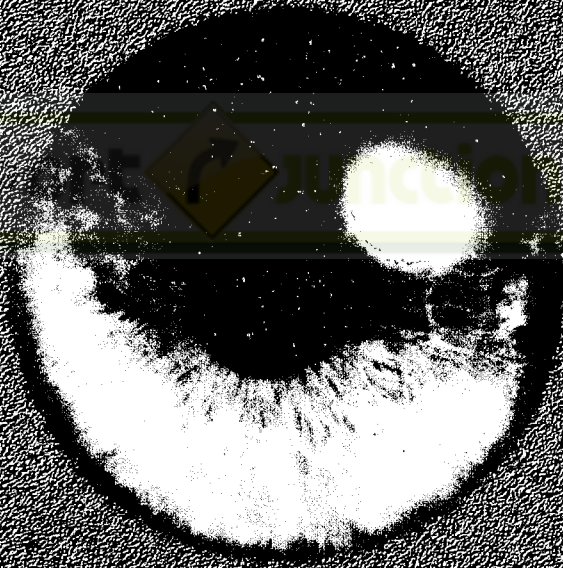


11th
ANNUAL REPORT



AN EYE FOR QUALITY

BOARD OF DIRECTORS : Mr. Shailesh Siroya, Managing Director
Mr. D.B. Siroya
Mr. A.B. Siroya
Dr. S. Prasanna
Mr. Shrenik D. Siroya - Wholetime Director

COMPANY SECRETARY : Mr. V. Srinivasan

BANKERS : State Bank of Mysore
Shamrao Vithal Co-op. Bank Limited
Canara Bank

AUDITORS : M/s. Ostawal & Jain
Chartered Accountants
BANGALORE

SHARE TRANSFER AGENTS : Karnataka Financial Services Limited
29, Bowring Hospital Road
BANGALORE - 560 001

REGISTERED OFFICE & FACTORY : # 21-22, Bommasandra Industrial Area
(Formulation) Anekal Taluk
BANGALORE - 562 158

R & D CENTRE : # 61, Bommasandra Industrial Area
(Bulk Drug Plant) BANGALORE - 562 158

PARENTERALS UNIT : Miami Pharma & Chemicals
Village Kenjal, Dist. Bhor, Maharashtra

CORPORATE OFFICE : Ravikiran Apartments
12, Plaint Street
BANGALORE - 560 001



Bal Pharma Limited

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Bal Pharma Limited will be held on Monday the 28th September, 1998 at 2.30 P.M. at the Registered Office of the Company at 21 - 22, Bommasandra Industrial Area, Anekal Taluk, BANGALORE 562158, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as on 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. A.B. Siroya, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Shrenik Siroya, who retires by rotation and being eligible, offers himself for reappointment.
4. To appointment Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to section 31 and other applicable provision, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended in the following manner:

That the following new Article No.11(a) be and is hereby added after the existing Article 11 of the Articles of Association of the Company:

"The Company shall have the power, subject to and in accordance with all the provision of the Act and other applicable provision of law and subject to such approvals, permission and sanctions, if any, as may be necessary to purchase, acquire or hold its own shares whether or not they are redeemable, on such terms and conditions and upto such limits as may be prescribed by law from time to time, provided that nothing herein contained shall be deemed to affect the provision of section 100 to 104 and section 402 of the Act so far as and to the extent they are applicable.

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

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or reenactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permission and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board of Directors of the Company (herein after referred to as the 'Board' which expression shall also include a Committee thereof), the consent of the company be and is hereby accorded to the Board, at its descretion, to purchase or buy back, from the existing holders of shares and/or other securities giving right to subscribe for the share of the company, on a proportionate basis and/or from the open market and/

or from the lots smaller than market lots of the securities (odd lots), the shares or such securities or securities having or not having underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "Securities") of the company, from out of its free reserves or out of the securities premium account of the company or out of the proceeds of any issue made by the company specifically for the purpose, on such terms, conditions and in such manner as may be prescribed by law from time to time provided that the aggregate of each class of such securities so brought back shall not exceed 10% of that class of securities of the company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper to implement this resolution."

