

16th Annual Report 2003-04

C A R I N G

F O R

Y O U R

H E A L T H



ARVIND REMEDIES LIMITED

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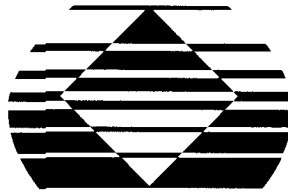


## "HIND RATAN AWARD"



**Awards - In recognition of continued endeavours in the pharmaceutical field**

"Hind Ratan Award" presented by Sri K C Pant, Planning Commissioner, to Dr Arvind Shah, MD & CEO, Arvind Remedies Limited on 25th February, 2004 for his Outstanding Services , Achievements and Contributions.



ARVIND REMEDIES LIMITED

# 16<sup>th</sup> Annual Report

2003 -2004

Report  junction.com

## Works

38,39 & 40, SIDCO Industrial Estate

Kakkalur, Tiruvellore District

Tamil Nadu - 602 003.

Phone : 954116-260403, 262144

## Registered & Corporate Office

No.190, Poonamallee High Road

Chennai - 600 084

Phone : 91 44 264 23264, 264 23265

E-mail : [arl@eth.net](mailto:arl@eth.net)

Website - [www.arvindremedies.com](http://www.arvindremedies.com)

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## **Board Of Directors**

Dr. Arvind Shah	Managing Director & CEO
Dr. Chandra Ravindran	Whole Time Director
Mr Chandrakanta Rao	Whole Time Director
Mr K V Narayan	Non – Executive Director
Mr S B Shah	Non – Executive Director
Dr. C M K Reddy	Non – Executive Director
Mr Chotalal	Non – Executive Director

## **Company Secretary**

Ms G Meera

## **Statutory Auditors**

Doshi, Chatterjee, Bagri & Co.  
Chartered Accountants,  
13, Errabalu Chetty Street,  
Chennai – 600 001.  
Tamil Nadu, India

## **Internal Auditors**

Siva AnanthaRaman and Co.,  
No. 16, Kariappa Street, Purasawakkam  
Chennai - 600 007.

## **Bankers**

State Bank of India, Commercial Branch, Chennai

## **Registrars and Share Transfer Agents**

Cameo Corporate Services Limited  
No.1, Club House Road  
Subramanyam Building  
Chennai – 600 002





## *Directors Report*

Your directors have pleasure in presenting the Sixteenth Annual Report for the year ended 31<sup>st</sup> March, 2004.

### 1. Financial Results

(Rs in Crores)

PARTICULARS	2003-2004	2002-2003
Gross Income	141.13	121.23
Profit Before Tax	4.41	4.15
Profit after tax	2.75	2.39
Profit available for appropriation (after considering the balance b/f from the previous year and deferred tax liability)	8.45	7.41
APPROPRIATIONS		
Proposed Dividend	1.30	1.30
Corporate Dividend Tax	0.17	0.17
Transfer to General Reserve	0.27	0.24
Surplus carried forward	6.71	5.70

### 2. Operations

During the year 2003-04, the sales increased from Rs121.23 crores to Rs 141.13 Crores recording an increase of 16.41% over Previous Year. Also profit before tax has increased to Rs 4.41 crores from Rs 4.15 crores.

### 3. Dividend

Considering the profits and the need to conserve the resources, your directors recommend a full and final dividend of 5% on the paid-up capital of the Company. The outflow on this account would be Rs.1.30 crores.

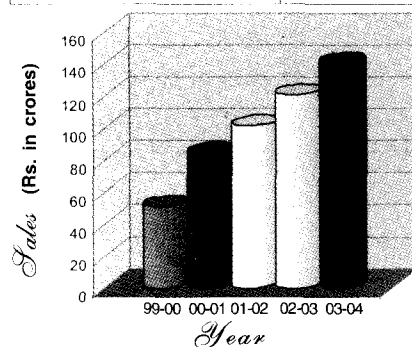
### 4. Capital Expenditure

During the year 2003-04 the Company acquired fixed assets in the nature of Plant and Machinery (for Research & Development) to the tune of Rs 6.36 crores.



(Rs in crores)

Year	99-00	00-01	01-02	02-03	03-04
Sales	51.26	84.51	101.80	121.23	141.13

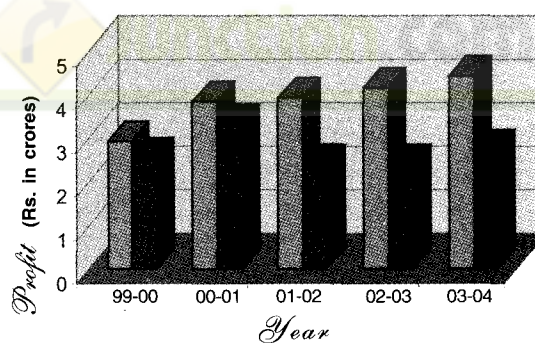


(Rs in crores)

Year	99-00	00-01	01-02	02-03	03-04
PBT	2.92	3.83	3.92	4.15	4.41
PAT	2.52	3.32	2.37	2.39	2.75

■ Profit Before Tax

■ Profit After Tax

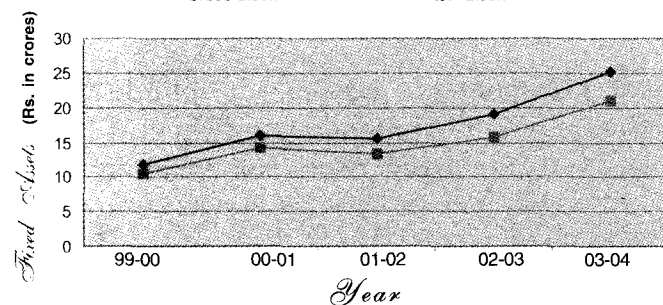


(Rs in crores)

