

# TTK HEALTHCARE LIMITED

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## BOARD OF DIRECTORS

Mr. T.T. Jagannathan	<i>Chairman</i>
Mr. T.T. Raghunathan	<i>Executive Vice Chairman</i>
Mr. R.K. Tulshan	<i>Director</i>
Dr. K.R. Srimurthy	<i>Director</i>
Mr. B.N. Bhagwat	<i>Director</i>
Mr. K. Vaidyanathan	<i>Director</i>
Mr. D. Srinivasan	<i>Executive Director</i>
Mr. K. Shankaran	<i>Director</i>
Mr. I. Ravindran	<i>Wholetime Director</i>

## COMPANY SECRETARY

Mr. S. Kalyanaraman

## REGISTERED OFFICE

6, Cathedral Road  
Chennai-600 086.

## BANKERS

Bank of Baroda  
Canara Bank  
Corporation Bank

## ADMINISTRATIVE OFFICE

5, Old Trunk Road  
Pallavaram  
Chennai 600 043.

## STATUTORY AUDITORS

**M/s. Aiyar & Co.**  
Chartered Accountants  
184, Rangarajapuram Main Road  
Kodambakkam, Chennai 600 024.

## M/s. S. Viswanathan

Chartered Accountants  
8A, Bishop Wallers Avenue (West)  
Chennai 600 004.

## REGISTRARS & TRANSFER AGENTS

M/s. Data Software Research Co. Pvt. Ltd.  
Shree Sovereign Complex  
22, 4th Cross Street, Trustpura  
Kodambakkam, Chennai 600 024.

## FACTORIES

- i) 5, Old Trunk Road, Pallavaram, Chennai 600 043.
- ii) 328, GST Road, Chromepet, Chennai 600 044.
- iii) 3, Tiruneermalai Main Road, Chromepet, Chennai 600 044.
- iv) 2-B, Hosakote Industrial Area, 8th Kilometre  
Hosakote Chinthamani Road, Hosakote Taluk  
Bangalore 562 114.
- v) 1/B-2, MIDC Industrial Area, Chikalthana  
Aurangabad 431 210.
- vi) H-12/13, MIDC Area, Waluj, Aurangabad 431 136.

## DEPOTS

Ahmedabad, Ambala, Bangalore, Chandigarh, Chennai, Cuttack, Dehradun, Ernakulam, Guwahati, Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Meerut, Mumbai, Nagpur, New Delhi, Patna, Raipur, Ranchi, Siliguri, Thane, Varanasi, Vijayawada and Zirakpur.

## Notice to Shareholders

**NOTICE** is hereby given that the 46th Annual General Meeting of the Company will be held at **12.00 noon on Friday, the 10th September, 2004**, at The Music Academy, Kasturi Srinivasan Hall (Mini Hall), New No. 168, Old No. 306, TTK Road, Chennai 600 014, to transact the following:

**Ordinary Business:**

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2004 and the Balance Sheet as on that date together with the Reports of Directors and Auditors thereon.
2. To elect a Director in the place of Mr. T.T. Jagannathan, who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr. R.K. Tulshan, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr. K. Vaidyanathan, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration.

**The Register of Members of the Company will remain closed from 1st September, 2004 to 10th September, 2004 (Both days inclusive).**

BY ORDER OF THE BOARD

Place : Bangalore  
Date : 26th July, 2004

**S. KALYANARAMAN**  
Company Secretary

**NOTES :**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF ONLY ON A POLL AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Members are requested to bring their copy of the Annual Report to the Meeting.
3. Members are requested to kindly keep the Company immediately informed of any change in their respective mailing addresses.
4. Pursuant to Section 205A of the Companies Act, 1956, **all Unclaimed Dividends upto the financial year ended 31st May, 1994 have been transferred to the General Reserve Account of the Central Government.** Shareholders who have not encashed the Dividend Warrants for the aforesaid period(s) are requested to claim the same from the Central Government by applying in the prescribed form.
5. Pursuant to Section 205C of the Companies Act, 1956, **all unclaimed dividends in respect of financial years 1994-95 and 1995-96 have been credited to the Investor Education and Protection Fund of the Central Government and the members are not entitled to claim these dividends.** Those members who have so far not encashed their Dividend Warrants for the subsequent financial years mentioned below, may approach the Company for the payment thereof immediately as the same will be transferred to the **Investor Education and Protection Fund** of the Central Government, pursuant to Section 205C of the Companies Act, 1956, on the respective due dates mentioned there against. **Kindly note that after such date, the members will not be entitled to claim such dividend.**

Financial Year Ended	Due Date of Transfer
31st May, 1997	7th January, 2005
31st May, 1998	4th January, 2006
31st May, 1999	8th January, 2007
31st March, 2000 (10 month period)	31st October, 2008
6. The particulars to be provided in respect of Directors seeking re-appointment are furnished in the Report on Corporate Governance (Page No.8 of this Annual Report).

BY ORDER OF THE BOARD

Place : Bangalore  
Date : 26th July, 2004

**S. KALYANARAMAN**  
Company Secretary

**Registered Office:**  
No.6, Cathedral Road  
Chennai 600 086.

## Directors' Report

Your Directors have pleasure in presenting the 46th Annual Report together with the Audited Accounts for the financial year ended 31st March, 2004.

### FINANCIAL RESULTS

	2003-2004 (Rs. in lakhs)	2002-2003 (Rs. in lakhs)
Profit for the year before Depreciation & Taxation	363.97	419.36
<b>Less:</b> Depreciation	<u>247.41</u>	<u>255.84</u>
	<b>116.56</b>	163.52
<b>Less:</b> Provision for diminution in the value of Investments	–	102.50
<b>Less:</b> VRS Amortised	<b>10.54</b>	–
<b>Profit / (Loss) before Tax</b>	<b>106.02</b>	61.02
<b>Less:</b> Provision for Tax	<b>8.20</b>	19.32
<b>Less:</b> Deferred Tax	<b>56.75</b>	(263.92)
<b>Profit / (Loss) after Tax</b>	<b>41.07</b>	305.62

### DIVIDEND

In view of inadequate profit, your Directors do not propose to recommend any dividend for the financial year ended 31st March, 2004.

### PERFORMANCE AND OUTLOOK

A detailed analysis of the Company's performance, future outlook, etc. is given in the Management Discussion and Analysis Report forming part of this Annual Report.

During the year under review, the performance of the Ethical Products, Consumer Products, Heart Valve and Foods Businesses has been quite satisfactory.

However, the performance of Clinicare Division (consisting of Surgeons Gloves and other Medical Disposables) and Printing Division has not been upto expectations. Various steps have been initiated to reverse the situation so as to ensure improvement in the overall profitability of the Company.

Under the Consumer Products Division, the range of Ladies' Cosmetics under the "EVA" Brand launched in select regions during last year has been extended to other regions too as planned and three more variants have also been added to the range. The market response and the performance of EVA, as a whole, are quite encouraging. The distribution arrangement with M/s Saralee Household & Bodycare Private Limited for their Shoe care / Hair care / Toiletry Products and with M/s TTK-LIG Limited for their branded condoms are progressing satisfactorily.

Under the Ethical Products Division, your Company has recently launched three new products viz., **OFORD-LB** (Ofloxacin with Ornidazole & Lactobacillus – a broad spectrum antimicrobial); **NUROBEST** (Methylcobalamin with Alpha Lipoic Acid – to prevent and treat neuropathy); and **OSSOPAN-ALFA** (Calcium with Alfalcidol – to prevent and treat Osteoporosis).

The products launched earlier such as Ossopan 500/1000, Lactare Granules, Metalin-Z, Nimulase-D, etc., are also performing reasonably well.

In order to bring an enhanced focus on the Herbal Products Segment, your Company is also proposing to launch a new Division in select Regions.

Under the Clinicare Division, the market conditions with reference to Surgeons Gloves continue to be unfavourable and therefore, your Directors have taken a decision to rationalize the Gloves Manufacturing Operations at Chikalhana so as to reduce the continuing losses and the same is under implementation.

Further, action is also being initiated for rationalizing the Printing & Packaging Operations so as to reduce the losses and to enhance the focus on profitable lines of business such as Digital Cartography, etc.

With the various initiatives taken for improving the profitability and also to reduce the losses, your Directors expect a much better performance during the year 2004-05.

### ISO CERTIFICATION

You will be pleased to know that the Heart Valve Division of your Company has been awarded ISO 9001-2000 Certification by RWTUV (Germany). This Division is also working towards obtaining the CE Marking which will provide a fillip to the export efforts of your Company.

### FINANCE

During the year under review, your Company has repaid Secured Term Loans to the extent of Rs. 800.00 lakhs availed from ICICI Bank, Rs.100.00 lacs availed from IDBI and Rs.66.67 lacs availed from Indian Overseas Bank.

Your Company has also redeemed Unsecured Non-Convertible Debentures of Rs. 200.00 lakhs privately placed with ICICI Bank and repaid Fixed Deposits to the extent of Rs.141.54 lakhs.

During the year, your Company has availed fresh Term Loans of Rs. 800.00 lakhs from Corporation Bank and Rs. 475.33 lakhs from The Federal Bank Limited.

The overall borrowings have been reduced from Rs. 29.13 crores to Rs. 24.94 crores during the year under review.

### FIXED DEPOSITS

As on 31st March, 2004, your Company was holding an aggregate sum of Rs.154.30 lakhs on account of Fixed Deposits.

A sum of Rs. 4.06 lakhs relating to 33 accounts was unclaimed as on that date, out of which 4 deposits aggregating to Rs. 0.67 lakhs have since been refunded.

### EMPLOYEES

Your Directors wish to place on record their appreciation for the excellent services rendered by the Employees at all levels.

The particulars as required under Section 217(2A) of the Companies Act, 1956, are furnished in the Statement annexed hereto.

### DIRECTORS

Mr. T.T. Jagannathan, Mr. R.K. Tulshan and Mr. K. Vaidyanathan, Directors of the Company, retire by rotation and being eligible, offer themselves for re-election.

### AUDITORS

The retiring Auditors M/s Aiyar & Co., and M/s. S. Viswanathan, Chartered Accountants, are eligible for re-appointment.

### LISTING

Your Company's shares were earlier listed with –

- Madras Stock Exchange Limited, Chennai (Regional Stock Exchange)
- The Stock Exchange, Mumbai
- The Stock Exchange, Ahmedabad
- The Calcutta Stock Exchange Association Limited, Kolkata
- The Delhi Stock Exchange Association Limited, New Delhi

It was decided at the last Annual General Meeting to delist the Company's Equity Shares from the Ahmedabad, Delhi, Calcutta and Madras Stock Exchanges in accordance with Clause 5 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and to continue the listing of the Equity Shares only at The Stock Exchange, Mumbai (BSE).

Accordingly, your Company had applied for delisting of the Equity Shares with Ahmedabad, Delhi, Calcutta and Madras Stock Exchanges and has already received the delisting approval from The Stock Exchange, Ahmedabad.

The delisting approval from the other Stock Exchanges is awaited.

**SUBSIDIARY**

The Subsidiary Company, M/s TTK Healthcare Services Private Limited, has started making profits during the year under review and its performance is quite satisfactory. As required under Section 212 of the Companies Act, 1956, the Statement of Audited Accounts of the said Subsidiary for the financial year ended 31st March, 2004 along with the Directors' Report and Auditors' Report is annexed to the Balance Sheet of your Company as at 31st March, 2004. A statement on your Company's interest in the Subsidiary is also annexed thereto.

**CORPORATE GOVERNANCE**

As per the provisions of the Listing Agreement, your Company has complied with the various requirements of the Corporate Governance Code.

A detailed Compliance Note on Corporate Governance is attached to this Report.

**CONSERVATION OF ENERGY**

The prescribed particulars under Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are furnished in the Annexure to this Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that –

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.

- The accounting policies are consistently applied and reasonable, prudent judgements and estimates are made, so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that year.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- These Annual Accounts have been prepared on a “going concern” basis.

**ACKNOWLEDGEMENT**

Your Directors place on record their grateful thanks to the Bankers and Financial Institutions for their continued support and patronage.

For and on behalf of the Board

Place : Bangalore  
Date : 25th June, 2004

T.T. JAGANNATHAN  
*Chairman*

**Registered Office:**

6, Cathedral Road  
Chennai 600 086.

## Annexure to the Directors' Report

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 for the financial year ended 31st March, 2004

### A. Conservation of Energy:

Majority of the Company's operations are not power-intensive and hence the energy costs are not significant. Nevertheless, steps are being initiated to examine possible improvements:

#### FORM A

	2003-2004	2002-2003
<b>A. Power and Fuel Consumption</b>		
<b>1. Electricity:</b>		
(a) Purchased		
Units	28,45,227	33,95,601
Total Amount (Rs.)	1,43,00,349	1,56,87,485
Rate per Unit (Rs.)	5.03	4.62
(b) Own Generation		
Units	2,00,957	1,40,124
Unit per litre of Diesel Oil	2.21	1.99
Cost per Unit (Rs.)	9.55	9.03
<b>2. Furnace Oil/ Light Diesel Oil:</b>		
Quantity (litres)	2,38,781	4,84,702
Total Amount (Rs.)	32,80,746	60,77,601
Average rate per litre (Rs.)	13.74	12.54

In view of the heterogenous product range of the Company, viz, liquids, powders, granules, injectables, etc., of numerous varieties and packs and the energy cost being negligible, it is impracticable to allocate the same to production units.

### B. Technology Absorption:

#### 1. i) Specific areas in which R&D was carried out by the Company:

- Development of –
  - Anti-Bacterials and Anti-Protozoal Drug
  - Formulation consisting of Methylcobalamin with Alpha Lipoic Acid to prevent and treat neuropathy
  - Haematopoietic Drug with Carbonyl Iron – Capsules & Liquid
  - Fortified Hepato-Regeneration Drug for Veterinary Use.
  - MCHC with Alpha Calcidol and Vitamin D<sub>3</sub>
  - Herbal Cough Mixture
- The Department of Scientific and Industrial Research (DSIR) has accorded sanction for the project on the development of an improved Heart Valve. The project is now on stream and progressing as scheduled.
- The Company is collaborating with Sree Chitra Tirunal Institute for Medical Sciences and Technology, Trivandrum, in ensuring that the clinical trials of the large diameter vascular graft proceed smoothly. A committee consisting of three eminent vascular surgeons is being formulated to evaluate the results achieved so far and recommend commencement of trial marketing.
- Development work on Intra Cardiac Repair Patch and Stainless Steel Sternotomy Sutures is complete.

#### ii) Benefits derived as a result of R&D:

- The Company has launched the following products:
  - **OFORD-LB** (Ofloxacin with Ornidazole & Lactobacillus – a broad spectrum antimicrobial)
  - **NUROBEST** (Methylcobalamin with Alpha Lipoic Acid – to prevent and treat neuropathy)
  - **OSSOPAN-ALFA** (Calcium with Alfacalcidol – to prevent and treat Osteoporosis)

- Trial marketing of the Intra Cardiac Repair Patch and Stainless Steel Sternotomy Suture has started to evaluate customers' response.
- Trial marketing of the Vascular Graft Prosthesis will be initiated as soon as the monitoring committee recommends commercial production.
- With reference to the Improved Heart Valve, the engineering performance evaluation prior to animal trials, is in progress.

#### iii) Future Plan of Action:

At present, work is on for the development of the following products which would be commercialized after the trials:

- Chewable Milk Calcium Tablets
- Valdecobix Tablets
- Deltamethrin (Brand – "Lysetik" - A Veterinary Formulation)
- Polyherbal Drug for treating prostate enlargement
- Drug for treating Piles (Capsule & Cream)
- Polyherbal Drug for treating Postmenopausal Syndrome
- Polyherbal Baby Massage Oil

#### iv) Expenditure on R&D:

	2003-2004	2002-2003
	Rs.	Rs.
a) Capital	–	–
b) Recurring	19,82,730	19,55,070
c) Total	19,82,730	19,55,070
d) % of R&D expenses to sales	0.13 %	0.13 %

#### 2. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The Heart Valve Division has absorbed most of the technology for production of the Vascular Graft Prosthesis.

#### 3. Benefits derived from the above efforts:

The Heart Valve Division is developing a flexible manufacturing facility where many kinds of implantable devices can be produced.

#### 4. Details of Imported Technology:

NIL

#### 5. Foreign Exchange Earnings & Outgo:

- The Company has earned **Rs. 1,98,76,835/-** through export of its products to various countries as against Rs. 2,26,28,649/- during the previous year.
- During the year under review, Foreign Exchange used was **Rs. 1,74,64,692/-** (Previous Year – Rs. 1,85,76,060/-) as detailed below:

	2003-2004	2002-2003
	Rs.	Rs.
Imports	1,66,80,033	1,78,20,521
Travel, Advertisement, Subscription and Registration Charges	7,84,659	7,55,539

For and on behalf of the Board

Place : Bangalore  
Date : 25th June, 2004

T.T. JAGANNATHAN  
Chairman

#### Registered Office:

6, Cathedral Road  
Chennai 600 086.

**TTK HEALTHCARE LIMITED**

**Annexure to the Directors' Report**

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended 31st March, 2004.

Name	Designation	Gross Remuneration (Rs.)	Experience (Years)	Age (Years)	Qualifications	Date of Employment	Previous Employment
Mr. T.T. Raghunathan	Executive Vice Chairman	24,63,812	32	52	B.Com.	01.11.2001	Managing Director TTK Tantex Limited

- Notes: 1. Gross Remuneration includes Salary, Dearness Allowance, House Rent Allowance / House Rent Paid, Bonus, Commission, Incentive, Contribution to Provident Fund, Gratuity and Superannuation Funds, LTA paid and other applicable perquisites.
2. Nature of Duties of Mr. T.T. Raghunathan: Overall Management of the Company.
3. Term of employment is contractual.
4. Mr. T.T. Raghunathan is related to Mr. T.T. Jagannathan, Chairman of the Company.

For and on behalf of the Board

Place : Bangalore  
Date : 25th June, 2004

T.T. JAGANNATHAN  
Chairman

## Report on Corporate Governance

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

In line with the tradition of the **TTK Group**, the Board of Directors of TTK Healthcare Limited view their role as trustees of the various stakeholders and the society at large and it is their endeavour to observe the best corporate governance practices which *inter alia* include transparency, accountability and fairness in all dealings and pursuing a policy of appropriate disclosures and communication.

