

# 17<sup>th</sup> ANNUAL REPORT 2003-2004



*"It is not the strongest of the species that survive,  
nor the most intelligent, but the one most responsive  
to change."*

Charles Darwin



**Bal Pharma Ltd.**



## 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
Dr. C.N. Manjunath	-	Independent Director (w.e.f. 30.01.2004)

#### Company Secretary

Mr. K. Mahadevan

#### Registered Office :

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

#### Plant Locations :

##### Unit I : Formulations

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

##### Unit II : R & D Centre & Bulk Drugs

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

##### Unit III : Parenterals

732/735, Off : National Highway No. 4,  
Village Kenjal, Dist. Bhore,  
Maharashtra.

#### Bankers :

Canara Bank  
Punjab National Bank  
Corporation Bank  
The Shamrao Vithal Cooperative Bank Ltd.,

#### Auditors :

Ostawal & Jain

#### Registrar & Share Transfer Agent :

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 Seventeenth Annual General Meeting of the members of Bal Pharma Limited will be held at 4.00 p.m. on Thursday, the 23<sup>rd</sup> September, 2004, at Bharatiya Vidya Bhavan, Race Course Road, Bangalore, to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet as on 31<sup>st</sup> March, 2004, 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. Shrenik Siroya, who retires by rotation and being eligible, offers himself for re-appointment ;
4. To appoint a Director in place of Dr. G S R Subba Rao, 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, to 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 re-appointment of Mr. Shailesh Siroya, as Managing Director, for a period of 5 years from 1-8-2004 ;

RESOLVED FURTHER that subject to all applicable provisions and schedules of the Companies Act, 1956, and subject to applicable clauses of Memorandum and Articles of Association of the Company, Mr. Shailesh Siroya shall continue to draw the present remuneration of Rs. 2,50,000 (Rupees two lakhs and 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."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as 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.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 to Rs.15,00,00,000 divided into 1,10,00,000 equity shares of Rs.10 each and 4,00,000 Redeemable Preference Shares of Rs.100 each."

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

"RESOLVED that pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, 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.15,00,00,000 (Rupees Fifteen Crores only) divided into 1,10,00,000 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 resolution of the Company."

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as 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.15,00,00,000 (Rupees Fifteen Crores only) divided into 1,10,00,000 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 resolution of the Company."

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

"RESOLVED that pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, and enabling provisions in the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and in accordance with the guidelines issued by The Securities and Exchange Board of India (SEBI) and clarifications thereon



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issued from time to time and subject to approval of The Reserve Bank of India and all other concerned authorities, if any, and all such approvals, permissions or sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions or sanctions, which may be agreed to by the Board of Directors of the Company ("the Board", which term shall be deemed to include any Committee of Directors thereof for the time being exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to create, issue and allot on preferential basis, a maximum of 10,30,000 equity shares (the said shares) of Rs.10 each in the Equity Share Capital of the Company, for cash at a price, not less than the price arrived at in accordance with Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time and is in force, in one or more tranches and in the manner as may be decided by the Board in this behalf but within the time limit specified under Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 ;

### RESOLVED FURTHER that

- (i) The said shares to be so issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company. The said shares shall rank *pari passu* with the existing equity shares of the Company;
  - (ii) The relevant date in terms of Explanation (a) to clause 13.1.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000, for determination of the applicable price for the issue of said shares, shall be 23-8-2004 ;
  - (iii) For the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for making the said issue as aforesaid and to settle any question, difficulty or doubt that may arise in this regard in such manner and to such person(s) as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company."
11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and the regulations/guidelines prescribed by any other relevant Authority, including any statutory modification(s) or re-enactment(s), for the time being in force and to the extent applicable and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (the "Board" which expression shall also include any Committee thereof including the Compensation Committee), or as may be prescribed or

imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Bal Pharma Limited Employee Stock Option Scheme (hereinafter referred to as the "Scheme") and the Board be and is hereby authorized to grant to such employees as are in the permanent employment of the Company, at the time the grant is made including the Directors of the Company (hereinafter referred to as employees), as may be decided solely by the Board, an option to subscribe to such number of equity shares of the Company of the face value of Rs.10 each under the Scheme and to issue, allocate or allot, such number of equity shares of the Company, at such price, in such manner, during such period, in one or more tranches and on such terms and conditions, as the Board may decide, as set out in the Explanatory Statement hereto, provided the shares issued under the Scheme together with the shares issued to the employees of subsidiary / holding company shall not exceed 5% of the issued capital of the Company and that the price at which the shares are allotted under the scheme shall not be below the par value of the share.

