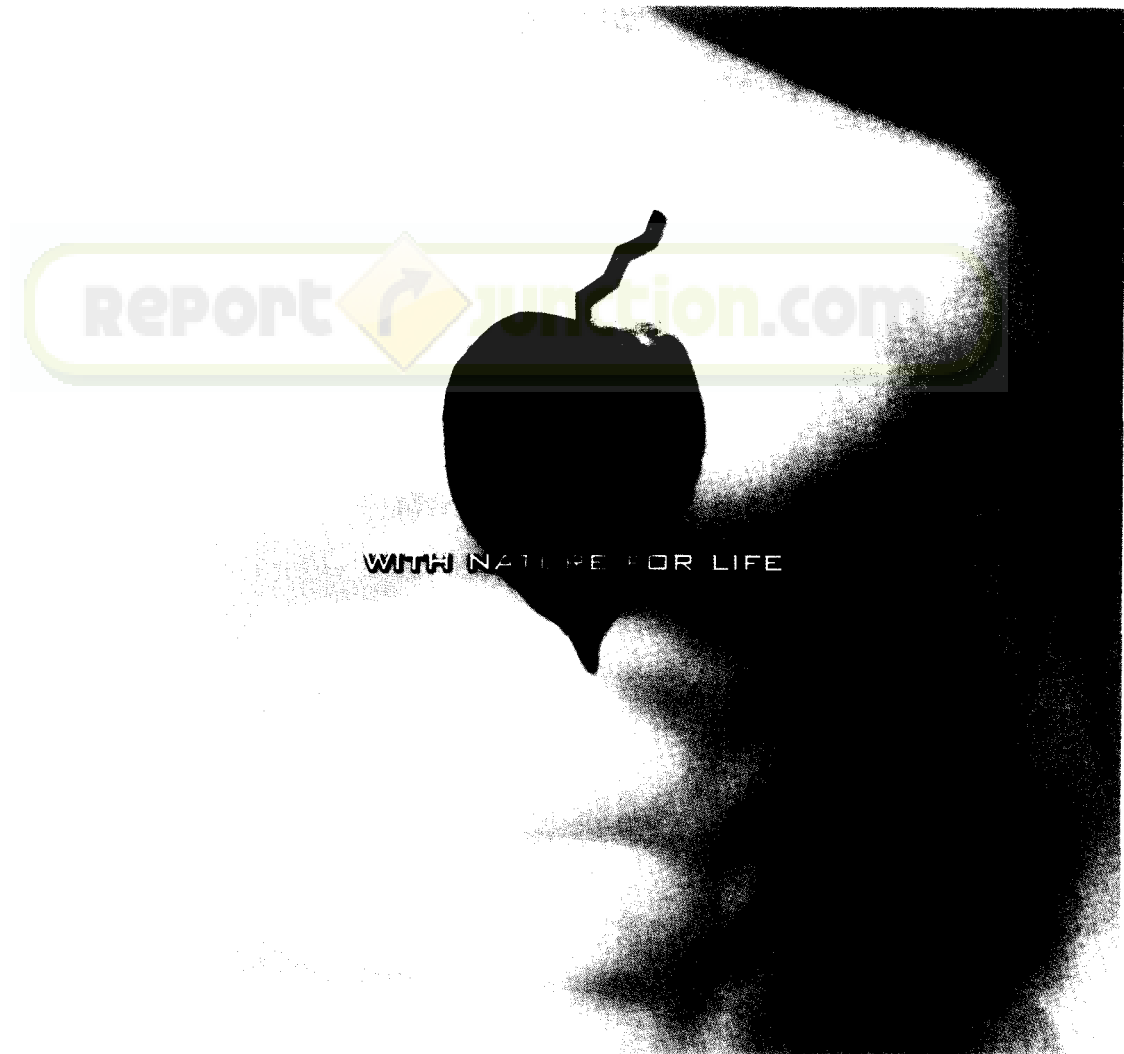


19TH ANNUAL REPORT 2002-2003



WITH NATURE FOR LIFE



BOARD OF DIRECTORS

| | | |
|---------------------------|---|------------------------------|
| Mr. Jayesh P. Choksi | - | Chairman & Managing Director |
| Mr. Khantilal N. Sanghavi | - | Whole Time Director |
| Mrs. Vipula J. Choksi | - | Director |
| Dr. Sharat S. Gandhi | - | Director |
| Mr. Ashok M. Tarale | - | Director |
| Mr. Vijay Agarwal | - | Director |