### BOARD OF DIRECTORS

The Board consists of 9 Directors. The composition of the Board conforms to Clause 49 of the Listing Agreement, as per the details given below:

Name of the Director	Category	Designation
Mr. T.T. Jagannathan	Promoter / Non-Executive	Chairman
Mr. T.T. Raghunathan	Promoter / Executive	Executive Vice Chairman
Mr. R.K. Tulshan	Non-Promoter / Non-Executive / Independent	Director
Dr. K. R. Srimurthy	Non-Promoter / Non-Executive / Independent	Director
Mr. B.N. Bhagwat	Non-Promoter / Non-Executive / Independent	Director
Mr. K. Vaidyanathan	Non-Promoter / Non-Executive	Director
Mr. D. Srinivasan	Non-Promoter / Executive	Executive Director
Mr. K. Shankaran	Non-Promoter / Non-Executive / Independent	Director
Mr. I. Ravindran	Non-Promoter / Executive	Wholetime Director

### BOARD MEETINGS, ATTENDANCE AND OTHER DIRECTORSHIPS

The Board of your Company met six times during the financial year ended 31st March, 2004, on the following dates:

- 27th May, 2003
- 28th June, 2003
- 25th July, 2003
- 19th September, 2003
- 28th October, 2003
- 27th January, 2004

The Company placed before the Board the Annual Plans and Budget, Performance of the various Divisions, Unaudited Quarterly Financial Results and various other information as specified under Annexure 1A of the Listing Agreement, from time to time.

### The attendance particulars at the Board Meetings & Annual General Meeting and the details of Other Directorships and Committee Member / Chairmanships held are as follows:

Name of the Director	Attendance Particulars		No. of other Directorships & Committee Member / Chairmanships		
	Board Meetings	Last AGM (19.09.03)	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. T.T. Jagannathan	5	Yes	6 <sup>§</sup>	–	–
Mr. T.T. Raghunathan	5	Yes	4	–	–
Mr. R.K. Tulshan	4	Yes	2	1	–
Dr. K.R. Srimurthy	6	Yes	–	1	–
Mr. B.N. Bhagwat	5	Yes	–	1	1
Mr. K. Shankaran	6	Yes	3 <sup>§</sup>	2	1
Mr. D. Srinivasan	6	Yes	–	1	–
Mr. K. Vaidyanathan	6	Yes	–	–	1
Mr. I. Ravindran	6	Yes	–	–	–

Other Directorships do not include Private Companies.

<sup>§</sup> Includes Directorship of one Overseas Entity.

None of the Directors is a member of more than 10 Board-level Committees of Public Companies or is a Chairman of more than 5 such Committees.

### AUDIT COMMITTEE

The Audit Committee was constituted on 6th April, 2001, comprising of three Non-Executive Independent Directors – Mr. K. Shankaran as Chairman, Mr. B.N. Bhagwat and Mr. R.K. Tulshan as Members. Mr. S. Kalyanaraman, Company Secretary, is the Secretary of the Audit Committee.

### Terms of reference to the Audit Committee include the following:

- Review of Annual Financial Statements before submission to the Board;
- Overseeing all Financial Reporting Processes;
- Recommendation of appointment / removal of Auditors and their remuneration;
- Review of adequacy of Management Audit, Internal Audit and Internal Control Systems; and
- Looking into reasons for substantial defaults in repayment of deposits or non-payment of declared dividends.

The Audit Committee met five times during the year on the following dates:

- 28th June, 2003
- 25th July, 2003
- 18th September, 2003
- 28th October, 2003
- 27th January, 2004

All the above meetings were attended by all the Members of the Committee except Mr. R.K. Tulshan who did not attend the Meeting held on 28th June, 2003.

The Audit Committee Meetings were also attended by the Statutory / Cost / Internal Auditors, wherever necessary.

### Shareholders / Investors Grievance Committee:

The Shareholders / Investors Grievance Committee was constituted on 30th January, 2002, with Mr. K. Vaidyanathan as Chairman, Mr. D. Srinivasan and Mr. K. Shankaran as Members and Mr. S. Kalyanaraman as Secretary and Compliance Officer.

The scope of the Committee is to look into the Shareholders complaints / grievances relating to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, issue of Duplicate Share Certificates and the performance of the Registrars and Share Transfer Agents. In addition, the Board shall also from time to time provide requisite guidelines / scope of work for the Grievance Committee and the Committee will discharge such other functions as are required under the provisions of the Listing Agreement and the Companies Act, 1956.

The Committee met twice during the year under review – on 25th July, 2003 and 27th January, 2004 and reviewed the status of various complaints received from the Shareholders / Investors and the redressal measures taken by the Company.

The following table shows the nature of complaints received from Shareholders during the year:

<b>Nature of Complaints</b>	
Non-receipt of Dividends	07
Non-receipt of Shares sent for transfer / transmission	12
Others	21
<b>Total</b>	<b>40</b>

All the complaints were resolved satisfactorily and there has been no pending complaint as on 31st March, 2004.

Both the above meetings were attended by all the members of the Grievance Committee.

**Directors' Remuneration:**

The details of remuneration paid to the Wholetime Directors for the year 2003-04 are as follows:

<b>Name &amp; Designation</b>	<b>Salary Rs.</b>	<b>HRA &amp; Other Allow- ances Rs.</b>	<b>Contribution to PF &amp; Other Funds Rs.</b>	<b>Total Rs.</b>	<b>Tenure of Appointment</b>
Mr. T.T. Raghunathan Executive Vice Chairman	12,00,000	8,82,595	3,81,217	24,63,812	5 years with effect from 1st November, 2001
Mr. D. Srinivasan Executive Director	9,00,000	8,08,996	2,80,500	19,89,496	5 years with effect from 6th April, 2001
Mr. I. Ravindran Wholetime Director	6,00,000	6,24,395	2,22,235	14,46,630	5 years with effect from 24th October, 2002

The Managerial remuneration paid to the Wholetime Directors is within the ceiling prescribed under Schedule XIII to the Companies Act, 1956.

The Company paid Sitting Fees of Rs. 5,000/- per meeting attended (Both Board Meetings & Committee Meetings) to each of the Non-Executive Directors during the year 2003-04.

**PARTICULARS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT**

**Mr. T.T. Jagannathan:**

Mr. T.T. Jagannathan retires by rotation and is eligible for re-election.

Mr. Jagannathan is the Chairman of the Company. He is a Gold Medallist from the Indian Institute of Technology, Madras and did his Masters in Operations Research in Cornell University, USA. He has been on the Board of the Company for the last 20 years. He is also a Director and the Chairman of the following Companies:

- M/s. TTK Prestige Limited
- M/s. TTK LIG Limited
- M/s. TTK Tantex Limited
- M/s. Prestige Housewares India Limited
- M/s. Mantra, Inc.
- M/s. TTK Services Private Limited
- M/s. SSL TTK Limited
- M/s. TTK Healthcare Services Private Limited
- M/s. TTK Insurance Services Private Limited

**Mr. R.K. Tulshan:**

Mr. R.K. Tulshan retires by rotation and is eligible for re-election.

Mr. Tulshan is a Commerce Graduate. He has an experience of nearly three decades in Business and has been a Director of the Company for the last 20 years.

He is also a Director on the Board of the following Companies:

- M/s. Lotus Cine Private Limited
- M/s. Kanishka Enterprises Limited
- M/s. Rajiv Investments (India) Private Limited
- M/s. ISO Therm Cargo Products Private Limited
- M/s. Tirupati Ceramica Limited
- M/s. Microgenetic Systems Private Limited
- M/s. Grand Slam Overseas Private Limited

He is also actively involved in Rotary activities and is the Past President of the Rotary Club of New Delhi.

He is a Member of the Audit Committee of the Company.

**Mr. K. Vaidyanathan:**

Mr. K. Vaidyanathan retires by rotation and is eligible for re-election.

Mr. Vaidyanathan is a post-graduate in Commerce and a Fellow of the Institute of Chartered Accountants of India. He is also a Corporate Member of the National Institute of Personnel Management.

Mr. Vaidyanathan brings with him over three decades of experience (out of which, more than 15 years at the Board level) in the areas of Corporate Finance, Corporate Restructuring and Advisory Services, Joint Ventures and Collaborations, Strategic Management, Internal Audit, Project Management, etc.

He worked for a number of reputed companies like Liptons (Unilever), Telco, Modi Rubber, Birlas, Essar/Swiss Telecom & Samsons Group.

He is the Chairman of the Shareholders / Investors Grievance Committee of the Company.

**General Body Meetings:**

The location and time of the Annual General Meetings held during the last 3 years are as follows:

Year	Date	Time	Venue	No. of Special Resolutions passed
2001	24th September, 2001	10.30 a.m.	Registered Office: No.6 Cathedral Road Chennai 600 086	1
2002	27th September, 2002	10.15 a.m.	Registered Office: No.6 Cathedral Road Chennai 600 086	2
2003	19th September, 2003	10.00 a.m.	Registered Office: No.6 Cathedral Road Chennai 600 086	1

No Resolutions were put through Postal Ballot.

**Disclosures:**

No transaction of material nature has been entered into by the Company with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have a potential conflict with the interests of the Company. The Register of Contracts containing transactions in which directors are interested, is placed before the Board regularly.

The particulars of transactions between the Company and its related parties as per Accounting Standard 18 (AS-18) are set out on Page No 29 of this Annual Report.

There has been no instance of non-compliance by the Company on any matter related to Capital Markets during the last three financial years. Hence, the question of penalties or strictures being imposed by SEBI, the Stock Exchanges or any statutory authorities does not arise.

**Means of Communication:**

The Unaudited Financial Results (Provisional) for every Quarter and the Audited Annual Financial Results of the Company, in the prescribed proforma, are taken on record by the Board and are submitted to the listed Stock Exchanges. The same are published, within 48 hours, in "News Today" and "Makkal Kural".

The Quarterly / Annual Results are also put on the Company's website at [www.ttkhealthcare.com](http://www.ttkhealthcare.com) and Electronic Data Information Filing and Retrieval (EDIFAR) site of SEBI.

Management Discussion & Analysis Report forms part of this Annual Report.

**Shareholder Information:****a) Date, Time and Venue of the Annual General Meeting:**

Date	–	10th September, 2004
Day	–	Friday
Time	–	12.00 noon
Venue	–	The Music Academy Kasturi Srinivasan Hall (Mini Hall) New No. 168, Old No. 306 TTK Road, Chennai 600 014

**b) Particulars of Financial Calendar:**

Financial Year	–	1st April to 31st March
First Quarter	–	1st April to 30th June
Second Quarter	–	1st July to 30th September
Third Quarter	–	1st October to 31st December
Fourth & Final Quarter	–	1st January to 31st March

**c) Date of Book Closure** – 1st September, 2004 to 10th September, 2004 (Both Days Inclusive)

**d) Listing on Stock Exchanges:**

Your Company's shares were earlier listed with –

- Madras Stock Exchange Limited, Chennai (Regional Stock Exchange)
- The Stock Exchange, Mumbai
- The Stock Exchange, Ahmedabad
- The Calcutta Stock Exchange Association Limited, Kolkata
- The Delhi Stock Exchange Association Limited, New Delhi

It was decided at the last Annual General Meeting to delist the Company's Equity Shares from the Ahmedabad, Delhi, Calcutta and Madras Stock Exchanges in accordance with Clause 5 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and to continue the listing of the Equity Shares only at The Stock Exchange, Mumbai (BSE).

Accordingly, your Company had applied for delisting of the Equity Shares with Ahmedabad, Delhi, Calcutta and Madras Stock Exchanges and has already received the delisting approval from The Stock Exchange, Ahmedabad.

Delisting approval from the other Stock Exchanges is awaited.

**e) Stock Code:** BSE - 507747

**f) Demat Arrangement with NSDL and CDSL**

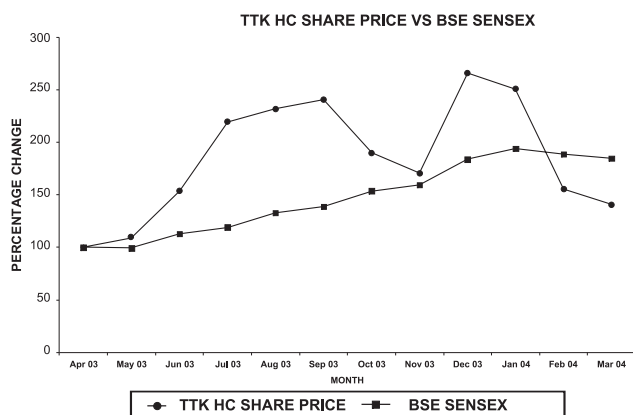
Demat ISIN – INE910C01018

**g) Stock Price Data:**

MONTH	BSE (2003-2004)			BSE (2002-2003)		
	High	Low	Volume	High	Low	Volume
	Rs.	Rs.		Rs.	Rs.	
April	14.80	13.10	6114	20.50	14.05	16324
May	16.10	13.30	21275	20.40	13.75	11527
June	22.75	16.00	76455	19.00	14.00	37748
July	32.50	23.50	233811	23.40	15.30	37453
August	34.30	25.15	497025	17.90	14.95	13774
September	35.60	26.10	233556	18.00	14.65	11495
October	28.10	23.50	85844	14.90	13.50	22138
November	25.25	21.50	100183	16.70	14.00	13778
December	39.35	25.55	862599	16.95	15.40	20321
January	37.10	23.85	323110	17.80	15.20	30516
February	23.00	20.85	214255	16.85	14.40	19143
March	20.80	16.20	122875	17.00	12.80	14599

**h) Stock Performance Vs BSE Sensex:**

Month	TTK HC Share Price (High)	% Change	BSE (High)	% Change Sensex
Apr 03	14.80	–	3221.90	–
May 03	16.10	9%	3200.48	-1%
Jun 03	22.75	54%	3632.84	13%
Jul 03	32.50	120%	3835.75	19%
Aug 03	34.30	132%	4277.64	33%
Sep 03	35.60	141%	4473.57	39%
Oct 03	28.10	90%	4951.11	54%
Nov 03	25.25	71%	5135.00	59%
Dec 03	39.35	166%	5920.76	84%
Jan 04	37.10	151%	6249.60	94%
Feb 04	23.00	55%	6082.80	89%
Mar 04	20.80	41%	5951.03	85%



**I) Categories of Equity Shareholders as on 31st March, 2004:**

Category	No. of Shares held	% of Shareholding
<b>A. Promoters Holding:</b>		
1. (a) Indian Promoters*	2979970	45.08
(b) Foreign Promoters	0	0.00
2. Person acting in concert	99891	1.51
<b>Sub Total</b>	<b>3079861</b>	<b>46.59</b>
<b>B. Non-Promoters' Holding:</b>		
<b>3. Institutional Investors</b>		
(a) Mutual Funds and UTI	7772	0.12
(b) Banks, Financial Institutions, Insurance Companies, (Central/ State Government Institutions/ Non-Government Institutions)	4330	0.07
(c) Foreign Institutional Investors	972	0.01
<b>Sub Total</b>	<b>13074</b>	<b>0.20</b>
<b>4. Others</b>		
(a) Private Corporate Bodies	261645	3.96
(b) Indian Public	3097978	46.86
(c) Non Resident Indians/ Overseas Corporate Bodies	157856	2.39
(d) Others (specify)	-	-
<b>Sub Total</b>	<b>3517479</b>	<b>53.21</b>
<b>GRAND TOTAL</b>	<b>6610414</b>	<b>100.00</b>

\* Promoters include T T Krishnamachari & Co., represented by its Partners and constituents of TTK Group. The constituents of TTK Group include T T Krishnamachari & Co., TTK Prestige Limited, TTK Tantex Limited and Partners & Relatives of the Partners of T T Krishnamachari & Co.

**m) Dematerialisation of Shares and Liquidity as on 31st March, 2004:**

	No. of Shareholders	No. of Shares	% of Shares
No. of Shareholders in Physical Mode	11,724	43,75,349	66.19
No. of Shareholders in Electronic Mode	6,009	22,35,065	33.81
<b>Total</b>	<b>17,733</b>	<b>66,10,414</b>	<b>100.00</b>

Days taken for Dematerialization	No. of Requests	No. of Shares	% of Shares
15 days	2,503	5,87,566	8.89

	National Securities Depository Limited (NSDL)	Central Depository Services (I) Limited (CDSL)
	2003-04	2002-03
Number of Shares Dematerialised	566280	214233
Number of Shares Rematerialised	116	461

**n) Outstanding GDRs/ADRs/warrants or any convertible Instruments** : The Company has not issued any GDRs/ADRs/Warrants or Convertible Instruments

**i) Registrars & Share Transfer Agents** : M/s. Data Software Research Co. Pvt. Ltd.  
Shree Sovereign Complex  
No. 22, 4th Cross Street  
Trustpuram, Kodambakkam  
Chennai 600 024  
Tel : (91) (44) 24833738  
Tel : (91) (44) 24834487  
Fax: (91) (44) 24834636

**j) Share Transfer System:**

In compliance with SEBI requirement, Share Transfers are entertained, both under Demat Form and Physical Form.

Share Transfers in respect of physical stocks are normally effected within a maximum of 30 days from the date of receipt, if all the required documentation is complete in all respects.

Also the Company has made arrangements for simultaneous dematerialisation of Share Certificate(s) lodged for transfer, subject to the regulations specified by SEBI in this regard.

As at 31st March, 2004, no Equity Shares were pending for transfer.

