

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. ATHAVALLE
 MR. R. A. KAPUR, *Vice Chairman*
 MR. K. D. SHAH, *President & Managing Director*
 MR. K. J. KAUL, (Alternate to Mr. A. E. Surijon 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
 MR. K. J. KAUL, Vice President — Technical
 DR. NITIN MULGAONKAR, Director — Medical & Regulatory Affairs
 MR. M. K. RAJAN, Vice President — Marketing & Sales
 MR. R. K. RUSTAGI, Vice President — 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, Cuttack, Delhi*, Dehradun,
 Guwahati, Hubli, Hyderabad, Indore, Jaipur, Lucknow, Ludhiana, Patna,
 Raipur, Ranchi, Trivandrum, 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.

Notice

NOTICE is hereby given that the Fifty-Sixth 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, April 20, 2004 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, 2003 and the Profit & Loss Account for the year ended on that date together with the Directors' and the Auditors' Report thereon be and are hereby approved and adopted".
2. To appoint Directors in place of Messrs. R.D. Thapar, R. Kapur and V.G. Athavale who retire under Article 110 and being eligible offer themselves for re-appointment.
3. 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 20% on the equity share capital of the Company for the year ended December 31, 2003 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 as on the 20th day of April, 2004.
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 are hereby re-appointed as Auditors of the Company for the financial year ending December 31, 2004 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 Mr. Alberto Suriñon, who was appointed as Director of the Company (with effect from September 1, 2001) by the Board of Directors at their meeting held on July 24, 2001 to fill in the casual vacancy caused by the resignation of Mr. I.L. Price, be and is hereby appointed as a Director of the Company."
6. 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. 91,47,707/- (including the contributions towards Provident Fund, Gratuity and Superannuation Fund) to Mr. K.D. Shah, President & Managing Director of the Company, for the period from January 1, 2003 to December 31, 2003".
7. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:
"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956 (the Act), consent of the Company be and is hereby granted to the Board of Directors of the Company to keep the Register of Members, Index of Members and copies of all Annual Returns prepared under Section 159 of the said Act together with copies of the Certificates and documents required to be annexed thereto under Section 161 of the said Act, or any one or more of them (the documents) at the office of Intime Spectrum Registry Limited, the Registrars and Share Transfer Agents of the Company situate at C/13, Panalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 instead of their erstwhile office situated at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080."

By Order of the Board of Directors

Mumbai, March 5, 2004

USHA RAMDOSS
Company Secretary

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

Notice (Contd.)

- 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 April 13, 2004 to April 20, 2004 (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. Members holding shares in demat mode may please note that, the bank details as furnished by the respective Depositories to the Company will be mandatorily printed on their dividend warrants for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as advised by the Securities & Exchange Board of India (SEBI). In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Instructions if any, given by them in respect of shares held in physical mode will not be automatically applicable to the dividend paid on shares held in demat mode. Members holding in demat mode must, therefore, give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these Members for change/deletion in such bank details.
6. 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 1997, 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 has been transferred to the Investor Education and Protection Fund. Outstanding dividend for the year 1996 shall be transferred to the Investor Education and Protection Fund in May 2004.

PROFILE OF DIRECTORS BEING APPOINTED/ RE-APPOINTED**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT**

As required under Clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be appointed/ re-appointed is given below:

1. Mr. Alberto Surijon

Age: 50 years

Qualification: Bachelor in Marketing and Master in Business Administration

Experience:

Mr. Surijon joined Schering-Plough in 1992 as Managing Director for Argentina operations. Since then he has been Vice President and Managing Director for Schering-Plough's operations in Spain, Italy and heading the Regional Operations for Far East & Australasia since September 2001.

Prior to joining Schering-Plough, he held various senior positions in Glaxo, Boehringer Ingelheim and Syncro Argentina, S.A. (a subsidiary of Roemmers).

Mr. Surijon has vast experience in pharmaceutical industry based on his various senior management positions held previously.

Names of Companies in which he holds directorships and committee memberships:

Sr	Names	Nature of Interest
1.	Fulford (India) Limited,	Director and member of Audit Committee and Remuneration Committee
2.	PT Schering-Plough Indonesia Tbk, Indonesia	President Commissioner
3.	Plough Consumer Products (Asia) Limited, Hongkong	Director
4.	Essex Asia Limited, Hongkong	Director

Notice (Contd.)

