



GOING GL BAL

Some day in the near future, remedies
from Unichem Laboratories Limited will be
available and used trustingly worldwide.

Forward-looking statement In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



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GOING GLOBAL

After consolidating its presence in India, Unichem Laboratories Limited (Unichem) is now laying the foundation for emerging as a responsible global pharmaceutical organisation.

At the heart of this resolve is a conscious strategy: servicing the challenging needs of the generics international pharmaceutical space.

This patient strategy has already begun to pay dividends, reflected in the significant growth of the Company's international operations.

Unichem now expects to leverage its competencies and exploit the increasing opportunities presented by the regulated and the semi-regulated markets while sustaining a satisfactory growth in the vast Indian market.



THE COMPANY

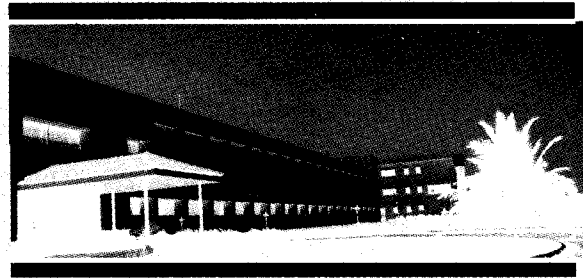
The Mumbai-headquartered Unichem brings to its global customers a blend of modern-day research and an industry experience aggregated across nearly six decades in the Indian pharmaceutical industry. The Company was founded by the late Mr Amrut Mody.

Formulations account for Unichem's biggest strength – and revenues. The Company operates in growing therapeutic areas like gastro-intestinal, cardio-vasculars, diabetes, psychiatry, neurology, anti-bacterials, anti-infectives and pain management, among others. Its backward integration extends into the manufacture of active pharmaceutical ingredients or bulk actives.

Unichem is expanding its research and development facility at Jogeshwari (Mumbai) to spearhead its research in Novel Drug Delivery Systems. Its focus: the development of non-infringing routes for products going off-patent as these are likely to drive industry growth in the highly regulated geographies. As a future-focused initiative, the Company has also funded a biotechnology research programme in collaboration with the Indian Institute of Sciences, Bangalore.

Unichem recorded a consolidated revenue of Rs 4740.97 million in 2003-04 (Rs 3844.63 million in 2002-03) and a profit after tax of Rs 438.64 in 2003-04 (Rs 270.04 million in 2002-03). Its international business contributed approximately 27.7 per cent to its consolidated revenue.

- The Company's four manufacturing locations - Roha (Maharashtra), Pilerne (Goa), Ghaziabad (Uttar Pradesh) and Baddi (Himachal Pradesh) - enjoy a number of international certifications.
- The Goa plant has been approved by UK MHRA (earlier MCA), MCC (South Africa), WHO (Geneva) and TGA (Australia).
- The Baddi plant has been approved by UK MHRA and MCC (South Africa).
- The Roha plant and CRD Department have already obtained ISO 9001-2000 certifications.
- The company has implemented ISO 9001 across all its locations (including the corporate office and R&D centre) and the ISO 14001 (environment certification) for all its formulation plants, corporate office and R&D centre.
- The research and development facility is located in Jogeshwari (Mumbai).



Performance - India

In India, Unichem's cardiovascular and pain management brands registered appreciable growth. It made a deeper inroad into the diabetes therapeutic area. The Ghaziabad facility was fully upgraded. A new facility at Baddi is currently under construction.

Performance - International

International revenues increased 52.7 per cent over the previous year. International operations performed well. Subsidiaries were established in South Africa and Brazil to strengthen its global presence. The Company embarked on building alliances with leading international pharmaceutical companies in the area of non-infringing product development. Niche Generics recorded revenues of UK Pounds 11.38 million (Rs 880 million). The Company received the Certificate of Suitability (CoS) for products from Europe. A subsidiary in the US was incorporated to develop business in that region.

VISION



In 2003-04, Unichem reinforced its future positioning with a new vision.

We at Unichem believe that global opportunities warrant a mindset that continuously challenges the strategic and functional status quo. As a result, change must be constant and re-invention must remain ongoing for the company's business to remain relevant.

In view of this, Unichem channelised its organisational attention towards the articulation of a suitable new vision, mission and goal that would serve to drive its growth across the foreseeable future.



Mission

To be a caring Pharmaceutical company helping to enhance health through quality products.

Vision

To be a global pharmaceutical Company with increasing focus on innovative research and developed markets.

