

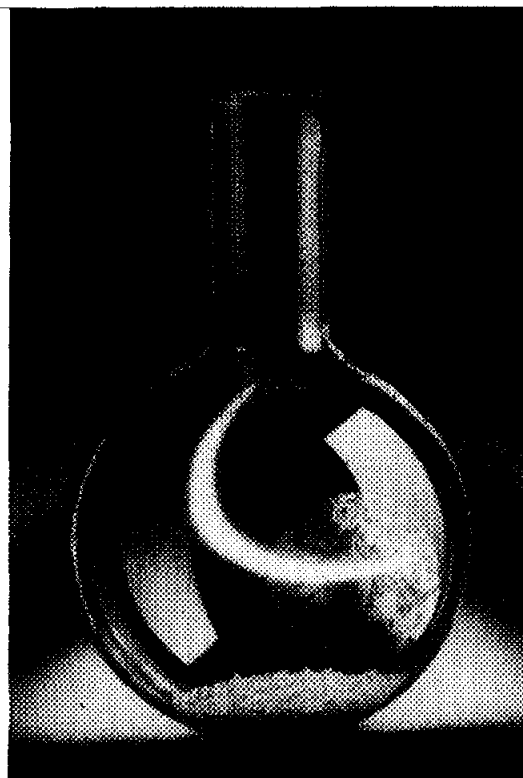
95th
ANNUAL REPORT
2001-02

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Alembic

In Healthcare since 1907

Over 9 Decades of Excellence Through Dedication...



Alembic - launched in 1907 in the green undulating landscape of Baroda, has become one of the largest pharmaceutical companies in India, based on philosophy of indigenous technology. Maintaining its leadership in fermentation technology, Alembic is the largest producer of Erythromycin and Penicillin in private sector. Some of the milestones of Alembic are :

★ Largest manufacturer of Erythromycin in India and leading manufacturer and exporter of Penicillin formulations in the world.

★ First Indian company and second in the world to manufacture Roxithromycin, right from the basic stage.

★ One of the largest exporters of finished formulations to over 30 countries including Germany, U.K., France, Spain, Switzerland, China, Belgium etc.

★ Winner of Certificate of Excellence in 1992 from Ministry of Science & Technology.

★ Winner of "First Award" by Chemexcil, for excellent performance in export from Ministry of Commerce for the year 1991-92.

Dedication to the nation and better health care for ailing humanity are the forte to keep us marching towards a ton.

Alembic

An ISO 9002 & 14001 Company

Where the Pursuit of Progress is endless

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA 390 003, INDIA

Phones : (0265) 280550, 280880 • Fax : (0265) 282934, 281229 • E-mail : alembic@alembic.co.in • Website : www.alembic-india.com

ALEMBIC LIMITED

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 (upto 17th December, 2001)
SHRI RANJITBHAI R. PATEL
DR. CHUNIBHAI B. PATEL
SHRI PRANAV N. PARIKH
SHRI RAMANLAL M. KAPADIA

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

AUDITORS : **K. S. AIYAR & CO.,**
Chartered Accountants,
4th Floor, Janmabhoomi Bhavan,
24-26, Janmabhoomi Marg,
Fort, Mumbai-400 001.

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

INSTITUTION : **EXIM BANK**

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

FACTORIES : **ALEMBIC ROAD, VADODARA-390 003.**
PANELAV, TAL. HALOL, DIST. PANCHMAHALS-389 350.
PLOT NO. 112 & 121, PANCHAL INDUSTRIAL ESTATE,
VILLAGE BHIMPORE, DAMAN-396 210.

STOCK EXCHANGES : **THE STOCK EXCHANGE, MUMBAI**
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Bandra-Kurla Complex, Bandra (East)
Mumbai - 400 051.
VADODARA STOCK EXCHANGE LIMITED
Fortune Tower, Sayajigunj, Vadodara - 390 005.

