



Wellcome

Annual Report

Year Ended

31st December 1999

BURROUGHS WELLCOME (INDIA) LIMITED



BURROUGHS WELLCOME (INDIA) LIMITED

Registered Office: 252, Dr. Annie Besant Road, Worli, Mumbai 400 025

NOTICE TO MEMBERS

THE FIFTY-FIRST ANNUAL GENERAL MEETING OF BURROUGHS WELLCOME (INDIA) LIMITED WILL BE HELD ON TUESDAY, THE 11TH APRIL 2000, AT 11.00 A.M. AT THE BIRLA MATUSHRI SABHAGAR, 19 MARINE LINES, MUMBAI 400 020, TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st December, 1999 and the Balance Sheet as at that date together with the Report of the Directors and the Report of the Auditors thereon.
2. To declare dividend for the year ended 31st December, 1999.
3. To appoint a Director in place of Mr. A.T.H.Wong who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT the Company hereby accords its approval and consent under Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments thereof and all other applicable statutory provisions, if any, to the appointment of Mr. H.R. Khusrokhhan as Managing Director of the Company, for a further period from 1st July 1999 to 31st December 2003 upon the terms, conditions and stipulations contained in an agreement to be entered into between the Company and Mr. H.R. Khusrokhhan, a draft whereof is placed before the meeting and which for the purpose of identification, is initialled by the Chairman, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement as may be agreed to between the Board of Directors and Mr. H.R. Khusrokhhan, provided however that the remuneration payable to Mr. H.R. Khusrokhhan shall not exceed the maximum limits for payment of managerial remuneration in accordance with the laws, policies, rules, regulations or guidelines in force from time to time.

RESOLVED FURTHER that the Board of Directors be and it is hereby authorised to take all necessary or desirable steps for the aforesaid purpose and matters incidental thereto."

NOTES

1. The Register of Members of the Company and the Share Transfer Books will remain closed from 24th March, 2000 to 11th April, 2000, (both days inclusive).

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2. The Dividend as recommended by the Board, if sanctioned at the Meeting, will be payable on or after 18th April, 2000 to those Members whose names are on the Company's Register of Members on 11th April, 2000.
3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
4. Members are requested to intimate immediately change of address if any, to the Company quoting reference to their Registered Folio Number.
5. Please always quote your Folio Number and our Company's name in all your correspondence with MCS Limited, Plot No. D-27, MIDC Industrial Area, Road No.11, Andheri (East), Mumbai 400 093, who are acting as our Registrars & Share Transfer Agents. Your Folio Number is stated in the Share Certificate and also on the attendance slip sent with this report.
6. If you have shares registered in the same name or in the same order of names but in several Folios, please let us know so that we may consolidate the several Folios into one Folio.
7. 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 your death. Interested shareholders may write to the Company/Registrars & Transfer Agents, MCS Limited, for the prescribed form.
8. All unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants upto the said period are requested to claim the amount from the Registrar of Companies, Maharashtra.
9. Please encash your Dividend Warrants immediately on their receipt by you, as Dividends remaining unclaimed for seven years are now required to be transferred to the 'Investor Education and Protection Fund' to be established by the Central Government under the amended provisions of the Companies Act, 1956 and you shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.

By Order of the Board of Directors

A. A. Nadkarni

Asst. Company Secretary

Mumbai : February 17, 2000

Registered Office :

252, Dr. Annie Besant Road, Worli,
Mumbai 400 025.



EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

At the meeting of the Board of Directors held on 3rd May 1999, Mr. H.R. Khusrokhan was re-appointed as Managing Director for a further period from 1st July 1999 to 31st December 2003.

As Mr. Khusrokhan is the Managing Director of Glaxo India Limited and as he will be drawing remuneration from the said Company, he has agreed not to take any remuneration from the Company. However, the Company shall reimburse to Glaxo India Limited an amount not exceeding 25% of the total remuneration computed in accordance with the provisions of the Companies Act, 1956 and paid to him as Managing Director of the said Company in respect of the services that will be rendered by him as Managing Director of the Company for the period 1st July 1999 to 31st December 2003 as may be approved by the Board of Directors of the Company from time to time. The remuneration which he will be entitled to from Glaxo India Limited is as follows :

a) Salary :

Rs.1,65,000/- per month or such higher amount as may be approved by the Board from time to time provided that the salary increase over the 3 year period commencing 1st July 1999 will be restricted to an amount equal to the above mentioned salary.

b) Commission:

Commission will be allowed in addition to salary and perquisites, the amount of which, based on the net profits of the Company in a particular year, shall be subject to the overall ceilings laid down in Section 198 and Section 309 of the Companies Act, 1956. The amount of commission for each financial year or part thereof will be decided by the Board of Directors from time to time in its absolute discretion but shall not exceed 200% of the salary for the relevant period. Commission may be payable *prorata* on a monthly basis at the discretion of the Board of Directors.

c) Perquisites:

Perquisites will be allowed in addition to salary and commission, restricted to an amount equal to the annual salary.

