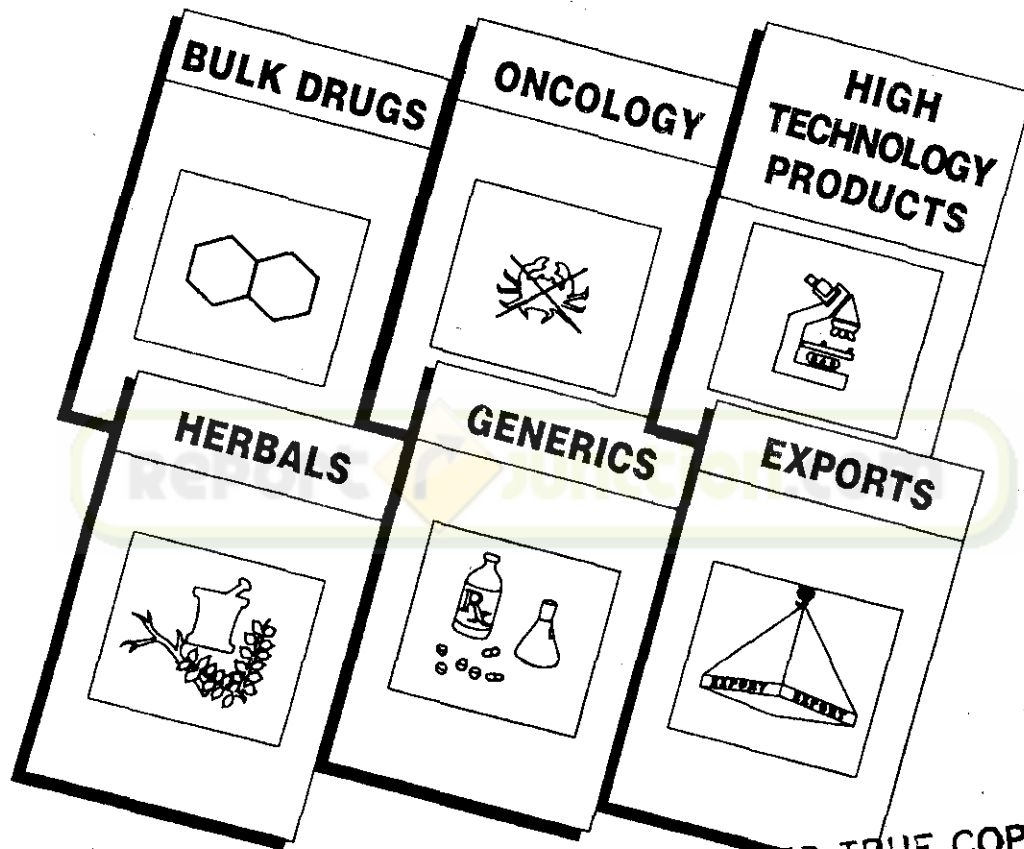




BDH
INDUSTRIES LTD.

Care, Quality and Reputation



CERTIFIED TRUE COPY

For BDH INDUSTRIES LTD.


COMPANY SECRETARY

*Advanced Technology
is the key to our continued Success*

Ninth Annual Report 1998-99



BDH INDUSTRIES LIMITED

| | | | |
|--------------------|---|---------------------------|--------------------------|
| BOARD OF DIRECTORS | : | Dr. G. G. Nair | <i>Chairman</i> |
| | | Mrs. J. G. Nair | <i>Managing Director</i> |
| | | Mr. S. C. Kachhara | <i>Director</i> |
| | | Mr. K.P. Prabhakar | <i>Director</i> |
| | | Mrs. P.G.Menon | <i>Director</i> |
| | | Mr. J.R. Nair | <i>Director</i> |
| | | Dr. C.B. Hingorani | <i>Director</i> |
| | | Dr. V.A. Padval | <i>Director</i> |

COMPANY SECRETARY : **Mr. S.K. Biswas**

AUDITORS : **L.K. Dangi & Co.**
Chartered Accountants
Mumbai

BANKERS : **Central Bank of India**

REGISTERED OFFICE AND
SHARE DEPARTMENT : **Nair-Baug, Akurli Road**
Kandivli (East)
Mumbai 400 101

SALES DEPOTS : **Calcutta**
Calicut
Hyderabad

NINTH ANNUAL GENERAL MEETING at Club Aquaria Enterprises, Devidas Road, Behind St. Lawrence School, LIC Colony, Borivli (W), Mumbai - 400 092. on Wednesday, the 29th September, 1999 at 11.00 a.m.

BDH INDUSTRIES LTD.

**NOTICE**

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of BDH INDUSTRIES LIMITED will be held at Club Acquaria Enterprises, Devidas Road, Behind St. Lawrence School, LIC Colony, Borivli (West), Mumbai-400092 on Wednesday, the 29th September, 1999 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Jayakumar R Nair, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Prakashini G Menon, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be fixed by the Board of Directors.

