

Subsidiary Companies

Statement Pursuant to Section 212 of the Companies Act, 1956,
relating to subsidiary companies

Name of Subsidiary Company	Caryl Laboratories Limited	Global Remedies Limited	Pentagon Exim Limited, U.A.E.
1. The financial year of the Subsidiary Companies ended on	March 31, 2001	March 31, 2001	December 31, 2000
2. Date from which they became subsidiary companies	September 2, 1999	April 1, 1999	September 26, 1999
3. a. Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at financial year of the subsidiary companies.	499,300 Equity Shares of the face value of Rs.10/- each fully paid-up	829,876 Equity Shares of the face value of Rs.10/- each fully paid-up	200,000 Equity Shares of the face value of US\$ 1 each fully paid-up
b. Extent of interest of holding company at the end of the financial year of the subsidiary companies.	99.86%	100%	100%
4. The net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding Company.			
a. Not dealt with in the holding Company's accounts.			
i) For the financial year ended March 31, 2001.	(Rs.2,282,139)	Rs.711,385	(US\$ 772)
ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries.	Rs. 324,151	Rs. 449,029	Rs. Nil
b. Dealt with in holding company's accounts:			
i) For the financial year ended March 31, 2000.	Rs. Nil	Rs. Nil	Rs. Nil
ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries.	Rs. Nil	Rs. Nil	Rs. Nil

For and on behalf of the Board

Arun Kumar - Chairman & Managing Director
R. Ramachandran - Executive Director
P.P. Deshmane - Company Secretary

Bangalore
June 27, 2001

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Second Annual Report together with the Audited Accounts of the Company for the Year ended 31st March 2001.

1. Financial Performance

Item	(Rs. in Lacs)	
	Year ended 31.03.2001 Rupees	Year ended 31.03.2000 Rupees
Sales	224.13	773.78
Profit before Taxation	(22.82)	3.74
Profit after Taxation	(22.82)	3.24
Profit/[Loss] Carried to Balance Sheet	(19.08)	3.24

2. Business:

During the fiscal year ended 31st March 2001, your Company continued its arrangement with Strides Arcolab Ltd.,

3. Directors

In terms of the Articles of Association of the Company, Mr. G.P.Pillai retire at the Annual General Meeting and being eligible, offer themselves for reappointment.

Mr.K.R.Ravishankar, resigned as the Director from the Board of Director. Your directors, place on record the good service, guidance provided by Mr.K.R.Ravishankar, during his tenure as the Director

Mr. N.D.Poonja has been appointed as Director in the place of Mr.K.R.Ravishankar, who retires by rotation being eligible, offer themselves for reappointment.

4. Auditors

The Auditors, M/s.P.Chandrasekar, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Members are requested to reappoint them.

5. Personnel

Industrial Relations in the Company were cordial throughout the year under review. The Board of Directors wishes to place on record their sincere appreciation for the continued support and good work of all the employees.

The Company has no employees during the year wherein the details are required to be disclosed under section 217 (2A) read with the Companies (Particulars of Employee) Rules 1975.

There are no employees who are paid remuneration in excess of Rs. 50,000/- per month or Rs. 6,00,000/- per annum.

6 Director's Responsibility Statement

In terms of Section 217(2AA) of the Companies Act 1956, your Director have-

- Followed in the preparations of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures.
- Selected such accounting policies and applied them consistently and made adjustments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the financial year and of the profit of your company for that period
- Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities; and
- Prepared the Annual Accounts on a growing concern basis

7. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/outgo

In pursuance of the provisions of Section 217 (I) (e) of the Companies ACT 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the applicable particulars relating to the Conservation of Energy is annexed.

For and on behalf of the Board of Directors

G.P. Pillai
Director

Place : Bangalore
Date : June 20, 2001.

Auditors' Report

To the Members,

We have audited the attached Balance Sheet of CARYL LABORATORIES LIMITED, as at 31st March 2001 and Profit and Loss Account for the year ended on that date. Annexed there to and report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, the Company has kept proper Books of Account as required by Law so far, as appears from our examination of those books.
- The Balance Sheet and Profit and Loss Account dealt with by our Report are in agreement with the Books of Account.
- In our opinion, the Profit and Loss Account and the Balance Sheet dealt with by this report comply with the Accounting Standards refer to in Sub-Sec (3C) of Sec. 211 of the Companies Act of 1956 to the extent such standards have been made applicable by the Institute of Chartered Accountants of India
- On the basis of written representations received from the Directors as on 31st March' 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31.03.2001 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act 1956.
- In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet read with the Schedules and notes thereon, give the information required by the Companies Act' 1956 and gives a true and fair view.
 - In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2001 and
 - In the case of the Profit and Loss Account of the Loss of the Company for the year ended on that date

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate, we further report that:

- The Company is generally maintaining proper records to show full particulars including quantitative details and situation of fixed assets. The Management during the period has physically verified the fixed assets at reasonable intervals and no material discrepancies were noticed on such verification.
- The Fixed Assets of the Company have not been revalued during the Period.
- The Management at the year-end in respect of stores has conducted physical verification of Consumables & Spares, Raw & Packing materials and no major discrepancies were noticed during the course of such verification.
- In our opinion the procedures of Physical Verification of the aforesaid stocks followed by Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- Minor discrepancies noticed on Physical Verification of stocks as compared to book records have been properly dealt with in the books of account.
- In our opinion the valuation of stocks is fair and in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
- The terms, conditions and rate of interest on loans taken from companies, firms or other parties listed in the register maintained under Section 301 of the Act or from Companies under the same management as defined under sub-section (1-B) of Section 370 of the Act are not prima facie prejudicial to the interest of the Company.

- The Company has not granted any loan as listed in the register maintained under Section 301 (I-C) of the Act or to Companies under the same management as defined under sub-section (1B) of Section 370 of the Act.
- Further to as mentioned in (8) above, interest free loans have been given to employees of the Company who are repaying the principal amounts as stipulated.
- In our opinion there is an adequate internal control procedure commensurate with the size of the Company and the nature of business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- In our opinion and according to the information and explanations given to us the transactions of the purchase of goods, materials and services and sale of goods & materials and arrangements entered in the register maintained under section 301 of the Companies Act 1956 and aggregating to Rs.50, 000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- The Company has procedures for determination of unserviceable or damaged stores and raw materials. Necessary adjustments for the losses as and when determined are made in the accounts.
- The Company has not accepted any deposit as per the provisions of Section 58A of the Companies Act 1956.
- The Company has no by-products and reported no production and as such no records have been maintained.
- The Company has appointed a firm of Chartered Accountants to carry out the internal audit, which is commensurate with the nature and size of the Company.
- The Maintenance of cost records have not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for the products manufactured by the Company.
- The Company is generally regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March 2001 for period of more than six months from the date they became payable.
- According to the information and explanations given to us and the records of the Company examined by us, in our opinion, no personal expenses of employees or Directors have been charged to Revenue Account other than those payable under contractual obligation or in accordance with generally accepted business practice.
- As explained to us, the Company is not a sick industrial Company within the meaning of Clause (i) of subsection No.(1) of Section 3 of The Sick Industrial Companies (Special Provision) Act 1985.

