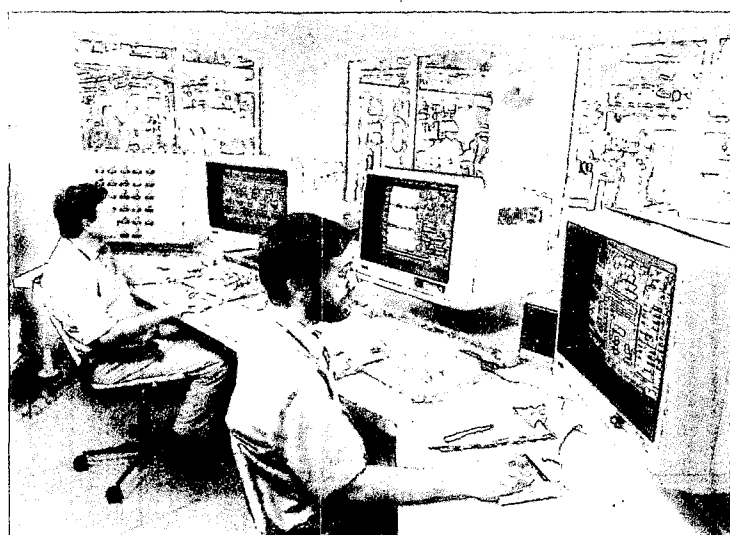
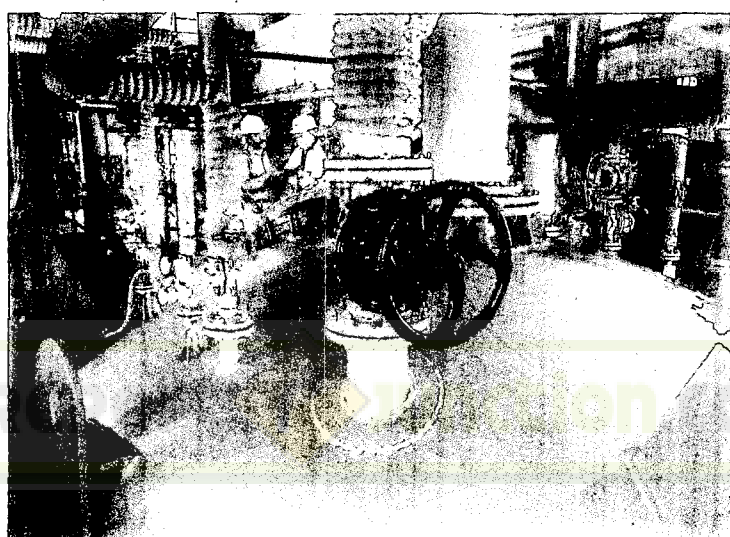




