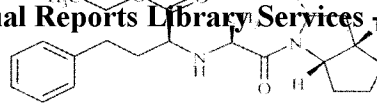


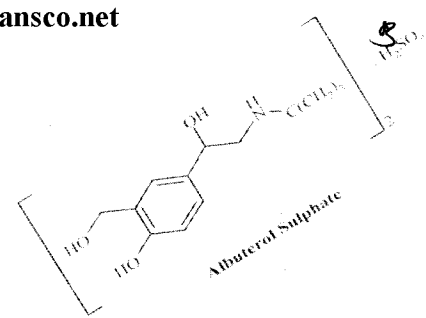
Ipratropium Bromide



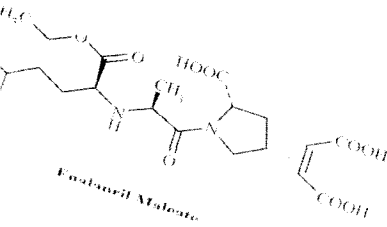
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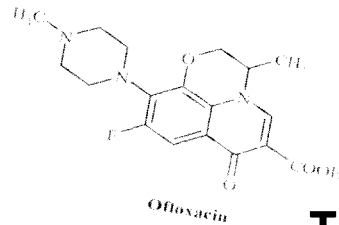
Neuland



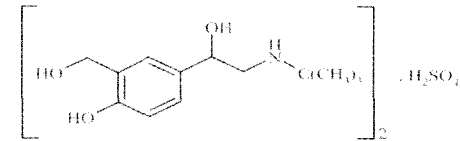
Albuterol Sulphate



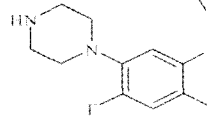
Enalapril Maleate



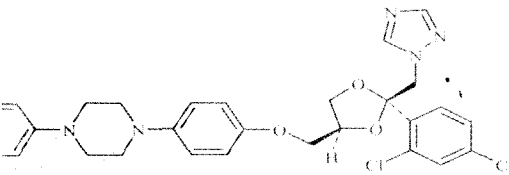
Ofloxacin



Albuterol Sulphate

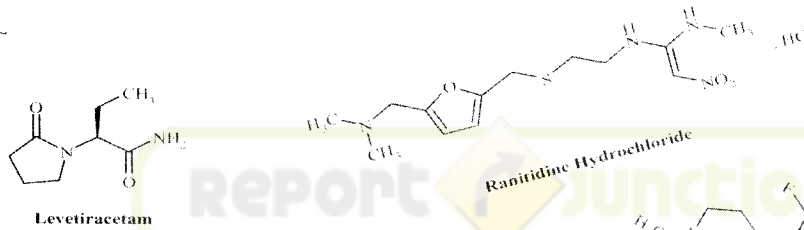


Ciprofloxacin

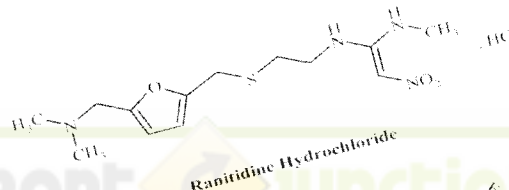


Itraconazole

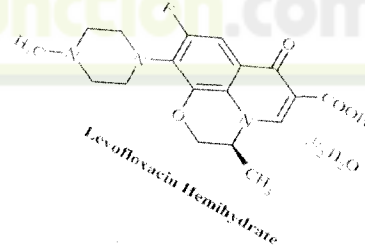
**THE PREFERRED SOURCE
WORLDWIDE**



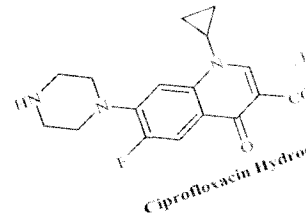
Levamisole



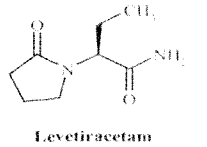
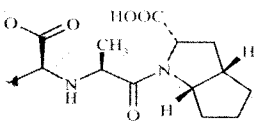
Ranitidine Hydrochloride



