

Board of Directors

MR. R. A. SHAH, *Chairman* (Alternate to Mr. A. M. Blanco)
MR. R. D. THAPAR
MR. D. C. SHROFF (Alternate to Mr. R. A. Kapur)
MR. A. M. BLANCO
MR. A. E. SURIJON
MR. V. G. ATHAVALE
MR. R. A. KAPUR, *Vice Chairman*
MR. K. D. SHAH, *President & Managing Director*
MR. K. J. KAUL, (Alternate to Mr. A. E. Surijon and Whole-time Director)
DR. S. H. ADVANI (Alternate to Mr. R. D. Thapar)

COMPANY SECRETARY

MRS. USHA RAMDOSS

FUNCTIONAL HEADS

MR. S. BASU, Vice President — Human Resources
MRS. R. CHANDRACHUD, Sr. Director — Oncology & Virology
MR. K. J. KAUL, Vice President — Technical
DR. S. MENON, Vice President — Medical
MR. M. K. RAJAN, Vice President — Marketing & Sales
MR. R. K. RUSTAGI, Sr. Director — Corporate Affairs
MR. A. V. SAPRE, Vice President — Finance
MR. K. VENKATRAMAN, Vice President — Commercial

REGISTERED OFFICE

EUREKA TOWERS, 8TH FLOOR,
MINDSPACE, LINK ROAD,
MALAD (W), MUMBAI - 400 064

REGIONAL OFFICE*/C&F AGENTS

Ahmedabad, Ambala, Kolkatta, Chennai, Coimbatore, Cuttack,
Delhi*, Dehradun, Guwahati, Hubli, Hyderabad, Indore, Jaipur, Kanpur,
Lucknow, Ludhiana, Patna, Raipur, Ranchi
Trivandrum, Varanasi, Vijayawada.

BANKERS

STATE BANK OF INDIA
CANARA BANK

LEGAL ADVISORS

CRAWFORD BAYLEY & CO.

AUDITORS

DELOITTE HASKINS & SELLS

REGISTRARS AND SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.
C/13, Panalal Silk Mills Compound,
LBS Marg, Bhandup (West)
Mumbai - 400 078

REQUESTS TO MEMBERS

All correspondence regarding transfer and demat of shares may be addressed to our Registrars and Share Transfer Agents.

Members are requested to bring their copy of the Annual Report to the Meeting.

Members requiring any information about the accounts are requested to write to the Company at least one week before the date of the meeting so that the information may be made available at the meeting.

Notice

NOTICE is hereby given that the Fifty-fifth Annual General Meeting of FULFORD (INDIA) LIMITED will be held at 'The Banquet', Time & Again Restaurant, 9, Raheja Classic, New Link Road, Near Kamat Club, Lokhandwala, Andheri (West), Mumbai 400 053 on Friday, June 20, 2003 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:

"RESOLVED THAT the Balance Sheet as at December 31, 2002 and the Profit & Loss Account for the year ended on that date together with the Directors' and the Auditor's Report thereon be and are hereby approved and adopted".

2. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:

"RESOLVED THAT Messrs Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company for the financial year ending December 31, 2003 and they shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company".

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:

"RESOLVED THAT in partial modification of the resolution passed by the Shareholders at their Annual General Meeting held on June 21, 2002 subject to such sanctions and approvals as may be required, the consent of the Company be and is hereby accorded to ratify, confirm and approve the remuneration paid amounting to Rs. 60,80,868/- plus perquisites (excluding the payment towards Provident Fund, Gratuity and Superannuation Fund) to Mr. K.D. Shah, President & Managing Director of the Company, for the period from January 1, 2002 to December 31, 2002".

4. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, including Schedule XIII of the Companies Act, 1956, as amended upto date and subject to such other approvals, as may be necessary, consent of the Company be and is hereby accorded to the reappointment of and remuneration payable to Mr. K.J. Kaul, as Wholetime Director (Alternate Director to Mr. Alberto Suriyon) of the Company, for a further period of three years with effect from June 15, 2003 on the terms and conditions as set out in the explanatory statement annexed hereto."

"RESOLVED FURTHER THAT in the event of Mr. Alberto Suriyon visiting India, Mr. K.J. Kaul shall vacate his office as Alternate Director (and accordingly as Wholetime Director) but immediately upon Mr. Alberto Suriyon leaving India, Mr. K.J. Kaul shall automatically stand reappointed as the Alternate Director to Mr. Alberto Suriyon (and Wholetime Director) upon the same terms and conditions without any further act, deed or thing being done executed or performed either by the Company or the Board of Directors".

"RESOLVED FURTHER THAT consequent upon Mr. K.J. Kaul ceasing to be in the employment of the Company, he shall automatically cease to be a Director of the Company in any capacity whatsoever without any further act, deed or thing being done".

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the term of service of Mr. K.J. Kaul, as Wholetime Director of the Company, Mr. K.J. Kaul shall, in respect of such financial year, be paid such remuneration by way of salary, dearness allowance, perquisites & any other allowances, as set out in the explanatory statement hereto or as the Board of Directors may deem fit, provided that the total remuneration by way of salary, dearness allowance, perquisites and any other allowances shall be subject to the approval of the Central Government, in so far as it exceeds the ceiling set out in Section II of Part II of Schedule XIII to the Act or such other ceiling as may be provided in the said Schedule XIII subject to such conditions as may be amended, modified or re-enacted from time to time by the Government of India".

Notice (Contd.)

“RESOLVED FURTHER THAT for the purpose of giving effect to the Resolution, the Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper.”

By Order of the Board of Directors

USHA RAMDOSS
Company Secretary

Mumbai, May 8, 2003
Registered Office:
8th Floor, Eureka Towers,
Mindspace, Link Road, Malad (West),
Mumbai - 400 064.

- NOTES: 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from June 16, 2003 to June 20, 2003, both days inclusive.
4. Members are requested to notify any change in their address immediately to the Company or to its Registrars and Share Transfer Agents.
5. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter. Members who have not encashed the dividend warrants for the years 1996 to 1998 and 2001 are requested to contact the Registrar and Transfer Agents, Intime Spectrum Registry Ltd, Mumbai. Outstanding dividend for the years prior to 1995 have been transferred to the General Revenue Account of the Central Government. Outstanding dividend for the year 1995 shall be transferred to the Investor Education and Protection Fund shortly.

PROFILE OF DIRECTORS BEING APPOINTED

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement, the particulars of a Director who is proposed to be appointed is given below:

Name : Mr. K.J. Kaul

Age : 57 Years

Qualification : B.E. (Pharmacy), Administrative Management course from the Jamnalal Bajaj Institute, Mumbai.

Experience

Mr. K.J. Kaul started his career with M/s Nicholas Piramal (NPIL) as a Development Pharmacist in the R & D Formulations Dept. During his tenure of about 27 years with NPIL, he had a consistent growth in the stature & responsibility beginning from being a General Manager – Manufacturing in '92 to Vice President – Manufacturing Operations in '94. He was responsible for the project implementation of NPIL's modern formulation plant complying with latest GMP standards and also oversaw technology transfers from Multinational Companies.

He is employed with the Company since the year '97 as Vice President – Technical and consequent to his nomination in the year '98 as an Alternate Director, is acting as a Whole time Director of the Company.

Mr. K.J. Kaul is a member of the Remuneration Committee as an alternate to Mr. Alberto Suriyon.

Annexure to Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 3

The shareholders will recall the resolutions passed at the Annual General Meeting of the Company held on June 21, 2002 approving the appointment and terms of remuneration payable to Mr. K.D. Shah, President & Managing Director of the Company. The resolutions also approved that the remuneration be paid and perquisites be provided to Mr. K.D. Shah, as specified, in the said resolutions, notwithstanding that the Company may incur a loss or earn inadequate profit. The resolutions also stipulated that such remuneration and perquisites may exceed the limits prescribed in Section II of Part II of Schedule XIII, subject, however to the approval of the Department of Company Affairs, Government of India.

For the reasons already explained, the Company has earned inadequate profits for the year 2002. Herein, the Company has received the approval of the Department of Company Affairs for the following remuneration paid to Mr. K.D. Shah and the perquisites provided to him excluding the contribution towards Provident Fund, Gratuity & Superannuation Fund, notwithstanding that they exceed the limits prescribed in Section II of Part II of Schedule XIII.

Salary	59,26,656
Allowances & Perquisites	1,54,212
	<u>60,80,868</u>

A copy of the approval dated March 29, 2003 received from Department of Company Affairs shall be kept open for inspection between 11.00 a.m. to 1.00 p.m. at the Registered Office of the Company to any shareholder interested in such an inspection.

Item No. 4

Mr. K.J. Kaul was appointed as the Wholetime Director of the Company with effect from June 15, 1998 for a term of five years, which is expiring on June 14, 2003. During his tenure with the Company, all the manufacturing facilities from where the finished products are sourced have been significantly upgraded. He has also developed local sources for import substitution of some of the raw materials, which should improve profitability.

Mr. K.J. Kaul is associated with the pharmaceutical industry for more than 31 years of which last 5 years have been with Fulford (India) Limited as an Alternate cum Wholetime Director of the Company.

In recognition of his contribution, he was appointed by the Board of Directors of the Company at their meeting held on April 26, 2003 as the Wholetime Director of the Company subject to the approval of the shareholders at their General Meeting for a further period of three years with effect from June 15, 2003 on the terms of remuneration approved by the Board of Directors at the same meeting, within the ceiling prescribed by Schedule XIII to the Companies Act, 1956 and any statutory modification or re-enactment thereto and/or any guidelines relating to managerial remuneration as may be notified by the Government from time to time.

The principal terms of appointment and remuneration are as under:

- a. **Period of Appointment:** 3 years from June 15, 2003.
- b. **Nature of duties:** Mr. K.J. Kaul shall exercise and perform such powers and duties as the Board of Directors of the Company shall from time to time determine and entrust, under whose supervision and control he shall operate.
- c. **Terms of remuneration:** Subject to the overall limits of the total managerial remuneration of each year as provided under Sections 198, 269 and 309 of the Companies Act, 1956 read with Schedule XIII of the Act, the principle terms of remuneration of Mr. K.J.Kaul are as under:
 1. **SALARY:** Rs. 53,390/- per month in the scale of Rs.50,000/- to Rs.3,00,000/- effective from January 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
 2. **HOUSE RENT ALLOWANCE:** Rs.27,260/- per month in the scale of Rs.25,000/- to Rs.50,000/- effective from January 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
 3. **CITY ALLOWANCE:** Rs.28,990/- per month in the scale of Rs.25,000/- to Rs.50,000/- effective from January 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
 4. **SPECIAL ALLOWANCE:** Rs. 6,000/- per month in the scale of Rs. 5000/- to Rs. 25,000/- effective from April 1, 2003. The increments will be decided and approved by the Board of Directors or its Committee.
 5. **PERFORMANCE REWARD:** in the scale of Rs.50,000/- to Rs.6,00,000/- for each calendar year. The amount will be decided and approved by the Board of Directors or its Committee for each year.

Annexure to Notice (Contd.)

6. ALLOWANCES AND PERQUISITES:

- a) In addition to the above remuneration, Mr. K.J. Kaul shall also be entitled to allowances and perquisites like furnished accommodation (or House Rent Allowance in lieu thereof to the extent approved by the Board of Directors) including gas, electricity and water, medical reimbursement and leave travel concessions for self and family, club fees, medical insurance, etc. as per the rules of the Company for each year.

The allowances and perquisites shall be evaluated as per Income Tax Rules, wherever applicable. Provisions for use of Company car for official duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of allowances and perquisites.

- b) Company's contribution to Provident Fund and Superannuation Fund in aggregate shall be 27% of the remuneration. Leave encashment as per the rules of the Company. These, however, shall not be included in the computation of perquisites.
- c) Gratuity as per the rules of the Company. However, this also will not be included in the computation of perquisites.

In the event of loss or inadequacy of profits, in any financial year, during the tenure of Mr. K. J. Kaul as Wholetime Director of the Company, Mr. K.J. Kaul shall be entitled to receive a total remuneration including allowances, perquisites etc. not exceeding ceiling limits prescribed under Schedule XIII of the Companies Act, 1956, and such other limit as may be prescribed by the Government from time to time as minimum remuneration.

7. **SITTING FEES:** The Wholetime Director shall not be entitled to any sitting fees for attending meetings of the Board or any committee thereof.

8. **TERMINATION:** By three months notice on EITHER side.

The terms and conditions of the said appointment and remuneration may be increased, altered or varied from time to time by the Board of Directors/its committee as it may, in its discretion, deem fit so as to be in conformity with the law, for time being in force.

The above proposal does not require the approval of the Central Government under Section 309 of the Companies Act, 1956 as the appointment and remuneration payable to Mr. K.J. Kaul is within the limits laid down in Schedule XIII of the Companies Act, 1956.

In compliance with the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956, read with Schedule XIII of the Act, the appointment of Mr. K.J.Kaul as the Wholetime Director and the terms of his appointment and remuneration specified above are now being placed before the members in the General Meeting for their approval.

The terms and conditions set out above should also be treated as an abstract and memorandum of interest under Section 302 of the Companies Act, 1956.

Except Mr. K.J. Kaul, none of the other Directors is interested in the resolution.

By Order of the Board of Directors

USHA RAMDOSS
Company Secretary

Mumbai, May 8, 2003
Registered Office :
8th floor, Eureka Towers,
Mindspace, Link Road, Malad (West),
Mumbai - 400 064.

**STATEMENT CONTAINING INFORMATION REQUIRED TO BE GIVEN
UNDER SCHEDULE XIII AS REQUIRED BY NOTIFICATION
REF.G.S.R. 36(E) DATED JANUARY 16, 2002 ISSUED BY GOVERNMENT
OF INDIA, MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS,
DEPARTMENT OF COMPANY AFFAIRS, NEW DELHI**

I. General Information

1. Nature of the Industry — Drugs and Pharmaceuticals.
2. Financial Performance — (Based on the audited Accounts for the year ended 31-12-2002)

(Rs. in crores)

Turnover	91.20
Net Profit/(Loss) before tax	(7.59)
Total Expenditure	104.15

3. Foreign Investment or Collaborators:

The Company is an affiliate of Schering -Plough Corporation, U.S.A. (S-P) and gets the benefits of their research & development efforts. S-P is a multinational having a worldwide presence. Most of the products introduced by the Company are original research products of S-P.

The Company is also immensely benefited by the supply of technology from S-P. This includes training of our personnel by S-P and deputation of technical experts.

II. Information about the Appointee:

- Information about Mr, K. J. Kaul, Wholetime Director

Mr. K. J. Kaul has been appointed as the Wholetime Director of the company w.e.f June 15, 2003.

1. Background details, Recognition or awards:

Mr. K. J. Kaul is a graduate of pharmacy and has completed an Administrative Management course from the Jamnalal Bajaj Institute, Mumbai. Mr. K. J. Kaul had worked for than the 27 years with M/s Nicholas Piramal (NP). During his tenure he had a consistent growth in the stature & responsibility from being a General Manager – Manufacturing in '92 to Vice President – Manufacturing Operation in '94. He was responsible for project implementation and technology transfers.

He is employed with the Company since the year '97 as Vice President – Technical and is acting as a Whole time Director of the Company since '98.

2. Past remuneration

Particulars	Paid in 2002	Paid in 2001
Basic Salary	50,660/- p.m.	44,370/-p.m.
House Rent Allowance	26,260/-p.m.	24,100/-p.m.
City Allowance	27,990/-p.m.	25,490/-p.m.
Performance Reward	1,60,680/-p.a.	3,34,665/-p.a.

3. Job profile and his suitability

During his tenure with the Company all the manufacturing facilities from where the finished products are sourced have been significantly upgraded. He has also developed local sources for import substitution of some of the raw materials which should improve profitability.

He has adequately contributed to the Company's technical operations during the tenure & the Company has made significant strides in upgrading the Technical & Quality Control areas.

4. Remuneration proposed

The 'Abstract' containing details of remuneration proposed to be paid to the Wholetime Director under Section 302 of the

Companies Act, 1956, is contained in the Explanatory statement no. 4 required under section 173 (2) of the Companies Act, 1956.

5. Comparative remuneration profile with respect to industry, size of the company, profile of the position and the person
The remuneration proposed has been benchmarked with the Vice President – Technical in other multinational pharmaceutical companies operating in India.
6. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel if any:
None

III. Other information

1. Reason for loss or inadequate profits
 - Suspension of production of tablet formulations since the factory in which these were manufactured led to contamination & it was unacceptable to continue manufacturing in such facility.
 - Writing off of the finished goods inventory worth Rs. 2.51 crores.
 - Supply of the products were severely affected due to the non-availability of material from the approved sources. This resulted in loss of sales and profit.
2. Steps taken or proposed to be taken for improvement
 - The Company is taking substantive steps to restore the supply of products by identifying and developing alternate source for supply of material and the production is set to begin by the second quarter of 2003.
 - Import substitution of some of the raw materials.
 - Implementation of cost reduction & productivity improvement measures.
3. Expected increase in productivity and profits in measurable terms.
As per the measures taken under III (2) above the sales and realization is expected to enhance with retention and growth in the market share.

