

Hester Pharmaceuticals Limited

SIXTEENTH
ANNUAL
REPORT
2002-2003

BOARD OF DIRECTORS :

Dr. V. A. Padval	<i>Chairman</i>
Dr. Bhupendra V. Gandhi	<i>Vice-Chairman</i>
Mr. Rajiv D. Gandhi	<i>Managing Director</i>
Mr. Sanjiv D. Gandhi	<i>Executive Director</i>
Mr. Darayus Lakdawalla	
Mr. Ravin Gandhi	
Ms. Bela Gandhi	
Dr. Herry Shinkoi	
Mr. Vimal Ambani	
Mr. A. C. Patel	<i>Nominee Director, G.I.I.C. Limited, Gandhinagar</i>
Mr. Abhinav Shukla	<i>Alternate Director</i>
Dr. Parimal Tripathi	<i>Alternate Director</i>

REGISTERED OFFICE :

Village : Merda Adraj,
Taluka : Kadi,
Dist : Mehsana, Gujarat 382 721

CORPORATE OFFICE :

16/10, Devendra Society,
Naranpura,
Ahmedabad - 380 013.

MANUFACTURING UNIT :

Village : Merda Adraj,
Taluka : Kadi,
Dist : Mehsana, Gujarat - 382 721,

BANKERS :

Bank of India,
Navrangpura Branch,
Ahmedabad - 380 009.

AUDITORS :

M/s. Shah Narielwala & Co
Chartered Accountants
608, 'Shitiratna',
Panchvati, Ellisbridge,
Ahmedabad - 380 006.

REGISTRAR & SHARE TRANSFER AGENTS

M/s. Pinnacle Share Registry Pvt. Ltd.
Near Ashoka Mills, Naroda Road,
Ahmedabad - 380 025.

CONTENTS	PAGE NO.
Notice	2-4
Directors' Report	5-6
Management Discussion and Ana.	7
Corporate Governance Report	8-12
Auditors' Report	13-14
Balance Sheet	15
Profit & Loss A/c	16
Schedules	17-22
Balance Sheet Abstract	23
Cash-flow Statement	24

NOTICE

NOTICE is hereby given that 16th Annual General Meeting of the Members of Hester Pharmaceuticals Limited, will be held on 30th September, 2003 at 11.00 a.m. at Registered office of the Company at Village : Merda Adraj, Taluka : Kadi, District : Mehsana, Gujarat-382 721 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Darayus Lakdawalla, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Sanjiv D. Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Ravin Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Vimal Ambani who was appointed as an Additional Director of the Company and who ceases to hold office under section 260 of the Companies Act, 1956 from the date of this meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for Director be and is hereby appointed as Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modifications the following resolution as a Ordinary Resolution.

To Appoint Mr. Rajiv Gandhi as Managing Director of the Company

"RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any of the Companies Act, 1956, read with and in accordance with the conditions specified in Schedule XIII of the said Act, the approval of the Company be and is hereby accorded to the appointment of Mr. Rajiv Gandhi as a Managing Director of the Company with effect from 1st January, 2003 for a period of 3 years or till the Managing Director resigns from the office of Directorship, as set out in the Remuneration draft agreement, entered between the Company and Mr. Rajiv Gandhi"

"FURTHER RESOLVED THAT in the event of any statutory amendment or modification under the Companies Act, 1956, Board of Directors be and is hereby authorized to vary, enlarge, increase and modify the remuneration including salary, commission, perquisites, allowances, etc. within such prescribed limit or ceiling and aforesaid remuneration draft agreement between the Company Mr. Rajiv Gandhi, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General meeting.

"FURTHER RESOLVED THAT Board of Directors be and are hereby authorized to take such steps as may be necessary to give effect to this Resolution."

Date : **29th July, 2003**
Registered Office :
Village : Merda Adraj
Taluka : Kadi
District : Mehsana, Gujarat - 382 721.

for Hester Pharmaceuticals Limited

Rajiv D. Gandhi
Managing Director

NOTES

- Explanatory Statement pursuant to 173(2) of the Companies Act, 1956 is annexed as a part of this Notice.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000/-.
- The Proxies should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 23rd September, 2003 to 30th September, 2003 (both days inclusive).

- Members are requested to note the following :
- The Company has appointed M/s. Pinnacle Shares Registry Pvt. Ltd. as R&T agent for both Demat & Physical share transfer work, hence any documents for share transfer, transmission, transposition, change of bank account details, nomination and other communication regarding shareholding in the company should be addressed to R&T agent, as per following address.

M/s. Pinnacle Shares Registry Pvt. Ltd.
Unit : Hester Pharmaceuticals Limited
Near Asoka Mills, Naroda Road
Ahmedabad 380 025. Gujarat
Ph. 079 - 220 42 26 / 220 0582
Fax : 079 - 220 29 63
e-mail : gautam.shah@psrpl.com
- To quote folio no. / DP ID & CL. ID for any communication for their shareholding.
- To bring the copy of Annual Report at the meeting.
- At the ensuing Annual General Meeting, **Mr. Darayus Lakdawalla, Mr. Sanjiv D Gandhi & Mr. Ravin Gandhi** retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to them to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges is furnished in the statement of Corporate Governance published elsewhere in this Annual Report.
- The copies of relevant documents can be inspected at the Registered office of the Company on any working day between 11.00 a.m. to 5.00 p.m. up to the date of A.G.M.
- The Company's shares are listed at Ahmedabad and Mumbai Stock Exchanges. The Company has paid listing fees to Mumbai Stock Exchange and Stock Exchange Ahmedabad for financial year 2003-2004.

EXPLANATORY STATEMENT
[pursuant to Section 173(2) of the Companies Act, 1956]

ITEM NO. 6

Mr. Vimal Ambani was appointed as an Additional Director of the Company with effect from 1st February, 2003 pursuant to Articles of Association of the Company read with Section 260 of the Companies Act, 1956 Accordingly his term expire at the ensuing Annual General Meeting.

The Company has received notice from a member alongwith deposit of Rs.500/- for him, as required under Section 257 of the Companies Act, 1956 proposing his name as Director of the Company.

Your Directors consider that the wide experience possessed by him will be in the interest of the Company. Hence your Directors recommend his appointment.

None of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 7

Mr. Rajiv Gandhi, Managing Director was appointed by the Company and his terms expires on 31st December, 2002. The Board at its meeting held on 31st January, 2003 has decided to re-appoint him for a further period of 3 years, on the terms and conditions, as mentioned in the Remuneration draft agreement, with effect from 1st January, 2003, subject to approval of the shareholders. The appointment and terms of remuneration payable to Mr. Rajiv Gandhi as a Managing Director of the Company, as mentioned below, are within the permissible limits under schedule XIII of the Companies Act, 1956 The remuneration package will be as follows :

(a) Salary Rs. 62,500/- p.m.

(b) Perquisites : In addition to the salary, the following perquisites shall be allowed to the Managing Director and the total value of perquisites shall be restricted to an amount equal to the annual salary.

CATEGORY - "A"

- i) **Housing** : The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of Rs. 10000/- per month, subject to a limit of 20 % of his salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company.

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in accordance with the Income-tax Rules, shall not exceed 10% of the salary.

Annual Report 2002-2003

- ii) Medical Reimbursement : Medical Expenses actually incurred for self and family shall be reimbursed by the Company under the Mediclaim policy.
- iii) Leave Travel Concession : The Company shall provide leave travel fare for the Managing Director and his family once in a year.
- iv) Personal Accident Insurance : The Company shall pay Personal Accident Insurance upto Rs.5000/- per annum.
- v) Club Fee : The Company shall pay and / or Reimburse Fees and Expenses (excluding admission and Life membership fees) of clubs, subject to a maximum of two clubs.

CATEGORY - "B"

- i) The Company shall contribute towards Provident Fund/Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.
- ii) The Company shall pay Gratuity at the rate not exceeding half month's salary for each completed year of service.
- iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

The perquisite under this Category shall not be included in the computation of ceiling on remuneration.

CATEGORY - "C"

- 1. The Company shall provide a Car with Driver at the entire cost of the Company for use for the business of the Company. Use of Car for personal purposes shall be billed by the Company.
- 2. The Company shall provide telephone including mobile phone at the residence of the Managing Director at the entire cost of the Company. Personal long-distance calls shall be billed by the Company.
- 3. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meetings of the Board of Directors and/or committees thereof.
- 4. The remuneration referred to above is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Director and other Executive Directors of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under (a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.
- 5. In the event of cessation of office during any financial year, a ratable proportion of the aforesaid remuneration shall be payable by the Company.
- 6. The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.
- 7. "Family" means the spouse, dependent children and dependent parents of Managing Director.
- 8. Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be allowed

The Board recommends the resolution for approval of Shareholders. Except Mr. Rajiv Gandhi, himself and Mr. Sanjiv Gandhi, relative of him, none of the other Directors are interested or concerned in this resolution.