AUDITOR

R.V. Shah
Chartered Accountant

BANKERS

Dena Bank
The Saraswat Co - op. Bank Ltd.
Bank Of Baroda

LEGAL ADVISOR

B. Amin & Co.
(Solicitors & Advocates)

REGISTERED OFFICE & SHARES DEPARTMENT

Gufic House ,
Subhash Road – A,
Vile Parle (E),
Mumbai – 400 057.

Page No.

| | |
|--|-----------|
| <u>Management Discussion & Analysis Report</u> | <u>1</u> |
| <u>Directors' Report</u> | <u>2</u> |
| <u>Corporate Governance Report</u> | <u>5</u> |
| <u>Auditors' Report on Corporate Governance</u> | <u>11</u> |
| <u>Auditors' Report</u> | <u>12</u> |
| <u>Annexure to Auditors' Report</u> | <u>13</u> |
| <u>Balance Sheet</u> | <u>15</u> |
| <u>Profit & Loss Account</u> | <u>17</u> |
| <u>Schedules to Accounts</u> | <u>18</u> |
| <u>Attendance Slip & Proxy form</u> | <u>19</u> |

19 Annual General Meeting

DAY & DATE

Monday, 29 September, 2003

TIME

10.30 AM.

VENUE

Hotel Atithi,
77 A&B, Nehru Road,
Opp. Hotel Orchid,
Vile Parle (E), Mumbai 400 057.

Financial year 2002 – 2003 was a growth opportunity for the Indian economy despite the recession in global economy. The Indian economy has grown around 4.4 % for the year, though the country was partly affected by downside risk in international economy and also by droughts in many parts. And also due to steep hike in prices of petroleum products due to the Iraq crisis. Moreover, the pharmaceutical industry has recorded a moderate growth of about 5.7 %. The industry growth was restricted due to uncertainties prevailing over the introduction of VAT, which affected the last quarter sales of many industries. And your company is no exception.

There is potent opportunity for your company in this ever-growing industry. Your company has introduced self-developed, clinically proven products.

Your company is already in the Herbal segment. The awareness and wider acceptance of herbal products is also an opportunity. The company continues to focus on its core products in the OTC segment. Dedicated sales force, advantage of extensive and exclusive network for distribution, coupled with built up brands has given added leverage to the OTC segment, and price is also an advantage. Exports, is another potential opportunity.

Better monsoon and availability of “Sardar Sarovar” water to Gujarat farmers will boost the agriculture industry. This can also help the company’s biotechnology division and seeds business. This year your company is processing Bixa seeds to add further value to it by extraction of ingredients, which has high domestic and export demand.

Diversification in more than one segment is a big opportunity available to your company. Continuous introduction of new products and enhancement of existing brands will ensure and edge over competitors.

There has been continuous pressure on prices and billing rates, as increasing transport freight is eroding profits.

Unhealthy competition from small manufacturers using unethical methods also erodes margins and market shares.

Availability of adequate working capital at right rates at right time could be a cause of serious concern.

The Company foresees possible pressure on old molecules consequent to implementation of product patent regime.

Segmentwise performance:

Sales for last 2 years is as follows:

| | Rs. in '000 | |
|------------------|---------------|---------------|
| | 2002-03 | 2001-02 |
| Formulation | 143322 | 169646 |
| Bulk Drugs | 57804 | 82297 |
| Personal Hygiene | 102968 | 101376 |
| Chemicals | 113375 | - |
| Tissue Culture | 4103 | - |
| Others | - | 18582 |
| Total | 421572 | 371901 |

Internal Control System:

The Company has full time internal Audit system with appropriates, controls and checks.

The Company’s adequate control covers define roles & responsibilities for individuals.

Human resource development:

The Pharmaceutical Company is knowledge driven. Over the coming years we foresee the quest for knowledge workers of high caliber across all key functions in the industry. Your Company attaches significant importance to continuous up-gradation on knowledge of Human Resources for achieving highest level of efficiency, customer satisfaction and growth. The Company’s HR policy is to attract and retain the best talent. The Company strives to emerge as an employer of choice.