IV. Disclosures

The 'Abstract' containing details of remuneration proposed to be paid to the Wholetime Director under Section 302 of the Companies Act, 1956, is contained in the Explanatory statement no. 4 required under Section 173 (2) of the Companies Act, 1956.

By order of the Board of Directors

USHA RAMDOSS
COMPANY SECRETARY

Mumbai, May 8, 2003

Registered Office:
8th Floor, Eureka Towers,
Mindsapce, Link Road, Malad (West),
Mumbai - 400 064.

Directors' Report

The Directors present the Fifty-fifth Annual Report together with the audited accounts of the Company for the year ended December 31, 2002.

FINANCIAL RESULTS

	January 1, 2002 to December 31, 2002 Rupees	January 1, 2001 to December 31, 2001 Rupees
Profit/(Loss) before tax for the period amounted to	(7,59,61,840)	1,46,29,573
Profit/(Loss) after tax for the period amounted to	(7,60,61,840)	1,33,75,227
Tax Adjustments for prior years	—	1,85,000
Balance in Profit and Loss Account	1,34,09,833	61,49,606
Amount available for appropriation	(6,26,52,007)	1,97,09,833
Out of which the following sums have been appropriated:		
Proposed Dividend	—	48,00,000
General Reserve	—	15,00,000
Balance carried to Balance Sheet	(6,26,52,007)	1,34,09,833

DIVIDEND

The Directors do not recommend any Dividend on account of loss for the year ended December 31, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry structure and development

The Indian pharmaceutical market recorded growth of 7% during 2002 to reach total value of Rs.180 billion. The market size is barely 1% of the total world market despite accounting for 16% of the world population. This is evident from the low investment in healthcare resulting in low per capita consumption of pharmaceuticals of \$3.

The industry size in terms of value does not reflect true picture in terms of reach since the market is driven by high volume and low unit price. In fact the unit price is one of the lowest in the world resulting in inadequate generation of surplus for investment in research and development and continuous up-gradation of quality standards. This along with fragmented industry with large number of manufacturing units lead to fairly widely prevalent spurious or counterfeit drugs in the market.

In most of the therapeutic areas, the alternative molecules are available for treatment and for many of the molecules several brands of different manufacturers are available leading to intense competition and continuous downward pressure on the price. Despite this the reach of the pharmaceuticals is low on account of low income level and absence of social security.

The industry plays a useful role in supporting continuous medical education as well as health awareness among the people to help early diagnosis and treatment which is imperative for better health of the nation. It also plays a very useful role in development of ancillary packaging and service industry.

2. Opportunities and Threats

It is gratifying that in the recent budget speech, health has been recognised as one of the "Panch Priorities". The potential for growth of the industry is tremendous provided it receives support for development in terms of recognition of intellectual property rights thus encouraging research and development, lower rates of import duties and taxes, dismantling rigid price control in light of intense competition and accelerating spread of health insurance.

The encouragement to up-grade manufacturing and testing facilities and adherence to uniform standards for domestic and global market concurrently with improvement in national infrastructure can make the industry

Directors' Report (Contd.)

attractive sourcing destination. Similarly harmonisation with international standards in terms of regulatory framework can open up increased opportunities for clinical research and related IT services.

The high cost of research and development, rapid changes in up-gradation of technology and high rate of obsolescence makes it imperative for the industry to be flexible for restructuring. This necessitates the labour and employment laws to be flexible enough to adapt to the changes and maximise productivity.

3. Segment-wise performance

The Company has only one segment viz. Human Health. Hence segment wise performance report is not applicable.

4. Risks and concerns

The Company's comprehensive and rigorous policy of testing, validation and approval of sources ensures high quality standards of finished products. However it also makes switching to alternate sources time consuming and hence could impact business adversely in the event the supply is disrupted.

The launch of competitive brand at significantly low cost results in lower sales at least for a temporary period till the time the users do not experience the same efficacy or safety. Similarly lack of freedom and inflexibility to price products lead to either non-introduction of new products, withdrawal of existing products or inadequate investment to build larger franchise.

Inflexible employment laws and high separation costs do not permit free adaptability and restructuring of operations when circumstances warrant.

5. Internal control system and their adequacy

The Company has comprehensive system of internal control to ensure that its assets are protected against loss from unauthorised use or sale, the resources of the company are committed as per the Approval Authorisation Policy and all transactions are recorded in conformity with its accounting policies and procedures.

The system is supported by well documented policies and procedures for different areas and is designed to protect the Company's interest and ensure accurate and reliable accounting records.

The internal control system is also reviewed periodically by internal audit conducted by an external agency and supplemented by self assessment audit guide. The Audit Committee appointed by the Board will review both the adequacy and address the significant findings and follow-up on such issue.

6. Material development on human resources/ industrial relations

One of the priority areas for the Company is to nurture and retain talent. This is achieved through several measures by rewarding and recognising high caliber performance, on the job training, giving special projects or assignments to high performers.

The Company has regular communication meetings with employees to share innovative ideas, enhance cost effectiveness, improve productivity and provide forum for thrashing out their concerns or issues.

The Company's talent pool has been well recognised by the parent company which invited one of our Finance Manager for the short term assignment and one of our microbiologist from Quality Control team to train microbiologists in another facility.

In view of the lower sales many open positions were not filled and the people were redeployed to reduce cost and enhance productivity. The total number of employees as on December 31, 2002 were 521.

OPERATIONS

PERFORMANCE WITH RESPECT TO OPERATIONS

During the year the Company suffered a serious setback in terms of suspension of production of tablets and injectable ampoules on account of contamination of products with microorganism as well as disruption in supplies of some raw materials and finished product. Such contamination also led to rejection of large amount of tablets inventory amounting to Rs.251 lakhs. The disruption in supplies of raw material and finished product led to loss of sales and resultant profit contribution

Gross Sales for the year 2002 decreased to Rs. 94.70 crores from Rs.140.41 crores recorded in the year 2001 indicating a decline of 33 %. The Loss Before Tax for the year 2002 was Rs.7.60 crores as against Profit Before Tax (PBT) for the

Directors' Report (Contd.)

year 2001 of Rs.1.46 crores. Like the year 2001 the results have been arrived at for the year 2002 after providing Rs.1.06 Crores towards the Voluntary Retirement Scheme implemented earlier.

During the year, the Company launched:

“REBETOL” — This is in a form of capsule containing *Ribavirin*, which together with *Viraferon/Viraferon Peg* is used for the treatment of Hepatitis ‘C’.

The Auditors' comment as referred to in para 4(f) of the Auditor's Report is dealt with in Note No. B.1(e) annexed to the Accounts, which is self-explanatory.

OUTLOOK

Manufacturing facilities to resume manufacture of tablets and injectable ampoules have been identified. The production is expected to start in the second quarter after completion of all validations.

The Company will continue to focus on oncology, virology and cardiovascular areas. Sales in these segments will be impacted by launch of competitive products. So far as other segments viz. dermatological, anti allergy and anti-bacterials are concerned, barring unforeseen circumstances, our sales should improve with the resumption of supply of the products.

Concurrently, local sources have been developed for some of the raw materials to reduce costs and improve profitability.

To minimise the adverse impact, various cost control and productivity improvement measures were implemented.

As a result of all these measures the Company's performance is likely to improve over the next few months, barring unforeseen circumstances. Consequently the Board is cautiously optimistic of better performance in the current year.

DIRECTORS

During the year Dr. S.H. Advani was appointed as an Alternate Director to Mr.R.D. Thapar, who is residing at Delhi and unable to attend meetings due to ill health.

Dr. Advani is a renowned Oncologist, having been accredited with international fellowships. He has received tremendous recognition in the field of medicine, the latest being “PADMASHRI” by the Government of India in the year 2002. He continues to hold numerous academic positions in the field and the Company feels his presence will add a lot of value to the Company's operations and management deliberations.

Mr. K. J. Kaul's tenure as wholetime director of the Company is expiring on June 14, 2003. The Board has appointed Mr. K. J. Kaul as wholetime director of the Company for a further period of three years with effect from June 15, 2003, subject to the approval at the ensuing Annual General Meeting of the Company.

FIXED DEPOSITS

Fixed Deposits outstanding as on December 31, 2002 amounting to Rs.0.40 lakhs have matured but remain unpaid for want of requisite instructions from the Depositors concerned.

RELATED PARTY TRANSACTIONS

Related party transactions have been disclosed in the notes to the accounts.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 (the Act)

Information in accordance with clause (e) of sub-section (1) of Section 217 of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended December 31, 2002 is given in Annexure I of this Report.

Information in accordance with sub-section (2A) of Section 217 of the Act read with the Companies (Particulars of Employees) Rules, 1975 forms part of the Directors' Report for the year ended December 31, 2002. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all shareholders of the Company, excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the Statement may write to the Secretary at the Registered office of the Company.

In accordance with the sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning ‘Directors

Directors' Report *(Contd.)*

Responsibility Statement and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and according to a Certificate received from them under Section 224(1B) of the Companies Act, 1956, they are eligible for reappointment.

COST AUDIT

Messrs S. S. Mani & Co have been appointed to conduct the Cost audit of the accounts maintained by the Company for the year ended December 31, 2003.

CORPORATE GOVERNANCE

A report on the Corporate Governance Code along with a certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this Report.

SUBSIDIARY COMPANIES

Pursuant to Section 212 of the Companies Act, 1956 the annual accounts for the year ended December 31, 2002 as also the Auditors' and Directors' Report in respect of (i) Schering-Plough (India) Private Limited, and (ii) Wellnex Pharmaceuticals Private Limited, are attached to the accounts of the Company.

As per Clause 32 of the listing agreement with the Mumbai Stock Exchange the Consolidated financial statements are also enclosed.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the contribution made by the employees at all levels for their dedication and commitment to the Company throughout the year.

For and on behalf of the Board of Directors

Mumbai, May 8, 2003.

R. A. SHAH
Chairman

Annexure I to the Directors' Report

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. Conservation of Energy

(I) Energy conservation measures taken in the recent past:

Nil

(II) Additional investments and proposals for reduction of energy consumption being implemented:

Nil

(III) Impact of measures (I) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Nil.

(IV) Total energy consumption and energy consumption per unit of production:

A. Power and Fuel Consumption

	1-1-2002 to 31-12-2002	1-1-2001 to 31-12-2001
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	Nil	322
Total Amount (Rs. '000)	Nil	2,250
Rate/Unit (Rs.) average	Nil	6.78
(b) Own Generation (For emergency use only)		
(i) Through Diesel Generator		
Units (kwh)	Nil	Nil
Units per Ltr. of Diesel Oil	Nil	Nil
Cost/Unit (Rs.)	Nil	Nil
(ii) Through Steam Turbine/Generator		
Units	Nil	Nil
Units per Ltr. of Fuel Oil/Gas	Nil	Nil
Cost/Fuel	Nil	Nil
2. Coal		
Qty. (Tonnes)	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil

Annexure I to the Directors' Report (Contd.)

3. Furnace Oil		
Qty. (K. Ltrs.)	Nil	Nil
Total Amount	Nil	Nil
Average Rate (Rs.)	Nil	Nil
4. Other/Internal Generation		
Steam by LDO		
Quantity (in '000 kgs.)	Nil	Nil
Total Cost (Rs. '000)	Nil	Nil
Rate per kg. (Rs.)	Nil	Nil

B. Consumption per unit of production

Not Applicable*

* The Company has permanently closed its production facility, and has been since sourcing its products from third parties hence the extent of power & fuel consumption is not reflected in per unit of production.

2. Technology absorption

The Company through Technical know-how Agreement with Schering-Plough Corporation, U.S.A. (Schering) gets the benefits of the research and development efforts of Schering. Most of the products introduced by the Company in India are original research products of Schering.

The Company has also benefitted from the supply of technology from Schering. This includes training of our personnel by Schering during short and long-term assignments and deputation of technical experts. The said technology has been fully absorbed.

3. Foreign Exchange Earnings and Outgo

(I) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The Company continues to explore various export markets.

(II) Total Foreign exchange earned and used		Rs. in lakhs
(A) Total Foreign exchange earned		28.91
(B) Total Foreign exchange used:		
(i) On import of raw materials/finished goods	2145.71	
(ii) On import of capital goods, spares and components	16.15	
(iii) Expenditure in foreign currencies for business travels, subscription, commission on exports etc.	43.53	
(iv) Remittance during the year in foreign currency on account of dividend	19.20	
(v) Royalty and Technical know-how	—	
	<hr/>	2224.59

For and on behalf of the Board of Directors

R. A. SHAH
Chairman

Mumbai, May 8,, 2003.

Corporate Governance Report

1. Company's Philosophy on Code of Governance:

The Company is an affiliate of a global corporation operating in all major countries viz. Schering-Plough Corporation. The Company's philosophy on Corporate Governance is to conduct its business in a transparent manner, maintain high standards of quality as well as integrity and act in the best interest of its stakeholders. These principles are embodied in a comprehensive Compliance Programme which is conducted covering all the employees of the Company. The Company follows sound and healthy business practices in all its facets and its core values are reflected in its management philosophy.

2. Board of Directors:

- Composition of the Board of Directors (Board):

The Board consists of an optimal blend of company executives and independent professionals having an in-depth knowledge of the pharmaceutical industry in addition to expertise in their area of specialisation. The size and composition of the Board conforms to the requirement of the Corporate Governance Code under the Listing Agreement with the Stock Exchange. None of the Directors is a member of more than ten Board level committees of public companies in which they are Directors, nor is a chairman of more than five such committees. The composition of the Board, summary of their other Directorship and Board Committee Membership of each of the Directors as on December 31, 2002 are as follows:

Name of the Director	Category of Director @	No. of other Directorships*	Attendance at Board Meeting	Attendance at Last AGM	No. of other Committee Membership/ Chairmanship
Mr. A.M. Blanco	NED	22	Nil	Absent	Nil
Mr. A. Surijon	NED	16	Nil	Absent	Nil
Mr. R. Kapur	NED	02	Nil	Absent	Nil
Mr. K. D. Shah President & Managing Director	WTD	01	5	Present	Nil
Mr. R.D. Thapar	NED-I	Nil	Nil	Absent	Nil
Mr.V.G. Athavale	NED-I	02	5	Present	Nil
Mr. R.A. Shah** Chairman	NED-I	30	5	Present	10
Mr. D.C. Shroff**	NED-I	19	5	Present	10
Mr. K.J. Kaul**	WTD	Nil	5	Present	Nil
Dr. S.H. Advani**	NED-I	Nil	Nil	N.A.#	Nil

* Includes Alternate Directorships and Directorships in Private Companies. In case of Directors who are foreign nationals and residing abroad, it also includes their directorships in foreign companies incorporated abroad.

** Acting in the capacity of an Alternate Director

Appointed subsequent to the date of the last Annual General Meeting.

@ WTD : Wholetime Director, NED : Non Executive Director, NED-I : Non Executive Director- Independent.

Note: The detailed profile of the Wholetime Director Mr. K.J. Kaul who is seeking reappointment for a further term of three years has been annexed to the notice of AGM.

Corporate Governance Report (Contd.)

- **Board Meetings:**

The Board meets at least once in a quarter inter-alia to review the performance of the Company. A detailed agenda is prepared in consultation with the Chairman and the Managing Director. During the year 2002, five Board Meetings were held on 26/03/2002, 24/04/2002, 21/06/2002, 26/07/2002 and 26/10/2002. The last Annual General Meeting of the Company was held on June 21, 2002.

3. Committees of Board:

- a. **Audit Committee:**

The provisions of Sec. 292A of the Companies Act, 1956 concerning formation of 'Audit Committee' is not applicable to the Company, since the paid-up equity share capital is less than Rs. 5 crores. However in conformity with the provisions embodied in clause 49 of the listing agreement an Audit Committee of qualified and competent non-executive directors has been formed consisting of the following Directors:

- 1) Mr. V.G. Athavale, Chairman,
- 2) Dr. S.H. Advani,
- 3) Mr. Alberto Surijon

The role of the Audit Committee and its terms of reference include reviewing the financial statements, overseeing the Company's annual accounts & processes, discussions with internal & external auditors periodically about their scope of audit and adequacy of internal control systems. The Audit Committee also acts as a link between the Board of Directors and the internal & external auditors.

- b. **Remuneration Committee:**

The Board has constituted a Remuneration Committee to review and approve matters pertaining to the payment and review of the terms of remuneration of the wholetime directors.

Composition of Remuneration Committee:

- 1) Mr. V.G. Athavale, Chairman,
- 2) Mr. K.D. Shah,
- 3) Mr. R.D. Thapar,
- 4) Mr. Alberto Surijon or in his absence, his alternate, Mr. K. J. Kaul

Mr. R.A. Shah attends the meeting on invitation.

