

# **Ind-Swift Laboratories Limited**

**Annual Report  
2002 - 2003**



# **Ind-Swift**

***Winning global customers through  
innovative quality pharmaceutical products***

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**BOARD OF DIRECTORS**

Dr. Gopal Munjal  
Sh. N.R.Munjal  
Sh. V.K.Mehta  
Sh. S.R. Mehta  
Dr. V.R. Mehta  
Sh. Udayan Roy  
Dr. J.K.Kakkar  
Sh. K.M.S. Nambiar  
Sh. Himanshu Jain  
Sh. Viswajeet Khanna (IAS)  
Sh. A.K.Mahajan  
Sh. Yogesh Goel  
Sh. A.K.Jain

Chairman (appointed w.e.f. on 31st July 2003)  
Managing Director  
Jt. Managing Director  
Director (appointed w.e.f 31st July, 2003)  
Director (appointed w.e.f 31st July, 2003)  
Director  
Director  
Director  
Director (appointed w.e.f 31st July, 2003)  
Chairman(nomination withdrawn by PSIDC w.e.f 17th April, .2003)  
Director(nomination withdrawn by PSIDCw.e.f 17th April, .2003)  
Director(nomination withdrawn by PSIDC w.e.f 17th April, .2003)  
Director (passed away on 16.7.2003)

**VICE PRESIDENT (FINANCE)**

Mr. N.K. Bansal

**REGISTERED OFFICE**

S.C.O. 493-94, Sector 35-C,  
Chandigarh.

**COMPANY SECRETARY**

Pardeep Verma

**HEAD OFFICE**

S.C.O. 813, Shivalik Enclave, NAC, Manimajra,  
Chandigarh.

**LEGAL ADVISOR**

P.K. Goklaney & Company  
Advocate & Solicitors  
38, Sector 16-A, Chandigarh

**WORKS**

Barwala Road, Village Bhagwanpura,  
Near Derabassi,  
Distt. Patiala (Punjab)

**AUDITORS**

M/s Jain & Associates  
Chartered Accountants  
819-20, Sector 22-A,  
Chandigarh- 160 022

**SHARE TRANSFER AGENT**

Alankit Assignments Ltd.  
205-208, Anarkali Complex,  
Jhandewalan Extension  
New Delhi -110 055  
Tel : 011-51540060-61

**BANKERS****State Bank of India**

Specialised Commercial Branch  
Sector 22, Chandigarh.

**State Bank of Patiala**

Industrial Finance Branch  
Sector 8, Chandigarh.

**Bank of India**

Bank Square,  
Sector 17, Chandigarh.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 8th Annual General Meeting of the members of Ind-Swift Laboratories Limited will be held on Tuesday, the 30th September, 2003 at 3.00 P.M. at Bal Bhawan, Sector 23-B, Chandigarh to transact the following business :

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the financial year ended 31st March, 2003 and the report of the Directors and the Auditors thereon.
2. To declare dividend on Preference Shares.
3. To appoint a director in place of Dr. J. K. Kakkar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Sh. K.M.S. Nambiar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

## SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modifications the following resolution, as an **Ordinary Resolution**.

**"RESOLVED** that Mr. S. R. Mehta in respect of whom a notice has been received from a member u/s 257 of Companies Act, 1956 proposing his candidature, be and is hereby appointed as director whose office shall be liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** Dr. V.R. Mehta in respect of whom a notice has been received from a member u/s 257 of Companies Act, 1956 proposing his candidature, be and is hereby appointed as director whose office shall be liable to retire by rotation."

8. To consider and, if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** Dr. G. Munjal in respect of whom a notice has been received from a member u/s 257 of Companies Act, 1956 proposing his candidature, be and is hereby appointed as director whose office shall be liable to retire by rotation."

9. To consider and, if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** Mr. Himanshu Jain in respect of whom a notice has been received from a member u/s 257 of companies act, 1956 proposing his candidature, be and is hereby appointed as director whose office shall be liable to retire by rotation."

