



16th Annual Report 2002-2003

Scaling New Heights



**BAL PHARMA LTD.
BANGALORE**

AN ISO 9001 COMPANY

Bal Pharma Limited



MANAGEMENT, BANKERS AND AUDITORS

Board of Directors

Mr. Shailesh Siroya	-	Managing Director
Dr. S. Prasanna	-	Wholetime Director
Mr. Shrenik Siroya	-	Non-executive Director
Dr. G.S.R. Subba Rao	-	Independent Director
Mr. N.D. Prabhu	-	Independent Director
Mr. A. Murali	-	Independent Director (w.e.f. 29.03.2003)

Company Secretary

Mr. K. Mahadevan

Registered Office:

21 & 22, Bommasandra Industrial Area,
Anekal Taluk, Bangalore – 560 099.

Plant Locations :

Formulations Unit :

21 & 22, Bommasandra Industrial Area, Hosur Road,
Anekal Taluk, Bangalore – 560 099.

R & D Centre & Bulk Drug Unit :

61/B Bommasandra Industrial Area, Hosur Road,
Anekal Taluk, BANGALORE – 560 099.

Parenterals Unit :

Miaami Pharma & Chemicals,
732/735, Off : National Highway No.4,
Village Kenjal, Dist. Bhor,
MAHARASHTRA.

Bankers

Canara Bank,
The Shamrao Vithal Cooperative Bank Ltd.,
Punjab National Bank
State Bank of India (till August 03)
Corporation Bank (w.e.f. August 03)

Auditors :

Ostawal & Jain

Registrar & Share Transfer Agents :

Tata Share Registry Limited,
Army & Navy Building,
148, M.G. Road, Fort,
Mumbai – 400 001.

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Bal Pharma Limited



NOTICE

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the members of Bal Pharma Limited will be held at Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001, on Wednesday, the 17th September, 2003, at 12.00 noon, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2003, and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon;
2. To declare Dividend;
3. To appoint a Director in place of Mr. N.D. Prabhu, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Mr. A. Murali, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors and to authorise the Board to fix their remuneration;

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Capital of the Company, be increased from the existing Rs. 10,00,00,000/- divided into 65,00,000 Equity Shares of Rs. 10/- each and 3,50,000 Redeemable Preference Shares of Rs. 100/- each to Rs.12,00,00,000/- divided into 80,00,000 Equity Shares of Rs. 10/- each and 4,00,000 Redeemable Preference Shares of Rs. 100/- each with or without warrants attached to it."

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

"RESOLVED THAT pursuant to Section 16 of the Companies Act, 1956, and other applicable provisions, if any, the Memorandum of Association of the Company be and is hereby amended by deleting the existing Clause V of the Memorandum of Association and by substituting in its place and stead the following Clause V:

V : The Share Capital of the Company is Rs. 12,00,00,000/- (Rupees Twelve Crores only) divided into 80,00,000 Equity Shares of Rs. 10/- each and 4,00,000 Redeemable Preference Shares of Rs. 100/- each with or without warrants attached, with powers to increase or reduce or reclassify and to vary,

modify or abrogate any such rights, privileges or conditions in such manner as provided by resolutions of the Company."

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company, be and is hereby amended by deleting the existing Article 3 of the Articles of Association and by substituting in its place and stead the following Article 3:

3 : The Share Capital of the Company is Rs. 12,00,00,000/- (Rupees Twelve Crores only) divided into 80,00,000 Equity Shares of Rs. 10/- each and 4,00,000 Redeemable Preference Shares of Rs. 100/- each with or without warrants attached, with powers to increase or reduce or reclassify and to vary, modify or abrogate any such rights, privileges or conditions in such manner as provided by resolutions of the Company."

