



<http://www.hiranorgochem.com>



Strategy for success

ANNUAL REPORT 2009-10

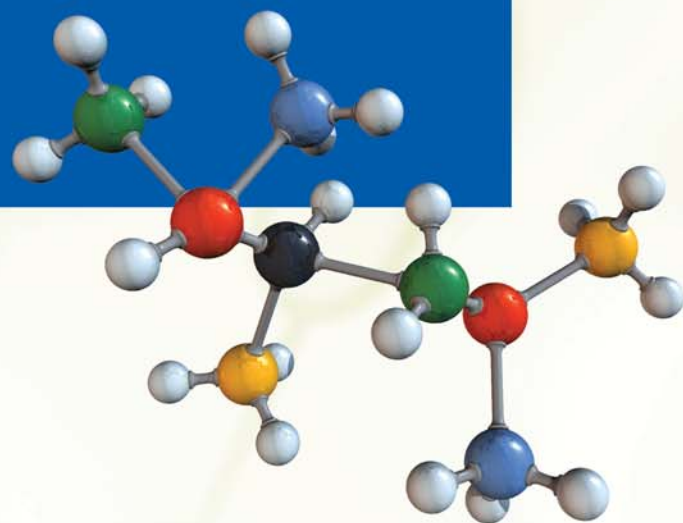


About us

Incorporated in 1983, Mumbai-based Hiran Orgochem (hereafter referred to as Hiran) is a leading integrated manufacturer of active pharmaceutical ingredients. Hiran's product basket comprises of Ciprofloxacin, Levofloxacin, Ofloxacin, Enrofloxacin (for veterinary use) etc thereby addressing the quinolone family within the anti-infective therapy segment.

Hiran is the number "1" manufacturer for quinolones in India and amongst the top three manufacturers in the world and now strives to attain global leadership.

Hiran has always focused on manufacturing the quinolones group of APIs. 80 per cent of the Company's revenues accrue from Ciprofloxacin and Ofloxacin.



Corporate information

BOARD OF DIRECTORS:

Mr. Kantilal M. Hiran
(Chairman and Managing Director)

Mr. Vijay K. Hiran
(Whole Time Director)

Mr. Naresh K. Hiran

Mr. Mukesh Naik

Mr. H. N. Bafna

Mr. M. Kailash Kumar

Mr. Ashok Lunia

COMPANY SECRETARY

Ms. Anu Birla (Appointed w.e.f 21st October, 2009)

AUDITORS:

M/s. B. L. Dasharda & Associates
(Chartered Accountants)

BANKERS:

State Bank of India
State Bank of Patiala

REGISTERED OFFICE:

Palm Court, M Block, 601/A1,
Link Road, Malad (W),
Mumbai – 400064.
Tel.: 022-40953000
Fax: 022-40953099
Email: info@hiranorgochem.com
Website: www.hiranorgochem.com

REGISTRAR AND SHARE TRANSFER AGENTS:

Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate,
Sakivihar Road, Andheri (E),
Mumbai – 400072.
Tel.: 022-40430200
Fax: 022-28475207
Email: info@bigshareonline.com
Website: www.bigshareonline.com

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Strategy for success

Since its inception Hiran has recognized opportunities in the quinolones space and focused on executing strategies to take advantage of them.



Several factors have contributed to the success of the Company.

Significant among them was the execution of robust capacity expansions. From 30 MT p.a on commencement to 960 MT p.a in 2004-05 to nearly 2000 MT p.a in 2009-10.

The Company believes that continued expansion has been an important aspect in its business coupled with its focus on research and development.

This has helped Hiran continuously innovate and modify its offerings based on the needs of the consumer.

To sum up, the priority areas where Hiran intends to focus its best efforts and resources, and for which, the Company has formulated appropriate strategies include:

- Ramping up its manufacturing facilities by setting up a new entity ActGen Pharma Pvt. Ltd. in collaboration with Procyon Lifesciences Pvt. Ltd.
- Optimum utilization of manufacturing facilities by ensuring that plants are operating at 100% capacity.
- Enhancing its product portfolio by introducing a new range products within the quinolone family.
- Adopting a pragmatic and integrated global growth strategy of entering the regulated markets of Australia, Europe, U.K, U.S and other regulated markets.