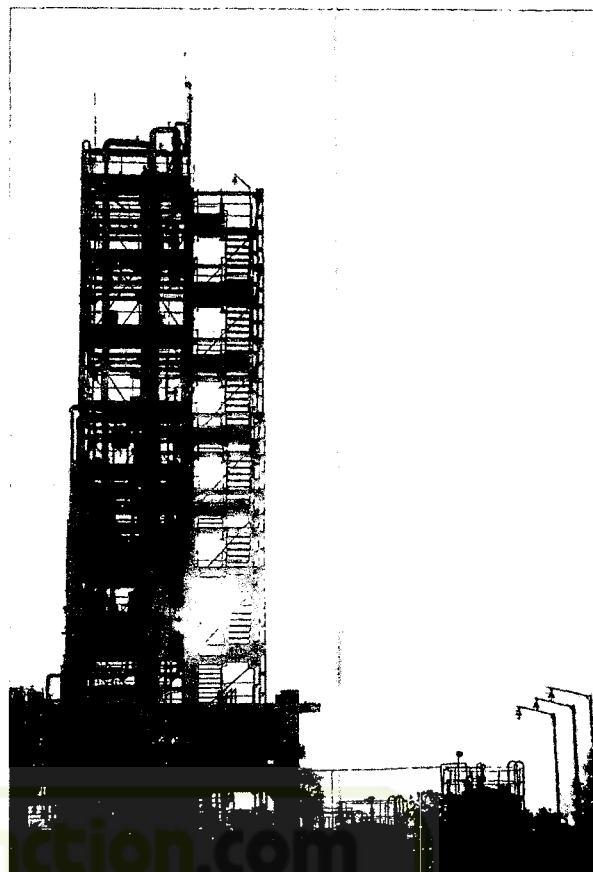
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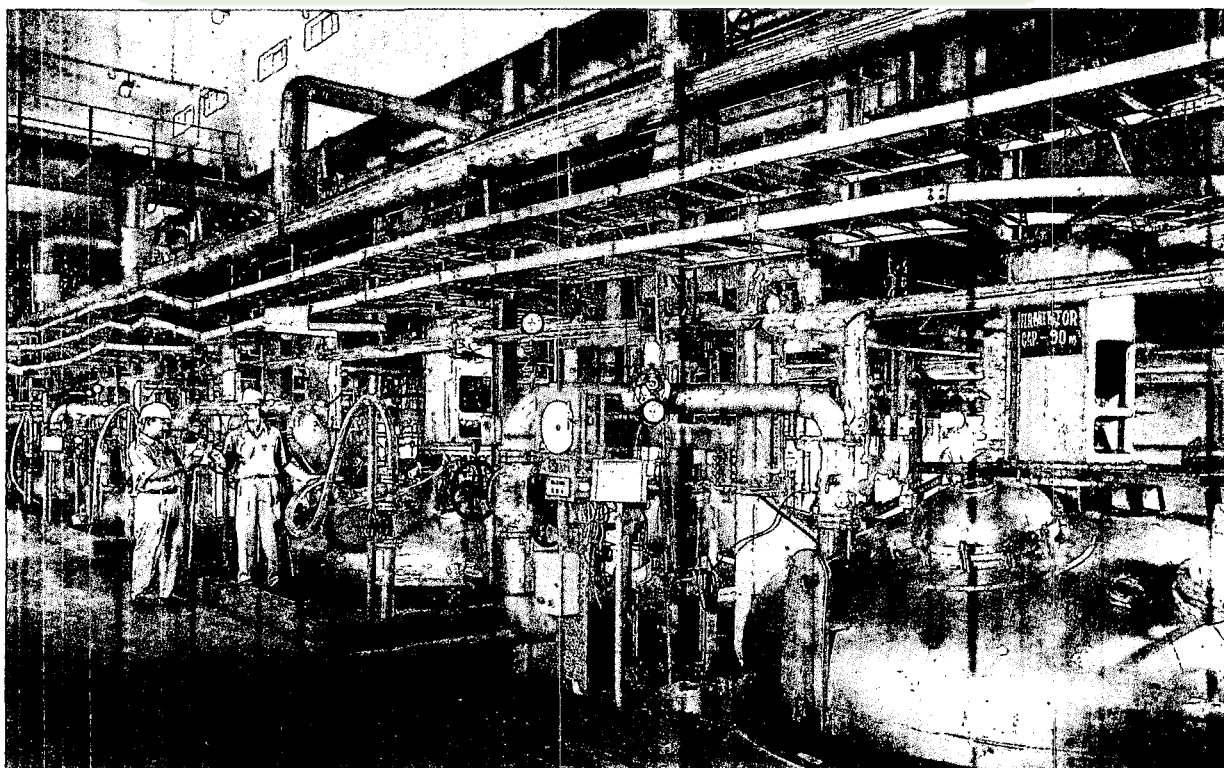
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Rifamycin B seed culture - the starting point



Solvent recovery plant - maximising value



USFDA approved facilities - the true standard of quality

Cover : State - of - the - art fermentation facility at Lupin Chemicals with unique computerised process control and monitoring system

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BOARD OF DIRECTORS

Mr. D. B. Gupta	<i>Chairman</i>
Mrs. M. D. Gupta	
Mr. P. K. Kaul	
Mr. D. K. Contractor	
Dr. D. P. Sinha	
Mr. S. Choudhury	<i>Nominee of IDBI</i>
Mr. D. S. R. Murthy	<i>Nominee of UTI</i>
Mr. S. K. Velankar	<i>Wholetime Executive Director</i>

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.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixteenth 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 Friday, the 11th day of December, 1998 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, 1998 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors.
2. To declare dividend for the year ended 31st July, 1998.
3. To appoint a director in place of Mr. D. K. Contractor, who retires by rotation and is eligible for reappointment.
4. To appoint a director in place of Dr. D. P. Sinha, who retires by rotation and is eligible for reappointment.
5. To appoint Auditors to hold office from the conclusion of the Sixteenth Annual General Meeting till 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 an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Articles of Association and Sections 198, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the payment of revised remuneration to Mr. S.K. Velankar, Wholtime Executive Director of the Company w.e.f. 1st July, 1998 upon the terms and conditions and stipulations as set out in the draft Supplemental Agreement to be entered into between the Company and Mr. Velankar, a copy whereof is placed before the meeting.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or expedient to give effect to this resolution."

