

# FULFORD (INDIA) LIMITED



## Board of Directors

MR. R. A. SHAH, *Chairman* (Alternate to Mr. A. M. Blanco)  
 MR. R. D. THAPAR  
 MR. D. C. SHROFF (Alternate to Mr. R. A. Kapur)  
 MR. A. M. BLANCO  
 MR. A. E. SURIJON  
 MR. V. G. ATHAVALA  
 MR. R. A. KAPUR, *Vice Chairman*  
 MR. K. D. SHAH, *President & Managing Director*  
 MR. K. J. KAUL, (Alternate to Mr. A. E. Suriyon and Whole-time Director)  
 DR. S. H. ADVANI (Alternate to Mr. R. D. Thapar)

### COMPANY SECRETARY

MRS. USHA RAMDOSS

### FUNCTIONAL HEADS

MR. S. BASU, Vice President — Human Resources  
 MRS. R. CHANDRACHUD, Sr. Director — Oncology & Virology  
 MR. K. J. KAUL, Vice President — Technical  
 DR. S. MENON, Vice President — Medical  
 MR. M. K. RAJAN, Vice President — Marketing & Sales  
 MR. R. K. RUSTAGI, Sr. Director — Corporate Affairs  
 MR. A. V. SAPRE, Vice President — Finance  
 MR. K. VENKATRAMAN, Vice President — Commercial

### REGISTERED OFFICE

EUREKA TOWERS, 8TH FLOOR,  
 MINDSPACE, LINK ROAD,  
 MALAD (W), MUMBAI - 400 064

### REGIONAL OFFICE\*/C&F AGENTS

Ahmedabad, Ambala, Kolkatta, Chennai, Coimbatore, Cuttack,  
 Delhi\*, Dehradun, Guwahati, Hubli, Hyderabad, Indore, Jaipur, Kanpur,  
 Lucknow, Ludhiana, Patna, Raipur, Ranchi  
 Trivandrum, Varanasi, Vijayawada.

### BANKERS

STATE BANK OF INDIA  
 CANARA BANK

### LEGAL ADVISORS

CRAWFORD BAYLEY & CO.

### AUDITORS

DELOITTE HASKINS & SELLS

### REGISTRARS AND SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.  
 C/13, Panalal Silk Mills Compound,  
 LBS Marg, Bhandup (West)  
 Mumbai - 400 078

### REQUESTS TO MEMBERS

*All correspondence regarding transfer and demat 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.*

# FULFORD (INDIA) LIMITED



## Notice

NOTICE is hereby given that the Fifty-fifth Annual General Meeting of FULFORD (INDIA) LIMITED will be held at 'The Banquet', Time & Again Restaurant, 9, Raheja Classic, New Link Road, Near Kamat Club, Lokhandwala, Andheri (West), Mumbai 400 053 on Friday, June 20, 2003 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, 2002 and the Profit & Loss Account for the year ended on that date together with the Directors' and the Auditor's Report thereon 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 Messrs Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company for the financial year ending December 31, 2003 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

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

"RESOLVED THAT in partial modification of the resolution passed by the Shareholders at their Annual General Meeting held on June 21, 2002 subject to such sanctions and approvals as may be required, the consent of the Company be and is hereby accorded to ratify, confirm and approve the remuneration paid amounting to Rs. 60,80,868/- plus perquisites (excluding the payment towards Provident Fund, Gratuity and Superannuation Fund) to Mr. K.D. Shah, President & Managing Director of the Company, for the period from January 1, 2002 to December 31, 2002".

4. 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, 310 and other applicable provisions, if any, including Schedule XIII of the Companies Act, 1956, as amended upto date and subject to such other approvals, as may be necessary, consent of the Company be and is hereby accorded to the reappointment of and remuneration payable to Mr. K.J. Kaul, as Wholtime Director (Alternate Director to Mr. Alberto Suriyon) of the Company, for a further period of three years with effect from June 15, 2003 on the terms and conditions as set out in the explanatory statement annexed hereto."

"RESOLVED FURTHER THAT in the event of Mr. Alberto Suriyon visiting India, Mr. K.J. Kaul shall vacate his office as Alternate Director (and accordingly as Wholtime Director) but immediately upon Mr. Alberto Suriyon leaving India, Mr. K.J. Kaul shall automatically stand reappointed as the Alternate Director to Mr. Alberto Suriyon (and Wholtime Director) upon the same terms and conditions without any further act, deed or thing being done executed or performed either by the Company or the Board of Directors".