These strategic initiatives taken by the Company are an intrinsic part of its business plan to gain competitive advantage and achieve long-term goals. Beyond the horizon lie opportunities and Hiran is taking new paths leading to new heights, with the promise of sustained profits.



From the Chairman's desk

Dear Shareholders,

2009-10 was a transformational year for your Company. We moved decisively to strengthen and expand our core businesses. We made excellent progress generating solid financial results, advancing our product development pipeline and strengthening our market presence.

For the year ended March 31, 2010, your Company's revenues increased marginally to Rs 2150 mn, a growth of 17% over the previous year. However there has been a robust increase in our bottomline. From a loss of Rs 174 mn in the previous fiscal we have reported a profit of Rs 74 mn. The principal reason for this turnaround has been our ability to operate at more than 100% capacity. It's our goal at Hiran to position the Company for accelerated growth in revenues and earnings.

INDUSTRY DEVELOPMENTS

The global generic industry is expected to grow at a faster pace at CAGR of 9% over FY 08-13 as compared to the overall pharmaceutical market which is slated to grow at a CAGR of 2-3% over FY 08-13. Currently valued at USD 87 bn, the global generic market is expected to touch USD 135 bn by 2013. Factors triggering this growth include drugs worth USD 235 bn going off patent over FY 10-15, tripling of elderly population (60+ population -700 mn in 2005 would reach 1900 mn by 2050), spiraling health care expenses across the globe and favourable government policies.

This was the broad overview about the industry that your Company operates in and now let me give you macro picture about the operations of your Company.

MANUFACTURING

The biggest highlight for the year under review is establishing a new entity ActGen Pharma Pvt. Ltd. in collaboration with Procycon Lifesciences Pvt. Ltd. With this newly formed entity our combined manufacturing capacity stands at nearly 2000 MT p.a. Involving a capex of Rs 300 mn and a 49% stake this newly formed entity your Company is equipped to cater to the increasing demand for its products and mark its foray into the high margin regulated markets after receiving the US FDA approval. Further, your Company is not only looking to expand but is also taking steps to maximise operational efficiencies due to which our capacities were operational at more than 100% in the year under review.

RESEARCH AND DEVELOPMENT

Research and development is a powerful engine which serves as a tool to enrich your Company's product pipeline, enter the developed markets and to fortify its position as a fast-growing pharmaceutical company. Hiran views its R&D capabilities as a vital component of the business strategy which will provide it with a sustainable, long-term competitive advantage.

QUALITY

Quality being the supreme objective, your Company continuously keeps abreast of the latest information and technological developments both in India and abroad. Your Company has evolved a quality policy, and this has helped us grow manifolds in this business since our inception. Further, we also ensure our manufacturing capacities incorporate best practices and adhere to stringent regulatory compliances and quality norms.

REAL ESTATE INVESTMENT

To garner attractive returns your Company had made an investment in the fast growing real estate sector in the year 2006-07. Your Company has acquired land in Coimbatore and has plans to develop an integrated township which would be developed in 3 phases.

A BRIGHT FUTURE AHEAD

Clearly, we believe that we are entering an exciting new phase of development. We will continue to make the necessary investments in R&D to pursue our long term strategy of expanding our product portfolio and strengthening our market presence. We also plan to raise Rs 500 mn through a GDR issue in the next fiscal which would be employed for capital expenditure, meeting long term working capital requirements and setting up offices overseas.

Our strong financial foundation, a very promising pipeline of products and unique technology platforms will be the key factor driving growth.

ON A PARTING NOTE

We have an excellent team of employee's committed to achieving the Company's goals in the coming years. I look forward to reporting on our progress towards those goals in months and years ahead.