5. Schering-Plough (China) Limited, Bermuda	Director & Vice President
6. SOL Limited, Bermuda	Director
7. Schering-Plough (Pty) Limited, South Africa	Director
8. Schering-Plough Korea	Director
9. Schering-Plough Animal Health Korea	Director
10. Schering-Plough Limited, Taiwan	Director
11. Schering-Plough Limited, Thailand	Director
12. Schering-Plough Pty Limited, Australia	Director
13. Shanghai Schering-Plough Pharmaceutical Company Limited, China	Vice Chairman
14. Schering-Plough Corporation, Philippines	Director
15. Essex Pharmaceutical, Inc. Philippines	Director
16. Plough Consumer Products (Philippines) Inc.	Director
17. Schering-Plough Sdn Bhd, Malaysia	Director

2. Mr. R.D. Thapar

Age: 83 years

Qualification: B.A. in English Honours and M.A. in History

Experience:

Mr. Thapar was in the Civil Service and has worked in various capacities in Ministries of Finance, Commerce, Textiles etc. He eventually retired in the capacity of Commerce Secretary in the Central Government. During his tenure, he continuously held positions of growth in responsibility and stature. Presently, he is on the Board of the Company and is a member of the Remuneration Committee.

3. Mr. R. Kapur

Age: 58 yrs

Qualification: B.A. Degree in Economics from Columbia College, New York

M.B.A. Degree in Finance and International Business from Columbia University, New York

Experience:

Mr. Raman Kapur is President, Worldwide Generics for Schering-Plough Corporation, a research-based company engaged in the discovery, development, manufacturing and marketing of pharmaceutical and healthcare products worldwide. He is also President of Warrick Pharmaceuticals, a significant marketer of generic products in the U.S. market. Overall, he has over 28 years of experience in the global pharmaceutical industry including both the United States as well as various international markets.

Names of Companies in which he holds directorships and committee memberships:

Sr	Names	Nature of Interest
1.	Fulford (India) Limited	Director
2.	European Generic Association	Board of Directors
3.	Warrick Pharmaceuticals	President
4.	Kenilworth Pharmaceuticals	President
5.	New Jersey Institute of Technology	Board of Overseers
6.	Princeton Day School	Board of Trustees
7.	Center for Advanced Study of India, University of Pennsylvania	International Supervisory Board
8.	World India Diabetes Federation	Board of Trustees
9.	Edison College Foundation	Board of Trustees

4. Mr. V.G. Athavale

Age: 68 years

Qualification: Mr. V.G. Athavale is a post graduate in Commerce

Experience:

Mr. Athavale was in the service of the Reserve Bank of India (RBI) and he retired in the capacity of Chief General Manager. During his tenure with RBI, he continuously held positions of responsibility and stature including a deputation in 1974 for a period of 1½ years with Unit Trust of India – a Government Finance Institution. Presently, he is on the board of the Company and is the Chairman of the Audit Committee, Shareholders & Investors' Grievance Committee and Remuneration Committee.

All the above Directors have given a declaration in Form DDA pursuant to the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, to the effect that they are not disqualified under the said Section 274(1)(g) to act as directors of the Company.

Annexure to Notice

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

Item No. 5

At a meeting of the Board of Directors of the Company, held on July 24, 2001, Mr. Alberto Suriñon was appointed as Director of the Company with effect from September 1, 2001 to fill in the casual vacancy caused by the resignation of Mr. I.L. Price. The Company has received a notice from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Alberto Suriñon as a candidate for the office of Director.

The Board recommends the Resolution at Item No. 5 of the annexed Notice for approval of the members.

Mr. Alberto Suriñon may be deemed to be concerned or interested in this resolution as it concerns him.

No other Director is concerned or interested in the said Resolution.

Item No. 6

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.

The Company has earned inadequate profits for the year 2003, to provide for managerial remuneration in respect of Mr. K.D. Shah. The Company has made an application to the Department of Company Affairs for the following remuneration paid to Mr. K.D. Shah and the perquisites provided to him including 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 (Net)	56,14,992
Allowances & Perks	35,32,715
TOTAL	91,47,707

The approval of the Department of Company Affairs for the aforesaid remuneration is pending.

Item No. 7

M/s Intime Spectrum Registry Limited has shifted its office from 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080 to C/13, Panalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078. The approval of the shareholders is being sought pursuant to the provisions of Section 163 of the Companies Act, 1956 for keeping the Register of Members, Index of Members and copies of all Annual Returns prepared by the Company under Section 159 together with the copies of certificates and documents required to be annexed thereto under Section 160 and Section 161, at the new address.