"RESOLVED FURTHER THAT consequent upon Mr. K.J. Kaul ceasing to be in the employment of the Company, he shall automatically cease to be a Director of the Company in any capacity whatsoever without any further act, deed or thing being done".

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the term of service of Mr. K.J. Kaul, as Wholtime Director of the Company, Mr. K.J. Kaul shall, in respect of such financial year, be paid such remuneration by way of salary, dearness allowance, perquisites & any other allowances, as set out in the explanatory statement hereto or as the Board of Directors may deem fit, provided that the total remuneration by way of salary, dearness allowance, perquisites 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 II of Part II of Schedule XIII to the Act or such other ceiling as may be provided in the said Schedule XIII subject to such conditions as may be amended, modified or re-enacted from time to time by the Government of India".

# FULFORD (INDIA) LIMITED



## Notice (Contd.)

"RESOLVED FURTHER THAT for the purpose of giving effect to the 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

USHA RAMDOSS  
Company Secretary

Mumbai, May 8, 2003  
Registered Office:  
8th Floor, Eureka Towers,  
Mindspace, Link Road, Malad (West),  
Mumbai - 400 064.

- 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 Share Transfer Books of the Company will remain closed from June 16, 2003 to June 20, 2003, 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. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter. Members who have not encashed the dividend warrants for the years 1996 to 1998 and 2001 are requested to contact the Registrar and Transfer Agents, Intime Spectrum Registry Ltd, Mumbai. Outstanding dividend for the years prior to 1995 have been transferred to the General Revenue Account of the Central Government. Outstanding dividend for the year 1995 shall be transferred to the Investor Education and Protection Fund shortly.

### PROFILE OF DIRECTORS BEING APPOINTED

#### INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement, the particulars of a Director who is proposed to be appointed is given below:

*Name* : Mr. K.J. Kaul

*Age* : 57 Years

*Qualification* : B.E. (Pharmacy), Administrative Management course from the Jamnalal Bajaj Institute, Mumbai.

#### *Experience*

Mr. K.J. Kaul started his career with M/s Nicholas Piramal (NPIL) as a Development Pharmacist in the R & D Formulations Dept. During his tenure of about 27 years with NPIL, he had a consistent growth in the stature & responsibility beginning from being a General Manager – Manufacturing in '92 to Vice President – Manufacturing Operations in '94. He was responsible for the project implementation of NPIL's modern formulation plant complying with latest GMP standards and also oversaw technology transfers from Multinational Companies.

He is employed with the Company since the year '97 as Vice President – Technical and consequent to his nomination in the year '98 as an Alternate Director, is acting as a Whole time Director of the Company.

Mr. K.J. Kaul is a member of the Remuneration Committee as an alternate to Mr. Alberto Surijon.

# FULFORD (INDIA) LIMITED



## Annexure to Notice

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

#### Item No. 3

The shareholders will recall the resolutions passed at the Annual General Meeting of the Company held on June 21, 2002 approving the appointment and terms of remuneration payable to Mr. K.D. Shah, President & Managing Director of the Company. The resolutions also approved that the remuneration be paid and perquisites be provided to Mr. K.D. Shah, as specified, in the said resolutions, notwithstanding that the Company may incur a loss or earn inadequate profit. The resolutions also stipulated that such remuneration and perquisites may exceed the limits prescribed in Section II of Part II of Schedule XIII, subject, however to the approval of the Department of Company Affairs, Government of India.

For the reasons already explained, the Company has earned inadequate profits for the year 2002. Herein, the Company has received the approval of the Department of Company Affairs for the following remuneration paid to Mr. K.D. Shah and the perquisites provided to him excluding the contribution towards Provident Fund, Gratuity & Superannuation Fund, notwithstanding that they exceed the limits prescribed in Section II of Part II of Schedule XIII.

Salary	59,26,656
Allowances & Perquisites	1,54,212
	<u>60,80,868</u>

A copy of the approval dated March 29, 2003 received from Department of Company Affairs shall be kept open for inspection between 11.00 a.m. to 1.00 p.m. at the Registered Office of the Company to any shareholder interested in such an inspection.

#### Item No. 4

Mr. K.J. Kaul was appointed as the Wholetime Director of the Company with effect from June 15, 1998 for a term of five years, which is expiring on June 14, 2003. During his tenure with the Company, all the manufacturing facilities from where the finished products are sourced have been significantly upgraded. He has also developed local sources for import substitution of some of the raw materials, which should improve profitability.