Year	99-00	00-01	01-02	02-03	03-04
Gross Block	11.76	16.01	15.62	18.97	25.28
Net Block	10.44	14.20	13.35	15.81	21.07

—●— Gross Block

—■— Net Block





## 5. Management Discussion and Analysis Report

### **A. Industrial Scenario**

The Indian Pharmaceutical industry has witnessed consistent growth over the past three decades. Today it occupies a frontline position as a very cost effective producer of bulk drugs and formulations of globally acceptable quality. Rapid adoption of international standards in drug manufacturing is extremely crucial for the Indian pharmaceutical industry considering its growing exposure to developed markets. Almost one third of India's pharmaceutical production is being currently exported to various regulated markets. A good part of these exports is generics.

Post 2005, Indian Pharmaceutical Companies will not be able to reverse engineer patented products and this may significantly affect their performance. Factors like relaxation on DPCO front, low cost advantage, process re-engineering skills, manufacturing facilities compliant with international regulatory standards as well as availability of a large pool of skilled professionals are strong positives for the industry. Contract manufacturing and contract research are emerging fields and Indian pharmaceutical industry is well placed to capitalise on these. Integration with international markets is expected to impose major changes in the functioning of domestic players.

Domestic players will have to increase their expenditure on the R&D front, establish marketing and technical tie ups with global majors and develop detailed understanding of regulatory environment of the developed countries to ensure success in international markets. However, in the absence of strong research base, manufacturing facilities compliant with international standards and strong financials, small players will find it difficult to survive in the future.

### **B. Business Performance**

The business mix of ARL comprises of –

- ❖ Ethical Business
- ❖ Institutional Business
- ❖ Contract Manufacturing
- ❖ Exports

#### **Ethical Business**

ARL has the advantage of wide distribution net work spread through out the country, for promoting its products to selective physicians.

However, it will not be profitable for the Company to continue to introduce new formulations based on basic drugs, which are out of patent in the post GATT 2005 scenario. Besides, many new multi nationals are expected to have their marketing set ups in India in the near future.

ARL, therefore had evolved niche strategy in the prescription business and





implemented it since the last 2 years. The outcome of it is the natural products business. The extensive research efforts that has gone in has resulted in our successful launch of the unique formulations –

- ❖ Pankare for diabetes
- ❖ Sorexil for ulcerative skin conditions
- ❖ Artin Oil for relief of pain and joint mobility

All these products have been well received by the medical fraternity.

### **Institutional Business**

Your company is strongly entrenched in this segment. ARL will continue to strengthen this business given the opportunities in various central and state government institutions as well as other public health care sources.

### **Contract Manufacturing**

Business process outsourcing is becoming increasingly the order of the day. Many multinational and national pharma giants are increasingly dependent on contract manufacturing of their specialities.

ARL has come a long way in this endeavor. Today we have as our valued customers some big names. We are in fact giving this segment a big thrust by roping in some more giants both in Indian and multinational sectors.

### **Exports**

The international business of Indian pharma companies is only going to expand dramatically in the years to come considering the intense efforts they are making in these markets.

ARL has an established business relationships with various Asian, African and CIS countries particularly in Ukraine, Sri Lanka, Kenya, Zambia, Nepal and Malaysia. In addition to this business expansion, there is abundance of opportunity in developed countries. To capitalize on this opportunity, ARL is about to embark upon having a separate manufacturing facility conforming to USFDA standards. This facility would open the gates to seek export opportunities in developed countries.

### **C. Operating Profit**

For the year ended March 31, 2004 the Operating Profit was Rs.8.82 Crores which represents an increase of 2.2% as against Rs.8.63 Crores as compared to the previous year.

### **D. Future Outlook**

The research team at ARL are now focusing their attention to develop new and unique treatments in the areas of –



- ❖ Psychological disorders
- ❖ Cardio-vascular diseases
- ❖ Kidney ailments
- ❖ Liver protectants
- ❖ Bronchial asthma
- ❖ Chronic skin conditions

Every formulation that will be introduced will be an outcome of stringent quality parameters and critical clinical evaluation.

## **E. Opportunities and Threats**

### **Market Opportunity**

#### *In Herbal Segment*

Global market for Herbal products is reported to be growing at the rate of around 10-15% per annum and the estimated domestic market size for herbal products is around Rs 4200 crores. Traditionally majority of Herbal drug market is controlled by the unorganized sector. The formula of the drug is generally passed through their generation and is kept secret. With increased awareness for health and health consciousness of the public the standardised herbal drug market gained ground with multinational companies entering the race.

Your company has ambitious plans to establish a modern manufacturing plant for natural products right from the stage of purification of the raw material, extraction of actives and standardization of the same, formulation development through extensive research and clinical evaluation, manufacturing the formulations in a modern facility which would measure upto the quality standards of developed nations.

#### *In Medical Nutritional Supplement*

The second most important business opportunity in ethical marketing is medical nutritional supplements.

ARL's strategy is to develop specifically tailored nutritional supplements for chronic ailments. They will along with the specific treatments, help in influencing a favourable prognosis and in improving the quality of life.

### **Threat**

The Pharmaceutical industry has been plagued by two main deterrents. One of them being price control and the other being taxation. The Industry is being subjected to a three-tier control, viz, item-by-item control on the prices of bulk drugs, product-wise control on the price of formulations and an overall control on the profitability of formulations.