Unless the context otherwise requires, the perquisites are classified into three categories – Categories A, B and C as follows:

Category – A

- (i) Housing : The Company shall provide rent-free furnished residential accommodation to the Managing Director or House Rent Allowance of 60% of salary in lieu thereof.

The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income-tax Rules, 1962.

- (ii) Medical Reimbursement : Membership of and subscription paid to any hospital and/or doctors' schemes and/or schemes of an insurance company in India and all hospital and medical expenses incurred for self and family.

- (iii) Leave & Leave Travel Concession : For self and family incurred in accordance with the rules specified by the Company.

- (iv) Club Fees: Fees of clubs, subject to a maximum of two clubs, not including admission and life membership fees.

- (v) Personal Accident Insurance: In accordance with the rules specified by the Company.

For the above purposes, "family" means the spouse, dependent children and dependent parents of the Managing Director.

Category – B

Company's contribution to the Provident Fund and the Pension Fund as per the Company's Rules provided that the Company's contribution to the Provident Fund and the Pension Fund will not be included in the computation of the ceiling on perquisites

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to the extent these either singly or put together are not taxable under the Income-tax Act.

Gratuity shall be paid as per the Company's rules and will not be included in the computation of the ceiling on perquisites.

Encashment of leave at the end of the tenure will be permitted in accordance with the rules of the Company and will not be included in the computation of the ceiling on perquisites.

Category – C

The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of a car for use on the Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of the car for private purposes shall be billed by the Company to the Managing Director.

Where in any financial year, the Company has no profits or its profits are inadequate, the remuneration payable will be in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time.

In the event of any increase in the limits of the emoluments, benefits and perquisites payable in accordance with the laws, policies, rules, regulations or guidelines in force from time to time, the Company may, in its discretion, increase the remuneration payable to the Managing Director, subject to obtaining such approvals as may be required.

d) Other Terms:

- (i) He shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
- (ii) He shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.
- (iii) He shall be entitled to 30 days fully paid leave for every eleven months service.
- (iv) The appointment may be terminated by the Company or by him giving not less than three months' prior notice in writing.
- (v) The Agreement also sets out the mutual rights and obligations of the Company and Mr. H.R. Khusrokhhan.

In compliance with the applicable provisions of the Companies Act, 1956, an Ordinary Resolution in terms as set out in Item 5 of the accompanying Notice is now being placed before the Members in the General Meeting for their approval.

None of the Directors, except Mr. H.R. Khusrokhhan, is concerned or interested in the said Ordinary Resolution.

This Explanatory Statement is and should be treated as an abstract under Section 302 of the Companies Act, 1956, of the Agreement to be entered into between the Company and Mr. H.R. Khusrokhhan.

All the documents referred to in the Notice and Explanatory Statement above are open for inspection at the registered office of the Company between 10 a.m. and 12 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment or adjournments thereof.

By Order of the Board of Directors

A. A. Nadkarni

Asst. Company Secretary

Mumbai, February 17, 2000

Registered Office :

252, Dr. Annie Besant Road, Worli,
Mumbai 400 025.



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Board of Directors

Chairman

D S Parekh

Managing Director

H R Khusrokhan

Directors

P V Nayak

S N Talwar

V Thyagarajan

A T H Wong

Asst. Company Secretary

A A Nadkarni

Auditors

Lovelock & Lewes

Bankers

State Bank of India

Corporation Bank

Standard Chartered Bank

Societe Generale

Union Bank of India

Registered Office

252, Dr Annie Besant Road, Worli,
Mumbai 400 025.

Tele: 4933514 Fax No. 4935358

Website : <http://www.glaxowellcome.co.in>

Registrars & Transfer Agents

MCS Limited

Plot No. D-27

MIDC Industrial Area, Road No. 11,
Andheri (East), Mumbai 400 093.

Tel.: 8215235, 8350458

BURROUGHS WELLCOME (INDIA) LIMITED**DIRECTORS' REPORT**

TO THE MEMBERS

The Directors have pleasure in submitting their Report for the year ended 31st December, 1999.