**k) Distribution of Shareholding as on 31st March, 2004:**

No. of Equity Shares held	No. of Shareholders		% to Total No. of Shareholders		Share Amount (Rs.)		% to Total		
	1	2	3	4	5	6	7	8	
		Phy- sical Mode	Elect- ronic Form	Phy- sical Mode	Elect- ronic Form	Phy- sical Form	Elect- ronic Form	Phy- sical Form	Elect- ronic Mode
Upto - 500	11693	5980	65.94	33.72	10869800	15159050	16.44	22.93	
501 - 1000	13	14	0.07	0.08	981660	1026590	1.49	1.55	
1001 - 2000	6	6	0.03	0.03	907800	805410	1.37	1.22	
2001 - 3000	3	2	0.02	0.01	780000	447570	1.18	0.68	
3001 - 4000	1	3	0.01	0.02	302500	1088000	0.46	1.65	
4001 - 5000	0	1	0.00	0.01	0	483750	0.00	0.73	
5001 - 10000	2	2	0.01	0.01	1134000	1646080	1.72	2.49	
10001 & Above	6	1	0.03	0.01	28777730	1694200	43.53	2.56	
<b>Total</b>	<b>11724</b>	<b>6009</b>	<b>66.11</b>	<b>33.89</b>	<b>43753490</b>	<b>22350650</b>	<b>66.19</b>	<b>33.81</b>	
<b>Grand Total</b>	<b>17733</b>		<b>100.00</b>		<b>66104140</b>		<b>100.00</b>		

- |  |  |
|--|--|
| <p><b>o) Plant Locations</b> :</p> <p>5, Old Trunk Road<br/>Pallavaram<br/>Chennai 600 043</p> <p>328, GST Road<br/>Chromepet<br/>Chennai 600 044</p> <p>3, Tiruneermalai Main Road<br/>Chromepet<br/>Chennai 600 044</p> <p>2B, Hosakote Industrial Area<br/>8th Kilometre<br/>Hosakote Chinthamani Road<br/>Hosakote Taluk<br/>Bangalore 562 114</p> <p>1/B-2, MIDC Industrial Area<br/>Chikalthana<br/>Aurangabad 431 210</p> <p>H-12/13, MIDC Area, Waluj<br/>Aurangabad 431 136</p> | <p><b>r) Other constituents of the TTK Group within the meaning of "Group" under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include:</b></p> <ul style="list-style-type: none"> <li>• T T Krishnamachari &amp; Co., and its Partners &amp; Relatives of the Partners</li> <li>• TTK Prestige Limited</li> <li>• TTK-LIG Limited</li> <li>• TTK Healthcare Services (P) Limited</li> <li>• TTK Services (P) Limited</li> <li>• TTK Tantex Limited</li> <li>• SSL-TTK Limited</li> <li>• Packwell Packaging Products Limited</li> <li>• Prestige Housewares India Limited</li> <li>• Pharma Research &amp; Analytical Laboratories</li> <li>• Peenya Packaging Products</li> </ul> |
| <p><b>p) Registered Office</b> :</p> <p>6, Cathedral Road,<br/>Chennai 600 086</p>   |  |
| <p><b>q) Administrative Office &amp; Investor Correspondence Address</b> :</p> <p>5, Old Trunk Road<br/>Pallavaram<br/>Chennai 600 043</p>   |  |

**NON-MANDATORY REQUIREMENTS:**

**(a) Chairman's Office (Non-Executive):**

No reimbursement of expenses is made to the Non-Executive Chairman in connection with the maintenance of his office.

**(b) Remuneration Committee:**

The Remuneration Committee was constituted on 30th January, 2002, comprising of three Non-Executive Independent Directors – Mr. B.N. Bhagwat as Chairman and Dr. K.R. Srimurthy & Mr. K. Shankaran as Members. Mr. S. Kalyanaraman, Company Secretary, is the Secretary of the Remuneration Committee.

The scope of the Remuneration Committee *inter alia* includes the determination on behalf of the Board / Shareholders, with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

The Board shall from time to time provide requisite guidelines / scope of work for the Remuneration Committee and the Committee will discharge such other functions as are required under the provisions of the Listing Agreement and the Companies Act, 1956.

The Remuneration Committee did not meet during the year under review.

**(c) Postal Ballot:**

During the year under review, the Company did not transact any of the businesses specified in the notification of SEBI requiring Postal Ballot.

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

**To the Members of TTK Healthcare Limited**

We have examined the compliance of conditions of Corporate Governance by TTK Healthcare Limited for the year ended 31st March 2004 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s) in India.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and certified by the Company / Registrars and Transfer Agents of the Company, there were no investor grievances remaining unattended / pending for more than 30 days as at 31st March 2004.

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

**For M/s. Aiyar & Co.  
Chartered Accountants**

**V. Natarajan**  
Partner  
Membership No: 454

Bangalore  
25th June 2004

**For M/s. S. Viswanathan  
Chartered Accountants**

**C.N. Srinivasan**  
Partner  
Membership No.18205

## Management Discussion and Analysis Report

### ECONOMIC AND BUSINESS ENVIRONMENT:

The size of the Indian Pharmaceutical Formulations market is estimated at around Rs.19,200 crores and has recorded a growth of 5.1% during 2003. Despite a dismal growth in the First Half of 2003 (2.9%), the market picked up significantly in the Second Half and registered a growth of 7.1%. It is also pertinent to mention that the value growth in the pharma market has gradually halved from 11% in 2000 to 5% in 2003 (Source :ORG) and even this growth has been mainly driven by the launch of new products by the Pharmaceutical Companies.

### OPPORTUNITIES AND THREATS:

#### Opportunities:

- Since Pharmaceutical Industry is growing reasonably, there is an opportunity for your Company to grow the business in this segment. This can be achieved through not only focusing on existing products but also through launch of new products in therapeutic segments in which your Company is present.
- With the increasing awareness and wider acceptance of herbal therapy, herbal formulations also provide an opportunity for growth as your Company is already present in this segment.
- The unique advantage of having an exclusive network for distribution of OTC products available to your Company can be leveraged for launch of new products under its own brands. Since the margins on own products are certainly better than those available on third party distribution lines, this opportunity will not only provide improved profitability but also ensure building of brands for long term sustenance of the business.
- On the Bio-Medical Devices front, due to the gap between domestic demand and supply, there is continued dependence on import of surgical implants and this can be gainfully exploited through the existing products like Heart Valves manufactured by your Company and also through launch of niche products in this segment.

There is also an opportunity available to your Company for exporting these products to neighbouring countries.

- Considering the size of the market for food products, the Foods Business of your Company provides good opportunity for growth. There is also a possibility of further increase in the export volumes.
- Since GIS / GPS related services are gaining momentum, the capabilities available at the Maps Division will present an opportunity to your Company for entering this growing segment.

To sum up, since your Company is diversified into more than one segment, there are quite a few opportunities available for growth in the coming years.

#### Threats:

- As already mentioned in the last report, the Product Patents Regime which would come into force from 2005 may affect companies which are not discovery-driven. Nevertheless, it is believed that the medium size pharma enterprises like yours will be able to grow through their existing product portfolios, with introduction of new products in the respective segments. Further, there will also be opportunities for these companies to launch products which are out of patents. In the case of your Company, since the product portfolio comprises of products like Calcium Supplements, Herbal Formulations, etc., it is expected that the impact of GATT might not be significant.
- On the Bio-Medical Devices front, the business is predominantly tender-driven as most of the requirements emanate from institutions. This has its impact on the price realizations as there is intense competition and also involves huge investments in working capital as institutions expect a longer credit period. Further, the business also depends on the quantum of funds allocated by Government and other entities for Healthcare purchases which may have its impact on the business. Your Company, in addition to focusing on institution

business, is also continuously striving to increase its share in the trade segment where the realizations are better coupled with lesser credit period.

- In case of Printing Business, there is severe competition from small size Printing Units. Efforts are made to reduce costs and increase efficiency on a continuous basis.

### SEGMENTWISE PERFORMANCE & OUTLOOK:

As you know, your Company has three Strategic Business Units (SBUs) viz., Pharmaceutical Business, Consumer Products Business and Biomedical Devices / Medical Disposables Business.

In addition, the Company is also engaged in Foods and Printing & Publishing Businesses.

The performance and outlook of individual Business Segments are explained below:

#### Pharmaceutical Business:

The Ethical Products Business of your Company deals in Pharmaceutical Formulations, both Herbal and Allopathic, in various therapeutic segments.

The key segments are Calcium Supplements, Haematinics, Cervical Dilators, Thrombolytic Agents, Rejuvenators & Multimineral Supplements, Galactagogues, Liver Correctives, Pain Management Products, etc.

The Division mainly focuses on Gynaecologists, Cardiologists and General Practitioners and the field force spread across the country meets around 55,000 Doctors and 25,000 Chemists every month.

The task ahead of the Pharmaceutical Division now is to mainly focus on consolidating its business through implementation of various growth strategies.

As already mentioned in the last report, the growth strategy mainly consists of –

- Revamping and Relaunch of some of the existing products
- Launch of new products in the therapeutic segments in which the Company is present.

In line with the above, your Company has recently launched –

- **OFORD-LB** (Ofloxacin with Ornidazole & Lactobacillus) – a broad spectrum antimicrobial;
- **NUROBEST** (Methylcobalamin with Alpha Lipoic Acid) - to prevent and treat neuropathy; and
- **OSSOPAN-ALFA** (Calcium with Alfacalcidol) – to prevent and treat Osteoporosis.

These products have been well received and are expected to contribute significantly to the sales volume in the year 2004-05.

Some more products have been lined up for launch progressively during the next few months.

The Pharmaceutical Business also has a Veterinary Formulations Division which essentially caters to the requirements of Veterinarians, Hatcheries, Poultry Farms and Dairy Farms. Around 6500 Veterinary Practitioners are met every month and this Division reaches its prospects through 350 stockists located in various parts of the country.

The Animal Welfare Division of your Company deals with Feed Supplements, Liver Correctives, Calcium and Phosphorus supplements, Fertility Inducer, Anthelmintics, Antispasmodic & Cervical Dilator, Antihistamine, Trace Minerals & Vitamin-A Supplements, Antibiotics, etc.

Avian Flu has partly affected the Veterinary business during the year under review.

The Division is also continuously looking into the possibility of increasing the range of products and intensifying the coverage of potential livestock markets for enhancing the turnover / profitability and as part of this strategy, has lined up a few new products for launch in the next few months.

**Consumer Products Business:**

The Consumer Products Division (CPD) of the Company deals with the distribution of Woodward's Gripe Water (WGW) and EVA Range of Cosmetics manufactured by the Company.

With the reduction in the Secondary stockholding of WGW, your Company has been able to ensure availability of fresh stocks to the consumers and this has also helped reducing the investments in receivables. Though Woodward's is an undisputed national leader in Gripe Water category, it is facing stiff competition from local / regional brands. Further, Gripe Water as a category is also not growing. Despite this, Woodward's has been able to hold on to its market share during the year under review and is expected to grow by around 4% during the current year.

The EVA range currently consists of Deodorants and Talcum Powder. During the year under review, three more variants have been added to the Deodorant range. The Deodorant Market size in India is in the region of Rs.102.00 crores (Source: ORG) and has more than 30 brands including Axe, Rexona, Fa, Gillette, etc. EVA, since its re-launch 18 months back as your Company's product, has been steadily moving up the ladder, in a fiercely competitive market. Your Company believes that there is a market for an attractively packaged range with affordable pricing and EVA nicely fits into this slot. EVA is expected to achieve a very healthy growth during the current year and plans are also under way to further expand the EVA range.

CPD also handles the National Distribution of Kiwi / Brylcreem range of Shoe care, Hair care and Toiletry Products manufactured by M/s Saralee Household and Bodycare Private Limited. The Shoe care market is under pressure and is showing a declining trend and consequently, in this segment, the growth will have to necessarily come from taking share from competition. A new premium variant of the Liquid Polish under the name Instant Wax Shine has been launched and this is expected to accelerate the growth in the Liquid Shoe Polish (LSP) segment.

In the Rs. 22 crore Hair Styling Market, Brylcreem leads the other brands with a market share of 80%. The styling gel is growing at a robust rate of 20%. Brand advertising coupled with increase in the consumer base through trial packs has helped the brand to grow. A range of shaving products and deodorants have been recently launched under the Brylcreem brand and this is expected to provide further fillip to the Brylcreem range.

CPD also handles the National Distribution of Durex / Kohinoor Brand of Condoms manufactured by TTK LIG Limited. The Condom market as a whole has grown only by around 1.7% during the year under review. Despite this, TTK brands have been able to achieve a growth of around 3.6% and currently hold a market share of 44% in the non-subsidized market segment. Though the market is stagnant, value added products with emphasis on sexual pleasure will make this market a little buoyant. Efforts are being made to launch products that would clearly focus on exciting the users.

**Biomedical Devices / Medical Disposables Business:****Heart Valve Division:**

The performance of the Heart Valve Division during the year under review is very encouraging. With the sale of around 2500 valves during the year under review, the total number of TTK Chitra Valves so far implanted should easily exceed 10,000.

The Joint Project undertaken with Sri Chitra Tirunal Institute of Medical Sciences & Technology, Trivandrum and National Research Development Corporation, New Delhi, for the development of Improved Heart Valve Prosthesis is progressing satisfactorily and the improved Heart Valve is expected to be available for commercialization within a period of 3 years.

The human trials with reference to the joint project with Sri Chitra Tirunal Institute of Medical Sciences & Technology, Trivandrum and South India Textile Research Association (SITRA), Coimbatore, for the development of Large Diameter Vascular Graft Prosthesis have been completed and the product will be ready for test marketing before the end of the financial year 2004-05.

The Heart Valve Division has been awarded the ISO Certification by RWTUV (Germany). Steps are also being taken for obtaining the CE Marking for the valves.

After completing the development work, Sternotomy Suture promoted under the brand name **Clinistern** has been launched a few months back and the initial response from the surgeons is encouraging. With the wider acceptance by the Surgeons, the performance of Polypropylene Mesh for Hernia Repair promoted under the brand name **Clinimesh** is also encouraging.

**Clinicare Division:**

The Clinicare Division continued to face challenges of low volumes coupled with poor price realizations during the year under review. As regards the Surgeons Gloves Business, the price realizations have significantly gone down due to intense competition. Further, the proportion of Non-Sterile Gloves to the overall volumes is significantly high where our margins are very thin. Though the shift is taking place from Non-Sterile to Sterile Gloves, it appears that it would take some more time for this change to really happen. Keeping these perspectives in mind, your Company has taken a decision to rationalize the Gloves Manufacturing Operations at Chikalathana and as part of this exercise, has implemented a VRS Package for downsizing the manpower.

On Foley Catheters front, the volumes are gradually picking up and it is expected that this will help your Company to reduce the losses significantly during the current year. Blood Lancet volumes are steady and are on the expected lines.

**Foods Division:**

The Foods Division is engaged in the manufacturing and marketing of Ready-to-fry Snack Pellets. It also promotes Ready-to-eat Snack Pellets under the brand "Yummies" through Franchisees. During the last couple of years, the focus has been shifted to value-added Pellets and this is yielding results.

This Division is also in the process of tying up with some Snack Food Majors for supplying bulk pellets under Contract Manufacturing Arrangement. Exports have contributed significantly to the turnover of Foods Division and efforts are also directed to further improve the export volumes.

**Printing and Publication Business:**

Printing Division is engaged in the business of Printing and Publication of Maps, School Atlases, Travel Guides, etc. It is also engaged in general printing and manufacture of packaging cartons. Due to intense competition from small size Printing Units, the general printing / packaging operations are not yielding the desired results and therefore, it has been decided to rationalize this part of the business and to focus more on the profitable lines of business such as Digital Cartography, GPS/GIS related activities, etc. With the digitalization of maps, the overall quality of the cartography products has significantly improved and this is expected to result in increased volumes in the coming years.

**RISKS AND CONCERNS:**

The analysis presented in the Industry Scenario and Opportunities and Threats section of this Report throws light on the important risks and concerns faced by your Company. The strategy of your Company to de-risk against these factors is also outlined in the said sections.

**FINANCIAL PERFORMANCE:**

	(Rs. in lakhs)	
	2003-04	2002-03
Sales	15227.58	14643.65
Less: Excise Duty relating to Sales	<u>358.67</u>	<u>349.83</u>
Net Sales	14868.91	14293.82
Other Income	<u>176.35</u>	<u>168.31</u>
Total Income	15045.26	14462.13
Goods Consumption	9296.98	8780.21
Expenses	5059.08	4829.96
<b>Profit before Interest, Depreciation and Extra Ordinary Items</b>	<b>689.20</b>	851.96
Interest	325.23	432.60
Depreciation	247.41	255.84
<b>Operating profit for the year</b>	<b>116.56</b>	163.52
Less: Provision for diminution in the value of Investments	–	102.50
Less: VRS Amortised	10.54	–
<b>Profit / (Loss) before Tax</b>	<b>106.02</b>	61.02
Less: Provision for taxation	8.20	19.32
Less: Deferred Tax	56.75	(263.92)
<b>Profit / (Loss) after Tax</b>	<b>41.07</b>	305.62

**Income:**

During the year under review, the Company registered a turnover of Rs.152.28 crores as against the previous year's turnover of Rs.146.44 crores.

**Expenditure:****Expenses:**

Your Company continues to exercise absolute control on the various expenses.

There has been a reduction in the interest costs from Rs. 432.60 lacs to Rs. 325.24 lacs.

The expenses also include a sum of Rs. 78.12 lacs representing the Bad Debts written off. There has also been an increase in the Advertisement and Sales Promotion Expenses to the extent of Rs. 142.51 lacs which predominantly related to WGW / EVA Brands.

**Reserves and Surplus:**

During the year under review, a sum of Rs. 1.30 crores, being the cost of Intangible Assets (Cartography Development charges) classified under WIP as on 1st April, 2003 pertaining to the Printing Division of your Company, has been adjusted against the opening Revenue Reserves in line with the Accounting Standard 26 (AS-26) on Intangible Assets, issued by the Institute of Chartered Accountants of India.

**Secured and Unsecured Loans:**

Your Company continues its efforts to further reduce the borrowings by constantly improving the Working Capital Management.

There has been a further reduction in the quantum of secured and unsecured borrowings from Rs. 29.13 crores to Rs. 24.94 crores during the year under review. Further, there has also been a reduction in the weighted average cost of funds during the year under review as compared to the previous year.

**Fixed Assets:**

There has been an addition of Rs. 1.39 crores to Fixed Assets which mainly represents the amounts incurred for acquisition of plant and machinery, office premises, vehicles, etc.

**Inventories:**

During the year under review, there has been reduction in inventories from Rs. 14.82 crores to Rs.9.95 crores and this is mainly on account of rationalization of inventories of Pharmaceutical / Biomed / Medical Devices Businesses. Further,

a sum of Rs. 1.30 crores earlier forming part of WIP has been adjusted against the Revenue Reserves of the Company.

**Sundry Debtors:**

As a result of the enforcement of strict receivables management, your Company, despite increase in turnover, has been able to reduce the investments in Sundry Debtors from Rs. 29.73 crores to Rs. 28.44 crores during the year under review.

**Loans and Advances:**

There has been a decrease in Loans and Advances from Rs. 7.07 crores to Rs.5.39 crores during the year under review, which is mainly on account of the adjustment of Advance Income Tax against Provision for Tax relating to the years in respect of which assessments have been completed. The Loans and Advances also include a sum of Rs.100 lakhs provided to the Subsidiary Company, M/s TTK Healthcare Services Private Limited, as Inter Corporate Deposit.