ALEMBIC LIMITED**NOTICE**

Notice is hereby given that the Ninety-fifth Annual General Meeting of the Members of Alembic Limited will be held at "Sanskriti", Alembic Corporate Conference Centre, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara – 390 003, on **Thursday, the 12th September, 2002 at 3:30 p.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the audited Balance Sheet and Profit and Loss Account of the Company for the period ended on 31st March, 2002 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Dr. M.V. Patel, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. C.B. Patel, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

To transact the following business as Special Business:

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

SPECIAL RESOLUTION

"RESOLVED that in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities, the Articles of Association of the Company be and is hereby altered as follows:

After existing Article 122(d), the following new Article be inserted as Article 122(e).

Article 122(e)

"The Board may, if the circumstances so require, meet by means of telephone, video conferencing or through any other audio-visual links. The provisions relating to Notice, Agenda, Quorum and Minutes stated herein shall *mutatis mutandis* apply to the meetings held through such audio or audio-visual media."

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

ORDINARY RESOLUTION***RESOLVED**

1. THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors for mortgaging and/or charging of the Company's assets and properties, both immovable and movable, wheresoever situate, both present and future, to or in favour of :

Financial Institutions (FIs)/Foreign Institutional Investors (FIIs)/Commercial Banks/ Nationalized Banks/ Private Sector Banks/Co-operative Banks/Debtenture Trustees/Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs)/any Body Corporate/Insurance Companies/Mutual Funds (MFs) including off-shore funds/ Government agencies/Government Company and/or any other Authority (hereinafter referred to as "the Lenders") to secure various term loans and/or debtentures and/or borrowings and/or financial instruments and/or any other financial arrangements from the Lenders not exceeding in the aggregate Rs.30 crores, subject to such guidelines, approvals, consents, permissions and/or sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India, concerned Stock Exchanges and all other appropriate and concerned authorities as may be applicable and subject to such conditions and modifications as may be prescribed by them in such guidelines and/or in any other documents while granting such approvals, consents, permissions and/or sanctions, together with interest at the agreed rates, additional interest, liquidated damages, guarantee commission, remuneration payable to the Trustees, commitment charges, costs, charges, expenses and all other monies including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved, payable by the Company to the Lenders in terms of the Loan Agreement/ Heads of Agreement/ Mortgage Deed/Trustees Agreement/Letter of Sanction/ Letter of Intent/Memorandum of Terms and Conditions etc. to be entered into by the Company in respect of the said term loans and/or debtentures and/or borrowings and/or financial instruments and/or any other financial arrangements and any amendments or modifications thereto from time to time.

2. THAT the Board of Directors of the Company be and is hereby authorised to agree with any one or more or all of the Lenders as per the respective Loan Agreement/Heads of Agreement/Trustees Agreement/ Letter of Sanction/Letter of Intent/Memorandum of Terms and Conditions etc. to reserve a right to take over the possession of the assets of the Company and/or management and/or the business and concern of the Company in certain events.

ALEMBIC LIMITED

3. THAT the Board of Directors of the Company be and is hereby authorized to finalize and execute necessary documents for creating the aforesaid mortgages and/or charges and to do all acts, deeds, matters and things as may be necessary, required or expedient for effectuating this resolution."

8. To consider and, if thought fit, to pass, the following resolution as a Special Resolution:

SPECIAL RESOLUTION

"RESOLVED that pursuant to the provisions of Section 17 of the Companies Act, 1956, Clause No. III i.e. Object Clause of the Memorandum of Association of the Company be altered by adding the following sub-clauses:

Sub-Clause No.51:

To carry on the business of manufacture, import, export and sale of all sorts of glass, glass-ware including table-ware, bottles, carboys and all things and materials pertaining to glass industry.

Sub-Clause No.52:

To carry on business of manufacturer of and dealers in insecticides, made from basic or intermediate organic chemicals or derived from plants and their compounds or in any other ways or methods and contact and systemic, organic and inorganic, fungicides, herbicides, weedicides, rodenticides, pesticides, disinfectants, deodorants, germicides for home, farm or other use.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary to effectuate the above resolution."

