



INDOCO REMEDIES LIMITED

Annual Report
1999 2000

Board of Directors

Suresh Kare, *Chairman & Mg. Director*

D. M. Sukthankar

S. Y. Rege

Dr. M. R. Narvekar

P. K. Kakodkar

U. K. Naik

D. N. Mungale

Company Secretary

D. G. Borkar

Auditors

M/s. Patkar & Pendse, *Chartered Accountants*,

Mumbai - 400 002.

Bankers

The Saraswat Co-operative Bank Limited.

State Bank of India.

Bank of India.

Report CORE MANAGEMENT TEAM



Suresh Kare
Chairman & Mg. Director



F. X. Coutinho
Exec. Director (Marketing)



S. V. Bambolkar
Exec. Director (Finance & Operations)



Mrs. Aditi Panandikar
Exec. Director (Business Dev. & HRD)

INDOCO REMEDIES LIMITED

Indoco House, 166 CST Road, Santacruz (E), Mumbai 400 098,

NOTICE

Notice is hereby given that the Fifty Third Annual General Meeting of INDOCO REMEDIES LIMITED will be held on Friday, 22nd September, 2000 at 4.00 p.m. at the Registered Office at Indoco House, 166 CST Road, Kallina, Santacruz (E), Mumbai 400 098 to transact the following business.

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2000 alongwith the Reports of the Directors and the Auditors thereon.
- 2 To declare final dividend for the year ended 30th June, 2000.
- 3 To appoint a Director in place of Mr. S. Y. Rege, who retires by rotation and being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Mr. P. K. Kakodkar, who retires by rotation and being eligible, offers himself for re-appointment.
- 5 To appoint Auditors until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- 6 To, consider and if, thought fit, to pass with or without modification(s), the following resolution as Ordinary resolution:
"Resolved that Mr. Dhananjay Mungale who was appointed Additional Director of the Company u/s. 260 of the Companies Act, 1956 read with Article No. 136 of the Article of Association of the Company and who holds office up to the date of this Annual General Meeting & in respect of whom the Company has received Notice from a member signifying his intentions to propose Mr. Dhananjay Mungale as a candidate for the office of Director, be & is hereby appointed as Director of the Company liable to retirement of Director by rotation".

- 7 To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special resolution.

"RESOLVED THAT:

(a) Pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to approvals, permissions and/or sanctions of appropriate Statutory Authorities, Institutions as may be necessary and subject to such terms, conditions and modifications as may be prescribed in granting such approvals, permissions and/or sanctions and agreed to by the Board of Directors of the Company ("the Board") the consent, authority, approval of the members be and is hereby accorded to the Board to offer, issue, allot such number of Equity shares of the face value of Rs 10/- each of the Company for subscription for cash or otherwise to the public and to such other categories of investors as may be specified and at such a premium per share, if any, as may be fixed and determined by the Board prior to the issue and offer thereof in consultation with such authorities as may be prescribed and as per the guidelines as may be prevailing at that time and on such terms and conditions as the Board in its absolute discretion and in the best interest of the Company may deem fit.

(b) The new Equity shares be allotted subject to the provisions of the Memorandum and Articles of Association of the Company;

(c) The new Equity shares shall rank pari passu in all respects with the existing Equity shares of the Company except that they shall only rank for dividend in the year of allotment pro-rata to the period in respect of which the said shares are fully paid;

(d) The issue and allotment of said Equity Shares of the Company by the Board of Directors shall be in conformity with the prevailing guidelines issued by Securities & Exchange Board of India for initial public offer of shares by unlisted existing, profit making Companies as amended from time to time.