**INTERNAL CONTROL SYSTEMS:**

Your Company has necessary Internal Control Systems in place. Internal Audits are regularly conducted through In-house Audit Department and also through an External Audit Firm. The reports are periodically discussed and corrective measures are taken.

The scope of audit covers the operations at the various Branches / Depots / C&FA locations and also the functional areas at Factory / Head Office.

Further, your Company has also developed an Operating Manual covering Depot Operations which has been released for implementation.

**INFORMATION TECHNOLOGY:**

The Information Technology initiative (Phase I) commenced in 2002 stands completed. It had become operational with effect from 1st April, 2004.

With the above initiative, your Company has switched over from the legacy system to ORACLE E-BUSINESS SUITE ERP at Head Office.

This is being tested simultaneously for a period of three months with the legacy system and this exercise will be completed by 30th June, 2004.

The Phase II Computerisation covering the various depot locations is expected to commence within the next six months.

**HUMAN RESOURCES:**

Your Company attaches significant importance to continuous upgradation of Human Resources for achieving the highest levels of efficiency, customer satisfaction and growth.

As part of the overall HR Strategy, training programmes have been organized for employees at all levels through both internal and external faculties during the year under review.

The Company entered into a long term wage settlement with the Field Staff of Ethical Products Division and this will be valid for a period of 3 years with effect from 1st January, 2003.

As part of the rightsizing / rationalization exercise, the manpower strength has been reduced by around 95 persons through a Voluntary Retirement Scheme at the Biomed Division at Chikalthana, Aurangabad.

As on 31st March, 04, the employee strength was 1143. Your Company is also continuously focusing on rightsizing the employee strength, wherever necessary.

**FUTURISTIC STATEMENTS:**

This analysis may contain certain statements, which are futuristic in nature. Such statements represent the intentions of the Management and the efforts being put in by them to realize certain goals. The success in realizing these goals depends on various factors both internal and external. Therefore, the investors are requested to make their own independent judgments by taking into account all relevant factors before taking any investment decision.

## Auditors' Report

### AUDITORS' REPORT TO THE MEMBERS OF TTK HEALTHCARE LIMITED

- 1 We have audited the attached Balance Sheet of TTK Healthcare Limited as at 31st March 2004 and also the Profit And Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956; and
- (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 2004;
  - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**M/s. Aiyar & Co.,**  
**Chartered Accountants**

**V. Natarajan**  
Partner

Membership No:454

**Bangalore**  
**25th June 2004**

**M/s. S. Viswanathan**  
**Chartered Accountants**

**C.N. Srinivasan**  
Partner

Membership No.18205

### Annexure to the Auditor's Report (referred to in paragraph 3 of our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) These fixed assets have been physically verified by the Management at regular intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. To the best of our knowledge, no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) As explained to us, the inventories have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book stocks have been properly dealt with in the books of accounts and were not material.
- (iii) (a) The Company has not taken any loan from any party covered in the register maintained under Section 301 of the Companies Act, 1956. There is only one party covered in the register maintained under Section 301 of the Companies Act, 1956, to whom the Company has granted intercorporate loan. The maximum amount involved during the year was Rs. 100 lakhs which is outstanding at the end of the year.

- (b) In our opinion, the rate of interest and other terms and conditions of the loan given by the Company, are not, *prima facie*, prejudicial to the interest of the Company.
- (c) In respect of the aforesaid loan, the payment of interest by the party concerned as per the agreed terms and conditions is regular.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. The provisions of Section 58 AA are not attracted, as there has been no default.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

- (viii) On the basis of records produced to us, we are of the opinion that, *prima facie*, the cost records prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 have been made and maintained. However, we are not required to and have not carried out any detailed examination of such records.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material Statutory dues applicable to it. No amount is due to be credited to the Investor Education and Protection Fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31st March, 2004 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the particulars of disputed dues on account of Income Tax, Wealth Tax, Sales Tax and Excise Duty that have not been deposited as on 31st March, 2004.

Particulars	Nature of the Dues	Amount Rs. in Lakhs	Financial Year to which the matter pertains	Dispute pending before
Income Tax Act	Income Tax, Surcharge and Interest	26.75	1989-1990	The High Court, Mumbai
Wealth Tax	Wealth Tax and Interest	0.80	1995-1996 to 1997-98	The Income Tax Appellate Tribunal
Sales Tax	Sales Tax	0.73	1992-93 and 1993-94	The High Court, Indore
	Sales Tax Penalty and Interest	49.86*	1986-87, 1988-89, 1991-92, 1993-94, 1995-96 to 2002-03	Upto The Commissioner's level
Central Excise	Excise Duty	1.48*	1996-97 to 1999-2000	The CEGAT, Chennai
	Excise Duty	200.14*	1991-92 and 1992-93	The Supreme Court, Delhi
	Excise Duty and penalty	26.77	1994-95 to 1999-2000, 2001-02 to 2003-04	The Customs, Excise and Service Tax Appellate Tribunal, Mumbai
	Excise Duty	38.88*	1997-98 to 1999-2000, 2002-03 and 2003-04	Upto The Commissioner's level

\* Net of amounts paid under protest or otherwise.

- (x) The Company does not have any accumulated losses as at 31st March, 2004. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceeding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short term basis have not been used for long term investment and surplus in long term funds have been deployed in working capital.
- (xviii) According to the information and explanations given to us, during the period covered by our Audit Report, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has no outstanding debentures at the end of the year.
- (xx) During the period covered by our Audit Report, the Company has not raised money by public issues.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**M/s. Aiyar & Co.,**  
**Chartered Accountants**

**V. Natarajan**  
**Partner**  
Membership No:454

**Bangalore**  
**25th June 2004**

**M/s. S. Viswanathan**  
**Chartered Accountants**

**C.N. Srinivasan**  
**Partner**  
Membership No.18205

**TTK HEALTHCARE LIMITED**

**Balance Sheet**

as at 31st March, 2004

Particulars	Schedule No.	As at 31.3.2004		As at 31.3.2003	
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>					
1. Shareholders' Funds					
a) Share Capital	1		<b>6,61,04,140</b>		6,61,04,140
b) Reserves & Surplus	2		<b>32,97,60,180</b>		33,93,15,941
2. Loan Funds					
a) Secured Loans	3A & 3B	<b>22,35,98,082</b>		23,13,79,807	
b) Unsecured Loans	3C	<b>2,57,66,078</b>	<b>24,93,64,160</b>	5,99,20,078	29,12,99,885
Total			<b>64,52,28,480</b>		69,67,19,966
<b>II. APPLICATIONS OF FUNDS:</b>					
1. Fixed Assets					
Gross Block	4	<b>60,57,64,029</b>		59,63,12,125	
Less: Depreciation		<b>27,51,05,790</b>		25,24,61,927	
Net Block			<b>33,06,58,239</b>		34,38,50,198
2. Investments	5		<b>2,11,00,875</b>		2,11,00,875
3. Deferred Tax					
Deferred Tax Asset		<b>16,62,18,112</b>		17,48,09,681	
Deferred Tax Liability		<b>(6,42,45,310)</b>		(6,71,61,704)	
			<b>10,19,72,802</b>		10,76,47,977
4. Current Assets, Loans & Advances:					
a) Inventories	6	<b>9,94,89,178</b>		14,81,78,613	
b) Sundry Debtors	7	<b>28,43,87,725</b>		29,72,51,069	
c) Cash and Bank Balances	8	<b>7,98,73,990</b>		7,62,98,842	
d) Loans and Advances	9	<b>5,39,29,374</b>		7,07,00,822	
		<b>51,76,80,267</b>		59,24,29,346	
Less: Current Liabilities & Provisions:					
a) Liabilities	10	<b>32,23,83,034</b>		33,03,70,730	
b) Provisions:					
Provision for Tax		<b>1,53,95,137</b>		3,79,37,700	
		<b>33,77,78,171</b>		36,83,08,430	
Net Current Assets			<b>17,99,02,096</b>		22,41,20,916
5. Miscellaneous Expenditure (To the extent not written off or adjusted)					
Voluntary Retirement Scheme			<b>1,15,94,468</b>		—
Total			<b>64,52,28,480</b>		69,67,19,966

Note: Schedules referred to above and the Notes attached form an integral part of the Balance Sheet.

Annexure to our Report of date

For M/s. AIYAR & CO.  
Chartered Accountants

For M/s. S. VISWANATHAN  
Chartered Accountants

V. NATARAJAN  
Partner

C.N. SRINIVASAN  
Partner

T.T. Jagannathan, *Chairman*  
R.K. Tulshan, *Director*  
Dr. K.R. Srimurthy, *Director*  
B.N. Bhagwat, *Director*  
K. Vaidyanathan, *Director*  
D. Srinivasan, *Executive Director*  
K. Shankaran, *Director*  
I. Ravindran, *Wholetime Director*  
S. Kalyanaraman, *Company Secretary*  
K. Hariharasubramanian, *Vice President (Accounts)*

Bangalore  
25th June, 2004

## Profit and Loss Account for the year ended 31st March, 2004

Particulars	Schedule No.	2003-2004			2002-2003		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>INCOME:</b>							
Sales	11	152,27,57,535			146,43,65,033		
Less: Excise Duty relating to Sales		<u>3,58,66,805</u>			<u>3,49,83,344</u>		
			148,68,90,730			142,93,81,689	
Other Income	12		<u>1,76,35,128</u>			<u>1,68,31,122</u>	
				150,45,25,858			144,62,12,811
<b>EXPENDITURE:</b>							
Goods Consumption & Excise Duty	13		92,96,98,261			87,80,20,501	
Expenses	14		53,84,30,679			52,62,56,059	
Depreciation		2,53,58,328			2,62,01,694		
Less: Transfer from Revaluation Reserve		<u>6,17,229</u>	<u>2,47,41,099</u>		<u>6,17,229</u>	<u>2,55,84,465</u>	
				149,28,70,039			142,98,61,025
Profit before Tax, Extraordinary items and provision for the Diminution in the value of Investments				1,16,55,819			1,63,51,786
Less: Provision for Diminution in the value of Investments				-			1,02,50,200
Less: VRS Amortized				10,54,043			-
Profit / (Loss) Before Tax				1,06,01,776			61,01,586
Provision for Tax				8,20,000			19,31,744
Less: Deferred Tax				56,75,175			(2,63,92,189)
Profit / (Loss) After Tax				<u>41,06,601</u>			<u>3,05,62,031</u>
Profit / (Loss) carried to Balance Sheet				<u>41,06,601</u>			<u>3,05,62,031</u>
<p>Note: Schedules referred to above and the Notes attached form an integral part of the Profit &amp; Loss Account Annexure to our Report of date</p>							
For M/s. AIYAR & CO. Chartered Accountants	For M/s. S. VISWANATHAN Chartered Accountants	<p>T.T. Jagannathan, <i>Chairman</i> R.K. Tulshan, <i>Director</i> Dr. K.R. Srimurthy, <i>Director</i> B.N. Bhagwat, <i>Director</i> K. Vaidyanathan, <i>Director</i> D. Srinivasan, <i>Executive Director</i> K. Shankaran, <i>Director</i> I. Ravindran, <i>Wholetime Director</i> S. Kalyanaraman, <i>Company Secretary</i> K. Hariharasubramanian, <i>Vice President (Accounts)</i></p>					
V. NATARAJAN Partner	C.N. SRINIVASAN Partner	<p>Bangalore 25th June, 2004</p>					

**Schedules**

Sch. No.		As at 31.3.2004	As at 31.3.2003
	Rs.	Rs.	Rs.
1. CAPITAL:			
Authorised Capital:			
1,00,00,000 Equity Shares of Rs. 10/- each		<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued, Subscribed and Paid-up Capital:			
66,10,414 Equity Shares of Rs. 10/- each fully paid-up (of which 9,42,600 Equity Shares of Rs. 10/- each were issued as fully paid up by way of Bonus Shares through Capitalisation of Reserves, 70,295 Equity Shares of Rs. 10/- each allotted as fully paid-up, pursuant to the Scheme of Merger of TTK Chemicals Limited with this Company, 4,85,450 Equity Shares of Rs. 10/- each allotted as fully paid-up, pursuant to the Scheme of Merger of TT. Maps & Publications Limited with this Company, 13,45,294 Equity Shares of Rs. 10/- each allotted as fully paid-up, pursuant to the Scheme of Merger of TTK Biomed Limited with this Company and 2,35,207 Equity Shares of Rs. 10/- each allotted as fully paid-up, pursuant to the Scheme of Merger of TTK Medical Devices Limited with this Company)		<u>6,61,04,140</u>	<u>6,61,04,140</u>
2. RESERVES AND SURPLUS:			
a) Capital Reserve:			
i) Subsidy received from:			
Karnataka State Government		9,99,500	9,99,500
Andhra Pradesh State Financial Corporation		2,53,910	2,53,910
Central Subsidy		15,00,000	15,00,000
Maharashtra Energy Development Agency		4,52,760	4,52,760
ii) Capital Reserve:			
Balance as per last Balance Sheet	6,49,26,337		7,17,34,400
Less: Adjustment in Loans & Advances	<u>-</u>		<u>68,08,063</u>
		<u>6,49,26,337</u>	<u>6,49,26,337</u>
		<u>6,81,32,507</u>	<u>6,81,32,507</u>
b) Revaluation Reserve:			
Balance as per last Balance Sheet		5,10,02,603	5,16,19,832
Less: Transfer to Profit & Loss Account	6,17,229		6,17,229
Transfer to Plant & Machinery / Building	<u>-</u>		<u>-</u>
		<u>6,17,229</u>	<u>6,17,229</u>
		<u>5,03,85,374</u>	<u>5,10,02,603</u>
c) Share Premium Account:			
Balance as per last Balance Sheet	3,65,96,486		11,79,59,282
Less : Adjustments: Inventories	-		3,24,31,969
Sundry Debtors	-		65,79,606
VRS	-		1,43,21,242
Advertisement Expenditure	-		2,80,29,979
		<u>3,65,96,486</u>	<u>3,65,96,486</u>
d) General Reserve:			
Balance as per last Balance Sheet	18,35,84,345		15,30,22,314
Less: Cartography Development charges classified under Work-in-Progres adjusted	1,30,45,133		-
Add: Transfer from P & L Account	<u>41,06,601</u>		<u>3,05,62,031</u>
		<u>17,46,45,813</u>	<u>18,35,84,345</u>
Total (a to d)		<u>32,97,60,180</u>	<u>33,93,15,941</u>



Schedules (Contd.)

Sch. No.	As at 31.3.2004	As at 31.3.2003	Sch. No.	As at 31.3.2004	As at 31.3.2003
	Rs.	Rs.		Rs.	Rs.
5. INVESTMENTS:			6. INVENTORIES:		
I. AT COST – TRADE			(Value as certified by the Management)		
a) Unquoted (Fully paid)			Raw & Packing Materials	2,30,14,842	2,19,30,997
200 Equity Shares of Rs. 1000/- each of Orient Laboratories Limited	2,00,000	2,00,000	Work-in-Progress	1,79,44,967	3,57,56,991
2,84,375 Equity Shares of Rs. 10/- each of Adyar Gate Hotel Ltd.	45,71,875	45,71,875	Finished Goods	5,38,86,588	8,43,91,336
10,24,245 Equity Shares of Rs. 10/- each of TTK Tantex Ltd.	1,02,50,200	1,02,50,200	Stores & Spares	46,42,781	60,99,289
9,99,000 Equity shares of Rs. 10/- each of TTK Healthcare Services Pvt. Ltd.	99,90,000	99,90,000		<u>9,94,89,178</u>	<u>14,81,78,613</u>
4,99,500 – 5% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each of TTK Healthcare Services Pvt. Ltd. (Optionally Convertible into Equity Shares within a period of 10 years or redeemable at the end of 10th, 11th and 12th years from the date of issue)	49,95,000	49,95,000	7. SUNDRY DEBTORS:		
b) Quoted (Fully paid)			(Considered good for which the Company holds no security other than Debtors' Personal Security)		
14,800 Equity Shares of Rs. 10/- each of TTK Prestige Ltd. – Market Value Rs. 12.75 each	13,32,000	13,32,000	Debts Outstanding for a period exceeding six months	5,44,89,095	7,60,22,112
500 Equity Shares of Rs. 10/- each of Apollo Hospitals Enterprise Limited – Market Value Rs. 154.10 each	5,000	5,000	Other Debts	22,98,98,630	22,78,08,563
II. AT COST – NON TRADE				<u>28,43,87,725</u>	<u>30,38,30,675</u>
Unquoted (Fully paid)			Less: Written off against Securities Premium	–	65,79,606
4 Shares of Rs. 500/- each of Tamilnadu Pharmaceuticals Manufacturing Industrial Co-operative Service Society Limited	2,000	2,000		<u>28,43,87,725</u>	<u>29,72,51,069</u>
500 Shares of Rs. 10/- each of Delhi Super Bazaar	5,000	5,000	8. CASH & BANK BALANCES:		
	<u>3,13,51,075</u>	<u>3,13,51,075</u>	Cash on hand	8,14,455	8,16,151
Less: Provision for Diminution in the value of Investments	1,02,50,200	1,02,50,200	In Current Account with Scheduled Banks	6,11,79,524	5,77,34,680
	<u>2,11,00,875</u>	<u>2,11,00,875</u>	In Deposit Account with Scheduled Banks	1,62,32,678	1,58,64,059
Aggregate Book Value – Quoted	13,37,000	13,37,000	In Interest Warrant Account	26,981	23,140
Unquoted	1,97,63,875	1,97,63,875	In Dividend Warrant Account	16,20,352	18,60,812
Aggregate Market Value – Quoted	2,65,750	1,47,660		<u>7,98,73,990</u>	<u>7,62,98,842</u>
			9. LOANS & ADVANCES:		
			(Considered Good)		
			Lease & Rent Advances	40,02,786	23,65,386
			Electricity & Other Deposits	2,67,96,290	1,65,32,703
			Advance Income Tax	78,90,062	3,35,61,832
			Advance for Others	1,52,40,236	2,50,48,964
				<u>5,39,29,374</u>	<u>7,75,08,885</u>
			Less: Transfer to Capital Reserve	–	68,08,063
				<u>5,39,29,374</u>	<u>7,07,00,822</u>
			10. LIABILITIES:		
			Sundry Creditors for:		
			a. Acceptance for Goods	1,91,28,560	1,43,23,534
			b. Goods	15,40,73,888	15,63,77,865
			c. Expenses	9,46,75,225	10,16,86,683
			d. Others	5,28,85,009	5,61,21,836
			e. Unclaimed Dividend*	16,20,352	18,60,812
				<u>32,23,83,034</u>	<u>33,03,70,730</u>

\* Note: No amount is due to be credited to the Investor Education and Protection Fund.