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution** :

**"RESOLVED THAT** pursuant to Section 106 of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the reduction of the rate of dividend on the existing 7,43,300 5% Non-Cumulative, Non-Convertible, Redeemable Preference Shares from 5% to 1%.

**"RESOLVED FURTHER THAT** all the acts of the Board of Directors of the Company be and are hereby approved

and they are further authorized to do all such acts, deeds and things as may be necessary to give effect to the above resolution".

11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Special Resolution**:

**"RESOLVED THAT** pursuant to the relevant provisions of the Companies Act, 1956 or any other applicable laws rules regulations in this regard and subject to the approval of the Securities and Exchange Board of India, Stock Exchanges and any other statutory authority (if required), the consent of the Company be and is hereby accorded for conversion of existing 7,43,300 Non-Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each into fully paid equity shares of Rs. 10/- each at a premium of Rs. 22/- per share and that the issue and allotment of the said number of equity shares to the holders of these preference shares arising from or incidental to the aforesaid conversion be and is hereby authorized.

**"RESOLVED FURTHER THAT** the Board of Director of the Company be and they are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the above resolution".

12. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or reenactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the prevailing and approvals and/or sanctions from all appropriate authorities, including the Securities & Exchange Board of India (SEBI), Govt. of India, Reserve Bank of India, Financial Institution(s), Stock Exchanges and all other bodies and Institutions as may be relevant (hereinafter singly or collectively referred to as "the Appropriate Authorities") and subject to such conditions and modification as may be prescribed or imposed by any of them while granting any such consents, permissions, approvals and/or sanctions (hereinafter singly or collectively referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise power of the Board the consent of the Company be and is hereby accorded to the Board, to issue, offer and allot from time to time in one or more tranches through preferential allotment route upto 23,22,750 equity shares of Rs. 10/- each at a price of Rs. 32/- per share to the holders of Non-cumulative Non-convertible Redeemable Preference shares upon the conversion of their Preference shares into equity.

**FURTHER RESOLVED THAT** the equity shares so issued and to be allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu with the existing equity shares of the Company.

**FURTHER RESOLVED THAT** for the purpose aforesaid, the Board be and is hereby specifically authorised to

take all such steps and actions to give such direction, as it may in its absolute discretion, deemed necessary or desirable for such purpose and also to settle any question or difficulty that may arise with regard to the proposed issue and allotment of equity share aforesaid."

#### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND THE PROXY SO APPOINTED SHALL BE ENTITLED TO VOTE ON A POLL ONLY AND A 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 as set out above is appended hereto and forms part of the Notice.
3. Proxies in order to be effective, must be received by the Company not later than forty eight hours before the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 23rd day of September, 2003 to Tuesday, the 30th day of September, 2003.
5. Members are requested to notify immediately any change of address, to their Depository Participants (DPs) in respect of their electronic share accounts and to **ALANKIT ASSIGNMENTS LTD. 205-208, ANARKALI COMPLEX, JHANDEWALAN EXTENSION, NEW DELHI 110 055**, in respect of their physical shares folios, if any.
6. Members desirous of having any information as regards accounts are requested to write to the Company at least ten days in advance so as to enable the Management to keep the information ready.
7. Members are requested to bring their copies of the Annual Report to the Meeting, as no further copies would be made available.

By order of the Board

Date : 4th September, 2003

(PARDEEP VERMA)

Place : Chandigarh

Company Secretary

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF COMPANIES ACT, 1956.

##### ITEM NO. 5, 6, 7 & 8 :

Pursuant to the buy-back of the PSIDC equity by Ind-Swift Limited and its Group Companies, PSIDC withdrew its three directors from the Board of the Company on 17th April, 2003. Later on the untimely demise of Sh. A.K. Jain, the promoter director of the Company also minimized the size of the Board. To provide some technical strength to the Board it was considered appropriate to induct few directors of Ind-Swift Limited on the Board of the Company. Accordingly the following persons were appointed as additional director on the Board of the Company by the Board of Directors on 31-07-2003.