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

SPECIAL RESOLUTION

"RESOLVED that pursuant to Section 149(2A) of the Companies Act, 1956 and all other applicable provisions, if any, the Company in General Meeting hereby approves the commencement and execution of all or any of the activities covered by newly inserted Sub-Clause Nos. 51 & 52 of Clause III of the Memorandum of Association of the Company by the Directors as and when they think it fit."

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. The Proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
3. The Register of Members of the Company will remain closed from Tuesday, the 3rd September, 2002 to Thursday, the 12th September, 2002 (both days inclusive), for the purpose of payment of dividend.
4. The dividend when sanctioned will be made payable on or after Monday, the 23rd September, 2002 to those members whose names stand on the Register of Members of the Company on 12th September, 2002. Members are requested to notify promptly any change in their registered address.
5. Explanatory Statement setting out all material facts concerning item Nos.6, 7, 8 & 9 as required under Section 173 of the Companies Act, 1956 is annexed hereto.
6. 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. and 12.00 noon on any working day.
7. Resolution at item No. 8 i.e. resolution under Section 17 is required to be passed by postal ballot as per the provisions of Section 192A of the Companies Act, 1956 and rules made thereunder. Postal ballot in this respect is sent along with this notice to all the members. Members are requested to cast their votes by filling the postal ballot and send the same to the Company by prepaid envelope sent herewith so as to reach the Company on or before 5.30 p.m. on Monday, the 9th September, 2002. Any postal ballot received after this time will not be considered. Results of the postal ballot will be declared at the ensuing Annual General Meeting. This Resolution will not be put for voting at the Annual General Meeting since covered by postal ballot.
8. Shareholders who have not encashed their dividends after the financial year ended on 30th June, 1994 are requested to immediately approach the Company. According to the amendment in Section 205A of the Companies Act, 1956, all the unclaimed dividend, if any, are required to be transferred to the newly established Investor Education and Protection Fund.

Regd. Office:
Alembic Road,
Vadodara – 390 003.
Dated : 27th June, 2002

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**

The Board of Directors has constituted various Committees of the Board. The Directors take active part in the deliberations. Some of these meetings are often held to transact limited items of business requiring speedy consideration by the Directors.

For attending these meetings, it takes several hours for Directors to commute to and from the venue of the meetings and even greater time for Directors travelling to Vadodara from outstation. With the advent of modern information & communication technology, it appears that the Directors are no longer required to physically remain present in every meeting. The Board Meetings or its Committee Meetings can now be held with the aid of telephone, multimedia computer, video conferencing or other telecommunication media. This will enable the Directors to conduct the business speedily, cost effectively, most efficiently and without loss of time. It is proposed to insert Article 122(e) in the Articles of Association of the Company as set out at Item No.6 in the Notice to facilitate conduct of meetings through audio-visual media.

As per Section 31 of the Companies Act, 1956, the Company may by a Special Resolution alter its Articles of Association and hence this resolution. Your Directors commend the Resolution for your approval.

None of the Directors of the Company is deemed to be concerned or interested in the Resolution.

Item No. 7

The Company may from time to time enter into various agreements with Financial Institutions (FIs)/Foreign Institutional Investors (FIIs)/Commercial Banks/Nationalized Banks/Private Sector Banks/Co-operative Banks/Debtenture Trustees/Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs)/any Body Corporate/Insurance Companies/Mutual Funds (MFs) including off-shore funds/Government agencies/Government Companies and/or any other Authority (hereinafter referred to as "the Lenders") to secure various term loans and/or debentures and/or borrowings and/or financial instruments and/or any other financial arrangements from the Lenders not exceeding in the aggregate Rs. 30 crores. The Company is required to mortgage and/or charge all or any of the immovable and/or movable properties and the whole or substantially the whole of the undertaking(s) together with reservation of right to take over the management of business or concern of the Company in certain events.

Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors of Public Limited Company, shall not, without the consent of members of such Company in General Meeting, dispose off the whole or substantially the whole of the undertaking(s) of the Company in one way or another.

