



FULFORD (INDIA) LIMITED

*Partner in
health,
healing
&
hope*

ANNUAL REPORT 2005



Dr. V. S. Sohoni
Chairman



Mr. K. D. Shah
President & Managing Director

Vision

TO EARN TRUST, EVERY DAY

We aspire to earn trust of doctors and patients as a champion for them and as a company that provides them with a steady flow of innovative science-based medicines and services. By earning trust we will build growth.

Mission

TO WORK TO BECOME

- The innovation, quality and service leader among primary care and speciality customers and patients, and the best customer touch company in our industry, as judged by our customers.
- The most effective company in our industry at managing product flow.
- The best managed company as defined by functional competencies, alignment around goals and behaviour, business integrity, teamwork, productivity and cost-consciousness.
- The most improved and ultimately most trusted, company in our industry, by key stakeholders.
- Known for our leadership edge achieved by our passion for excellence.



FULFORD (INDIA) LIMITED

Board of Directors



MR. R.A. SHAH, *Chairman (upto October 10, 2005)*
 DR. V.S. SOHONI, *Chairman (with effect from October 10, 2005)*
 MR. RODNEY UNSWORTH
 MR. A.M. BLANCO *(upto December 22, 2005)*
 MR. ROHAN ABAYASEKARA *(with effect from December 22, 2005)*
 MR. V.G. ATHAVALE
 DR. S.H. ADVANI
 MR. K.D. SHAH, *President & Managing Director*
 MR. K.J. KAUL, *(Alternate to Mr. Rodney Unsworth and Whole-time Director upto January 2, 2006)*
 MR. A.V. SAPRE, *(Alternate to Mr. Rohan Abayasekara and Whole-time Director)*

COMPANY SECRETARY

MRS. USHA RAMDOSS

FUNCTIONAL HEADS

MR. A.S. PADMANABHAN, *Vice-President – Human Resources*
 MR. K.J. KAUL, *Vice-President – Technical (upto January 2, 2006)*
 MR. M.K. RAJAN, *Vice-President – Marketing & Sales*
 MR. A.V. SAPRE, *Vice-President – Finance*
 MR. K. VENKATRAMAN, *Vice-President – Commercial*
 MR. R.K. RUSTAGI, *Vice-President – Corporate Affairs*
 DR. NITIN MULGAONKAR, *Director – Medical & Regulatory Affairs*
 DR. RAJIVA KOTHURKAR, *Director-Technical (with effect from January 3, 2006)*
 MR. VIVEK DILAWARI, *Director Sales & Marketing – Speciality Division*

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,
 Goa, Guwahati, Hubli, Hyderabad, Indore, Jaipur, Lucknow, Ludhiana, Patna,
 Raipur, Ranchi, Trivandrum.

BANKERS

STATE BANK OF INDIA
 CANARA BANK
 HDFC BANK

LEGAL ADVISORS

CRAWFORD BAYLEY & CO.

AUDITORS

DELOITTE HASKINS & SELLS

REGISTRARS AND SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.
 C/13, Pannalal Silk Mills Compound,
 L.B.S. 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.

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As a pharmaceutical company, one of our goals is to provide effective healthcare solutions to the people. Towards this end, we carried out several different activities in the areas of awareness, early diagnosis and the appropriate healthcare solutions. Some of the highlights are:

- Created public awareness on disease conditions like Coronary Artery Disease, Hepatitis B and C, Breast Cancer, etc. These public awareness programmes were conducted by arranging patient education programmes in the area of Coronary Artery Disease, 20 angiography camps, 4 screening camps for early detection of Breast Cancer and 20 screening camps for early detection of Hepatitis infection.
- Participation in 50 OPD (Out Patient Department) camps in semi-urban markets and in Government hospitals benefiting more than 1000 patients suffering from Psoriasis and other skin diseases.
- CME (Continuous Medical Education) programmes were organised to disseminate important clinical data and evidence based treatment options. Such CME's are an important educational resource that provides state of the art synopsis regarding the current and future strategies by both the National and International Speakers of repute.
- Develop alternative options to treat diseases like Hepatitis C in a more

FULFORD (INDIA) LIMITED



cost effective manner by initiating/supporting or participating in Clinical studies.

