

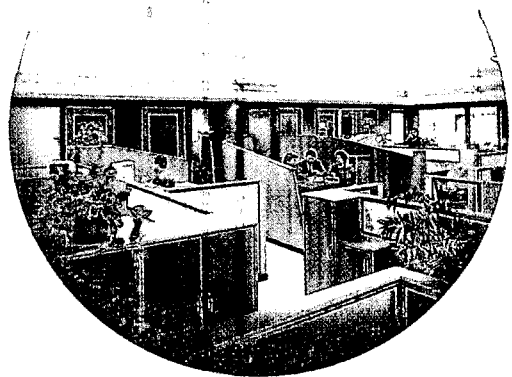
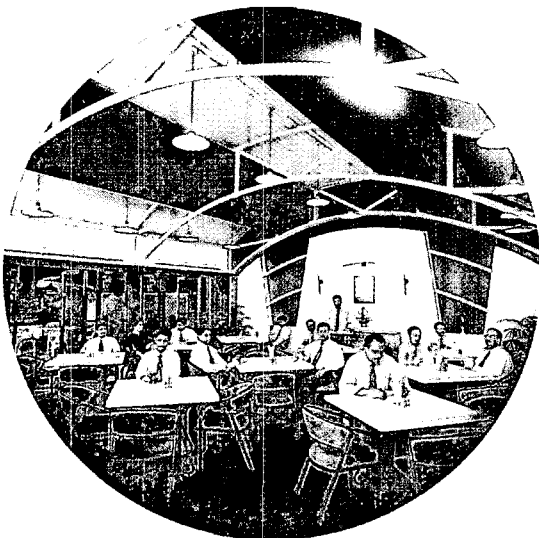
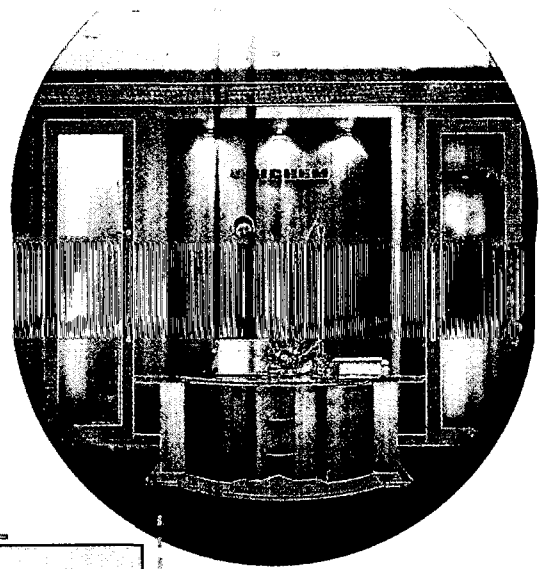
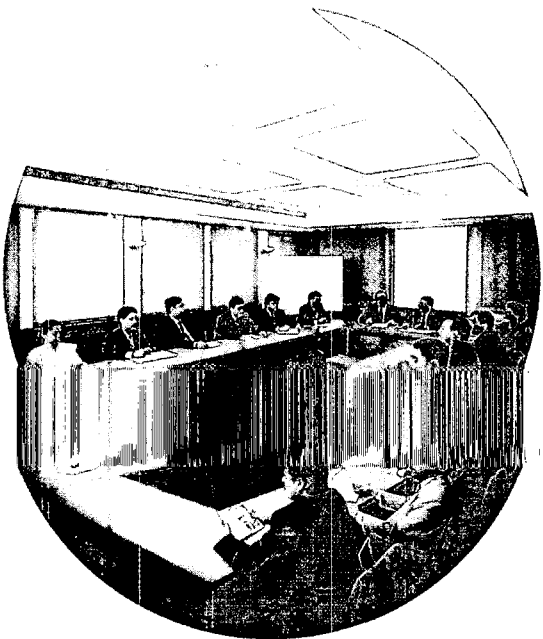


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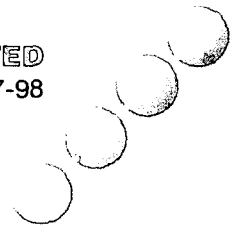
ANNUAL REPORT 1997-98

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YE	<input checked="" type="checkbox"/>		

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UNICHEM LABORATORIES LIMITED
Thirty Fifth Annual Report 1997-98



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.