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

"RESOLVED that pursuant to Section 81(1A) of the Companies Act, 1956, and Rules made thereunder and other applicable Acts, Rules and Regulations, and subject to the provisions of Memorandum and Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors to issue 2,00,000 12.5% Redeemable Preference Shares of Rs. 100/- each with or without warrants attached to it to Promotor Directors on such terms and conditions as the Board may in its discretion deem fit in partial settlement of and in appropriate proportion to the unsecured loans received from them from time to time and interest accrued thereon (as on the date of allotment of the said preference shares) upto Rs. 2,00,00,000/-.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose and with power, on behalf of the Company, to settle questions, difficulties or doubts that may arise in regard to such issue or allotment as it may, in its absolute discretion deem fit."

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

"RESOLVED that subject to all applicable provisions and schedules of Companies Act, 1956, and Rules made thereunder and subject to applicable clauses of Memorandum and Articles of Association of the Company, the managerial remuneration payable in terms of Schedule XIII of the Companies Act, 1956, to Mr. Shailesh Siroya, Managing Director, as recommended



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by the Remuneration Committee and the Board, be and is hereby revised with effect from 1.4.2003 for a period of 3 years or till the close of the present tenure, whichever is earlier, to Rs. 2,50,000/- (Rupees two lakhs fifty thousands only) per month inclusive of salary and perquisites but exclusive of the following:

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they, either singly or put together, are not taxable under the Income Tax Act, 1961;
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- iii. Encashment of leave at the end of the tenure."

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

"RESOLVED that subject to all applicable provisions and schedules of the Companies Act, 1956, and the Rules made thereunder and subject to applicable clauses of Memorandum and Articles of Association of the Company approval of the shareholders be and is hereby accorded for the appointment of Dr. S. Prasanna, as Wholetime Director for a period of 5 years from 1.10.2003.

RESOLVED FURTHER that subject to all applicable provisions and schedules of Companies Act, 1956, and subject to applicable clauses of Memorandum and Articles of Association of the Company, the managerial remuneration payable in terms of Schedule XIII of the Companies Act, 1956, to Dr. S. Prasanna, Wholetime Director, as recommended by the Remuneration Committee vide its meeting dated 26.4.2003 and as recommended by the Board vide its meeting dated 26.4.2003, be and is hereby revised for a period of 3 years with effect from 1.4.2003 to Rs. 1,00,000/- (Rupees one lakh only) per month all inclusive of salary and perquisites but exclusive of the following:

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they, either singly or put together, are not taxable under the Income Tax Act, 1961;
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- iii. Encashment of leave at the end of the tenure."

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

"RESOLVED that subject to the provisions of the Companies Act, 1956, and Rules framed thereunder, Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder, SEBI (Delisting of Securities) Guidelines 2003, Listing Agreement and all other applicable laws, rules, regulations and subject to such other compliances as may be necessary, consent of the Company be and is hereby accorded to delist the Equity Shares of the Company from Bangalore Stock Exchange and for this purpose, the Board of Directors, be and are hereby authorized to take such steps as may be deemed necessary."

By Order of the Board

Bangalore
14th July, 2003

K. Mahadevan
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE ON HIS/HER BEHALF. A PROXY NEED NOT BE A MEMBER.**

Proxy in order to be effective, must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of items 6 to 12 is annexed hereto.
3. For the convenience of the 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 requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.
4. The Register of Members and Transfer Books of the Company will be closed from 5-9-2003 to 17-9-2003 (both days inclusive).
5. Members, who hold shares in dematerialised form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting.
6. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company atleast 7 (seven) days prior to the meeting, so that the required information can be made available at the meeting.
7. Members are kindly requested to notify the change of address, if any, to the Company's Registrar and Share Transfer Agents in time to service their interests better.
8. 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 Registrar and Share Transfer Agents.
9. Dividend, if declared, will be paid on or before 16-10-2003, to those members whose names appear on the Company's Register of Members as on the date of 16th AGM. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CSDL for this purpose.
10. Members are kindly requested to bring Annual Report along with them to the Annual General Meeting since extra copies will not be supplied at the meeting.
11. Pursuant to Section 205A(5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and thereafter the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The members who have not encashed the dividend warrants for the financial year 1995-96 onwards are requested to write to the Registrars and Share Transfer Agents of the Company. The members are requested to note that unclaimed dividend pertaining to financial year



1995-96 will be transferred to Investor Education and Protection Fund on or before 08-01-2004.

