

# Annual Report 2002



Report

First for innovation & value

work in teams

AstraZeneca 



# ASTRAZENECA PHARMA INDIA LIMITED

## Committees of Directors:

### Audit Committee

K S Shah, *Chairman*  
D E Udwadia  
J A Stevens

### Shareholders Grievance Committee

D E Udwadia, *Chairman*  
Lars Walan

### Remuneration Committee

K S Shah, *Chairman*  
Lars Walan

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Annual General Meeting  
@ 3.00 p.m. 28<sup>th</sup> April, 2003,  
Ball Room, Taj West End Hotel  
Race Course Road, Bangalore 560 001

## Board of Directors

D E Udwadia, *Chairman*  
Andrew Howden (w.e.f. 27.02.2003)  
R M Henry (upto 31.01.2003)  
J A Stevens  
J G Zetterberg  
K S Shah  
Lars Walan, *Managing Director*  
P S Dasgupta (*Alternate to Mr J G Zetterberg*)

## Company Secretary

Supriya Kumar Guha

## Bankers

The Hongkong and Shanghai Banking Corporation Ltd.  
State Bank of India

## Auditors

Bharat S Raut & Co.,  
Bangalore

## Legal Advisors

Udwadia, Udeshi & Berjis, Mumbai

## Corporate and Registered Office

Crescent Towers  
32/1-2, Crescent Road  
Bangalore 560 001

## Factory

12<sup>th</sup> Mile on Bellary Road  
Kattigenahalli Village, Yelahanka  
Bangalore 560 063

## Sales Outlets

Ahmedabad, Bangalore\*, Chennai, Cuttack, Dehradun, Delhi\*, Ghaziabad, Guwahati, Secunderabad, Indore, Jaipur, Kochi, Kolkata, Lucknow, Mumbai\*, Patna, Ranchi and Vijayawada.

\* *Company outlets*



## NOTICE

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of the Members of AstraZeneca Pharma India Limited will be held at 3.00 p.m. at the Ball Room, Taj West End Hotel, Bangalore on 28<sup>th</sup> April, 2003, to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet for the year ended 31<sup>st</sup> December, 2002 and Profit & Loss Account for the period ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr J A Stevens, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr Lars Walan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s Bharat S Raut & Co., Chartered Accountants, as Auditors and to fix their remuneration.
6. To appoint a Director in place of Mr Andrew Howden, who was appointed as an additional Director of the Company and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has

received a notice from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose him as a candidate for the office of Director.

**By Order of the Board of Directors**  
For AstraZeneca Pharma India Limited

**S K GUHA**  
COMPANY SECRETARY

**Registered Office:**  
Crescent Towers  
32/1-2, Crescent Road  
Bangalore - 560 001

Dated: 27<sup>th</sup> February, 2003



## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement under Section 173 of the Companies Act, 1956, in respect of business under Item 6 is appended hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 22<sup>nd</sup> April, 2003 to 28<sup>th</sup> April, 2003 (both days inclusive).
4. The Dividend, if any, that may be declared at the Meeting will be paid on or before 27<sup>th</sup> May, 2003 to those members, whose names appear in the Company's Register of Members as on 28<sup>th</sup> April, 2003.
5. Members are requested to notify the change of address, if any, to the Company's Registrars and Share Transfer Agents, M/s Alpha Systems Private Limited, 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore – 560 003 (Telephone No.080-3460815/6/7/8 – Fax 080-3460819).
6. For the convenience of Members and for proper conduct of the Meeting, entry to the place of Meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are kindly requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.
7. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of share folios and send the relative share certificates to the Company's Registrars and Share Transfer Agents.
8. Members are requested to quote the Folio Numbers in all correspondence.
9. Members are requested to bring a copy of the Annual Report along with them to the Annual General Meeting since extra copies will not be supplied at the Meeting.
10. Members may please note that unpaid/unclaimed Dividends in respect of the Financial Years upto 1993-94 have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Members who have not encashed the Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies - Karnataka, Kendriya Sadan, 2<sup>nd</sup> Floor, 'E' Wing, Koramangala, Bangalore. Intimations have been sent to the Members concerned, pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978.  
  
Members may also please note that the unpaid/unclaimed Dividend for the year 1994-95 has been transferred to the Investor Protection and Education Fund as per the Companies Act, 1956.
11. Members are requested to note that as prescribed by Securities and Exchange Board of India (SEBI), trading in securities of the Company are in Dematerialised form only. Hence, Members who are yet to



Dematerialise their shares are advised to do so. The Company has entered into agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (I) Ltd. (CDSL) for Demat facilities.

**Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.**

**Item No.6**

Mr Andrew Howden was appointed as an Additional Director at the meeting of the Board of Directors held on 27<sup>th</sup> February, 2003. Pursuant to Section 260 of the Companies Act, 1956, read with Article 116 of the Articles of Association of the Company, he holds office upto the date of the forthcoming Annual General Meeting of the Company. Notice in writing has been received from a Member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr Howden as a candidate for the office of Director along with deposit of Rs.500/-, which shall be refunded to the Member, if Mr Howden is elected as a Director.

Mr Andrew Howden is the Regional Vice President – Asia Pacific, AstraZeneca, Singapore.

The Board considers that his appointment as a Director will be beneficial to the Company.

Mr. Howden is interested in the Resolution at item 6 since it relates to his appointment.

**By Order of the Board of Directors**  
For AstraZeneca Pharma India Limited

**S K GUHA**  
COMPANY SECRETARY

**Registered Office:**

Crescent Towers  
32/1-2, Crescent Road  
Bangalore - 560 001

Dated: 27<sup>th</sup> February, 2003



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 24<sup>th</sup> Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> December, 2002.

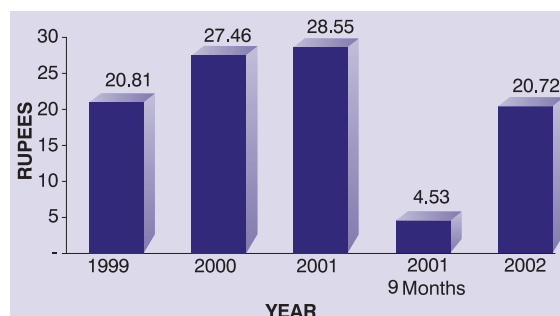
### FINANCIAL RESULTS

	(Rs in Mio)	
	2002 (12 months)	2001 (9 months)
Sales and Other Income	1,407	670
Profit Before Tax	168	51
Provision for Taxation		
- Income Tax	90	20
- Adjustment for Deferred Tax	(26) 64	9 29
Profit after Taxation	104	22
Surplus brought forward from the previous year	64	157
<b>Total amount available for appropriation</b>	<b>168</b>	<b>179</b>
<b>Appropriation made by Directors</b>		
Transfer to General Reserve	100	100
<b>Appropriation recommended by Directors</b>		
Dividend	18	15
Surplus carried over	50	64

### DIVIDEND

The Directors are pleased to recommend payment of a Dividend of 37% (Rs 3.70 per Equity share of Rs 10/- each), which, if approved by Members at the Annual General Meeting will absorb Rs 18 Mio (previous period Rs 15 Mio).

### EARNINGS PER SHARE



### MARKETING AND SALES

The overall growth in sales during 2002 compared to previous year was generally due to the introduction of Meronem, an injectable antibiotic, which was well received by the Medical and Hospital fraternity and did well in 2002. Zoladex, introduced in Oncology therapeutic area in high value niche showed gradual acceptance by the Medical and Hospital fraternity.

Among the established products the Cardiovascular portfolio did relatively well with increases slightly above the market while the Respiratory products under-performed.

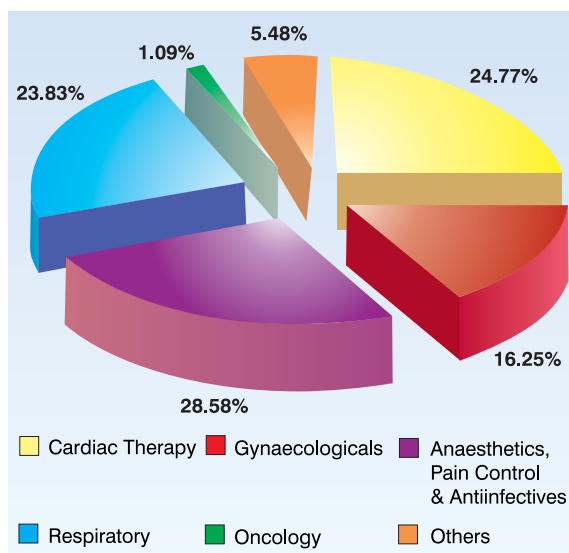
The Sales and Marketing structure of the Company was restructured to increase quality and focus. The improvement in performance is however expected to materialize only in the second half of 2003.

Your Company re-launched Nolvadex in January 2003 and would re-launch Diprivan in 2<sup>nd</sup> Quarter of 2003. Some more products from the parent Company are also expected to be launched in 2003. Consequently, significant investment would be required to be made for product launches and promotion.