Baddi Office & Works :
Bhatauli Kalan,
Dist. Solan,
Himachal Pradesh.

Registrar & Share Transfer Agents :
M/s. Mondkar Computers Pvt. Ltd.
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.

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







CHAIRMAN'S STATEMENT

Ladies & Gentlemen,

I welcome you to the 35th Annual General Meeting of the Company.

Last year it has been a very tough year for the entire Indian Industry. The overall industrial growth rate has been only around 5%. Seen in this context pharmaceutical industry would appear to be a bright spot having achieved a growth rate of about 14%. Given the very low level of penetration of the pharmaceutical industry compared to other countries of the world, the potential for growth is certainly far larger.

The major issue now emerging is the cost of treatment in an atmosphere of general inflation. In the context of globalisation, pharmaceutical industry needs a strong financial base to upgrade its facilities. It also requires substantial investments in R & D. All this can be possible only if the industry is able to earn reasonable profits and grow more rapidly. The operation of DPCO is so handled that it has drained the finances even of healthy units. The basic issue of cost of treatment on the one hand and financial health of the pharmaceutical industry on the other, can be resolved only through a long term enlightened policy by the government. Introduction of mass medical insurance could be one major instrumentality in such a policy.

Indian pharmaceutical industry has developed a highly scattered structure with about 24000 units producing drugs. Nowhere in the world the industry is so diffused. Pharmaceutical industry is becoming more and more capital intensive with higher standards of quality assurance. This will make it difficult for smaller units to survive. Many of these units may therefore have to be either upgraded or weeded out. Another problem being faced by this Industry is similarity in Brand names. New brand names are cleared on the basis of preliminary search at the Trade Marks Registry. As the records of the Trade Marks Registry are not updated many a times companies introduce similar brand names within a short span of time unknowingly. This leads to confusion in the market place and avoidable disputes between honest companies. This requires immediate redressal by the government.

Another major challenge before the industry is the adoption of the product patents. This means that the Indian companies will not be able to produce latest molecules by mimicking the same. It will have to follow more expensive route. It will have to strengthen R & D considerably or structure strategic alliance with leading pharmaceutical companies or R & D labs around the world.

On the other hand, there are tremendous market opportunities for an efficient outward looking pharmaceutical company. Our low costs, high level technical skills and our accumulated experience in this industry form formidable strengths. The key issue now is establishing market reach.

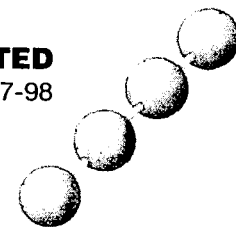
Your company has carefully monitored all these trends and chalked out this strategy as the first important step. We have established most modern plants for formulations at Goa and Baddi. Incidentally, these locations also bring to us the benefit of lower tax. We have now focused our attention on upgrading our bulk drug plant at Roha to international level and to make it multipurpose. Next in line are upgrading our R & D facilities and our Ghaziabad plant. These investments make it possible for us to confidently meet the international standard of quality and inspire confidence within and outside the organisation about our products. The Company also has taken effective steps to see that these investments do not overstretch our finances. We have already sold some of the non-operative assets to partly fund this investment. Any modern industry faces obsolescence of its product at an accelerated pace. Having restructured our operations, we have focused a great deal now on innovation and introduction of new products. Three new products have been introduced by us in the first quarter of the current financial year in three different therapeutic areas-Flospar, a powerful latest Quinoline for treatment of lower respiratory track infection; Serta, a revolutionary first line anti-depressant and Losar, a potent anti-hypertensive.

