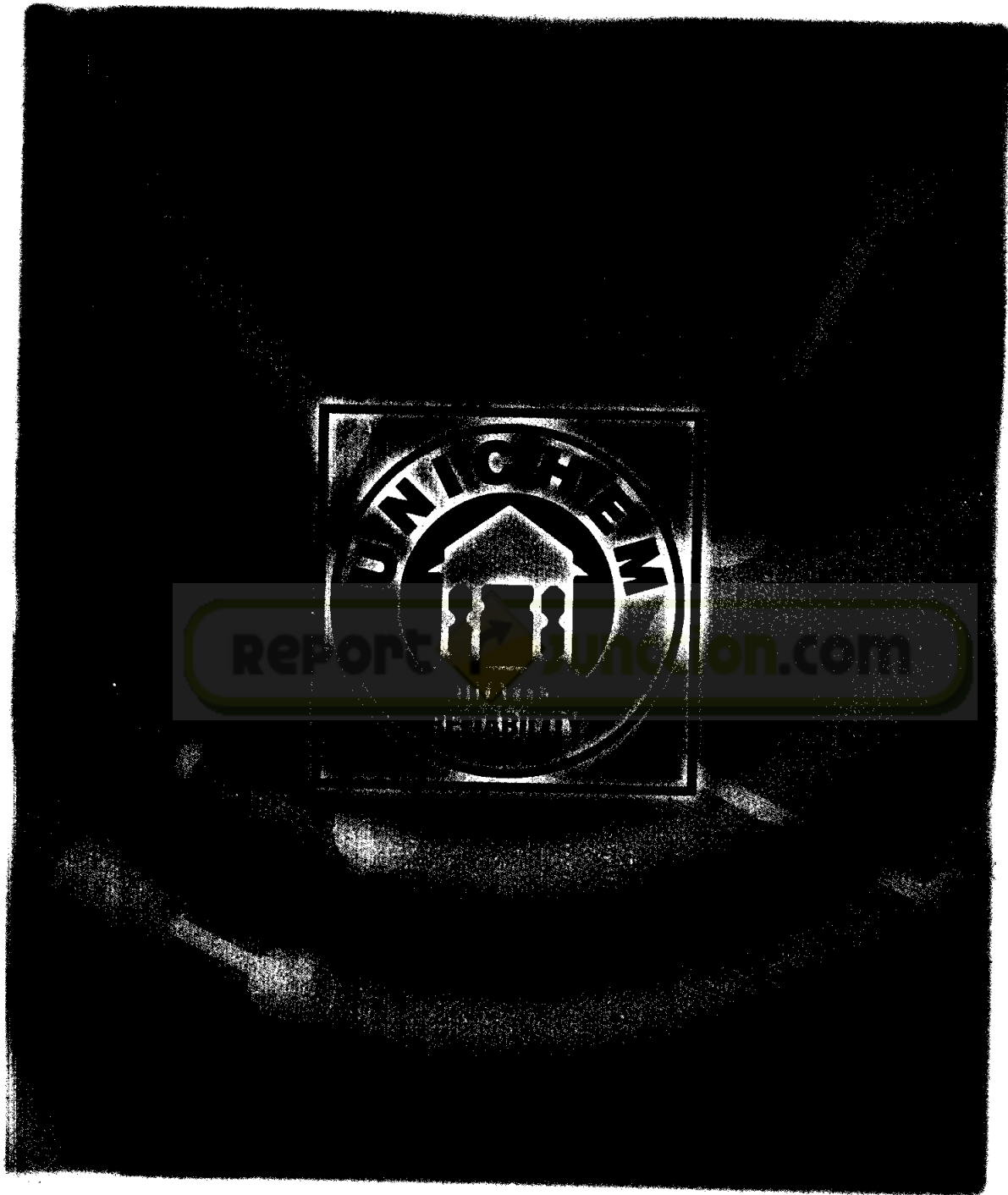


UNICHEM



Annual Report
1999-2000



UNICHEM LABORATORIES LIMITED

BOARD OF DIRECTORS

Dr. Prakash A. Mody, Chairman & Managing Director
B. K. Sharma, Executive Director
Balkrishna C. Modi
Harsh Mariwala
Prafull Anubhai
Ramdas M. Gandhi
Sohrab E. Dastur

COMPANY SECRETARY

K. Subharaman

BANKERS

Bank of India
The Sakura Bank Limited
Bank of Baroda

AUDITORS

B. D. Jokhakar & Co.

REGISTERED OFFICE

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

CORPORATE OFFICE

Unichem Bhavan, Off S.V.Road, Jogeshwari (W), Mumbai - 400 102.

