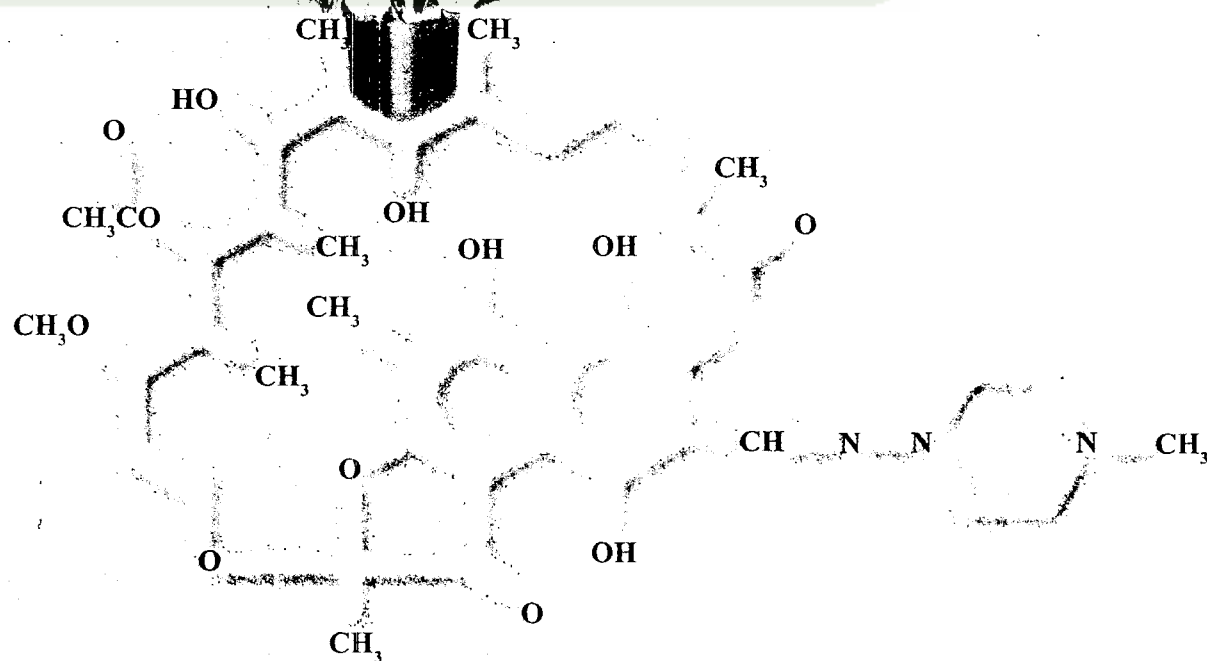



LUPIN CHEMICALS LIMITED

MD	/		BKC	/
CS	/		DPY	/
RO	/		DIV	/
TE	/		AC	/
AGM	/	/	...	/
YE	/	/		/



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ANNUAL REPORT 1996-97



The Lupin flower.

A symbol of

relief and succour,

enriching the soil

wherever it grows.

Inspiring the Company

in its commitment

to developing

world class technology

indigenously

for global healthcare.

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15TH ANNUAL REPORT

BOARD OF DIRECTORS

Mr. D. B. Gupta

Chairman

Mrs. M. D. Gupta

Mr. P. K. Kaul

Mr. D. K. Contractor

Dr. D. P. Sinha

Mr. S. Choudhury

Nominee Director (IDBI)

Mr. S. K. Velankar

Wholetime Executive Director

COMPANY SECRETARY

Mr. R. V. Satam

AUDITORS

Arora & Arora

Chartered Accountants

Mumbai

BANKERS

Bank of Baroda

Dena Bank

Punjab National Bank

SOLICITORS

Gagrat & Co.

Crawford Bayley & Co.

REGISTERED OFFICE

Plot T-142, MIDC Industrial
Estate, Tarapur, Dist : Thane,
Maharashtra.

HEAD OFFICE & INVESTORS' SERVICES DEPT.

159, C.S.T. Road, Kalina,
Santacruz (East),
Mumbai - 400 098.



