

Recon Limited

ANNUAL
REPORT
1998 - 1999

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RECON

Redefining Excellence

Recon Limited**LOCATIONS**

REGISTERED OFFICE	16/2, OVH Road, Basavanagudi, Bangalore 560 004
CORPORATE OFFICE	428/25, 30th Cross, 7th B Main, Jayanagar IV Block, Bangalore 560 011 Phones 6553928 / 30 Fax 080-6553927
MARKETING	429/31, 30th Cross IV Block, Jayanagar, Bangalore 560 011 Phone 6633197 Fax 080-6635547
MANUFACTURING	Unit 1 82/A, KIADB Industrial Area, Jigani, Anekal Taluk, Bangalore District, Karnataka Unit 2 Industrial Plot No. 28, Jigani, Anekal Taluk, Bangalore District, Karnataka Unit 3 54/1, NH4, Near 39th Mile Stone, Boodihal Village, Nelamangala Taluk, Bangalore District, Karnataka
R&D CENTRE	32/1, Kalena Agrahara Village, Begur Hobli, Bannerghatta Road, Bangalore South Taluk, Karnataka

Recon Limited**BOARD OF DIRECTORS**

S. T. R. MADY
S. JAYAPRAKASH MADY
H. R. KEDLAYA
DR. K. NAGARAJAN
A. SURYANARAYANAN

CHAIRMAN
MANAGING DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR

FINANCIAL CONTROLLER & COMPANY SECRETARY

P. A. PADMANABHAN

AUDITORS

M/s. RAO & SWAMI
CHARTERED ACCOUNTANTS
2/1, CONNAUGHT ROAD
BANGALORE 560 052

BANKERS

BANK OF BARODA
CORPORATE BANKING BRANCH
RICHMOND ROAD
BANGALORE 560 025

KARNATAKA BANK LTD
S. C. ROAD
BASAVANAGUDI
BANGALORE 560 004

STATE BANK OF TRAVANCORE
INDUSTRIAL FINANCE BRANCH
VAYUDOOH CHAMBERS
TRINITY CIRCLE,
BANGALORE 560 001

PUNJAB NATIONAL BANK
INDUSTRIAL FINANCE BRANCH
No. 28, 2nd FLOOR, CENTENARY BUILDING
M. G. ROAD,
BANGALORE 560 001

Recon Limited

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the members of **RECON LIMITED** will be held at Woodlands Hotel, No.5, Raja Rammohan Roy Road, Bangalore - 560 025 on Wednesday, the 29th September, 1999 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Dr.K.Nagarajan who retires by rotation and being eligible, offers himself for re-election.
3. To appoint auditors who shall hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

BY ORDER OF THE BOARD
FOR **RECON LIMITED**

Regd Off : 16/2, OVH Road, Basavanagudi,
Bangalore - 560 004
Bangalore, 31.07.99

P.A.PADMANABHAN
COMPANY SECRETARY

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.**

Proxies, in order to be effective, must be received by the company not later than 48 hours before the meeting.

2. Members are requested to notify the change in their address to the Company's Share Transfer agents Sheshanka Financial Services (P) Ltd, S-702, South Block, Manipal Centre, Dickenson Road, Bangalore-560 042 immediately.
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during the office hours on all working days except Sundays between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 27/09/99 to 29/09/99 (both days inclusive).
5. Pursuant to Section 205(A) of the Companies Act, 1956, an amount of Rs.75,016/- towards unclaimed dividend for the year ended 31st March, 1995 was transferred to the General Revenue Account of the Central Government on 16th October, 1998. Those shareholders who have not encashed their Dividend Warrants for the said year, are requested to claim their amounts from the Registrar of Companies, E Wing, II Floor, Kendriya Sadan, Koramangala, Bangalore - 560 034.
6. Members seeking any information with regard to Accounts are requested to write to the Company immediately so as to enable the management to keep the information ready.

BY ORDER OF THE BOARD
FOR **RECON LIMITED**

Regd Off : 16/2, OVH Road, Basavanagudi,
Bangalore - 560 004
Bangalore, 31.07.99

P.A.PADMANABHAN
COMPANY SECRETARY

Recon Limited**DIRECTORS' REPORT**

Your Directors have pleasure in submitting the Ninth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March 1999.

FINANCIAL RESULTS

	For the year ended 31st March, 1999 (Rs. in Lakhs)	For the year ended 31st March, 1998 (Rs. in Lakhs)
Income from Operations	5315.64	5110.98
Other Income	7.77	19.31
Total Revenue	5323.41	5130.29
Total Expenditure	4504.32	4309.18
Operating Profits (PBIDT)	819.09	821.11
Interest	758.23	602.28
Depreciation	141.48	87.37
Profit before Taxation/(loss)	(80.62)	131.46
Provision for Taxation	NIL	14.00
Profit after Taxation/(loss)	(80.62)	117.46
Balance brought forward from previous year	67.83	0.37
Amount available for appropriation	(12.79)	117.83

APPROPRIATIONS :

Proposed Dividend	NIL	NIL
General Reserve	NIL	NIL
Debenture Redemption Reserve	NIL	50.00
Corporate Dividend Tax	NIL	NIL
Balance carried forward	(12.79)	67.83

DIVIDEND

In view of the loss suffered during the previous year no dividend has been recommended for 1998-99.

