because of severe competition from within the country and also from other global players.

**ALEMBIC LIMITED**

Your Company today is respected as one of the major players for Macrolides and Penicillin. More and more new products are identified to enable your Company to be one of the major Indian pharmaceutical companies with focus on International Markets.

Your Company has started preparing itself for Regulatory Markets and will be one of the main source of supply for some of the products which will go out of patent by 2005.

Your Company is now aggressively working towards identifying and marketing of its Branded Formulations.

**(ii) Veterinary Division :**

The sales of Veterinary Division were Rs. 24.06 crores for the year ended on 31st December, 1999 as against Rs. 26.82 crores for the previous year ended on 31st December, 1998.

The anti-infective group contributes 50% of the total sales of Alembic Veterinary. Some of the brands based on penicillin, amoxicillin and cloxacillin are the market leaders in the industry.

The Herbals Veterinary, has successfully introduced new products which are very well accepted by the market.

**(iii) Panpharm Division**

Formulations produced at Panpharm Division were Rs. 40.57 crores for the year ended on 31st December, 1999 as against Rs. 46.27 crores for the previous year ended on 31st December, 1998.

**CURRENT OUTLOOK :****Bulk Drugs**

Your Company has manufactured and sold higher quantity of Penicillin as well as Erythromycin during the year.

The prices of both Penicillin and Erythromycin have declined marginally in the beginning and thereafter remained stable during the year.

Roxithromycin and Azithromycin witnessed impressive growth during the year. We succeeded in consolidating our position and emerge as the largest exporter of macrolides. However prices of this group of products are steadily falling in the non-regulatory markets. We are, therefore, working towards entering regulated markets in a phased manner. Regulated market not only provides stable prices, but also provides some protection against vagaries of competition.

**Formulations :**

During the year under review, the Company has introduced 6 new products and is proud of introducing, for the first time in India, Alpha Lipoic Acid Capsule, a Nutraceutical, under the brand name of ALA 100. The contribution of new products introduced in last few months will be significant in the current and subsequent years to come.

**6. ISO-14001 CERTIFICATION**

Your Company has applied for ISO-14001 Certification and has taken many initiatives that are directed towards a cleaner environment through waste minimization, efficiency improvement and resource conservation. Audit team of KPMG International - a Swiss Association - has audited your organisation and the certificate for ISO-14001 is expected to be issued by them shortly.

**7. Y2K COMPLIANCE**

Your Company managed to roll over to the new millennium in a smooth manner, with intensive efforts undertaken over past two years including the year under review. The Company's preparedness to ensure smooth roll over included a detailed inventory of not only the computers, but also the assets, equipments, apparatus in use in a variety of areas ranging from Research & Development to manufacturing and MIS systems.

**8. INFORMATION TECHNOLOGY**

Your Company has decided to install ERP system to reduce cycle time, reduce inventory, improve resource utilisation and enable effective use of information across the organisation. ERP implementation will further accelerate decision making and will better the overall efficiencies of the integrated operations of the Company.

Accordingly, your Company has decided to implement SAP software and the same is under implementation.

**ALEMBIC LIMITED****9. CONTINGENT LIABILITIES - GAS PRICE MATTERS :**

The matter of contingent liabilities of gas price principal and interest liabilities has been with the Courts of Law for quite some time. The Company is optimistic about the favourable outcome in the matter. It is hoped that the matter would be settled satisfactorily.

**10. RESEARCH & DEVELOPMENT :**

Your Company has developed processes for several drugs on lab scale and they are in different stages of scale-up. Your Company has successfully commercialised Sterile Azithromycin.

With globalization and changes in patent laws, there is a challenge for Indian pharmaceutical companies to discover, develop and market innovative drugs. This is one of the ways to secure continuity of their business. After considerable thought and deliberation, your Company has decided to enter the field of New Chemical Entity (NCE) research.

Your Company has entered into a collaborative research project with National Chemical Laboratory, Pune for "Rational Design, Synthesis and Screening for New Antimicrobial Macrolides". This program envisages an investment of Rs. 75 lacs over a period of 3 years. Significant investments will be made towards procuring sophisticated equipments to aid in this endeavour. Efforts are being concentrated towards building a team of dedicated scientists from various fields of sciences to undertake this task. We are recruiting scientists (Synthetic organic chemists, Microbiologists), experts in regulatory affairs, experts in handling sophisticated instruments, pharmacologists and toxicologists.

**11. MODERNISATION AND EXPANSION :**

The installation work of Cephalosporin-C recovery plant has been completed. Technical team from our collaborators in Italy visited the plant recently and has inspected the complete installation. The plant has been approved and trials have begun.