MANUFACTURING LOCATIONS

- 99, MIDC Area, Roha, Dist. Raigad - 402 116.
- Plot No. 17 & 18, Pilerne Industrial Estate, Pilerne Bardez, Goa - 403 515.
- C-31-32, Industrial area, Meerut Road, Ghaziabad - 201 003.
- Bhatauli Kalan, Dist. Solan, Baddi, Himachal Pradesh - 173 205.

Chairman's Statement

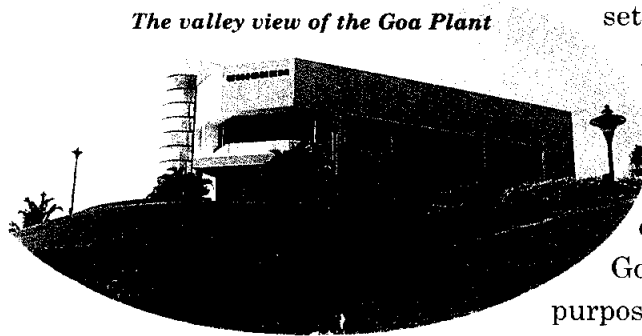
Dear Shareholder,

The Indian pharmaceutical Industry is undergoing significant transformation. The operational gap between Indian companies and International companies has narrowed down. The domestic market has become highly competitive and price sensitive. There will be an imminent shake-out stage in the Pharma Industry where only the stronger players with strong marketing skills, manufacturing expertise and financial muscle will survive.

For facing the challenges ahead, especially after the year 2005 when the product patent era will be operational, Unichem has undergone major transformation in the past 3-4 years and is committed to develop as a knowledge based forward looking organisation. At Unichem, we will continue to strive hard to bring out newer molecules matching international quality standards to become not only a dominant player in the domestic market out but also to become a recognized player in the international scene in our chosen areas of therapy. Now, I would like to inform you briefly the changes your company has undergone in the last few years to achieve this aspiration.

1. Unichem has built strong brands through quality products over the years and we intend to leverage upon our relationship with Doctors by expanding our product portfolio and extending our reach. The Doctor coverage has increased from 150000 Doctors to 200000 Doctors out of the total population of 400000 Doctors in the country. The therapeutic coverage has also gone up from 45% to 60% by addition of new products and new Divisions. The products launched in the last 3 years currently contribute around 16% of the turnover.

2. To consolidate ourselves in the Domestic market through the initiatives described above the entire field force has undergone a drastic change. The average age of the field force has come down from 45 three years back to only 30 now. Today, fieldforce comprises more than 50% of our total employee strength.



The valley view of the Goa Plant

3. All the three state-of-the-art manufacturing facilities set up in the last three years at Goa, baddi and Roha at a total outlay of Rs. 55 crores are fully operational. The Goa formulation plant is approved by UK, MCA and the certification process for the Baddi plant by UK, MCA is nearly complete. The MCC, South Africa has approved the Goa and Baddi formulation plants. Our modern multi purpose bulk drug plant at Roha is also expected to get approved by International Health Authorities.

4. For the first time in Indian Pharma Industry Unichem chose to focus on a 'Customer Segment' by setting up a separate Division called 'Foreva' for catering exclusively to women's healthcare. It signifies our special concern to develop an integrated approach to cater to the healthcare of this important

demographic segment. 'Foreva' will market prescription products across a wide range of therapeutic categories such as nutrition, reproductive health, bone health, dermatology, mental health and cancer prevention and treatment. This Division has a full fledged marketing team of over 130 Associates.

5. The Molecular Generic Division was set up in February 2000. Currently this Division markets 41 products mainly in areas not covered by Unichem's Pharma Division.

6. We are also setting up a modern Research Centre at Jogeshwari at an initial outlay of Rs. 10 crores. This R&D Centre will provide the conducive environment to over 50 scientists to do research on Active Pharmaceutical Ingredients (APIs), Formulation Development including pre-formulation development, NDDS and new process development.