## Schedules (Contd.)

Sch No.	Units	2003-2004		2002-2003	
		Quantity	Value Rs.	Quantity	Value Rs.
11. SALES:					
a. Orals	Lakhs	133.553	29,28,01,349	133.170	28,20,37,840
b. Tablets	Lakhs	720.799	14,47,44,156	723.920	12,91,73,261
c. Injectables	Lakhs	107.348	9,97,43,727	99.453	10,31,63,359
d. Capsules	Lakhs	261.358	4,29,92,420	213.919	3,28,35,513
e. Food Products	M.T.	2,160.504	6,28,15,120	2,065.047	6,13,96,308
f. Granules	M.T.	119.846	2,16,25,065	138.287	2,21,71,849
g. Hospital Care Products	–	–	10,18,13,261	–	13,49,97,684
h. Ointment	M.T.	0.125	95,000	–	–
i. Shoe Care Products	M.T.	285.930	10,33,79,935	269.040	10,33,31,527
	K. Ltrs.	171.320	6,91,44,310	194.980	7,60,11,864
j. Hair Creams & Cosmetics	M.T.	473.180	20,57,83,468	360.560	15,20,52,865
	K. Ltrs.	60.740	3,08,52,523	18.500	1,57,87,109
k. Condoms	Millions	94.995	26,44,36,987	95.790	26,29,88,528
l. Maps & Atlases	Nos.	5,07,357	1,15,00,896	6,89,242	2,05,52,166
m. Others	–		7,10,29,318		6,78,65,160
			<u>152,27,57,535</u>		<u>146,43,65,033</u>
Less: Excise Duty			3,58,66,805		3,49,83,344
			<u>148,68,90,730</u>		<u>142,93,81,689</u>
12. OTHER INCOME:					
a. Manufacturing Charges			3,50,079		3,34,832
b. Dividend Income			1,500		1,250
c. Profit on Sale of Assets			61,474		6,40,480
d. Interest Receipts			29,30,721		52,13,019
e. Others			1,42,91,354		1,06,41,541
			<u>1,76,35,128</u>		<u>1,68,31,122</u>



## Notes on Accounts

Sl. No.	Units	2003-2004		2002-2003		
		Quantity	Value Rs.	Quantity	Value Rs.	
I.	MATERIALS CONSUMED:					
a.	Industrial Alcohol	K.L.	9.863	4,65,574	10.953	5,39,502
b.	Sweetening Agents & Base	M.T.	218.974	39,59,961	235.834	44,47,404
c.	Fats & Oils	M.T.	2.255	2,86,891	1.974	2,43,318
d.	Vitamins & Nutrients	M.T.	1.259	27,92,560	1.277	33,09,037
e.	Drugs	M.T.	7.801	39,38,968	7.644	31,84,880
f.	Anti-Bacterial Preservatives	M.T.	4.153	7,38,087	4.077	7,30,809
g.	Flavouring & Colouring Agents	M.T.	4.945	15,30,146	4.991	16,05,004
h.	Enzymes & Biological Products	M.T.	53.129	94,79,556	52.962	90,24,168
i.	Vegetable & Crude Drugs	M.T.	105.233	75,42,891	99.901	77,45,647
j.	Cereals, Spices & Salts	M.T.	2,361.692	2,75,74,366	2,229.923	2,55,21,387
k.	Antibiotics	M.T.	1.480	8,05,928	2.327	22,17,130
l.	Other Chemicals	-	-	41,14,320	-	44,14,381
m.	Containers & Closures	1000's	15,768.367	1,22,82,753	16,835.698	1,09,80,870
n.	Paper & Boards	M.T.	597.079	2,51,22,347	803.296	2,30,51,542
o.	Inks	M.T.	6.020	18,00,151	6.126	22,08,911
p.	Films	-	-	1,14,864	-	1,64,593
q.	Latex	M.T.	68.817	27,96,312	407.330	1,53,39,685
r.	Packing & Other Materials	-	-	4,13,27,170	-	5,25,78,671
				<u>14,66,72,845</u>		<u>16,73,06,939</u>
II.	VALUE OF MATERIALS, SPARE PARTS & COMPONENTS CONSUMED DURING THE YEAR:					
a)	MATERIALS:		%		%	
i)	Imported		5.86	85,93,170	5.86	98,06,563
ii)	Indigenous		94.14	13,80,79,675	94.14	15,75,00,376
			<u>100.00</u>	<u>14,66,72,845</u>	<u>100.00</u>	<u>16,73,06,939</u>
b)	SPARE PARTS & COMPONENTS:					
i)	Imported		1.08	57,180	2.43	1,15,363
ii)	Indigenous		98.92	52,39,924	97.57	46,24,454
			<u>100.00</u>	<u>52,97,104</u>	<u>100.00</u>	<u>47,39,817</u>
III.	VALUE OF IMPORTS: (C.I.F. Value)					
i)	Raw Materials			1,06,67,482		66,74,059
ii)	Finished Goods			51,84,494		1,04,87,413
iii)	Capital Goods			6,86,689		5,81,754
iv)	Spares			1,41,368		77,295
				<u>1,66,80,033</u>		<u>1,78,20,521</u>
IV.	EARNINGS IN FOREIGN EXCHANGE: Export of Goods (FOB Value)			<u>1,98,76,835</u>		<u>2,26,28,649</u>

Notes on Accounts (Contd.)

V. PARTICULARS OF GOODS MANUFACTURED:								
PRODUCTS	Class of Goods	Base Unit	Licenced Capacity *	Installed Capacity **	PRODUCTION		STOCK OF GOODS	
					2003-2004	2002-2003	Opening	Closing
1. Liquid Products	A	Lakhs	1.110	1.200	-	-	-	-
	B	Lakhs	-	375.000	<b>23.767</b>	25.759	5.536	3.705
2. Dry Syrup	A	Lakhs	24.000	-	-	-	-	-
	B	Lakhs	-	-	-	-	-	-
3. Tablets	A	Lakhs	337.750	600.000	<b>63.211</b>	66.731	15.803	8.254
	B	Lakhs	-	3,400.000	<b>577.570</b>	662.901	111.605	66.367
4. Injectables	A	Lakhs	19.860	50.000	<b>34.038</b>	53.031	-	-
	B	Lakhs	-	100.000	<b>78.888</b>	38.444	12.799	17.732
5. Capsules	A	Lakhs	605.900	25.000	-	-	-	-
	B	Lakhs	-	600.000	<b>93.622</b>	93.358	19.511	8.241
6. Food Products	A	M.T.	10,000.000	5,800.000 <sup>+</sup>	<b>2,227.881</b>	2,048.003	8.885	23.002
7. Granules	A	M.T.	-	135.000	-	-	-	-
	B	M.T.	-	-	<b>84.324</b>	106.091	13.793	15.625
8. Ointments	A	M.T.	-	15.000	<b>0.130</b>	-	0.027	0.005
9. Basic Chemicals / Drugs	A	M.T.	330.788	3.800	<b>0.032<sup>++</sup></b>	0.073 <sup>++</sup>	0.027	-
	B	M.T.	-	47.244	-	-	-	-
10. Maps & Atlases	A	Million Impressions	245	245	<b>0.465<sup>@</sup></b>	0.370 <sup>@</sup>	0.237 <sup>@</sup>	0.195 <sup>@</sup>
11. Heart Valves		Nos.	3,600	3,600	<b>2,644</b>	2,297	700	808
12. Latex Gloves								
Examination Gloves		Millions	30.000	30.000	-	-	-	-
Surgical Gloves		Millions	30.000	30.000	<b>4.970</b>	21.920	5.030	0.990
13. Blood Lancets		Millions	-	9.000	<b>15.876</b>	28.651	9.531	0.685
14. Sutures		Lakh Dozen	-	1.650	<b>0.032</b>	0.232	-	0.029
15. Foley Catheters		Millions	-	0.900	<b>0.492</b>	1.156	0.165	0.167
16. Hernia Repair Mesh		Lakh Sq. Inch.	5.000	5.000	<b>2.874</b>	1.506	0.681	0.933

\* Licenced Capacity: (A) Capacity Fixed (B) Capacity not Fixed.  
\*\* Installed Capacity is based on 250 days' single shift working as certified by the Directors.  
+ Three Shift Basis.  
++ Includes Production for captive consumption.  
@ Figures given denote number of Units in Millions.

	2003-2004 Rs.	2002-2003 Rs.
VI. EXPENDITURE IN FOREIGN CURRENCY:		
i. Travelling	<b>1,84,809</b>	5,60,624
ii. Advertisement, Sales Promotion, Subscription, Registration Charges, etc.	<b>5,99,850</b>	1,94,915
	<b><u>7,84,659</u></b>	<u>7,55,539</u>
VII. A. DIRECTORS' REMUNERATION:		
1. Salary and Perquisites	<b>49,97,400</b>	48,65,744
2. Contribution to P.F., Gratuity & Superannuation Funds	<b>9,02,538</b>	7,53,208
	<b><u>58,99,938</u></b>	<u>56,18,952</u>

## Notes on Accounts (Contd.)

	2003-2004 Rs.	2002-2003 Rs.
<b>B. COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 198 OF THE COMPANIES ACT, 1956</b>		
Profit as per Profit & Loss Account	97,81,776	1,44,20,042
Add: Taxation	8,20,000	19,31,744
Depreciation	2,47,41,099	2,55,84,465
Directors' Remuneration	58,99,938	56,18,952
Sitting Fees	2,50,000	2,60,000
	<u>4,14,92,813</u>	<u>4,78,15,203</u>
Less: Depreciation allowable under Section 350 of the Companies Act, 1956	2,47,41,099	2,55,84,465
Profit as per Section 198 of the Companies Act, 1956	<u>1,67,51,714</u>	<u>2,22,30,738</u>
<b>Note:</b> In view of inadequacy of profit, the managerial personnel have been paid remuneration as per the provisions of Schedule XIII to the Companies Act, 1956.		
<b>VIII. INTEREST COMPRISES OF:</b>		
Interest on Debentures and other Fixed Loans	1,82,11,143	2,95,59,376
Interest – Others	1,43,11,836	1,37,00,760
	<u>3,25,22,979</u>	<u>4,32,60,136</u>
<b>Note:</b> There is no interest accrued and due as on 31st March, 2004.		
	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>IX. CONTINGENT LIABILITIES NOT PROVIDED FOR:</b>		
Guarantees against letters of credit opened	9.84	3.65
Other Guarantees	35.24	61.86
Disputed Taxes / Claims, not acknowledged as debts	812.72	704.25
X. The Company has created a Trust which has taken a Group Gratuity Policy with the Life Insurance Corporation of India for future payment of gratuity to retiring employees. The premia thereon have been so adjusted as to cover the liability in respect of all employees at the end of their future anticipated service with the Company. In the event of any employee leaving the service earlier, the Company would have to bear certain proportion of Gratuity for which no provision has been made as the amount thereof is not ascertainable. The amounts thus not provided for are being charged in the year of payment.		
XI. The Company contributes to a Superannuation Fund covering specified employees. The contributions are by way of annual premia payable in respect of a superannuation policy issued by the Life Insurance Corporation of India, which confers benefits to retired / resigned employees based on policy norms. Premia payable to LIC are accounted at the time of payment. No other liabilities are incurred by the Company in this regard.		
XII. Leave Encashment benefit has been charged to Profit & Loss Account on the basis of actuarial valuation as at the year end in line with the Accounting Standard 15 (AS – 15) issued by The Institute of Chartered Accountants of India.		
XIII. During the year, the Company has accounted for Deferred Tax in accordance with the Accounting Standard 22 (AS – 22) "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India. As a result of the adoption of this Standard, the Profit is lower by Rs. 56.76 lakhs for the year 2003-04 as detailed below:		
	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>Deferred Tax Asset:</b>		
Unabsorbed Losses / Tax Credit	988.78	1,014.95
Unabsorbed Depreciation	602.50	617.19
Current Year Losses	–	71.20
Others	70.90	44.76
Total	<u>1,662.18</u>	<u>1,748.10</u>
<b>Deferred Tax Liability:</b>		
Depreciation Difference & Others	642.45	671.62
<b>Net Deferred Tax Asset / (Liability)</b>	<u>1,019.73</u>	<u>1,076.48</u>
Deferred Tax Asset on account of unabsorbed depreciation / unabsorbed losses has been recognised, as the Company is of the opinion that there is virtual certainty of realisation of the same in view of the future Profits of the Company.		

## Notes on Accounts (Contd.)

- XIV. During the year, a sum of Rs. 130.45 lakhs being the cost of intangible assets (Cartography Development Charges ) classified under Work-in-Progress as on 01.04.2003 pertaining to the Printing Division has been adjusted against the Opening Reserves in line with the Accounting Standard 26 (AS – 26) on Intangible Assets, issued by The Institute of Chartered Accountants of India.
- XV. The Company has acquired "EVA" Trade Mark at a consideration of Rs. 53,49,800/- in the year 2001-02. In accordance with the opinion of the Expert Advisory Committee of The Institute of Chartered Accountants of India, this amount has been amortized over a period of 5 years and accordingly, a sum of Rs. 10,69,960/- has been charged as depreciation during the year under review.
- XVI. A sum of Rs. 126.48 lacs incurred towards Voluntary Retirement Scheme (VRS) in respect of the employees of Chikalthana factory has been treated as Deferred Revenue Expenditure and the same will be amortized and written off equally over a period of five years. Accordingly, an amount of Rs. 10.54 lacs has been debited to the Profit & Loss Account for the proportionate period during this year.
- XVII. The Public Works Department increased the Water Charges with effect from 9th May, 1991 for the water drawn by the Paper Division from the river Bhavani, from Rs. 60/- per 1000 Cu. Mtr. to Rs. 500/- per 1000 Cu. Mtr. on the contracted quantity of water. The Company filed a writ petition in the Madras High Court and as per the interim order dated 9th July, 1991, passed by the Court, the Company was paying Rs. 200/- per 1000 Cu. Mtr. of water on the actual quantity of water drawn and with effect from 01.04.1993 on the contracted quantity. The writ was disposed off by the court by remanding the matter to the Public Works Department.

Subsequently, the Public Works Department reconfirmed the rate @ Rs. 500 per 1000 Cu. Mtr. Aggrieved by this, the Company filed a writ petition in the Madras High Court and the High Court has passed an interim order directing payment of water charges @ Rs. 300 per 1000 Cu. Mtr. prospectively. Since the Paper Division has been disposed off, the liability, if any, upto the date of sale (i.e. 14.11.1999), will have to be borne by the Company.

As a matter of prudence, the Company has made a provision of Rs. 12 lakhs towards the liability by debiting the Profit and Loss account, without prejudice to the right of the Company to contest the case in the Court.

- XVIII. Sundry Creditors for goods shown under "Current Liabilities" (Schedule No.10) include Rs.197.15 Lakhs due to SSI Units. Listed below are the SSI Units to whom the Company owes amounts outstanding for more than 30 days as at the Balance Sheet date:

Alpha Containers, Autofits, A to Z Pharmaceuticals P Ltd, Bacto Chem Laboratories, Baader Schulz Labs, Cheminova Remedies Pvt. Ltd., Cassel Research Laboratories Pvt. Ltd., D.J. Industries, Dharmi Paper Convertors, Essar Glassworks Pvt. Ltd., Exon Enterprises, Erawat Pharma Ltd., Fredna Enterprises, Fredun Pharmaceuticals Ltd., Hridaya, Immukimia Laboratory, Ishita Pharmaceuticals, Integrated Capsules Ltd., Klass Pack Pvt. Ltd., Kniss Laboratories Pvt. Ltd., Kumbhat Holographics, Maarvel Graphics, Manjushree Extrusions Ltd., Promed Laboratories Pvt. Ltd., Polynova Packers, B. Pillai Plastics, Qualicare Pharmaceuticals Ltd., Shree Pack, Sel-Jegat Printers, Shree Products Ltd., Sri Raja Rajeswari Plastic Industries, Salesworth India Pvt. Ltd., Sterile Specialities India Pvt. Ltd., Super Press, Sangam Plastics, Tirumala Enterprises, The Orient Processors, Wonder Packaging Industries, Srikals Graphics, Star Drugs & Research Laboratories, Suyash Offset, Vinit Carbonic, AST Packaging, Bhakti Plastics, Kanishk Enterprises, Kishore Industries, Saras Plastics, Beryl Chemi, Paras Plastics, Sai Om Industries, Srhishti Packaging, Dodal Sales Corporation, Sagmeshwar, Metro Foils & Prints, Prachi Industries, Unipharm Rotographics, Neelkamal Printing Press, United Printing, Krishna Plastics, Ajanta Steels, Shri Krishna Chemicals, Raj Chemicals, Sanfran Inc., Lavanya Printing Inks, Popular Chemicals, Pooja Enterprises, Sulphur Mills, R P Traders, Varun Enterprises, Vishal Electric & Metal Industries, Zicolied Industries, Archana Enterprises, B.D. Enterprises, Pravin Industries, Shree Chemo Plast, Shree Paper Products, Siddhivinayak Rubber Products.

The above information regarding SSI Undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

- XIX. **Earnings per Share as per Accounting Standard 20 (AS – 20):**

	2003-2004 Rs.	2002-2003 Rs.
Profit after Tax as per Profit & Loss Account (Rs. in Lakhs)	<b>108.36</b>	144.20
Weighted Average number of Equity Shares used as denominator for calculating EPS (in lakhs Shares)	<b>66.10</b>	65.30
Earnings per Share of Rs. 10/ each		
Before Extraordinary items and Provisions	<b>1.64</b>	2.21
After Extraordinary items and Provisions	<b>1.48</b>	0.64

- XX. The Company has not made any provision for the Cess under the provisions of Section 441A of the Companies Act, 1956, in the absence of notification regarding rate and manner of remittance.

- XXI. Fixed Assets taken on Finance Lease prior to 01-04-2001 amounted to Rs. 53,45,805 (previous year Rs. 63,77,530). Future obligations towards lease rentals under the Lease Agreements as on 31-03-2004 amounted to Rs. 23,27,041 (previous year Rs. 40,88,791).

