



12th ANNUAL REPORT
1998-99

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ALPHA DRUG INDIA LTD.

ALPHA DRUG INDIA LTD.

BOARD OF DIRECTORS

Chairman

Mr. J. W.J. van den Berg

Managing Director

Mr. Anil Kohli

Directors

Mr. Ajay K. Mahajan

(Nominee of PSIDC)

Mr. Pieter de Haan

Mr. Joan Julia

Mr. Lluís Franquesa

(Nominees of DSM Andeno)

Dr. Nityanand

Company Secretary & Compliance Officer

Mr. Vivek Atri

Auditors

M/s S. R. Batliboi & Co.

20, Community Centre,

Pushp Vihar,

New Delhi 110 062

Bankers

Punjab National Bank

Sector 19-C,

Chandigarh-160 019

Allahabad Bank

Sector 8, Madhya Marg,

Chandigarh-160 008

Deutsche Bank

Sector 9-D, Madhya Marg,

Chandigarh - 160 017

Registered Office & Works

Villages Kolimajra & Samalheri,

(Chandigarh-Ambala Highway)

P.O. Lalru-140 501

Distt. Patiala (Punjab).

Address for Share Transfer

Alpha Drug India Ltd.

Secretarial Deptt.,

Villages Kolimajra & Samalheri,

(Chandigarh-Ambala Highway)

P.O. Lalru-140 501

Distt. Patiala (Punjab).

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A Notice convening an Extra -Ordinary General Meeting is appended at the end of this report.



NOTICE

Notice is hereby given that the 12th Annual General Meeting of the Company will be held on Tuesday, the 21st day of September, 1999 at 10.00 A.M at the Registered Office of the Company i.e Villages Kolimajra & Samalheri, P.O. Lalru, Distt. Patiala (Pb) - 140501 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March 1999 and Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. Pieter de Haan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Joan Julia who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company by passing the following resolution:
"Resolved that M/S S.R.Batliboi & Co, Chartered Accountants be and are hereby appointed as the statutory auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and are hereby authorised to fix their remuneration for the said period"

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:
"Resolved that Mr. Lluís Franquesa who was appointed as an Additional Director of the company and who ceases to hold office under section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.
6. To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:
"Resolved that in modification of the resolution passed in the 10th Annual General Meeting (AGM) of the Company held on 18.12.1997 & pursuant to the provisions of the Companies Act, 1956, the members of the Company do hereby accord their approval for the re-designation of Mr. Anil Kohli as the Managing Director of the Company with effect from 12.01.1999 for the balance tenure, on the previously approved terms & conditions.

By Order of the Board

Place : New Delhi
Dated : 05.08.1999

(Vivek Atri)
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 AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed and forms part of the Notice.
3. Members are requested to intimate to the Company changes, if any, in their registered address along with Pin Code Numbers.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 20.09.1999 to 21.09.1999 (both days inclusive).
5. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company during working hours between 9:00 A.M to 5:00 P.M except on holidays.
6. Members desiring any information as regards accounts are requested to write to the Company Secretary at least seven days before the meeting, so as to enable the Company to keep the information ready. The Company may not however be able to suitably respond to queries not made in time.
7. Members/proxies should bring the attendance slips filled in for attending the meeting. No copies of the Annual Report shall be distributed in the meeting.
8. Shareholders are requested to send their shares for transfer at the Registered Office only.
9. **NO GIFTS OR GIFT COUPONS SHALL BE DISTRIBUTED. MEMBERS ARE REQUESTED TO CO-OPERATE AND NOT TO DEMAND GIFTS.**

Explanatory Statement

Pursuant to Section 173 of the Companies Act, 1956.