7. We have in place an efficient, cohesive, highly qualified and experienced Management Team of over 25 senior professionals guided by Shri B. K. Sharma, Executive Director who supervises the operations of Unichem to realise our aspirations.

In this changing scenario, I also strongly believe that a supportive policy for the ingenious pharmaceutical sector from the Government is long overdue. Price controls implemented in an unjustifiably aggressive manner only hamper the growth of Indian Pharma industry and limit the available resources for Research and Development.

On the Export front active steps are being taken to prepare the ground work for a major thrust. We have registered our brands with Drug Control Authorities in various African, Asian, South Asian and Middle East countries. In certain countries marketing tie ups and distribution channels are also finalized. Particularly, for products which will be out of patents in the European and American markets, we are in the process of filing the Drug Master File (DMF) through collaborative effort for value added Exports of generics manufactured in our approved facilities.

Today, Unichem is on the threshold of sustained growth. Unichem's goal is to achieve long term, sustainable increase in value, which will benefit our shareholders and stakeholders.

Unichem continues to strive for the upliftment of the Adivasis through Adivasis Unnati Mandal which was started by my late father Shri Amrut Mody years back.

Dr. P. A. Mody

Chairman & Managing Director

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DIRECTORS' REPORT

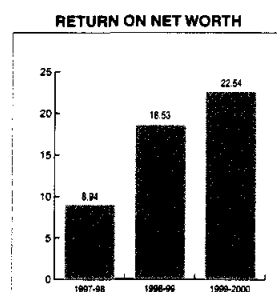
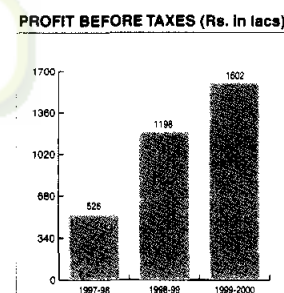
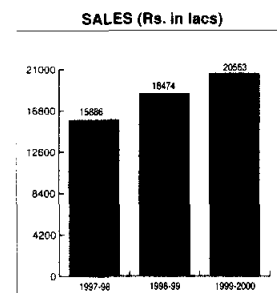
To the Shareholders

1. The Directors have pleasure in presenting their Thirty-seventh Annual Report with Audited Accounts for the year ended 31st March, 2000.

2. FINANCIAL PERFORMANCE

	Current Year	Previous Year
Operating Profit	2472.99	2366.99
Add: Non-operating Income	212.96	253.95
Profit before Interest and Depreciation	2685.95	2620.94
Less: Interest	538.61	726.65
Gross Profit	2147.34	1894.29
Less : Depreciation	509.66	447.98
Less : Extraordinary Item (Compensation paid to employees who have opted for retirement)	48.65	242.00
Less : Prior period expenses	8.93	3.60
Tax Provision	55.00	190.00
PROFIT AFTER TAX	1525.10	1010.71
Balance brought forward	997.45	473.00
Add/Less : Excess /(Short) provision for taxation pertaining to earlier years	22.44	(2.21)
Amount available for Appropriation	2544.99	1481.50
APPROPRIATIONS		
Interim Dividend	255.90	—
Tax on Interim Dividend	28.15	—
Proposed Dividend	—	255.90
Tax on Proposed Dividend	—	28.15
General Reserve	300.00	200.00
Surplus carried to Balance Sheet	1960.94	997.45
	2544.99	1481.50

(Rs. in lakhs)





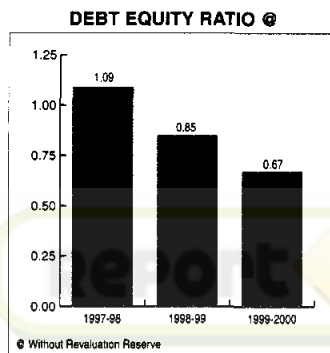
3. OPERATIONS

Financial Performance

The Company's sales for the year are Rs. 206 crores as compared to Rs. 185 crores for the previous year registering a growth of 11%. Profit after tax for the year is Rs. 15 crores as compared to Rs. 10 crores for the previous year registering a growth of 50%. EPS of the Company for the year is Rs. 36 as compared to Rs. 24 for the previous year.

There are substantial saving in interest costs mainly due to prudent Working Capital Management and also due to repayment of high cost borrowing by borrowing at low costs.