For M/S. P.CHANDRASEKAR
Chartered Accountants

P.Chandrasekaran
Partner

Place : Bangalore
Date : June 20, 2001

Balance Sheet

as at March 31, 2001

Profit & Loss Account

for the year ended March 31, 2001

Schedules

to the Balance Sheet and Profit & Loss account

(in Rupees)

Schedule	March 31, 2001	March 31, 2000
Share holders' funds		
Share capital A	5,000,000	5,000,000
Reserves and surplus B	44,027,613	46,259,752
	49,027,613	51,259,752
Loan Funds		
Secured loan C	-	9,824,492
Unsecured loan D	63,954,831	15,000,000
	63,954,831	24,824,491
Total liabilities	112,982,444	76,084,243
APPLICATION OF FUNDS		
Fixed assets		
Gross Block E	41,355,571	83,663,433
Less : Depreciation	6,869,088	4,539,537
Net Block	34,486,483	79,123,896
Capital Work In Progress	44,946,502	-
	79,432,985	79,123,896
Current Assets, Loans & Advances		
Inventories F	19,200,321	22,891,838
Sundry Debtors G	14,395,808	6,311,808
Cash & Bank Balances H	186,231	3,881,678
Loans & Advances I	5,606,299	4,121,896
	39,388,659	37,207,220
Current Liabilities & Provisions		
Current Liabilities J	20,197,179	40,240,461
Provisions	-	50,000
	20,197,179	40,290,461
Net Current Assets	19,191,481	(3,083,240)
Miscellaneous expenditure (To the extent not written off or adjusted) K		
	14,357,978	43,587
Profit and loss account		
	-	-
Total assets	112,982,444	76,084,243

Significant accounting policies & notes on accounts **Q**

As per our report of even date

for M/s.P.Chandrasekar Chartered Accountants for CARYL LABORATORIES LTD

P.Chandrasekaran Partner

G.P. Pillai Director

Place : Bangalore Date : June21, 2001

N.D. Poonja Director

(in Rupees)

Schedule	March 31, 2001	March 31, 2000
Sales	14,661,970	77,378,532
Other Income L	7,750,854	162,795
Total income	22,412,824	77,541,327
Expenditure		
Material Consumed M	4,581,656	38,361,140
Purchase for resale	-	2,418,261
Employee cost N	8,248,564	11,030,826
Operating, admin & selling expense O	7,513,468	15,053,232
Total expenditure	20,343,688	66,863,459
Operating profit (PBIDT)	2,069,136	10,677,868
Finance cost P	2,017,366	5,759,337
Depreciation	2,329,550	4,539,537
Amortisation of miscellaneous expenses	4,359	4,843
Profit/(Loss) before tax	(2,282,139)	374,151
Provision for tax	-	50,000
Profit after tax	(2,282,139)	324,151
Balance brought forward	324,152	-
Earlier years exps w/back	50,000	-
Balance Profit/ (Loss) carried to balance sheet	(1,907,987)	324,151
Significant accounting policies & notes on accounts Q		
As per our report of even date		

for M/s.P.Chandrasekar Chartered Accountants for CARYL LABORATORIES LTD

P.Chandrasekaran Partner

G.P. Pillai Director

Place : Bangalore Date : June21, 2001

N.D. Poonja Director

(in Rupees)

Schedule	March 31, 2001	March 31, 2000
A Share Capital :		
Authorised capital: 5,00,000 Equity shares of Rs.10/- each	5,000,000	5,000,000
Issued, Subscribed and paid up capital :		
5,00,000 Equity shares of Rs.10/- each fully paid up. (all shares are held by Strides Arcolab Ltd, the holding company)	5,000,000	5,000,000
B Reserves and Surplus :		
Share premium	45,935,600	45,935,600
Profit & Loss Account	(1,907,987)	324,152
	44,027,613	46,259,752
C Secured loan:		
Short term from bank	-	9,824,492
Towards Open cash credit	-	9,824,492
	-	9,824,492
D Unsecured loans :		
Others	20,605,497	15,000,000
Strides ArcoLab Ltd	43,349,334	-
	63,954,831	15,000,000
F Inventories : (At cost, as valued and certified by the management)		
Raw materials and packing materials	11,369,543	14,352,167
Work in progress	-	6,174,776
Finished goods	7,830,778	2,364,895
	19,200,321	22,891,838

E

FIXED ASSETS

PARTICULARS	NET BLOCK		DEPRECIATION		GROSS BLOCK	
	AS AT 31.03.2001	AS AT 31.03.2000	For the Year	Depn. written back	AS AT 31.03.2001	AS AT 31.03.2000
Building	9,306,694	8,789,024	312,009	-	9,842,741	224,038
Plant and machinery	18,930,410	64,008,098	3,218,419	1,868,717	23,911,276	3,631,164
Furniture and fixtures	2,995,307	2,588,861	187,114	-	3,507,602	325,181
Computer	1,523,227	1,805,749	334,907	-	2,092,250	234,116
Office equipment	554,277	582,992	28,715	-	604,528	21,536
Vehicles	1,176,568	1,349,172	138,004	20,900	1,397,174	103,502
TOTAL	34,486,483	79,123,896	4,219,168	1,889,617	41,355,571	4,539,537
Capital Work In Progress	44,946,502					

(in Rupees)

(in Rupees)

G**Sundry Debtors:
(Unsecured considered good)**

	March 31, 2001	March 31, 2000
More than six months	113,027	256,019
Others	14,282,781	6,055,789
	14,395,808	6,311,808

H**Cash & Bank Balances:**

	March 31, 2001	March 31, 2000
Cash on hand	19,416	69,663
Balance with scheduled banks:		
Margin money	-	2,044,041
Others	166,815	1,767,974
	186,231	3,881,678

I**Loan and advances :
(Unsecured considered good)**

	March 31, 2001	March 31, 2000
Advances recoverable in cash or in kind for value to be received	2,935,360	1,821,325
Prepaid expenses	67,632	58,514
Tax deducted at source	570,832	328,046
Deposits with government departments and others	1,390,766	1,493,228
Other current assets & advances	641,709	420,784
	5,606,299	4,121,896

J**Current Liabilities & Provisions:**

	March 31, 2001	March 31, 2000
Sundry creditors	12,945,893	35,431,921
Other liabilities	7,251,286	4,808,539
	20,197,179	40,240,460
Provisions:		
For Corporate tax	-	50,000
	20,197,179	40,290,461

K**Miscellaneous expenditure
to the extent not written off:**

	March 31, 2001	March 31, 2000
Preliminary expenditure	43,587	48,430

Less : 1/10th written off

	March 31, 2001	March 31, 2000
Balance	39,228	43,587
Development Expenses	14,318,750	-
	14,357,978	43,587

L**Other income:**

	March 31, 2001	March 31, 2000
Interest received –		
(TDS deducted Rs. 11073)	128,296	157,063
Divident recieved	750	5,732
Sundry creditors written back	121,808	-
Commission	7,500,000	-
	7,750,854	162,795

M**Materials consumed**

	March 31, 2001	March 31, 2000
Opening stock	14,352,167	12,899,978
Less : Stock transferred	(3,266,706)	-
Add : Purchases	4,156,845	37,997,074
Less : Closing stock	11,369,543	14,352,167
	3,872,763	36,544,885

Accretion / (depletion) of stock

	March 31, 2001	March 31, 2000
Opening stock:		
Finished goods	2,364,895	5,696,087
Work in progress	6,174,776	3,829,858
Goods in transit	-	829,982
	8,539,671	10,355,927

Closing stock:

	March 31, 2001	March 31, 2000
Finished goods	7,830,778	2,364,895
Work in progress	-	6,174,776
	7,830,778	8,539,671

Net depletion in stock

	March 31, 2001	March 31, 2000
	708,893	1,816,256

Total Consumed

	March 31, 2001	March 31, 2000
	4,581,656	38,361,140

N**Employee emoluments**

	March 31, 2001	March 31, 2000
Salaries, wages & allowances	6,285,663	9,637,918
Contributions to provident fund & ESI	903,726	700,570
Staff welfare expenses	1,059,175	692,338
	8,248,564	11,030,826

O**Operating, Admin & Selling expenses:**

	March 31, 2001	March 31, 2000
Conversion charges	67,400	1,537,433
Power, water and fuel charges	1,187,750	2,282,548
Consumables & processing charges	396,421	792,784
Freight, insurance and forwarding	18,609	71,633
Rent	1,050,000	868,500
Rates and taxes	178,213	132,301
Communication cost	347,711	250,264
Repairs and maintenance	784,099	1,519,455
Insurance	96,696	59,076
Travelling & Conveyance	474,203	802,901
Excise duty	675,337	4,340,400
Advertisement & business development expenses	145,494	155,637
Auditors remuneration	49,875	36,750
Other expenditure (individual items do not exceed 1% of total revenue)	2,041,660	2,203,550
	7,513,468	15,053,232

P**Financial charges :**

	March 31, 2001	March 31, 2000
Interest on loans	1,093,436	1,306,642
Other interest and bank charges	923,930	4,452,695
	2,017,366	5,759,337

Q**1. Significant Accounting Policies And Notes On Accounts****1.1 Basis for preparation of financial statements**

The financial statements have been prepared under the historical cost convention in accordance with the applicable accounting principles in India, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, as adopted consistently by the company, with revenues recognized and expenses accounted on their accrual, including provisions / adjustments for committed obligations and amounts determined as payable or receivable during the year. All the mandatory Accounting Standards prescribed under the Companies Act, 1956, and the Income Tax Act, 1961 to the extent applicable have been duly complied with in preparation of the Accounts.