### THERAPEUTIC GROUP-WISE SALES F-2002



### MEDICO-MARKETING

With well-defined role of the Medical department, your Company continued to disseminate scientific information to both internal and external customers besides extending sustained support to Marketing for launch of new products. A Medico-Marketing workshop was organised during the year under report, for effective implementation of promotional strategies.

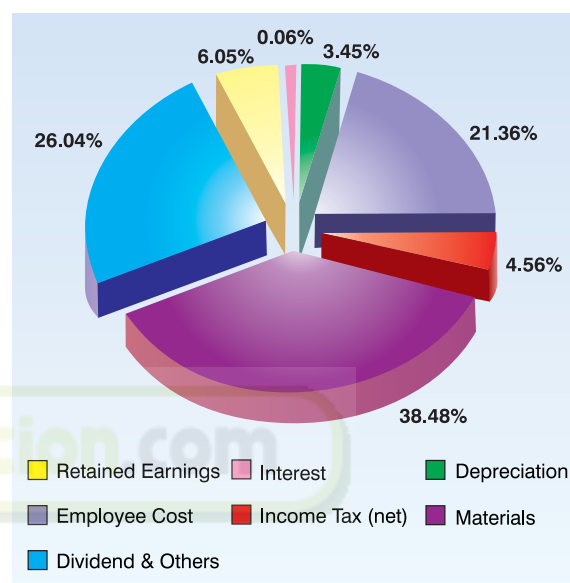
A well-knit clinical team is in place fostering the evolution of clinical research so as to generate greater thrust in global trials.

### MANUFACTURING

During the period your Company has been successful in producing the required polymorph of Terbutaline Sulphate. This brought your Company closer to becoming a Global Sourcing site for this active material. The Company also took Quantum Leap in implementing Oracle Process Manufacturing module of Enterprise Resource Planning (ERP) and thereby improving the quality of documentation and controls.

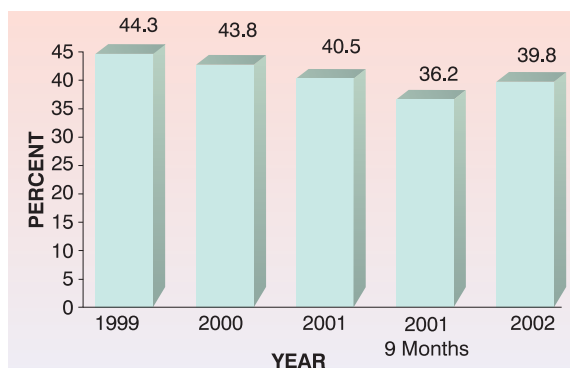
Employee productivity has further improved from Rs 0.51 to Rs 0.55 mio per employee per month, resulting in improved labour efficiency. Focus on improved supply chain management has resulted in higher order fulfilment. Efforts are on to improve yields in various formulations / bulk drugs and also augment savings from solvent recovery.

### DISTRIBUTION OF GROSS REVENUE

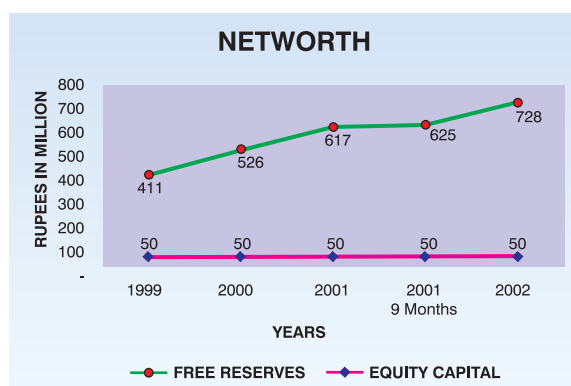


Your Company continued its Corporate Responsibility by organizing a voluntary blood donation camp and celebrated World Heart Day in the Plant. In recognition, the Company was awarded the coveted 'Corporate Citizen' award by Rotary Club of Bangalore.

### MATERIAL COST AS A % OF SALES







## SAFETY, HEALTH AND ENVIRONMENT (SHE)

SHE experts from Global team audited the plant during the year under report. Recommendations to further improve Safety, Health and Environment have been taken up for implementation.

Safety department regularly conducts safety training programmes, mock drills and internal operations safety audits in order to increase the awareness among employees regarding safety and environment. Concerted efforts made during the year has resulted in conserving power and water.

Medical examination of all the employees was also carried out during the year.

## HUMAN RESOURCES & EMPLOYEE RELATIONS

The Company is continuing its efforts towards imbibing a Performance Driven Culture and becoming an Employer of Choice.

HR initiatives in this direction are in the form of Business Performance Management, Performance Linked Bonus, Broadbanding of grade structures, Role Clarifications, Competency Framework development and Learning & Development activities.