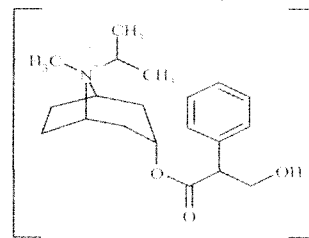
Levofloxacin Hemihydrate



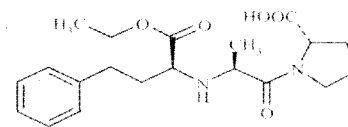
Ciprofloxacin Hydrochloride



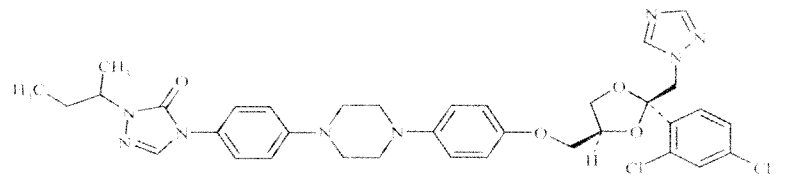
Levamisole



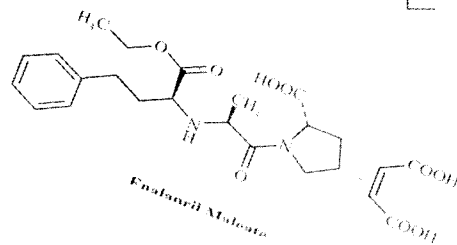
Ipratropium Bromide



Enalapril Maleate

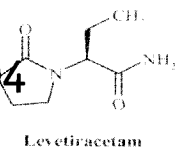


Itraconazole

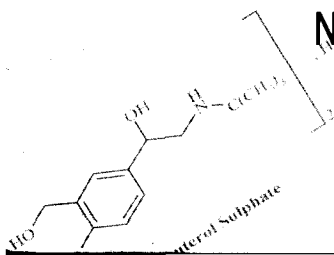


Enalapril Maleate

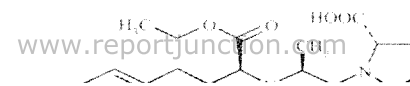
Neuland Laboratories Limited Annual Report 2004



Levamisole



Albuterol Sulphate



Enalapril Maleate

The Neuland Way

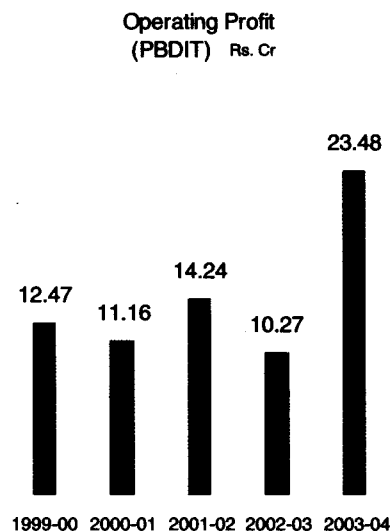
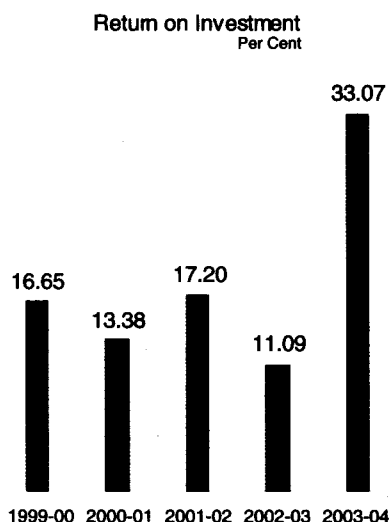
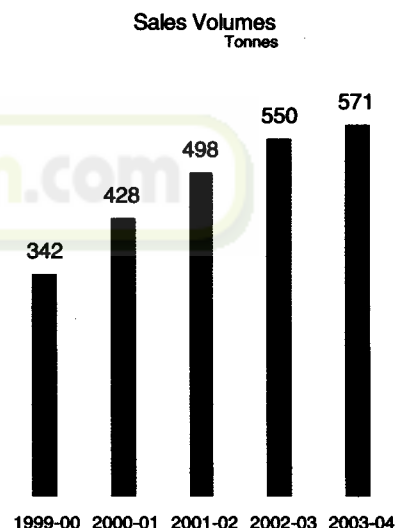
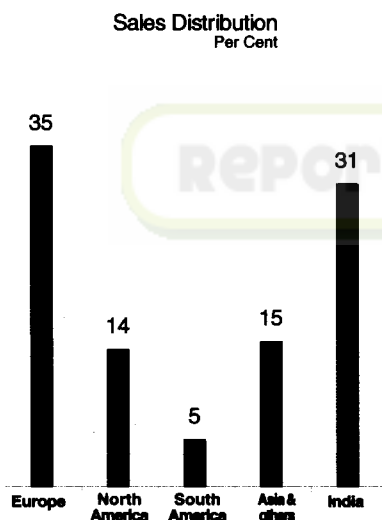
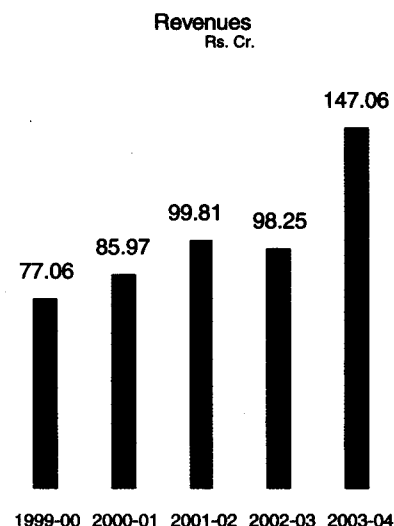
With our customers	Everything we do reflects the interests and needs of our customers
With our business associates	We act in a spirit of sincere co-operation, mutual assistance, and complete transparency
With our shareholders	We aim to keep the support of our shareholders by creating wealth in the long term
With our employees	We are one team
With our society	We will continuously strive to increase our role in improving the community around us