Sincerely,
Kantilal Hiran
Chairman and Managing Director

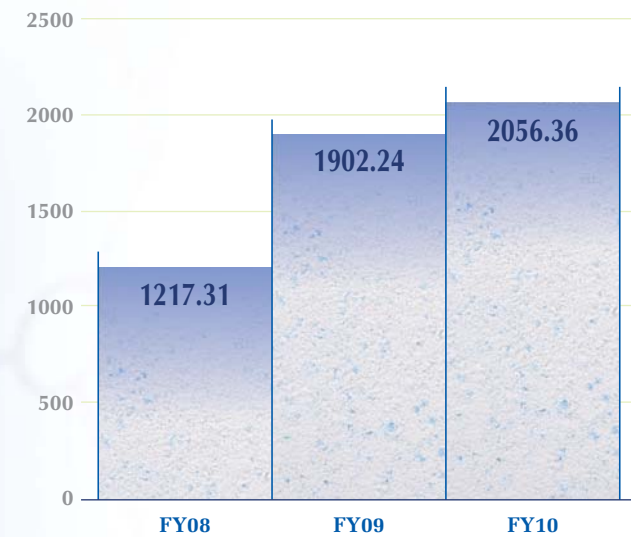


Financial highlights

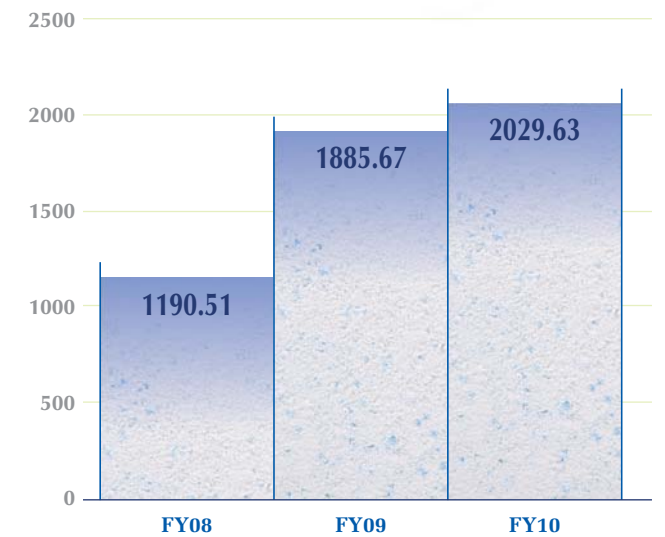
	(Rs Mn)		
	FY 10	FY 09	FY 08
BALANCE SHEET ITEMS			
Equity Paid Up	525.03	105.01	105.01
Net Worth	777.50	675.66	913.91
Capital Employed	768.77	667.52	901.55
Gross Block	495.41	467.46	440.81
Net Working Capital	894.73	785.02	1089.49
Current Assets	1791.34	1441.64	1624.29
Current Liabilities and Provisions	896.61	656.61	534.80
PROFIT & LOSS ITEMS			
Total Income	2056.36	1902.24	1217.31
Net Sales	2029.63	1885.67	1190.51
PBIDT	214.66	(138.11)	136.11
PBT	105.06	(252.24)	49.77
PAT	74.49	(173.78)	38.83
Cash Profit	97.80	(152.62)	57.15
Basic EPS (in Rs.)	1.42	(3.31)*	3.70
Diluted EPS (in Rs.)	1.42	(3.31)*	4.96
GROWTH RATIOS (%)			
Gross Sales	5.72	58.38	10.73
Net Sales	7.63	58.39	9.85
KEY RATIOS (%)			
PBIDT margin	10.58	(7.32)	11.43
PAT margin	3.67	(9.22)	3.26
ROCE	9.69	(26.03)	4.31
RONW	9.58	(25.72)	4.24
Debt-Equity Ratio (in times)	0.68:1	0.72:1	0.65:1
Long Term Debt-Equity Ratio (in times)	0.34:1	0.22:1	0.07:1
Current Ratio (in times)	2:1	2.20:1	3.04:1

* Adjusted for issue of bonus shares in 2009-10 in ratio of 4:1.