To,

The Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report, together with the Balance Sheet and Profit and Loss Account of the Company for the period ended 31st March, 2003.

| | Rs. In '000 For the year 31 st March 2003 | Rs. In '000 For the year 31 st March 2002 |
|--|--|--|
| Net Sales | | 371,901 |
| Profit before interest, depreciation and tax | | 57,467 |
| Interest | | 20,007 |
| Depreciation | | 3,994 |
| Profit before Tax | | 33,466 |
| Provision for tax | | 470 |
| Provision for Deferred Taxation | | 4,398 |
| Profit After Tax | | 28,598 |
| Surplus brought forward | | 9,420 |
| Tax – Earlier Years | | – |
| Balance available for appreciation | | 38,018 |
| Dividend | | 11,603 |
| Tax on dividend | | – |
| Transfer to General Reserve | | 2,860 |
| Surplus carried forward | | 23,555 |

Your Directors are pleased to recommend to the Annual general Meeting a final dividend @ 11% p.a. on the face value of each equity shares.

Your Company is listed with the Mumbai Stock Exchange at P.J. Towers, Dalal Street, Mumbai – 400 001, bearing script code No. 509079. The listing fees for the year 2003 – 2004 has already been paid by the Company.

As per circular of Stock Exchange, Mumbai, dated 5th March 2001, shares of the Company are to be compulsorily traded in Demat mode w.e.f. from 7th May 2001. Company has already entered in to an agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). ISIN No. allotted to the securities of the Company is INE 742B01025. Members of the Company who are still holding Equity Shares in physical form are advised to get their shares dematerialized at the earliest possible for the purpose of easy liquidity. As per SEBI Circular ref. No. D & CC/FITTC/CIR-15/2002, dated 27.12.2002, all the work related to the share registry in terms of both physical and electronic should be maintained at a single point. i.e. either in-house by the Company or by a SEBI registered R & T agent. Company has in turn appointed M/s. Intime Spectrum Registry Limited, Bhandup, Mumbai as its share transfer agent who were already acting as Company's demat agent. Any further correspondence relating to the shares of the Company shall be carried out with M/s. Intime Spectrum Registry Limited, C - 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400 078.

The Company has adequate internal control systems with appropriate control checks. Effective measures are taken to ensure that all assets of the Company are protected and all transactions are recorded in conformity with generally accepted accounting principle. The Internal Audit department regularly conducts review of the financial and operating controls in all areas of the Company's operation including transaction checks and significance issues, if any, are brought to the Audit Committee of the Board.

During the year under review, Company had not accepted any deposits

In terms of provisions of Section 217(2AA) of the Companies Act, your Directors' confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 ended 31st March, 2003 and the profit and loss account for the period ended 31st March, 2003;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

A Report on Corporate Governance alongwith a Certificate from the Auditors of the Company regarding compliances with the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed hereto.

As per the provisions of Section 16 & 17 of the Companies Act, 1956, alteration of the Object Clause of the Memorandum of Association of the Company requires prior approval of the shareholders. Pursuant to provision of section 192 A of the Companies Act, 1956, read with Companies (Passing of resolution through Postal Ballot) Rules, 2001, shareholders consent for the purpose of the amendment to the Object Clause of the Memorandum of Association is required to be obtained by means of Postal Ballot. As it is proposed to amend the main Object Clause of the Memorandum of Association of the Company, notice concerning the same along with required annexures, is already dispatched to the members of the Company. The results of the Postal Ballot will be declared at the ensuing Annual General Meeting

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

Your Company regards its human resource among its most valuable assets. The Company has relied upon a dynamic "HR Philosophy" with a view to build up a human resource base to face the challenges of the future. All the members of the management team share a common vision. A performance based review system, training, development and empowerment for decision making are an integral part of the overall HR policy of the Company. Continuous efforts are made for greater employee participation and improvement of individual and team productivity.

There are no employees drawing remuneration above the limits specified under Section 217 (2A) of the Companies Act, 1956.

Mrs. Vipula J. Choksi, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offer herself for reappointment.

