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FOURTEENTH ANNUAL REPORT 1997-98

NEULAND
LABORATORIES LIMITED

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1997-98

Products

- US FDA approval received for Albuterol Sulfate USP.
- 50 per cent growth for all but two products.
- Exports of Rs.37.48 crores, over 65 per cent of turnover.

Financials

- Substituted high cost funds with cheaper institutional finance.
- Higher operating profit of Rs.4.20 crores.
- Interest cost reduced by nearly Rs.1.70 crores.
- Profit of Rs.2.02 crores and EPS of Rs.4.37.

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NEULAND LABORATORIES LIMITED

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of Neuland Laboratories Limited will be held at Bharatiya Vidya Bhavan, Basheerbagh, Hyderabad on Saturday the 26th day of September 1998 at 3.00 p.m. to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 1998 and Reports of the Directors and Auditors thereon.

2. To declare dividend on :

   i. 14.5% Cumulative Redeemable Preference Shares on prorata basis.

   ii. On Equity shares of the Company for the Financial year ending March 31, 1998.

3. To appoint a Director in place of Dr B S Reddy, who retires by rotation, and being eligible offers himself for reappointment.

4. To appoint a Director in place of Sri S B Budhiraja, who retires by rotation, and being eligible offers himself for reappointment.

5. To appoint Auditors to hold office from the conclusion of this Annual General meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

   Sri G V S Prasad, Chartered Accountant, the retiring auditor is eligible for re-appointment.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution.

   "RESOLVED THAT

   a. The authorised Share Capital of the Company be increased from Rs.9,00,00,000/- (Rupees Nine crores only) to Rs.12,00,00,000/- (Rupees Tweleve crores only) by addition of 3,00,000 Preference shares of Rs.100/- each either Cumulative or non Cumulative and Redeemable or otherwise.

   b. The Memorandum of Association of the Company be altered by substituting for the present clause V, the following new clause viz.,

      The Authorised Share Capital of the Company is Rs.12,00,00,000 (Rupees Tweleve Crores only) dividend into 60,00,000 (Sixty lacs only) Equity shares of Rs.10/- each and 3,00,000 (Three lacs only) Cumulative Redeemable Preference Shares of Rs.100/- each and 3,00,000 (Three lacs only) Preference share Rs. 100/- each either Cumulative or non Cumulative and Redeemable or otherwise. The Authorised Share Capital can be increased, consolidated, converted, subdivided, cancelled in accordance with the provisions of the Companies Act, 1956, and it shall be competent for the Company to issue other class of shares.

   c. The Articles of Association of the company be altered by substituting Article 3 (1st para) with the following new Article viz.,

      The Authorised Share Capital of the Company is Rs.12,00,00,000 (Rupees Twelve crores only) divided into 60,00,000 (Sixty lacs only) Equity shares of Rs.10/- each and 3,00,000 (Three lacs) Cumulative Redeemable Preference shares of Rs.100/- each and 3,00,000 (Three lacs only) Preference Shares of Rs.100/- each either Cumulative or non Cumulative and Redeemable or otherwise with a power to the Company to increase or reduce or consolidate the Capital."

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

   "RESOLVED that pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval, wherever required, of any other authority, the Board of Directors of the Company (hereinafter referred to as 'The Board') (which term shall be deemed to include any duly authorised Committee or any duly authorised individual Director/ Manager/Officer of the Company thereof for the time being exercising the powers conferred on the Board by this Resolution) be and it is hereby authorised, on behalf of the Company, to issue Preference Shares, either Cumulative or Non-Cumulative, and Redeemable or

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otherwise, at par or at premium, and in such numbers as the Board may decide, for a sum not exceeding Rs.3,00,00,000/- (Rupees three crores only) and to issue, offer for subscription or allot them, from time to time, in tranches and in different series, on a private Placement basis to such investors/ companies/bodies corporate/ individuals, financial institutions either local or foreign/mutual funds/ other persons, whether they are holders of Equity shares of the Company or not, (hereinafter referred to as 'the Subscribers') in the manner and on the terms and conditions set out below and/or on such other terms and conditions as may be prescribed in granting the approvals by the Appropriate Authorities wherever so required, or which the Board may, in absolute discretion, consider proper or expedient."

i. The Preference Shares issued and allotted by the Company in the manner aforesaid to be subject to the provisions of the Companies Act, 1956 and Memorandum and Articles of Association of the Company.

ii. The Preference Shares to carry such rate of dividend as the Board may decide in its absolute discretion.

iii. The rate of dividend to vary for each series of Preference Shares to be issued, as may be expedient.

iv. The dividend to be either Cumulative or Non-Cumulative, as the Board may decide.

v. The Preference Shares to be redeemed at such price, in one or more instalments, on expiry of specified period or periods, as may be agreed by the Board and the Subscribers.

AND RESOLVED FURTHER that for the purpose of giving effect to these Resolutions, the Board be and is hereby authorised to agree and to make such modifications and alterations from time to time, as it deems fit and to take all such steps as it may deem necessary, desirable or expedient and to resolve all questions and incidental thereto as the Board, in its absolute discretion shall deem fit, without being required to seek any fresh approval of the Members of the Company and the decision of the Board shall be final and conclusive."

7. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution.

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to the approval of appropriate authorities and subject to such conditions and modification as may be prescribed in granting such approvals which the Board of Directors of the Company (hereinafter referred to as "The Board" which shall be deemed to include any committee, which the Board may constitute to exercise its powers including the powers conferred by this resolution) authorised to accept, the Board be and is hereby issue/offer 3,00,000 Preference Shares of Rs.100/- each either Cumulative or non Cumulative and Redeemable or otherwise, at par or at premium to Indian Institutional Investors/Mutual Funds and other Corporate Bodies on preferential allotment basis from time to time in one or more branches as may be deemed appropriate by the Board and such issue and allotment is to be made on such terms and conditions as may be deemed appropriate by the Board and at such percentage of dividend as may be determined by the Board depending on the market conditions as prevailing at the time of offer.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue or allotment as it may in absolute deem fit."

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

"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Govt. of India or such other appropriate authorities and such other approvals as may be necessary and which may

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NEULAND LABORATORIES LIMITED

be agreed to by the Board of Directors of the Company (herein after referred to as "the Board") consent, approval and authority of the Company be and are hereby accorded to the Board or Committee of the Board duly constituted and authorised to offer, issue and allot 2,00,000 (two lakh) warrants to core promoters & their relatives, without any consideration, having entitlement to acquire against the same, within 18 months from the date of issue thereof. One Equity share against each Warrant in the Capital of the Company at such price as may be determined by the Board of the Company on preferential basis in one or more tranches and on such terms and conditions as may be decided by the Board/ Committee of the Board, the form and terms of issue including modification(s) in the proposal as may be required but subject to such conditions as the Appropriate Authorities may impose at the time of their approvals, wherever the same is required to be obtained and as may be agreed to by the Board/ Committee of the Board and on such other terms and conditions as the Board may decide.

FURTHER RESOLVED THAT the holders of the Warrants shall be entitled on a date or dates the period commencing from the date of issue of the Warrants and ending on the expiry of 18 months of such issue to be hereafter fixed by the Board/ Committee of the Board to call for one Equity Share of Rs.10/- (Rupees ten) each per Warrant on payment of the price that may have been determined by the Board/Committee of the Board as herein before provided and further that in the event of any issue of Bonus Shares by the Company before the allotment of Equity shares against Warrant, the respective entitlement to Equity shares of the warrantholders shall stand augmented in the same proportion and manner in which Bonus shares may be issued and in the event of an increase in the subscribed capital of the company by way of Right issue of Securities before the exercise of right against Warrants, the warrantholder will be offered the said Securities or further Warrants in the same proportion and manner in which Right Securities will be issued and as may be determined by the Board/Committee of the Board.

FURTHER RESOLVED THAT the Equity shares to be issued against Warrants as aforesaid shall rank pari-passu in all respect with the existing fully paid Equity shares shall be entitled to such dividend, as may be declared any time after the allotment of the Equity shares as aforesaid, on the amount paid up towards the face value, on pro-rata basis and the said Debenture/Warrants/Equity Shares shall be subject to the Memorandum and Articles of Association of the Company, and further that the said Warrants until they are exchanged for the Equity shares will not confer on the holders thereof, any right to any dividend, interest, bonus or other benefits applicable to the Equity shareholders/debenture holders nor will such warrant holders will have any right to attend and vote at any meeting(s) of the shareholders and Debenture holders; Warrant holders will also not be entitled to receive from the company any Notice or Annual Reports which may be meant for the Equity Shareholders/Debenture holders/ Debenture trustees etc.

FURTHER RESOLVED THAT the Board be and is hereby authorised to seek listing of the Equity Shares issued/allotted against exchange of warrants, at all such Stock Exchanges where the Equity shares of the Company are already listed.

FURTHER RESOLVED THAT for the purpose of giving effect to this Resolution, the Board/Committee of the Board be and is hereby authorised on behalf of the Company to accept and make, in the interest of the company all such modifications, and alterations to the terms and conditions concerning any aspect of the issue including increase or decrease in the aggregate value of the issue, rate of premium period of validity of the warrant(s) and/or conversion thereof into Equity shares or any other matter as may be considered necessary or expedient and/or as may be specified in the requisite approvals and to take all such actions as may be necessary or desirable to effect such modifications and alterations, and to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, with power on behalf of the company to settle any questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of the Warrants/Equity shares as it may in its absolute discretion deem fit in the best interest of the Company."

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9. To pass with or without modification the following resolution as a Special Resolution.

   "RESOLVED THAT pursuant to the provisions of Section 293 (1)(e) of the Companies Act, 1956 and other applicable provisions, if any, the Board of Directors of the Company be and is hereby authorised to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees from time to time to the extent of Rs.50,000/- or 5% of its average net profits subject to a limit of Rs. 10,00,000/- as determined in accordance with the provisions of Section 349 and 350 of the Companies Act during the three financial years immediately preceeding, whichever is greater."