Date : **29th July, 2003**

Registered Office :

Village : Merda Adraj

Taluka : Kadi

District : Mehsana, Gujarat - 382 721.

for Hester Pharmaceuticals Limited

Rajiv D. Gandhi
Managing Director

DIRECTORS' REPORT

Dear Shareholders,
Hester Pharmaceuticals Limited,

The Managing Director presents his 16th Annual Report and the Audited Statement of Accounts of the Company for the year ended March 31, 2003.

FINANCIAL RESULTS :

	Current Year	(Rs. In Lacs) Previous Year
Profit before Depreciation & Tax	92.29	67.51
Less : Depreciation	25.35	24.89
Profit after Depreciation & Tax	66.94	42.62
Less : Provision for Tax	21.18	28.90
Prior Period Expenses	0.13	0.00
Add : Extra Ordinary Item	0.00	74.38
Net Profit after Tax	45.63	88.10
Profit & Loss A/c.	(127.79)	(215.89)
General Reserve	65.32	65.32
Balance of Accumulated Loss	(16.84)	(62.47)

REVIEW OF OPERATIONS

The last financial year has seen a total turn around of the company. As evident from the financial results, last year, we had a net profit for Rs. 45.63. Though this is lesser than that in the year 2001-02, it needs to be noted that in the year 2001-02, we had a write-back of Rs. 74.38 lacs against term loan and interest. The last years profit does not include effects of any extra ordinary items.

For the first time, we embarked onto exports. We exported vaccines to West Asia. In the current financial year, we hope to export our products to China and other South-East Asian countries.

As against Rs. 62.47 lacs in 2001-02, the accumulated losses have fallen to Rs.16.84 lacs.

In the early June, 2003, we have terminated our collaboration agreement with Maine Biological Laboratories, USA. The reasons for termination were:

1. Hester's desire to pursue international business opportunities to improve the profitability and to achieve capacity utilization.
2. The technology covered in the agreement was completely absorbed, thereby, in the current scenario, no new technology was available from MBL.
3. Hester has a desire to acquire newer technologies independently, which are more cost effective and profitable.

Financial implications due to this termination of the agreement: Savings of approximately Rs. 15.00 lacs by way of royalty and a savings of Rs. 30.00 lacs by way of not having a need to import raw materials from MBL. This amount saved will be utilized to fortify the ongoing basic R&D in poultry vaccines, to develop immunization programs for the Indian poultry Industry, thereby reducing disease incidences.

The 300,000 equity shares held by MBL have been acquired by NRIs.

In 2002, Hester was appointed as the exclusive Indian distributor by BIOPHARM of Czech Republic, for their coccidiosis vaccine - LIVACOX. Our endeavour is to achieve at market share of 75% for this vaccine by the end of this current financial year.

There has been a continuous process for upgradation of our management systems. We hope to get WHO recognized GMP certification before the end of this financial year. We continue to be an ISO 9001:2000 certified company.

DIVIDEND :

Your directors do not recommend any dividend for 2002-03 in view of the accumulated losses of the company.

ENERGY CONSERVATION :

(Information under section 217(1)(e) of the Companies Act, 1956.)

The company has a continuous focus on energy conservation. Regular studies are conducted to analyse quantitative energy conservation patterns, and variances are rigorously scrutinized. The company regularly benchmarks its energy conservation levels and consistently works towards improving efficiencies, towards getting the cost of energy down for every unit produced.

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION :

		31.03.2003	31.03.2002
(A) Power and Fuel Consumption:			
Electricity :			
(a) Purchased Units	Kwh	3,51,697.00	3,24,567.00
Total Amount	Rs.	18,35,539.74	16,02,156.50
Rate / Unit	Rs.	5.21	4.94
(b) Own Generation through Diesel Genset			
Units	Kwh	6,390.00	11,930.00
Units per litre of Diesel Oil	Kwh	1.94	2.08
Cost / Unit	Rs.	10.83	9.33
(B) Consumption per unit of production :			
Electricity consumed per vial (in units)		1.30	1.34

Annual Report 2002-2003

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

During the last financial, we achieved the distinction of becoming self sufficient from imported raw materials. Here on, for all the poultry vaccines licenced to us, we now have no dependency on any imported components. This in it self will reduce our raw material costs by more than Rs. 30.00 lacs.

DIRECTORS :

The Board of Directors have appointed Dr. Parimal Tripathi as an alternate Directors for Mr. Herry Shinkoi & Mr. Abhinav Shukla as an alternate Directors for Mr. Ravin Gandhi and Ms. Bela Gandhi. Mr. B. S. Bhalerao and Mr. James Bigmore have resigned from the Board due to his personal reason, w.e.f. 27th June, 2002. The Board of Directors wish to place on record the valuable guidance extended by both the Directors, during their tenure.

In accordance with the provisions of the Articles of Association and of the Companies Act, 1956, Mr. Darayus Lakdawalla, Mr. Sanjiv D. Gandhi and Mr. Ravin Gandhi, Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

FOREIGN EXCHANGE EARNINGS & OUTFLOW

Foreign exchange earning during the year was Rs. 23.45 lacs (Previous Rs. nil) towards sale of goods. Total outflow of foreign exchange during year was Rs. 43.44 lacs, towards purchase of Raw Materials, Capital items, Traveling expenses, Training expenses, Royalty and Technical know-how fees, as compared to Rs. 75.02 lacs during the previous year.

PUBLIC DEPOSITS :

The company has not invited or accepted any deposits under Section 58A of the Companies Act, 1956, from the public, during the year.

FINANCE :

The working capital requirement and capital expenditure were funded through internal accruals and by banks.

CORPORATE GOVERNANCE :

The Company has adopted Corporate Governance practices and has complied with all the mandatory requirements as specified under clause 49 of the Listing Agreement by SEBI. As required under the listing agreement, a separate Report on Corporate Governance forms part of this Annual Report. The certificate from statutory Auditors of the Company regarding compliance of conditions of Corporate Governance is part of this report and is annexed.

The Board of Directors supports the basic principles of corporate governance. In addition to this, the board lays strong emphasis on transparency, accountability and integrity.

FORMATION OF VARIOUS COMMITTEES :

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed and forms part of this report.

DEPOSITORIES :

The company's shares are being traded in dematerialised form. The connectivity with NSDL and CDSL has been obtained. Shareholders of the Company, who are still holding the shares in physical form, are requested to dematerialise their shares, immediately.

PARTICULARS OF EMPLOYEES:

Particulars with regard to employees under section 217(2A) of the Companies Act, 1956, is not applicable.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 I would like to state the following:

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
2. The Directors 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 ended on 31st March. 2003.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the attached statements of accounts for the year ended 31st March, 2003 on a going concern basis.

AUDITORS & AUDITORS REPORT :

M/s. Shah Narielwala & Co.; Chartered Accountants, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Notes forming part of the accounts are self explanatory and therefore, do not require any further comments.

ACKNOWLEDGEMENT:

The Directors sincerely express their deep appreciation to Bank of India, GIIC, Employees at all levels and customers for their sustained support. The directors also appreciate the support extended by Maine Biological Laboratories, USA. Last but not the least, the directors convey their gratitude to the esteemed shareholders whose dauntless support has been the main source of inspiration.

By order of the Board

Rajiv Gandhi
Managing Director

29 July, 2003
Ahmedabad

Management Discussions and Analysis

Outlook for the Industry

The poultry Industry continued to have its sluggish growth due to disease problems as well as problems of over production in broilers. Broiler rates were all time low for a few months. On the other hand, with the organized sector getting into poultry breeding and chicken marketing, the poultry industry is slated to get more organized. We have reasons to believe that in the next few years, investment in the poultry industry will go up in a sizable manner, thereby assuring a better market for poultry vaccines.

With regards to competition, imports of poultry vaccines continue to reduce, more so due to typical disease problems, wherein the requirement is the use of vaccines manufactured from local virus strains, rather than using vaccines manufactured from strains which are found in other countries.

Outlook for the Company

The company's immediate focus is towards paying off its long term debts in this financial year, thereby reducing the heavy interest burden. This will be achieved by allocating revenues for the long term debt payments.

Once the long term debt is cleared, by the end of the third financial quarter of this year, the company hopes to stabilize itself by March 2004, to then aim for a 50% rise in revenues in the next financial year.

Risks & Concerns

International companies tend to offer vaccines at a much lower rate than the prevailing international rates. Though the duty does offset this price advantage, this concern does remain.

Internal Control Systems

The company has budgetary control systems and performance review programs. The organization structure is very compact, thereby enabling the company to have the highest sale: employee ratio amongst other poultry vaccine manufacturers in India.

