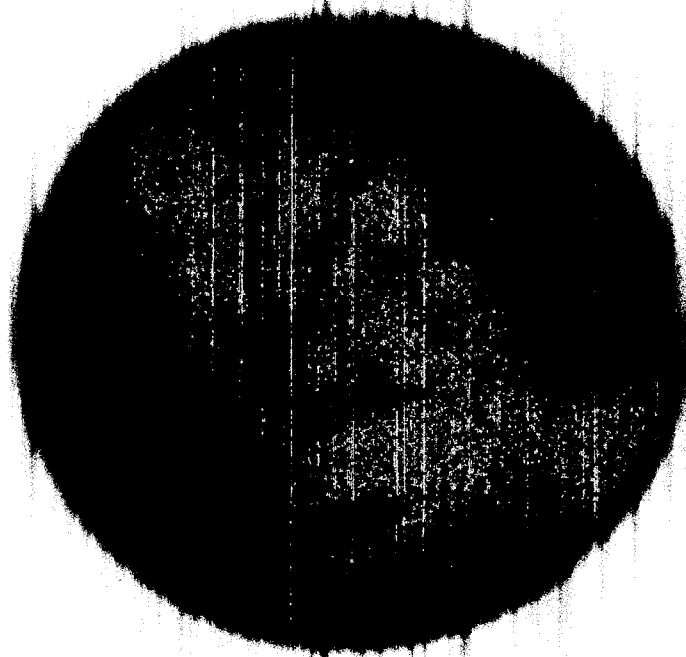


FULFORD (INDIA) LIMITED



ANNUAL REPORT 1997

Report  junction.com



Mr. R. A. Shah
Chairman



Mr. K. D. Shah
Managing Director



Dear Shareholder,

In spite of narrow margins, the Pharmaceutical Industry has been able to sustain itself in the last few years on account of continuing growth in sales, volume and realisationwise. Unfortunately, during the last year, there has been a decline in sales growth from 15% to 13% in tune with the overall industrial decline. In this backdrop, our Company's sales growth of 16% may be considered satisfactory.

This was aided by divisionalisation of Oncology business into Oncology and Virology to improve focus in each segment. As a result, these divisions combined, recorded growth of 36%. The growth was also aided by both new as well as in-line brands. The year also witnessed the launch of ALASPAN syrup, a non-sedatory anti-allergic product which received very encouraging support. This, alongwith other new products planned for launch, should drive the growth during the current year.

A disconcerting development in the industry is increasing indiscriminate price reductions being announced by the Government. This will have a crippling impact on the industry.

On behalf of all, we record our sincere appreciation for the excellent performance achieved by the Fulford team by working better together. We also place on record our sincere thanks to Schering-Plough for their valuable technical and managerial support provided to the Company.

We thank you all for your continuing faith, confidence and support.

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'R. A. Shah'.

R. A. SHAH

A handwritten signature in dark ink, appearing to be 'K. D. Shah'.

K. D. SHAH

FULFORD (INDIA) LIMITED

MR. R. A. SHAH, *Chairman* (Alternate to Mr. A. M. Blanco)

MR. R. D. THAPAR

MR. D. C. SHROFF (Alternate to Mr. R. Kapur)

MR. A. M. BLANCO

MR. I. L. PRICE

MR. R. KAPUR, *Vice Chairman*

MR. A. G. JOSHI

MR. K. D. SHAH, *President & Managing Director*

MR. AJAY NAGLE

MR. S. BASU, *Vice President — Human Resources*

MR. K. J. KAUL, *Vice President — Technical*

MR. A. V. SAPRE, *Director — Finance*

DR. S. MENON, *Director — Medical*

MR. M. K. RAJAN, *Director — Marketing & Sales*

MR. K. VENKATRAMAN, *Commercial Director*

MRS. A. CHOUDHURI, *Plant Director*

MR. R. K. RUSTAGI, *Director — Corporate Affairs*

Oxford House, 2nd Floor,

Nawroji Ferdonji Road,

Apollo Bunder,

Mumbai 400 001.

Agra, Ahmedabad, Ambala, Calcutta*, Chennai*, Coimbatore, Cuttack,
Daman, Delhi*, Guwahati, Hubli, Hyderabad, Indore, Jaipur, Kanpur,
Lucknow, Ludhiana, Nagpur, Patna, Trivandrum, Varanasi, Vijayawada.

Suren Road,

Andheri (East),

Mumbai 400 093.

STATE BANK OF INDIA

CANARA BANK

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CRAWFORD BAYLEY & CO.

DELOITTE HASKINS & SELLS

ON-TIME PROFESSIONAL SERVICES PRIVATE LIMITED

3, R. R. Thakkar Marg,

Jai Bhawani Premises,

Malabar Hill,

Mumbai 400 006.