12. In order to protect the investors from fraudulent encashment of their dividend warrants, the Company hereby offers Electronic Clearing Services Facility to the shareholders having Bank Accounts at Centres notified for ECS by RBI. RBI is continuously adding more centers for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is annexed herewith. The Members from the ECS notified centres desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar and Share Transfer Agents, Messrs. Tata Share Registry Limited, on or before 05.09.2003.
13. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company shall vest in the event of death of member. Interested members may write to the Registrar & Share Transfer Agents for the prescribed form.

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item No. 6 :

The present Authorised Capital of the company is Rs. 10,00,00,000/- consisting of 65,00,000 Equity Shares of Rs. 10/- each, 3,50,000 Redeemable Preference Shares of Rs. 100/- each out of which 57,30,000 Equity Shares and 2,00,000 Redeemable Preference Shares were issued and paid up.

The existing loans from Directors infused to meet the fund needs from time to time are proposed to be converted into Redeemable Preference Shares. In order to enable the Company to do the same, the Company is required to raise the Authorised Capital of the Company to Rs. 12,00,00,000/- comprising of 80,00,000 Equity Shares of Rs. 10/- each and 4,00,000 Redeemable Preference Shares of Rs. 100/- each.

The Board recommends the resolution for approval of the members.

Mr. Shailesh Siroya, Managing Director and Mr. Shrenik Siroya, Director, are concerned or interested in the resolution.

Item No : 7 & 8

Consequent upon the increase in the authorised capital of the Company, it is necessary to amend the Memorandum and Articles of Association. The resolutions are enabling in nature.

The Board recommends the resolution for approval of the members.

Mr. Shailesh Siroya, Managing Director, and Mr. Shrenik Siroya, Director, are concerned or interested in the resolution.

Item No : 9

Your Company is operating in a highly competitive environment and availability of funds on time is critical to meet the competition effectively. At times, when the Company faced acute liquidity crisis, the promoter Directors came forward and lent their personal money to the Company. All these receipts were accounted as unsecured loans and, accordingly, the accounts were finalized and audited till financial year ended 31-3-2002. The borrowings

from the Directors of the Company together with accrued interest stood at Rs. 2,00,56,823/- (Rupees Two Crores Fifty Six Thousand Eight Hundred and Twenty Three only) as on 31-3-2003. With the amendment in the definition of 'Deposits' under Companies (Acceptance of Deposits) Rules, 1975, these borrowings are classified as 'Deposits'. Suitable steps have been taken to comply with the amended rules fully.

Your Directors seek your consent by way of Special Resolution to convert a part of the said loans upto Rs. 2,00,00,000/- from Directors to 12.5% Redeemable Preference Shares and allot the same to the Promotor Directors.

The Board recommends the resolution for approval of the members.

Mr. Shailesh Siroya, Managing Director, and Mr. Shrenik Siroya, Director, are concerned or interested in the resolution.

Item No : 10

Members of the Company approved payment of managerial remuneration to Mr. Shailesh Siroya, in terms of Schedule XIII of the Companies Act, 1956, and accordingly he is currently being paid Rs. 1,25,000/- (Rupees one lakh twenty five thousand only) per month inclusive of salary and perquisites but excluding those prescribed under that Schedule.

Schedule XIII has been amended by Central Government according to which in case of absence of or inadequacy of profits calculated in terms of Sections 349 and 350 of the Companies Act, 1956, your Company can pay a remuneration upto Rs. 2,50,000/- per month for a period of 3 years to each of the Wholtime Directors with approval of members by way of special resolution in the General Meeting.

Keeping in mind the industry norms and remuneration paid to similar appointees in other companies and the active role played by your Managing Director in steering the Company to better levels of profitability, the Remuneration Committee of the Company, in its meeting held on 26.4.2003 and the Board in its meeting held on 26.4.2003 considered and recommended the proposal of revising the managerial remuneration of Managing Director with effect from 1.4.2003 for a period of 3 years or till the close of the present tenure whichever is earlier, to Rs. 2,50,000/- inclusive of salary and perquisites but excluding those prescribed under that Schedule.

