

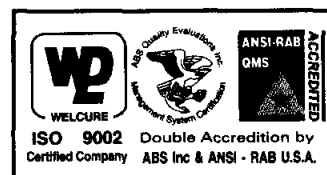


ANNUAL REPORT 2000-2001

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Under Technical Guidance of :
ADVANCED MEDICAL CARE INC.
NEW JERSEY, U.S.A.



WELCURE DRUGS & PHARMACEUTICALS LTD.

A-1129, RIICO Industrial Area, Phase-III, Bhiwadi-301019



WELCURE DRUGS & PHARMACEUTICALS LTD.
(Under Foreign Collaboration with Advanced Medical Care Inc. U.S.A.)



Welcure is an **Internationally ISO-9002 Certified** Company and observes **WHO-GMP** Norms in a total Quality Management System. **Welcure** has to its credit the most modern and sophisticated manufacturing facilities of International standards which include ultramodern plant, machinery and equipment, own R & D, in house testing laboratory and captive power generation. **Welcure** manufactures a large variety of pharmaceutical formulations, covering almost all ailments, **about 250 in number**, in the form of **Tablets, Capsules, Liquid Orals, Dry Syrups, Injections & Drops**. Some of our known products include :

DICLO-PLUS	♦ MUSCULAR PAIN, JOINT PAIN, HEADACHE, BODY PAIN
DIMCIN PLUS	♦ BODY PAIN, FEVER, JOINT PAIN
PARACETAMOL	♦ FEVER, PAIN
RANITIDINE	♦ ULCER, ACIDITY, REFLUX
COLDREST, ALERT1000 & COLDHIST-EX	♦ COLD, ALLERGY, FEVERISHNESS
NIMESULIDE & NIMAGYL TD	♦ RHEUMATOID ARTHRITIS, HEADACHE, ENT INFLAMMATIONS
MULTI VITAMIN	♦ GENERAL TONIC, VITAMIN DEFICIENCY, WEAKNESS, DEBILITY
WORMICIDE	♦ STOMACH AND BODY WORM KILLER
CHLOROQUINE, WELQUIN	♦ MALARIA
RIFAMPICIN, ETHAMBUTOL, RIFA-Z	♦ T.B.
IBUCURE & RELAXON FORTE	♦ HEADACHE, FEVER, BODY PAIN, MUSCULOSKELETAL DISORDER
ASPIRIN	♦ HEART, ANTIPYRETIC, FEVER, HEADACHE, PAIN
METACLOPRAMIDE	♦ VOMITING, NAUSEA, HICCUPS, REFLUX
LOPCURE, LOPERAMIDE	♦ DIARRHOEAS - SYMPTOMATIC RELIEF
TETRACYCLINE, OXYTETRACYCLINE	♦ BACTERIAL INFECTIONS-RESPIRATORY, URINARY, INTESTINAL
ERYTHROMYCIN, ROXYTHROMYCIN	♦ TOPICAL CONTROL OF ACNE VULGARIS
AMPICILLIN, AMOXYCILLIN, X-CLOX	♦ ANTIBIOTIC, ENT INFECTIONS
DICLOFENAC SODIUM	♦ DENTAL PAIN, BACK PAIN, BODY PAIN
TMP + SULPHA	♦ URINARY TRACT INFECTION, ANTI BACTERIAL, TYPHOID
NORFLOXACIN, NORTIN, CIPCIN-TNZ	♦ POWERFUL ANTI BIOTICS
WELOXY-P, AMICURE-P, NORKID	♦ PAEDIATRIC RANGE - STOMACH DISORDERS, FEVER, INFECTIONS

सर्वे भवन्तु सुखिनः
सभी स्वस्थ हों, सुखी हों, समृद्ध हों।



WELCURE DRUGS & PHARMACEUTICALS LTD.

ISO 9002 CERTIFIED COMPANY

Board of Directors

Shri D. C. Jain (Mg. Director)
Shri Harihar Lal
Shri S. S. Dhanoa
Dr. V. B. Lal
Shri R. K. Pandey
Dr. Sanjeev Jain (Whole-Time Director)
Shri Sandeep Jain (Whole-Time Director)

Audit Committee

Shri R. K. Pandey, Chairman
Shri Harihar Lal
Shri S. S. Dhanoa
Dr. V. B. Lal

Auditors

Gauba, Gauba & Associates

Cost Auditors

Aseem Jain, Cost Accountant

Bankers

Vijaya Bank

Factory & Regd. Office

Welcure Drugs & Pharmaceuticals Ltd.
A-1129, RIICO Ind. Area, Phase-III,
Bhiwadi-301019 (Rajasthan)