Financial performance Vs Operational performance

The financial performance of the company for the year 2002-03 is described in the Director's report.

Human Resources

Work Culture programs are regularly embarked upon. The company has continued to give special attention to human resources development.

Industrial relations continued to remain cordial at all levels.

REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) ushered in a formal code of corporate governance practices by introducing the new Clause 49 in the listing agreement with the Stock Exchanges. Clause 49 lays down several corporate governance practices that listed companies are required to adopt. Most of the practices laid down in Clause 49 require mandatory compliance and there are some more provisions which are voluntary for adoption. Your Company had to achieve compliance with the mandatory requirements of Clause 49 by 31st March, 2003. This report sets out the compliance status of the Company during the financial year 2002-03 with respect to the conditions of corporate governance set out in Clause 49.

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The Philosophy on Corporate Governance aims at attainment of the highest levels of transparency, accountability and equity in the functioning of the Company vis-a-vis interactions with employees, shareholders, creditors and customers. The objective of the Company is not only to meet the statutory requirements of the code but also go well beyond it by instituting such systems and procedures as are in accordance with the latest global trend of making management completely transparent and institutionally sound.

BOARD OF DIRECTORS :

The Company's board comprises of 12 Directors with a mix of executive/non-executive and promoter /independent directors. The composition of Board complies with the requirements of the Corporate Governance code with more than 50% of the directors being non-executive directors and more than 33% of the directors being independent directors.

5 Board meetings were held during the financial year 2002-2003. The dates on which Board Meetings held are 29/06/2002, 30/07/2002, 29/10/2002, 31/01/2003 and 29/03/2003. The 15th Annual General Meeting was held on 28th August 2002.

The table below provides the composition of the Board, their attendance at Board meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director	Category	No. of other Directorship held in public	No. of other Board committees of which Member companies in India	Board meeting attended /Chairman	Attendance at the last AGM
Mr. V A Padval	Non Executive Independent Director	0	0	0	No
Mr. Bhupendra V Gandhi	Non Executive Non Independent Director	0	0	0	No
Mr. Rajiv D Gandhi	Executive Non Independent Director	3	0	5	Yes
Mr. Sanjiv D Gandhi	Executive Non Independent Director	3	0	1	No
Mr. Darayus Lakdawalla	Non Executive Independent Director	2	0.	5	Yes
Mr. B S Bhalerao	Non Executive Independent Director	0	0	0	No
Mr. Ravin Gandhi	Non Executive Independent Director	0	0	0	No
Ms. Bela Gandhi	Non Executive Independent Director	0	0	0	No
Dr. Herry Shinkoi	Non Executive Independent Director	0	0	0	No
Mr. James Bigmore	Non Executive Independent Director	0	0	0	No
Mr. A C Patel	Non Executive Nominee Independent Director	4	1	4	Yes
Mr. Vimal Ambani	Non Executive Independent Director	2	0	0	No

Notes

1. This number excludes the directorships/committee memberships held in private companies and also of the Company.
2. As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of board committees (audit /remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship, except Dr. Bhupendra V. Gandhi, Mr. Ravin Gandhi and Ms. Bela Gandhi who are relative of Managing Director of the Company. Non-executive Directors have no transaction with the company, except receiving sitting fees for attending Board Meetings. The details of sitting fees, commission and remuneration paid to each director appear later under the disclosure relating to Remuneration to Directors.

GENERAL PROFILE OF BOARD OF DIRECTORS :
DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING

Name of Director	Rajiv D Gandhi	Sanjiv D Gandhi	Darayus Lakdawalla	Ravin Gandhi	Vimal Ambani
Date of Birth	11/07/1962	15/03/1965	18/02/1961	06/07/1973	16/10/1961
Date of Appoint.	29/04/1987	29/04/1987	01/03/1990	22/04/1999	01/04/1994
Expertise in specific Functional areas	Administrative Marketing Finance	Technology Adaption	Human Resource	—	Finance
List of Public Ltd. Cos. In which Directorship held	Hester Coatings Ltd. Hester Information Technologies Ltd. Biolink Healthcare Ltd.	Hester Coatings Ltd. Hester Information Technologies Ltd. Biolink Healthcare Ltd.	Hester Coatings Ltd. Hester Information Technologies Ltd.	—	TirupatiFabrics Ltd. Sanrhea Technical Textiles Ltd.
Chairman/Member of the Committees of the Board of Directors of the Company	—	Audit Committee (Member) Shareholder Grievances Committee (Member)	Audit Committee (Chairman) Shareholder Grievances Committee (Chairman) Remuneration Committee (Chairman)	—	Audit Committee (Member) Remuneration Committee (Member)
Chairman/Member of the Committees of Directors of Other Companies	—	—	—	—	—

REMUNERATION TO DIRECTORS :

Name of Director	Designation	Remuneration (including perquisites) paid Rs.	Sitting Fees paid Rs.	Commission paid Rs.	Total Remuneration Rs.
Dr. V A Padval	Chairman	Nil	Nil	Nil	Nil
Dr. Bhupendra V Gandhi	Vice Chairman	Nil	Nil	Nil	Nil
Mr. Rajiv D Gandhi	Managing Director	Rs. 4,57,500/-	Nil	Nil	Rs. 4,57,500/-
Mr. Sanjiv D Gandhi	Executive Director	Nil	Nil	Nil	Nil
Mr. Darayus Lakdawalla	Director	Nil	Nil	Nil	Nil
Mr. B S Bhalerao	Director	Nil	Nil	Nil	Nil
Mr. Ravin Gandhi	Director	Nil	Nil	Nil	Nil
Ms. Bela Gandhi	Director	Nil	Nil	Nil	Nil
Dr. Herry Shinkoi	Director	Nil	Nil	Nil	Nil
Mr. James Bigmore	Nominee Director MBL USA	Nil	Nil	Nil	Nil
Mr. A C Patel	Nominee Director GILC Ltd.	Nil	Rs 1500/-	Nil	Rs. 1500/-
Mr. Vimal Ambani	Director	Nil	Nil	Nil	Nil
Total		Rs. 4,57,500/-	Rs. 1500/-	Nil	4,59,000/-

AUDIT COMMITTEE :

The Audit Committee has been constituted in Board Meeting held on 31st January 2003. The committee comprises of Mr. Darayus Lakdawalla, as the Chairman of the Committee & Mr. Vimal Ambani, Mr. A.C. Shah and Mr Sanjiv Gandhi as Members.

The above composition meets all the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Manager (Finance) acts as the Secretary of the Audit Committee.

The broad terms of reference of the Committee is to review and recommend the financial statements, adequacy of internal control systems and internal audit function.

The detailed terms of reference of the Committee as approved by the Board are given below.

1. Review of internal controls and internal audit function with the management/internal auditors.
2. Oversight of the Company's financial reporting process/disclosures and review of interim and annual financial statements before Board approval.
3. Recommendation of appointment/removal of statutory auditors and fixation of the fees for their audit and other services.
4. Periodic discussions with the statutory auditors of the Company (whether before, during or after the audit) on internal control systems, nature and scope of audit, audit observations and areas of concern, if any.

Annual Report 2002-2003

5. Investigate any matter referred to it by the Board or within its terms of reference.
6. Review the outcome of internal investigations of material fraud, irregularity and failure of internal control system.
7. Review financial and risk management policies.
8. To look into reasons for substantial defaults, if any, in payments to depositors, debenture holders, creditors and shareholders.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable law.

During the year under review, no meeting was held, as the Committee was formed recently, and hence details of attendance for Audit Committee has not been provided

SHAREHOLDERS' GRIEVANCE COMMITTEE :

The Shareholders Grievance Committee as a sub-committee of the Board has been constituted on 31st January 2003 by the Board of Directors to focus on servicing of shareholder requirements. The committee comprises of Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr Sanjiv Gandhi as Member. During the year under review, no meeting was held, as the Committee was formed recently, and the Company had not received any grievances thereafter.

Mr. Jigar Shah, Manager (Finance), provides secretarial support to the Committee and is also the designated Compliance Officer for such matters.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchanges and hence the handling of physical transfer of shares is minimal.

There was no pending transfers of equity shares as at 31st March, 2003.

The following table summarizes the status of investor complaints received during the year. These were attended within a reasonable period of time

Sr. No.	Nature of Complaints / Requests	Received	Resolved	Pending as on 31-03-2003
1.	Non-receipt of Dividend warrant	1	1	-
2.	Non-receipt of Annual Reports	2	2	-
3.	Non-receipt of shares after transfer / bonus shares	-	-	-
4.	Letters received from SEBI / ROC / Stock Exchanges	1	1	-
5.	Others	1	1	-
Total		5	5	-

REMUNERATION COMMITTEE

The Remuneration Committee as a sub-committee of the Board has been constituted on 31st January 2003 by the Board of Directors to determine and recommend to Board, the company's policies on remuneration packages for executive and non- executive directors. The committee comprises of Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr Vimal Ambani and Mr.A.C.Patel as Members.