The remuneration recommended may be deemed as the minimum remuneration payable in the event of loss or inadequacy of profits.

The above may be treated as an abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

Mr. Shrenik Siroya, Director, being related to Mr. Shailesh Siroya, Managing Director and Mr. Shailesh Siroya himself, are concerned or interested in the resolution.

Item No: 11

Dr. S. Prasanna, was appointed as Wholtime Director of the Company for 5 years with effect from 1.10.1998 and was paid Rs. 489,360/- as a Salary and perquisites during 2002-03 in terms of the approval accorded by the members.



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Considering the indepth knowledge and the vast experience of Dr. S. Prasanna as also the industry norms, and considering the provisions of Schedule XIII of the Companies Act, 1956, the Remuneration Committee at its meeting held on 26.4.2003 and your Board in its meeting held on 26.4.2003 recommended managerial remuneration payable to Dr. S. Prasanna, for a period of 3 years with effect from 1.4.2003 as Rs.1,00,000/- per month inclusive of salary and perquisites but excluding those prescribed under that Schedule.

The remuneration recommended may be deemed as the minimum remuneration payable in the event of loss or inadequacy of profits.

The above may be treated as an abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956.

His tenure as Wholetime Director will expire on 30-9-2003. He is heading the Research and Development Centre and the Bulk Drug Manufacturing Unit of the Company. As the Company will benefit immensely from his vast and extensive experience, your Directors in their meeting held on 26.4.2003 recommended the proposal for renewal of his appointment for a period of 5 years from 1-10-2003.

The Board recommends the resolutions for approval of the members.

None of the Directors, other than Dr. Prasanna, is concerned or interested in the resolution.

Item No: 12

Presently your Company's shares are listed at Bangalore and Mumbai Stock Exchanges. However, trading of the Equity Shares of the Company on daily basis is taking place only at Mumbai Stock Exchange. Though there has been no trading at the Bangalore Stock Exchange for a long time, the Company is required to pay the annual listing fee to the Bangalore Stock Exchange besides complying with the requirements of filing periodical returns and compliance reports as per the listing agreement. As the listing at Bangalore Stock Exchange has yielded no benefit either to the Shareholders or to the Company, the Company seeks your approval for delisting the Equity Shares of the Company from Bangalore Stock Exchange. In view of the wide network that Mumbai Stock Exchange has got, no member will be put into any inconvenience or hardship by this proposal.

With SEBI (Delisting of Securities) Guidelines, 2003, coming into force, which has substantially simplified the procedural requirements for Delisting, your Directors have approved the proposal for voluntary delisting of the Equity Shares of the Company from Bangalore Stock Exchange subject to the approval of the members in the Annual General Meeting.

The Board recommends the resolution for approval of the members.

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

By Order of the Board
For **BAL PHARMA LIMITED**

Bangalore.
14th July, 2003

K. Mahadevan
Company Secretary

ADDITIONAL INFORMATION RELEVANT TO MR. SHAILESH SIROYA, MANAGING DIRECTOR AND DR. S. PRASANNA, WHOLETEIME DIRECTOR AS PER CLAUSE B OF PARAGRAPH 1 OF SECTION II OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956.

I. GENERAL INFORMATION :

- | | |
|---|---|
| 1. Nature of industry | Pharmaceutical Industry |
| 2. Date or expected date of commencement of commercial production | The Company was incorporated on 19-5-1987 as a Private Limited Company and it commenced commercial production from 1992. |
| 3. Financial performance based on given indicators | For the year ended 31-3-2003:
(Rs. in Crores)
Turnover and other income 55.31
Profit before income tax 2.76
Net worth 18.84 |
| 4. Export performance and net foreign exchange collaborations | The Company's export income was Rs. 15.01 Crores in 2002-03 and there was no foreign exchange collaboration. |
| 5. Foreign investments or collaborators, if any. | Nil |