	2003-2004	2002-2003
Within one year	<b>14,42,143</b>	17,61,750
Later than one year and not later than 5 years	<b>8,84,898</b>	23,27,041
Later than 5 years	-	-

## Notes on Accounts (Contd.)

The Company has acquired certain items of vehicles on Finance Lease on or after April 1, 2001, amounting to Rs. 39,03,140 (previous year nil).

The Minimum Lease rental outstanding as of 31st March, 2004 in respect of these assets are as follows:

Particulars	Total Minimum Lease payments outstanding as on		Future Interest on Outstanding Lease payments as on		Present value of Minimum Lease payments as on	
	31-03-2004 Rs.	31-03-2003 Rs.	31-03-2004 Rs.	31-03-2003 Rs.	31-03-2004 Rs.	31-03-2003 Rs.
Within one year	10,70,292	–	4,39,083	–	6,31,209	–
Later than one year and not later than 5 years	37,30,946	–	7,74,369	–	29,56,577	–
Later than 5 years	–	–	–	–	–	–
<b>Total</b>	<b>48,01,238</b>	<b>–</b>	<b>12,13,452</b>	<b>–</b>	<b>35,87,786</b>	<b>–</b>

XXII. Previous year's figures have been regrouped and reclassified wherever necessary to conform to the current year's presentation. Figures have been rounded off to the nearest rupee.

### XXIII. Related Party disclosures as per Accounting Standard 18 (AS – 18):

List of Related Parties with whom transactions have taken place during the year:

Associate Companies / Firms / Parties	TT Krishnamachari & Co. Pharma Research & Analytical Laboratories TTK Prestige Limited TTK - LIG Limited Packwell Packaging Products Limited TTK Healthcare Services Pvt. Limited TTK Tantex Limited SSL - TTK Limited Mr. T.T. Mukund
Key Management Personnel	Mr. T.T. Raghunathan, Executive Vice Chariman Mr. D. Srinivasan, Executive Director Mr. I. Ravindran, Wholetime Director

Summary of transactions with the above related parties is as follows:

	(Rs. in lakhs)
Purchase of Finished Goods	2314.19
Purchase of Raw Materials	58.04
Sale of Goods	230.78
Receiving Services	174.88
Rendering Services	27.41
Interest Received on Deposits	9.25
Rental Charges Paid	31.08
Rental Charges Received	6.92
Reimbursement of Expenses Paid	2.86
Logo Charges Paid	55.64
Inter-corporate Deposits	100.00
Outstanding Balance included in Current Assets	186.55
Outstanding Balance included in Current Liabilities	406.66
Managerial Remuneration	59.00

## Notes on Accounts (Contd.)

### STATEMENT SHOWING SIGNIFICANT ACCOUNTING POLICIES

#### System of Accounting

The Company generally adopts the accrual basis of accounting except that certain benefits to employees which are determinable only at the time of payment are accounted on cash basis.

#### Fixed Assets

Fixed Assets are normally stated at cost. In the case of Revaluation of any Fixed Assets, the same are stated at revalued amounts.

#### Depreciation

Depreciation is being charged at the rates prescribed in Schedule XIV to the Companies Act, 1956, under Written Down Value method in respect of Assets purchased on or before 31st May, 1984 and under Straight Line Method in respect of other Assets. In respect of Capital expenditure incurred on Leasehold Assets, the same is amortized over the duration of the lease.

The cost of acquisition of Trade Marks is being amortised over a period of 5 years in line with the opinion of the Expert Advisory Committee of The Institute of Chartered Accountants of India.

#### Investments

Investments are stated at cost of acquisition.

#### Valuation of inventories

- Raw and Packing Materials and Consumables are valued at cost on FIFO basis.
- Finished Goods are valued at lower of cost or realisable value.
- Work-in-Progress is valued at Works cost.

#### Sales

Sales are stated net of returns, discounts and Sales Tax and exclusive of Excise Duty.

#### Treatment of Retirement Benefits

The Contributions to Gratuity and Superannuation funds, as well as residual payments to employees, accruals of which are indeterminate, are accounted at the time of respective payments.

Annexure to our Report of date

For M/s. AIYAR & CO.  
Chartered Accountants

V. NATARAJAN  
Partner

For M/s. S. VISWANATHAN  
Chartered Accountants

C.N. SRINIVASAN  
Partner

Bangalore  
25th June, 2004

T.T. Jagannathan, *Chairman*  
R.K. Tulshan, *Director*  
Dr. K.R. Srimurthy, *Director*  
B.N. Bhagwat, *Director*  
K. Vaidyanathan, *Director*  
D. Srinivasan, *Executive Director*  
K. Shankaran, *Director*  
I. Ravindran, *Wholetime Director*  
S. Kalyanaraman, *Company Secretary*  
K. Hariharasubramanian, *Vice President (Accounts)*

## Segment-wise Revenue, Results &amp; Capital Employed:

<b>Segment-wise Revenue &amp; Results:</b>							(Rs. in lakhs)
For the year ended 31-03-2004				For the year ended 31-03-2003			
	Segment Revenue	Excise Duty relating to Sales	Net Segment Revenue	Segment Revenue	Excise Duty relating to Sales	Net Segment Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Segment Revenue:</b>							
Pharmaceuticals	6,092.43	323.78	5,768.65	5,771.63	315.93	5,455.70	
Medical Devices	1,018.15	20.68	997.47	1,349.98	23.24	1,326.74	
Consumer Products Distribution	6,989.28	-	6,989.28	6,355.69	-	6,355.69	
Printing / Maps	565.01	14.21	550.80	619.62	10.66	608.96	
Others	641.40	-	641.40	627.15	-	627.15	
<b>Total Segment Revenue</b>	<b>15,306.27</b>	<b>358.67</b>	<b>14,947.60</b>	<b>14,724.07</b>	<b>349.83</b>	<b>14,374.24</b>	
Less: Inter Segment Revenue	78.69	-	78.69	80.42	-	80.42	
<b>Net Sales</b>	<b>15,227.58</b>	<b>358.67</b>	<b>14,868.91</b>	<b>14,643.65</b>	<b>349.83</b>	<b>14,293.82</b>	
<b>Segment Results:</b>							
(Profit before Interest & Tax)							
Pharmaceuticals			1,077.41			1,093.14	
Medical Devices			(246.03)			(143.67)	
Consumer Products Distribution			39.43			98.24	
Printing / Maps			(123.76)			(10.39)	
Others			19.19			32.98	
<b>Total Segment Results</b>			<b>766.24</b>			<b>1,070.30</b>	
Less: Interest Expenses			325.23			432.60	
Less: Unallocable Expenses (Net of Unallocable Income)			324.45			474.18	
<b>Total Profit / (Loss) before Tax</b>			<b>116.56</b>			<b>163.52</b>	
Less: Extraordinary Item – Voluntary Retirement Scheme			10.54			-	
<b>Total Profit / (Loss) before Tax</b>			<b>106.02</b>			<b>163.52</b>	

## Segment-wise Revenue, Results &amp; Capital Employed: (Contd.)

<b>Capital Employed</b>		(Rs. in lakhs)
<b>Particulars</b>	<b>As on 31-03-2004</b>	<b>As on 31-03-2003</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Segment Assets less Segment Liabilities</b>		
Pharmaceuticals	2,110.31	2,167.26
Medical Devices	2,298.57	2,602.18
Consumer Products Distribution	160.04	178.36
Printing / Maps	355.71	616.46
Others	320.06	276.82
<b>Total Capital Employed in Segments</b>	<b>5,244.69</b>	<b>5,841.08</b>
Add: Unallocable Corporate Assets	(139.09)	(161.37)
Less Corporate Liabilities		
<b>Total Capital Employed in Company</b>	<b>5,105.60</b>	<b>5,679.71</b>
<b>Total Assets Exclude:</b>		
Investments	211.01	211.01
Deferred Tax Asset	1,662.18	1,748.10
Miscellaneous Expenditure to the extent not written off	115.94	-
<b>Total Liabilities Exclude:</b>		
Secured Loans	2,235.98	2,313.80
Unsecured Loans	257.66	599.20
Deferred Tax Liability	642.45	671.62

**Notes:**

- Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17) considering the organisation structure and the differential risks and returns of these segments.
- Details of products included in each of the segments are as below:
  - Pharmaceuticals include products for both Human and Veterinary use and OTC Brands like Woodward's Gripewater.
  - Medical Devices include Artificial Heart Valves, Hernia Repair Mesh, Surgical Sutures, Catheters, Incontinence Bags, Gloves and Blood Lancets.
  - Consumer Products Distribution consists of marketing and distribution of EVA range of cosmetics (Own Brand) and also trading of Branded Condoms, Shoe Care, Hair Care and Toiletry Products.
  - Printing / Maps comprise of Printing and Publishing of Maps and Atlases and Packaging Materials.
  - "Others" comprise of ready-to-fry Cereal Snack Food & Rice Sevai and Paper Products.
- The segment-wise revenue, results and capital employed figures relate to respective amounts directly identifiable to each of the segments. The unallocable expenditure includes expenses incurred on common services at the corporate level and all those expenses not identifiable to any specific segment.
- The previous year's figures have been regrouped and reclassified, wherever necessary, to conform to the current year's presentation.

PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956, IN TERMS OF DEPARTMENT OF COMPANY AFFAIRS NOTIFICATION DATED 15-5-95

**Balance Sheet Abstract and Company's General Business Profile**

<b>I. REGISTRATION DETAILS</b>		
Registration Number		003647
State Code		18
Balance Sheet Date		31-03-2004
<b>II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)</b>		
Public Issue		Nil
Rights Issue		Nil
Private Placement		Nil
<b>III. POSITION OF MOBILISATION &amp; DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)</b>		
Total Liabilities		10,47,252
Total Assets		10,47,252
<b>Sources of Funds</b>		
Paid-up Capital		66,104
Reserves & Surplus		3,29,760
Secured Loans		2,23,598
Unsecured Loans		25,766
<b>Applications of Funds</b>		
Net Fixed Assets		3,30,658
Investments		21,101
Net Current Assets		1,79,902
Deferred Tax Asset (Net)		1,01,973
Miscellaneous Expenditure to the extent not written off		11,594
<b>IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)</b>		
Turnover (Total Income)		15,04,526
Total Expenditure		14,92,870
Profit (+) / Loss (-) before Tax and Extraordinary Items		11,656
Extra-ordinary items VRS Amortised		1,054
Profit (+) / Loss (-) before Tax		10,602
Provision for Tax		820
Deferred Tax		(5,675)
Profit (+) / Loss (-) after Tax		4,107
Earning per Share (after Extraordinary Items) (in Rs.)		1.48
Dividend Rate		-
<b>V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS)</b>		
Item Code No. (ITC Code)		Product Description
300390.27		Gripewater
300450.03		Calcium Supplement
294200.29		Valethamate Bromide

Annexure to our Report of date

For M/s. AIYAR & CO.  
Chartered AccountantsV. NATARAJAN  
PartnerFor M/s. S. VISWANATHAN  
Chartered AccountantsC.N. SRINIVASAN  
PartnerBangalore  
25th June, 2004

T.T. Jagannathan, *Chairman*  
R.K. Tulshan, *Director*  
Dr. K.R. Srimurthy, *Director*  
B.N. Bhagwat, *Director*  
K. Vaidyanathan, *Director*  
D. Srinivasan, *Executive Director*  
K. Shankaran, *Director*  
I. Ravindran, *Wholetime Director*  
S. Kalyanaraman, *Company Secretary*  
K. Hariharasubramanian, *Vice President (Accounts)*

## Cash Flow Statement for the year ended 31st March, 2004

(Rs. in Lakhs)				
	2003-2004		2002-2003	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit Before Tax		106.01		163.52
Adjustments for:				
Depreciation	247.41		255.84	
Profit / (Loss) on sale of Assets	10.02		(2.62)	
Dividend Received	(0.01)		(0.01)	
Interest Paid	325.23	582.65	432.60	685.81
Operating Profit before Working Capital Changes		688.66		849.33
Adjustments for:				
Trade and Other Receivables	39.62		448.58	
Inventories	486.89		233.78	
Trade Payables	(79.88)	446.63	253.73	936.09
Cash generated from Operations		1,135.29		1,785.42
Direct Taxes Paid		23.10		194.60
Cash Flow before Extraordinary Items		1,158.39		1,980.02
Extraordinary Items & Deferred Revenue Expenditure		(115.94)		280.30
Cash Flow after Extraordinary Items		1,042.45		2,260.32
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of Fixed Assets	(139.22)		(322.41)	
Sale of Fixed Assets	7.54		10.58	
Purchase of Investments (Pursuant to Merger)	-		(49.63)	
Interest / Dividend Received	0.01		0.01	
Amalgamation Reserve Adjustment	-		(68.08)	
Securities Premium Adjustment	-		(813.63)	
Revenue Reserve Adjustment	130.45	(262.12)	-	(1,243.16)

## Cash Flow Statement for the year ended 31st March, 2004 (Contd.)

(Rs. in Lakhs)				
	2003-2004		2002-2003	
	Rs.	Rs.	Rs.	Rs.
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Long Term Borrowings	108.67		(468.61)	
Bank Borrowings – Short Term	(386.48)		110.36	
Public Deposits / Other Loans	(141.54)		(132.51)	
Interest paid	(325.23)		(432.60)	
Net Cash used in Financing Activities		<u>(744.58)</u>		<u>(923.36)</u>
Net Increase in Cash and Cash Equivalents		35.75		93.80
Cash and Cash Equivalents as at the beginning of the year	762.99		669.19	
Cash and Cash Equivalents as at the end of the year	<u>798.74</u>	<u>(35.75)</u>	<u>762.99</u>	<u>(93.80)</u>

- Notes: a. The above cash flow statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3 (AS – 3) issued by The Institute of Chartered Accountants of India.
- b. The previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

Annexure to our Report of date

For M/s. AIYAR & CO.  
Chartered Accountants

V. NATARAJAN  
Partner

For M/s. S. VISWANATHAN  
Chartered Accountants

C.N. SRINIVASAN  
Partner

T.T. Jagannathan, *Chairman*  
R.K. Tulshan, *Director*  
Dr. K.R. Srimurthy, *Director*  
B.N. Bhagwat, *Director*  
K. Vaidyanathan, *Director*  
D. Srinivasan, *Executive Director*  
K. Shankaran, *Director*  
I. Ravindran, *Wholetime Director*  
S. Kalyanaraman, *Company Secretary*  
K. Hariharasubramanian, *Vice President (Accounts)*

Bangalore  
25th June, 2004

**TTK HEALTHCARE LIMITED**

**Financial Highlights**

(Rs. in lakhs)

	2003-04	2002-03	2001-02	2000-01	1999-00 (10 Months)	1998-99	1997-98	1996-97	1995-96	1994-95
Sales & Other Income*	15,403.93	14,811.96	13,984.71	15,027.18	11,610.11	13,675.32	12,882.12	12,624.12	13,109.60	12,428.99
Profit Before Tax	106.02	61.02	(883.52)	(456.88)	262.04	300.43	603.62	305.08	563.41	519.29
Deferred Tax	(56.75)	263.92	1,076.17	-	-	-	-	-	-	-
Profit After Tax	41.07	305.62	192.65	(447.40)	207.04	205.43	390.62	208.08	303.41	299.29
Dividend	-	-	-	-	125.75	125.75	125.75	125.75	125.75	125.75
Tax on Dividend	-	-	-	-	27.66	13.83	12.57	12.57	-	-
Retained Earnings	41.07	305.62	192.65	(447.40)	53.63	65.85	252.30	32.25	140.16	136.04
Net Block	3,306.58	3,438.50	3,386.06	1,927.78	1,676.41	1,913.90	1,965.48	1,879.01	1,926.58	1,933.61
Investments	211.01	211.01	263.88	2,036.60	579.33	668.87	586.77	501.41	339.08	339.21
Net Current Assets	1,799.02	2,241.21	3,297.42	5,974.08	6,337.76	5,006.74	4,408.45	4,122.19	4,338.76	3,672.68
Deferred Tax Asset	1,662.18	1,748.10	1,568.90	-	-	-	-	-	-	-
Deferred Tax Liability	(642.45)	(671.62)	(756.35)	-	-	-	-	-	-	-
Miscellaneous Expenditure	115.95	-	280.30	266.79	126.44	-	-	-	-	-
<b>Total Assets</b>	<b>6,452.28</b>	<b>6,967.20</b>	<b>8,040.21</b>	<b>10,205.25</b>	<b>8,719.94</b>	<b>7,589.51</b>	<b>6,960.70</b>	<b>6,502.61</b>	<b>6,604.42</b>	<b>5,945.50</b>
Share Capital	661.04	661.04	661.04**	637.52	502.99	502.99	502.99	502.99	502.99	502.99
Reserves	3,297.60	3,393.16	3,975.42	4,036.51	3,041.57	2,994.00	2,935.42	2,690.64	2,631.12	2,461.09
Net Worth	3,958.64	4,054.20	4,636.46	4,674.03	3,544.56	3,496.99	3,438.41	3,193.63	3,134.11	2,964.08
Borrowings	2,493.64	2,913.00	3,403.75	5,531.22	5,175.38	4,092.52	3,522.29	3,308.98	3,470.31	2,981.42
<b>Total Liabilities</b>	<b>6,452.28</b>	<b>6,967.20</b>	<b>8,040.21</b>	<b>10,205.25</b>	<b>8,719.94</b>	<b>7,589.51</b>	<b>6,960.70</b>	<b>6,502.61</b>	<b>6,604.42</b>	<b>5,945.50</b>
<p>* Inclusive of Excise Duty.  ** Includes Rs. 23.52 lakhs, being the value of shares pending allotment as on 31-3-02; subsequently allotted during 2002-03.</p>										

**Statement Pursuant to Sec. 212 of the Companies Act, 1956  
Relating to Subsidiary Company**

Name of the Subsidiary	:	TTK Healthcare Services Private Limited
Financial Year of the Company ended on	:	31st March, 2004
Number of Shares held in the Subsidiary Company	:	9,99,000 Equity Shares of Rs. 10/- each and 4,99,500 - 5% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each
Percentage shareholding in Subsidiary	:	75.11%
The net aggregate amount of profits / (losses) of the Subsidiary Company so far as it concerns the members of the Holding Company –		
a. Not dealt with in the accounts of TTK Healthcare Ltd.		
i. for the Subsidiary's financial year ended 31-3-2004	:	Rs. 9,55,815
ii. for the previous financial years of the Subsidiary since it became the Company's Subsidiary	:	(Rs. 49,00,824)
b. Dealt with in the accounts of TTK Healthcare Ltd.		
i. for the Subsidiary's financial year ended 31-3-2004	:	–
ii for the previous financial years of the Subsidiary since it became the Company's Subsidiary	:	–

Bangalore  
25th June, 2004

T.T. Jagannathan, *Chairman*  
R.K. Tulshan, *Director*  
Dr. K.R. Srimurthy, *Director*  
B.N. Bhagwat, *Director*  
K. Vaidyanathan, *Director*  
D. Srinivasan, *Executive Director*  
K. Shankaran, *Director*  
I. Ravindran, *Wholetime Director*  
S. Kalyanaraman, *Company Secretary*  
K. Hariharasubramanian, *Vice President (Accounts)*

## TTK HEALTHCARE SERVICES PRIVATE LIMITED

### BOARD OF DIRECTORS

Shri. T.T. Jagannathan, Chairman  
Shri. T.T. Raghunathan  
Shri. G.J. Nehru  
Dr. (Smt.) Latha Jagannathan  
Shri. K. Shankaran  
Shri. Girish Rao, Managing Director  
Shri. D. Srinivasan  
Shri. V. Natarajan

### AUDITORS

Messrs S. Viswanathan  
Chartered Accountants  
27/34, II Floor  
Nandi Durg Road  
Jayamahal Extension  
Bangalore 560 046

### BANKERS

UTI Bank Ltd.  
No. 9, M.G. Road  
Block A  
Bangalore 560 001

Bank of Baroda  
Corporate Banking Branch  
HJS Complex, 1st Floor  
No. 26, Richmond Road  
Bangalore 560 025.