By Order of the Board of Directors

Mumbai, March 5, 2004

USHA RAMDOSS
Company Secretary

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

Directors' Report

The Directors present the Fifty-sixth Annual Report together with the audited accounts of the Company for the year ended December 31, 2003.

FINANCIAL RESULTS

	January 1, 2003 to December 31, 2003 Rupees	January 1, 2002 to December 31, 2002 Rupees
Profit/(Loss) before tax for the period amounted to	5,91,94,385	(7,59,61,840)
Profit/(Loss) after tax for the period amounted to	5,93,56,269	(7,60,61,840)
Tax Adjustments for prior years	21,10,148	—
Balance in Profit and Loss Account (b/f)	(6,26,52,007)	1,34,09,833
Adjusted against General Reserve	(6,26,52,007)	—
Amount available for appropriation	6,14,66,417	(6,26,52,007)
Out of which the following sums have been appropriated:		
Proposed Dividend	64,00,000	—
Corporate Tax on Dividend	8,20,000	—
General Reserve	47,00,000	—
Balance carried to Balance Sheet	4,95,46,417	(6,26,52,007)

DIVIDEND

The Directors recommend a Dividend of 20% for the year ended December 31, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry structure and development

The Indian pharmaceutical market recorded a single digit growth (8.39% - IMS). The market size of Rs. 196 billion does not reflect the true picture since the market is driven by high volume, low unit price and prevalence of spurious or counterfeit drugs that remain unaccounted. Rigours of price controls, several players, multiple therapeutic options and branded generics as well as generics continues to push down the prices. In the last few years, there is an urgency to launch branded generics to take advantage before the Patent Regime commences from January 2005. With regard to GMP (Good Manufacturing Practices), the requirements are increasing to upgrade the standard and eventually the quality of the product. While this is a welcome change from patient point of view, it still requires substantial investment at the ground level. Low prices, high manufacturing expenses, upgraded packaging to maintain quality and protection against counterfeit, result in low margin.

The potential of Indian pharmaceutical market is still untapped to a greater extent considering the size of population (about 17% of world population) and current per capita spending on medicines (\$3). The growth of GDP, introduction of patent regime, opening of Insurance sector and dismantling of price control which has lost its relevance in current era of market driven economy will definitely result in introduction of new molecules, competitive prices and increase in the affordability level. This ultimately will help the patient to get the best quality medicine at reasonable prices.

The Industry continues to play a very dominant role in improving the health of the nation. Discovery of new molecules, conducting clinical trials for new inventions, medical education programs, opening of hospitals and diagnostic centers, development of ancillary services will help the development of the Industry and eventually will make Indian Pharmaceutical market as one of the fastest emerging market on the world map.

Directors' Report (Contd.)

2. Opportunities, Threats, Risks and Concerns

The Government continues to focus on Health sector which is a positive sign for the industry as a whole as well as for the Company.

Once the Patent law is amended to incorporate recognition to product patent, the Company would have an edge over the generics, which continue to flood the market today. Till then, the adverse impact of generics is practically unavoidable. Delays in grant of Exclusive Marketing Rights during the interim period denies protection to the original research products.

Today, the Indian pharmaceutical market is highly regulated by the Government with the presence of Drugs (Prices Control) Order (DPCO) 1995. This no doubt affects the Company as well. The claims under the Drugs Prices Equalisation Account and the comment of the Auditors on the same is set out in note 4(vii) of the Auditors' Report. This matter, once resolved would provide clear guidance for future cash flows.

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

3. Internal control system and their adequacy

The Company has comprehensive internal control system that includes policies in different areas and suitable monitoring procedures. The commitment of company funds is regulated by Approval Authorisation policy to ensure use of funds in the best possible manner. The Internal Audit Program conducted by an external agency and supplemented by self-assessment audit guide, covers various areas to assess and ensure conformity to Accounting Standards, prevailing laws and Company policies. The Audit Committee appointed by the Board reviews the adequacy and addresses the significant findings and follow-ups on such issues.

4. Material development on human resources/ industrial relations

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

The Company has regular communication meetings with employees to enhance employee participation, creativity and to thrash out blocks or barriers to business growth.

The Company has developed succession plan for potential managers and has put in place an action plan for the development of these managers to take higher responsibilities in future. The Company continues to put thrust on productivity improvement through effective utilization of its manpower. The total number of employees as on December 31, 2003 was 463.