II. INFORMATION ABOUT THE APPOINTEE:

	Mr. Shailesh Siroya	Dr. S. Prasanna
1. Background details	Mr. Shailesh Siroya is promoter Director and he holds a Masters degree in Business Administration from the University of Akron, Ohio, USA	Dr. S. Prasanna has been associated with the Company from the inception. He is Ph. D in Organic Chemistry and has extensive exposure as a research scientist. He has been heading the Research and Development Centre and Bulk Drug manufacturing unit of the Company.
2. Past remuneration	Rs. 1.25 lakhs per month inclusive of salary, perquisites and this is in line with provisions of pre-amended Schedule XIII of the Companies Act, 1956.	Rs. 489,360/- was paid as Salary and perquisites during 2002-03 in terms of approval accorded by the members
3. Job profile and his suitability	Mr. Shailesh Siroya is the Managing Director of the Company. With his rich experience, he is the most appropriate person to be at the helm of the affairs of the Company.	Dr. S. Prasanna is heading the Research and Development Centre and bulk drug manufacturing unit of the company. He has been associated with the Company right from the inception. With his extensive experience and knowledge, he is the most appropriate person to guide the original research efforts of the Company.

**II. INFORMATION ABOUT THE APPOINTEE (Contd.)**

	Mr. Shailesh Siroya	Dr. S. Prasanna
4. Remuneration proposed	Details of remuneration proposed have been given in the notice. Taking into consideration the size of the Company, profile of the appointee, responsibilities shouldered by them, the remuneration proposed is commensurate with the remuneration packages paid or is comparable to other companies in the industry. Furthermore, the Company has been steadily achieving enhanced profitability, which is attributed to a great extent to the subject appointees who are responsible for the day to day affairs of the Company.	
5. Pecuniary relationship / relationship with the managerial personnel, if any.	Messrs. Desa Marketing International, Bangalore, under an agreement with the Company, provides service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya, is interested in the said agreement and the said agreement has the approval of the Government. He does not have any pecuniary relationship with the managerial personnel of the Company.	Dr. S. Prasanna besides the above remuneration does not have any pecuniary relationship with the company and its managerial personnel.

III. OTHER INFORMATION :

1. Reasons for loss or inadequate profits
The Company is earning profits. However, the net profits calculated under certain parameters under Sections 349 and 350 of the Companies Act, 1956, result in inadequate or insufficiency of profits.
2. Steps taken or proposed to be taken for improvement.
It is to be noted that the Company has been steadily increasing its bottomline. All out efforts are being infused carefully to enhance the same further.
3. Expected increase in productivity and profits in measurable terms
The Company does not expect any one time extraordinary change during the financial year 2003-04 and, therefore, the Company's operation should give normal returns barring unforeseen circumstances.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

Sl. No.	Name	Qualification	Experience/ Expertise	Other Directorships	Other Committee Memberships in the Company
1.	Mr. Nileshwar Damodar Prabhu	B. Com, FIIIB, CAIB (London)	He is a professional Banker. Started his career as Apprentice Pupil with Canara Bank Ltd., in May, 1955, and rose gradually in the hierarchy to the position of Chairman and Managing Director of Canara Bank in September 1988. He held varied senior positions in the Bank and also headed 5 subsidiaries of Canara Bank. He was also a member of Board of Directors of Tourism Development Corporation Limited, Agricultural Finance Corporation, Industrial Reconstruction Bank of India, and Indian Banks Association.	1. Bescon Corporate Advisors Ltd., Chairman 2. Jumbo Bag Limited, Chairman 3. Yokogawa Blue Star Ltd., Director 4. Robot Systems Pvt. Ltd., Director 5. Self Growth Nidhi Ltd., Chairman 6. Aqua Control Valves Pvt. Ltd., Chairman	1. Audit Committee- Chairman 2. Remuneration Committee- Member 3. Shareholders and Investors Grievances Committee- Member
2.	Mr. A Murali	B. Sc., LLB.,	Enrolled as an Advocate in the year 1983. Joined the Law Firm Messrs. N. Jayaraman, Advocates, in the year 1985 and became a partner in the year 1987. Deals with Corporate legal matters particularly in the areas of Company formation, joint ventures, reconstructions, mergers, corporate litigations, and conveyancing.	1. Harnssoft Systems Pvt. Ltd., Director 2. Stumpp Schuele & Somappa Ltd., Director 3. Kern-Liebers India Pvt. Ltd., Director 4. East West Hotels Ltd., Director 5. Krishna Plastic Industries Ltd., Director 6. Unitech Systems (India) Pvt Ltd., Director	1. Remuneration Committee- Chairman 2. Shareholders and Investors Grievances Committee- Member