BY ORDER OF THE BOARD

Mumbai,
Dated: 27th July, 1999

DR. G. G. NAIR
CHAIRMAN

Registered Office :

Nair Baug, Akurli Road,
Kandivli (East), Mumbai-400 101

NOTE :

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 THE PROXY NEED NOT BE A MEMBER.
2. The instrument appointing a proxy in order to be effective must be received at the Registered Office of the Company not less than Forty Eight hours before the time for holding the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 21st September, 1999 to Wednesday, the 29th September, 1999 (both days inclusive) .
4. Shareholders are requested to intimate the Company the change, if any, in their Registered Address.
5. Members are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting.

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BDH INDUSTRIES LTD.

COMPANY SECRETARY

9th Annual Report 1998-99

DIRECTORS' REPORT

To,
THE MEMBERS
BDH INDUSTRIES LIMITED

Your Directors have pleasure in presenting Ninth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

| | 1998-99 | (Rs. in lacs) 1997-98 |
|--|---------|--------------------------|
| Turnover & Other Income | 2378.40 | 2147.71 |
| Profit before Interest and Depreciation | 188.76 | 135.22 |
| LESS : Interest | 81.34 | 68.59 |
| Depreciation | 10.96 | 7.55 |
| Profit before Tax and Extraordinary items | 96.46 | 59.08 |
| Less : Extraordinary items(Exchange loss) | 89.87 | — |
| Profit before tax | 6.59 | 59.08 |
| Less : Provision for Taxation | 0.75 | 12.00 |
| Net Profit After Tax | 5.84 | 47.08 |
| ADD : Surplus Brought Forward from the previous year | 225.98 | 181.90 |
| Amount available for appropriation | 231.82 | 228.98 |
| Appropriation to | | |
| 1. General Reserve | — | 3.00 |
| 2. Balance carried forward to Balance Sheet | 231.82 | 225.98 |

REVIEW OF OPERATIONS :

During the year under review, Company's Turnover has increased to Rs.2373.50 lacs from Rs.2141.97 lacs in the previous year registering a growth of 11% which, however, is lower than the target set by the Company. This was due to paucity of Working Capital and non-completion of the Expansion cum Modernisation Project and its effect on the Working of the existing facilities during the transition period. The Operating Profit before interest and depreciation during the year is Rs.188.76 lacs as compared to Rs.135.22 lacs during the previous year. However after adjustment of loss of Rs.89.87 lacs on account of exchange rate prevailing on the date of repayment of Working Capital loan, the Net Profit after tax comes to Rs.5.84 lacs during the current year. The margins were under strain because of additional overhead expenditure by the Company for supplementing the production level through contract manufacturing which was necessary since the existing facilities could not be put to effective use during the transition period. Further, increased competition in the market also affected the profit.

FOREIGN CURRENCY LOAN :

Your Company had taken Foreign Currency Loan of US \$ 26,87,500 comprising of Term Loan of US \$ 13,00,000 and balance towards Working Capital Loan. The Working Capital Loan has been repaid on 30.03.99 and the exchange difference has been considered in the Accounts.

The Company has requested the Bank for re-schedulement of repayment of Term Loan because of delay in completion of the Expansion cum Modernisation Project; our request has been recommended and the approval is awaited.

The Company has decided to account for any difference in respect of Exchange Rate fluctuation of Term Loan at the time of repayment in full or any part thereof.

DIVIDEND :

In view of inadequate profits, your Directors recommend skipping of Dividends.

SHARE CAPITAL :

The Company's shares are listed at Mumbai, Ahmedabad and Madras Stock Exchanges; the Listing Fees for the year 1999-2000 has been paid by the Company.

FUTURE PROSPECTS :

The Expansion cum Modernisation Project has commenced Commercial Production with effect from 15.05.1999 and the Company is expected to achieve a turnover of Rs.2750 lacs in the current year. The National Drug Authorities from various countries have visited/scheduled to visit the Plant during the current year which is expected to give a boost to our Export activities.

BDH INDUSTRIES LTD.

**PROMISE V/S PERFORMANCE :**

(In Terms of Clause 43 of the Listing Agreement)

| | 1998-99 | (Rs. in Lacs) |
|----------------------|-------------|------------------------------|
| | Projections | Actual Performance (Audited) |
| i. Sales | 4000.00 | 2373.50 |
| ii. Profit after Tax | 340.52 | 5.84 |
| iii. E P S (Rs.) | 5.58 | 0.10 |

Performance figures are not comparable as the Projected Performance was based on the third full year of operation of the Expanded capacity whereas the contribution of expanded capacity was not available during the year.

FIXED DEPOSIT :

The Company has not invited any deposits from the Public within the meaning of Section 58-A of the Companies Act, 1956 during the year under review.