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

"RESOLVED THAT in addition to all the previous resolutions passed in this behalf, consent of the Company be and is hereby accorded in terms of

Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors ("the Board") of the Company of all the immovable and/or movable properties of the Company, wheresoever situate, both present and future and/or whole or substantially the whole of the undertaking(s) of the Company to or in favour of any public or private financial institution(s), banks, mutual funds, bodies corporate or any other person whomsoever participating in extending financial assistance, to secure any term loans, working capital facilities, debentures or any other type of financial assistance, not exceeding Rs.75 crores (Rupees seventy five crores) lent and advanced/agreed to be lent and advanced by them, together with interest, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses or monies payable by the Company to them under loan agreements/letters of sanction/debenture trust deeds, etc.

RESOLVED FURTHER THAT the securities to be created by the Company as aforesaid may rank *pari passu* with the mortgages and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board and as may be agreed to between the Company and the concerned parties.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise and execute any and all agreements and documents, necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered by the Board to be in the best interests of the Company."

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

"RESOLVED THAT in supersession of all the earlier resolutions passed in this behalf, consent of the Company be and is hereby accorded to the Board of Directors ("the Board") pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association, to borrow from time to time, as it may think fit, any sum or sums of money not exceeding Rs.150 crores (Rupees one hundred fifty crores), on such terms and conditions as the Board may deem fit where the monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed, at any time, the aggregate of the paid-up capital of the Company

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and its free reserves (that is to say, reserves not set apart for any specific purpose), and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as it may think fit.

RESOLVED FURTHER THAT the Board be and is hereby further authorised to create mortgages and/or charges on such properties of the Company as it may think fit and for that purpose execute such documents and writings containing such conditions and covenants as the Board may think fit and to take all such steps as may be necessary or desirable 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. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 6 to 8 is annexed.
3. The Register of Members and the Share Transfer Register of the Company will be closed from Friday, the 20th November, 1998 to Friday the 11th December, 1998 (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 Sr. Vice President - Finance, 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 extent possible.

By Order of the Board of Directors

Place : Mumbai.

Date : November 12, 1998

R.V. SATAM

Company Secretary

Registered Office :

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NO. 6

At the 15th Annual General Meeting of the Company held on 23rd December 1997, 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 subject to terms and conditions as set out in the Agreement dated 26th September 1997 entered into between the Company and Mr. Velankar. In appreciation of the good performance and the significant role played by the Mr. Velankar in the progress made by the Company, the Board of Directors vide a circular resolution dated 9th November 1998 has proposed to revise remuneration payable to Mr. Velankar w.e.f. 1st July 1998 as under :

- | | |
|---|---------------------------------------|
| (A) Salary | : Rs.31,000/- per month. |
| (B) Management Allowance | : Rs.24,000/- per month. |
| (C) Personal Pay | : Rs. 5,000/- per month. |
| (D) Reimbursement of Gas & Electricity etc. | : Not exceeding Rs.5,000/- per month. |

- (E) Performance Incentive : Not exceeding Rs.20,00,000/- per annum.

Perquisites

- (a) In addition to the above, Mr. Velankar shall be entitled, subject to the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956, to the following perquisites :
 - i) Provision of rent - free accommodation by the Company.
 - ii) Furnishing of the residential accommodation by the Company from time to time within a limit of Rs.1,50,000/- per annum.
 - iii) Reimbursement of medical expenses for self and family.
 - iv) Leave travel concession for self and family upto Rs.60,000/- per annum.
 - v) Ex-gratia Rs.37,200/- per annum.
 - vi) Leave with pay and encashment of accumulated leave at the end of the tenure will be allowed.

vii) Free use of Company's cars with driver for Company's work and telephone at residence will not be considered as perquisites. Personal long distance calls shall be billed by the Company to him.

viii) Benefits of provident fund, gratuity and superannuation schemes.

The perquisites shall be in accordance with the Company's rules or as may be agreed to by the Board of Directors and Mr. Velankar.