Bal Pharma Limited



DIRECTORS' REPORT

Your Directors have pleasure in presenting the 16th Annual Report together with the Audited Accounts of your company for the financial year ended March 31, 2003:

FINANCIAL RESULTS :

Rs. in Lakhs

Particulars	2002 - 03	2001-02
1) Total Income	5530.86	4415.63
2) Profit before Depreciation and Provision for Taxation	356.19	278.83
Less:		
3) Depreciation	80.69	65.73
4) Provision for Taxation	17.15	14.33
5) Deferred Tax	39.25 (-) 137.09	41.12 (-) 121.18
	219.10	157.65
Add:		
6) Profit & Loss Account balance at the beginning of the year	(+) 431.80	(+) 349.83
7) Profit made available for appropriation	650.90	507.48
Less:		
8) Dividend on Preference Shares	28.00	28.00
9) Proposed Dividend on Equity Shares	68.76	57.30
10) Transfer to Preference Shares Redemption Reserve	28.50	28.50
11) Transfer to General Reserve	7.00	3.00
12) Tax on dividends	12.40 (-) 144.66	- (-) 116.80
13) Balance carried to Balance Sheet	506.24	390.68

DIVIDEND

In view of satisfactory results, the Directors are pleased to recommend payment of a Dividend of 12% (Rs. 1.20 per equity share of Rs. 10/- each) as against 10% in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS :

INDUSTRY OVERVIEW, OPPORTUNITIES, RISKS AND CONCERNS :

The pharmaceutical industry is a lifeline industry. In India, it is one of the front-runners amongst science-based industries. Though highly fragmented, it ranks high in terms of cost-efficient research, technology, self-reliance, cost-efficient production, quality and range of medicines as well as people resources. Low cost manufacturing structure, competition, high volume and low prices are its advantages. Its rapid growth so

far could be attributed to friendly process patent regime. It is set to go in for consolidation in the medium to long term. In less than two years from now, India will embrace product patents and this is likely to alter the scenario in the industry over the next 2 decades. This change is certainly an opportunity, as it will lead to protection of intellectual property and consequently encouragement to innovation. It will mean increased opportunity for the manufacturing and scientific capabilities of the country. It will also mean rewarding investors for the time and money invested by them.

Another significant feature of the industry is Drug Price Control Order (DPCO). The Government, however, has been slowly but progressively relaxing DPCO and the span has come down from 90% in 1980 to 50% in 1995 and has been further declining. This augurs well for the industry. The industry has been witnessing one more subtle change in the recent times. Old and mature categories like anti-infectives, vitamins, analgesics are degrowing or stagnating while new life style categories like cardiovascular, CNS and diabetics are growing at double-digit rates.

The future for the Indian pharma industry is bright. With more than 60 products with over USD 40 billion in sales likely to lose their patents during the coming decades, Generics segment is expected to show phenomenal growth. Contract Research is another promising segment. A few Indian companies have already entered this segment and the initial results are encouraging. The recent SARS epidemic highlighted the need for global partnership opportunities in healthcare. Conscious of these developments, your company has formulated various action plans to capitalise on the above emerging scenario.

BUSINESS OPERATIONS :

Your Directors are glad to inform you that during the period under review, the business operations of your Company grew at 25% compared to the industry average of around 7 to 8%. Against a total turnover of Rs. 44 crores in the previous year, the turnover during 2002-2003 rose to Rs. 55 crores. A number of strategic initiatives, such as, greater focus on demand generation for high margin products, enhancement of procurement and production efficiencies, focus and control on expenses including manpower rationalization, coupled with close and continuous review by the Management team resulted in this growth. To leverage the benefits of information technology and to reduce administrative costs, an ERP project has been initiated and the project is expected to go on stream by the close of this calendar year.