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HIGHLIGHTS OF THE YEAR 2003-04

- ▲ Growth in revenues to Rs.147.06 crore as compared to Rs.98.25 crore in the previous year – Up by 49%
- ▲ Exports exceeded the billion rupee mark for the first time at 72% of total sales
- ▲ Sales to regulatory markets accounted for 60% of the total exports & 43% of total revenues
- ▲ Profit before tax and exceptional items up from Rs.0.45 crore in 2002-03 to Rs.10.87 crore
- ▲ Initiated steps to establish an integrated R&D center for drug discovery and development
- ▲ Invested in technology infrastructure to improve real-time data integrity and knowledge management within various arms of the organization



2003-04

A Stronger Neuland

Dear friends,

In 2003-04 we enhanced the fundamentals of our Company. It's a stronger Neuland with a vibrant business model and an arsenal of strengths.

You will recall, in the Annual Report of 2002-03, we had made a commitment to unlock the potential of the Company. In the process, we also planned to de-risk the business.

Our action plan was to,

- Revise our business mix, with a higher weightage towards exports to regulated markets;
- Convert regulatory approvals into revenue streams;
- Add to our basket of products;
- Expand our presence in the Indian market by being the best quality supplier to domestic producers;
- Optimize capacity at our production facilities;
- Reduce overheads and waste, and
- Restructure long-term debt and reduce interest costs

We were successful in making progress on all these fronts. The full extent of our efforts however, is not visible in the year's financials.

Indeed, we have turned a corner and built a robust platform for growth. The Neuland of today is stronger and raring to go.

Considerable work was done with the internals of the Company. As part of this restructuring effort, we wrote off all non-utilizable assets. Certain expenses and unrealizable assets brought forward from earlier years have been charged/written off during the year. These were in the nature of unabsorbed expenses held in stocks, unrealizable export benefits and doubtful receivables. Prudential norms and conservative accounting policies have since been followed.

The measures we took have boosted Neuland's corporate vitality and resulted in a robust balance sheet.

In financial terms, the operating profit (PBDIT) at Rs.23.48 crore was significantly higher than that of the previous year, although due to one-time adjustments all of which were associated with strengthening the Company and its balance sheet - we reported a net loss of Rs.2.51 crore.

Top line growth was healthy with gross sales amounting to \$A.147.06 crore, as compared to \$A.98.25 crore in the previous year.

Operating profile viewed on a sequential quarterly basis, show robust growth and strong upside potential. We now have the momentum to drive revenue growth and earnings in the years to come.

Preferred Source

We have made progress towards increasing the value and strengthening the competitive position of Neuland. Brick by brick, we have built a company that has now begun to demonstrate its inherent strength and potential.

Our role in the premium markets of *MSA* and

Europe is becoming more significant every quarter.

However, we are aware that we will face stiff challenges going forward. We are ready to meet them. Our

fundamental objective is to enhance shareholder wealth -

by delivering superior earnings growth consistently - and by delivering Neuland as one of the most highly valued

companies in the industry.

To achieve this, we will focus on further strengthening our market mix, on aggressively managing our product portfolio, on leveraging our regulatory approvals and on building a true marketing culture at all levels of our company.