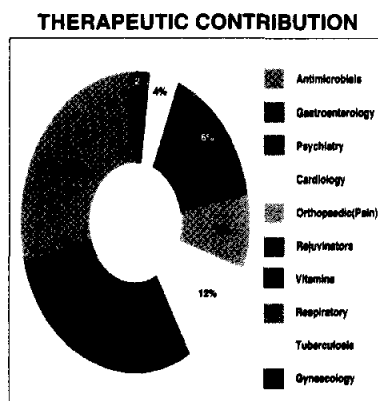
The Debt-Equity ratio has been consistently coming down. It has reduced from 1.16:1 in the year 1996-97 to 0.67:1 in the year 1999-2000.



DIVISIONWISE PERFORMANCE

■ Pharma

Domestic pharma sales showed an increase of 11% in FY00 as compared to FY99. The Industry growth rate for the same period was 8%.



■ Agvet

During FY00 AGVET Division of UNICHEM registered a growth of 14% in comparison with this Division's sales for FY99. This Division introduced three new products during the year under review. UNICHEM expects impressive performance from this Division in the FY 2000-2001.

■ Bulk Drugs

Unichem's modern multi-purpose bulk drug plant is fully operational. Unichem started manufacture of new bulk drugs such as Meloxicam; Celecoxib; Amlodipine Besylate; Ormetoprim; Phenylephrine HCL; Ornidazole, Losartan Potassium; Cetrizine Dihydrochloride; Bendroflumethiazide in this new plant. While bulk drug domestic sales went down by 9% in the FY00 as compared to the previous FY 99, exports of bulk drugs performed better and the exports went up by 13% in FY 00 as compared to FY99.

New Products under Development

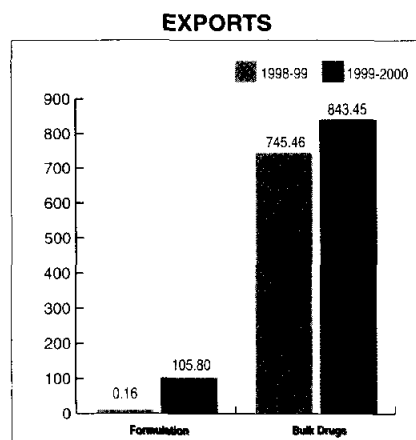
Carvedilol	Anti-hypertensive
Tizanidine	Muscle Relaxant
Doxazocin	Anti-hypertensive
Larnivedine	Anti-Viral
Atorvastatin	Antihyperlipoproteinemic
Zafirlukast	Leutriene Antagonist
Leflunomide	Immuno Modulator

■ International Business

Bulk Drugs Exports grew by 13% in the FY00 over the exports of the previous FY99. This was mainly due to manufacture of new molecules in the multi-purpose plant at Roha, Maharashtra. Bulk drugs exports will continue to grow after the addition of few more molecules for manufacturing. Formulation exports made a modest beginning with exports of Rs. 106 lacs which is expected to grow after tie-ups with major generic companies for co-marketing Unichem's products. We have registered 52 products in various countries like Tanzania, Uganda, Sri Lanka, Russia, Malaysia,

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Kenya, Ghana & Ethiopia. Also, 103 products are under registration/re-registration in 13 countries.



NEW DIVISIONS

- **Foreva**

During FY00, as a Concept Marketing Strategy and for the first time in India, UNICHEM set up its FOREVA Division to cater to the needs of Women's Healthcare mainly in the segments of pre and post-natal care, post-menopausal care, cancer prevention, nutrition, dermatological problems, hormonal problems etc. This division has launched 11 products of which 6 products are entirely new. This Division has a dedicated team of over 120 field staff mainly consisting of Women to target gynaecologists, obstetricians, pediatricians, dermatologists and general practitioners. FOREVA Division will expand UNICHEM's doctor coverage by 15%.

- **Molecular Generic**

UNICHEM set up its MOLECULAR GENERIC Division in February 2000. This Division launched 23 new products in the two months of FY00. Many more products are expected to be marketed by this Division in the FY 2000-2001 and this Division is expected to contribute a minimum of 10% of the total turnover. Today they have a range of 41 products.