REQUESTS TO MEMBERS

All correspondence regarding transfer of shares may be addressed to our Registrars and Share Transfer Agents.

Members are requested to bring their copy of the Annual Report to the Meeting.

Members requiring any information about the accounts are requested to write to the Company at least one week before the date of the meeting so that the information may be made available at the meeting.

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

FULFORD (INDIA) LIMITED



Notice

NOTICE is hereby given that the Fiftieth Annual General Meeting of FULFORD (INDIA) LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001 on Tuesday, the 31st day of March, 1998 at 11.00 a.m. to transact the following business.

ORDINARY BUSINESS:

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

"RESOLVED THAT the Balance Sheet as at December 31, 1997 and the Profit & Loss Account for the year ended on that date together with the Auditor's Report thereon and the Directors' Report be and are hereby approved and adopted."

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

"RESOLVED THAT pursuant to the recommendations of the Board of Directors a dividend at the rate of 22% on the Equity Share Capital of the Company for the year ended December 31, 1997, be and is hereby declared out of the profits for that year, payable to those members whose names appear on the Company's Register of Members on the 31st day of March, 1998."

3. To appoint Directors in place of Messrs I.L. Price, R.D. Thapar, R. Kapur and A.G. Joshi who retire under Article 110 and being eligible offer themselves for re-appointment and in respect of whom notices have been received in writing, under Section 257 of the Companies Act, 1956, from some members expressing their intention of proposing their candidature for the office of Directors.

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

"RESOLVED THAT Messrs Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company for the financial year ending December 31, 1998 and they shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 including Schedule XIII of the Companies Act, 1956 as amended upto date and subject to the approval of the Central Government, as may be necessary and subject to such other necessary approvals, consent of the Company be and is hereby accorded to the increased remuneration payable to Mr. K. D. Shah, President & Managing Director of the Company, in the manner and to the extent set out in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the term of service of Mr. K.D. Shah, as President & Managing Director of the Company, Mr. K.D. Shah shall, in respect of such financial year, be paid remuneration by way of salary, dearness allowance, perquisites and any other allowances, as set out in the explanatory statement hereto or as the Board of Directors may

FULFORD (INDIA) LIMITED

deem fit, provided that the total remuneration by way of salary, perquisites, dearness allowance and any other allowances shall be subject to the approval of the Central Government, in so far as it exceeds the ceiling set out in Section 2 of Part II of Schedule XIII to the Act or such other ceiling as may be provided in the said Schedule XIII as may be amended, modified or re-enacted from time to time by the Government of India".

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper."

By Order of the Board of Directors

AJAY NAGLE
Company Secretary

Mumbai, February 24, 1998.

Registered Office:

Oxford House, Nawroji Ferdonji Road,
Apollo Bunder,
Mumbai 400 001.

- NOTES:**
1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
 2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
 3. The Register of Members and the Share Transfer Books of the Company will remain closed from March 26, 1998 to March 31, 1998, both days inclusive.
 4. Members are requested to notify any change in their address immediately to the Company or to its Registrars and Share Transfer Agents.
 5. Those members who have so far not encashed their Dividend Warrants for the year ended 31st December, 1994; 31st December, 1995; and 31st December, 1996 may immediately approach the Company with their Dividend Warrants for encashment.
 6. As required by the provisions of Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, concerned members are informed that an aggregate amount of Rs. 21,016.60 representing the balance in the Unpaid Dividend Account of 1993 was transferred to the General Revenue Account of the Central Government during the year.

FULFORD (INDIA) LIMITED**Annexure to Notice**

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

Item No. 5

Mr. K. D. Shah was appointed as the President & Managing Director of the Company with effect from November 1, 1996. The terms of his remuneration were approved by the members at the Annual General Meeting held on April 4, 1997 and the same was within the limits of Schedule XIII of the Companies Act, 1956.

In recognition of Mr. K. D. Shah's outstanding performance, the Board of Directors have decided to recommend to the Company, in the general meeting, the revised terms of remuneration, in supersession of the earlier resolution, as under:

1. **SALARY:** In the scale of Rs. 2,00,000/- to Rs. 6,00,000/- effective from September 1, 1997. The increments will be decided and approved by the Board of Directors or its Committee.
2. **HOUSE RENT ALLOWANCE:** As decided and approved by the Board of Directors or its Committee upto a maximum limit of Rs. 75,000 effective from September 1, 1997. The increments will be decided and approved by the Board of Directors or its Committee.
3. **COMMISSION:** Commission not exceeding annual salary, provided however, the commission will be payable on pro-rata basis in the event of earlier cessation or termination of the appointment, as may be approved by the Board of Directors or its Committee for each year.
4. **ALLOWANCES AND PERQUISITES:**
 - a. In addition to the above remuneration, Mr. K. D. Shah shall also be entitled to allowances and perquisites like furnished accommodation including gas, electricity and water, medical reimbursement and leave travel concessions for self and family, club fees, medical insurance etc. as may be approved by the Board of Directors or its Committee for each year.
The allowances and perquisites shall be evaluated as per Income Tax Rules, wherever applicable. Provision for use of Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of allowances and perquisites.
 - b. Company's contribution to Provident Fund and Superannuation Fund in aggregate not exceeding 25% of the remuneration. Leave encashment as per the rules of the Company. These, however, shall not be included in the computation of perquisites.
 - c. Gratuity as per the rules of the Company. However, this also will not be included in the computation of perquisites.