- |                   |                      |
|-------------------|----------------------|
| 1. Dr. G. Munjal  | 2. Sh. S.R. Mehta    |
| 3. Dr. V.R. Mehta | 4. Mr. Himanshu Jain |

All the new members have been the director on the Board of the Ind-Swift Limited and other group companies for a number of years. A Brief detail about the Directors is as under :

**Dr. G. Munjal**, Aged (45 years) is a young and dynamic Medical graduate having over 20 years of experience in Pharmaceutical Industry. Held various Management Positions. Extensively travelled abroad for product Development. Held the Position of Jt. Managing Director of ISL for last 8 years. Now designated as Chairman of the Ind-Swift group.

**Sh. S.R. Mehta**, Aged 47 years is the Managing Director of Ind-Swift Limited, a Science graduate has over 25 years of relevant experience in the Pharmaceutical Industry. He had been the Managing Director of ISL since 1996.

**Dr. V.R. Mehta**, Aged 45 years is a Science Graduate with 25 years of experience in the Pharmaceutical Industry. He is on the Board of Ind-Swift Ltd. since 1986. Recently he has been appointed as Jt. Managing Director of Ind-Swift Limited.

**Mr. Himanshu Jain**, Aged 22 is a young graduate and son of Late Sh. A.K. Jain, the former Chairman and founder Director of Ind-Swift Limited.

All the Directors have vast and varied experiences in all functions of the Company like Production, Technical areas, Marketing, Quality Mgt. & General Administration. The appointment of above mentioned persons as directors shall be advantageous & create better synergy in the management of both Companies. Resulting thereby an increase in its operational efficiency.

A required u/s 257, notice have been received by the Company from its members proposing for appointment of Sh. S.R. Mehta, Dr. V.R. Mehta, Dr. Gopal Munjal and Sh. Himanshu Jain as directors of the Company.

Sh. S.R. Mehta, Sh. V.K. Mehta & Dr. V.R. Mehta are related to each other, Sh. N.R. Munjal & Dr. G. Munjal are related to each other. To that extent they can be regarded as concerned or interested in the resolution at No. 5, 6, 7 & 8 respectively.

##### ITEM NO. 9, 10 & 11

The Members had in Annual General Meeting held on 30th September, 2000 approved the issued of 7,43,300 Non-cumulative Non-convertible Redeemable Preference Shares of Rs. 100/- each to the Promoters and other Bodies Corporates. That the rate of dividend on these shares was 5%. The Company did not declare any dividend on these shares as the Company was continuously making investments in Research & Development and other regulatory approvals. The declaration of dividend on these shares was mandatory as per the Companies Act, 1956, as these are non-Cumulative Preference shares and non-declaration of dividend for the financial year 2002-03 would have resulted in these shares acquiring the voting rights in the General Meeting of the members of the Company. However in terms of sec. 106 of the Companies Act, 1956 with the consent of all the Preference share holders taken in writing, the rate of dividend on these shares was reduced from 5% to 1% by the Board in its meeting held on 28-6-2003 & subsequently the Board declared 1% dividend on these shares. The resolution at item No. 9 is proposed so as to approve the reduction in the dividend payable on these shares.

Simultaneously the Board planned to convert these shares into equity since this reflects an impending debt. The conversion of these shares would strengthen the overall financial leverage of the Company. The Company has already taken the consent of the Preference share holders in this regard and now it seeks the members approval for the conversion of these preference shares into equity. The Company wish to allot 23,22,750 equity shares at a price of Rs.32/- each to the following entities against the 7,43,300 Non-Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each held respectively by them:



Sr. No.	Name of Allottees	Category	No. of Preference Shares Held	Total face value of these shares	Equity shares entitlement at Rs.32/-
1.	Essix Financial Services Ltd.	Promotor	142520	14252000	445375
2.	Mukur Pharmaceutical Co. Pvt. Ltd.	Promotor	256000	25600000	800000
3.	Swift Formulations (P) Ltd.	Promotor	200000	20000000	625000
4.	Conquer Investment Pvt. Ltd.	Other Body Corporate	144780	14478000	452375*
	<b>Total</b>		<b>743300</b>	<b>74330000</b>	<b>2322750</b>

\* Shares are being allotted in even figures.

