

ANNUAL REPORT 1998 - 99

MOREPEN

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INSPIRING
POSITIVE
REACTIONS
EVERY MOMENT



Yes, we initiate reactions.
Complex synthetic reactions
that inspire warm human reactions...
Your trust...
Global acceptance...
Faith in our quality standards, the highest
and the best in the world.
For which it is our people who have strived.
Leading their company as a team through
every step of the quality process.
Steering the course of our future.
Ultimately, leading to the applaud of
the highest global approval - the USFDA
for our bulk drug unit at Parwanoo
for Loratadine.
On every parameter - people, product,
performance...
In every aspect - R&D, technology
implementation, innovation...
At Morepen, every action yields
a positive reaction.

BOARD OF DIRECTORS

K.B. SURI
Chairman & Managing Director

SUSHIL SURI
Director Finance & Corporate Affairs

KANTA SURI
Whole Time Director

DR. P. S. PRITAM
Nominee Director (LIC)

N. H. BHATTER
Nominee Director (SICOM)

MANOJ JOSHI
Director

COMPANY SECRETARY
PK. Singh

AUDITORS
M/s M.Kamal Mahajan & Co.
S.C.O. 61, Madhya Marg,
Sector 26, Chandigarh

REGISTERED OFFICE
7, Shopping Complex, Sector-I, Parwanoo-173 220,
District Solan, Himachal Pradesh

CORPORATE OFFICE
416-418, Antriksh Bhawan.
22, Kasturba Gandhi Marg,
New Delhi - 110 001

SHARE TRANSFER AGENTS
Shree Balajee Computer Service Pvt. Ltd.
A-39-40, 2nd Floor, WHS Kirti Nagar, New Delhi - 110 015

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NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of Morepen Laboratories Limited will be held at Timber Trail Resorts, Parwanoo, Distt. Solan, Himachal Pradesh on Monday, the 5th day of July, 1999 at 10 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 1999 and Profit & Loss Account for the year ended on that date with the report of the Directors and Auditors thereon.
2. To declare dividend on Equity Share Capital for the year ended 31st March, 1999
3. To Confirm the payment of Interim Dividend and declaring it as Final Dividend on Redeemable Cumulative Preference Share Capital for the year ended 31st March, 1999
4. To Declare Dividend on Preference Share Capital on pro-rata basis for the year ended 31st March, 1999.
5. To appoint director in place of Shri Manoj Joshi, who retires by rotation and being eligible offers himself for reappointment.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s M. Kamal Mahajan & Company, the retiring Auditors of the Company be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting of the Company on such remuneration and out of pocket expenses, as the Board of Directors may fix."

SPECIAL BUSINESS

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

"RESOLVED THAT in supersession of the Ordinary resolution passed by the Company at its Annual General Meeting held on 30th September, 1996 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow such sum or sums of money in any manner from time to time as may be required for the purpose of the business of the Company with or without security and upon such terms and conditions as the Board of Directors may deem fit notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, that the total moneys so borrowed and outstanding at any time shall not exceed the sum of Rs.5 Billions (Rupees Five Billions only)"

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise considered by the Board of Directors to be in the best interest of the Company."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as the Board may direct on such of the assets of the Company, both present and future, in such manner as the Board may direct together with power to take over the management of the Company in certain events, to or in favour of all or any of the financial institutions/banks/any other investing agencies/trustees for the holders of debentures/bonds/other instruments which may be issued to and subscribed by all or any of the financial institutions/banks/any other investing agencies or any other person(s) bodies corporate by private placement or otherwise, to secure rupee/foreign currency loans, debentures, bonds or other instruments of an equivalent aggregate value not exceeding Rs.5 Billions together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, cost charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the Agreements/Arrangements entered into/to be entered into by the Company in respect of the said loans/debentures/bonds or other instruments.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the mortgages/ charges/hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED that the Authorised Share Capital of the Company be increased from Rs.700,000,000 (Rupees Seven Hundred Millions) to Rs.850,000,000 (Rupees Eight Hundred Fifty Millions) divided into 35,000,000 Equity Shares of Rs.10/- each and 5,000,000 Preference Shares of Rs.100/- each."