During the year under review, the committee met once on 31st January, 2003 and Mr. Darayus Lakdawalla and Mr. A.C. Patel were present in that meeting. In that meeting, remuneration of Managing Director was determined .

The Company pays remuneration to its Managing Director by way of Salary, perquisites and allowances, as approved by the members in general meeting. The details of remuneration paid to directors are provided elsewhere in this report under the head Remuneration to Directors.

GENERAL BODY MEETINGS :

Details of the last three Annual General Meetings are as under :

AGM	Date	Time	Venue	No. of special Resolutions passed
13th AGM	30th August, 2000	04.00 a.m.	16/10, Devendra Soc, Naranpura, Ahmedabad 380013	Nil
14th AGM	21st July, 2001	11.00 a.m.	Village: Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	Nil
15th AGM	28th August, 2002	11.00 a.m.	Village: Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	Nil

There were no Extra Ordinary General Meetings (EGMs) held during the last 3 years.

The special resolutions indicated above were passed by show of hands. The Company has not passed any resolution through postal ballot during the year under reference.

DISCLOSURES :

Transactions with related parties are disclosed in detail in note number 9 in Schedule 15 'Notes forming part of the accounts' annexed to the financial statements for the year. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the Company at large.

There were no instances of non-compliance and no strictures or penalties imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

MEANS OF COMMUNICATION :

During the year, quarterly, half-yearly and annual financial results of the Company were submitted to the stock exchanges immediately after the conclusion of the Board meetings and were also published in two leading newspapers, News Line (English) and Chanakya (Gujarati).

SHAREHOLDERS' INFORMATION :

Registered Office : Village: Merda Adraj, Taluka : Kadi, Dist : Mehsana, Gujarat 382 721
 Corporate Office : 16/10, Devendra Society, Naranpura, AHMEDABAD 380 013.
 Phone : 079 - 7486250, Fax : 079 - 7486250,
 E-mail : info@hesterpharma.co.in, Website : http://www.hesterpharma.co.in
 Branches : Hester Pharmaceuticals limited
 Old No.7 New No.17/1, 1st Floor, Osborne Road, I Cross, Bangalore 560 042
 Sathya Priya Complex, 28-A/2, Avinashi Road,, Civil Aerodrome Post, Coimbatore 641 014

Date, Time, Venue of Annual General Meeting

The 16th Annual General Meeting of the members of the company is scheduled to be held on 30th September, 2003 at 11.00 a.m. at Registered office at Village Merda Adraj, Taluka : Kadi, District : Mehsana, Gujarat 382 721. All the members are invited to attend the meeting.

The Members / Proxies who intend to attend the meeting are requested to bring the Attendance slip sent herewith duly filed in to the meeting.

Financial calendar

Financial year 2002-03 (April 1, 2002 to March 31, 2003)

Results were announced on

- 30th July 2002	- first quarter
- 29th October 2002	- half year
- 31st January 2003	- third quarter
- 27th June 2003	- fourth quarter and annual (audited)

Financial year 2003-04 (April 1, 2003 to March 31, 2004)

Results will be announced on

- Last week of July 2003	- first quarter
- Last week of October 2003	- half year
- Last week of January 2004	- third quarter
- Third week of June 2004	- fourth quarter and annual (audited)

Book closure dates : 23rd September, 2003 to 30th September, 2003 (both days inclusive)

Annual General Meeting : 30th September, 2003 at 11.00a.m.

Details of Shares Types of shares : Equity Shares

No. of paid up shares : 35,27,200

Market lot of shares : 1 share

Stock code : Name of Stock Exchange Code no.
 Ahmedabad Stock Exchange 23831/HESTERPHA
 Mumbai Stock Exchange 524669

Listing : The Company's shares are listed and traded on the Stock Exchanges at Ahmedabad, and Mumbai. The Company has paid listing fees to Mumbai Stock Exchange and Stock Exchange Ahmedabad for financial year 2003-2004.

Stock Data Monthly share price data on BSE for the financial year 2002-03 is as under.

Month	High Rs.	Low Rs.	Average Rs.	Volumes
April '02	—	—	—	—
May '02	2.65	2.65	2.65	100
June '02	—	—	—	—
July '02	—	—	—	—
August '02	2.65	2.65	2.65	1000
September '02	—	—	—	—
October '02	—	—	—	—
November '02	—	—	—	—
December '02	3.05	2.15	2.60	300
January '03	8.25	3.55	5.90	11218
February '03	6.50	4.25	5.38	1300
March '03	5.75	4.05	4.90	38600

Annual Report 2002-2003

Shares held in physical and dematerialised form : The Company's shares are compulsorily traded in dematerialized mode. As on 31st March 2003, 7.70 % shares were held in dematerialized form and balance 92.30 % shares were held in physical form. Those shareholders whose shares are held in physical form are requested to dematerialized the same at the earliest in their own interest. The demat security code (ISIN) for the equity shares is INE782E01017

Description	No. of members		No. of shares	
	Nos.	Percentage	Nos.	Percentage
Resident Individual (HUF / Public)	6571	98.34	1333900	37.82
Non Resident Individuals	6	0.09	286900	8.13
Mutual Fund, Nationalised Bank Etc.	4	0.06	12900	0.37
Promoters	52	0.78	249900	7.08
Promoters' Companies	5	0.07	181300	5.14
Domestic Companies	20	0.30	166200	4.71
Director & Relative	22	0.33	996100	28.24
Foreign Companies	2	0.03	300000	8.51
Total	6682	100.00	3527200	100

DETAILS OF UNPAID DIVIDEND

As the Company has not paid any dividend since last seven years, there is no unpaid/ unclaimed dividend amount.

OUTSTANDING GDRS/ADRS/WARRANTS/ANY OTHER CONVERTIBLE INSTRUMENTS

The Company does not have any outstanding instruments of the captioned type.

NOMINATION FACILITY

It is in the interest of the shareholders to appoint nominee for their investments in the Company. Those members who are holding shares in physical mode and has not appointed nominee or want to change the nomination, are requested to send us nomination form duly filed in and signed by all the joint holders.

APPOINTMENT OF REGISTRAR & TRANSFER AGENT

In terms of SEBI circular D&CC/FITTC/CIR-15/2002 dated December 27, 2002, the company has appointed M/s. Pinnacle Shares Registry Pvt. Ltd. of Ahmedabad (details as mentioned below) as our Share Transfer Agent (R&T Agent) effective from April 1, 2003 for physical as well as dematerialized shares.

CHANGE IN SHAREHOLDERS DETAILS

In case you are holding your shares in dematerialised form (e.g. in electronic mode), communication regarding change in address, bank account details, change in nomination, dematerialisation of your share certificates or other inquiries should be addressed to your DP where you have opened your Demat Account, quoting your client ID number. In case of physical holding of shares, any communication for change of any details should be addressed to our R&T agent of the company M/s. Pinnacle Shares Registry Pvt. Ltd., as per address mentioned below. Investors **Communication Share** Transfers / Dematerialisation or other queries relating to Shares of the Company should be addressed to :

M/s. Pinnacle Shares Registry Pvt. Ltd.
Unit : Hester Pharmaceuticals Limited
Near Asoka Mills, Naroda Road, Ahmedabad 380 025
Ph. 079 - 2204226 / 2200591, Fax : 079 - 220 2963
e-mail : gautam.shah@psrpl.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
Hester Pharmaceuticals Ltd.

We have examined the compliance of conditions of Corporate Governance by Hester Pharmaceuticals Limited for the year ended on 31st March, 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance as stipulated in the said clause. It is neither an audit nor 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 by the Directors and the Management, we certified that the Company has complied with the conditions of corporate governance as stipulated in clause 49 of the above mentioned Listing Agreement.

Based on the certificate received from the Share Transfer Agent and the minutes of the Share Transfer and Shareholders' grievance Committee, we state that no investor grievance is pending for a period exceeding one month.

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

For **SHAH NARIELWALA & CO.**
Chartered Accountants
Deval Shah
Partner

Place : Ahmedabad
Date : 29th June, 2003

AUDITORS' REPORT

To,
The Members,
HESTER PHARMACEUTICALS LIMITED

We have audited the attached Balance Sheet of **Hester Pharmaceuticals Ltd.** as at **31st March, 2003** and also the Profit and Loss Account and cash flow statement 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.

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 misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's 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.

