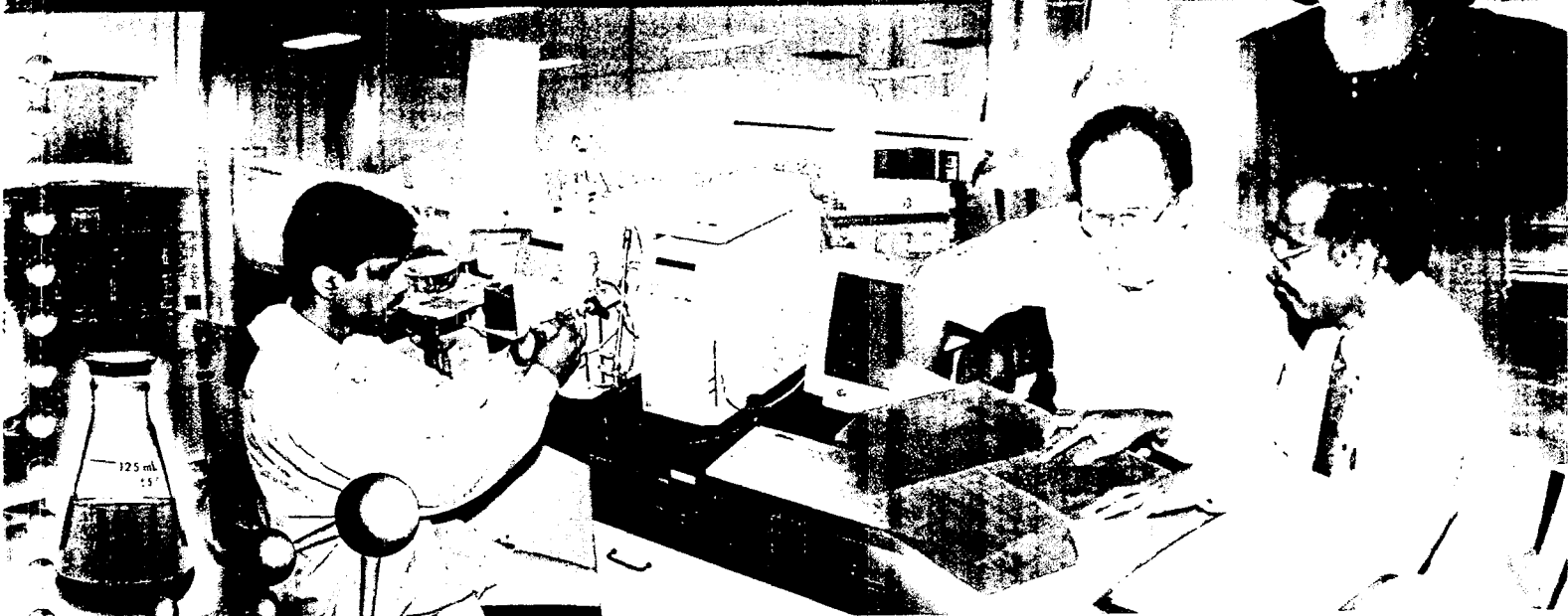
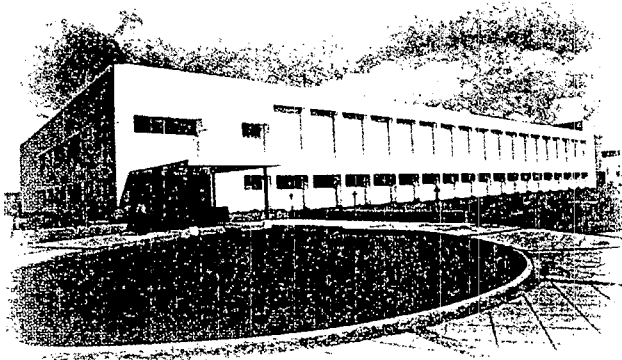