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

"RESOLVED that for existing Clause V of the Memorandum of Association of the Company, the following Clause V be substituted :

Clause V

Authorised Share Capital of the Company is Rs 850,000,000 (Rupees Eight Hundred Fifty Millions) divided into 35,000,000 Equity Shares of Rs.10/- each and 5,000,000 Preference Shares of Rs.100/- each."

11. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED that for existing Article 3 of the Articles of Association of the Company, the following Article 3 be substituted :

Article 3

Authorised Share Capital of the Company is Rs.850,000,000 (Rupees Eight Hundred Fifty Millions) divided into 35,000,000 Equity Shares of Rs.10/- each and 5,000,000 Preference Shares of Rs.100/- each with power to increase, reduce or divide the Capital for the time being into several classes and to attach thereto respectively such preferential priority, deferred, qualified or special rights, privileges, conditions or restrictions whether in regard to or dividend, voting, return of capital, distribution of assets or otherwise, however as may be determined in accordance with law and regulations from time to time of the Company and to vary, modify or abrogate any such rights, privileges, conditions or restrictions in such manner as may from time to time be provided by the regulation of the Company and to consolidate or sub divide or re-organise shares or issues of shares of higher or lower denominations. The Directors may in their discretion, increase or decrease the rate of dividend payable on any Preference Shares and issue the said shares under the non-cumulative or Cumulative Dividend Payment Scheme at the time of issue of such shares. The Directors may at any time issue any part or the unissued preference shares as equity shares and for this purpose sub divide preference shares of Rs.100/- each into equity shares of Rs.10/- each."

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

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Government of India, Securities and Exchange Board of India (SEBI) and financial institutions and subject to such other approvals, sanctions and permissions as may be necessary and subject to such terms and conditions and modifications as may be prescribed in granting of such approvals and which may be agreed to by the Board of Directors of the Company or any Committee duly constituted and authorised by the Board (hereinafter referred to as Committee) consent of the Company be and is hereby accorded to the Board of Directors or Committee to issue/offr equity shares and/or preference shares and/or convertible debentures (fully or partly), and/or non-convertible debentures, all or any of the aforesaid with or without warrants of any nature, and/or any other financial instruments (hereinafter for brevity's sake referred to as "Securities") as the Board at its sole discretion may at any time or times hereafter decide for an amount not exceeding Rs.5 Billions in aggregate including premium, if any, to the Members, Debentureholders, Employees, Promoter group and their associates, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Mutual Funds, Investment/Financial Institutions, Companies, Banks, other entities/authorities and to such other select group of persons, whether through public issue, rights issue, private placement or on preferential basis or on exchange of Securities, or otherwise and for general corporate purposes including capital expenditure, working capital requirements and/or strategic investments as the Board may deem fit and/or by any one or more or a combination of the above modes/methods or otherwise and in one or more tranches, with or without voting rights in General Meetings/Class Meetings of the Company as may be permitted under the then prevailing laws, at such price or prices, or in such manner as the Board or Committee thereof may in its absolute discretion deem fit in accordance with the guidelines, approvals, sanctions and/or permissions issued/granted by Government of India, Securities and Exchange Board of India (SEBI) and financial institutions and such other institutions as may be necessary in this regard and at such time as the Board of Directors or Committee in its absolute discretion think fit."

"FURTHER RESOLVED that without prejudice to the generality of the above, the aforesaid issue of the securities may have all or any terms or combination of terms in accordance with prevalent market practice including but not limited to terms and conditions in relation to payment of interest, dividend, premium on redemption, or early redemption at the option of the Company and/or holders of any securities, prepayment and any other debt service payments whatsoever, including terms for issue of additional equity shares or variation of the price or period of conversion of securities into equity shares or issue of equity shares during the period of the securities or terms pertaining to voting rights or option(s) for early redemption of securities."

"FURTHER RESOLVED that the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such shares ranking pari passu with the then existing equity shares of the Company in all respects, excepting the right to dividend as may be provided under the terms of the issue and in the offer document."

"FURTHER RESOLVED that for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, including without limitation the entering into arrangements for managing underwriting, marketing, listing, trading, registrar, paying and conversion agent, trustee and to issue any offer document(s) and sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses in relation thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion, deem fit."

13. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:
 "RESOLVED THAT in accordance with the provisions of Section 146 and other applicable provisions, if any, of the Companies Act, 1956, Registered Office of the Company be and is hereby shifted from 7, Shopping Complex, Distt. Solan, Himachal Pradesh to Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan Himachal Pradesh".

By order of the Board

Place : New Delhi
 Date : 21st May, 1999

(P.K. SINGH)
 COMPANY SECRETARY

NOTES:

- The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.
Instruments appointing proxies, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy form is attached herewith.
- The Share Transfer books and the Register of Members of the Company will remain closed from 3rd July, 1999 to 10th July, 1999 (both days inclusive), for the purpose of payment of dividend to the Equity shareholders of the Company.
- The dividend, if approved, will be paid to the Members (or to their mandates), whose names will appear in the Company's Register of Members on 3rd July, 1999.
- Dividend Mandates should reach the Company on or before 3rd July, 1999. Please note that it would not be possible for the Company to entertain any correspondence relating to or act on the Dividend mandates received after the above date.
- Members are requested to notify immediately any change in their address to the Company quoting their folio number.
- The Company has already transferred, unclaimed dividend declared for the financial year ended 31st March, 1996 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividends for the said financial year may claim their dividend from Registrar of Companies, Punjab, H.P. and Chandigarh by submitting application in the prescribed form.

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956

ITEM NO 6

Section 224 A of the Companies Act, 1956, provides for the appointment or reappointment at each Annual General Meeting of an auditor or auditors of a Company by special resolution if the Company is one in which not less than twenty five percent of its subscribed share capital is held singly or in combination by Public Financial Institutions, Nationalised Banks, etc. The holdings of the aforesaid categories of shareholders in the Company is not less than twenty-five per cent of its subscribed share capital and hence the reappointment of M/s M. Kamal Mahajan & Company, Chartered Accountants, as Auditors of the Company is required to be made by a Special Resolution. As required under Section 224 A of the Act, a certificate has been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Act.

ITEM NO 7

The present limit of borrowings apart from temporary loans from Company's bankers in the ordinary course of business is Rs.3 Billions. In order to meet the future increased requirements of funds, which may arise on account of enlarged area of operations and further expansion and diversification programmes, it may be necessary to raise further loans from financial institutions, banks and others. Accordingly it is thought expedient to revise the limit to Rs. 5 Billions.

The Directors recommend the resolution as set out under item No.7 for your approval.

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

ITEM NO 8

To meet the capital expenditure requirements and also the increased working capital needs, the Company proposes to obtain in the coming years further Financial assistance from Financial Institutions/Banks/Investing Agencies by way of loans (including foreign currency loans), issue of Debentures/Bonds/other instruments on private placement basis or otherwise as set out in the resolution. Therefore the resolution propose the creation of mortgages, charges and hypothecations of the assets of the Company upto the value not exceeding Rs. 5 Billions.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public Company shall not, without the consent of such public Company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking.

MOREPEN

Since the mortgaging by the Company of its movable and immovable properties in favour of the financial Institutions may be regarded as disposal of the Company's properties/undertakings, it is necessary to obtain approval of the shareholders under section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage/charge.

The Directors recommend the resolution set out under item No.8 for your acceptance.

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

ITEM NO 9,10,11

At present the Authorised Share Capital of the Company is Rs.700,000,000 (Rupees Seven Hundred Millions) divided into 20,000,000 equity shares of Rs.10/- each and 5,000,000 Preference Shares of Rs.100/- each. In order to enable the Directors to issue and allot Equity Shares/Preference Shares by way of allotment, conversion/entitlement as per the terms and nature of securities, it is necessary to increase the Authorised share capital of the Company from Rs.700,000,000 (Rupees Seven Hundred Millions) to Rs 850,000,000 (Rupees Eight Fifty Millions) divided into 35,000,000 equity shares of Rs.10/- each and 5,000,000 Preference shares of Rs.100/- each. Consequent upon the proposed increase in the Authorised Share Capital, the Memorandum and Articles of Association of the Company will require corresponding alterations, hence the proposed resolutions at item No.10 & 11.

The Directors recommend the resolution as set out under item No. 9,10 & 11 for your approval.