NEW PRODUCTS LAUNCHED IN 1999-2000

Brand Name	Therapeutic category
Pharma Division	
M-Cam	NSAID & Anti Rheumatic
Zulu	NSAID with Muscle relaxant
Roff	NSAID & Anti Rheumatic
Pronim	NSAID
Celib	NSAID & Anti Rheumatic
Domadol SR	Analgesic
Lanpro-AC	Anti peptic ulcerants
Zyncet-D	Antihistamines
Anticox-3	Tuberculostatics
Flospat, 100 & 400	Systemic
Losar-A	Antihypotensive
Corbis	Cardiac Therapy
Loprin-DS	Anti-Coagulents
Losar-H	Antihypotensive
Trika-SR	Psycholeptics
Ambiz	Hypnotic
Zypine	Psycholeptics
Unikinase	Thrombolytic
Foreva Division	
Artaz	Anti-Rheumatic, Analgesics
Evaflox	Systemic Antibacterial
Madonia	General Nutrient
Ferolv	Antianemic preparation
Amnos	Antiemetic Antinauseant
Partobulin	Anti-D Immunoglobulin
Vital Division	
Xaflavin	Antiseptic skin cream
Unical	Oral tonics
Unistat	Anticoccidials

BRAND ACQUISITION

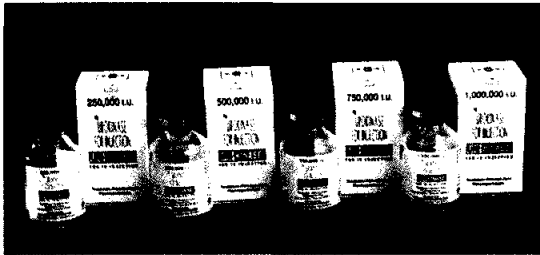
During FY00, two brands were purchased i.e. EMCREDIL and CANDIZOLE-T for a total cost of Rs. 132 lacs.

ALLIANCES

Unichem has forged two alliances with transnationals. Both these are for speciality products that are disease/ailment specific in nature. UNICHEM has entered into a strategic alliance with Korea Green Cross Corporation to market a product called UNIKINASE, a life


UNICHEM

saving product that caters to the 'thrombolytic' segment within the Cardiovascular segment. Drug in this segment are used for acute myocardial infarction and pulmonary embolism.



Similarly, Chicago based Baxter Healthcare, has tied up with Unichem to launch PARTOBULIN (Anti-D Immunoglobulin), a product for women with the Rh-negative factor in the blood. Hormonal Disease of the Newborn (HDN) is a distressing condition present in some newborn infants resulting from Rh incompatibility between a Rh negative mother and her Rh-positive offspring.



Unichem has also strategically tied up with Lagap Pharmaceuticals, U.K. for development, manufacture and supply of various products which will be coming out of patent protection in the near future.

RESEARCH & DEVELOPMENT

Unichem has an in-house R&D Center at Jogeshwari, Mumbai, where the thrust is on improving process yields and re-engineering of bulk actives and intermediates, developing innovative formulations and delivery forms etc. Unichem also conducts collaborative research exercises with some reputed Government Research Institution and Medical Colleges such as IIS-Bangalore, ICT-Hyderabad, CDRI-Lucknow, IMT-Chandigarh, UDCT-Mumbai and various Universities and Pharmacy Colleges.

Unichem's R&D initiatives include new process development for product groups like COX-2 inhibitors, anti-hypertentives, diuretics and several intermediates for multinationals (under custom-manufacturing). The Company has filed a patent on the process development of Secnidazole. The Company has also developed the advanced intermediates for multi-nationals where these intermediates form part of advanced drugs which are in phase III trials and registration stages.

Unichem is also setting up a new R&D Centre for Active Pharmaceuticals Ingredients (API's), a new Formulation Development Laboratory and a new analytical centre at its Jogeshwari premises in Mumbai at an initial outlay of Rs.10 crores. This centre is expected to start functioning by January, 2001. The Company has also planned to expand its existing Pharma R&D facilities to have Pre-formulation, NDDS and Beta-lactum Laboratories.

5. DIVIDEND

The Company paid an interim dividend of Rs.6/- per share of Rs.10/- each (60%).

6. BONUS ISSUE

Keeping in mind the progress of the Company in terms of Turnover, profits earned and also the comfortable position of Reserves, a liberal Bonus Issue of shares in the ratio of 1:1 was offered in May, 2000.

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

7.1 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.

7.2 Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed and forms part of this report.