"RESOLVED FURTHER THAT nothing herein above contained shall confer any right on any shareholder or any obligation on the company or the Board to buy any securities."

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

"RESOLVED THAT pursuant to Section 198, 269 and 309 of the Companies Act, 1956 read with Schedule XIII thereto and other applicable provisions, if any, of the Companies Act, 1956 the approval of the shareholders be and is hereby accorded for the appointment of Dr. S. Prasanna as Wholetime Director of the Company for a period of 5 years commencing from 1.10.1998 on the following remuneration".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise, in such manner as it may determine, the terms of his remuneration and in particular to give Annual Increments in his monthly salary and consequential increase in perquisites relatable to monthly salary, keeping in view the rules, if any, specified by the Company in this behalf or otherwise subject to the remuneration including all perquisites not exceeding Rs.6,00,000/- (Rs Six lakhs) per annum in the aggregate.

1. **Salary :** Rs.20,000 p.m. effective from 1.10.1998.
2. **Perquisites :**
Accommodation : Company leased accommodation or house rent allowance at 60% of Basic Salary.
Medical Reimbursement : Actuals or One month's salary p.a. for self and family, whichever is less.
Personal Accident Insurance : Premium not exceeding Rs.3,000 per annum.
Provident Fund, Superannuation and Gratuity : As per Company's Rules

Motor Car : Use of Company's Car for official purpose. The use of Company's Car for personal use to be billed by the Company.

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subject to the condition that personal long distance calls to be billed by the Company.

Earned Leave : One Month's leave with full pay and allowance for every completed 11 month's service.

Encashment of Leave : Leave Accumulated and not availed for during his term may be allowed to be encashed at the end of his term.

Leave Travel Allowance : One Month's Salary per year.

Entertainment Expenses : Reimbursement of actual amount of entertainment expenses incurred wholly and exclusively in connection with the official work.

By order of the Board
for **BAL PHARMA LIMITED**

Bangalore
20th August, 1998

(V. SRINIVASAN)
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. 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.
3. The Share Transfer Books and Register of Members will remain closed from 22.09.1998 to 28.09.1998 (both days inclusive).
4. The Shareholders who are holding shares in identical orders of names in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holding in one folio.
5. The shareholders / proxies are requested to produce at the entrance, the admission slip duly completed and signed for admission to the meeting hall.
6. Members are required to intimate any changes in their addresses.
7. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5, 6 & 7 is annexed hereto.

ANNEXURE TO NOTICE :

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

ITEM NO. 5

The amendment to the Companies Act, 1956 is pending for quite sometime and in the anticipation of the said amendment/enactment, the Board proposes to add a new article 11(a) to enable the Company to buy back its own shares, as set out in item No.5 of the notice.

The Directors accordingly recommend the resolution in item No.5 of the notice, for the approval of the shareholders.

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

A copy of the Articles of Association of the Company showing the proposed alterations, as per the resolution(s) is available for inspection by the members at the Registered Office of the Company during business hours from

10.00 a.m. to 12.00 noon, on all working days upto the date of the Annual General Meeting.

ITEM NO. 6

Buy back of own shares by the Companies is presently not allowed under the Companies Act, 1956. The Companies Bill 1997, however, lays down the operative provisions to regulate the purchase and buy back of shares/securities by Companies. It is expected that in due course of time the Companies Act would be amended to enable buy back of the shares/securities by companies.

Once the new provisions come into force and in accordance with such new provisions, it is proposed to authorise the Company to buy back 10% of the total voting powers relating to the shares or the other securities giving right to subscribe for shares of the Company from the existing holders on a proportionate basis and / or from the open market and / or from the lots smaller than market lots of the securities, subject to necessary enactment in this regard.

The buyback of shares as aforesaid would entail deployment of an amount which would not be less than the market value of the shares or other securities giving right to subscribe for shares of the Company and shall be met out of the free reserves and/or the securities premium account and/or out of the proceeds of an issue specifically made for the purpose. The shares so bought back shall be cancelled forthwith.