The above proposal does not require the approval of the Central Government under Section 310 of the Companies Act, 1956 as the increase in remuneration is within the limits laid down in Schedule XIII of the Companies Act, 1956.

In the event of inadequacy of profits in any financial year, Mr. K.D. Shah shall be paid the aforesaid remuneration provided that the total remuneration by way of salary, perquisites, dearness allowance or any other allowances shall be subject to the approval of the Central Government in so far as it exceeds the limits set out in Section 2 of Part II of Schedule XIII to the Act as amended, modified or reenacted from time to time by the Government of India.

In compliance with the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956, read with Schedule XIII of the Act, the variations in the terms of remuneration to Mr. K. D. Shah are now being placed before the members in the General Meeting for their approval.

The terms and conditions set out above should also be treated as an abstract and memorandum of interest under Section 302 of the Companies Act, 1956.

Except Mr. K. D. Shah, none of the other Directors is interested in the resolution.

By Order of the Board of Directors

Mumbai, February 24, 1998.

Registered Office:

Oxford House, Nawroji Ferdonji Road,
Apollo Bunder,
Mumbai 400 001.

AJAY NAGLE
Company Secretary

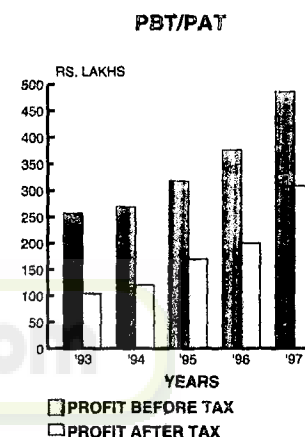
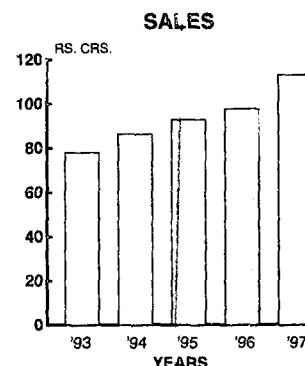
FULFORD (INDIA) LIMITED



The Directors present the Fiftieth Annual Report together with the audited accounts of the Company for the year ended December 31, 1997.

FINANCIAL RESULTS

	January 1, 1996 to December 31, 1996 Rupees
Profit before tax for the period amounted to	3,75,00,820
Profit after tax for the period amounted to	2,00,00,820
Balance in Profit and Loss Account	74,57,604
Amount available for appropriation	2,74,58,424
Out of which the following sums have been appropriated:	
Proposed Dividend	67,20,000
Tax on Dividend	—
General Reserve	1,30,00,000
Balance carried to Balance Sheet	77,38,424



DIVIDEND

The Directors recommend a dividend at the rate of 22% on the paid-up Equity Share Capital of the Company for the year ended December 31, 1997.

The Dividend, as recommended, if approved by the members at the Annual General meeting, will absorb Rs. 70.40 lakhs and will be paid out of the profits for the year ended December 31, 1997.

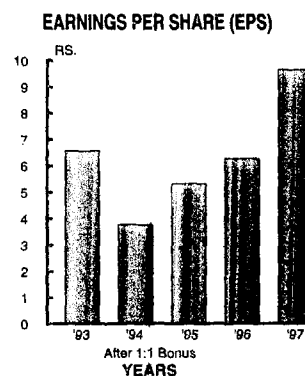
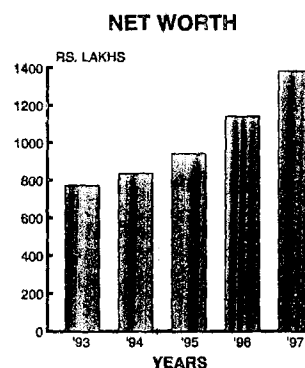
OPERATIONS

Sales for the year 1997 increased to Rs. 112.60 crores from Rs. 97.36 crores in 1996, recording a growth of 15.6%.

While the profit before tax increased by 29%, profit after tax increased by 54% over the previous year.

1997 witnessed the launch of "ALASPAN" (Loratadine) Syrup, a hi-tech product for relief of symptoms associated with allergic rhinitis. The product has been received well in the market and has shown good potential for the future. A new brand of Interferon Alpha-2b viz., "VIRAFERON" was also launched for Hepatitis segment.