Further to our comments in the Annexure referred to above, we report that :

- i. 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.
- ii. 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.
- iii. The Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Profit & 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.
- v. On the basis of written representations received from the directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and given a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Balance sheet, of the state of affairs of the company as at 31st March, 2003 and
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c. in the case of the Cash flow statement, of the cash flows for the year ended on that date.

for Shah Narielwala & Co
Chartered Accountants

Place : Ahmedabad
Date : 29.6.2003

D.R. Shah
Partner

Annexure to the Auditors' Report referred to in Paragraph-3 of our report of even date

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956 and in terms of the information and explanation given to us and also on the basis of such checks, as we considered appropriate, we further report that:

- i) In our opinion, the Company has maintained records showing particulars including quantitative details and situation of fixed assets. However, in our opinion, such records are incomplete and the fixed assets register is under compilation. As informed to us, physical verification of fixed assets has been done by the management at the end of the year, which in our opinion is reasonable and no material discrepancies have been noticed on such verification.
- ii) Fixed assets have not been revalued during the year.
- iii) Stock of finished goods and raw materials have been physically verified by the management during the year at reasonable intervals.

Annual Report 2002-2003

- iv) In our opinion, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
- v) No material discrepancy was noticed on physical verification of stocks as compared to book records.
- vi) In our opinion the valuation of the stock is fair and proper and is in accordance with the normally accepted accounting principles and the basis of valuation is the same as in the previous year.
- vii) Unsecured loans have been taken from the parties listed in the register maintained under section 301 of the Companies Act 1956. As explained to us, there are no agreed stipulations regarding the rate of interest and terms and conditions of such loans, but the same are not prima-facie prejudicial to the interest of the Company.
- viii) The Company has granted advance in the nature of loan to parties listed in register maintained under section 301 of the Companies Act, 1956. However, on the basis of information and explanations given to us, in our opinion, the terms of the said advances are not prima facie prejudicial to the interest of the company.
- ix) The company has given loans or advances in the nature of loans to staff members. In our opinion, and as informed to us, there is no specific stipulation as to the repayment of this loan but the same is not prima facie prejudicial to the interest of the Company.
- x) 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 nature of its business with regard to purchase of raw materials, plant & machineries, equipments and other assets and also for sale of goods.
- xi) In our opinion and according to the information and explanations given to us, the prices paid for purchase of raw materials in excess of Rs. 50,000/- in value for each type from firms or companies or other parties as listed in the register maintained under section 301 of the Companies Act, 1956 are reasonable and comparable to the prices of similar items supplied by other parties.
- xii) The Company has regular procedure for the determination of damaged/expired stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- xiii) The production process of the Company does not generate any scrap/by-product hence, the Company for sale of realizable scrap/by-product maintains no records.
- xiv) The Company has not accepted any deposits as envisaged under section 58-A of the Companies Act, 1956 and rules framed there under.
- xv) The Company does not have a formal internal audit system, in our opinion its internal control procedures involves reasonable internal checks commensurate with its size and nature of its business.
- xvi) We have broadly reviewed the books of accounts maintained by the company in respect of product where pursuant to the Rules made by the Central Government, the maintenance of Cost Records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. The same have been examined and audited by an independent cost accountant.
- xvii) As informed to us, the Company has not been generally regular in depositing the Provident Fund dues with the appropriate authority. Moreover, as informed to us, the E.S.I. Act is not applicable to the company.
- xviii) Amount of Rs. 1,75,770/- towards Income Tax (TDS) and Rs. 4,500/- towards Professional Tax were outstanding as at the last day of the financial year for a period of more than six months from the date they become payable. There was no undisputed amount of Wealth tax, Custom duty or Excise duty outstanding as at the last day of the financial year for a period of more than six months from the date they become payable.
- xix) According to information and explanation given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx) In our opinion, the company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xxi) As regards trading activity, in our opinion, according to the information and explanations given to us, the Company has a regular procedure for determination of damaged goods and adequate provision for the loss arising on the items so determined has been made in the accounts.

for Shah Narielwala & Co
Chartered Accountants

Place : Ahmedabad
Date : 29.6.2003

D.R. Shah
Partner

BALANCE SHEET AS AT 31ST MARCH, 2003

Particulars	Schedule	As at March 31, 2003		As at March 31, 2002	
		Rs.	Rs.	Rs.	Rs.
A. SOURCES OF FUNDS					
1 SHAREHOLDERS' FUNDS					
a) Share Capital	1	4,93,25,000		4,93,25,000	
b) Reserve & Surplus	2	65,32,418		65,32,418	
			5,58,57,418		5,58,57,418
2 LOAN FUNDS					
a) Secured Loans	3	2,17,58,767		2,44,09,254	
b) Unsecured Loans	4	16,08,702	2,33,67,470	16,08,702	2,60,17,956
TOTAL			7,92,24,888		8,18,75,374
B. APPLICATION OF FUNDS					
1 Fixed Assets	5				
a) Gross Block		5,43,53,084		5,35,15,468	
b) Less: Depreciation		1,45,30,890		1,22,82,068	
c) Net Block			3,98,22,194		4,12,33,400
d) Capital Work In Progress			74,499		26,250
3 Current Assets, Loans & Advances	6	4,28,35,663		3,57,27,784	
Less:-					
Current Liabilities & Provisions.	7	1,45,75,772		1,23,95,183	
Net Current Assets			2,82,59,891		2,33,32,601
4 Deferred Tax					
Assets		1,05,16,148		1,13,49,725	
Liabilities		(84,40,381)	20,75,767	(78,82,551)	34,67,174
5 Miscellaneous expenditure (to the extent not written off/adjusted)					
a. Preliminary Expenses			43,604		59,302
b. Deferred Revenue Expenditure			0		—
c. Public Issue Expenses			7,33,067		9,77,422
PROFIT & LOSS ACCOUNT			82,15,866		1,27,79,225
TOTAL			7,92,24,888		8,18,75,374
Notes on Accounts	15				

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 29th June, 2003

for and on behalf of the Board

Rajiv D. Gandhi Managing Director

Sanjiv D. Gandhi Executive Director

Darayus N. Lakdawalla Director

Ahmedabad, 29th June, 2003

Annual Report 2002-2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2003

Particulars	Schedule	31.03. 2003		31.03. 2002	
		Rs.	Rs.	Rs.	Rs.
A. INCOME					
Sales (Net)		4,41,28,489		3,84,59,121	
Other Income	8	5,08,184		2,56,744	
Change in Inventories	9	8,49,998		3,57,122	
TOTAL		4,54,86,671		3,90,72,987	
B. EXPENDITURE					
Trading Purchases		17,91,046		7,49,812	
Rawmaterial Consumed	10	82,20,248		82,12,236	
Manufacturing Expenses	11	57,29,991		46,65,477	
Personnel Cost	12	75,72,907		58,29,040	
Selling, General & Adm. Expenses	13	1,02,06,609		1,13,34,378	
TOTAL		3,35,20,801		3,07,90,943	
OPERATING PROFIT		1,19,65,870		82,82,043	
Interest & Finance Charges	14	27,37,088		15,31,410	
PROFIT BEFORE DEPRE. AND TAX		92,28,782		67,50,633	
Depreciation		25,34,857		24,88,835	
Less : Prior Period Expenses		12,512		0	
Add : Write Back of Term Loan Interest & Instalments		0		74,38,567	
PROFIT BEFORE TAX		66,81,413		1,17,00,365	
Less : Provision For Taxation					
Current Tax		6,00,000		3,60,000	
Deferred Tax		13,91,407		25,30,244	
Income Tax of earlier years		1,26,647		0	
		21,18,054		28,90,244	
PROFIT AFTER TAX		45,63,359		88,10,121	
BALANCE BROUGHT FORWARD		(1,27,79,225)		(2,15,89,346)	
PROFIT AVAILABLE FOR APPROPRIATION		(82,15,866)		(1,27,79,225)	
BALANCE CARRIED TO B/S		(82,15,866)		(1,27,79,225)	
Notes on Accounts	15				