(e) For the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things and accept any such alteration(s) or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise as regards the issue and allotment of the said Equity Shares including power to allot the un-subscribed Equity Shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company"

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

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended, altered and/or substituted in the manner and to the extent set out herein below:

A	Article 2 of Articles of Association shall include the following definitions in alphabetical order, at appropriate places, with marginal notes:
"Beneficial Owner"	"Beneficial Owner" shall mean beneficial owner as defined in clause (a) of sub-section(1) of Section 2 of the Depositories Act, 1996.
"Bye-laws"	"Bye-laws" mean bye-laws made by a depository under section 26 of the Depositories Act, 1996.
"Depository"	"Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996."
"Depositories Act 1996"	"Depositories Act 1996," shall include any statutory modification or re-enactment thereof for the time being in force.
"Record"	"Record" includes the records maintained in the form of books or stored in a computer or such other forms as may be determined by the regulations made by SEBI

"SEBI"	"SEBI" means the Securities and Exchange Board of India" established under section 3 of the Securities and Exchange Board of India Act, 1992."
"Security"	"Security" means any security as may be specified by SEBI from time to time
B	Definition of Member given in Article 2 be deleted and the following with marginal note to be substituted in its place:
"Member"	"Member" means the duly registered holder from time to time of the shares of the Company and includes the subscribers of the Memorandum of the Company and the beneficial owner(s) as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.
C	Article 17 of the Articles of Association shall be substituted as follows:
17. Register & Index of Members	"The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions and the rules made there under from time to time and the Depositories Act, 1996 with the details of shares held in material and dematerialised form in any media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of Members for the purpose of this Act."
D	Article 18 of the Articles of Association shall be substituted as follows:
18. Shares to be numbered progressively and no share to be subdivided	"The shares in the Capital shall be numbered progressively according to their several denominations provided, however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future, or issued in future in dematerialised form. Except in the manner herein before mentioned, no share shall be subdivided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished."
E.	The following Article with marginal note be inserted as Article 18A after Article 18.
18A Dematerialisation/ Rematerialisation of Shares	"(a) The Company shall be entitled to dematerialise / rematerialise its existing shares held in the Depositories and/ or to offer its fresh shares in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.
Option for investors	(b) Every person subscribing to securities offered by the Company shall have the option to receive security certificate or to hold the securities with a Depository. Such a person who is the Beneficial Owner of the securities can at any time opt out of a Depository if permitted by the law, in respect of any such security in the manner provided by the Depositories Act 1996 and the Company shall, in the manner and within the time prescribed issue to the Beneficial Owner the required certificates of securities.
	If the person opts to hold his security with the Depository, the Company shall intimate such Depository the details of allotment of the security and on receipt of information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.
Securities in Depositories to be in fungible form'	(c) All securities held by a Depository shall be dematerialized and be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187B 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owner.
Rights of Depositories and beneficial Owners	(d) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner and save as provided herein before the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it. Every person holding the securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository
Service of documents	e) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the Beneficial Owner may be served by such Depository on the Company by means of electronic mode by delivery of floppies or discs.
Section 83 and 108 of the Act not to apply	(f) Nothing contained in sections 83 and 108 of the Companies Act, 1956 or these Articles shall apply to a Transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
Allotment of Securities	(g) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository, immediately on allotment of such securities.
Stamp duty on Securities held in dematerialised form	(h) No stamp duty would be payable on shares and securities held in dematerialised form in any medium as may be permitted by law including any form of electronic medium.