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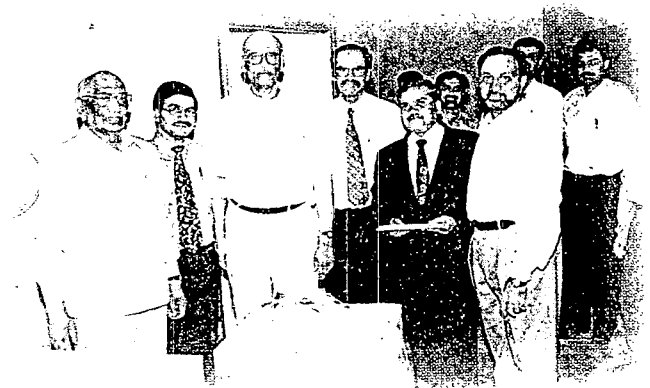
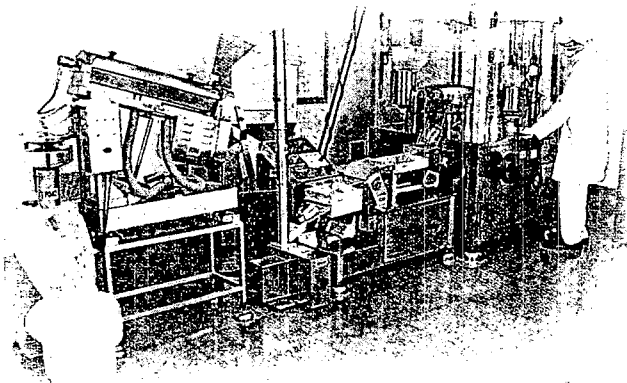


MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

UNICHEM



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Snippets of Goa Plant



Unichem Laboratories Limited

Board of Directors

Shri Amrut V Mody

Chairman

Dr Prakash A Mody

Managing Director

Shri B K Sharma

Executive Director

Shri Sohrab E Dastur

Shri Ramdas M Gandhi

Shri Harsh Mariwala

Shri Balkrishna C Modi

Shri Prafull Anubhai

Company Secretary

K Subharaman

Auditors

Messrs B D Jokhakar & Co.

Chartered Accountants

Advocates & Solicitors

Messrs Manilal Kher Ambalal & Co.

Bankers

Bank of India

The Sakura Bank Ltd.

Bank of Baroda

Registered Office :

Mahalaxmi Chambers.

22, Bhulabhai Desai Road,

Mumbai-400 026.

Corporate Office :

Unichem Bhavan, Off S. V. Road,

Jogeshwari (W), Mumbai-400 102.

Roha Office & Works :

99, M. I. D. C. Area, Roha,

Dist. Raigad 402 116.

Goa Office & Works :

Plot No. 17 & 18,

Pilerne Industrial Estate,

Pilerne Bardez - Goa.

Ghaziabad Office & Works :

C-31-32, Industrial Area,

Meerut Road,

Ghaziabad-201 003.

Registrar & Transfer Agents :

M/s. Mondkar Computers Pvt. Ltd.

21, Shakil Niwas, Mahakali Caves Road,

Andheri (East), Mumbai-400 093.

**34th Annual General Meeting on Monday,
29th December, 1997 at 3 p.m. at Birla Krida
Kendra, Dr. N. A. Purandare Marg,
Chowpatty, Mumbai - 400 007.**

Shareholders seeking information of accounts published herein are requested to furnish their queries to the Company at least TEN days before the date of the Meeting.



CHAIRMAN'S STATEMENT

I welcome you to this 34th Annual General Meeting of the Company.

Pharmaceutical industry in India has been undergoing a major metamorphosis. Under the WTO, product patents will now become operative in the Indian market. Product imports are becoming easier. With the rise in the general awareness about health and hygiene, quality expectations are going up. On the other hand, the government still has persisted with price control policy and DPCO exercises a stranglehold on many drugs. Overall demand for drug can be expected to show substantial growth as the government recognises primary health as one of the major social policy objectives. The picture is thus mixed presenting several opportunities and lurking threats.

The impact of the above factors has been major restructuring within the industry. Pharmaceutical MNCs all over the world have become more focused on their products. They have thus restructured and consolidated their pharmaceutical operations. Many companies have merged also. The impact of this also has been felt in the Indian operations of the MNCs. The cases in the point are Ciba and Sandoz merger, Glaxo and Wellcome merger etc. World-wide pharmaceutical industry has three features : high R & D costs, high brand building costs and enormous value of corporate image. Government of India followed policies which went against the logic of these special features. It encouraged sub optimum production scales, dilution of brand equity and fractionation of corporate identity. However, slowly things are changing.