LUPIN CHEMICALS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifteenth Annual General Meeting of Lupin Chemicals Limited will be held at the Conference Hall of Tarapur Industrial Manufacturers Association (TIMA), P-14, Recreation Centre, Tarapur Industrial Area, Tarapur, Dist. Thane, Maharashtra on Tuesday, the 23rd day of December, 1997 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st July, 1997 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors.
2. To appoint a director in place of Mrs. M. D. Gupta, who retires by rotation and is eligible for reappointment.
3. To appoint a director in place of Mr. D. B. Gupta, who retires by rotation and is eligible for reappointment.
4. To appoint auditors to hold office from the conclusion of the Fifteenth Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. S. K. Velankar, who was appointed as an additional director and holds office upto the date of this meeting and in respect of whom a notice has been received from a shareholder proposing the appointment of Mr. Velankar as a director, be and is hereby appointed as a director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Article No. 159 of the Articles of Association and Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. S. K. Velankar as the Wholtime Executive Director of the Company for a period of five years w.e.f. 20th March, 1997 subject to terms and conditions including remuneration as set out in the agreement entered into between the Company and Mr. Velankar, a copy of which is placed before this meeting.

RESOLVED FURTHER THAT notwithstanding anything stated hereinabove, where in any financial year the Company has incurred a loss or its profits are inadequate, the Company may pay to Mr. Velankar remuneration by way of salary, perquisites and other allowances not exceeding the limits as provided in Schedule XIII of the Companies Act, 1956, or any modification or amendments thereto or re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors be and

is hereby authorised to alter and vary such remuneration and perquisites so as not to exceed the maximum limits for payment of managerial remuneration specified in the Companies Act, 1956, as existing or as amended, modified or re-enacted.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 5 and 6 is annexed.
3. The Register of Members and the Share Transfer Register of the Company will be closed from Monday, the 1st December, 1997 to Tuesday, the 23rd December, 1997 (both days inclusive).
4. The members are requested to :
 - a) Intimate to the Company changes, if any, in their registered address at an early date.
 - b) Quote ledger folio numbers in all their correspondence.
 - c) Approach the Company for consolidation of various ledger folios into one.
 - d) To avoid inconvenience, get the shares transferred in joint names, if they are held in single name.
 - e) Bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.
 - f) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their communications to the Secretarial Department, so as to reach at least seven days before the date of the meeting, so that the information required may be made available at the meeting, to the best extent possible.

By Order of the Board of Directors

Place : Mumbai
Date : 30th September, 1997.

Registered Office :

Plot T-142, MIDC Industrial Estate,
Tarapur, Dist. Thane, Maharashtra.

R. V. SATAM
Company Secretary

15TH ANNUAL REPORT

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NOS. 5 & 6

Mr. S. K. Velankar was appointed as an additional director at the Board meeting held on 20.3.1997 and holds office up to the date of the forthcoming Annual General Meeting. A letter has been received from a shareholder proposing the appointment of Mr. S. K. Velankar as a director.

Pursuant to Article No.159 of the Articles of Association, Mr. S. K. Velankar was appointed as the Wholtime Executive Director of the Company for a period of five years w.e.f. 20th March, 1997. Mr. Velankar has been associated with the Company since its inception and has vast experience and knowledge in the field of fermentation and microbiology. It is in the best interest of the Company to avail his services as the Wholtime Executive Director of the Company. The terms of his remuneration are fair and reasonable, considering his contribution to the growth of the Company.

The following remuneration is proposed to be paid to Mr. Velankar :-

- | | |
|---|--|
| A) Salary | : Rs.26,000/- per month. |
| B) Management Allowance | : Rs.8,150/- per month. |
| C) Personal Pay | : Rs.5,000/- per month. |
| D) Reimbursement of Gas & Electricity etc. | : Not exceeding Rs.4,500/- per month. |
| E) Performance Incentive | : Not exceeding Rs.5,00,000/- per annum. |

Perquisites :

- (a) In addition to the above the Wholtime Executive Director shall also be entitled, subject to Schedule XIII of the Act, to perquisites as under :
 - (i) Furnishing of the residential accommodation by the Company from time to time within a limit of Rs. 1,00,000/- (Rupees One Lac) per annum.
 - (ii) Reimbursement of medical expenses for self and family, as per Company rules.
 - (iii) Leave Travel Concession for himself and his family up to Rs.50,000/- per annum.
 - (iv) Ex-gratia Rs. 31,200/- per annum.
 - (v) 27 days leave with pay for every eleven months' service. Encashment of leave at the end of the tenure will be allowed.
 - (vi) Provision of car on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of Company's car for private purposes shall be billed by the Company to Mr. S. K. Velankar.
 - (vii) Benefit of Provident fund and Superannuation scheme as per the Company's rules.
 - (viii) Gratuity in accordance with the rules of the

