



14th ANNUAL REPORT
2000-2001

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ALPHA DRUG INDIA LTD.

ALPHA DRUG INDIA LTD.**BOARD OF DIRECTORS**

Acting Chairman
Dr. Nitya Nand

Managing Director
Mr. Anil Kohli

Director
Mr. Ajay K. Mahajan
(Nominee of PSIDC)

Company Secretary
Mr. Inderpreet Singh

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 & Demat
Alpha Drug India Ltd.

Secretarial Deptt.,
Villages Kolimajra & Samalheri,
(Chandigarh-Ambala Highway)
P.O. Lalru-140 501
Distt. Patiala (Punjab).

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NOTICE

Notice is hereby given that the **14th Annual General Meeting** of shareholders of Alpha Drug India Limited (the "Company") will be held on Monday, the 17th December, 2001 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 2001 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Dr. Nitya Nand who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s. S.Tandon & Associates, Chartered Accountants as auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

Special Business :

1. To consider and pass, if thought fit, the following resolution with or without modification :

"Resolved that in terms of Agreement entered into between ADIL & DSM dated 3rd July, 1997, DSM be called upon to continue to support ADIL financially and technically and also to nominate Directors to the Board with immediate effect.

Further resolved that in case DSM fails to fulfil its obligation of financial & technical

support to ADIL, the Board of Directors of the Company be and are hereby authorised to initiate any legal or other proceedings for and on behalf of the Company against DSM for unilaterally withdrawing / abandoning the Agreement dated 3rd July, 1997 executed between ADIL and DSM and Technology Transfer and Licence Agreement thereunder. The Board is also authorised to take all other necessary steps that may be required in this regard.

EXPLANATORY STATEMENT :

(Pursuant to Section 173(2) of the Companies Act, 1956.)

Special Business :

ITEM NO.1

DSM Fine Chemical (DSM), were holding 14.12 % equity shares in the company (ADIL). An agreement was executed between DSM and ADIL on 3rd July, 1997 under which ADIL was required to allot further shares to DSM so as to raise its participation in the equity capital from 14.12% to 50.72% and the DSM was to provide financial and technical support to ADIL. Accordingly ADIL increased the participation of DSM to 50.72% and handed over the management of ADIL to DSM and its nominees. In August, 2001 DSM unilaterally and without intimation to ADIL reduced their shareholding in the company to 49.72% and also withdrew its nominee directors from the board of ADIL with effect from 29th August, 2001. By doing so, DSM has violated the agreement dated 3rd July, 1997. The unilateral withdrawal by DSM would be fatal to ADIL which is already incurring heavy operating losses.

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The company has also been advised that withdrawal of DSM from the management of ADIL would constitute change in management under section 25FF of the Industrial Disputes Act, 1947. Since DSM has neither given any notice nor any compensation to the employees, it has violated the mandatory provisions of that section.

Therefore, it is proposed that in case DSM fails to fulfil its obligation of financial & technical support to ADIL, the Board of Directors of the Company be authorised to initiate any legal or other proceedings for and on behalf of the Company against DSM and to take all other necessary steps that may be required in this regard.

By Order of the Board
Sd/-

(Inderpreet Singh)
Company Secretary

Date: 05-11-2001

Place: Lalru

3. 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.
4. Members are requested to intimate to the Company changes, if any, in their registered address along with Pin Code Numbers.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from 26th September, 2001 to 28th September, 2001 (both days inclusive).
6. Members desiring any information as regards accounts are requested to write to the Company at least seven days before the meeting, so as to enable the Company to keep the information ready. The Company may not 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.

NOTES:

1. A MEMBER ENTITLED TO ATTEND, 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 shares of the Company have been put into compulsorily dematerialisation w.e.f 28th August, 2000. Members who have not got their shares in demat form are requested to submit their shares for dematerialisation at the earliest.



DIRECTORS' REPORT

Dear Members,

The Directors of your Company present the 14th Annual Report together with the audited accounts for the year ended 31st March, 2001:

OPERATIONS:

The working results for the year 2000-01 were as below:

	(Rs in Lacs)	
	<u>2000-01</u>	<u>1999-00</u>
Sales	3212.80	5125.11
Profit/(Loss) before	(352.57)	(53.02)
Depreciation & tax		
Depreciation	254.59	292.96
Net profit/(loss)	(607.16)	(345.98)

During the year, the intense competition in domestic as well as international markets continued to effect the sales volume of Company. The margins continued to be under pressure due to declining prices arising out of stiff competition.

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 the Company hold office till the conclusion of the ensuing Annual General meeting. It is now proposed to appoint M/s. S. Tandon & Associates, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next AGM of the Company.

The notes on accounts referred to in the Auditors' Report are self explanatory and have been further explained in the Directors' Report.

DIRECTORS

Dr. Nitya Nand, Director, retire by rotation at the forthcoming AGM and being eligible offers himself for reappointment. Your Directors recommend his appointment.