Mr. K.J. Kaul is associated with the pharmaceutical industry for more than 31 years of which last 5 years have been with Fulford (India) Limited as an Alternate cum Wholetime Director of the Company.

In recognition of his contribution, he was appointed by the Board of Directors of the Company at their meeting held on April 26, 2003 as the Wholetime Director of the Company subject to the approval of the shareholders at their General Meeting for a further period of three years with effect from June 15, 2003 on the terms of remuneration approved by the Board of Directors at the same meeting, within the ceiling prescribed by Schedule XIII to the Companies Act, 1956 and any statutory modification or re-enactment thereto and/or any guidelines relating to managerial remuneration as may be notified by the Government from time to time.

The principal terms of appointment and remuneration are as under:

- a. **Period of Appointment:** 3 years from June 15, 2003.
- b. **Nature of duties:** Mr. K.J. Kaul shall exercise and perform such powers and duties as the Board of Directors of the Company shall from time to time determine and entrust, under whose supervision and control he shall operate.
- c. **Terms of remuneration:** Subject to the overall limits of the total managerial remuneration of each year as provided under Sections 198, 269 and 309 of the Companies Act, 1956 read with Schedule XIII of the Act, the principle terms of remuneration of Mr. K.J.Kaul are as under:
  1. **SALARY:** Rs. 53,390/- per month in the scale of Rs.50,000/- to Rs.3,00,000/- effective from January 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
  2. **HOUSE RENT ALLOWANCE:** Rs.27,260/- per month in the scale of Rs.25,000/- to Rs.50,000/- effective from January 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
  3. **CITY ALLOWANCE:** Rs.28,990/- per month in the scale of Rs.25,000/- to Rs.50,000/- effective from January 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
  4. **SPECIAL ALLOWANCE:** Rs. 6,000/- per month in the scale of Rs. 5000/- to Rs. 25,000/- effective from April 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
  5. **PERFORMANCE REWARD:** in the scale of Rs.50,000/- to Rs.6,00,000/- for each calendar year. The amount will be decided and approved by the Board of Directors or its Committee for each year.

## FULFORD (INDIA) LIMITED



### Annexure to Notice (Contd.)

#### 6. ALLOWANCES AND PERQUISITES:

- a) In addition to the above remuneration, Mr. K.J. Kaul shall also be entitled to allowances and perquisites like furnished accommodation (or House Rent Allowance in lieu thereof to the extent approved by the Board of Directors) including gas, electricity and water, medical reimbursement and leave travel concessions for self and family, club fees, medical insurance, etc. as per the rules of the Company for each year.

The allowances and perquisites shall be evaluated as per Income Tax Rules, wherever applicable. Provisions for use of Company car for official duties and telephone at residence (including payment of 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 shall be 27% 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.

In the event of loss or inadequacy of profits, in any financial year, during the tenure of Mr. K. J. Kaul as Wholetime Director of the Company, Mr. K.J. Kaul shall be entitled to receive a total remuneration including allowances, perquisites etc. not exceeding ceiling limits prescribed under Schedule XIII of the Companies Act, 1956, and such other limit as may be prescribed by the Government from time to time as minimum remuneration.

7. **SITTING FEES:** The Wholetime Director shall not be entitled to any sitting fees for attending meetings of the Board or any committee thereof.

8. **TERMINATION:** By three months notice on EITHER side.

The terms and conditions of the said appointment and remuneration may be increased, altered or varied from time to time by the Board of Directors/its committee as it may, in its discretion, deem fit so as to be in conformity with the law, for time being in force.

The above proposal does not require the approval of the Central Government under Section 309 of the Companies Act, 1956 as the appointment and remuneration payable to Mr. K.J. Kaul is within the limits laid down in Schedule XIII of the Companies Act, 1956.

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 appointment of Mr. K.J.Kaul as the Wholetime Director and the terms of his appointment and remuneration specified above 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.J. Kaul, none of the other Directors is interested in the resolution.

By Order of the Board of Directors

USHA RAMDOSS  
Company Secretary

Mumbai, May 8, 2003  
Registered Office :  
8<sup>th</sup> floor, Eureka Towers,  
Mindspace, Link Road, Malad (West),  
Mumbai - 400 064.