Company but not exceeding half a month's salary for every completed year of service.,

- (b) The aforesaid shall be in accordance with rules specified by the Company or as may be agreed to by the Board of directors and Mr. S. K. Velankar.
- (c) For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.
- (d) Company's contribution to Provident fund and Superannuation fund to the extent these either singly or together are not taxable under the Income Tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Sitting Fees

The Wholtime Executive Director shall not be entitled to sitting fees for attending meetings of the Board of directors or Committees thereof so long as he continues as Wholtime Executive Director.

Overall Limit

The remuneration is subject to the limit as prescribed by Sections 198 and 309 of the Act and by the Board of directors of the Company and subject further to the overall limit of 10% of net profits on the remuneration of all the wholtime directors of the Company.

Rateable Proportion

If the Wholtime Executive Director's employment shall cease during the currency of any financial year, he or his executors or administrators shall be entitled to rateable proportion of what he would have received if he had lived and been employed for the whole of that year.

Reimbursement

The Wholtime Executive Director shall be entitled to reimbursement of all expenses including travelling and other out of pocket expenses incurred in connection with the business of the Company.

A copy of the Agreement between the Company and Mr. Velankar is available for inspection at the registered office of the Company during business hours on all working days.

None of the directors except Mr. Velankar can be considered to be interested in the resolution.

By Order of the Board of Directors

Place : Mumbai
Date : 30th September, 1997.

R. V. SATAM
Company Secretary

Registered Office:
Plot T-142, MIDC Industrial Estate,
Tarapur, Dist. Thane, Maharashtra.



LUPIN CHEMICALS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Fifteenth Annual Report and Audited Accounts for the year ended 31st July, 1997.

1. FINANCIAL RESULTS

	31.07.97	31.07.96
	(Rs. in Lacs)	
Sales/Income from operations	9208.16	6852.67
Profit before interest, depreciation and tax	2336.04	1615.53
Less : Interest	1187.89	817.93
Less : Depreciation	461.61	418.41
Profit before tax	686.54	379.19
Less : Provision for taxation	—	—
Profit after tax	686.54	379.19
Add : Balance brought forward from previous year	217.95	208.76
Profit available for appropriation	904.49	587.95
Appropriations		
Transferred to Debenture Redemption Reserve	370.00	370.00
Balance carried to Balance Sheet	534.49	217.95
	904.49	587.95

2. PERFORMANCE

Your Company achieved a year of sustained growth with turnover increasing from Rs. 6852.67 lacs to Rs. 9208.16 lacs. The production of Rifampicin has grown by 33% to 156 MT as compared to 117 MT in the previous year. Operating profits improved by 45% from Rs. 1615.53 lacs to Rs. 2336.04 lacs. Despite higher interest and depreciation, net profit grew by 81% from Rs. 379.19 lacs to Rs. 686.54 lacs.

With further improvement in the productivity in the recent past, the performance for the current year is expected to be even better.

3. OPERATIONS

Your Company has maintained the progressive trend by increasing productivity and introducing cost reduction measures. The directors are pleased to place on record that your Company has become the second largest Rifampicin manufacturer in the world. The Company has received the prestigious US FDA approval for its Tarapur factory, facilitating sales to more lucrative market of USA. The Company is implementing a technology improvement plan to face global competition. Opportunities are being evaluated for expanding the product portfolio, so as to ensure increased profitability on a sustainable basis.

4. DIVIDEND

With a view to further strengthen the position of your

Company, the Board does not recommend any dividend.

5. DIRECTORS

Mrs. M. D. Gupta and Mr. D. B. Gupta retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

The nomination of Mr. S. G. Gulati was withdrawn by IDBI and Mr. Santanu Choudhury was nominated in his place. The Board places on record its sincere appreciation of the guidance and support extended by Mr. Gulati during his tenure as a director of the Company.

Mr. V. V. Parameswaran who was nominated by UTI as a director expired on 2nd March, 1997. The Board places on record its sincere appreciation of the guidance and support extended by Mr. Parameswaran during his tenure as a director of the Company.