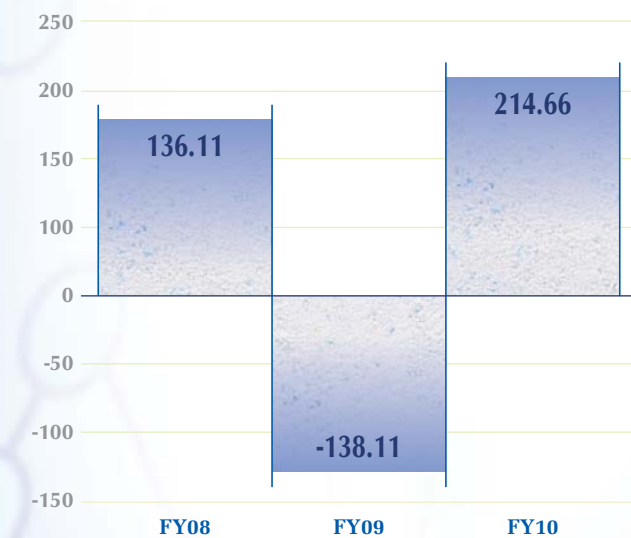
Total Income (Rs Mn)



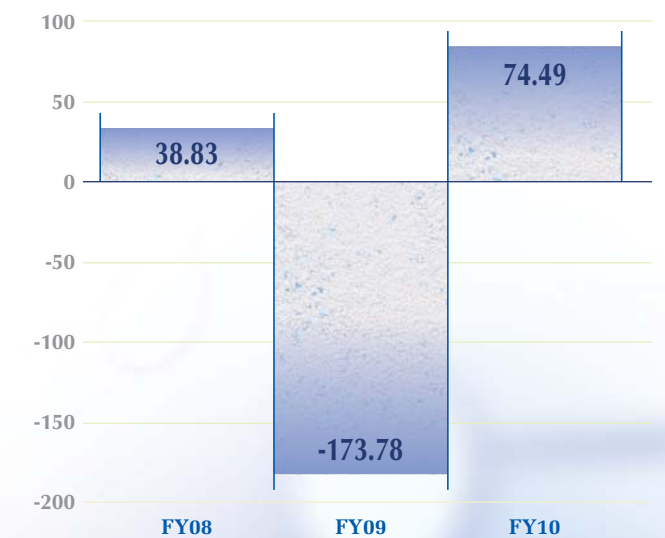
Net Sales (Rs Mn)



PBIDT (Rs Mn)



PAT (Rs Mn)





Ramping up manufacturing facilities

Hiran has set up world-class facilities by leveraging state-of-the-art manufacturing technology, incorporating best practices and adhering to stringent regulatory compliances, which ensure that the customer receives products of the highest quality.

As a strategy, to cater to the growing domestic demand and to foray into the attractive regulated markets the Company has embarked upon setting up new facility.

Hiran has set up a new entity ActGen Pharma in collaboration with Procyon Lifesciences. ActGen Pharma is set up with an aim to manufacture Active Pharmaceutical Ingredients (APIs) and Intermediates in conformity with regulations in force concerning the quality of pharmaceutical products, environment, safety and the health of consumers.

Through this collaboration the Company aims to capitalize on the marketing strengths of Procyon Lifesciences which would help it make inroads in the regulated markets.

Set up at Panoli, Gujarat, this facility is in close proximity to Hiran's existing manufacturing facilities. Built as per cGMP requirements, this facility is designed to meet US / EU regulatory norms.

Over the years, Hiran has successfully augmented its capacities more than 30 fold since inception from 30 MT p.a to 960 MT p.a in 2005. Apart from the newly formed entity the Company has two versatile manufacturing units in its plant at Ankleshwar, Gujarat. Hiran ensures that the manufacturing capacities incorporate best practices and adhere to stringent regulatory compliances and quality norms.

The new facility set up with a capacity of an estimated 1000 MT p.a commenced operations in March 2010. Geared to manufacture high volume products and obtain the US FDA approval in a span of 2 years this would help Hiran penetrate into the regulated markets.

With this new facility the Company's combined manufacturing capacity stands at an estimated 2000 MT p.a.