FURTHER RESOLVED THAT the Board be and is hereby authorized to issue, allocate or allot such number of equity shares as may be required in pursuance of the above scheme and that the equity shares so issued, allocated or allotted shall rank *pari passu* in all respects with the existing equity shares of the Company.

FURTHER RESOLVED THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to determine the form and terms of the issue, the exercise price and all other terms and matters connected therewith, and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, and to make and accept any modifications in the proposal, including to withdraw, suspend or revive the Plan from time to time, as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to this issue, subject, however, to the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended from time to time and are in force and subject to the conditions that variation, if any, of the terms and conditions are not adverse to the interests of the employees."

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

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and the regulations/guidelines prescribed by any other relevant Authority, including any statutory modification(s) or re-enactment(s), for the time being in force and to the extent applicable and subject to





such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include any Committee thereof including the Compensation Committee), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Bal Pharma Limited Employees Stock Option Scheme (hereinafter referred to as the "Scheme") and the Board be and is hereby authorized to grant to such employees as are in the permanent employment of subsidiary / holding company of Bal Pharma Limited, at the time the grant is made including the Directors of the Company (hereinafter referred to as employees), as may be decided solely by the Board, an option to subscribe to such number of equity shares of the Company of the face value of Rs.10 each under the Scheme and to issue, allocate or allot, such number of equity shares of the Company, at such price, in such manner, during such period, in one or more tranches and on such terms and conditions, as the Board may decide, as set out in the Explanatory Statement hereto, provided the shares issued under the scheme together with the shares issued to the employees of Bal Pharma Limited shall not exceed 5% of the issued capital of the Company and that the price at which the shares are allotted under the scheme shall not be below the par value of the share ;

FURTHER RESOLVED THAT the Board be and is hereby authorized to issue, allocate or allot such number of equity shares as may be required in pursuance of the above scheme and that the equity shares so issued, allocated or allotted shall rank pari passu in all respects with the existing equity shares of the Company ;

FURTHER RESOLVED THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to determine the form and terms of the issue, the exercise price and all other terms and matters connected therewith, and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, and to make and accept any modifications in the proposal, including to withdraw, suspend or revive the scheme from time to time, as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to this issue, subject, however, to the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended from time to time and are in force and subject to the conditions that variation, if any, of the terms and conditions are not adverse to the interests of the employees."

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

"RESOLVED that pursuant to sections 81(1), 94(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, a maximum of 34,00,000 equity shares of Rs.10 each

be issued on rights basis subject to all applicable provisions of the Companies Act, 1956, provisions of Memorandum and Articles of Association of the Company, Listing Agreement, SEBI Guidelines (including any statutory modification(s) or reenactment(s) thereof, for the time being in force) and subject to the approval of, wherever required, Securities and Exchange Board of India (SEBI) and all other appropriate authorities as required, on the following terms and conditions and subject to the following rights :

- (i) Not exceeding 34,00,000 equity shares (the said shares) shall be issued and offered at such premium not exceeding Rs. 20 (Rupees Twenty only) per share ;
- (ii) Further the said shares shall be, subject to the Memorandum and Articles of Association of the Company and shall rank in all respects pari passu with the existing equity shares ;
- (iii) Further the said shares be issued and offered in the first instance to the holders of the existing equity shareholders on the Register of Members of the Company, on such date as may be fixed by the Directors in the ratio, as nearly as circumstances permit, of 1 (one) equity share to 2 (Two) existing equity shares held by such holders respectively. In the event of any person holding less than 2 (Two) equity shares and in the event of a person holding equity shares in excess of an exact multiple of 2 (Two) shares, the resulting fraction of rights be rounded off to the next whole number ;
- (iv) The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time, not being less than 15 days, from the date of the offer within which if the offer is not accepted it will be deemed to have been declined, with liberty to the Directors from time to time to extend the time for acceptance as aforesaid either generally or in respect of any particular holder or holders ;
- (v) The offer aforesaid shall include a right exercisable by the shareholder concerned to renounce the shares offered to him in whole or in part in favour of any person approved by the Directors ;
- (vi) The offer aforesaid may be made with option to the shareholders to apply for additional shares provided that a shareholder who renounced his right in whole or in part shall not be entitled to an allotment of additional shares. The allotment of additional shares to the applicants will be made on an equitable basis, in consultation with Stock Exchange in which the Company's shares are listed with reference to the equity shares already held by them, If any. Further, if equity shares applied for are not allotted, the amount paid on application thereof shall be refunded in due course without interest ;
- (vii) In respect of the said shares, Rs.10 on capital account plus Rs. 20 of the premium as may be prescribed and agreed to as aforesaid per each further equity share shall be payable as determined by the Board of Directors ;
- (viii) The Directors be and are hereby authorised and empowered to dispose of and allot any of the aforesaid further equity shares not taken up by the holders of the existing equity shares entitled thereto or remaining