CONSERVATION OF ENERGY AND TECHNOLOGY UPGRADATION:

The 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 regarding the Conservation of energy, technology absorption and Foreign Exchange Earnings / outgo is appended hereto as Annexure I of this Report.

INSURANCE :

The properties and assets of your Company are adequately insured.

Y2K COMPLIANCE :

The Company has achieved Y2K compliance as on 31st March, 1999 except for minor work in Networking which will be completed shortly at nominal cost.

INDUSTRIAL RELATION :

Your Directors record harmonious and cordial Industrial relationship prevailing in the organisation.

PERSONNEL :

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is appended here to as Annexure II of this report.

RESEARCH AND DEVELOPMENT :

To introduce new products and improvements in the present formulation, the Company continues to lay emphasis on Research & Development.

Inhouse R & D Department has developed number of new products out of which following were introduced in the market during the year.

- | | |
|--------------------------|-----------------------------|
| 1. Hydroxy Urea Capsules | 4. Erythromycin Kid Tablets |
| 2. P V Dine Powder - 5 % | 5. Quinine Sulphate Tablets |
| 3. Azithromycin Capsules | 6. Alprazolam 0.5 Tablets |

To comply with the demands of Oncology Department and injectable dosages, product development work is in progress and number of products are under the final stage of stability testing.

Herbal and Dental range of products are also under development.

For product development, efforts are made to interact with Research Institutions and fruitful results are expected.

BOARD OF DIRECTORS :

Mr. J. R. Nair and Mrs. P. G. Menon, Whole-time Directors are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Accordingly, the Board recommends their re-appointment.

AUDITORS AND AUDITORS' REPORT :

L. K. Dangi & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Accordingly, your Directors recommend re - appointment of Auditors.

Your attention is drawn to the Audit Report and Note no. 10 in Schedule 'T' forming part of the Accounts and also to our explanation in respect thereof given under the head 'Foreign Currency Loans' in this Report.

Other Notes on Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments.

APPRECIATION :

Your Directors acknowledge with gratitude the co-operation and assistance given by Central Bank of India, Food & Drugs Control Administration, Director General of Foreign Trade and other Government authorities during the year under review.

Your Directors also wish to place on record their sincere appreciation for the devoted services rendered by the employees and above all acknowledge with gratitude the continued co-operation of the shareholders.

FOR AND ON BEHALF OF THE BOARD

DR. G.G. NAIR
CHAIRMAN

Mumbai,

Dated : 27th July, 1999

Regd. Office :

Nair Baug, Akurli Road,

Kandivli (East), Mumbai - 400 101

9th Annual Report 1998-99

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules , 1988 :

CONSERVATION OF ENERGY :**A. POWER AND FUEL CONSUMPTION :**

| Particulars | 1998-99 | 1997-98 |
|---|---------|---------|
| 1 Electricity | | |
| a. Purchased | | |
| Units (in kwh) | 446400 | 287640 |
| Total Amount (in Rs.) | 2238572 | 1532430 |
| Average Rate/Unit (Rs.) | 5.01 | 5.32 |
| b. Own Generation | | |
| i. Through Diesel Generators | - | - |
| ii. Through Steam Turbine/Generators | - | - |
| 2 Coal (specify quality and where used) | - | - |
| 3 Furnace Oil | - | - |
| 4 Others | | |
| L.D. Oil | | |
| Quantity (Litres) | 9000 | 6000 |
| Total Cost (Rs.) | 95770 | 60144 |
| Average Rate/Unit (Rs. per litre) | 10.64 | 10.02 |

B. CONSUMPTION PER KG OF PRODUCTION

Since the company is manufacturing several varieties of formulations in different batches and pack sizes, it is not practical to apportion the electricity consumption and cost thereof to each unit of production.

TECHNOLOGY ABSORPTION**1 Research & Development**

i) Specific areas in which R & D carried out by the Company :

The Company's R & D Department is continuously engaged in product development and process development in specific areas of Oncology, Injectable formulations and other formulations etc. Herbal & Dental range of Products are also under developmental stage. Improvement in quality of products and cost effectiveness are also given priority in R&D work.

ii) Benefits derived as a result of the above R & D :

We are able to meet stringent specification by Overseas Customers in respect of various formulations.

Number of new products were introduced in market.

iii) Future Plan of Action :

Work on cGMP remodelling will continue as an ongoing programme. Dedicated Oncology facilities in Tablet and injectable dosage forms are in the process of installation. Herbal & Dental range of products continue to be of future interest and developmental work has already started.

iv) Expenditure on R & D :

| | 1998-99 | 1997-98 |
|--------------|---------|--------------|
| | | (Rs.in lacs) |
| a. Capital | 5.52 | 4.56 |
| b. Recurring | 11.90 | 8.26 |
| TOTAL | 17.42 | 12.82 |

| | | |
|--|-------|-------|
| C. Total R & D Expenditure as a percentage of total revenue. | 0.73% | 0.60% |
|--|-------|-------|