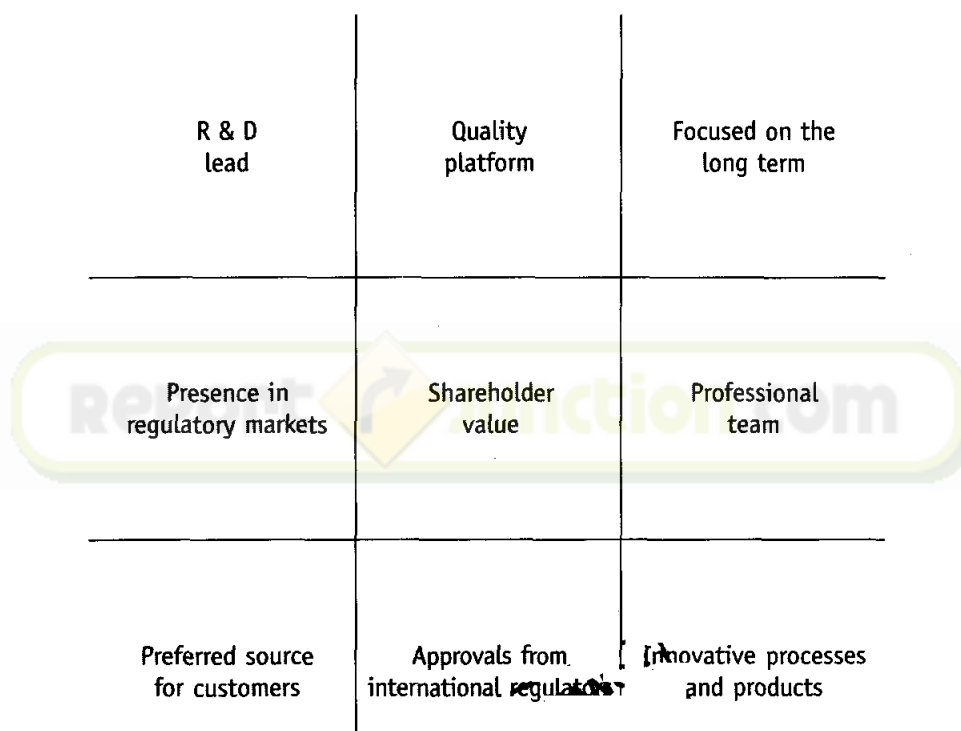


17th Annual Report 2001

Creating Value



**NEULAND
LABORATORIES LIMITED**

C R E A T I N G V A L U E (The Cover)

Join the noughts and crosses. Any of them. There is value.

Neuland is in the business of creating value. Hence takes care to link all of them.
This is done on a daily basis, in every transaction.

The grid in the front cover catalogues the strategy points that the Company works for.
In the end, those are the results. But apart from ends, means also matter.
The back cover shows the means adopted to achieve them.


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C O N T E N T S

Measuring value	one
Letter from the Managing Director	two
Value creation - a dynamic process	four
Our craftsmen make it happen	six
Review of Operations	eight
On track	twelve
Committed to value systems	thirteen
Board of Directors	fourteen
Directors' Report	sixteen
Auditor's Report	twenty
Balance Sheet	twenty-two
Profit & Loss Account	twenty-three
Schedules	twenty-four
Corporate Governance	thirty-nine
Productivity & Forward Looking Statements	inside back cover

Creating Measurable Value

Neuland today is far **stronger** than it was a year ago.

there is a good **customer** base;

there is a steady **sales** volume;

there is better acceptance for all **products** including new introductions;

production **capacity** is being increased;

capacity **utilization** and **yields** are increasing year-on-year;

production **efficiencies** are getting further enhanced;

our product **quality** is talked about;

research is becoming the engine of growth;

large number of products are awaiting **approvals** from regulatory authorities worldwide;

loans are being reduced by repayment;

working capital tie-up is on a decline;

interest cost is down;

there is **professionalism** in approach in all critical functions;

accountability has increased; and,

operating profits are higher,

although net profit is shaded by one-time extraordinary expense during 2000-01.

we are **creating the value**

that adds to the **long-term growth** and **prosperity** of the Company.

this is what we believe is **share owner value**.

and, we are doing it because we owe it to all our share owners.



LETTER FROM THE MANAGING DIRECTOR

Creating Value

OVERVIEW



Dear friends,

We, at Neuland, have had a satisfactory year. At a time when the economy was under pressure, Neuland managed to do better. For us the market conditions were encouraging, our products were better accepted, turnover increased, and production volume and efficiencies saw a significant rise. This also meant that operating profit was higher, and the Company saw a far better cash flow. We could also introduce new products which were well accepted. In the ultimate analysis, we managed to do well despite trying conditions.