ICICI Bank  
ICICI Bank Towers  
1st Floor, West Wing  
1, Commissariat Road  
Bangalore 560 025.

### REGISTERED OFFICE

11th Floor, Brigade Towers  
135, Brigade Road  
Bangalore 560 025.

### CORPORATE OFFICE

No. 7, Jeevan Bhima Nagar Main Road  
HAL III Stage  
Bangalore 560 075.

### BRANCHES

Bangalore, Chennai, Coimbatore, Cochin, Hyderabad, Kolkata, Mumbai, New Delhi, Pune, Vishakapatnam.

## Directors' Report

Your Directors have pleasure in presenting the Second Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004 as follows:

### FINANCIAL RESULTS:

	Year ended 31-03-2004	Period ended 31-03-2003
	Rs. in Lakhs	Rs. in Lakhs
Total Income	671.79	79.78
Expenditure	651.08	153.55
Profit / (Loss) before tax	20.71	(73.77)
Provision for Tax (MAT)	1.53	-
Less: Deferred Tax	9.62	(24.76)
Net Profit / (Loss) for the year	9.56	(49.01)

### REVIEW OF PERFORMANCE

In the first full year of operations, the Company has emerged as a major TPA player with empanelment by 3 of the 4 Public Sector Insurance Companies, which between them account for over 90% of the healthcare insurance business in the country. In addition, the Company has been empanelled by some of the major Private Sector Insurance Companies such as ICICI Lombard, Reliance General Insurance and Cholamandalam.

The TPA Commission billed during the year ended 31st March, 2004 was Rs. 661.91 lakhs. The Company is currently servicing several large organizations and individuals totalling to over 1.3 million lives across the country. It is handling a collective premium of over Rs. 120 Crores and it settles about 7500 claims per month. The Company has tied up with over 1100 hospitals across the country in 135 cities.

The Company now has offices in 10 locations across the country. With the increase in volume of business, several operations of the Company were decentralized during the year to provide speedier and more efficient customer service. The decentralized offices are networked and server capacity has been enhanced during the year.

### OUTLOOK FOR THE FINANCIAL YEAR 2004-2005

The Confederation of Indian Industry Study (CII) – Insurance Market study estimates the total health expenditure in India by corporate and household sector to be Rs. 1,000 billion of which In-patient private expenditure is Rs. 270 billion (27%), but what is covered by Health Insurance is Rs. 11 billion (1%). The health-insurance market is visibly underdeveloped with over 300 million potential insurable lives of which only 10% of these are covered under health insurance. Hence there is a huge potential for growth in the health insurance sector, largely led by private sector initiatives. The growth is bound to find further impetus with the Government initiative of the "Universal health scheme".

The Company's revenues in the year 2004-05 will reflect the rapid growth in the healthcare insurance sector. In the coming year, the Company will need to make further investments in technology and software. Your Company will also be increasing the number of branches across the country. Your Company currently has branches in Mumbai, Chennai, Bangalore, Coimbatore, Kochi, Hyderabad, Pune, Delhi, Kolkata and Vishakapatnam. The current branches at Kolkata and Delhi will be expanded to service increased business in the Eastern and Northern Regions. Further we will be opening several smaller branches.

The decentralization process is an operational necessity, but will add pressure on our operating costs. The capital expenditure that will be required this year is higher than originally anticipated, as a consequence of the decentralization process.

There are currently ten TPAs in the country who are operational. However, the public sector insurance companies are under pressure from the government to expand the number of TPAs empanelled by each of them. This trend will put pressure on our revenue stream.

### RIGHTS ISSUE

During the year, the Company decided to go in for a rights issue of 6,65,000 equity shares of Rs. 10 each aggregating to Rs. 66.50 lakhs to the existing shareholders in proportion to the shares held by them in the capital of this Company.

The Company received a sum of Rs. 66.50 lakhs towards application money for the above rights shares.

### DIRECTORS

Mr. D. Srinivasan, Dr. (Mrs.) Latha Jagannathan and Mr. V. Natarajan, Directors retire by rotation and are eligible for re-election.

### DIVIDEND

In view of the inadequate profit for the year under review, the Board of Directors have decided not to recommend any dividend for the year ended 31st March, 2004.

### FIXED DEPOSIT

The Company has not taken any Fixed Deposits either from the Public or from its Directors.

### AUDITORS

M/s. S. Viswanathan, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

### FOREIGN EXCHANGE

During the period under review, the Company did not have any earnings nor any payments in foreign exchange.

### CONSERVATION OF ENERGY AND RESEARCH AND DEVELOPMENT

The information as provided under section 217(1)(e) of the Companies Act, 1956, relating to the Conservation of Energy and Research and Development are not applicable to this Company.

### PARTICULARS OF EMPLOYEES

There was no employee who was in receipt of remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required by Sec 217(2AA) of the Companies Act, 1956, your Directors confirm –

1. That in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
2. That they have selected such accounting policies and applied them consistently and made judgments and estimates that are responsible 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.
3. That they have 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 the Company and for preventing and detecting fraud and other irregularities; and
4. That they have prepared the Annual Accounts on a going concern basis.

### COMPLIANCE CERTIFICATE

The copy of the Compliance Certificate as required under the provisions of Section 383-A of the Companies Act, 1956 is attached with the Directors' Report.

### ACKNOWLEDGEMENT

Your Directors deeply appreciate and acknowledge the significant co-operation given to your Company by the Bankers and Employees of the Company.

For and on behalf of the Board

Place : Bangalore  
Date : 26th May, 2004

T.T. JAGANNATHAN  
Chairman

### Registered Office:

11th Floor, Brigade Towers  
135, Brigade Road  
Bangalore 560 025.

## Secretarial Compliance Certificate

To  
The Members  
**TTK HEALTHCARE SERVICES PRIVATE LIMITED**  
11th Floor, Brigade Towers  
135, Brigade Road  
Bangalore 560 025.

I / We have examined the registers, records, books and papers of TTK Healthcare Services Private Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2004. In my / our opinion and to the best of my / our information and according to the examinations carried out by me / us and explanations furnished to me / us by the Company, its officers and agents, I / we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies subject to our comments therein.
3. The Company is a subsidiary of a public company u/s. 4(1)(b)(ii) of the Act and therefore the comments are not considered necessary.
4. The Board of Directors duly met 5 (five) times on 25th April 2003, 26th June 2003, 27th August 2003, 13th November 2003 and 11th February 2004 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has not closed / was not required to close its Register of Members during the financial year.
6. The Annual General meeting for the financial year ended on 31st March 2003 was held on 27th August 2003 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. 1 (one) Extra-ordinary General Meeting was held during the financial year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loan to its Directors and / or persons or firms or companies referred in the Section 295 of the Act during the financial year.
9. The Company has paid license fee of Rs. 6,55,878/- during the year to M/s. T.T. Krishnamachari & Co., Chennai, a partnership firm in which some of the Directors of this Company are interested as partners, pursuant to a contract entered into between the Company and the firm during the preceding financial year and the Company has stated that the provisions of proviso to sub-section 1 of Section 297 of the Act was not applicable.
10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. As informed to us by the Company, there were no instances falling under the purview of Section 314 of the Act during the financial year.
12. The Company has not issued duplicate share certificates during the financial year.
13. i. the Company has delivered all the certificates on lodgement thereof for transfer / transmission of shares in accordance with the provisions of the Act and there was no allotment of securities during the financial year.  
ii. the Company has not declared or paid any dividend during the financial year.  
iii. there was no unclaimed / unpaid dividend to be transferred to Unpaid Dividend Account.  
iv. there are no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years and to be transferred to Investor Education and Protection Fund; and  
v. the Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors, additional Directors, alternate Directors, etc. have been duly made.
15. There was no appointment of Managing Director / Whole-time Director / Manager during the financial year.
16. There was no appointment of sole-selling agent during the financial year.
17. As per the information provided by the Company to us, the Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has received share application money aggregating Rs. 66,50,000/- against offer of 6,65,000 equity shares of Rs. 10/- each to existing equity shareholders on rights basis and the same was pending allotment as on 31st March 2004.
20. The Company has not bought back any shares during the financial year ended 31st March 2004.
21. The Company has not redeemed any preference shares during the year.
22. The Company has not kept in abeyance any rights to dividend, rights shares and bonus shares pending registration of transfer of shares during the financial year.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A and 58AA read with Companies (Acceptance of Deposits) Rules, 1975 and the applicable directions issued by the Reserve Bank of India / any other authority during the financial year.
24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31st March 2004 is / are within the borrowing limits of the Company and that necessary resolutions as per Section 293(1)(d) of the Act, have been passed in duly convened Annual General meeting held on 27th August 2003.
25. The Company has not made any loans and investments or given guarantees or provided securities to other bodies corporate falling within the purview of Section 372A of the Act during the financial year.

## TTK HEALTHCARE SERVICES PRIVATE LIMITED

### Secretarial Compliance Certificate (contd.)

26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's Registered Office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has altered the provisions of the Memorandum with respect to Share capital of the Company during the year under scrutiny and complied with the provisions of the Act.
30. The Company has not altered its Articles of Association during the financial year.
31. There is no prosecution initiated against or show cause notices received by the Company for any alleged offences under the Act and also no fines and penalties or any other punishment imposed on the Company during the financial year.
32. The Company has not received any money as security from its employees during the year under certification falling within the purview of Section 417(1) of the Act.
33. The Company has not established any separate Provident Fund falling within the purview of Section 418 of the Act. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities under the Employees Provident Fund Scheme.

P.G. HEGDE  
Hegde & Hegde  
Company Secretaries  
C.P. No. 640

Place : Bangalore  
Date : 26th May, 2004

#### Annexure A

##### Registers as maintained by the Company

1. Register of Members	:	S 150 / 151
2. Register of particulars of Contracts	:	S 301
3. Register of Directors / Managing Directors	:	S 303
4. Register of Directors' Shareholdings	:	S 307
5. Board Meeting Minutes Book	:	S 193 / 196
6. General Meeting Minutes Book	:	S 193 / 196
7. Books of Accounts	:	S 209

#### Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other Authorities during the financial year ended on 31st March, 2004 (as per the copies of documents furnished by the Company).

1. Form 32 dated 19-06-2003 filed under Section 303(2) for resignation of a Director and an alternate Director (filed on 29-07-2003 with additional fees).
  2. Form 32 dated 26-06-2003 filed under Section 303(2) for appointment of additional Director (filed on 29-07-2003 with additional fees).
  3. Form 29 dated 26-06-2003 filed under Section 264(2) (filed on 29-07-2003 with additional fees).
  4. Form 8/13 dated 30-06-2003 filed under Section 125 for creation of charge in favour of UTI Bank Limited in respect of Bank guarantee limit of Rs. 300 lakhs.
  5. Annual Accounts & Reports filed under Section 220 for the financial year ended 31-03-2003.
  6. Compliance Certificate filed under Section 383A(1) for the financial year ended 31-03-2003.
  7. Annual Return filed under Section 159 made upto 27-08-2003.
  8. Form 32 dated 27-08-2003 filed under Section 303(2) for appointment of Directors in Annual General Meeting held on 27-08-2003.
  9. Form 23 dated 27-08-2003 filed under Section 192/293(1)(a) & (d).
  10. Form 8/13 dated 04-12-2003 under Section 125 for creation of charge in favour of UTI Bank Limited for Rs. 50 lakhs term loan.
  11. Form 5 dated 11-02-2004 filed under Section 97 for increase in Authorised Capital.
  12. Form 23 dated 11-02-2004 filed under Section 192/94/16 for increase in Authorised Capital / alteration of Memorandum.
  13. Form 29 dated 07-03-2002 (6 Nos.) 14-03-2002 (1 No.) and 08-04-2002 (3 Nos.) filed under Section 264 (filed on 05-01-2004 with additional fees).
  14. Form 32 dated 01-11-2002 filed under Section 302(2) for the appointment of Managing Director (filed on 30-06-2003 with additional fees).
- with the Registrar of Companies, Karnataka.

## Auditor's Report to the Members of the Company

The Members of M/s. TTK Healthcare Services Private Limited

1. We have audited the attached Balance Sheet of M/s. TTK Healthcare Services Private Limited as at 31st March 2004, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

- iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from the Directors, as on 31st March 2004, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2004 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 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 2004;
  - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c. In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For M/s. S. Viswanathan  
Chartered Accountants

Place: Bangalore  
Date : 26th May, 2004

C.N. Srinivasan  
Partner

## Annexure to the Auditor's Report

Referred to in paragraph 3 of our report of even date.

- i. (a) The Company has maintained proper records showing the full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed any major part of its fixed assets to affect the going concern status of the Company.
- ii. (a) The Company had taken unsecured loans (Inter corporate loan) from two companies covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1.50 crores and the year-end balance was Rs. 1 crore.
- (b) In our opinion, the rate of interest and other terms and conditions of which loans have been taken from Companies, listed in the register maintained under Section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the Company.
- (c) The Company is regular in payment of interest.
- (d) There is no overdue amount of loans taken from Companies, listed in the register maintained under Section 301 of the Companies Act, 1956.
- iii. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets.
- iv. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit to which the provision of Section 58A and 58AA of the Companies Act, 1956 is applicable and has not accepted any deposit from public to which the provision of Companies (Acceptance of Deposits) Rules, 1975 is applicable.

- vi. In our opinion, the Company has an Internal Audit System commensurate with the size and the nature of its business.
- vii. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax and other material statutory dues applicable to it *except in the case of service tax, where in a few months, there are delays in depositing of the said dues within the time limit.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax and service tax were in arrears as at 31-03-2004 for a period of more than six months from the date they became payable. The other areas i.e. sales tax, customs duty, excise duty and cess are not applicable to the Company being a service industry.
- (c) According to the information and explanations given to us, there are no dues of income tax and wealth tax which have not been deposited on account of any dispute.
- viii. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and banks.
- ix. In our opinion, the term loans have been applied for the purpose for which they were raised.
- x. According to the information and explanations given to us and on the overall examination of the balance sheet of the company, we report that the Company has not raised any short-term funds which have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- xi. According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
- xii. The provision of Clause 4(ii), (v)(b), (viii), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For M/s. S. Viswanathan  
Chartered Accountants

Place: Bangalore  
Date : 26th May, 2004

C.N. Srinivasan  
Partner

**TTK HEALTHCARE SERVICES PRIVATE LIMITED**

**Balance Sheet**

as at 31st March, 2004

Particulars	Schedule No.	As at 31-03-2004		As at 31-03-2003	
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>					
1. Shareholders' Funds					
a) Capital	1	2,66,00,000		1,99,50,000	
b) Reserves & Surplus	2	<u>—</u>		<u>—</u>	
			2,66,00,000		1,99,50,000
2. Loan Funds					
a) Secured Loans	3	50,96,361		—	
b) Unsecured Loans	4	<u>1,00,00,000</u>		<u>—</u>	
			1,50,96,361		—
Total			<u>4,16,96,361</u>		<u>1,99,50,000</u>
<b>II. APPLICATIONS OF FUNDS:</b>					
1. Fixed Assets	5				
a) Gross Block		1,02,60,475		20,62,615	
b) Less: Depreciation		<u>17,25,064</u>		<u>3,19,514</u>	
c) Net Block			85,35,411		17,43,101
2. Investments			—		—
3. Current Assets, Loans & Advances:					
a) Sundry Debtors	6	2,78,43,380		1,47,08,272	
b) Cash & Bank Balances	7	1,80,87,867		53,40,136	
c) Loans and Advances	8	<u>93,43,955</u>		<u>45,48,610</u>	
Total Current Assets		<u>5,52,75,202</u>		<u>2,45,97,018</u>	
Current liabilities & Provisions					
a) Liabilities	9	2,74,32,077		1,39,84,517	
b) Provisions	10	<u>3,43,988</u>		<u>—</u>	
Total Current Liabilities		<u>2,77,76,065</u>		<u>1,39,84,517</u>	
Net Current Assets			2,74,99,137		1,06,12,501
4. Deferred Tax Asset	11		15,13,844		24,76,294
5. (a) Miscellaneous Expenditure to the extent not written off or adjusted					
Preliminary Expenses	12	2,02,960		2,17,280	
(b) Profit & Loss Account	13	<u>39,45,009</u>		<u>49,00,824</u>	
			41,47,969		51,18,104
Total			<u>4,16,96,361</u>		<u>1,99,50,000</u>
Notes on Accounts	17				

Notes: The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For M/s. S. VISWANATHAN  
Chartered Accountants