ACTGEN PHARMA PVT. LTD. IS SET UP WITH AN AIM TO MANUFACTURE ACTIVE PHARMACEUTICAL INGREDIENTS (APIS) AND INTERMEDIATES IN CONFORMITY WITH REGULATIONS IN FORCE CONCERNING THE QUALITY OF PHARMACEUTICAL PRODUCTS OF CONSUMERS.



Enhancing product portfolio



The product development efforts at Hiran are driven by the ability to identify and serve markets where the Company can provide unique products. The Company’s move into new markets is aided by a focus on developing a strong product portfolio within its core competency – the quinolone family.

To achieve this, R&D capabilities form a vital component of Hiran’s business strategy that will provide the Company with a sustainable, long-term competitive advantage. The R&D at Hiran, is a manifestation of its belief in quality and innovation. To stay ahead of competition it is imperative to constantly invest in research and development.

The Company commenced operations primarily as an API manufacturer with a focus on the quinolones family. There are 200 members in this family of which the Hiran focuses on the top 4 quinolones Ciprofloxacin, Ofloxacin, Levofloxacin and Enrofloxacin. Hiran is the largest manufacturer of Ciprofloxacin with a 25-30 per cent market share and aims to attain global leadership in this product segment. In fact the Company is the number one producer of this drug in the country.

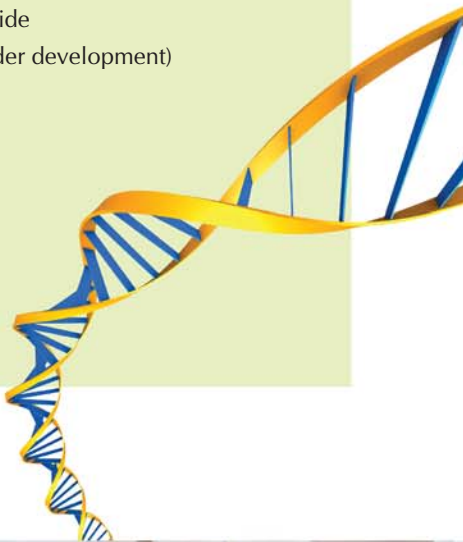
Hiran’s focus has always been on API’s for human and veterinary use and the Company plans to continue with concentrating its effort in this segment. The Company’s constant endeavor is to control costs and achieve operational excellence which has enabled the Company to clock phenomenal growth in this business.

Currently, the Company’s efforts are focussed on developing Norfloxacin. This would be a first of its kind product in the country as at present there are no manufacturers in India offering this product and for domestic consumption this product is imported from China.

Hiran has successfully developed technologies to manufacture this pioneering product. Trial runs for it are already underway and the Company plans to commence commercial production in the coming financial year.

To enjoy operational excellence and better economies of scale the Company did have plans of executing backward integration by manufacturing API intermediates for its current range of products and forward integration by manufacturing formulations. However currently these plans are on hold as Hiran plans to solely focus on its core competency – Human as well as Veterinary API’s with the following product portfolio:

HUMAN API'S	VETERINARY API'S
Ciprofloxacin Hydrochloride (USP/BP/EP) Ciprofloxacin Base (USP/BP/EP) Ciprofloxacin Lactate Ciprofloxacin Micronised Ciprofloxacin Direct Compressible / DC Grade	Enrofloxacin Base Enrofloxacin Hydrochloride Enrofloxacin Lactate
Quinine Sulphate (USP/BP/EP) Quinine Hydrochloride (USP/BP/EP) Quinine DiHydrochloride (USP/BP/EP)	Difloxacin Base Difloxacin Hydrochloride Difloxacin Lactate (under development)
Ofloxacin Base Ofloxacin Hydrochloride Ofloxacin Lactate (under development)	Sarafloxacin Base Sarafloxacin Hydrochloride Sarafloxacin Lactate (under development)
Levofloxacin Hemihydrate Levofloxacin Hydrochloride	
Norfloxacin Base (under development) Norfloxacin Hydrochloride (under development) Norfloxacin Nicotinate (under development)	

