



Growing

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Directors

Dr. D. B. Gupta, *Chairman & Managing Director*

Mrs. M. D. Gupta, *Executive Director*

Mr. P. K. Kaul

Mr. D. K. Contractor

Dr. D. P. Sinha

Dr. K. U. Mada

Mrs. Vinita Gupta Sharma, *Wholetime Director - Americas & Europe*

Mr. M. Parameswaran, *Nominee UTI*

Mr. P. Ojha, *Nominee IDBI*

Company Secretary

Mr. Kiran N. Bade

Auditors

S. S. Kapoor & Co.

Chartered Accountants, Mumbai

Solicitors

Crawford Bayley & Co.

Gagrat & Co.

Audit Committee

Dr. K. U. Mada, *Chairman*

Dr. D. P. Sinha

Mr. D. K. Contractor

Investors' Grievances Committee

Mr. D. K. Contractor, *Chairman*

Dr. D. P. Sinha

Dr. K. U. Mada

Bankers

Central Bank of India

Bank of Baroda

State Bank of India

Punjab National Bank

Citibank N.A.

Syndicate Bank

UTI Bank Ltd.

The Federal Bank Ltd.

Dena Bank

REGISTERED OFFICE

159, C.S.T. Road, Kalina,

Santacruz (East), Mumbai - 400 098.

Phone (91-22) 5693 1001-10 Fax (91-22) 2654 0484

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Disclaimer to

forward-looking

This report contains certain forward-looking statements regarding our expectations, beliefs, intentions or strategies regarding the future. These statements include statements concerning projected revenues, international revenues, expenses, profit, margins or other financial items; timing and level of customers' orders; demand for and market acceptance of products and services; and product development and proposed new product services.

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In this report, the words "*anticipate*", "*believe*", "*expect*", "*intend*", "*future*", "*moving toward*" and similar expressions also identify forward-looking statements. Lupin's actual results could differ materially from the forward-looking statements contained in this report including the risks identified in the report. Lupin undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect future events or circumstances, to reflect the occurrence of unanticipated events, or to explain the reason why such results might differ.

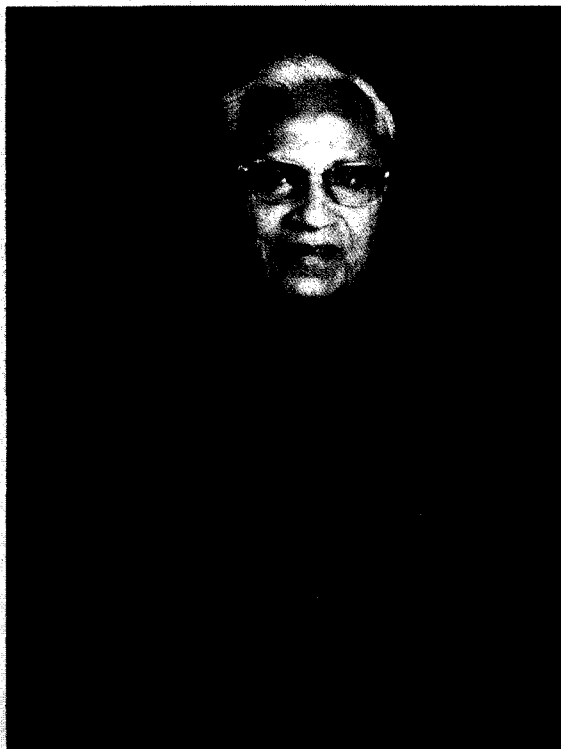
FINANCIAL HIGHLIGHTS

	<i>In Rs. crore except for per share data</i>		
	2002-03	2001-02	2000-01
Operating highlights			
Sales	1120.05	956.87	902.85
Profit before interest and tax	158.44	158.58	124.73
Interest and finance charges (net)	61.38	62.20	59.70
Depreciation	25.04	23.17	18.52
Tax (Including deferred and prior period)	23.99	24.20	5.00
Net profit	73.07	72.18	60.02
Net fixed assets	496.37	461.76	437.15
Current assets	795.15	770.58	694.43
Current liabilities and provisions	240.62	193.63	165.64
Working capital (net)	554.53	576.95	528.79
Capital employed	1059.41	1049.11	977.85
Paid up equity share capital	40.14	40.14	40.14
Reserves and surplus	342.23	292.31	242.45
Deferred tax liability	89.55	83.42	66.22
Loan funds	587.49	626.24	617.04
Key ratios			
Fixed asset turnover	2.26	2.07	2.07
Debtors turnover (days)	109	123	119
Current ratio	3.30	3.98	4.19
Quick ratio	2.72	3.24	3.31
Debt equity ratio (including deferred tax)	55:45	60:40	63:37
Earnings per share	Rs. 18.08	Rs. 17.67	Rs. 14.57
Dividend per share	Rs. 5.00	Rs. 5.00	Rs. 3.50
Book value per share	Rs. 95.26	Rs. 84.56	Rs. 73.39

Striving for competitiveness



Desh Bandhu Gupta, Chairman



Dear shareowner,

I am pleased to present your annual report for the financial year 2002-03.

Throughout the year, we continued to strive for global competitiveness in our target segments, investing successfully in innovative strategies, systems, processes, and, most important, the right people. I believe that our focused search for excellence has helped us develop a clear edge in fast changing times.

The Indian and global pharmaceutical industry is going through rapid and intense change. For Indian companies, increased competition and the specter of a new industry order, post-2005, demands ceaseless improvement in every sphere of activity, be it product pipelines; research; efficiencies and speed relating to manufacturing, distribution and marketing; or new and innovative ways of winning the customer.

Global pharmaceutical majors are also under pressure to improve the effectiveness of their R&D, and to improve the quality and quantity of their product pipelines. To ensure stable future growth and to

increase the probability of huge success through "blockbuster" drugs, better products need to be brought faster to market through innovative processes and a strong pipeline.

All this, whether you are an Indian company or one of Big Pharma, involves commitment of people and resources. Before commitment must come prudence. Neither of them would be much use without the critical input of strategy.

Lupin's strategy

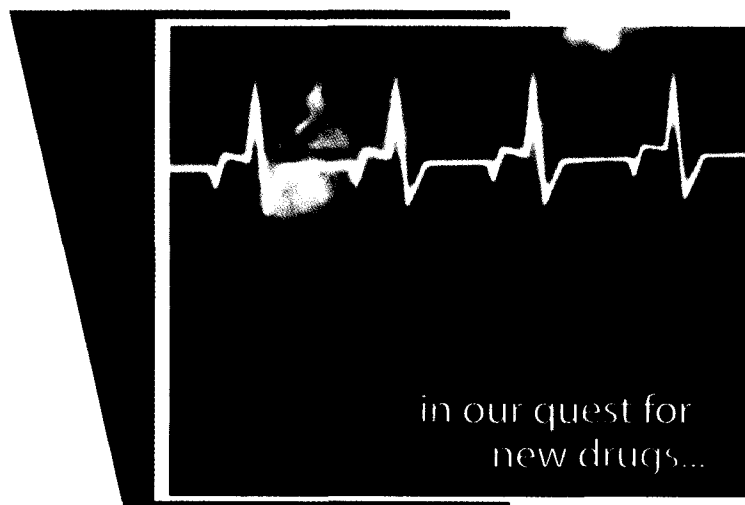
Lupin's strategy is based on making optimum use of our strengths - skills in process chemistry, economies of scale, internationally approved plants, and creating niche value through R&D by filing ANDAs.

We will be increasingly focusing on the developed markets of North America and Europe. With sales to advanced markets crossing Rs. 100 crore in FY 2002-03, I believe we have begun well in these markets. The advanced markets will be our growth driver for the future. The company has been preparing for this move over a period of time. In the Indian pharmaceutical industry, Lupin has among the largest number of plants approved by the USFDA, and one plant approved by the UKMCA.

In the API business, Lupin enjoys high economies of scale. We are already among the top manufacturers in each of our products. We will continue to increase this market dominance with existing products and introduce new product categories such as statins, among others.

Our strategy for the Indian markets is to create differentiation through introduction of NDDS products based on our patented technology platforms, which I believe will facilitate the company's long term growth in India beyond 2005.

Another segment in which the company has done substantial work is herbal drugs, the potential for which is quite large.



We press forward in our quest for new drugs and new markets; however, product line extensions and life cycle management through novel drug delivery systems will occupy a place of prime importance in our scheme of things.

Business performance

I am glad to inform you that your company recorded impressive growth both in the top line and at operating levels in FY 2002-03.

Turnover was at Rs. 1120.05 crore in FY 2002-03, up 17% from Rs. 956.87 crore in the previous year; exports were up 33% at Rs. 412.77 crore against Rs. 309.85 crore; and operating profit (PBIDT) was Rs. 183.48 crore. After Rs. 61.38 crore for interest, Rs. 25.04 crore for depreciation and Rs. 20.38 crore for taxation, profit stood at Rs. 76.68 crore, up 6% from the previous year. After providing Rs. 3.61 crore towards income tax for earlier years, net profit was at Rs. 73.07 crore.

The growth in sales was achieved through a combination of focused marketing, particularly in the advanced markets of the US and Europe; effective asset utilization; operating efficiency; better sales mix; and increased capacities.

In FY 2002-03, we continued to maintain a balanced mix, between APIs and finished dosages and between exports and domestic sales.

CHAIRMAN'S LETTER

The API business, in tandem with our Europe and US business, turned in yet another impressive performance in FY 2002-03.

The year saw Lupin maintaining its long-held position as the world's top producer of anti-TB drugs. We also improved our market mix, consolidating our position in the global market for cephalosporins and cardiovascular drugs in a significant way.

Apart from the developed markets, Lupin already has a significant presence in developing markets such as China. The company is seeking to extend this presence; a good beginning has already been made in the CIS countries.

In the finished dosages business, which currently relies on the Indian market, we have been impacted by reduced open market demand for anti-TB drugs. A major factor is the centralized procurement from institutional buyers such as the WHO, under its DOT program. Increased competition and regulatory price controls also resulted, in value terms, in an overall stagnant domestic market in FY 2002-03.

However, Lupin's strengths in branding and marketing -- of India's top 300 pharmaceutical brands Lupin owns eight -- have helped in an otherwise difficult year. Over 20 of our brands rank in the top three in their respective molecular segments.

In FY 2002-03, we added many new products that should improve market share in their specific

therapeutic segments during FY 2003-04. Lupin entered the domestic generic dosages business, which achieved significant sales. This is a price-sensitive market; I am sure that Lupin's reputation among the Indian medical fraternity, and our leadership in cost and quality, will help us capture a large share of this fast-growing segment.

Lupin's R&D is progressing on the objectives set in our focus areas of Abbreviated New Drug Application (ANDA) filings, innovative process research for Drug Master File (DMF) filings, research in New Chemical Entities (NCE), and Novel Drug Delivery Systems (NDDS).


R&D is vital to our generics business in the US and Europe. Our ANDA strategy has been to target products that are complex, thus limiting competition and creating a sustainable business model. The company has identified products for development for the next five years and will continue with this strategy.

The thrust on R&D reflects our long term commitment. I am happy to say that during FY 2002-03 we filed 18 patents. Lupin filed ANDAs for cefuroxime axetil tablets, and cefixime tablets and suspension during FY 2002-03. As of date, our company has filed 110 patents, of which 50 have been granted; the remaining are in various stages of processing.

Lupin's launch of Ceft-ER, the world's first once-a-day cephalixin dosage, is a testimony to the strength of our intellectual capital and the competencies of our scientists. Ceft-ER, currently launched in India, is likely to be launched in other countries as well.

A landmark for the year was the USFDA inspection of both APIs and dosages coming from different plants. The results should start showing in FY 2003-04, when our finished dosages reach the US and other advanced markets. Currently, in these markets, we are in the business of APIs.

We might have reason to be happy with our achievements, but we refuse to be satisfied. We continue to plan for a much higher growth in sales, invest in the



Getting the
of people is

future, and evaluate projects that are technically complex and focus on increased productivity. We remain committed to our objective of managing six to eight new filings in the advanced markets every year, and capture a significant global share in each of them.

Knowledge and HR initiatives

Coming to management initiatives, we successfully implemented two key components of our knowledge initiative; software to unify all of Lupin's business functions and processes, with SAP, and a collaborative messaging and workflow solution, with Lotus Notes.

I would like to compliment the implementation team who managed to overcome a demanding timeline. On 1 April 2003, in what we believe is a record implementation time of eight months, all our key business processes went live on SAP simultaneously. Through all-round support, I expect this effort to substantially quicken the company's drive towards building a customer-centric, process-driven enterprise.

Getting the right kind of people is an important aspect of any business. In FY 2002-03 we continued our aggressive efforts to attract the best of talent. New people have joined in key positions. Your company has undertaken initiatives in human resources, through exercises relating to job evaluation and total productivity management. A more complete realization of these initiatives will be seen in the coming years.

At Lupin, shareholder value creation is at the heart of every move we make or plan. I, on behalf of the board, assure you that the team at Lupin will continue to live up to your trust.

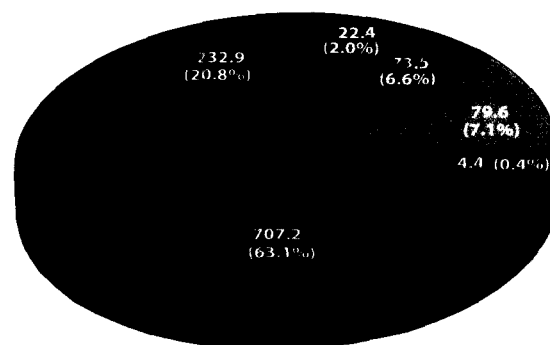
Yours truly

Desh Bandhu Gupta

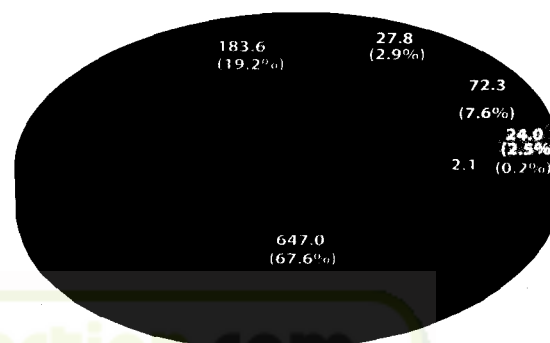
Chairman and Managing Director

CONTINUING EXPORT THRUST

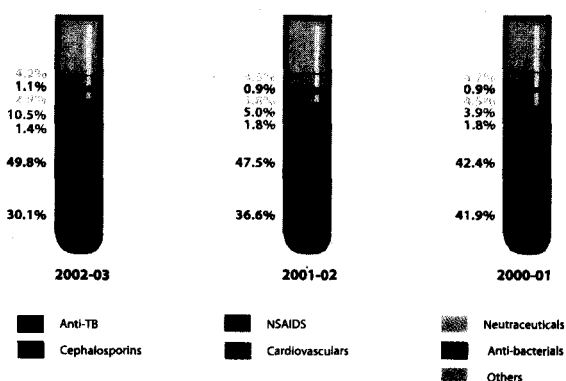
Geographical mix: FY 2002-03 (in Rs. crore)



Geographical mix: FY 2001-02 (in Rs. crore)



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