OPERATIONS

PERFORMANCE WITH RESPECT TO OPERATIONS

The Company has turned around its operations during 2003. Gross Sales for the year 2003 increased to Rs. 130.50 crores from Rs. 94.70 crores in 2002 registering a growth of 37.8%. Profit Before Tax for the year 2003 was Rs. 5.92 crores as against Loss for the year 2002 of Rs. 7.60 crores.

Despite intense competition and replacement of our brands by the competitive products during the time our brands were not available, our sales force did a commendable job in re-establishing our brands rapidly and successfully once the supply resumed.

All the new products in Oncology, Virology and Cardiovascular segment progressed very well and recorded handsome growth.

The resumption of supply of the products, various initiatives taken in 2003 towards cost containment and import substitution contributed to the profitable sales growth.

The Auditors' comments as referred to in para 4(vi) and (vii) of the Auditor's Report are dealt with in Note No. B10 and Note No. B1(e) annexed to the Accounts, which are self-explanatory.

Directors' Report (Contd.)

OUTLOOK

During 2004, the primary focus is to resume supply of tablets which is expected to commence in the first half. While this would be the main growth driver, new products in Oncology, Virology and Cardiovascular segment would face competition from branded generics. To improve profitability and financial position, various cost containment and productivity improvement measures will be implemented rigorously.

DIRECTORS

Under Article 110 of the Articles of Association of the Company, the following Directors will retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment :

Mr. R D Thapar, Mr. Raman Kapur and Mr. V.G. Athavale.

Mr. Alberto Surijon was appointed as Director with effect from September 1, 2001 to fill in the casual vacancy caused by the resignation of Mr. I. L. Price. The Company has received Notice under Section 257 of the Companies Act, 1956 from a member proposing appointment of Mr. Alberto Surijon as Director of the Company.

FIXED DEPOSITS

Fixed Deposits outstanding as on December 31, 2003 amounting to Rs.0.35 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 required to be annexed to this report 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 is given as Annexure 1.

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, 2003. 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 sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning '**Directors Responsibility Statement**' and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

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(1B) of the Companies Act, 1956, they are eligible for reappointment.

Directors' Report *(Contd.)*

CORPORATE GOVERNANCE

A report on the Corporate Governance Code along with a certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this Report.

SUBSIDIARY COMPANIES

Wellnex Pharmaceuticals Private Limited, currently a subsidiary of the Company, was incorporated in 1989. The Company at that point of time had its own manufacturing operations and was receiving the Quality Control services from Wellnex Pharmaceuticals Private Limited. Now, the Company has completely outsourced production to third parties under loan licence and consequently, Quality Control is also undertaken by these third parties. The other Quality Control jobs are now undertaken by Fulford's Quality Control Laboratory. In view of the same, the services of Wellnex Pharmaceuticals Private Limited becoming quite redundant, the Board of Directors of the Company have decided to amalgamate Wellnex Pharmaceuticals Private Limited with the Company. The scheme of amalgamation has been filed with The Stock Exchange, Mumbai for its approval.

Pursuant to Section 212 of the Companies Act, 1956 the annual accounts for the year ended December 31, 2003 as also the Auditors' and Directors' Report in respect of (i) Schering-Plough (India) Private Limited, and (ii) Wellnex Pharmaceuticals Private Limited, are attached to the accounts of the Company.

As per Clause 32 of the listing agreement with the Mumbai Stock Exchange the Consolidated financial statements of the subsidiaries are also enclosed.

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. The Directors would also like to record their thanks to Schering-Plough Corporation, the Company's shareholders, bankers, medical professionals, hospitals, vendors and all customers for their valuable support and co-operation.

For and on behalf of the Board of Directors

Mumbai, March 5, 2004.

R.A. SHAH
CHAIRMAN

Annexure I to the Directors' Report

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:
Nil
- (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:
Nil.
- (IV) Total energy consumption and energy consumption per unit of production:
- A. Power and Fuel Consumption**
Not Applicable
- B. Consumption per unit of production**
Not Applicable

2. Technology absorption

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

The Company has also benefitted from the supply of technology from Schering-Plough. This includes training of our personnel by Schering-Plough 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		13.66
(B) Total Foreign exchange used:		
(i) On import of raw materials/finished goods	3152.76	
(ii) On import of capital goods, spares and components	—	
(iii) Expenditure in foreign currencies for business travels, subscription, commission on exports etc.	28.15	
(iv) Remittance during the year in foreign currency on account of dividend	—	
(v) Royalty and Technical know-how	—	
	<hr/>	3180.91

For and on behalf of the Board of Directors

R. A. SHAH
Chairman

Mumbai, March 5, 2004.