# FULFORD (INDIA) LIMITED



**STATEMENT CONTAINING INFORMATION REQUIRED TO BE GIVEN  
UNDER SCHEDULE XIII AS REQUIRED BY NOTIFICATION  
REF.G.S.R. 36(E) DATED JANUARY 16, 2002 ISSUED BY GOVERNMENT  
OF INDIA, MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS,  
DEPARTMENT OF COMPANY AFFAIRS, NEW DELHI**

## I. General Information

1. Nature of the Industry — Drugs and Pharmaceuticals.
2. Financial Performance — (Based on the audited Accounts for the year ended 31-12-2002)

(Rs. in crores)

Turnover	91.20
Net Profit/(Loss) before tax	(7.59)
Total Expenditure	104.15

3. Foreign Investment or Collaborators:

The Company is an affiliate of Schering -Plough Corporation, U.S.A. (S-P) and gets the benefits of their research & development efforts. S-P is a multinational having a worldwide presence. Most of the products introduced by the Company are original research products of S-P.

The Company is also immensely benefited by the supply of technology from S-P. This includes training of our personnel by S-P and deputation of technical experts.

## II. Information about the Appointee:

- Information about Mr. K. J. Kaul, Wholetime Director

Mr. K. J. Kaul has been appointed as the Wholetime Director of the company w.e.f June 15, 2003.

1. Background details, Recognition or awards:

Mr. K. J. Kaul is a graduate of pharmacy and has completed an Administrative Management course from the Jamnalal Bajaj Institute, Mumbai. Mr. K. J. Kaul had worked for than the 27 years with M/s Nicholas Piramal (NP). During his tenure he had a consistent growth in the stature & responsibility from being a General Manager – Manufacturing in '92 to Vice President – Manufacturing Operation in '94. He was responsible for project implementation and technology transfers.

He is employed with the Company since the year '97 as Vice President – Technical and is acting as a Whole time Director of the Company since '98.

2. Past remuneration

Particulars	Paid in 2002	Paid in 2001
Basic Salary	50,660/- p.m.	44,370/-p.m.
House Rent Allowance	26,260/-p.m.	24,100/-p.m.
City Allowance	27,990/-p.m.	25,490/-p.m.
Performance Reward	1,60,680/-p.a.	3,34,665/-p.a.

3. Job profile and his suitability

During his tenure with the Company all the manufacturing facilities from where the finished products are sourced have been significantly upgraded. He has also developed local sources for import substitution of some of the raw materials which should improve profitability.

He has adequately contributed to the Company's technical operations during the tenure & the Company has made significant strides in upgrading the Technical & Quality Control areas.

4. Remuneration proposed

The 'Abstract' containing details of remuneration proposed to be paid to the Wholetime Director under Section 302 of the

# FULFORD (INDIA) LIMITED



Companies Act, 1956, is contained in the Explanatory statement no. 4 required under section 173 (2) of the Companies Act, 1956.

5. Comparative remuneration profile with respect to industry, size of the company, profile of the position and the person  
The remuneration proposed has been benchmarked with the Vice President – Technical in other multinational pharmaceutical companies operating in India.
6. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel if any:  
None

### III. Other information

1. Reason for loss or inadequate profits
  - Suspension of production of tablet formulations since the factory in which these were manufactured led to contamination & it was unacceptable to continue manufacturing in such facility.
  - Writing off of the finished goods inventory worth Rs. 2.51 crores.
  - Supply of the products were severely affected due to the non-availability of material from the approved sources. This resulted in loss of sales and profit.
2. Steps taken or proposed to be taken for improvement
  - The Company is taking substantive steps to restore the supply of products by identifying and developing alternate source for supply of material and the production is set to begin by the second quarter of 2003.
  - Import substitution of some of the raw materials.
  - Implementation of cost reduction & productivity improvement measures.
3. Expected increase in productivity and profits in measurable terms.

As per the measures taken under III (2) above the sales and realization is expected to enhance with retention and growth in the market share.

### IV. Disclosures

The 'Abstract' containing details of remuneration proposed to be paid to the Wholetime Director under Section 302 of the Companies Act, 1956, is contained in the Explanatory statement no. 4 required under Section 173 (2) of the Companies Act, 1956.

By order of the Board of Directors

USHA RAMDOSS  
COMPANY SECRETARY

Mumbai, May 8, 2003

Registered Office:  
8th Floor, Eureka Towers,  
Mindsapce, Link Road, Malad (West),  
Mumbai - 400 064.