1.2 Revenue Recognition

Sales are recognized when the goods are supplied and are inclusive of taxes and duties. Conversion charges are accounted on accrual basis.

1.3 Expenditure

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

1.4. Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and interest on borrowed money allocated to and utilised for the fixed assets upto the date of capitalisation and other revenue expenditure on ongoing projects. Duties paid on fixed assets to the extent eligible for modvat credit are disclosed under current assets and utilised. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

1.5 Depreciation

Depreciation is provided on straight line method at the rate and the manner prescribed under Schedule-XIV of the Companies Act 1956. Depreciation is charged on pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full, in the year of purchase.

1.6 Expenses During Construction Period

Expenses during construction period are capitalized by allocating to fixed Assets upon commencement of Commercial Production.

1.7 Inventories

Raw Materials and packing materials are valued at cost determined on first-in-first out (FIFO) basis. Finished goods and semi-finished goods are valued at lower of cost or net realizable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Cost includes the aggregate of all expenditure paid or incurred in bringing the inventories to the present condition and situation.

(in Rupees)

(in Rupees)

March 31,
2001March 31,
2000March 31,
2001March 31,
2000

(in Rupees)

March 31,
2001March 31,
2000

(in Rupees)

March 31,
2001March 31,
2000

To comply with the provisions of the mandatory accounting standards and procedures under various enactments, duties and taxes paid or incurred have been considered as forming part of the cost

1.8 Retirement Benefits To Employees

The company's liability towards retirement benefits in the form of provident fund and other retirement benefits are provided on accrual basis. Necessary provision is made towards leave encashment for the value of unutilized leave due to the employees at the end of the year. The company has provided for the gratuity benefits by way of contribution to the group gratuity scheme with Life Insurance Corporation of India

1.9. Sundry Debtors And Other Receivable

Sundry Debtors and other receivables are stated after making adequate provisions for doubtful debts.

1.10. Contingent Liabilities

Contingent liabilities are shown by way of notes to the financial statements

1.11. Deferred Revenue Expenditure

Expenses incurred for new products and projects are treated as Deferred and Written/off over a period of 4 years

2. Notes on accounts

2.1. All the Balances in Sundry Creditors, Sundry Debtors and Loans & Advances are in the opinion of the management good payable and realizable.

3. Particulars of Licensed Capacity, Installed Capacity and Actual Production Basis.

Class Of Goods	Unit	Licenced Capacity	Installed Capacity	Actual Production
Tablet	Lakhs	N.A	6,200.00	1,241.00
Liquid	Kilo Liters	N.A	*	*

* Figures stated above includes only the capacity installed at the unit and excludes loan licensee capacity

4. Consumption of Raw Materials and Packing Materials

Particulars	Unit	Quantity	Value – Rs. In Lakhs
Rifamicin	Kgs	1000.00	41.00
Other Raw-materials Actives & excipients and Packing Materials			4.82
Total			45.82

5. Foreign Currency Outflow			
1. CIF Value of Imports	NIL	NIL	
2. Expenditure In foreign Currency	NIL	NIL	
3. Value of Imported Raw Materials	NIL	NIL	
4. Stores & Spares consumed during the year	NIL	NIL	
6. Earnings in foreign currency	NIL	NIL	
7. Auditors Remuneration			
Audit Fees	25,000.00	20,000.00	
For Taxation	10,000.00	10,000.00	
For other services	14,875.00	6,750.00	
8. Previous years figures have been rearranged/regrouped wherever necessary.			
9. Balance Sheet Abstract And Company's General Business Profile			

Registration Details

Registration No.	25152
State Code	80
Balance Sheet Date	31.03.2001
	(Amount in Rs. Thousand)

Capital Raised During The Year including share premium

Right Issue	NIL
Private Placement	NIL

Position of Mobilisation and Deployment of Funds

Total Liabilities	112982
Total Assets	112982

Sources of Funds

Paid - up Capital	5000
Reserves & Surplus	44027
Unsecured Loans	63955

Application of Funds

Net Fixed Assets	79433
Net Current Assets	19191
Misc.Expenditure	1 4358
Accumulated Losses	-

Performance of the Company

Total Income	22413
Total Expenditure	24695
Profit / Loss Before Tax	(2282)
Profit / Loss After Tax	(2282)
Earning per share in Rs.	NIL
Dividend Rate %	NIL

Generic Names of Three Principal Products/Services of the Company (As per Monetary Terms)

Item Code No.	Not Applicable	
Product Description	Pharmaceutical Formulations	
Place : Bangalore	G.P.Pillai	N.D.Poonja
Date : June 20, 2001	Director	Director

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts of the Company for the Year ended 31st March 2001.

1. Financial Performance

Item	(Rs. in Lacs)	
	Year ended 31.03.2001	Year ended 31.03.2000
Profit Before Interest		
And Depreciation	87.74	59.59
Interest	[51.92]	[36.59]
Depreciation	[28.71]	[18.51]
Profit/[Loss] for the Year	7.11	4.49

2. Operations

During the fiscal year ended 31st March 2001, your Company continued its arrangement with SmithKline Beecham Pharmaceuticals (India) Limited as Third Party Manufacturer. Sales of our pioneer Calcium Products CALCINOVA tablets and syrup continue to progress satisfactorily.

Your Directors are pleased to state that the Loan Licence arrangements with Glaxo, Burroughs Wellcome, E-Merck (India) Ltd and the Strides Group are progressing well. The products produced by your Company are of very good quality and are well received by the customers. During the current fiscal year, the Company is trying to establish new market for utilising the capacity to the maximum. Presently, the management is discussing various options for doing the needful to achieve good profitability during the year.

Your company has taken Term Loan from Global Trust Bank, M.G.Road Branch, M.G. Road towards the expansion

Directors

In terms of the Articles of Association of the Company, Mr. N.D.Poonja and Mr. Pravin Iyer retire at the Annual General Meeting and being eligible, offer themselves for reappointment.

4. Auditors

The Auditors, M/s.P.Chandrasekar, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Members are requested to reappoint them.

5. Personnel

Industrial Relations in the Company were cordial throughout the year under review. The Board of Directors wishes to place on record their sincere appreciation for the continued support and good work of all the employees.

The Company has no employees during the year wherein the details are required to be disclosed under section 217 (2A) read with the Companies (Particulars of Employee) Rules 1975.

6. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/outgo

In pursuance of the provisions of Section 217 (I) (e) of the Companies ACT 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the applicable particulars relating to the Conservation of Energy is annexed.

7. Acknowledgement

The Directors wish to place on record their thanks to the Company's Business Associates, Financial Institutions, Bankers, Government Departments, and Shareholders for their active co-operation during the year under review.

For and on behalf of the
Board of Directors

Place : Bangalore
Date : June 20, 2001.

Irfan Vazirally
Managing Director

Annexure To The Director's Report

Annexure-I Form A (See Rule 2)

Form for disclosure of Particulars with respect of Conservation of Energy :

A . Power and Fuel Consumption :

1. A. ELECTRICITY	Current Year	Previous Year
a. Purchased Units	949,052	767,304
b. Total Amount	3,327,227	2,544,650

B. OWN GENERATION

i) Through diesel generator Units	19,870	28,592
Units per ltr of diesel Oil cost/unit	Rs. 5.29	Rs.5.07
ii) Total Cost of Power Generation	Rs. 105,112	Rs.145,120
iii) Through Stream Turbine/Generator Units		Not Applicable
Units per ltr of Fuel Oil/Gas/Cost/Unit		

2. COAL

Quantity (Tons)	Not Applicable
Total Cost	Not Applicable
Average Rate	Not Applicable

3. FURNACE OIL

Quantity (K.Ltrs)	Not Applicable
Total Cost	Not Applicable
Average Rate	Not Applicable

4. OTHER / INTERNAL GENERATION

Quantity	Not Applicable
Total Cost	Not Applicable
Rate / Unit	Not Applicable

Consumption Per Unit of Production

Sl.No	Product	Unit Of Prodn.	Consumption
1	Tablets	8223 Lakhs	79.00 Units Per Lakh

Auditors Report

To the Members,

We have audited the attached Balance Sheet of GLOBAL REMEDIES LIMITED, HOSUR as at 31st March 2001 and profit and Loss Account for the year ended on that date. Annexed there to and report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, the Company has kept proper Books of Account as required by Law so far, as appears from our examination of those books.
- The Balance Sheet and Profit and Loss Account dealt with by our Report are in agreement with the Books of Account.
- In our opinion, the Profit and Loss Account and the Balance Sheet dealt with by this report comply with the Accounting Standards refer to in Sub-Sec (3C) of Sec. 211 of the Companies Act of 1956 to the extent such standards have been made applicable by the Institute of Chartered Accountants of India
- On the basis of written representations received from the Directors as on 31st March' 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31.03.2001 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act 1956.
- In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet read with the Schedules and notes thereon, give the information required by the Companies Act' 1956 and gives a true and fair view.