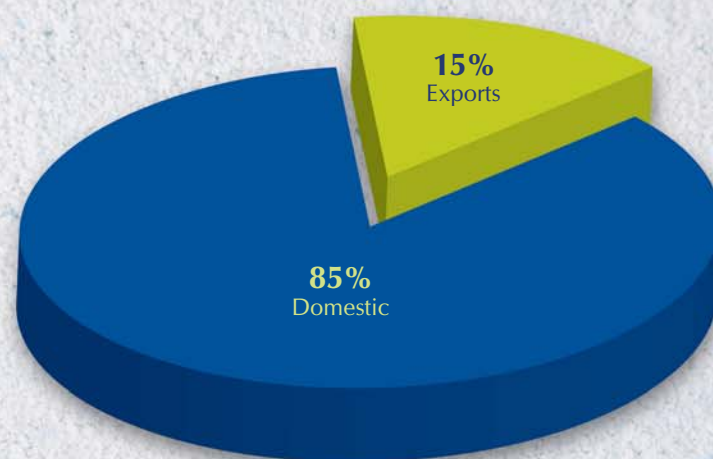


The Company believes that enhancing its product portfolio is the key to success thus over the years Hiran plans to add various new products thereby increasing it revenues by manifolds in span of five years.

Focusing on key markets

To grow at an exponential rate, a Company has to chalk out a multi-pronged growth strategy. This means that in addition to broad basing product offerings, increasing presence over existing and new therapeutic and foraying into niche areas, it is also imperative to identify new fast growing markets for the Company's products and concurrently increase presence in existing markets.

The Company's revenue mix is as follows:



The strong domestic demand for the Company's products is on account of undisputed quality at cost effective rates has resulted in repeat orders from some of the most prestigious names in the pharmaceutical industry.

At Hiran, quality is always the result of sincere efforts, intelligent direction and skillful execution. To be competitive, Hiran fully appreciates that it needs to provide a product, in which quality is designed, built and consistently maintained at the most economical costs. Thus, the quality team begins to contribute towards the product right from the development stage. And to ensure quality control measures, at every stage Hiran has put in place a well-equipped quality control department which is responsible for a detailed quality check of each and every batch thereby ensuring that the customer receives product of the highest quality.

Hiran possesses GMP compliance and follows ICH guidelines with regards to quality at its multi-functional API manufacturing facility, which helps optimize production costs with speed and accuracy.

On account of high quality products, the Company has also made in-roads in the global markets. It has established its presence in as many as 55 countries by adhering to the stringent regulatory compliances.

Over the years, Hiran has established its presence the following countries:

Albania, Argentina, Austria, Bangladesh, Belarus, Bosnia, Brazil, Bulgaria, Chile, Colombia, Dubai, Egypt, France, Germany, Hongkong, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kenya, Korea, Macedonia, Malaysia, Mexico, Montenegro, Netherlands, Nepal, Nigeria, Pakistan, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russia, Serbia, Singapore, South Africa, Spain, Sudan, Switzerland, Syria, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Uganda, Venezuela, Vietnam, Yemen, Yugoslavia

Going ahead, the Company's would continue its focus on the domestic market coupled with expanding its horizon in the regulated markets through ActGen Pharma.

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of **HIRAN ORGOCHEM LIMITED** will be held on Saturday, 31st July, 2010 at 'Goregaon Sports Club', Link Road, Malad (West), Mumbai - 400 064 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010 and Balance Sheet as on that date alongwith the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. H. N Bafna who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mukesh Naik who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Naresh K. Hiran who was appointed as an Additional Director of the Company on 31st October, 2009 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company and who vacate his office at the ensuing Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the said Act, along with necessary deposit from a shareholder proposing the candidature of Mr. Naresh K. Hiran as a Director of the Company, be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT as per the recommendation of Remuneration Committee and pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule

XIII to the said Act and subject to the approval(s) of such authorities and agencies as may be applicable in this regard, the consent of the Company be and is hereby accorded for appointment of Mr. Naresh K. Hiran as Whole Time Director designated as Director - International Business of the Company subject to such terms and conditions including the tenure and payment of remuneration including perquisites, as under:

- (a) **Tenure:** The tenure of Mr. Naresh K. Hiran, Whole Time Director designated as Director - International Business of the Company shall be for a period of three years with effect from 1st November, 2009 i.e. for the period from 1st November, 2009 to 31st October, 2012.
- (b) **Remuneration:** Mr. Naresh K. Hiran, Whole Time Director shall be paid consolidated remuneration including perquisites not exceeding Rs. 1.25 Lakhs per month, the aggregate of which for any financial year during the currency of the tenure of the said Whole Time Director, shall not exceed the limit of remuneration payable to a managerial person as per Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Section I of Part II of Schedule XIII to the said Act or where in any financial year, the Company has no profits or inadequate profits, as per Section II of Part II of the said Schedule XIII (including any re-enactment or modification thereof) and based on the prevailing Effective Capital of the Company from time to time, subject to compliance with the requirements and conditions thereof.”

“RESOLVED FURTHER THAT in case the aggregate remuneration including perquisites as aforesaid for any financial year during the tenure of Mr. Naresh K. Hiran, Whole Time Director, exceeds the limits of Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Section I of Part II of Schedule XIII to the said Act or Section II of Part II of the said Schedule XIII to the said Act based on the prevailing Effective Capital of the Company from time to time, the Company do make payment of such remuneration to Mr. Naresh K. Hiran, Whole Time Director subject to the prior approval of the Central Government and such other authorities as may be necessary in this regard.”

“RESOLVED FURTHER THAT Mr. Kantilal M. Hiran or such Director (other than Mr. Naresh K. Hiran) as may be decided in this regard by the Company from time to time, be and is hereby authorized to determine, vary, abrogate and modify within the overall limit of remuneration as per Sections 198, 309 and other applicable provisions, if any, of

the Companies Act, 1956 read with Section I of Part II of Schedule XIII to the said Act or Section II of Part II of the said Schedule XIII to the said Act, the rate, terms and conditions of the above mentioned remuneration or any constituent thereof, payable to Mr. Naresh K. Hiran, Whole Time Director."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT as per the recommendation of Remuneration Committee and pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII to the Companies Act, 1956 and subject to such approvals as may be necessary, the consent of the Company be and is hereby accorded for re-appointment of Mr. Kantilal M. Hiran as the Chairman and Managing Director of the Company for a period of three years with effect from 1st June, 2010 upon the terms and subject to the conditions as set out hereunder, with further liberty to the Board of Directors of the Company to alter and vary the said terms and conditions, in such manner as may be agreed to between the Directors and Mr. Kantilal M. Hiran but subject to the provisions contained in Schedule XIII to the Companies Act, 1956, as amended from time to time.

The Remuneration is payable by way of Salary and Perquisites as detailed below:

1. Salary: Rs. 2,00,000/- per month.
2. Contribution towards premium for Key Man Insurance Policy not exceeding Rs. 5 Lacs per annum.
3. Contribution to Provident Fund, Superannuation Fund or Annuity Fund. This will not be included in computation of the ceiling on the perquisites to the extent these either singly or together are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half-a-month salary for each completed year of service.
4. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on the perquisites.
5. Provision of car for use on Company's business and telephone at residence. This will not be considered as a perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profits in any financial year, the remuneration payable to the Chairman and Managing Director shall be governed by Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof and the same shall be treated as the Minimum Remuneration payable to the said Chairman and Managing Director.

RESOLVED FURTHER THAT during such time as Mr. Kantilal M. Hiran holds and continues to hold office of the Chairman and Managing Director, he shall not be liable to retire by rotation as a Director.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such actions and do all such things as may be necessary or desirable to give effect to this resolution."

FOR AND ON BEHALF OF THE BOARD

KANTILAL M. HIRAN
CHAIRMAN & MANAGING DIRECTOR

PLACE: MUMBAI
DATED: 29TH MAY, 2010

REGISTERED OFFICE:
Palm Court, M Block,
601/A1, Link Road,
Malad (W), Mumbai- 400 064