8. DEPOSITS

Your Company renewed deposits amounting to Rs. 258.61 lacs and accepted fresh deposits amounting to Rs. 306.24 lacs during the current financial year. The total Fixed Deposits with the Company at the year end were Rs. 808.12 lacs. Out of the total Fixed Deposits, 72 depositors had not claimed repayment/renewal of their deposits

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amounting to Rs. 14.10 lacs on the last day of the accounting year. Out of these, as of date 10 depositors have renewed their deposits amounting to Rs. 3.92 lacs and 20 depositors have withdrawn their deposits amounting to Rs. 5.12 lacs.

9. C P PROGRAMME

ICRA has assigned A1+ rating for Rs. 5 Crores Commercial Paper Programme of the Company. The rating indicates highest safety, the prospect of timely repayment of debt/obligation being the best.

10. EMPLOYEE RELATIONS

The Industrial Relations continued to be stable during the year in all the Units of the Company. Training and Development of our valuable Human Resources continued to receive our focussed attention. The Directors wish to place on record their appreciation for the co-operation and support received from employees at all levels and especially to the senior executives of the Company and representatives of Unichem Field Workers' Council (UFWC) and also representatives of various employees' associations at various units of the Company.

11. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, two of your Directors, Mr. S. E. Dastur and Mr. B. C. Modi retire by rotation and being eligible, offer themselves for reappointment.

12. SUBSIDIARY COMPANY

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

13. 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.

14. AUDITORS

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

15. Y2K COMPLIANCE

The Company has implemented ERP Package BaaN IV for its Mumbai, Goa and Gaziabad units and the Company is also implementing the same for Baddi Operations. The BaaN IV ERP package is a Y2K compliant software, hence there was no risk to the Company with respect to year 2000 bug.

The Company does not foresee any problem due to Y2K as all the servers and machines are Y2K compliant.

16. 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,

DR. P. A. MODY
Chairman & Managing Director

Place : Mumbai
Dated: 29th July, 2000.



ANNEXURE I TO DIRECTORS' REPORT

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year	Previous Year
A. Power and Fuel Consumption		
(a) Electricity		
(i) Purchased Units (Lacs)	83.17	80.41
Total Amount (Rs. in lacs)	316.73	281.35
Rate/Unit (Rs.)	3.81	3.50
(ii) Own Generation		
Through Diesel Generator Units (Lacs)	9.22	9.33
Units per litre of Diesel Oil	2.63	2.61
Cost / Unit (Rs.)	4.55	4.08
Through Steam Turbine/Generator	N. A.	N. A.
(b) Coal	N. A.	N. A.
(c) Furnace Oil		
Quantity (Kilo litres)	628.81	579.35
Total Amount (Rs. in lacs)	65.50	43.88
Average Rate (Rs.)	10.42	7.58
Others/Internal Generation		
Steam Purchased (M. T.)	5952.82	7226.25
Total Amount (Rs. in Lacs)	41.55	40.20
Average rate (Rs. per MT)	697.95	556.24

B. Consumption per unit of production

In view of the varied nature of the products and packs, the compilation of accurate consumption per unit of production is not feasible.

FORM B

FORM FOR DISCLOSURE WITH RESPECT TO TECHNOLOGY ABSORPTION

Research & Development

The Company at present does not have any Foreign collaboration in the matter of Technology and relies entirely on its own Research and Development activities in relation to development of new processes for bulk drugs and formulations. The Company, however, has been associating itself with leading Indian Research Institutes like Central Drug Research Institute; Lucknow, Indian Institute of Chemical Technology; Hyderabad, Institute of Microbial Technology; Chandigarh, Indian Institute of Science, Bangalore, UDCT, Mumbai and various Universities and Pharmacy Colleges.

A. Specific areas in which R & D carried out by the Company:

- The Company's R & D department related to Bulk Drugs consisted of new process development for product groups like COX – 2 inhibitors, anti – hypertensives, diuretics and several intermediates for multinationals (under custom – manufacturing). R & D activities comprised of developing processes for the following products:

Amlodipine Besylate, mesylate and maleate, phenylephrine, celecoxib and rofecoxib (both COX – 2 inhibitors) and amidazole.

The Company has filed a patent on the process development of secnidazole. The Company developed two advanced intermediates for multi – nationals where these intermediates form a part of advanced drugs, which are in phase III and registration stages.