Applicability of the Depositories Act	(i) In case of Transfer or transmission of shares, securities where the Company has not issued any certificate and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act 1996, shall apply. "
F	Article 29 of Articles of Association shall be substituted as follows:
29 Company not bound to recognise any interest in share other than that of registered holder.	" Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appear on the Register of Members as the holder of any share or where the name appears as the beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share or except only as is by these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.
G. 58 Register of Transfer	In Article 58 after the words transmission of any share the following words shall be added.: "held in material form."
H.	The following Article shall be inserted as Article 113A after the existing Article 113.
113A. Voting Rights	A Depository as a registered owner shall not have any voting rights in respect of shares and securities held by it in dematerialised form. However, the beneficial owner as per the Register of Beneficial Owner maintained by a Depository shall be entitled to such rights in respect of shares or securities held by him in the Depository. Any reference to the Member or joint members shall include a reference to Beneficial Owner or Joint Beneficial Owners in respect of the shares held in Depository.
9.	To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution: "The existing Article No. 20(a) be altered by deleting word "not" before the words "be deemed to include right exercisable by the person, to whom such offer is made". appearing in the 12th line of Article no. 20(a) but after the word " such offer shall be made by a notice specifying, appearing in the 11th line".
10.	To consider and, if thought fit, to pass with or without modification the following resolution as a Ordinary Resolution: " Resolved that pursuant to provisions of Section 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956, as amended, approval be and is hereby accorded to the increase of and variation in the remuneration of Mr. Suresh Kare, Chairman and Managing Director, with effect from 1st July 2000 as set out in the Explanatory Statement attached herewith, with the authority to the Board of Directors to alter and vary such terms and conditions relating to remuneration as may be permissible in terms of the Act, as applicable from time to time, for the remainder of his current five years terms of office."

Notes:

1. A Statement of material facts in terms of Sec.173(2) of the Companies Act, 1956 in respect of the Special Business under Item 6,7,8,9 and 10 above is annexed hereto.
2. The dividend, if declared, will be paid to the members whose names appear on the Register of Members of the Company as on 22.09.2000.
3. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead and the proxy need not be a member of the Company.
4. The amount of unclaimed or unpaid Dividend for the year ended June 30, 1994 and previous years has already been transferred to General Revenue Account of the Central Government in terms of provision of section 205A of the Companies Act, 1956. Those members who have so far not claimed their dividends for the said periods may claim the same from the Registrar of Companies, C.G.O. Complex, 2 Floor, "A" Wing, C.B.D. Belapur, Navi Mumbai - 400 614.
5. Members are requested to intimate the Company about the changes in their address if any, at earliest.

By order of the Board

Place: Mumbai
Date: July 29, 2000.

D. G. Borkar
Company Secretary

ANNEXURE TO NOTICE

STATEMENT OF MATERIAL FACTS ANNEXED TO THE NOTICE DATED 29TH JULY, 2000

Item No. 6

The Board of Directors at the Board meeting held on May 06, 2000 appointed Mr. Dhananjay Mungale as a Additional Director of the Company.

Mr. Dhananjay Mungale holds office as a Director up to the date of this AGM.

A notice under section 257 of the Companies Act, 1956 along with deposit of Rs. 500/- has been received from a member signifying his intention to propose Mr. Dhananjay Mungale as a candidate for the office of the Director of the Company.

Mr. Dhananjay Mungale is a noted financial expert and investment banker. He is presently acting as advisor to various corporations in India & Europe. He is on the Board of various Companies such as Mahindra & Mahindra Finance Ltd, SICAL Ltd., Chinal Chemicals Ltd., 123 India.com Ltd., etc. Prior to his current assignment, he was a member of Apex Executive Committee at DSP Merrill Lynch which is India's leading investment banking organisation. The Board of Directors are of the opinion that Mr. Dhananjay Mungale's wide experience and specialisation in finance will be of immense value to the Company.

The Board of Directors recommend the passing of the resolution set out in item no. 6 of the accompanying notice.

No Director except Mr. Dhananjay Mungale is concerned or interested in the resolution.

Item No. 7

The Pharmaceutical Industry occupies a crucial position in the Indian Economy and is among the country's leading industries as it plays a significant role in national healthcare. The government regulations in the form of Indian Patents Act and Drug Price Control Order have been the key determinants of current industry structure. In the next 5-10 years the competitive dynamics of the Indian Pharmaceutical Industry is expected to alter significantly due to several factors such as introduction of product patent regime post year 2005, move towards more liberal drug pricing policy new product launches driven by basic research, thereby increasing the thrust on R & D, increased insurance coverage, consolidations and focussed restructuring. The Indian Pharmaceutical market is projected to grow at around 15 % p.a. over the next 5 years as against global average of 6-8 % due to combination of factors such as increasing access to modern medicines, increase in life expectancy, improvement in standard of living and introduction of new products.