Installation work of 7-ACA synthesis plant is currently under progress. The plant is expected to be available for commercial scale production within 3 to 4 months.

In Co-generation power plant, Gas Turbine No. 3 of 4 MW capacity and Heat Recovery Steam Generator is expected to be commissioned by June, 2000. Power and steam generated from this plant will be available to us at lesser cost.

**12. SUBSIDIARY COMPANY:**

During the year, Alembic Exports Limited, became the wholly owned subsidiary company in May, 1999 and existing Subsidiary Company, Algen Ltd. ceased to be a Subsidiary of the Company in December, 1999.

As required under Section 212 of the Companies Act, 1956, the accounts of the subsidiary company M/s. Alembic Exports Limited are annexed.

**13. FIXED DEPOSITS:**

The Fixed Deposits including loans from Shareholders of the Company as on 31st December, 1999 amounted to Rs. 27,72,37,401. Out of these, deposits aggregating to Rs. 29,51,901 from 350 depositors have not been renewed on due dates. Deposits of Rs. 12,07,500 have since been repaid or renewed at the option of 134 depositors and for balance of Rs. 17,44,401 from 216 depositors, no instructions have been received so far.

**14. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE :**

In accordance with the provisions of Section 217(i)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure "A" to this Report.

**15. PARTICULARS OF EMPLOYEES :**

In compliance with the provision of Section 217(2A) of the Companies Act, 1956, a Statement giving requisite information is given in Annexure "B" and forms part of this Report.

**16. DIRECTORS:**

Your Directors have to inform with profound regret, the sad passing away of Shri R.B. Amin, our beloved Chairman. Shri Amin was instrumental for the development of our Company and the group in last six decades. His vision, foresight, perseverance and dedication towards work made this Company a force to be reckoned with in the pharmaceutical industry. His endeavours to be self-sufficient in technology and technical matters also made this Company and the group self-reliant in technical field. The Company will continue to excel with full dedication and hard-work which were so natural to this "Karma yogi".

**ALEMBIC LIMITED**

Shri Chirayu R. Amin, Managing Director, has been appointed as Chairman of the Company and of the Board of Directors w.e.f. 20th April, 2000.

Under the Company's Articles of Association, Shri R.R. Patel and Shri R.M. Kapadia retire by rotation and are eligible for re-appointment.

**17. AUDITORS :**

M/s. K.S. Aiyer & Co., the Company's Auditors, will retire at the conclusion of the ensuing Annual General meeting and are eligible for re-appointment as Auditors. Members are requested to re-appoint them and fix their remuneration.

**18. COST AUDITOR :**

The Central Government has directed that an audit of Cost Accounts maintained by the Company relating to Bulk Drugs, Formulations and Industrial Alcohol for the year ended on 31st December, 1999 be conducted by Auditor with qualifications prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly, the Board has, with the approval of the Central Government, appointed Shri H.R. Kapadia as Cost Auditor for the year ended on 31st December, 1999.

On behalf of the Board of Directors

Vadodara, 20th April, 2000.

**CHIRAYU R. AMIN**  
Chairman & Managing Director

**ANNEXURE "A" TO DIRECTORS' REPORT**

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 :-

**(A) CONSERVATION OF ENERGY :**

The Company has given thrust to energy conservation measures on a continuous basis. Some of the measures taken are :-

**(a) Energy conservation measures taken :**

1. The Captive Co-generation Power Plant, consisting of 2 x 4 MW capacity Gas Turbine Generators and Associated Heat Recovery Steam Generator has been operated continuously.
2. 18 TPH Boiler with better overall fuel efficiency was successfully commissioned.

**(b) Additional investment proposals for reduction of consumption of energy :**

1. Installation of third stream of 4 MW capacity Gas Turbine Generator and Associated Heat Recovery Steam Generator is in advance stage of implementation.
2. The Company proposes to undertake Energy Audit of the total plant.

**(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of the production of goods :**

1. The Gas turbine based Captive Co-generation Power Plant simultaneously generates electricity and steam by consuming less fuel achieving very good efficiency to maintain the essential inputs of electric power and steam to the plant with better reliability and availability thus supporting the process.
2. New 18 TPH Boiler is generating steam at much higher overall fuel efficiency in comparison to old small fired boilers. This has resulted into saving of fuel and energy conservation.
3. Third stream of proposed 4 MW Gas Turbine Generator and Heat Recovery Steam Generator in Captive Co-generation Power Plant will further reduce fuel consumption at present in the fired boilers to meet short fall in steam requirement in the plant.

**(d) Total energy consumption and energy consumption per unit of production.**

Form 'A' enclosed.