- (b) The revised remuneration as above is subject to the overall limit as prescribed by Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956.
- (c) For the purpose of calculating the above limits, perquisites shall be evaluated as per Income Tax Rules wherever applicable, or at actual cost.
- (d) Company's contribution to provident fund and superannuation scheme, gratuity and encashment of accumulated leave at the end of the tenure shall not be included in the computation of overall limits.

Rateable Proportion

If the Wholtime Executive Director's employment shall cease during the currency of any financial year, he shall be entitled to rateable proportion of what he would have received had he been employed for the full year.

Reimbursement

Mr. Velankar shall be entitled to reimbursement of all expenses including travelling and other out of pocket expenses incurred by him in connection with the business of the Company.

In case of absence or inadequacy of profits in any year during the tenure of his office, he shall be entitled to the above remuneration, subject to the overall limits as may be provided by the Companies Act, 1956 or the applicable guidelines in force from time to time.

Mr. Velankar will be given such periodical increments in the above salary and perquisites as the Board of Directors may decide within the overall permissible limits.

The terms and conditions as enumerated above may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

The Agreement dated 26th September 1997 and the draft Supplemental Agreement to be entered between the Company and Mr. Velankar are available for inspection at the Registered Office of the Company during business hours on all working days.

The Board recommends this resolution for approval of the Members.

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

ITEM NO. 7

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a public limited company shall not, without the consent of the company sell, lease or otherwise dispose of the whole or substantially the whole of an undertaking of the company. Since the Company is likely to avail loans or other financial assistance including issue of debentures on private placement basis, it would be necessary to create a mortgage/charge on the assets of the Company in favour of the lenders/trustees for debentureholders which may be regarded as a disposal of the whole or substantially the whole of the Company's undertaking and therefore, the said resolution is proposed to be passed.

Mr. Santanu Choudhury and Mr. D. S. R. Murthy, who are nominee Directors of IDBI and UTI respectively, may be deemed to be indirectly interested to the extent of mortgages/ charges that may be created in favour of IDBI and UTI.

ITEM NO. 8

At the Extraordinary General Meeting of the Company held on 22nd June 1991, the members had, pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 authorised the Board of Directors of the Company to borrow from time to time, a sum or sums of money apart from temporary borrowings from bankers in the ordinary course of business in excess of the aggregate of the paid-up capital of the Company and its free reserves, provided that the sum or sums so borrowed and remaining outstanding at one time, shall not exceed Rs.75 crores. Since the company has obtained / will be obtaining financial assistance from financial institutions / banks, the said limit of Rs.75 crores may be utilised to a considerable extent. In view of the growing business of the Company and the need for more funds to meet the growth plans of the Company, it is proposed to increase the limits from Rs.75 crores to Rs.150 crores.

Mr. Santanu Choudhury and Mr. D. S. R. Murthy, who are nominee Directors of IDBI and UTI respectively, may be deemed to be indirectly interested to the extent of financial assistance that may be availed from IDBI and UTI.

By Order of the Board of Directors

Place : Mumbai.
Date : November 12, 1998

R.V. SATAM
Company Secretary

Registered Office :

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

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DIRECTORS' REPORT

To the Members,

Your Directors present their Sixteenth Annual Report and Audited Accounts for the year ended 31st July, 1998.

1. FINANCIAL RESULTS

	For the year ended	
	31.07.98	31.07.97
	(Rs.lacs)	
Sales/ Income from operations	10921.05	9170.51
Profit before interest, depreciation and tax	2975.56	2345.81
Less : Interest	1435.13	1197.66
Less : Depreciation	447.20	461.61
Profit before tax	1093.23	686.54
Less : Provision for taxation	—	—
Profit after tax	1093.23	686.54
Add : Balance brought forward from previous year	534.49	217.95
Amount available for appropriation.	1627.72	904.49
Appropriations:		
Transferred to Debenture Redemption Reserve	370.00	370.00
Proposed dividend	335.51	—
Tax on dividend	33.55	—
Balance carried to Balance Sheet	888.66	534.49
	1627.72	904.49

2. PERFORMANCE

The Company's turnover/operational income increased to Rs.10921.05 lacs as against Rs.9170.51 lacs in the previous year. The production of Rifampicin has grown to 186 MT from 156 MT. Operating profit improved by 27% from Rs.2345.81 lacs to Rs.2975.56 lacs. The Company achieved net profit of Rs.1093.23 lacs, up from Rs.686.54 lacs, thus registering an impressive growth of 59%.