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 29th June, 2003

for and on behalf of the Board

Rajiv D. Gandhi Managing Director

Sanjiv D. Gandhi Executive Director

Darayus N. Lakdawalla Director

Ahmedabad, 29th June, 2003

SCHEDULES 1 TO 15 FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2003

Particulars	31.03. 2003 Rs.	31.03 2002 Rs.
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Share Capital		
2,50,000 Preference Share of Rs.100/- each (Prev. Yr.2,50,000shares)	2,50,00,000	2,50,00,000
40,00,000 Equity Shares of Rs.10/- each (Prev. Yr.40,00,000 shares)	4,00,00,000	4,00,00,000
	<u>6,50,00,000</u>	<u>6,50,00,000</u>
Issued, Subscribed and Paid up Capital		
35,27,200 Equity Shares of Rs.10/- each fully Paid-up (Prev. Yr. 35,27,200 Shares)	3,52,72,000	3,52,72,000
Preference Share Capital 140530 Pre.Shares of Rs.100/- each. (Prev.Yr.140530 Shares)	1,40,53,000	1,40,53,000
TOTAL	<u>4,93,25,000</u>	<u>4,93,25,000</u>
SCHEDULE - 2 : RESERVES & SURPLUS		
General Reserve- Opening Balance	65,32,418	5,35,000
Add:Deferred Tax Assets as at Start of the Year	0	59,97,418
	<u>65,32,418</u>	<u>65,32,418</u>
TOTAL	<u>65,32,418</u>	<u>65,32,418</u>
SCHEDULE - 3 : SECURED LOANS		
BANK OF INDIA		
Term Loan 1(Secured by Hypo. of Specific Assets)	10,22,495	6,66,889
Cash credit- Secured by Hypo. of Stock , book debt and other current assets	1,00,00,726	88,58,291
Temporary Loan (Secured by Fixed Deposits of Directors)	22,95,694	18,75,000
G.I.I.C		
Term Loan -(Including Funded Interest) (Agst. security of Land & Bldg. and Plant & Machineries and other assets)	72,17,422	1,23,00,000
Interest accrued & due on GIIC loan	5,95,576	—
HP Loan from ICICI Finance Ltd. (secured by hypo. of Motor Cars)	6,26,854	7,09,074
TOTAL	<u>2,17,58,767</u>	<u>2,44,09,254</u>
SCHEDULE - 4 : UNSECURED LOANS		
From Directors	2,00,000	2,00,000
Intercompany deposits	14,08,702	14,08,702
TOTAL	<u>16,08,702</u>	<u>16,08,702</u>

Annual Report 2002-2003

SCHEDULE - 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as on 01.04.2002	Addition during the year	Deduction during the year	Balance as on 31.03.2003	Provided Upto 31.03.2002	Provided during the year	Adjustment during the year	Balance as on 31.03.2003	As on 31.03.2003	As on 31.03.2002
ASSETS										
Land & Site Development	1,660,844	0	0	1,660,844	0	0	0	0	1,660,844	1,660,844
Factory Building	12,082,457	0	0	12,082,457	2,151,338	403,554	0	2,554,892	9,527,565	9,931,119
Plant & Machineries										
- Imported	4,552,524	0	0	4,552,524	808,511	216,240	0	1,024,751	3,527,773	3,744,013
- Indigenous	23,910,824	817,456	0	24,728,280	5,923,026	1,145,388	0	7,068,414	17,659,866	17,987,798
Electrical Installation	2,942,946	0	0	2,942,946	736,853	139,790	0	876,643	2,066,303	2,206,093
Utilities	3,365,753	0	0	3,365,753	851,473	159,873	0	1,011,346	2,354,407	2,514,280
Furniture & Fixtures	575,093	26,093	0	601,186	255,427	37,576	0	293,003	308,182	319,665
Office Equipments	441,350	27,700	0	469,050	182,606	21,544	0	204,149	264,901	258,744
Vehicles	3,180,197	401,644	490,000	3,091,841	874,900	300,099	286,035	888,964	2,202,877	2,305,298
Computers	582,900	48,750	0	631,650	376,965	99,525	0	476,490	155,160	205,935
Dead Stock	81,970	0	0	81,970	58,608	5,189	0	63,797	18,173	23,362
Storage Equipment	86,902	0	0	86,902	35,269	4,128	0	39,397	47,505	51,633
Scooters	25,083	0	0	25,083	24,258	0	0	24,258	825	825
Dead Stock Canteen	26,625	5,973	0	32,598	2,835	1,951	0	4,786	27,812	23,790
Total	53,515,468	1,327,616	490,000	54,353,084	12,282,068	2,534,857	286,035	14,530,890	39,822,194	41,233,400
Previous Year's Figures	52,688,540	826,928	0	53,515,468	9,793,233	2,488,835	0	12,282,068	41,233,400	42,895,305

Particulars	31.03. 2003 Rs.	31.03 2002 Rs.
SCHEDULE - 6 : CURRENT ASSETS, LOANS & ADVANCES		
a) INVENTORIES		
- Raw materials (At cost)	5,44,440	6,66,849
- Work-in-process (At cost)	82,04,900	67,30,454
- Packing Materials (At cost)	2,68,690	2,89,928
- Trading Stock (At cost or Market value whichever is less)	6,96,908	1,21,368
- Finished Goods (At Cost or Market value whichever is less) (as taken valued & certified by the management)	25,71,119	37,71,107
TOTAL	1,22,86,057	1,15,79,706
b) SUNDRY DEBTORS (Unsecured, Considered Good)		
- Outstanding for more than six months	1,16,59,926	89,10,590
- Others	1,20,65,845	1,08,18,444
- Considered Doubtful	17,58,894	—
TOTAL	2,54,84,664	1,97,29,034
c) CASH & BANK BALANCE		
Cash on hand	46,420	18,052
Balance with Scheduled bank		
- Current Account	1,36,541	1,19,095
TOTAL	1,82,960	1,37,147
d) LOANS, ADVANCES & DEPOSITS (Unsecured, Considered Good)		
1 Advances recoverable in cash or kind or for value received	24,41,585	14,74,772
2 Deposits	12,88,032	12,93,720
3 Loan to others	11,44,798	15,05,839
4 Advance Payment of Income Tax	7,566	7,566
TOTAL	48,81,981	42,81,897
GRAND TOTAL (a+b+c+d)	4,28,35,663	3,57,27,784

Particulars	31.03. 2003 Rs.	31.03 2002 Rs.
SCHEDULE - 7 : CURRENT LIABILITIES & PROVISIONS		
a) CURRENT LIABILITIES		
Creditors for Goods	40,97,776	27,81,018
Creditors for Expenses	16,45,136	15,18,230
Other Liabilities	37,14,726	25,46,024
Creditors for Capital Exp.	19,12,454	39,83,128
Advances from Customers	26,05,680	12,06,783
	<u>1,39,75,772</u>	<u>1,20,35,183</u>
b) PROVISIONS		
Provision for Taxation	6,00,000	3,60,000
TOTAL	<u>1,45,75,772</u>	<u>1,23,95,183</u>
SCHEDULE - 8 : OTHER INCOME		
Interest on Bank deposits	8,551	19,694
Export freight / Insurance	4,78,500	—
Miscellaneous Income	21,133	2,37,050
	<u>5,08,184</u>	<u>2,56,744</u>
SCHEDULE - 9 : CHANGE IN INVENTORY		
Closing Stock		
- Trading stock	6,96,908	1,21,368
- Finished Goods	25,71,119	37,71,107
- Work-in-process	82,04,900	67,30,454
	<u>1,14,72,927</u>	<u>1,06,22,929</u>
Opening Stock		
- Trading stock	1,21,368	11,995
- Finished Goods	37,71,107	54,33,555
- Work-in-process	67,30,454	48,20,257
	<u>1,06,22,929</u>	<u>1,02,65,807</u>
	<u>8,49,998</u>	<u>3,57,122</u>
SCHEDULE - 10 : RAWMATERIAL CONSUMED		
Opening Stock	6,66,849	2,07,623
Add: Purchases	80,97,839	86,71,462
	<u>87,64,688</u>	<u>88,79,085</u>
Less: Closing stock	5,44,440	6,66,849
	<u>82,20,248</u>	<u>82,12,236</u>
SCHEDULE - 11 : MANUFACTURING EXPENSES		
Power & Fuel	21,29,117	19,54,593
Consumables & Stores	4,65,901	1,01,575
Packing Expenses	19,97,625	16,05,412
Quality control & Testing Exp.	1,77,785	1,89,113
Other production expenses	9,59,563	8,14,785
	<u>57,29,991</u>	<u>46,65,477</u>
SCHEDULE - 12 : PERSONNEL COST		
Directors' Remuneration	4,57,500	2,10,350
Contribution To Provident Fund	2,15,179	1,91,152
Salaries & Wages	66,35,561	52,34,912
Staff Welfare	2,64,667	1,92,626
	<u>75,72,907</u>	<u>58,29,040</u>

Annual Report 2002-2003

Particulars	31.03. 2003 Rs.	31.03 2002 Rs.
SCHEDULE - 13 : OFFICE, ADMINISTRATION & SELLING EXPENSES		
Postage, Telephone & Telegram Expense	12,53,892	12,41,952
Insurance Expenses	2,39,991	1,86,392
Legal, Professional & Consultancy	5,65,445	15,16,254
Auditors Remuneration	1,08,000	1,00,400
Printing & Stationery	3,02,748	2,24,316
Travelling & Conveyance Expenses	10,95,901	9,56,349
Directors' Travelling	20,25,054	16,50,031
Rent, Rates & Taxes	5,15,879	3,72,765
Vehicle & Petrol Expenses	6,16,730	5,70,227
Electric Charges	1,05,101	1,37,164
Selling Expenses	21,82,944	16,33,555
Royalty on sales	—	6,48,309
Sales Tax Exp.	3,10,971	2,34,919
Bad Debts written off / creditors written back	10,826	—
AGM, Board meeting & Share transfer Exp.	7,500	7,500
Loss on Sale of Fixed Asset	1,13,965	—
Donations	15,001	—
Miscellaneous Expenses	4,76,610	3,80,278
Staff Training Expenses	—	3,57,057
Preliminary exp. written off	2,60,053	2,60,053
Deferred revenue exp. written off	—	8,56,855
TOTAL	1,02,06,609	1,13,34,378