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- undisposed of, to such person or persons, whether shareholders of the Company or not, on such terms and at price to be determined by the Directors ;
- (ix) The allotment to non-resident shareholders will be subject to the guidelines of the Reserve Bank of India as may be required ;
  - (x) All formalities with regard to listing and despatch of the Share Certificate are to be completed within 42 days from the date of the closure of the offer;
  - (xi) For the purpose of giving effect to this resolution, the Directors be and are hereby authorised to prescribe the form of application and renunciation and other documents in respect of such further equity shares, to give such other directions as they may think fit and proper, including directions for settling any question or difficulty that may arise in regard to the issue and allotment of the further equity shares or in connection with any deceased or insolvent shareholder or a shareholder suffering from any disability; and to do all acts, deeds, matters and things, as the Directors in their absolute discretion consider necessary, expedient, usual or proper for them to do ;

RESOLVED FURTHER THAT the Board be and is hereby authorised to accept any modification in proposal(s) mentioned above, including retention of the over subscription permitted by Securities and Exchange Board of India or as may be required by the authorities concerned at the time of their approval and as agreed to by the Board.

FURTHER RESOLVED THAT the Board be and is hereby authorised to enter into and execute all such arrangement(s)/ agreement(s) with any Lead Managers/Underwriters/ Guarantors/ Depositors/Custodians and all such agents as may be involved or concerned in such offering of securities and to remunerate all such agents including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any ;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Senior Executive(s) / Officer(s) of the Company to give effect to the aforesaid resolutions."

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

"RESOLVED THAT subject to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended by inserting the following new Articles:

**6.4 :** Subject to the applicable provisions of the Companies Act, 1956, the Guidelines issued by Securities and Exchange Board of India (SEBI) under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and subject to applicable provisions of the Listing Agreement with the Stock Exchange, as amended from time to time and in force, the Company may introduce an

appropriately framed Employee Stock Option Scheme.

**42A :** The Company may purchase/buy back its own shares or other specified securities in accordance with the provisions of Sections 77A, 77AA and 77B of the Act and such regulations or guidelines framed by SEBI or any other appropriate authority.

**64.3 :** Subject to the provisions of the Act and these Articles, the Company may, and in the case of such business as the Central Government, may, by notification from time to time declare to be conducted only by postal ballot, shall get any resolution passed by means of a postal ballot instead of transacting the business in general meeting, and if the resolution is assented to by a requisite majority of share holders by means of such postal ballot, it shall be deemed to have been duly passed at a general meeting convened in that behalf."

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

"RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to take such steps as may be deemed necessary to list the shares of the Company on the National Stock Exchange, complying with all requirements of National Stock Exchange and provisions of the Companies Act, 1956 and SEBI guidelines.

By Order of the Board  
**K. Mahadevan**  
 Company Secretary

Bangalore  
 23rd August, 2004

### 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. Proxy Form is forwarded as detachable part of Annual Report.

2. Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of items 6 to 15 are 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 forwarded as detachable part of Annual Report. 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 Share Transfer Books of the Company will be closed from 3-9-2004 to 23-9-2004 (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 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 Agent 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 the folios and send the relative share certificate to the Company's Registrar and Share Transfer Agent.
9. Dividend, if declared, will be paid on or before 22-10-2004, to those members whose names appear on the Company's Register of Members as on the date of 17<sup>th</sup> 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 CDSL 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. In order to protect the investors from fraudulent encashment of their dividend warrants or demand drafts, 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 centres 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 forwarded as detachable part of Annual Report. 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 Registrar and Share Transfer Agent, on or before 10-9-2004.
12. 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 Company's Registrar & Share Transfer Agent for the prescribed form.