Your Company by virtue of its strong brand equity, extensive distribution network & WHO-GMP approved manufacturing facilities is well positioned to capitalize on its strengths and sees opportunities to further consolidate its position by investing in new growth opportunities. Your Company is planning to step up its investment in R & D significantly and has identified R & D as a primary market driver. The Development of Products for developed markets, Development of Novel Drug Delivery System and Technology Development for Automated Manufacturing Process will be thrust areas for R & D. Your Company envisages significant contribution from R & D to the long term growth strategy of the Company.

Your Company will also be setting up a state of the art manufacturing facility at Verna, Goa on the guidelines as prescribed by MCA-UK. The project involves facility for manufacture of Ophthalmics & Injectables and is expected to contribute significantly to the top line as well as the bottom line growth of the Company.

To finance the proposed high level of investment, your Company is seeking to raise the funds by offering its Equity to general public. Looking at the sound track record of the company as also its future growth plans, the Company is confident that its maiden public offer will be very successful and that barring any unforeseen circumstances the Company shall be able to raise the resources required at a substantial premium to its face value. The present SEBI guidelines permit the unlisted Companies with sound track record of profitability of more than 3 years to make an initial public offer at a premium subject to fulfillment of other terms and conditions.

The approval of the members by a special Resolution for the aforesaid issue of Equity shares is necessary having regard to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956 and the prevailing guidelines on the subject.

The Board of Directors recommend the passing of the Special Resolution set out in item no. 7 of the accompanying Notice.

None of the Directors are interested in the resolution except to the extent of shareholding in the Company.

Item No.8

On the passing of the Special Resolution as mentioned in Item No. 7, the Company can come out with a Public Offer of shares. The present SEBI / Stock Exchange guidelines have made it mandatory for companies coming out with Initial Public Offer to issue securities in a dematerialised form. The present provisions of Article of Association are inconsistent with the requirement and hence the Articles are required to be altered so as to facilitate the introduction and implementation of a Depository System. In view of the same, it is proposed to make the alterations as set out in the Resolution to enable the Company to Dematerialise its securities and to facilitate holding and dealing in its securities under the Depository System. The Depository System is a safe and more convenient method for holding and trading in the shares and securities of the Company. The Board recommends passing of the resolution set out in item no 8 of the accompanying notice.

Item No.9

The existing Article 20(a) restricts the Rights of renunciation in case of any offer of Equity Shares. In view of the Company's plan for initial public offer the said restrictions of renunciation of Rights may not be in consonance with the listing requirements of the stock exchanges. It is therefore proposed to modify the existing provision of Article no. 20(a) of Article of Association by removing the restriction on the right of renunciation.

The Board of Directors recommend the passing of the Special Resolution set out in item no. 9 of the accompanying notice.

None of the Directors are interested in the resolution.

Item No. 10.

At the Fifty First Annual General Meeting of the Company held on 27th October, 1998 the members had accorded their approval to the appointment of the remuneration payable to Mr. Suresh Kare, Chairman and Managing Director for a period of five years from 1st July, 1998 to 30th June 2003. As per the terms and conditions of appointment approved by the members, Mr. Suresh Kare's salary has been last revised to Rs. 90000/- per month. Considering the magnitude of the service which have to be rendered by Mr. Suresh Kare as a result of increase in the scope of the activities of the company, and the general trend of remunerations of CEO's, it is proposed to revise the remuneration of Mr. Suresh Kare as per details given below .

- (a) Salary : Rs. 1,50,000/- per month in the scale of Rs. 50,000/- to 1,00,000/- per month effective from 1st July, 2000.
- (b) Perquisites : as per the Companies Act, 1956

All other terms and conditions of Mr. Suresh Kare's appointment as approved by members at the Fifty First Annual General Meeting shall remain unchanged.