- Attendance at Remuneration Committee Meetings:

Sr. No.	Name of Director	No. of Remuneration Committee Meetings attended out of three held.
1	Mr. R.A. Shah	3**
2	Mr. K.D. Shah	3
3	Mr. V.G. Athavale	2*
4	Mr. R.D. Thapar	Nil*
5	Mr. K.J. Kaul	2
6	Mr. Alberto Surijon	1

* Appointed subsequent to the conduct of the first committee meeting.

** Ceased to be a member of the committee subsequent to the first committee meeting.

The Wholetime Directors did not participate in any discussion and voting on agenda concerning their individual remuneration.

- **Remuneration Policy:**

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining high caliber management talent by valuing their performance on the basis of their contribution during the year, considering the prevailing internal & external business environment, at the same time giving weightage to the prevailing competitive market practices.

Corporate Governance Report (Contd.)

• Details of Remuneration to Directors:

- 1) The details of the remuneration paid to the Executive Directors during the year 2002 are given as under:

(Rs. in Lakhs)

Executive Directors	Remuneration*
Mr. K.D. Shah	81.78#
Mr. K.J. Kaul	16.94

* Remuneration includes performance reward, contribution to provident fund, superannuation fund & gratuity and all perquisites earned during the year.

As approved by the Central Government vide letter dated March 29, 2003.

The term of Mr. K. D. Shah is for a period of five years and the proposed term of Mr. K. J. Kaul is for a period of three years. Further, either party can terminate the contract of service by giving three months notice in writing.

- 2) The details of payments to Non-Executive Directors during the year 2002 are given below:

Non-Executive Directors	Sitting Fees (Rs. in lakhs)*
Mr. R.A. Shah	0.345
Mr. D.C. Shroff	0.250
Mr. V.G. Athavale	0.260

* Consists of sitting fees paid towards Board and Committee meetings.

Further the Directors have received Dividend for the year 2001 based on the extent of their holding, if any, in the Company.

The Company has paid fees of Rs. 6.44 lakhs for the professional services rendered by a firm of Solicitors and Advocates M/s. Crawford Bayley & Co. of which two non-executive directors are partners.

Besides above no other payments have been made or transactions of a pecuniary nature entered into by the directors with the Company.

c. Investors Grievance Committee:

The Board has formed the Investors Grievance Committee to look into shareholders and investors grievances. The Committee functions under the Chairmanship of Mr. V.G. Athavale, and with Mr. K.D. Shah, as Member of the Committee.

The Company Secretary is the Compliance Officer.

A Statement of the various complaints received and cleared by the Company during 2002 is hereunder:

Sr. No.	Nature of Complaint	Received	Cleared
1	Non Receipt of Share Certificate	08	08
2	Non Receipt of Dividend Warrant	18	18
3	Non Receipt of Annual Report	02	02
4	Non Receipt of Demat Credit	18	18
5	Non Receipt of Rejected Demat Request Form	07	07
6	Others	03	03
	Total	56	56

Corporate Governance Report (Contd.)

The Company and Transfer Agents are making conscious attempts to ensure expeditious redressal of the grievances.

d. Share Transfer Committee:

In addition to the above the Board also has a Share Transfer Committee. The committee functions under the chairmanship of Mr. R.A. Shah, Non-Executive Director and with Mr. K.D. Shah, Wholetime Director alongwith Mr. D.C. Shroff, Non-Executive Director.

The Committee deals with matters relating to transfers/ transmissions/ transposition/ consolidation/ split of Folios/ issue of Share Certificates in exchange for sub-divided/ consolidated/ defaced share Certificates/ issue of duplicate Share Certificates, etc.

The Board of Directors notes the Minutes of the Share Transfer Committee meetings at subsequent Board Meetings.

4. General Body Meetings:

The last three years Annual General Meetings were held as under:

Year	Date	Time	Location
1999	June 16, 2000	11.00 a.m.	M.C. Ghia Hall, Mumbai
2000	June 15, 2001	11.00 a.m.	M.C. Ghia Hall, Mumbai
2001	June 21, 2002	11.00 a.m.	M.C. Ghia Hall, Mumbai

There was no agenda item under Section 192A of the Companies Act, 1956, which required conduct of the Postal Ballot.

5. Disclosures:

There were no related party transactions made by the Company with its Affiliates, the Directors or the Management, which are of such nature to have a potential conflict of interest with the Company at large.

6. Compliances:

The Company has complied with the requirements of the Listing Agreement with the Stock Exchange as well as the regulations and guidelines prescribed by SEBI. There were no penalties or strictures imposed on the Company by any statutory authorities for non-compliance on any matters related to capital markets during the three years ended 31st December, 2002.

7. Communication:

The quarterly, half-yearly and full year results are published in newspapers namely The Free Press Journal (in English) and Navshakti (in Marathi). The Company does not send its half-yearly report to each household of shareholders.

Management Discussion and Analysis Report contained in the Directors Report forms a part of this statement.

8. General Shareholder Information:

The general shareholder information is provided separately in this annual report.

On behalf of the Board of Directors

R.A. Shah
Chairman

Mumbai, May 8, 2003

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING:

Date & Time: June 20, 2003 at 11.00 a.m.
 Venue : 'The Banquet'
 Time & Again Restaurant,
 9, Raheja Classic, New Link Road,
 Near Kamat Club, Lokhandwala, Andheri (W)
 Mumbai - 400 053.

FINANCIAL CALENDAR: 1st January, 2002 to 31st December, 2002.

BOOK CLOSURE DATE:

The Company's Register of Members and Share Transfer books will remain closed from June 16, 2003 to June 20, 2003 (both days inclusive).

LISTING:

The Company's shares are listed and traded on the Mumbai Stock Exchange. The Company's shares are traded in 'B1' Group in the Stock Exchange, Mumbai. The Companies Shares are also traded on National Stock Exchange on permitted basis.

STOCK CODE;

The Stock Exchange, Mumbai (physical) - Code : 506803

The Stock Exchange, Mumbai (demat) - Code : INE 521A01017

MARKET PRICE DATA:

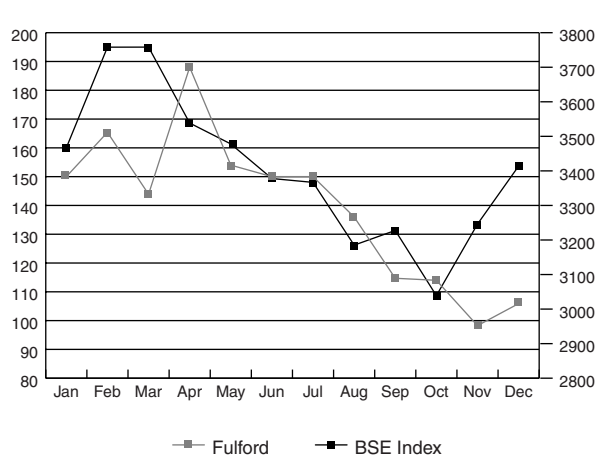
The monthly high and low quotations of shares traded on the Stock Exchange, Mumbai and National Stock Exchange for the year 2002 is as under:

Month	Mumbai Stock Exchange		National Stock Exchange	
	High	Low	High	Low
January	150.00	123.10	145.00	122.05
February	165.40	135.00	153.90	133.15
March	143.90	127.50	142.00	126.50
April	188.00	129.00	181.80	127.60
May	154.00	127.00	154.95	126.50
June	150.00	130.00	147.00	126.00
July	150.00	115.50	149.00	118.00
August	136.00	105.10	124.00	110.00
September	114.70	103.00	116.20	103.00
October	114.00	88.10	*	*
November	98.25	85.05	*	*
December	105.90	88.05	*	*

*- Not Quoted

SHAREHOLDER INFORMATION (Contd.)

STOCK PERFORMANCE INDEXED:



REGISTRAR AND TRANSFER AGENTS:

Intime Spectrum Registry Ltd.
C/13, Panalal Silk Mills Compound,
L.B.S. Marg,
Bhandup (West),
Mumbai 400 078
Tel - 2592 3837, 2564 7731.

SHARE TRANSFER SYSTEM:

All transfers received are processed and approved by the Share Transfer Committee, which normally meets twice a month depending upon the volume of transfers.

DISTRIBUTION OF SHAREHOLDING AS ON DECEMBER 31, 2002.

No. of Shares	Share holders		Share Amount	
	Number	% to Total	In Rs.	% to Total
Upto 5000	8885	96.38	10110010	31.58
5001-10000	220	2.39	1672750	5.23
10001-20000	72	0.78	996660	3.12
20001-30000	19	0.20	472770	1.48
30001-40000	10	0.11	351990	1.10
40001-50000	4	0.04	187480	0.59
50001-100000	2	0.02	132160	0.41
100001 and above	7	0.08	18076180	56.49
Total	9219	100.00	32000000	100.00

DEMAT STATUS:

As on December 31, 2002:

Mode	No. of Shares	% age
Demat	1657518	51.80
Physical	1542482	48.20
Total	3200000	100.00

SHAREHOLDING PROFILE AS ON DECEMBER 31, 2002:

Category	No. of Shares	% age
Foreign Affiliate	1280000	40.00
Banks & FIs	650	0.02
Mutual Funds	430503	13.45
NRIs	109118	3.41
Private Corporate Bodies	81399	2.54
Public	1295743	40.49
Clearing Members	2587	0.08
Total	3200000	100.00

Registered Office:

Fulford (India) Ltd.
Eureka Towers,
MindSpace, Malad Link Road,
Malad (West),
Mumbai 400 064.

On behalf of the Board of Directors

R. A. Shah
Chairman

Mumbai : May 8, 2003.

To,

The Members of Fulford (India) Limited

We have examined the compliance of conditions of Corporate Governance by Fulford (India) Limited for the year ended December 31, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with the **Stock Exchange, Mumbai**.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing agreement, except that the requirements regarding the composition and attendance for the remuneration committee of the company have not been strictly followed on the ground that such requirements are not mandatory under clause 49 of the Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that; based on the information received from the Company's Registrar and Share Transfer Agents and as per the records maintained by the Investor Grievance Committee, barring certain cases pending in courts/consumer forums, relating to disputes over the title of shares in which the company has been made a party; no investor grievance is pending for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. Sarda
Partner

Mumbai: May 9, 2003

Auditors' Report to the Members

1. We have audited the attached Balance Sheet of Fulford (India) Limited as at December 31, 2002 and also the Profit and Loss Account and the Cash Flow Statement of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2002 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
 - f. ***demand of Rs. 194.62 lakhs for Drug Price Equalisation Account as referred to in Note no. B.I.(e) of Schedule 18 is contested by the company in the High Court and hence no provision has been made in the accounts. As per the Supreme Court's directions the company has deposited a sum of Rs. 50 lakhs pending the disposal of the matter by the High Court and the same has been shown under "Loans and Advances — Deposits".***
 - g. in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and subject to our remarks in para (f) above, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in case of the Balance Sheet, of the state of affairs of the company as at December 31, 2002;
 - ii) in case of the Profit and Loss Account, of the Loss of the company for the year ended on that date and
 - iii) in the case of Cash Flow Statement of the Cash Flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

N. P. Sarda
Partner

Mumbai, May 9, 2003

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our report of even date)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets are physically verified by the management at reasonable intervals. On the basis of explanations given to us no material discrepancies have been noticed on such verifications.
2. None of the fixed assets have been revalued during the year.
3.
 - (a) The stock of finished goods, raw materials and packing materials, including materials lying with third parties, have been physically verified by the management during the year.
 - (b) In our opinion, the frequency of such verification is reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The discrepancies noticed on verification between physical stocks and the book records were not significant and the same have been properly dealt with in the books of account.
 - (d) In our opinion and on the basis of our examination of the stock records, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles. The basis of valuation is same as in the preceding year.
4.
 - (a) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from companies under the same Management as defined under Section 370(1B) of the Companies Act, 1956.
 - (b) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or to companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
5. In respect of loans and advances in the nature of loans given by the company, the parties / employees are repaying the principal amounts and interest, wherever stipulated.
6. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of stores, raw material and packing material including components, plant and machinery, equipment and other assets and for the sale of goods.
7. According to the information and explanations given to us, the transactions in respect of purchase of goods and materials aggregating during the year to Rs.50,000 or more in respect of each party, from firms, companies or other parties in which directors are interested as listed in the Register maintained under Section 301 of the Companies Act, 1956. In our opinion, the prices paid for such items were reasonable as compared to the prices of similar items supplied / quoted by other parties except in some cases of imported raw materials where comparison could not be made as there were no similar supplies / quotations from other parties. There were no transactions in respect of sale of goods, materials and services aggregating during the year to Rs.50,000 or more in respect of each party, from firms, companies or other parties as listed in the Register maintained under Section 301 of the Companies Act, 1956.
8. As explained to us, the company has a regular procedure for determination of unserviceable or damaged store, raw materials, packing materials and finished goods. In our opinion adequate provision has been made in the accounts for the items so determined.

9. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act 1956, and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public.
10. As explained to us, the Company's operations do not generate any significant saleable scrap. We are informed that no realisable by-products are generated by the Company's operations.
11. The Company has an internal audit system commensurate with the size and the nature of its business.
12. We have reviewed the books of account maintained by the Company pursuant to the order by the Central Government on the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that *prima-facie* the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
13. The company is regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
14. According to the records of the Company and based on information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at December 31, 2002 for a period of more than six months from the date they became payable.
15. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices and according to the information and explanations given to us, no personal expenses, other than expenses under contractual obligations and / or generally accepted business practices, have been charged to Revenue Account.
16. The company is not a sick company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
17. As explained to us, in respect of trading activities of the Company, damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on the items so determined.

For **Deloitte Haskins & Sells**
Chartered Accountants

N. P. Sarda
Partner

Mumbai, May 9, 2003

Balance Sheet

as at December 31, 2002

	Schedule	As at December 31, 2002 Rupees	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees	As at December 31, 2001 Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share capital	1	3,20,00,000		3,20,00,000	
Reserves and surplus	2	4,68,30,462		12,28,92,302	
			7,88,30,462		15,48,92,302
Loan Funds					
Secured loans	3	3,57,85,534		4,53,30,994	
Unsecured loans	4	12,13,30,280		12,06,47,922	
			15,71,15,814		16,59,78,916
Total			23,59,46,276		32,08,71,218
APPLICATION OF FUNDS					
Fixed Assets					
Gross block	5	5,33,57,832		5,13,23,082	
Less: Depreciation		3,09,69,019		3,96,11,070	
Net block.		2,23,88,813		1,17,12,012	
Add: Capital Work in Progress (Including advances on Capital Account) ..		40,01,618	2,63,90,431	—	1,17,12,012
Investments	6		1,52,500		1,52,500
Current Assets, Loans and Advances					
Inventories	7	20,22,37,602		30,27,81,359	
Sundry debtors	8	7,38,44,872		14,78,95,883	
Cash and bank balances	9	59,50,895		59,57,329	
Loans and advances	10	4,53,76,063		2,44,75,467	
		32,74,09,432		48,11,10,038	
Less: Current Liabilities & Provisions					
Current liabilities	11	9,92,54,231		16,42,31,392	
Provisions	12	2,62,72,687		2,59,74,304	
		12,55,26,918		19,02,05,696	
Net Current Assets			201,882,514		29,09,04,342
Deferred Tax Asset			7,520,831		75,20,831
Miscellaneous Expenditure					
(To the extent not written off)					
Deferred Revenue Expenditure (Voluntary Retirement Scheme)			—		1,05,81,533
Profit & Loss Account	13		—		—
(Debit Balance)					
Total			23,59,46,276		32,08,71,218
Significant Accounting Policies and Notes on Accounts	18				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

USHA RAMDOSS
Company Secretary

R. A. SHAH

Chairman

D. C. SHROFF

K. D. SHAH

K. J. KAUL

Directors

Mumbai, May 8, 2003.