PERFORMANCE REVIEW

The company has recorded a total revenue of Rs.5323.41 lacs during 1998-99 as against Rs.5130.29 lacs during the previous financial year.

A comparison of the performance reveals that the Formulations Division has grown marginally and achieved a turnover of Rs.3836.20 Lacs (including Exports of Rs.177.71 Lacs) as against Rs.3797.75 Lacs during the previous year (including Exports of Rs.126.84 Lacs). The Bulk Drugs Division has achieved a turnover of Rs.1209.41 Lacs (including exports of Rs.1115.91 Lacs) as against Rs.1333.51 Lacs during the previous year (including exports of Rs.1096.56 Lacs).

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The Loss of Rs.80.62 during the year 1998-99 is after providing for slow moving stocks to the extent of Rs.67.55 lacs and doubtful debts to the extent of Rs. 8.78 Lacs.

FORMULATIONS

The Formulation Division saw the successful launch of NOVOSPAR, a Sparfloxacin formulation, ILIS - a formulation of Lisinopril, LANS-MD a brand extension of our existing brand LANS-OD. With a passion for quality products combined with strategic marketing, your company is planning for several new launches in the ensuing financial year.

In a move to improve the customer coverage your company now has a well organised and a strong field force covering almost 80000 doctors and 35000 chemists all over the country. Maximum emphasis is being given to field force training, which covers Medico-Marketing, Human Relations and other aspects related to Marketing so that the field force is fully equipped to face the intense competition in the market.

Your company is consolidating its Injectable operations at the Nelamangala manufacturing facility. Your company has received offers from certain multinationals to have their products manufactured in this plant in addition to the existing loan license activities.

BULK DRUGS

The exports of Bulk Drug has shown moderate growth during the previous financial year. To improve market share in Bulk Drug business, your company has already added few more new products to its product list. After GMP - WHO and ISO - 9001 certification, your company is now heading towards TGA - Australia and USFDA approval. The plant has been inspected by TGA, Australia and the approval is expected by December, 1999.

Your company is gearing up its plant for USFDA inspection. This approval will be another milestone for your company as it will enable your company to enter into the US market which holds a very high potential. Various DMF's have been submitted to Health authorities in France, Spain, Germany and other European countries and USDMF has been submitted for certain products.

Recon has been certified as approved vendors by some of the major multinationals in USA, Canada, UK and other European countries. Your company has several ongoing projects with these companies in our current products and also in newer molecules coming off patent in the next 3 to 7 years. In order to augment the production capacities, your company also has plans to acquire the property belonging to B.P.R.L Fine Chemicals (P) Ltd. located at Jigani on the outskirts of Bangalore which is currently under lease terms and is being utilised by the company over the past few years to manufacture the company's products.

RESEARCH & DEVELOPMENT

Your company has become an important source of custom synthesised intermediates for leading multinationals. As many as fifty intermediates have been developed and well accepted by the customers abroad. These have contributed substantially to the chemical business of Recon. Hence efforts in this area offering high value addition are being increased. Processes have been developed for a few more drugs and formulations. Pharma Formulation Development team is being strengthened which will enable your company to launch several new products.

Collaboration with National Biochemical Corporation, USA has been extended to one more product. The joint anti HIV project with National Chemical Laboratory funded by your company and Department of Technology, Government of India, is progressing satisfactorily.

ISO CERTIFICATION

Recon was certified as ISO 9001 compliant in September 1998 by M/S Det Norske Veritas GmbH, Germany. This

Recon Limited

certification is valid for a period of three years. Periodic surveillance audits are conducted by M/s DNV GmbH to ensure continued compliance to ISO 9001 standards.

Y2K COMPLIANCE

Your Company has taken effective steps to achieve total Y2K compliance by September, 1999. The expenditure towards Y2K compliance will not have any material financial impact.

JOINT VENTURE AND SUBSIDIARY

Your company is reviewing the performance of Recon (Tanzania) Ltd and formulating strategies which will ensure sufficient returns to the company on the investment made in the Joint Venture. Decisions regarding any further investments if necessary to be made in Recon (Tanzania) Ltd by your company will be taken at the appropriate time.

The Audited Statements of Accounts of Recon Agrotech Ltd, a Subsidiary for the year ended 31st March, 1999 along with the Report of the Board of Directors and Auditors thereon are attached in accordance with the provisions of Section 212 of the Companies Act, 1956.

PROJECTIONS vs PERFORMANCE

In terms of Clause 43 of the listing agreement, your Directors give below the actual performance for the year 1998-99 as against the projections made in the prospectus.