ITEM NO. 5

Mr. Lluís Franquesa, who has been appointed as an Additional Director effective 28th April, 1999 pursuant to provisions of Section 260 of the Companies Act, 1956 read with Article 133 of the Articles of Association and in terms of the agreement entered into with DSM, holds office of Director only upto the date of the 12th Annual General Meeting of the Company as provided under the said Act but is eligible for reappointment. In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing alongwith a deposit of Rs. 500/- from a member signifying his intention to propose the candidature of Mr. Lluís Franquesa.

Except Mr. Lluís Franquesa and other nominated Directors of DSM, none of the Directors is concerned or interested.

ITEM NO. 6

Mr. Anil Kohli was appointed as the Executive Director of the Company in the 10th AGM of the Company held on 18.12.1997 for a period of 5 years effective 01.04.1997. However consequent upon the expiry of the term of Mr. V. K. Garg as the Managing Director, the Board of Director of the Company in their meeting held on 12.01.1999 designated Mr. Anil Kohli as the Managing Director of the Company. The terms & conditions of his appointment including remuneration and perquisites payable as approved in the AGM, shall remain same for the remaining tenure i.e. up to 31.03.2002.

None of the Directors except Mr. Anil Kohli is concerned or interested.

ALPHA DRUG INDIA LTD.**DIRECTORS' REPORT**

Dear Members,

The Directors of your Company present the 12th Annual Report together with the audited accounts for the year ended 31st March 1999:

OPERATIONS:

The working results for the year 1998-99 were as below:

| | (Rs. In Lacs) | |
|---|----------------------|----------------|
| | 1998-99 | 1997-98 |
| Sales | 4776.10 | 4201.41 |
| Profit/(Loss) before depreciation & tax | (271.19) | 197.27 |
| Depreciation | 297.77 | 307.64 |
| Net profit/(loss) | (568.96) | (110.37) |

During the year, the margins were under pressure due to declining prices, arising out of intense competition and partially on account of recessionary conditions. Sales of one of the mature products were affected owing to shrinking markets.

FIXED DEPOSITS

The Company has not accepted any deposits under section 58-A of the Companies Act, 1956 during the year under review.

AUDITORS

M/s S. R. Batliboi & Co., Chartered Accountants, the auditors of your Company hold office till the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

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

DIRECTORS

Mr. V. K. Garg ceased to be the Managing Director following end of his term on 31.12.1998. He also resigned from the Board with effect from 02.08.1999. Mr. Anil Kohli was designated as the Managing Director with effect from 12.01.1999.

DSM withdrew nomination of Mr. Michael Pettersson as Director & Mr. Lluís Franquesa was nominated in his place. DSM also withdrew the nomination of Mr. W.H.M Dohmen.

Mr. Pieter de Haan & Mr. Joan Julia, Directors retire by rotation at the forthcoming AGM and being eligible offer themselves for reappointment. Your directors recommend their appointment.

FUTURE PROSPECTS

The consolidation of the Trimethoprim related business has been continuing. Exports to higher end markets, for which

additional approvals are expected soon, would improve margins.

Due to the uncertain market situation of the side-chain activities and a tighter availability of inputs, capacity utilisation could be affected. In particular, the mature PGCH line has become structurally inconsistent.

Efforts are however being made to identify other products, which could be taken up in the company based upon its experience. Cost optimisation to reduce the variable costs have been rewarding and are continuing.

PERSONNEL

To rationalise the manpower, a restructuring was done. Redundant employees were offered a Voluntary Retirement Scheme (VRS). As a result, 96 employees of the company subscribed to the VRS and a sum of Rs. 58 Lacs was paid as compensation. There has, however, been full harmony in the inter personal relations with the employees.

The particulars of the employees, required to be given under the provisions of Section 217(2A) of the Companies Act, 1956 are annexed herewith and form a part of the report. However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary.

STATUS ON YEAR 2000 PROJECT

The Company has taken effective steps to be Y2K compliant. No specific cost element is involved for solving the Y2K problem. Regular replacement/ upgradation has taken care of the Y2K problem.

OTHER INFORMATION AND DISCLOSURES

Information in accordance with section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is furnished in the annexure to this report and forms a part of this report.

ACKNOWLEDGEMENT

The Directors of your company acknowledge with thanks the support received from the Central and State Governments, PSIDC and Banks.

For & on behalf of the
Board of Directors

Place : New Delhi
Dated: 19.08.1999

(J. W. J. van den Berg)
Chairman

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 1998-99

INFORMATION AS PER SECTION 217 (1) (E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

A. CONSERVATION OF ENERGY

Energy Conservation is regularly followed and efforts made for optimisation of utilities cost. An Energy Audit by an external specialised agency was carried out. Some areas have been identified for improvement and an action plan made to achieve the same. Some new concepts such as Solar evaporation using film were also been employed.

(A) POWER AND FUEL CONSUMPTION

| | | 1998-99 | 1997-98 |
|------|---|----------|----------|
| I | A. Electricity purchased from PSEB: | | |
| | a. Total Units purchased/consumed KWH | 4397405 | 4380119 |
| | b. Total amount of Electricity Bill Rs. | 12152667 | 10686797 |
| | c. Rate per Unit Rs. | 2.76 | 2.44 |
| | B. Own Generation through Diesel Generator: | | |
| | a. Total units generated KWH | 1332060 | 1226010 |
| | b. Cost of 411250 Ltrs Rs. | 3668350 | 3403620 |
| | (P.Y 388098 Ltrs.) of Diesel consumed | | |
| | c. Rate per unit (Average) | 2.75 | 2.78 |
| | d. Units Generated per Ltr. of Diesel Oil (Average) | 3.24 | 3.16 |
| II | Coal | N.A. | N.A. |
| III. | Steam Generation : | | |
| | a. Steam Generated (Estimated) M.T. | 15500 | 14100 |
| | b. Consumption of Fuel Oil | | |
| | i. LSHS 1192.25 KL (P.Y 1127.11KL) | 7153506 | 6221630 |
| | ii. HSD 26.980KL (P.Y. 52.885KL) | 240662 | 463801 |
| | c. Cost per Unit (Kg.) of Steam generated (Avg.) | 0.48 | 0.47 |
| | d. Kg. of Steam per Ltr. of Furnace oil / LSHS (Avg.) | 13.00 | 12.50 |

CONSUMPTION PER UNIT OF PRODUCTION

It is not feasible to maintain product category wise energy consumption data as various products have different energy requirements.

B. TECHNOLOGY ABSORPTION:

1. Research & Development (R&D):

The company's R&D facilities are recognised by DSIR. The R&D activities are currently focussed on stabilizing the production process of various products identified and developed exclusively for the Export market. Some of these have already been supplied on trial basis and have been accepted by the ultimate consumers.

The Company has also taken up development of some of its vital raw materials that will eventually help in reduction of costs, dependence on outside suppliers and easy handling of complex compounds.

2. Technology Absorption, Adoption & Innovations:

The Company is laying greater emphasis on the absorption of technology of new products developed with in house R&D. The company has a team of qualified professionals suitable for the job. The Company has taken following steps to further stabilise/improve the production of Trimethoprim :

- Validation of Plant
- Approval of Drug Master File
- Application for Certificate of Suitability

This will enable the company to effectively and directly launch its product in the quality conscious markets.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earning : Rs. 515.16 lacs

Foreign Exchange Expenses : Rs. 1588.17 lacs

ALPHA DRUG INDIA LTD.**AUDITORS' REPORT****TO THE SHAREHOLDERS OF ALPHA DRUG INDIA LTD.**

We have audited the attached Balance Sheet of Alpha Drug India Limited as at 31st March, 1999 and the Profit & Loss Account of the Company for the year ended on that date and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to above, we report that :
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books.
 - c. The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the attached Balance Sheet and the Profit & Loss Account comply with the accounting standards as referred to in Section 211(3C) of the Companies Act, 1956.
 - e. In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, read together with the notes appearing in Schedule N, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
 - ii. In the case of Profit and Loss Account, of the loss of the Company for the year ended on that date.