The resolution is an enabling provision aimed at facilitating the Company to purchase or buyback its shares. The Board is of the opinion that it will be in the best interest of the Company if the shareholders approve the said resolution.

The resolution, if approved, will be operative for and will be given effect within a period of 15 months from the applicable date.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution except as Shareholders.

ITEM NO.7

Mr. Ramesh Mehta resigned as a Wholetime Director and from the Board. With the increase in activities of the Company and also due to diversification and also with the resignation of Mr. Ramesh Mehta as a Wholetime Director, it has been thought fit to appoint Dr. S. Prasanna as a Wholetime Director.

Dr. S. Prasanna, is a M.Sc., Ph.D. He has completed post doctorate research in 'Anthrocyline Antibiotics' at Oregon Research Centre, Oregon, U.S.A. His articles on Chemical and organic chemistry are being published in over 15 International Journals. His technical expertise is of immense help for the development of the Company.

Your Directors consider that Dr. S. Prasanna's experience, counsel and guidance will be of great value to the Company and accordingly recommend the resolutions for your approval. None of the Directors except Dr. S. Prasanna are interested in the resolution.

By order of the Board
for **BAL PHARMA LIMITED**
(V. SRINIVASAN)
Company Secretary

Bangalore
20th August, 1998.



Bal Pharma Limited

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 11th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 1998.

FINANCIAL RESULTS :

	Rs. Lakhs	
	31.03.98	31.03.97
Sales	1831.23	1661.01
Other Income	41.54	69.37
Profit before Tax, Interest and Depreciation	155.89	149.31
Less: Interest	82.07	52.08
Depreciation	33.55	13.32
Profit Before Tax	40.27	83.91
Less: provision for Tax	4.06	13.98
Profit After Tax	36.21	69.93
Add: Previous Year surplus brought forward	253.11	189.68
Balance available for Appropriation	289.32	259.61
Transferred to Reserves	—	6.50
Surplus carried to B/S	289.32	253.11

OPERATIONS

PERFORMANCE

The turnover for the year under review was Rs.1831.23 lakhs which is higher by 10%. The domestic sales increased by 25.5% to Rs.1625.62 lakhs but the export sales were lower by 45 % to 205.60 lakhs. The reduction in export sales were due to a conscious restraint by the company keeping in view the uncertain economic conditions existing in many of the developing countries and also due to the squeezing of the margin as a result of acute competition. The profit for the year under review stood at Rs.40.27 lakhs before tax coming under severe strain due to the highly competitive market conditions and high cost of borrowing. Efforts are however being made to counter these adverse factors by introducing new product range and new markets. The company has also undertaken a strategic restructuring of marketing organization in order to minimise costs and enhance the sales.

FORMULATIONS :

The company's product range has been expanded with the introduction of AZIWIN, a medicine for upper and lower respiratory track infection, CAFIMOL, pain relieving

medicine and CORTIDERM, a skin care medicine. Recognising the potential of Generic products in the market, the company has entered into the same with a number of products. The marketing network has been created with the addition of new agents and stockists. Within a short time substantial sales has been achieved.

BULK DRUGS :

Though the company has been able to produce the antidiabetic drug of Gliclazide, the product has yet to achieve the desired level of yield and stability. Further due to the dumping of both raw materials and intermediaries by the Chinese exporters, adequate selling price is not available. Though the import of the drug has become cheaper but the cost of intermediaries continues to be high. The company has started to concentrate their efforts on alternate processes and intermediaries.

RESEARCH AND DEVELOPMENT :

The company has set up a full fledged centre for carrying out R & D operations in their new unit. The team is manned by highly qualified scientists and chemists. The development efforts on 2 Amino 5 Chloropyridine has yielded encouraging results and the same is being scaled up. Items like Amiloride and Sertralin are in advanced stages of development.