Profit and Loss Account

for the year ended December 31, 2002

	Schedule	Year ended December 31, 2002		Year ended December 31, 2001	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Sales (Gross)		94,69,67,536		1,40,41,10,313	
Less: Excise Duty		3,50,09,999		7,09,80,799	
Sales (Net)		91,19,57,537		1,33,31,29,514	
Other income	14	5,35,65,432		1,38,95,526	
			96,55,22,969		1,34,70,25,040
EXPENDITURE					
Cost of materials/goods	15	60,48,91,560		85,01,68,690	
Personnel expenses	16	13,18,91,588		12,05,37,037	
Operating & other expenses	17	27,88,04,549		33,08,78,369	
Depreciation		48,32,499		48,42,495	
Interest		2,10,64,613		2,59,68,876	
			1,04,14,84,809		1,33,23,95,467
PROFIT/(LOSS) BEFORE TAX			(7,59,61,840)		1,46,29,573
Provision for Tax					
Current Income-tax		1,00,000		22,05,000	
Deferred Income-tax		—		(9,50,654)	
			1,00,000		12,54,346
PROFIT AFTER TAX			(7,60,61,840)		1,33,75,227
Tax adjustments for prior years			—		1,85,000
Balance brought forward			1,34,09,833		61,49,606
Amount available for appropriation			(6,26,52,007)		1,97,09,833
APPROPRIATION					
Proposed dividend			—		48,00,000
Transfer to general reserve			—		15,00,000
Balance carried forward			(6,26,52,007)		1,34,09,833
Total			(6,26,52,007)		1,97,09,833
Basic & Diluted Earnings Per Share of Rs. 10/- each			(23.77)		4.18
(See note no. 4)					
Significant Accounting Policies and Notes on Accounts	18				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

USHA RAMDOSS
Company Secretary

R. A. SHAH

Chairman

D. C. SHROFF
K. D. SHAH
K. J. KAUL

Directors

Mumbai, May 8, 2003.

Schedules to Balance Sheet

	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
1. SHARE CAPITAL		
Authorised:		
50,00,000 Equity Shares of Rs. 10/- each ..	5,00,00,000	5,00,00,000
Issued and Subscribed:		
32,00,000 Equity Shares of Rs. 10/- each fully paid-up	3,20,00,000	3,20,00,000
<p>Of the above shares, 29,10,000 Equity Shares are allotted as fully paid-up by way of bonus shares by capitalisation of general reserve.</p>		
2. RESERVES AND SURPLUS		
General Reserve :		
Balance as per last Balance Sheet ..	10,94,82,469	10,14,12,292
Add : Transfer from Profit & Loss Account ..	—	15,00,000
	10,94,82,469	10,29,12,292
Add : Deferred tax asset ..	—	65,70,177
	10,94,82,469	10,94,82,469
Surplus as per Profit & Loss Account ..	—	1,34,09,833
Less : Debit balance in Profit & Loss account as per contra (Schedule 13) ..	6,26,52,007	—
Total ..	4,68,30,462	12,28,92,302
3. SECURED LOANS		
From banks (secured by hypothecation of inventories, book debts and fixed assets)	3,57,85,534	4,53,30,994
4. UNSECURED LOANS		
Security deposits from C & F agents ..	11,45,42,100	11,76,63,627
Other deposits ..	67,88,180	29,84,295
Total ..	12,13,30,280	12,06,47,922

Schedules to Balance Sheet (Contd.)

5. FIXED ASSETS	GROSS BLOCK				ACCUMULATED DEPRECIATION					NET BLOCK	
	AT COST				Upto Dec 31, 2002	Depreciation for the year	Adjustment for Sale	Upto Dec 31, 2002	WRITTEN DOWN VALUE		
	As at Jan 1, 2002	Additions/Transfer	(Deductions)/Transfer	As at Dec 31, 2002					As at December 31, 2002	2001	
Particulars	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Buildings	55,11,184	—	(48,59,184)	6,52,000	48,78,250	1,25,429	(43,51,681)	6,51,998	2	6,32,934	
Leasehold improvements	19,33,329	3,515,635	(19,33,328)	35,15,636	18,33,217	2,52,020	(18,64,997)	2,20,240		1,00,112	
Machinery and equipments	48,49,937	191,260	(20,01,890)	30,39,367	29,10,313	4,06,284	(18,68,614)	14,47,983	15,91,384	19,39,624	
Utilities	56,53,745	101,464	(12,05,503)	45,49,706	38,82,817	4,46,402	(11,68,319)	31,60,900	13,88,806	17,70,928	
Office equipments, furniture and fixtures	2,57,77,250	1,16,99,552	(44,63,016)	3,30,13,786	2,04,35,282	25,87,131	(35,92,474)	1,94,29,939	1,35,83,847	53,41,968	
Vehicles	75,97,637	16,32,958	(6,43,258)	85,87,337	56,71,191	10,15,233	(6,28,465)	60,57,959	25,29,378	19,26,446	
Total	5,13,23,082	1,71,40,869	(1,51,06,119)	5,33,57,832	3,96,11,070	48,32,499	(1,34,74,550)	3,09,69,019	2,23,88,813		
Previous year total	5,26,96,634	17,97,219	(31,70,771)	5,13,23,082	3,71,43,078	48,42,495	(23,74,503)	3,96,11,070		1,17,12,012	
Capital Work in Progress (Including advances on Capital Account)									40,01,618	—	
									2,63,90,431	1,17,12,012	

1. Buildings include:

Cost of flat of Rs.6,52,000 acquired in 1978 in respect of which Society/Condominium is yet to be formed and conveyance deed to be executed in its favour.

Schedules to Balance Sheet (Contd.)

	As at December 31, 2002		As at December 31, 2001	
	Rupees	Rupees	Rupees	Rupees
6. INVESTMENTS				
LONG TERM INVESTMENTS				
Trade (unquoted):				
In Subsidiary Companies				
(i) 10,150 fully paid-up Equity shares of Rs.10 each of Schering Plough (India) Private Limited.	1,01,500		1,01,500	
(ii) 10,200 (Previous year 5,100) fully paid-up Equity shares of Rs.10 each of Wellnex Pharmaceuticals Private Limited.	51,000	1,52,500	51,000	1,52,500
Total		<u>1,52,500</u>		<u>1,52,500</u>
7. INVENTORIES				
Raw and packing materials on hand and in transit		5,17,76,659		3,70,30,052
Work-in-process		4,19,480		1,12,83,778
Finished goods		15,00,41,463		25,44,67,529
Total		<u>20,22,37,602</u>		<u>30,27,81,359</u>
8. SUNDRY DEBTORS (UNSECURED)				
Debts outstanding for a period exceeding six months:				
Considered good	6,89,866		14,37,943	
Considered doubtful	30,36,713		40,70,335	
	37,26,579		55,08,278	
Less: Provision for doubtful debts	30,36,713		40,70,335	
		6,89,866		14,37,943
Others Debts:				
Considered good		7,31,55,006		14,64,57,940
Total		<u>7,38,44,872</u>		<u>14,78,95,883</u>
9. CASH AND BANK BALANCES				
Cash (including cheques on hand)		45,84,824		42,93,118
With Scheduled banks on :				
Current account		11,31,071		13,79,211
Deposit account		2,35,000		2,85,000
Total		<u>59,50,895</u>		<u>59,57,329</u>

Schedules to Balance Sheet (Contd.)

	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
10. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received.	2,85,99,654	1,56,93,328
Deposits (See Note No. 1 (e))	1,67,76,409	87,76,952
Balance with excise authorities on current account	—	5,187
Total	4,53,76,063	2,44,75,467
Advances recoverable in cash or in kind for value to be received includes :		
a) amount recoverable from Schering Plough (India) Private Limited, a wholly owned subsidiary company Rs. Nil (Previous year Rs. 200); maximum amount due during the year Rs. 5,750 (Previous year Rs. 12,000).		
b) amount recoverable from Wellnex Pharmaceuticals Private Limited, a wholly owned subsidiary company Rs. Nil (Previous year Rs. Nil); maximum amount due during the year Rs. Nil (Previous year Rs. 4,39,202).		
c) amount due in respect of housing loan to a Director Rs. 12,56,000 (Previous year Rs. 12,56,000); maximum amount due during the year Rs. 12,56,000 (Previous year Rs. 12,56,000)		
11. CURRENT LIABILITIES		
Sundry creditors (See note no. 7)	5,43,70,053	11,61,36,684
Unpaid Dividend	3,41,920	2,70,329
Unpaid matured deposits	40,000	70,000
Other current liabilities	4,45,02,258	4,77,54,379
Total	9,92,54,231	16,42,31,392
12. PROVISIONS		
Taxation less payments	1,05,13,946	65,10,324
Leave Encashment	1,57,58,741	1,46,63,980
Proposed dividend	—	48,00,000
Total	2,62,72,687	2,59,74,304
13. PROFIT & LOSS ACCOUNT (DEBIT BALANCE)		
Debit balance in Profit & Loss Account	6,26,52,007	—
Less : Shown as deduction from General Reserve as contra (Schedule 2)	6,26,52,007	—
Total	—	—

Schedules to Profit and Loss Account

	Year ended December 31, 2002 Rupees	Year ended December 31, 2001 Rupees
14. OTHER INCOME		
Interest on Staff Loan	54,698	42,600
Interest on Delayed Payments from customers	8,90,368	12,56,707
Interest on Deposits (tax deducted at source Rs. 5,310; Previous year Rs. 16,418)	53,860	29,608
Interest Others (tax deducted at source Rs. 1,05,785; Previous year Rs. Nil)	25,21,653	—
Profit/(Loss) on Sale of Fixed Assets (Net) (See note no. 8)	3,22,17,850	4,91,884
Miscellaneous income (See note no. 8)	1,78,27,003	1,20,74,727
Total	<u>5,35,65,432</u>	<u>1,38,95,526</u>
15. COST OF MATERIALS/GOODS		
Opening stocks:		
Raw and packing materials	3,70,30,052	5,70,10,135
Work-in-process	1,12,83,778	1,65,80,303
Finished Goods	25,44,67,529	26,91,84,467
	<u>30,27,81,359</u>	34,27,74,905
Purchases:		
Raw and packing materials	11,58,09,508	18,68,24,937
Finished Goods	38,85,38,295	62,33,50,207
	<u>50,43,47,803</u>	81,01,75,144
	<u>80,71,29,162</u>	1,15,29,50,049
Less : Closing stocks:		
Raw and packing materials	5,17,76,659	3,70,30,052
Work-in-process	4,19,480	1,12,83,778
Finished Goods	15,00,41,463	25,44,67,529
	<u>20,22,37,602</u>	30,27,81,359
Total	<u>60,48,91,560</u>	<u>85,01,68,690</u>
16. PERSONNEL EXPENSES		
Salaries, wages, bonus and commission	9,65,45,365	8,64,26,822
Contribution to provident and other funds	1,57,34,722	1,43,55,701
Staff welfare expenses	90,29,968	91,72,982
Amortisation of expenditure under V.R.S.	1,05,81,533	1,05,81,532
Total	<u>13,18,91,588</u>	<u>12,05,37,037</u>

Schedules to Profit and Loss Account (Contd.)

	Year ended December 31, 2002 Rupees	Year ended December 31, 2001 Rupees
17. OPERATING AND OTHER EXPENSES		
Processing charges	2,68,05,150	2,79,57,992
Stores and spares	29,72,581	27,92,304
Power and fuel	28,14,231	45,70,290
Rent	67,88,823	33,06,723
Repairs and maintenance to:		
Machinery and utilities	16,99,598	19,87,266
Buildings	3,64,074	5,76,317
Others	12,64,821	5,83,145
	<u>33,28,493</u>	31,46,728
Insurance	33,77,345	34,93,347
Rates and taxes	33,21,859	28,75,881
Excise duty & Sales tax.	7,83,18,457	10,18,46,747
Freight & forwarding related expenses	1,58,54,062	1,60,90,628
Promotion & Information expenses	2,31,19,710	3,15,95,382
Commission to agents	2,02,59,056	2,74,53,570
Travelling & conveyance	5,08,59,724	5,31,07,342
Miscellaneous	3,98,51,474	5,05,35,158
Auditors' remuneration:		
Audit fees	9,00,750	5,71,550
Tax Audit fees	1,05,000	1,09,550
Out-of-pocket expenses	30,000	28,526
	<u>10,35,750</u>	7,09,626
Directors' fees	97,834	2,96,533
Bad debts written off	1,46,330	48,574
Less: Adjusted against provision for doubtful debts	1,46,330	48,574
Provision for doubtful debts	—	11,00,118
Total	<u><u>27,88,04,549</u></u>	<u><u>33,08,78,369</u></u>

Schedules to Balance Sheet and Profit and Loss Account

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A Significant Accounting Policies

1. Basis of Accounting

The Company follows accrual method of accounting. Assets and Liabilities are recorded at historical cost.

2. Sales

Gross Sales in Profit and Loss Account is stated inclusive of excise duty and sales tax.

3. Fixed Assets and Depreciation

Fixed Assets are carried at cost of acquisition less accumulated depreciation. Depreciation on fixed assets acquired/sold/discarded/demolished during the year is provided from/upto the date in which the asset is acquired/sold/discarded/demolished. Fixed assets are depreciated on Straight Line Method over their estimated useful lives. (Depreciation (%) used: Building 5/10; Leasehold improvements, Furniture & Fixtures 10; Machinery & Equipments, Utilities, Office Equipments 10/15/20; Vehicles 20; Computers 20/33.33). A nominal value of Re.1/-is assigned to fully depreciated assets .

4. Investments

Investments are classified as long term & current investments. Long term investments are carried at cost. No provision is made for decline in value of long term investments unless such decline is considered other than temporary. Current investments are valued at lower of cost or net realisable value.

5. Inventories

Inventories are valued at lower of historical cost or net realisable value. Cost is arrived at on First in First out basis and cost of finished goods and work-in-process includes appropriate allocation of production overheads.

6. Excise Duty

Excise Duty paid/ payable on goods manufactured by the Company and remaining in inventory at the year end is included as a part of inventory valuation.

7. Borrowing Cost

Borrowing costs other than those that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.

8. Foreign Currency Transactions

- (i) Transactions in foreign currency are recorded at the exchange rate prevailing at the time of occurrence of the transaction .
- (ii) All Foreign currency liabilities/assets outstanding as at year end are restated at the rates ruling on that date.

Any exchange differences arising on such transactions, are dealt with in the Profit and Loss Accounts (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset)

9. Treatment of Retirement Benefits

The Company has various Schemes of Retirement Benefits such as Provident Fund, Superannuation Fund and Gratuity duly recognised by the Income Tax Authorities. Company's contribution in respect of Superannuation and Provident Fund is charged to revenue. Contribution in respect of Gratuity is paid to Life Insurance Corporation of India based on the premium computed by it. The Company also provides for accumulated privilege leave available on retirement to its employees.

10. Deferred Revenue Expenditure

Expenditure on Voluntary Retirement Scheme is amortised over a period of 3 years.

11. Taxation

The company provides for current income-tax at the rates specified under the Income-tax Act, 1961. The company has accounted for Deferred Taxation in line with Accounting Standard (AS) 22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India.

12. Lease

Rentals paid under operating leases are charged to Profit and Loss Account in accordance with Accounting Standard (AS) 19 on "Leases" issued by the Institute of Chartered Accountants of India.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

B. NOTES ON ACCOUNTS

(Figures in Rupees unless otherwise specified)

2002 2001

1. Contingent liabilities:		
(a) Claims against the Company not acknowledged as debts	1,27,500	1,27,500
(b) Guarantee given by the Company to Housing Development Finance Corporation Ltd. against housing loans to employees	12,887	2,48,117
(c) Other guarantees issued by banks on behalf of the Company (margin money issued guarantees Rs. 68,235)	1,70,000	7,17,592
(d) Guarantees given to Bank & NBFC on behalf of its subsidiary Company	87,00,000	87,00,000
(e) The Government of India has demanded a payment of Rs.194.62 lacs into the Drugs Prices Equalisation Account (DPEA) in respect of prior years (April 1 ,1979 to March 1 ,1984). The Company has contested this demand. Per the interim order of the Supreme Court a sum of Rs. 50 lakhs has been deposited into the DPEA. The Company's Writ Petition has been admitted by the High Court and is pending for final hearing and disposal. As the demand is contested by the Company, no provision has been made in respect thereof.		
A sum of Rs.50 lacs deposited pursuant to the Supreme Court's Order has been shown under "Loans and Advances-Deposits".		
2. During the year the company had observed microorganism contamination in case of certain products manufactured at one of its toll locations. As a result the company had to suspend the production of these products during January 2002 to verify the inventory on hand. The inventories on hand of the corresponding products were concurrently retested & were found deficient vis-à-vis quality standards. Inventories of the deficient batches were rejected & written off/provided for. The cost of materials/goods include a total loss of Rs. 2.51 crores on this account.		
3. Deferred Tax Assets as on December 31, 2002 consists of:		
	Rupees	
Voluntary Retirement Scheme	46,66,456	
Others	28,54,375	
	75,20,831	
4. Earnings per share calculation:		
Net Profit/(loss) after tax for the year attributable to equity shareholders	(7,60,61,840)	1,33,75,227
Number of equity shares of Rs. 10 each outstanding	32,00,000	32,00,000
Earnings per share (Basic & diluted)	(23.77)	4.18
5. Cost of materials/goods and operating and other expenses include cost of samples distributed Rs. 4,99,00,124 (previous year Rs. 5,81,39,000). Stock of samples amounting to Rs. 80,45,263 (previous year Rs. 54,04,598) is included in stocks of finished goods.		
6. The net exchange loss of Rs. 6,88,247 (previous year Rs. 25,60,367) has been included in the profit & loss account for the year.		
7. Sundry Creditors include Rs. 23,49,098 (previous year Rs. 21,60,036) due to small scale industrial undertakings. Amounts payable to Small Scale Undertakings over 30 days are Box Craft India Pvt. Ltd., Para-Pack, D M Roll Labels, Deep Packaging, HBR Packaging, Nalanda Packing, Nilmac Packaging Ind. Ltd., Pushkraj Packaging, Rudra Flexibles, Solid Packaging, Space Age Plastic Industries, Stanpack Pharma Ltd., Vial Seal Industries, Universal Medicap Ltd., Petuela Industries, Pink Packaging & Moulding P. Ltd., Simal Packaging Pvt. Ltd., Jagsonpal Pharmaceuticals, Nandu Chemical Industries, Subhash Chemical Industries. The information regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the company.		
8. During the current year, the Company has received Rs. 1 crore consideration from the owner of our erstwhile premises towards surrender of tenancy rights and has made a gain of Rs. 3.17 crores towards the sale of the Company owned premises.		

