

**16TH ANNUAL REPORT
2002-2003**



**NEOCURE
THERAPEUTICS LIMITED**



BOARD OF DIRECTORS

| | |
|--------------------------|------------------------------|
| Sri.D.Krishna Kumar Raju | Chairman & Managing Director |
| Sri. D.Sreerama Raju | Director |
| Sri.P.V.V.Prasad | Director |
| Sri.Ch.Srinivas | Director |
| Sri.P.Krupavaram | Director |

BANKERS

The Karnataka Bank Limited
Manasa Bank Ltd.
Bank of India

AUDITORS

M/s. P.Murali & Co.,
Chartered Accountants,
6-3-655/2/3,
Somajiguda,
Hyderabad - 500 062.
Phone : 23326666

REGISTERED OFFICE

G-4/B, SEIE,
Kattedan,
Hyderabad - 500 077.
Phone : 24362801
Fax : 24362801

SHARE TRANSFER AGENTS

M/s. AARTHI CONSULTANTS PRIVATE LIMITED
1-2-285, DOMALGUDA,
HYDERABAD - 500 029.
Phone : 27634445, 27638111



NOTICE

NOTICE is hereby given that the 16TH Annual General Meeting of M/s NEOCURE THERAPEUTICS LIMITED will be held on Tuesday, the 30th day of September, 2003, at 3 P.M. at the Registered Office of the Company at G-4/B, SEIE, Kattedan, Hyderabad - 500 077 to consider the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Ch.Srinivas who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. P.Krupavaram who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS
for NEOCURE THERAPEUTICS LIMITED

PLACE: HYDERABAD
DATE : 04.09.2003

(D.KRISHNA KUMAR RAJU)
CHAIRMAN & MANAGING DIRECTOR

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- b) PROXIES TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
- c) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 11.10.2003 to 16.10.2003 (BOTH DAYS INCLUSIVE)

**ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED
UNDER THE LISTING AGREEMENT:**

As required under the Listing Agreement, the particulars of Directors who proposed to be re-appointed are given below:

1. **Name** : P. KRUPAVARAM
Age : 41 Years
Qualifications : Graduate
Expertise : 10 years Experience in Sales & Business Administration
Other Directorships : 1
2. **Name** : Ch.Srinivas
Age : 41 years
Qualifications : Graduate
Expertise : 10 years experience in Sales of Pharma Products
Other Directorships : 2

**DIRECTORS' REPORT**

To
The Members of

M/s.NEOCURE THERAPEUTICS LIMITED

The Directors have pleasure in presenting the 16th Annual Report of the company together with the Audited Accounts for the year ended 31st March, 2003.

OPERATIONS

Having done a detailed research in the last year as part of its diversification to Biotechnology, Herbal Medicine and Herbal Plantation and having identified different pharmaceutical products, we are now in search to induct wholetime directors with experience in different pharma products. We are making out best efforts to get good results and to become a profitable unit in the coming years.

FINANCIAL RESULTS

| | Year Ended 31.03.2003 (Rs.in Lakhs) | Year Ended 31.03.2002 (Rs.in Lakhs) |
|-------------------------|--|--|
| Turnover | 19.12 | 13.14 |
| Profit (+) / Loss (-) | (44.67) | (50.80) |
| Balance Brought Forward | (925.27) | (711.07) |
| Balance Carried Forward | (969.26) | (925.27) |

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report is given below:

A. INDUSTRY BACKGROUND

The demand scenario for the pharmaceutical industry, in general, is good and ever increasing. Nevertheless, the industry is overall obsessed with stiff competitions. In spite of the market competition, there is always a growing demand for this industry. Proper efforts are required to be made to fall in line with the changing trends and to achieve the targets and a better bottom line in the operations. Accordingly, plans are set to capture its shares in the market and to involve into the latest technologies including bio- technology.

B. INDUSTRY OUTLOOK

The need of the hour in the industry is to fall in line with the changing trends and to meet the lofty objectives. In general, the outlook for the industry can be categorized as excellent. The industry has to face the competitions and adopt itself to the use of latest technologies. There is also emergent need for helping the society by the use of latest bio technologies.

C. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company has adequate internal control systems commensurate with the size of its operations and for the purpose of exercising adequate controls on the day-today operations. Systems are regularly reviewed to ensure effectiveness.

D. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

During the year there are no material developments in Human Resources as well as Industrial Relations.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1)(e) OF THE COMPANIES ACT, 1956

- (a) Conservation of Energy : The company is monitoring the consumption of energy and is identifying measures for conservation of energy.
- (b) (i) Technology Absorption, adaptation and innovation:- No technology either indigenous or Foreign is involved.
- ii) Research and Development (R&D): No research and Development has been carried out.



- (c) Foreign exchange earnings : NIL
Foreign exchange out go : -NIL-

PARTICULARS OF EMPLOYEES

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month where employed for a part of the year.