As the term loans and/or debentures and/or borrowings and/or financial instruments and/or any other financial arrangements may be required to be secured by mortgage and/or charge of the immovable and/or movable properties of the Company, both present and future, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956. Hence, the resolution is placed for your kind consideration.

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

Item No.8

The Company proposes to diversify its activities in the areas of manufacturing of glass and certain special chemicals etc. as mentioned in Sub-Clauses 51 & 52 proposed to be inserted in the Object Clause of Memorandum of Association of the Company. Section 17 of the Companies Act, 1956 provides that any amendment in the Object Clause of the Memorandum of Association would require Members' approval by a Special Resolution. Hence, the Board of Directors recommends the resolution for your approval.

A copy of the Memorandum of Association of the Company together with proposed alterations is available for inspection at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day.

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

Since resolution in this respect is proposed to be passed by way of postal ballot, members are requested to do the needful as mentioned in Note No.7 of the Notice.

Item No.9

In view of Section 149(2A) of the Companies Act, 1956, this special resolution is considered necessary to authorize the commencement of the activities covered by the sub-clauses of objects which are proposed to be added in the Object Clause III of the Memorandum of Association of the Company by the Special Resolution at Item No.8.

This special resolution is proposed accordingly to authorize such commencement. Hence, the Board of Directors recommends the resolution for your approval.

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

Regd. Office:
Alembic Road,
Vadodara - 390 003.
Dated : 27th June, 2002

By Order of the Board,

R.M. KAPADIA
Secretary

ALEMBIC LIMITED

DIRECTORS' REPORT

To,
The Members,

Your Directors submit their Ninety-fifth Report together with the Statement of Accounts for the period of 15 months ended on 31st March, 2002.

1. FINANCIAL RESULTS:

	Period ended 31st March, 2002 (15 months) Rs.	Year ended 31st December, 2000 (12 months) Rs.
The gross profit for the period before providing for interest, depreciation and tax, amounts to	92,05,51,488	72,02,07,954
Deducting therefrom:		
Interest and discounting charges	33,25,14,310	26,02,86,398
Depreciation	24,63,65,368	12,84,59,805
Provision for Taxation	10,67,00,000	3,05,00,000
	23,49,71,810	30,09,61,751
Adding thereto:		
Balance brought forward from last year	61,04,13,333	39,32,64,342
Provisions for dividend tax no longer required	31,30,815	-
Transfer from Investment Allowance Reserve	39,00,000	87,00,000
	85,24,15,958	70,29,26,093
Deducting therefrom:		
Short Provision of the Income-tax of earlier years	-	8,72,783
The balance left is	85,24,15,958	70,20,53,310
Appropriating therefrom:		
Debenture Redemption Reserve	3,00,00,000	2,00,00,000
Provision for Dividend on : Preference Shares	-	6,17,391
Equity Shares	3,24,62,370	2,52,48,510
Provision for Corporate Dividend Tax	-	57,74,076
General Reserve	60,00,00,000	4,00,00,000
Balance carried forward to next year's accounts	18,99,53,588	61,04,13,333
	85,24,15,958	70,20,53,310

2. DIVIDEND:

Your Directors recommend Dividend on 72,13,860 Equity Shares of Rs.10/- each at Rs. 4.50 per share (i.e. 45%) amounting to Rs. 3,24,62,370/- for the period of fifteen months ended on 31st March, 2002.

3. MERGER OF BULK DRUG UNIT OF DARSHAK LIMITED WITH THE COMPANY:

The Hon'ble High Court of Gujarat has already approved the Merger Scheme by giving Court Order but the approval of Hon'ble High Court of Karnataka is awaited. All the formalities in this regard would be completed shortly thereafter and the merger would take effect. During the period under review, the Company had taken effective steps in order to improve and enhance manufacturing facilities and also to develop scope for exports.

4. ONGC GAS LIABILITIES:

The matter regarding Pre-1987 interest liabilities [as indicated in Note No.3 (g) of Notes on Accounts (Schedule - U)] being handled by the Association of Gas Consuming Industries of Gujarat, has been lying with the Supreme Court. The Court earlier has given a general verdict in favour of ONGC. However, the Company's case has been adjourned in view of Company using gas for manufacturing bulk drugs and formulations whose pricing was controlled by Drugs (Price Control) Order. Even if there could be some liability on finalization, the same will not be of a very substantial amount. The Board is confident that whenever this liability devolves on the Company, it would be in a position to absorb and the operations of the Company will not be hampered in any significant manner.

5. CORPORATE GOVERNANCE:

Your Company has always strived to incorporate appropriate standards for good Corporate Governance. It has complied with all the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company's shares are listed.

A separate report on Corporate Governance is produced as a part of the Annual Report, along with the Auditor's Certificate on the compliance.

ALEMBIC LIMITED**6. LISTING OF EQUITY SHARES:**

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.

7. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report as required under the Listing Agreements with the Stock Exchanges is enclosed at Annexure "A".

8. OPERATIONS:

The Company's sales, including export incentives, were Rs.624.25 crores for the period of fifteen months ended on 31st March, 2002 as compared to Rs.477.20 crores for the previous year ended on 31st December, 2000. Thus on an annualized basis there has been increase in turnover of about 4.6%. The gross profit (before interest and depreciation) was Rs.92.05 crores for the period under review as compared to Rs.72.02 crores for the previous year ended on 31st December, 2000. The Company has made profit (before tax provision) of Rs.34.17 crores for the period under review as compared to Rs.33.15 crores for the previous year ended on 31st December, 2000.

The sales in domestic formulations market, export market and veterinary market could not be achieved to the desirable level and, therefore, the profit could not be increased. Secondly, the profitability could not be increased because of increase in certain expenses such as depreciation, research & development, process charges, publicity, other marketing expenses, etc. Moreover, low profit margin on sales of generics also resulted into lower profitability.

Domestic sales

The performance of the domestic formulation business during the period under review was less than satisfactory. This was largely due to a very sluggish market for anti-infectives and respiratory products which account for a major share of our total domestic turnover. These two markets are also being seriously affected with low priced generic formulations.

In order to face the increasing competition and pressure in our existing markets we have taken recourse to a strategic shift in terms of increasing the geographical reach to large number of doctors in many new markets. The integration of two erstwhile wings viz. Alembic & Megacare of sales and marketing operation enabled us to reach more number of doctors. This has given rise to an improved performance in certain large volume mass products like Althrocin and Wikoryl.

Another major step that we initiated during the period was to bring about a radical change in our pricing strategy for Roxithromycin brand "Roxid" to make it much more appealing to large number of doctors. This has been received very well which got reflected with overwhelming support by large section of doctors. Roxid today has distanced other Roxithromycin brands by a large margin in terms of market share.

From the viewpoint of renovating our product-mix to address to chronic disease management, we have planned to introduce new products in segments of women health care, diabetes, arthritis and cardiovascular ailments.

Recently we have launched for the first time in the country ISOVON - a brand of Soya Isoflavones - for alleviating menopausal symptoms in women. Similarly we are presently busy in the introduction of a novel anti diabetic product Nateglinide in the brand name of NATELIDE.

The Company has successfully completed two years of Generic operation on 13th May 2002. We are having 85 formulations including various dosage forms covering the therapeutic segments of Antibiotics, Cough & Cold, NSAID (Non-Steroidal Anti-inflammatory Drugs), Vitamins, Cardiovascular Drugs, etc. The Company has a strong network of distribution channel to cater to large cross section of market.

For our Veterinary Division, the emphasis continues to be in the cattle sector, while poultry sector has been identified as a major growth catalyst. The poultry sector has been growing despite the cyclical 'ups and downs' in the market. During the period of 2001-02, we have introduced Docmycin, Gentamicin and Maducoc for poultry sector. We intend to strengthen this Division through new products introduction of imported vaccines during the year 2002-03 and, we are sure, the same will yield encouraging response from the poultry market.