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	2002 Rupees	2001 Rupees
9. Remuneration to Directors:		
(a) Salaries	73,48,206	61,04,185
Perquisites	2,11,855	68,676
Contribution to Provident and Superannuation Funds	17,64,335	14,07,354
Provision for Gratuity	5,48,224	3,62,393
Commission	—	2,00,000
	98,72,620	81,42,608
(b) Computation of net profits in accordance with Section 349 of the Companies Act, 1956. Profit after tax as per Profit and Loss Account	(7,60,61,840)	1,33,75,227
Add: Provision for taxation	1,00,000	12,54,346
Managerial remuneration	98,72,620	81,42,608
Amortisation of expenditure under V.R.S.	1,05,81,532	1,05,81,532
	2,05,54,152	1,99,78,486
	(5,55,07,688)	3,33,53,713
Less: (Profit)/Loss on assets sold/scrapped u/s 350	(2,81,53,432)	(14,658)
Less: Income from surrender of tenancy rights	(1,00,00,000)	—
Profit/(Loss) available for Managerial Remuneration	(9,36,61,120)	3,33,39,055
Maximum amount permissible – (For Current year as per Sec. II Part II of Schedule XIII)		
a. Wholetime Directors	30,00,000	30,00,000
b. Non wholetime Directors	—	3,33,391
Managerial Remuneration paid/provided		
a. Wholetime Directors (Includes remuneration approved by Central Government)	98,72,620	79,42,608
b. Non wholetime Directors	—	2,00,000

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

10 Related Party Disclosures

1. Relationships:

- i) Schering Plough Corporation U.S.A., through its subsidiaries holds 40% of equity shares in the company as at 31st December 2002.
- ii) Subsidiaries of the company
Wellnex Pharmaceuticals Pvt. Ltd. and Schering Plough (India) Pvt. Ltd. are wholly owned subsidiaries of the company.
- iii) Other related parties with whom transactions have taken place during the year:
Company holding 40% equity
Dashtag, U. K.
Associate Companies
 - a) Essex Chemie A.G, Switzerland
 - b) Schering Plough (Brinny) Co, Ireland
 - c) Schering Plough Ltd, Singapore
 - d) Schering Plough Products, LLC, Manati
 - e) Schering-Plough (Awendole) Co, Ireland.
 - f) SOL Ltd., U.S.A.
 - g) Schering Plough Labo N.V., Belgium
 - h) Schering Plough PTY Ltd., Australia
 - i) Schering Plough Health Care Product Canada Inc.
 - j) Schering Corporation, U.S.A.
 - k) Schering Plough SDN BHD
- iv) Key Management Personnel — Managing Director
Mr. K.D.Shah

2. Related Party Transactions

	Dashtag (Holding 40% equity)	Subsidiaries	Associate Companies	Key Management Personnel	Total
Purchase of goods	-	-	19,25,89,341	-	19,25,89,341
Receipt of Reimbursement/ Allowance of Promotional Expenses	-	-	28,90,900	-	28,90,900
Rendering of services	-	14,55,000	-	-	14,55,000
Receiving of services	-	38,40,000	25,203	-	38,65,203
Dividend Paid	16,17,600	-	-	-	16,17,600
Remuneration	-	-	-	81,78,287	81,78,287
Outstandings/(Receivables) as on 31/12/2002	-	-	3,97,93,740	(12,56,000)	3,85,37,740

11 Disclosure for operating lease under Accounting Standard 19 — “Leases”

During the year the company has entered into agreement for taking on leave and license basis office premises. The specified disclosure in respect of this agreement is given below:

1. Lease payment recognised in the profit and loss account for the year — Rs. 54,56,421
2. General description of the significant arrangement.
Refundable interest free deposit has been given and the agreement has a minimum lock in period of three years with a provision for renewal with escalation clause.
3. Minimum lease payment which is non cancelable
 - i) Not later than one year Rs. 84,64,440
 - ii) Later than one year & not later than five years Rs. 1,03,07,504

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

12. Capacities, Production, Purchases, Stocks & Turnover (a) Capacities, Production & Purchases

Class of goods	Units	Production** Quantity	PURCHASES	
			Quantity	Cost
Tablets	No.in millions	(292)		
Ointments/Creams	Kilograms	59,641 (53,831)	84,488 (1,51,326)	18,12,07,643 (28,76,84,961)
Injectables	Litres	36,495 (20,582)		
Injectables	MIU		3,066 (1,28,218)	3,02,26,343 (20,64,34,768)
Injectables	MG Vials		27,646 (20,418)	12,92,98,983 (8,01,18,264)
Liquids	Litres	60,299 (90,087)	826 (2,150)	15,65,773 (43,59,197)
Patches	Each		1,45,000 (2,70,000)	29,71,492 (44,23,980)
Capsules	Each		1,95,818 (19,235)	4,32,68,061 (4,15,23,005)
Sponge	Each			
Total				38,85,38,295 (62,45,44,175)

**Production quantities are quantities of goods manufactured by third parties on loan licences.

(b) Stocks

Class of goods	Units	OPENING STOCK		CLOSING STOCK	
		Quantity	Value	Quantity	Value
Tablets	No. in millions	56 (39)	2,05,33,879 (3,97,20,301)	1 (56)	15,59,567 (2,05,33,879)
Ointments/Creams	Kilograms	16,220 (39,068)	1,71,06,228 (6,12,43,919)	14,938 (16,220)	1,46,34,694 (1,71,06,228)
Injectables	Litres	5,266 (16,533)	2,52,09,871 (6,16,64,585)	12,186 (5,266)	2,97,31,633 (2,52,09,871)
Injectables	MIU	73,431 (43,143)	12,39,15,800 (5,82,05,515)	30,900 (73,431)	5,37,59,576 (12,39,15,800)
Injectables	MG Vials	7,519 (3,659)	3,46,18,851 (2,53,66,910)	8,973 (7,519)	3,00,14,830 (3,46,18,851)
Liquids	Litres	16,368 (21,210)	1,07,85,379 (1,13,03,286)	20,966 (16,368)	94,75,211 (1,07,85,379)
Patches	Each	1,00,198 (5,572)	16,51,440 (6,04,831)	87,311 (1,00,198)	17,74,948 (16,51,440)
Capsules	Each	11,762 (3,185)	1,87,86,275 (72,18,084)	1,74,897 (11,762)	90,89,223 (1,87,86,275)
Sponge	Each	485 (2,207)	8,63,673 (38,57,036)	1 (485)	1,781 (8,63,673)
Total			25,34,71,396 (26,91,84,467)		15,00,41,463 (25,34,71,396)

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

(c) Turnover

Class of goods	Units	TURNOVER	
		Quantity	Value
Tablets	No. in millions	5.64 (268)	77,14,208 (16,67,46,265)
Ointments/Creams.	Kilograms	1,29,644 (2,08,702)	38,36,26,105 (61,43,05,652)
Injectables	Litres	26,837 (30,468)	9,06,83,977 (19,61,09,495)
Injectables	MIU	37,876 (88,194)	10,09,39,282 (16,70,09,332)
Injectables.	MG Vials	24,720 (1,50,68)	21,91,53,288 (12,00,01,087)
Liquids	Litres	5,27,23 (84,638)	5,78,26,714 (8,67,33,135)
Patches	Each	1,43,198 (1,61,061)	41,58,401 (4,643,959)
Capsules	Each	28,595 (9,020)	8,17,01,722 (4,57,42,671)
Sponge	Each	496 (1,262)	11,63,839 (28,18,717)
Total			94,69,67,536 (1,40,41,10,313)

NOTES:

- (1) The Company does not require industrial licence under the Industries (Development & Regulation) Act, 1951 and hence licensed capacities are not applicable.
- (2) Figures of closing stock are after adjusting difference on account of damages, excesses and shortages.
- (3) Quantities have been rounded off to the nearest unit.
- (4) Figures in brackets relate to the previous year.

13. Raw materials consumed:

Materials	2002		2001	
	Quantity in Kgs.	Value	Quantity in Kgs.	Value
Antihistamines	8	81,02,932	264	3,94,29,774
Antibiotics	1,505	2,66,35,517	780	7,11,95,342
Antifungal	200	10,90,491	408	42,70,772
Anticancer	0.27	87,275	61	88,42,448
Analgesic/Antipyretic	36	5,213	5	773
Steroids	17	1,81,93,677	103	3,29,92,789
Solvents (Tonnes)	8	4,27,923	37	19,74,690
Sugar/Lactose (Tonnes)	33	5,36,136	40	14,28,761
Emollients & Protectives	2,877	50,49,712	3,541	55,69,303
Other raw materials		50,70,796		66,12,258
Total		6,51,99,672		17,23,16,910

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	2002		2001	
14. Consumption of raw materials:				
	Amount	%	Amount	%
Imported	5,38,34,891	83	13,88,23,418	81
Indigenous	1,13,64,781	17	3,34,93,492	19
Total ..	6,51,99,672	100	17,23,16,910	100
15. (a) CIF value of Imports:				
Raw materials/Finished goods ..	21,45,71,317		40,56,86,328	
Capital Goods	16,14,822		—	
Total ..	21,61,86,139		40,56,86,328	
(b) Expenditure in Foreign Currency:				
Travel	5,32,318		6,06,657	
Others	38,20,440		10,33,953	
Total ..	43,52,758		16,40,610	
(c) Remittance in foreign currency during the year on account of dividend:				
Amount remitted (net of tax)	19,20,000		—	
Number of non-resident shareholders ..	1		—	
Number of shares held by non-resident on which dividends were due	12,80,000		—	
Year to which dividend relates	2001		—	
(d) Earnings/Receipts in Foreign Exchange Reimbursement/ Allowance of Promotion Expenses	28,90,900		—	
16. Figures for the previous year have been regrouped and/or reclassified, wherever necessary, to conform with current year's classification.				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

USHA RAMDOSS
Company Secretary

Signatures to Schedules 1 to 18

R. A. SHAH

Chairman

D. C. SHROFF
K. D. SHAH
K. J. KAUL

Directors

Mumbai, May 8, 2003.

Cash Flow Statement for the year ended December 31, 2002

	Year ended December 31, 2002		Year ended December 31, 2001	
	Rupees	Rupees	Rupees	Rupees
A Cash flow from operating activities :				
Net Profit before tax and Extraordinary items ..		(7,59,61,840)		1,46,29,573
Adjustments for				
Depreciation	48,32,499		48,42,495	
Interest Paid	2,10,64,613		2,59,68,876	
(Profit)/Loss on sale of assets	(3,22,17,850)		(4,91,884)	
		(63,20,738)		3,03,19,487
Operating Profit before working Capital		(8,22,82,578)		4,49,49,060
Adjustment for				
(Increase)/decrease in Trade and Other Receivables	5,31,50,415		5,56,78,427	
(Increase)/decrease in Inventories	10,05,43,757		3,99,93,546	
(Increase)/decrease in Deferred Miscellaneous Expenditure	1,05,81,533		1,05,81,532	
Increase/(decrease) in Trade and Other Payables	(6,38,82,400)	10,03,93,306	(12,85,96,119)	(2,23,42,614)
Cash generated from Operations		1,81,10,728		2,26,06,447
Direct Taxes paid/ (received)		(39,03,622)		7,95,963
Net Cash from operating activities		2,20,14,350		2,18,10,484
B Cash Flow from investing activities				
Purchase of fixed assets		(2,11,42,487)		(17,42,738)
Sale of fixed assets		3,38,49,419		12,33,671
Net Cash used in investing activities		1,27,06,932		(5,09,067)
C Cash flow from financing activities				
Repayment of Secured Loans		(95,45,460)		(1,41,17,211)
Unsecured Loans		6,82,358		1,15,92,863
Dividend paid		(48,00,000)		—
Interest paid		(2,10,64,613)		(2,59,68,876)
Net Cash used in Financing activities		(3,47,27,715)		(2,84,93,224)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(6,434)		(71,91,808)
Cash and cash equivalents as at 01.01.02		59,57,329		1,31,49,137
Cash and cash equivalents as at 31.12.02		59,50,895		59,57,329
Net increase/(decrease) in cash and cash equivalents		(6,434)		(71,91,808)

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

USHA RAMDOSS
Company Secretary

R. A. SHAH

Chairman

D. C. SHROFF
K. D. SHAH
K. J. KAUL

Directors

Mumbai, May 8, 2003.

Balance Sheet Abstract and Company's General Business Profile

Additional information pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	:	6199 of 1947-1948
State Code	:	11
Balance Sheet Date	:	31-12-2002

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	361473
Total Assets	:	361473

Sources of Funds

Paid-up Capital	:	32000
Reserves & Surplus	:	46830
Secured Loans	:	35786
Unsecured Loans	:	121330

Application of Funds

Net Fixed Assets	:	26390
Investments	:	153
Net Current Assets	:	209403*
Miscellaneous Expenditure	:	—
Accumulated Losses	:	—

* Includes Deferred Tax Asset.

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income	:	946968
Other Income	:	53565
Total Expenditure (excluding depreciation)	:	1036653
Depreciation	:	4832
Profit/(Loss) Before Tax (P.B.T.)	:	(75962)
Profit/(Loss) After Tax (P.A.T.)	:	(76062)
Earnings Per Share (Rs.)	:	(23.77)
Dividend Rate (%)	:	—

V. Generic Names of Three Principal Products/Services of the Company

(as per monetary terms)

Item Code No. (ITC Code)	:	—
Product Description	:	Antibiotic Anti-cancer (Oncology) Topical Ointment (Dermatology)

For and on behalf of the Board of Directors

Mumbai, May 8, 2003.

USHA RAMDOSS
Company Secretary

R. A. SHAH
Chairman

Subsidiary Companies

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY
SCHERING-PLOUGH (INDIA) PRIVATE LIMITED**

A.	The Financial Year of the Subsidiary Company.	December 31, 2002
B.	(a) Number of Shares held by Fulford (India) Limited in the Subsidiary Company at the end of the Financial Year of the Subsidiary Company	10,150 Equity Shares of Rs. 10 each fully paid.
	(b) Extent of holding	100%
C.	The net aggregate of Profits or (Losses) of the Subsidiary Company so far as it concerns the members of Fulford (India) Limited and not dealt with in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2002	Rs. (20,776)
	(b) For the previous financial year	Rs. (24,780)
D.	Profit dealt with or (Losses) provided for in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2002	NIL
	(b) For the previous financial year	NIL

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY
WELLNEX PHARMACEUTICALS PRIVATE LIMITED**

A.	The Financial Year of the Subsidiary Company.	December 31, 2002
B.	(a) Number of Shares held by Fulford (India) Limited in the Subsidiary Company at the end of the Financial Year of the Subsidiary Company.	10,200 Equity Shares of Rs. 10 each fully paid.
	(b) Extent of holding	100%
C.	The net aggregate of Profits or (Losses) of the Subsidiary Company so far as it concerns the members of Fulford (India) Limited and not dealt with in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2002	Rs. (6,00,340)
	(b) For the previous financial year	Rs. 86,731
D.	Profit dealt with or (Losses) provided for in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2002	NIL
	(b) For the previous financial year	NIL

Mumbai, May 8, 2003.

USHA RAMDOSS
Company Secretary

R. A. SHAH	}	Chairman
D. C. SHROFF		Directors
K. D. SHAH		
K. J. KAUL		

Directors' Report

Your Directors have pleasure in presenting the Fourteenth Annual Report of the Company alongwith the Audited Accounts for the year ended December 31, 2002.

FINANCIAL RESULTS

During the year, the Company has incurred a loss of Rs.0.21 lakhs as against the loss of Rs.0.25 lakhs in the previous year. After adjusting against the carried forward profits of the previous year of Rs. 0.38 lakhs, the amount available for appropriation stands at Rs. 0.17 lakhs.

DIVIDEND

The Directors do not recommend any dividend for the year ended December 31, 2002.

CURRENT YEAR AND PROSPECTS

Barring unforeseen circumstances, your Directors are hopeful of achieving better results in the next year.