DIRECTORS

Mr.P.Krupavaram and Mr.Ch.Srinivas retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

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

STATEMENT PURSUANT TO LISTING AGREEMENT

Presently the company's Equity shares are listed at Hyderabad Stock Exchange (HSE), Mumbai Stock Exchange (BSE) and National Stock Exchange (NSE).The company has paid the Annual Listing Fee upto the year 2002-03.

CORPORATE GOVERNANCE

In order to bring more transparency in the conduct of business, the Stock Exchanges have amended the listing agreement incorporating the code of corporate governance to listed companies. Your Company has always been committed to the best practices in the governance of its affairs. Your company had taken steps and complied with most of the recommendations during the year. For the year under review, the Compliance Report is provided in the Corporate Governance section in this Report. The Auditors' Certificate on compliance with the mandatory requirements of Corporate Governance is given in "Annexure "A" to this Report."

PERSONNEL

The relations between the management and the staff were very cordial throughout this year. Your Directors take this opportunity to record their appreciation for the Co-Operation and loyal services rendered by the employees.

DEPOSITS

The company has not accepted any deposits during the year.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge with thanks the constructive guidance and support extended by Banks and Government Agencies.

for and on behalf of the Board
for NEOCURE THERAPEUTICS LIMITED

PLACE : HYDERABAD.
DATE : 04.09.2003

(D.KRISHNA KUMAR RAJU)
CHAIRMAN & MANAGING DIRECTOR

(D. SREERAMA RAJU)
DIRECTOR



ANNEXURE – “A” TO DIRECTORS REPORT- CORPORATE GOVERNANCE (Pursuant to Clause 49 of the Listing Agreement)

1. Company's Philosophy on code of governance :

The Basic philosophy of corporate governance of the company is to achieve business excellence and enhance shareholder value keeping in view the interests of all stake-holders. The company stands by transparency in all its dealings and strict regulatory compliance. The company believes that strong corporate governance is indispensable for healthy business growth and to be resilient in a vibrant capital market and is an important instrument of investor protection.

2. Board of Directors

a) Composition

The composition of Board of Directors of the company meets the stipulated requirements. The Board of Directors comprises of One Chairman & Managing Director, and 4 Independent Non Executive Directors. To be in line with the company's philosophy on Corporate Governance, all statutory subjects are placed before the Board to discharge its responsibilities as trustees of the Share Holders.

b) Attendance of each Director at the Board Meetings and the last AGM

5 Board Meetings were held during the year from April 01,2002 to March 31,2003. The dates on which the meetings were held i.e. 29.4.02, 22.6.02, 29.7.02, 28.10.02, 27.1.03. The Last Annual General Meeting was held on 30th September, 2002. The attendance of each Director is as under:

| Name of the Director | Category | No.of Other Directorships | No.of Committees in which member | No.of Board Meetings attended | Whether attended last AGM |
|--------------------------|------------------------------|---------------------------|----------------------------------|-------------------------------|---------------------------|
| Sri.D.Krishna Kumar Raju | Chairman & Managing Director | 1 | Nil | 5 | Yes |
| Sri.D.Sreerama Raju | Independent Non-Executive | NIL | Nil | 5 | Yes |
| Sri.P.V.V.Prasad | Independent Non-Executive | 2 | 2 | 5 | Yes |
| Sri.P.Krupavaram | Independent Non-Executive | 1 | 2 | 1 | No |
| Ch.Srinivas | Independent Non-Executive | 2 | 2 | 1 | No |

3. AUDIT COMMITTEE:

During the year under review Four (4) meetings were held for approval of Un-audited Financial Results for each quarter ended.

The constitution of the Committee and the attendance of each member of the Committee is given below:



| Name of the Director | Designation | Wholetime/ Independent | Profession | Committee meetings attended |
|----------------------|-------------|---------------------------|------------|-----------------------------------|
| Sri.P.V.V.Prasad | Director | Independent | Business | 4 |
| Sri.Ch.Srinivas | Director | Independent | Business | 4 |
| Sri.P.Krupavaram | Director | Independent | Business | 4 |

The meetings of Audit committee are also attended by the heads of finance and Statutory Auditor as Invitees. The un-audited financial results for each quarter are approved by the audit committee before passed on to the Board of Directors for approval and adoption.

Terms and reference of the Audit Committee include a review of;

- Financial reporting process
- Draft financial statements and auditor's report (before submission to the Board)
- Accounting policies and practices
- Internal controls and internal audit systems
- Risk management policies and practices
- Related party transactions
- Internal audit reports and adequacy of internal audit function

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan, fixation of audit fee and also approval of payment of fees for any other services.

4. Remuneration Committee

The Company does not have a "Remuneration Committee". Your Directors recommended that all such items that may be required to be discussed at a Meeting of the "Remuneration Committee" could be considered at a Meeting of the Board of Directors.