# FULFORD (INDIA) LIMITED



## Directors' Report

The Directors present the Fifty-fifth Annual Report together with the audited accounts of the Company for the year ended December 31, 2002.

### FINANCIAL RESULTS

	January 1, 2002 to December 31, 2002 Rupees	January 1, 2001 to December 31, 2001 Rupees
Profit/(Loss) before tax for the period amounted to .....	(7,59,61,840)	1,46,29,573
Profit/(Loss) after tax for the period amounted to .....	(7,60,61,840)	1,33,75,227
Tax Adjustments for prior years .....	—	1,85,000
Balance in Profit and Loss Account .....	1,34,09,833	61,49,606
Amount available for appropriation .....	(6,26,52,007)	1,97,09,833
Out of which the following sums have been appropriated:		
Proposed Dividend .....	—	48,00,000
General Reserve .....	—	15,00,000
Balance carried to Balance Sheet .....	(6,26,52,007)	1,34,09,833

### DIVIDEND

The Directors do not recommend any Dividend on account of loss for the year ended December 31, 2002.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. Industry structure and development

The Indian pharmaceutical market recorded growth of 7% during 2002 to reach total value of Rs.180 billion. The market size is barely 1% of the total world market despite accounting for 16% of the world population. This is evident from the low investment in healthcare resulting in low per capita consumption of pharmaceuticals of \$3.

The industry size in terms of value does not reflect true picture in terms of reach since the market is driven by high volume and low unit price. In fact the unit price is one of the lowest in the world resulting in inadequate generation of surplus for investment in research and development and continuous up-gradation of quality standards. This along with fragmented industry with large number of manufacturing units lead to fairly widely prevalent spurious or counterfeit drugs in the market.

In most of the therapeutic areas, the alternative molecules are available for treatment and for many of the molecules several brands of different manufacturers are available leading to intense competition and continuous downward pressure on the price. Despite this the reach of the pharmaceuticals is low on account of low income level and absence of social security.

The industry plays a useful role in supporting continuous medical education as well as health awareness among the people to help early diagnosis and treatment which is imperative for better health of the nation. It also plays a very useful role in development of ancillary packaging and service industry.

#### 2. Opportunities and Threats

It is gratifying that in the recent budget speech, health has been recognised as one of the "Panch Priorities". The potential for growth of the industry is tremendous provided it receives support for development in terms of recognition of intellectual property rights thus encouraging research and development, lower rates of import duties and taxes, dismantling rigid price control in light of intense competition and accelerating spread of health insurance.

The encouragement to up-grade manufacturing and testing facilities and adherence to uniform standards for domestic and global market concurrently with improvement in national infrastructure can make the industry



# FULFORD (INDIA) LIMITED



## Directors' Report (Contd.)

attractive sourcing destination. Similarly harmonisation with international standards in terms of regulatory framework can open up increased opportunities for clinical research and related IT services.

The high cost of research and development, rapid changes in up-gradation of technology and high rate of obsolescence makes it imperative for the industry to be flexible for restructuring. This necessitates the labour and employment laws to be flexible enough to adapt to the changes and maximise productivity.

### 3. Segment-wise performance

The Company has only one segment viz. Human Health. Hence segment wise performance report is not applicable.

### 4. Risks and concerns

The Company's comprehensive and rigorous policy of testing, validation and approval of sources ensures high quality standards of finished products. However it also makes switching to alternate sources time consuming and hence could impact business adversely in the event the supply is disrupted.

The launch of competitive brand at significantly low cost results in lower sales at least for a temporary period till the time the users do not experience the same efficacy or safety. Similarly lack of freedom and inflexibility to price products lead to either non-introduction of new products, withdrawal of existing products or inadequate investment to build larger franchise.

Inflexible employment laws and high separation costs do not permit free adaptability and restructuring of operations when circumstances warrant.

### 5. Internal control system and their adequacy

The Company has comprehensive system of internal control to ensure that its assets are protected against loss from unauthorised use or sale, the resources of the company are committed as per the Approval Authorisation Policy and all transactions are recorded in conformity with its accounting policies and procedures.

The system is supported by well documented policies and procedures for different areas and is designed to protect the Company's interest and ensure accurate and reliable accounting records.