SCHEDULE - 14 : INTEREST & FINANCE CHARGES

GIIC Term Loan Interest	6,12,998	—
Bank Interest	18,70,548	11,10,680
Bank Commission & Charges	1,40,396	1,81,343
HP Finance Charges	1,13,146	2,39,388

SCHEDULE - 15 NOTES FORMING PART OF ACCOUNTS AS AT 31-03-2003

SIGNIFICANT ACCOUNTING POLICIES :

- The accounts are prepared under the historical cost convention and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India. The significant accounting policies followed by the Company are as follows:
 - Revenue and Expenditure Recognition:
Revenue and expenditure are recognized on accrual basis.
 - Fixed Assets :
All Fixed Assets are stated at Cost less Depreciation. The Company has provided depreciation on assets on Straight line Method, at the rates prescribed under Schedule XIV of the Companies Act 1956.
 - Inventories :
Raw Materials, packing materials and semi-finished goods are valued at cost and finished goods are valued at cost or market price whichever is lower. Cost of inventory is arrived at by using FIFO Method.
 - Contingent Liabilities :
All liabilities have been provided for in the accounts except liabilities of contingent nature, which have been disclosed at their estimated value in the attached notes to accounts.
 - Foreign Currency Transactions :
Expenditure/Income in foreign currencies are translated into Indian rupees at the rates prevailing on the date of occurrence of the transaction. Gains or losses on settlement of foreign currency transaction in the relevant accounting year are recognized in the Revenue account.
 - Deferred Revenue expenditure :
Preliminary Expenses are amortized over a period of 10 years and other Deferred Revenue expenditure over a period of 6 years.
- Figures are rounded off to nearest rupee and previous year's figures have been regrouped wherever necessary.
- Contingent Liabilities not provided for:- Rs. Nil (Previous year Nil)
- In the opinion of the Board of directors, loans and advances are of the value stated in the Balance Sheet, to be realized in the normal course of business and provision for all known liabilities have been made in the books of accounts which are adequate and not in excess of the amount reasonably required.

- b. The amount of loans and advances include Rs.6,71,696/- (P.Y. Rs.3,61,041/-) loans to companies, Firms and persons as listed in the register maintained under Section 301 of the Companies act, 1956. Maximum outstanding during the year was Rs. 6,72,296/- (P.Y. Rs.3,71,041/-).
5. The company has not made any provision for gratuity payable. As no actuarial valuation for such gratuity liability is done, it is not possible to quantify the amount of such non-provision.
6. Balance of Debtors, Creditors and loans and advances are subject to confirmation from them.
7. It is not possible to identify SSI undertakings from amongst Sundry Creditors. Hence details of dues to SSI undertakings are not given.
8. Deferred taxation :
- Balance of deferred tax asset as on 31/03/2002 was Rs. 34,67,174/-. The current year's net deferred tax asset comes to Rs. 20,75,767/- as computed below. Thus, the net deferred tax **credit** of Rs 13,91,407/- for the period has been recognized in the Profit and Loss Account.

The deferred tax assets and liabilities comprise of tax effect of following timing differences:

Deferred tax Assets

- Unabsorbed Losses	18,62,389	
- Unabsorbed Depreciation	86,53,759	
- Amount disallowed u/s 43B	—	1,05,16,148

Deferred tax liability

- Excess of Net block over Written Down value as per provisions of I.T. Act	(84,40,381)
	20,75,767

9. a) Related party transactions

Sr. No.	Name of the related Party	Nature of relationship with the Company	Nature of transactions with related party	Volume of transaction (Rs.)	Balance at the end of the year
1.	Biolink Healthcare Ltd.	Company in which Rajiv Gandhi and Sanjiv Gandhi are Directors.	Loan Taken	—	14,08,702 Cr.
2.	Main Biological Lab.	Company in which Mr. James Bigmore is a director.	Raw Material Purchase	14,17,291	72,608 Cr.
3.	Sinsui Inc.	Company in which Mr. Herry Shinkoi is a director.		Nil	6,46,809 Cr.
4.	Diagnostic India	Firm in which Director is partner	Advances Taken	16,565	
5.	Hester Info.Tech. Ltd	Associate Company	Repayment of Advances	16,565	Nil
6.	Hester Diagnostics Pvt. Ltd.	Associate Company	Advance Given	50,825	
			Repayment Taken	7,300	43,525 Dr.
			Sale of Goods	53,622	
			Loan Taken	9,50,073	
7.	Sinsui (India) P.Ltd.	Associate Company	Repayment of Loan Taken	9,67,947	71,496 Dr.
			Local Sales	2,86,524	
			Advances Given	1,54,231	
			Repayment of Advances	1,29,500	5,33,633 Dr.
8.	Hester Coatings Ltd.	Associate Company	Nil	—	94,538 Dr.
9.	Rajiv D, Gandhi	Director	Director's Remuneration	4,15,000	4,15,000 Cr.

Note : Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

b) Key Managerial Personnel :

Rajiv D. Gandhi
Sanjiv D. Gandhi
Darayus N. Lakdawala

10. Auditor' remuneration include:	31.3.2003	31.3.2002
a. Audit fees	60,000	50,000
b. Tax Audit and Taxation matters	31,750	15,000
c. Other Services	6,000	10,900

Annual Report 2002-2003

11. Additional Information as required under Para 3, 4C and 4D of part II Schedule VI of the Companies Act, 1956 are as under:

A. Licensed and Installed capacity of Poultry Vaccines : (in million doses)

Licensed	Installed	Actual Production
395	500	221.49
(395)	(500)	(241.06)

Note : Actual Production comprises of 53676 Bottles of killed vaccines and 203999 vials of live vaccines.

B. Quantity and Sales Value of each class of goods dealt with by the Company.

Class of Goods	U.O.M	31. 03.2003		31.03.2002	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
(i) Manufacturing :					
Killed Vaccines	Bottles	52,808	2,26,59,473	10,939	1,66,37,394
Live Vaccines	Vials	1,97,983	2,01,81,320	2,17,519	2,10,67,453
(ii) Trading :					
Kits	Nos.	46	11,22,696	21	5,57,105
Herbs and Herbal Products	Kgs.	—	—	1000	1,97,169
Livacox-Q-5000 Dose	Bottles	21	1,65,000	—	—

C. Value and Quantitative break-up in respect of opening and closing stock of each class of goods traded.
(Previous year's figures are given in brackets)

Class of Goods	U.O.M	Opening Stock		Closing Stock	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
(i) Manufacturing :					
Killed Vaccines	Bottles	931	10,82,040	2,193	10,06,556
Live Vaccines	Vials	46,815	25,30,222	41,915	14,89,640
		(72,743)	(53,84,076)	(47,746)	(36,12,262)
Diluents	Vials	49,053	1,58,845	24,825	74,923
		(14,862)	(49,479)	(49,053)	(1,58,845)
(ii) Trading					
Livacox-Q-5000 Dose	Bottles	—	—	169	6,26,483
		(—)	(—)	(—)	(—)
Kits	Nos.	6	1,21,368	3	70,425
		(1)	(11,995)	(6)	(1,21,368)

[Note : 3 Kits are used for own in house consumption.] (P. Y. 3 Kits)

D. Value and Quantitative break-up of purchase of goods traded in :

Class of Goods	U.O.M	31.03.2003		31.03.2002	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Kits	Nos.	60	11,26,174	29	6,34,812
Livacox-Q-5000 Dose	Bottles	190	6,44,872	—	—
Herbs and Herbal Products	Kgs.	—	—	1,000	1,15,000

E. (i) Raw material consumption :

Class of Goods	U.O.M	31.03.2003		31.03.2002	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Growth Media	Nos.	3,68,060	49,24,710	1,89,717	24,70,060
Other Chemicals			13,74,362		1,18,839
Antigen	Ltrs.	114	19,21,176	273.00	56,23,337

F. CIF value of Import of Goods Rs. 29,99,251/- (Previous Year Rs. 44,54,869/-)

G. Raw Material Consumption :

	31.03.2003		31.03.2002	
	Percentage	Value (Rs.)	Percentage	Value (Rs.)
a. Imported	76.63	62,99,072	68.47	56,23,337
b. Indigenous	23.37	19,21,176	31.53	25,88,899