Ethical Division continued its focus on anti-diabetic market and introduced as many as eight new products. Nearly 40% of the revenue of Ethical segment was from anti-diabetic products. The Division recorded a growth of around 18%. Generics and Institutional sales did its best despite entry of top end players in the industry into this segment in a big way. The growth of Ayurvedic medicine in recent times is phenomenal and recognising the growth opportunities available in this segment,



your Company has recently launched the Ayurvedic Division 'Bal Vedics' and this Division is expected to contribute substantially to the growth of the Company in the near future. The business in Parenterals unit has been good and the unit continues to maintain high capacity utilisation of the machines. Bulk Drugs business is good and in comparison to previous year's business, it recorded a robust growth of 111%. 'Certificate of Suitability' awarded by European Directorate of Medicine to our bulk drug 'Gliclazide' has facilitated its smooth entry into the European regulated market. The Company's research activities continued its focus in developing Active Pharmaceutical Ingredients (APIs) in the field of Diabetes, Cancer and allergic related diseases. A few of them are scale up projects and your Company is confident of realizing their commercial potential in the years to come. Your Company has also undertaken and successfully executed a few Contract Research Projects from USA and U.K. Exports continued its best and in comparison to previous year, the growth was around 65%. Government of India has recognized your Company as 'Export House'. Recently, Government of Karnataka conferred on your company the 'Best Exporter Award' for the period 1996-2000. Federation of Karnataka Chambers of Commerce and Industry conferred 'Best Exporter in 2001-2002' recognizing your Company's export performance during 2002. Furthermore, recently, the Ceylon National Chamber of Industries, Srilanka, conferred on your Company 'Industrial excellence Award-Special Recognition in the SAARC country category'. These recognitions coupled with the growing financial and physical performance drive your Company with ambition to excel its own previous best and your Company is confident of crossing the Rs. 100 Crores business mark in a short period.

SUBSIDIARY COMPANY :

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary company is given as Annexure forming part of the Directors' Report.

DIRECTORS :

The Board appointed Mr. A. Murali, a leading legal professional on Corporate Laws at Bangalore, as an Independent Director on the Board with effect from 29-3-2003 in the casual vacancy. With his induction, the Board has 6 Directors, 4 of whom are non-executive Directors and 3 of whom are Independent Directors.

Mr. N.D. Prabhu and Mr. A. Murali, retire by rotation and being eligible, offer themselves for reappointment.

AUDIT COMMITTEE :

Audit Committee has been reconstituted with effect from 26-4-2003 in terms of the requirements of the listing Agreement with Mr. N.D. Prabhu, Independent Director, Dr. G.S.R. Subba Rao, Independent Director and Mr. Shrenik Siroya, Non-executive Director

The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm:

- i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed ;
- ii) that the accounting policies adopted are consistently followed and the judgements and estimates made are 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 and Loss Account of the Company for the financial year ;
- iii) that the 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/detecting fraud and other irregularities ;
- iv) that the Directors have prepared the annual accounts on going concern basis ;

PARTICULARS OF EMPLOYEES

No employee of the company was paid remuneration in terms of the notification issued under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO

As per provisions of 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, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgoings are given in Annexure forming part of the Directors Report.

PUBLIC DEPOSITS :

As on date of the Report, the Company has not accepted any public deposits. However, the borrowings from Directors are reclassified as 'Deposits' as per amended Companies (Acceptance of Deposits) Rules, 1975. Approval of Government of India has been sought seeking extension of time till December 2003/ exemption from compliance of various applicable rules under Companies (Acceptance of Deposits) Rules 1975 read with Section 58A of the Companies Act, 1956.

AUDITORS :

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for reappointment.