Your company has traversed a difficult course for the last 5 years. We have closed uneconomic operations. We have built modern new plants. We have upgraded and supplemented skills within the organisation. We have started the process of inculcating new work culture within the organisation. As a part of this exercise we have signed a fresh agreement with the field force. We have focused on new products and exports. Having handled this critical phase of adjustment, we are poised for the major growth phase. With your support and good wishes I am confident that our Management team will certainly tackle this challenge successfully.

A.V. MODY
Chairman

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**NOTICE**

NOTICE is hereby given that the 35th Annual General Meeting of UNICHEM LABORATORIES LIMITED will be held at Birla Krida Kendra, Dr. N. A. Purandare Marg, Chowpatty, Mumbai - 400007 on Tuesday, the 29th day of September, 1998 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, 1998 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, 1998.
3. To appoint a Director in place of Shri B. C. Modi who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Ramdas M. Gandhi, who retires by rotation, and being eligible, offers himself for reappointment.
5. 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, 1999.

SPECIAL BUSINESS

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

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the reappointment of Dr. Prakash A. Mody as Managing Director for a further period

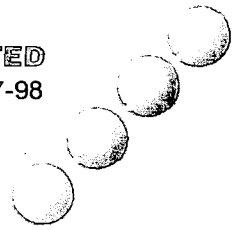
of 5 years with effect from 1st July '1998 on the remuneration and on such terms and conditions as recommended by the Board of Directors in their meeting held on 27th June, 1998 and set out in the draft agreement to be entered into by the Company with him, and submitted to this Meeting and initialled for the purposes of identification by the Chairman, with liberty and authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement from time to time within the scope of Schedule XIII of the Companies Act, 1956, or any amendments thereto or any re-enactment thereof and as may be agreed to between the Board of Directors and Dr. Prakash A. Mody.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, desirable or expedient to give effect to this resolution."

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.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 1998 to 29th September, 1998 (both days inclusive).
3. The dividend, when declared, will be made payable on or after 15th October, 1998 to those members whose names appear on the Register of Members as on 29th September, 1998.
4. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the dividend for

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the year 1992-93 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, Maharashtra.

5. Members are requested to notify promptly any change in their addresses including the Pincode Number to the Registrar & Share Transfer Agents, M/s. Mondkar Computers Pvt. Ltd, 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai-400 093.
6. 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.
7. Shareholders who have not still exchanged their old Share certificates with new Share certificates

with latest security features may do so by bringing their shares for exchange at the counter opened at the Registered Office of the Company on any working day during the timings given below:-

10.00 a.m. to 12.00 noon.

&

2.00 p.m. to 4.00 p.m

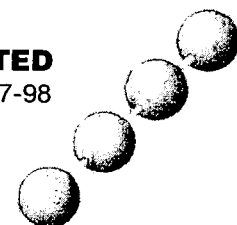
By order of the Board

K. SUBHARAMAN
Company Secretary

Registered Office :

Mahalaxmi Chambers, 2nd Floor,
22, Bhulabhai Desai Road,
Mumbai - 400 026

Dated : 27th June, 1998.



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

Item No. 6

The present term of Dr. Prakash A. Mody as Managing Director expired on 30th June, 1998.

Dr. Prakash A. Mody has been the Managing Director of the Company since 1982 and the Company has progressed well under his leadership during the last 16 years. The Board is of the view that Dr. Prakash A. Mody should continue as Managing Director and steer the Company into the next millennium under his able leadership.

Dr. Prakash A. Mody's appointment, terms and conditions and remuneration are within the scope of Schedule XIII of the Companies Act, 1956 and requires the approval of the members in the General Meeting and hence this resolution for your approval.