#### **Explanatory Statement under Section 173(2) of the Companies Act, 1956 :**

##### **Item No. 6 :**

Mr. Shailesh Siroya, was appointed as Managing Director of the Company for 5 years with effect from 1-8-1999 and his tenure expired on 31-7-2004. His monthly remuneration was revised by the members in the 16<sup>th</sup> Annual General Meeting. The Board of Directors, on the recommendation of the Remuneration Committee, in their meeting held on 31-7-2004 recommended re-appointment of Mr. Shailesh Siroya as Managing Director for 5 years from 1-8-2004 on the present remuneration of Rs. 2,50,000 (Rupees Two lakhs Fifty Thousands only) per month which excludes the following :

- a. 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;
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;
- c. Encashment of leave at the end of the tenure ;

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

Additional information relevant to Mr. Shailesh Siroya, Managing Director, as per Clause B of Paragraph I of Section III of Para II of Schedule XIII of the Companies Act, 1956, is placed as Annexure.

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 may be deemed to be interested or concerned in the resolution.

##### **Item No. 7 :**

The proposal on allotment of shares on preferential basis, Rights issue and introduction of Employee Stock Option Scheme (ESOP) are under consideration of the shareholders in their current meeting separately. All the above proposals, when approved by the shareholders, would result in increase in the equity capital and thus necessitate enhancement of the authorized capital of the Company. Keeping the above in view, it is proposed to increase the Authorized Capital of the Company from the existing 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 to Rs. 15,00,00,000 divided into 1,10,00,000 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 members.

Mr. Shailesh Siroya, Managing Director and Mr. Shrenik Siroya, Director, may be deemed to be interested or concerned in the resolution to the extent of their shareholding in the Company.

##### **Item No. 8 & 9 :**

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 resolutions for approval of the members.

Mr. Shailesh Siroya, Managing Director and Mr. Shrenik Siroya, Director, may be deemed to be interested or concerned in the resolution to the extent of their shareholding in the Company.

##### **Item No : 10**

Your Company proposes to redeem Redeemable Preference Shares. The Company has, on date, Preference Shares as under :

- (i) 2,00,000 14% Redeemable Preference Shares of Rs. 100 each Rs. 2.00 crores ;
- (ii) 2,00,000 12.5% Redeemable Preference Shares of Rs. 100 each Rs. 2.00 crores ;

It is proposed to redeem these shares after taking the consent of the Preference Shareholders.

To meet the funding requirement for the purpose, your approval is required to raise funds by issue of equity shares on private placement basis following the Guidelines on Preferential Allotment issued by SEBI under Chapter XIII Guidelines for Preferential Issues under SEBI (Disclosure and Investor Protection) Guidelines, 2000.

The allotment will be made at the price of Rs. 39 which has been arrived at in terms of provisions of Chapter XIII of SEBI





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(Disclosure and Investor Protection) Guidelines, 2000, with reference to relevant date which is 23-8-2004.

As per the provisions of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000, the following details are provided to comply with the provisions of the preferential allotment of shares u/s. 81(1A) of the Companies Act, 1956, read with applicable clauses of the Listing Agreement.

### 1. Objects of the issue

The funds raised would be fully used to redeem the 2,00,000 14% Redeemable Preference Shares of Rs.100 each and 2,00,000 12.5% Redeemable Preference Shares of Rs.100 each, totalling in all Rs. 4.00 crores.

### 2. Intention of the promoters/ directors/ key management persons to subscribe to the offer.

None of the Directors / key management persons intend to subscribe to the offer. Shri Ghewarchand Surana, one of the promoters of the Company is the promoter of Micro Labs Limited.

### 3. Shareholding pattern before and after the proposed offer:

The following will be the shareholding pattern of the Company before and after the proposed preferential issue:

Category	Pre - issue s on 30-6-04		Post - issue	
	No. of shares	%	No. of shares	%
Indian promoters	2,632,335	45.94	2,632,335	38.94
Institutional Investors	2300	0.04	2300	0.03
Foreign Institutional Investors	-	-	515,000	7.62
Indian public	1,849,985	32.29	1849985	27.37
NRIs / OCBs	852,657	14.88	852,657	12.61
Body Corporates	392,723	6.85	907,723	13.43

### 4. Proposed time limit

The Board of Directors of the Company expect that the entire preferential offer and allotment of the shares would be completed on or before 8<sup>th</sup> October, 2004.

### 5. Change in the composition of the Board of Directors

There will be no change in the composition of the Board of Directors of the Company consequent to the above issue of equity shares on preferential allotment basis.