12. Expenditure in Foreign Currency for

	31.03.2003	31.03.2002
	Value (Rs.)	Value (Rs.)
Capital item Purchase	—	1,56,808
Materials	29,99,251	43,58,179
Travelling	13,45,190	12,77,857
Royalty and Technical know how fees	—	13,74,161
Training Expenses	—	3,35,491

13. F.O.B. value of exports Rs. 23,44,650 (Previous Year Rs. NIL)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

		2	2	3	3	3
--	--	---	---	---	---	---

 State Code

					0	4
--	--	--	--	--	---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	3
---	---	---	---

Date Month Year

II. Capital Raised during the year (Rs. in thousands)

Public Issue

				N	I	L
--	--	--	--	---	---	---

 Rights Issue

				N	I	L
--	--	--	--	---	---	---

Bonus Issue

				N	I	L
--	--	--	--	---	---	---

 Private Placement

				N	I	L
--	--	--	--	---	---	---

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

Total Liabilities

		7	9	2	2	5
--	--	---	---	---	---	---

 Total Assets

		7	9	2	2	5
--	--	---	---	---	---	---

Sources of Funds

Paid-up Capital

		4	9	3	2	5
--	--	---	---	---	---	---

 Reserves & Surplus

			6	5	3	2
--	--	--	---	---	---	---

Secured Loans

		2	1	7	5	9
--	--	---	---	---	---	---

 Unsecured Loans

			1	6	0	9
--	--	--	---	---	---	---

Application of Funds

Net Fixed Assets

		3	9	8	9	7
--	--	---	---	---	---	---

 Profit & Loss Account

			8	2	1	6
--	--	--	---	---	---	---

Net Current Assets

		2	8	2	6	0
--	--	---	---	---	---	---

 Misc. Expenditure

				7	7	6
--	--	--	--	---	---	---

Deferred tax

			2	0	7	6
--	--	--	---	---	---	---

IV. Performance of Company (Rs. in thousands)

<p>Total Turnover</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td>4</td><td>4</td><td>1</td><td>2</td><td>8</td></tr></table> <p>Profit before Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>6</td><td>6</td><td>8</td><td>1</td></tr></table> <p>Earning per share in Rs.</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>1</td><td>.</td><td>2</td><td>9</td></tr></table>			4	4	1	2	8				6	6	8	1				1	.	2	9	<p>Other Income</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>5</td><td>0</td><td>8</td></tr></table>					5	0	8	<p>Total Expenditure</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td>3</td><td>8</td><td>8</td><td>4</td><td>0</td></tr></table> <p>Profit after tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>4</td><td>5</td><td>6</td><td>3</td></tr></table> <p>Dividend Rate</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			3	8	8	4	0				4	5	6	3					N	I	L
		4	4	1	2	8																																													
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				5	0	8																																													
		3	8	8	4	0																																													
			4	5	6	3																																													
				N	I	L																																													

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

Product Description : Item Code No. (ITC Code)

(a) Veterinary Vaccines

3	0	0	2	3	9	0	0
---	---	---	---	---	---	---	---

14. Schedule 1 to 15 are attached to and form part of accounts for the year ended on 31st March, 2003.

Signatures to Schedules 1 to 15

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 29th June, 2003

for and on behalf of the Board

Rajiv D. Gandhi Managing Director

Sanjiv D. Gandhi Executive Director

Darayus N. Lakdawalla Director

Ahmedabad, 29th June, 2003

Annual Report 2002-2003

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003

	Amount Rs.	31/03/2003 Amount Rs.	Amount Rs.	31/03/2002 Amount Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit / (Loss) before tax & extraordinary items		94,31,013		57,93,208
Adjustments for :				
Loss on sale of assets	1,13,965		—	
Depreciation	25,34,857		24,88,835	
Effects of exchange rate change	14,479		53,516	
Interest & Other Income	(9,86,684)		—	
Prior period items	(1,39,159)			
Preliminary & Preoperative expenses	2,60,053		11,16,910	
		17,97,511		36,59,259
Operating Profit / (Loss) before working capital charges		1,12,28,524		94,52,467
Adjustments for :				
Trade and Other Receivables	(57,55,630)		(49,35,629)	
Inventories	(7,06,351)		(8,49,158)	
Trade payable	15,80,589		(36,96,841)	
Loans and Advances	(6,00,084)		(2,75,599)	
Bank borrowings for working capital	15,63,129		32,72,600	
		(39,18,347)		(64,84,627)
Cash Generated from operating Activity		73,10,177		29,67,840
Interest paid		(27,37,088)		(15,31,410)
NET CASH FROM OPERATING ACTIVITIES		45,73,090		14,36,430
B. CASH FLOW FROM INVESTMENT ACTIVITIES :				
Purchase of Fixed Assets		(13,75,865)		(8,53,178)
Sale of Fixed Assets		90,000		—
Interest & Other income		9,86,684		2,56,744
NET CASH USED IN INVESTING ACTIVITIES		(2,99,181)		(5,96,434)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long term borrowings		3,55,606		24,73,954
Repayment of Long Term Financing		(45,69,222)		(38,22,089)
Other loans		—		—
Issue of Preference Share Capital		—		—
Effects of exchange rate charge		(14,479)		(53,516)
NET CASH FLOW FROM FINANCING ACTIVITY		(42,28,095)		(14,01,651)
NET INCREASE IN CASH & CASH EQUIVALENTS		45,813		(5,61,655)
Cash & Cash equivalents as at (Opening Balance)		1,37,147		9,55,546
Cash & Cash equivalents as at (Closing Balance)		1,82,960		1,37,147

AUDITORS' CERTIFICATE

We have examined the attached cash flow statement of **Hester Pharmaceuticals Ltd.** for the year ended **March 31, 2003**. The statement has been prepared by the Company in accordance with the requirements of listing agreement clause 32 with stock exchange and is based on and is in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company for the year ended March 31, 2003, covered by our report dated 29th June, 2003.

for **Shah Narielwala & Co**
Chartered Accountants

Place : Ahmedabad.
Date : 29.6.2003

D. R. Shah
Partner

Hester Pharmaceuticals Limited

Registered Office : Village : Merda Adraj, Taluka : Kadi, Dist. Mehsana, Gujarat - 382721.

ATTENDANCE SLIP

Members or their proxies are requested to present this for admission, duly signed in accordance with their specimen signatures registered with the Company. The admission will, however, be subject to verification of signatures and such other checks, as may be necessary.

NAME & ADDRESS OF THE SHAREHOLDER	Ledger Folio No.	No. of Shares held

I hereby record my presence at the 16th ANNUAL GENERAL MEETING of the Company held on Tuesday, the 30th September, 2003 at 11.00 a.m.

SIGNATURE OF THE SHAREHOLDER OR PROXY

TEAR HERE

Hester Pharmaceuticals Limited

Registered Office : Village : Merda Adraj, Taluka : Kadi, Dist. Mehsana, Gujarat - 382721.

PROXY FORM

L. F. No. _____

I, We _____

of _____ being a member/members of **Hester Pharmaceuticals Limited**

hereby appoint _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the 16th Annual General Meeting of the Company to be held at 11.00 a.m.

on Tuesday the 30th September, 2003.

As witness my/our hand(s) this _____ day of _____ 2003.

Affix a
Re 1
Revenue
Stamp

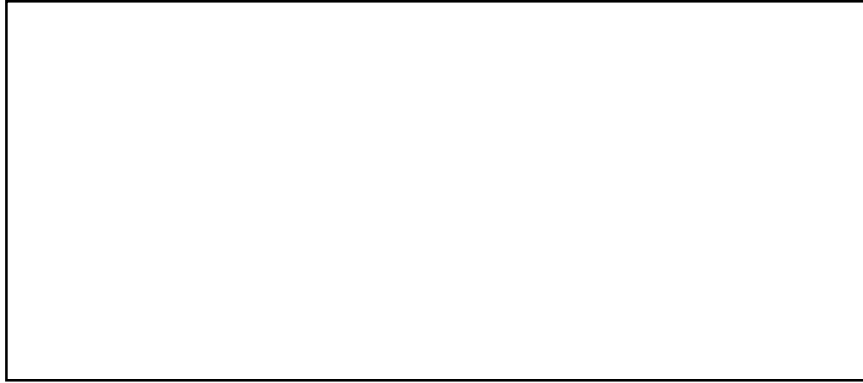
Signature(s) of the Shareholder(s)

NOTE : The proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid Meeting.



BOOK-POST

TO



If undelivered, Please return to :
Hester Pharmaceuticals Limited
Corporate Office :
16/10, Devendra Society,
Naranpura,
Ahmedabad - 380 013.