The terms and conditions contained in the agreement proposed to be made between the Company and Dr. Prakash A. Mody, upon his aforesaid reappointment, inter-alia, includes the following :-

1. **Period of Agreement :** Five Years from 1st July 1998 to 30th June 2003.
2. **Salary :** Rs.1,00,000 per month ; in the scale of (1,00,000 - 20,000 - 2,00,000)
3. **Commission :** Not exceeding 1% of the net profits of the Company, subject to the overall ceilings laid down in Section 198 and Section 309 of the Companies Act, 1956.
4. **Perquisites and Allowances :**
 - i) In addition to salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself and his family, club fees, medical insurance, personal accident insurance, leave and such other perquisites and allowances in accordance with the rules of the Company or

as may be agreed to by the Board of Directors and the Managing Director; such perquisites and allowances will be subject to a maximum of 100% of the annual salary.

- ii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these, singly or together, are not taxable under the Income-tax Act, 1961; Gratuity payable, as per the rules of the Company and Encashment of Leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid, subject to Schedule XIII of the Companies Act, 1956.
- iii) The provision for use of Company's car with driver for official duties and Company's telephone at his residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.

5. Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of Dr. Prakash A. Mody, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above subject to the restrictions set out in Section XIII of the Companies Act, 1956 or any law or enactment for the time being or from time to time in force.

The terms and conditions of this reappointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 and any amendments made hereafter in that regard.

The Managing Director shall be entitled to reimbursement of expenses actually and properly incurred in the course of business of the Company.

The Managing Director so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or

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committees thereof, and shall not be liable to retire by rotation.

The Company or Managing Director shall be entitled at any time to terminate this appointment by giving six months written notice or by any shorter notice as may be mutually agreed to between the Managing Director and the Board of Directors.

Dr. Prakash A . Mody is concerned or interested in his reappointment as Managing Director and the remuneration payable to him. Shri A.V. Mody being a relative, is also deemed to be concerned or interested in the reappointment of Dr. Prakash A . Mody and the remuneration payable to him. None of the other Directors is concerned or interested in the resolution.

The draft Agreement between the Company and Dr. Prakash A. Mody is available for inspection to the members of the Company at its Registered

Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

This may be treated as an abstract of the terms of reappointment of Dr. Prakash A. Mody and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

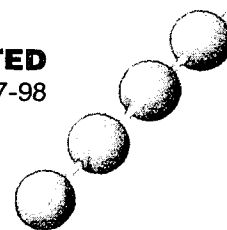
By order of the Board

K. SUBHARAMAN
Company Secretary

Registered office :

Mahalaxmi Chambers, 2nd Floor,
22, Bhulabhai Desai Road,
Mumbai - 400 026

Dated : 27th June, 1998.



DIRECTORS' REPORT

To the Shareholders

1. The Directors have pleasure in presenting their Thirty-fifth Annual Report with Audited Accounts for the year ended 31st March, 1998.

2. FINANCIAL PERFORMANCE

	Current Year	Previous Year
Operating Profit	2154.36	1530.02
Add : Non-operating Income	504.88	285.30
Profit before Interest and Depreciation	2659.24	1815.32
Less : Interest	598.55	230.34
Gross Profit	2060.69	1584.98
Less : Depreciation	415.34	276.92
Less : Extraordinary Item (Compensation paid to employees who have opted for retirement)	1112.96	907.98
Less : Prior period expenses	6.38	—
Tax Provision	125.00	53.00
PROFIT AFTER TAX	401.01	347.08
Balance brought forward (including amounts relating to the Transferor Companies M/s. Unisearch Ltd. and Unichem Exports Ltd.)	431.57	619.07
Amount available for Appropriation	<u>832.58</u>	<u>966.15</u>

APPROPRIATIONS

Proposed Dividend	213.25	213.25
Tax on Proposed Dividend	21.33	21.33
General Reserve	125.00	300.00
Surplus carried to Balance Sheet	473.00	431.57
	<u>832.58</u>	<u>966.15</u>