MIAMI PHARMA & CHEMICALS :

The formalities of take over of the unit from Lakme Ltd have been completed and effective from 23rd July 1997 the unit has become a division of Bal Pharma Ltd. The workings of the unit were improved and capacity utilization has been stepped up. The capacity utilization of Small Volume Products has been stepped up to 70% of the installed capacity. The capacity of Large Volume Products is, however, is yet to pick up due to the unremunerative market prices and Governmental problems. The total sales of the unit is Rs.439 lakhs during the year under review.

PROSPECTS

The Turnover as well as the profits are expected to improve in the current year. Though the market conditions and the volatile political climate do not show signs of improvement, however, the efforts taken by your company are expected to contribute towards better performance as indicated by the first quarter 1998-99 results. The Generic product group is expected to contribute substantially to the turnover. The restructuring of the marketing organizations both domestic

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DIRECTORS' REPORT (Contd...)

as well as export have started yielding positive results. The export of formulations is on the rise as a number of orders are received. The sample of Gliclazide, one of the bulk drugs, has been exported and the same has been well received. In order to move away from competition offered by Chinese in the unregulated market, your Company has started concentrating efforts to enter the highly regulated markets of the Western countries. A Distribution agreement has been signed with M/s. Forum to get our products registered with MCA, U.K. and US FDA. The realization of the orders will be substantially higher in comparison to that of the non-regulated market. Supplies to Government hospitals and Health institutions has picked up and orders have been received. New products viz. ULTRAFLOX an Eye and Ear drops and OCLAN Eye drops have been introduced in addition to the existing range. Application for obtaining GMP certificate is in process. The unit has been inspected by the appropriate authorities and the reports are awaited. This will help in the registration of various products from Miaami Pharma unit. Your company has plans to market test kits for HIV test as well as Pregnancy Test.

DIVIDEND :

In view of the heavy investments made in Miaami Pharma unit, the infancy stage of the Bulk Drug unit and the need for conserving the funds, your Directors do not recommend dividend for the year under review.

DIRECTORS :

Mr. Ramesh C. Mehta resigned as Director of the Company on 31.03.98 due to personal reasons. Your Board of Directors wish to place on record its deep gratitude for the services rendered by him during his tenure.

Mr. A.B. Siroya and Mr. Shrenik Siroya retire by rotation and being eligible, offer themselves for reappointment.

PARTICULARS OF EMPLOYEES :

A statement of particulars of employees, as required under section 217(2 A) of the Companies Act 1956, is annexed and forms part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under section 217 (1)(e) of the Companies Act 1956 are set out in the annexure forming part of the report..

PERSONNEL :

The Board wishes to acknowledge the contribution of all the employees to the growth achieved by your company during the year.

PUBLIC DEPOSITS :

As on date of the report the Company has not accepted any public deposit.

AUDITORS :

Messrs OSTAWAL & JAIN, the Company's Auditors, retire at the Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGEMENT :

The Directors place on record their appreciation for the wholehearted cooperation and guidance provided by the State Bank of Mysore, the Shamrao Vithal Cooperative Bank Ltd, KSFC and other banks and institutions and the members of the medical profession and customers. 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

SHAILESH SIROYA
Managing Director

Bangalore
20th August, 1998



Bal Pharma Limited

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - I

SL
NO PARTICULARS 1997-98 1996-97

A. POWER AND FUEL CONSUMPTION

1. ELECTRICITY

(a) Purchased		
Unit (Kwhr)	9,01,258	6,18,120
Total Amount (Rs.)	38,30,077	22,62,283
Rate/Unit (Rs.)	4.25	3.66

(b) Own Generation

(i) Through Diesel Generator

Unit ('000 Kwh) lakhs	36,097	58,713
Unit per ltr of diesel	3.36	2.13
Cost/Unit (Rs.)	3.34	4.50

2. OTHER/INTERNAL GENERATION

Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate/Unit	Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Standards* 1997-98(+) 1996-97(+)
(if any)

- (i) Electricity
- (ii) Furnace Oil
- (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.