Since the allotment if made would result in promoters, getting shares in excess of the limits prescribed by the SEBI Takeover Code, so, the Promoters would move an application under regulation 3(1)(i) read with regulations 4 of the SEBI takeover code for exemption to acquire shares in excess of the prescribed limits. The shares to the promoters would be allotted strictly as per the SEBI's guidelines.

The following disclosures are being made under the SEBI (Substantial Acquisition of shares and Takeovers) Regulation, 2002.

**(i) The identity of the class of the proposed Allottees:**

- Essix Financial Services Ltd., Mukur Pharmaceutical Co. Pvt. Ltd. and Swift Formulations Pvt. Ltd. belongs to promoters group companies. Conquer Investments & Finance Pvt. Ltd. belongs to other Body Corporates.
- The entities to be issued shares in excess of 5% are Nil.

**(ii) Price at which shares are to be allotted**

The shares would be allotted at a price of Rs. 32/- per share. The Minimum price as per the SEBI Guidelines is below the price at which the issue is being proposed.

**(iii) Changes expected in Board after conversion takes place:**

There will not be any change in Board of Director of the Company after the proposed conversion of the preference shares into Equity shares.

**(iv) Changes to voting rights as per the shareholding pattern:**

Sr. No.	Category	Pre-issue As on 30-06-2003		Post-issue	
		No. of Shares	% of holding	No. of Shares	% of holding
1.	Indian Promoters				
	a. Ind-Swift Ltd.	3120900	21.69	3120900	18.68
	b. Mukur Pharma. Co. (P) Ltd.	1177600	8.19	1977600	11.84
	c. Swift Formulations Pvt. Ltd.	963100	6.69	1588100	9.50
	d. Essix Financial Services Ltd.	323901	2.25	769276	4.60
2.	Persons Acting in Concert	336510	2.34	336510	2.01
3.	Mutual Funds and UTI	589200	4.10	589200	3.53
4.	Banks, Financial Institutions (Central/State Govt. Institution/Non-govt. Institutions)	200	0.001	200	0.001
5.	Corporate Bodies				
	- Conquer Inv. & Fin. (P) Ltd.	1780	0.01	454155	2.72
	- Others	2670686	18.57	2670686	15.98
6.	Indian Public	5183723	36.03	5183723	31.08
7.	NRIs / OCBs	18700	0.13	18700	0.11
	<b>Total</b>	<b>14386300</b>	<b>100.00</b>	<b>16709050</b>	<b>100.00</b>

**(v) Change in Control over the Company:**

This will not be any change in the Control over the Company.

**PURPOSE & REASON OF ALLOTMENT:**

**a) Object of the Issue:**

- To convert existing 7,43,300 Non-Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each into fully paid equity share of Rs. 32/- per share.
- To reduce the debt of the company and to strengthen overall financial leverage for the company.

**b) Intention of Promoters/Directors/Management personnel to subscribe to the offer.**

The issue is limited only to the conversion of preference shares into equity. A part of the preference shares to be converted belongs to promoter group. The other Promoters/Director/Management do not intend to subscribe to the offer.

**c) Shareholding Pattern before & After Issue:** As indicated above.

**d) Proposed time within which allotment will be completed:** By 31st December, 2003.

**e) Identity of allottees with percentage of expanded Capital to be held by them.**

Name	Pre-Issue Holding	%	Proposed Allotment	%	Post-Issue Holding	%
Mukur Pharmaceutical Co. Pvt. Ltd.	1177600	8.19	800000	4.79	1977600	11.84
Swift Formulations Pvt. Ltd.	963100	6.69	625000	3.74	1588100	9.50
Essix Financial Services Pvt. Ltd.	323901	2.25	445375	2.67	769276	4.60
Conquer Investment & Finance Pvt. Ltd.	1780	0.01	452375	2.72	454155	2.72
<b>Total Capital</b>	<b>14386300</b>		<b>16709050</b>		<b>16709050</b>	

**LOCK IN :**

The shares would be subject to lock-in as per SEBI (DIP) guidelines as applicable.