5. REMUNERATION OF DIRECTORS:

None of the Directors has drawn any remuneration or sitting fees during the financial year

6. Share Holders /Investors Grievance Committee:

The Committee oversees share transfers and monitors investor grievances. To look into the redressal of shareholders and investors complaints like – transfer of shares, non-receipt of balance Sheet, non-receipt of declared dividends etc.,

The Committee consists of the following Directors:

Sri.Ch.Srinivas Member
 Sri P.V.V.Prasad Member
 Sri.P.Krupavaram Chairman
 Sri. P.V.V.Prasad is the Compliance Officer.

The total No. of Complaints received and complied during the year were: 9,

The Complaints had been attended to within seven days from the date of receipt of the complaint.

No complaints are outstanding as on 31st March, 2003



7. Details of Annual General Meetings: Location and time of the last Three AGMs.

| AGM | YEAR | VENUE | DATE | TIME |
|------------------|-----------|-------------------|------------|------------|
| 15 TH | 2001-2002 | Registered Office | 30.09.2002 | 12 Noon |
| 14 TH | 2000-2001 | Registered Office | 30.07.2001 | 11.00 A.M. |
| 13 th | 1999-2000 | Registered Office | 27.06.2000 | 11.00A.M |

No Special resolution was put through postal ballot last year.

8. Disclosures

A. Disclosure on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors or the management's, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

None

B. Details of non-compliance by the company, penalties, Strictures imposed on the company by stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

9. NOTES ON DIRECTORS APPOINTMENT/RE-APPOINTMENT:

Relevant details forms part of the explanatory statement to the notice of the Annual General Meeting/ Director's Report.

10. Means of Communications:

As per the listing requirements, the company publishes periodical financial results in leading English and regional newspapers information. The Management Discussion and Analysis (MD& A) forms part of the annual report.

11. MANAGEMENT DISCUSSION AND ANALYSIS

Appended to this Report.

12. General Share Holder Information:

- a) AGM, Date , Time and Venue : 30th September, 2003 at 3 P.M.
at G-4/B, SEIE, Kattedan, Hyderabad -77
- b) Financial Calendar : April to March

Financial Reporting for:

| | |
|---|------------------------------------|
| Quarter ending June, 30 2003 | Before end of July, 03 |
| Quarter ending September 30 2003 | Before end of October, 03 |
| Quarter ending December 31 2003 | Before end of January, 04 |
| Quarter ending March 31 2004 | Before end of April, 04 |
| Annual General Meeting for FY ended 31 st March,2004 | Before end of 30th September, 2004 |

- c) Date of Book Closure : 11th October,2003 to 16th October, 2003. (both days inclusive)

NEOCURE THERAPEUTICS LIMITED



- d) Dividend Payment date(s) : Not Applicable.
- e) Dividend Payment date(s) : Not Applicable.
- f) Listing on Stock Exchange : Hyderabad, Mumbai and National Stock Exchange of India Limited. The Company has paid Annual listing Fee upto the year 2002-03 for the National Stock Exchange. The Stock Exchange Mumbai and the Hyderabad Stock Exchange Ltd.,
- i) Stock Code
 Hyderabad : Not Allotted
 Mumbai : 531624
 NSE : NEOCUTHER EQ.
- ii) Demat ISIN Number
 NSDL – INE 695 B01017
 CDSL – INE 695 B01017
- g) Market Price Date: High : The Company was given Listing permission by
 Low during each : the Stock Exchange from
 Month in last Financial Year : Mumbai Stock Exchange 24-4-1996
 Hyderabad Stock Exchange 26-4-1996
 National Stock Exchange of India Limited 12-3-97

| Month | Hyderabad Stock Exchange | | Mumbai Stock Exchange | | National Stock Exchange | |
|-----------------|-----------------------------|-----|--------------------------|-----------|----------------------------|-----------|
| | High | Low | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April, 2002 | -- | -- | 2.50 | 0.90 | 2.50 | 0.90 |
| May, 2002 | -- | -- | 2.40 | 1.30 | 2.25 | 1.30 |
| June, 2002 | -- | -- | 4.30 | 1.65 | 4.35 | 1.70 |
| July, 2002 | -- | -- | 5.00 | 2.10 | 5.50 | 2.00 |
| August, 2002 | -- | -- | 2.55 | 1.65 | 2.65 | 1.65 |
| September, 2002 | -- | -- | 2.75 | 1.40 | 2.15 | 1.45 |
| October, 2002 | -- | -- | 1.70 | 1.25 | 1.75 | 1.20 |
| November, 2002 | -- | -- | 1.70 | 1.20 | 2.10 | 1.30 |
| December, 2002 | -- | -- | 2.05 | 1.50 | 2.40 | 1.50 |
| January, 2003 | -- | -- | 2.00 | 1.40 | 1.80 | 1.00 |
| February, 2003 | -- | -- | -- | -- | 1.25 | 0.95 |
| March, 2003 | -- | -- | -- | -- | 1.00 | 0.70 |

- h) Stock Performance in Comparison : The Share Price of the Company has been moving with
 to Broad-based Indices such as : the trend of the indices
 BSE Sensex, BZX 200, Nifty
- i) Registrar and Transfer Agent : Aarathi Consultants Private Limited
 1-2-285, Domalguda, Hyderabad-29
 Phone : 27638111, 27634445, Fax :
- j) Share and Transfer agent : The Share transfers are being effected physically by
 the Company's share transfer agents, M/s Aarathi
 Consultants Pvt. Ltd, Hyderabad.

NEOCURE THERAPEUTICS LIMITED



k) Distribution Shareholdings as on 31.3.2003

| Share Holding of Nominal Value | | Share Holders | | Share Amount | |
|--------------------------------|-----------|---------------|---------------|--------------|---------------|
| Rs. | Rs. | Numbers | % of Total | In Rs. | % of Total |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Upto | 5,000 | 4948 | 53.71 | 14457340.00 | 8.92 |
| 5,001 | 10,000 | 1629 | 17.68 | 14755160.00 | 9.11 |
| 10,001 | 20,000 | 1042 | 11.31 | 16714190.00 | 10.32 |
| 20,001 | 30,000 | 694 | 7.53 | 17862120.00 | 11.03 |
| 30,001 | 40,000 | 184 | 2.00 | 6769410.00 | 4.18 |
| 40,001 | 50,000 | 274 | 2.97 | 13067310.00 | 8.07 |
| 50,001 | 1,00,000 | 259 | 2.81 | 19710530.00 | 12.17 |
| 1,00,001 | and above | 183 | 1.99 | 58654940.00 | 36.22 |
| TOTAL | | | 100.00 | | 100.00 |

l) According to categories of shareholders as at 31st March 2003.

| | CATEGORY | No. of Shares held | % age of shareholding |
|----|--|--------------------|-----------------------|
| A | PROMOTER'S HOLDING: | | |
| 1. | Promoters* | | |
| | - Indian Promoters | 1458000 | 9.00 |
| | - Foreign Promoters | 30400 | 0.19 |
| 2. | Persons acting in Concert | | |
| B. | NON-PROMOTERS HOLDING | | |
| 3. | Institutional Investors | | |
| a. | Mutual Funds | - | - |
| b. | Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions) | - | - |
| c. | FIs | - | - |
| 4. | OTHERS | | |
| a. | Private Corporate Bodies | 759763 | 4.69 |
| b. | Indian Public | 13406234 | 82.76 |
| c. | NRIs / OCBs | 544703 | 3.36 |
| d. | Any other (please specify) | | |
| | TOTAL | 16199100 | 100 |

- m) Dematerialisation of Shares and liquidity : The Company has entered into an arrangement with both the depositories namely NSDL and CSDL for of its shares dematerialisation. The dematerialisation status as on 31-3-03 is furnished hereunder.
NSDL : 9261868 Shares; CDSL : 261697 Shares
- n) Outstanding GDRs./ADRs./Warrants or any Convertible instruments : The Company has not issued any DRs./ADRs. Warrants or any convertible instruments.
Conversion date and likely Impact on equity
- o) Address for Correspondence : G-4/B, SEIE, Kattedan, Hyderabad - 500 077

BY ORDER OF THE BOARD OF DIRECTORS
for NEOCURE THERAPEUTICS LIMITED

PLACE : HYDERABAD
DATE : 4.9.2003

(D.KRISHNA KUMAR RAJU)
CHAIRMAN & MANAGING DIRECTOR

(D.SREERAMA RAJU)
DIRECTOR

NEOCURE THERAPEUTICS LIMITED



Compliance Certificate on Corporate Governance

**To
The Members,
NEOCURE THERAPEUTICS LIMITED
Hyderabad**

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s Neocure Therapeutics Limited ("the company") for the year ended 31st March, 2003 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on Certification of Corporate Governance[®] issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

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

**For P.MURALI & CO.,
CHARTERED ACCOUNTANTS**

**P.MURALI MOHANA RAO
PARTNER.**

**PLACE : HYDERABAD
Date : 4.9.2003**

NEOCURE THERAPEUTICS LIMITED



AUDITORS' REPORT

To
The Members,
NEOCURE THERAPEUTICS LIMITED

We have audited the attached Balance Sheet of M/s. NEOCURE THERAPEUTICS LIMITED as at 31st March, 2003 and also the Profit & Loss Account for the year ended on the date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit ;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
 - (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account ;
 - (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;
 - (v) On the basis of written representations received from the Directors, as on 31st March , 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2003 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956 ;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March , 2003;
 - (b) In the case of Profit & Loss Account of the Loss for the year ended on that date;
- And
- (c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For **P.MURALI & CO.,**
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER

PLACE : HYDERABAD
DATE : 4.9.2003



ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date to the members of NEOCURE THERAPEUTICS LIMITED on the accounts for the year ended 31st March , 2003

- 1 **The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed on such verification.**
- 2 **None of the fixed assets have been revalued during the current year.**
- 3 **The company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained U/s.301 of the Companies Act, 1956.**
- 4 **The company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained U/s.301 of the Companies Act, 1956.**
- 5 **On the basis of our checking and according to the information and explanations given to us, during the course of our audit no loans or advances in the nature of loans have been given by the company.**
- 6 **In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to plant and machinery, equipment and other assets and also for sale of goods.**
- 7 **In our opinion and according to the information and explanation given to us, the transactions of purchase of materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the current year to Rs. 50,000/- or more in respect of each party have not been made by the company.**
- 8 **The Company has not accepted any deposit from the Public.**
- 9 **In our opinion, the company is having internal audit system commensurate with its size and nature of its business.**
- 10 **The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.**
- 11 **The company has not paid the statutory liability in respect of provident fund and employees state insurance amounting to Rs. 23,059/- and 3,842/- respectively.**
- 12 **At the last day of the financial year there were no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.**
- 13 **In our opinion and according to the information and explanation given to us, no personal expenses have been charged to revenue account.**
- 14 **The Company is not a Sick Industrial Company within the meaning of clause(o) of sub-section(1) of Section 3 of Sick Industrial Companies(Special Provision) Act,1985.**
- 15 **In our opinion, the clauses of Manufacturing and other Companies (Auditor s Report) Order,1988 numbering (iii),(iv),(v),(vi),(xii),(xiv), are not applicable for the current year.**

For **P.MURALI & CO.,**
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER

PLACE : HYDERABAD
DATE : 4.9.2003

NEOCURE THERAPEUTICS LIMITED



BALANCE SHEET AS AT 31-03-2003

| PARTICULARS | SCHEDULE No. | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|--|-----------------|---------------------------------|---------------------------------|
| I SOURCES OF FUNDS | | | |
| 1. SHAREHOLDERS FUNDS | | | |
| a. Capital | 1 | 161,991,000 | 161,991,000 |
| b. Reserves & Surplus | | 37,113,500 | 37,113,500 |
| 2. LOAN FUNDS | | | |
| a. Secured Loans | 2 | 25,509,801 | 25,509,801 |
| b. Unsecured Loans | | 4,000,000 | 4,000,000 |
| 3. DEFERRED INCOME TAX LIABILITY | | | |
| | | 16,272,245 | 16,340,282 |
| TOTAL | | <u>244,886,546</u> | <u>244,954,583</u> |
| II APPLICATION OF FUNDS | | | |
| 1. FIXED ASSETS | | | |
| a. Gross Block | 3 | 94,997,987 | 94,997,987 |
| b. Less Depreciation | | 29,287,874 | 25,150,165 |
| c. Net Block | | 65,710,113 | 69,847,822 |
| d. Capital Work in Progress | | 58,502,930 | 58,502,930 |
| 2. CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Inventories | | 598,430 | 945,874 |
| b. Sundry Debtors | 4 | 829,980 | 229,487 |
| c. Cash & Bank Balance | 5 | 68,664 | 66,112 |
| d. Loans & Advances | 6 | 24,984,919 | 25,102,446 |
| Less: Current Liabilities & Provisions | 7 | 3,043,108 | 2,730,494 |
| NET CURRENT ASSETS | | 23,438,885 | 23,613,424 |
| 3. MISCELLANEOUS EXPENDITURE | | | |
| (to the extent not written off or adjusted) | | 308,783 | 463,176 |
| 4. PROFIT & LOSS ACCOUNT | | | |
| | | 96,925,835 | 92,527,230 |
| TOTAL | | <u>244,886,546</u> | <u>244,954,583</u> |
| NOTES TO ACCOUNTS | 9 | | |

AS PER OUR REPORT OF EVEN DATE

for P. MURALI & CO.,
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER

PLACE: HYDERABAD
DATE : 04-09-03

FOR AND ON BEHALF OF THE BOARD

D.KRISHNA KUMAR RAJU
CHAIRMAN & MANAGING DIRECTOR

D.SREERAMA RAJU
DIRECTOR

NEOCURE THERAPEUTICS LIMITED



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2003

| PARTICULARS | SCHEDULE No. | ENDING 31-03-2003 (Rupees) | ENDING 31-03-2002 (Rupees) |
|--|--------------|--------------------------------------|--------------------------------------|
| 1 INCOME | | | |
| Sales | | 1,449,587 | 864,857 |
| Other Income | | 461,924 | 449,546 |
| TOTAL | | 1,911,511 | 1,314,403 |
| 2 EXPENDITURE | | | |
| Raw Materials Consumed | | 1,125,270 | 416,590 |
| (Increase) / decrease instock | | 3116 | |
| Financial Charges | | 1,701 | 4,528 |
| Administrative Expenses | 8 | 955,964 | 1,681,243 |
| Depreciation | | 4,137,709 | 4,137,709 |
| Miscellaneous Expenses W/o | | 154,393 | 154,393 |
| TOTAL | | 6,378,153 | 6,394,463 |
| 3 PROFIT / (LOSS) BEFORE TAX | | (4,466,642) | (5,080,060) |
| 4 PROVISION FOR TAXATION | | | |
| 5 DEFERRED INCOME TAX ASSETS FOR CURRENT YEAR | | 68,036 | (294,564) |
| 6 PROFIT / (LOSS) AFTER TAX | | (4,398,606) | (5,374,624) |
| 7 BALANCE BROUGHT FORWARD PROFIT/(LOSS) | | (92,527,229) | (71,106,888) |
| 8 TRANSITIONAL CUMULATIVE DEFERRED TAX | | | (16,045,718) |
| 9 BALANCE CARRIED FORWARD EARNINGS PER SHARE | | (96,925,835) (0.27) | (92,527,230) (0.31) |
| NOTES TO ACCOUNTS | 9 | | |

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

for P. MURALI & CO.,
CHARTERED ACCOUNTANTS

D.KRISHNA KUMAR RAJU
CHAIRMAN & MANAGING DIRECTOR

P.MURALI MOHANA RAO
PARTNER

D.SREERAMA RAJU
DIRECTOR

PLACE : HYDERABAD
DATE : 04-09-03

NEOCURE THERAPEUTICS LIMITED



SCHEDULE 1 SHARE CAPITAL

| PARTICULARS | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|--|---------------------------------|---------------------------------|
| AUTHORISED | | |
| 20,000,000 Equity Shares of Rs.10/-Each | 200,000,000 | 200,000,000 |
| ISSUED, SUBSCRIBED & PAID-UP: | | |
| 16199100 Shares of Rs.10/-Each | 161,991,000 | 161,991,000 |
| | <u>161,991,000</u> | <u>161,991,000</u> |

SCHEDULE 2 SECURED LOANS

| PARTICULARS | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|--------------------------------------|---------------------------------|---------------------------------|
| Working Capital Borrowing From Banks | 25,509,801 | 25,509,801 |
| | <u>25,509,801</u> | <u>25,509,801</u> |

SCHEDULE - 3 FIXED ASSETS

(S L M)

| Particulars | Gross block as on 01-04-2002 | Additions during the year | Gross block as at 31-03-2003 | Depreciation up to 31-3-2002 | Depreciation during the year | Total depreciation 31-3-2003 | Net block as at 31-3-2003 | Net block as at 31-3-2002 |
|----------------------|------------------------------------|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------------|---------------------------------|
| Land | 89491 | — | 89491 | — | — | — | 89491 | 89491 |
| Land & Buildings | 27154066 | — | 27154066 | 5676588 | 906946 | 6583534 | 20570532 | 21477478 |
| Furniture & Fixtures | 647844 | — | 647844 | 248237 | 41009 | 289246 | 358598 | 399607 |
| Plant & Machinery | 64081142 | — | 64081142 | 18178970 | 3043854 | 21222824 | 42858318 | 45902172 |
| Art work | 330526 | — | 330526 | 116039 | 15700 | 131739 | 198787 | 214487 |
| Blocks | 597574 | — | 597574 | 209505 | 28385 | 237890 | 359684 | 388069 |
| Cylinders | 918456 | — | 918456 | 318071 | 43627 | 361698 | 556758 | 600385 |
| Vehicles | 46128 | — | 46128 | 28805 | 4382 | 33187 | 12941 | 17323 |
| Misc. Fixed Assets | 1132760 | — | 1132760 | 373950 | 53806 | 427756 | 705004 | 758810 |
| | <u>94997987</u> | <u>—</u> | <u>94997987</u> | <u>25150165</u> | <u>4137709</u> | <u>29287874</u> | <u>65710113</u> | <u>69847822</u> |

SCHEDULE 4 SUNDRY DEBTORS

| PARTICULARS | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|--|---------------------------------|---------------------------------|
| (Debts considered good & unsecured) | | |
| a. Debts outstanding for a period exceeding six months | - | 2503 |
| b. Others | 829,980 | 226,984 |
| | <u>829,980</u> | <u>229,487</u> |

NEOCURE THERAPEUTICS LIMITED**SCHEDULE 5
CASH & BANK BALANCES**

| PARTICULARS | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|---------------------|--|--|
| Cash in hand | 49,356 | 36,333 |
| Balances with Banks | 19,308 | 29,779 |
| | <u>68,664</u> | <u>66,112</u> |

**SCHEDULE 6
LOANS & ADVANCES**

| PARTICULARS | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|--------------------|--|--|
| Advances & Others | 23,805,012 | 23,922,539 |
| Deposits | 1,179,907 | 1,179,907 |
| | <u>24,984,919</u> | <u>25,102,446</u> |

**SCHEDULE 7
CURRENT LIABILITIES & PROVISIONS**

| PARTICULARS | AS AT 31-03-2003 (Rupees) | AS AT 31-03-2002 (Rupees) |
|-----------------------------------|--|--|
| Sundry Creditors | 582021 | 330222 |
| Other Liabilities | 2,378,483 | 2,315,352 |
| Outstanding Expenses & Provisions | 82,604 | 84,920 |
| | <u>3,043,108</u> | <u>2,730,494</u> |

**SCHEDULE 8
MANUFACTURING ,SELLING & ADMINISTRATIVE EXPENSES**

| PARTICULARS | YEAR ENDED 31-03-2003 (Rupees) | YEAR ENDED 31-03-2002 (Rupees) |
|-------------------------------|---|---|
| Manufacturing Expenses | 151,782 | 212,618 |
| Selling Expenses | 108,149 | 671,930 |
| Audit Fee | 25,000 | 25,000 |
| Other Administrative Expenses | 671,033 | 771,695 |
| | <u>955,964</u> | <u>1,681,243</u> |

**SCHEDULE - 9****NOTES FORMING PART OF THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****General :**

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition :

- (i) Income from software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are performed.
- (iii) Revenue from software development services includes revenue from time and material and fixed price contracts are recognised as related services are performed.
- (iv) Revenue on fixed price contracts is recognised in accordance with percentage of completion and method of account.
- (v) Revenue is not recognised on the grounds of prudence, until realised in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Foreign Exchange Transaction :

- (i) Realised gains & loss in foreign exchange transactions are recognised in Profit & Loss Account.

Fixed Assets :

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

Depreciation and Amortisation :

- (i) Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956.

Taxation :

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax asset and liability is recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

Earning Per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

Gratuity :

The company has not made any provision for gratuity to its employees. Gratuity payable will be accounted as and when payments are made and as such the liability has not been ascertained.

NEOCURE THERAPEUTICS LIMITED



B. NOTES ON ACCOUNTS

| | | | |
|----|--|------------------------------|-------------------------------|
| 1 | Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975. NIL | | |
| 2 | Director's Remuneration : | <u>Current Year</u> (Rs.) | <u>Previous Year</u> (Rs.) |
| | | Nil | Nil |
| 3 | Auditor's Remuneration : | <u>Current Year</u> (Rs.) | <u>Previous Year</u> (Rs.) |
| | Audit Fee | 25,000/- | 25,000/- |
| 4 | (a) Foreign Exchange Earnings : | <u>Current Year</u> (Rs.) | <u>Previous Year</u> (Rs.) |
| | IT Enabled Services | Nil | Nil |
| | (b) Foreign Exchange Outgo : | | |
| | Travelling Expenses | Nil | Nil |
| 5 | There are no dues to SSI Units outstanding for more than 30 days. | | |
| 6 | No confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end. | | |
| 7 | The Company has entered into onetime settlement with Bank. | | |
| 8 | In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has accounted for deferred tax in the previous year for accumulated deferred tax Liability and for the previous year also. The deferred tax provision for the current year amounts to Rs.68036/- towards deferred tax Liability. | | |
| 9 | Previous years figures have been regrouped wherever necessary. | | |
| 10 | The figures have been rounded off to the nearest rupee. | | |
| 11 | The Company is | <u>Qty.</u> | <u>Value</u> |
| | A. Turnover | | |
| | Medicines (Bottles) | 63658 Nos. | 890640.00 |
| | Medicines (Boxes) | 10162 Nos. | 558947.00 |
| | B. Purchases | | |
| | Raw Materials (Kgs.) | 3046 kgs | 777826.00 |
| | C. Opening Stock | | |
| | Raw Materials (Kgs.) | 4182 kgs | 924829.00 |
| | Medicines (Bottles) | 1400 Nos. | 16108.00 |
| | Medicines (Boxes) | 105 Nos. | 4937.00 |
| | d. Closing Stock | | |
| | Raw Materials (Kgs.) | 2506.78 kgs | 580501.00 |
| | Medicines (Bottles) | 900 Nos. | 12679.00 |
| | Medicines (Boxes) | 98 Nos. | 5250.00 |

SIGNATURES TO SCHEDULES 1 To 9

As per our report of even date,
For **P.MURALI & CO.,**
CHARTERED ACCOUNTANTS

For and on behalf of the Board
NEOCURE THERAPEUTICS LIMITED

P.MURALI MOHANA RAO
PARTNER

D.KRISHNA KUMAR RAJU
CHAIRMAN & MANAGING DIRECTOR

D.SREERAMA RAJU
DIRECTOR

PLACE : HYDERABAD
DATE : 04.09.2003



CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2003

| | 31-3-2003 (Rs. In lakhs) | 31-3-2002 (Rs. In lakhs) |
|---|-----------------------------|-----------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit/ (Loss) before taxation, and extraordinary items | (44.67) | (50.80) |
| Adjustments for: | | |
| Depreciation | 41.38 | 41.38 |
| W/o expenses | 1.54 | 1.54 |
| Interest expenses | 0.02 | 0.05 |
| Operating Profit before working capital changes | (1.73) | (7.83) |
| Trade and other receivables | (4.83) | (0.06) |
| Inventories | 3.48 | (0.12) |
| Trade payables | 3.13 | 8.07 |
| Cash generated from operations | 0.05 | 0.06 |
| Interest paid | 0.02 | 0.05 |
| Direct Taxes paid | - | - |
| Cash flow before extraordinary items | - | - |
| Extraordinary items | - | - |
| NET CASH FLOW OPERATING ACTIVITIES | 0.03 | 0.01 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | - | - |
| NET CASH USED IN INVESTING ACTIVITIES | - | - |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from Equity Shares | - | - |
| Proceeds from Share premium | - | - |
| Net Proceeds from Long Term Borrowings | - | - |
| NET CASH USED IN FINANCING ACTIVITIES | - | - |
| Net increase in cash and cash equivalents | 0.03 | 0.01 |
| Cash and Cash equivalents (Opening Balance) | 0.66 | 0.65 |
| Cash and Cash equivalents (Closing Balance) | 0.69 | 0.66 |

FOR AND ON BEHALF OF THE BOARD

D.KRISHNA KUMAR RAJU
Chairman & Managing Director

D.SREE RAMA RAJU
Director

Place : Hyderabad
Date : 04-09-03

CERTIFICATE

To
The Board of Directors
M/s Neocure Therapeutics Limited

We have examined the attached Cash Flow Statement of M/s Neocure Therapeutics Limited for the year ended 31st March, 2003. The Statement has been prepared by the company in accordance with the requirement of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 4/9/03 to the members of the company.

for **P. MURALI & CO.,**
CHARTERED ACCOUNTANTS

Place: Hyderabad.
Date : 04-09-03

(P. MURALI MOHANA RAO)
PARTNER

NEOCURE THERAPEUTICS LIMITED



IV PERFORMANCE OF COMPANY (AMOUNT IN Rs. THOUSANDS)

| | | TURNOVER | | | | | TOTAL EXPENDITURE | | | | | | | | | | | | |
|---|---|--------------------------|--|--|--|---|-------------------|---|------------------------|---|---|--|--|---|---|---|---|---|---|
| | | | | | | 1 | 9 | 1 | 1 | | | | | 6 | 3 | 7 | 5 | | |
| + | - | PROFIT/ LOSS BEFORE TAX | | | | | + | - | PROFIT/ LOSS AFTER TAX | | | | | | | | | | |
| | - | | | | | 4 | 4 | 6 | 7 | | - | | | | | 4 | 4 | 6 | 7 |
| | | EARNING PER SHARE IN RS. | | | | | DIVIDEND RATE % | | | | | | | | | | | | |
| | | | | | | - | 0 | . | 2 | 7 | | | | | N | I | L | | |

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No.
(ITC Code)

3 0 0 4

PRODUCT
DESCRIPTIONS

P A R A C E T A M O L - I P - T A B S
 C A T R I M O X A Z O L E - D S - T A B S
 A M P I C I L L I N - C A P S
 P H A R M A C E U T I C A L - F O R M U L
 A T I O N S



NEOCURE THERAPEUTICS LIMITED

G-4/B, SEIE, Kattedan, Hyderabad - 500 077.

PROXY FORM

I/We
district of being a
Member/Members of NEOCURE THERAPEUTICS LIMITED hereby appoint
..... of or failing him
..... of
in the district of
as my/our proxy to attend and vote for me/us and on my/our behalf at the Meeting of the Company to be held
on Tuesday the 30th September, 2003 at 3-00 P.M. at Regd. Office of the Company, G-4/B, SEIE, Kattedan,
Hyderabad - 500 077.

Signed this day of 2002.

Affix
Re.1/-
Revenue
Stamp

SIGNATURE

| PROXY NO. | REGD. FOLIO NO. | CLIENT I.D. NO. | NO. OF SHARES |
|-----------|-----------------|-----------------|---------------|
|-----------|-----------------|-----------------|---------------|

Note : This form duly complete and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the meeting.

NEOCURE THERAPEUTICS LIMITED

G-4/B, SEIE, Kattedan, Hyderabad - 500 077.

ANNUAL GENERAL MEETING ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. I/We hereby record my/our presence at the 16th Annual General Meeting held on Tuesday the 30th September, 2003 at 3-00 P.M. at Regd. Office of the Company, G-4/B, SEIE, Kattedan, Hyderabad - 77.

| NAME OF THE SHAREHOLDER/S OR PROXY (IN BLOCK LETTERS) | NO. OF SHARES | REGD. FOLIO NO. |
|--|---------------|-----------------|
|--|---------------|-----------------|

SIGNATURE OF THE SHAREHOLDER/S OR PROXY

PRINTED MATTER

BOOK POST

IF UNDELIVERED PLEASE RETURN TO :

NEOCURE THERAPEUTICS LIMITED

G-4B, SEIE, Kattedan, Hyderabad - 500 077.