### 6. Identity of the proposed allottee

The company proposes to allot shares on preferential basis as follows:

Sl. No.	Name of the Allottee	Pre - issue as on 30-6-04		No. of shares allotted	Post - issue	
		No. of shares	%		No. of shares	%
1.	Micro Labs Ltd.,	125,753	2.19	515,000	640,753	9.48
2.	Taib Securities (Mauritius) Ltd.,	-	-	515,000	515,000	7.62

### 7. Lock-in requirements

The equity shares allotted on preferential basis to the above allottees and their pre-allotment holdings shall be locked in for the period stipulated in Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

### 8. Documents for Inspection

Auditor's certificate on pricing of equity shares as per SEBI Guidelines.

The Board recommends the resolution for approval of the members.

None of the Directors may be deemed to be concerned or interested in the resolution.

### Item No: 11 and 12 :

Keeping the growth strategy of the Company in view, it is necessary that every regular employee, who performs exceedingly well and who has potential to shoulder higher responsibilities, is to be gradually developed as an owner employee. Here, besides being an employee, he also becomes one of the owners of the Company. This framework is expected to bring in further involvement of an employee towards improving the interests of the Company and in this context, it is proposed to introduce Employee Stock Option Scheme (ESOS) in the Company and the scheme is framed in terms of the Guidelines issued by SEBI, under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and for the purpose allot not exceeding 5% of the issued capital of the Company. Further, it is proposed to authorise Board of Directors and the Committee of Board on Compensation to initiate all steps that are required to implement the Scheme.

The Directors of the Company may be deemed to be interested or concerned to the extent the Scheme may cover them. A copy of the Scheme is available for inspection at the Registered Office of the Company during office hours on all working days, except Saturday, till the date of the Annual General Meeting.

The Salient features of the Scheme are :

- The total number of options to be granted to the employees/ directors of the Company, its holding and subsidiary companies shall not exceed 5% of the issued capital of the Company.
- Employees and Directors of the Company and its holding company/subsidiary, as defined in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, (hereinafter referred to as SEBI Guidelines) including any statutory modifications or re-enactment(s) of the Act or the Guidelines for the time being in force and as may be decided by the Board/Compensation Committee of the Board, are entitled to participate in the Scheme.
- Vesting of Options will commence after a period of one year from the date of grant and may extend upto a maximum of 5 years from the date of grant or such shorter period as may be determined by the Board/Compensation Committee of the Board and as set out in the Option Agreement. The vesting may occur in tranches, subject to the terms and conditions of vesting as may be stipulated by the Compensation Committee of the Board in its discretion.
- The exercise price of the shares comprised in the options granted under the scheme will be determined by the Compensation Committee of the Board and set forth in the option agreement. In any event, the option price shall not be less than the par value of the shares.





- e) The exercise period of options will commence from the date of vesting but will expire not later than 5 years from the date of vesting of options or such lesser period as may be decided by the Compensation Committee of the Board from time to time. The options will lapse if not exercised within the prescribed period. The options will be exercisable by the employees by a written application to the Company to exercise the options in such manner prescribed by the Board or Compensation Committee of the Board, and on execution of such documents, as may be prescribed by the Board/Compensation Committee of the Board, from time to time.
- f) The appraisal process for determining the eligibility of the employee will be specified by the Board/Compensation Committee of the Board and will be based on criteria such as the experience and qualification/s of the employee, performance record, merit of the employee, future potential contribution by the employee and/or such other criteria as may be determined by the Board/Compensation Committee of the Board.
- g) The maximum number of options to be granted per eligible employee of the Company will be as per the recommendation made by the Compensation Committee of the Board, but, during any one year, it shall in no event be more than 1% of the issued capital of the Company. The maximum quantum of option per employee shall not exceed 5% of the total issued equity capital during the tenure of the scheme.
- h) The Company adopts the "intrinsic value method" as defined in the SEBI Guidelines for valuation of the Stock Options.
- i) The Company will disclose in the Directors' Report the impact on the profits and on EPS, the difference between the employee compensation cost computed using the Intrinsic value of Stock Options and the employee compensation cost that shall have been recognised, if the Company uses fair value of Stock Options as defined in the SEBI Guidelines.
- j) The Company shall conform to the accounting policies specified in the said SEBI Guidelines, as may be applicable.

The Board recommends the resolution for approval of the members.

The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of the Stock Options which may be granted to them.

#### **Item No.13 :**

Your Company has high growth prospects. It has to gear up to encash the emerging opportunities, particularly post-GATT scenario. It has drawn up plans to enter the regulated markets, particularly US and Europe. The capacity utilisation of the plants have increased over the years. In the above background, there is need to augment capacity to manufacture APIs and formulations. Accordingly, the Management, after due consideration, has decided to put up a greenfield multipurpose and multiproduct plant for manufacture of APIs identified by the Management having great potential for exports and in domestic market. The Management is also evaluating the option of setting up of a greenfield formulation plant in any of the States where tax and duty exemptions are offered. These projects are estimated to cost around Rs. 35 crores which will be funded by issue of 34,00,000 equity shares and borrowings from financial institutions and banks. These investments are expected to return substantially to add to the bottomline of the Company.

