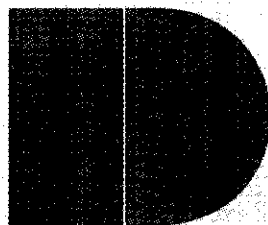
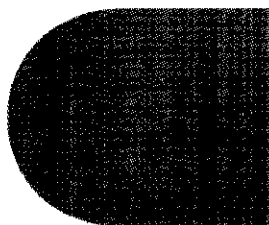
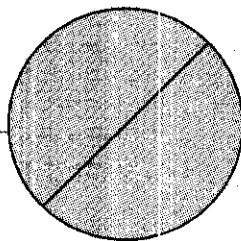
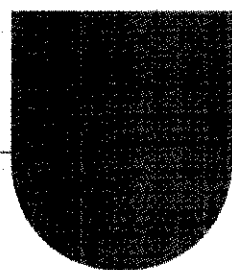
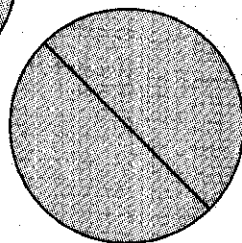
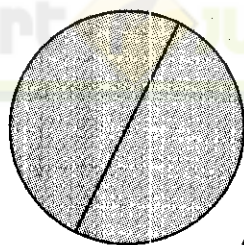
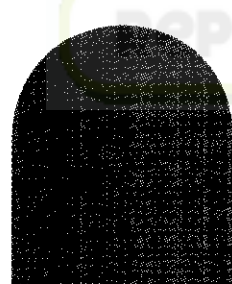


## Lupin Chemicals Limited • Annual Report for Shareowners 1999-2000



'He who has  
health has hope,  
and he who has  
hope has  
everything'  
- Arabian Proverb



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## **CORPORATE INFORMATION**

### **DIRECTORS**

Mr. D. B. Gupta  
*Chairman*  
Mrs. M. D. Gupta  
Mr. P. K. Kaul  
Mr. D. K. Contractor  
Dr. D. P. Sinha  
Mr. M. Parameswaran  
*Nominee of UTI*  
Mr. S. K. Velankar  
*Wholtime 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.

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eighteenth 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 Saturday, the 4th day of November, 2000 at 10.30 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the eight-month period ended on that date and the reports of the Directors and Auditors.
2. To declare dividend for the eight-month period ended 31st March, 2000.
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 Eighteenth 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 modification(s) the following resolution as a Special Resolution:  
 "RESOLVED THAT pursuant to the provisions of Section 17 and such other provisions of the Companies Act, 1956 as may be applicable, the following new sub-clause 2A be added after the existing sub-clause 2 in clause III (A) of the Memorandum of Association as one of the main objects of the Company: -  
 "2A" To establish, develop, provide and render on commercial basis, projects, services or training in the nature of scientific research and development, technology or consultancy related thereto, for the development of and improvement in bulk drugs, pharmaceutical and medicinal substances and finished products of all kinds and related to all branches of medicines, to develop novel drug-delivery systems, modeling, process chemistry research, discover new molecules, computational chemistry and novel chemical entities, to improve production processes, to conduct all kinds of clinical trials and to establish, conduct and maintain all kinds of infrastructure, including scientific research and development laboratories, animal house, training colleges and other institutions for training, education and holding any lectures, conferences, meetings and exhibitions connected thereto and to carry on any other operations or activities of whatsoever nature and kind in relation or incidental hereto."
6. 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 149 (2A) and such other provisions of the Companies Act, 1956 as may be applicable, approval of the Company be and is hereby accorded for the commencement and implementation by the Board of Directors of any of the objects and activities covered by sub-clause 2A of clause III (A) of the Memorandum of Association of the Company.  
 RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take on behalf of the Company all actions or steps necessary or desirable in this connection."
7. 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 overall remuneration to Mr. S. K. Velankar, Wholtime Executive Director of the Company from 1st July, 1999 onwards upon the terms and conditions and stipulations as set out in the draft second 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 authorized 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.  
 RESOLVED FURTHER THAT actions already taken, if any, in this regard be and are hereby confirmed and ratified."