The Auditors' comment as referred to in para 2(d) of the Auditors' Report is dealt with in Note Nos. 4(e) and 5 annexed to the Accounts, which are self explanatory.



FULFORD (INDIA) LIMITED



Directors' Report (Contd.)

DIRECTORS

Under Article 110 of the Articles of Association of the Company, the following Directors will retire at the forthcoming Annual General Meeting :

Mr. R. D. Thapar, Mr. I. L. Price, Mr. R. Kapur and Mr. A. G. Joshi.

Being eligible, they offer themselves for re-appointment.

FIXED DEPOSITS

All Fixed Deposits, outstanding as on December 31, 1997 amounting to Rs. 4.36 lakhs have matured as on December 31, 1997 but remain unpaid for want of requisite instructions from the Depositors concerned. Of these, deposits aggregating to Rs. 0.13 lakhs have been repaid since the close of the financial year.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information in accordance with clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended December 31, 1997 is given in Annexure I of this Report.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of the Directors' Report for the year ended December 31, 1997. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all shareholders of the Company, excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the Statement, may write to the Secretary at the Registered Office of the Company.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General meeting and according to a certificate received from them under Section 224 (1-B) of the Companies Act, 1956, they are eligible for re-appointment.

SUBSIDIARY COMPANIES

Pursuant to Section 212 of the Companies Act, 1956 the annual accounts for the year ended December 31, 1997 as also the Auditors' and Directors' Report in respect of (i) Schering-Plough (India) Limited, and (ii) Wellnex Pharmaceuticals Limited, are attached to the accounts of the Company.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the contribution made by the employees at all levels for their dedication and commitment to the Company throughout the year.

Your Directors take this opportunity to thank Schering-Plough Corporation, U.S.A. for their valuable guidance & support throughout the year.

For and on behalf of the Board of Directors

R. A. SHAH
Chairman

Mumbai, February 24, 1998.

FULFORD (INDIA) LIMITED

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. Conservation of Energy

- (I) Energy conservation measures taken in the recent past:

Installation and use of additional smaller size equipment to provide for choice to meet specific demands.

- (II) Additional Investments and proposals for reduction of energy consumption being implemented:

Nil

- (III) Impact of measures (I) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The impact of measures (I) above is already reflected in the cost of production.

- (IV) Total energy consumption and energy consumption per unit of production:

A. Power and Fuel Consumption

	1-1-1997 to 31-12-1997	1-1-1996 to 31-12-1996
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	487	462
Total Amount (Rs. '000)	2,947	2,481
Rate/Unit (Rs.) average	6.05	5.37
(b) Own Generation (For emergency use only)		
(i) Through Diesel Generator		
Units (kwh)	16,608	7,865
Units per Ltr. of Diesel Oil	3.50	3.50
Cost/Unit (Rs.)	2.70	3.52
(ii) Through Steam Turbine/Generator		
Units	Nil	Nil
Units per Ltr. of Fuel Oil/Gas	Nil	Nil
Cost/Fuel	Nil	Nil
2. Coal		
Qty. (Tonnes)	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil

FULFORD (INDIA) LIMITED



Annexure I to the Director's Report (Contd.)

3. Furnace Oil		
Qty. (K. Ltrs.)	Nil	Nil
Total Amount	Nil	Nil
Average Rate (Rs.)	Nil	Nil
4. Other/Internal Generation		
Steam by LDO		
Quantity (in '000 kgs.)	326	453
Total Cost (Rs. '000)	226	251
Rate per kg. (Rs.)	0.69	0.55

B. Consumption per unit of production

On an overall basis, per unit energy consumption during the year was marginally higher than that in the previous year.

2. Technology absorption

The Company through Technical Know-how Agreement with Schering-Plough Corporation, U.S.A. (Schering) gets the benefits of the research and development efforts of Schering. Most of the products introduced by the Company in India are original research products of Schering.

The Company has also benefitted from the supply of technology from Schering. This includes training of our personnel by Schering during short and long-term assignments and deputation of technical experts. The said technology has been fully absorbed.

3. Foreign Exchange Earnings and Outgo

(I) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The Company continues to explore various export markets.

(II) Total foreign exchange earned and used		Rs. in lakhs
(A) Total Foreign exchange earned		Nil
(B) Total Foreign exchange used:		
(i) On import of raw materials/finished goods	2271.01	
(ii) On import of capital goods, spares and components	4.45	
(iii) Expenditure in foreign currencies for business travels, subscription, commission on exports etc.	52.54	
(iv) Remittance during the year in foreign currency on account of dividend	22.85	
(v) Royalty and Technical Know-how	221.63*	2572.48

* Accrual

For and on behalf of the Board of Directors

R. A. SHAH
Chairman

Mumbai, February 24, 1998.