Export Sales:

Export sales for the period of fifteen months ended on 31st March 2002 were Rs.115.86 crores as against Rs.98.39 crores for the previous year ended 31st December 2000.

During the period under review, the Company received 70 new registration for its formulation products and opened up new markets in 5 countries.

The Company had also participated in the Indo-African Health summit and was approved and audited by the Ministries of all 8 African countries for the same.

Your Company's focus will be on improving asset utilization through market expansion and better penetration, managing through efficiency, reduction in cycle time of processes and activities through benchmarking and stringent cost control measures.

ALEMBIC LIMITED

9. ACTIVE PHARMACEUTICAL INGREDIENTS (API) – (BULK DRUGS):**(I) Production:**

During the period of fifteen months ended on 31-3-2002, good growth was witnessed in all our major product groups. Production of Penicillin-G first crystal increased to 1300 MMU during the period of 15 months from 1-1-2001 to 31-3-2002. The productivity for Penicillin-G was higher by 25% as compared to last year.

Production of all three Macrolides viz. Azithromycin, Roxithromycin and Clarithromycin, witnessed higher growth rates. Total production for fifteen months was 85 Tons, which is about 33% higher on annualized basis.

Due to low international prices and lower level of productivity, production of Ceph-C was low. However, we utilized this period to conduct lab and pilot scale trials to achieve the desired productivity and quality of the product. In addition to this, processes for new Cephalosporin derivatives have been optimized and your Company is in the process of translating the results on the production scale.

In Ceph-C, two new derivatives viz. Cefuroxime Sodium and Cefotaxime Sodium have been launched successfully. Another derivative Cefepime has been developed and commercial scale trials are underway.

(II) Expansion:

In view of current market trend of changing prices and demand, investments are being made in fermentation and downstream facilities for increased flexibility and optimal utilization of plants for manufacturing of all three products (viz. Azithromycin, Roxithromycin and Clarithromycin).

(III) Marketing:

The API sales performance was better with over all sales at around Rs. 218 crores for the period of fifteen months ended on 31st March 2002. Domestic annualized sales crossed Rs.100 crores mark for the first time (actual sales registered were Rs 146 crores) and exports for the period was Rs.72 crores. This was achieved inspite of 10-15% price drop across product categories.

Another noteworthy achievement was that for the first time significant portion of the exports was achieved through sale of captive products with Macrolides, Penicillin, Erythromycin Derivatives all registering a robust growth. Unfortunately new products did not perform as per the expectation.

First level sales in the regulatory markets of Europe and Canada commenced during the period under review. In European market, we are also in process of getting approval for two new products. We expect to consolidate on these efforts in the future.

In the case of penicillin and derivatives, on an average, prices were more or less stable and demand was better as compared to last year. Thus, our Penicillin sales saw a healthy growth of more than 50% as compared to last year on annualized basis.

In Sterile Penicillin, we witnessed negative growth in 1999; hence, in the following year, significant efforts were put in to explore Latin American and local markets. This resulted in 20% growth rate in the fifteen months period of 2001-2002.

Imported Erythromycin was available at substantially reduced prices mainly due to increased production and aggressive marketing from China. Domestic prices also crashed further due to channeling of duty-free Erythromycin through Nepal.

In Macrolides viz. Azithromycin, Roxithromycin and Clarithromycin, the prices have come down but overall sales increased and we have managed to sustain the profitability.

In continuation of our efforts to establish in the European Market, work is in progress for approval of two more new products.

Alembic is now at the gateway of making itself into a globally strong API manufacturer with diversified chemistry, capabilities and presence in both emerging and developed markets.

10. RESEARCH & DEVELOPMENT:

R&D efforts have significant impact on the performance of API business in terms of productivity improvements as well as in introducing the newer molecules in the market.

On fermentation front, improvement in the productivity of all fermentation products is being done continuously by strain improvement and optimization of operating parameters and media.

Several new products such as Raloxifan, Venlafaxine Hydrochloride, Mosapride, Nateglinide, Cefepime, Arginine were developed indigenously in R&D and thereafter implemented at commercial scale successfully. Few more new products are under development and would be commercialized in near future.