- In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2001 and
- In the case of the Profit and Loss Account of the Profit of the Company for the year ended on that date

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate, we further report that:

- The Company is generally maintaining proper records to show full particulars including quantitative details and situation of fixed assets. The Management during the period has physically verified the fixed assets at reasonable intervals and no material discrepancies were noticed on such verification.
- The Fixed Assets of the Company have not been revalued during the Period.
- The Management at the year-end in respect of stores has conducted physical verification of Consumables & Spares , Raw & Packing materials and no major discrepancies were noticed during the course of such verification.
- In our opinion the procedures of Physical Verification of the aforesaid stocks followed by Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- Minor discrepancies noticed on Physical Verification of stocks as compared to book records have been properly dealt with in the books of account.
- In our opinion the valuation of stocks is fair and in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
- The terms, conditions and rate of interest on loans taken from companies, firms or other parties listed in the register maintained under Section 301 of the Act or from Companies under the same management as defined under sub-section (1-B) of Section 370 of the Act are not prima facie prejudicial to the interest of the Company.

- The Company has not granted any loan as listed in the register maintained under Section 301 (I-C) of the Act or to Companies under the same management as defined under sub-section (1B) of Section 370 of the Act.
- Further to as mentioned in (8) above, interest free loans have been given to employees of the Company who are repaying the principal amounts as stipulated.
- In our opinion there is an adequate internal control procedure commensurate with the size of the Company and the nature of business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- In our opinion and accounting to the information and explanations given to us the transactions of the purchase of goods, materials and services and sale of goods & materials and arrangements entered in the register maintained under section 301 of the Companies Act 1956 and aggregating to Rs.50, 000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- The Company has procedures for determination of unserviceable or damaged stores and raw materials. Necessary adjustments for the losses as and when determined are made in the accounts.
- The Company has not accepted any deposit as per the provisions of Section 58A of the Companies Act 1956.
- The Company has no by-products and reported no production and as such no records have been maintained.
- The Company has appointed a firm of Chartered Accountants to carry out the internal audit, which is commensurate with the nature and size of the Company.
- The Maintenance of cost records have not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for the products manufactured by the Company.
- The Company is generally regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March 2001 for period of more than six months from the date they became payable.
- According to the information and explanations given to us and the records of the Company examined by us, in our opinion, no personal expenses of employees or Directors have been charged to Revenue Account other than those payable under contractual obligation or in accordance with generally accepted business practice.
- As explained to us, the Company is not a sick industrial Company within the meaning of Clause (0) of subsection No.(1) of Section 3 of The Sick Industrial Companies (Special Provision) Act 1985.

For M/S. P.CHANDRASEKAR
Chartered Accountants

P.Chandrasekaran
Partner

Place : **Bangalore**
Date : June 20, 2001

Balance Sheet

as at March 31, 2001

(in Rupees)

	Schedule	March 31, 2001	March 31, 2000
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Share Capital	A	8,298,760	8,298,760
Reserve And Surplus	B	11,761,182	11,761,182
LOAN FUNDS			
Secured Loans	C	25,449,760	24,507,103
Unsecured Loans		35,258,313	8,869,089
Total liabilities		80,768,015	53,436,134
APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block		52,532,887	50,228,809
Less: Depreciation		8,926,154	6,743,250
Net Block	D	43,606,733	43,485,560
b) Capital Work-in-Progress		25,827,926	-
		69,434,659	43,485,560
CURRENT ASSETS, LOANS & ADVANCES E			
Inventories		966,159	1,377,717
Sundry Debtors		5,503,139	3,404,797
Cash and Bank Balances		134,856	166,027
Loans and Advances		4,195,717	4,023,146
		10,799,871	8,971,687
Less: CURRENT LIABILITIES & PROVISIONS F			
Current Liabilities		5,335,680	2,905,691
Provisions		-	-
NET CURRENT ASSETS		5,464,191	6,065,996
MISCELLANEOUS EXPENDITURE			
Deferred Revenue Expenditure (To the extent not written-off or adjusted)		2,695,972	-
Profit & Loss Account		3,173,193	3,884,578
Total assets		80,768,015	53,436,134
Significant accounting policies & notes on accounts	K		
As per our report of even date			
For M/s P.CHANDRASEKAR Chartered Accountants			Irfan Vazirally Managing Director
P Chandrasekaran Partner			Pravin Iyer Director
Place : BANGALORE Date : June 20, 2001			

Profit & Loss Account

for the year ended March 31, 2001

(in Rupees)

	Schedule	March 31, 2001	March 31, 2000
INCOME			
Sales & Job Work		29,614,550	24,293,378
Total income		29,614,550	24,293,378
EXPENDITURE			
Materials Consumed	G	3,632,729	3,768,756
Employee Emoluments	H	8,055,953	5,589,297
Operating, admin & selling expenses	I	9,151,890	8,976,513
Total expenditure		20,840,572	18,334,566
Operating profit (PBIDT)		8,773,978	5,958,812
Finance Charges	J	5,192,301	3,658,639
Less: i) Depreciation		2,196,299	1,851,144
ii) Amortisation of Miscellaneous Expenses		673,993	-
Profit / (Loss) for the year		711,385	449,029
Provision for tax		-	-
Profit after tax		711,385	449,029
Balance Profit / (Loss) brought forward		(3,884,578)	(4,333,607)
Profit / (Loss) available for appropriations		(3,173,193)	(3,884,578)
APPROPRIATIONS			
Proposed dividend on equity shares		-	-
Dividend on preference shares		-	-
Dividend tax on above		-	-
Transferred to General Reserve		-	-
Balance Carried to Balance Sheet		(3,173,193)	(3,884,578)
		(3,173,193)	(3,884,578)
Significant accounting policies & notes on accounts	K		
As per our report of even date For M/s P.CHANDRASEKAR Chartered Accountants			Irfan Vazirally Managing Director
P Chandrasekaran Partner			Pravin Iyer Director
Place : Bangalore Date : June 20, 2001			

Schedules

to the Balance Sheet and Profit & Loss account

(in Rupees)

A

SHARE CAPITAL
AUTHORISED

10,00,000 (Previous Year 10,00,000)

	March 31, 2001	March 31, 2000
Equity Shares of Rs. 10/- each	10,000,000	10,000,000

ISSUED, SUBSCRIBED & PAID UP

8,29,876 (Previous Year 8,29,876)

	March 31, 2001	March 31, 2000
Equity Shares of Rs. 10/- each fully paid, called up	8,298,760	8,298,760

(Entire Shares held by
holding Company -
Strides Arcolab Limited)

	8,298,760	8,298,760
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B

RESERVE AND SURPLUS

i) Subsidy I	1,927,800	1,927,800
	1,927,800	1,927,800
ii) Investment Allowance Reserve	243,382	243,382
iii) Share Premium Account	9,515,000	9,515,000
	9,758,382	9,758,382

iv) General Reserve		
Opening Balance	75,000	75,000
Add Transfer From Profit & Loss Account	-	-
Closing Balance	75,000	75,000

	11,761,182	11,761,182
--	------------	------------

C

SECURED LOANS

Long term loans

From financial institutions	-	14,283,000
From banks	21,400,000	8,000,000
	21,400,000	22,283,000

Short Term Loans

From banks	4,049,760	2,224,103
	4,049,760	2,224,103
	25,449,760	24,507,103

Notes on above:

1. Long term loans from Banks are secured by Hypothecation on pari passu basis of certain movable assets of the company, subject to prior charges created or to be created by the company on its current assets in favour of its working capital Banker.

2. Working Capital limit from Bank is secured by hypothecation of Certain Current Assets and by a second charge on the immovable and movable properties of the Company other than movable properties of the company other than Current Assets.

D

FIXED ASSETS

Sl. No.	PARTICULARS	GROSS BLOCK		DEPRECIATION		NET BLOCK			
		Cost as on 01.04.2000	Additions during the year	Deduction	TOTAL AS AT 31.03.2001	As on 31.03.2001	Depn. written back	As AT 31.03.2001	AS AT 31.03.2000
1	LAND	94,548	-	-	94,548	-	94,548	94,548	
2	BUILDING	20,902,229	585,013	-	21,487,242	701,919	18,174,841	18,291,747	
3	PLANT & MACHINERY	27,019,247	1,858,259	225,000	28,652,506	1,312,649	23,561,509	23,240,899	
4	FURNITURES & FIXTURES	626,193	6,500	-	632,693	39,851	206,175	426,518	459,869
5	VEHICLES	839,425	-	43,611	795,814	79,745	147,495	648,319	758,283
6	OFFICE EQUIPMENTS	629,167	-	-	629,167	29,885	134,760	494,407	524,292
7	COMPUTERS	118,000	122,917	-	240,917	32,249	34,325	206,592	115,924
	Capital Work-in-progress	50,228,809	2,572,689	268,611	52,532,887	2,196,299	8,926,154	43,606,731	43,485,564
	Previous Year	39,147,716	11,455,153	374,060	50,228,809	1,851,144	6,743,249	25,827,926	34,126,326
	Capital Work-in-progress								

(in Rupees)

E

CURRENT ASSETS, LOANS
& ADVANCES

a. Current assets

Inventories:

	March 31, 2001	March 31, 2000
Raw materials and packing materials	511,773	397,462
Work in process	-	-
Finished Goods	-	489,003
Lab Chemicals, Spares & Consumables	454,386	491,252
	966,159	1,377,717

Sundry Debtors

(Unsecured and Considered Good)

More than six months	315,287	315,287
Others	5,187,852	3,089,510
	5,503,139	3,404,797

Cash and bank balances

Cash in hand	25,469	27,025
Balance with banks		
- In current accounts	109,387	139,002
	134,856	166,027

b. Loans & Advances

(Unsecured, considered good)

Advance recoverable in cash or kind or value to be received	134,677	89,803
Deposits with and dues from Government depts.	639,765	533,165
Deposits with others	143,000	80,500
Other current assets & advances	3,278,275	3,319,678
	4,195,717	4,023,146

F

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors	1,112,391	524,113
Other Liabilities	4,223,289	2,381,578
	5,335,680	2,905,691

G

MATERIAL CONSUMED

Raw material, packing material
& Consumables

	March 31, 2001	March 31, 2000
Opening Stock	397,462	935,766
Add: Purchases	3,258,037	3,513,078
	3,655,499	4,448,844
Less: Closing Stock	511,773	397,462
	3,143,726	4,051,382

Accretion / (depletion) of stock

Opening Stock		
Work in process	-	206,377
Finished Goods	489,003	-
	489,003	206,377

Closing Stock		
Work in process	-	-
Finished Goods	-	489,003
	489,003	(282,626)

	3,632,729	3,768,756
--	-----------	-----------

H

EMPLOYEE EMOLUMENTS

Salaries, wages and allowances	7,120,581	4,936,494
Contribution to Provident Fund and ESI	382,094	274,308
Staff Welfare Expenses	553,278	378,495
	8,055,953	5,589,297

I

OPERATING, ADMIN & SELLING EXPENSES

Conversion Charges	309,227	381,824
Power, Water & Fuel Charges	2,896,227	2,911,905
Consumables & processing charges	1,175,441	1,220,675
Rent	33,000	100,050
Licence Rates & Taxes	145,024	115,699
Travelling & Conveyance	183,727	243,189
Legal, Professional & Consultancy Charges	92,649	66,500
Communication Charges	235,733	267,100

(in Rupees)

	March 31, 2001	March 31, 2000
Business Development Expenses	5,704	7,705
Insurance	163,819	136,222
Audit Remuneration	42,000	36,750
Excise Duty	807,443	842,179
Other Expenses	3,061,896	2,630,909
Provision for Bad & Doubtful Debts	-	15,806
	9,151,890	8,976,513

J**FINANCE CHARGES**

Interest on term loans	2,929,202	1,863,290
Interest & bank charges	2,263,099	1,795,349
	5,192,301	3,658,639

K**1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****1.1 Basis For Preparation Of Financial Statements**

The financial statements have been prepared under the historical cost convention in accordance with the applicable accounting principles in India, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, as adopted consistently by the company, with revenues recognized and expenses accounted on their accrual, including provisions / adjustments for committed obligations and amounts determined as payable or receivable during the year. All the mandatory Accounting Standards prescribed under the Companies Act, 1956, and the Income Tax Act, 1961 to the extent applicable have been duly complied with in preparation of the Accounts.

1.2 Revenue Recognition

Sales are recognized when the goods are supplied and are inclusive of taxes and duties. Conversion charges are accounted on accrual basis.

1.3 Expenditure

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

1.4 Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and interest on borrowed money allocated to and utilised for the fixed assets upto the date of capitalisation and other revenue expenditure on ongoing projects. Duties paid on fixed assets to the extent eligible for modvat credit are disclosed under current assets and utilised. Assets acquired on hire

purchase are capitalised at gross value and interest thereon is charged to revenue.

1.5 Depreciation

Depreciation is provided on straight line method at the rate and the manner prescribed under Schedule-XIV of the Companies Act 1956. Depreciation is charged on pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full, in the year of purchase.

1.6 Expenses During Construction Period

Expenses during construction period are capitalized by allocating to fixed Assets upon commencement of Commercial Production.

1.7 Inventories

Raw Materials and packing materials are valued at cost determined on first-in-first out (FIFO) basis. Finished goods and semi-finished goods are valued at lower of cost or net realizable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Cost includes the aggregate of all expenditure paid or incurred in bringing the inventories to the present condition and situation. To comply with the provisions of the mandatory accounting standards and procedures under various enactments, duties and taxes paid or incurred have been considered as forming part of the cost

1.8 Retirement Benefits To Employees

The company's liability towards retirement benefits in the form of provident fund and other retirement benefits are provided on accrual basis. Necessary provision is made towards leave encashment for the value of unutilized leave due to the employees at the end of the year. The company has provided for the gratuity benefits by way of contribution to the group gratuity scheme with Life Insurance Corporation of India

1.9 Sundry Debtors And Other Receivable

Sundry Debtors and other receivables are stated after making adequate provisions for doubtful debts.

1.10. Contingent Liabilities

Contingent liabilities are shown by way of notes to the financial statements

1.11. Deferred Revenue Expenditure

Expenses incurred for new products and projects are treated as Deferred and Written/off over a period of 5 years

1.12. Interest On Borrowings

- 1) Interest upto the date of assets put into use is capitalised.
- 2) Expenditure on interest incurred in respect of Capital Advances are treated as Capital Work-in-progress and will be capitalised, when such assets are put to use.

2. NOTES ON ACCOUNTS

2.1. The Company is eligible for the Electricity Rate Tariff Concession for 3 Years upon commencement of Business before February' 1997. The Company upon Application to the High Court of Madras has obtained an Order dated 23.04.1999, Case No.12820/1998, Allowing such concession to the Company.

The Excess electricity charges paid over and above the concessional rate for the period from March' 1997 to December ' 2000 amounting to Rs. 16.17 Lacs have been accounted in Books is pending realisation. (Previous year – Rs. 4.24 Lacs)

2.2. The previous year's figures have been recast/ restated, wherever necessary to confirm to the current year classification.

2.3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous Year – Nil)

2.4 The company has given guarantee for Tamilnadu Electricity Board towards tariff concession receivable vide interim order from High Court of Madras dated 23.04.1999, Case No.12820/ 1998 for Rs. 62,062.00

2.5 In view of the insufficient information received from suppliers regarding their status on SSI as defined under Clause (j) of Section 3 of the Industrial Development & Regulations Act 1951, disclosure of particulars regarding unpaid amounts to such suppliers could not be made in the Accounts.

2.6. All the Balances in Sundry Creditors, Sundry Debtors and Loans & Advances are in the opinion of the management good payable and realizable.

3. PARTICULARS OF LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION BASIS.

Class Of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Tablet	Millions	1,440.00	1,440.00	1,241.00
Liquid	Kilo Liters	*	*	*

* Figures stated above includes only the capacity installed at the unit and excludes loan licensee capacity

Certified by the Managing Director and relied by the Auditor being a Technical Matter including Converted materials.

4. QUANTITATIVE INFORMATION REGARDING GOODS MANUFACTURED INCLUSIVE OF OPENING AND CLOSING STOCK (As Certified by the Management)

CLASS OF GOODS	UNIT	SALES		OPENING STOCK		CLOSING STOCK	
		QNTY	VALUE	QNTY	VALUE	QNTY	VALUE (Rs.in Lac)
Tablets	Lakhs	76.53	21.83	NIL	NIL	NIL	NIL
2000- 2001							
1999 - 2000		123.40	24.23	20.00	2.06	NIL	NIL
Liquids	KL	39.39	36.53	6.00	4.89	NIL	NIL
2000- 2001							
1999 - 2000		37.57	36.91	NIL	NIL	6.00	4.89

Directors' Report

Auditors' Report

5. DETAILS OF RAW MATERIALS CONSUMED

PARTICULARS	UNIT	2000-2001		1999-2000	
		QNTY	VALUE(RS)	QNTY	VALUE(RS)
Calcium Gluconate	KG	1468.00	138,432.40	5012.00	303,572.81
Calcium Glubionate	KG	2682.16	755,725.40	4580.92	14,78,903.48
Commercial Sugar	KG	11983.20	190,892.37	3913.80	208,675.03
Niacinamide	KG	NIL	NIL	NIL	NIL
Sorbitol 70%	KG	4082.30	98,628.37	5170.40	119,469.05
Vitamin C Coated	KG	NIL	NIL	152.37	73,029.68
Pharma Grade Sugar	KG	NIL	NIL	4756.93	130,815.58
Calcium Carbonate	KG	10799.00	131,855.79	NIL	NIL
American Ice Cream Soda	LTRS	258.56	68,310.29	NIL	NIL
Others			22,48,884.38		14,54,290.37
			36,32,729.00		37,68,756.00

6. FOREIGN CURRENCY OUTFLOW

	2000-2001	1999-2000	(Amount in Rs. Thousand)
1. CIF Value of Imports	NIL	NIL	
2. Expenditure In foreign Currency	NIL	NIL	
3. Value of Imported Raw Materials			
4. Stores & Spares consumed during The year	NIL	NIL	
7. EARNINGS IN FOREIGN CURRENCY	NIL	NIL	
8. AUDITORS REMUNERATION			
Audit Fees	37,000.00	31,750.00	
For Taxation	5,000.00	5,000.00	
For other Services	-	-	
9. MANAGERIAL REMUNERATION			
Managing Director Salary	-	-	
Ex-gratia	-	-	
Commission	-	-	
Perquisites	-	-	
10. PREVIOUS YEARS FIGURES HAVE BEEN REARRANGED/ REGROUPED WHEREVER NECESSARY.			
11. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE			

Registration Details

Registration No.	13221
State Code	18
Balance Sheet Date	31.3.2001

Signatures to Schedules A to K

Irfan Vazirally Managing Director	Pravin Iyer Director
--------------------------------------	-------------------------

Place : Bangalore
Date : June 20, 2001

The Directors present their annual report on the affairs of Penatgon Exim Limited, UAE, ("the company") together with the financial statements and auditors' report for the period from September 26, 1999 to December 31, 2000.

1. Financial Performance

	US\$
Sales	5,752,609
Gross margin for the period	243,483
Net loss for the period	(772)

2. Principle activity

The company is mainly engaged in the business of distribution of pharmaceutical products.

3. Dividend

In view of the loss, the directors do not recommend any dividend for the period ended December 31, 2000.

4. Directors

The directors of the company during the year and up to the date of this report were:

Mr. Padmakumar Pillai

Mr. V. Madhusudan

In accordance with the Articles of Association, all the directors retire, but being eligible, offer themselves for re-election.

5. Directors benefits

None of the directors had either directly or indirectly any interest in any significant contracts with the company during the year.

6. Substantial shareholder

The company is a wholly owned subsidiary of M/s. Strides Arcolab Ltd, India. During the year the company issued 200,000 Equity shares of US\$ 1 each, which were fully subscribed by M/s. Strides Arcolab Ltd., India.

7. Auditors

The accounts have been audited by Mak & Associates, Chartered Certified Accountants, who retire at the conclusion of ensuing Annual General Meeting and have offered themselves for re-appointment as Auditors.

By Order of the Board

Padma Kumar Pillai

Fujairah, U.A.E

Director

January, 2001

To the shareholders,

We have audited the accompanying financial statements of M/s. Pentagon Exim Ltd., Fujairah – U.A.E., for the period from 26th Sept 1999 to 31st December 2000.

Respective Responsibilities of the Management and Auditors

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.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements, which have been prepared on the basis of the accounting policies set out in accompanying notes and which comply with internationally accepted practice, present fairly, in all material respects, the financial position of the company as at 31st December 2000 and the results of its operations for the period then ended in accordance with International Accounting Standards.

MAK & ASSOCIATES

Chartered

Certified Accountants

January 11, 2001

MAK & ASSOCIATES

Chartered Certified Accountants

P O Box: 1650

Fujairah Insurance Bldg.

7th Floor, Flat # 7, Fujairah – UAE

Balance Sheet

as at December 31, 2000

Profit & Loss Account

for the year ended December 31, 2000

	Notes	(in US Dollar)	
		Dec. 31, 2000	Dec. 31, 2000
FIXED ASSET	2-d, 3		15,071
LONG TERM INVESTMENT	2-I, 4		1,149,000
CURRENT ASSETS			
Trade Receivables	2-c, 5	1,450,701	
Sundry Receivables & Prepayments	6	160,138	
Cash at Bank & in Hand	7	34,780	
		1,645,619	
DEDUCT			
CURRENT LIABILITIES			
Due to a Related Concern	8	1,566,302	
Sundry Payables & Accruals	9	19,160	
		1,585,462	
NET CURRENT ASSETS			60,157
Long Term Liability	10		(1,025,000)
TOTAL ASSETS			199,228
FINANCED BY			
Share Capital	1.2	200,000	
Retained Earnings	11		(772)
TOTAL EQUITY			199,228

	Notes	(in US Dollar)	
		Dec. 31, 2000	Dec. 31, 2000
SALES	2-h		5,752,609
DEDUCT			
COST OF SALES	12		(5,583,834)
GROSS MARGIN			168,775
Other Income	13		74,708
TOTAL GROSS MARGIN			243,483
DEDUCT			
OVERHEAD EXPENSES			
Salaries & Benefits	2-g		59,845
Interest & Bank Charges			27,831
General, Administration & Selling Expenses	14		153,701
Depreciation	2-d, 3		2,878
			(244,255)
NET (LOSS) FOR THE PERIOD	11		(772)

Cash flow statement

for the year ended December 31, 2000

	(in US Dollar)
	Dec. 31, 2000
OPERATING ACTIVITIES	
Net (Loss) for the period	(772)
Adjustment for	
Depreciation	2,878
(Increase) in Trade Receivables	(1,450,701)
(Increase) in Sundry Receivables & Prepayments	(160,138)
Increase in Sundry Payables	19,160
Increase in due to a Related Concern	1,566,302
Cash flow (used in) operating activities	(23,271)
INVESTING ACTIVITIES	
Fixed Assets - Additions	(17,949)
Investments during the period	(1,149,000)
Cash flow (used in) investing activities	(1,166,949)
FINANCING ACTIVITIES	
Long Term Loan	1,025,000
Share Capital	200,000
Cash flow from financing activities	1,225,000
Net Increase in cash and cash equivalents	34,780
Cash and cash equivalents – opening balance	-
Cash and cash equivalents – closing balance	34,780
Represented by	
Cash in hand	127
Cash at bank	34,653
	34,780

Statement Of Changes In Equity

for the year ended December 31, 2000

	Share Capital	Retained Earning	Total Equity
Balance beginning	-	-	-
Changes in Equity			
a. Share Capital	200,000	-	200,000
b. Net (Loss) for the period	-	(772)	(772)
Balance as at 31.12.2000	200,000	(772)	199,228

Notes to the accounts

1 LEGAL STATUS & ACTIVITIES

- 1.1 Pentagon Exim Ltd. ("the company") is registered with the Fujairah Free Zone Authority on 26th September 1999 as a branch of Pentagon Exim Ltd. British Virgin Islands.
- 1.2 The authorized issued and paid up capital of the company is US \$200,000 divided into 200,000 shares of US\$ 1 each fully paid. The above shares are fully subscribed by M/s. Strides Arcolab Ltd. India.
- 1.3 The company is mainly engaged in the business of distribution of pharmaceutical products.
- 1.4 The control and management of the company are vested with the Directors, Mr. Padmakumar Pillai and Mr. V. Madhusudhan.