CORPORATE GOVERNANCE

The requirements of Clause 49 of the Listing Agreement will have to be complied with by the Company within the Financial year 2001-2002 but not later than March 31, 2002. The Company has started the process of implementation of requirements of Clause 49 of the Listing Agreement regarding Corporate Governance.

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 in the preparation of the accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements 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 & Loss 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

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- irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

FUTURE PROSPECTS

During the year, the Company faced intense competition in domestic as well as international markets. Sale of Trimethoprim, one of the main products dealt with by the Company was affected adversely owing to continuous fall in the prices in the domestic and export markets.

The Company discontinued the side chain business during the year and began to put more emphasis on Gallic Acid derivatives. The Company had drawn up a Revival plan, with principally agreed Technical and Financial support from DSM. However, the implementation of the Revival plan had been delayed considerably owing to regulatory approval process and litigation at various forums, against implementation of the Revival plan. Owing to these reasons, DSM decided to withdraw support to the Revival plan of the Company. DSM subsequently also withdrew their nominee directors from the Board w.e.f. 29.08.2001.

Efforts are now being made to identify other products, which could be taken up in the existing facilities and the possibility to take up contract manufacturing for other companies is being explored. Discussions are also being held for technical & financial strategic alliance. Various other measures are being adopted by the Company to reduce cost and optimise resource utilisation.

PERSONNEL

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.

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

Your Directors would like to express their appreciation for the support provided by the employees under critical conditions the company is passing through, for assistance and co-operation received from the Central and State Government & Banks.

For and on behalf of the Board of the Directors

Place: Lalru
Dated: 05-11-2001

Sd/-
(Nitya Nand)
Acting Chairman



ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR 2000-01

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' report.

A) CONSERVATION OF ENERGY:

Energy Conservation is continuously being followed and efforts made for optimum utilisation of utilities costs. Some areas were identified for improvement for which detailed action plan was made. A part of the same has been implemented

(A) POWER AND FUEL CONSUMPTION

			2000-01	1999-00
I.	A.	Electricity purchased from PSEB:		
	a.	Total Units purchased/consumed KWH	3702315	4620550
	b.	Total amount of Electricity Bill Rs.	11684262	13856457
	c.	Rate per Unit Rs.	3.16	3.00
	B.	Own Generation through Diesel Generator:		
	a.	Total Units generated KWH	894412	1192780
	b.	Cost of 266260 Ltrs. Rs.	3728568	4430984
		(P.Y 364385 Ltrs.) of Diesel consumed		
	c.	Rate per Unit (Average)	4.16	3.71
	d.	Units generated per Ltr. of Diesel Oil (Average)	3.36	3.27
II.	Coal		N.A	N.A
III.	Steam Generation			
	a.	Steam Generated (Estimated) M.T	18836	21350
	b.	Consumption of Fuel Oil		
	i.	L S H S 1421.59 KL Rs.	15859776	13983138
		(P.Y 1635.92 KL)		
	ii.	H S D 19.85 KL Rs.	277914	344092
		(P.Y. 28.30 KL)		
	c.	Cost per Unit (Kg.) of Steam generated (Avg.)	.86	.67
	d.	Kg. Of Steam per Ltr. of Furnace Oil/LSHS (Avg.)	13.25	13.05

(B) 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 & Innovation:

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
- Approval for Certificate of Suitability.
- Preparation of US FDA.

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

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings	:	Rs.	745.63
Foreign Exchange Expenses	:	Rs.	895.29

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

We have audited the attached Balance Sheet of Alpha Drug India Limited as at 31st March, 2001 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 (Auditor's 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 a statement on the matters specified in paragraph 4 and 5 of the said Order, to the extent applicable.
2. *Attention is invited to Note No. 8 under Schedule-'N' which states about substantial erosion of Net Worth, Net Current Assets, Loans repayable and withdrawal of support by the parent company. These facts raise substantial doubt on the Company's ability to continue as a going concern and realize its assets and liabilities in the normal course of business. Management informs us that they are still continuing their discussions with the parent company and are also considering other alternatives as considered appropriate for revival of the company. However, the accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.*
3. Further to our comments in the annexure referred to in paragraph-1 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. The Department of Company Affairs has clarified that section 274(1)(g) of the Companies Act, 1956 will have prospective effect and hence does not apply to the Company as at 31st March, 2001.

- f. In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, *subject to our comments in paragraph 2 above and 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, 2001, and
- ii. In the case of Profit and Loss Account, of the loss of the Company for the year ended on that date.

S.R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS
 Per

Place: New Delhi.

Dated: 06-10-2001

PANKAJ CHADHA

Partner

ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in paragraph 1 of our report to the members of Alpha Drug India Ltd. on the accounts as at and for the year ended 31st March, 2001)

- 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 has been physically verified during the year. Reconciliation of the same with Fixed Assets Register is under progress. 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