The response of the Indian pharmaceutical industry to these turbulent changes has been two fold : some companies which are unable to support their brands, develop them further or promote new ones; some have sold out their formulation brands and concentrated generics manufacturing or bulk drugs. On the other hand many Indian companies have consolidated their operations or carried out mergers so that, they can defend and develop their brands and enhance their corporate image and realise economic scale of R & D operations.

We have been fully aware of these developments. We have decided to enhance our corporate image, develop brand value for various products and achieve a scale of operations which can make it economical for us to pursue serious R & D and justify worldclass manufacturing. In the current year we have commissioned our state-of-the-art modern Goa plant. Our new plant for the antibiotic range of medicines will be

commissioned by March, 1998 at Baddi, Himachal Pradesh. We are taking up effective steps to complete a model pilot bulk drug plant to qualify USFDA norms. Over the next couple of years our R & D centre will also be considerably upgraded. This is how we are preparing ourselves to face the challenges that lie ahead. I am happy to also mention that we have been able to streamline our operations by closing down the high cost Jogeshwari plant. This has released the necessary space and other resources for putting up a modern and efficient corporate office and a R & D centre.

We also realise that for a company like ours, there are many export opportunities for off-patent formulations and bulk drugs. Effective steps are being taken to register our products internationally, to lay the foundation for growth of exports in the future.

Last year, we started the process of merging of our associate companies viz. Unisearch Ltd. & Unichem Exports Ltd. into Unichem Laboratories Ltd. That process has now been completed. This will generate synergies in terms of cost saving and marketing reach. It already has improved the image of the Company as our ORG rating has gone up from 28 to 20. We have launched three new products in three different therapeutic areas viz. SATIN, a cholesterol reducer in the area of cardiovascular therapeutic segment; DOMADOL in the post operative pain management segment, ZONEP in the psychiatry segment. Having created the right threshold for a focused thrust in the Industry, I see a better and prosperous future for your Company starting from this fiftieth year of Independence of our country.

We have gone through a difficult period of restructuring. There is always a cost to such restructuring. However I am happy to say that we have done it with minimum dislocation and have come out of this restructuring unscathed and stronger. I would like to record our appreciation of our senior management for handling this delicate process with vision, patience, tact and circumspection. I also would like to thank the executives and other employees for their valuable contribution and displaying an understanding of the tumultuous time through which the company and the industry are passing.

A. V. MODY
Chairman

NOTICE

NOTICE is hereby given that the 34th Annual General Meeting of UNICHEM LABORATORIES LIMITED will be held at Birla Krida Kendra, Dr. N. A. Purandare Marg, Chowpatty, Mumbai - 400 007 on Monday, the 29th day of December, 1997 at 3.00 p.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend for the year ended 31st March, 1997.
3. To appoint a Director in place of Mr. B. K. Sharma, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S. E. Dastur, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Prafull Anubhai, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration for the year ending 31st March, 1998.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to Section 94(1)(a) & other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 10,00,00,000 divided into 1,00,00,000 equity shares of Rs. 10/- each to Rs. 15,00,00,000 divided into 1,00,00,000 equity shares of Rs. 10/- each and 50,00,000 preference shares of Rs. 10/- each.

RESOLVED FURTHER that the words "The Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores) divided into 1,00,00,000 equity shares of Rs. 10/- each and 50,00,000 preference shares of Rs. 10/- each" be substituted for the words "The Share

Capital of the Company is Rs. 10,00,00,000 (Rupees Ten Crores) divided into 1,00,00,000 equity shares of Rs. 10/- each" in Clause V of the Company's Memorandum of Association."

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

"RESOLVED that pursuant to Section 31 & other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and they are hereby altered by substituting the following new Article 5 for the present Article 5 thereof :

5. The Authorised Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores) divided into 1,00,00,000 Equity Shares of Rs. 10/- each and 50,00,000 Preference Shares of Rs. 10/- each."