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

ITEM NO 12

To exploit the opportunities available in the new economic scenario your Company proposes to implement in phases, expansion/ diversification programme in the related areas, including backward and forward integration, formulation, herbals new molecules in bulk drugs and setting up of additional facilities in the R&D. Accordingly, the Board of Directors considers that it would become necessary to raise finance, at appropriate time(s) by issue of appropriate instruments, at such price or prices to such persons and in such manner as stated in the resolution.

The resolution set out at Item No.12 is enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements and seeks to authorise the Board of Directors for issuing securities through public/rights issue, private placement or on preferential basis or on exchange of securities to existing shareholders and/or public and/or other selected group of persons including promoters, which would result in issuance of further shares of the Company in accordance with the terms and nature of the securities.

The Company, in consultation with its Merchant Bankers and Financial Institutions and other Advisors, will fix the detailed terms of the issue which will be in line with the requirements of guidelines issued by the Securities and Exchange Board of India (SEBI) and as permitted by Financial Institutions.

Section 81 of the Companies Act, 1956, provides, inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing share holders of the Company in the manner laid down in Section 81 unless the share holders in general meeting decide otherwise.

The Listing Agreement of the Stock Exchanges provide, inter alia, that the Company in the first instance should offer all the shares and debentures to be issued for subscription pro-rata to the equity share holders, unless the share holders decide otherwise in a general meeting.

Accordingly, consent of the shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the various stock exchanges in India where the Company's securities are listed.

Directors recommend the resolution for approval of the shareholders for the proposed issue of securities.

All the Directors of the Company may be deemed to be concerned or interested to the extent they may subscribe to any private or public offering made by the Company.

ITEM NO 13

At present the registered office of the Company is situated at 7, Shopping Complex, Distt. Solan, Parwanoo, Himachal Pradesh. The Company has already acquired land admeasuring around 118 bighas in village Maikumajra, Tehsil Nalagarh, Distt. Solan in the State of Himachal Pradesh. The site at Baddi has been created to be a composite Pharma Complex which can accomodate the future expansionn programmes of the Company, as well as the administrative bloks. In order to have s ynergies in operation and administration, the Directors thought it expedient to shift the Registered Office of the Company to Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh.

The Directors recommend the resolution as set out under item No.13 for your approval.

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

By order of the Board

Place : New Delhi

Date : 21st May, 1999

(P.K. SINGH)
COMPANY SECRETARY

CHAIRMAN'S PERSPECTIVE



"Last year we communicated to you with an aggressive agenda. We have worked hard to fulfill those objectives - to provide innovative products that help improve the quality and vigour of human lives the world over, to attain the highest quality standards and win global accolade and last but not the least to enhance shareholder value."

INVESTING IN OUR FUTURE

Over the past year, Morepen has been transformed from one of India's leading pharmaceutical companies to the first and the youngest Indian Company to get the USFDA (United States Food and Drug Administration) approval. Entering the global mainstream and the highly developed markets of the world with this achievement has matched Morepen's aspiration of having a strong presence world wide.

Morepen has always welcomed the challenge of growing the company through developing new strengths for itself. The standards prescribed by the USFDA are the toughest in the world and held in the highest esteem. Morepen achieved this feat in a remarkable 18 months period from the date it filed its Drug Master File (DMF). Thus, Morepen has become the first company in the world, besides the innovator of Loratadine, to have the USFDA approval for its bulk drug plant at Parwanoo (H.P) of Loratadine, a non-sedative anti-allergic drug. Morepen is the 2nd largest manufacturer of Loratadine in the world, which is the 4th largest selling drug in the world with an estimated market size of US \$ 3 billion.

CONTINUED INTERNATIONAL EXPANSION

The challenge of growth will be met by exploiting opportunities in international markets. Having established its quality standards, Morepen has won overseas recognition. A technical dossier for Cisapride, Sultamycillin Tosylate and Sultamycillin Base has been compiled and provided to prospective buyers from Europe and Canada.

Morepen has further consolidated its position in the gastro-intestinal segment with Cisapride which is the 45th largest selling product in the world with a market potential of \$1 billion. Cisapride is being exported to more than 27 countries across the world.

CAPITALISING ON MARKET OPPORTUNITIES

As a focussed global pharmaceutical company, Morepen's strategy is aimed at maintaining and growing a leading position in its principal activities through superior insights and responsiveness. Organic growth will