1. RESULTS & DIVIDEND

The results for the year ended 31st December, 1999 are given below:

	Year ended 31st December 1999	Year ended 31st December 1998
	Rs. '000s	Rs. '000s
Profit before Taxation	47,59,13	38,96,42
Less : Provision for Taxation	18,25,00	14,06,00
Profit after Tax	29,34,13	24,90,42
Add : Balance brought forward from the previous year	78,97	93,27
Amount available for disposal	30,13,10	25,83,69
Appropriations :		
Reserve for Contingencies	—	4,00,00
Equity Dividend	5,50,61	4,58,84
Distribution Tax on Dividend (includes Rs. 4.59 lakhs towards Dividend of 1998)	65,15	45,88
Transfer to General Reserve	20,00,00	16,00,00
Balance retained in Profit & Loss Account	3,97,34	76,97
	30,13,10	25,83,69

The Directors recommend the payment of dividend of 60% (i.e. Rs. 6/- per share) which, if approved by the Members at the Annual General Meeting, will absorb a sum of Rs. 550.61 lakhs. The Distribution Tax borne by the Company on this year's dividend is Rs. 60.56 lakhs. Last year, the Dividend was 50%.



2. SALES

Sales amounted to Rs.200.09 crores as compared to Rs.203.16 crores for the previous year, registering a nominal drop in sales of 1.5 % mainly on account of a drop in Export sales, as will be seen later. Domestic Pharmaceutical Sales in fact grew by 4.1 %.

There was a slowing down of the sales growth of the Industry in 1999. Both market research organisations which cover the pharmaceuticals market, viz. ORG and IMS, report industry sales growth of only 8.4 % and 7.1 % respectively, in 1999, as compared to an average growth in the past of around 13-14% over the last 10 years. This slowing down of growth can be attributed to certain new trends seen in the pharmaceuticals marketplace for the first time.

- (1) A significant de-stocking by the Trade, who unilaterally decided to cut down on inventory holdings;
- (2) Heavy Trade Offers by pharmaceutical companies. The ORG analysis on Bonus Offers shows a significant increase in the number of trade offers by pharmaceutical companies during the year;
- (3) The advent of non-branded generics. Several Companies have introduced non-branded versions of their own or competitor's products at substantial trade discounts with a view to encouraging prescription switching. This is an undesirable trend as the consumer gets no benefit and if prescription switching gains ground it would pave the way for spurious and look-alike products which are in any case a menace today.
- (4) A faster growth of smaller companies who have been using lower prices to take away share from larger companies.

In the context of the above trends, the Domestic Pharmaceutical sales growth of around 4 % recorded by your Company in 1999 was reasonable. One has to also bear in mind the age of the Company's product portfolio and the fact that most products are in segments that are slow growing or even shrinking.

3. PROFITS

Despite the drop in the sales, the Profit Before Tax was Rs.47.59 crores for the year ended 31st December 1999 as compared to Rs.38.96 crores for the previous year, registering a growth of 22.1 %. The improvement in profit performance of the Company was due to lower input costs arising from purchasing and other operational efficiencies, coupled with rationalisation of the Company's space requirements.

4. FINANCE

The internal generation of funds increased significantly due to the all-round improvement in performance. Financing charges have registered a reduction and funds surplus to operational needs have been invested. Capital expenditure incurred during the year under review amounted to Rs. 144 lakhs.

5. OPERATIONS

(i) Pharmaceuticals

The sales during the year have grown modestly and have increased by 4.1 % as compared to the previous year.

The antibiotic segment continues to do well and the growth in this segment was driven by healthy sales of Cefspan and Cefizox. Tracrium in the anesthesia segment continues to do well. Fersolate CM, a new product, also continues to do well. The Company has launched another new product Epivir (lamivudine) which is a drug employed in the treatment of AIDS and it expects the product to do well in the coming years. Initiatives like Rural Marketing and Direct Marketing are progressing well.

With the integration, last year, of the marketing and distribution staff with the staff of Glaxo India Limited (Glaxo), the Company's products continue to be promoted by the integrated field teams. Glaxo has announced plans for increasing market penetration, which will be progressed in the course of the current year.

The upgradation of the granulation area in the Tablet department has been completed.

Protection of environment and safety have been given high priority as usual and towards this end, continuous efforts in the form of regular training programmes on fire-fighting and general safety awareness were undertaken during the year.

(ii) Exports

As was indicated last year, exports of Trimethoprim to the GW Group have been discontinued. In 1998 the Group took its last supplies from the Mulund factory and in fact, purchased two years' requirements so as to allow time to develop a new source that would be more economical. Trimethoprim is an old off patent molecule, originally discovered by Burroughs Wellcome, but now available very cheaply from a large number of suppliers outside the Group.