C.N. SRINIVASAN  
Partner

Bangalore  
26th May, 2004

Mr. T.T. Jagannathan, *Chairman*  
Mr. T.T. Raghunathan, *Director*  
Mr. G.J. Nehru, *Director*  
Mr. K. Shankaran, *Director*  
Mr. Girish Rao, *Managing Director*  
Mr. D. Srinivasan, *Director*

**Profit & Loss Account**

For the year ended 31st March 2004

Particulars	Schedule No.	Year ended 31-03-2004		Period ended 31-03-2003	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
TPA Commssion	14	<b>6,55,87,809</b>		73,74,102	
Other Income	15	<b>15,91,664</b>		<u>6,03,860</u>	
Gross Income			<b>6,71,79,473</b>		79,77,962
<b>EXPENDITURE:</b>					
Administrative Expenses	16	<b>6,36,38,448</b>		1,49,81,246	
Depreciation	5	<b>14,05,549</b>		3,19,514	
Preliminary Expenses Written off	12	<b>64,320</b>		<u>54,320</u>	
Total Expenses			<b>6,51,08,317</b>		1,53,55,080
Profit / (Loss) Before tax			<b>20,71,156</b>		(73,77,118)
<b>PROVISION FOR TAX</b>					
Current Year Tax (MAT)			<b>1,52,891</b>		–
Less: Deferred Tax			<b>9,62,450</b>		(24,76,294)
Profit After Tax			<b>9,55,815</b>		(49,00,824)
Notes on Accounts	17				
Notes: The Schedules referred to above form an integral part of the Profit & Loss Account. This is the Profit & Loss Account referred to in our Report of even date.					
For M/s. S. VISWANATHAN Chartered Accountants C.N. SRINIVASAN Partner Bangalore 26th May, 2004			Mr. T.T. Jagannathan, <i>Chairman</i> Mr. T.T. Raghunathan, <i>Director</i> Mr. G.J. Nehru, <i>Director</i> Mr. K. Shankaran, <i>Director</i> Mr. Girish Rao, <i>Managing Director</i> Mr. D. Srinivasan, <i>Director</i>		

**TTK HEALTHCARE SERVICES PRIVATE LIMITED**
**Schedules**

Sch. No.					As at 31.03.2004		As at 31.03.2003	
					Rs.		Rs.	
<b>1. CAPITAL:</b>					Rs.		Rs.	
Authorised Share Capital is Rs. 3,00,00,000 divided into 23,34,500 Equity Shares of Rs. 10/- each &								
6,65,500 – 5% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each					<u>3,00,00,000</u>		<u>2,00,00,000</u>	
Subscribed, Issued and Paid up:								
a) 13,30,000 Equity Shares of Rs. 10/- each					1,33,00,000		1,33,00,000	
b) 6,65,000 – 5% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each (Optionally Convertible into Equity Shares within a period of 10 years or redeemable at the end of 10th, 11th and 12th years from the date of issue)					66,50,000		66,50,000	
Share Application Money pending allotment					<u>66,50,000</u>		–	
					2,66,00,000		1,99,50,000	
<b>2. Reserves &amp; Surplus</b>					–		–	
<b>3. Secured Loans</b>								
Loan from Banks								
Term Loan from UTI Bank Limited (Secured by Hypothecation of Furniture & Office Equipments of the Company)					47,77,411		–	
Hire Purchase of assets from ICICI Bank (Secured by Hypothecation of Motor Vehicle)					<u>3,18,950</u>		–	
					50,96,361		–	
<b>4. Unsecured Loans</b>								
Loan from Holding Company					1,00,00,000		–	
<b>5. Fixed Assets / Depreciation</b>								
	GROSS BLOCK		DEPRECIATION		NET BLOCK			
Description	As on 01-04-2003	Additions during the Year	As on 31-3-2004	Up to 31-3-2003	For the Year	Total As on 31-3-2004	As on 31-3-2003	As on 31-3-2004
Motor Car	–	3,91,320	3,91,320	–	82,716	82,716	–	3,08,604
Computers	16,85,722	35,29,892	52,15,614	2,69,267	10,87,055	13,56,323	14,16,455	38,59,291
Furniture & Fixtures	3,76,893	42,76,648	46,53,541	50,247	2,35,778	2,86,025	3,26,646	43,67,516
	20,62,615	81,97,860	1,02,60,475	3,19,514	14,05,549	17,25,064	17,43,101	85,35,411
<b>6. Sundry Debtors</b>					As at 31.03.2004		As at 31.03.2003	
(Considered good for which the Company holds no security other than the Debtors' Personal Security)					Rs.		Rs.	
More than 6 months					1,58,029		–	
Less than 6 months					<u>2,76,85,351</u>		<u>1,47,08,272</u>	
					2,78,43,380		1,47,08,272	
<b>7. Cash and Bank Balances</b>								
Cash on Hand					27,103		36,697	
Balance with Scheduled Banks								
In Current Accounts					94,75,764		1,68,439	
In Deposit Account (Against Guarantees)					<u>85,85,000</u>		<u>51,35,000</u>	
					1,80,87,867		53,40,136	
<b>8. Loans and Advances</b>								
Advances – recoverable in cash or in kind or for value to be received, unsecured considered good					68,61,449		42,79,303	
Interest accrued but not received					2,16,055		32,307	
TDS for the year 2002-2003					1,67,560		2,37,000	
TDS for the year 2003-2004					<u>20,98,891</u>		–	
					93,43,955		45,48,610	

## Schedules (Contd.)

Sch. No.		As at 31.3.2004	As at 31.3.2003
	Rs.	Rs.	Rs.
<b>9. Current Liabilities</b>			
Claims Payable from Float Account	25,95,132		19,05,876
Sundry Creditors (Other than Small Scale Industries)	1,45,24,832		25,22,431
Commission received in Advance	1,01,59,222		95,56,210
Provision for Tax	1,52,891		—
		2,74,32,077	1,39,84,517
<b>10. Provisions</b>			
Gratuity		3,43,988	—
<b>11. Deferred Tax</b>			
Opening Balance	24,76,294		—
Deferred Tax Asset / (Liability) for the year	(9,62,450)		24,76,294
		15,13,844	24,76,294
<b>12. Miscellaneous Expenditure to the extent not written off</b>			
Preliminary Expenses	2,17,280		2,71,600
Addition during the year	50,000		—
	2,67,280		2,71,600
Less: Written off during the year	64,320		54,320
		2,02,960	2,17,280
<b>13. Profit and Loss Account</b>			
Current Year Profit / (Loss)	9,55,815		(49,00,824)
Previous Year Profit / (Loss)	(49,00,824)		—
		(39,45,009)	(49,00,824)
		<b>Year ended 31-03-2004</b>	<b>Period ended 31-03-2003</b>
<b>14. TPA Commission</b>			
TPA Commission from Insurance Companies		6,55,87,809	73,74,102
<b>15. Other Income</b>			
Interest	5,61,664		6,02,184
Empanelment receipts	10,30,000		—
Others	—		1,676
		15,91,664	6,03,860
<b>16. Administrative Expenses</b>			
Salaries & Bonus	1,75,40,100		33,52,163
Contribution to P.F. & Other Funds	9,14,606		3,91,825
Employees Welfare	11,02,569		3,68,101
Rent	41,86,481		8,50,565
Repairs and Maintenance	16,23,781		4,21,493
Rates and Taxes	2,16,133		1,69,885
Power and Fuel	13,50,137		1,72,833
Postage and Courier	54,16,551		5,84,747
Travel and Conveyance	38,24,181		24,92,067
Communication Expenses	69,75,359		8,57,884
Printing and Stationery	64,40,795		8,17,542
Audit Fees	86,000		50,000
Bank Charges	10,69,000		3,05,115
Directors Sitting Fees	7,250		5,500
Supporting Service	73,83,505		23,60,482
Technology Expenses	24,65,094		15,08,364
Licence Fees	6,55,878		73,741
Lease Management Fee	7,30,663		—
Interest	10,22,834		—
Miscellaneous Expenses	6,27,531		1,98,939
		6,36,38,448	1,49,81,246

# TTK HEALTHCARE SERVICES PRIVATE LIMITED

## Schedule 17 – Notes on Accounts

Forming part of the Balance Sheet as at 31st March 2004 & Profit and Loss for the year ended 31st March 2004

### 1. Significant Accounting Policies:

#### a. Basis of Accounting:

Financial Statements are prepared under the historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956. The Company is a Service Providing Industry and follows Mercantile System of Accounting and recognizes income and expenditure on accrual basis.

#### b. Fixed Assets:

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition includes freight, taxes, insurance, etc. relating to the acquisition including installation charges up to the date the asset is put to use, as applicable.

#### c. Depreciation:

The Company is providing depreciation on Written Down Value (WDV) method by adopting the rates prescribed in Schedule XIV to the Companies Act, 1956.

#### d. Revenue Recognition:

The Company's main revenue consists of commission earned on Third Party Administrator (TPA) contracts entered into with Insurance Companies. The full commission accrues to the Company on the basis of certain percentage of premium earned by the Insurance Company, in respect of policies entrusted to the Company for TPA purpose. As the services on insurance policies are for a period of 12 months, the Company recognises income on the principle of proportion of completion of work in line with the Accounting Standard 9 (AS – 9) issued by The Institute of Chartered Accountant of India on revenue recognition and the proportion recognized is based on associated costs and number of acts as prevailing from year to year. Though there may be changes in proportion of recognition of revenue from year to year based on associated cost and activities, the impact on the profits is not likely to be significant as revenue is recognized only in relation to associated cost and activities for the relevant period. The amount so apportioned as relevant to the accounting period is shown as TPA Commission earned for the period. The amount not so apportioned is shown as TPA commission earned in advance under the head Current Liabilities.

### 2. Retirement benefits:

The Company is in the process of setting up and implementing retirement policies for its employees. During the year, provision for gratuity and leave encashment was made as required by Accounting Standard 15 (AS – 15) issued by The Institute of Chartered Accountant of India.

3. In respect of Debtors and Creditors, confirmation of balances are not yet available for verification in some cases.

4. The redeemable preference shares carry a dividend of 5% per annum cumulative. The redeemable preference shares are redeemable in three equal instalments at the end of 10th, 11th and 12th years. The Preference Shares carry an option for conversion into equity shares after 12 months from the date of issue (earliest date of conversion being 3rd January, 2004) and the terms of conversion into equity Shares shall be agreed upon mutually between the Company and holders of Preference Shares. If no such option is exercised before the expiry of 10 years, the Preference Shares shall be redeemed as stated above (i.e. earliest date of redemption is 2nd January, 2013) Arrears of dividend on Optionally Convertible Cumulative Redeemable Preference Shares @ 5% from the date of allotment to the end of the financial year is Rs. 4,14,486 (for the period ended 31st March, 2003 – Rs. 80,164).

### 5. Remuneration to Directors:

	Year ended 31-03-2004 Rs.	Period ended 31-03-2003 Rs.
Managing Director - Mr. Girish Rao		
Salary	7,20,000	3,00,000
Accommodation / HRA	3,60,000	1,50,000
Contribution to Provident Fund	86,400	36,000
Other Allowances / Expenses	2,10,000	4,909
Total	13,76,400	4,90,909

### 6. Audit Fees include:

For Audit including Tax audit	54,000	50,000
Certification Fees	32,000	–
Total	86,000	50,000

7. There were no Foreign Currency transactions during the year

### 8. Contingent Liability:

Bank Guarantees to Hospitals & Insurance Companies	3,20,50,000	1,48,65,000
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### 9. Related Party Transactions as per Accounting Standard 18:

The Company has transactions with the following entities:

TTK Healthcare Ltd, TTK Insurance Pvt. Ltd.

TT Krishnamachari & Co.

Summary of the transactions with the above related parties is as follows:

Purchases	2,17,402	1,00,606
Share Capital	Nil	1,49,85,000
Inter Corporate Deposit received	1,50,00,000	Nil
License Fee	6,55,878	73,741
Interest	9,44,234	Nil
Others	Nil	1,22,109

10. Future Lease Commitments (including lease rentals)

30,59,295	Nil
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11. The Company is a subsidiary of TTK Healthcare Ltd., a Public Company. This Holding Company holds 9,99,000 equity shares of Rs. 10/- each and 4,99,500 – 5% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each in the capital of this Company.

12. In compliance with the Accounting Standard 22 (AS – 22) issued by The Institute of Chartered Accountant of India, deferred tax calculation is as follows:

	Year ended 31-03-2004 Rs.	Period ended 31-03-2003 Rs.
<b>Deferred Tax (Asset)</b>		
Opening Balance	24,76,294	Nil
Deferred Tax (Liability) /		
Asset for the year	(9,62,450)	24,76,294
Closing Balance	15,13,844	24,76,294

13. Figures have been rounded off to the nearest rupee.

14. The previous period's figures have been regrouped and reclassified, wherever necessary, to make them comparable with the figures of the current year.

## INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

**Balance Sheet Abstract and Company's General Business Profile**

<b>1. REGISTRATION DETAILS</b>	
Registration Number	30218
State Code	08
Balance Sheet Date	31-03-2004
<b>2. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)</b>	
Public Issue	Nil
Rights Issue (Subscription received pending allotment)	6,650
Bonus Issue	Nil
Private Placements	Nil
<b>3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)</b>	
Total Liabilities	41,696
Total Assets	41,696
<b>Sources of Funds</b>	
Paid-up Capital	19,950
Share Application Money	6,650
Reserves & Surplus	Nil
Secured Loans	5,096
Unsecured Loans	10,000
<b>Applications of Funds</b>	
Net Fixed Assets	8,535
Investments	Nil
Net Current Assets	27,499
Deferred Tax Asset	1,514
Miscellaneous Expenditure	203
Accumulated Losses	3,945
<b>4. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)</b>	
Turnover	67,179
Total Expenditure	65,108
Profit / (Loss) before Tax	2,071
Provision for Tax	153
Deferred Tax (Liability)	(962)
Profit / (Loss) after Tax	956
Earnings per Share (in Rs.)	Nil
Dividend Rate	Nil
<b>5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY</b>	Not Applicable

Annexure to our Report of date.

For M/s. S. VISWANATHAN  
Chartered AccountantsC.N. SRINIVASAN  
PartnerPlace : Bangalore  
Date : 26th May, 2004Mr. T.T. Jagannathan, *Chairman*  
Mr. T.T. Raghunathan, *Director*  
Mr. G.J. Nehru, *Director*  
Mr. K. Shankaran, *Director*  
Mr. Girish Rao, *Managing Director*  
Mr. D. Srinivasan, *Director*

**TTK HEALTHCARE SERVICES PRIVATE LIMITED**

**Cash Flow Statement for the year ended 31st March, 2004**

(As per Accounting Standard 3 issued by The Institute of Chartered Accountants of India)

	Rs.
<b>A Cash Flow from Operating Activities</b>	
Net Profit / (Loss) Before Taxation	20,71,156
Adjustments for:	
Depreciation	14,05,549
Preliminary Expenses	64,320
Interest Expense	10,22,834
Interest Income	(5,61,664)
Operating Profit / (Loss) before Working Capital Changes	40,02,195
Adjustments for:	
Increase in Debtors	(1,31,35,108)
Increase in Loans and Advances	(47,95,345)
Increase in Sundry Creditors	1,20,02,402
Increase in Other Liabilities and Provisions	16,36,256
Cash from Operations	(A) (2,89,600)
<b>B. Cash Flow from Investing Activities</b>	
Purchase of Fixed Assets	(81,97,860)
Interest Income	5,61,664
Preliminary Expenses	(50,000)
Net cash used in Investing Activities	(B) (76,86,196)
<b>C. Cash flow from Financing Activities</b>	
Share Application Money	66,50,000
Loan from Holding Company	1,00,00,000
Secured Loan from Bank	50,96,361
Interest Expense	(10,22,834)
Cash from Financing Activities	(C) 2,07,23,527
Net Increase / Decrease in Cash and Cash Equivalents (A+B+C)	<b>1,27,47,731</b>
Cash and Cash Equivalent at Beginning	53,40,136
Cash and Cash Equivalent at end	1,80,87,867
Changes in Cash Position	<b>1,27,47,731</b>

This is the Cash Flow Statement referred to in our Report of even date.

For M/s. S. VISWANATHAN  
Chartered Accountants

C.N. SRINIVASAN  
Partner

Place: Bangalore  
Date : 26th May, 2004

Mr. T.T. Jagannathan, *Chairman*  
Mr. T.T. Raghunathan, *Director*  
Mr. G.J. Nehru, *Director*  
Mr. K. Shankaran, *Director*  
Mr. Girish Rao, *Managing Director*  
Mr. D. Srinivasan, *Director*

**TTK HEALTHCARE LIMITED**

Regd. Office: 6, Cathedral Road, Chennai 600 086

**ATTENDANCE SLIP**

To be handed over at the entrance of the Meeting Hall

NAME &amp; ADDRESS OF THE SHAREHOLDER

.....

.....

.....

.....

FOLIO NO.

\*DP. ID

\*CLIENT ID

\* Applicable to investors holding shares in electronic form

I hereby record my presence at the 46th ANNUAL GENERAL MEETING OF THE COMPANY at THE MUSIC ACADEMY KASTURI SRINIVASAN HALL (Mini Hall), New No. 168 (Old No. 306), TTK Road, Chennai-600 014 on Friday, the 10th September, 2004 at 12.00 noon

SIGNATURE OF THE MEMBER OR PROXY

NO. OF SHARES HELD

**TTK HEALTHCARE LIMITED**

Regd. Office: 6, Cathedral Road, Chennai 600 086

**PROXY**

I / We ..... of .....

in the district of .....

being a member / members of TTK HEALTHCARE LIMITED, hereby appoint .....

of ..... in the

district of ..... or failing him, .....

of .....

in the district of .....

as my / our proxy to vote for me / us on my / our behalf at the Fortysixth Annual General Meeting of the Company to be held on Friday, the 10th September, 2004 at 12.00 noon at The Music Academy Kasturi Srinivasan Hall (Mini Hall), New No. 168 (Old No. 306), TTK Road, Chennai-600 014, or at any adjournment thereof.

Signed this ..... day of .....2004.

FOLIO NO.:

NO. OF SHARES HELD:

\*DP.ID:

\*CLIENT ID:

\* Applicable to investors holding shares in electronic form

Please affix  
1.00 Rupee  
Revenue  
Stamp

**Notes:**

Proxy must be deposited at the Registered Office of the Company not less than 48 HOURS before the commencement of the Meeting.  
The Proxy should be signed according to the specimen signature/s of the member/s recorded with the Company.