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

"RESOLVED that, subject to the provisions of the Companies Act, 1956, and the approval, if any, and the guidelines of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) or any other related authorities, the consent of the Company be and is hereby accorded to the Board of Directors to allow Foreign Institutional Investors (FIIs), Overseas Corporate Bodies predominantly owned by individuals of Indian nationality or origin resident outside India (OCBs) and Non-Resident Indians (NRIs) to acquire shares of the Company through Stock Exchanges in India under the Portfolio Investment Scheme subject to the condition that acquisition by such FIIs, OCBs and NRIs shall always be within the overall ceiling of 30% of the issued and paid up capital of the Company.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient for giving effect to this Resolution and for matters connected therewith or incidental thereto."

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

"RESOLVED that subject to all applicable provisions

Unichem Laboratories Ltd.

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- of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to acquire / purchase any of its own shares on such terms and conditions and upto such limits as may be prescribed by law from time to time and that the Board of Directors be and it is hereby authorised to do all such acts, deeds, matters and things as may be necessary or proper to implement this resolution."
11. 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 31 & other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and they are hereby altered by the addition of a new Article 9A after Article 9 as follows :
- BUY BACK OF SHARES :**
- 9A Notwithstanding anything contained in the preceding Article 9 but subject to the provisions of the Act and all other applicable provisions of law, as may be in force at any time and from time to time, the Company may acquire, purchase, hold, resell any of its own fully / partly paid or redeemable shares and may make payment out of funds at its disposal for and in respect of such acquisition / purchase on such terms and conditions and at such times as the Board may in its discretion decide and deem fit."
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 4th October, 1997 to 24th October, 1997 (both days inclusive).
3. The Dividend, when declared, will be made payable through Bank of India, Mumbai 400 036, on or after 15th January, 1998 to these shareholders whose names appear on the Register of Members on 24th October, 1997.
4. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the dividend for the year 1991-92 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Mumbai.
5. Members are requested to notify promptly any change in their addresses to the Company including the Pin Code Number.
6. Members holding shares in identical order of names in more than one folio are requested to write to the Registrar & Transfer Agents, M/s. Mondkar Computers Pvt. Ltd. 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai-400 093 or to the Company's Investor Service Department enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
7. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.

By order of the Board

K. SUBHARAMAN
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Registered Office :

Mahalaxmi Chambers,
22, Bhulabhai Desai Road,
Mumbai - 400 026

Dated : 29th November, 1997

EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item Nos. 7 & 8.

The Authorised Share Capital of the Company is Rs. 10,00,00,000 divided into 1,00,00,000 equity shares of Rs. 10/- each. The Issued, Subscribed and Paid-up Share Capital is Rs. 3,59,98,000 divided into 35,99,800 equity shares of Rs. 10/- each.

The Company is in the process of setting up a project at Himachal Pradesh. It has also plans for modernisation and setting up Research and Development Centre. The funds required for aforesaid expenditure may be raised through issue of Partly/Fully Convertible Debentures or through any other mode which may necessitate issue of preference shares.

It will therefore be necessary to increase the Authorised Share Capital to Rs. 15,00,00,000 by creation of 50,00,000 preference shares of Rs. 10/- each. The Company's Articles of Association empowers the Company in General Meeting by Ordinary Resolution to increase its Authorised Share Capital by creation of new shares. The Ordinary Resolution set out at Item No. 7 of the Notice convening the Meeting is to be considered accordingly and the Board commends its acceptance.

The Special Resolution at Item No. 8 seeks to make a corresponding amendment in Article 5 of the Articles of Association of the Company which is permissible by the Company in general meeting by a Special Resolution. Article 5 is therefore proposed to be altered in the manner and to the extent by the Special Resolution set out in Item No. 8 of the Notice convening the meeting and the Board commends its acceptance.

None of the Directors of the Company is concerned or interested in the resolutions set out at Item Nos. 7 and 8 of the Notice convening the meeting.

Item No.9

The Finance Ministry has, by a Notification issued on 4th April, 1997, permitted Foreign Institutional Investors (FIIs), Non Resident Indians (NRIs) and Overseas Corporate Bodies predominantly owned by individuals of Indian nationality or origin resident outside India (OCBs) to make portfolio investment in shares of Indian Companies upto 30% of the issued and paid up capital of a Company subject to :-

- a) Approval by the Board of Directors of the Company to the limit of 30% and
- b) A Special Resolution being passed by the General Body of the Company approving the limit of 30 %.