DIRECTORS

Mr. A.V. Sapre retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

FIXED DEPOSIT

The Company has not accepted any Deposits from the public during the period under review.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and according to a Certificate received from them under Section 224(1B) of the Companies Act, 1956, they are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217(1)(e)

Information required to be annexed to this report in accordance with 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 either nil or is not applicable to the Company.

In accordance with the sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning 'Directors Responsibility Statement' and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a 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;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

For and on behalf of the Board of Directors

A.V. SAPRE
Director

Mumbai, March 7, 2003.

Auditors' Report

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of Schering Plough (India) Private Limited as at December 31, 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2002 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - (f) in our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in case of the Balance Sheet, of the state of affairs of the company as at December 31, 2002; and
 2. in case of the Profit and Loss Account, of the Loss of the company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Mumbai, March 8, 2003

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our Report of even date)

1. According to the information and explanations given to us, and as the Company is not engaged in manufacturing or trading activities, the matters specified in the sub-clauses (iii), (iv), (v), (vi), (xii), (xiv) and (xvi) of paragraph 4 (A) and paragraphs 4(C) and 4(D) of the order are not applicable to the Company.
2. The company has no fixed assets, and hence the matters specified in the sub-clauses (i) and (ii) of paragraph 4 (A) of the order are not applicable to the Company.
3. (a) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
(b) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or to companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
4. The Company has not granted any loans or advances in the nature of loans.
5. The company did not have any transactions in respect of the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and sale of goods during the year.
6. According to the information and explanations given to us, there were no transactions in respect of purchases of goods and materials or sale of goods, materials and services aggregating during the year to Rs.50,000 or more in respect of each party, from firms or companies or other parties in which Directors are interested as listed in the Register maintained under Section 301 of the Companies Act, 1956.
7. The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
8. As the paid up capital of the Company is less than Rs. 25 lakhs and the average annual turnover is less than Rs. 2 crores, the requirement of an internal audit system is not applicable to the company.
9. As the Company does not have any employee, the requirements of deduction and remittance of Provident Fund Contribution are not applicable to the company.
10. According to the records of the Company and based on information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty outstanding as at December 31, 2002 for a period of more than six months from the date they became payable.
11. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices and according to the information and explanations given to us, no personal expenses, other than expenses under contractual obligations and / or generally accepted business practices, have been charged to Revenue Account.
12. The Company is not a sick company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Mumbai, March 8, 2003

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Balance Sheet

as at December 31, 2002

				Schedule	Rupees	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
SOURCES OF FUNDS							
Share Capital . . . . .	..	..	..	1	1,01,500		1,01,500
Reserves and surplus . . . . .	..	..	..	2	17,102		37,878
Total	..	..	..	..	<u>1,18,602</u>		<u>1,39,378</u>
APPLICATION OF FUNDS							
Current Assets, Loans and Advances							
Cash and bank balances . . . . .	..	..	..	3	1,61,792		1,77,240
Loans and Advances . . . . .	..	..	..	4	6,610		4,788
					<u>1,68,402</u>		<u>1,82,028</u>
Less : Current Liabilities and Provisions							
Current Liabilities . . . . .	..	..	..	5	49,800		42,650
					<u>49,800</u>		<u>42,650</u>
Net Current Assets . . . . .	..	..	..		1,18,602		1,39,378
Total	..	..	..	..	<u>1,18,602</u>		<u>1,39,378</u>
Significant Accounting Policies and Notes on Accounts							
	..	..	..	8			

As per our report of even date attached

M. K. RAJAN

Chairman

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. V. SAPRE

Director

K. A. KATKI
Partner

Mumbai, March 8, 2003.

Mumbai, March 7, 2003.

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Profit and Loss Account

for the year ended December 31, 2002

	Schedule	Year ended December 31, 2002		Year ended December 31, 2001	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Other Income	6		<u>9,274</u>		<u>5,870</u>
EXPENDITURE					
Operating and other expenses	7	<u>30,050</u>	<u>30,050</u>	<u>30,650</u>	<u>30,650</u>
Loss for the year before tax			<u>(20,776)</u>		<u>(24,780)</u>
Provision for taxation			<u>—</u>		<u>—</u>
Loss for the year after tax			<u>(20,776)</u>		<u>(24,780)</u>
Balance brought forward			<u>37,878</u>		<u>62,658</u>
Balance carried forward			<u><u>17,102</u></u>		<u><u>37,878</u></u>
Basic & Diluted Earnings per Share of Rs. 10/- each (See note no. 1)			<u><u>(2.05)</u></u>		<u><u>(2.44)</u></u>
Significant Accounting Policies and Notes on accounts	8				

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. KATKI
Partner

M. K. RAJAN

Chairman

A. V. SAPRE

Director

Mumbai, March 8, 2003.

Mumbai, March 7, 2003.

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Schedules to Balance Sheet

	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
1. SHARE CAPITAL		
Authorised:		
50,000 Equity Shares of Rs. 10/- each 	<u>5,00,000</u>	<u>5,00,000</u>
Issued and Subscribed:		
10,150 Equity Shares of Rs.10/- each fully paid-up 	<u>1,01,500</u>	<u>1,01,500</u>
(All the above shares are held by the Holding Company - Fulford (India) Limited & its nominee)		
 2. RESERVES & SURPLUS		
Surplus as per Profit & Loss Account 	<u>17,102</u>	<u>37,878</u>
 3. CASH AND BANK BALANCES		
With Scheduled banks on:		
Current accounts 	<u>26,792</u>	17,240
Deposit account 	<u>1,35,000</u>	1,60,000
Total ..	<u>1,61,792</u>	<u>1,77,240</u>
 4. LOANS AND ADVANCES		
Advances recoverable in cash or kind for value to be received 	<u>6,610</u>	4,788
Total ..	<u>6,610</u>	<u>4,788</u>
 5. CURRENT LIABILITIES		
Other Liabilities 	<u>49,800</u>	42,650
Total ..	<u>49,800</u>	<u>42,650</u>

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	Year ended December 31, 2002 Rupees	Year ended December 31, 2001 Rupees										
6. OTHER INCOME												
Interest (tax deducted at source Rs. 1,921 previous year Rs. 1,046)	<table style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: right; padding-right: 5px;">9,274</td></tr> <tr><td style="border-top: 1px solid black; text-align: right; padding-right: 5px;">9,274</td></tr> <tr><td style="border-top: 3px double black; text-align: right; padding-right: 5px;">9,274</td></tr> </table>	9,274	9,274	9,274	<table style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: right; padding-right: 5px;">5,870</td></tr> <tr><td style="border-top: 1px solid black; text-align: right; padding-right: 5px;">5,870</td></tr> <tr><td style="border-top: 3px double black; text-align: right; padding-right: 5px;">5,870</td></tr> </table>	5,870	5,870	5,870				
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5,870												
5,870												
 7. OPERATING & OTHER EXPENSES												
Rent	<table style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: right; padding-right: 5px;">21,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">1,700</td></tr> <tr><td style="text-align: right; padding-right: 5px;">7,350</td></tr> <tr><td style="border-top: 1px solid black; text-align: right; padding-right: 5px;">30,050</td></tr> <tr><td style="border-top: 3px double black; text-align: right; padding-right: 5px;">30,050</td></tr> </table>	21,000	1,700	7,350	30,050	30,050	<table style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: right; padding-right: 5px;">21,000</td></tr> <tr><td style="text-align: right; padding-right: 5px;">2,300</td></tr> <tr><td style="text-align: right; padding-right: 5px;">7,350</td></tr> <tr><td style="border-top: 1px solid black; text-align: right; padding-right: 5px;">30,650</td></tr> <tr><td style="border-top: 3px double black; text-align: right; padding-right: 5px;">30,650</td></tr> </table>	21,000	2,300	7,350	30,650	30,650
21,000												
1,700												
7,350												
30,050												
30,050												
21,000												
2,300												
7,350												
30,650												
30,650												
Miscellaneous Expenses												
Auditor's remuneration - Audit fees												
Total												
 8. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS												
A. Significant Accounting Policies												
(1) The accounts have been prepared under historical cost concept on an accrual basis.												
B. Notes on accounts												
(1) Earning per share calculation (Figures in Rupees unless otherwise specified)												
	2002	2001										
Net Profit/(loss) after tax for the year attributable to equity shareholders	(20,776)	(24,780)										
Number of equity shares of Rs. 10 each outstanding	10,150	10,150										
Earnings per share (Basic & diluted)	(2.05)	(2.44)										
(2) Disclosures required under Schedule VI - Part II - Para 4 are not applicable to the Company.												
(3) Amount due to Small Scale Industrial Undertakings Rs. Nil (Previous year Rs. Nil).												
(4) Figures for the previous year have been regrouped and/or reclassified, wherever necessary, to conform with the current year's classification.												

As per our report of even date attached

Signatures to Schedules 1 to 8

For DELOITTE HASKINS & SELLS
Chartered Accountants

M. K. RAJAN Chairman

K. A. KATKI
Partner

A. V. SAPRE Director

Mumbai, March 8, 2003.

Mumbai, March 7, 2003.

Balance Sheet Abstract and Company's General Business Profile

Additional information pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956.

I. Registration Details

Registration No.	:	53509 of 1989
State Code	:	11
Balance Sheet Date	:	31-12-2002

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	168
Total Assets	:	168

Sources of Funds

Paid-up Capital	:	101
Reserves & Surplus	:	17
Secured Loans	:	—
Unsecured Loans	:	—

Application of Funds

Net Fixed Assets	:	—
Investments	:	—
Net Current Assets	:	119
Miscellaneous Expenditure	:	—
Accumulated Losses	:	—

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income	:	9
Total Expenditure	:	30
Profit/(Loss) Before Tax	:	(21)
Profit/(Loss) After Tax	:	(21)
Earnings Per Share (Rs.)	:	(2.05)
Dividend Rate (%)	:	—

V. Generic Names of Principal Products/Services of the Company

(as per monetary terms)

Item Code No.	:	—
Product Description	:	—

For and on behalf of the Board of Directors

A. V. SAPRE
Director

Mumbai, March 7, 2003.

Directors' Report

Your Directors have pleasure in presenting the Fourteenth Annual Report of the Company alongwith the Audited Accounts for the year ended December 31, 2002.

FINANCIAL RESULTS

The income from the business of providing services increased to Rs. 38.40 lakhs during 2002 from Rs. 31.20 lakhs during 2001. During the year, the Company incurred a loss of Rs. 6.00 lakhs as against the profit of Rs. 0.87 lakhs in the previous year. The Company issued Bonus shares in 1:1 ratio by Capitalisation of reserves to the tune of Rs. 0.51 lakhs during the previous year 2002.

DIVIDEND

The Directors do not recommend any dividend for the year ended December 31, 2002.

CURRENT YEAR AND PROSPECTS

Barring unforeseen circumstances, your Directors are hopeful of achieving better results in the next year.

DIRECTORS

Mr. S. Basu retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

FIXED DEPOSIT

The Company has not accepted any Deposits from the public during the period under review.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and according to a Certificate received from them under Section 224(1B) of the Companies Act, 1956, they are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217(1)(e)

Information required to be annexed to this report in accordance with 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 either nil or is not applicable to the Company.

In accordance with the sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning 'Directors Responsibility Statement' and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a 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;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

For and on behalf of the Board of Directors

S. BASU
Director

Mumbai, March 7, 2003.

Auditors' Report

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of Wellnex Pharmaceuticals Private Limited as at December 31, 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2002 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - (f) in our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in case of the Balance Sheet, of the state of affairs of the company as at December 31, 2002; and
 2. in case of the Profit and Loss Account, of the Loss of the company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Mumbai, March 8, 2003

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our Report of even date)

1. According to the information and explanations given to us, as the Company is not engaged in manufacturing or trading activities, the matters specified in the sub-clauses (iii), (iv), (v), (vi), (xii), (xiv) and (xvi) of paragraph 4 (A) and paragraphs 4(C) and 4(D) of the order are not applicable to the Company.
2. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets were physically verified by the management at reasonable intervals during the year and discrepancies noticed on such verifications have been adjusted in the accounts.
3. None of the fixed assets have been revalued during the year.
4. (a) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
(b) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or to companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
5. The Company has not granted any loans or advances in the nature of loans.
6. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchases of plant and machinery and other assets. There were no transactions in respect of purchase of stores, raw materials including components during the year and for the sale of goods.
7. According to the information and explanations given to us, there were no transactions in respect of purchases of goods and materials or sale of goods, materials and services aggregating during the year to Rs.50,000 or more in respect of each party, from firms or companies or other parties in which Directors are interested as listed in the Register maintained under Section 301 of the Companies Act, 1956.
8. The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
9. As the paid up capital of the Company is less than Rs. 25 lakhs and the average annual turnover is less than Rs. 2 crores, the requirement of an internal audit system is not applicable to the company.
10. As the Company does not have any employee, the requirements of deduction and remittance of Provident Fund Contribution are not applicable to the company.
11. According to the records of the Company and based on information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty outstanding as at December 31, 2002 for a period of more than six months from the date they became payable.
12. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices and according to the information and explanations given to us, no personal expenses, other than expenses under contractual obligations and / or generally accepted business practices, have been charged to Revenue Account.
13. The Company is not a sick company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
14. The Company's service activities are such that the question of recording receipts, issues and consumption of materials and stores, and the allocation of materials and man-hours consumed to the relative jobs do not arise. Consequently, the authorisation and control on the issue of stores and labour to job is not applicable. As explained to us, in respect of its service activities, the company has a system of internal control commensurate with its size and the nature of its business.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Mumbai, March 8, 2003

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Balance Sheet

as at December 31, 2002

			As at December 31, 2002	As at December 31, 2001
	Schedule	Rupees	Rupees	Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	1,02,000		51,000
Reserves and Surplus	2	19,78,571		26,29,911
			20,80,571	26,80,911
Loan Funds				
Secured loans	3		17,30,776	22,80,908
Lease Obligation			18,44,604	22,48,437
		(Payable within a year Rs. 4,68,966; previous year Rs.4,03,833)		
Total			<u>56,55,951</u>	<u>72,10,256</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	58,03,230		58,03,230
Less: Depreciation		14,12,850		4,16,938
Net Block			43,90,380	53,86,292
Current Assets, Loans and Advances				
Cash and bank balances	5	3,55,630		9,89,865
Loans and advances	6	10,34,563		9,60,591
			13,90,193	19,50,456
Less: Current Liabilities & Provisions				
Current liabilities	7	60,750		1,33,265
Net Current Assets			13,29,443	18,17,191
Deferred Tax Asset (Net)			(63,872)	6,773
Total			<u>56,55,951</u>	<u>72,10,256</u>
Significant Accounting Policies and Notes on Accounts				
	11			

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

S. BASU
S. MENON } *Directors*

K. A. KATKI
Partner

Mumbai, March 8, 2003.

Mumbai, March 7, 2003.

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Profit and Loss Account

for the year ended December 31, 2002

	Schedule	Year ended December 31, 2002		Year ended December 31, 2001	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Income from services rendered ..		38,40,000		31,20,000	
Other income	8	10,125		46,517	
			38,50,125		31,66,517
EXPENDITURE					
Operating and other expenses ..	9	28,07,806		22,55,972	
Depreciation		9,95,912		4,15,454	
Interest	10	5,76,102		3,59,133	
			43,79,820		30,30,559
PROFIT/(LOSS) BEFORE TAX			(5,29,695)		1,35,958
Provision for tax					
Current Income-tax		—		56,000	
Deferred Income-tax		70,645		(6,773)	
			70,645		49,227
PROFIT/(LOSS) AFTER TAX			(6,00,340)		86,731
Balance brought forward			26,29,911		25,43,180
Balance carried forward			20,29,571		26,29,911
Basic & Diluted Earnings per Share of Rs. 10/- each (See note no. 3)			(58.86)		8.50
Significant Accounting Policies and Notes on Accounts					
	11				

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

S. BASU
S. MENON } *Directors*

K. A. KATKI
Partner

Mumbai, March 8, 2003.

Mumbai, March 7, 2003.