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 : Bulk Drug
- (b) Benefits derived as a result of above R & D : Cost saving and improvement in yield by optimum utilization of plant facility and higher production.
- (c) Future Plan of Action : To develop process for new Bulk Drugs & Formulation
- (d) Expenditure on R & D : There is continuous increase on R & D expenditure due to ever increasing scope of this wing hence it is not possible to apportion exact amount spent this year.
 - i) Capital
 - ii) Recurring
 - iii) Total
 - iv) Total R & D expenditure as a percentage of total turnover

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (A) 1) Efforts in brief made towards technology absorption, adaptation and innovation. : Continuous efforts are under way to improve quality and yield.
- 2) 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

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ANNEXURE TO DIRECTORS' REPORT (Contd...)

3. 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 therefor and future plan of action | : | Not applicable |

4. TOTAL FOREIGN EXCHANGE EARNINGS AND OUTGO

	1997-98	1996-97
Total Foreign Exchange Earnings	19,338,977	18,487,491
Total Foreign Exchange Outgo		
a) Raw Material	18,261,520	19,207,725
b) Other Foreign currency payment:		
(i) Travelling Expenses	268,513	612,305
(ii) Export Promotion Expenses	Nil	229,458
(iii) Others	83,182	345,300

ANNEXURE - II

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975:

Sl. No.	Name & Designation	Qualification	Age	Gross Remuneration	Date of commencement	Total Experience	Last Employment
1.	Shailesh D Siroya Managing Director	M.B.A	32	7,68,000	1.08.94	6 Yrs	Business
2.	Shrenik Siroya Wholetime Director	B.E.	34	1,92,000	1.10.97	10 Yrs	Business

For and on Behalf of the Board

SHAILESH SIROYA
Managing Director

Bangalore
20th August, 1998



Bal Pharma Limited

AUDITORS' REPORT

To the Members of Bal Pharma Limited

We have audited the attached BALANCE SHEET of **M/s.BAL PHARMA LIMITED**, Bangalore as at 31st March 1998, and also the PROFIT & LOSS ACCOUNT of the Company for the year ended as on that date, annexed thereto, and report that :

1. As required by the manufacturing and other Companies (Auditor's Report) order 1988 dated 7th September, 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.

2. Further to our comments in the annexure referred to in paragraph 1 above.

2.1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit.

In our opinion, proper books of accounts as required by the law, have been kept by the Company as far as it appears from our examination of books.

2.2 The Balance Sheet and Profit & Loss account, dealt with by this report are in agreement with the books of accounts.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information as 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 and the state of affairs of the Company as at 31st March 1998, and

(ii) In the case of Profit & Loss Account of the profit of the Company for the period ending as on that date.

for OSTAWAL & JAIN
Chartered Accountants

Bangalore
20th August '98

T.D.JAIN
(Partner)

ANNEXURE TO THE AUDITORS' REPORT

1. The Company has maintained proper records to show full particulars including quantitative details and situations of fixed assets. The fixed assets of the Company have been physically verified during the year by the management and no material discrepancies were noticed.
2. None of the fixed assets of the Company have been revalued during the year.
3. Physical verification in respect of finished goods, stores and spare parts and raw materials were conducted by the management at reasonable intervals.
4. The procedure followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to stock ledgers.
6. In our opinion, the basis of valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the proceeding year.
7. In our opinion, the rates of interest and the terms and conditions of loans taken from other parties listed under register maintained under Section 301 of the Companies Act, 1956 or from Companies under the same management within the meaning of Section 370 (1-B) are prima facie not prejudicial to the interest of the Company.
8. In our opinion, the rates of interest and other terms and conditions of loans granted to other parties listed under register maintained under Section 301 of the Companies Act, 1956 or to Companies under the same management within the meaning of Section 370 (1-B) are prima facie not prejudicial to the interest of the Company.
9. The parties and employees to whom loans have been given by the Company are repaying the principal amount as stipulated and are also regular in payment of interest wherever applicable.
10. In our opinion, the internal control procedures are adequate and commensurate with the size of the Company and the nature of its business for the purchases of stores, raw materials including components, plant & machinery equipment and other assets and for sale of goods.