The Board of Directors has, by a resolution passed at its Meeting held on 26th August, 1997 approved the limit of 30% of the issued and paid up capital of the Company for investment in shares of the Company by FIIs, NRIs and OCBs under the Portfolio Investment

Scheme by way of purchases through Stock Exchanges in India.

The Board of Directors recommends the passing of the Resolution set out at Item No. 9 of the Notice.

No Director is concerned or interested in the Resolution.

Item Nos. 10 & 11

At present a company having a share capital cannot purchase its own shares unless such purchase is authorised by its Articles of Association and is also approved by the shareholders by a Special Resolution and such Special Resolution is confirmed by the Court. Section 77 of the Companies Act restricts the purchase of its own shares by a Company unless the same is done with a view to reduce its capital in pursuance of Sections 100 to 104 and Section 402 of the Companies Act, 1956. However, it is anticipated that amendments to the Companies Act may provide for buy back of shares subject to certain stipulations. The Directors, therefore, feel it would be desirable to have an enabling power from the shareholders for this purpose.

Article No. 66 of the existing Articles of Association of the Company permits the Company to reduce its capital subject to the provisions of Sections 100 to 105 of the Companies Act, 1956. Article No. 9 of the Articles of Association prohibits the Company from applying any of its funds for the purchase of any shares of the Company. In anticipation of an amendment to the Companies Act, 1956 or the re-enactment thereof, it is proposed to consider the introduction of a new Article 9A in the Articles of Association of the Company as mentioned in the resolution set out at Item No. 9 of the Notice to enable the Company to purchase any of its own shares, in accordance with law as may be then prevailing.

A copy of Articles of Association of the Company showing proposed alterations will be available for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company upto and including the day of the 34th Annual General Meeting.

None of the Directors is concerned or interested in the Resolution.

By order of the Board

K. SUBHARAMAN
Company Secretary

Registered Office :

Mahalaxmi Chambers,
22, Bhulabhai Desai Road,
Mumbai - 400 026

Dated : 29th November, 1997

Unichem Laboratories Ltd.

Annual Report 1996-97

DIRECTORS' REPORT

- The Directors have pleasure in presenting their Thirty-fourth Annual Report with Audited Accounts for the year ended 31st March, 1997.

2. FINANCIAL PERFORMANCE

	(Rs. in lakhs)	
	Current Year	Previous Year
Operating Profit	1799.89	1241.14
Add : Non-operating Income	15.43	69.79
Profit before Interest and Depreciation	1815.32	1310.93
Less : Interest	230.34	212.61
Gross Profit	1584.98	1098.32
Less : Depreciation	276.92	220.72
PROFIT BEFORE TAX	1308.06	877.60
Less : Extraordinary Item (VRS)	907.98	55.19
Tax Provision	53.00	270.65
PROFIT AFTER TAX	347.08	551.76
Balance brought forward (including amounts relating to the Transferor Companies M/s. Unisearch Ltd. and Unichem Exports Ltd.)	619.07	378.07
	<u>966.15</u>	<u>929.83</u>
APPROPRIATIONS		
Proposed Dividend	213.25	180.00
Tax on Proposed Dividend	21.33	—
General Reserve	300.00	300.00
Surplus carried to Balance Sheet	431.57	449.83
	<u>966.15</u>	<u>929.83</u>

3. OPERATIONS

Two significant milestones which will pave way for focused and efficient operations have been achieved in the last year. Firstly, the operations of Unisearch Ltd. and Unichem Exports Ltd. were merged with your Company by successfully completing the Amalgamation process and secondly your Company was able to implement VRS at its Jogeshwari plant where all the 352 Staff and Workers opted for the Scheme leading to shifting of certain manufacturing operations to other plants. This will considerably improve the operating profit of the Company. It also strengthens the market position of the Company improving its ORG ranking within the pharmaceutical industry.