- Imparting information through a journal called "What's new in Dermatology?" which captures the latest happenings in the field of Dermatology, Venerology and Leprosy reaching out to approx. 4000 dermatologists. This journal is most sought after by the dermatologists and is considered to be of high scientific value to them.

- Conducted education programmes for patients suffering from acne. Reading materials pertaining to acne were distributed through Dermatological clinics. 69 CME (Continuous Medical Education) programmes were conducted amongst doctors to share their clinical experience. In such forums, we seek the help of key opinion leaders (KOLs) in disseminating knowledge in the area of Disease Management.

- Conducted 2 days orientation programme for Post Graduates in Dermatology in major centres like Chennai, Hyderabad, and Jaipur where leading faculties were involved in preparing the students to face the exams with greater confidence. Various methods like workshops, clinical examination of patients, quiz programme, lectures, etc. were used during these two days for educating the students. This programme was very popular and was attended by over 350 Post Graduates.

- Donation of medicines to institutions for public cause.

FULFORD (INDIA) LIMITED



Notice

NOTICE is hereby given that the Fifty-Eighth 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 Friday, March 31, 2006 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, 2005 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 consider, and if thought fit, to pass with or without modification, as a Special Resolution the following:
 "RESOLVED THAT pursuant to the recommendation of the Board of Directors, a dividend at the rate of 30% on the equity share capital of the Company for the year ended December 31, 2005 be and is hereby declared out of the profits for that year, payable to:
 - (i) those members whose names appear on the Register of Members of the Company on March 31, 2006; and
 - (ii) those whose names appear as beneficial owners as at the close of business on Thursday, March 23, 2006 as per details to be furnished by the Depositories, viz. National Securities Depository Limited and Central Depository Services (India) Limited".
3. 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, 2006 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".

By Order of the Board of Directors

USHA RAMDOSS
Company Secretary

Mumbai, February 3, 2006

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 INSTEAD OF HIMSELF, ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. However Proxy Forms duly stamped, completed and signed, should be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from March 24, 2006 to March 31, 2006, both days inclusive.
3. Members are requested to notify any change in their address immediately to the Company or to its Registrars and Share Transfer Agents.

FULFORD (INDIA) LIMITED**Notice (Contd.)**

4. 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 shares 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.
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 2001, 2003 and 2004 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 dividends for the years 1995, 1996 and 1997 have been transferred to the Investor Education and Protection Fund. Outstanding dividend for the year 1998 shall be transferred to the Investor Education and Protection Fund by April 2006.
6. Section 109A of the Companies Act, 1956 provides for Nomination by individuals, who are shareholders of the Company in the prescribed Form No. 2B. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them by filling the prescribed form. Blank forms will be supplied by the Company's Registrars and Share Transfer Agents, Intime Spectrum Registry Ltd. on request. Members holding shares in the dematerialized form may contact their Depository Participant for recording nomination in respect of their shares.
7. Members are requested to note that as prescribed by Securities and Exchange Board of India (SEBI), trading in securities of the Company are compulsorily in dematerialized form. The Company has already executed tripartite agreements with both the depositories viz. Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL), and Intime Spectrum Registry Limited, the Company's Share Transfer Agent. Accordingly, the equity shares of the Company can be held in an electronic form with any Depository Participant (DP) with whom the Members have their Depository Account. The ISIN No. allotted to the equity shares of the Company is INE521A01017. In view of the numerous advantages offered by the Depository System, members who are yet to dematerialize their shares are requested to avail of the facility of dematerialization.

By Order of the Board of Directors

Mumbai, February 3, 2006

Registered Office:

8th Floor, Eureka Towers,
Mindspace, Link Road,
Malad (West), Mumbai - 400 064.

USHA RAMDOSS
Company Secretary

FULFORD (INDIA) LIMITED

Directors' Report



The Directors hereby present the Fifty-eighth Annual Report together with the audited accounts of the Company for the year ended December 31, 2005.