### 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. 5, 6 and 7 is annexed.
3. The Register of Members and the Share Transfer Register of the Company will be closed from Friday, the 27th October, 2000 to Saturday, the 4th November, 2000 (both days inclusive).
4. Dividend, if declared at the meeting, will be paid within the prescribed time limit to those members whose names appear in the Register of Members of the Company on Saturday, the 4th November, 2000. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details to be furnished by National Securities Depository Limited/ Central Depository Services Limited for this purpose.
5. Shareholders holding shares in physical form are requested to furnish details of their bank accounts, which will be printed on the dividend warrants, so as to avoid fraudulent encashment thereof.  
 For shares held in electronic form, requests for noting bank details on dividend warrants may please be communicated to their respective Depository Participants, (DPs), since requests to the Company cannot be entertained. They are further advised to reconfirm the bank details with their DPs.
6. Consequent to the amendment to Section 205 A and introduction of Section 205 C in the Companies Act, 1956, the amounts of unpaid/matured dividend, share application/allotment money, deposits, debentures and interest remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed the dividend warrants for the year ended 31st July, 1998 or any subsequent year(s) are requested to lodge their claims with the Company.

Members who have not encashed the dividend warrants for the year ended 30th June, 1994 are requested to claim the amount from the Registrar of Companies, Maharashtra, C.G.O. Building, A-Wing, 2nd floor, C.B.D., Belapur, Navi Mumbai, Pin-400 614.

7. The Members are requested to:
- Intimate to the Company, changes if any, in their registered addresses at an early date for shares in physical mode.  
For shares held in electronic mode, changes if any, may please be communicated to their respective DPs.
  - Quote ledger folio numbers/client ID numbers in all their correspondence.
  - Approach the Company for consolidation of various ledger folios into one.
  - To avoid inconvenience, get the shares transferred in joint names, if they are held in single name and/or appoint a nominee.
  - Bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.
  - 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.
8. Members, who hold shares in dematerialized form, are requested to bring their client ID and DP ID numbers at the meeting for easier identification.

By Order of the Board of Directors

**R. V. Satam**  
Company Secretary

Mumbai, September 28, 2000

**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 NOS. 5 & 6**

The Company is a dominant player in pharmaceutical industry and as part of the reorganization process, it has been decided to strengthen the scientific research and development activity, as also to render related services to other organizations. The superseding guiding principle for Lupin is to operate Research as a profit centre. It is obvious that this would also be helpful for and can be conveniently and advantageously combined with the existing business of the Company. With a view to enable the Company to enter this business area, it is proposed to alter Clause III (A) of the Memorandum of Association by adding sub-clause 2A after the existing sub-clause 2.

A special resolution as per the provisions of Section 17 of the Companies Act, 1956 is accordingly proposed to be passed.

Further, with a view to enable the Board of Directors to commence this new activity, a special resolution as per the provisions of Section 149(2A) of the said Act is proposed to be passed.

The Directors recommend the Resolutions for approval of the members.

None of the Directors of the Company is interested in or concerned with the above resolutions.

**ITEM NO. 7**

Mr. S. K. Velankar was appointed as the Wholetime Executive Director of the Company for a period of five years w.e.f. 20th March, 1997 on terms and conditions set out in the agreement dated 26th September, 1997 as modified by the first supplemental agreement dated 11th December, 1998 entered into between the Company and Mr. Velankar. Mr. D. B. Gupta, the Chairman of the Company, in pursuance of the powers delegated to him by the Board of Directors has decided vide a letter dated 28th September, 2000 to pay Mr. Velankar from 1st July 1999 onwards the overall remuneration within the maximum limit of Rupees thirty lacs per annum, the actual quantum to be decided from time to time.

The other terms and conditions of his appointment remain unaltered.

The Agreement dated 26th September, 1997, first supplemental agreement dated 11th December, 1998, the draft second supplemental agreement to be entered into between the Company and Mr. Velankar and the said letter dated 28th September, 2000 are available for inspection at the Registered Office of the Company during business hours on all working days.

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

The above resolution is recommended for approval of the Members.

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

By Order of the Board of Directors

**R. V. Satam**  
Company Secretary

Mumbai, September 28, 2000

**Registered Office:**

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

## DIRECTORS' REPORT

To the Members,

Your Directors present their Eighteenth Annual Report and Audited Accounts of the Company for the eight-month period ended March 31, 2000.

### 1. Financial Results

	Eight-month period ended March 31, 2000	(Rs. in lacs) Year ended July 31, 1999
Sales/Income from operations	6617.42	11038.10
Profit before interest, depreciation and tax	1819.06	3321.29
Less: Interest	1071.86	1535.54
Less: Depreciation	383.82	472.53
Profit before tax	363.38	1313.22
Less: Provision for taxation	155.00	64.00
Profit after tax	208.38	1249.22
Add: Debenture Redemption Reserve no longer required	740.00	85.00
Add: Balance brought forward from previous year	1565.46	888.66
Amount available for appropriation	2513.84	2222.88
<b>Appropriations:</b>		
Transferred to Debenture Redemption Reserve	—	285.00
Proposed dividend	335.51	335.51
Tax on dividend	73.81	36.91
Balance carried to Balance Sheet	2104.52	1565.46
	2513.84	2222.88

### 2. Performance and Operations

The Company's turnover/operational income was Rs. 6617.42 lacs during the eight-month period under review, as compared to Rs. 11038.10 lacs during the previous year. The production of Rifampicin during the period under review was 163 MT as compared to 207 MT for the previous year, thus registering an annualised increase of 18%. The operating profit of Rs. 1819.06 lacs recorded during the said period was lower by 18% on annualised basis as compared to Rs. 3321.29 lacs achieved during the previous year. During the said period, the Company earned a net profit of Rs. 208.38 lacs after providing tax of Rs. 155 lacs for the full twelve months ended 31st March, 2000.