PARTICULARS	Rs. in lakhs	
	Projections	Actuals
Income from operations	9591.00	5315.64
PAT	710.00	(80.62)
Equity Capital	400.00	399.44*
Reserves	2979.00	1489.25
EPS Rs.	17.76	
Book Value (Rs.)	84.48	47.22

* An amount of Rs.55,500/- is due from the shareholders towards Equity Capital and an amount of Rs.4,99,500/- towards Share Premium Account.

The proceeds of the public issue of 10 lakh Equity shares of Rs.10/- each at a premium of Rs.90/- per share vide prospectus dated 07/11/1994, have been utilised towards the objects of the issue as stated in the Prospectus after making suitable revisions.

ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

Information in accordance with provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are set out in Annexure I forming part of the report.

FIXED DEPOSITS

The total amount of deposits accepted by the Company from its shareholders and public and outstanding as on 31st March, 1999 were Rs.527.97 lakhs. Of these, deposits amounting to Rs.109.96 lakhs had matured but were not claimed for repayment/renewal as on the said date.

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PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 are set out in Annexure II forming part of the report.

DIRECTORS

Dr. K.Nagarajan retires by rotation and being eligible offers himself for reappointment.

AUDITORS

M/S Rao & Swami, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation and sincere gratitude to the various Departments of the Central and State Governments, Financial Institutions, Bankers, Suppliers, Customers, Depositors, Auditors and Shareholders for their valuable assistance and support. Your Directors also record their appreciation for the sincere and dedicated efforts of all employees and executives at all levels without which the all-round growth and prosperity of the Company would not have been possible.

for and on behalf of the Directors

BANGALORE
31.07.1999

S.T.R. MADY
CHAIRMAN



Recon Limited**ANNEXURE I**

Information as per Section 217(1)(e) of the Companies Act, 1956, regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

A. CONSERVATION OF ENERGY

- | | |
|---|--|
| 1. Energy conservation measure taken | Stringent measures taken by the Company to optimise production planning and utilisation of plant to conserve energy. |
| 2. Additional Investment and proposals if any being implemented for reduction in consumption of energy. | Installed fuel efficient boiler to reduce energy consumption. |
| 3. Impact of measures (1) & (2) above for reduction of energy consumption and consequent impact on cost of production of goods. | Reduction in cost of production. |
| 4. Total energy consumption and energy per unit of production | It is not possible to ascertain the total energy consumption per unit of production and hence details in Form A not furnished. |

B. TECHNOLOGY ABSORPTION**(a) Research & Development**

- | | |
|---|---|
| 1. Specific areas in which R&D carried out by the Company | Process Development for improving the yield of various existing Bulk Drugs and Intermediates. |
| 2. Benefits derived as a result of the above R & D | Implementation of process for intermediates and formulations manufactured by the Company. |
| 3. Future plan of action | Basic Research towards New Chemical Entities in the Anti-Inflammatory segment. |
| 4. Expenditure on R&D | |
| (a) Capital | Rs. 20,23,241/- |
| (b) Recurring | Rs. 1,47,91,595/- |
| (c) Total | Rs. 1,68,14,836/- |
| (d) Total R&D expenditure as a percentage of turnover | 3.33% |

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(b) Technology Absorption, Adaptation and Innovation

- | | |
|---|---|
| 1. Efforts in brief, made towards technology, absorption, adaption and innovation | Complex synthetic Intermediates developed and scaledup. |
| 2. Benefits derived as a result of the above efforts | Improvement in the quality of the products. |
| 3. In case of imported technology (imported during last 5 years from the beginning of the financial year) | NIL |
| (a) Technology imported | NIL |
| (b) Year of Import | NIL |
| (c) Has technology been fully absorbed | NIL |
| (d) If not fully absorbed where they have not taken place, resource thereof and future plans. | NIL |

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|---|--|
| 1. Activities relating to exports, initiative taken to increase exports | Currently exporting to Asia, Europe, Africa, South America & North America. Expanding in Poland, Czech Republic, Mexico & Brazil |
| 2. Total foreign exchange used and earned | Used : Rs. 344.28 lacs
Earned : Rs. 1293.63 lacs
(c.i.f. basis) |

ANNEXURE - II

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED AND FORMING PART OF THE DIRECTORS' REPORT

	Name	Age	Designation	Remuneration in Rs.	Qualification & Experience	Date of commencement	Last Employment held
1.	Mr.S.Jayaprakash Mady	36	Managing Director	5,99,195	B.Pharm (13)	01.10.90	Recon Pharma
2.	Mr.H.R.Kedlaya	64	Whole Time Director	8,36,805	Intermediate (41)	01.09.95	Bangalore Pharmaceutical & Research Laboratory Pvt Ltd
3.	Dr.K.Nagarajan	68	Whole Time Director	6,89,692	Ph.D,FASC.,FNA (48)	01.04.95	Bangalore Pharmaceutical & Research Laboratory Pvt Ltd

Note : Remuneration includes salary, allowances, monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund.