

# STRIDES ARCOLAB LIMITED

Registered Office: 201, 'Devavrata' Sector-17, Vashi, Navi Mumbai - 400 703  
Corporate Office: 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore - 560 076



## **Notice pursuant to Section 192A (2) of the Companies Act, 1956** **Read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001**

The Board of Directors of your Company have approved the following resolutions for approval of the Shareholders through Postal Ballot as per Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. Accordingly, the said Resolutions and the Explanatory Statement are being sent to you along with a Postal Ballot Form for your consideration.

The Company has appointed Mr. Gigi Joseph K.J, Practicing Company Secretary, Bangalore, as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

You are requested to carefully read the instructions printed in the Postal Ballot Form and return the form duly completed, in the attached self-addressed postage pre-paid envelope, so as to reach the Scrutinizer on or before the close of working hours on June 20, 2009. The Scrutinizer will submit his report after completion of the scrutiny and the results of the Postal Ballot will be announced on June 23, 2009 and displayed at the Registered Office and the Corporate Office of the Company.

### **RESOLUTIONS**

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

**RESOLVED THAT** pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, permissions and sanctions, as may be necessary, consent of the shareholders be and is hereby accorded to the Board of Directors of the Company ("the Board" which expression shall also include a Committee thereof) to sell and transfer, the Company's undertaking comprising of Specialty Pharmaceuticals Business, on a going concern basis, to Strides Specialties Private Limited (a wholly owned subsidiary of the Company) with effect from July 1, 2009 or such other date as may be decided by the Board, along with the manufacturing and other infrastructure, facilities, auxiliaries and utilities attached thereto, at such consideration and on such terms and conditions and in such manner as may be decided by the Board and with power to the Board to finalise the terms and conditions as well as the means, methods or modes in respect thereof and to finalise and execute all required documents including agreements, memoranda, deeds of assignment/ conveyance and other documents with such modifications as may be required from time to time and to do all such acts, deeds, matters and things as may be deemed necessary and/or expedient in its discretion for completion of the transaction as aforesaid in the best interest of the Company.

**RESOLVED FURTHER THAT** the Board be and are hereby authorized to delegate all or any powers conferred herein to any Committee of Directors, the Chairman or the Vice Chairman of the Company with a power to further delegate to any Executives/Officers of the Company to do all such acts, deeds, matters and things as also to execute such documents, writings etc. as may be necessary in this regard.

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

**RESOLVED THAT** pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, permissions and sanctions, as may be necessary, consent of the shareholders be and is hereby accorded to the Board of Directors of the Company ("the Board" which expression shall also include a Committee thereof) to sell and transfer, the Company's undertaking, comprising of Research & Development business (R&D business), on a going concern basis, to Strides Technology and Research Private Limited (a wholly owned subsidiary of the Company) with effect from July 1, 2009 or such other date as may be decided by the Board, together with the infrastructure, facilities, auxiliaries and utilities attached thereto, at such consideration and on such terms and conditions and in such manner as may be decided by the Board and with power to the Board to finalise the terms and conditions as well as the means, methods or modes in respect thereof and to finalise and execute all required documents including agreements, memoranda, deeds of assignment/ conveyance and other documents with such modifications as may be required from time to time and to do all such acts, deeds, matters and things as may be deemed necessary and/or expedient in its discretion for completion of the transaction as aforesaid in the best interest of the Company.

**RESOLVED FURTHER THAT** the Board be and are hereby authorized to delegate all or any powers conferred herein to any Committee of Directors, the Chairman or the Vice Chairman of the Company with a power to further delegate to any Executives/Officers of the Company to do all such acts, deeds, matters and things as also to execute such documents, writings etc. as may be necessary in this regard.

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

**RESOLVED THAT** in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended, and any other laws for the time being in force, consent of the members of the Company be and is hereby accorded to the Board (including a Committee of the Board) to reprice the terms of the unexercised Employee Stock Options (ESOPs) issued under the Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008 Schemes to the extent that such reprice / repricing formula is not less than 85% of the closing market price of shares as on the date of repricing and such repricing is not detrimental to the interest of the employees and is in accordance with the Acts, Regulations and Guidelines issued by the relevant authority, including the Securities & Exchange Board of India.

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

**RESOLVED THAT** in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended, and any other laws for the time being in force, consent of the members of the Company be and is hereby accorded for amendment in Strides Arcolab ESOP 2006 by adding the following clauses as clause 21 (e) (i) and 21 (e) (ii).

- 21 (e) (i) An employee may surrender his vested / unvested options at any time during his employment with the company.
- (ii) Any employee willing to surrender his options shall communicate the same to the company. Thereafter the surrendered options shall expire with effect from the date of surrender of options and become available for future grant under the Scheme (unless the Scheme has been terminated)

#### **5. To consider and if thought fit, to pass with or without modifications, the following as a Special Resolution:**

**RESOLVED THAT** in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended, and any other laws for the time being in force, consent of the members of the Company be and is hereby accorded for amendment in Strides Arcolab ESOP 2008 by adding the following clauses as clause 21 (e) (i) and 21 (e) (ii).

- 21 (e) (i) An employee may surrender his vested / unvested options at any time during his employment with the company.

- (ii) Any employee willing to surrender his options shall communicate the same to the company. Thereafter the surrendered options shall expire with effect from the date of surrender of options and become available for future grant under the Scheme (unless the Scheme has been terminated)

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

**RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the Companies Act, 1956 and further subject to such statutory / regulatory approvals as may be necessary, Mr. Arun Kumar be and is hereby re-appointed as Managing Director of the Company for a further period of 5 years effective from May 24, 2009 upon the existing terms and conditions including remuneration as under:

- \* Monthly salary of upto Rs.25,00,000/- including all allowances and perquisites.
- \* Bonus / Performance evaluation payment of upto 50% of the above salary as may be approved by the Board.

Car for use on Company's business and telephone facility at residence and encashment of earned leave at the end of the tenure shall not be included in the computation of limits for perquisites.

**RESOLVED FURTHER THAT** in the event of loss or inadequacy of profits in any financial year during the aforesaid period, the payment of the salary, perquisites and other allowances shall be governed by the limits prescribed under Section II, Part II of Schedule XIII of the Companies Act, 1956 or any amendment thereof.

**EXPLANATORY STATEMENT  
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Items 1 & 2**

Your Company's operations comprise of Specialty Pharmaceuticals, Pharmaceuticals and Research & Development (R&D) businesses. The Specialty Pharmaceuticals is engaged in the manufacture of sterile pharmaceutical products and has three manufacturing facilities. The Pharmaceuticals Business is engaged in the manufacture of other pharmaceutical products. The R&D business caters to all internal R&D requirements of Strides Arcolab and certain external clients.

Your management is of the opinion that considering the specific and diverse needs of different businesses, there is an increasing need to distinctly focus the efforts and resources towards growth and development of each line of business. In order to accomplish the same, your management recommends that the Specialty Pharmaceuticals Business and the R&D Business of the Company be held under separate subsidiaries, such that all the three businesses would be held under separate legal entities with independent management in charge of each business. Your management is confident that the proposed reorganization would result in enhanced operating profits to the group through rationalization of transactional costs.

The Board of Directors of the Company, at its meeting held on April 13, 2009, had proposed to transfer the Company's undertakings as above, on a going concern basis and identified two of its wholly owned subsidiaries namely: (i) Strides Specialties Private Limited; and (ii) Strides Technology and Research Private Limited, to which the Specialty Pharmaceuticals and the R&D business are sought to be transferred respectively. There are number of dynamics that has made it expedient to transfer both the business into two separate subsidiary companies.

The salient features of the proposed transfer of Specialty Pharmaceuticals and R&D businesses are as under:

**a) Rationale:**

The management of Strides Arcolab has identified the three core businesses viz: the Specialty Pharmaceuticals Business, the Pharmaceuticals Business and the R&D Business. Considering the specific and diverse needs of the different businesses, the management of the Company has taken a strategic decision to distinctly focus its efforts and resources towards growth and development of each line of business. In order to accomplish the same, it is proposed to transfer the Specialty Pharmaceuticals Business and the R&D Business to its two wholly owned subsidiary companies

The management also intends to simplify the Group's operating structure (including overseas operating structure) by aligning related businesses under different companies for the purpose of administrative convenience. This would also enable the Group as a whole to achieve the objective of pooling of resources and expertise in like businesses and better operational flexibility.

**b) The Transaction:**

With due recognition of the fact that the Specialty Pharmaceuticals Business and the R&D Business are key growth engines for the Company's business, the Management of the Company thinks it prudent to transfer the Specialty Pharmaceuticals Business, as a going concern, to Strides Specialties Private Limited (a wholly owned subsidiary of the Company) and transfer the R&D Business, as a going concern, to Strides Technology and Research Private Limited (a wholly owned subsidiary of the Company).

**c) Consideration:**

The transfer of Specialty Pharmaceuticals and R&D businesses are proposed to be made at the book values of the net assets (i.e. assets less liabilities) forming part of the respective undertakings, as reduced by the amount of outstanding loans, which are pertaining to the respective businesses and transferred, as may be determined by the Board.

As per the audited accounts of the Company for the financial year ended December 31, 2008, the book value of net assets (excluding loans) pertaining to the Specialty Pharmaceuticals and R&D Business was around INR 1,800 million (approx) and INR 1,100 million (approx) respectively.

The transfer of the Specialty Pharmaceuticals and R&D businesses would be effective from July 1, 2009 (effective date) or such other date as may be decided by the Board. The considerations for aforesaid transfers would be decided by the Board based on the book value of net assets, as on or near to the effective date, pertaining to the Specialty Pharmaceuticals and R&D businesses.

The considerations, as determined above, shall be reduced by the amount of outstanding loans, pertaining to the respective businesses, as may be determined by the Board, which are transferred to Strides Specialties Private Limited and Strides Technology and Research Private Limited respectively.

The considerations as aforesaid (net assets less loans transferred) would be discharged by Strides Specialties Private Limited and Strides Technology and Research Private Limited to the Company either partly or fully in cash or through issue of shares or combination thereof, and the balance amount of consideration, if any, would be an outstanding loan payable to the Company, the manner, terms and conditions of which would be decided by the Board of Directors of the Company.

**d) Statement:**

Since the above transfers amounts to the sale/ disposal of an undertaking of the Company in terms of Section 293(1)(a) of the Companies Act, 1956, your approval is being sought as per the provisions of Section 293(1)(a), for such sale/ disposal. The approval is sought to be obtained

under the provisions of Section 192A of the Companies Act, 1956, read with provisions of Companies (Passing of Resolution by Postal Ballot) Rules, 2001, through postal ballot as set out in the Notice.

The Board recommends the passing of the proposed resolutions stated at Item 1 and Item 2 as Ordinary Resolutions and request your approval for the same.

The Directors of the Company may be deemed to be concerned or interested in the resolution set out in the notice to the extent of shares held by them in the Company.

### Item 3

The Company has been granting stock options to eligible employees under the Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008 Schemes. These options were issued at a time when the shares of the company were traded at significantly higher prices. Due to the global economic slowdown and the consequent fall in the market price of the equity shares of the company, the stock options issued to the employees have become unattractive. As a result the employees could not derive any benefit out of the options granted to them. The company has therefore thought it prudent to reprice these options on the basis of current market prices to make them beneficial to the employees instead of allowing them to lapse.

It is proposed to reprice the options at a price not lower than 85% of the market price computed as on the date of this re-pricing. However there will not be any change or modification in the vesting or exercise period/schedule. The proposed repricing is beneficial to the employees.

The Board of Directors recommend the passing of the proposed resolution stated at Item 3 as Special Resolution and request your approval for the same.

None of the Directors of the Company are interested in the aforesaid resolution.

### Items 4 & 5

The Company at present, has three Employee Stock Option Schemes titled 'Strides Arcolab ESOP 2006', 'Strides Arcolab ESOP 2008' and Strides Arcolab ESOP 2008 (Director). Out of these schemes, 2 schemes, viz. 'Strides Arcolab ESOP 2006' and 'Strides Arcolab ESOP 2008' do not have a 'surrender' clause for voluntary surrender of the options by the employees.

It is proposed to incorporate such a provision to facilitate surrender of options and to make them available for further grant by re-issue of surrendered options under the respective Scheme (unless the Scheme has been terminated).

The Board of Directors recommend the passing of the proposed resolutions stated at Item 4 and Item 5 as Special Resolutions and request your approval for the same.

None of the directors of the Company are interested in the aforesaid resolutions.

### Item 6

Pursuant to the recommendation of the Remuneration Committee, the Board of Directors of the Company, at their meeting held on April 24, 2009 reappointed Mr. Arun Kumar as the Managing Director of the Company for a further period of 5 years with effect from May 24, 2009 upon the existing terms and conditions including remuneration as under:

- \* Monthly salary of upto Rs.25,00,000/- including all allowances and perquisites.
- \* Bonus / Performance evaluation payment of upto 50% of the above salary as may be approved by the Board.

Car for use on Company's business and telephone facility at residence and encashment of earned leave at the end of the tenure shall not be included in the computation of limits for perquisites.

In the event of loss or inadequacy of profits in any financial year during the aforesaid period, the payment of the salary, perquisites and other allowances shall be governed by the limits prescribed under Section II, Part II of Schedule XIII of the Companies Act, 1956 or any amendment thereof.

Information as required under Schedule XIII, Part II, Section II, 1 (B) (iv) of Schedule XIII of the Companies Act, 1956 is given below:

#### I. GENERAL INFORMATION

- 1) **Nature of Industry:** Pharmaceutical Industry
- 2) **Date or expected date of commencement of commercial production:** Not applicable (Company is an existing Company)
- 3) **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:** Not applicable
- 4) **Financial performance based on given indicators :**

Rs in Million

Particulars	Year 2008	Year 2007	Year 2006
Total Revenue	6,621.33	4,312.48	4,550.88
Total Expense	5,921.86	4,729.26	3,969.35
Profit/ (Loss) After Tax	61.35	(1,152.14)	361.84
Dividend Rate	Nil	Nil	20%

#### 5) **Export performance and net foreign exchange collaborations:**

Foreign Exchange Earnings on FOB basis amounted to Rs. 5,779.07 Million as against Foreign Exchange Outgo of Rs. 1,768.93 Million for the financial year ended December 31, 2008.

#### 6) **Foreign investments or collaborators, if any:**

The Company is listed on NSE and BSE and as on March 31, 2009, the foreign holdings in the Company were 58.18 %. There are no foreign collaborators.

#### II. INFORMATION ABOUT THE APPOINTEE

##### 1) **Back ground details**

Mr. Arun Kumar, aged 48 years, is the Founder and Promoter Director of the Company since its inception in the year 1990.

After graduating in Commerce, Mr. Arun Kumar began his career in the exports department of Bombay Drug House Ltd., one of the earliest exporters of pharmaceuticals from India in the early 80s and was soon promoted to head the International Division. Mr. Arun Kumar gained

substantial experience in the international pharmaceutical market and also developed close association with a large number of international companies. In 1985, Mr. Arun Kumar decided to start a consultancy firm - Strides Consultants for assisting companies in developing and implementing export strategies. As a consultant to a number of companies, he developed export market for these companies.

**2) Past remuneration, recognition or awards, job profile and his suitability**

Mr. Arun Kumar was eligible for Rs. 4.80 Million as minimum remuneration for the year ended December 31, 2008 as the Company had inadequate profits for the financial year ended December 31, 2008. However, in terms of the sanction accorded by the shareholders at their annual general meeting held on June 27, 2008, he has drawn a total amount of Rs.30.66 Million. The Company will be making application to the Central Government for waiver of excess remuneration of Rs.24.39 Million paid to him and the excess amount is being held by him under trust.

Mr. Arun Kumar has rich experience and deep knowledge about the pharmaceutical industry and has immensely contributed to the growth of the company by his incisive and broad based knowledge of the domestic and international markets.

Mr. Arun Kumar is a renowned personality in the pharmaceutical industry and has helped steer the growth of the company. Starting with a small equity capital of Rs.6 lakhs Strides has since developed into a highly successful operation [2008 consolidated revenues Rs.13,777.05 Million] in a short span of time and is amongst the fastest growing Indian pharmaceutical companies with over 2500 employees worldwide.

**3) Remuneration proposed**

As stipulated in the resolution. There is no increase in the remuneration of Mr. Arun Kumar and the resolution is for his reappointment as Managing Director.

**4) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**

Mr. Arun Kumar has served on the Board of the company since its inception. He has led the company from its nascent stage and has propelled its growth. He has streamlined the business process operations of the company and has been a strategic management persona. His skill set and his experience places him at par with similar positions on other major pharmaceutical companies in India. Considering the general industry and the specific company profile, the proposed remuneration is in line with the industry levels and that of comparatively placed companies in India.

**5) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any**

Mr. Arun Kumar is a Founder/ Promoter Director and has been the Managing Director of the Company since inception and has been instrumental in bringing significant growth in the volume of business since inception. He has pecuniary relationship with the Company in his capacity as a Managing Director and Promoter.

**III. Other information**

**Reasons for loss or inadequate profits, steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms**

The Company reported a loss of Rs. 1,152.14 Million in the financial year ended December 31, 2007. During the year 2008, the company had to recover from such losses. It geared its operations efficiently, which resulted in a profit of Rs. 61.35 Million for the financial year ended December 31, 2008.

The Company has completed the course correction process and the stage is set for acceleration. The Company has exited from all businesses that do not have strategic value and is focusing on execution excellence. The same is demonstrated by the year 2008 financial results which have shown a complete turnaround. Though the Company has achieved profits, the same is less than expected due to general business conditions, forex losses and other one off items.

The Company has taken appropriate steps to ensure profitability in future and this disclosure is only an enabling provision for payment of remuneration in the unlikely scenario of loss / inadequacy of profits.

**IV. Disclosures**

**The proposed remuneration package:** As detailed in the resolution.

**ADDITIONAL DISCLOSURE AS REQUIRED UNDER CLAUSE 49 IV (G) OF THE LISTING AGREEMENT WITH NSE/BSE ARE AS UNDER:**

- 1) **A brief resume of the director and nature of his expertise in specific functional areas :** As given under Section II above.
- 2) **Shareholding of the director in the Company:** Mr Arun Kumar holds 12,60,797 equity shares in the Company.
- 3) **Companies in which directorships and committee memberships held :**

Mr. Arun Kumar holds directorship and committee membership in the following Indian Companies:

S. No.	Name of the Companies	Nature of Interest
1.	Fraxis Life Sciences Limited	Director
2.	Grandix Pharmaceuticals Limited	Director & Member of Remuneration Committee
3.	Sequent Scientific Limited	Director
4.	Sequent Research Limited	Director
5.	Agnus Holdings Private Limited	Director
6.	Arcolab (India) Private Limited	Director
7.	Nous Infosystems Private Limited	Director
8.	Patsys Consulting Private Limited	Director
9.	Strides Specialties Private Limited	Director & Member of Audit Committee
10.	Vedic Elements Private Limited	Director

This Explanatory Statement together with the accompanying Notice may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board recommends the passing of the proposed resolution stated at item 6 as Special Resolution and request your approval for the same.

Except Mr. Arun Kumar, none of the directors of the Company are concerned or interested in the said resolution.

By the Order of the Board  
For **Strides Arcolab Limited**

**Kannan. N**  
**Company Secretary**

Place: Bangalore  
Date: May 4, 2009