During the period under review, the Company has commissioned its captive power plant, which has ensured an uninterrupted supply of quality power thereby helping to augment productivity and production.

During the said period, the Company had to face two major adverse factors. Firstly, the international fuel prices more than doubled, whereby the power production cost could not be reduced significantly, as had been planned for the captive power plant.

There was also a cascading effect on raw material prices, especially solvents, which led to an increase in the cost of inputs. Secondly, on account of increased domestic and international competition, especially from China, the selling prices dropped significantly leading to lower sales realisations as compared to the previous year. The overall impact of the above factors was a drastic reduction in margins. However, efforts on productivity improvement, raw material cost control and energy conservation helped the Company to keep production costs under control and therefore, the Company was able to remain profitable even under adverse conditions.

### 3. Looking Ahead

In the near future, Rifampicin will continue to be the main product of the Company. Efforts are on to further boost productivity and reduce costs so that the Company continues to remain profitable in a highly competitive environment.

On the marketing front, additional efforts are being made to establish a reasonable share in those markets, where margins are higher.

The Company is also working towards adding new products to reduce dependence on Rifampicin. Towards this end, the Company is increasing its R&D efforts at Tarapur. It will also participate in the corporate R&D laboratory being set-up in Pune by the Lupin Group. It is expected that in the coming years the Company will be able to add at-least one product every two years thereby creating a broader product basket and ensure predictably higher profits.

**4. Dividend**

Even though profits were lower during the period under review on account of adverse business environment, considering the faith reposed by the shareholders in the Company's performance over the years and looking forward to the potential growth and profitability, your Directors are pleased to recommend dividend at the rate of 10% absorbing a sum of Rs 335.51 lacs (excluding dividend tax).

**5. Amalgamation**

The Company has given a great deal of thought on the pros and cons and the benefits expected to be derived by the amalgamation of Lupin Chemicals Ltd and Lupin Laboratories Ltd. The study revealed that the Company would achieve wider product range and marketing advantages, including in developed markets, synergies of technology and operations and tax savings etc. among others. The Board accordingly considered and approved the proposal of the said amalgamation w.e.f. April 1, 2000, subject to the approvals of the Bombay High Court, shareholders and such other approvals as may be required. The management is following up the matter further.

**6. Directors**

Mr. D.B. Gupta retires by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

The nomination of Mr. Santanu Choudhury was withdrawn by IDBI. The Board places on record its sincere appreciation of the valuable support extended by Mr. Choudhury during his tenure as a Director of the Company.

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

In terms of the above rules, your Directors give the prescribed particulars in an annexure forming part of this Report.

**8. Fixed Deposits**

The Fixed deposit schemes of the Company continued to be patronised by the depositors. Even in the backdrop of reduction in interest rates offered by the Company during the period, there was a consistent rise in deposits and growth in the number of depositors. There are around 18,000 depositors across the country.

The total amount of fixed deposits as on March 31, 2000 was Rs 2288 lacs. There were 392 deposits aggregating Rs 45.12 lacs, lying unclaimed with the Company as on March 31, 2000 of which, 336 deposits aggregating Rs 39.30 lacs have since been renewed/repaid. The Company has been following up the matter with the deposit-holders concerned to claim their deposits.

**9. Industrial Relations**

Industrial relations continued to be cordial and harmonious during the period under review.

**10. Auditors**

M/s. Arora & Arora, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

**11. Auditors' Report**

The remark as contained in item 2(e) of the Auditors' Report, read with note no. 5 of Schedule 18 forming part of the Accounts is self-explanatory and as such, does not require further explanation.

**12. Particulars of Employees**

Information as prescribed by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) (Amendment) Rules, 1999 is given as an annexure to this Report. However, pursuant to the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all the shareholders excluding the aforesaid information. Shareholders who are interested in obtaining the information may write to the Company Secretary at the Company's head office.

**13. Appreciation**

Your directors 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 customers of the Company, distributors, suppliers, shareholders and depositors for their continued support.

By Order of the Board of Directors

**D. B. Gupta**  
Chairman

Mumbai, September 14, 2000