APPRECIATION :

The Directors place on record their appreciation of the cooperation and guidance provided by Canara Bank, The Shamrao Vithal Co-operative Bank Ltd., Punjab National Bank, and State Bank of India and other banks and financial institutions, members of the medical profession, customers, suppliers and other business associates. The Directors express their gratitude to all shareholders of the Company for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Bangalore
14th July 2003

DR. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director



Bal Pharma Limited

ANNEXURE TO THE DIRECTORS' REPORT

Information under 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, and forming part of Directors' Report for the financial year ended 31st March, 2003 :

1 Conservation of Energy:

A POWER AND FUEL CONSUMPTION

	2002-03	2001-02
1. Electricity		
(a) Purchased Unit (kwhr)	15,22,367	14,44,638
Total Amount (Rs.)	65,15,733	60,33,728
Rate/Unit (Rs.)	4.28	4.18
(b) Own Generation		
(i) Through Diesel Generator Units (kwhr)	1,13,757	90,428
Units per ltr of diesel (kwhr)	3.29	3.23
Cost/Unit (Rs.)	6.54	5.64
(ii) Through Steam Turbine/Generator	Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Standards* (if any)	2002-2003(+)	2001-2002(+)
(i) Electricity		
(ii) Furnace Unit		
(iii) Coal		
(iv) Others		

* Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production.

(+) For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.

2. Disclosure of Particulars with respect to Technology absorption :

1 Research and Development (R & D):

- (a) Specific areas in which R & D is carried out by the Company
- The Company's research activities are focused towards developing new molecules/active pharmaceutical ingredients (APIs) as medicines to treat Diabetes, Cancer and allergic related diseases.
- (b) Benefits derived as a result of the above R & D
- R & D team has been successful in introducing new products into the market.
- (c) Future plan of action
- As many as 12 R & D projects are on going and it is intended to take the products developed out of these projects to commercial level.

(d) Expenditure on R & D during the financial year ended 31-3-2003:

	(Rs. In lakhs)
(i) Capital	6.18
(ii) Recurring	88.03
(iii) Total	94.21
(iv) Total R & D expenditure as a percentage of total turnover	1.71 %

3. Technology Absorption, Adaptation and Innovation :

- i) Efforts in brief made towards technology absorption, adaptation and innovation.
- Continuous efforts are underway to improve quality and yield and add more products.
- ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.,
- Cost saving, improvement in yield, product development and increased turnover.
- iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be furnished:
- (a) Technology imported: Nil
- (b) Year of import: Nil
- (c) Has the technology been fully absorbed: Nil
- (d) If not fully absorbed, areas where this has not taken place, reason therefore and future plan of action: Not applicable

4. Total Foreign Exchange Earnings and Outgo :

	2002-03 Rs.	2001-02 Rs.
Total Foreign Exchange Earnings	149,961,014	92,792,119
Total Foreign Exchange Outgo		
(a) Raw Material	45,117,407	36,688,418
(b) Other Foreign currency payments		
(i) Travelling Expenses	496,854	148,509
(ii) Export Promotion Expenses	Nil	Nil
(iii) Others	2,731,559	867,502

5 Statement pursuant to Section 212 of the Companies Act, 1956:

- 1 Name of the company
- Novosynth Research Labs Pvt. Ltd.
- 2 The financial year of the subsidiary company ended
- 31st March
- 3 Date from which it became subsidiary
- 10-8-2001
- 4 Number of shares held by Bal Pharma Limited with its nominees in the subsidiary company at the end of the financial year of the subsidiary company
- Rs. 2,00,000/- (200 shares of Rs. 1000/- each)
- 5 Extent of interest of holding company at the end of the financial year of the subsidiary company
- 100%
- 6 Net aggregate amount of the subsidiary company's profit (loss) so far it concerns the members of holding company
- Nil
- a) Not dealt within the holding company's accounts:
- i) for the financial year ended 31-3-2002
- ii) for the previous financial years
- b) Dealt within the holding company's accounts:
- i) for the financial year ended 31-3-2003
- ii) for the previous financial years

For and on behalf of the Board of Directors

Bangalore
14th July 2003

DR. S. PRASANNA
Director

SHAILESH SIROYA
Managing Director