Mr. Ashok M. Tarala was appointed as Additional Director at the Board meeting of the Company held on 31st January 2003. Company has received notice from a member of the Company, pursuant to provision of Section 257 of the Companies Act, 1956 along with necessary deposit, signifying their intention to propose the appointment of Mr. Ashok M. Tarala, as Director of the Company.

Mr. Vijay Agarwal was appointed as Additional Director at the Board meeting of the Company held on 29th March 2003. Company has received notice from a member of the Company, pursuant to provision of Section 257 of the Companies Act, 1956 along with necessary deposit, signifying their intention to propose the appointment of Mr. Vijay Agarwal, as Director of the Company.

Members are requested to appoint Auditors for the ensuing year. M/S. R. V. Shah, Chartered Accountant, retires and is eligible for reappointment.

As required per proviso to Section 224(1) of the Companies Act, 1956, a written certificate has been obtained by the Company from the Auditors, M/S. R. V. Shah, Chartered Accountant, certifying that, if they are appointed Auditors of your Company, such appointment would be within the limits specified in Section 224(1)(B) of the Companies Act, 1956.

Your director's wishes to place on record it's heart – felt gratitude for the dedication with which each employee has worked to enable the Company to achieve its high level of performance. The Director would also like to thank each shareholder of the Company for their continued confidence in the Company's future.

By Order of the Board of Directors,

sd
Jayesh P. Choksi
Managing Director

Mumbai, 30th August 2003.

Registered office:

Gufic House,
Subhash Road- A,
Vile Parle (E),
Mumbai 400 057.

The Company pursuant to the code on the Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) furnishes its report as under:

Company has been following good business principles and practices, so as to align them with all the requirements of Clause 49 of the Listing Agreement. The Company will continue its efforts in raising the standards in corporate governance and will also review its systems and procedures, to keep pace with the changing environment.

The Board of Directors consists of 6 Directors, comprising of One Managing Director and One Whole – Time Director (Works and Production), both Executive and the remaining 4 directors are of Non – Executive category. The size and compositions of the Board conforms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchange.

Eleven Board Meetings were held in the year 2002 – 2003 on :

- | | | |
|-----------------------------------|----------------------------------|-----------------------------------|
| 1. 8 th April 2002 | 2. 30 th April 2002 | 3. 1 st July 2002 |
| 4. 31 st July 2002 | 5. 16 th August 2002 | 6. 31 st October 2002 |
| 7. 30 th November 2002 | 8. 31 st January 2003 | 9. 28 th February 2003 |
| 10. 20 th March 2003 | 11. 29 th March 2003. | |

The details as to Composition, Status, Attendance at the Board Meetings, and the last Annual General Meeting, outside Directorship and other Committees membership are as follows:.

| Name of the Director | Status i.e Executive, Non – Executive and independent Director | No. of Board Meetings attended out of 11 held | No. of membership in other Boards or Committees as a member or Chairman | | Whether attended the last AGM |
|---|--|---|---|-------------------------|-------------------------------|
| | | | Board | Committee | |
| Mr. Jayesh P. Choksi (Chairman & Managing Director) | Executive and Non – Independent | 11 | 2 - Chairman & 1- member | NIL | YES |
| Mrs. Vipula Choksi | Non– Executive and Non – Independent | 11 | 2 – Member | NIL | NO |
| Mr. K. N. Sanghavi | Executive and Non – Independent | 11 | NIL | NIL | YES |
| Dr. Sharat S. Gandhi • | Non– Executive and Independent | 8 | NIL | NIL | NO |
| Mr. Hitesh R. Shah * | Non– Executive and Independent | 5 | NIL | NIL | YES |
| Mr. Ashok M. Tarale ** | Non– Executive and Independent | 4 | NIL | NIL | NO |
| Mr. Vijay Agarwal *** | Non– Executive and Independent | 1 | 6- Member | 1- Chairman & 1- Member | NO |

• Dr. Sharat S. Gandhi appointed as Additional Director at the meeting of the Board of Directors held on 31st July 2002.

* Mr. Hitesh R. Shah resigned as Director at the meeting of the Board of Directors held on 31st January, 2003

** Mr. Ashok M. Tarle was appointed as Additional Director at the meeting of the Board of Directors held on 31st January 2003.