Neuland holds the trust and respect of the

pharmaceutical industry. The aim is to live our

commitment to our customers. Neuland will remain a

preferred source for the pharmaceutical industry worldwide and continue to add value to it.

Moved to Inform

Neuland emerged from the year 2003-04 reinvigorated and energized. We're investing in our future and taking an active role in continuously improving the way we do business.

exciting future

Today, I am more convinced than ever that this business is in good shape. The spirit of our employees and the continued support from our associates and our shareholders motivates us. Together, we move towards a bright and

Neuland enters fiscal 2004-05 in a strong competitive position, poised for sustained top and bottom line growth. Hard work stands behind the achievements of the past year. The professionalism, dedication and loyalty shown by our people is at the heart of our success. Our

We recognize that while the achievements of the year have laid a strong foundation, much work remains to be done. Our focus is clear: Building upon our legacy of quality, reliability and speed, we will do the things that will make Neuland an even better company.

(Dr. G. S. Rao)



Q&A

The Neuland management team discusses its approach to creating shareholder value, now and in the future.

Q. This company has been changing. What is new at Neuland?

It's a stronger Neuland today. We have a clearer vision. We know where we want to go, what we want to achieve, and how we are going to do this.

Last year we began to see a new performance mindset take hold throughout the Company. We are focusing on our strengths. We have understood the opportunities and we are moving to seize them. We are converting potential into profit.

New markets have been identified. New goals have been established. Concerted efforts are going into new product development. We have raised the bar for sales, operating profit and cash flow.

These goals are both challenging and realistic. Delivering on these commitments is a value we take seriously.

Team Neuland is intent on creating a competitive company. There is a long-term focus on growth and a short-term focus on excellence. We will maintain this special spirit.

Q. What were the highlights of 2003-04?

2003-04 was a year of heightened activity at Neuland. We grew our top line and reduced our risk exposures. We optimized our business mix and widened our product basket. We converted regulatory approvals into revenue streams. We expanded our presence in premium markets.

Exports accounted for 72 per cent of total sales, reflecting growing footprints in the global markets. Sales in regulatory markets accounted for 60 per cent of the total exports and 43 per cent of total revenues for FY 2003-04. This will continue to escalate.

We strived for operational efficiency. We restructured long-term debt and improved our cash flow. Our operating profits escalated and overheads reduced. We strengthened the balance sheet. Apart from this, we were successful in clearly defining our roadmap for the future. We are confident that given the uncertainties, we will be able to steer ourselves to achieving our goals through flawless execution and perseverance.

Q. What else was achieved in 2003-04?

While we are working to revitalize and grow our business, we have taken initiatives to ensure that we are even more competitive.

We took a fresh look at manufacturing, with the aim of optimizing our processes. Consequently, our production factories were de-bottlenecked. They now operate at increased capacities. In the process, we maximized our throughput. Our production units now run at higher speeds with lower downtime.

The focus is on improving productivity and eliminating unnecessary costs. The resources we free up will support our growth. We realize that the key to operational excellence is by way of finding innovative ways to do more with less in all areas of activity.

These steps have ensured that our manufacturing activities are aligned with our strategic objectives. These initiatives are expected to gain us substantial traction in the coming year.

Q. What are your plans for growth?

As international pharmaceutical markets grow, we will need to enhance our ability to serve our customers. We must grow with them. For this, we must accelerate further and transform into a global player.

We are aggressively focusing on further penetrating key growth markets such as Europe and the USA. We will be setting up operations in the USA as part of our growth strategy. In Europe, we have expanded our presence in both West and East.

We will continue to leverage on our manufacturing base and our established reputation in the market by targeting large pharmaceutical buyers.

R&D is constantly identifying emerging opportunities. We are widening our product portfolio to include other therapeutic areas. This will drive our top line growth. Executing repeat orders for our existing customers while actively securing new customers will influence our bottom line positively.

72%
Exports as a percentage
of total turnover

Q. Is Neuland equipped to compete in the regulated markets?

Yes. Neuland is poised to impact these premium markets in a big way. We are fully compliant with regulatory requirements in line with cGMP, and are confident of our consistent quality.

The US FDA inspected our facility at Bonthapally in May 2004. We expect a formal letter of approval soon. When received, both the Company's facilities would stand approved by the international regulatory authority.

All the products manufactured at our facilities are hence in line for product approvals from the US FDA. Our track record of good quality speaks for itself. We will leverage these approvals to maximum benefit.