The Directors recommend the resolution for your approval. None of the Directors of the Company are directly interested in the resolution except for their Directorships or shareholding in the Allottees Company.

The relevant papers can be inspected from 9.00 A.M. to 5.00 P.M. at the registered office of the Company till the AGM date.

By order of the Board

Date : 4th September, 2003

(PARDEEP VERMA)

Place : Chandigarh

Company Secretary

**DIRECTORS' REPORT****Dear Shareholders,**

Your Directors have great pleasure in presenting the 8th Annual Report together with Audited Accounts of your Company for the year ended 31st March, 2003.

**FINANCIAL RESULTS**

The Financial performance of the Company for the year ended 31st March, 2003 is summarized below:

	<b>Year ended 31-03-2003 Rs. in Million</b>	<b>Year ended 31-3-2002 Rs.in Million</b>
Sales & Other Income	1455.31	1131.67
Profit before Interest, Depr. & Tax	164.58	140.97
Interest	67.58	61.77
Depreciation	23.35	18.36
Profit before Tax	73.65	60.84
Provision for Tax (Net)	5.11	4.20
Provision for Deferred Tax	15.34	12.74
Profit after tax available for appropriation	53.20	43.91
Appropriation (Prov. for pref. Div.)	0.74	0.00
Prov. For Div. Tax	0.09	0.00
Retained Profit	52.37	43.91
Reserves	255.17	171.04

**OPERATIONS REVIEW**

During the year under review the Company achieved a turnover of Rs.1455.31 Millions registering a 28.66% increase over the previous year figures of Rs.1131.67 Million. Profit before tax also increased from Rs.60.84 millions to Rs.73.65 millions registering a growth of 21.05 %. A provision for deferred tax to the tune of Rs.15.34 million was made during the financial year 2002-2003. The exports of the Company also increased by 19.44% from 418.78 million to 499.46 millions during the year.

**CAPITAL STRUCTURE**

The paid up share capital of the Company was increased by fresh issue of 33,40,000 equity shares allotted on preferential basis to promoters group companies and other bodies Corporate at price of Rs.25/- per share. 20,00,000 share to Promoters were allotted against the share application money outstanding in the book of Accounts and 13,40,000 shares were allotted to Bodies Corporate on Cash basis. The proceeds from the issue are being utilized for the up gradation of the Research and Development facilities and for meeting expenditure for upgrading the Company's manufacturing facilities to USFDA standards.

**SEBI REGULATION & LISTING FEES**

Since SEBI has stipulated electronic filing of Annual Report, Corporate Governance Report, Shareholding Pattern, etc. on the company's website. All these Statements of your Company can be accessed at the company's website viz. [www.indswift.com](http://www.indswift.com).

The Annual listing fees for the year under review has been paid to The Stock Exchange, Mumbai, National Stock Exchange of India Ltd., Ludhiana Stock Exchange Association Ltd and Delhi Stock Exchange Association Ltd. where your Company's shares are listed.

**DIRECTORS**

Your Directors express their profound grief on the sudden and untimely demise of the Promoter/Founder Chairman of the Ind-Swift, Sh. A.K. Jain on 17.7.2003. We pay our heart - felt tribute to his vision and the contributions made by him in the establishment and growth of this group and this Company.

Earlier consequent to the buy-back of the PSIDC equity in the Company by Ind-Swift Ltd. and its group Companies, the PSIDC withdrew its nominees from the Board of the Company. The Nomination of Sh. Viswajeet Khanna, IAS, Sh. A.K. Mahajan & Sh. Sh. Yogesh Goel was accordingly withdrawn w.e.f. 17th April, 2003.