Non-infringing processes have been developed for some of the existing products and for newer products to facilitate the entry into the regulatory market.

R&D has also established the credibility for carrying out contract research with a few MNCs and has entered into one year association with a U.S. based company.

ALEMBIC LIMITED

In-house New Chemical Entity (NCE) Research program has led to several anti-infective compounds which are better than the existing drugs and are currently under development.

R&D is also collaborating with the National Chemical Laboratory (NCL) and some of the Universities in Gujarat for expediting the new drug discovery program.

The Department of Science & Technology (DST) and Alembic funded programs are progressing well.

Your Company has shown a remarkable achievement by developing 23 new formulations and has also filed 10 process patents including one Patent Co-operation Treaty (PCT) application for formulation development work.

Your Company has also initiated Development work on New Drug Delivery System and has made significant progress in the field of Nasal and Transdermal Drug Delivery System.

11. MODERNISATION AND EXPANSION:

Your Company has modernized its Quality Control and Quality Assurance facility and purchased Quality Control instruments worth about Rs.3 crores. The Company has reorganized its Quality Management structure and added Quality Engineering cell. It has also installed a laboratory for ultramodern stability testing and analytical method validation.

The Company has added new instruments worth about Rs. 3 crores including NMR (Nuclear Magnetic Resonance Spectra) in R & D.

12. FINANCE:

The Company is in a comfortable position for meeting its working capital needs and certain capital expenditure proposals in the areas of Research and Development, quality up-gradation and control, requirements for regulatory markets, etc. However, the Company's focus will be less dependence on borrowings and will try to meet most of the requirements through internal cash generation. Besides, the Company continues to strive for reduction in the cost of borrowing in significant manner.

13. BLUE PRINT FOR PERFORMANCE ENHANCEMENT:

The Company has appointed in the month of November 2001, an internationally reputed management consultant firm ACCENTURE to develop a blue print for performance enhancement and improving the efficiency of Company's existing operations. We are already working on some major system refinements. The objective is to improve productivity, cost rationalization and supply chain management. Further to this, they will identify key areas for improvement in sales force management and marketing effectiveness.

14. SUBSIDIARY COMPANY:

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

During the period under review, a Company named Alembic Europe Pvt. Limited has been formed in U.K. on 18th June, 2001. Your Company is going to make investment in the equity shares of Alembic Europe Pvt. Limited so that the same will become Wholly Owned Subsidiary of the Company during the current financial year. According to the laws prevailing in U.K., the first financial year of Alembic Europe Pvt. Limited will be ending on 30th June, 2002 (i.e. from 18th June, 2001 to 30th June, 2002). The Company will give necessary information in respect of Alembic Europe Pvt. Limited as per Section 212 of the Companies Act, 1956 from next year onwards.

15. INFORMATION TECHNOLOGY:

Your Company has always been at the forefront in the use of Information Technology having implemented SAP R/3-ERP. The Company has benchmarked its processes, activities, inventories (at Vadodara and stock points) and receivables for better monitoring and controls. Your Company has upgraded networking infrastructure at Daman and Panelav Plants in keeping with growing requirements. Your Company has also implemented Intranet solution for better and fast communication.

16. HUMAN RESOURCE:

Your Company firmly believes that Human Resource is the most important and valuable resource. During the period under review, the Company has further endeavoured to strengthen the performance driven culture.

The Company continues to have cordial and harmonious relations with its employees.

17. FIXED DEPOSITS:

The Fixed Deposits including loans from Shareholders of the Company as on 31st March, 2002 amounted to Rs. 30,98,63,901/-. Out of these, deposits aggregating to Rs.47,45,902/- from 576 depositors have not been renewed on due dates. Deposits of Rs.19,28,001/- have been repaid or renewed at the option of 200 depositors and for balance of Rs.28,17,901/- from 376 depositors, no instructions have been received so far.

18. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

In accordance with the provisions of 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 relevant information pertaining