The internal control system is also reviewed periodically by internal audit conducted by an external agency and supplemented by self assessment audit guide. The Audit Committee appointed by the Board will review both the adequacy and address the significant findings and follow-up on such issue.

### 6. Material development on human resources/ industrial relations

One of the priority areas for the Company is to nurture and retain talent. This is achieved through several measures by rewarding and recognising high caliber performance, on the job training, giving special projects or assignments to high performers.

The Company has regular communication meetings with employees to share innovative ideas, enhance cost effectiveness, improve productivity and provide forum for thrashing out their concerns or issues.

The Company's talent pool has been well recognised by the parent company which invited one of our Finance Manager for the short term assignment and one of our microbiologist from Quality Control team to train microbiologists in another facility.

In view of the lower sales many open positions were not filled and the people were redeployed to reduce cost and enhance productivity. The total number of employees as on December 31, 2002 were 521.

## OPERATIONS

### PERFORMANCE WITH RESPECT TO OPERATIONS

During the year the Company suffered a serious setback in terms of suspension of production of tablets and injectable ampoules on account of contamination of products with microorganism as well as disruption in supplies of some raw materials and finished product. Such contamination also led to rejection of large amount of tablets inventory amounting to Rs.251 lakhs. The disruption in supplies of raw material and finished product led to loss of sales and resultant profit contribution

Gross Sales for the year 2002 decreased to Rs. 94.70 crores from Rs.140.41 crores recorded in the year 2001 indicating a decline of 33 %. The Loss Before Tax for the year 2002 was Rs.7.60 crores as against Profit Before Tax (PBT) for the

# FULFORD (INDIA) LIMITED



## Directors' Report (Contd.)

year 2001 of Rs.1.46 crores. Like the year 2001 the results have been arrived at for the year 2002 after providing Rs.1.06 Crores towards the Voluntary Retirement Scheme implemented earlier.

During the year, the Company launched:

“REBETOL” — This is in a form of capsule containing *Ribavirin*, which together with *Viraferon/Viraferon Peg* is used for the treatment of Hepatitis ‘C’.

The Auditors' comment as referred to in para 4(f) of the Auditor's Report is dealt with in Note No. B.1(e) annexed to the Accounts, which is self-explanatory.

### OUTLOOK

Manufacturing facilities to resume manufacture of tablets and injectable ampoules have been identified. The production is expected to start in the second quarter after completion of all validations.

The Company will continue to focus on oncology, virology and cardiovascular areas. Sales in these segments will be impacted by launch of competitive products. So far as other segments viz. dermatological, anti allergy and anti-bacterials are concerned, barring unforeseen circumstances, our sales should improve with the resumption of supply of the products.

Concurrently, local sources have been developed for some of the raw materials to reduce costs and improve profitability.

To minimise the adverse impact, various cost control and productivity improvement measures were implemented.

**As a result of all these measures the Company's performance is likely to improve over the next few months, barring unforeseen circumstances. Consequently the Board is cautiously optimistic of better performance in the current year.**

### DIRECTORS

During the year Dr. S.H. Advani was appointed as an Alternate Director to Mr.R.D. Thapar, who is residing at Delhi and unable to attend meetings due to ill health.

Dr. Advani is a renowned Oncologist, having been accredited with international fellowships. He has received tremendous recognition in the field of medicine, the latest being “PADMASHRI” by the Government of India in the year 2002. He continues to hold numerous academic positions in the field and the Company feels his presence will add a lot of value to the Company's operations and management deliberations.

Mr. K. J. Kaul's tenure as wholtime director of the Company is expiring on June 14, 2003. The Board has appointed Mr. K. J. Kaul as wholtime director of the Company for a further period of three years with effect from June 15, 2003, subject to the approval at the ensuing Annual General Meeting of the Company.

### FIXED DEPOSITS

Fixed Deposits outstanding as on December 31, 2002 amounting to Rs.0.40 lakhs have matured but remain unpaid for want of requisite instructions from the Depositors concerned.

### RELATED PARTY TRANSACTIONS

Related party transactions have been disclosed in the notes to the accounts.

### INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 (the Act)

Information in accordance with clause (e) of sub-section (1) of Section 217 of the Act 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, 2002 is given in Annexure I of this Report.

Information in accordance with sub-section (2A) of Section 217 of the Act read with the Companies (Particulars of Employees) Rules, 1975 forms part of the Directors' Report for the year ended December 31, 2002. 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.

In accordance with the sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning ‘Directors