4 New appointments were thereof made on the Board of the Company on 31st July, 2003 appointing thereby, Dr. G. Munjal; Sh. S.R. Mehta, Dr. V.R. Mehta & Mr. Himanshu Jain. Dr. G. Munjal was unanimously chosen as the New Chairman of the Board who took the reigns of the Company.

**DIVIDEND**

Looking at the investments being made by the Company in building up World class Research & Development Centre and Manufacturing facilities in its drive for taking regulatory approvals the Board has considered its appropriate to not to declare dividend on the equity shares capital for the financial year 2002-2003. On the same concept the Board approved the reduction of the rate of Dividend on 5% Non Cumulative Non-convertible redeemable Preference shares from 5% to 1%. The Board also declared 1% dividend on these preference for the financial year 2002-2003.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report as required under the listing agreement with the Stock exchanges is enclosed and form part of this director report.

**AUDITORS**

Messrs. Jain & Associates, Chartered Accountants, the Company's Auditors, retire at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received confirmation from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

**DEPOSITS**

During the year under review, the company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956. However, your company has launched Fixed Deposit Scheme with effect from 28th June, 2003.

**TECHNOLOGY, R&D, FOREIGN EXCHANGE**

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and outgo as required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed and form part of this report.

**ANNEXURE TO DIRECTORS REPORT****HUMAN RESOURCES**

The Company continued to have cordial relationship with the employees. Management development continued to be an area that received high importance. Employees are continuously sponsored for various external programmes and seminars.

Statement of particulars of Employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is NIL.

**CORPORATE GOVERNANCE**

The company has complied with the mandatory provisions of the Corporate Governance as prescribed in the listing agreement with the stock exchanges. A separate report on Corporate Governance is included as a part of the Directors report along with the Auditors Certificate on its compliance.

**DIRECTORS RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 ("the Act"), your directors confirm that:

- i) in preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the Directors 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 for the year ended 31st March, 2003 and the profit for that year;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on going concern basis.

**ACKNOWLEDGEMENT**

Your Directors thank all the employees for their sincere efforts, active involvement and devoted services rendered.

Your Directors thank the shareholders of the Company for the confidence reposed in the Management of the Company.

You Directors place on record their gratitude to the Customers, Suppliers, Company's Bankers and Financial Institutions for their support and cooperation during the year under review.

On behalf of the Board of Directors

PLACE: CHANDIGARH

(G. MUNJAL)

DATED: 04.09.2003

CHAIRMAN

**ANNEXURE 'A'**

Information pursuant to the Companies (disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Report of Directors.

**I. CONSERVATION OF ENERGY****1. Energy Conservation measures taken:**

The Company continues its policy of giving priority to energy conservation measures including regular review of energy generation and consumption and effective control on utilisation of energy. Some of the major projects implemented during the year were exposing Managers to a structured training programme through World Class Trainers on six sigma lean enterprise to focus on driving down costs by reducing energy consumption & efficient utilisation of resources, installation of energy efficient tube light fittings in the premises, Rationalisation of cooling tower water distribution system. Efficient utilisation of chilled brine service.

**2. Impact of measures taken:**

The adoption of energy conservation measures indicated above has resulted in considerable energy saving and its awareness among employees.

**3. Total energy consumption and energy consumption per unit of production:****i) During the year following energy conservation measures were undertaken:-**

- Reduced Furnace Oil Consumption by taking steam condensate system.
- Reduced power consumption in chilled water generation by balancing flow of primary and secondary flows thereby reducing short cycling of chilled water in hot and cold wells and improving the regular maintenance of Chillers and AHUs.
- Reduced power consumption by replacement of 50% of high voltage ML lamps with low voltage lamps

**ii) Total energy consumption and energy consumption per unit of production :****A. ELECTRICITY AND FUEL CONSUMPTION**

	2002-2003	2001-2002
1. Electricity		
a) Purchase Unit (KWH)	2997540	2436854
Total amount (Rs. in lacs)	10782451	8001906
Rate / Unit (Rs.)	3.60	3.28
b) Own Generation		
i) Through Diesel Generator Unit (KWH)	959580	751820