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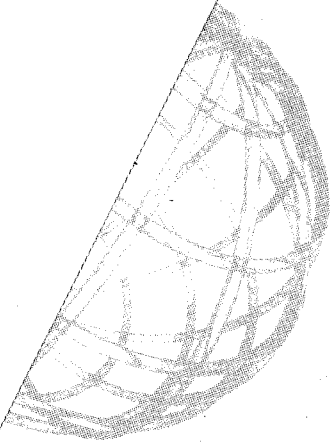


CEO's REVIEW



“ Unichem is laying the foundation of a global Company. ”

Dr P. A. Mody, Chairman and Managing Director, reviews Unichem's 2003-04 performance



Q: Were you happy with Unichem's 2003-04 performance?

We at Unichem were pleased with the Company's performance during 2003-04. At the start of the year, we had set a stretch revenue target of Rs 5,000 million, which we achieved through all-round commitment: for instance, despite a decline in realisations across several product segments, the international business grew, the cardiovascular, NSAID and anti-infective formulation segments performed creditably in India and the API division too reported commendable growth.

Q: What were the business-strengthening decisions taken by the Company in 2003-04?

We embarked on the decision to focus strongly on the international market as it offers attractive growth opportunities. Secondly, we were encouraged by the robust demand for our brands and products. We commenced the construction of a new manufacturing facility at Baddi, Himachal Pradesh. Our Ghaziabad plant was completely modernised to meet international standards.

We also embarked on the process of institutionalising the Quality Management System ISO 9001-2000 and Environmental Management Systems ISO 14001:1996 quality systems across the organisation, which will help migrate the quality ethic into a mindset, as opposed to a departmental function.

Q: What were the other positive developments during the year under review?

Because the challenges of a

competitive global business require a new mindset, Unichem initiated relevant organisational changes during the course of the year. For a start, its new vision-building exercise invigorated the entire organisation and laid a new foundation. We strengthened the Company's Board with the induction of professional directors: Nasser Munjee (economist, MD and CEO of IDFC India) and Prafull Sheth (former Director of Ranbaxy Laboratories Limited). The Company also embarked on an ESOP scheme to incentivise performance and enrich its intellectual capital.

Q: What was the result of Unichem's international strategy?

There has been a paradigm change in the mindset: from now on, we will look at all global opportunities from a holistic perspective and India as one of the markets within it. I am delighted to state that this new perspective was promptly encouraged by our international growth. This transpired due to the following drivers: Niche Generics grew our presence in Europe while Unichem strengthened its presence in Brazil, South Africa, CIS and the ASEAN.

We are confident that the mix of our R&D, manufacturing and business development capabilities should help us meaningfully exploit opportunities in the European Union and the USA within a few years.

Q: How did the Company strengthen its position to compete over the foreseeable future?

For instance, to drive its regulated market focus through meaningful research, the Company is building a

pharma technology centre in Goa, which should translate into the filing of ANDAs in the USA through non-infringing processes over the coming years.

Q: What are the challenges facing the Company?

There are principally two challenges: a patent-respecting environment from 2005, which will require us to manufacture new products through non-infringing routes by leveraging our R&D strengths. Secondly, of the Rs 200,000 million pharmaceutical market, counterfeit drugs account for approximately Rs 30,000 million. Unichem has engaged the assistance of the Indian Pharmaceutical Alliance to address the threat posed by these counterfeit products, which will strengthen our brand performance over the long-term.

Q: How do you see the future for Unichem?

Unichem's long-term strategy is beginning to pay off. Our international presence is growing, our focus on branded products is driving stronger-than-market growth and these brands continue to perform well in all their chosen segments. Proactive corporate initiatives to enhance revenue, margins and profitability are also expected to translate into superior performance over the near, and medium-term, which will enhance shareholder value. In view of this optimism, the Unichem management considered it prudent to reward its shareholders with a 1:1 bonus in 2003-04, its second 1:1 bonus issue since 2000.

Unichem's Board of Directors was strengthened with the induction of the following professional directors:

- Nasser Munjee, monetary economist, former MD and CEO of IDFC, India.
- Prafull Sheth, former Director of Ranbaxy Laboratories Limited.

Building organisational strengths

- Focusing stronger on R&D
- Building a pharma technology centre in Goa
- Strengthening regulatory compliance
- Filing DMFs in the developed markets through non-infringing processes; subsequently submitting product dossiers in the EU and ANDAs in the US.

Enhancing shareholder value

- Profit after tax after considering extra ordinary gains increased 62.44 per cent
- EBIDTA margin increased from 14.80 per cent to 15.97 per cent.
- The Company announced a 1:1 bonus

Unichem's growth strategy

- Focus on the manufacture of generics for sale in the developed and semi-developed markets; developing value-added branded generics for the developing markets.
- Consolidation of the Indian operations.
- Strengthening the Company's international brand equity by holding registrations, product licences, ANDAs and IPRs under its own name wherever possible.
- Consolidation of EU presence through Niche Generics and strategic alliances.
- Creation of a business infrastructure and entry into marketing alliances with a view to commence US sales by 2007-08.