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Schedules to Balance Sheet

	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
1. SHARE CAPITAL		
Authorised: 50,000 Equity Shares of Rs. 10/- each	<u>5,00,000</u>	5,00,000
Issued and Subscribed: 10,200 Equity Shares (previous year 5,100) of Rs. 10/- each fully paid-up	<u>1,02,000</u>	51,000
Of the above shares, 5,100 Equity shares are allotted as fully paid-up by way of bonus shares by capitalisation of surplus in profit & loss account (All the above shares are held by the Holding Company — Fulford (India) Limited & its nominee)		
2. RESERVES & SURPLUS		
Surplus as per Profit and Loss Account: Balance as per last balance sheet	<u>26,29,911</u>	25,43,180
Less: Capitalised towards issue of bonus shares	<u>51,000</u>	—
	<u>25,78,911</u>	25,43,180
Add: Surplus as per Profit & Loss Account	<u>(6,00,340)</u>	86,731
	<u>19,78,571</u>	26,29,911
3. SECURED LOANS		
From bank (secured by hypothecation of machinery)	<u>17,30,776</u>	22,80,908
4. FIXED ASSETS		

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	AT COST						WRITTEN DOWN VALUE	
	As at January 1, 2002	Additions	As at December 31, 2002	Upto January 1, 2002	Depreciation for the year	Upto December 31, 2002	As at December 31, 2002 2001	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned Assets :								
Machinery and equipments	32,89,172	—	32,89,172	83,750	4,93,376	5,77,126	27,12,046	32,05,422
Assets acquired under Finance Lease :								
Machinery and equipments	25,14,058	—	25,14,058	3,33,188	5,02,536	8,35,724	16,78,334	21,80,870
Total	58,03,230	—	58,03,230	4,16,938	9,95,912	14,12,850	43,90,380	
Previous year total	20,000	57,83,230	58,03,230	1,484	4,15,454	4,16,938	53,86,292	

5. CASH AND BANK BALANCES		
With Scheduled bank on Current Account	<u>3,55,630</u>	9,89,865
Total	<u>3,55,630</u>	9,89,865
6. LOANS AND ADVANCES — (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	<u>2,28,835</u>	2,34,735
Deposits	<u>3,86,940</u>	3,86,940
Advance tax paid (net of provisions)	<u>4,18,788</u>	3,38,916
Total	<u>10,34,563</u>	9,60,591
Advances recoverable in cash or in kind for value to be received includes: a) amount recoverable from Fulford (India) Ltd., a holding company, Rs. Nil (previous year Rs. Nil) maximum amount due during the year Rs. 4,01,000 (Previous year Rs. 29,03,200)		
7. CURRENT LIABILITIES		
Other Current Liabilities	<u>60,750</u>	1,33,265
Total	<u>60,750</u>	1,33,265

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	Year ended December 31, 2002 Rupees	Year ended December 31, 2001 Rupees
8. OTHER INCOME		
Interest (tax deducted at source Rs. Nil; Previous year Rs. 10,147)	—	46,517
Insurance Claims	10,125	—
Total ..	10,125	46,517
9. OPERATING & OTHER EXPENSES		
Electricity	3,36,000	2,82,000
Rent (Including Lease Rental)	12,22,128	9,43,528
Insurance	49,740	18,111
Deputation	9,00,000	7,95,000
Water	18,000	15,000
Professional Services	2,01,985	58,615
Sales Tax on Lease Rent	59,548	42,364
Miscellaneous Expenses	7,280	88,229
Auditor's remuneration – Audit fees	13,125	13,125
Total ..	28,07,806	22,55,972
10. INTEREST		
Lease	3,25,691	2,44,471
Term Loan	2,50,411	47,507
Others	—	67,155
Total ..	5,76,102	3,59,133

11. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

(1) Basis of Accounting

The accounts have been prepared under historical cost concept on an accrual basis.

(2) Fixed Assets and Depreciation

Fixed Assets are carried at cost of acquisition less accumulated depreciation. Depreciation on fixed assets acquired during the year is provided from the date on which the asset is acquired. Fixed assets are depreciated on Straight Line Method over their estimated useful lives.

Cost of Assets acquired under lease finance after April 1, 2001 is amortised over the period of lease.

(3) Foreign Currency Transactions

(i) Transactions in foreign currency are recorded at the exchange rate prevailing at the time of occurrence of the transaction.

(ii) All Foreign currency liabilities/assets outstanding as at year end are restated at the rates ruling on that date.

Any exchange differences arising on such transactions, are dealt with in the Profit and Loss Accounts (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset)

(4) Lease

In case of assets taken on lease prior to April 1, 2001, lease rent paid is charged to profit & loss account. Assets taken on finance lease after April 1, 2001, have been capitalised in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

(5) Taxation

The company provides for current income-tax at the rates specified under the Income-tax Act, 1961.

The Company has accounted for Deferred Taxation in line with Accounting Standard (AS) 22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India.

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

B. Notes on Accounts

(1) Reconciliation of Minimum Lease Payments and their Present Value as at the balance sheet date.

	2002	2001
	Rupees	Rupees
Minimum Lease Payments	23,78,299	31,02,348
Less: Present Value of Minimum Lease Payments	13,93,002	19,93,142
Unexpired Finance Charges	9,85,297	11,09,206

	2002	Present Value	2001	Present Value
	Minimum Lease Payments	Rupees	Minimum Lease Payments	Rupees
Not later than one year	7,24,049	5,07,660	7,24,049	6,00,140
Later than one year and not later than five years	16,54,250	8,85,342	23,78,299	13,93,002
Later than five years	—	—	—	—

(2) Net Deferred Tax Assets as on December 31, 2002 consists of:

	2002	2001
	Rupees	Rupees
Lease accounting effect (Deferred Tax Asset)	75,594	36,242
Less: Book/Tax depreciation difference (Deferred Tax Liability)	1,39,466	29,469
	(63,872)	6,773

(3) Earnings per share calculation:

(Figures in Rupees unless otherwise specified)

	2002	2001
Net Profit/(Loss) after tax for the year attributable to equity shareholders	(6,00,340)	86,731
Number of equity shares of Rs. 10 each outstanding	10,200	10,200
Earnings per share (Basic & diluted)	(58.86)	8.50

(4) Expenditure in foreign currency Rs. 1,96,595/- (Previous year Nil).

(5) Disclosure required under Schdule VI-Part II-Para 4 are not applicable to the company.

(6) Amount due to Small Scale Industrial Undertakings Rs. Nil (Previous year Rs. Nil)

(7) Figures for the previous year have been regrouped and/or reclassified, wherever necessary, to conform with the current year's classification.

As per our report of even date attached

Signatures to Schedules 1 to 11

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. KATKI
Partner

S. BASU

S. MENON

} Directors

Mumbai, March 8, 2003.

Mumbai, March 7, 2003.

Balance Sheet Abstract and Company's General Business Profile
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Additional information pursuant to Provisions of Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	:	53893 of 1989
State Code	:	11
Balance Sheet Date	:	31-12-2002

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	51
Private Placement	:	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	5781
Total Assets	:	5781

Sources of Funds

Paid-up Capital	:	102
Reserves & Surplus	:	1979
Secured Loans	:	1731
Unsecured Loans	:	—

Application of Funds

Net Fixed Assets	:	4390
Investments	:	—
Net Current Assets	:	(579)*
Miscellaneous Expenditure	:	—
Accumulated Losses	:	—

* Includes Deferred Tax Asset	—	(64)
Lease Obligation	—	(1845)

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income	:	3850
Total Expenditure	:	4380
Profit Before Tax (P.B.T.)	:	(530)
Profit After Tax (P.A.T.)	:	(600)
Earnings Per Share (Rs.)	:	(58.86)
Dividend Rate (%)	:	—

V. Generic Names of Principal Products/Services of the Company

(as per monetary terms)

Item Code No.	:	—
Product Description	:	Analytical services

For and on behalf of the Board of Directors

Dr. S. MENON
Director

Mumbai, March 7, 2003.

Auditors' Report

**To The Board of Directors of Fulford (India) Limited
on the Consolidated Financial Statements of Fulford (India) Ltd. and its subsidiaries**

1. We have examined the attached consolidated Balance Sheet of Fulford (India) Limited and its subsidiaries as at December 31, 2002, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statements for the year then ended.
2. These financial statements are the responsibility of Fulford (India) Ltd's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Fulford (India) Limited and its subsidiaries, included in the consolidated financial statements.
4. ***Demand of Rs. 194.62 lakhs for Drug Price Equalisation Account as referred to in Note no. B.1.(e) of Schedule 17 annexed to and forming part of the holding company's financial statements is contested by the company in the High Court and hence no provision has been made in the accounts. As per the Supreme Court's directions the company has deposited a sum of Rs. 50 lakhs pending the disposal of the matter by the High Court and the same has been shown under "Loans and Advances — Deposits".***
5. On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Fulford (India) Limited and its aforesaid subsidiaries, and subject to our remarks in para 4 above, we are of the opinion that:
 - a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Fulford (India) Limited and its subsidiaries as at December 31, 2002;
 - b. the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Fulford (India) Limited and its subsidiaries for the year ended on that date. and
 - c. the Consolidated Cash Flow Statement gives a true and fair view of the Consolidated Cash Flows of Fulford (India) Limited and its subsidiaries for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

N. P. Sarda
(Partner)

Mumbai, May 9, 2003.

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Balance Sheet

as at December 31, 2002

	Schedule	As at December 31, 2002		As at December 31, 2001	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share capital	1	3,20,00,000		3,20,00,000	
Reserves and surplus	2	4,88,77,135		12,55,60,091	
			8,08,77,135		15,75,60,091
Loan Funds					
Secured loans	3	3,75,16,310		4,76,11,902	
Unsecured loans	4	12,13,30,280		12,06,47,922	
			15,88,46,590		16,82,59,824
Lease Obligation					
(Payable within one year Rs. 4,68,966; previous year Rs. 4,03,833)			18,44,604		22,48,437
Total			24,15,68,329		32,80,68,352
APPLICATION OF FUNDS					
Fixed Assets					
Gross block	5	5,91,61,062		5,71,26,312	
Less: Depreciation		3,23,81,869		4,00,28,008	
Net block		2,67,79,193		1,70,98,304	
Add: Capital Work in Progress (Including advances on Capital Account)		40,01,618	3,07,80,811	—	1,70,98,304
Current Assets, Loans and Advances					
Inventories	6	20,22,37,602		30,27,81,359	
Sundry debtors	7	7,38,44,872		14,78,95,883	
Cash and bank balances	8	64,68,317		71,24,434	
Loans and advances	9	4,59,98,448		2,51,01,730	
		32,85,49,239		48,29,03,406	
Less: Current Liabilities & Provisions					
Current liabilities	10	9,93,64,781		16,44,07,107	
Provisions	11	2,58,53,899		2,56,35,388	
		12,52,18,680		19,00,42,495	
Net Current Assets			20,33,30,559		29,28,60,911
Deferred Tax Asset			74,56,959		75,27,604
Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
Deferred Revenue Expenditure (Voluntary Retirement Scheme)			—		1,05,81,533
Profit & Loss Account (Debit Balance)	12		—		—
Total			24,15,68,329		32,80,68,352
Significant Accounting Policies and Notes on Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

R. A. SHAH

D. C. SHROFF

K. D. SHAH

K. J. KAUL

Chairman

Directors

Usha Ramdoss
Company Secretary

Mumbai, May 8, 2003

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Profit and Loss Account

for the year ended December 31, 2002

	Schedule	Year ended December 31, 2002		Year ended December 31, 2001	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Sales (Gross)	.. ..	94,69,67,536		1,40,41,10,313	
Less: Excise Duty	.. ..	3,50,09,999		7,09,80,799	
Sales (Net)	.. ..	91,19,57,537		1,33,31,29,514	
Other income	.. .. 13	5,35,84,831		1,39,47,913	
			96,55,42,368		1,34,70,77,427
EXPENDITURE					
Cost of materials/goods	.. .. 14	60,48,91,560		85,01,68,690	
Personnel expenses	.. .. 15	13,27,91,588		12,13,32,037	
Operating & other expenses	.. .. 16	27,69,02,405		32,92,49,991	
Depreciation	.. ..	58,28,411		52,57,949	
Interest	.. ..	2,16,40,715		2,63,28,009	
			1,04,20,54,679		1,33,23,36,676
PROFIT/(LOSS) BEFORE TAX	.. ..		(7,65,12,311)		1,47,40,751
Provision for Tax					
Current Income-tax	.. ..	1,00,000		22,61,000	
Deferred Income-tax	.. ..	70,645		(9,57,427)	
			1,70,645		13,03,573
PROFIT AFTER TAX	.. ..		(7,66,82,956)		1,34,37,178
Tax adjustments for prior years	.. ..		—		1,85,000
Balance brought forward	.. ..		1,60,77,622		87,55,444
Amount available for appropriation	.. ..		(6,06,05,334)		2,23,77,622
APPROPRIATION					
Proposed dividend	.. ..		—		48,00,000
Transfer to general reserve	.. ..		—		15,00,000
Balance carried forward	.. ..		(6,06,05,334)		1,60,77,622
Total			(6,06,05,334)		2,23,77,622
Basic & Diluted Earnings Per Share of Rs. 10/- each (See note no. 5)			(23.96)		4.20
Significant Accounting Policies and Notes on Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

Usha Ramdoss
Company Secretary

R. A. SHAH
D. C. SHROFF
K. D. SHAH
K. J. KAUL

Chairman
Directors

Mumbai, May 8, 2003.

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Schedules to Balance Sheet

	As at December 31, 2002	As at December 31, 2001
	Rupees	Rupees
1. SHARE CAPITAL		
Authorised:		
50,00,000 Equity Shares of Rs. 10/- each	<u><u>5,00,00,000</u></u>	<u><u>5,00,00,000</u></u>
Issued and Subscribed:		
32,00,000 Equity Shares of Rs.10/- each fully paid-up	<u><u>3,20,00,000</u></u>	<u><u>3,20,00,000</u></u>
<p>Of the above shares, 29,10,000 Equity Shares are allotted as fully paid-up by way of bonus shares by capitalisation of general reserve.</p>		
2. RESERVES AND SURPLUS		
General Reserve :		
Balance as per last Balance Sheet	<u>10,94,82,469</u>	10,14,12,292
Add : Transfer from Profit & Loss Account	<u>—</u>	15,00,000
	<u>10,94,82,469</u>	<u>10,29,12,292</u>
Add : Deferred tax asset	<u>—</u>	65,70,177
	<u>10,94,82,469</u>	10,94,82,469
Less: Transfer to Consolidation Reserve	<u>51,000</u>	<u>—</u>
	<u>10,94,31,469</u>	10,94,82,469
Consolidation Reserve	<u>51,000</u>	<u>—</u>
Surplus as per Profit & Loss Account	<u>—</u>	1,60,77,622
Less: Debit balance in Profit & Loss account as per contra (Schedule 12)	<u>6,06,05,334</u>	<u>—</u>
	<u><u>4,88,77,135</u></u>	<u><u>12,55,60,091</u></u>
3. SECURED LOANS		
From banks (secured by hypothecation of inventories, book debts and fixed assets)	<u><u>3,75,16,310</u></u>	<u><u>4,76,11,902</u></u>
4. UNSECURED LOANS		
Security deposits from C & F agents	<u>11,45,42,100</u>	11,76,63,627
Other deposits	<u>67,88,180</u>	29,84,295
	<u><u>12,13,30,280</u></u>	<u><u>12,06,47,922</u></u>

Schedules to Balance Sheet (Contd.)

5. FIXED ASSETS	GROSS BLOCK				ACCUMULATED DEPRECIATION					NET BLOCK	
	AT COST				Upto January 1st 2002	Depreciation for the year	Adjustment for Sale	Upto December 31st 2002	Rupees 2002	Rupees 2001	As at 31st December 2001
Particulars	As at January 1st, 2002	Additions/Transfer	(Deductions)/Transfer	As at December 31st 2002	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	55,11,184	—	(48,59,184)	6,52,000	48,78,250	1,25,429	(43,51,681)	6,51,998	2	6,32,934	
Leasehold improvements.	19,33,329	35,15,635	(19,33,328)	35,15,636	18,33,217	2,52,020	(18,64,997)	2,20,240	32,95,396	1,00,112	
Machinery and equipments.	81,39,109	1,91,260	(20,01,830)	63,28,539	29,94,063	8,99,660	(18,68,614)	20,25,109	43,03,430	51,45,046	
Utilities	56,53,745	1,01,464	(12,05,503)	45,49,706	38,82,817	4,46,402	(11,68,319)	31,60,900	13,88,806	17,70,928	
Office equipments, furniture and fixtures	2,57,77,250	1,16,99,552	(44,63,016)	3,30,13,786	2,04,35,282	25,87,131	(35,92,474)	1,94,29,939	1,35,83,847	53,41,968	
Vehicles	75,97,637	16,32,958	(6,43,258)	85,87,337	56,71,191	10,15,233	(6,28,465)	60,57,959	25,29,378	19,26,446	
Assets acquired under Finance Lease:											
Machinery and equipment.	25,14,058	—	—	25,14,058	3,33,188	5,02,536	—	8,35,724	16,78,334	21,80,870	
Total	5,71,26,312	1,71,40,869	(1,51,06,119)	5,91,61,062	4,00,28,008	58,28,411	(1,34,74,550)	3,23,81,869	2,67,79,193	1,70,98,304	
Previous year total	5,27,16,634	75,80,449	(31,70,771)	5,71,26,312	3,71,44,562	52,57,949	(23,74,503)	4,00,28,008			
Capital Work in Progress (including advances on Capital Account)									40,01,618	—	
									3,07,80,811	1,70,98,304	

1. Buildings include: Cost of flat of Rs.6,52,000 acquired in 1978 in respect of which Society/Condominium is yet to be formed and conveyance deed to be executed in its favour.