*** Mr. Vijay Agarwal was appointed as Additional Director at the meeting of the Board of Directors held on 29th March 2003.

The Audit Committee, consists of three Directors, namely Mrs. Vipula J. Choksi, Mr. Vijay Agarwal (Chairman) and Dr. S. S. Gandhi, majority of them are independent director. The Committee was reconstituted during the year due to resignation of Mr. K.N. Sanghavi as a member and Mr. Hitesh R. Shah, as director of the Company. The Managing Director, head of Finance along with internal auditors and statutory auditors were invited to the audit committee meetings. Company Secretary acts as a Secretary to the Committee. The constitution, functions and the terms of the reference of the Audit Committee are those prescribed under clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956. During the year meetings were held on 30th July 2002, 14th August 2002 and 29th March 2003. The information on the meetings of and attendance at the Audit Committee meetings during the year ended 31st March 2003 is as under.

| Name of the Director \ member | No. of meeting attended out of 3 meetings held |
|--------------------------------|--|
| Mrs. Vipula Choksi | 3 |
| Mr. Hitesh R. Shah* | 2 |
| Mr. K.N. Sanghavi | 2 |
| Dr. S. S. Gandhi | 1 |
| Mr. Vijay Agarwal (Chairman)** | 1 |

* Mr. Hitesh R. Shah resigned as Director at the meeting of the Board of Directors held on 31st January, 2003

** Mr. Vijay Agarwal was appointed as Additional Director at the meeting of the Board of Directors held on 29th March 2003.

The Remuneration Committee of the Company consists of Dr. S. S. Gandhi (Chairman) and Mr. Vijay Agrwal and Mrs. Vipula Choksi. It was constituted on 29th March 2003. All the members of the committee are Non—Executive Director. The Committee has power to determine the remuneration of the executive directors of the Company as per the provision of Clause 49 of the Listing Agreement and applicable provisions of the Companies Act, 1956. The details of the remuneration paid to the directors during the year ended 31st March 2003, are given below.

| Directors | Salary allowances | Perquisites \ | Commission | (Amount in Rs.) Total |
|---|-------------------|---------------|------------|--------------------------|
| | | | | |
| Mr. Jayesh P. Choksi- Managing Director | 9,60,000/- | Nil | 3,20,616/- | 12,80,616/- |
| Mr. K. N. Sanghavi (Whole Time Director – Works and Production) | 5,99,760/- | 54,249/- | Nil | 6,54,009/- |

The Company has constituted Shareholders Grievances Committee consisting of Dr. S. S. Gandhi (Chairman) and Mr. Vijay Agarwal as member of the Committee and Mr. H.P. Kanani, as Compliance Officer. During the year ended 31st march 2003, Company has not received any complaints from the shareholders. There are no pending request for transfer, dematerialization or rematerialisation.

The last three Annual general Meetings of the Company were held as under:

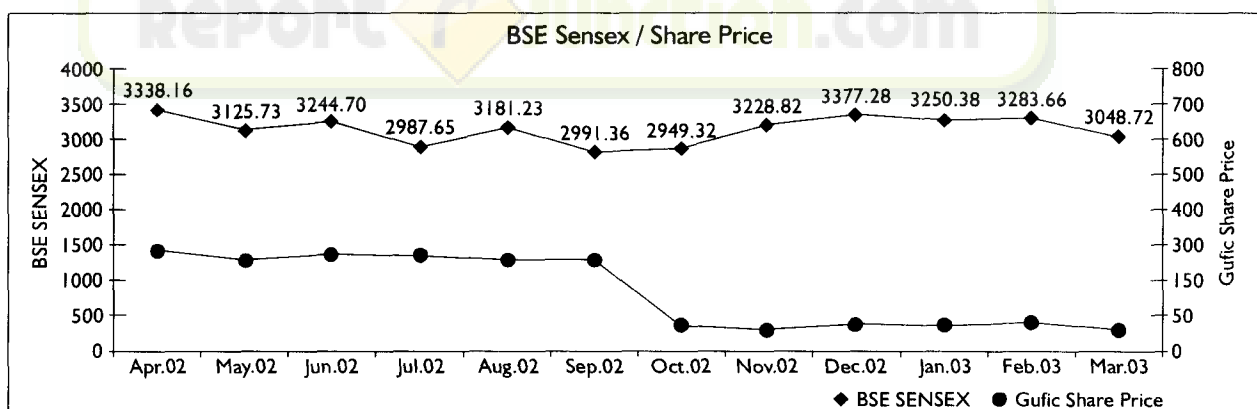
| Year | Location | Date | Time Passed | No. of Special Resolution |
|-------------|---|----------|-------------|---------------------------|
| 1999 – 2000 | Santokaba Hall, Vile Parle (W) | 22.09.00 | 10.00 a.m. | 1 |
| 2000 – 2001 | Hotel Parle International, Vile Parle (E) | 29.09.01 | 10.00 a.m. | 4 |
| 2001 – 2002 | Hotel Parle International, Vile Parle (E) | 27.09.02 | 10.00 a.m. | 1 |

- Company has passed Special Resolution relating to alteration of the Object Clause of the Memorandum of Association of the Company, through Postal ballot and declared the same as passed, at the Annual General Meeting of the Company held on 27th September, 2002. Company had appointed Mr. Nilesh Pradhan of M/S. J. P. Associates, Practicing Company Secretary, as the scrutinizer for conducting Postal ballot voting process in a fair and transparent manner. This year also, it is proposed to pass Special Resolution relating to the alteration of the Object Clause of the Memorandum of Association of the Company through Postal ballot. The results of the same will be declared at this Annual General Meeting. Company has followed appropriate procedure specified under Companies Act, 1956, for conducting Postal Ballot in a fair and transparent manner.
- During the year under review besides the transactions reported in Notes to Accounts (Refer Note No. 33), there were no other related transactions with the promoters, directors, management and subsidiaries that had potential conflict with the interest of the Company at large.
- During the last three years, there were no strictures or penalties imposed by SEBI or the Stock Exchanges or any statutory authority for noncompliance of any matter related to capital markets.

| | |
|--|---|
| • Half yearly results sent to each household of the shareholders | NO |
| • Quarterly results | The results of the company are published in news papers |
| • News papers Quarterly results are published in | Free Press Journal and Nav Shakti |
| • Any web site on which quarterly results of the Company are displayed | None |
| • Presentation made to the institutional investors or the analysts | None |
| • Whether Management Discussion and Analysis Report is a part of the Annual Report | Yes |

| | |
|-----------------------------|---|
| AGM : Date , Time and Venue | 29 th September, 2003 at 11.00 a.m. at Hotel Atithi, Nehru Road, Opp. Hotel Orchid, Vile Parle (E), Mumbai 400 057 |
| Financial calendar | First Quarter Results - Last week of July Second Quarter Results - Last week of October Third Quarter Results - Last week of January Last Quarter Results – Last week of April |
| Date of Book Closure | 23 rd September 2003 to 29 th September 2003 (Both days inclusive) |
| Dividend payment date | The dividend recommended , if declared at the forthcoming Annual General Meeting scheduled to be held on 29 th September, 2003, will be dispatched on or before 28 th October, 2003 |
| Listing on Stock Exchanges | The Stock Exchange, Mumbai |
| Stock Code | Physical – 5090979 Demat – INE 742 B 01025 |

Monthly Highs and Lows for the period April 2002 to March 2003 (In Rupees)



| Month | High | Low |
|----------------|--------|---------|
| April 2002 | 302.20 | 251.00 |
| May 2002 | 279.25 | 248.00 |
| June 2002 | 271.25 | 226.05 |
| July 2002 | 276.45 | 247.10 |
| August 2002 | 261.55 | 248.90 |
| September 2002 | 260.00 | 224.60 |
| October 2002 | 252.00 | 24.90 * |
| November 2002 | 29.70 | 24.00 |
| December 2002 | 28.50 | 24.00 |
| January 2003 | 37.90 | 26.25 |
| February 2003 | 32.00 | 23.70 |
| March 2003 | 32.00 | 23.50 |

* Shares of the Company were sub-divided, from each share of the face value Rs. 10/- each to Rs. 1/- each, w.e.f. October, 2002.