FINANCIAL RESULTS

	January 1, 2005 to December 31, 2005 Rupees	January 1, 2004 to December 31, 2004 Rupees
Profit/(Loss) before tax for the period amounted to	243,975,298	187,548,552
Profit/(Loss) after tax for the period amounted to	150,399,310	107,487,139
Tax Adjustments for prior years	—	10,217,550
Balance in Profit and Loss Account	10,001,359	49,546,417
Transfer of Surplus in P&L Account of Wellnex Pharmaceuticals Pvt. Ltd. a wholly owned subsidiary on amalgamation	—	1,795,753
	<u>10,001,359</u>	<u>51,342,170</u>
Amount available for appropriation	160,400,669	169,046,859
Out of which the following sums have been appropriated:		
Proposed Dividend	9,600,000	8,000,000
Corporate Tax on Dividend	1,346,400	1,045,500
General Reserve	100,000,000	150,000,000
Balance carried to Balance Sheet	<u>49,454,269</u>	<u>10,001,359</u>

DIVIDEND

The Directors recommend a Dividend of 30% for the year ended December 31, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry structure and developments

The Indian pharmaceutical market recorded a single digit growth (8.6% - ORG-IMS) during the year 2005. The significant development during the year was the introduction of the product patent regime. This should encourage the introduction of new molecules in this market by original research companies which would lead to improvement in disease management and make the latest therapeutic options available to patients in India. However, the success of Patent Regime would depend on clarity on important issues like criteria of patentability and putting in place the infrastructure for implementation and enforcement mechanism of the Patent Act. The compulsory licensing mechanism giving wide discretionary powers under the Patent Law could be prejudicial to the interests of the original research companies.

A welcome development for the Industry was the introduction of Indian Good Clinical Practices (GCP) standards on the lines of international ICH-GCP guidelines. Alongwith this, favourable factors like medical professional skill and large patient pool should encourage global companies to conduct Clinical Development in the country. To stimulate these efforts and attract foreign investment in this area, the law needs to be enacted/ amended to provide for Data Protection. Clinical Development involves huge cost and long time frame. The data emerging from this required for registration of product needs to be protected from being used by anyone else for the same purpose. All the developed markets recognize this and India needs to join this group of countries.

The Government is expected to announce the new Pharmaceuticals Policy. The objectives outlined in the draft policy aim at driving the growth of the industry, improve availability of quality drugs at reasonable

FULFORD (INDIA) LIMITED

Directors' Report *(Contd.)*



prices and promote research and development. The earlier draft policy of 2002 aimed at reducing the span of control. However, the recommendations related to pricing policy made so far, would, in fact, widen the basket of products under price control. This would hamper the growth of the pharmaceutical industry, when the need of the hour is to step up investment in Research and Development which has long gestation period and high risk.

The introduction of VAT regime by some States did slow down sales growth in the first quarter of 2005. The Industry welcomes VAT regime which removes differential tax structure from State to State and expects that the remaining States would introduce VAT structure as early as possible.

During 2005, buoyancy in the economy resulted in increased demand and higher growth for the industry. But the newly introduced FBT (Fringe Benefit Tax) resulted in additional burden on legitimate business expenses like physician's samples, travel & hotel expenses, etc and the same has affected the Industry adversely.

2. Opportunities, Threats, Risks and Concerns

The Government continues to focus on the Health sector, which is a positive sign for the pharmaceutical industry as a whole as well as for the Company. In India, the per capita spending on healthcare is one of the lowest in the world and only a small segment of the population has access to modern healthcare. The introduction of the new Product Patent Regime, opening of the insurance sector, higher skill level, increase in literacy and urbanization would provide tremendous opportunity for the growth and development of the pharmaceutical industry.

The proposed Drug Policy aims at making quality pharmaceutical products available at reasonable prices. But it is expected that the span of control would increase substantially and even patented drugs would be subjected to price negotiations and would dilute the rights of the patent holder. Also, the lack of clarity and ambiguity on major issues related to the Patent Act are likely to reduce the effectiveness of the Patent Regime. This would be further dampened by wide discretionary provisions in respect of Compulsory Licensing forming part of the patent law. Also, the opportunity of pre-grant opposition in respect of patents would delay the grant of patent. Apart from these delays, partial implementation of VAT, that too with lack of uniformity in its structure, inflexible labour laws etc could become major impediments to the growth of the pharmaceutical industry.

3. Internal control system and their adequacy

The Company has a comprehensive internal control system that includes policies in different areas and suitable monitoring procedures. Compliance with integrity is a core value of the Company. 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 all key areas to assess and ensure conformity to applicable laws, Accounting Standards, and the Company policies and protection of the Company's assets and interests. The Audit Committee appointed by the Board reviews the findings and recommendations of internal auditors as well as auditors appointed by shareholders and also reviews the action plan to address the areas of improvement and thereby strengthen the system continuously.