2 ACCOUNTING POLICIES

- a. Accounting Convention:
These accounts have been prepared under historical cost convention.
- b. Stock in Trade:
Stocks are valued at lower of cost and net realisable value using FIFO method.
- c. Trade Receivables:
Bad debts are written off as they arise and provision is made for all estimated doubtful debts.
- d. Depreciation on Fixed Assets:
Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. Rates applicable are:
Furniture & Fixtures 20%
Office Equipment 20%
- e. Reporting Currency
These financial statements are presented in US Dollars because the majority of the company's transactions are denominated in that currency.
- f. Foreign Currencies
Assets and liabilities arising in foreign currencies were converted into US Dollars at the rates of exchange ruling on balance sheet date, profit or loss arising thereon were charged to operating account for the period under review.

- g. Provision for staff terminal benefits:
These were accounted for as required by the Federal Law No.8 of 1980 and its subsequent amendments.
- h. Sales Recognition:
Sales represent the net invoiced value of goods sold during the period.
- i. Impairment of Assets:
The impairment is calculated as the difference between the carrying values of the assets and the estimated value in use. The loss is recognised on the date of impairment.
- j. Accounting Estimates:
The treatment of accounting estimates are in conformity with the provisions of IAS-8 with significant effect being sufficiently disclosed.
- k. Cash and Cash Equivalents
Cash and Cash Equivalents consists of cash and balances with the bank and deposits with the banks maturing within 3 months from the date of acquisition.
- l. Investments:
Investments are classified into current investments and long term investments. Current Investments are carried at lower of cost or fair market value and provision is made to recognize any decline in the carrying value. Long term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments.

	Furniture & Fixtures	Office Equipment	Total
	US \$	US\$	US \$
Cost			
Additions	13,074	4,875	17,949
As At 31.12.2000	13,074	4,875	17,949
Depreciation			
For The Period	1,997	881	2,878
As At 31.12.2000	1,997	881	2,878
Balance			
As At 31.12.2000	11,097	3,994	15,071

US \$

4. LONG TERM INVESTMENT:
Arcolab S.A. Switzerland **1,149,000**

The above represents advance against equity investment in Arcolab S.A. Switzerland

5. TRADE RECEIVABLES:

Accounts Receivables	1,450,701
(a) The above balance are due from customers based in Nigeria, Africa and are outstanding for less than 6 months	
(b) Considering the top 3 receivables, the company has a concentration of credit risk to the extent of 93% of total trade receivables	
(c) The fair value of trade receivables is not materially different from their balances shown in the balance sheet	
6. SUNDRY RECEIVABLES & PREPAYMENTS:	
Prepayments	1,713
Staff Receivables	1,094
Advance paid to a supplier	14,770
Other Receivables	140,625
Deposits	1,936
	160,138
	31.12.2000
	US \$
7. CASH AT BANK & IN HAND:	
Cash in Hand	127
Cash at Bank – Current Accounts	34,653
	34,780
8. DUE TO A RELATED CONCERN:	
Strides Arcolab Ltd. India	1,566,302
The above balance is due for less than 6 months	
9. SUNDRY PAYABLES & ACCRUALS:	
Due to Directors	9,444
Advance Received from Customers	7,262
Accrued Expenses	2,454
	19,160
10. LONG TERM LIABILITY:	
Long Term Loan	1,025,000

The above loan owed to Strides Arcolab Ltd. India is interest free, unsecured and used in the business of the company as a long-term source of finance.

11. RETAINED EARNINGS:

Net (Loss) for the period	(772)
	26.09.1999
	to 31.12.2000
	US \$
12. COST OF SALES:	
Purchases & Direct Expenses	5,583,834
Less : Closing stock	-
	5,583,834
13. OTHER INCOME:	
Commission Received	74,708
14. GENERAL, ADMINISTRATION & SELLING EXPENSES:	
Rent	22,440
Communication	5,114
Travelling	5,604
Legal, Municipal & Visa	3,628
Printing & Stationery	959
Professional fee	29,166
Water & Electricity	954
Commission	66,882
Business Promotion	458
Selling & Distribution Expenses	16,603
Miscellaneous	1,893
	153,701
15. NUMBER OF EMPLOYEES	
The company had employed 3 employees on an average during the period ended 31 st December 2000.	
16. RELATED PARTY TRANSACTIONS:	
The company in the ordinary course of business deals with other business enterprises that fall within the definition of	

related party as contained in International Accounting Standards – 24. The company believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

Material transactions with related enterprises are as follows:

	26.09.1999
	to 31.12.2000
	US \$

Sales	655,013
Purchases	5,178,749

17. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Financial Instruments of the company comprise of cash and bank, trade receivables, other assets, due to related concerns and other liabilities.

The carrying value of the above financial instruments approximate their related fair values as of the balance sheet date because either of their short maturities or the interest factor had been taken into consideration while presenting such financial instruments in the financial statements.

Currency Risk:

There are no significant exchange rate risks as substantially all financial liabilities are denominated in US Dollars.

18. CONTINGENT LIABILITIES:

There has been no known contingent liabilities or capital commitment on company accounts as on the balance sheet date.

19. These notes form an integral part of these accounts.

APPROVED BY:

For and on behalf of the Board of Directors

Padmakumar	V. Madhusudan
Director	Director

Place : Fujairah, UAE

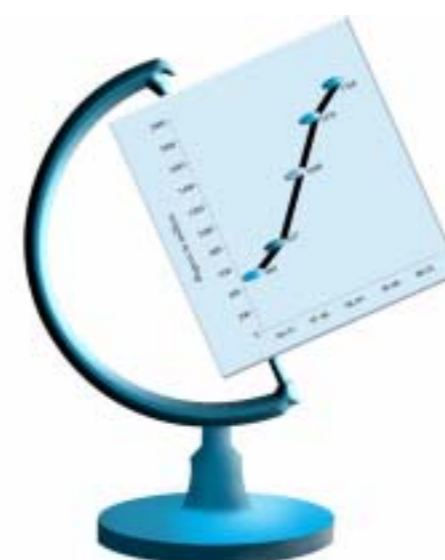
Date : January 11, 2001.