Exports of the Company's products on f.o.b. basis in 1999 therefore amounted to only Rs. 3.43 crores for the year as compared to Rs. 13.71 crores in the previous year. Attempts are now being made to develop the export of formulations rather than Bulk Drugs. During the year, the Company exports were to various countries like Germany, UK, South Korea, Mexico, Indonesia etc. The Company continues to enjoy the status of a recognised Export House.

6. EMPLOYEE RELATIONS

The Company continued to have cordial relations with its employees. Attempts to persuade bargainable employees to accept a one-time, lump-sum payment and then accept Glaxo workmen's wages continued. However, only a handful of employees accepted the offer. The majority has chosen to continue their employment in the Company on existing terms. This has not affected operations in any way and the integrated working of both companies has been smooth.

7. DIRECTORS

Mr. A.T. H. Wong retires by rotation and is eligible for re-appointment. The Board recommends his re-appointment.

8. AUDITORS' REPORT

The Auditors' have made a reference in their report to the non-provision of any amount against the demand of Rs. 1.91 crores raised by the Government of India, Ministry of Chemicals & Fertilisers, New Delhi. The Company's position in this regard is explained in Note No. 8 of Schedule 'R' to the Accounts.

9. AUDITORS

The Auditors, Messrs. Lovelock & Lewes, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

10. GENERAL

- (i) The Company had already entered into an agreement with the National Securities Depository Limited (NSDL) in December 1997 and as informed to you in the earlier report the Company has entered into an agreement with the Central Depository Services (India) Ltd. (CDSL), a depository constituted by the Mumbai Stock Exchange, in February, 1999 and since then 26,80,786 shares of the Company have been dematerialised through NSDL and CDSL.
- (ii) The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed. The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 are also annexed.
- (iii) The Directors express their appreciation for the contribution made by employees to the successful operations of the Company during the year.

For and on behalf of the Board

D S Parekh
Chairman

Mumbai : 17th February, 2000.

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' Report for the accounting year ended 31st December 1999.

1. Conservation of Energy:

(i) Energy conservation measures taken:

The Company continues to take various measures for conservation of energy by regular monitoring of consumption and improved maintenance of systems alongwith adaptation of any new and proven technology available. Some of the recent measures taken are given below:

- (a) Reduction in the cooling tower capacity of air compressors from 175 TR to 70 TR.
- (b) Furnace oil additive replaced by an improved version which decreases furnace oil consumption
- (c) Automation of Fluid Bed Drier done for saving in usage of steam.
- (d) Heat losses reduced by improved insulation.

(ii) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

- (a) Installation of lighting transformer for reducing power consumption in street lights by 20%.
- (b) Introduction of electronic ballast for plant lighting.

(iii) Impact of measures taken:

The various measures taken for energy conservation have resulted in significant savings, which have been reflected in cost of production over a period of time.

(iv) Total energy consumption and energy consumption per unit of production:

Particulars are given below as per prescribed Form 'A'.

FORM 'A'

(A) Power and Fuel Consumption:						
Current Year (01.01.99 to 31.12.99)			Previous Year (01.01.98 to 31.12.98)			
	*PHD	**CMD	TOTAL	*PHD	**CMD	TOTAL
1. Electricity						
a) Purchased						
Units (lakh Kwh)	36.99	1.41	38.40	33.56	5.45	39.01
Total Amount (Rs. lakhs)	162.30	#6.95	162.30	146.00	23.74	169.74
Rate/Unit (Rs.)	4.38	4.93	4.65	4.36	4.36	—
b) Own Generation						
(i) Through Diesel						
Generator Units (Kwh)	5760.00	—	5760.00	7250.00	—	7250.00
Units/Ltr. of Diesel Oil (Kwh)@	1.55	—	—	1.2	—	—
Cost/Unit (Rs.)	10.5	—	—	7.35	—	—
(ii) Through Steam						
Turbine/Generator	NOT APPLICABLE			NOT APPLICABLE		
2. Coal	NOT APPLICABLE			NOT APPLICABLE		
3. Furnace Oil						
Qty. K. Ltr.	197.11	—	197.11	188.8	33.47	222.27
Total Amount (Rs. lakhs)	17.26	—	17.26	12.27	2.2	14.47
Average Rate (Rs. / Ltr.)	8.76	—	8.76	6.6	6.6	—
4. Others/Internal						
Generation	NOT APPLICABLE			NOT APPLICABLE		
* PHD - Pharmaceutical Division				** CMD - Chemical Division		
# Minimum M.D. charges, ETP running charges, Streetlights and testings.						
@The value of units generated/ltrs. is low because the generator has been used in a discontinuous manner for testing purpose.						