4. Material development on human resources/ industrial relations

One of the priority areas for the Company is to attract, nurture, motivate and retain talent. This is achieved through several measures including rewarding and recognising high caliber performance, on the job training, giving special projects or assignments to high performers and job rotation. The Company has introduced a new Performance Management Program (PMP). This initiative is aimed at ensuring consistency in managing, developing, reviewing and recognizing performance in alignment with the individual and corporate goals.

The Company has regular communication meetings with employees to enhance employee participation, creativity and to eliminate barriers to business growth. There are other forums also where the employees interact amongst themselves and with the management.

During the year, a study was conducted on Compensation and Benefits to evaluate whether our compensation is competitive with peer companies and is internally equitable.

FULFORD (INDIA) LIMITED

Directors' Report *(Contd.)*



The Company has developed succession plans for key positions and has put in place an action plan for the development of managers to take higher responsibilities in future. The Company continues to emphasize productivity improvement through effective utilization of its manpower. The total number of employees as on December 31, 2005 was 478.

OPERATIONS

PERFORMANCE WITH RESPECT TO OPERATIONS

The Company operates solely in the Pharmaceuticals segment.

During 2005, performance improved both in terms of sales and profits. Gross Sales for the year 2005 increased to Rs. 151.87 crores from Rs. 131.80 crores in 2004 registering a growth of 15.23%. Profit Before Tax for the year 2005 was Rs. 24.40 crores as against Profit for the year 2004 of Rs. 18.75 crores, registering a growth of 30.13%.

The overall improvement in the performance, despite intense competition from branded generics especially in the Speciality segment, was achieved mainly on account of consistent product supply, strong prescription generation efforts and implementation of strategies, Value Enhancement Initiatives and Effective Working Capital management. The core brands registered a healthy growth. The performance was adversely affected in the first quarter due to slower pick-up by the trade in view of VAT introduction, which was partly made up by higher sales during the second quarter.

OUTLOOK

During 2006, the primary focus would be to drive the business growth both in terms of sales and profits. The Company has drawn an extensive action plan to achieve the above objectives.

The various initiatives include restructuring of primary care organization structure, exploring the possibilities of new products introduction, enhancement of field force effectiveness and productivity improvement through selling skill programs, automation, market research study, continued thrust on enhancing internal controls and compliance, training and people development. The Company has also embarked on a Sales Force Effectiveness Project for its Primary Care Division through the targeting and segmentation tool. This research tool is expected to benefit the Company in terms of concentrating on core customers, better field force resource allocation and optimisation of frequency of customer visits which would assist in improving the productivity and driving the business growth.

DIRECTORS

During the year, Mr. R.A. Shah ceased to be the Chairman and Director with effect from the close of the Board Meeting held on October 10, 2005, and Dr. V.S. Sohoni was appointed in his place as Director and Chairman. Mr. A.M. Blanco ceased to be a Director with effect from December 22, 2005 and Mr. Rohan Abayasekara was appointed in his place. Mr. A.V. Sapre vacated office as Alternate to Mr. A.M. Blanco and has been appointed as an Alternate to Mr. Rohan Abayasekara. Mr. V.G. Athavale ceased to be Nominee Director of UTI and continues to be a Director in his individual capacity. Mr. K.J. Kaul, Alternate Director to Mr. Rodney Unsworth and Wholetime Director has retired from the services of the Company from the close of January 2, 2006 and consequently has ceased to be Alternate Director and Wholetime Director.

The Board places on record, its appreciation and gratitude for the dedicated and valuable contribution made by Mr. R.A. Shah over the years, with his all round expertise in various fields including law, industry and commerce with special expertise in the pharmaceutical industry.

The Board also places on record its appreciation for the valuable contributions made by Mr. A.M. Blanco and Mr. K.J. Kaul during their tenure.

Dr. V.S. Sohoni is presently the Managing Director of Rallis India Limited and has over 40 years of experience in the Agro-chemicals and pharmaceutical industries.

Mr. Rohan Abayasekara is working as Operations Director of Schering-Plough, Asia Pacific Region and is responsible for various portfolios and major regional projects in the Region. He has rich experience in the pharmaceutical industry which should be of immense value in his current role as Director.

The Board welcomes the new Directors and looks forward to benefit from their experience.