A Historical Perspective

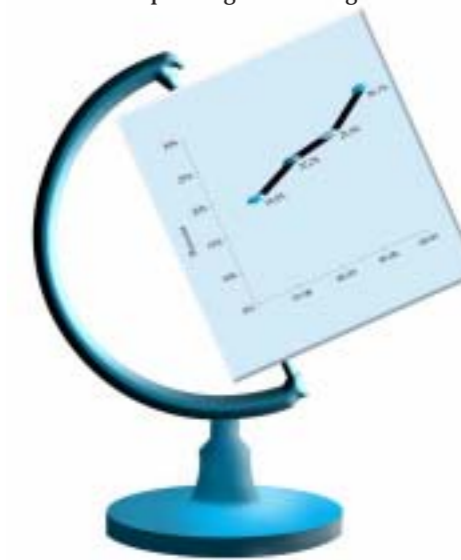
Financials	2000-01	1999-00 1998-99 1997-98 1996-97				
	USD MIO*	(Rupees in Million)				
Income, Profit & Dividend						
Total Income	38.08	1,768.15	1,570.18	1,087.92	616.80	488.83
EBIDTA	9.94	461.48	360.23	251.04	114.04	78.85
Depreciation	1.96	91.09	63.87	44.45	3.55	2.53
Profit After Tax (PAT)	3.02	140.39	245.68	91.31	62.50	27.89
Equity Dividend	0.23	10.50	25.05	4.96	1.87	3.60
Dividend Rate %		0.06	0.20	0.10	0.05	0.10
Assets & Liabilities						
Net Worth :	34.91	1,621.07	1,516.85	941.18	258.34	178.26
Equity Share Capital	3.61	167.63	136.19	83.67	40.03	36.03
Preference Share Capital	1.29	60.00	343.00	343.00	-	-
Share moneys' pending allotment	-	-	-	21.63	2.51	7.97
Reserves & Surplus	30.01	1,393.44	1,037.66	492.88	215.80	134.26
Borrowings :	30.68	1,424.53	756.25	864.01	892.75	349.46
Long Term	9.08	421.78	259.99	354.15	423.55	110.18
Short Term	21.60	1,002.75	496.26	509.86	469.20	239.28
Represented by :						
Fixed Assets :						
Gross Block	27.49	1,276.19	1,095.96	975.70	412.91	157.52
Net Block	23.11	1,073.09	972.32	908.14	404.44	152.61
Investments	16.09	746.97	134.44	27.64	11.03	11.95
Net Current Assets	25.34	1,176.62	1,148.54	853.54	735.62	363.16
Miscellaneous Expenditure	1.05	48.92	17.80	15.87		
Total Assets	65.60	3,045.60	2,273.10	1,805.19	1,151.09	527.72
KEY INDICATORS (Rupees)						
Earning Per Share (EPS)		8.40	18.04	10.91	15.61	7.74
Cash Earning Per Share (CEPS)		14.30	16.50	16.76	17.00	9.58
Book Value		90.20	84.90	67.00	64.53	47.26
Debt : Equity Ratio		0.68:1	0.33:1	0.49:1	1.85:1	0.62:1
Operating Profit Margin (%)		26.10	22.90	22.19	18.49	15.38
Net Profit Margin (%)		7.90	15.60	8.50	9.48	5.71
Return on Net Worth (RONW %)		9.30	21.30	16.30	24.97	15.65

* 1 USD = Rs.46.43 (Exchange Rate as on 31.3.2001)

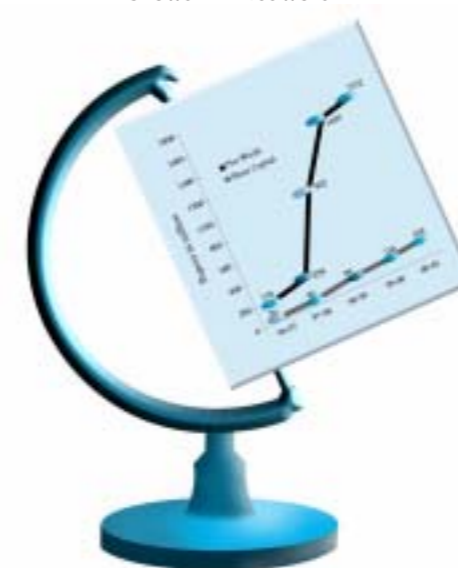
Growth in Income



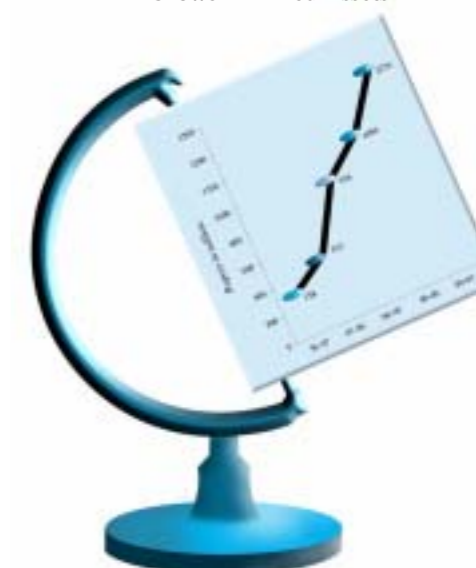
Operating Profit Margin



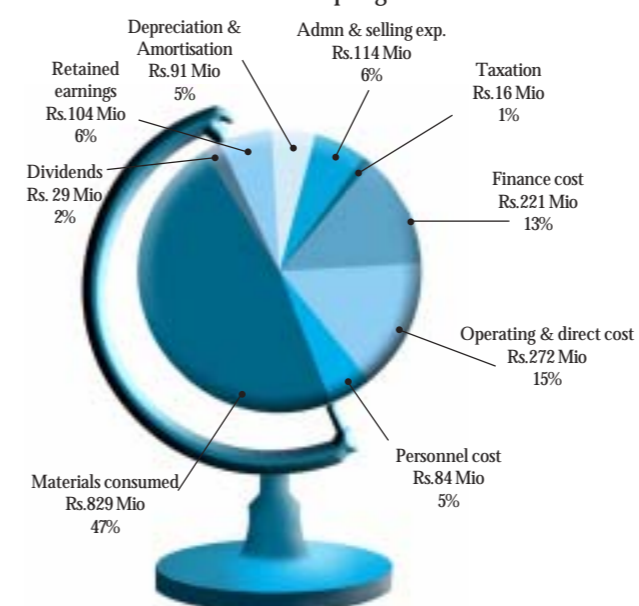
Growth in Net worth



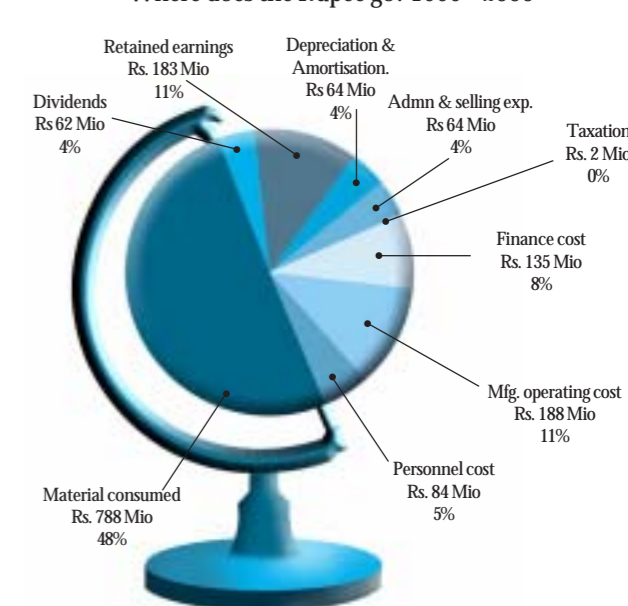
Growth in Fixed Assets



Where does the Rupee go? 2000 - 2001



Where does the Rupee go? 1999 - 2000



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Navi Mumbai - 400 705, India.
Tel. (91) 22-7893199
Fax No. (91) 22-7892942

Corporate Office

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Tel. (91) 80 - 6581343-44
Fax No. (91) 80 - 6583538
Email: info@stridesarco.com
Website: www.stridesarco.com

Registrars

Karvy Consultants Limited
No. 51/2, TKN Complex,
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Opp. National College,
Basavanagudi,
Bangalore 560 004, India

Statutory Auditors

Deloitte Haskins & Sells
70/3, Miller Road,
Bangalore - 560 052

Internal Auditors

Gnanoba & Bhat
211, Commerce House,
9/1, Cunningham Road,
Bangalore - 560 052, India.

Bankers & Financial Institutions

State Bank of India, Corporation Bank
Canara Bank, Dena Bank
The South Indian Bank
Industrial Development Bank of India
Industrial Investment Bank of India
Exim Bank, Global Trust Bank Ltd

Global Plants

Soft Gelatin Capsules

'KRS Gardens',
Suragajakkanahalli,
Anekal Taluk,
Bangalore - 560 106, India.

Tablets & Hard Gelatin Capsules

'KRS Gardens',
Suragajakkanahalli,
Anekal Taluk,
Bangalore - 560 106, India.

Sterile Product

Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.

Antibiotics

Bilekahalli, Bannerghatta Road,
Bangalore - 560 076, India.

Contract Research & Manufacturing

120 A & B, Baikampady,
New Mangalore 575 011, India.

Caryl Laboratories Limited

238, Sarakki,
Bangalore - 560 078, India.

Global Remedies Limited

124, Sipcot Industrial Complex,
Hosur - 635126, India.

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New Jersey - 08873, U.S.A

Solara SA De CV

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Infabra Industria Farmaceutica Ltda.

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Chaguana, Trinidad,
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