Mr. S. K. Velankar was appointed as an additional director and holds office up to the date of the forthcoming Annual General Meeting. A notice has been received from a shareholder signifying his intention to propose the appointment of Mr. Velankar as a director. Mr. Velankar was also appointed as the Wholtime Executive Director of the Company for a period of five years w.e.f. 20th March, 1997, subject to terms and conditions for which your approval is sought.

6. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your Board gives the prescribed particulars in an annexure which forms a part of this Report.

7. INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year.

8. AUDITORS

Messrs Arora & Arora, Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

9. AUDITORS' REPORT

The remarks as contained in item 2(d) of the Auditors' Report, read with note Nos. 6 & 14 of Schedule 17 forming part of the Accounts are self-explanatory and as such, do not require further explanation.

10. PARTICULARS OF EMPLOYEES

Information as per the requirements of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) (Amendment Rules), 1988 forms part of this Report.

11. APPRECIATION

Your directors wish to place on record their gratitude to the financial institutions and banks for their timely assistance, their appreciation of the valuable services rendered by all the employees of the Company and the Company's customers, distributors, suppliers and shareholders for their continued support.

For and on behalf of the Board of Directors

Place : Mumbai

Date : 30th September, 1997.

D. B. GUPTA
Chairman

15TH ANNUAL REPORT**ANNEXURE TO THE DIRECTORS' REPORT**

Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

1. As the Company is in the fermentation industry which is highly energy intensive, focus has been on areas of high energy consumption for which various energy saving measures were undertaken.
2. Some of these measures were :-
 - a) Use of varispeed drive for pumps and agitators.
 - b) Recovery and recycling of steam condensate.
 - c) Maintain insulation effectiveness.
 - d) Use of fuel and water additives to avoid scaling etc.

B. TECHNOLOGY ABSORPTION

The measures taken by the Company in respect of technology absorption and research and development are enumerated in Form B attached hereto.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

Foreign Exchange Earnings : Rs. 14.31 lacs
 Foreign Exchange Outgo : Rs. 509.89 lacs

FORM 'A'

(See Rule 2)

FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year ended 31.07.97	Previous Year ended 31.07.96
A. POWER & FUEL CONSUMPTION :		
1. Electricity		
a. Purchased		
Units thousand KWH	20903	21372
Total value Rs. lacs.	814	704
Rate/KWH Rs.	3.89	3.29
b. Own generation		
i) Through diesel generator		
Units thousand KWH	11696	7430
Units per litre of Diesel oil KWH	3.24	3.38
Cost/unit	2.79	2.40
ii) Through steam turbine/generator	—	—
2. Coal		
Quantity (tonnes)	—	—
Total cost	—	—
Average rate	—	—
3. Furnace oil		
Quantity KL	5114.10	4032.74
Total amount Rs. lacs	339.06	209.95
Average rate/KL (Rs.)	6.63	5.21
4. Others		
Quantity	—	—
Total cost	—	—
Average rate	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION :		
PRODUCT (RIFAMPICIN) tonnes	156.06	117.40
Electricity KWH	209	245
Furnace oil Ltrs	33	34
Coal MT	—	—
Others	—	—



LUPIN CHEMICALS LIMITED

FORM 'B'

(See Rule 2)

DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT

1. Specific areas in which R&D is carried out by the Company :

- a) Improvement in productivity of strain.
- b) Process improvement to reduce consumption of expensive raw materials.
- c) Reduction of solvent losses in downstream process.

2. Benefits derived as a result of the above R & D :

- a) Cost reduction.
- b) Improvement in yields as well as production volumes.
- c) Improvement in quality.

3. Future plan of action :

- a) Multipurpose pilot plant for chemical and micro labs.
- b) Further improvement in recovery yields.

4. Expenditure on R&D :

a) Capital (Rs. in lacs) (excluding assets to be capitalised)	0.95
b) Recurring (Rs. in lacs)	19.95
c) Total (Rs. in lacs)	20.90
d) Total R&D expenditure as a percentage of total turnover	0.23%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Efforts, in brief, made towards technology absorption, adaptation and innovation :

The technology was absorbed and improved upon resulting in increase in yields and production volume. R&D efforts are in progress to further improve the yields.

For and on behalf of the Board of Directors

Place : Mumbai

Date : 30th September, 1997.

D. B. GUPTA
Chairman