The Directors have, further, proposed to offer the said equity shares to the holders of the existing equity shares for cash at such premium, not exceeding Rs. 20 per share.

The rights issue will be offered to the holders of the existing equity shares whose names appear on the Register of the Company, on such date as the Directors may hereafter fix, in proportion of 1 (One) further equity share for 2 (Two) existing equity shares of Rs.10 each with the right to renounce the further equity shares, in whole or in part, in favour of any person approved by the Directors. The shareholders who accept the offer in full will also be given the right to apply for additional shares.

The said equity shares not exceeding 34,00,000 issued on rights basis shall rank pari passu in all respects (including voting rights) with the existing equity shares.

The Board recommends the resolution for approval of the members.

None of the Directors may be deemed to be interested or concerned in the resolution except to the extent of rights accruing to them on account of their present holding.

#### **Item No : 14**

##### **Introduction of Clause 6.4 :**

The Company proposes introduction of Employees Stock Option Scheme (ESOP) and the proposal is under consideration of shareholders separately in the current meeting. The resolution is proposed to provide for enabling provision in the Articles of Association.

##### **Introduction of Clause 42A :**

The Company proposes to amend the Articles of Association by inserting new articles enabling the Company to buy back of its Shares. The resolution is proposed to provide for enabling provision in the Articles of Association.

##### **Introduction of Clause 64.3 :**

The Company proposes to amend the Articles of Association by inserting new articles relating to Postal Ballot. The resolution is proposed to provide for enabling provision in the Articles of Association.

The Board recommends the resolutions for approval of the members.

None of the Directors may be deemed to be interested or concerned in the resolution.

#### **Item No. 15 :**

The paid up capital of the Company would stand to increase, from the existing Rs.5.73 crores to more than Rs. 10 crores, on issue of equity on preferential basis and on issue of Rights shares. The Company will then become eligible to be listed on National Stock Exchange (NSE) provided market capitalisation of the Company continuous to be more than Rs. 25 crores. Listing at NSE would increase trading volume and this will result in improving liquidity of the shares. The shareholders are requested to authorise the Board of Directors to take such necessary steps as may be required to get the shares of the Company listed in the National Stock Exchange.

The Board recommends the resolution for approval of the members.

None of the Directors may be deemed to be interested or concerned in the resolution except to the extent of their present shareholding getting listed on the National Stock Exchange.

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

Bangalore  
23rd August, 2004

**K. Mahadevan**  
Company Secretary



## Bal Pharma Limited

### **ADDITIONAL INFORMATION RELEVANT TO MR. SHAILESH SIROYA, MANAGING 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 31-3-2004

	(Rs. in Crores)
Turnover and other income	62.05
Profit before income tax	3.09
Net worth	13.86
4. Export performance and net foreign exchange collaborations The Company's export income was Rs. 18.46 crores in 2003-04 and there was no foreign exchange collaboration.
5. Foreign investments or collaborations, if any. Nil

#### **II. INFORMATION ABOUT THE APPOINTEE :**

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.
2. Past remuneration Rs. 2.50 lakhs per month which is in line with the provisions of Schedule XIII of the Companies Act, 1956 and it is proposed to continue with the same remuneration.
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 helm of the affairs of the Company.
4. Pecuniary relationship / relationship with the managerial personnel, if any. M/s. 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.

#### **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. Shrenik Siroya	B.E.	Has vast experience in managing huge construction contracts and in managing pharmaceutical companies.	1 Siroya Exports Pvt. Ltd. Director 2 Siroya Trading Company Pvt. Ltd., Director 3 Mokalsar Stone Pvt. Ltd. Director	1 Audit Committee 2 Remuneration Committee
2.	Dr.G.S.R. Subba Rao	B. Sc., (Hons); M.Sc.; D.Sc; Ph.D. F.A. Sc. F.N.A.	Formerly Professor and Dean in Indian Institute of Science, Bangalore. Is also a consultant to many Indian and Foreign pharmaceutical companies on synthesis of drugs and drug intermediates, natural products, steroid hormones, combinatorial synthesis.	- NIL -	1 Remuneration Committee 2 Shareholders and Investors Grievances Committee