Q. Is Neuland's future well protected?

In a fast changing marketplace, the key to sustained growth is the organization's ability to adapt itself to change. Neuland, over the last few years, has been built on strong fundamentals that give it the ability to withstand unexpected shifts in market dynamics. We also operate with high flexibility and are able to align ourselves to changing customer preferences as well as shifting market dynamics.

We have particularly stressed on diversifying our revenue streams. Our investments in people, R&D and production facilities give us an edge. This is gaining us more ground in regulated markets. The Company has expanded its presence in Europe. We have also made advances in the USA. New customers coupled with larger volumes to existing clients are adding impetus to Neuland's operations.

Our product portfolio now spans a wide selection of active pharmaceutical ingredients. Our dependency on limited products has reduced, leaving us less vulnerable to market volatility.

On the research front, Neuland is stepping up investment and earmarking capital for a new research center in Hyderabad. Strong R&D will propel Neuland's future thrusts.

Q. What makes Neuland stand out?

Neuland's most important objective has been to provide high quality products and services to its customers without creating any conflict of interest. Neuland has been able to manage its relationships well over the past several years based on this philosophy and will continue to foster this in the future.

We always work in partnership with our customers. As a result, we have been able to offer strong regulatory support as well as develop products in time for customers to make a successful launch. We will continue to condense the "time to market" cycle and add research-based services to our portfolio.

Q. What is your philosophy on corporate governance?

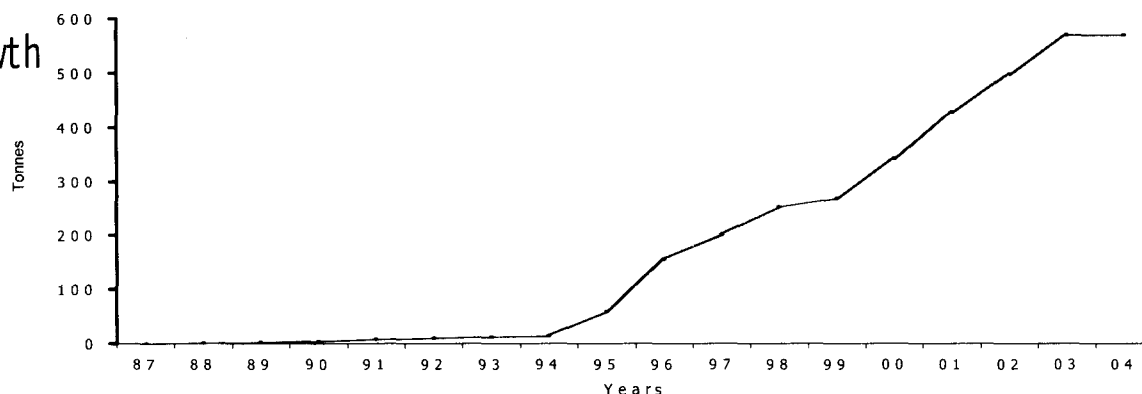
Neuland's corporate culture is based on long standing traditions. The business philosophy has been developed and refined over the years, but the fundamental concepts remain unchanged.

We are always very conscious of our responsibility to Neuland's shareholders. We aim to win their support and uphold their trust through transparent management practices. Management is seeking out and implementing good governance principles and processes that reflect Neuland's deeply ingrained commitment to integrity.

Our Board is composed of curious and demanding independent thinkers who have an unwavering focus on achieving long-term shareholder value. This winning combination – effective directors, and established processes and principles – ensures that the fundamentals of good corporate governance are firmly in place at Neuland.



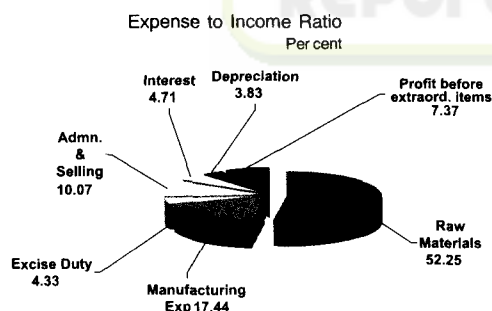
Volume Growth



Review of Operations

+49%

Revenue up from previous year



many new customers

optimized capacities

R&D added to strengths

Neuland delivered a strong performance in fiscal 2003-04. On most key indicators - Revenues, Operating Profit, Profit before Tax, Return on Investment, Return on Total Assets and Current Ratio - the Company produced solid results. Indeed, the Profit after Tax (before exceptional items) at Rs.7.22 crore as compared to Rs.33 lakhs in the previous year was a significant improvement. Overall, there was a robust growth in business, markets and margins.