Sales and other income registered an increase of about 17.33% over the previous year and the Operating Profits went up by 51.31%. However it should be noted that this is not directly comparable with the last year as last year's results related to unamalgamated Unichem Laboratories Ltd. only. The Company has opted for writing off the VRS expenses in two equal instalments of Rs. 908 lacs each over a period of two years. Had the VRS expenses been spread over an outer range of five years as per the recommended Accounting Policy by the Expert Committee of Institute of Chartered Accountants of India, the write off would have been Rs. 363 lacs instead of Rs. 908 lacs and the EPS of the Company would have been Rs. 20.93 (Previous year

Rs. 15.31) instead of Rs. 8.16 for the Current Year.

As a part of its long-term strategy, the Company has taken up investments in modern pharmaceutical manufacturing facilities. This will help in reducing costs, improving quality and making it possible to take up manufacture of more sophisticated products. Besides, it will support export operations and enable us to meet international standards of manufacturing. The Company also is pursuing strategic alliances for manufacture and marketing of new products in India and abroad.

Your Company's state-of-the-art formulation plant at Bardez, Goa was successfully commissioned and commercial production also started in the month of May 1997. Your Company's plant at Baddi, Himachal Pradesh for Antibiotics is under construction and the same is expected to be completed by March, 1998.

The Export Sales amounted to Rs. 510.16 lacs as compared to Rs. 776.05 lacs during the previous year. Certain registration formalities of the Company's products are being completed and export sales are expected to pick-up for F.Y.1997-98.

4. DIVIDEND

Your Directors are pleased to recommend a Dividend of Rs. 5/- per share of Rs. 10/- each fully paid up (50%) for the year ended 31st March, 1997.

5. INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

5.1 Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed and forms part of this Report.

5.2 Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this information is excluded from the Report and Accounts being sent to Members. Any member interested in obtaining this information may write to the Company Secretary at the Registered Office.

6. DEPOSITS

Your Company was able to mobilise additionally net deposits amounting to Rs. 2,90,85,000 during the current financial year. The total Fixed Deposits with the Company at the year end were Rs. 4,46,82,000/-. Out of the total Fixed Deposits, 70 depositors had not claimed repayment/renewal of their deposits amounting to Rs. 4,76,000/- on the last day of the accounting year. Out of these, as of date, 32 depositors have renewed their deposits amounting to Rs. 2,51,000/- and 4 depositors have withdrawn their deposits amounting to Rs. 13,000/-.

7. EMPLOYEE RELATIONS

Relations between employees and the management have remained cordial and the Directors wish to place on record their appreciation of the co-operation and support received.

8. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, three of your Directors, Mr. B. K. Sharma, Mr. S. E. Dastur and Mr. Prafull Anubhai, retire by rotation and being eligible, offer themselves for reappointment.

9. SUBSIDIARY COMPANY

The results of the subsidiary Company UNICHEM GLOBAL HOLDINGS LTD., are attached to this Report along with the Statement pursuant to Section 212 of the Companies Act, 1956.

10. REPLACEMENT OF EXISTING SHARE CERTIFICATES WITH NEW CERTIFICATES CARRYING ADDITIONAL SECURITY FEATURES

Depending upon the time of the issue, there are variations in the sizes and the colours of your Company's share certificates, thereby making them vulnerable to forgery by unscrupulous elements generating fake certificates. To protect the bonafide investors and your Company from avoidable problems arising out of such malpractices, your Company will be replacing the existing share certificates with new certificates carrying special security features, which will create serious deterrents against any attempt to tamper with or duplicate the share certificates. Your Company intends to accomplish this during the current year and will be sending you a separate communication in due course.

11. AUDITORS' COMMENTS

Your attention is invited to the notes mentioned in the Auditors' Report, which are self-explanatory and are adequately dealt with in the notes forming part of the Accounts.

12. AUDITORS

Messrs B. D. Jokhakar & Co. retire as Auditors of the Company and being eligible, offer themselves for reappointment.

13. ACKNOWLEDGEMENT

The Directors take this opportunity of acknowledging the support and assistance received from the Company's bankers, suppliers and business associates.

On behalf of the Board of Directors,

Place : Mumbai
Dated : 29th November, 1997

A. V. MODY
Chairman