	Unit per Litre of Diesel Oil	3.46	3.46
	Cost / Unit	4.73	4.39
ii)	Through Steam Turbine/Generator	Nil	Nil
2.	Coal (Specify quality)	Nil	Nil
3.	Furnace Oil/L.D.O. (Quantity)	1171720	940000
	Total amount (Rs. in lacs)	14014577	8778824
	Average Rate (Rs. per litres)	11.96	9.34
4.	Other/Internal Generation	Nil	Nil

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Unit	Standards	2002-03	2001-02
Electricity	(KWH)	71.99	75.64
Diesel/Furnace Oil	(Ltr./Kg.)	22.17	23.10

**B) TECHNOLOGY ABSORPTION****I) RESEARCH & DEVELOPMENT****a) Specific area in which R&D is carried on by the Company:**

- Technology development for Active Pharmaceutical Ingredients (APIs) & key intermediates- complying to international quality & regulatory norms.
- Design & synthesis of new drug molecules in select therapeutic areas like Cardio Vasculars.
- Innovation/Up- gradation of existing technologies / products on ongoing basis.
- Stability studies complying to U.S Food & Drug Administration (USFDA) guidelines.
- Development of non-infringing processes for generic molecules going off-patent in USA & Europe.

**b) Benefits derived as a result of the above R&D:**

- Technology to manufacture APIs & high value intermediaries.
- Generation of high quality data complying the international regulatory requirement for registration of APIs in India and abroad.
- Improved productivity / process efficiencies.
- Improved product quality.
- Competitive cost.
- Enhanced Global presence / visibility.
- Safe and environment - friendly process.
- Foreign exchange earning / saving.
- Generation of intellectual wealth for the company.
- Waste minimization

**c) Future plan of action**

- Augmentation of R&D capabilities and productivity through technological innovations coupled with modern scientific and technological tools.
- Development of more refined procedures for safety, pollution control and environmental preservation to suit new processes and products, and for greater effectiveness.

- Development of products under the indigenous system of medicines.
- Enhanced thrust in the area of New Drug Discovery Research. Research in bulk drugs and drug formulation under joint development projects with overseas companies.
- Continue developing innovative, commercially viable process know-how for APIs for Indians and semi-regulatory markets.
- Up gradation of regulatory filings, networking and compliance's.
- To develop non-infringing processes for APIs going off patent in USA and Europe for generic market.
- Enhanced focus on national and international research collaboration/networking.

**Expenditure on R & D during the year 2002 -2003****(Rs. In Millions)**

a) Capital	10.55
b) Revenue	35.25
Total	45.80
c) Total R & D expenditure as a percentage of total turnover	3.16%

**II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.**

- The Company has continuously adopted innovative process in the manufacture of its bulk drugs and its intermediates.
- The Company has adopted, upgraded and successfully commercialized the processes developed and involved in the manufacture of Clarithromycin / Granules, Roxithromycin / Granules, Azithromycin, Atorvastatin Calcium, Clopidogrel Bisulphate, Candesartan Clixetil, Fexofenadine HCL, Pioglitazone HCL, Pentazocine, Betamethasone Valerate, Betamethasone Dipropionate, Betamethasone Sodium Phosphate, Citalopram Hydrobromide, Letrozole, Nitazoxanide, Acamprosate, Gemifloxacin, Rosuvastatin, Ezetimibe.

**C. FOREIGN EXCHANGE EARNING AND OUTGO**

- Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

Exports in the year under review are Rs. 417.57 million as compared to Rs. 312.82 million with increase of 33.49 %.

The company continued to comply with regulatory requirements of various international authorities. Its facilities retained the approval of various international authorities all over the world. This will continue to provide the necessary platform to further expand the Company's overseas operations.

**2. Total foreign exchange used and earned:**

During the year the foreign exchange outgo was Rs.10.73 million and the earnings in foreign exchange were Rs.417.57 million. Details have been given in notes F to G in Note 20 of Notes on Accounts under schedule XVII of the Balance Sheet.