As our Members know, we in this Company do not chase numbers alone. We attach greater value to our commitment. We will be among the few companies that people can trust.

We will be a financial success,
be seen as a dependable source for
customers, and create value for
both shareholders and
employees.

OVERVIEW

While we do need a significant growth in turnover, a far improved bottom line and a strong cash flow, Neuland cherishes the opportunity to work for larger causes. We are never tired of our role to help improve and protect health and well-being. Neuland is in the business of good health. We develop those products and technologies that benefit people as well as meet commercial considerations. In our own way, we create and add value. That is the big picture.

Periodically, this approach calls for stocktaking that tells us how we stand today and what changes we are likely to face in the future.

On the one side, markets are growing at a rapid pace, driven by a rising population, increasing aspirations of the people and higher standards of living. At the same time, there are severe and unrelenting competitive pressures and the concerns of the regulatory markets.

We shall be on top of the situation. We are charting our course with larger presence in the regulated markets, with all our products approved by the global authorities; increased turnover from new products; and, be the preferred source for some of the best names in the business.

It is our belief that Neuland shall be known as a research based quality product company. We propose to grow aggressively on contract research. We are making efforts to establish a center for steroid research and development. These will also be large revenue earners, while they help create an identity to the Company.

We will be a financial success, be seen as a dependable source for customers, and create value for both shareholders and employees. The list is challenging, and it needs conviction of principles, dedication in efforts and a will to achieve success.

Creating Value

R & D lead	Quality platform	Focused on the long term
Presence in regulatory markets	Shareholder value	Professional team
Preferred source for customers	Approvals from international regulators	Innovative processes and products

At Neuland, we believe the achievement of these goals will depend on the efforts in following key areas:

- Excellent customer interface
- Ability to develop and launch innovative products that meet customer expectations
- Value added solutions for customers
- Optimise Neuland's product portfolio
- Broad access to technology
- A strong global presence

We are setting the stage for accelerated growth. A continuous dynamic growth. In fact we are ready for the future. I would like to assure all our stakeholders, that Neuland is today a far stronger organisation, equipped to deliver results. The Company is highly professional, has an illustrious Board ably supported by a committed workforce, staff and managers who are keen to deliver.

With warm regards,


Dr.D.R.Rao
Managing Director



Value creation - *a dynamic process*

PRODUCT APPROVALS

adopted the route of obtaining product approvals from international regulators

The process is dynamic, but it doesn't happen overnight. Opportunity cannot be converted to cash immediately, when the products belong to the health care industry, and the customers are some of the big names. Add to that international names and regulators, the deliberate and calculated moves can be appreciated.

We, at Neuland, have always held that it is not worth anyone's while to be a commodity or me-too company. We must be known as a preferred source, delivering quality products, and meeting customer expectations. In the fiercely competitive international market, we have adopted the route of obtaining product approvals from regulators in those countries. If we can meet their standards, we would have market, prices and margins. We would create value.

This is not a short cut to profits. It takes considerable effort, improved process, perfect documentation and the confidence to consistently deliver. Even after the receipt of the approval, it takes a while before our customers get their applications for import. But this is a safer and principled route to create an impact in the market.

Report To date, some of the actions taken need to be inventorised. Applications (Drug Master Files) (DMF) have been submitted to regulatory authorities. Some of them are listed in the tables given below:

FDA, USA

Product	DMF # & date
Ciprofloxacin HCl USP	13250 dt. 29.09.1998
Sotalol HCl USP	14951 dt. 13.07.2000
Ipratropium Bromide EP	15130 dt. 06.11.2000
Ranitidine HCl Form II USP	15141 dt. 13.11.2000
Enalapril Maleate	15434 dt. 15.05.2001
Itraconazole	15445 dt. 15.05.2001
Ofloxacin	15433 dt. 15.05.2001

PRODUCT APPROVALS

Our Drug Master File for Ciprofloxacin was reviewed recently, and queries were answered. Two customers prefer to use our product, and have filed Abbreviated New Drug Applications (ANDA) in the USA. Approvals from US FDA authorities are expected in the near future.