A Memorandum of Settlement was signed between the Management and Representatives of the Factory workers for a period of three and a half years, effective from 1<sup>st</sup> January, 2002.

Employee relations at all levels continue to remain cordial.

## DRUG PRICE CONTROL ORDER

In the last Directors' Report, Members were informed that the Writ Petition relating to the Demand Notice by the Central Government on Rifampicin was allowed in part by the Karnataka High Court. By its order the matter was referred back to the Central Government for reconsideration. The Central Government has since then appealed against the said order to the Division Bench of Karnataka High Court.

In this connection, reference may be made to Note No.2 (a) in Schedule 14 to the Annual Accounts.

## INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure-I and forms part of this Report.

Information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of the Employees) Rules, 1975, is given in Annexure-II and forms part of this Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Act, the Board of Directors state that in the preparation of the Company's Accounts, the applicable accounting standards have been followed and proper explanations have been provided for material departures, wherever applicable. The Directors have selected such accounting policies, which have been applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of the financial year ended 31<sup>st</sup> December, 2002 and of the profit or loss of your Company for that period. The Board of Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of



the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

It is further confirmed that the Accounts have been prepared on a going concern basis.

**FIRST OPEN PUBLIC OFFER MADE BY ASTRA PHARMACEUTICALS AB, SWEDEN TO THE SHAREHOLDERS OF THE COMPANY PURSUANT TO THE LETTER OF OFFER DATED 11<sup>TH</sup> MAY, 2002 ("the First Public Offer").**

By the First Public Offer made to the Shareholders of the Company, Astra Pharmaceuticals AB, Sweden, the parent company of your Company (then holding 56.499% of the equity share capital of your Company) had, along with AstraZeneca AB (publ), Sweden, person acting in concert ("the Acquirer"), made a voluntary offer to the shareholders of the Company to acquire 2,175,050 fully paid up equity shares of Rs 10/- each representing 43.501% of the paid up equity share capital of the Company at a price of Rs 375/- per share ("the Offer Price"). The First Public Offer opened on 23<sup>rd</sup> May, 2002 and closed on 21<sup>st</sup> June, 2002. The Acquirer acquired 390,497 equity shares (representing 7.81% of the equity share capital) from the open market and 1,145,186 equity shares (representing 22.90% of the equity share capital) through the open offer thereby increasing their shareholding from 2,824,950 equity shares (representing 56.50% of the equity share capital) to 4,360,633 equity shares (representing 87.21% of the equity share capital).

Writ Petitions filed by Shareholders against the First Public Offer

- I) A shareholder holding 400 equity shares in your Company filed a Writ Petition in the Kerala High Court on 5<sup>th</sup> April, 2002, inter alia, challenging the legal validity of Regulation 20 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SEBI Takeover Regulations") which prescribes the basis

for determining the minimum offer price in a public offer. The said shareholder had obtained an ex-parte interim order from the Kerala High Court on 8<sup>th</sup> April, 2002 staying all proceedings pursuant to the First Public Offer. The Acquirer made an application to vacate the said ex-parte interim order dated 8<sup>th</sup> April, 2002 and on 8<sup>th</sup> May, 2002, the Hon'ble Kerala High Court was pleased to vacate the said ex-parte interim order. Being aggrieved by the Order of the Kerala High Court vacating the said interim stay, the shareholder filed an appeal before the Division Bench of the Kerala High Court on 9<sup>th</sup> May, 2002. The shareholder did not press the appeal and instead requested for an early hearing of the Writ Petition by the Kerala High Court. The appeal was disposed of on 17<sup>th</sup> May, 2002 and a hearing was fixed for 3<sup>rd</sup> June 2002. The matter has not, to date, come up for hearing. While disposing of the appeal, the High Court clarified that, further proceedings taking place touching the subject matter of the case will be subject to the result of the Original Writ Petition.

- II) Another shareholder, Mr. Arun Kumar Agrawal, then holding 2517 equity shares in your Company, filed a Writ Petition in the Karnataka High Court, inter alia, challenging the legal validity of Regulations 2(h), 3(1) and 20 of the SEBI Takeover Regulations and contesting the adequacy of the Offer Price and also sought an interim stay of further proceedings pursuant to the First Public Offer. While declining to grant a stay on the proceedings of the First Public Offer, the Karnataka High Court in its interim order dated 20<sup>th</sup> June, 2002 admitted the said Writ Petition and directed that any proceedings held by the respondents pursuant to the First Public Offer would be subject to the result of the Writ Petition and that the parties to the lis will not plead equities at the time of final hearing. The Acquirer, the Company, the Chairman, the Managing Director, DSP Merrill Lynch, the Managers to the First Public Offer, who were amongst others, impleaded as