With further improvement in the productivity and various cost reduction measures, the performance for the current year is expected to be even better.

3. OPERATIONS

The Company continued its growth trend and achieved increased productivity through the efforts of in-house R&D. The Company's product is well accepted internationally. The Company has expanded its customer base by catering to their specific requirements in terms of quality. Continuous efforts at technology improvement resulted in improved productivity, thereby leading to higher profits. The fermentation industry being highly energy intensive, the Company has focussed on reducing utility costs. The Company is setting up a captive power plant which will ensure assured supply of good quality power at a lower cost. In order to expand its product portfolio and achieve improved profitability, the Company is evaluating proposals for manufacturing new products based on fermentation technology. During the year, the Government notified a reduction in the selling price of Rifampicin against which the Company has made a review application and has simultaneously filed legal proceedings. Meanwhile, the Government has partially increased the price, thereby rendering some relief.

4. DIVIDEND

After a gap of three years, your Company is back on the dividend track. Your Directors are pleased to recommend dividend at the rate of 10%, absorbing a sum of Rs.335.51 lacs.

5. DIRECTORS

Mr. D. K. Contractor and Dr. D. P. Sinha retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

Mr. D.S.R. Murthy was nominated by Unit Trust of India as a Director on 4th November, 1997.

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

In terms of the above Rules, your Directors give the particulars as prescribed therein, in an annexure which forms part of this Report.

7. FIXED DEPOSITS

The maiden Fixed Deposit schemes of the Company were launched on 20th October, 1997. The schemes met exceptional response from the investors across the country, in so much as the depositors grew to over 10,000 strong, satisfied family.

The total amount of such fixed deposits as on 31st July, 1998 was Rs. 1315.62 lacs.

There were seven deposits aggregating Rs.1.75 lacs lying unclaimed with the Company as on 31st July, 1998 of which five deposits aggregating Rs.1.25 lacs have since been renewed/repaid. The Company has sent reminders to the concerned deposit holders to claim their deposits.

8. INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year under review.

9. AUDITORS

M/s. Arora & Arora, Chartered Accountants, the Company's Auditors, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

10. AUDITORS' REPORT

The remark as contained in item 2(d) of the Auditors' Report read with Note No.5 of Schedule 17 forming part of the Accounts is self-explanatory and as such, does not require further explanation.

11. PARTICULARS OF EMPLOYEES

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

12. APPRECIATION

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

For and on behalf of the Board of Directors

Place : Mumbai.
Date : 29th September, 1998.

D.B. GUPTA
Chairman



LUPIN

CHEMICALS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

The Company focussed on high energy consumption areas and as a part of the ongoing strategy, steps were taken to reduce consumption of energy.

Some of these measures were:-

- Optimisation of compressed air pressure.
- Use of fuel and water additives to avoid heat losses by preventing scaling.
- Continuous monitoring for achieving high effectiveness of cold and hot insulations.
- Use of variable speed drive for higher horse power drives.
- Recovery and recycling of steam condensate.

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 AND OUTGO

Foreign exchange earnings : Rs. 1720.25 lacs

Foreign exchange outgo : Rs. 469.63 lacs

* Including exports through an associate company.

FORM 'A'

(See Rule 2)

FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year ended 31.07.98	Previous Year ended 31.07.97
1. A. POWER & FUEL CONSUMPTION:			
a) Purchased			
Units	Thousand KWH		20903
Total value	Rs. lacs	26488	814
Rate/KWH	Rs.	1038	3.89
b) Own Generation			
i) Through Diesel Generator			
Units	Thousand KWH		11696
Units per litre of Diesel oil	KWH	6253	3.24
Cost/Unit	Rs.	3.34	2.79
ii) Through Steam turbine/Generator			
2. Coal			
Quantity (tonnes)		—	—
Total cost		—	—
Average rate		—	—
3. Furnace oil			
Quantity	KL		5114.10
Total amount	Rs.lacs	5503.95	339.06
Average rate/KL	Rs.	303.82	6.63
4. Others			
Quantity		5.52	—
Total cost		—	—
Average rate		—	—
B. CONSUMPTION PER UNIT OF PRODUCTION:			
Electricity Units	Lac KWH	207.75	156.06
Furnace oil Units	Lac Ltrs.	265	209
Coal	MT	55	51
Others		—	—