Gross sales were up at Rs.147.06 crore. Of these, international sales accounted for Rs.100.71 crore. Exports to regulated markets were 60 per cent of total exports.

Sales of APIs and intermediates were up 49% over the previous year outperforming the industry average of 20%.

The year also saw Neuland emerge financially stronger. Lower debt to equity ratio and a stronger cash flow have fortified the Company's balance sheet. Interest expenditure fell 9% on account of restructuring of debt. One-time adjustments have erased weak assets. Going forward, we will replace these with high quality assets.

During the year more opportunities were created in existing product lines, in line with our appetite for growth. Sales of Enalapril Maleate, Mirtazapine, Ciprofloxacin, Ranitidine and Ramipril were some of the key contributors.

Our focus on the regulated markets drove our margins higher. Newer products reduced our exposure to market volatility. 2003-04 gained us many new customers. Existing customers strengthened their relationship with increased business.

We optimized our production processes to give our manufacturing capacities added room to grow. Better solvent recoveries and a higher input/output ratio translated into higher yields. The results went straight to the bottom line.

In 2003-04, Neuland's R&D added strength and brought quality into production.

R&D gave us improved process engineering and worked on creating patentable processes. Most crucial of all, our research division was quick to move products to market. It is now round-the-clock R&D at Neuland.

147.06cr[»]

Gross Sales in Rupees

Certifying Authority	Products approved	Unit
US FDA	Ranitidine HCl Form I Ranitidine HCl Form II Ciprofloxacin HCl Albuterol Sulfate Latanoprost	Pashamylaram Pashamylaram Pashamylaram Bonthapally Pashamylaram
European Directorate For The Quality Of Medicines (EDQM)	Ranitidine HCl Form I Ranitidine HCl Form II Ciprofloxacin HCl Salbutamol Sulphate Sotalol HCl	Pashamylaram Pashamylaram Pashamylaram Bonthapally Bonthapally
Therapeutic Goods Administration (TGA), Australia	Ranitidine HCl Salbutamol Sulphate	Pashamylaram Bonthapally

We are moving ahead with an agenda focused on key strategic imperatives – the development of selective products, penetration of newer markets, flawless execution, and cost control.

Outsourcing is today, a global phenomenon. Pharmaceutical companies are increasingly viewing India as their preferred manufacturing partner. Neuland is built to excel in these market conditions. Regulatory approved products and production lines confirm our core competence.

Looking ahead, our focus on large manufacturers of generics will continue to have a larger impact. The patent on Ciprofloxacin has expired. Other products like Ramipril are due to come off-patent on or before 2008 in the USA. **Since Neuland has both its plants successfully inspected, our customers will be able to crash the lead time required for regulatory approvals of their ANDAs.**

We can seize these opportunities. We already hold regulatory approvals for products that are in demand, and are becoming the industry's preferred source.

We believe both our existing runners as well as new products in our research pipeline are expected to gain us substantial business going forward.

The time to grow is now. This is an exciting pharmaceutical market. We are perfectly positioned to make the most of it. In 2004-05 and beyond, we will do just that.

Moving ahead

Built to excel

Preferred source





Building on Strengths

This is a company with a desire to stay ahead. We constantly re-align our core competencies to match our strategic road maps. We did it again this year.

Neuland has a better grip on the growing global need for pharmaceutical ingredients. We are constantly tuning up our capabilities and pointing our antennae towards strong growth markets achieving further penetration. We are resolutely applying our strengths; converting potential into performance. With a promise of growth and a commitment to deliver, this Company is rapidly moving forward.

Our strategies are clear. Our moves are arrowed. Every action we take is aimed at sustainable long-term profit. Neuland is a company with inherent strengths. Unlocking this potential is our logic for success.

Selective product development

We choose carefully and focus on a limited number of product candidates with huge potential. Among other criteria, selection of a product is made after answering some key questions:

Will this product add strength to our customers? Is the product profitable? Is it feasible to make? Is it in line with our capabilities? Does adding this product to our portfolio bring more value? Will it drive long-term growth?

If the product is the active ingredient in a drug that is due to come off-patent, the market dynamics can be different. We ensure that the legal requirements are always met. Careful thought and planning underpins our product strategy. Mapping our course well ahead gives us the edge.

Quality and reliability

At Neuland we believe that we are only as good as the quality of our product, standard of service and the flawlessness of execution we can provide to our customers.