The Resolution under item no 10 together with the statement of material facts annexed to this Notice should be treated as an abstract of the terms of the Agreement and Memorandum of Concern under Section 302 of the Companies Act, 1956.

None of the Director other than Mr. Suresh Kare are interested or concerned in this item of business.

By order of the Board

Place : Mumbai.
Date : July 29,2000

D. G. Borkar
Company secretary



Chairman's Statement

It is heartening to present yet another excellent year in 1999-2000, reflecting the fruits of a well-timed growth strategy implemented over the last few years. We have consciously embarked on leveraging our existing strengths and have graduated to become one of the fastest growing pharmaceutical companies in India. Our recent acquisition of Warren has added to our dynamism and appetite for growth.

Our performance across various parameters has improved rapidly year after year as is evident from the financial results and the highest A1+ rating given to our short-term commercial paper programme by ICRA. The total income in the year 1999-2000 has gone up by 26% to Rs. 126.16 crores and the net profit after tax by 66% to Rs. 12.96 crores. What is creditable is that this growth is achieved despite continued recessionary trend in the pharma industry.

Winds of change are blowing across the Pharma Industry. Mergers & acquisitions have become an integral part of this change worldwide. Scientific marketing, ethical promotion and high quality innovative products are the parameters on which the success of a pharma company will depend. In the new millennium, we reassert our commitment to meet the growing needs of the consumers for good quality innovative products. We are taking up newer challenges through our most modern R&D Centre at Andheri-Mumbai and a new state-of-the-art manufacturing facility in Verna-Goa. We are benchmarking ourselves against the best global practices in pursuit of value creation for all our stakeholders i.e. shareholders, prescribing doctors, creditors and employees.

Indoco has been known as a humane organization since it values its employees as its most important resource and has concern for their well-being. I thank all the employees for their commitment, dedication and respective contributions to the company's operations during the year.

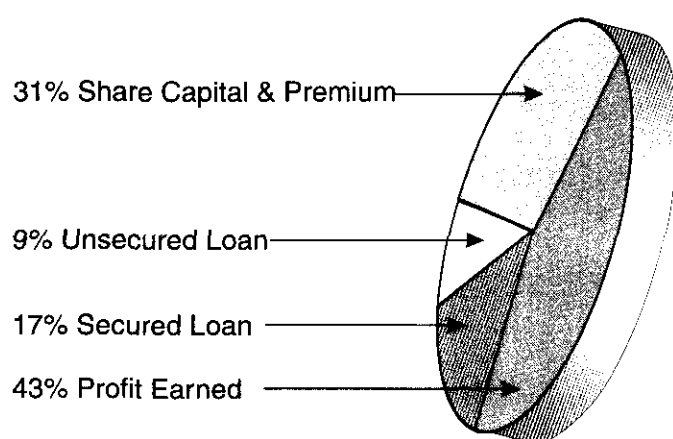
SURESH KARE
Chairman & Managing Director

Directors' Report

Your Directors have pleasure in presenting the 53rd Annual Report on the Audited Accounts for the year ended June 30, 2000 and on the state of affairs of the Company.

Financial Results :	(Rs. in Lacs)	
	Current Year	Previous Year
Total Income	12615.82	9997.93
Profit After Tax	1296.12	776.97
Less : Prior Period Adjustment	-	20.18
Add : Balance brought forward	252.72	243.04
: Depreciation written back of earlier years	172.25	-
Amount available for appropriation	1721.09	999.83
Appropriations :		
Interim Dividend	88.20	-
Proposed Dividend	88.20	88.20
Dividend Tax	29.90	8.91
Transfer to General Reserve	1200.00	650.00
Balance carried forward	314.79	252.72
	1721.09	999.83

SOURCES OF FUNDS



DISTRIBUTION OF INCOME