for **S.R. BATLIBOI & CO.**
CHARTERED ACCOUNTANTS
 Per

Place : New Delhi
 Dated : 05.08.1999

(RAJ K. AGRAWAL)
 Partner

ANNEXURE TO THE AUDITORS' REPORT

- i) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The Company has adopted a policy of physically verifying the fixed assets in a phased manner over a period of three years. Accordingly, part of the fixed assets have been physically verified during the year, and no material discrepancy was noticed on such verification. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of the assets.
- ii) None of the fixed assets of the Company have been revalued during the year.
- iii) The physical verification of stocks has been conducted by the management during the year at reasonable intervals in respect of the Finished Goods, Stores & Spare Parts, Packing Materials and Raw Materials.
- iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on verification between the physical stocks and book records were not material and the same have been properly dealt with in the books of account.
- vi) In our opinion, the valuation of stocks of Finished Goods, Stores and Spare Parts, Packing Materials, Raw Materials and Stock-in-Process is fair and proper and in accordance with normally accepted accounting principles except that, as per practice followed consistently, excise duty on stocks of finished goods lying in bonded warehouse has not been considered as part of cost. (Refer Note No.10 in Schedule N). The valuation of stocks is on the same basis as in the preceding years.
- vii) The Company has not taken any loan from any of the parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- viii) Prior to DSM Andeno BV acquiring majority control in the Company, the Company had granted certain interest free unsecured loans to some companies listed in the register maintained under Section 301 of the Companies Act, 1956 without any stipulations in respect of repayment thereof (Refer Note No.6 in Schedule N). In our opinion, these loans are prejudicial to the interests of the Company.
- ix) (a) Prior to DSM Andeno BV acquiring majority control in the Company, the Company had also



- granted another interest free unsecured loan (Refer Note No.6 in Schedule N) to a party without any stipulation in respect of repayment thereof. In our opinion, this loan is prejudicial to the interests of the Company.
- (b) As stated under Note No.6 in Schedule N, an aggregate sum of Rs.101.74 lacs against loans given to certain bodies corporate is still recoverable and the management considers the same as good of recovery. Advances in the nature of interest free loans given to the employees are generally being recovered as stipulated.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores & spares, raw materials, plant & machinery, equipment and other assets and for the sale of goods.
- xi) In our opinion and according to the information and explanations given to us and having regard to the fact that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods and materials or the prices at which transactions for similar goods and materials have been made with other parties.
- xii) As per the information and explanations given to us, adequate provisions have been made for unserviceable or damaged stocks of Stores & Spare Parts, Raw Materials and Finished Goods.
- xiii) The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 read together with the Companies (Acceptance of Deposits) Rules, 1975.
- xiv) The Company has maintained reasonable records for the sale and disposal of realisable scrap.
- xv) The Company has an Internal Audit System in place which needs to be further strengthened to be commensurate with the size and nature of its business.
- xvi) Cost records as required to be maintained under Section 209(1)(d) of the Companies Act, 1956 have prima-facie been maintained by the Company. We have, however, not made a detailed examination of such records with a view to ascertain whether these are complete and accurate.
- xvii) The Company has been regular in depositing Provident Fund dues with the appropriate authorities. We are informed that the Employees State Insurance Act was not applicable to the Company as at 31st March, 1999.
- xviii) According to the information & explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Excise Duty and Customs Duty outstanding as at the end of the financial year for a period of more than six months from the date these became payable.
- xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices and according to the information and explanations given to us, we have not come across any personal expenses which have been charged to the Profit & Loss Account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
- xx) The Company is not a Sick Industrial Company within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985.

S.R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS
Per

Place : New Delhi
Dated : 05.08.1999

(RAJ K. AGRAWAL)
Partner