Corporate Office

Welcure Drugs & Pharmaceuticals Ltd.
301-305, Mohan Place, Local Shopping Complex,
C-Block, Saraswati Vihar, Delhi-110034

WELCURE DRUGS & PHARMACEUTICALS LIMITED

DIRECTORS REPORT

Directors hereby present their Ninth Annual Report and the Audited Statements of Account of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS

Sales Turnover and Other Income for the period under review amounted to Rs. 1124.57 Lacs as against Rs. 2039.87 Lacs in the previous year. The loss before Depreciation and Tax provision was Rs. 89.80 Lacs as against a profit of Rs. 24.18 Lacs in the previous year; and after making these provisions net loss for the year is Rs. 114.46 Lacs as against a net profit of Rs. 0.79 Lacs for the previous year.

Cut throat competition from Giant Pharma Companies and dumping of pharmaceutical formulations, even below cost, caused a big dent to the Sales Turnover of Medium Size Companies like ours.

In price competition, Medium Size Pharma Companies are sandwiched between Pharma Giant Companies and Local Small Units. On one side, the multinationals and big pharma houses are making efforts to up root medium size generic manufacturing companies by dumping their generic pharmaceutical formulations at below cost; on the other hand local factories maintaining no quality standards, under the garb of Small Scale Industries, not paying any Excise Duty & Sales Tax, and are making heavy dent to medium size companies by offering their products at 25% lower rates.

As stated earlier, the sales have gone down from Rs. 2040 Lacs to Rs. 1125 lacs. Gross profit ratio is marginally reduced by 1%. The effect of decline in Sales, coupled with decline in Gross Profit ratio, has given a dent of nearly Rs. 73 Lacs to the profits of the company.

Union Budget 2000 increased the Excise Duty rate on Generic Pharmaceutical Formulations from 8% to 16% resulting in lowering the ex-excise sales realisation of final product prices by Rs. 54.83 lacs; which the company was unable to pass on to the consumers due to stiff price war.

In order to recoup its market share, major changes in marketing strategies have been adopted. Additional Field Force at all levels throughout the country has been deployed. The additional cost on Salaries, Travelling Expenses, Recruitment Expenses etc. gave a rise to Company's Personnel Expenses from Rs. 70.75 lacs to Rs. 80.79 lacs.

Towards enlargement of its customer base, new stockists and distributors have been appointed throughout the country. Additional Advertisement Cost, Telecommunication Expenses, Vehicle Running Expenses, Additional Expenses on Cartage to cover far off areas and other expenses gave a rise to Selling and Administrative Expenses from Rs. 58.56 lacs to Rs. 69.13 lacs.

Higher credit facilities in tune with competitive scenario and holding higher inventories of finished goods resulted in additional burden of interest and other financial expenses to the tune of Rs. 6.29 lacs; raising the expenditure from Rs. 18.14 lacs to Rs. 24.43 lacs.

Overall escalation and general inflation in the economy have also attributed to increase of expenditure.

DIVIDEND

Keeping in view the losses in current financial year, Directors are constrained not to recommend any dividend for the year under review.

INDUSTRY SCENARIO

We have repeatedly reported that for quite sometime it had been very difficult for the medium size pharmaceutical companies to withstand the cut throat competition with big pharma houses and multinational companies who changed their strategy by jumping into sale of generic pharmaceutical products which hitherto had been the domain of our size companies. While many medium size pharma organisations are already limping or experiencing the worse; others are groping in the dark, not finding any escape routes and are in a dilemma about future course of action. Multinationals and big size pharmaceutical companies have grabbed business of medium size companies and have thrived at the sufferings of medium size companies. As per recent reports, about two lacs small scale and medium scale industries have either closed down or are at the brink of closure.

Government Policy of Liberalisation, Privatisation and Globalisation (L.P.G.) has been highly detrimental to the health of Indian Medium Size Pharma Industry. Cut-throat competition has led to mutual destruction of Indian Medium Size Pharma Industry and L.P.G. policy has added fuel to the fire. Liberalisation has benefited only to the growth of multinationals. The Indian Industry, which has been rich till date, is going to rags. While framing the policies, Government has not visualised that Indian Pharmaceutical Industry is technologically, financially, organisationally and structurally much under developed & weaker as compared to Global scenario. Inter play of market forces and even interventions tend to complicate the matters and create situations when solutions to the problems are not easily found. High growth in Industry is only a reflection of growth of multinationals; and the Indian Medium Size Industry is leading towards the increase in inventories and drop in manufacturer's prices forcing the manufacturer's to cut production. The Investment of Indian Pharma Industry has not been fructified because of Government Policy; it has lead to heaps of capital, stocks, machinery and buildings underutilized.