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Schedules to Balance Sheet (Contd.)

	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
6. INVENTORIES		
Raw and packing materials on hand and in transit	5,17,76,659	3,70,30,052
Work-in-process	4,19,480	1,12,83,778
Finished goods	15,00,41,463	25,44,67,529
Total	<u>20,22,37,602</u>	<u>30,27,81,359</u>
7. SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months:		
Considered good	6,89,866	14,37,943
Considered doubtful	30,36,713	40,70,335
	<u>37,26,579</u>	55,08,278
Less: Provision for doubtful debts . .	30,36,713	40,70,335
	<u>6,89,866</u>	14,37,943
Others Debts:		
Considered good	7,31,55,006	14,64,57,940
Total . .	<u>7,38,44,872</u>	<u>14,78,95,883</u>
8. CASH AND BANK BALANCES		
Cash (including cheques on hand)	45,84,824	42,93,118
With Scheduled banks on :		
Current account	15,13,493	23,86,316
Deposit account	3,70,000	4,45,000
Total . .	<u>64,68,317</u>	<u>71,24,434</u>
9. LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances recoverable in cash or in kind or for value to be received	2,88,35,099	1,59,32,651
Deposits (See Note No.1(e))	1,71,63,349	91,63,892
Balance with excise authorities on current account	—	5,187
Total . .	<u>4,59,98,448</u>	<u>2,51,01,730</u>

Advances recoverable in cash or in kind for value to be received includes:
amount due in respect of housing loan to a Director Rs.12,56,000 (Previous year Rs.12,56,000); maximum amount due during the year Rs.12,56,000. (Previous year Rs.12,56,000).

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Schedules to Balance Sheet (Contd.)

	As at December 31, 2002 Rupees	As at December 31, 2001 Rupees
10. CURRENT LIABILITIES		
Sundry creditors	5,43,70,053	11,61,36,684
Unpaid Dividend	3,41,920	2,70,329
Unpaid matured deposits	40,000	70,000
Other current liabilities	4,46,12,808	4,79,30,094
Total	<u><u>9,93,64,781</u></u>	<u><u>16,44,07,107</u></u>
 11. PROVISIONS		
Taxation less payments	1,00,95,158	61,71,408
Leave Encashment	1,57,58,741	1,46,63,980
Proposed dividend	—	48,00,000
Total	<u><u>2,58,53,899</u></u>	<u><u>2,56,35,388</u></u>
 12. PROFIT & LOSS ACCOUNT (DEBIT BALANCE)		
Debit balance in Profit & Loss account	6,06,05,334	—
Less: Shown as deduction from General Reserve as per contra (Schedule 2)	6,06,05,334	—
Total	<u><u>—</u></u>	<u><u>—</u></u>

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Schedules to Profit and Loss Account

	Year ended December 31, 2002 Rupees	Year ended December 31, 2001 Rupees
13. OTHER INCOME		
Interest on Staff Loan	54,698	42,600
Interest on Delayed Payments from customers	8,90,368	12,56,707
Interest on deposits (tax deducted at source Rs. 7,231; Previous year Rs. 27,611)	63,134	81,995
Interest Others (tax deducted at source Rs. 1,05,785; Previous year Rs. Nil)	25,21,653	—
Profit/(Loss) on Sale of Fixed Assets (Net) (See note no. 6)	3,22,17,850	4,91,884
Miscellaneous income (See note no. 6)	1,78,37,128	1,20,74,727
Total ..	5,35,84,831	1,39,47,913
14. COST OF MATERIALS/GOODS		
Opening stocks:		
Raw and packing materials	3,70,30,052	5,70,10,135
Work in process	1,12,83,778	1,65,80,303
Finished Goods	25,44,67,529	26,91,84,467
	<u>30,27,81,359</u>	<u>34,27,74,905</u>
Purchases:		
Raw and packing materials	11,58,09,508	18,68,24,937
Finished Goods	38,85,38,295	62,33,50,207
	<u>50,43,47,803</u>	<u>81,01,75,144</u>
	<u>80,71,29,162</u>	<u>1,15,29,50,049</u>
Less: Closing stocks:		
Raw and packing materials	5,17,76,659	3,70,30,052
Work in process	4,19,480	1,12,83,778
Finished Goods	15,00,41,463	25,44,67,529
	<u>20,22,37,602</u>	<u>30,27,81,359</u>
Total ..	60,48,91,560	85,01,68,690
15. PERSONNEL EXPENSES		
Salaries, wages,bonus and commission	9,74,45,365	8,72,21,822
Contribution to provident and other funds	1,57,34,722	1,43,55,701
Staff welfare expenses	90,29,968	91,72,982
Amortisation of expenditure under V.R.S.	1,05,81,533	1,05,81,532
Total ..	13,27,91,588	12,13,32,037

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Schedules to Profit and Loss Account (Contd.)

	Year ended December 31, 2002 Rupees	Year ended December 31, 2001 Rupees
16. OPERATING AND OTHER EXPENSES		
Processing charges	2,68,05,150	2,79,57,992
Stores and spares	29,72,581	27,92,304
Power and fuel	31,50,231	48,52,290
Rent	80,31,951	42,71,251
Repairs and maintenance to :		
Machinery and utilities	16,99,598	19,87,266
Buildings	3,64,074	5,76,317
Others	12,64,821	5,83,145
	<u>33,28,493</u>	<u>31,46,728</u>
Insurance	34,27,085	35,11,458
Rates and taxes	33,21,859	28,75,881
Excise duty & Sales tax	7,83,78,005	10,18,89,111
Freight and forwarding related expenses ..	1,58,54,062	1,60,90,628
Promotion & Information expenses	2,31,19,710	3,15,95,382
Commission to agents	2,02,59,056	2,74,53,570
Travelling & conveyance	5,08,59,724	5,31,07,342
Miscellaneous	3,62,40,439	4,75,79,302
Auditors' remuneration:		
Audit fees	9,21,225	5,92,025
Tax Audit fees	1,05,000	1,09,550
Out-of-pocket expenses	30,000	28,526
	<u>10,56,225</u>	<u>7,30,101</u>
Directors' fees	97,834	2,96,533
Bad debts written off:		
Less: Adjusted against provision for doubtful debts.	1,46,330	48,574
	<u>1,46,330</u>	<u>48,574</u>
	—	—
Provision for doubtful debts	—	11,00,118
Total	<u><u>27,69,02,405</u></u>	<u><u>32,92,49,991</u></u>

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A Significant Accounting Policies

1. Basis of Consolidation
 - (i) Basis of preparation
The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
 - (ii) Principles of consolidation
The consolidated financial statements comprise the financial statements of Fulford (India) Limited and its 100% owned subsidiaries incorporated in India viz. Schering Plough (India) Pvt. Ltd. and Wellnex Pharmaceuticals Pvt. Ltd. The financial statements of all the three companies are prepared according to uniform accounting policies, in accordance with generally accepted accounting principles in India. The effects of inter-company transactions between the above mentioned companies are eliminated on consolidation.
2. Basis of Accounting
The Company follows accrual method of accounting. Assets and Liabilities are recorded at historical cost.
3. Sales
Gross Sales in Profit and Loss Account is stated inclusive of excise duty and sales tax.
4. Fixed Assets and Depreciation
Fixed Assets are carried at cost of acquisition less accumulated depreciation. Depreciation on fixed assets acquired/sold/discarded/demolished during the year is provided from/upto the date in which the asset is acquired/sold/discarded/demolished. Fixed assets are depreciated on Straight Line Method over their estimated useful lives. (Depreciation (%) used: Building 5/10; Leasehold improvements, Furniture & Fixtures 10; Machinery & Equipments, Utilities, Office Equipments 10/15/20; Vehicles 20; Computers 20/33.33). A nominal value of Re.1/-is assigned to fully depreciated assets. Cost of Assets acquired under lease finance is amortised over the period of lease.
5. Leases
In accordance with Accounting Standard (AS) 19 on "Leases" issued by the Institute of Chartered Accountants of India, rentals paid under operating leases are charged to Profit and Loss Account and Assets taken on finance lease after April 1, 2001, have been capitalised.
6. Inventories
Inventories are valued at lower of historical cost or net realisable value. Cost is arrived at on First in First out basis and cost of finished goods & work in process includes appropriate allocation of production overheads.
7. Excise duty
Excise Duty paid/ payable on goods manufactured by the Company and remaining in inventory at the year end is included as a part of inventory valuation.
8. Borrowing Cost
Borrowing costs other than those that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.
9. Foreign Currency Transactions
 - (i) Transactions in foreign currency are recorded at the exchange rate prevailing at the time of occurrence of the transaction
 - (ii) All Foreign currency liabilities/assets outstanding as at year end are restated at the rates ruling on that date. Any exchange differences arising on such transactions, are dealt with in the Profit and Loss Accounts (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset)
10. Treatment of Retirement Benefits
The Company has various Schemes of Retirement Benefits such as Provident Fund, Superannuation Fund and Gratuity duly recognised by the Income Tax Authorities. Company's contribution in respect of Superannuation and Provident Fund is charged to revenue. Contribution in respect of Gratuity is paid to Life Insurance Corporation of India based on the premium computed by it. The Company also provides for accumulated privilage leave available on retirement to its employees.
11. Deferred Revenue Expenditure
Expenditure on Voluntary Retirement Scheme is amortised over a period of 3 years.
12. Taxation
The company provides for current income-tax at the rates specified under the Income-tax Act, 1961. The company has accounted for Deferred Taxation in line with Accounting Standard (AS) 22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India.

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

B NOTES ON ACCOUNTS :		(Figures in Rupees unless otherwise specified)	
		2002	2001
1. Contingent liabilities:			
(a) Claims against the Company not acknowledged as debts		1,27,500	1,27,500
(b) Guarantee given by the Company to Housing Development Finance Corporation Ltd. against housing loans to employees		12,887	2,48,117
(c) Other guarantees issued by banks on behalf of the Company (margin money issued guarantees Rs.68,235)		1,70,000	7,17,592
(d) Guarantees given to Bank, NBFC by Fulford (India) Ltd. on behalf of its Subsidiary company		87,00,000	87,00,000
(e) The Government of India has demanded a payment of Rs.194.62 lacs into the Drugs Prices Equalisation Account (DPEA) in respect of prior years (April 1 ,1979 to March 1,1984). The Company has contested this demand. Per the interim order of the Supreme Court a sum of Rs. 50 lakhs has been deposited into the DPEA. The Company's Writ Petition has been admitted by the High Court and is pending for final hearing and disposal. As the demand is contested by the Company, no provision has been made in respect thereof. A sum of Rs.50 lacs deposited pursuant to the Supreme Court's Order has been shown under "Loans and Advances-Deposits".			
2. During the year the company had observed microorganism contamination in case of certain products manufactured at one of its toll locations. As a result the company had to suspend the production of these products during January 2002 to verify the inventory on hand. The inventories on hand of the corresponding products were concurrently retested & were found deficient vis-à-vis quality standards. Inventories of the deficient batches were rejected & written off/provided for. The cost of materials/goods include a total loss of Rs. 2.51 crores on this account.			
3. Deferred Tax Assets as on December 31, 2002 consists of:			
	Rupees		
Voluntary Retirement Scheme	46,66,456		
Lease accounting effect	75,594		
Others	28,54,375		
Less: Book/Tax depreciation difference (Deferred Tax Liability)	1,39,466		
	<u>74,56,959</u>		
4. The net exchange loss of Rs. 6,88,247 (previous year Rs. 25,60,367) has been included in the profit & loss account for the year.			
5. Earnings per share calculation:			
Net Profit/(loss) after tax for the year attributable to equity shareholders	(7,66,82,956)	1,34,37,178	
Number of equity shares of Rs. 10 each outstanding	32,00,000	32,00,000	
Earnings per share (Basic & diluted)	(23.96)	4.20	
6. During the current year, the Company has received Rs. 1 crore consideration from the owner of our erstwhile premises towards surrender of tenancy rights and has made a gain of Rs. 3.17 crores towards the sale of the Company owned premises.			
7. Figures for the previous year have been regrouped and /or reclassified, wherever necessary, to conform with current years classification.			

As per our report of even date attached

Signatures to Schedule 1 to 17

For DELOITTE HASKINS & SELLS
Chartered Accountants

R. A. SHAH Chairman

D. C. SHROFF

N. P. SARDA
Partner

K. D. SHAH Directors

K. J. KAUL

Mumbai, May 9, 2003.

Usha Ramdoss
Company Secretary

Mumbai, May 8, 2003

Consolidated Financial Statements of Fulford (India) Limited and its subsidiaries

Cash Flow Statement for the year ended December 31, 2002

	Year ended December 31, 2002		Year ended December 31, 2001	
	Rupees	Rupees	Rupees	Rupees
A Cash flow from operating activities :				
Net Profit before tax and Extraordinary items		(7,65,12,311)		1,47,40,751
ADJUSTMENTS FOR				
Depreciation	58,28,411		52,57,949	
Interest Paid	2,16,40,715		2,63,28,009	
(Profit)/Loss on sale of assets	(3,22,17,850)		(4,91,884)	
		(47,48,724)		3,10,94,074
Operating Profit before working Capital		(8,12,61,035)		4,58,34,825
Adjustment for				
(Increase)/decrease in Trade and Other Receivables	5,31,54,293		5,50,76,865	
(Increase)/decrease in Inventories	10,05,43,757		3,99,93,546	
(Increase)/decrease in Deferred Miscellaneous Expenditure	1,05,81,533		1,05,81,532	
Lease Obligation	(4,03,833)		22,48,437	
Increase/(decrease) in Trade and Other Payables	(6,39,47,565)	9,99,28,186	(12,85,38,964)	(2,06,38,584)
Cash generated from Operations		1,86,67,151		2,51,96,241
Direct Taxes paid/ (received)		(38,23,750)		9,48,286
Net Cash from operating activities		2,24,90,901		2,42,47,955
B Cash Flow from investing activities				
Purchase of fixed assets		(2,11,42,487)		(75,25,968)
Sale of fixed assets		3,38,49,419		12,33,671
Net Cash used in investing activities		1,27,06,932		(62,92,297)
C Cash flow from financing activities				
Repayment of Secured Loans		(1,00,95,592)		(1,18,36,303)
Unsecured Loans		6,82,358		1,15,92,863
Dividend paid		(48,00,000)		—
Interest paid		(2,16,40,715)		(2,63,28,009)
Net Cash used in Financing activities		(3,58,53,949)		(2,65,71,449)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(6,56,117)		(86,15,791)
Cash and cash equivalents as at 01.01.02		71,24,434		1,57,40,225
Cash and cash equivalents as at 31.12.02		64,68,317		71,24,434
Net increase/(decrease) in cash and cash equivalents		(6,56,117)		(86,15,791)
Notes:				
1) Cash & cash equivalents as at 31.12.02 include:				
Cash (including cheques on hand)		45,84,824		
Current/ Deposit accounts with Scheduled banks		18,83,493		
		64,68,317		

2) The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, May 9, 2003.

Usha Ramdoss
Company Secretary

R. A. SHAH
D. C. SHROFF
K. D. SHAH
K. J. KAUL

} Chairman
} Directors

Mumbai, May 8, 2003

Fulford (India) Limited
Registered Office:
 Eureka Towers, 8th Floor,
 Mindspace, Link Road,
 Malad (W), Mumbai - 400 064.
 Ph.: 5698 3800, Fax: 5699 6375

Attendance Slip

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I hereby record my presence at the Fifty-fifth ANNUAL GENERAL MEETING held on Friday, 20th June, 2003 at 11.00 a.m.

(IN BLOCK LETTERS)

NAME OF THE SHAREHOLDER/PROXY
SIGNATURE OF THE SHAREHOLDER/PROXY

Ledger Folio No. No. of Shares held

-----TEAR HERE-----

Fulford (India) Limited
Registered Office:
 Eureka Towers, 8th Floor,
 Mindspace, Link Road,
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 Ph.: 5698 3800, Fax: 5699 6375

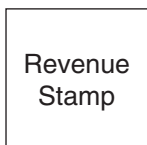
Proxy

Ledger Folio No.

I/We
 of being
 a Member/Members of FULFORD (INDIA) LIMITED hereby appoint.....
 of (or failing him
 of or failing him
 of) as my/our Proxy to attend and vote for me/us and
 on my/our behalf at the Fifty-fifth Annual General Meeting of the Company to be held on
 Friday, 20th June, 2003, at 11.00 a.m. and at any adjournment thereof.

AS WITNESS my/our hand/hands this day of 2003.

Signed by the said.....



Note: The Proxy must be deposited at the Registered Office of the Company at Eureka Towers, 8th Floor, Mindspace, Link Road, Malad (W), Mumbai - 400 064. not less than 48 hours before the time for holding the Meeting.