BY ORDER OF THE BOARD

Place : Hyderabad
Date : 30.06.1998

DR. D R RAO
Managing Director

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member.
2. Instrument of proxies, in order to be valid, must be received by the Company not less than 48 hours before the commencement of the meeting.
3. The explanatory statements pursuant to Sec.173 (2) of the Companies Act, 1956 in respect of Special Business is annexed hereto and forms part of this notice.
4. The Register of Members of the Company will remain closed from Sept. 17, 1998 to Sept. 26, 1998 (both days inclusive).
5. Members are requested to notify any change of address to the Registrars of the Company, M/s Sathguru Management Consultants (P) Ltd., Plot No.15, Hindi Nagar Colony, Panjagutta, Hyderabad - 500 034.
6. Members attending the meeting are requested to bring the attendance slip sent with the Annual Report and handover the same at the entrance duly signed.

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NEULAND LABORATORIES LIMITED

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

The present Authorised Share Capital of the Company is Rs.6,00,00,000 dividend into 30,00,000 Equity shares of Rs.10/- each and 3,00,000 Cumulative Redeemable Preference Shares of Rs.100/- each.

The Board of Directors considered it expedient to enhance the Authorised Share Capital for issue of Cumulative Redeemable Preference shares and therefore proposed that the Authorised Share Capital of the Company be increased to Rs.12,00,00,000 (Rupees Twelve crores only) by addition of 3,00,000 Preference Shares of Rs.100/- each either Cumulative or non Cumulative and Redeemable or otherwise. The resolution set out at Item No.6 above is to carry out the consequential amendment in the Memorandum of Association and Articles of Association of the Company.

ITEM NO. 7

In step with the proposal to reduce dependence on loans to meet Working Capital requirements and to facilitate greater leverage, it is proposed to privately place Preference Shares with such Subscribers as are interested in investing in such shares.

The Resolution at Item No.7 of the Notice will enable the Board of Directors to issue Preference Shares on such terms as it may deem fit, in the best interest of the Company.

None of the Directors is concerned or interested in this resolution.

ITEM NO. 8

Your Directors consider that since the Promoters should continue guiding the fortune of your company and take your company to even greater heights of prosperity, stability, efficient management of the affairs of the company and achievement of longterm objectives, therefore, in the interest of all concerned, it is proposed to offer to the core promoters, Warrants without any consideration with an entitlement to acquire within 18 months from the date of issue of one Equity share against each warrant at a price to be determined in the manner provided in the Resolution. Your Directors recommend this special resolution for your approval.

None of the Directors is in any way concerned or interested in the said Resolution except to the extent of the Warrants which may be issued and shares which may be allotted on the exercise of the options/right pursuant to the issue of warrants to them and/or to the Companies and persons in which/whom they may be deemed to be interested.

ITEM NO. 9

Keeping the longterm interests of the Company in view, the Company may have to contribute donations from time to time to Charitable and other funds not directly relating to the business of the Company and/or the welfare of its employees, under such circumstances, Section 293(1)(e) of the Companies Act, 1956 requires prior approval of the Members for making such donations/contributions. None of the Directors are interested in the resolution proposed to be passed.

BY ORDER OF THE BOARD

Place : Hyderabad
Date : 30.06.1998

DR. D R RAO
Managing Director

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NEULAND LABORATORIES LIMITED

Registered Office
7-1-70 & 71, Dharam Karam Raod,
Ameerpet, HYDERABAD - 500 016

PROXY FORM

Regd.Folio No:

No.of shares held:

I/We .....
of .....
being member / members of NEULAND LABORATORIES LIMITED hereby appoint
Sri/Smt.....
of ..... in the district of .....
or failing him/her/Sri/Smt .....
of ..... in the district of .....
as my/our proxy to vote for me/us on my/our behalf at the FOURTEENTH ANNUAL GENERAL MEETING of the Company to be held on Saturday the 26th day of September, 1998 at 3.00 p.m. and at any adjournment thereof.

Signed ..... day of ..... 1998.

Name .....

Address .....

.....

Affix 30 paise Revenue Stamp

Note : a. Proxy need not be a member.

b. This instrument of proxy shall be deposited at the Registered Office of the Company not less than 48 (Forty Eight) hours before the commencement of the meeting.

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NEULAND LABORATORIES LIMITED

Registered Office
7-1-70 & 71, Dharam Karam Raod,
Ameerpet, HYDERABAD - 500 016

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only Members or their Proxies* are entitled to be present at the Meeting.

Member's Folio Number : No.of shares held:

Name and address : _____

_____

I hereby record my presence at the FOURTEENTH ANNUAL GENERAL MEETING held at Bhartiya Vidya Bhavan, Basheerbagh, Hyderabad on Saturday the 26th day of September, 1998 at 3.00 p.m.

Signature of the Shareholder/Proxy**

* Strike out whichever is not applicable

** To be signed at the time of handing over this slip.

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