Approvals from US FDA authorities are expected in the near future

European Department for the Quality of Medicine, Council of Europe

Product	Applied during
Salbutamol Sulphate EP	July, 2000
Ciprofloxacin HCl EP	December, 2000
Sotalol HCl EP	May, 2001

Other European Countries (DMF)

Product	Country	DMF # & date	
Ciprofloxacin HCl EP	Sweden	Dnr.116:1999/33705	dt. 07.10.1999
Ciprofloxacin HCl EP	Netherlands	0685	dt. 04.07.2000
Ciprofloxacin HCl EP	Belgium	578	dt. 28.11.2000
Ciprofloxacin HCl EP	Norway	00/8785	dt. 28.11.2000
Ciprofloxacin HCl EP	France	2000-091	dt. 26.12.2000
Ciprofloxacin HCl EP	U.K.	16992-A6853	dt. 02.02.2001
Ciprofloxacin HCl EP	Ireland	14340001	dt. 25.04.2001
Ciprofloxacin HCl EP	Germany	500	dt. 03.05.2001

Similarly Drug Master Files have been submitted for products like Terbutaline Sulphate USP, Ciprofloxacin HCl USP in countries like Canada, Australia, Austria, Finland, Luxembourg, Spain etc.

These are our actual investments into the future. Approval takes time due largely to the stringent work methods involved in the offices of the regulatory authorities in the health care industry. The process is slow and possibly, builds strength for the few players that dare to enter such markets. Neuland is now, more than ever before confident that it has processes, systems and documentation to deliver to value added markets. Recognition is what we are looking for.

Recognition is what we are looking for

At the same time, team Neuland is keen to deliver. And, ready.

Approvals already received

Certifying Authority	Products with approval	Unit
Certificate of Suitability, Council of Europe	Ranitidine Hydrochloride Form I	Pashamylaram
FDA, USA	Ranitidine Hydrochloride Form I Albeturol Sulphate	Pashamylaram Bonthapally



Our craftsmen *make* *it happen*

PEOPLE POWER

**staff tuned to commitment,
willingness to learn, and
accountability**

In a sensitive industry, people make all the difference. State-of-the-art machines alone can't do the trick. Surpassing customer expectations or creating share owner value will remain words, unless employees reach their potential and deliver.

Neuland has its staff tuned to commitment, willingness to learn, and accountability. There is large reservoir of professionals who are able to take the burden without bending their back.

In turn, the organisation attaches considerable value to human resources and helps them to seek their challenges and satisfaction on the job. These are assets which do not get mentioned on the balance sheet.

Neuland's employee development goals are centered around the philosophy:

Provide a rewarding workplace

Enhance competency and skills

These goals provide a blueprint for our work methods.

**workforce was rationalized
after a work study**

The Company is young, and has a lean set-up. The workforce was rationalized after a work study conducted by the National Productivity Council. In the process staff at all levels are smart.

In fact, the appraisal system works on the SMART principle. Individuals are encouraged to decide their goals/targets before the commencement of the year. The goals are Specific, Measurable, Achievable, Related to the job and are Time bound. Neuland is working to develop a performance driven culture as well as shared values. This builds our competitive advantage.

PEOPLE POWER

Accountability	Integrity	Transparency
Credibility	Effectiveness	Commitment
Competency	Trusteeship	Knowledge

Our people work more effectively than they ever thought they could. Neuland is a story of people transformation. In a learning organisation like ours, the transition has been both by failures as well as by successes. It has now reached a stage where it stands and delivers.

Team looks for ways of how to do it

The accountability question has changed within the Company. We have stopped asking 'Why'. We have started asking 'How'. When the staff are getting fast tracked, what matters is how soon and how well they will deliver. The team looks for ways of how to do it. People potential is doing the rest.

At the end of the day our people will be the key to our success. They are actually creating the value for Neuland. They can swim with the sharks and survive.



US FDA approved facility for Albeturol Sulphate



Review of Operations

PERFORMANCE REVIEW

SALES

becoming preferred and first supplier for many customers

In the last few years, the Company received US FDA approvals for Albeturol Sulphate and Ranitidine Hydrochloride Form I. Also on hand was European Certificate of Suitability for Ranitidine Hydrochloride Form I. In our attempt to develop our market, these approvals have given us visibility and margins. There is international recognition which helps build better relationship with customers, and prospects. Translated, commercial quantities for Europe have improved. Neuland has developed new customers for Europe and USA.

The process of conversion of certificates and approvals into cash takes time. There are necessary formalities, but more important, the signals are encouraging. Customers are filing Abbreviated New Drug Applications (ANDA) with our products. The Company hopes for fresh business in 2001-02.

Discussions are ongoing for marketing Albeturol Sulphate. There is encouraging response, and samples are getting approved. We hope to commercialise the product in 2001-02.

Amongst other products, we have become the preferred and first supplier for Ciprofloxacin for many customers. Our Drug Master File for this product was reviewed recently, and queries were answered. Two customers prefer to use our product, and have filed ANDAs in the USA. During the year, production volume was doubled compared to the previous year.

Production was increased in 2000-01 for Ciprofloxacin HCl, Ranitidine HCl and Enalapril Maleate. We developed new customers for both the products. We commercialized production of Ramipril, and are test marketing the product.