The Company is now fully geared to face all the challenges and to march ahead in all odds.

QUALITY

Welcure is one of the few companies in India certified with ISO 9002 Double Accreditation and following WHO-GMP norms. Welcure's products are a hall-mark of quality and excellence. People from all parts of the country including Doctors, Medical Professionals, Hospitals, Government Institutions etc. have recognised our products as medicines of quality, safety and reliability. It is only due to our quality that in spite of today's highly competitive market, cluttered with a plethora of brands screaming for attention, Welcure's products have carved a niche for itself. Welcure's product, with its roots set deep in

WELCURE DRUGS & PHARMACEUTICALS LIMITED

understanding the customers needs, propelled by latest technology and best quality raw materials, has spread its wings far and wide and earned higher customer satisfaction. Renewal of ISO 9002 Double Accreditation by ABS Inc. & ANSI-RAB U.S.A., through their Surveillance Audit conducted during the year, re-assures maintenance of Complete Quality Procedures by the Company.

FOREIGN COLLABORATION

The Company has entered into technical collaboration agreement with Advanced Medical Care Inc., New Jersey, U.S.A. for setting up of joint venture facilities in the existing plant of the Company. Advanced Medical Care Inc., New Jersey, U.S.A. will also provide the technical guidance for pharmaceutical formulations through its panel of scientists, researchers & experts, as may be required from time to time.

INJECTABLE SECTION & NEW PRODUCT RANGE

During the year under review, the Company has obtained approval from the Drug Control Department for manufacturing of medicines in the form of injections on loan licence basis. Manufacturing of Injections is scheduled to commence shortly.

Some of our new products recently launched include CEZEN, DIMCIN PLUS, OX-Z, OXIN, SPASWIN, NORKID & ROCKCIN-KID. Our well recognised and much accepted brands include DICLOPLUS, COLDREST, ALERT-1000, WORMICIDE, IBLCURE, BRUCURE, AMICURE-P, CEPKID, X-CLOX, DIGICIN-M, WEL-CLOX & WELSTAP.

CHANGE IN MARKETING POLICY

In its endeavour to reach every corner of the country by providing excellent quality medicines at competitive prices, the Company has changed its marketing policy. In its new marketing policy the Company is putting dual force on sales. On one hand we are forming a large network of stockists and distributors; and on the other hand, we have appointed field sales personnel to represent our products before Doctors, Chemists, Nursing Homes, Hospitals etc. This new marketing strategy ensures strong prescription support of medical professionals besides ensuring that Welcure's products are available throughout the country. With this change in the marketing policy, the company is likely to witness a high growth in the coming times.

EXPORT

The Company continues to feed the international market with its quality medicines. The direct exports of the company, however, suffered heavily due to deteriorated financial condition of Indonesia, Russia & Japan; and also due to dumping of pharmaceutical formulations at lower rates by Multinational Companies, China & Korea in various other countries.

RESEARCH AND DEVELOPMENT

Research and Development activities of the Company continued to provide impetus for its future growth. Up-gradation of technology, improvement in quality and better adaptability of

formulations continues to be the focus area for R&D at Welcure. Welcure's R&D department is a creative churning pot of formulations run by the best brains of the industry working in the Company.

A major achievement of our R&D division was the development of 100% PURE VEGETARIAN form of entire range of Tablet Section. We are the pioneers, the first in the Country, to manufacture 100% Pure Vegetarian Allopathic Medicines in the form of Tablets.

CORPORATE GOVERNANCE REPORT

The Company is in compliance with most of the requirements of Uniform Code of Corporate Governance prescribed for various companies. As a good corporate practice, a separate section as Corporate Governance Report has been included in the Annual Report of the Company.

AUDIT COMMITTEE

An Audit Committee has been constituted during the year. Details of its constitution, functions, power & remuneration are given under Corporate Governance Report.

DIRECTORS RESPONSIBILITY STATEMENT

Directors hereby state that:

1. In the preparation of Annual Accounts, the applicable accounting standards have been followed;
2. We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the Annual Accounts on a going concern basis.

DIRECTORS

Shri S. S. Dhanoa and Shri R. K. Pandey, Directors of the company retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Board recommends their re-appointment.

Shri Sanjeev Jain, Director of the Company, has recently been awarded Order of Merit for Management & honoured as Samaj Shree in recognition of services rendered to the public.

SUBSIDIARY COMPANY

As required under section 212 of the Companies Act, 1956, the Audited Accounts and other required particulars of A.K. Laboratories Ltd., a wholly owned subsidiary of the company, for the year ended 31st March 2001, are being annexed.

PARTICULARS OF EMPLOYEES

During the year ended 31st March 2001, there was no employee drawing remuneration in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956.